Motilal Oswal Vision 2030 Fund

Exploring the Future

Why 2020-30 Can be India's Decade?

The Famed Journey to USD 5 Tn

There are only 9 economies with more than US 2 Tn GDP and the cross over to USD 5 Tn is a challenging one!

5Tn+ GDP Economies
US, China, Japan



3-5Tn GDP Economy
Germany



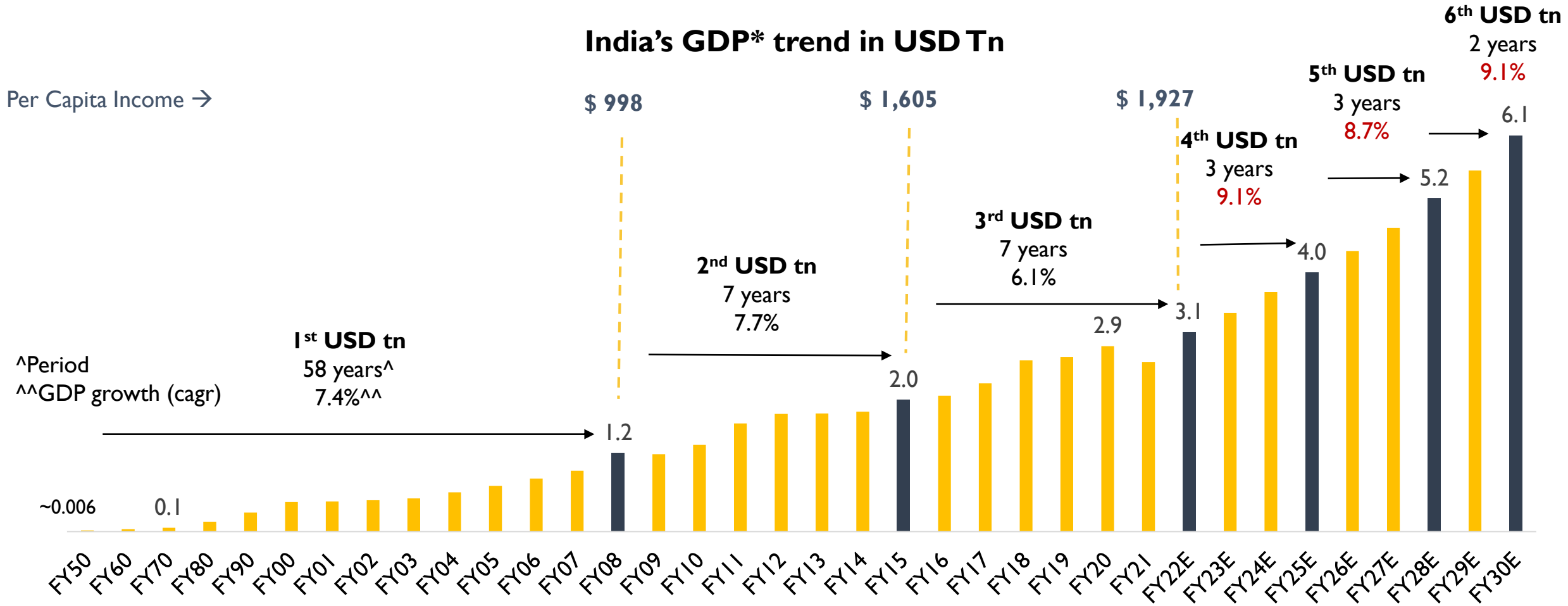
2-3Tn GDP Economies
India, UK, Brazil, Italy, France



Country	GDP (USD Tn)
USA	19.5
China	12.2
Japan	5.0
Germany	3.7
India	2.7
UK	2.6
France	2.6
Brazil	2.0
Italy	2.0

Source: Bloomberg research, Worldometers

The national ambition – building a $6 Trillion Economy



Every successive trillion dollar GDP is likely to take lesser number of years

*GDP is Nominal GDP. Source: MOAMC Internal Research

Disclaimer: The above graph/data is used to explain the concept and is for illustration purpose only. The data mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact. and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

India expected to become 3rd largest economy at $6T by 2030

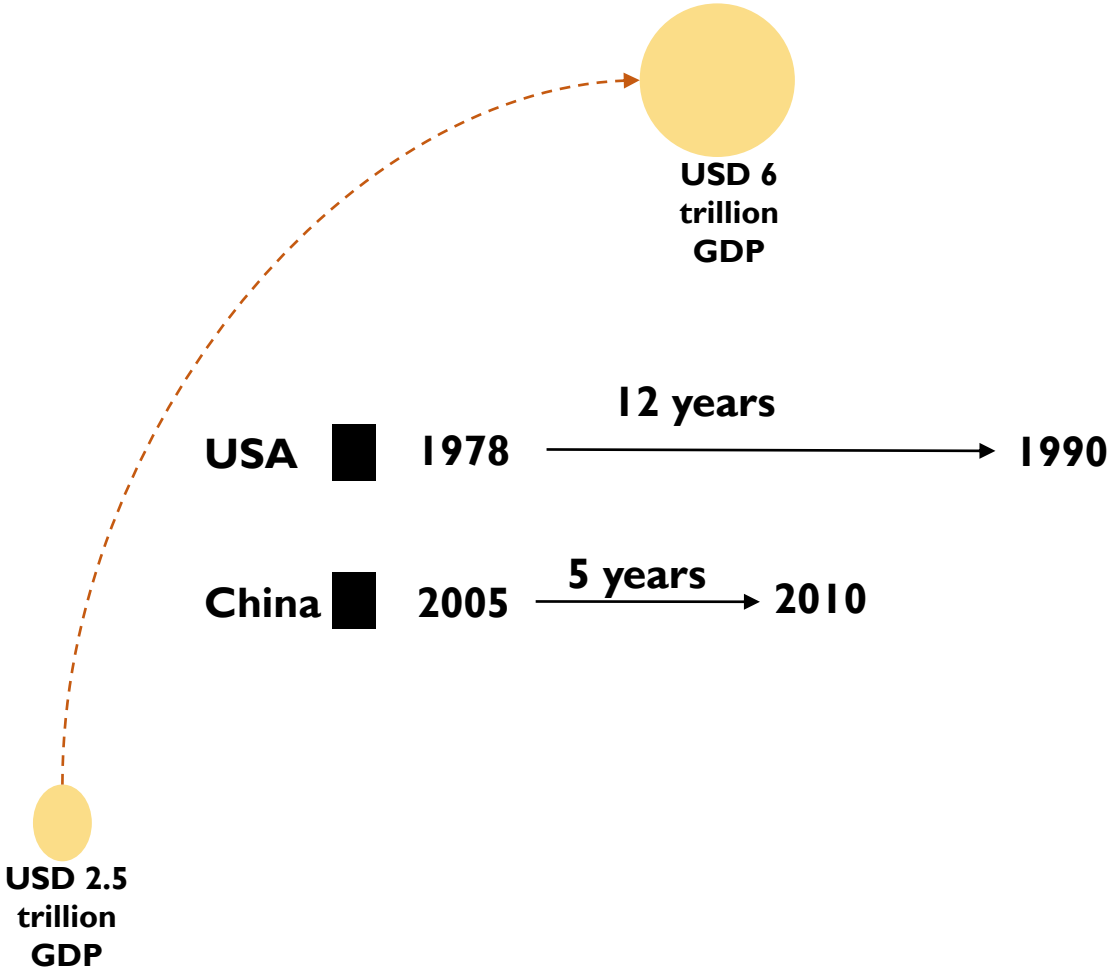
Decade wise Top 10 Economies (USD terms)

Rank	1980	1990	2000	2010	2020	2030E
1	United States	United States	United States	United States	United States	**China**
2	Japan	Japan	Japan	**China**	**China**	United States
3	Germany	Germany	Germany	Japan	Japan	**India**
4	France	France	United Kingdom	Germany	Germany	Japan
5	United Kingdom	United Kingdom	France	France	United Kingdom	Germany
6	Italy	Italy	**China**	United Kingdom	**India**	United Kingdom
7	Canada	Canada	Italy	Brazil	France	France
8	Mexico	Spain	Canada	Italy	Italy	Brazil
9	**China**	**China**	Mexico	**India**	Canada	Canada
10	Spain	Brazil	Brazil	Russia	Korea	Russia

Source: Bloomberg, IMF, 2030 estimates from CEBR (The Centre for Economics and Business Research)

History of Equity Markets compounding on economic growth

India has entered the critical move from a USD 2.5 trillion economy to a USD 6 trillion economy



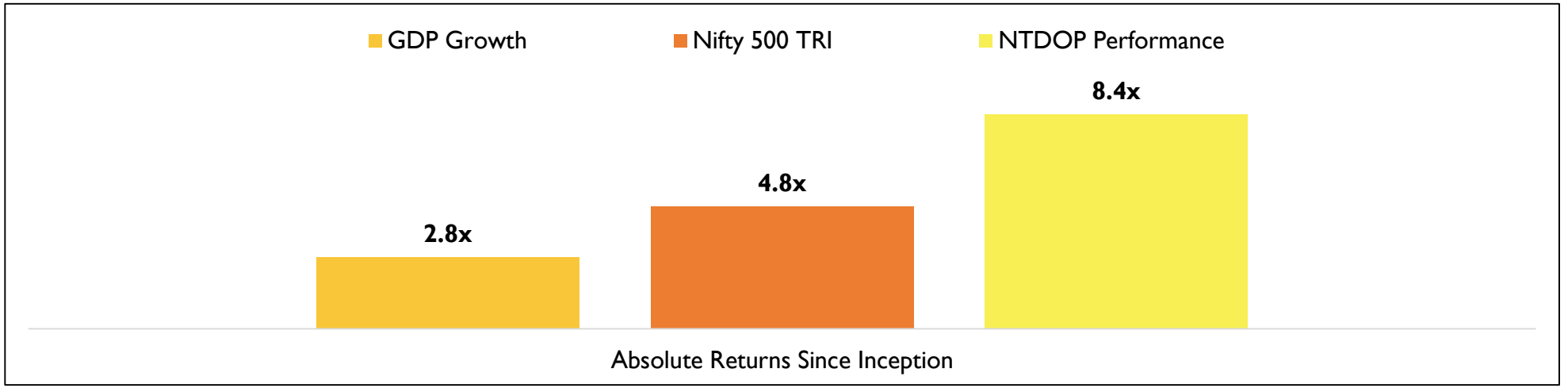
The move marks the start of India's second structural growth phase

This crossover witnessed the strongest equity market returns for other economies.

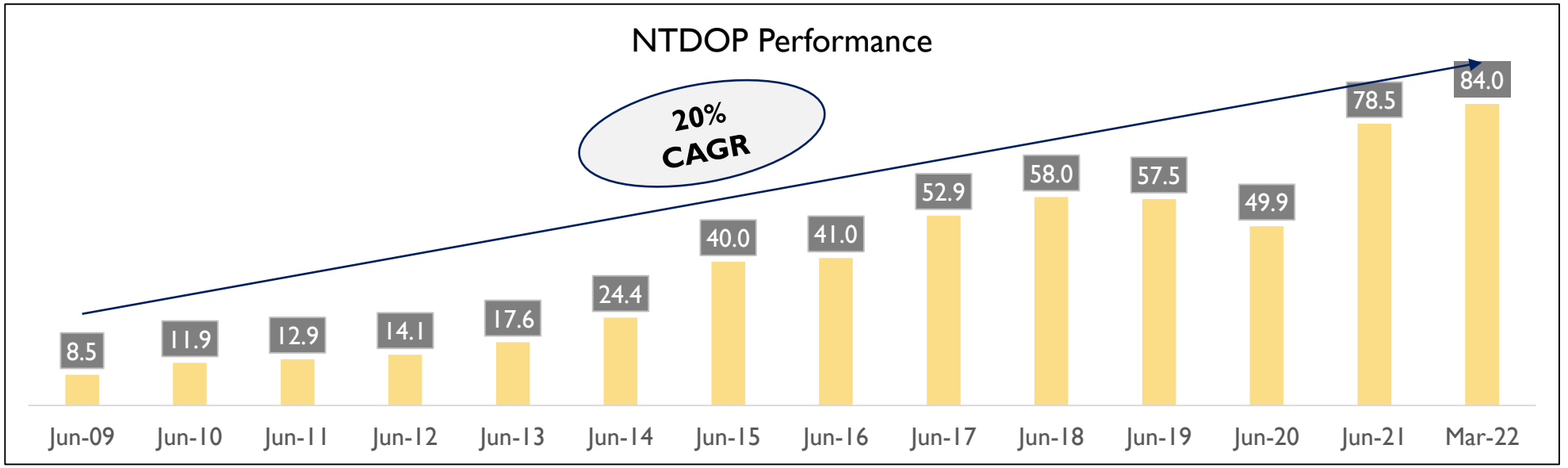
Benchmark Movement		
(in USD)	S&P 500 TRI	Shanghai SE Composite Index
Index Value at 2.5 Tn	90	125
Index Value at 6.0 Tn	566	485
Returns	**~6x**	**~4x**
CAGR %	**17%**	**31%**

Source: Bloomberg research

NTDOP - Robust Long Term Compounder

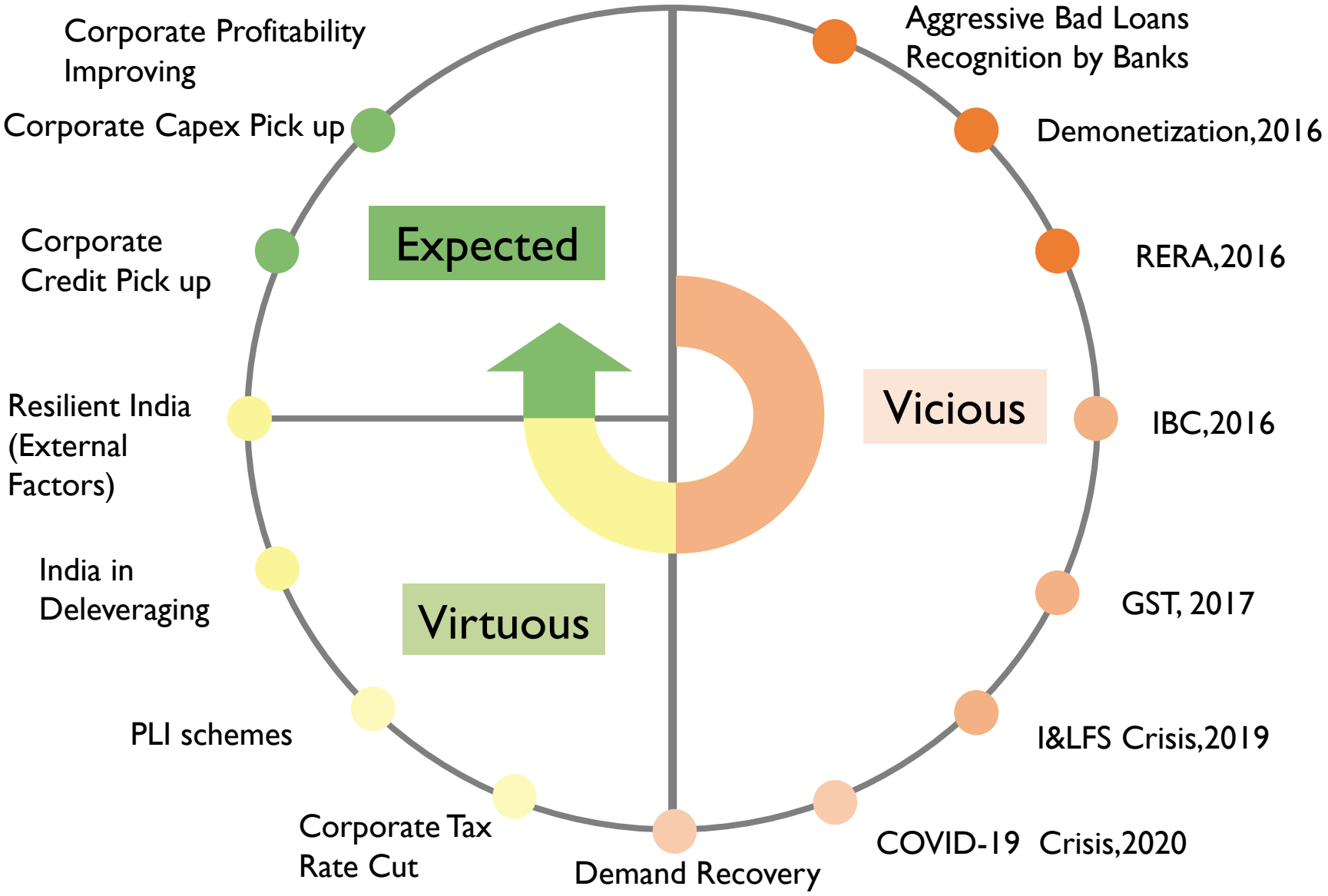


3x movement of NTDOP performance v/s GDP Growth Between 2007 and 2022

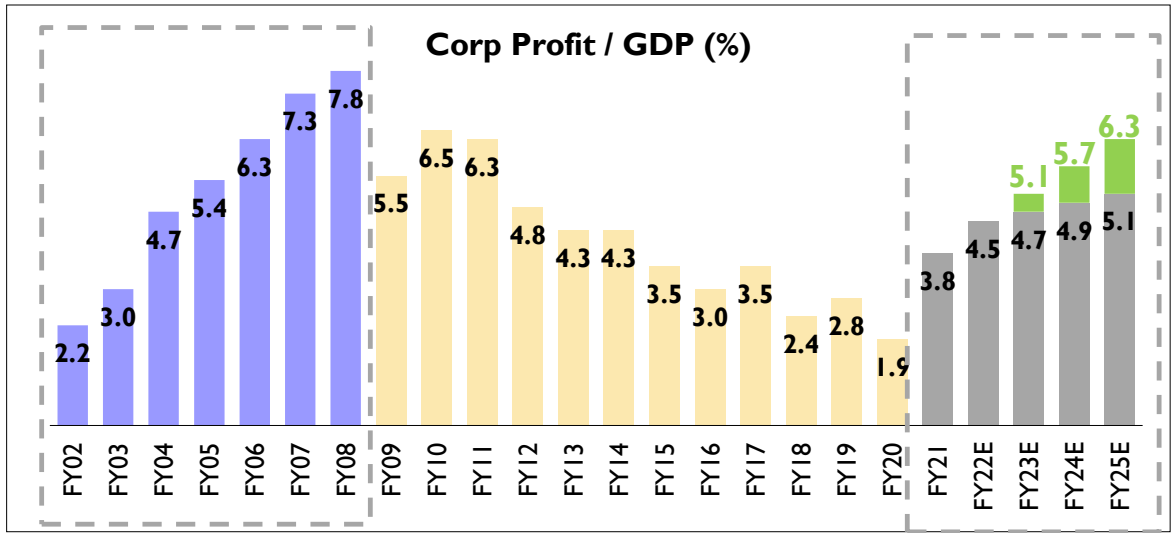


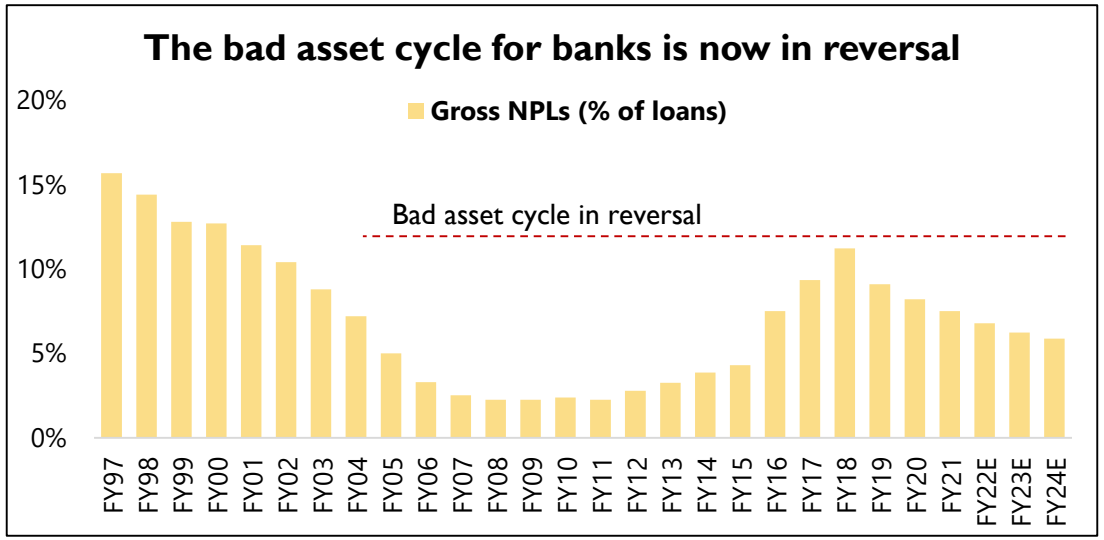
SI Returns (CAGR)	
NTDOP	16%
Nifty 500	11%
Alpha	5%

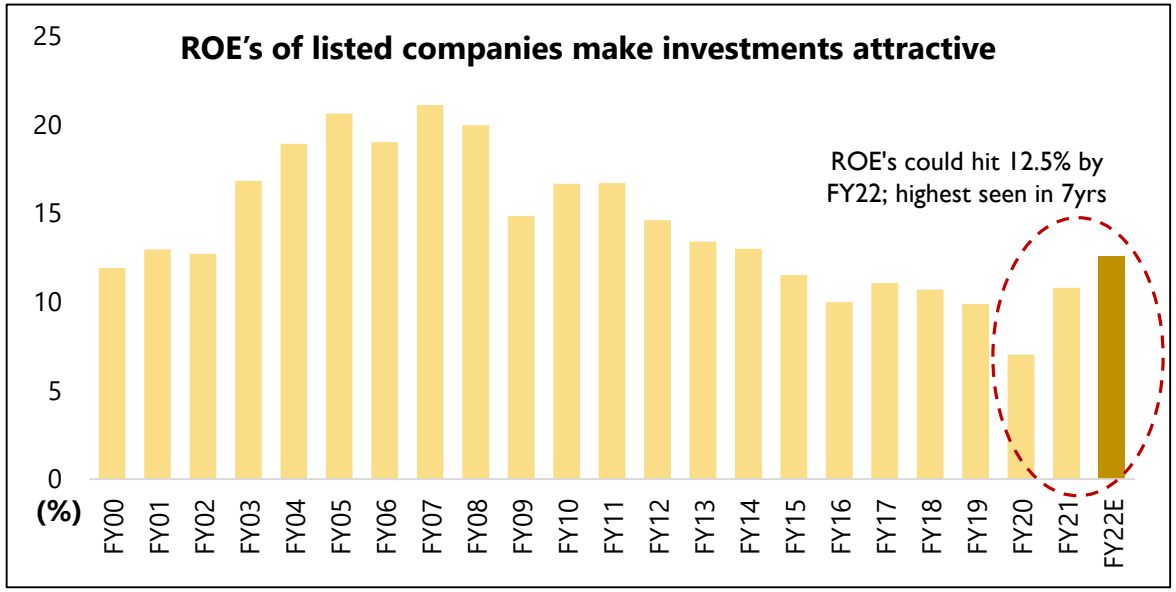
India - Vicious to Virtuous cycle

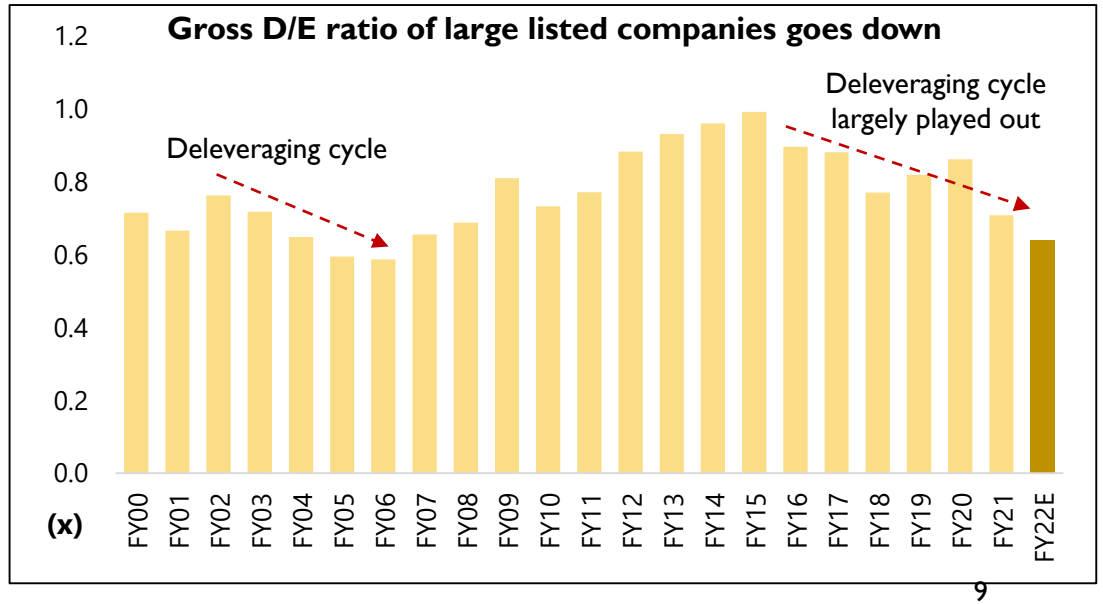


Headwinds to Tailwinds





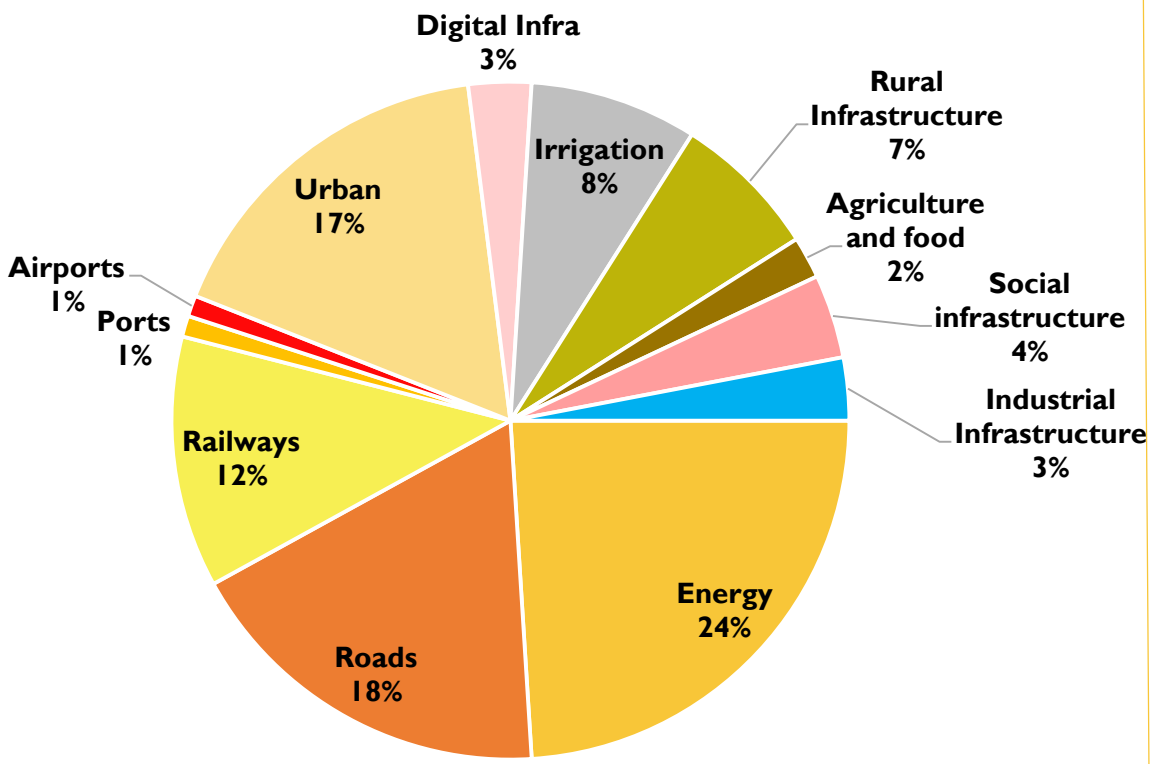




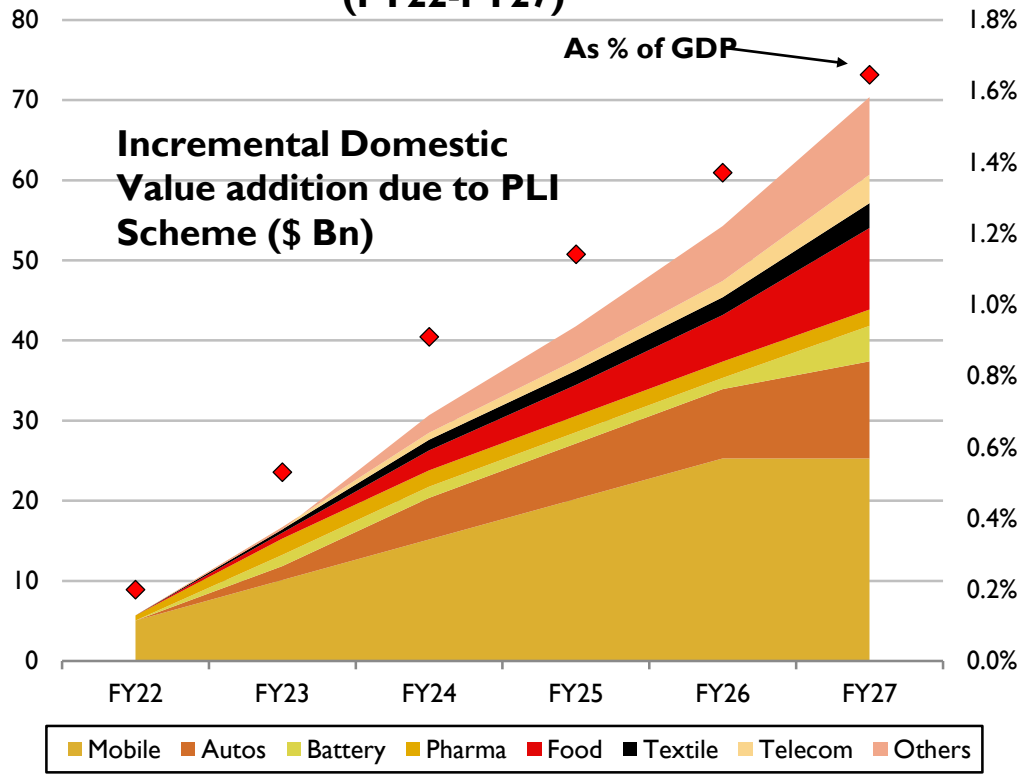
Source: Jefferies, ACE Equity, RBI; Corp Profit/GSP ratio data in green shows bull case scenario (data in black is base case scenario)

Contribution of PLI scheme to GDP expected to jump 8x by FY27 (0.2% to 1.6%)

Capex breakup of 111 lakh Crore during FY22-27



8x jump expected in GDP contribution due to PLI Schemes (FY22-FY27)



Indian infrastructure sector has a multiplier effect on other sectors

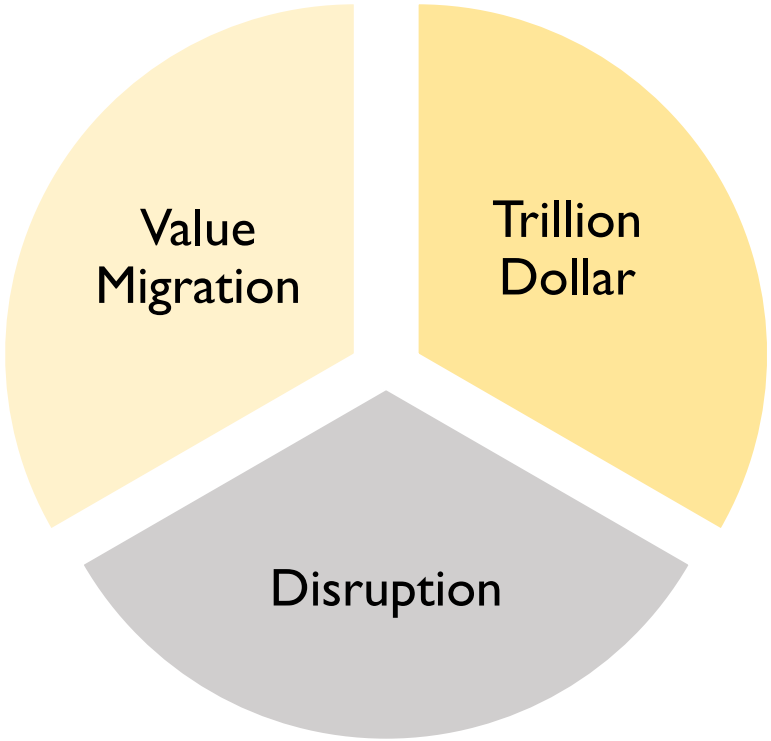
PLI offers strength to India's competitiveness across the globe

Source: Ministries/departments/state governments/private sector, RAVE, Credit Suisse and MOAMC estimates

Investment Frameworks for Vision 2030

Investment Framework

- China+1
- Rise of EVs
- Transition to 5G tech in telecom
- PSU to PVT

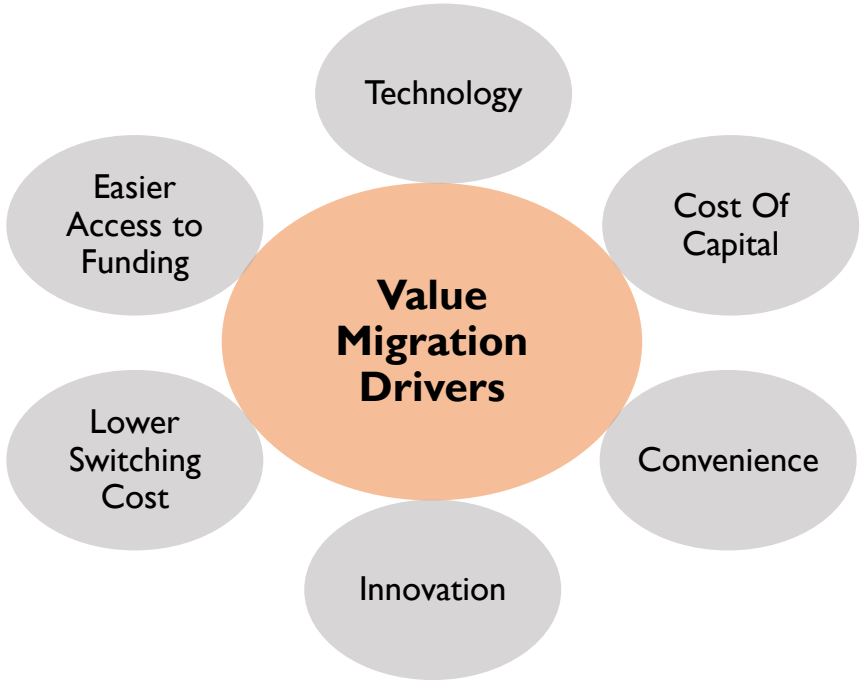


- Linear growth in the GDP = Exponential growth in opportunities
- Discretionary spend is exponentially linked to growth in the economy

- New age technology start-ups challenging the traditional way of businesses
- Renewable energy changing the dynamics of the industry

Value Migration

New Business Models Emerge on Back of Shift in Economic Landscape



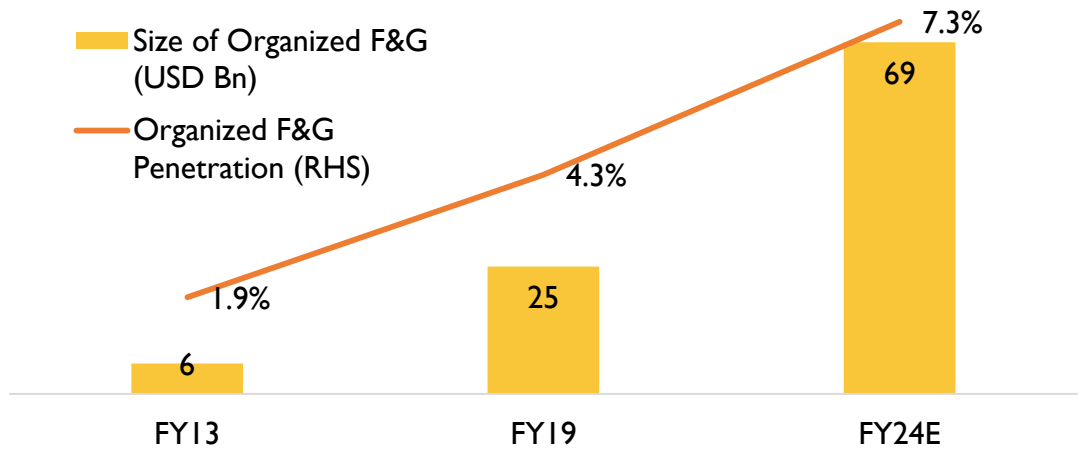
Value migration occurs when there is a disconnect between customer priorities & existing business designs

Inter country migration	Inter industry migration in same country	Inter company migration in same industry	One segment to another in same company
Example : From western geographies to Indian IT / Pharma	Example : Railways to Airlines	Example : Public Sector to Private Sector	Example : Voice to Data in Telecom

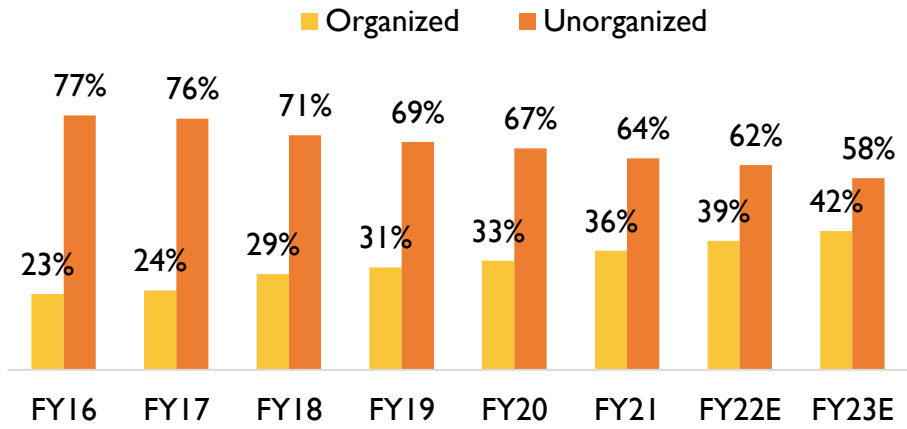
Source: Motilal Oswal Report "Value Migration 2017

Value Migration

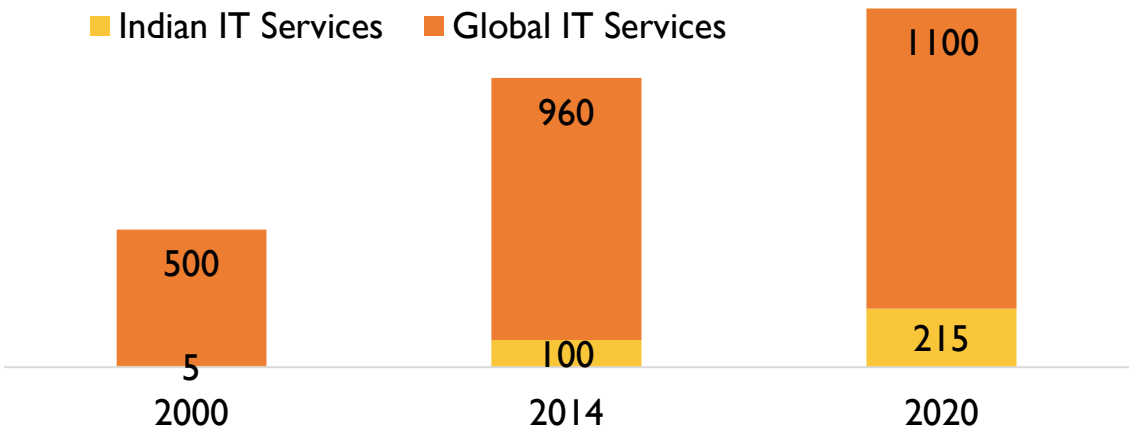
Shift from unorganized to organized Food & Grocery Retail



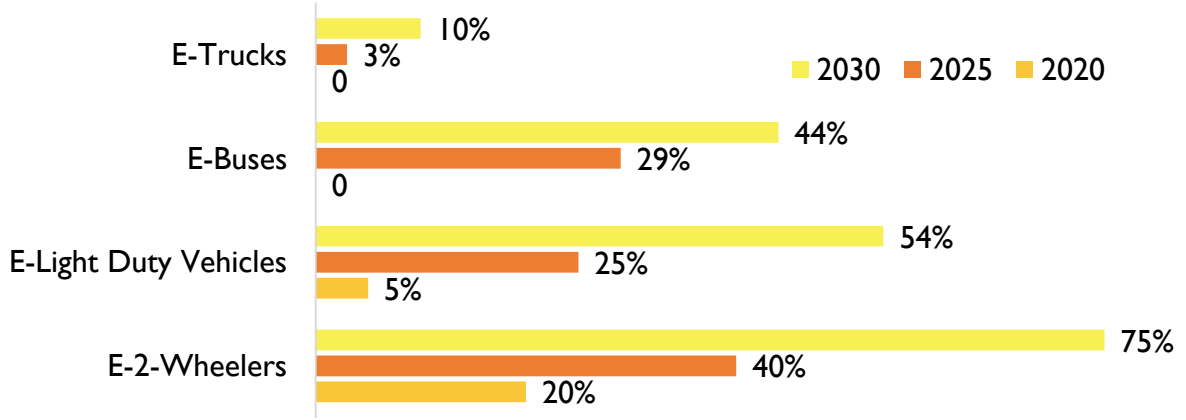
Increasing share of organized sector in Jewellery segment



International Value Migration (USD Bn)



Global EV Penetration increase to be led by 2W's and Light Vehicles

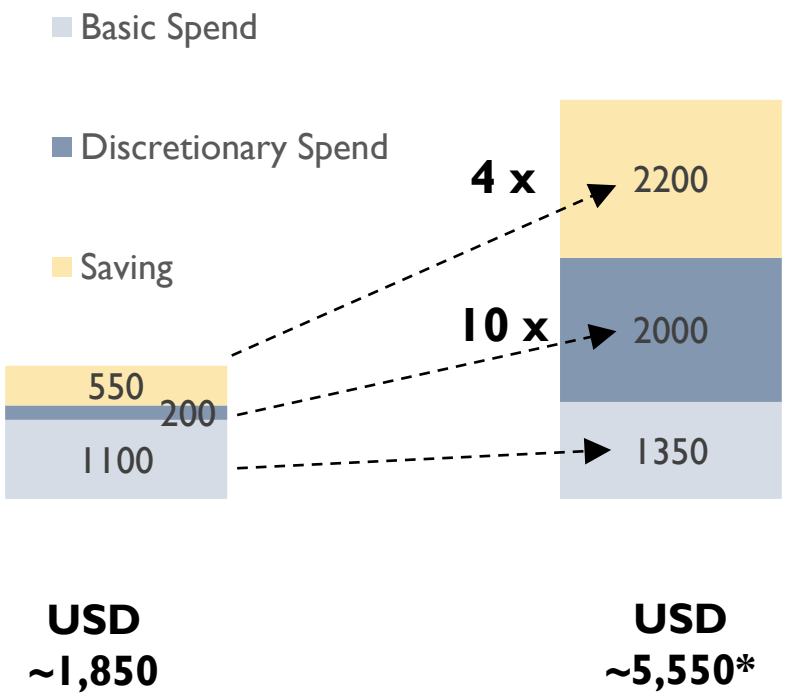


Source: Global EV Outlook 2021 –IAEA, Company Annual Reports, BARC

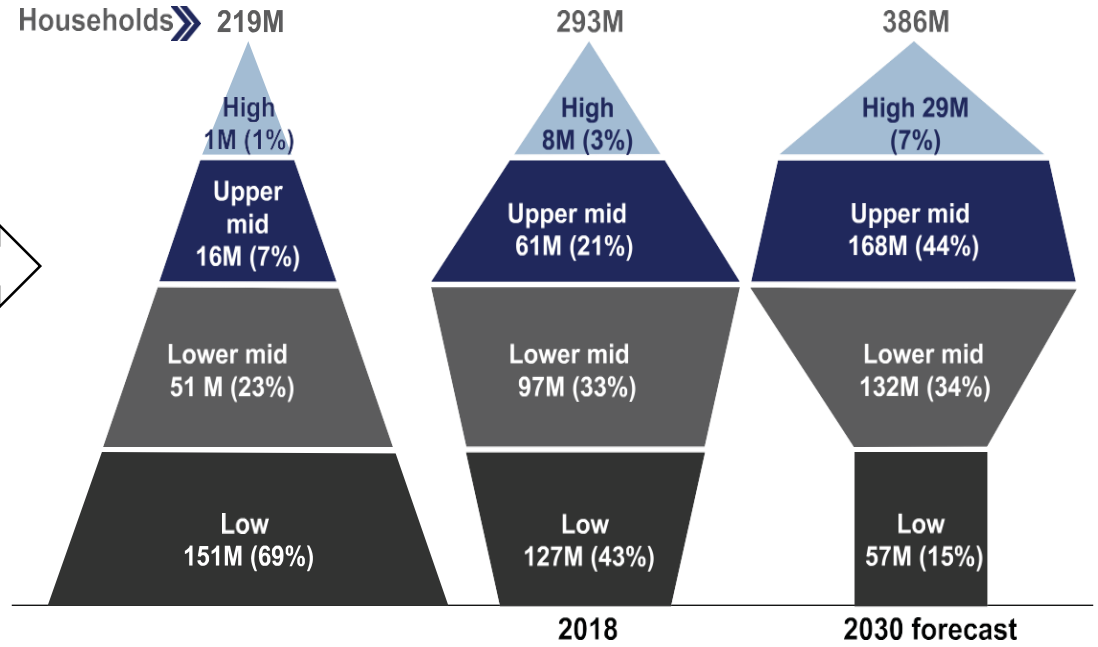
Trillion Dollar

Rising per Capita Income = Larger Consumption Basket

3x Rise in Income = 10x Jump in Consumption



Evolution of the household-income profile in India



High Income & Upper Middle Segment comprise of

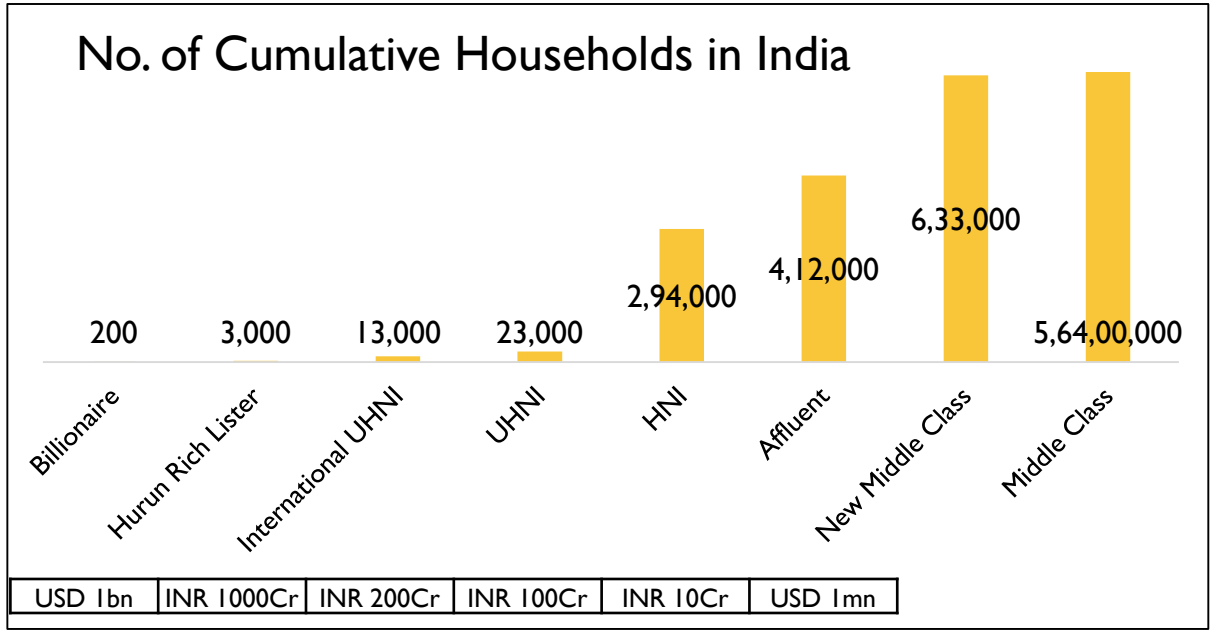
- **1 in 4 households today**
- **1 in 2 households by 2030**

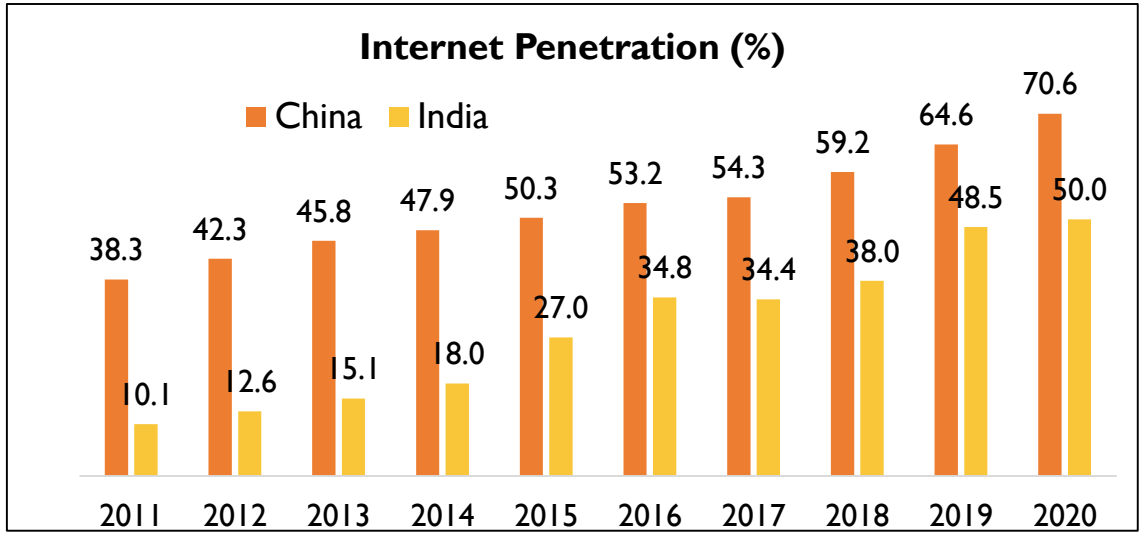
Source: Motilal Oswal Wealth Creation Study
*Per Capita Income of $5,550 is assumed figure of 3x from current levels (consensus estimate of $1,850)
The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

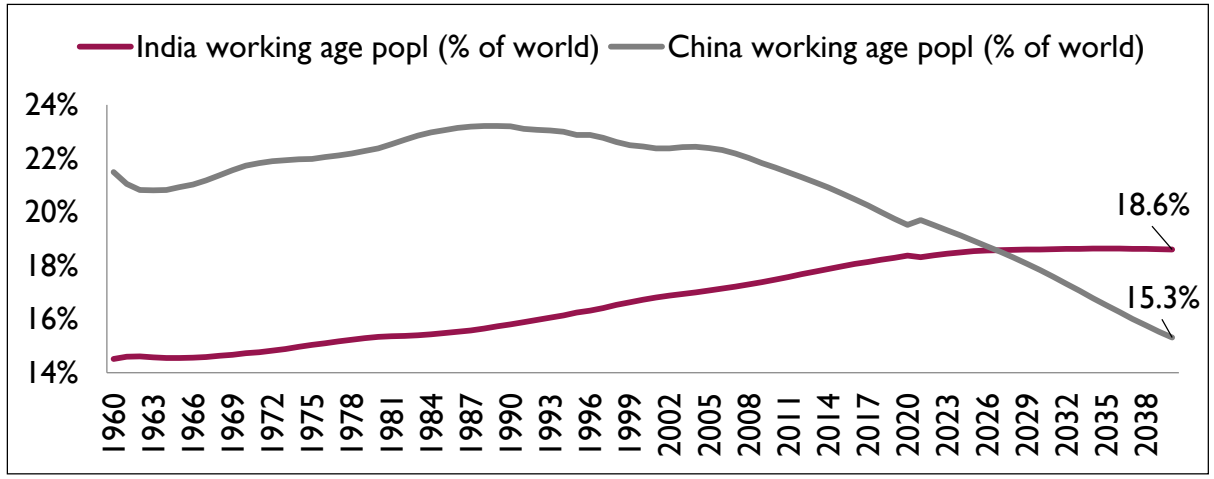
Source: BCG CCI Proprietary Income Database
Low income: <$4,000, Lower-mid: $4,000-8,500, Upper-mid: $8,500-40,000, High income: >$40,000 basis income per household in real terms;

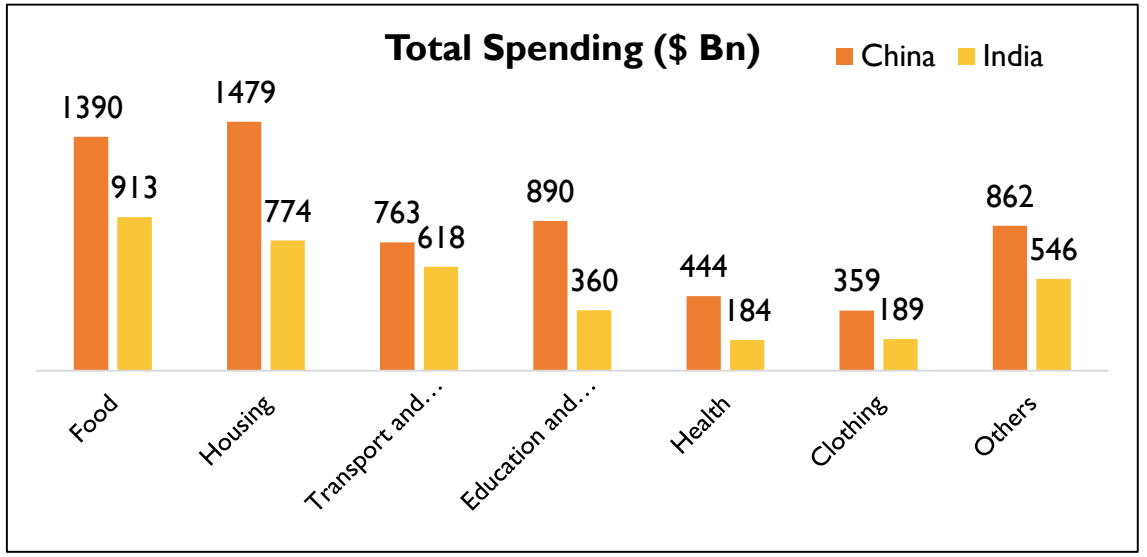
Trillion Dollar

Favorable Factors for the Growth in Economy





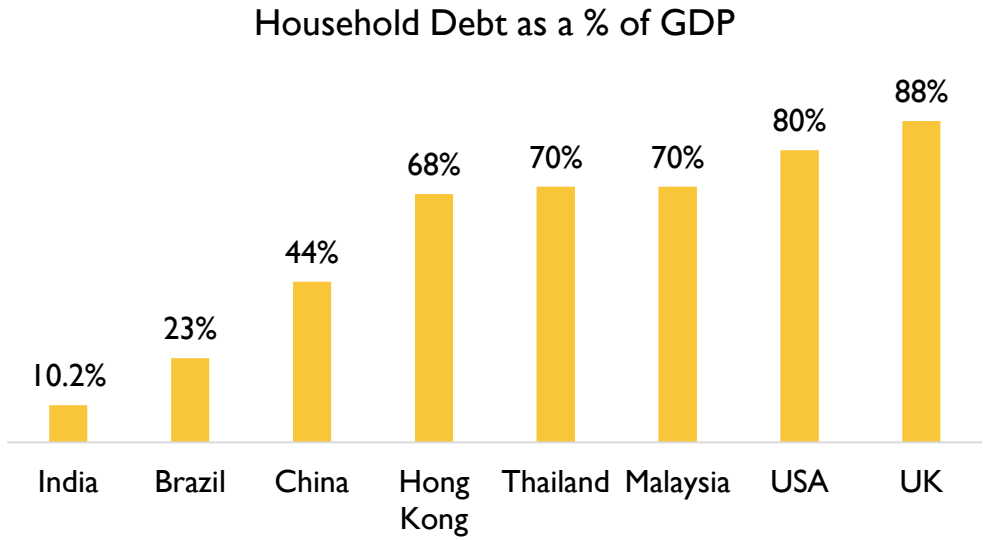


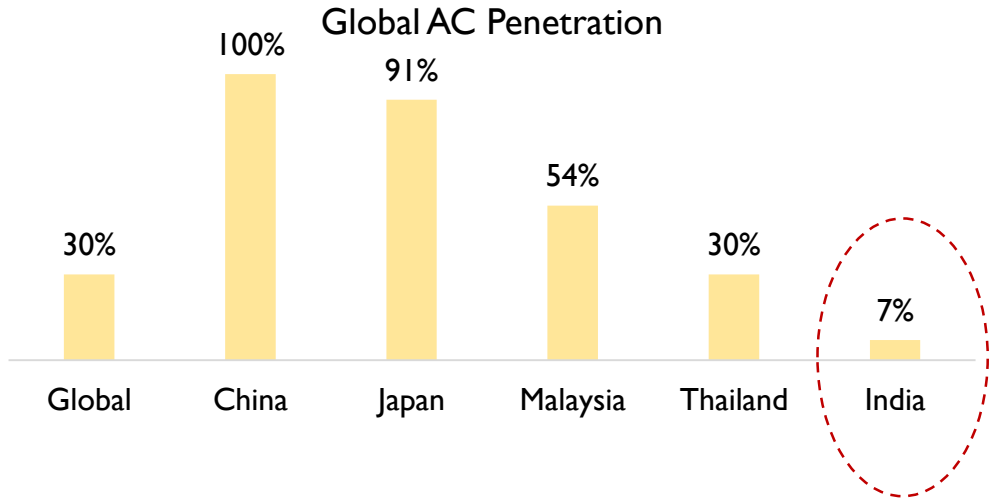


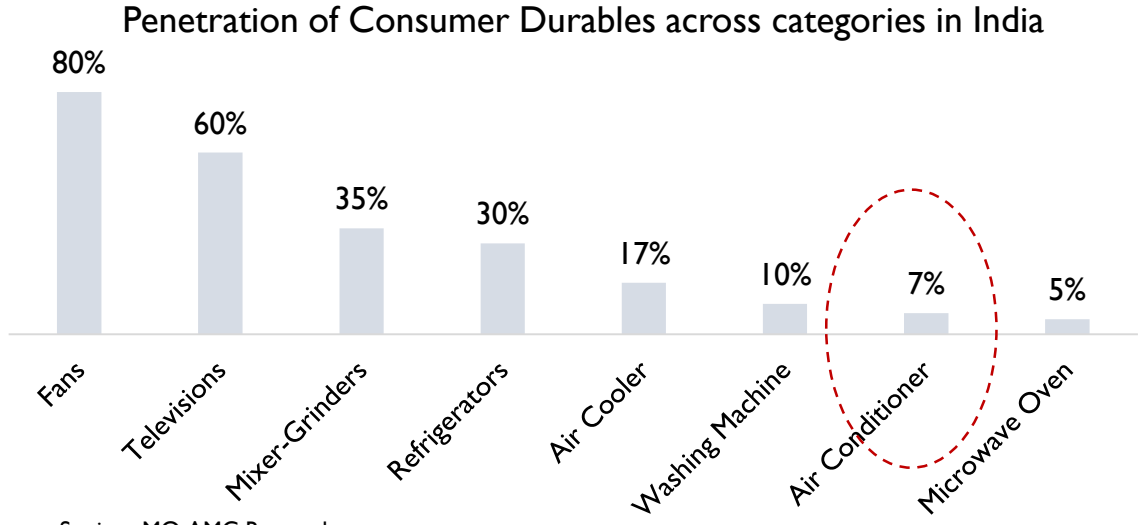
Source : Hurun India Wealth Report 2020, Statista

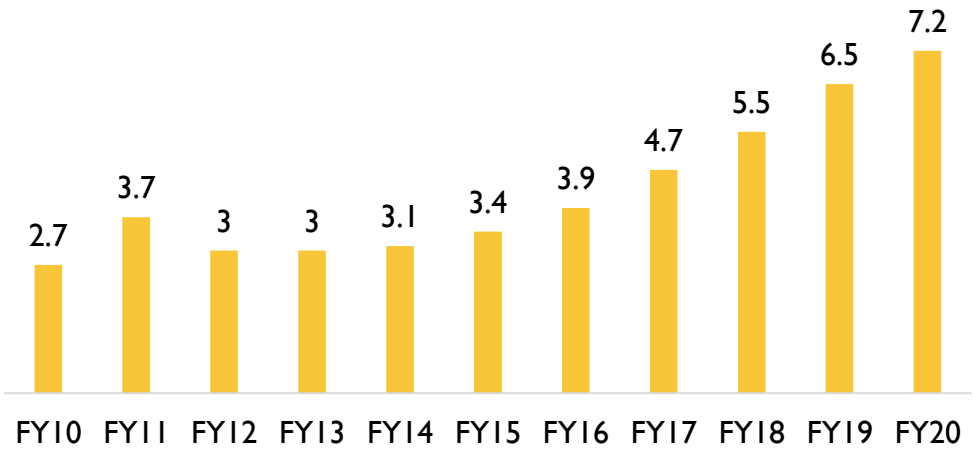
Trillion Dollar

Low Penetration & Household Leverage Offers Long-term Growth Opportunity





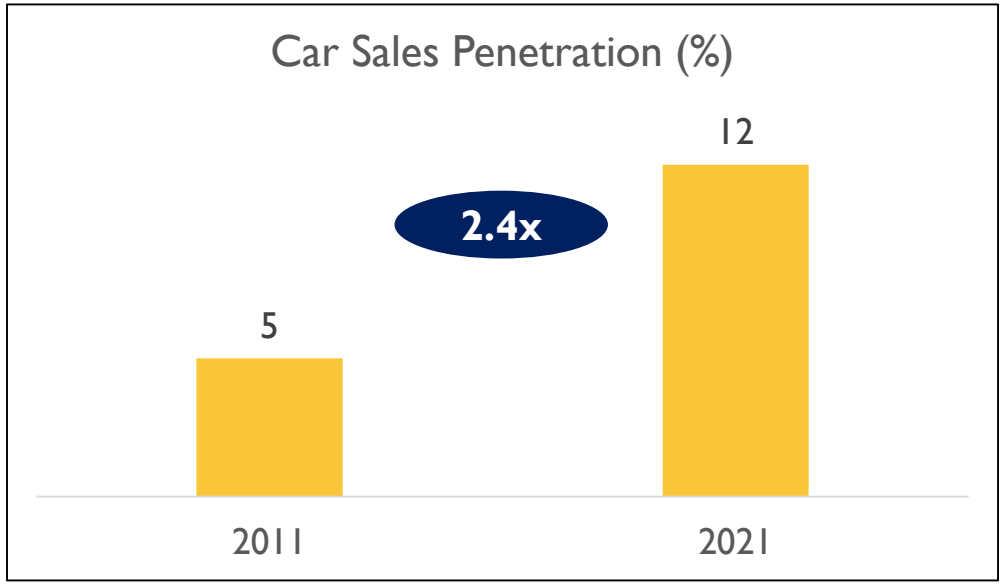


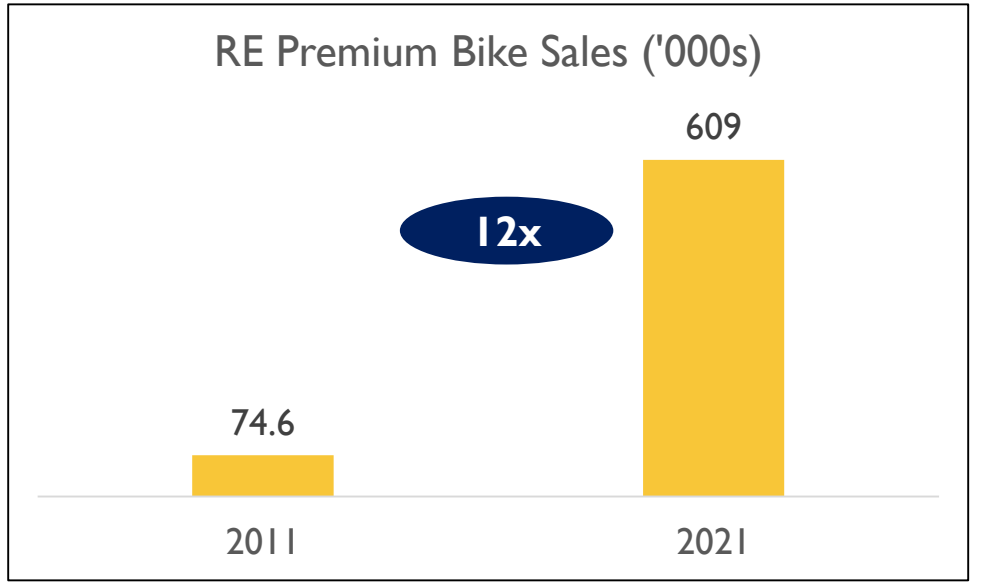


Source: Statista, MO AMC Research

Trillion Dollar

Multiple Opportunities for next Decade

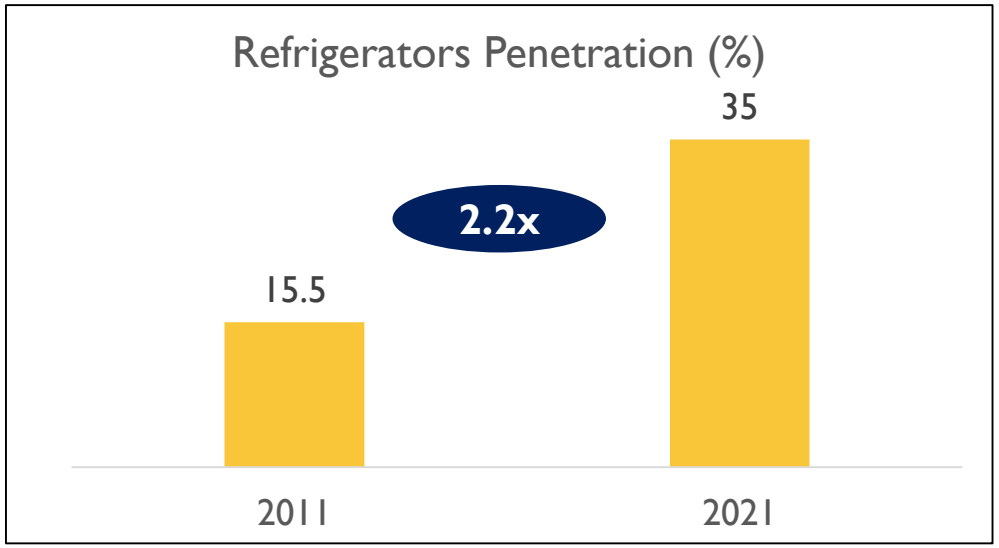


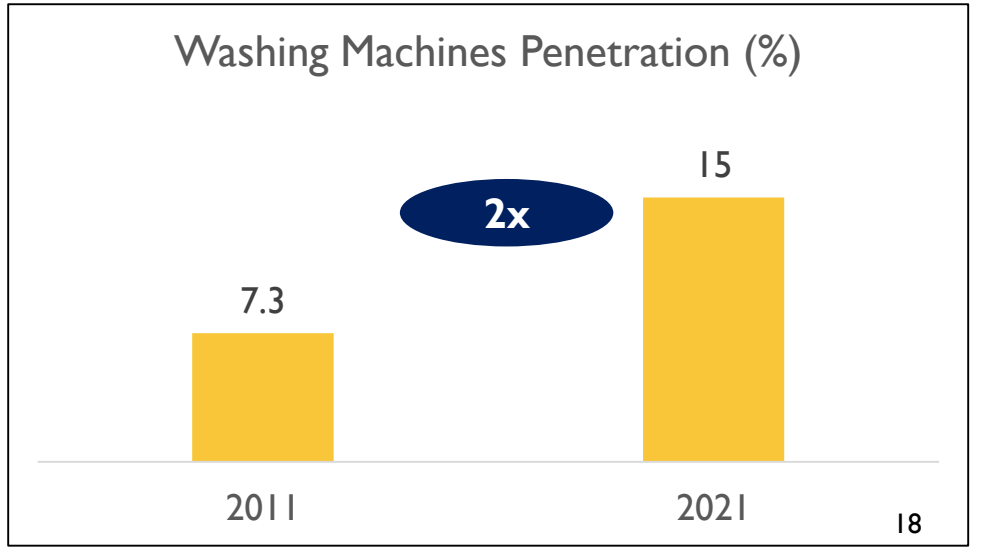


2011 to 2021

2.5x

Per Capita Income





Source: MO AMC Research; Penetration is in terms of number of households

Multiple Sectors offering Opportunity for Disruption

	E – Commerce	Food Tech	Health Tech	Ed Tech	OTT / Gaming/ Ent	Fintech
Illustrative list	Flipkart, NYKAA, bigbasket	SWIGGY, zomato, REBEL FOODS	PharmEasy, TATA 1mg, practo	BYJU'S, unacademy, Vedantu	DREAM11, hotstar, dailyhunt	Pine Labs, policybazaar.com, PhonePe
Size (USD bn)	45.0	4.0	0.7	0.9	3.0	80.0 (txn value)
Who is getting disrupted?	Traditional Retail	Restaurant Chains	Pharmacy Stores	Coaching Institutes	Traditional Media / Multiplexes	Traditional Banks
Ancillary Segments/Key enablers	← UNZO, DELHIVERY, LOADSHARE, Khatabook, Razorpay →					
Key drivers	Demographics, Internet penetration, Simple yet robust financial eco-system, 'Work from Home'					

Consumer Tech: *Leveraging technology/internet to serve a consumer need at scale*

Source: Company, BofA Global Research, Citi Research, Note: Size refers to GMV or Gross Merchandise Value

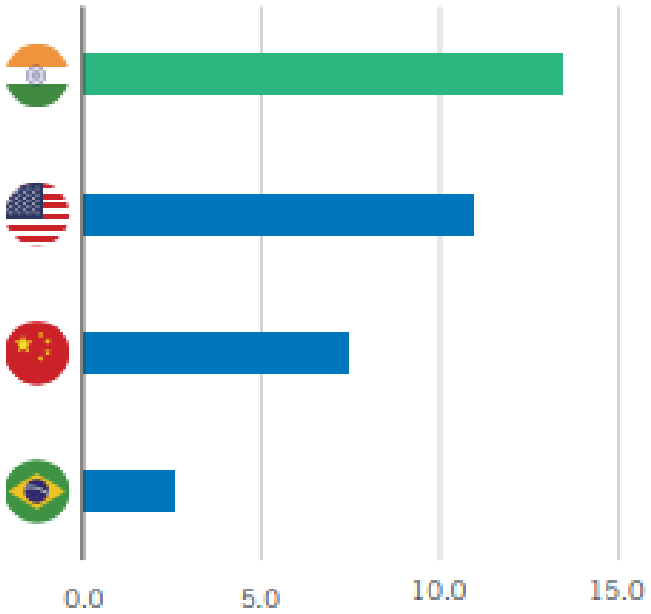
Leveraging India's Internet Stack

1.26 billion
(up from 600 million in 2014)

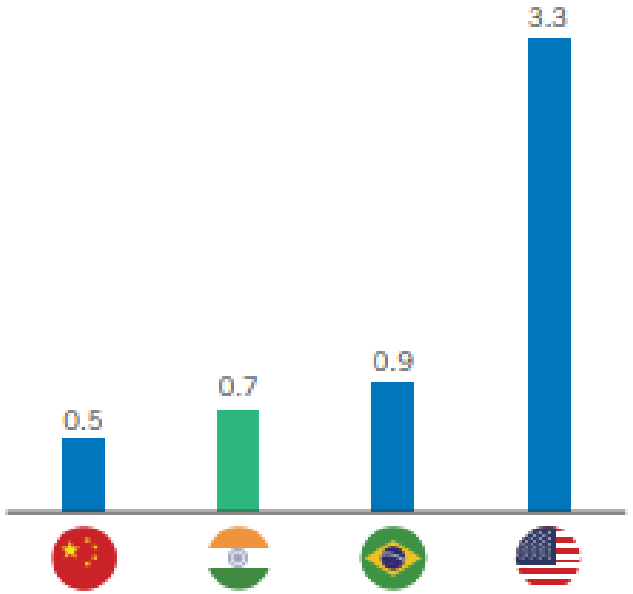
INR 4.94 trillion
(up from 1.5 trillion in 2020)
Value of transactions done

677 million since inception (2017)
Returns filed on GSTN network

Data usage (GB per user per month) on mobile



Data price per GB ($)



Source: InvestCorp, Sep 2021 Report

Large unmet demand

< 100mn Mutual Fund folios

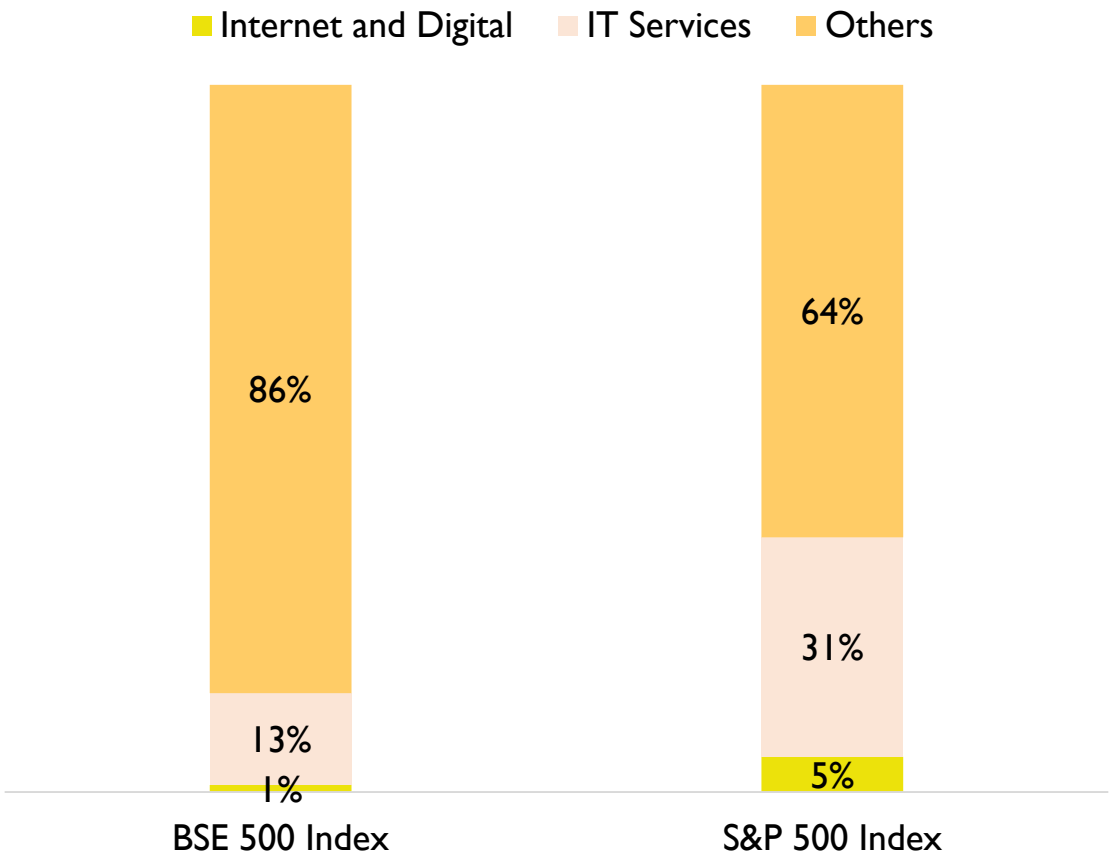
< 26mn NSE active Demats

< 60mn Credit Cards

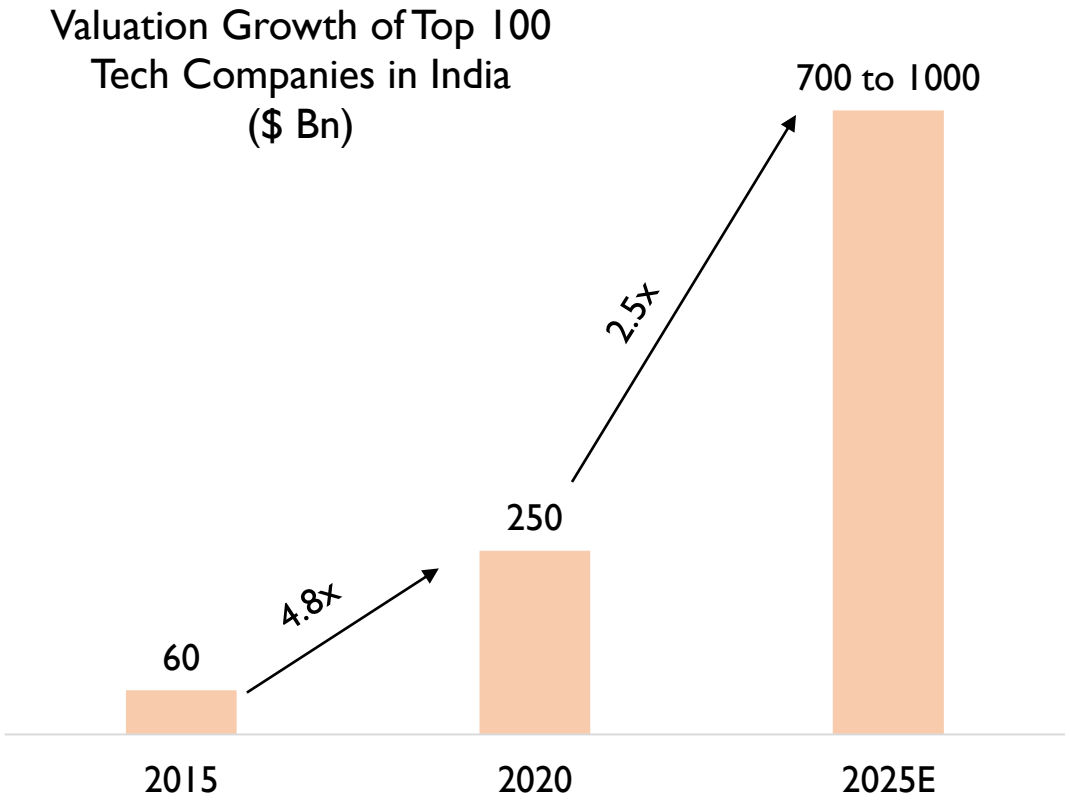
< 50mn Retail Health Insurance

Tech – Long runway for market cap growth

Tech sector is only 14% of BSE500 while 36% of S&P500
Significant Headroom for Listed Tech in India to Grow



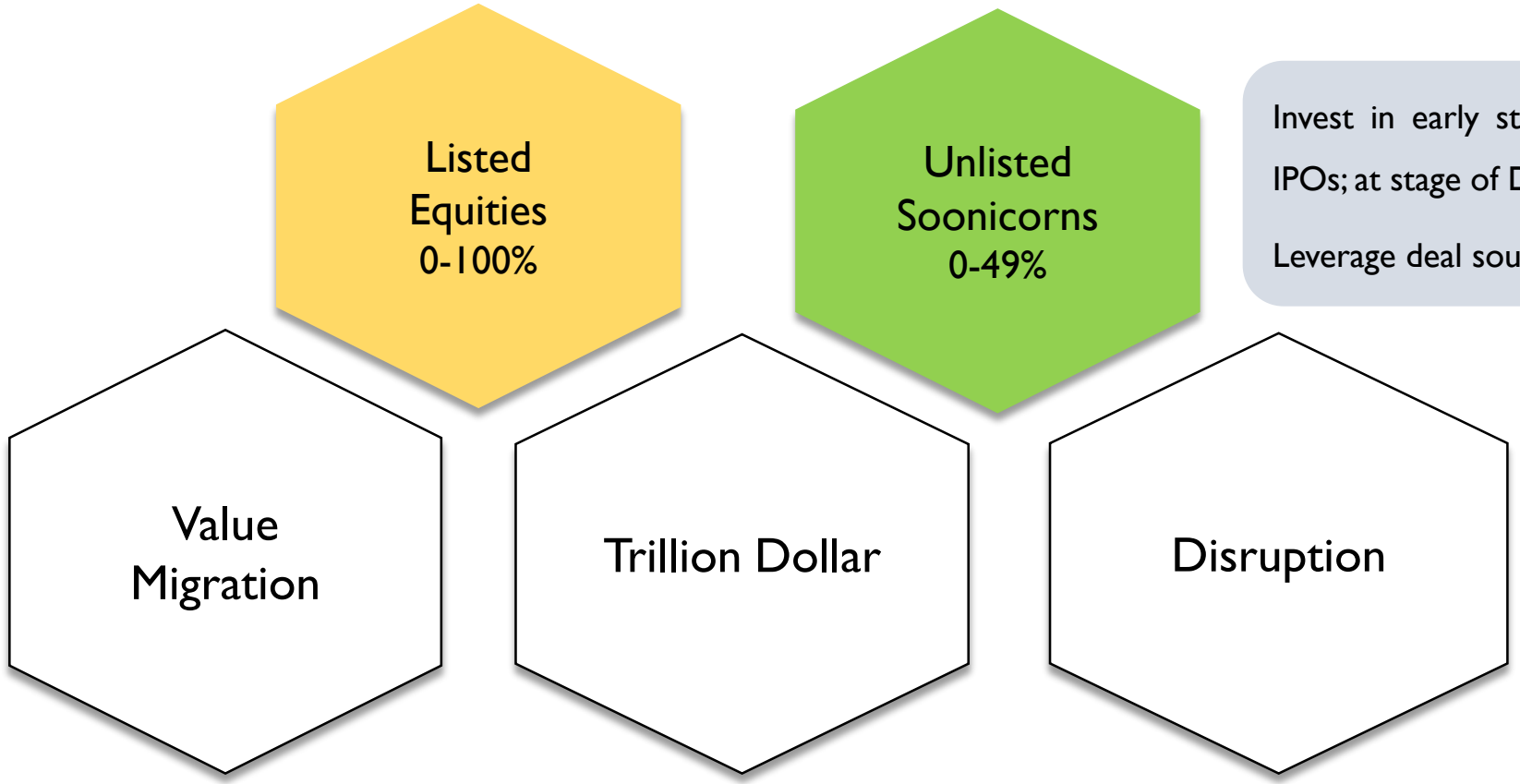
India's Tech is expected to witness steep growth



Source: InvestCorp, Sep 2021 Report

Unlocking Value through Unlisted Space

Investment Strategy



Invest in early stage companies; pre–IPOs; near-IPOs; at stage of DRHP filed (anchor)

Leverage deal sourcing capabilities of MOPE

- 0-100% of portfolio in listed equities
- 0-49% of portfolio in unlisted equities
- Both listed and unlisted equities to be selected from 3 themes of Value Migration, Trillion Dollar & Disruption
- 0-20% flexibility to invest in bottom up opportunities (either listed or unlisted) outside of the 3 themes

MO Private Equity - Proven performance in high-quality investing

	Fund I	Fund II	Fund III
	~INR 550 Cr	~INR 1,000 Cr	~INR 2,300 Cr
Vintage	2007	2013	2018
Investments	13	11	9
Exits	13 (fully exited)	1 complete	90% (committed)
Portfolio Gross IRR	**26.8%**	**18.1%**	**45.6%**
Portfolio MOIC	**6.1x**	**2.7x**	**2.4x**

Performance for Fund II & III as on September 30, 2021 based on 3rd party valuation. Gross IRR and MOIC is at portfolio level (i.e. for both domestic and offshore fund)
MOIC is Multiple on Invested Capital

Investment Philosophy

To make money in stocks you must have –

- **the *Vision* to see them**
- **the *Courage* to buy them &**
- **the *Patience* to hold them**

Patience is the rarest of the three.

- Thomas Phelps
Author, 100 to 1 In The Stock Market

Motilal Oswal Asset Management – *Thought → Philosophy → Action*

25+ Years of Thought Leadership – Wealth Creation Studies









Documented and Distilled Investment Philosophy



Skin In The Game - WE invest heavily in our funds along with investors



What is at stake?

~4,225 Cr

Fund Manager



Manish Sonthalia

- Manish has been managing the Strategy since inception and also serves as the Director of the Motilal Oswal India Fund, Mauritius.
- He has over 25 years of experience in equity research and fund management, with over 14 years with Motilal Oswal PMS.
- He has been the guiding pillar in the PMS investment process and has been managing various PMS strategies and AIFs at MOAMC.
- Manish holds various post graduate degrees including an MBA in Finance, FCA, Company Secretary (CS) and Cost & Works Accountancy (CWA).

Key Terms & Structure of the Fund

Name of the scheme	Motilal Oswal Vision 2030 Fund
Type	Category III, close ended scheme
Tenure	6 years from final closing with 2 year extension subject to approval
No. of stocks	Upto 30 stocks (inclusive of unlisted)
Market cap	Flexi, shall invest across market cap
Benchmark	Nifty 500
Initial Drawdown	30% of the Capital Commitment and balance at the discretion of the Investment Manager.
Lock In	24 Months from final closing
Exit Load	>2 and <3 yrs – 3% >3 and <4 yrs – 2% >4 and <6 yrs – 1% > 6 yr – Nil

Fixed Fee Structure

Lumpsum Classes	SIP Classes	Min Capital Commitment (Rs Crores)	Management Fee
B1	B5	2 < 5	2.50%
B2	B6	5 < 10	1.75%
B3	B7	10 < 25	1.50%
B4*	B8*	>= 25	1.25%

**B4 and B8 are eligible for Co-investment in Unlisted Equity*
Please refer PPM for further details.
In case of defaults in SIP/drawdown, penalty of 8% + GST shall be levied on entire Capital Commitment. Please refer PPM for further details.

Why AIF? – From an Investor's Standpoint

Fund Return = Client Return

Due to homogeneity and closed structure

Longevity

Discipline to stay invested during the entire tenure of fund

Flexibility in deployment of funds

Drawdown structure allows the fund manager for timing market opportunities

Benefit of Pool Structure

Execution efficiency of pool account

Ability to invest via IPOs

- In other products, fund managers are forced to pay additional premium on listing day for potential multi-baggers
- Whereas in AIF, Fund Managers enjoy decent allocation in IPOs at issue price and thereby add on the listing day gains too

Annexures

Decoding QGLP

Q Quality

- **Quality of Business**
  - Competitive Landscape
  - Company Financials
- **Quality of Management**
  - Unquestionable Integrity
  - Demonstrable Competence
  - Growth Mindset

G Growth

- Robust Growth for the past 3 – 5 years
- Potential for growth in the future
  - External factors
  - Internal factors
- Cost
- Volume
- Favorable
- Price
- Mix
- Inorganic growth (if any)

L Longevity

- Business relevance 10 years from now
- Sustainable / expanding moat
- External factors

P Price

- TTM P/E
- Expected 3 – 5 yr EPS CAGR
- PEG < 1.5
- P/E vs benchmark P/E
- Current Price
- Target price in 3 years
- Potential for upside going forward
- Market capitalization movement over the last 3 – 5 years
- Past 3-year price CAGR

Source: MO AMC Research

Tax Update

The rate at which a Cat III fund pays tax on each of these types of income is explained in the table below:

Nature of Income earned by the Fund	Period	Type of instruments	Basic Tax	Surcharge (applied on tax)	Education Cess (applied on both tax and surcharge)	Maximum Marginal Rate (MMR)
Short Term Capital gains	Upto 12 months	Cash Equity	15%	15%	4%	**17.94%**
Long Term Capital gains	> 12 months	Cash Equity	10%	15%	4%	**11.96%**
Dividend Income	-	-	30%	15%	4%	**35.88%**
Unlisted – Long Term Capital gains	> 24 months	Cash Equity	20% - with indexation	37%	4%	**28.50%**
Unlisted – Short Term Capital gains	Upto 24 months	Cash Equity	30%	37%	4%	**42.74%**
Unlisted becoming listed	As per listed	Cash Equity	As per listed	15%	4%	**Criteria same as listed security**

- Tax on both realized and unrealized gains is factored in the NAV on an ongoing basis. Thus, it is a post-tax post management fee NAV.
- Tax is paid by the trust as a representative assessee on behalf of the investor.
- Since the tax is discharged by the fund on behalf of investors, they do not have to pay additional tax separately. This holds true in case of resident individual investors. Investors with different legal entity should consult their tax advisor.
- No TDS certificate is received by the investor for Cat III fund.
- The fund shares a tax letter post the completion of audit for relevant financial year.

The above rates are as per the budget of FY21-22.

Allowed Country list to invest

Hong Kong	Nigeria	Switzerland	Uganda	Myanmar
Singapore	Indonesia	Bahrain	Brunei	Guyana
United kingdom	Sri-Lanka	Qatar	Zambia	Saint Kitts and Nevis
United Arab Emirates	New Zealand	Luxembourg	Saudi Arabia	South Korea
Dubai International Financial Centre ("DIFC")	Taiwan	Monaco	Romania	Ireland
Democratic Republic of Congo	Tanzania	Nepal	Philippines	Azerbaijan
Australia	Turkey	South Africa	Germany	Japan
Belgium	Kuwait	Morocco	Madagascar	Spain
Sultanate of Oman	Malaysia	Kazakhstan	China	Finland
Thailand	The Netherlands	PARAGUAY	Ghana	Mauritius
Kenya	Sweden	Cyprus	Botswana	
US NRI clients can invest if present in India at time of application				

Please write to aifservice@motilaloswal.com or AMC team for countries other than the ones mentioned above.

Acceptance of Accredited Investors

Minimum capital commitment from an accredited investor is INR 25 lacs.

<u>If an Investor becomes ineligible to be Accredited Investor</u>

- Covers scenario where an AI is becoming ineligible involuntarily. For eg. Decrease in net worth, lead time between expiration of AI certificate and renewal application.
- In this case, the investor still remains deemed Accredited Investor for the rest of the tenure and the investment(s) already made by him shall continue to be reckoned as investment by an Accredited Investor.

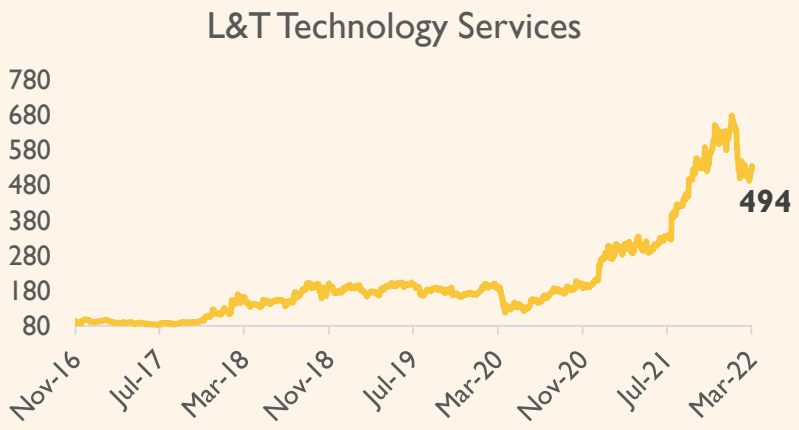
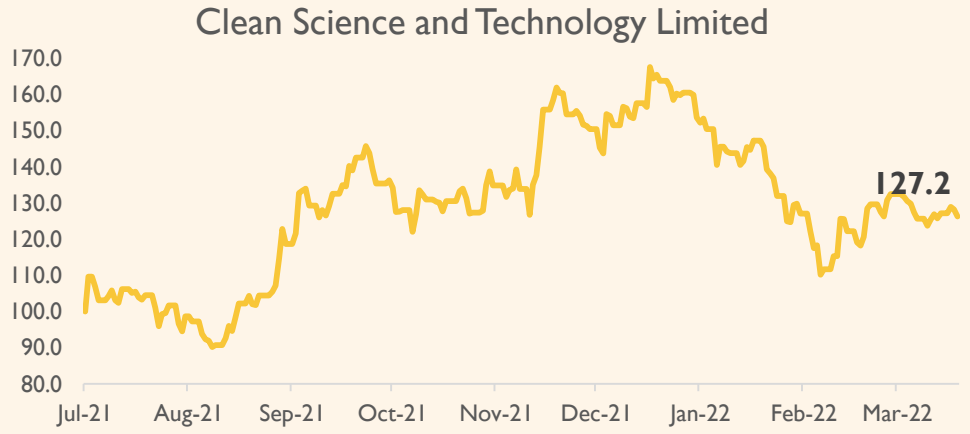
<u>If an investors who have availed lower ticket size Withdraws the 'Consent' voluntarily:</u>

- Investor is required to bring up the investment to the minimum investment size (1 Cr in this case) that is mandated for non-Accredited Investors
- 30 days buffer shall be given for arranging the additional funding
- Compulsory redemption in case of failure subject to the exit load and/or penalty clause at the discretion of the Investment Manager.

- BASL shall provide the accreditation certificate. Open the link in google chrome for registration: https://membership.bseasl.com/login.aspx?flag=A

Case Studies

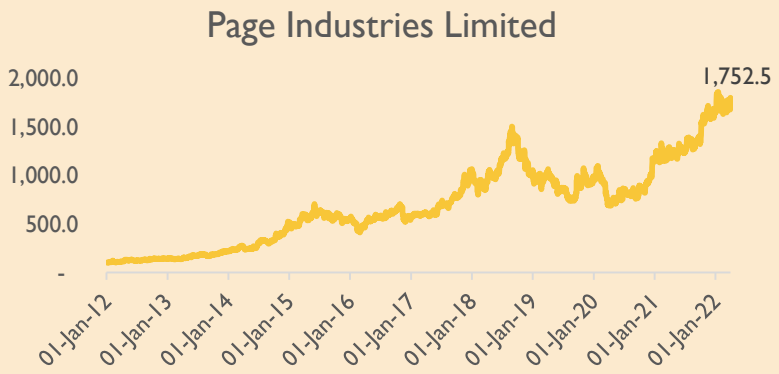
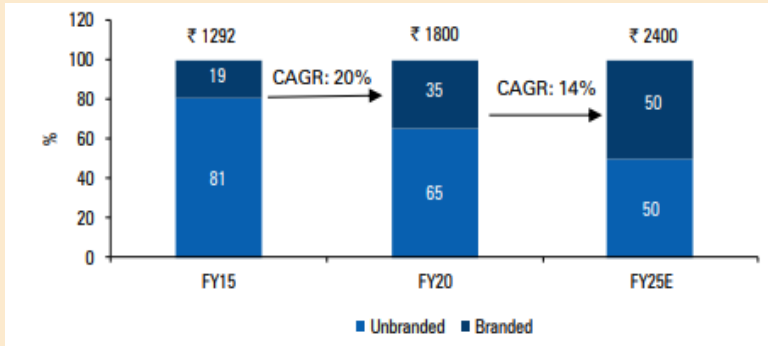
These stocks are for illustration purpose only and may or may not form the part of the actual portfolio

	L&T Technology Services	Clean Science and Technology Ltd.
Business Model	• Breadth of clients and wide range of vertical expertise (autos, manufacturing, hi-tech, healthcare, etc) unlike peers which rely on single verticals	• The company has emerged as the global leader in majority of its product categories on the back of niche product offerings catering to polymer inhibitors, Pharma API & anti-oxidants for the Food & Feed industry.
Favorable Factors	• Parent's expertise in plant engineering, construction and building automation benefits LTTS. • Also, L&T group provides access to LTTS to several Fortune 500 clients.	• Driven by its strong R&D capabilities – in both plant technological /engineering development as well as process innovation (based on green chemistry). • Strong pricing power; commands healthy margins (EBITDA margin expanded from 33% to 50% bet FY16–21
Growth Drivers	• Engineering services are under-exposed to offshoring services; this should be a secular trend which should benefit leading players like LTTS	• On the back of capacity additions with the aim to capture higher market share for its products, revenues are expected to grow at a CAGR of ~23% over FY21–24.
Stock Price		

Source: MO AMC Research

Case Studies

These stocks are for illustration purpose only and may or may not form the part of the actual portfolio

	Page Industries	Vedant Fashions Ltd.
About Company	• Page Industries Limited manufactures, markets, and distributes garments and clothing accessories for men, women, and junior girls and boys.	• The company is a category leader and one stop shop in the branded Indian wedding and celebration market • 500+ exclusive branded outlets; healthy margin (Gross margin:~70%)
Favorable Factors	• FY22-24 Revenue and EPS growth pegged at 15% and 20% as price hikes offset higher yarn costs. • The Indian innerwear market is expected to grow at 10% CAGR over 2017-27 while Men's/Women's innerwear is estimated to grow 6%/12%; Newer segments, mainly Athleisure and Kid's innerwear, are expected to grow even faster. • The company is targeting USD 1 bn sales by FY26	• Ethnic wear accounts for ~32% of overall apparel retail market out of which **Women's ethnic wear** is the largest segment (~ INR 1,25,000 cr compared to ~INR 18,000 cr of Men's segment); This is another key focus segment of the company • Commands industry's highest PAT margin of ~26% and RoCE at ~32% as on FY20; Revenue per store at INR 2.4 crore • The Indian wedding and celebration wear market is pegged at ~INR1 lakh cr (15-20% branded penetration); branded space is expected to grow at a CAGR of 18-20% by FY25
Stock Price		**Ethnic wear market size (INR bn)** 

Source: MOFSL Research, ICICI Direct Research

Case Studies - Unlisted

These stocks are for illustration purpose only and may or may not form the part of the actual portfolio

	Packaging Solutions Company
Business Model	• One of the largest producers of high quality folding cartons. • Clientele includes industry leaders in FMCG, Food & Beverages, Pharma, Electronics, Retail and Apparels segment.
Favorable Factors	• With more than fifty years of experience in the printing and packaging industry, the company combines its technical expertise with market insights to deliver customized solutions that exceed customer expectations. • Holds vast domain knowledge across industries which gives them an edge over competitors • Offers a complete range of carton styles complemented by a wide variety of print finishes such as lamination, foiling, embossing, window patching and security features. • Their expertise lies in printing high quality graphics on a range of substrates including metallized and holographic films.
Industry Growth	• As per Mordor Intelligence, the Packaging Industry in India is expected to register a CAGR of approximately 26.7% during the period (2022-2027). • India's growing economy, favorable demographics, changing lifestyles and increased media penetration are the key drivers.

Source: MO AMC Research

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