Gallop ahead with India Opportunity Portfolio

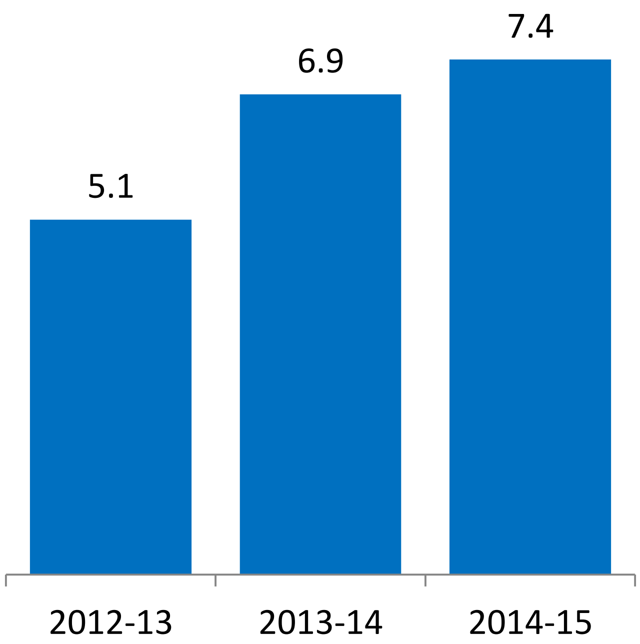
September 2015

Contents

India : Fast Growing Emerging Economy

- Economic growth rebounded to 7.4% in FY15
- WPI inflation at 9 year low
- CPI inflation has dropped below 6%
- Falling Interest rates
- Increasing Financial inclusion
- Government fiscal and current account deficits under control
- Sharp fall in Commodity prices
- Expected revamping of the tax system with introduction of GST
- Strong reform action including passage of Coal, Mines and Insurance bills, improving ease of doing business, labor market reforms and greater co-operation between state and central governments

GDP at market prices
(in % growth)



Source: Economic Survey 2014-15

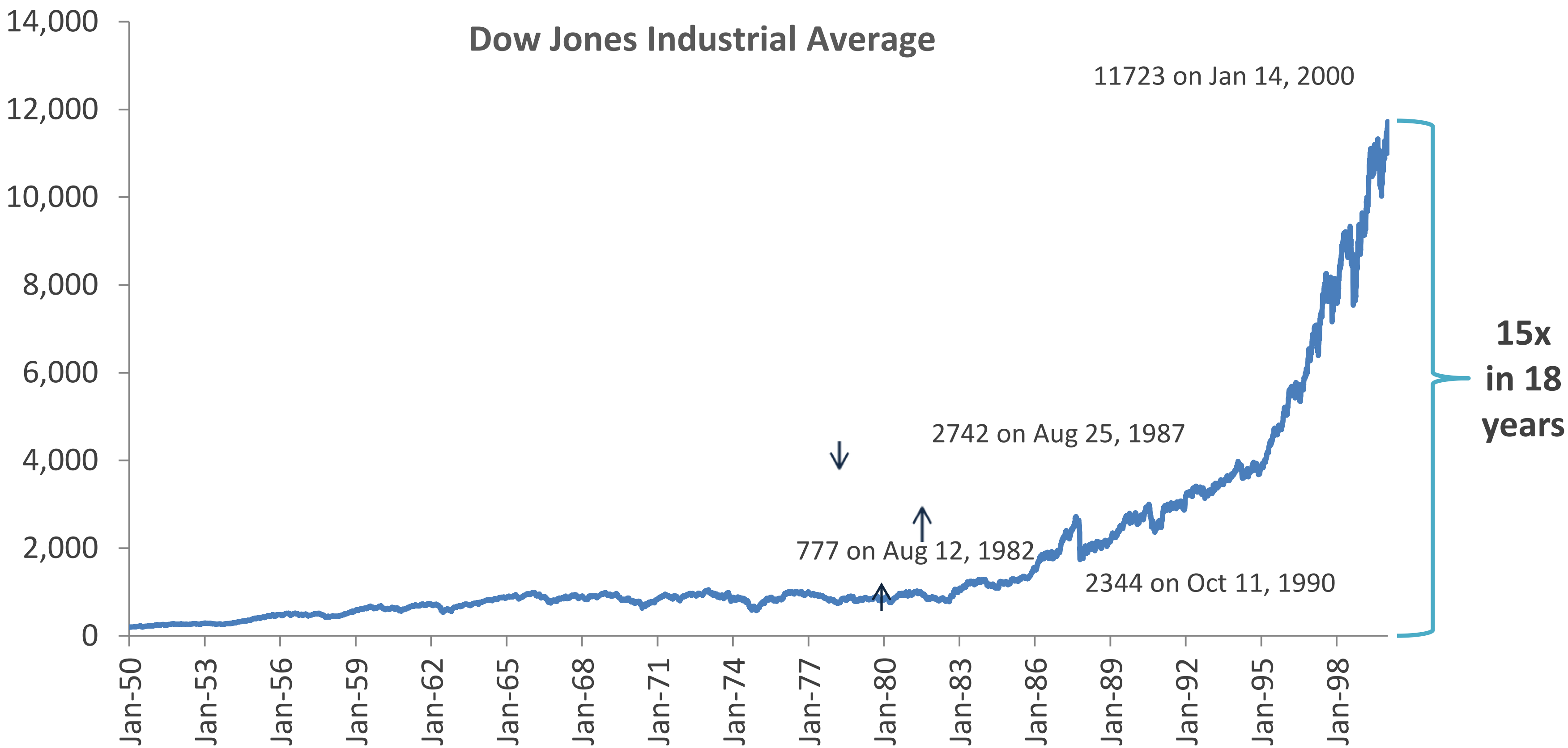
India of 2014 vs USA in 1981

- Strong Political leadership focused on reviving GDP growth from multi-year lows
- Structural reforms to address Infrastructure deficit with high government spending
- Persistent measures to address supply side issues focused on creating new capacity and employment
- Making taxation policies easier and simpler leaving more money in the hands of the consumer

US Federal reserve governor Paul Volcker and RBI Governor Raghuram Rajan

- Both Inherited high structural inflation in a low growth environment
- Aggressive monetary tightening by Federal Reserve Governor Paul Volcker broke the back of inflation in 1980s.
- Expect monetary policy to remain tight in India till inflationary expectations significantly come-off
- A sustained period of low inflation will lead the way for a sustained economic expansion in India that would last longer than previous cycles

India of 2014 vs USA in 1981

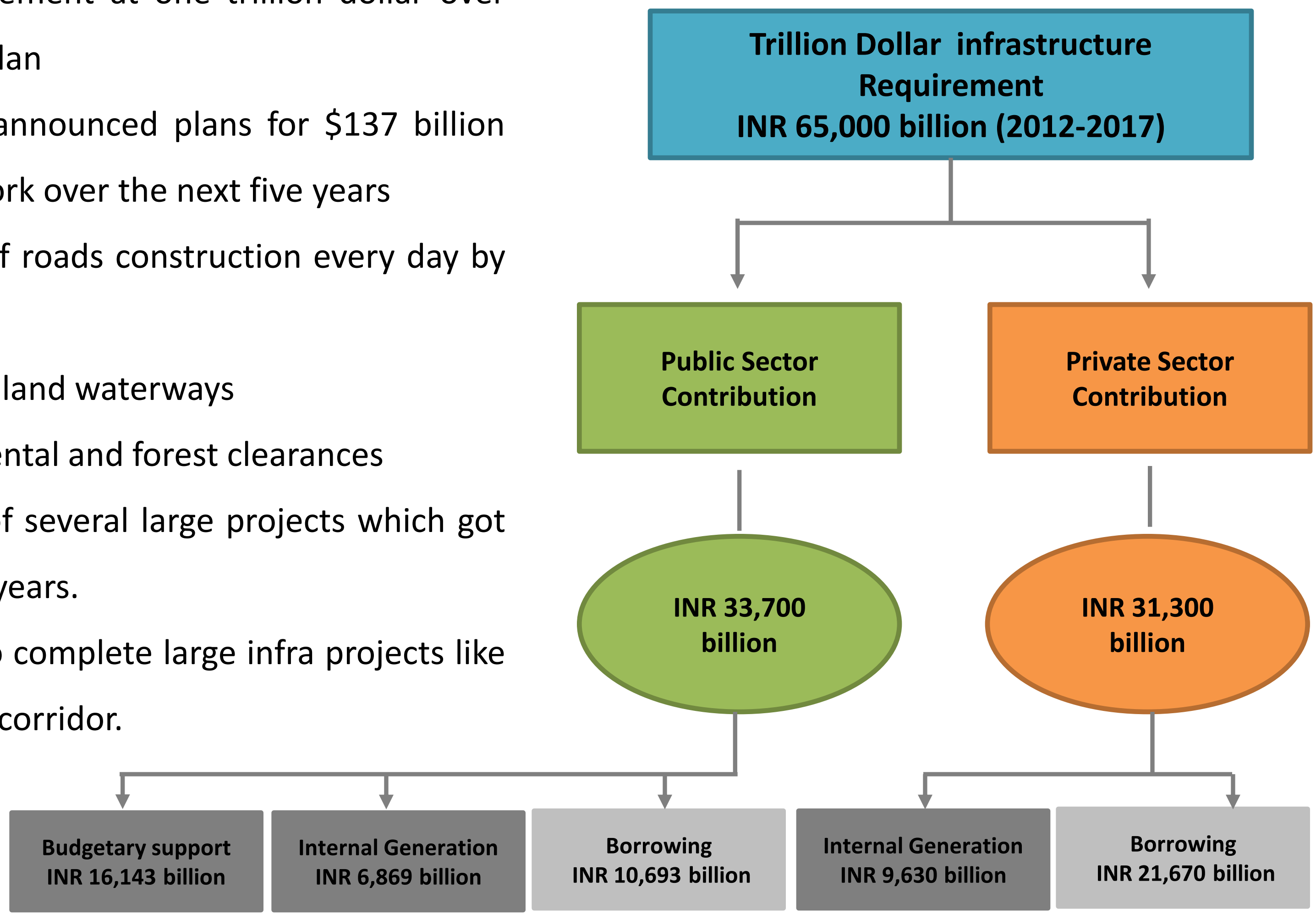


- Dow Jones moved from 769 in 1982 to 2742 in 1987 (3.6 times in a span of 5 years)
- This was followed by a very sharp correction in 1987
- After a period of consolidation, rally started again in 1990 from 2344 all the way to 11750 in 2000 (5 times in a span of 10 years)

Source: Bloomberg. Data as on 31st March 2015

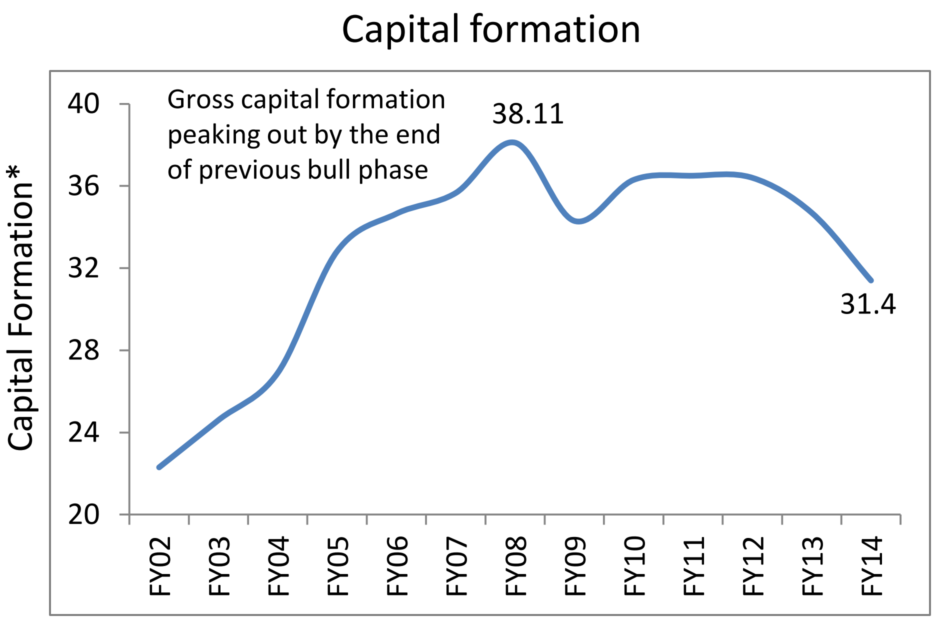
One Trillion $ Infra opportunity

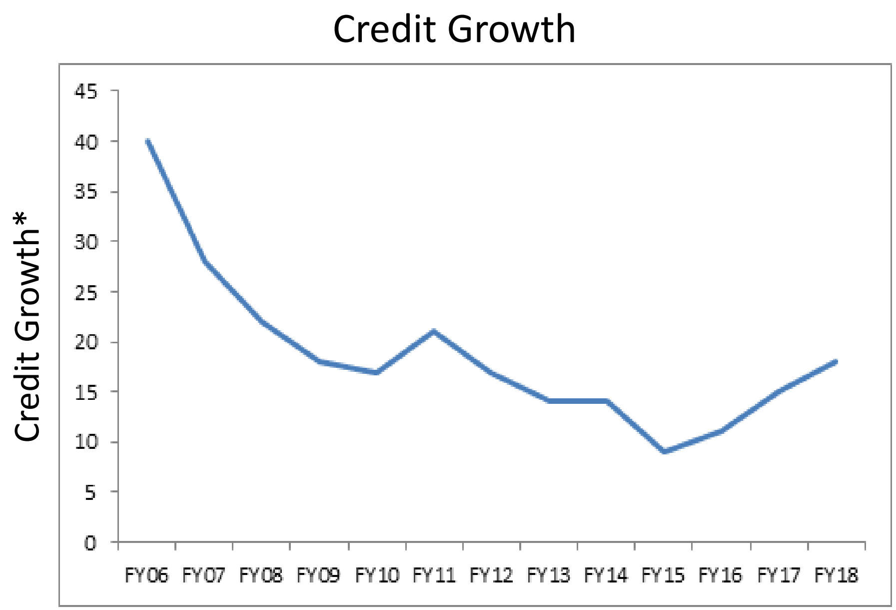
- Planning commission (NITI Aayog) pegged infra investment requirement at one trillion dollar over twelfth five year plan
- The government announced plans for $137 billion capex in rail network over the next five years
- Target of 30kms of roads construction every day by FY17
- Development of inland waterways
- Speedy environmental and forest clearances
- Debottlenecking of several large projects which got stalled in last few years.
- Concerted push to complete large infra projects like Dedicated Freight corridor.



Source: Economic Survey 2014-15

Capital formation & credit growth soon to mean revert





- Gross Capital Formation peaked by the end of the previous bull phase
- Capital Formation has been on downward trajectory post the crisis
- We expect capital formation to move back on growth trajectory

- Credit growth has been subdued in the past few of years
- Majorly on the back of slowdown in investment activity by corporates
- We believe credit growth is at the point of inflection and will soon revert to higher levels

*Capital formation and Credit growth are shown as a percentage of GDP
Source: Economic Survey 2014-15

Make In India

- India can become a global manufacturing hub in sectors like:

- Automobiles & auto components,
- Pharmaceutical,
- Textiles,
- Gems & Jewellery,
- Defence
- IT hardware and
- Solar power

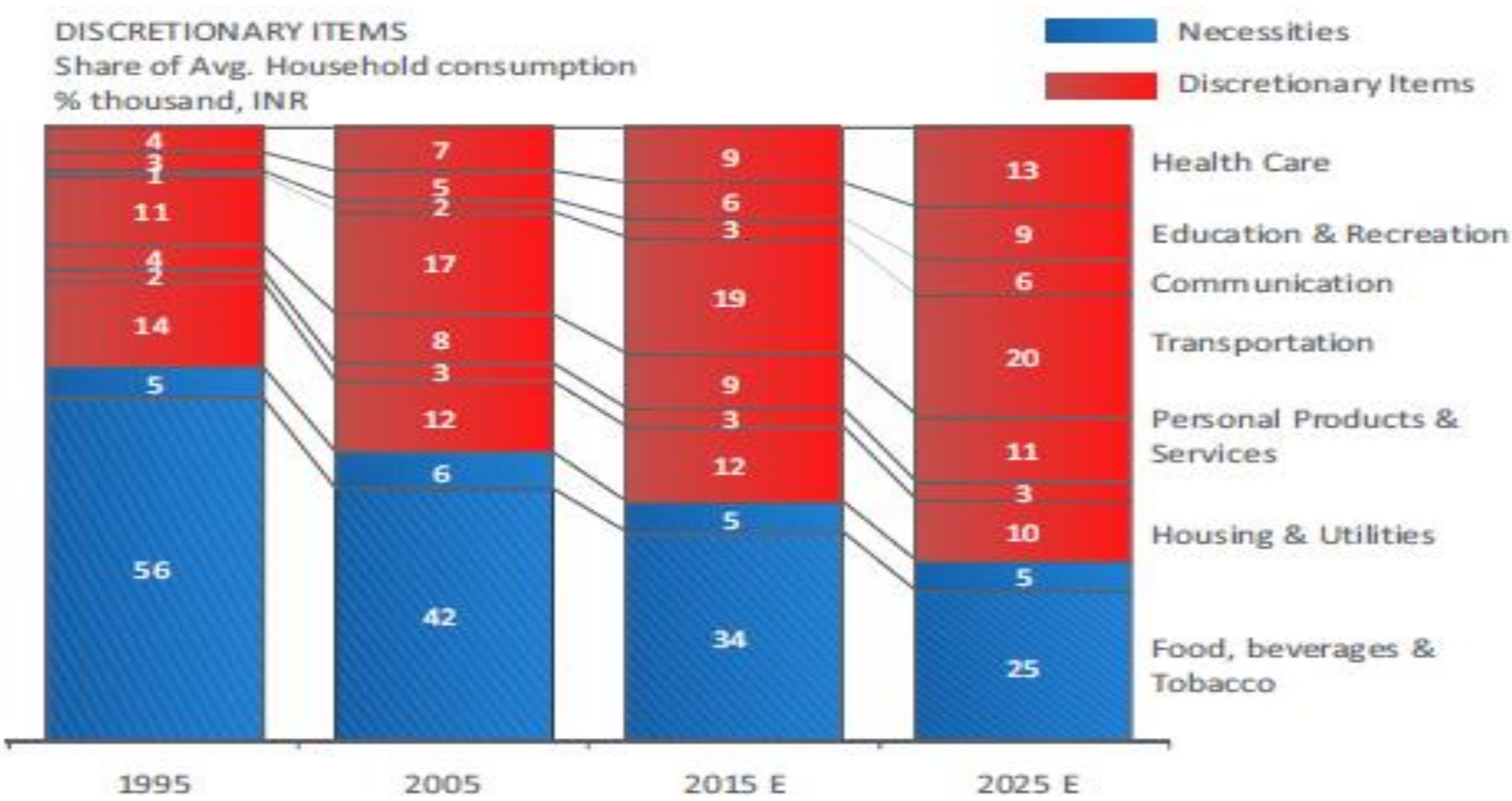
- Dedicated Freight corridors have been envisaged as "Global Manufacturing and Trading Hubs“ with creation of new Industrial Cities

- Labour reforms carried out by states like Rajasthan are expected to be adapted by several states which will pave the way for rapid growth in labour intensive manufacturing sector.

- Focus on manufacturing sector would help in creating employment besides helping curb the current account deficit.

Rising Discretionary Spending

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



Source: Motilal Oswal Securities Ltd (Data as on 31/03/2015)

Why Motilal Oswal PMS ?

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

- Motilal Oswal PMS has one of the largest active accounts (more than 8,380) on PMS Platform.

- Our NTDOP Strategy has outperformed the benchmark across market cycles over last 7 year period.

- Our Flagship "Value Strategy" has outperformed the benchmark across market cycles over a 12 year period

- 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 & 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.

India Opportunity Portfolio Strategy (IOPS)

- Strategy Objective
- Focus Themes For the Next five Years
- Why Multi-Cap
- “Buy Right : Sit Tight” Investment Philosophy
- Why ‘Buy Right : Sit Tight’ is significant?
- Performance of Buy Right Sit Tight Strategy
- Stock Selection Process
- Wealth Creators
- Strategy Construct
- Portfolio Holding
- Performance Snapshot

Strategy Objective

The Strategy aims to generate long term capital appreciation by creating a focused portfolio of high growth stocks having the potential to grow more than the nominal GDP for next 5-7 years across market capitalization and which are available at reasonable market prices.

Focus Themes for Next five years

Revival In Capex cycle	Make In India	Third trillion Dollar Opportunities
Increasing public investments on infrastructure	Making India a manufacturing hub	Increasing consumer spending
• Roads • Railway • Ports • Power • PSU capital spends	• Auto and auto components • Pharma Outsourcing • Light engineering products • Defence Equipment	• Retailing • Consumer durables • Passenger Vehicles • Consumer Finance

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

Why Multi-Cap

Diversification	Different parts of the stock market tend to do well at different times. A multi-cap fund, which has exposure to all the market segments can benefit from the outperformance of any of these segments
Better risk-adjusted returns	Multi-cap portfolios by virtue of being diversified provide better risk-adjusted returns
Flexibility	Gives investor the flexibility and freedom to hold the best performing stocks irrespective of market capitalization. Investor does not have to worry about which portfolio (large, mid or small) to buy at which point of time

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.

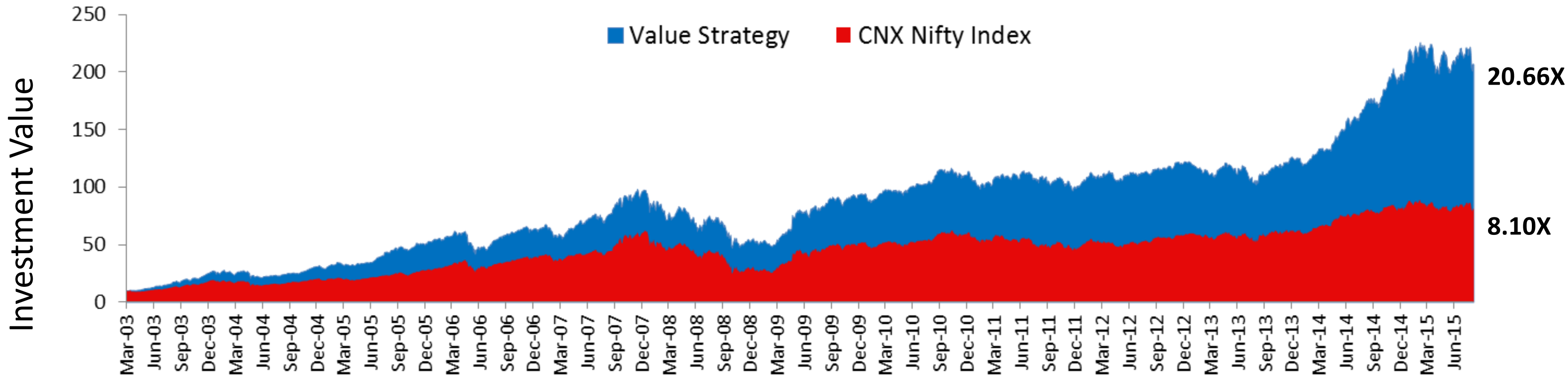
This philosophy enables investor and manager alike to keep focus on the businesses they are holding rather than get distracted by movements in share prices.

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.

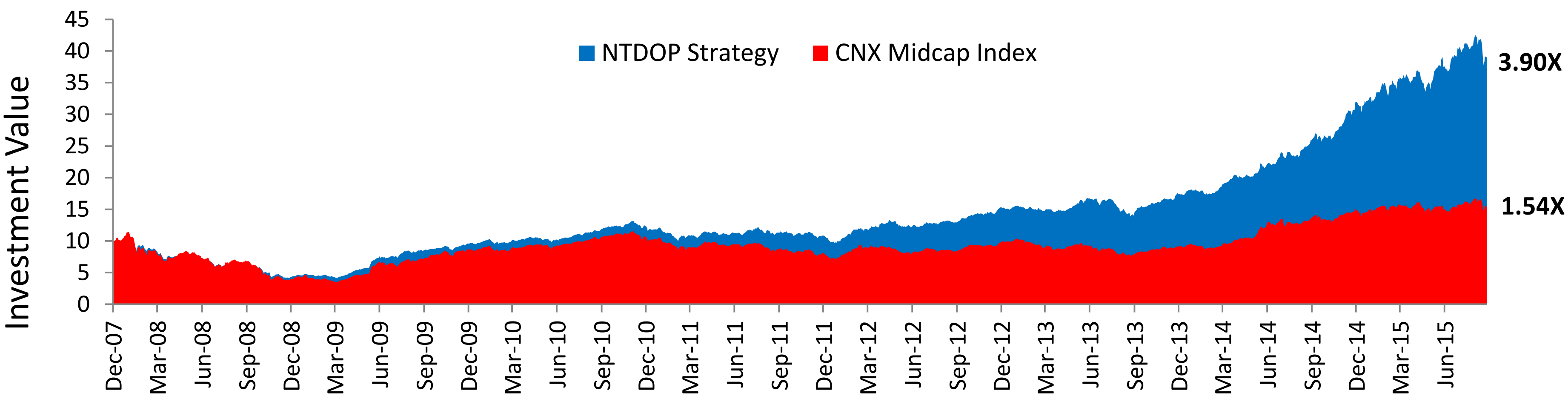
While **BUY RIGHT** is largely the role of the portfolio manager, **SIT TIGHT** calls for involvement from the portfolio manager as well as investor. This brings in greater accountability from the manager and at the same time calls for better involvement and understanding from investor resulting in better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

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

Performance of Buy Right Sit Tight Strategy



Strategy Inception Date: 24/03/2003.



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. Strategy returns shown above are post fees & expenses.

Stock Selection Process

Meeting with Company Management to Understand Business Dynamics

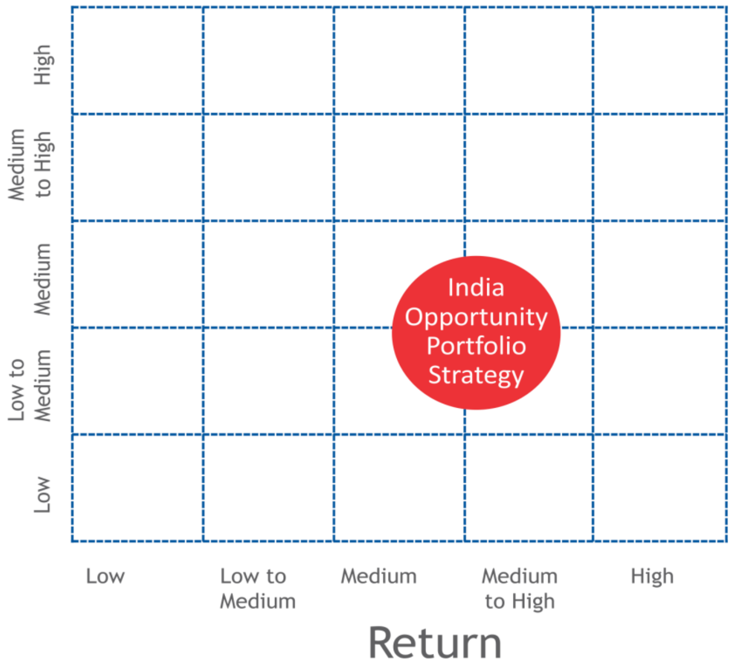
Visit companies & worksites to evaluate Manufacturing Process, Quality of Fixed Assets, Ascertain Entry Barriers

Greater Emphasis on Corporate Governance, Management Track Record, Capabilities for Scale

Look out for Turnaround Stories and Emerging Sectors Product Innovations Stock

Prudent research procedure
With an eye on risk involved

Risk-Return Matrix & Strategy Construct



- **Investment Horizon**
  - Long Term (3 Years +)

- **For Whom**
  - Investors who like to invest with a Long-term wealth creation view.

Strategy Construct

- **No. of Stocks**
  - 15 - 20 stocks for a portfolio

- **Scrip Allocation**
  - Not more than 12% in a single stock

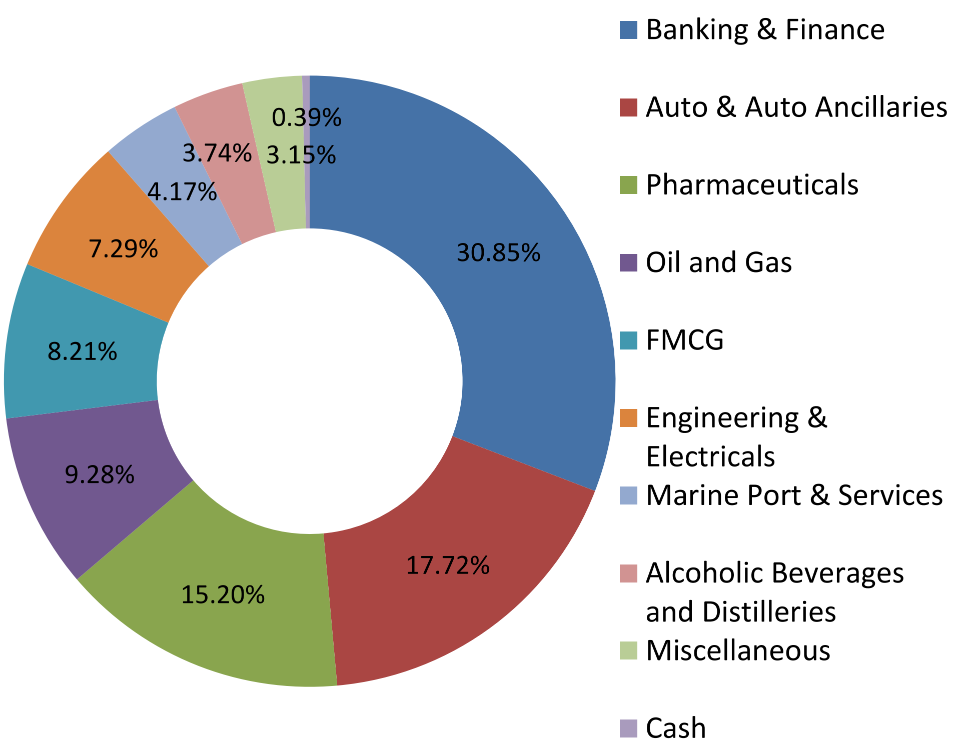
- **Sector Allocation Limit**
  - 35% in a sector

- **Strategy Aim**
  - It aims to deliver superior returns by participating in India Investment and consumption Growth Story

- **Strategy Focus**
  - Focus is on identifying well run companies that are existing/potential leaders in the field of operations.

Model Holding

Sector Allocations



Top Holdings

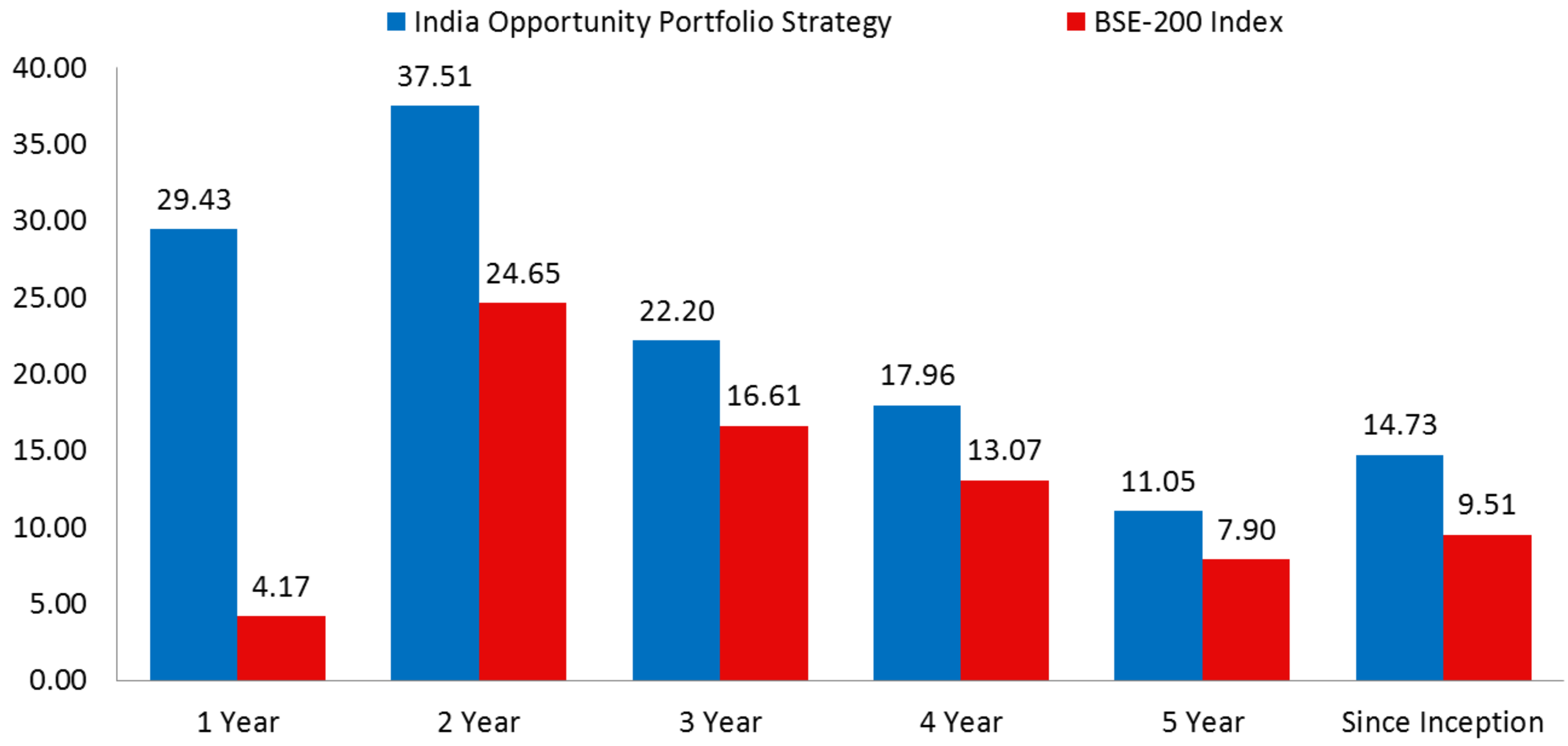
Scrip Name	% Holding^
Bajaj Finance Ltd.	11.23
H P C L	9.28
Lupin Ltd.	8.61
Page Industries Ltd.	8.21
Eicher Motors Ltd.	7.64
Larsen & Toubro Ltd.	7.29
Ajanta Pharma	6.60
HDFC Bank Ltd.	6.12
Bharat Forge Ltd.	5.99
H D F C Ltd.	5.19

^Above 5%

Please Note: These stocks are a part of the existing India Opportunity Portfolio 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 India Opportunity Portfolio Strategy has delivered 29.43% returns vs. BSE-200 Index returns of 4.17% delivering an alpha of 25.25%
- Since Inception IOPS has delivered an annualized alpha of 5.22%



*Strategy Inception Date: 11/2/2010.

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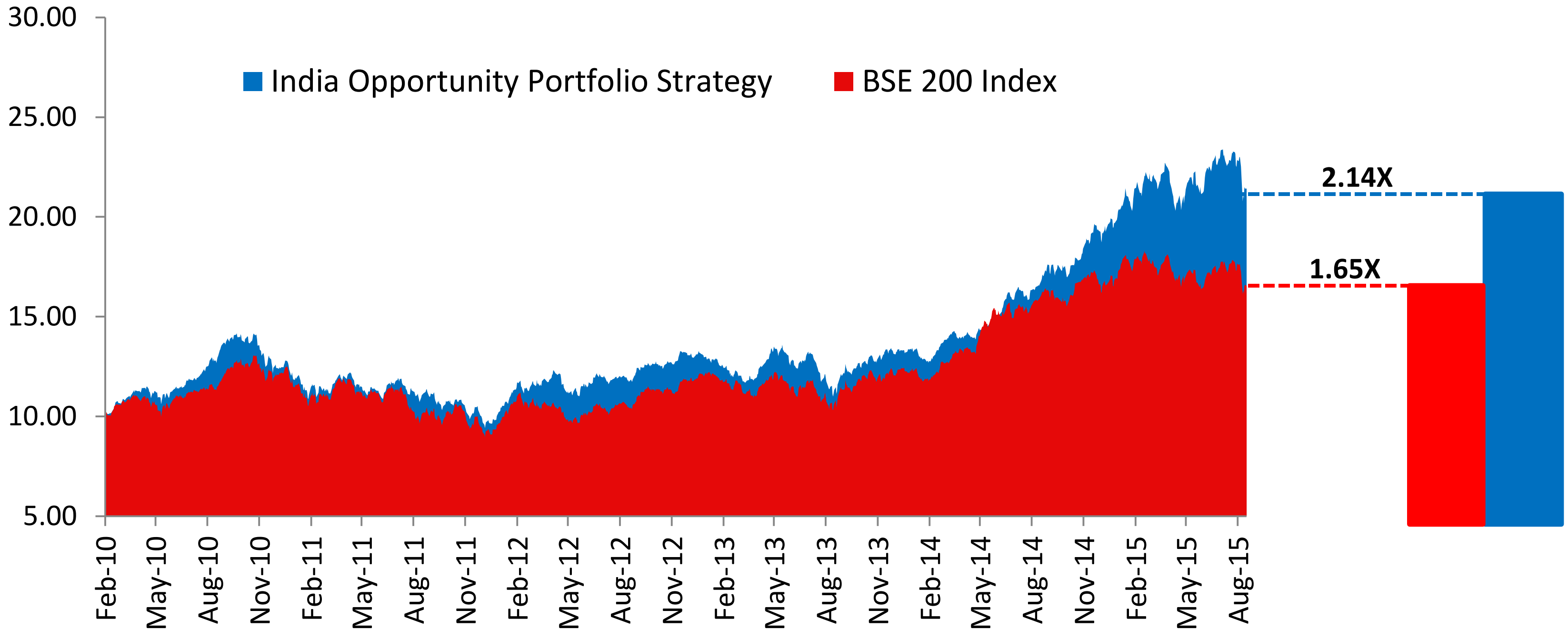
Performance Since Inception

The chart below illustrates Rs. 1 crore invested in India Opportunity Portfolio Strategy in February 2010 is worth Rs. 2.14 cr as on 31st August 2015. For the same period Rs. 1 crore invested in BSE 200 Index is now worth Rs. 1.65 cr.



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Key Holdings- Larsen & Toubro

- Larsen & Toubro (LT) is a major technology, engineering, construction, manufacturing and financial services conglomerate, with global operations.
- LT addresses critical needs in key sectors - Hydrocarbon, Infrastructure, Power, Process Industries and Defense - for customers in over 30 countries around the world.
- LT is going to be a big beneficiary of the revival in capex cycle. After stunted growth for the preceding two years, we expect a pick-up in execution in FY16 and FY17. This on the back of an big thrust on new infrastructure creation, reduction in interest rates and improvement in liquidity.
- The company has maintained its order inflow momentum. It is most likely to meet its FY15 consolidated order inflow growth guidance of 15-20% YoY with bright prospects for next few years
- It has been selected by the Ministry of Defence for important orders, which is expected to boost outlook for shipbuilding and forging facilities .

Key Holdings – Bharat Forge

- Bharat Forge (BHFC) is a clean play on the domestic CV cycle recovery, with over 60% market share in M&HCV components. The Passenger Vehicles segment is a focus area for BHFC, as this segment offers an opportunity size 4x that of Commercial Vehicles.
- Its partnerships with global players (Alstom, Areva, David Brown, etc) bear testimony to its globally cost competitive engineering/manufacturing capabilities.
- BHFC's increasing penetration with existing and new customers, coupled with economic stability in the international market and investment cycle recovery in India, would drive ~26% revenue CAGR in next few years
- Recently at the Aero India show, BHFC got a multi-year contract from Boeing to supply titanium forgings to be used in the wings of next-generation 737 and 737 MAX aircraft.
- The non-auto segment offers significant growth potential, as it is much larger than the auto segment. BHFC is targeting ~60% of its standalone revenues from the non-auto segment, up from the current ~40%.

Key Holdings- Gujarat Pipavav

- Gujarat Pipavav (GPPL) provides an attractive proxy to invest in a strategic asset play/ with strong management and reasonable valuations. The western port belt spread across Mumbai / Gujarat accounts for ~65-70% of EXIM container traffic in India.
- GPPL is one of the big beneficiaries from some of the ongoing mega infrastructure initiatives such as Dedicated Freight Corridor (DFC)/ Delhi Mumbai Industrial Corridor (DMIC).
- One of the key strengths of GPPL is the strong backing from its parent and its ability to leverage on the established relationships of its parent APM Muller with the top 8-10 global liners.
- GPPL, due to its advanced railway infrastructure is able to offer fast evacuation to its customers – which lowers cost and increases turnaround thereby acting as a key differentiator.
- Pipavav port has received the environment ministry's nod for its port expansion plans and has recently finalized its capex plans, which provides increased clarity on medium term growth.

The given stock is a part of portfolio of a model client of India Opportunity Portfolio Strategy as on 31st August 2015. The stock forming part of the existing portfolio under India Opportunity Portfolio 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. Source: Bloomberg/MOAMC. Data as on 31st March 2015

Agrochemical Theme

- Significant opportunity in the Indian agri-chemical space as usage of pesticides in India is among the lowest in the world. India used only 0.6 kg/ha of pesticides in FY2012 versus 13 kg/ha in China and 7 kg/ha in the US

- Only ~260 pesticides registered in India versus 500-600 registrations in developed markets, implying significant opportunity for companies to bring new molecules into India
- Industry wide revenue growth rates expected to be upwards of 12% in the next five years
- Companies with strong distribution networks and ability to create brands are well-placed
- Companies which have credible track records of commercializing new molecules have been delivering high returns on shareholder equity consistently for last several years.

Source: Bloomberg/MOAMC. Data as on 31st March 2015

Defense Sector

- Defence Capital expenditure reported 17.8% CAGR over FY04-14. 15-20 billion dollars annual procurement with 70:30 split between Imports & domestic production. Government target to reverse this ratio in next 5 years

- Last Year, Government announced an increase in the FDI limit in defence from 26% to 49%. Opportunity for private players is around 15-20 billion dollars over next 5 years

- Large projects are being reserved only for manufacturing by private players. Foreign OEMs would form JVs with domestic manufacturers.

- Revenue potential is huge and can make significant difference to revenue trajectory of Key companies in the sector

- Expected profitability ratios to be quite healthy as government is keen to encourage private participation and competition is limited.

- Timelines for project awarding and execution are long.

- The offset clause has been introduced by the government to encourage domestic production. Potential orders from the contracts in the pipeline could be ~$10bn over the next 5 years.

Source: Bloomberg/MOAMC. Data as on 31st March 2015

Chairman

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 also 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 the '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.

Fund Management Team

Mr. Manish Sonthalia

Head of Equity , PMS

- **Mr. Manish Sonthalia,** is a Senior Vice President and Head - Equity PMS
- He has more than 17 years experience in equity research, fund management and 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** is the Fund Manager, India Opportunity Portfolio Strategy 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 Jadhwani,** 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 Jadhwani
Fund Manager

Portfolio Structure

Mode of payment	By Fund Transfer/Cheque and/or Stock Transfer
Investment Horizon	Long Term (3 Years +)
Benchmark	BSE 200
Account Activation	Next business day of Clearance of funds
Portfolio Valuation	Closing NSE market prices of the previous day
Operations	- Investments managed on individual basis - Third party Custodian for funds and securities
Reporting	- Monthly Performance Statement - Transaction, Holding & Corporate Action Reports - Annual CA certified statement of the Account
Servicing	- Dedicated Relationship Manager - Web access for portfolio tracking

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