

“TRENDSPOTTING”

2021



**ADITYA BIRLA
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

An Annual Research Initiative

By ABSLAMC Alternate Assets – Equity Investments

<u>Why Trendspotting</u>	4
<u>Key Sector Trends</u>	6
<u>Past Trends</u>	7
<u>Theme 1: Infrastructure Driven Boost to GDP Growth (2003-08)</u>	8
<u>Theme 2: Resurgence of Export Sectors (2011-2015)</u>	10
<u>Theme 3: The Great Indian Consumption Story (2016-20)</u>	12
<u>Theme 4: Global Supply Chain Diversification in Chemicals (2016-2019)</u> ..	14
<u>Theme 5: The NBFC Saga (2014-2019)</u>	16
<u>What Drives Big Trends</u>	18
<u>Enablers of Past Trends</u>	19
<u>Key Success Stories</u>	20

<u>Trends for the Future</u>	21
<u>Theme 1: The rise of domestic manufacturing</u>	22
<u>Theme 2: Digitalization</u>	24
<u>Theme 3: Cyclical revival in Real Estate</u>	28
<u>Theme 4: Sustainability</u>	31
<u>Theme 5: Revival in midcaps</u>	33
<u>Summary - Trends for the Future</u>	35
<u>Enablers of Future Trends</u>	36
<u>Portfolio stocks: Beneficiaries of Future Trends</u>	37
<u>ANNEXURE</u>	39
<u>Aditya Birla Sun Life Alternate Assets Way of Investing</u>	40

Why Trendspotting?

Key to successful investing over a long period is an ability to spot trends

Different market cycles favor different set of industries

Looking at data since 2002, the top 5 performing sectors vary greatly in each market cycle

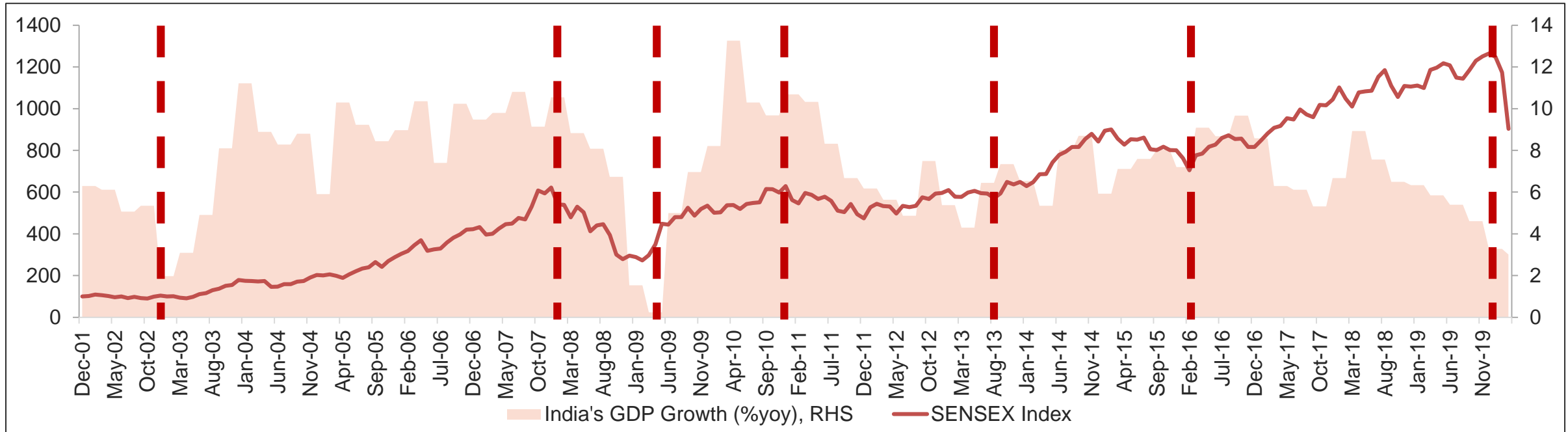
Average returns of best performing sector in each cycle is 30% CAGR

While for worst performing sector it is -18% CAGR

Phases	Top Sectors	Bottom Sectors
Oct02-Jan08	Industrials 79%	Media 16%
Jan08-Oct08	Consumer staples: -18%	Real estate -88%
Oct08-Nov10	Media 109%	Communication services 9%
Nov10-Aug13	Healthcare 24%	Industrials -30%
Aug13-Feb16	Auto 42%	Real estate -2%
Feb16-Jan20	Consumer durables: 32%	Communication services -9%

Source: Bloomberg

Trendspotting – Macro drives trends



	Oct02-Jan08	Jan08-Oct08	Oct08-Nov10	Nov10-Aug13	Aug13-Feb16	Feb16-Jan20
Nifty Performance (%) - CAGR	38%	-53.7%	40.5%	-2.5%	10.3%	14.7%
Average Qtrly Real GDP gr, 1yr fwd (%)	8.71	4.06	9.68	6.35	7.99	6.58
INR depreciation (%)	-23%	20%	-8%	31%	2%	5%
Interest rate movement (bps)	225	25	-175	100	-50	-160

Source: Bloomberg

Trendspotting – Key Sector Trends

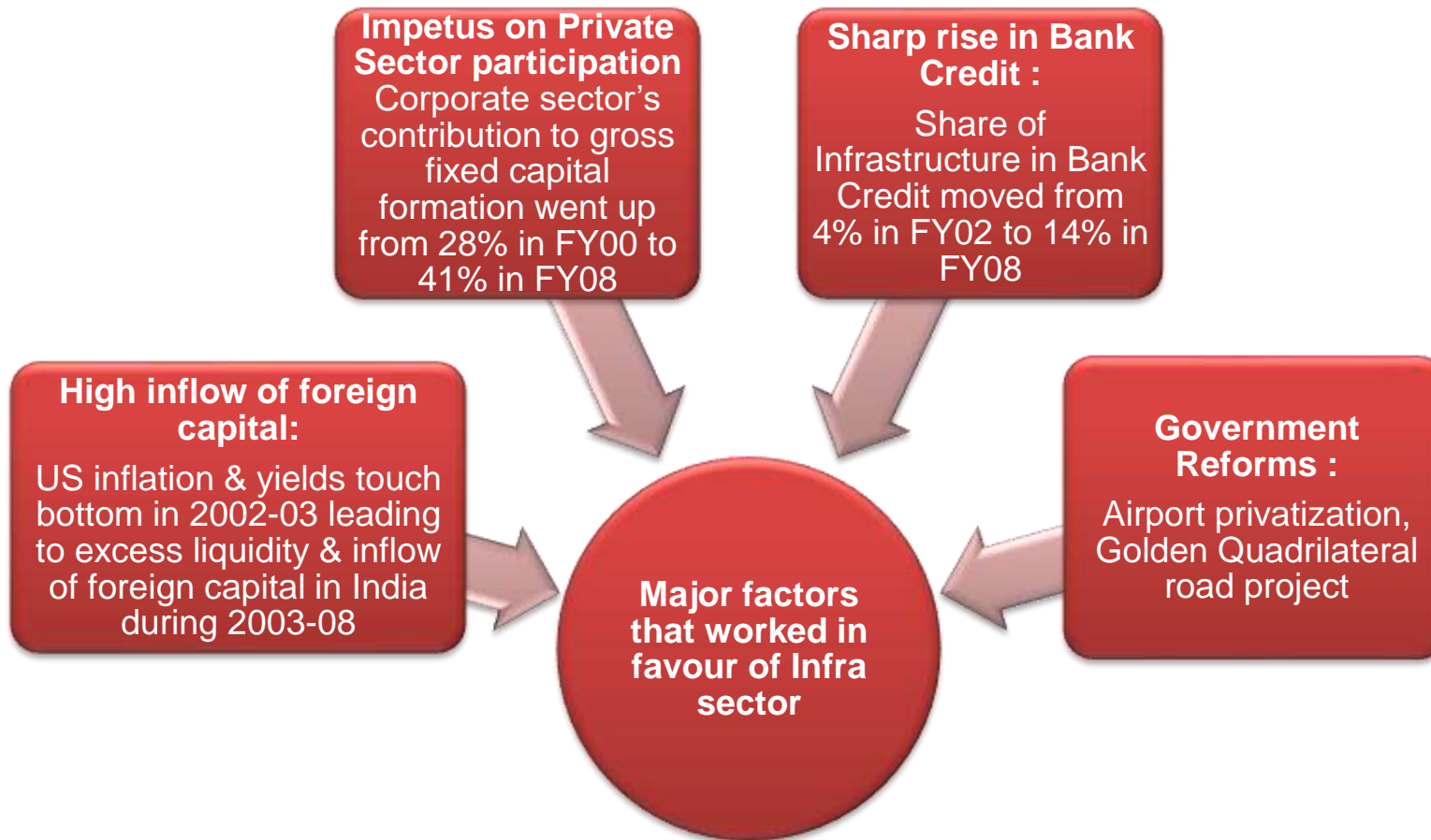
Looking at data since 2002, the top 5 performing sectors in terms of returns vary greatly in each market cycle

Oct02-Jan08		Jan08-Oct08		Oct08-Nov10		Nov10-Aug13		Aug13-Feb16		Feb16-Jan20	
Sector	CAGR (%)	Sector	CAGR (%)	Sector	CAGR (%)	Sector	CAGR (%)	Sector	CAGR (%)	Sector	CAGR (%)
Industrials	79%	Consumer Staples	-18%	Media	109%	Health care	24%	Automobile	42%	Consumer Durables	32%
Metals	79%	Health care	-28%	Automobile	84%	Consumer Staples	20%	Pharma	28%	Chemicals	25%
Financials	71%	Pharma	-32%	Banks	79%	Pharma	6%	Financials	27%	Real Estate	24%
Utilities	71%	Automobile	-51%	Metals	78%	IT	6%	Chemicals	26%	Retail	22%
Consumer Durables	67%	Communication	-51%	Financials	67%	Automobile	1%	Nifty Midcap	25%	Others	22%
Cement	62%	Chemicals	-52%	Others	62%	Media	-2%	Consumer Durables	24%	Consumer	19%
Consumer	55%	IT	-53%	Consumer Durables	61%	Nifty	-2%	Health care	24%	Financials	18%
Banks	54%	Nifty	-54%	Consumer	58%	Communication	-4%	Consumer	23%	Consumer Staples	17%
Others	51%	Oil and Gas	-55%	Nifty Midcap	56%	Cement	-5%	Nifty Smallcap	23%	Utilities	16%
Nifty Midcap	49%	Banks	-60%	Health care	54%	Logistics	-8%	Oil and Gas	22%	IT	15%
Communication	49%	Nifty Midcap	-62%	Pharma	53%	Consumer Durables	-9%	Retail	21%	Nifty	15%
Oil and Gas	43%	Utilities	-64%	Logistics	53%	Financials	-10%	Consumer Staples	20%	Cement	14%
Automobile	41%	Consumer	-66%	Industrials	51%	Nifty Midcap	-10%	Utilities	20%	Metals	14%
Retail	38%	Logistics	-67%	Nifty Smallcap	50%	Chemicals	-11%	Media	20%	Oil and Gas	13%
Nifty	38%	Cement	-70%	Consumer Staples	48%	Nifty Smallcap	-15%	Logistics	19%	Nifty Midcap	12%
Nifty Smallcap	37%	Metals	-71%	Cement	47%	Oil and Gas	-15%	Industrials	17%	Nifty Smallcap	9%
Health care	36%	Nifty Smallcap	-72%	Utilities	44%	Consumer	-17%	Cement	14%	Banks	9%
Chemicals	34%	Industrials	-74%	Chemicals	44%	Retail	-20%	Others	14%	Logistics	8%
Consumer Staples	32%	Financials	-75%	IT	43%	Utilities	-22%	IT	13%	Pharma	6%
Pharma	29%	Retail	-76%	Oil and Gas	41%	Others	-22%	Nifty	10%	Automobile	6%
Logistics	28%	Consumer Durables	-77%	Nifty	41%	Banks	-22%	Metals	10%	Health care	3%
IT	22%	Others	-80%	Retail	40%	Real Estate	-23%	Communication	7%	Industrials	0%
Real Estate	20%	Media	-81%	Real Estate	28%	Metals	-24%	Banks	6%	Media	-2%
Media	16%	Real Estate	-88%	Communication	9%	Industrials	-30%	Real Estate	-2%	Communication	-9%

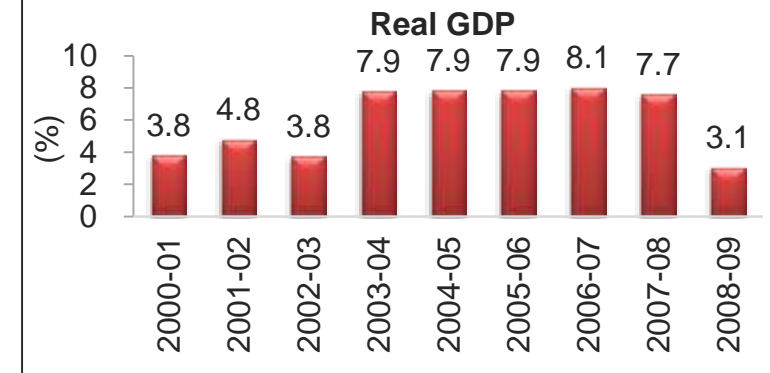
*Sectors marked in green are top 5 performers for the current cycle; Sectors marked in yellow are top 5 for the preceding cycle

PAST TRENDS

Theme 1: Infrastructure driven boost to GDP growth (2003-08)

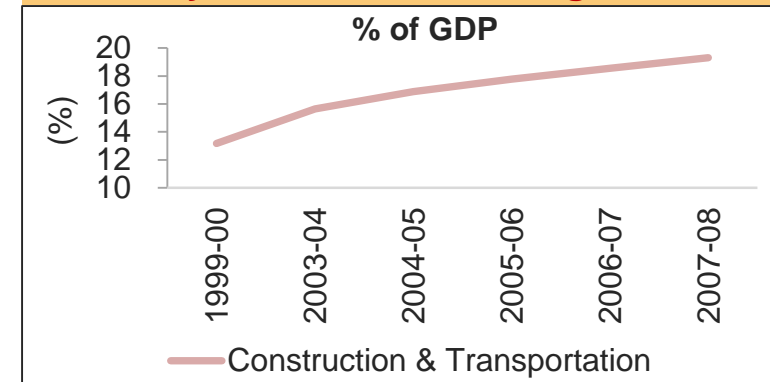


GDP growth close to 8% for 5 yrs



Source: CMIE

Rise in manufacturing & construction activity as a % of GDP during 2003-08



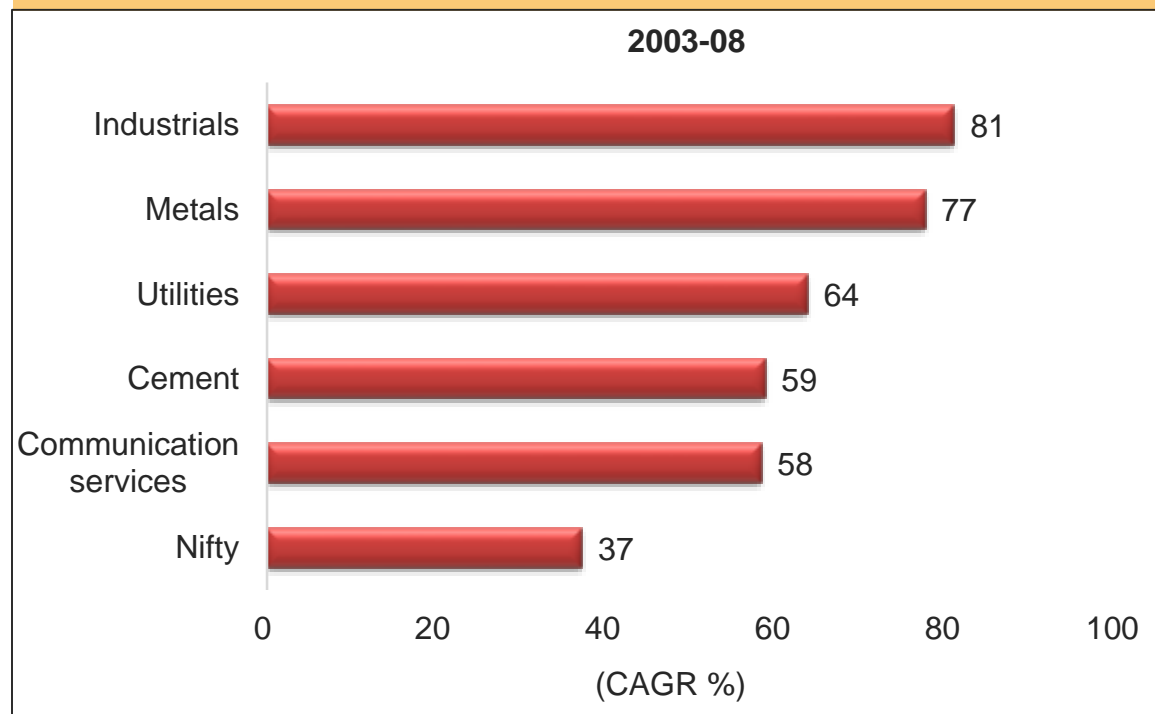
Source: National Statistical Office (NSO)

Theme 1: Infrastructure driven boost to GDP growth (2003-08)

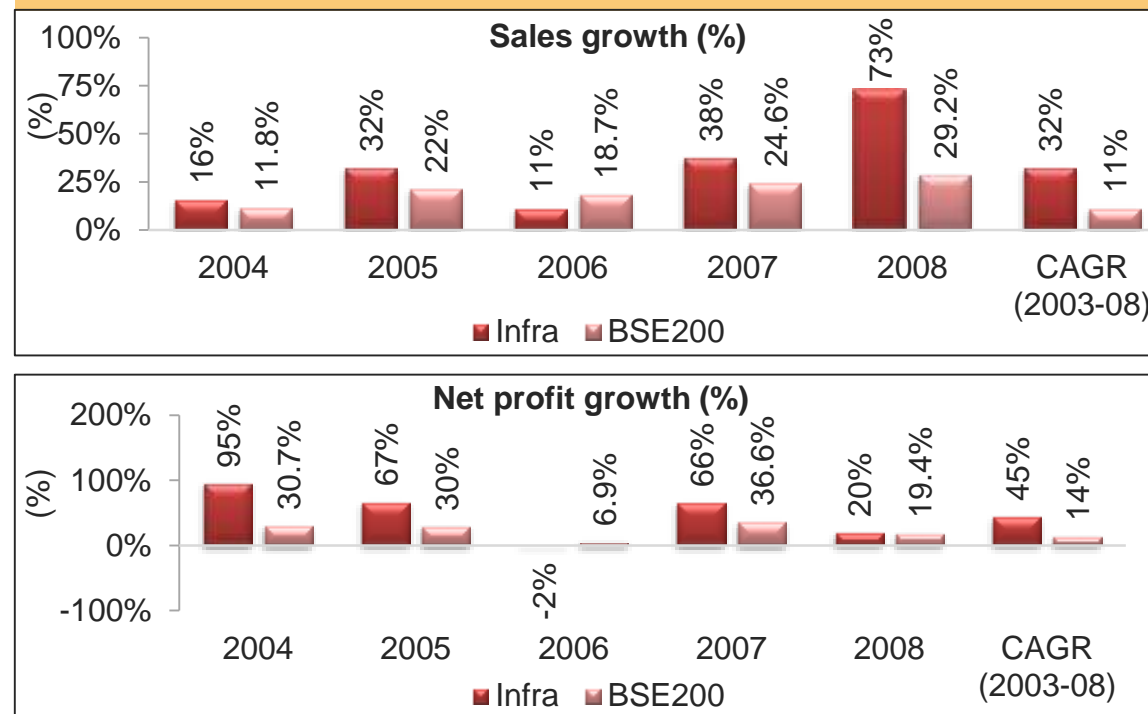
Sector performance

The top 5 performing sectors in the BSE200 Universe, during this period include Infra related sectors like industrials, metals and utilities supported by financials which helped finance the growth. All the other major infra sectors also outperformed Nifty by a healthy margin during this period.

Infra related sectors outperformed Nifty



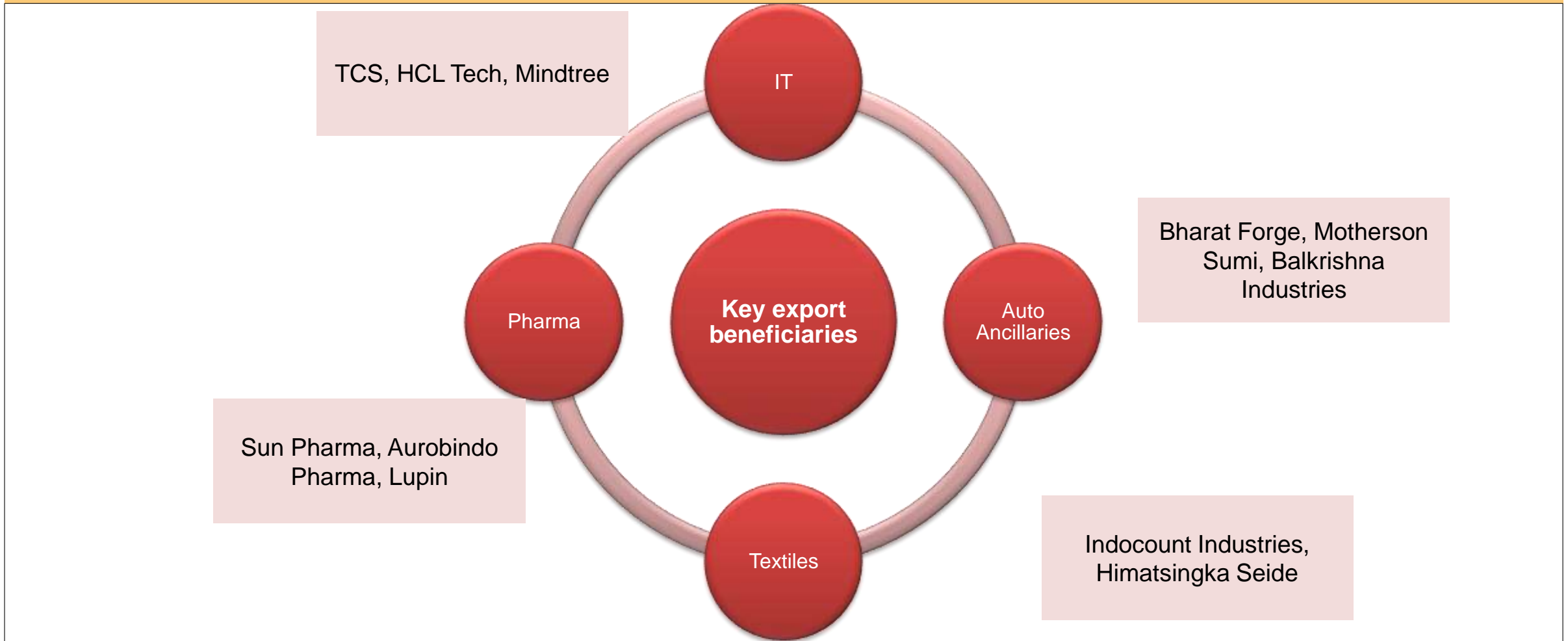
Infra profits grew at 3x of BSE 200 co. profits



Source: Capitaline, Bloomberg, Universe: BSE 200

Theme 2: Resurgence of Export sectors (2011-2015)

Key export sectors that did well in this phase

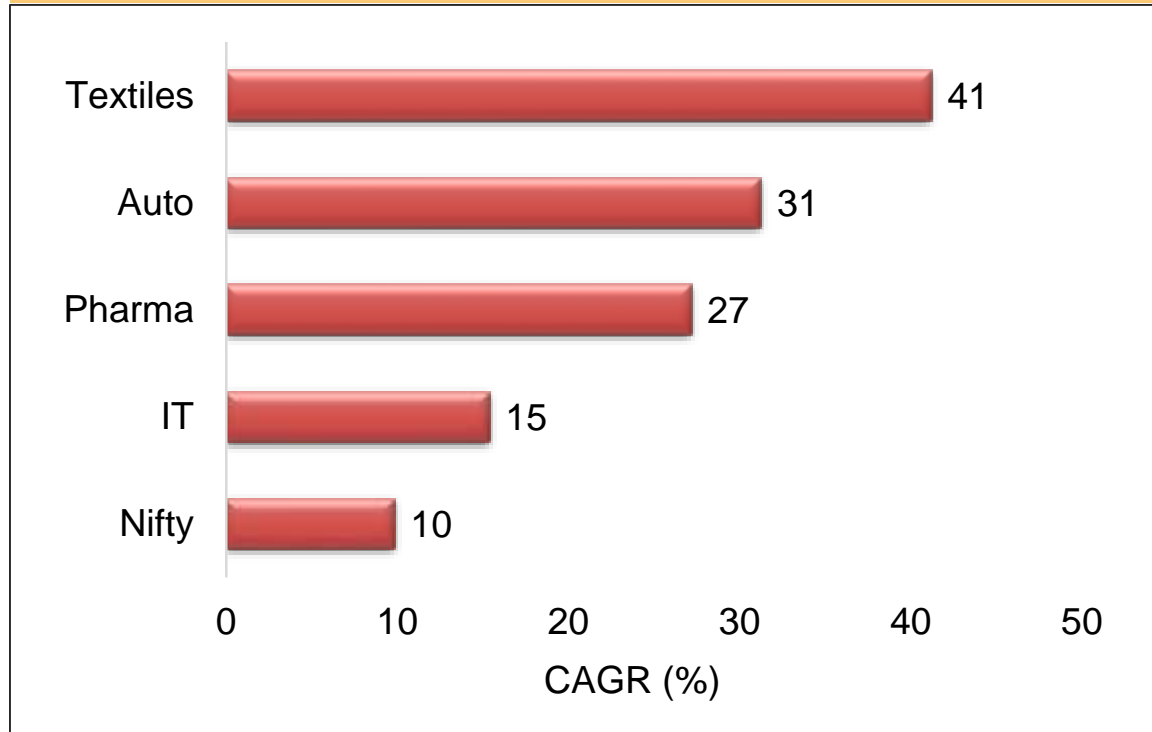


Theme 2: Resurgence of Export sectors (2011-2015)

Sector performance

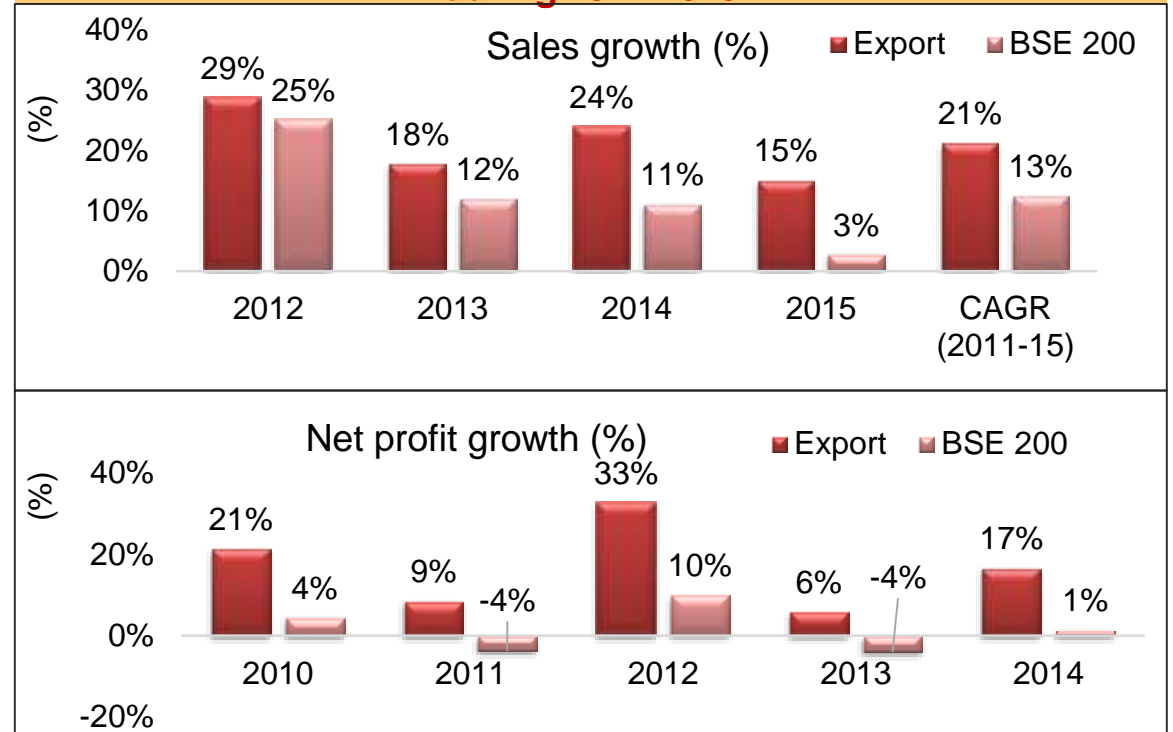
In the BSE200 Universe, export-oriented sectors like textiles, auto, pharma and IT outperformed Nifty by a good margin during 2011-15 on annualized return basis.

Top performing sectors during 2011-15



Source: Capitaline, Bloomberg

IT & pharma sector profits grew at a higher rate than Bse 200 during 2011-2015



Theme 3: The Great Indian Consumption Story (2016-20)



Rising incomes, with premiumization in consumer preferences

- India touching the USD 2000 per capita GDP mark with India's favorable demography
- Premiumization in products along with rise of E-commerce and organized retail began to drive consumption during this time

Vibrancy in rural economy

- A good monsoon after two successive years of drought, coupled with 7th Pay Commission, boosted rural consumption in 2016
- Large growth was expected to be on the rural side as urban consumption was already on track.

Unorganized to organized shift

- With the implementation of GST in 2017, the "Unorganized to organized" play caught more steam as it levelled all the players in terms of taxation.
- Organized brands would be beneficiaries of premiumization by Indian Consumers

Increase in Retail Financing

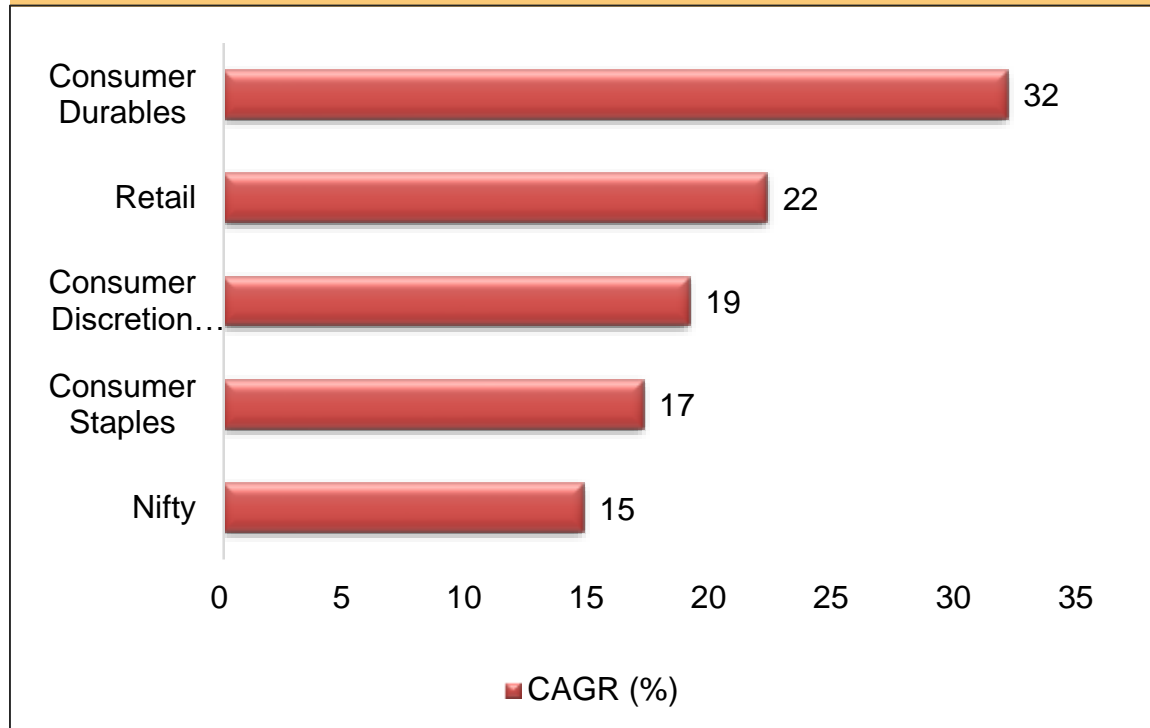
- NBFCs, Banks have ensured availability of finances
- Multiple innovations are driving secured and unsecured lending
- Retail credit grew by 16% CAGR over 2016 to 2020

Theme 3: The Great Indian Consumption Story (2016-20)

Sector performance

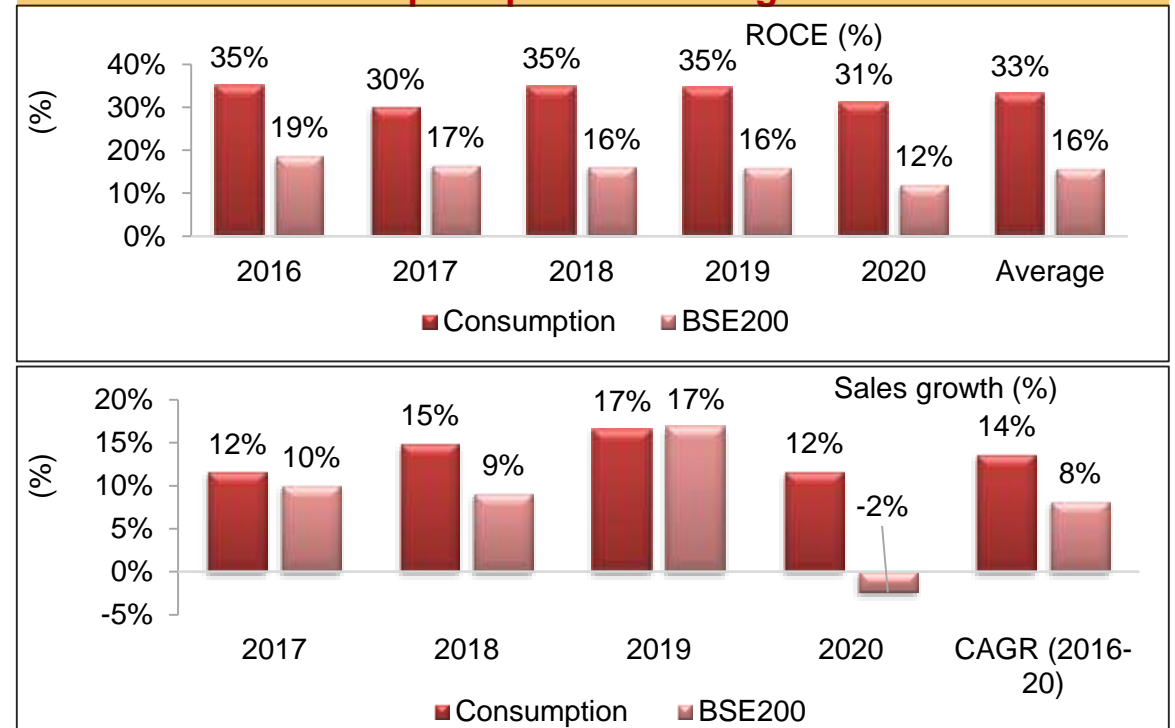
The sectors in the BSE200 Universe which outperformed the Nifty during this period include consumer durables, discretionary, staples, retail and financials. As the Indian consumer spent with availability of easy credit, financials benefitted alongside.

Consumption sectors outperforming Nifty during 2016-20



Source: Capitaline, Bloomberg

High ROCE and stable growth were the highlights of the consumption portfolio during 2016-20



Theme 4: Global supply chain diversification in Chemicals (2016-2019)

The story so far...

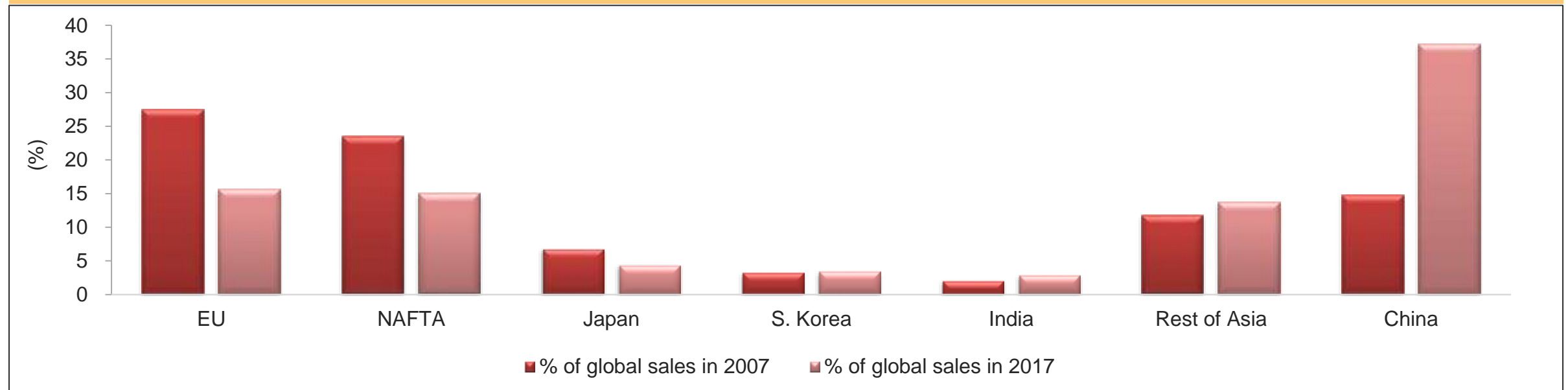
China's large gain in market share is explained by –

- Rapid industrialization
- Low manufacturing costs

What is happening now

- US-China Trade war changing trade dynamics
- Stricter environmental norms in China
- Rising cost of labour

China's share in USD4 trillion chemical industry moved from 15% in 2007 to around 37% in 2017.



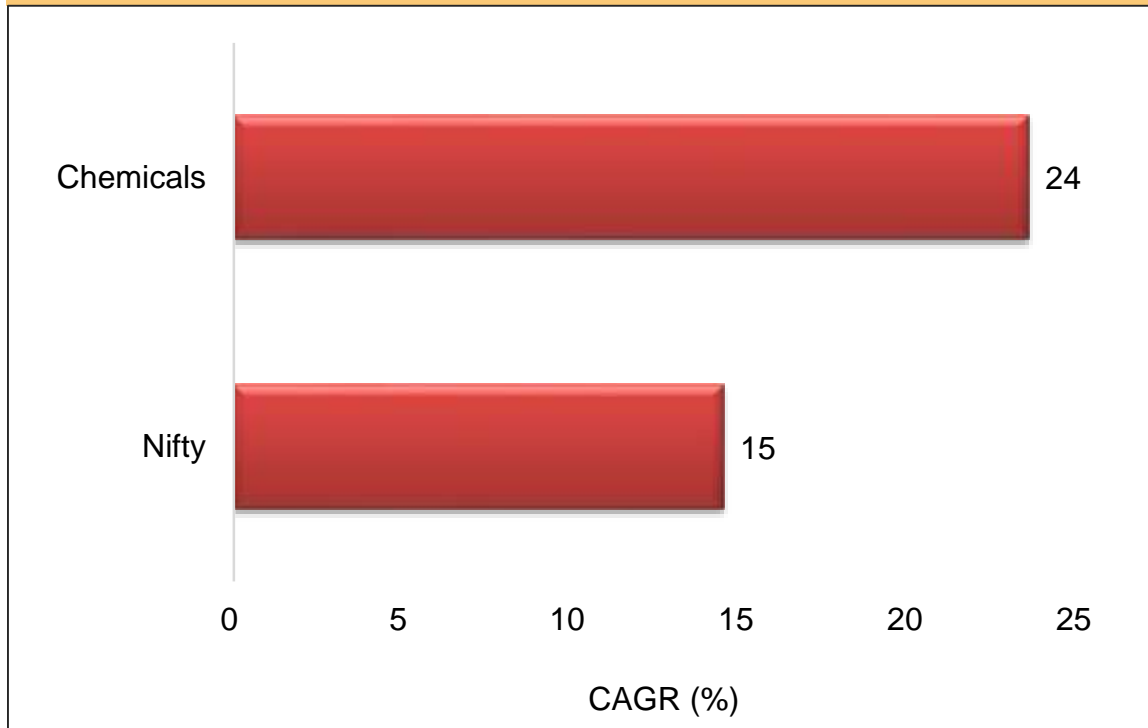
Source – Ficci report on Chemicals

Theme 4: Global supply chain diversification in Chemicals (2016-2019)

Sector performance

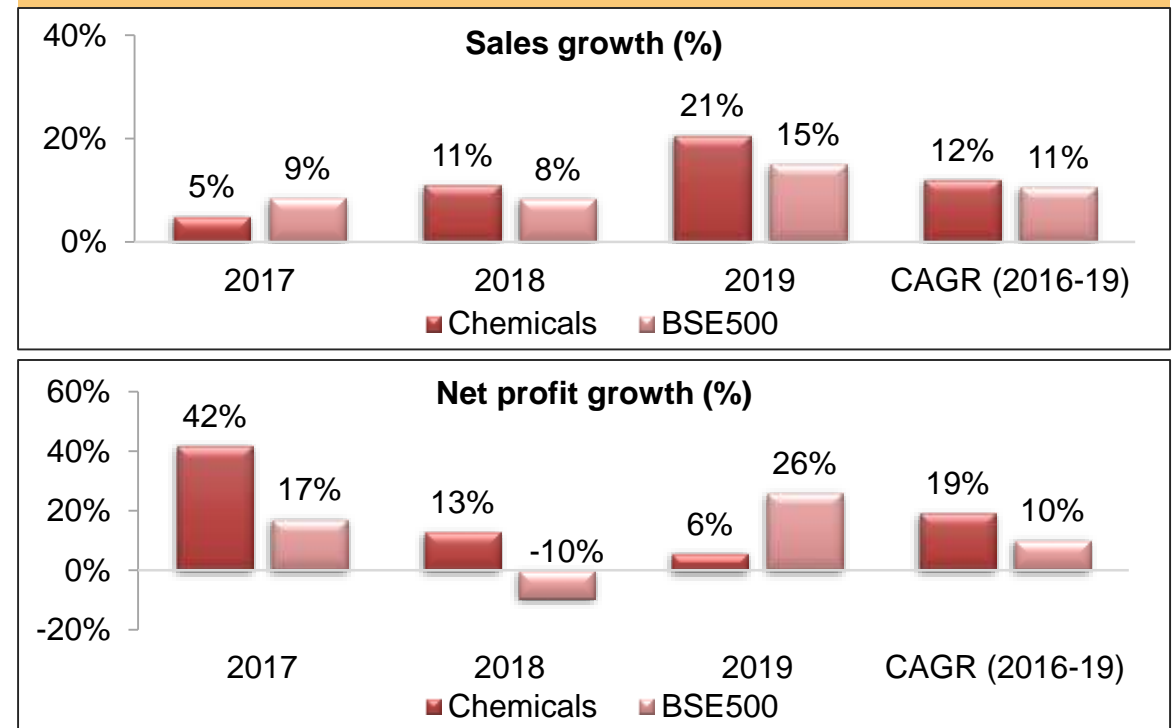
In BSE500 Universe, which covers majority of chemical sector companies, Chemicals was the 2nd best performing sector during 2016-19, outperforming Nifty by 9 % on an annualized basis. The diversification of supply chain from China is expected to get accelerated post COVID

Chemicals was the top performing sector during 2016-19



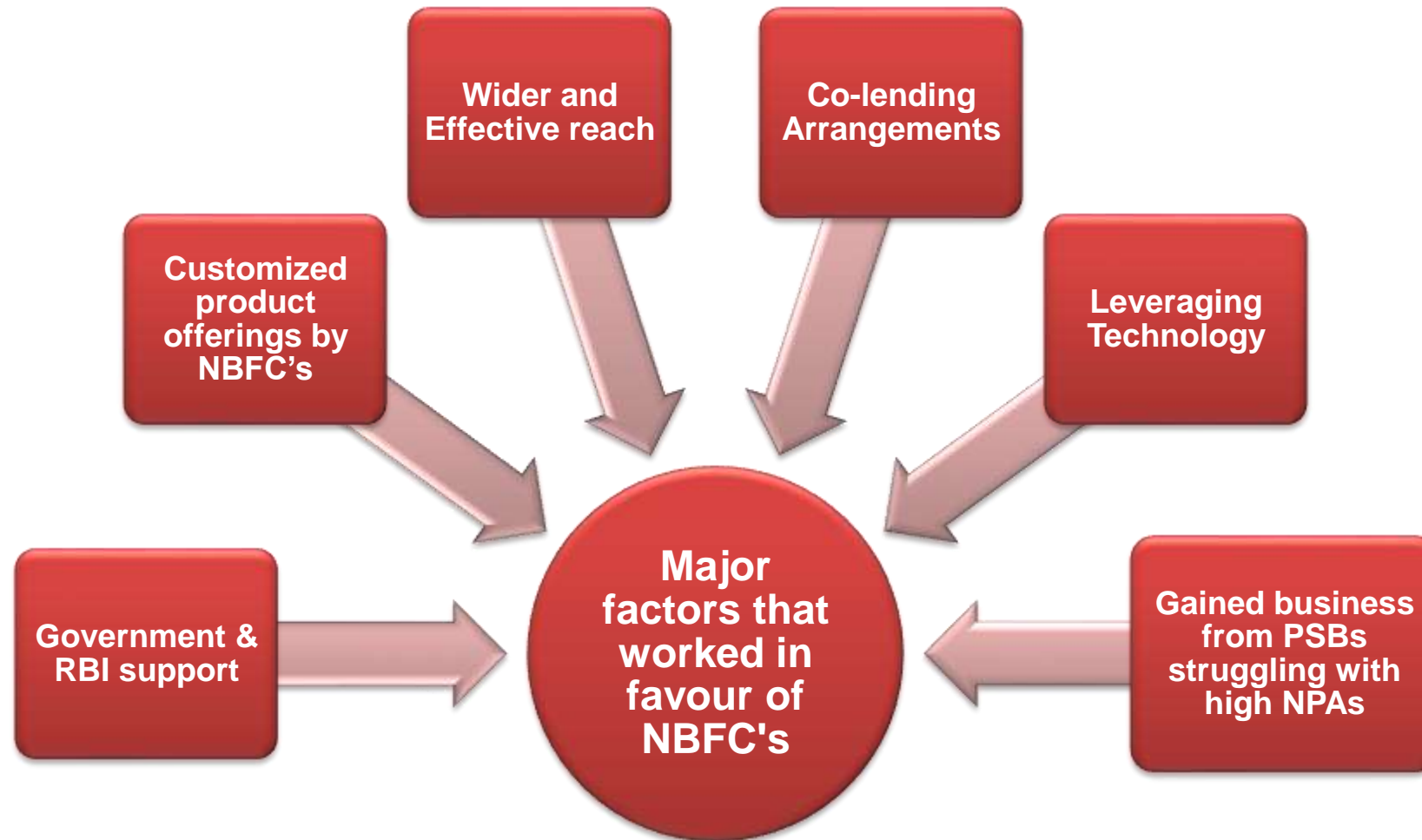
Source: Capitaline, Bloomberg

Chemicals was the top performing sector during 2016-19



Theme 5: The NBFC Saga (2014-2019)

Between 2014 to 2019, NBFC gained market share vs. Banks, due to a confluence of factors

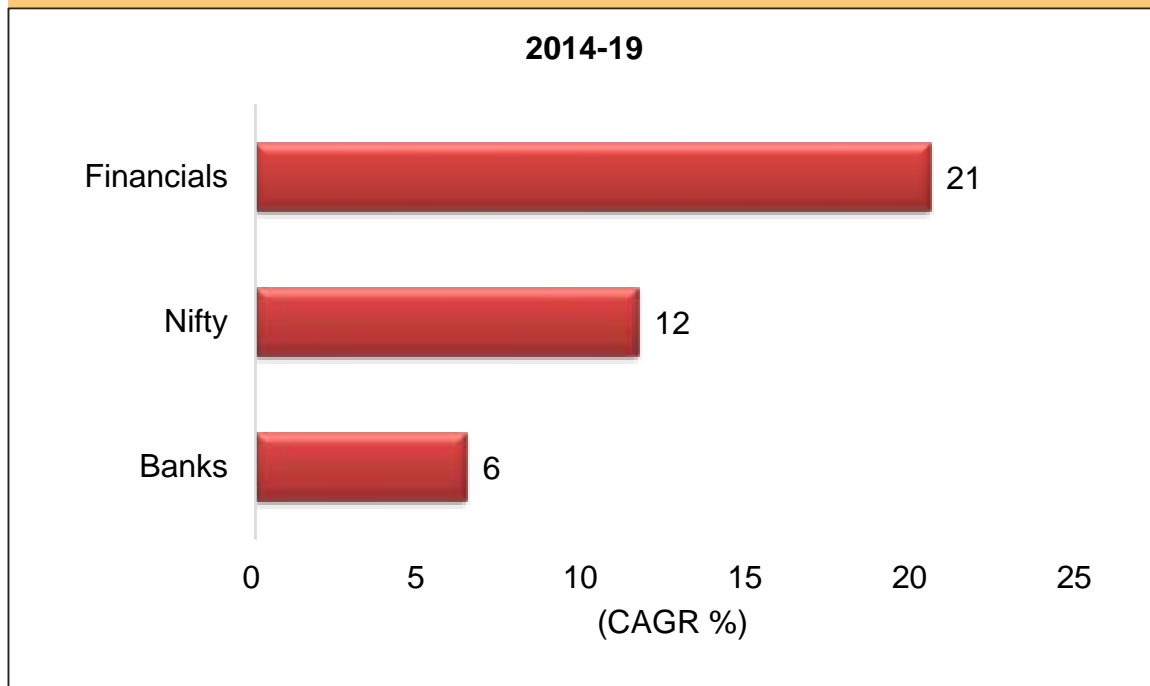


Theme 5: The NBFC Saga (2014-2019)

Sector performance

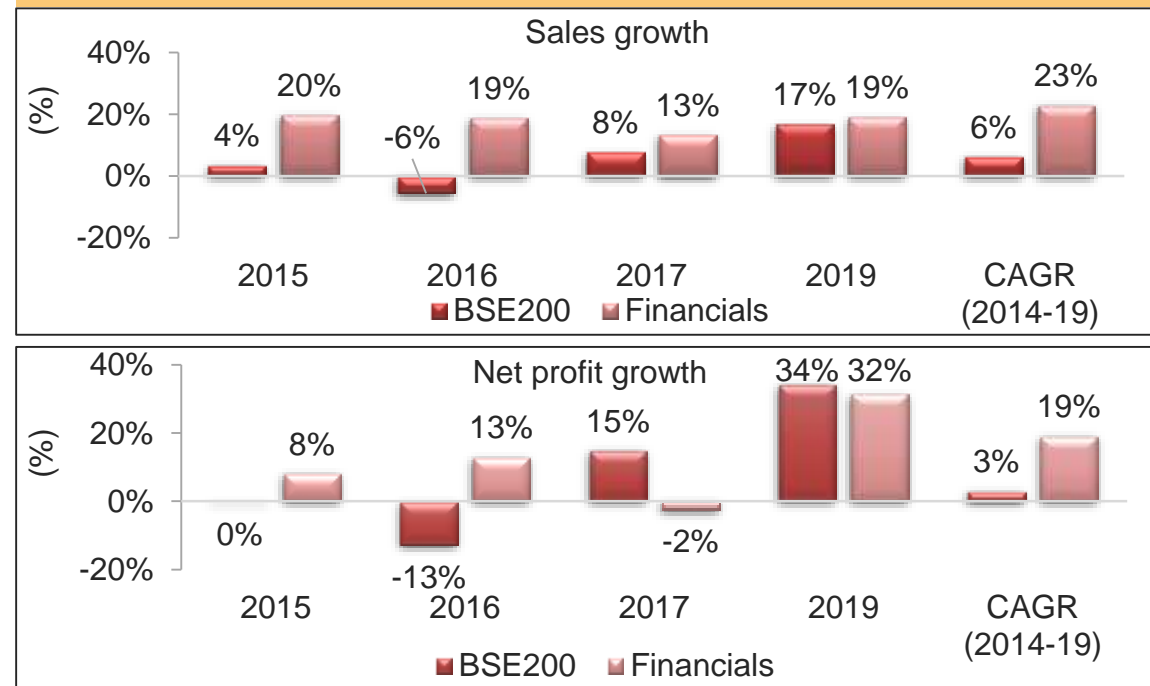
In BSE200 Universe, Financials was the 3rd top performing sector during 2014-19, outperforming Nifty by 9 percent and banks by 15 percent on an annualized basis.

Financials outperform banks and Nifty by decent margin during 2014-19



Source: Bloomberg

Financials outperform banks by 14% CAGR during 2014-19



Source: Capitaline

Phase of Economic Cycle

- Domestic and Global GDP growth
- Interest rate cycle
- Rupee Depreciation

Government Policy Focus

- Domestic Government policy framework
- Any big reforms initiated by the government
- International govt. policies which have impact on EXIM manufacturing and trade

Industry Disruptors

- Industry disruption every 5 to 7 yrs, led by economic, demographic and technological factors
- Industry Disruptors tend to have a value proposition which is difficult to imitate
- Change the cost dynamics for the industry or are led by changes in consumer preferences

Emerging Sectors

- Emerging sectors are ignored initially, due to low revenue scale or perceived risk
- Such sectors tend to have big opportunity size, and outperform eventually
- These sectors tend to have large unorganized share, potential to be tapped by efficient players

Enablers of PAST TRENDS

Themes	Period	Economic Indicators			Government Policy			Industry Disruptors			Emerging Sectors		
		Domestic GDP growth cycle	Interest Rates	Rupee Depr.	Favourable Policy Framework	Beneficiary of policy reform	Beneficiary of International policy	Compelling Value proposition	Onerous for incumbents to imitate	Changes the convenience or cost dynamics of Industry	Big size of opportunity	High Unorganised sector market share	Gains from changing consumer preference
Infra led GDP Growth	2003 - 2008	✓	✓			✓					✓		
Resurgence of Export sectors	2011 - 2015			✓			✓	✓	✓	✓	✓		
Great Indian Consumption Story	2016 - 2020	✓	✓					✓		✓	✓	✓	✓
Supply chain diversification in Chemicals	2016 - 2019			✓	✓		✓	✓		✓	✓		
The NBFC Saga	2014 - 2019	✓	✓		✓			✓	✓		✓	✓	✓

Source: ABSLAMC research

Key Success Stories



Security	Holding Period Returns	Theme
Alkyl Amines Chemicals	187%	Chemicals
Navin Fluorine	159%	Chemicals
PI Industries	100%	Chemicals
Atul	78%	Chemicals
Pidilite Industries	44%	Chemicals
Finolex Cables	402%	Consumption
Avenue Supermarts	278%	Consumption
TVS Motor Company	241%	Consumption
Bajaj Electricals	187%	Consumption
Trent	147%	Consumption
Nestle	113%	Consumption
Britannia Industries	76%	Consumption
Maruti Suzuki India	74%	Consumption
Bata	71%	Consumption
Asian Paints	53%	Consumption
Page Industries	45%	Consumption
Hero MotoCorp	40%	Consumption
Eicher Motors	31%	Consumption

Source: ABSLAMC Research

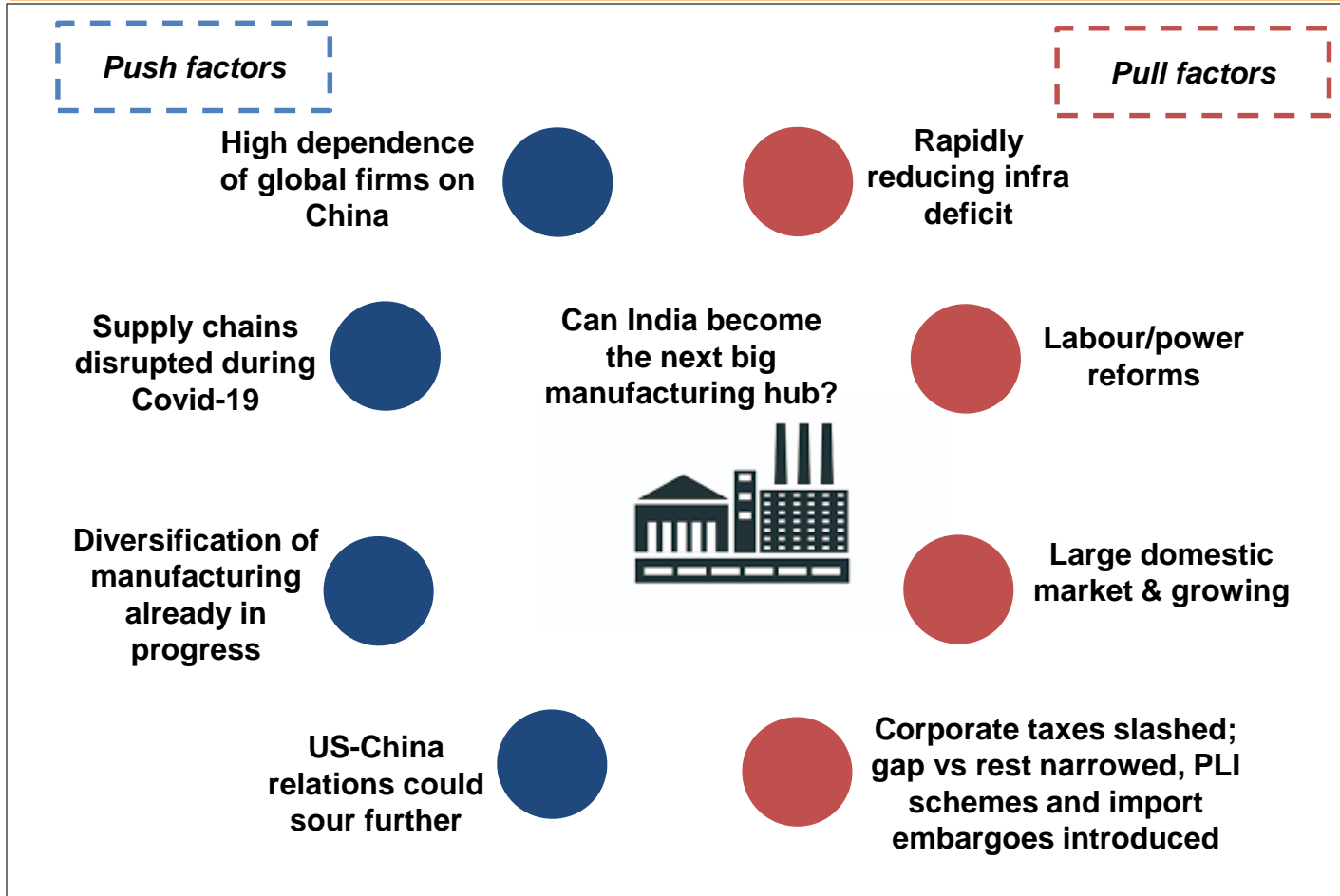
As of 30th April (HPR calculated based on Sell price, or price as of 30th April)

Security	Holding Period Returns	Theme
Larsen & Toubro Infotech Ltd	104%	Export
Infosys Ltd	97%	Export
Alembic Pharmaceuticals	967%	Export
Aurobindo Pharma	584%	Export
Indo Count Industries	482%	Export
HCL Technologies	333%	Export
CCL Products India	140%	Export
Himatsingka Seide	124%	Export
Balkrishna Industries	119%	Export
KPIT Cummins Infosystems	94%	Export
Persistent Systems Ltd	240%	Export
Wipro Ltd	69%	Export
Dr Reddys Laboratories Ltd	80%	Export
Ajanta Pharma	23%	Export
Bajaj Finance	433%	NBFC
Canfin Homes	215%	NBFC
Bajaj Finserv	114%	NBFC
Cholamandalam	47%	NBFC

TRENDS FOR THE FUTURE

Theme 1 : The rise of domestic manufacturing

Push for Aatmanirbhar Bharat should drive domestic manufacturing, private capex, import substitution, and exports



PLI Scheme:

- Total Financial Outlay of ~Rs 2 lakh Cr. across 13 sectors
- Extends incentive of 4-6% on incremental sales of goods manufactured in India for five years.
- Indicates significant departure from the norm as direct incentives are only on incremental production and **only selected “champions” are selected** to maximize impact.
- Policies incentivize downstream production and expect local value-addition to follow as scale builds up (where it does not exist).

Import Embargo

- Push indigenization in manufacturing for 101 defense items
- Import substitution benefit of Rs 35,000 – 50,000 Cr over 6-7 years

Theme 1 : The rise of domestic manufacturing

Contribution of manufacturing to GDP has been 14-15% for several decades

Relatively poor infrastructure

High logistics cost

Inverted duty structure

Restrictive labour laws

Atmanirbhar Bharat & Vocal for Local Initiatives by the GOI to increase it to 25% of GDP

Corporate tax rate cut to 25.2% and tax rate of 17% for Greenfield expansion until FY23

Diversification of global supply chains

Increase in import duty on finished goods & its components

PLI scheme in promoting domestic manufacturing.

Sectors to benefit

Chemicals

Pharmaceuticals

Industrials

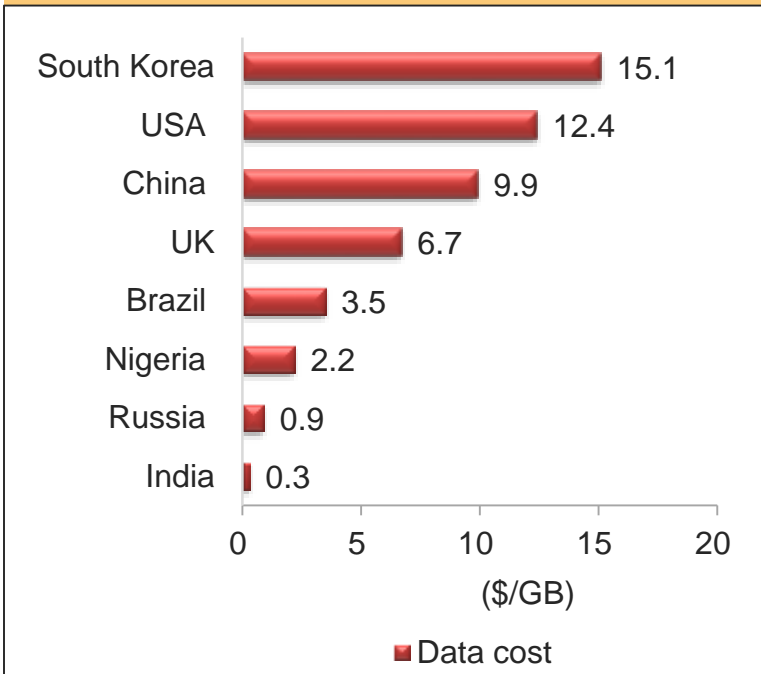
Electronics

Auto & Auto Ancs

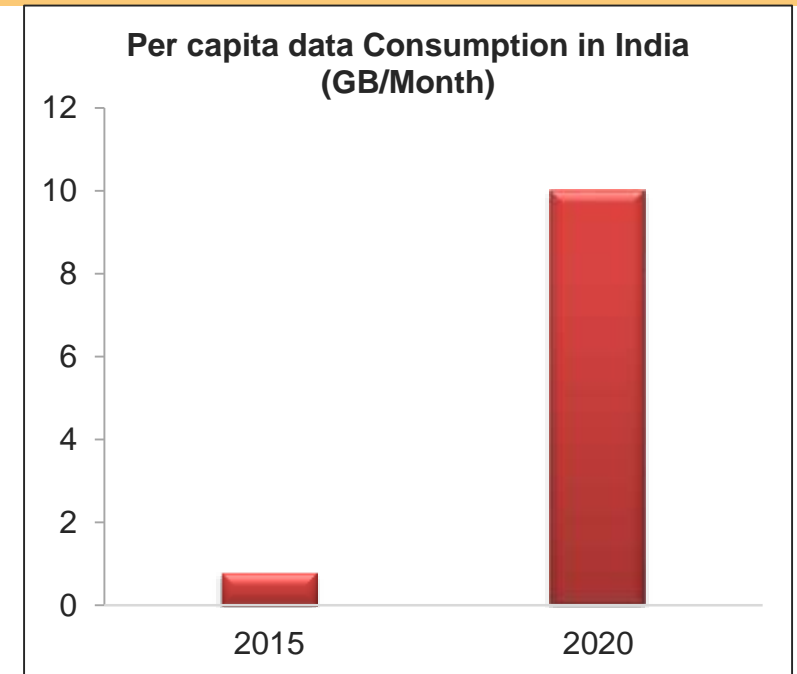
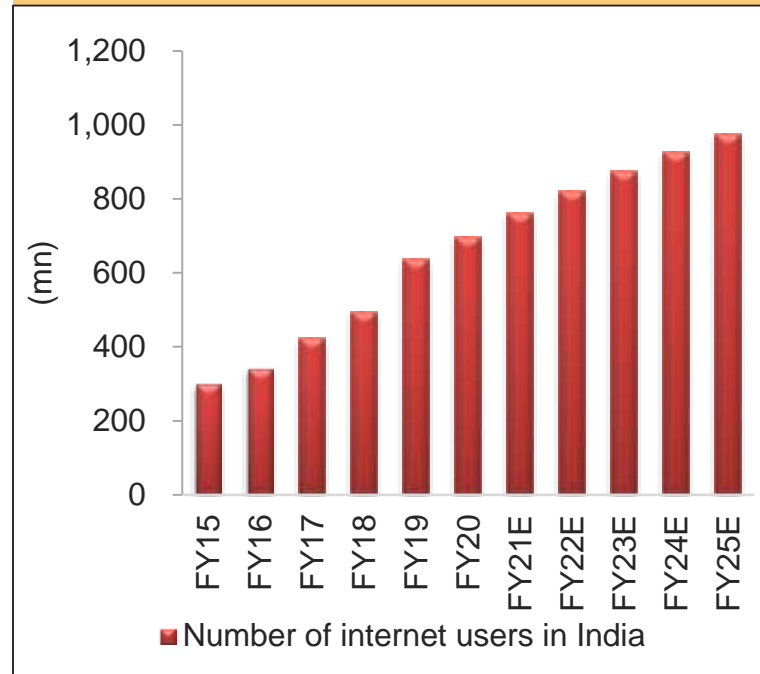
Low cost of Data

- Competitive offerings by telecom firms turbocharged internet subscriptions and data consumption.
- Favorable cost dynamics (led by Jio) coupled with affordable high end smart phones and subsidized feature-phones led to acceleration in number of data subscribers

As data costs in India tumble,



Digital usage in India continues to go up



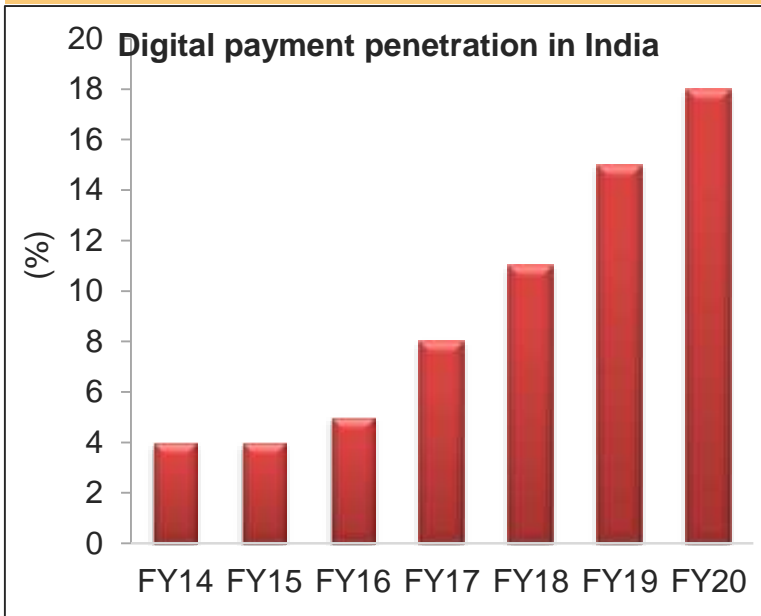
Source: Yes Sec Research, McKinsey Global Institute

Government initiatives

Government has fast-tracked digital adoption across all stratas of the society

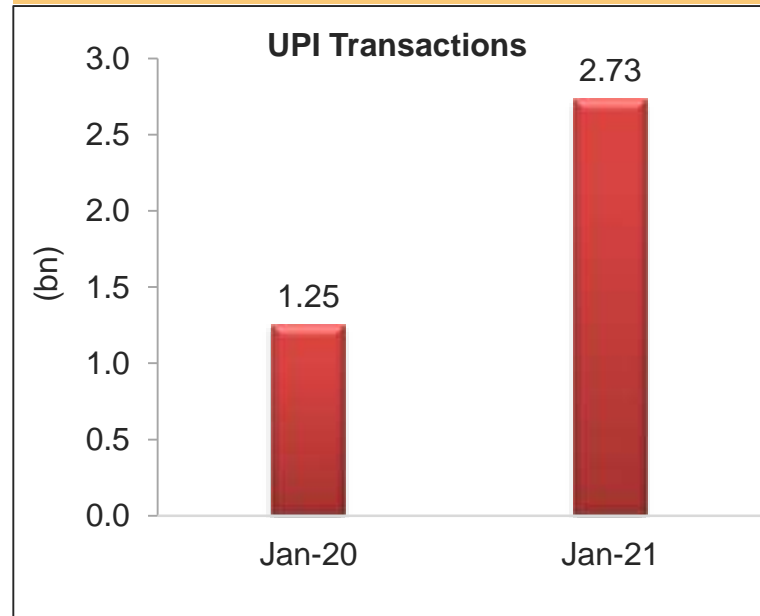
- Digital identity programme like Aadhaar: More than 1.2 bn enrolled
- Digital tax platforms like GST: More than 10 million businesses enrolled

Significant growth in digital payment ecosystem over the last 3-4 years

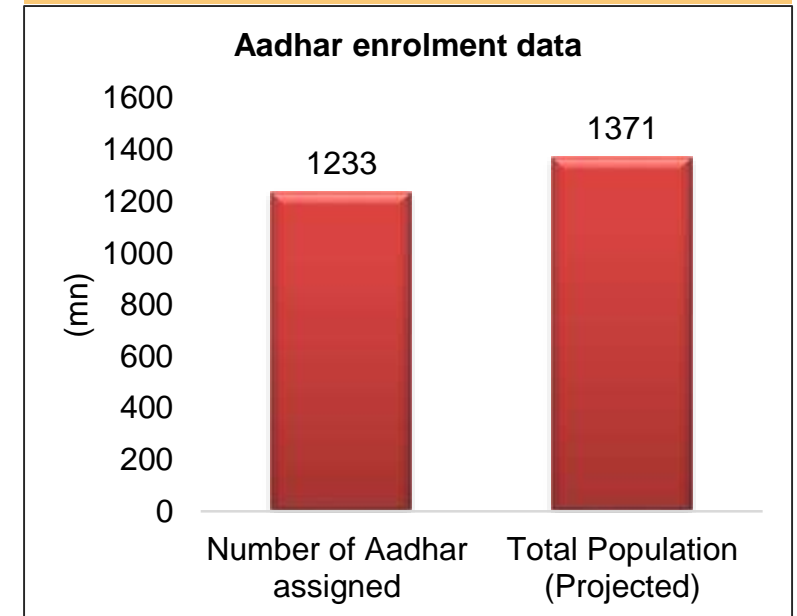


Source: McKinsey Global Institute

UPI payments have shown over 100% increase in number of transactions over FY21



Nearly 89% of Indian population has enrolled for Aadhaar

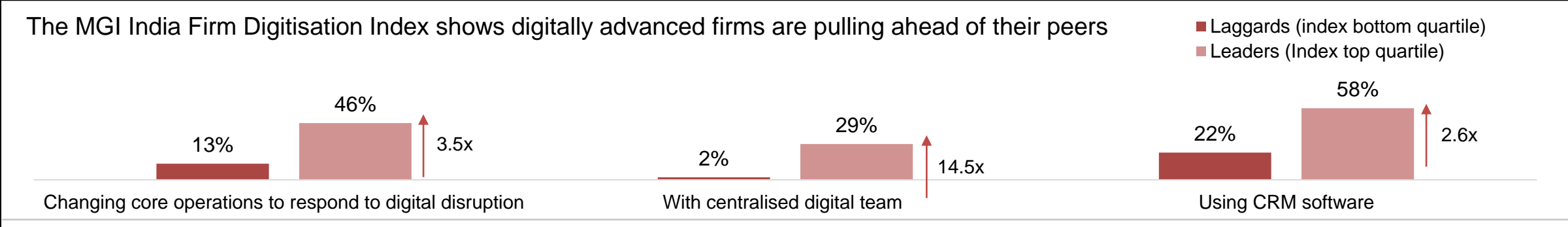
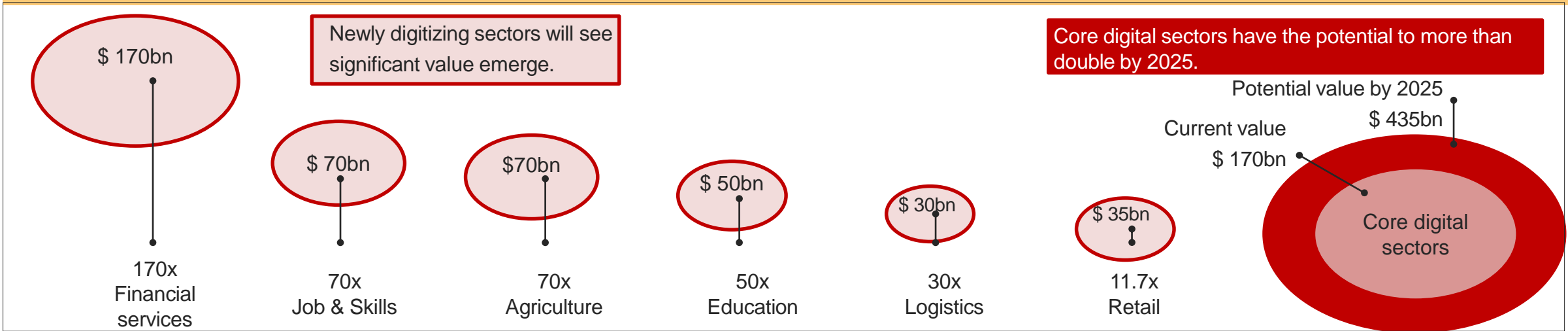


Theme 2: Digitalization

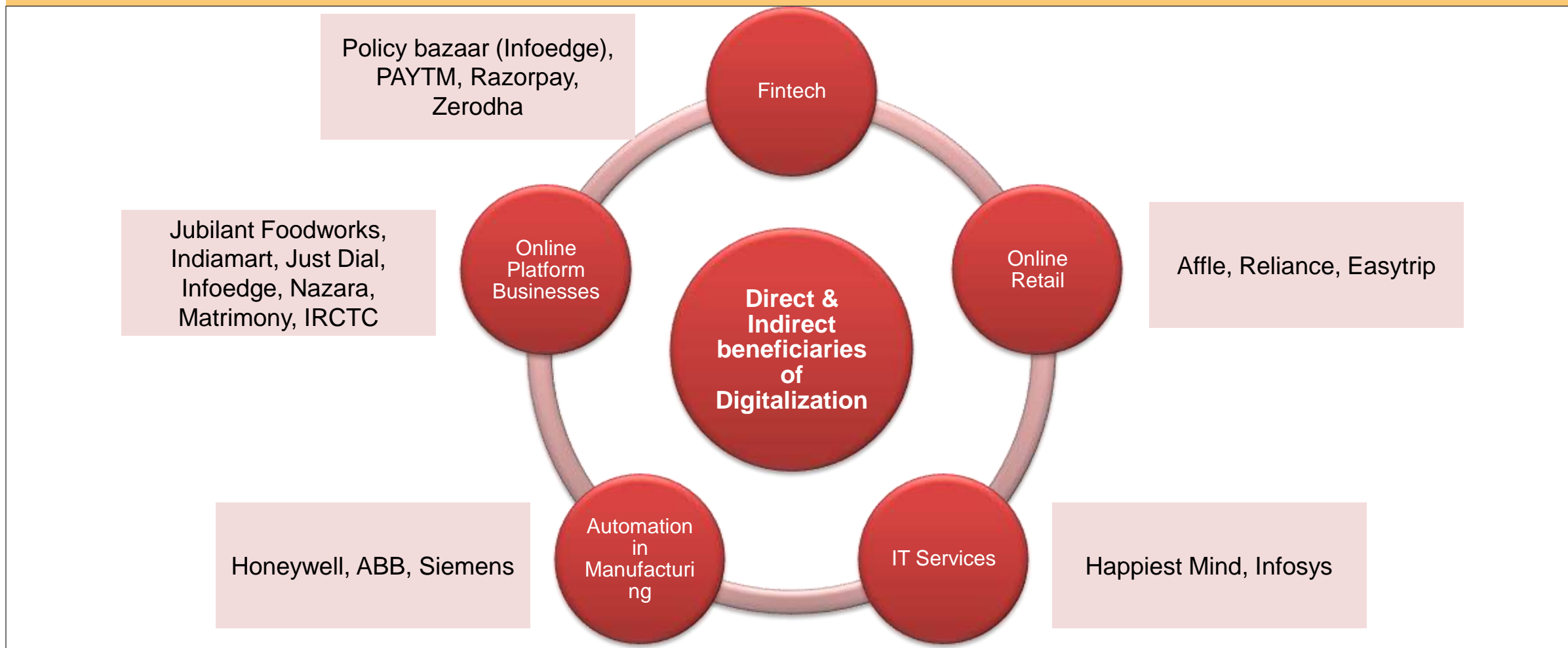
Digital adoption by Private Sector

As per McKinsey, Newly digitizing sectors, including agriculture, education, energy, financial services, healthcare, etc, could each create \$10 billion to \$150 billion of incremental economic value in 2025 as digital applications help raise output, save costs and time, reduce fraud, and improve matching of demand and supply.

By 2025, digital could transform India's economy, sector by sector (Values show upper limit of an estimated range)



Beneficiaries of Digitalization



Theme 3 : Cyclical revival in Real Estate

#1: Interest rate sensitivity analysis: A 2% drop in interest rate results in substantial savings per month

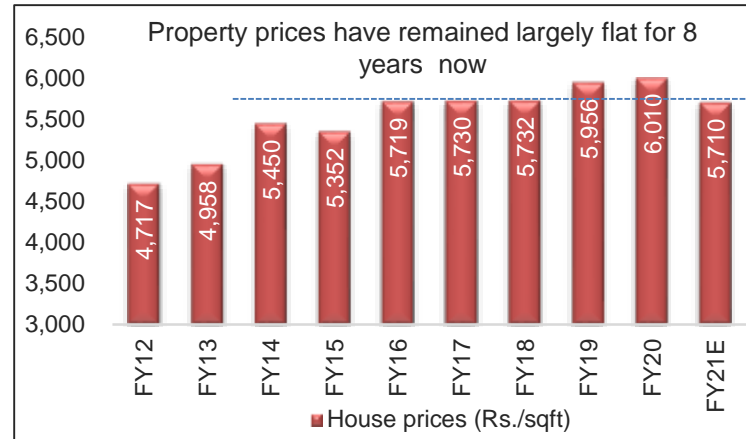
Loan interest rate (% , Loan Tenure: 15 years)
Savings on EMI vs. 10% rate of interest

	9%	8%	7%	6%
500,000	302	595	879	1,154
2,500,000	1,508	2,974	4,394	5,769
5,000,000	3,017	5,948	8,789	11,537
7,500,000	4,525	8,921	13,183	17,306
10,000,000	6,034	11,895	17,578	23,075

With 2% fall in the interest rate, which is the case in this cycle, the total savings are Rs. 11,895 per month for Rs. 10mn loan of 15 years tenure, which is substantial.

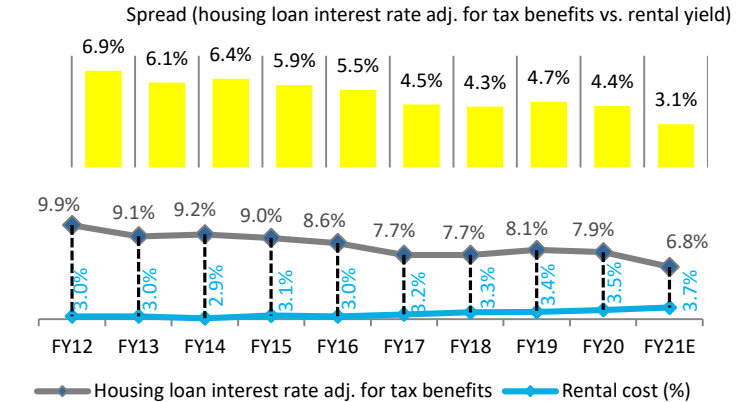
Source: Spark estimates

#2: Property prices* have largely remained flat in the last 8 years



Source: PropEquity

#3: Diff. b/w tax adjusted home loan rate and rental yield has fallen; one could prefer buying a house



#4: Affordability has improved considerably over the last 3 years due to 1) time correction in property prices; 2) lower interest rates; and 3) decreasing unit size

Mumbai- Suburbs	2003	2007	2012	2017	Current
Price/sq-ft - Built up (Rs.)	4,000	7,000	9,500	13,000	13,500
% CAGR		12%	6%	6%	1%
Size of house - Built up (sq.ft)	900	900	900	900	900
Cost of house (Rs.mn)	3.6	6.3	8.6	11.7	12.2
Loan eligibility (70% of house cost)	2.5	4.4	6	8.2	8.5
Interest rate %	7.75%	10.00%	11.00%	9.50%	7.50%
EMI (Rs.)	20,688	42,557	61,776	76,342	68,516
Annual income (Rs.mn)	0.5	1.0	1.4	2.1	2.7
Increase in income %		14%	8%	8%	8%
EMI to income ratio (x)	48%	51%	52%	43%	31%
Property price to income ratio (x)	6.9	6.3	6.0	5.5	4.5

EMI to Income ratio declined to ~30% and Property price to income ratio under 5x except Mumbai

Source: PropEquity

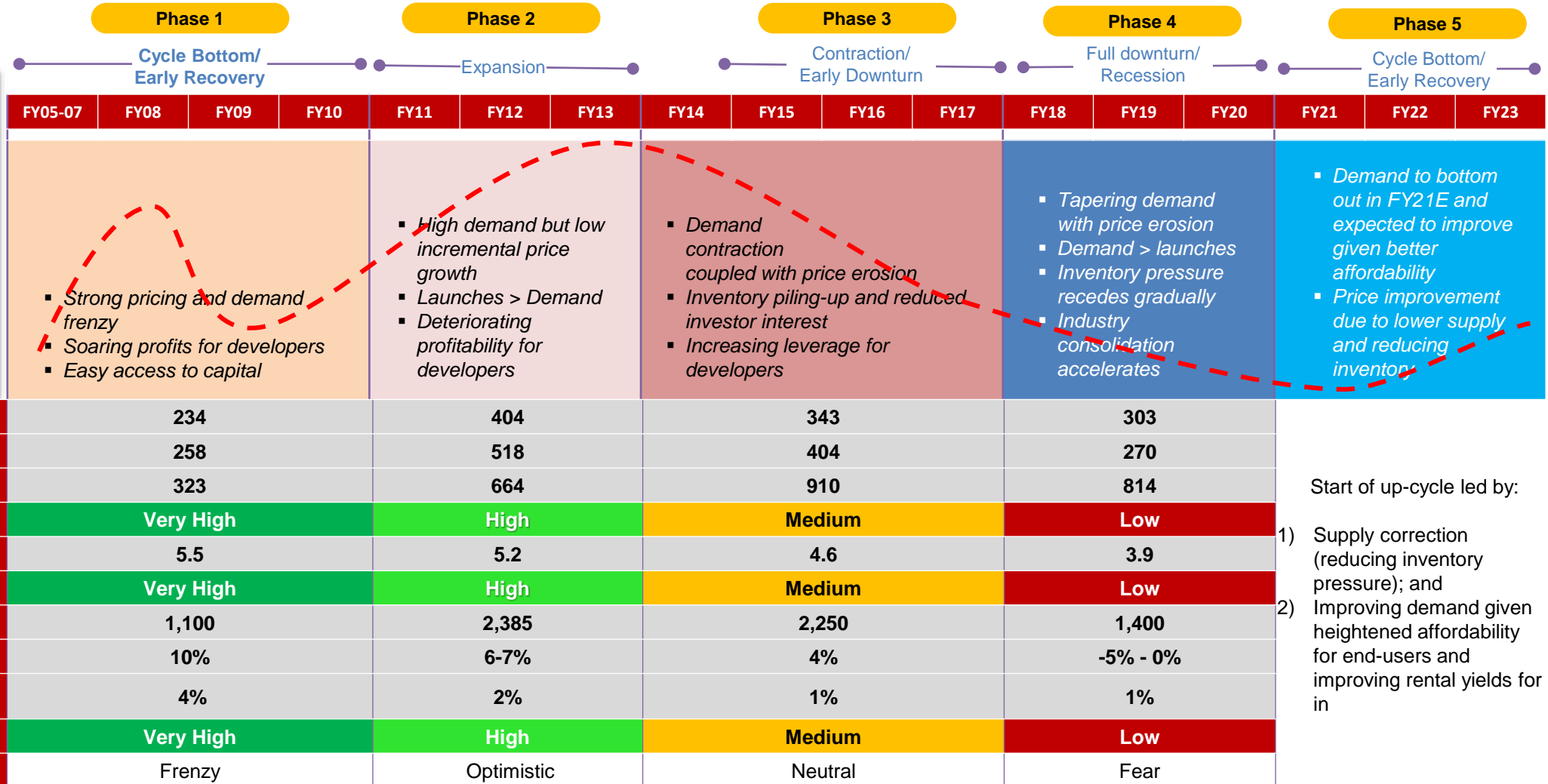
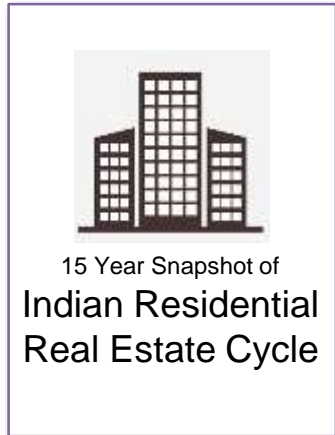
#5: There is a sharp improvement in affordability for an NRI with an annual income of USD 100,000 now vs. in 2012

	NRI's annual income (USD)	Rs./USD	NRI's annual income In Rs.	House property price (1200sqft)	House value to annual income (x)	Monthly# EMI (USD)
2012	100,000	47.04	700,000	5,949,000	1.3	1,231
2013	100,000	54.45	440,988	6,540,300	1.2	1,176
2014	100,000	60.56	050,192	6,422,100	1.1	1,021
2015	100,000	61.16	114,363	6,862,800	1.1	1,055
2016	100,000	65.56	546,848	6,875,700	1.1	936
2017	100,000	67.16	707,203	6,878,100	1.0	914
2018	100,000	64.56	445,512	7,147,200	1.1	1,006
2019	100,000	69.96	992,291	7,212,300	1.0	925
2020	100,000	74.17	410,000	6,851,685	0.9	766

EMI for an NRI has fallen by ~38% since 2012 led by triple benefits of flat property prices, lower interest rate and rupee depreciation.

Source: PropEquity

Theme 3 : Cyclical revival in Real Estate

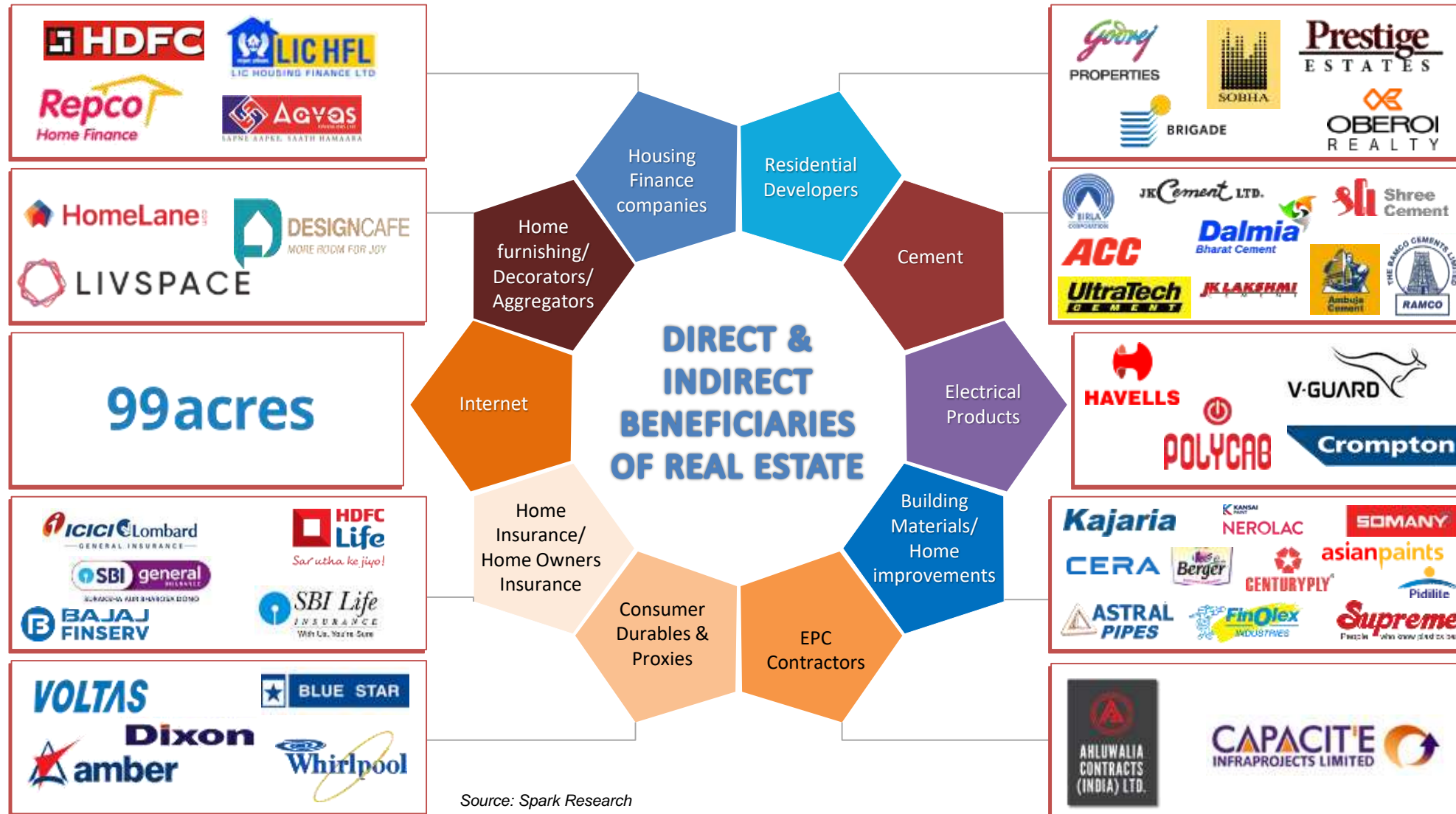


Start of up-cycle led by:

- 1) Supply correction (reducing inventory pressure); and
- 2) Improving demand given heightened affordability for end-users and improving rental yields for in

Note: Demand, launches, inventory in units (thousands) in top 7 cities. Office supply in msf. Affordability denoted by property price to income ratio. Consolidation denoted by number of developers. Investor confidence on the basis of NRI demand

Theme 3 : Cyclical revival in Real Estate



Source: Spark Research

Concerns about impending environmental risk creating fresh set of opportunities

- 2020 was one of the warmest years on record, highlighting the relentless pace of climate change.
- As per World Bank report, climate change could result in:
 - More than 100 million additional people living in poverty by 2030.
 - Crop yield losses reaching as high as 5% in 2030, & 30% in 2080, resulting in higher food prices
 - Warming of 2-3 °C could risk for malaria up to 5% and diarrhoea up to 10% by 2030.

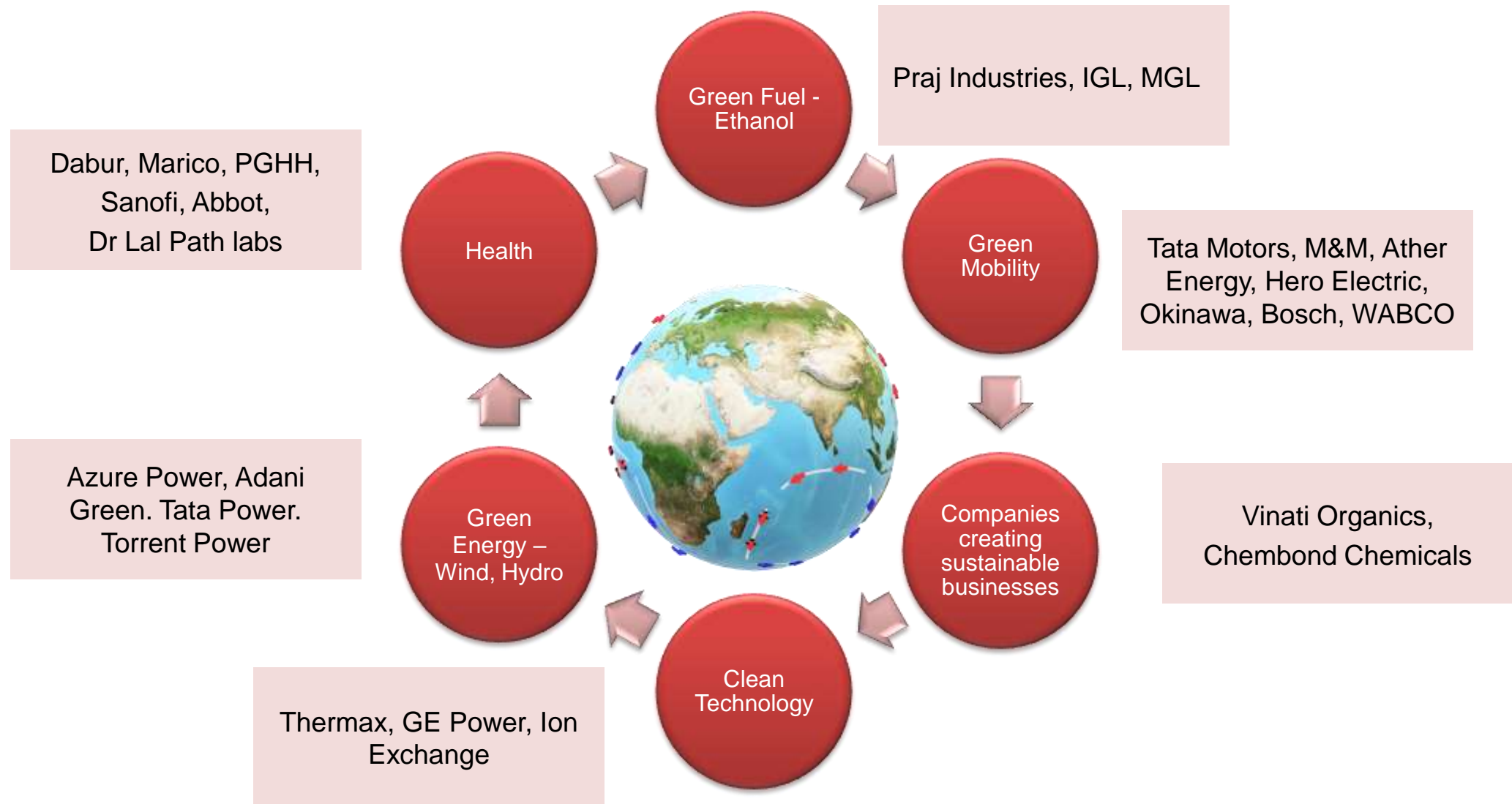
Rising risks from Environment are increasingly pushing government & companies to adopt more sustainable way of doing business...

Top 5 Global Risks in Terms of Likelihood											
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1st	Asset Price Collapse	Storms & Cyclones	Income Disparity	Income Disparity	Income Disparity	Interstate Conflict	Involuntary Migration	Extreme Weather	Extreme Weather	Extreme Weather	Extreme Weather
2nd	China Economic Slowdown	Flooding	Fiscal Imbalances	Fiscal Imbalances	Extreme Weather	Extreme Weather	Extreme Weather	Involuntary Migration	Natural Disasters	Climate Action Failure	Climate Action Failure
3rd	Chronic Disease	Corruption	Greenhouse Gas Emissions	Greenhouse Gas Emissions	Unemployment	Failure of National Governance	Climate Action Failure	Natural Disasters	Cyberattacks	Natural Disasters	Natural Disasters
4th	Fiscal Crises	Biodiversity Loss	Cyberattacks	Water Crises	Climate Action Failure	State Collapse or Crises	Interstate Conflict	Terrorist Attacks	Data Fraud & Theft	Data Fraud & Theft	Biodiversity Loss
5th	Global Governance Gaps	Climate Change	Water Crises	Population Ageing	Cyberattacks	Unemployment	Natural Catastrophes	Data Fraud & Theft	Climate Action Failure	Cyberattacks	Human-made Environmental Disasters

■ Economic
 ■ Environmental
 ■ Geopolitical
 ■ Societal
 ■ Technological

Source: World Economic Forum – The Global Risks Report 2020

Theme 4 : Sustainability



Valuation and underperformance vs. Large Caps

- Smallcap valuations have fallen below their long-term averages & are expected to inch up with a gradual revival in the economy.
- Small Cap Index has underperformed Large Caps by 30% since 2017

Smaller companies have their own niche

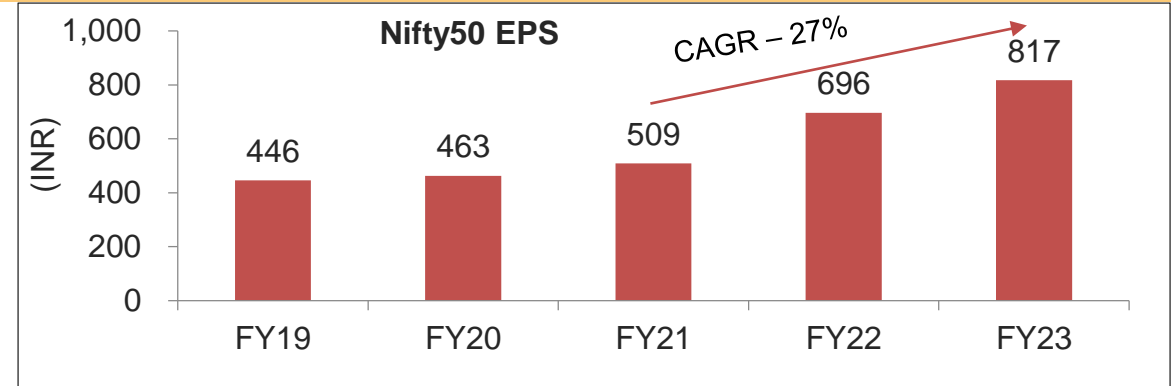
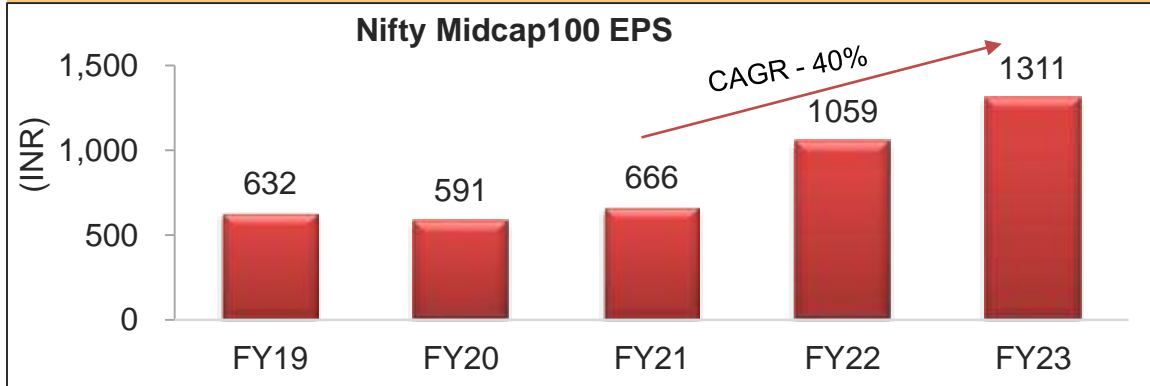
- Higher Growth Potential
- Participation in Emerging Sectors
- Higher Entrepreneurial Spirit
- Higher Risk/Reward ratio

Earnings upgrade cycle led by confluence of factors

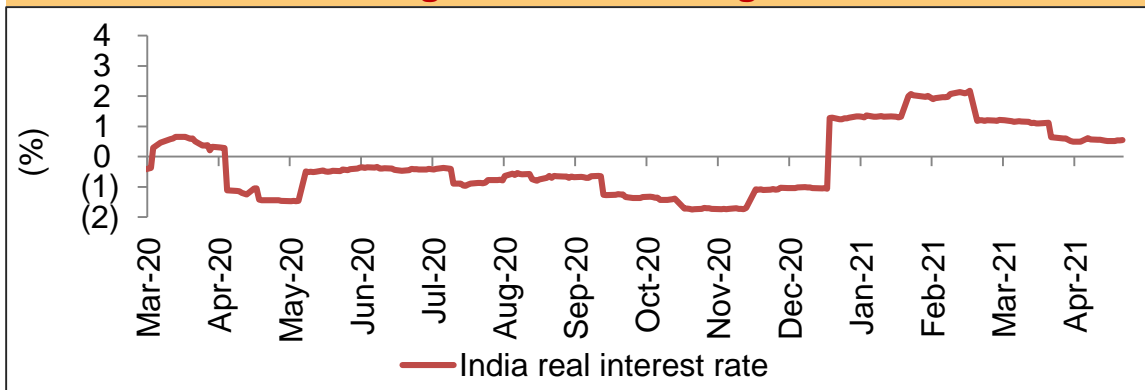
- For category leaders, this is an opportunity of the decade to further entrench their dominance and accelerate market share gains, as unorganized competition suffer
- Easing of Monetary policy could revive real estate sector, which is a big growth driver for certain sectors dominated by small and mid cap companies. For eg. Building materials, etc

Theme 5: Revival in midcaps

Nifty Mid CAP EPS growth expected to be stronger vs. Large Cap Index – gains from operating and financial leverage

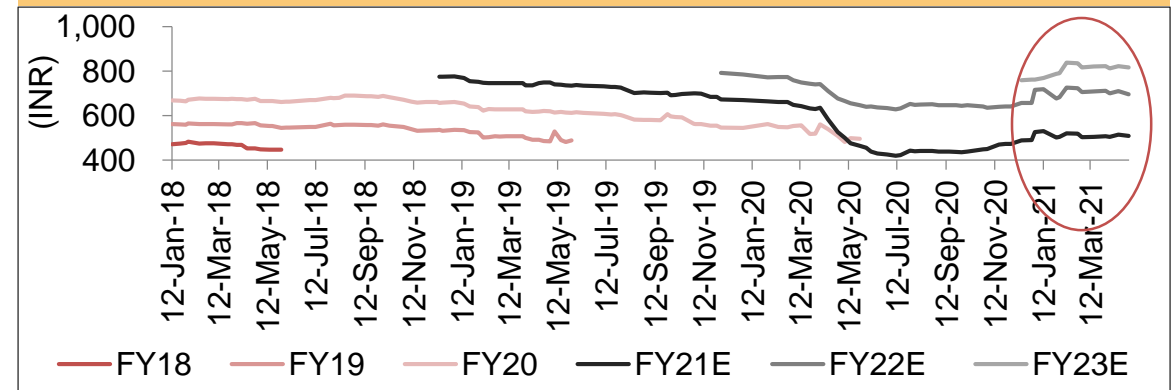


Lower Interest rates to further aid Mid Cap profitability, given high financial leverage



Source: Bloomberg

Nifty Earning cycle showing early signs of reversal



Summary - Trends for the Future

Mid and Small caps after 3 years of underperformance should outperform large caps, led by economic recovery, lower interest rates, and increased representation in emerging sectors like chemicals, digital platforms, etc

A mix of push and pull factors to drive manufacturing in India like Atmanirbhar Bharat & Vocal for Local Initiatives by the GOI , along with diversification of global supply chains



Low interest rates, COVID-19 induced WFH trend and Industry consolidation induced by RERA & availability of capital to larger players should lead to revival in real estate and ancillary sectors like building materials

Digitalization in India fast tracked due to low cost of data, government initiatives like Aadhar, UPI, and increased adoption by Corporate sector to improve productivity.

Rising risks from Environment are pushing government & companies to adopt more sustainable way of doing business through green fuel, green technologies, and green mobility

Enablers of FUTURE TRENDS

Themes	Economic Indicators			Government Policy			Industry Disruptors			Emerging Sectors		
	Domestic GDP growth cycle	Interest Rates	Rupee Depr.	Favourable Policy Framework	Beneficiary of policy reform	Beneficiary of International policy	Compelling Value proposition	Onerous for incumbents to imitate?	Changes the convenience or cost dynamics of Industry	Big size of opportunity	High Unorganised sector market share	Gains from changing consumer preference
The Rise of Domestic Manufacturing	✓	✓	✓	✓	✓	✓				✓		
Digitalization				✓			✓	✓	✓	✓		✓
Cyclical Revival in Real Estate	✓	✓		✓	✓					✓	✓	✓
Sustainability				✓	✓	✓		✓	✓	✓		✓
Revival in Mid caps	✓	✓								✓	✓	

Portfolio stocks: Beneficiaries of FUTURE TRENDS



Company	Sector	Theme	Market Cap (crs)	EPS CAGR	ROE	P/E	Pscore	Quant
				FY21-23	FY22	FY23	FY22	Score
Infosys Ltd	IT	Digitalization	573,076	12	29	23	6.1	100%
Wipro Ltd	IT	Digitalization	264,122	12	19	21	6.9	95%
L&T Infotech Ltd	IT	Digitalization	67,821	15	30	27	6.4	100%
IRCTC Ltd	IT	Digitalization/Midcaps	28,253	32	43	29	7.5	37%
Persistent Sys	IT	Digitalization/Midcaps	16,703	19	20	24	7.3	96%
Happiest Minds	IT	Digitalization/Midcaps	10,966	27	82	50	8.0	NA
Matrimony.Com Lt	IT	Digitalization/Midcaps	2,197	27	21	28	9.0	NA
Easy Trip Planners	IT	Digitalization/Midcaps	2,140	93	42	22	7.5	NA
Maruti Suzuki In	Automobile	Domestic Manufacturing	198,165	32	12	22	7.7	34%
Sun Pharma Indu	Pharmaceuticals	Domestic Manufacturing	155,953	14	12	22	7.5	43%
Bajaj Auto Ltd	Automobile	Domestic Manufacturing	111,518	16	22	17	6.5	95%
Dr Reddy's Labs	Pharmaceuticals	Domestic Manufacturing	85,050	21	17	22	7.9	42%
Siemens Ltd	Utilities	Domestic Manufacturing	66,363	14	13	41	7.3	58%
Lupin Ltd	Pharmaceuticals	Domestic Manufacturing	48,066	25	12	22	8.8	46%
Biocon Ltd	Pharmaceuticals	Domestic Manufacturing	45,276	45	12	33	7.4	18%
Pi Industries	Chemicals	Domestic Manufacturing	38,641	20	16	35	6.5	86%
Honeywell Automa	Industrials	Domestic Manufacturing	38,107	22	21	50	7.0	73%
Ashok Leyland	Automobile	Domestic Manufacturing	32,790	113	12	19	8.3	31%
Whirlpool Of Ind	Consumer Durables	Domestic Manufacturing	28,235	22	19	39	7.8	31%
Jamna Auto Inds	Automobile	Domestic Manufacturing	2,805	38	17	20	8.5	41%
Astec Lifescienc	Chemicals	Domestic Manufacturing	2,221	19	23	22	6.5	NA
Lumax Inds	Automobile	Domestic Manufacturing	1,454	39	16	14	NA	NA
Syngene Internat	Pharmaceuticals	Domestic Manufacturing/Midcaps	22,870	31	14	41	7.0	87%
Navin Fluorine I	Chemicals	Domestic Manufacturing/Midcaps	17,415	50	17	41	6.0	89%
Ajanta Pharma	Pharmaceuticals	Domestic Manufacturing/Midcaps	15,975	18	22	19	6.3	88%
Johnson Controls	Consumer Durables	Domestic Manufacturing/Midcaps	6,363	37	15	42	7.3	6%
Tata Motors Ltd	Automobile	Domestic Manufacturing/Sustainability	104,121	64	14	8	8.6	47%
Cummins India	Industrials	Domestic Manufacturing/Sustainability	23,495	13	16	28	7.0	97%
Vinati Organics	Chemicals	Domestic Manufacturing/Sustainability	17,846	35	22	37	7.0	48%

Source: Bloomberg, dated 4th May 2021

Portfolio stocks: Beneficiaries of FUTURE TRENDS



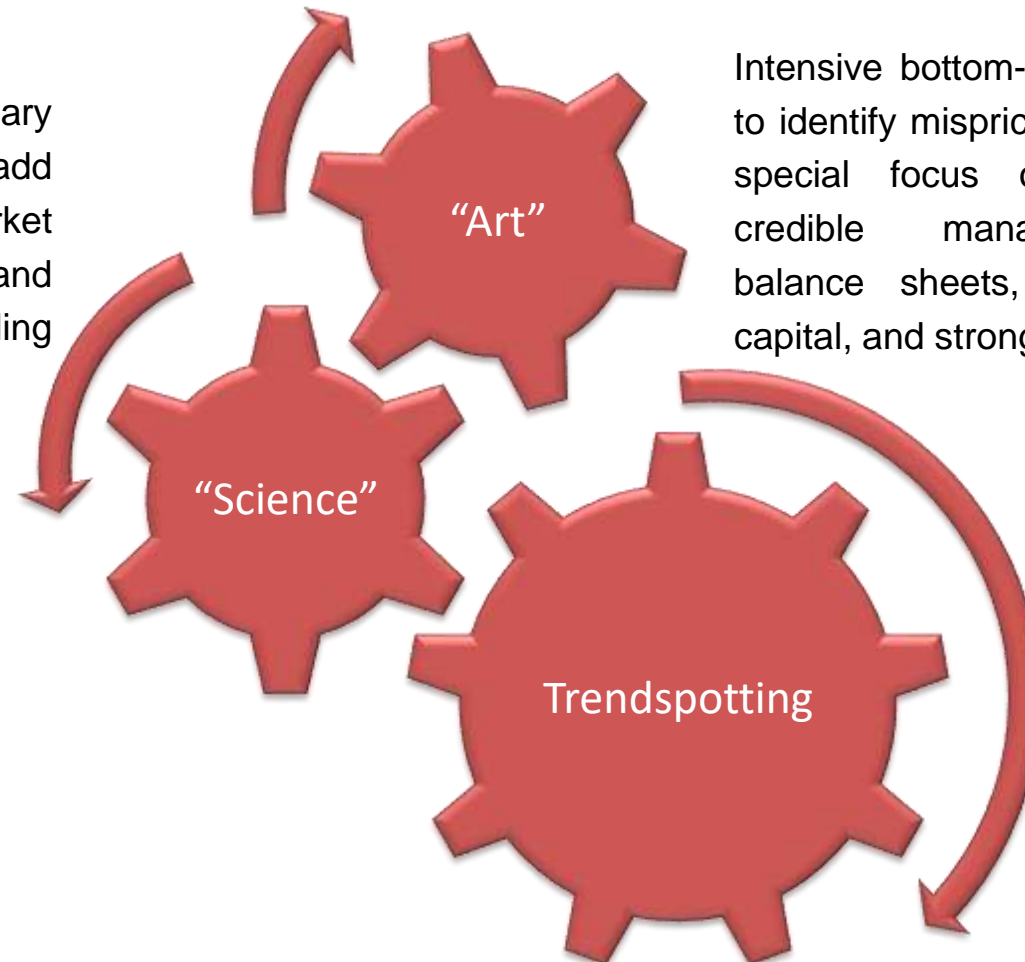
Company	Sector	Theme	Market Cap (crs)	EPS CAGR FY21-23	ROE FY22	P/E FY23	Pscore FY22	Quant Score
Emami Ltd	Consumer Staples	Midcaps	21,723	17	31	28	7.5	94%
Apl Apollo Tubes	Metals	Midcaps	16,842	19	25	29	8.7	92%
Alkyl Amines	Chemicals	Midcaps	16,748	16	32	51	NA	97%
Fortis Healthcar	Health care	Midcaps	16,669	43	4	42	6.8	36%
Aditya Birla Fas	Retail	Midcaps	16,650	119	5	59	8.3	NA
Crisil Ltd	Financials	Midcaps	13,933	20	30	26	6.0	90%
Bajaj Electrical	Consumer Durables	Midcaps	13,677	33	16	36	8.3	62%
Zyduz Wellness	Consumer Discretionary	Midcaps	13,331	22	8	30	8.0	28%
lfl Wealth Mana	Financials	Midcaps	10,037	23	16	20	NA	38%
CDSL	Financials	Midcaps	8,323	11	23	37	9.0	NA
Mcx India Ltd	Financials	Midcaps	7,635	21	17	25	7.0	44%
Pnc Infratech Lt	Industrials	Midcaps	5,768	20	15	10	6.3	83%
Jtekt India Ltd	Automobile	Midcaps	2,037	NA	8	26	9.0	11%
Procter & Gamble	Consumer Staples	Midcaps/Sustainability	44,228	20	60	49	9.0	94%
Varroc Engineeri	Automobile	Midcaps/Sustainability	5,781	95	8	12	8.0	25%
Garware Technica	Consumer Discretionary	Midcaps/Sustainability	5,487	25	21	23	NA	87%
Praj Industries	Industrials	Midcaps/Sustainability	4,480	50	13	29	7.0	NA
Huhtamaki India	Consumer Discretionary	Midcaps/Sustainability	2,129	20	20	10	NA	NA
Shree Cement	Cement	Real estate	101,024	18	15	35	7.6	86%
Acc Ltd	Cement	Real estate	35,743	14	13	16	7.6	89%
Astral Poly	Consumer Discretionary	Real estate	32,019	27	21	59	7.5	76%
Crom Greaves Con	Consumer Durables	Real estate	23,637	16	31	33	7.3	84%
Oberoi Realty	Real Estate	Real estate	20,360	17	9	18	5.8	22%
Hindustan Unilever	Consumer Staples	Sustainability	563,015	16	20	51	6.1	85%
Nestle India Ltd	Consumer Staples	Sustainability	160,200	13	107	50	8.2	53%
Apollo Hospitals	Health care	Sustainability	46,054	46	15	45	8.2	50%
Tata Power Co	Industrials	Sustainability	32,864	15	8	14	7.0	74%
Dr Lal Pathlabs	Health care	Sustainability/Midcaps	24,087	14	26	60	7.9	78%
Torrent Power Lt	Industrials	Sustainability/Midcaps	19,518	9	13	13	8.0	60%
Ion Exchange Ltd	Chemicals	Sustainability/Midcaps	2,073	22	8	29	NA	NA

Source: Bloomberg, dated 4th May 2021

ANNEXURE

At Aditya Birla Sun life Alternate Assets, we have always believed in a unique blend of “art” “science” & “trendspotting in our investment decision making, which has stood in good stead over the years.

Set of unique and proprietary intellectual property models, which add immense value in decoding the market trends, identify future winners and focus on right set of stocks, by avoiding laggards and value traps.



Intensive bottom-up research process, to identify mispriced opportunities, with special focus on companies with credible managements, healthy balance sheets, higher returns on capital, and strong runway for growth

Key to successful investing over a long period is an ability to spot trends. Looking at the past market data, one can decipher the interplay of various macro and micro factors coming together to create a market cycle that favors a set of industries.

The Art of Investing

TRENDSPOTTING

The Science of Investing

Recurring Winners (RWP)

- **Focus on industries with lower competitive intensity** that are more direct beneficiaries of consumer spending, who enjoy stable growth, and are less vulnerable
- Value Creation & Retention happens in fewer industries over longer horizon

Corporate Governance

- **Corporate Governance Screener** helps in highlighting companies where there could be financial irregularities – helps **avoid Mishaps in small/mid caps**
- Avoided many names and Proactively exited some portfolio names much ahead of the steep correction, based on red flags

Catalyst Driven Investing

- Helps to **capture mispricing among good companies by identifying micro and macro catalysts.**
- Certain special situations leads to temporary dislocation in price, creating attractive investing opportunities.
- Micro/Macro turnaround, Demerger/Deleveraging, Mgmt Change

P-score /F-score

- **P-Score is an effective screener as it measures the overall strength of the firm's financial position**
- Identifies Quality, Superior Leadership companies
- The improvement (delta) in the financial position of the firm
- Identifies Turnaround, Compounding Companies

Innovation

- Identify **companies which focus on Product or Process Innovation**
- Innovative companies get reflected through) Higher share of New Products/ Services 2) Market leadership in products with restricted competition 3) Global Market leadership 4) Cost Leadership 5) Strong brand recall / Customer Engagement.

Getting the cycle right

- **Asset allocation models** to guide on Equity outlook, and market upside
- **Sector Quant models** helps us with Sector Allocation
- **Facilitates Contra thinking** – Buy Pharma before the cycle, Add Financials when near term outlook looks bleak

THANK YOU



Vishal Gajwani, Head – Alternate Investments (Equity)

- With over 15 years of experience in equity research and portfolio management, Vishal has extensive experience of researching companies across sectors and market capitalizations. Prior to this assignment he was a part of Reliance Portfolio Management Services (a part of Reliance Capital Asset Management Ltd), where he was designated as an Assistant Fund Manager and was responsible for managing equity portfolios.
- He is a Gold Medalist Chartered Accountant (ICAI, India) and holds a Master's degree in Commerce from M. S. University of Baroda. Vishal received 4 Gold Medals, including the Chancellor's Gold Medal, for topping the Master of Commerce Exams. Vishal is also a CFA charter holder from the CFA Institute (The Global Association of Investment Professionals), USA.



Natasha Lulla, Portfolio Manager

- Over 14 years of experience in equity research and fund management. Prior to joining ABSLAMC Portfolio Manager, she was working with Goldman Sachs as an equity analyst covering India Materials sector. In her earlier stint at Goldman, she was doing Portfolio Strategy for ASEAN regions and also covered Singapore Real Estate.
- She holds a Masters in Business Administration (Finance Major) from Management Development Institute, Gurgaon and was the Gold Medalist for each of the two years. She was also awarded a Gold Medal for achieving 1st rank in the Finance stream. She has done her graduation in Economics from Lady Shri Ram College, New Delhi and graduated amongst the top 1% in Delhi University



Dhrushil Jhaveri, Portfolio Manager

- Over 11 years of experience in equity research and fund management. Prior to joining ABSLAMC Portfolio Manager, he was working with Tata Asset Management as an Asst. Fund Manager in their PMS, and as an equity analyst for the Commodities space (viz Oil & Gas, Metals, Cement & Logistics).
- He holds an MBA (Finance) from Welingkar Institute of Management (Mumbai), and has completed his graduation from DJ Sanghvi College of Engineering in Computer Science.



Damodaran Kutty, Analyst

- Over 7 years of experience in Equity research and Fund management. Before joining ABSLAMC Portfolio Manager, he was working with Edelweiss Institutional Research desk as an equity analyst covering the Midcaps and Agricultural Sector. He has cleared the chartered accountancy course in May 2013.

Apekshya Rajgor, Investment Support

- Over 4 years of experience in the Mutual Fund Industry. Before joining ABSLAMC Portfolio Manager, she had worked with the Risk team for 4 years. She is a Chartered Accountant and holds a B.Com degree from KET's V.G Vaze College, Mumbai.

- Disclaimer: The views expressed above should not be construed as investment advice.
- Investments in securities are subject to market risks and there can be no assurance or guarantee that the objectives of the Product will be achieved. **Past performance may or may not be sustained in future.**