

Your key to

India's Next Trillion Dollar of GDP Growth



**MOST
NEXT**
Trillion Dollar
Opportunity Strategy
September 2015



India's Next Trillion Dollar Opportunity (NTDOP)



Small and Mid Cap (SMID) Market Opportunity



Why Motilal Oswal PMS?



Strategy Details

The Next Trillion Dollar Opportunity (NTDOP)

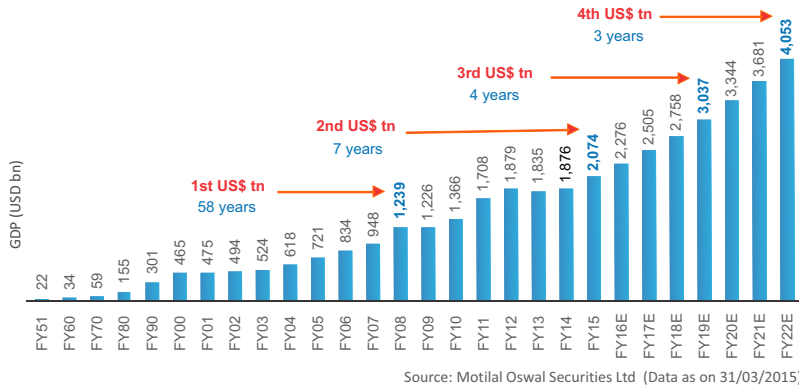


Trillion Dollar GDP



Rising discretionary spending

Trillion Dollar GDP



- India has joined the club of countries with a Trillion Dollar GDP in FY08
- It took our GDP almost 60 years to reach 1st US \$ trillion; but only 7 years to reach the 2nd US \$ trillion.
- GDP is expected to reach next US \$ trillions in faster successions.
- Overall robust service sector enabled by strong GDP growth
- Service sector driven by rapid productivity improvement is expected to lead future GDP growth
- Due to sustained growth in consumer income, manufacturing sector to be a key growth driver
- Dependency on agriculture is expected to reduce as witnessed in developed countries
- Higher contribution of service sector in GDP would reduce the volatility in GDP growth

Contributors In GDP	FY77	FY87	FY97	FY11	FY13
Agriculture	37%	31%	26%	14%	14%
Manufacturing	25%	26%	28%	28%	28%
Services	36%	42%	46%	57%	59%

Source: Motilal Oswal Securities Ltd (Data as on 31/03/2014)

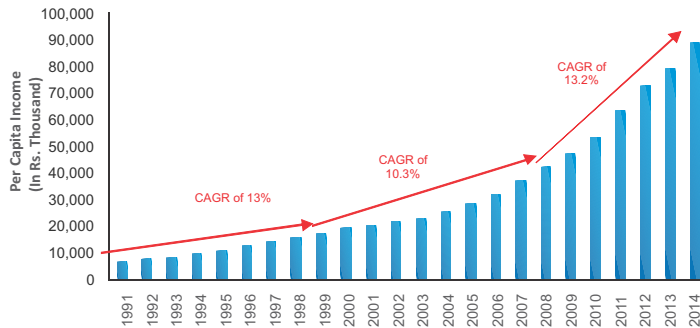
Above forward-looking graphs/statements are based on external current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Rising Discretionary Spending

Discretionary spending is expected to increase disproportionately going forward

Discretionary spending will rise from 52% in 2005 to 70% in 2025

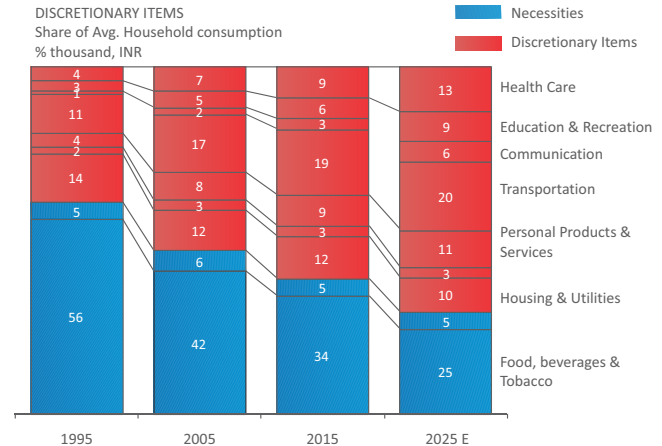
Per Capita GDP



Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

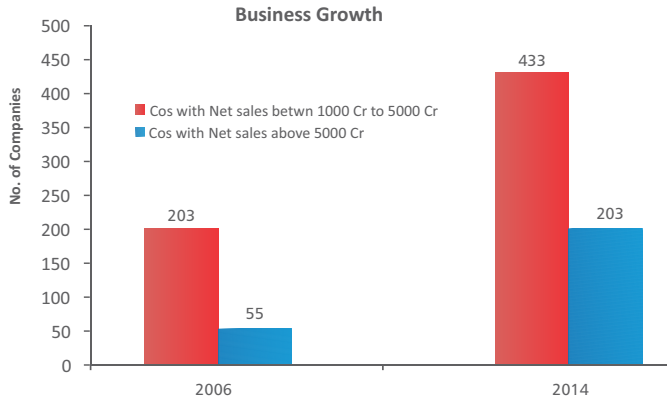
- Per capita GDP has grown to Rs. 89,266 in 2013 from Rs. 42,456 in 2007
- Higher per capita GDP to increase disposable income

DISCRETIONARY ITEMS
Share of Avg. Household consumption
% thousand, INR



Above forward-looking graphs/statements are based on external current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results.

The Small And Mid Cap Opportunity



- Companies with net sales over Rs. 5000 Crs. have increased by ~4 times from 2006 to 2014
- Companies with net sales of Rs. 1000 Crs. to Rs. 5000 Crs. have increased by ~2 times from 2006 to 2014

Market Capitalisation	No. of Companies	
	2007	2015
<1000 Cr.	2361	3086
1000 Cr. - 5000 Cr.	247	343
5000 Cr. - 10000 Cr.	43	97
>10000 Cr.	61	161
Total	2712	3687


Source : Capitaline

- Small and Mid Cap companies of 2006 have transformed into today's Large Cap companies
- Number of Large Cap companies (> Rs. 10000 Crs.) have virtually doubled since 2006

Characteristics Of Mid Cap Market



Larger stock universe



Relatively under owned and under-researched companies



Fewer business lines and focussed businesses



Attractive valuation as compared to large caps

Why Motilal Oswal PMS?

Amongst India's leading PMS providers, with Assets under Management of approx Rs. 4,510 Crores.

NTDOP Strategy has consistently outperformed the benchmark across market cycles over last 7 years.

Overall PMS track record of over 12 years since its inception in 2003.

Motilal Oswal PMS has active clients in 138 different cities right from Agra to Vijaywada; a testimony of strong acceptance of our PMS across the length and breadth of the country.

Data as on 31st August 2015

Investments in Securities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the strategies of the Portfolio Management Services (PMS) will be achieved. Investors in the PMS Product are not being offered any guaranteed/assured returns. Past performance of the portfolio manager does not indicate the future performance for any of the strategies.


Next Trillion Dollar Opportunity Strategy



Strategy objective



“Buy Right : Sit Tight” investment philosophy



Strategy construct



Investment ideas



Stock selection process



Wealth creators



Investment style and timing




Portfolio holding




Performance snapshot

Strategy Objective



The Strategy aims to deliver superior returns by investing in stocks from sectors that can benefit from the Next Trillion Dollar GDP growth.



It aims to predominantly invest in Small and Mid Cap stocks with a focus on identifying potential winners that would participate in successive phases of GDP growth

Our Investment Philosophy – 'Buy Right : Sit Tight'

At Motilal Oswal Asset Management Company (MOAMC), our investment philosophy is centered on 'Buy Right: Sit Tight' principle.

Buy Right

QGLP

- **'Q'uality** denotes quality of the business and management
- **'G'rowth** denotes growth in earnings and sustained RoE
- **'L'ongevity** denotes longevity of the competitive advantage or economic moat of the business
- **'P'rice** denotes our approach of buying a good business for a fair price rather than buying a fair business for a good price

Sit Tight

- **Buy and Hold:** We are strictly buy and hold investors and believe that picking the right business needs skill and holding onto these businesses to enable our investors to benefit from the entire growth cycle needs even more skill.
- **Focus:** Our portfolios are high conviction portfolios with 20 to 25 stocks being our ideal number. We believe inadequate diversification but over-diversification results in diluting returns for our investors and adding market risk

Why 'Buy Right : Sit Tight' is significant?

Real wealth is created by riding out bulk of the growth curve of quality companies and not by trading in and out in response to buy, sell and hold recommendations.

This philosophy enables investor and manager alike to keep focus on the businesses they are holding rather than get distracted by movements in share prices.

An approach of buying high quality stocks and holding them for a long term wealth creation motive, results in drastic reduction of costs for the end investor.

While **BUY RIGHT** is largely the role of the portfolio manager, **SIT TIGHT** calls for involvement from the portfolio manager as well as investor. This brings in greater accountability from the manager and at the same time calls for better involvement and understanding from investor resulting in better education for the latter.

Long term multiplication of wealth is obtained only by holding on to the winners and deserting the losers.

Investment Universe

- Focus on Non-Nifty companies
- Market Cap range
 - > Rs 2500 Cr upto largest market cap constituent of CNX Midcap* - 75-100%
 - < Rs 2500 Crores - 0-25%

Allocation Limit

- Individual Stock Allocation Limit:
 - 10%^ for Midcaps &
 - 5% for Small Caps.
- Sector Allocation Limit:
 - 35% or as per benchmark

Stock Portfolio

- 15 to 20 stock
- Benchmark: CNX Midcap Index

*As on Mar 31, 2015, highest Market Capitalization in CNX Mid Cap is 89,506 Cr. This will be subject to change as per market movements. (source: NSE India),
^Not more than 10% for new stock introduced in the strategy.

Some themes that benefit from GDP Growth

Consumption

- Increasing consumer spending
- Retailing
- Consumer durables
- Passenger Vehicles
- Utility Services

Banking and Financial Services

- Beneficiary of high GDP growth and savings rate
- Banks
- Broking
- Insurance
- NBFCs

Infrastructure and Related Services

- Benefit from Government Spending
- Power
- Cement
- Capital Goods
- Construction
- Real Estate
- Engineering

These are illustrative in nature and can change from time to time based on the outlook of the portfolio manager.

Stock Selection Process

Meeting with company management
to understand business dynamics

Visit companies and worksites to evaluate
manufacturing process, quality of fixed
assets, ascertain entry barriers

Greater emphasis on corporate
governance, management track record,
capabilities for scale

Look out for business transitions, emerging
sectors and product innovations.



Prudent research process
with an eye on risks.

- Much success can be attributed to inactivity. Most investors cannot resist the temptation to constantly buy and sell.
- “We don’t get paid for activity, just for being right. As to how long we’ll wait, we’ll wait indefinitely.” - Warren Buffett
- “It was never my thinking that made the big money. It was always my sitting. Men who can be both right and sit tight are uncommon.” - Jesse Livermore

Stock	Purchase Date	Adjusted Purchase Price (INR)	Current Market Price (INR)	% Growth
			31-August-15	
Page Industries Ltd.	Dec-07	456.37	14,202.00	3012%
Bosch Ltd.	Dec-07	4863.98	23,210.45	377%
Emami Ltd.	Oct-12	292.28	1,192.00	308%
Bajaj Finance Ltd.	Aug-10	625.30	5,021.20	703%
Eicher Motors Ltd.	Aug-10	1173.60	19,014.80	1520%
GSK Consumer Healthcare Ltd.	Feb-11	2104.62	6,113.20	190%

Source: MOAMC

Please Note: The given stocks are part of portfolio of a model client of NTDOP Strategy as on 31st August 2015. The stocks forming part of the existing portfolio under NTDOP Strategy may or may not be bought for new client. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Name of the PMS Strategy does not in any manner indicate its future prospects and returns. The Company mentioned above is only for the purpose of explaining the concept and should not be construed as recommendations from MOAMC.

Investment Style and Timing

Buy undervalued stock and sell overvalued stock, irrespective of Index movements.

- The below mentioned table gives the performance of the stocks after exiting from the Strategy.

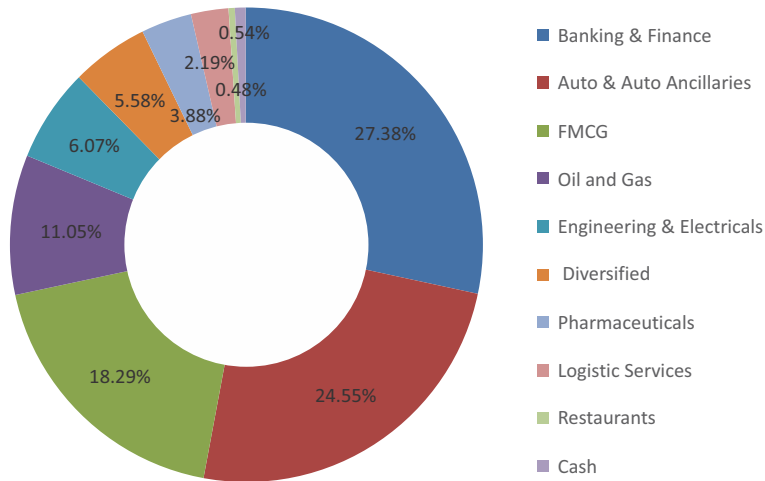
Scrip Name	Buy Date	Adjusted Buy Price (INR)	Sell Date	Adjusted Sell Price (INR)	Current Market Price* (INR)	Scrip Returns post selling	NTDOP Returns post selling	CNX Midcap Returns post selling
Ahluwalia Contracts India Limited	14-Dec-07	341.12	03-Jun-11	119.47	241.8	18%	32%	12%
Bharat Electronics Limited	03-Jul-08	972.91	19-Aug-10	1,729.46	3369.05	14%	26%	8%
Birla Corporation Limited	08-Jul-09	234.06	05-Feb-10	347.60	452.55	5%	27%	12%
Blue Star Limited	05-Aug-08	382.14	20-Sep-10	511.06	352.00	-7%	24%	7%
Jindal Steel & Power Limited	05-Mar-10	691.40	27-Apr-11	691.27	67.55	-41%	30%	11%

All returns are annualized

* Data as on 31st August 2015
Source: MOAMC

The Stocks mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact. It should not be construed as investment advice to any party. Past performance may or may not be sustained in future.

Sector Allocations



Top Holdings

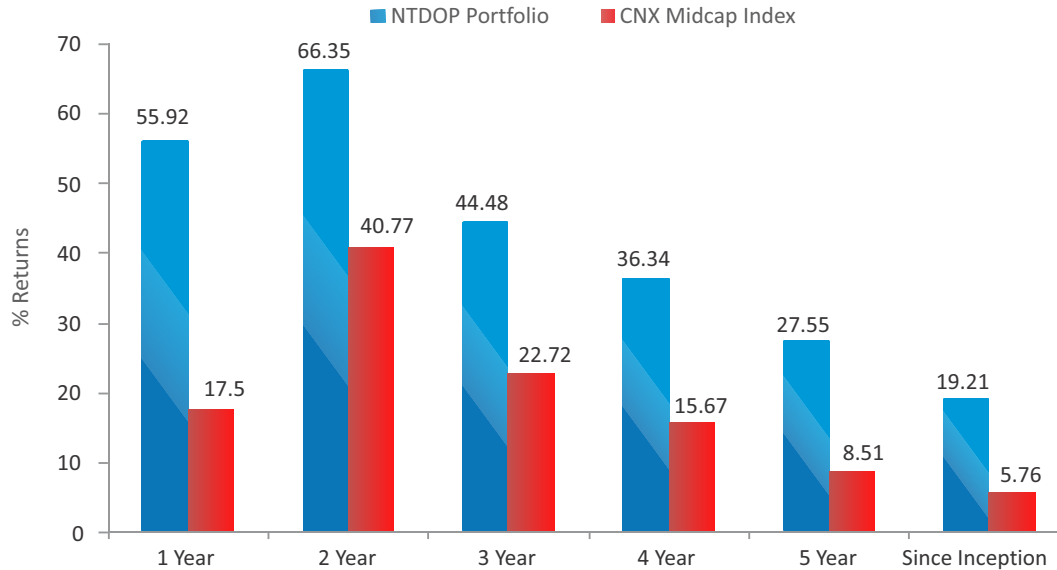
Scrip Name	%Holding [^]
Eicher Motors Ltd.	16.73
H P C Ltd.	11.05
Bajaj Finance Ltd.	9.73
Page Industries Ltd.	9.04
Bosch Ltd.	7.82
Voltas Ltd.	5.58
Max India Ltd.	5.26
Cummins India Ltd.	5.23

[^]Above 5%

Please Note: These stocks are a part of the existing NTDOP Strategy as on 31st August 2015. These Stocks may or may not be bought for new clients. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. The strategy may or may not have any present or future holdings in these stocks. The companies mentioned above are only for the purpose of explaining the concept and should not be construed as recommendations from MOAMC. .[^] Based as per the closing market prices on 31st August 2015

Performance Snapshot

- In last 1 year NTDOP has delivered 55.92% returns vs. CNX Midcap Index returns of 17.50% delivering an alpha of 38.42%
- Since Inception NTDOP has delivered an annualized alpha of 13.45%

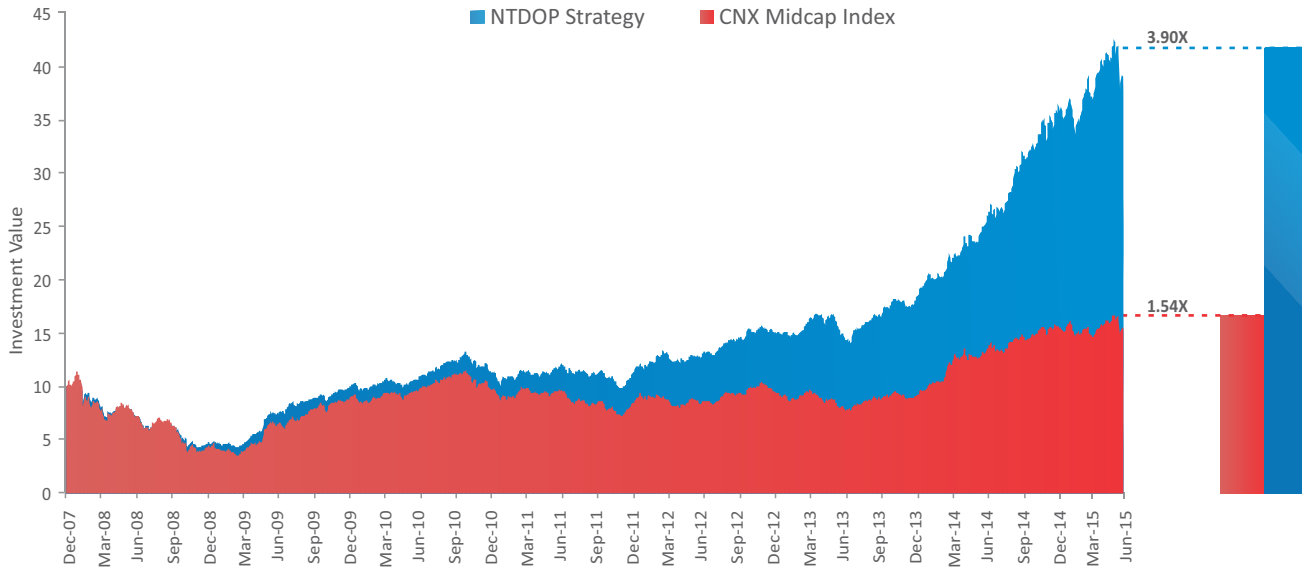


*Strategy Inception Date: 11/12/2007.

Please Note: The Above strategy returns are of a Model Client as on 31st August 2015. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns below 1 year are absolute and above 1 year are annualized. Strategy returns shown above are post fees & expenses.

Performance Since Inception

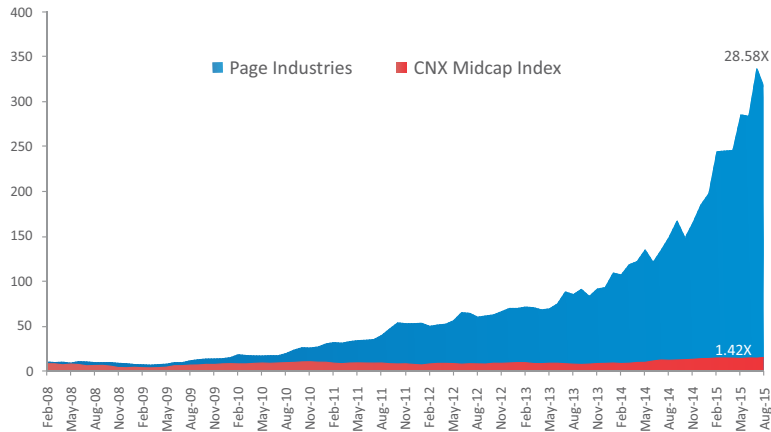
The chart below illustrates Rs. 1 crore invested in NTDOP Strategy in December 2007 is worth Rs. 3.90 cr as on 31st August 2015. For the same period Rs. 1 crore invested in CNX Midcap Index is now worth Rs. 1.54 cr.



Strategy Inception Date: 11/12/2007.

Please Note: The Above strategy returns are of a Model Client as on 31st August 2015. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns below 1 year are absolute and above 1 year are annualized. Strategy returns shown above are post fees & expenses.

Key Holdings - Page Industries



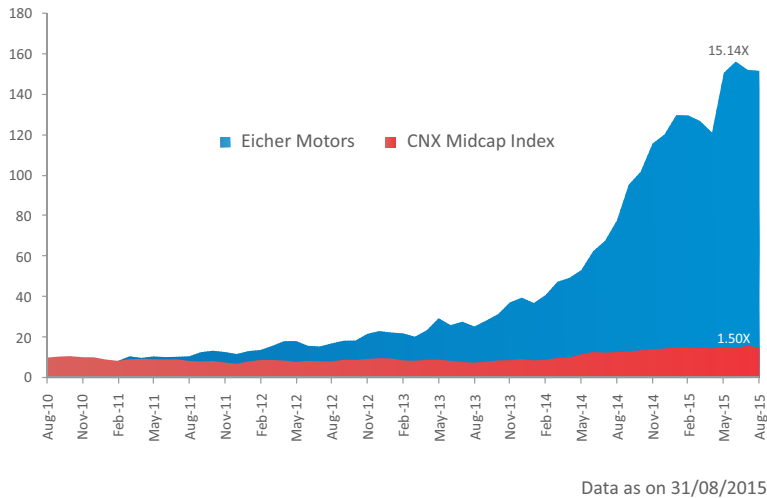
Data as on 31/08/2015

Source: Bloomberg/MOAMC. Both Page Industries and CNX Midcap Indexed to 10

- Exclusive manufacturing rights and franchisee of Jockey International in India. Strong play on the rapidly growing branded innerwear industry. To benefit from shifting consumer preferences driven by rising income levels and urbanization.
- Robust entry barriers with strong brand recall, well-oiled distribution and integrated manufacturing.
- Expected to grow at 25-30%. High dividend payouts and strong profitability to sustain premium valuations.
- In 2011 added Speedo swimwear and accessories as a brand to market and manufacture in India

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Key Holdings- Eicher Motors

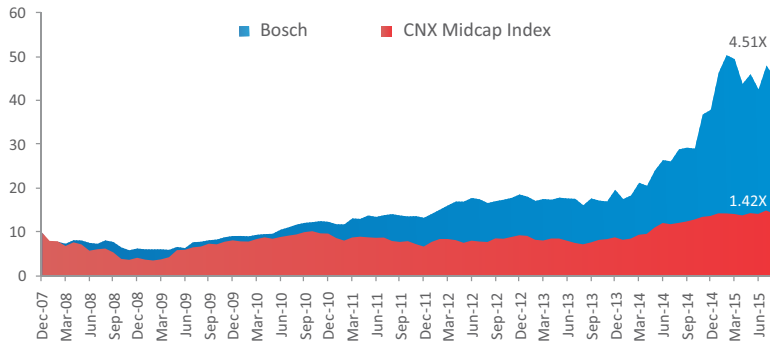


Source: Bloomberg/MOAMC. Both Eicher Motors and CNX Midcap Indexed to 10

- Eicher Motors Ltd (EML) is present in commercial vehicles, two wheelers and related components. It's a leader in cruise bikes in India and No.2 player in medium commercial vehicles.
- Royal Enfield - touted as the Indian Harley Davidson, it is the biggest beneficiary of this emerging leisure biking trend in India.
- Volvo Eicher alliance (VECV) can be a game changer for Eicher in the form of outsourcing opportunity in engines an expanding Eicher's footprint in heavy-duty CVS.
- VECV has exclusive rights for all Volvo's (current and future) CV related projects/products in India.

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Key Holdings- Bosch Limited



Data as on 31/08/2015

Source: Bloomberg/MOAMC. Both Bosch and CNX Midcap Indexed to 10

- Motor Industries Company (BOSCH), the flagship company of the Bosch group in India, is the country's largest manufacturer of diesel fuel injection equipment.
- BOSCH is a preferred supplier to most OEMs, currently enjoying around 65% market share in spark plugs and more than 85% market share in diesel fuel injection pumps.
- With the rise in petrol prices in India, Penetration of diesel engines in the passenger car segment has increased in the last couple of years.
- Further, greater visibility on newer growth opportunities is emerging for the company, following its investments in new and innovative technologies such as CRS and gasoline systems.

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Mr. Raamdeo Agrawal

- **Mr. Raamdeo Agrawal** is a Co-founder and Joint Managing Director of Motilal Oswal Financial Services Ltd.
- He is also a Director on the Board of Motilal Oswal Asset Management Co. Ltd.
- He is the key driving force behind strong research capability as well as a renowned Value investor, and has been instrumental in setting up the investment management philosophy of the firm.
- He has an extensive experience of more than 25 years in Financial Service Sector.
- He is an Associate of Institute of Chartered Accountant of India.
- One of India's foremost value investors and author of Wealth creation Study since its inception in 1996.
- In 1986, he wrote the book Corporate Numbers Game, along with co-author Mr. Ram K Piparia.



Mr. Manish Sonthalia
Head of Equity , PMS

- **Mr. Manish Sonthalia** is a Senior Vice President and Head - Equity PMS and Fund Manager of Value Strategy.
- He has more than 17 years experience in equity research, fund management & equity sales.
- Qualifications - FCA, ICWAI, CS, MBA
- Past Experience : He has been Vice President - Equity Strategy at Motilal Oswal Securities Ltd.
- Fund Manager with Motilal Oswal PMS since 2006

Fund Management Team



Mr. Varun Goel
Fund Manager

- **Mr. Varun Goel**, Fund Manager and Vice President in Motilal Oswal AMC
- He has more than 8 years of experience in Fund Management and Equity Research
- Qualifications – MBA, IIM Lucknow & BTech, IIT Delhi
- Past Experience : He has been Fund Manager & Head-PMS at Karvy Stock Broking for four years.
- Fund Manager with Motilal Oswal PMS since Feb 2015

- **Mr. Kunal Jadhvani**, Fund Manager, PMS
- He has over 9 years of experience in Indian equities.
- He has worked in various capacities in functions like Corporate Planning, Portfolio Advisory and Fund Management.
- Qualifications- Bachelors in Management Studies (Finance) – Mumbai University, PGDFRM and is currently pursuing the CFA charter.
- Past experience: He is with Motilal Oswal Financial Services since last 8 years. He has been part of fund management and research for AMC (PMS) for last 4 years.



Mr. Kunal Jadhvani
Fund Manager

Mode of payment	By fund transfer/cheque and/or stock transfer
Investment Horizon	Medium to long term (3 Years +)
Benchmark	CNX Midcap Index
Account Activation	Next business day of clearance of funds
Portfolio Valuation	Closing NSE market prices of the previous day
Operations	<ul style="list-style-type: none">• Investments managed on individual basis• Third party custodian for funds and securities
Reporting	<ul style="list-style-type: none">• Monthly performance statement• Transaction, holding and corporate action reports• Annual CA certified statement of the account
Servicing	<ul style="list-style-type: none">• Dedicated Relationship Manager• Web access for portfolio tracking

The NTDOP strategy has outperformed the benchmark with a lower level of volatility and has managed to deliver strong returns while offering defensive characteristics, reducing losses during periods of market downturn but participating in the upside.

5 Years Data	Portfolio	Benchmark*
Beta	0.73	1.00
R ²	68.74	100.00
Up Capture Ratio	113.76	100.00
Down Capture Ratio	47.59	100.00
Sharpe Ratio	1.19	0.22
Standard Deviation	18.10	20.56

Source : Motilal Oswal AMC, Data as on 30/06/2015, returns annualized using model strategy

*CNX Midcap Index

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Custodian: IL&FS Securities Services Ltd | **Auditor:** M/s Morzaria & Associates | **Depository:** Central Depository Services Ltd
Portfolio Manager: Motilal Oswal Asset Management Company Ltd. (MOAMC) | **SEBI Registration No. :** INP 000000670

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SIT TIGHT**

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