

# o3 Thematic Opportunities Portfolio

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o3capital

*Your Advisors, Your Partners*

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### Shyam Shenthar

Director, o3 Bhuvu Advisors Pvt. Ltd.

*27+ years of investment banking experience with a strong focus on the Technology sector*

*Founding partner at o3 Capital and leads o3 Capital's Asset Management & Multi Family Office platform based out of Singapore*



### EA Sundaram

Executive Director & CIO - Public Markets, o3 Securities Pvt. Ltd.

*33+ years of experience in public equities & fund management, across close/open-ended funds & family offices*



### Srinivas Tekal

Director, o3 Bhuvu Advisors Pvt. Ltd.

*24+ years of experience in Financial Advisory across M&A, Private Equity and Structured Finance*

*Founding partner at o3 Capital and co-heads the Financial Advisory business*



### Priyank Chandra

Vice President & Portfolio Manager - Public Markets, o3 Securities Pvt. Ltd.

*18+ years of experience in equity research*



### Sudeep S

Director, o3 Bhuvu Advisors Pvt. Ltd.

*30+ years of experience in capital markets including securities broking, Equity Sales, Wealth & Portfolio Management*



### Rajesh Keswani

Director - Public Markets, o3 Securities Pvt. Ltd.

*24+ years of experience across asset management and banking platforms*

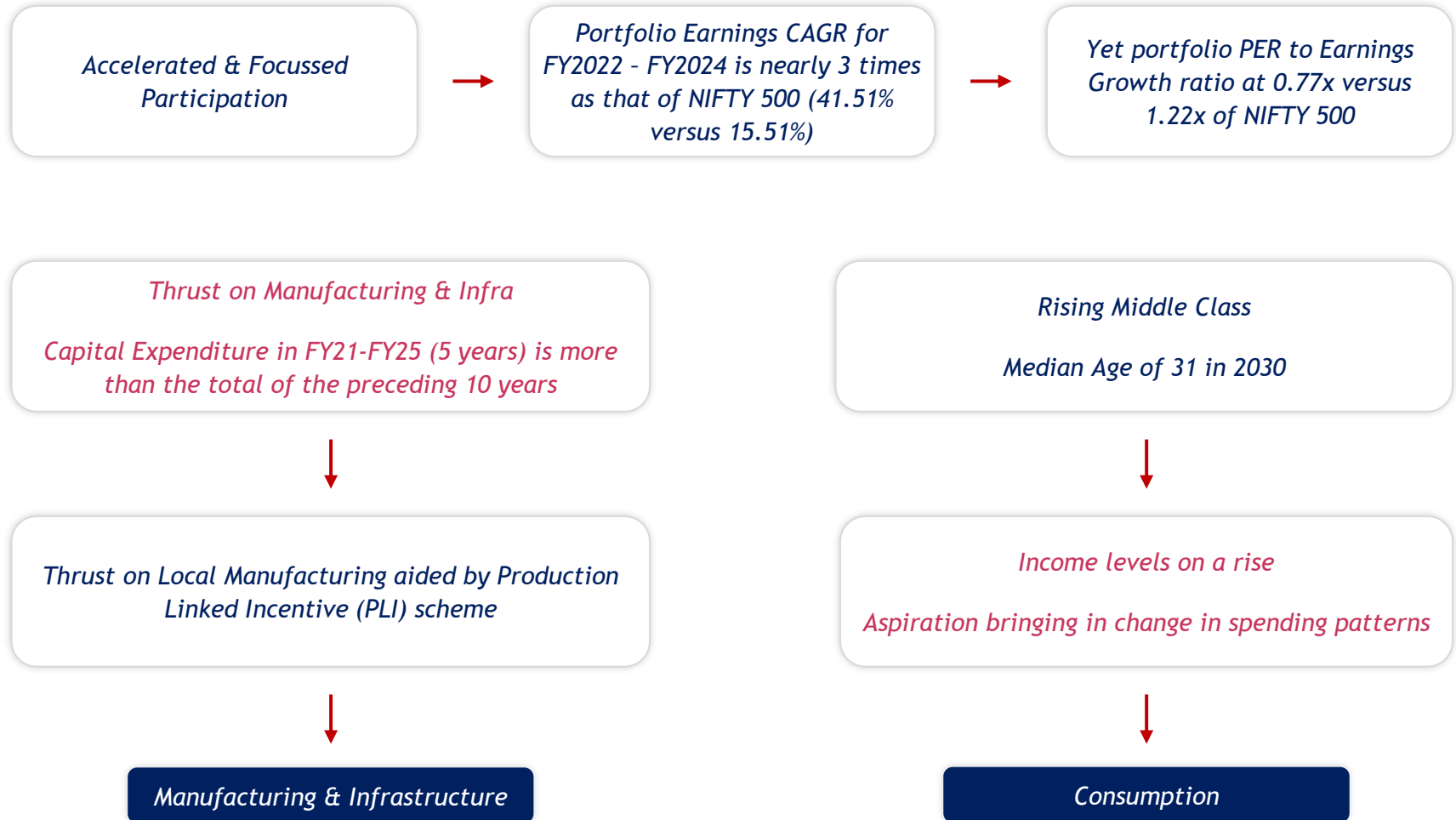
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# The Opportunity

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Strong Visibility in Specific Sectors

## 03 Why to invest in TOP



## 03 From Theme to Portfolio

### Theme-based Investing

The portfolio is constructed on the foundation of two Investment Themes

- a) Medium Term Investment Theme, which we expect will play out over the next 3-5 years and
- b) Long Term Investment Theme, which we expect will last for at least a decade, if not longer.

### The Portfolio Concept

The Investments are made based on

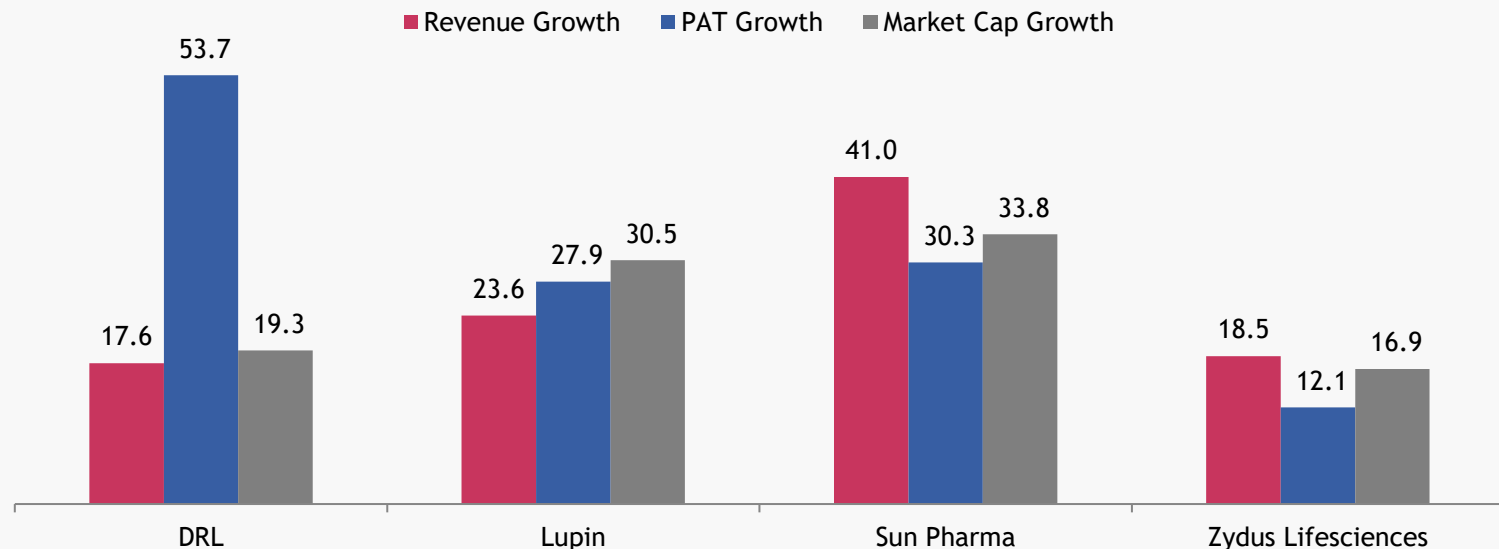
- a) Identifying the industry sectors that would benefit from the fructification of the Medium-Term and Long-Term Investment Themes
- b) Based on the above, choose the company that occupies the position of:



## 03 An example of tailwinds benefiting a Sector

- In US, there was a big opportunity in the generics space around 2009. Marketing exclusivity was expiring, paving the way for generics.
- The intensity of the competition was low. Indian pharma companies started to work in 2005 - 2006 onwards to capitalize on this opportunity.
- As the base of Indian companies was small in US, they witnessed strong growth from 2009 onwards.
- These sector tailwinds resulted in significant market cap expansion for these companies.

CAGR Growth % 2010-2014



# Medium Term Investment Theme

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## 03 Medium Term Investment Theme

We believe that the following two themes have strong visibility over the medium term:

1



*Development of physical infrastructure in India*

2



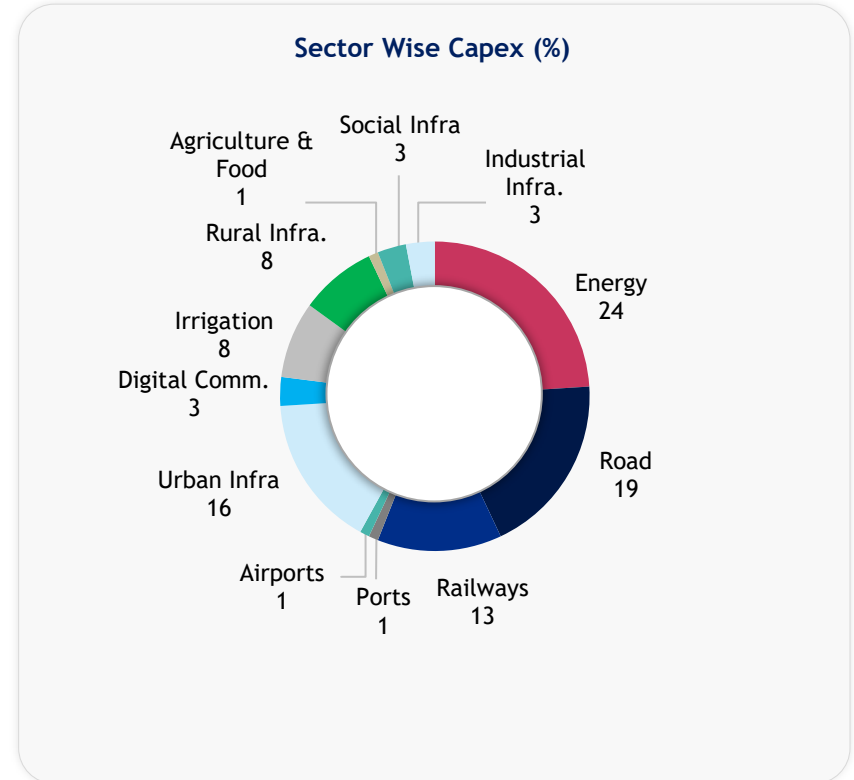
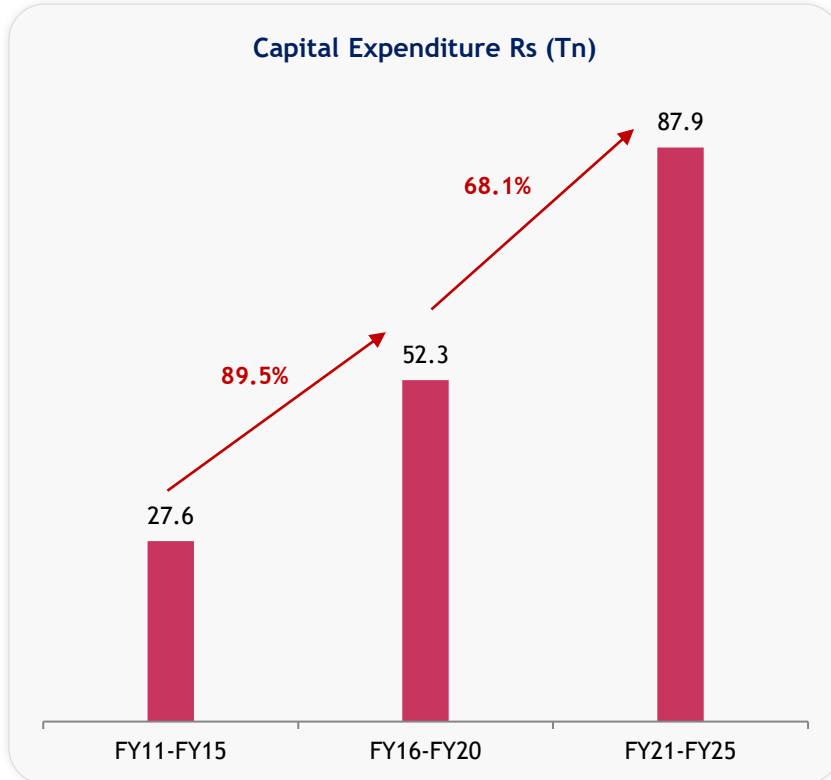
*Strong manufacturing companies, aided by the PLI schemes and the potential of sourcing manufactured products from India as an alternate source of supply for the world markets*

*Government of India has envisaged INR 100 Tn investment over FY21- FY25 on infrastructure through National Infrastructure Pipeline (NIP). Infrastructure development will play the pivotal role to achieve ambitious target of INR 375 Tn economy by 2025.*

*Gati Shakti - Another INR 100 Tn plan announced in August 2021. This will address the issues of multi modal and last mile connectivity to increase the manufacturing competitiveness. This will bring 16 ministries together including rail and roadways for integrated planning.*

# 03 Infrastructure - Capital Expenditure Pipeline

The planned capex is increasing significantly (around 68%) during FY 21 to FY 25 as compared to FY 16 to FY 20



Energy, Road, Railways & Urban Infra accounts for 72% of the planned capex

Source: National Infrastructure Pipeline Document of GOI

# 03 Manufacturing - Production Linked Incentive (PLI) Scheme

## PLI acts as a catalyst for manufacturing activities

1

PLI scheme aims to boost domestic manufacturing and reduce import bills

2

Will induce demand for power, manufacturing equipments, industrial products and accessories, etc.

3

PLI scheme is expected to result in an incremental production of around INR 37.5 Tn during FY21 - FY25

4

Total outlay on this scheme is expected to be around INR 2 Tn

## Focused Sectors for PLI

Advance Cell Battery

Solar PV Modules

Electronics

White Goods

Automobile & Components

Speciality Steel

Telecom Products Manufacturing

Pharmaceutical Drugs

Mobile Manufacturing

Textile

APIs

Food Products

Medical Device

## Example of how PLI helped in Telecom Manufacturing

1

It is estimated that exports of mobile phones and after sales products will rise from INR 112 Bn in FY2019 to INR 8.25 Tn in FY2026

2

There was no manufacturing of mobile phones before 2005 in India

3

Scheme of INR 122 Bn for telecom sector to incentivise local production

4

31 companies shortlisted to get this benefit

# 03 PLI Scheme - Generating Strong Interest across Sectors



Sector	Target (INR Bn)	Interest Received (INR Bn)
Auto	425	748.5
Semiconductor	760	1,530
ACC Battery	180	450

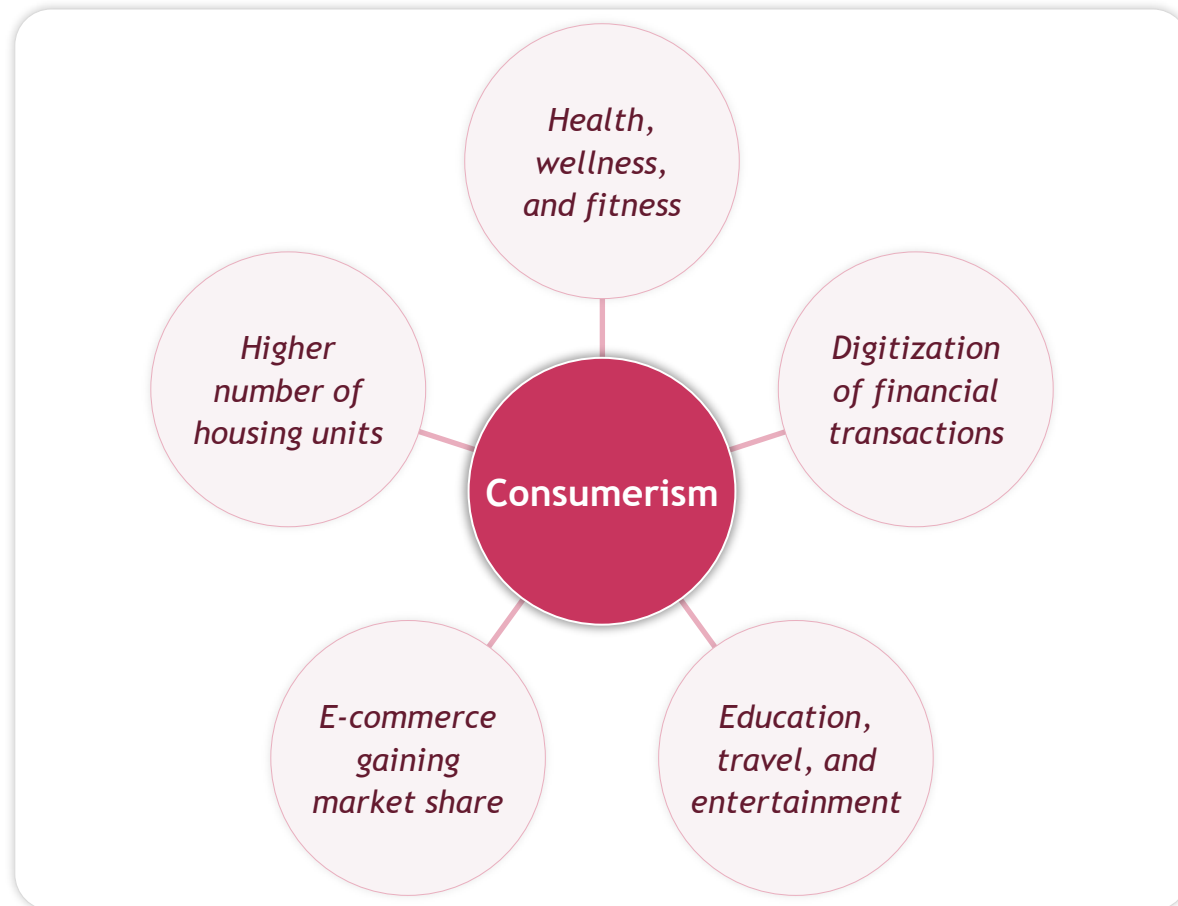


# Long Term Investment Theme

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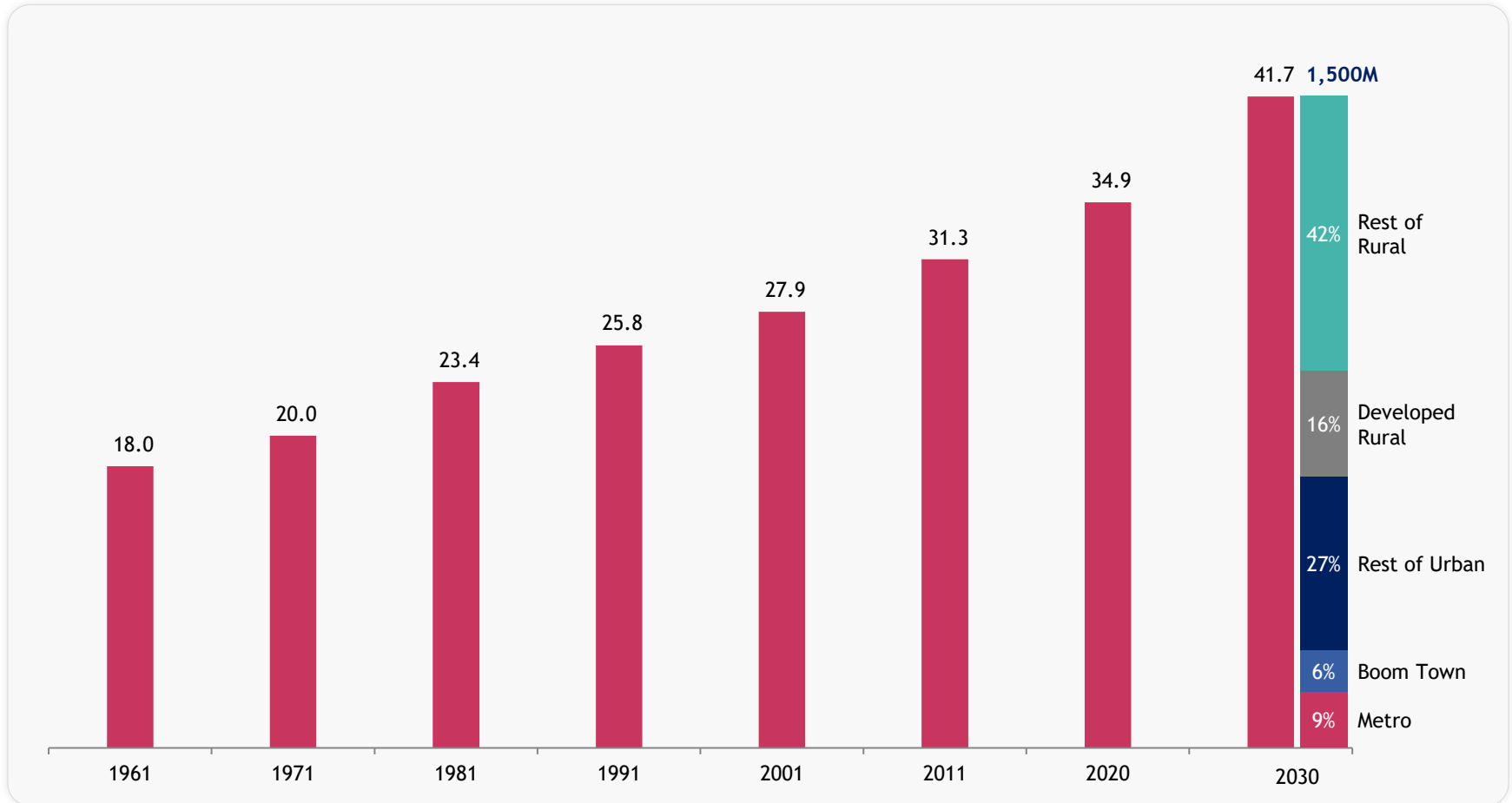
## 03 Long Term Investment Theme

*Long Term Investment Theme is consumption driven aided by increase in spending power, higher working age population and urbanization*



## 03 Increasing Urbanization in India (%)

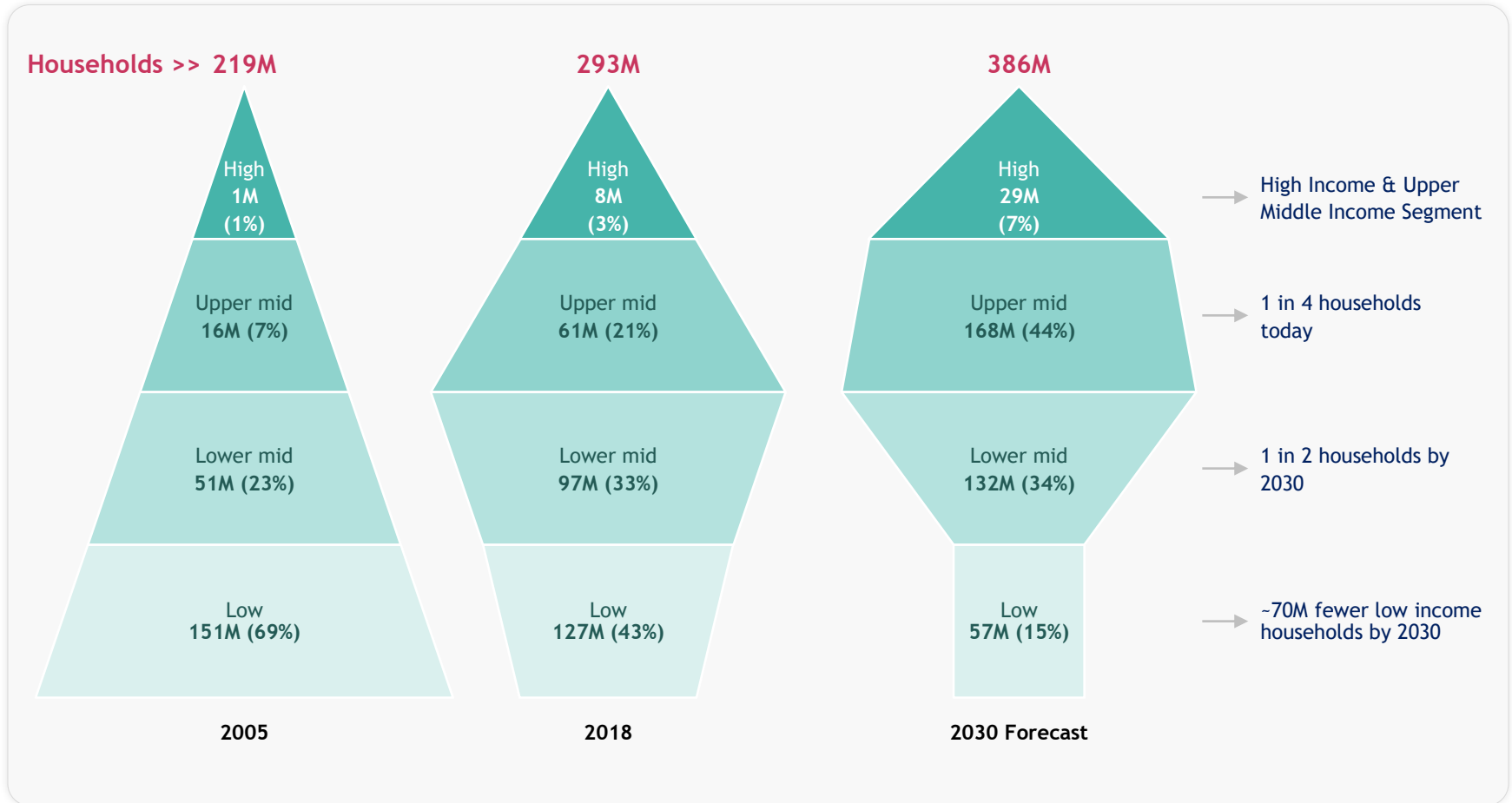
*Urban infra and household consumption goods will be required to support rise in urbanization - expected to reach 42% in 2030*



Source: National Infrastructure Pipeline Document of GOI & World Economic Forum / Bain & Co - "Future of consumption in fast growth consumer markets - India"

# 03 A Ballooning Middle & High Income Class with a Greater Ability to Spend

*Upper middle & high-income proportion increasing from 24% in 2018 to 51% in 2030*



Source: World Economic Forum / Bain & Co - "Future of consumption in fast growth consumer markets - India"

# 03 Greater Disposable Income Increases Value Added Spending

*With rise in income levels, spending on household products, health, travel and leisure increases*



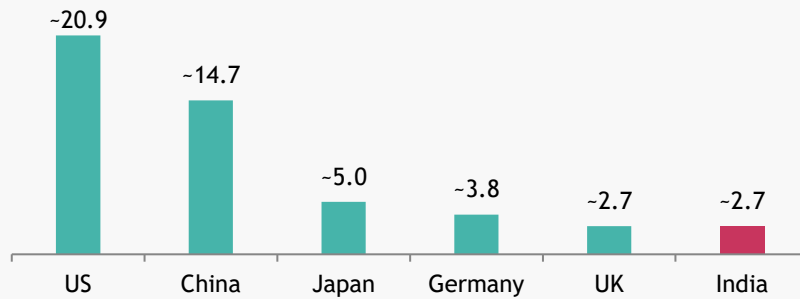
Source: Internal Research

# 03 E-commerce is Here to Stay and Grow

India has the Third-highest number of e-retail shoppers (only behind China and US)

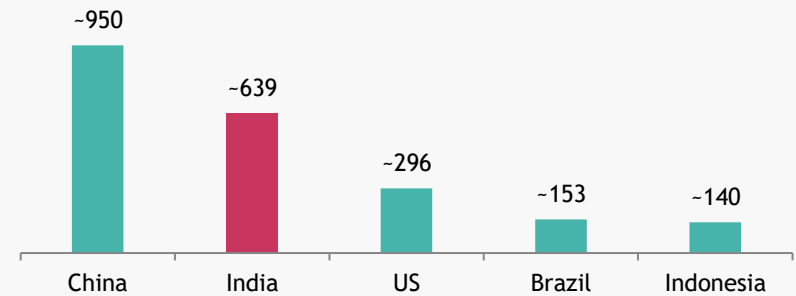
## 6<sup>th</sup> Largest Economy

Nominal GDP (\$trillion) (2020)



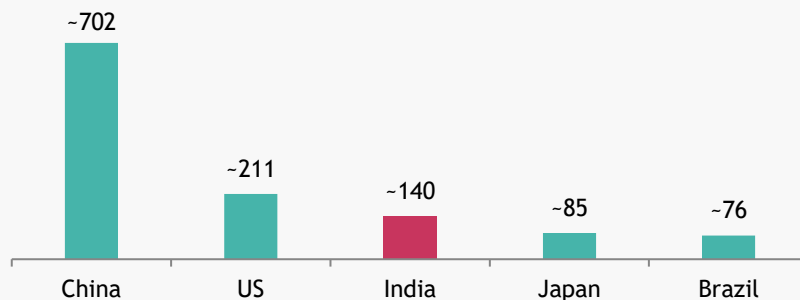
## 2<sup>nd</sup> Most Internet users

No. of Internet users (million) (2020)

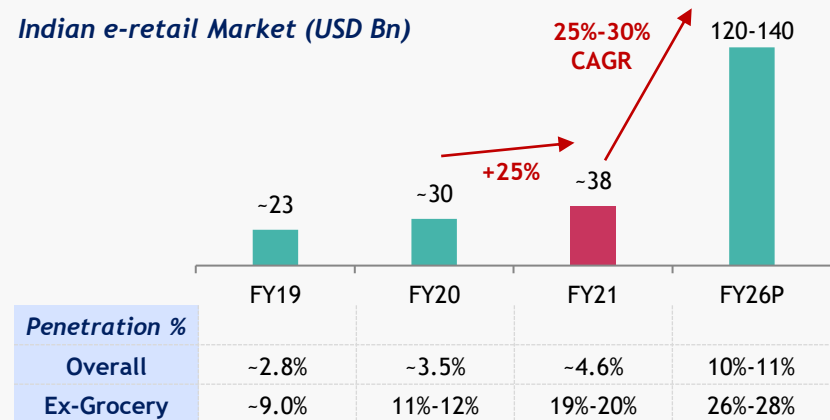


## 3<sup>rd</sup> Most e-retail shoppers

No. of e-retail Shoppers (million) (2020)



## Indian e-retail Market (USD Bn)

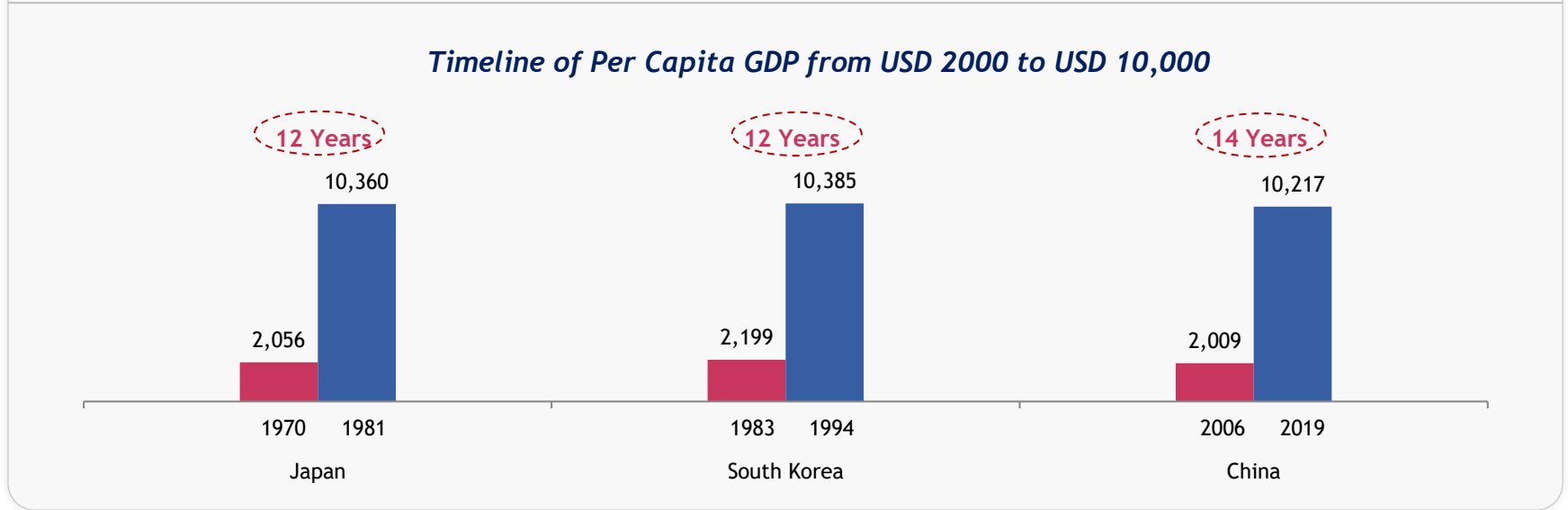
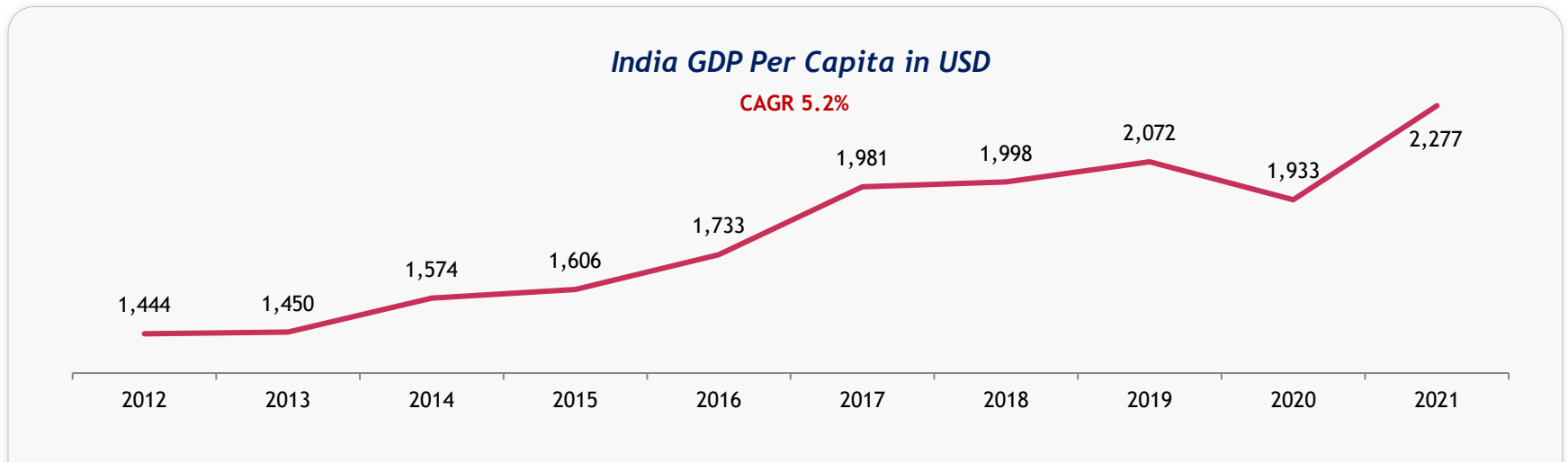


### Penetration %

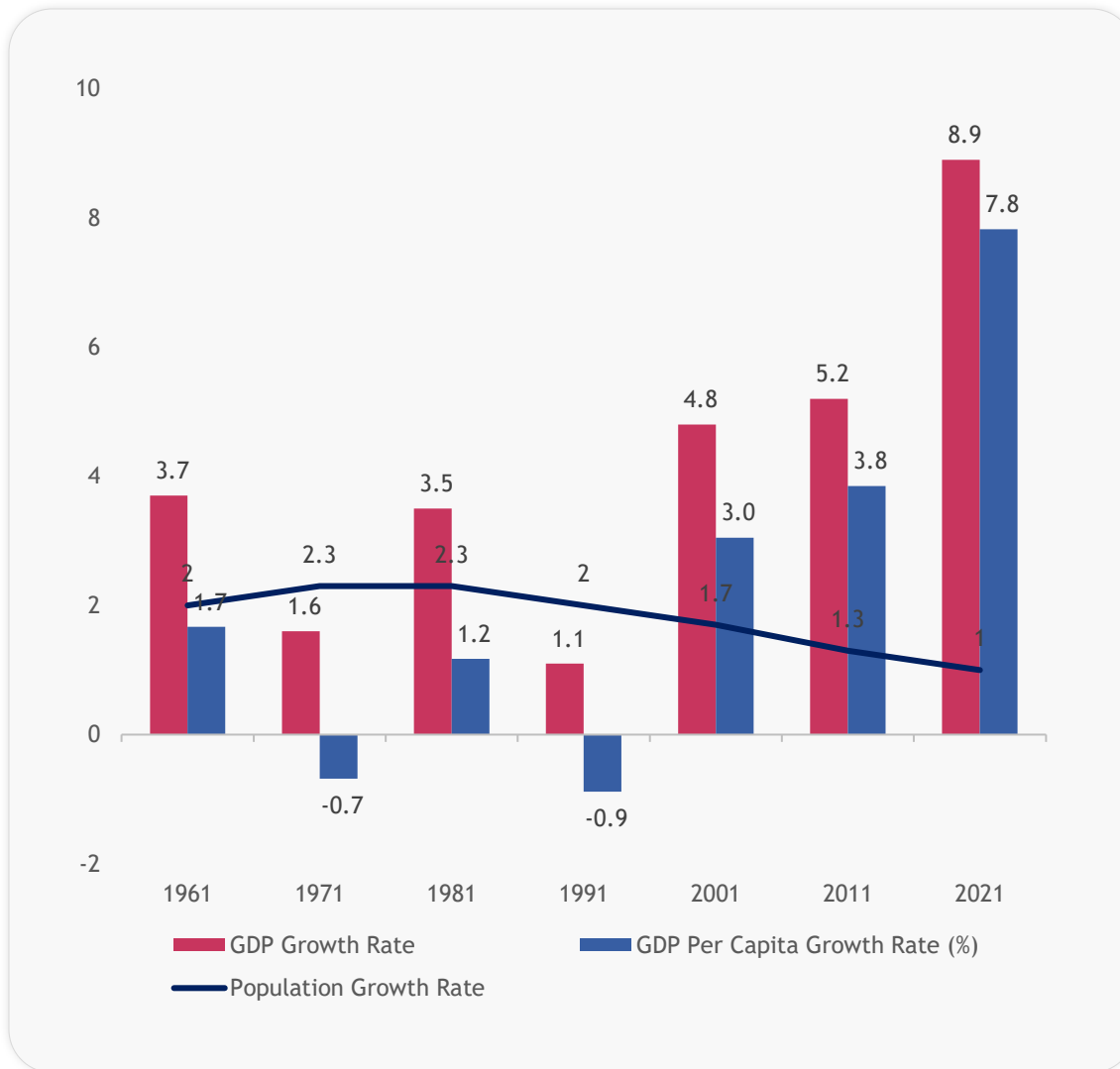
	FY19	FY20	FY21	FY26P
Overall	~2.8%	~3.5%	~4.6%	10%-11%
Ex-Grocery	~9.0%	11%-12%	19%-20%	26%-28%

Source: "How India shops online - 2021" - report by Bain & Co

# 03 India per Capita GDP - Crossing USD 2000 can be an inflection point



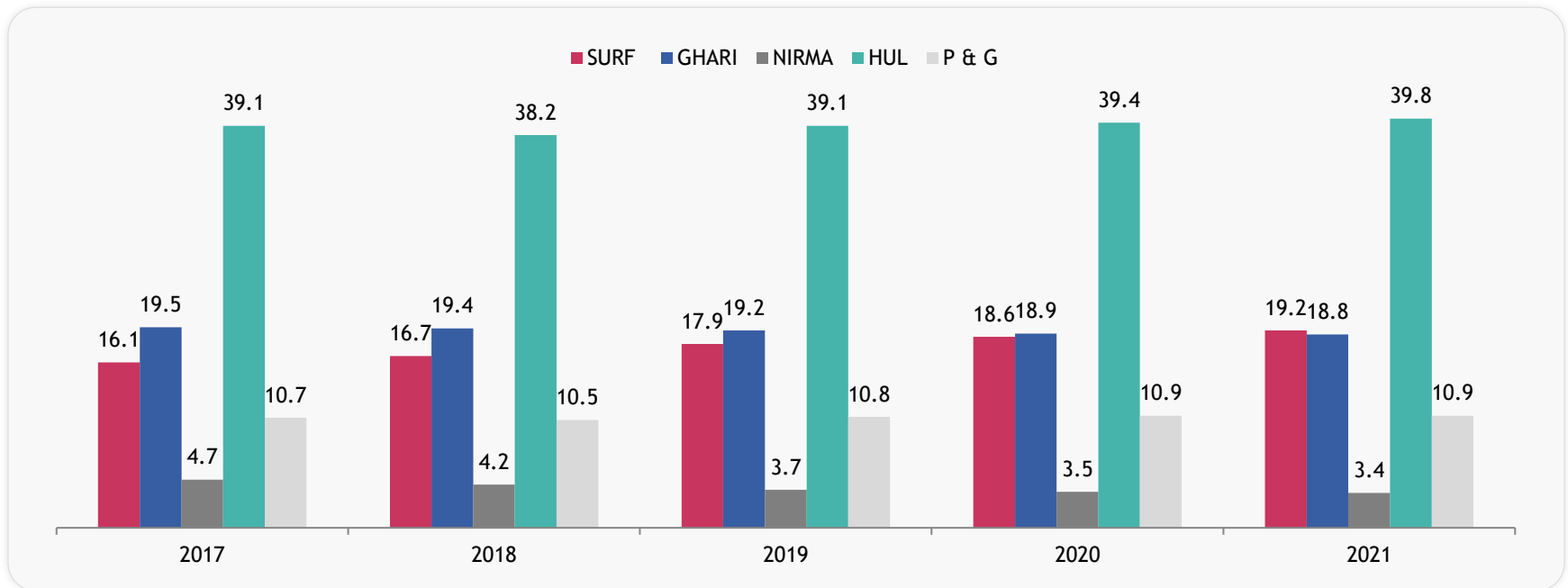
## 03 GDP per capita Growth Rate - catalyst for Consumption



*The GDP per capita growth rate has been improving over the last 3 decades due to higher GDP and reducing growth rate of population.*

*Assuming GDP growth rate at 6.5% till FY20230 and population growth rate of 1%, GDP per capital would nearly double to USD 4000 by 2030.*

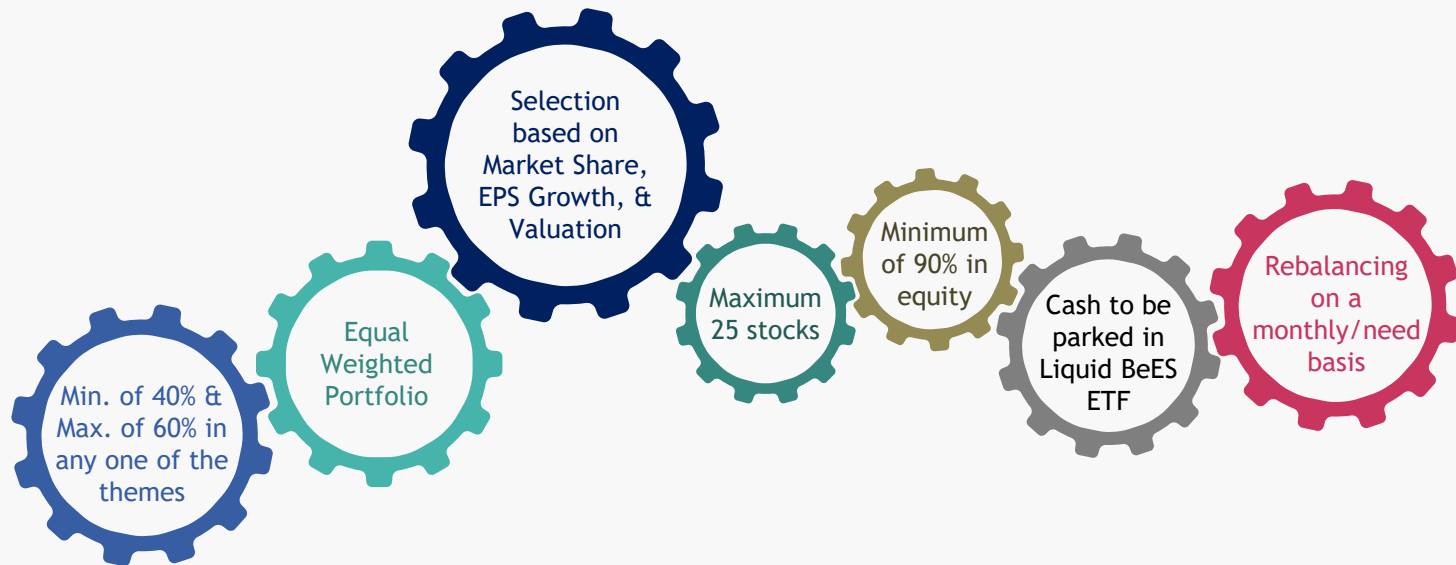
## 03 Premiumization - Mirage or a Reality



**Surf Excel - largest brand in HUL portfolio at INR 60 bn approximately.**

- *Product quality and brand perception matters.*
- *Surf had to introduce Wheel to counter Nirma (launched in 1985). Pricing was the key differentiator then.*
- *Last decade Surf Excel overtook Wheel and other company brand - Ghari (largest brand in detergent category from 2012 till 2020).*
- *Despite pricing premium, Surf Excel is gaining market share.*
- *Increasing income levels with urbanization can lead to higher adoption of premium products.*

## 03 Portfolio Construction



The portfolio has companies from any or all the following categories:

- *A clear market leader with a dominant market position and expected to remain competitive in the foreseeable future*
- *A strong contender, defined as the company presently occupying a position of between 2 through 5 in the industry, but one that has grown faster in earnings compared to peer set and/or is expected to grow faster in earnings compared to peer set over the next 2 years*
- *In some cases, a company that does not qualify on the above point but qualifies to be called a dark horse based on some unique niche it occupies*

## 03 Entry and Exit Strategy

### Entry Strategy

- Display a ratio of PEG (PE Multiple to Estimated Growth) of not more than 1; or
- Have a relative PE\* that is not more than 1 standard deviation compared to its 5-year average; or
- Have a valuation ratio that is not more than 1 standard deviation compared to its 5-year average.

### Exit Strategy

- If the assumption with which the stock was bought becomes invalid for some reason, or
- If a stock has crossed a PEG ratio of 1, and
- If a stock has a relative PE that is more than 1 standard deviation compared to its 5 year average, and
- If a stock has a valuation ratio that is greater than 1 standard deviation of its 5-year average, or
- We find a superior investment opportunity.

*\* Relative PE is the ratio of the individual company's PE multiple to the multiple of the market index. This method takes into account the average premium (or discount) the individual stock has enjoyed vis-à-vis the entire market.*

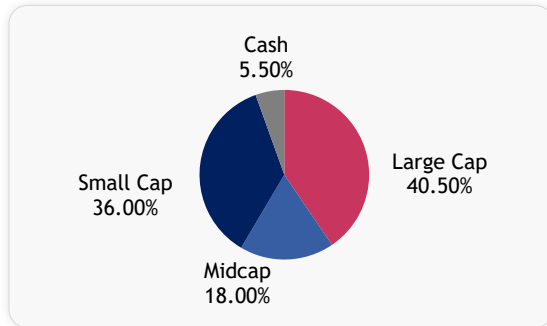
# o3 Thematic Opportunities Portfolio (TOP) Snapshot

Characteristic	Avg. Age of Companies	Avg. ROCE	EPS(E) CAGR (2022 to 2024)	Avg. Market Cap (INR Bn)	FY24 PE
① Portfolio	44	20.84%	41.51%	1,171	32.03
② Nifty 500*	43	19.67%	15.51%	537	18.99
③ Nifty 50	51	20.40%	15.91%	2,999	18.32

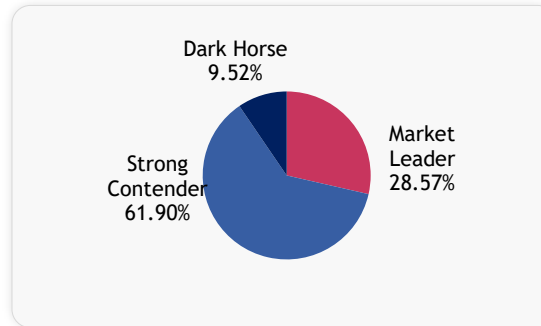
Sectors with highest weight
Capital Goods
Automobile & Ancillaries
Chemicals
Bank
FMCG

Date Source: Bloomberg & Ace Equity; Data as of 30<sup>th</sup> November 2022, Forward PE of Index calculated based on eps growth from Bloomberg & current price from NSE site. \*Benchmark is Nifty 500, the portfolio is spread across different market capitalization, hence Nifty 500 is chosen as benchmark.

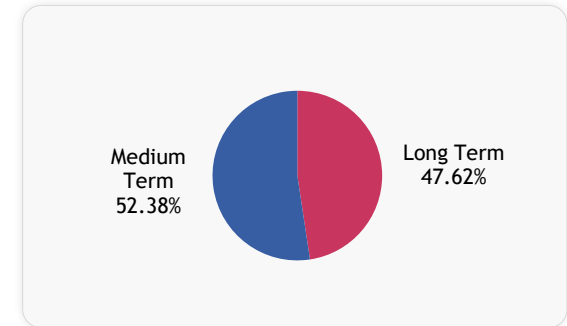
## Market Cap Allocation



## Category Allocation\*



## Theme Allocation\*



Market cap, Category & Theme allocation as on 30<sup>th</sup> November 2022. Sectors as defined in Ace Equity.

\*Category & Theme Allocation has been re-based to be considered as 100% equity.

## Performance as on 30<sup>th</sup> November 2022

Name	TOP	Nifty 500	Nifty 50
1 Month	(0.93%)	3.39%	4.14%
3 Months	1.55%	4.05%	5.63%
6 Months	17.74%	12.94%	13.11%
1 Year	14.83%	8.86%	10.45%
Since Inception(22/11/2021)	12.59%	6.33%	7.53%

Returns greater than or equal to 1 year are CAGR & less than 1 Year are absolute returns.

①

**RIA**

o3 Bhuvu Advisors Private Limited

②

**Investment Vehicle**

SEBI Registered Investment Adviser(RIA)

③

**Portfolio Capitalisation**

Multi Cap

④

**Benchmark**

Nifty 500

⑤

**Stocks in the Portfolio**

20-25 Stocks (No market cap bias)

⑥

**Suggested Investment Horizon**

3 to 5 Years

⑦

**Cash Strategy**

Residual

⑧

**Advisory Fee**

2.50% p.a. of Asset under Advice(AUA) Mode  
charged on Calendar Quarter Basis

# o3 Contact Details

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