



# Investment Opportunity in India

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**Managing Director & CEO**

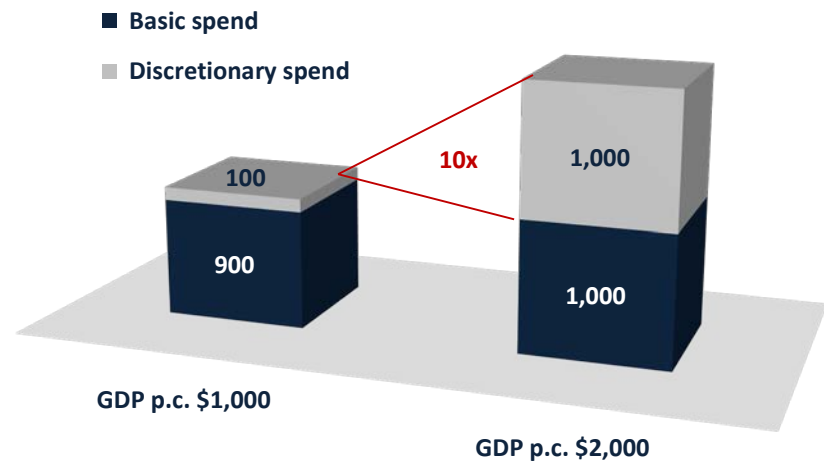
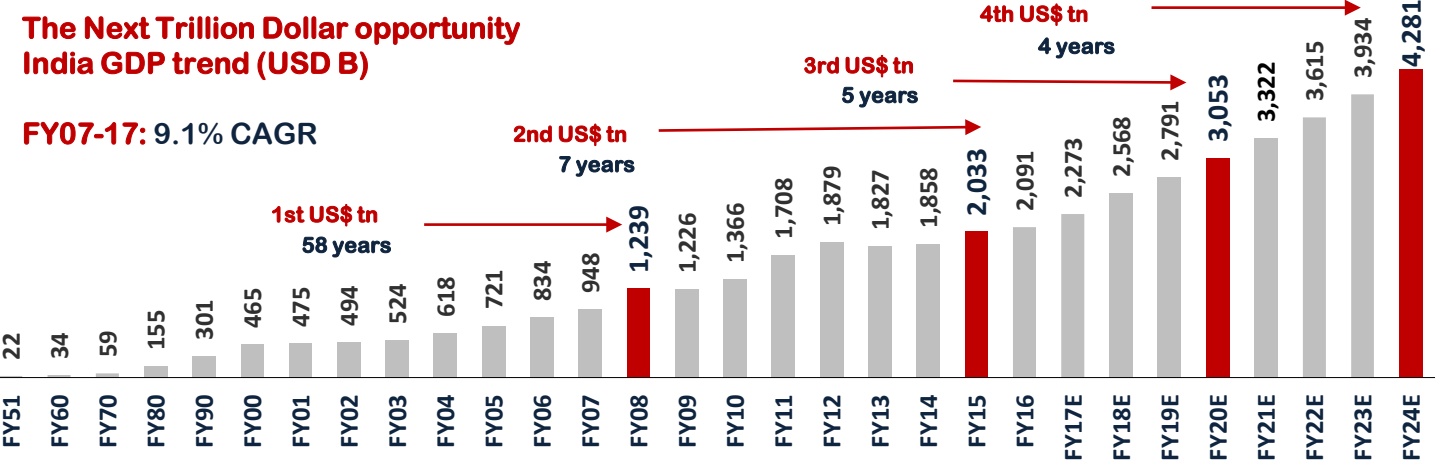
- **Secular growth opportunities in India...**
- **Current Scenario...**
- **Why Motilal Oswal...**

# Investment Opportunity

## Next Trillion Dollar Opportunity

Linear growth, exponential opportunity

With growth in per capita GDP, discretionary spend grows exponentially



India's current GDP per capita income ~\$1630

# Long-term themes that will shape the Indian economy...sectors that benefit

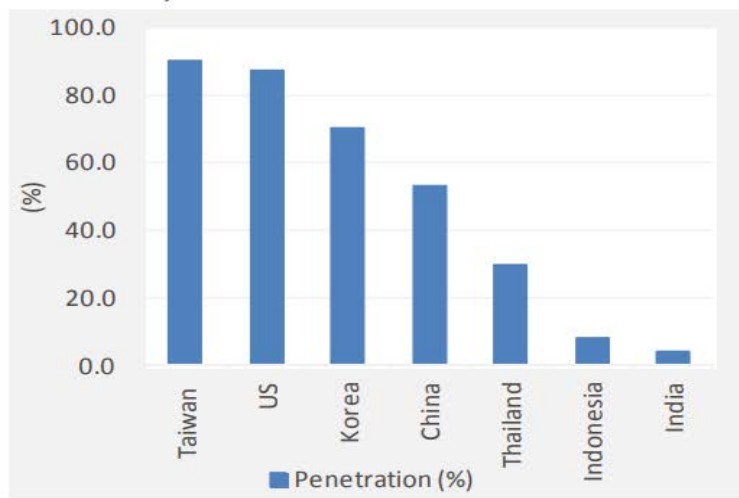
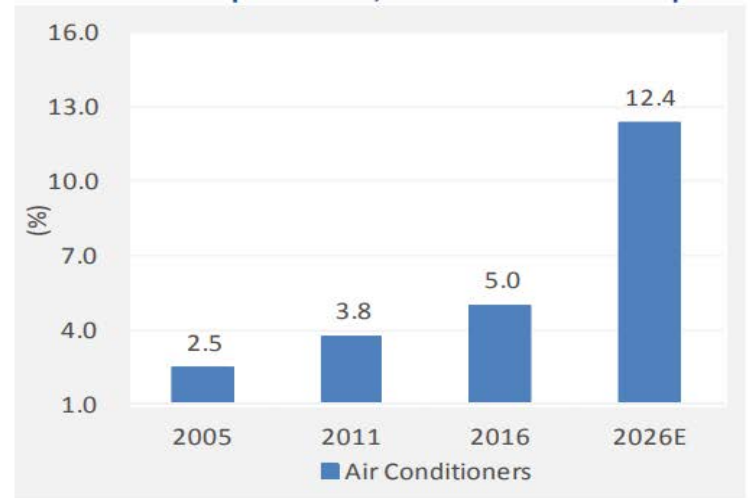
Consumption		
Demographics	Consumer leveraging	Financialization
Favourable demographics, rising income levels, urbanization will lead to higher penetration of various goods and services	Households to increase debt levels for consumption led by easy availability of retail finance	Financial savings should increase on account of high real interest rate and growing financial inclusion
Key beneficiaries: Consumer businesses (durable and non-durable), retail banking, financial saving companies	Key beneficiaries: Automobiles, retail banks, NBFCs, consumer durables	Key beneficiaries: Banks, NBFCs, insurance companies and mutual funds

## India in context of the World

	Current Position	F2027E Position
GDP	Ranks 7th on the basis of nominal GDP	3rd largest based on nominal GDP
Market Cap (Overall)	Ranks among the top 10 market caps globally, market cap to GDP @ 86%	Top 5 market caps, market cap to GDP @ 101%
Market Cap (Financials)	Market cap to GDP at 15% vs. 22% for G-7 countries	At US\$1.8 trillion, market cap to GDP at 31%
eCommerce	Among bottom quartile of the top 15 eCommerce markets globally	Within top quartile of the current list of top 15 eCommerce markets

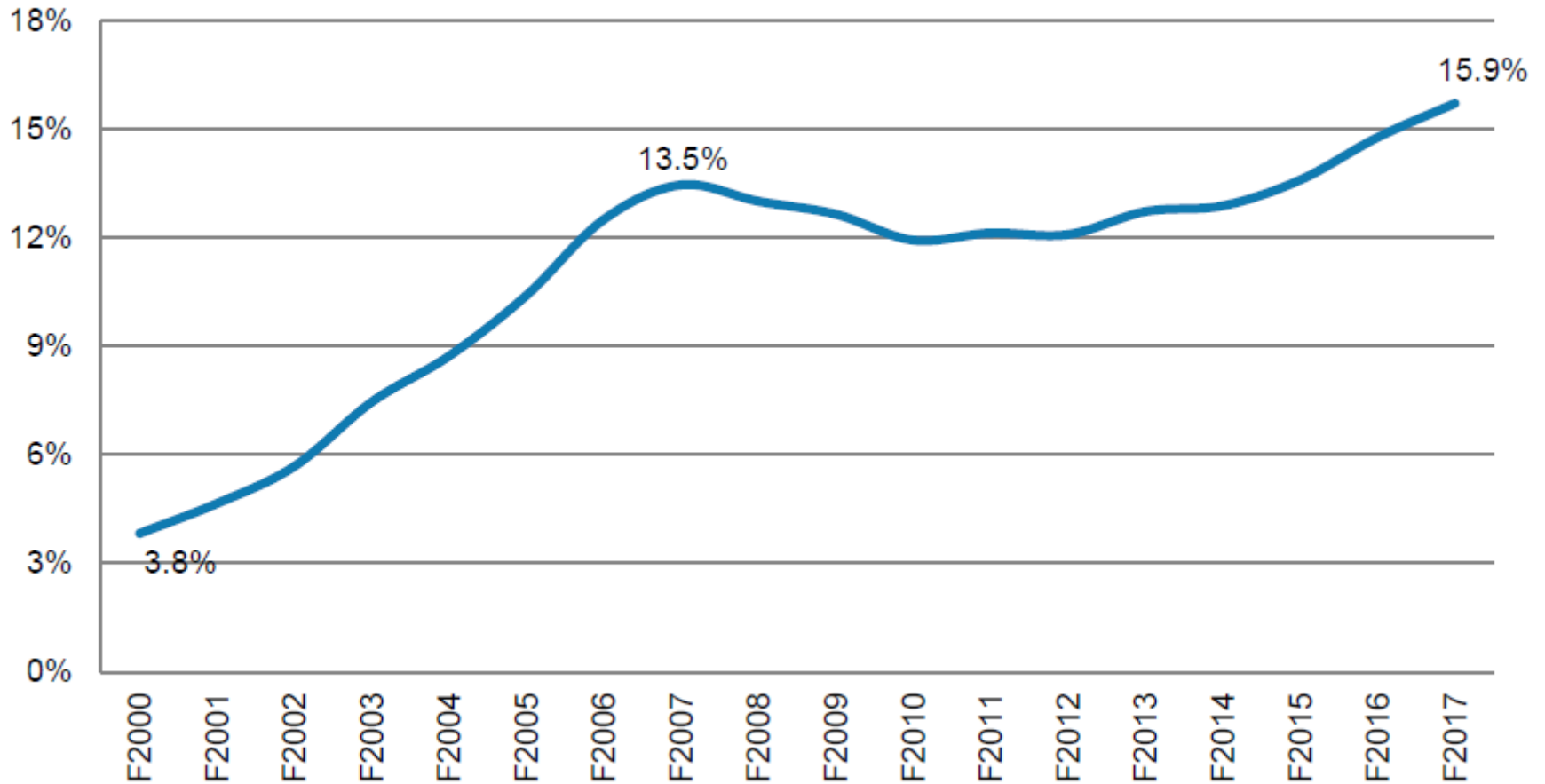
Source: Bloomberg, RBI, IMF, Morgan Stanley Research (E) estimates

E.g. India AirConditioners' Penetration, low at ~5% in FY 17 compared to other countries



Source: Industry, Edelweiss research

## Consumer Loans to GDP



Source: RBI, NHB (National Housing Board), Company Data, Morgan Stanley Research Estimates

# Investment Opportunity

## Exhibit 1:

India in F2027: The Power of Compounding Is Likely to Be Seen Across the Economy and Markets

GDP	<ul style="list-style-type: none"><li>• Nominal GDP US\$6.0 trn; F2017-27 CAGR ~10%</li><li>• India to achieve upper-middle income status by F2027; GNI Per Capita to rise from US\$1,702 in F2017 to US\$4,135</li></ul>
Total Loans	<ul style="list-style-type: none"><li>• 78% of GDP vs. 67% in F2017</li><li>• 10Y CAGR at ~12% (US\$ terms), driven by MSME and consumer lending</li></ul>
Mutual Funds AUM	<ul style="list-style-type: none"><li>• US\$1.9trn; 10Y CAGR at ~22% CAGR</li><li>• Pickup in domestic financial savings; DREAM factors</li></ul>
Insurance Premiums	<ul style="list-style-type: none"><li>• Life insurance - US\$185bn; 10Y CAGR at ~12%; Penetration to improve to 3.1% from 2.7%</li><li>• Non-Life insurance - US\$59bn; 10Y CAGR at ~13%; Penetration to improve to 1.0% from 0.8%</li></ul>
Digital Payments	<ul style="list-style-type: none"><li>• Overall digital penetration to move from 5% of GDP to ~20% in 10Y.</li><li>• Share of new infrastructure – UPI, wallets and Rupay cards in digital payments to rise from 15% to ~70% in next 10Y</li></ul>
E-Commerce	<ul style="list-style-type: none"><li>• eCommerce grows to ~US\$200bn; 10Y CAGR at ~30%</li><li>• Led by rising and more mature Internet population, improving payment infrastructure, and credit availability to suppliers</li></ul>
Market Turnover (Cash)	<ul style="list-style-type: none"><li>• ~15% CAGR over the next 10Y.</li><li>• Turnover/Market Cap to rise from ~55% to 75% in next 10Y</li></ul>
Market Cap (Financials)	<ul style="list-style-type: none"><li>• Grow to US\$1.8trn by F2027E; ~4x from current levels</li><li>• Earnings growth + new listings</li></ul>
Market Cap (Overall)	<ul style="list-style-type: none"><li>• US\$6.1trn; 10Y CAGR at 11%</li><li>• Sensex at 100,000; ~10Y CAGR at 12%</li><li>• Earnings growth + multiple expansion</li></ul>

Source: RBI (Reserve Bank of India), NHB (National Housing Board), IRDA (Insurance Regulatory and Development Authority), CEIC, AMFI, NPCI, NSE, BSE, Bloomberg, Morgan Stanley Research (E) estimates

# Higher savings and investment

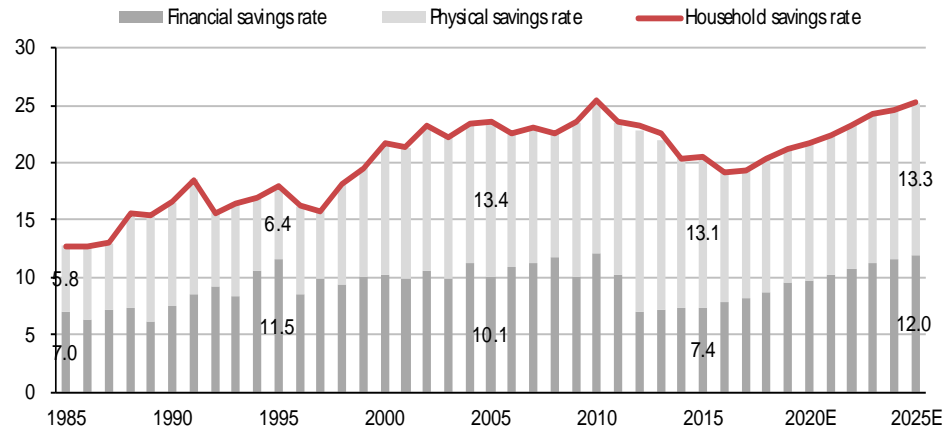
We expect India's domestic national savings rate and household financial savings to rise rapidly as a proportion of GDP (proportion of GDP), March fiscal year-ends, 2011-25E (%)

Estimates of savings rates

	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Household (incl. gold savings)	23.5	22.8	21.9	20.3	20.5	19.2	19.4	20.4	21.2	21.7	22.4	23.3	24.2	24.6	25.2
Household physical savings	13.2	15.8	14.8	12.9	13.1	11.2	11.2	11.7	11.7	11.9	12.2	12.5	13.0	12.9	13.3
- Savings in gold	2.1	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.4	0.4	0.3
Household financial savings	10.3	7.0	7.1	7.4	7.4	7.9	8.2	8.7	9.5	9.8	10.2	10.8	11.2	11.7	12.0
Public savings	2.6	1.5	1.4	1.0	0.9	1.3	1.9	2.0	2.2	2.2	2.2	2.4	2.6	2.7	3.0
Private corporate savings	8.0	9.2	9.8	10.7	11.7	11.9	11.7	11.7	11.5	11.4	11.4	11.4	11.5	11.6	11.7
Domestic savings rate	34.0	33.5	33.2	32.1	33.1	32.3	33.1	34.2	35.0	35.3	36.0	37.1	38.4	38.9	40.0

Financial savings rate to rise over the next few years

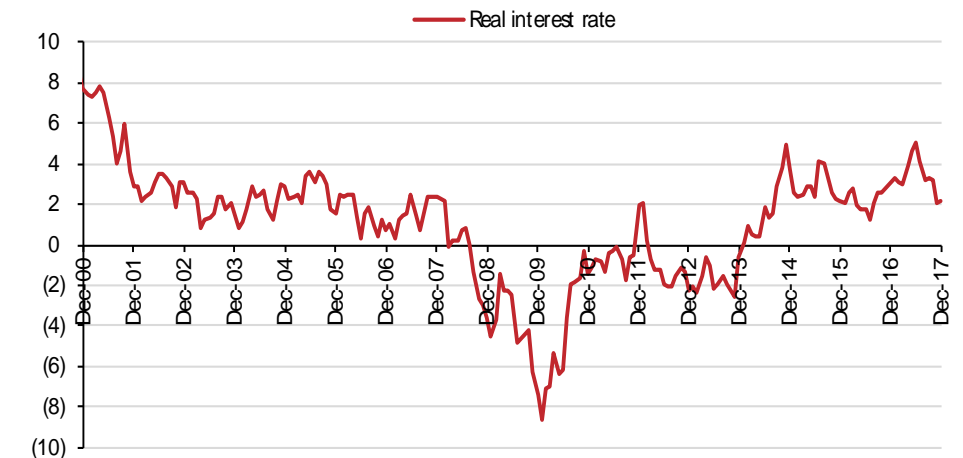
Trend in household, financial and physical savings as proportion of GDP, March fiscal year-ends, 1985-2025E (%)



Real interest rate has become positive over the last couple of years

Trend in 10-year G-sec yield adjusted for CPI inflation (%)

Trend





# Robust outlook for domestic consumption

- **Multi-year consumption theme due to population growth and favorable demographics**
  - **Powerful drivers: Favorable demographics, growing economic maturity, liberalization**
  - **Rising consumer affordability led by rising income levels, employment creation**
  - **Niche to mass markets as income levels rise across all segments, particularly for low-income households**
- **Urbanization: Driven by GDP mix, nuclear families and improved education levels**

## India's virtuous consumer dynamics

### 3X3 matrix of catalysts, stories, beneficiaries

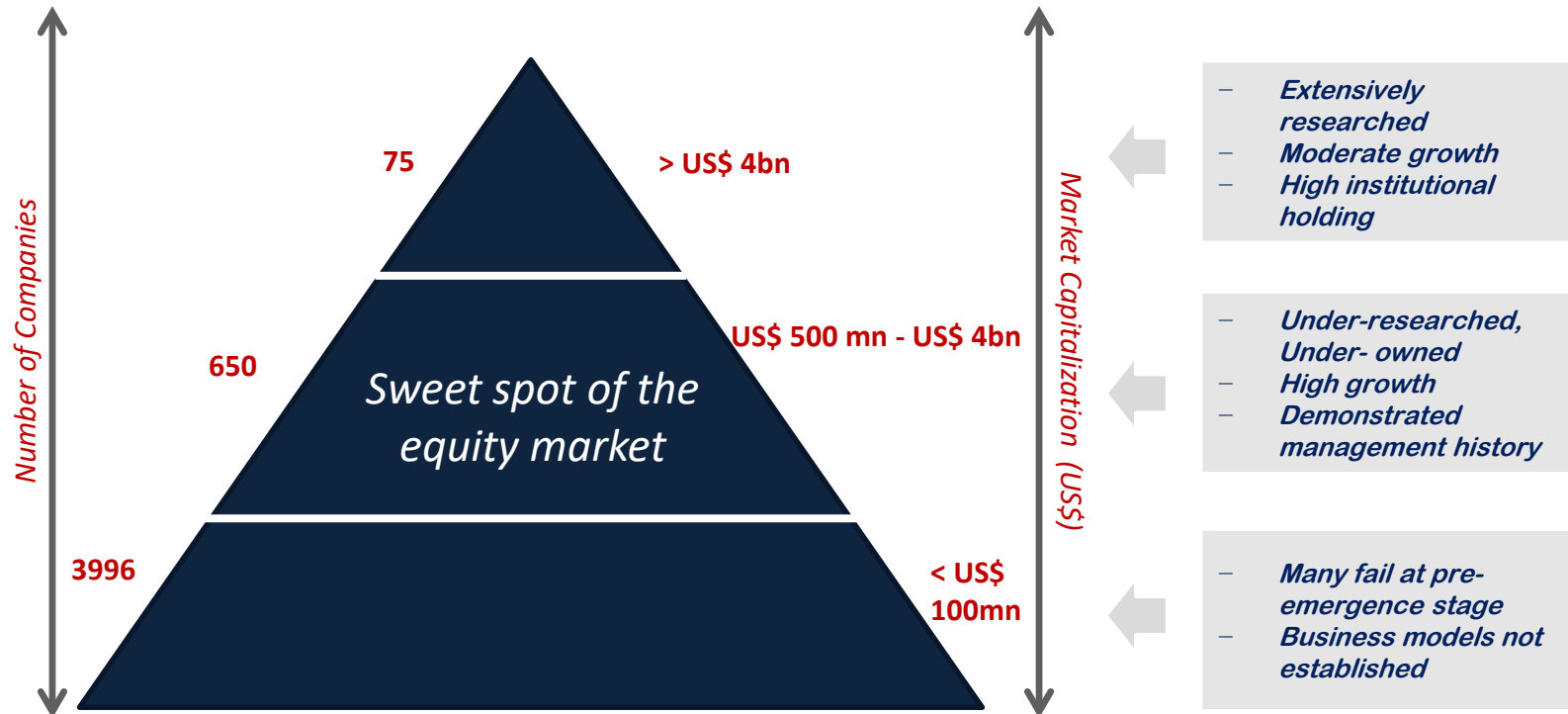
	Stories/Catalysts	Rising consumer affordability	Urbanization	Rural demand
Economic evolution	Growing economic maturity	Autos, banks, consumers	Cement, construction, consumers, media, real estate, retail	2Ws, consumers, logistics
Policy stimulus	Economic liberalization	Consumers, real estate, retail	Banks, consumers, construction, real estate, retail	2Ws, consumers, cement
Natural evolution	Favorable demographics	Autos, consumers, insurance, textiles	Cement, consumers, real estate	Consumers

- **Mr Modi's government to get second term; not without a tough contest and possibly reduced strength**
- **Markets have gained but they are not as irrational as made out to be – disappointments have caused sharp corrections in 2015 and 2016**
- **In 2017 markets climbed a wall of worry; gaining economic as well as corporate strength has caused a rebound**
- **Upmove likely to continue another 12-18 months at least – the bullishness has fired up the financial markets since 1 year, real markets are showing serious traction since last 3 months**
- **Continued political stability may give a fresh leg up in 2019**
- **Risk profile and breadth doesn't permit narrow universes or cyclical bets; participate via multicap portfolios with a select sector approach**

## Multi-cap Equity Opportunity

We believe that USD 500 Mn – 4 Bn market cap is the sweet spot for Indian Equities

They provide excellent balance between strong growth and a demonstrated history of management success

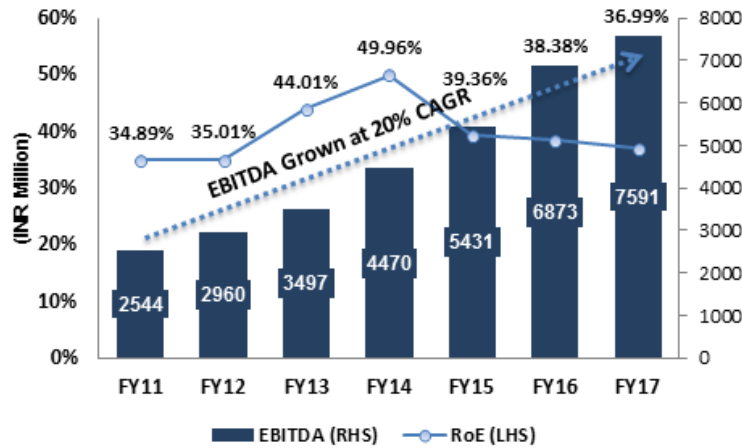


# What works...select sector...top of midcap...absolute growth...

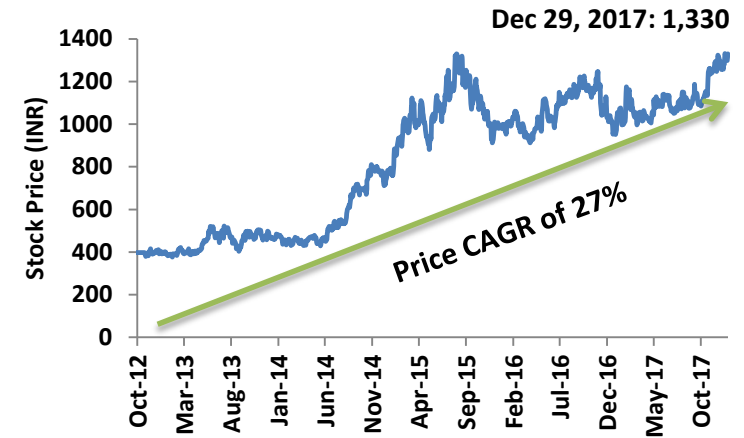
## Focus on Earnings Growth

Stock prices are slaves of earnings. Over the long-term, stock prices typically follow a trajectory similar to the earnings growth of a company.

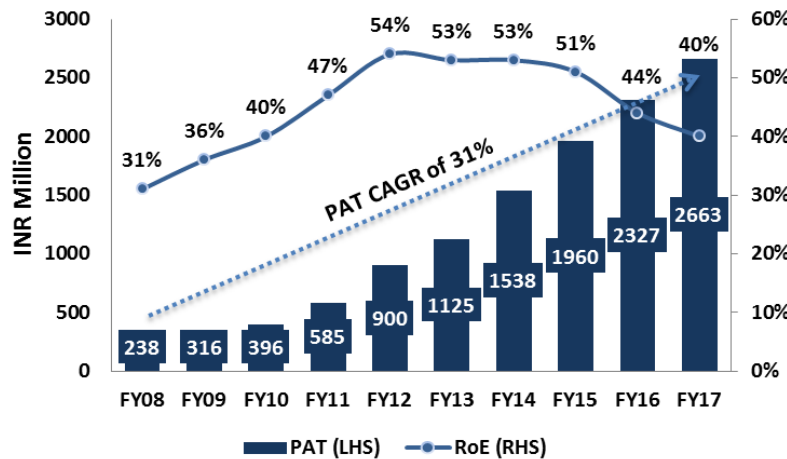
### Emami's Robust Earnings Growth Over The Years



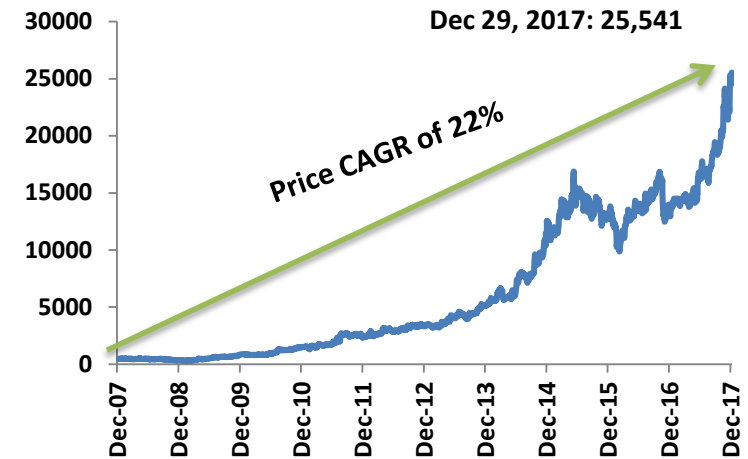
### Emami Stock Price Movement



### Page Industries Earnings Growth Over The Years



### Page Industries Stock Price Movement



# What works...select sector...top of midcap...absolute growth...

**Investing in the sweet spot market cap and holding them for long periods**

**We continue to hold high conviction on holdings, despite a long holding period and strong price CAGR growth**

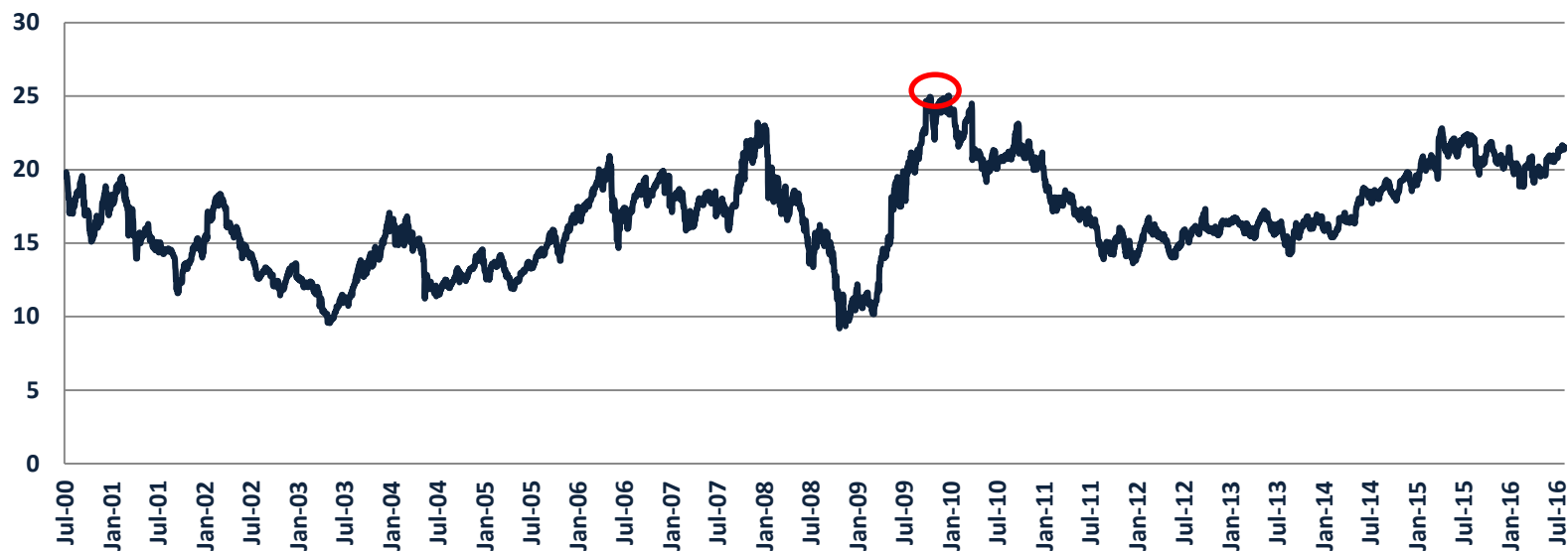
Portfolio Holdings	Date of Buying	Market Cap \$ Mn	Current	Market Cap \$ Mn	CAGR (%)
Bajaj Finance	8/20/2010	498	12/29/2017	15860	60
Eicher Motors	8/26/2010	686	12/29/2017	12942	49
Page Industries	12/20/2007	126	12/29/2017	4462	43
GlaxoSmithkline Consumer	2/24/2009	514	12/29/2017	4306	27
City Union Bank	12/26/2012	521	12/29/2017	1868	29
Emami	10/25/2012	1623	12/29/2017	4728	23
Max Financial Services	9/23/2009	909	12/29/2017	2490	13
Bosch	12/18/2007	3932	12/29/2017	9639	9

## India Valuation

Nifty 50 index  
PE multiple  
chart

Valuation  
trend of India  
over the last  
17 years

India valuation trend



Highest India P/E over last 16 years is 25x (Dec 29, 2009)

Performance of Strategy from Past P/E Peak :

	3 year return (USD%)	5 year return (USD%)	To December 31, 2017 (USD %)
NTDOP	9.5	17.7	20.2
MSCI India Index	(1.4)	2.6	4.9

\*Note:- Performance is calculated from December 31, 2009

\*Note: MSCI India Index: MSCI Total Returns Index; Bloomberg code : MXIN\_TOT

# What works...select sector...top of midcap...absolute growth...

**Next Trillion Dollar Opportunity (NTDOP)**

**Inception Date  
December 11, 2007**

**Portfolio Manager  
Manish Sonthalia**

**AUM - USD 1.2 Bn**

## Absolute Returns (3 year monthly rolling return periods)

Return Range (USD %)	NTDOP		MSCI India Index	
	Periods	% in Range	Periods	% in Range
> 20	48	56	5	6
> 15 and ≤ 20	4	5	2	2
> 10 and ≤ 15	12	14	10	12
> 5 and ≤ 10	10	12	22	26
≤ 5	12	14	47	55

**NTDOP averaged a 19.9% annualized USD return across all 86 instances of 3-year rolling return periods (Vs. MSCI India at 4.6%)**

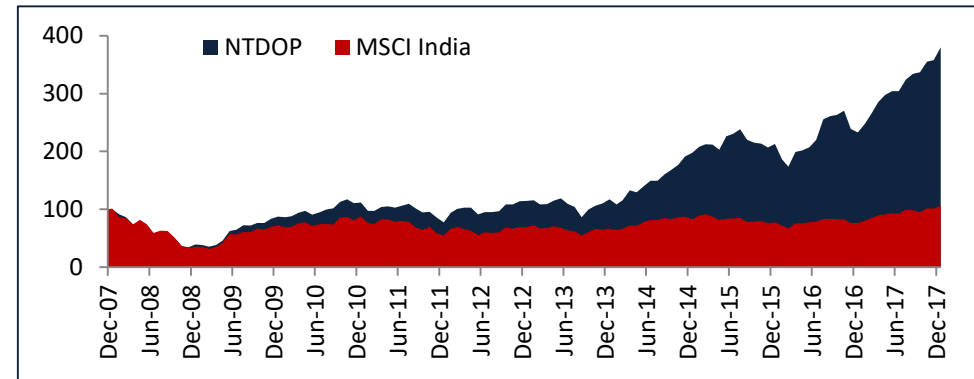
## Risk Ratio's

	Std Dev	Alpha	Beta	Sharpe Ratio	Downside Deviation	Tracking Error	R2	Sortino Ratio
NTDOP	29.2	12.6	0.9	0.3	6.8	11.9	84.2	0.6
MSCI India	29.7	0.0	1.0	(0.2)	0.0	0.0	100	(0.1)

## Performance Returns

	NTDOP	MSCI India
<b>3 Years</b>	24.3%	8.7%
<b>5 Years</b>	27.1%	8.9%
<b>Since inception</b>	14.2%	0.5%

*\*As of December 31, 2017*



## About Us

### **Boutique India Manager**

- An India long-only equity manager, with over \$5.5 Bn AUM with a 15 year track record
- Founded by Raamdeo Agrawal, one of India's well known investing minds
- Part of the Motilal Oswal Group, synonymous with equity prowess, research depth & trust

### **Investment Opportunity**

- Concentrated investments in focussed themes that form part of India's Next Trillion Dollar GDP Opportunity
- A focus on quality companies with significant growth potential, over a sustained period of time

### **Investing Framework**

- Investment Philosophy (QGLP), framed out of 22 years of wealth creation studies by the co-founder
- Focus on real returns over 3-5 years, through a concentrated portfolio of 15- 25 stocks, with minimal turnover
- Multi-cap orientation, with an entry stock market capitalization of USD 500 Mn – USD 4 Bn

### **Experienced Team & Strong Track Record**

- Investment Team headed by Raamdeo, with close to 4 decades of investing experience
- Portfolio Manager has 26 years experience including 12 years with the Motilal Oswal Group
- Managing an identical onshore strategy (NTDOP) since 2007, with an AUM of over USD 1.2 Bn
- Average annualized USD performance – 19.9% (across all 3 year rolling return periods, since inception)

### **Sponsor Commitment**

- Co-founders have invested ~ USD 416 Mn of their personal capital into India-domiciled strategies that follow an identical QGLP investment framework





**Thank You**

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