



## ABSLAMC Corporate Profile



PROTECTING INVESTING FINANCING ADVISING



ADITYA BIRLA GROUP

One of the largest and most reputable business houses in India

Best employer in India for the third time over the last 7 years\*

Operating in 35 countries across 6 continents with 50% of revenue coming from overseas operations

Over 120,000 employees from 42 nationalities servicing more than 180 Mn customers

## Aditya Birla Group's Flagship Businesses

### Financial Services



Aditya Birla Capital

M. Cap: US\$ 2.5 Bn

Top 5 diversified NBFC; Top 5 player in life insurance and asset management

### Telecom



Vodafone Idea

M. Cap: US\$ 1.5 Bn

#3 cellular operator in India;

### Metals & Mining



Hindalco (Ind. Novelis)

M. Cap: US\$ 4.9 Bn

#1 aluminum rolling globally; #3 primary producer in Asia

### Retail



Aditya Birla Fashion & Retail

M. Cap: US\$ 2.7 Bn

#1 branded apparel player in India

### Textiles



Grasim Industries

M. Cap: US\$ 6.3 Bn

#1 VSF player globally; #1 chlor-alkali player in India

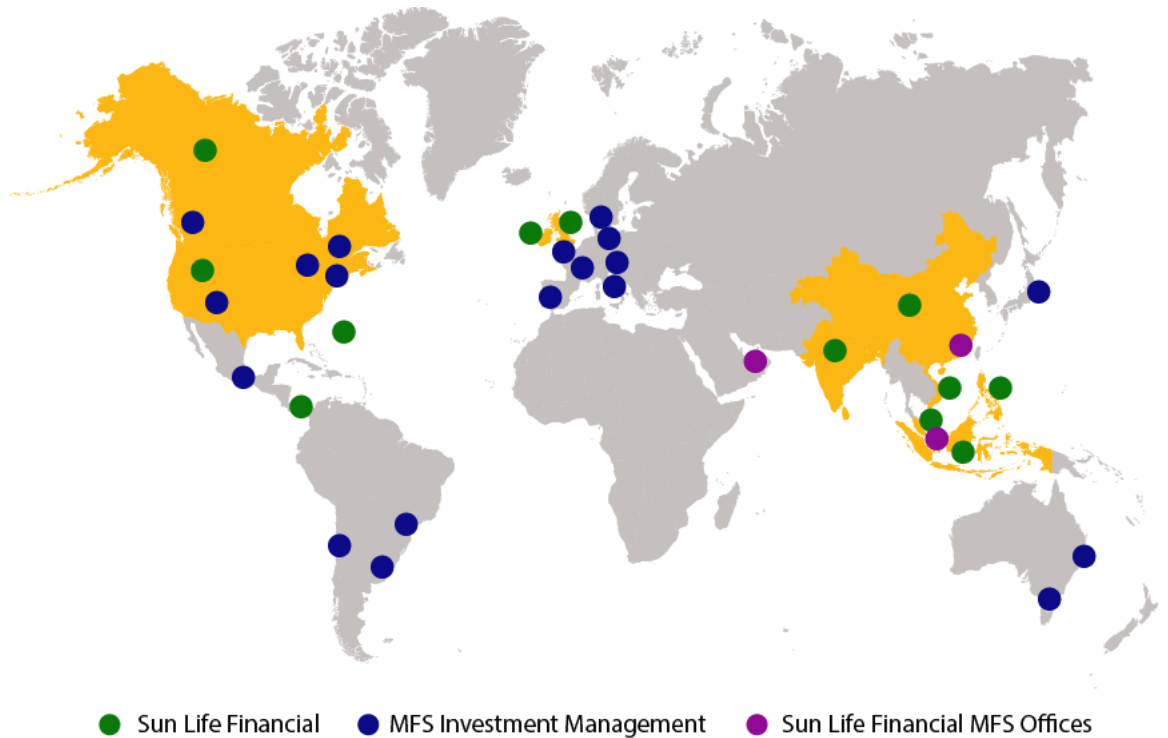
### Cement



Ultratech Cement

M. Cap: US\$ 16.9 Bn

#1 cement manufacturer in India



- A global financial services business with AUM of US \$ 783 Bn
- Sun Life has a market capitalization of around US \$ 25.4 Bn and is rated AA by Standard & Poor's
- Presence in 26 markets worldwide, Sun Life is a Leading integrated financial services player
- Since 1982, Sun Life owns majority of US \$ 489 Bn premier global asset manager anchored by MFS

**Most Trusted Life Insurance Company in Canada\***



## A Strong Partnership



Sun Life Financial is a leading international financial services organization providing insurance, wealth and asset management solutions to individual and corporate clients. Sun Life Financial has presence in 26 markets worldwide including Canada, United States, United Kingdom, Ireland, Hong Kong, Philippines, Japan, Indonesia, India, China, Australia, Singapore, Vietnam, Malaysia and Bermuda.

**Aditya Birla  
Sun Life  
AMC Ltd.**

Aditya Birla Capital is a leading Indian financial services organization providing life insurance, asset management, private equity, corporate lending, project & structured finance, general insurance broking, wealth management, online personal finance management, housing finance, pension fund management, health insurance and asset reconstruction business.



## HERITAGE

- Founded in 1994, one of the oldest asset managers in India
- Have seen the market evolve across different asset classes over the years
- Driven by client centric product innovation
- International presence in Dubai, Singapore, Ireland and Mauritius

## SIGNIFICANT PLAYER IN MARKET

- 4th largest AMC in India with AUM of ~US\$ 26.9 Bn
- Over 6.1 million investor accounts; over 25,000 Institutional/Corporate investor accounts
- Strengths across different businesses:
  - ✓ Mutual Funds: US\$ 26.9 Bn
  - ✓ Segregated Managed Accounts: US\$ 0.22 Bn
  - ✓ Offshore: US\$ 1.4 Bn
  - ✓ Real Estate Funds: US\$ 0.05 Bn

## CONSISTENT FUND PERFORMANCE BACKED BY DISCIPLINED PROCESSES

- Continually awarded for fund performance across categories
- Strong emphasis on risk management across functions
- Longevity of experienced investment & other management personnel with the organization



# Winner of Morningstar Awards 2019 – Best Asset Management Company: Overall



Awards

**Winner Morningstar Awards 2019**

Best AMC: Overall

**Aditya Birla Sun Life AMC Limited**

**#MstarAwards**

2020	<b>Outlook Money Awards 2019:</b> Equity AMC of the Year, Innovative Approach to Investor Education – Gold Award <b>Asia Asset Management – 2020 Best of the Best Awards – India:</b> Best Investor Education, CEO of the Year – Equity & Debt
2019	<b>Asian Investor Asset Management Awards:</b> Market Award (India) <b>CNBC TV18 Mutual Fund Awards 2018:</b> Runner-up Equity Fund House of the Year <b>Moneycontrol's Wealth Creator Awards 2018:</b> Best AMC of the Year
2018	<b>Asia Asset Management – 2018 Best of the Best Awards:</b> Best Fund House, CEO of the Year, CIO of the Year – Equity & Debt Recognized by <b>Great Place to Work</b> ® Institute India among India's 15 Best Workplaces in BFSI – 2018 <b>Outlook Money Awards 2017:</b> Fund House of the Year <b>Morningstar Awards 2018:</b> Best Fund House – Overall & Best Intermediate Bond Fund
2017	<b>Asia Asset Management – 2016 Best of the Best Awards – India:</b> Best Investor Education <b>Morningstar India Awards:</b> ABSL Short-Term Fund in the Short-Term Bond category <b>Outlook Money Awards 2016:</b> Best Investor Awareness Campaign <b>Thomson Reuters Lipper Awards:</b> Best Fund House – Overall

**Asia Asset Management**  
The Journal of Investments & Pensions

**MORNINGSTAR**

2017  
**THOMSON REUTERS**  
LIPPER FUND AWARD

**Outlook**  
**MONEY**  
AWARDS 2018

**AsianInvestor**

**CNBC**  
TV18

**moneycontrol**

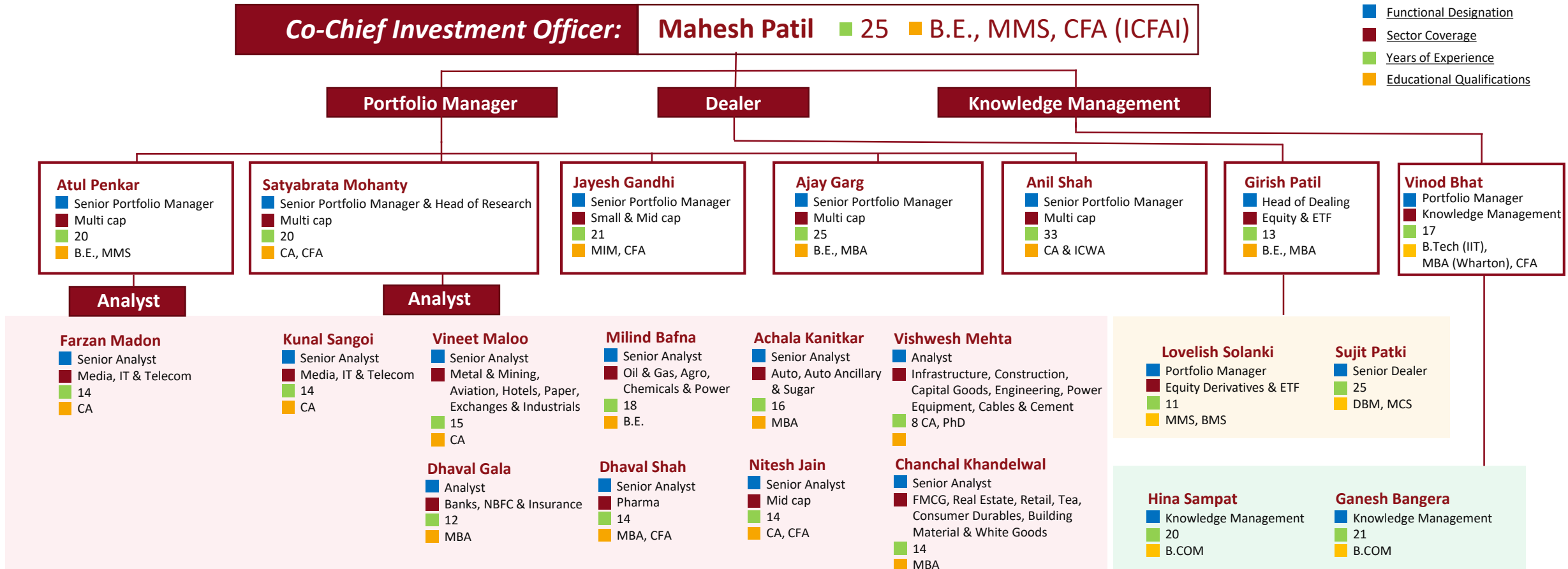


## Investment Team



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## Philosophy and Process



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## Objective

- Outperform the benchmark over full market cycles while maintaining a consistent style
- Generate consistent risk adjusted returns



## Philosophy

- Growth at Reasonable Price (GARP)



## Strategy

- Identify robust businesses that have a sustainable competitive advantage
- Businesses run by stable management
- Prospects not adequately valued by market
- Compounding of ROCE over longer time period



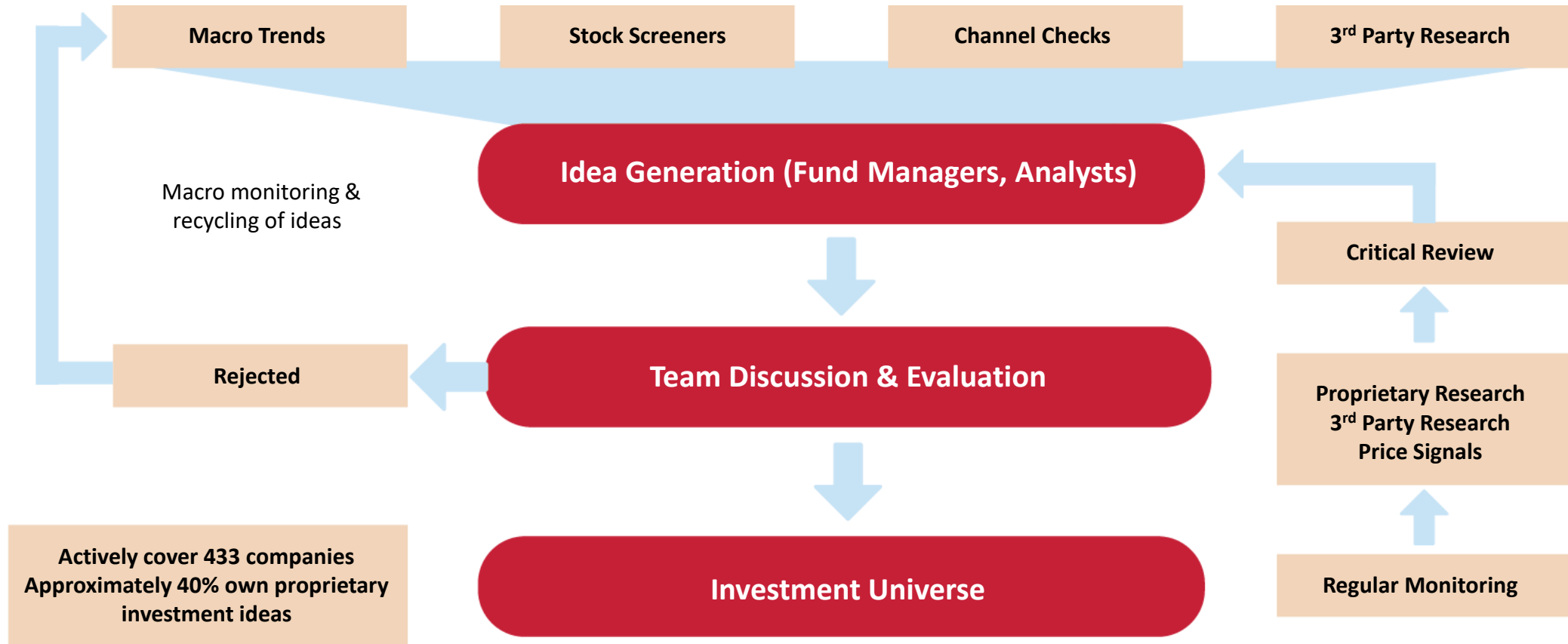
## TEAM EVALUATION

### Analyst Evaluation

- Stock recommendations based on performance of portfolio
- Depth of research
- Communication of ideas
- Compliance

### Fund Manager Evaluation

- Fund performance vs peers in similar category
- Contribution to research process
- Higher weight to long-term performance

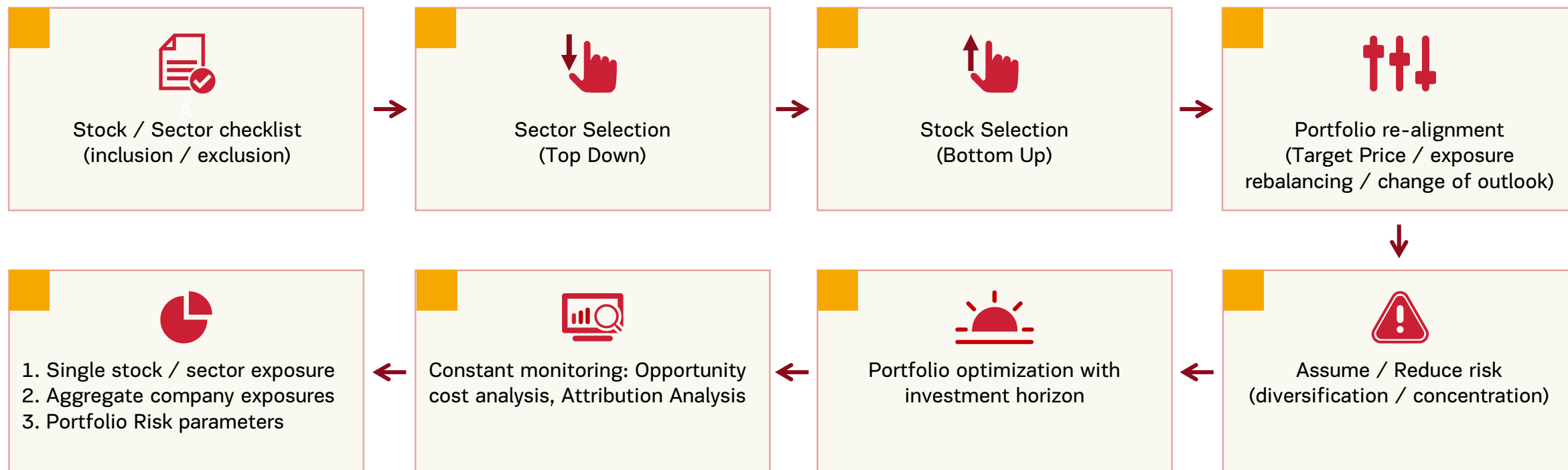




- **Identify investment opportunities** - Conduct research and make recommendations to the portfolio managers of the fund
- **Evaluate investment opportunities** - Build valuations models (DCF, Multiples Method, Comparable Transaction Method) & evaluate company management through company meetings
- **Broader focus** - Analyst focus on two or three industries at a time and follow roughly 40-50 stocks
- **Create model portfolios** - Develop model portfolios of select companies through bottom up research
- **Identify best sell side analyst** - Developing a list of the real go-to analysts in their space



	<b>Weekly</b>	<ul style="list-style-type: none"> <li>Portfolio manager meeting to discuss portfolio actions</li> </ul>
	<b>Fortnightly</b>	<ul style="list-style-type: none"> <li>Detailed sector review by analysts</li> <li>Analysts and portfolio manager meeting for aligning analysts recommendation</li> </ul>
	<b>Monthly</b>	<ul style="list-style-type: none"> <li>Performance &amp; risk attribution analysis using MSCI Barra</li> <li>Peer group analysis</li> <li>Portfolio manager meeting to discuss macro view</li> </ul>
	<b>Quarterly</b>	<ul style="list-style-type: none"> <li>Meeting all portfolio companies</li> <li>Update on investment universe stocks</li> </ul>
	<b>Yearly</b>	<ul style="list-style-type: none"> <li>Meeting all investment universe companies</li> </ul>







## CULTURE

### Portfolio Manager

- More about assuming risk
- Evaluation of commensurate return for every incremental risk taken
- Asset Allocation vs. Portfolio Hedging

### CIO

- More about managing risk
- Asset class level exposure to companies/sectors
- Compliance
- Monitoring risks like Concentration, Limits, Liquidity etc.

### CEO

- More about managing & rewarding risk
- Relative performance across portfolios
- Corporate Governance
- Stress test to evaluate tail risk events

- ✓ Measurable, Deliberate & Intended
- ✓ Multiple levels of risk consciousness
- ✓ Risk management team facilitates risk awareness & mitigation at different levels



## FRAMEWORK

Governance Mechanism

Tracking & Monitoring

Policy & Procedures

Risk reviews at various levels & Audits

Statutory limit monitoring, Benchmarking & usage of risk tools (MSCI Bara)

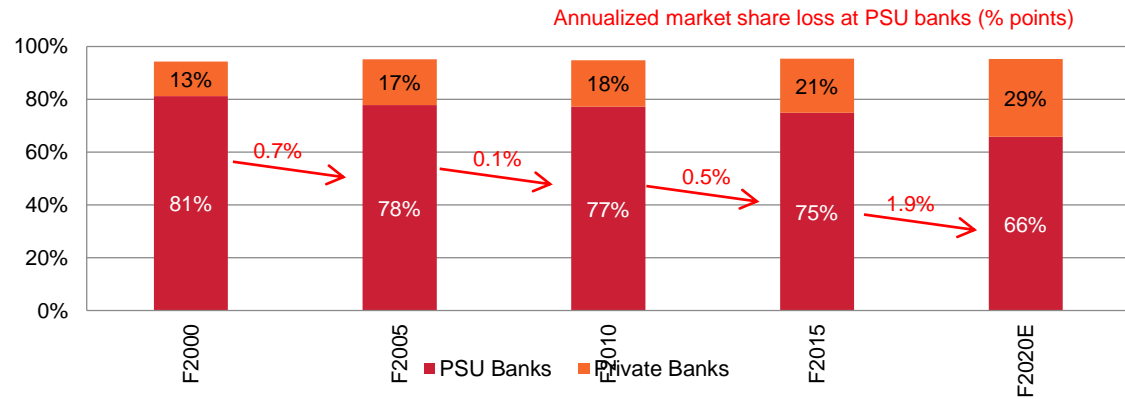
Regulatory provisions, Investment manuals & Client agreements

Governance Mechanism at ABC oversees & supports the Risk Measurement & Mitigation process of the Risk Management function at Aditya Birla Sun Life AMC

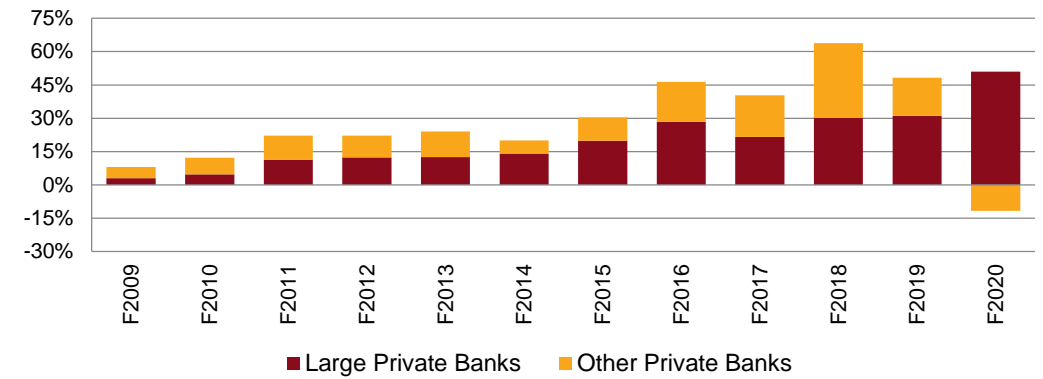
- Financial Services
- Consumption
- Convergence

- Financial Services

## Deposit market share trends



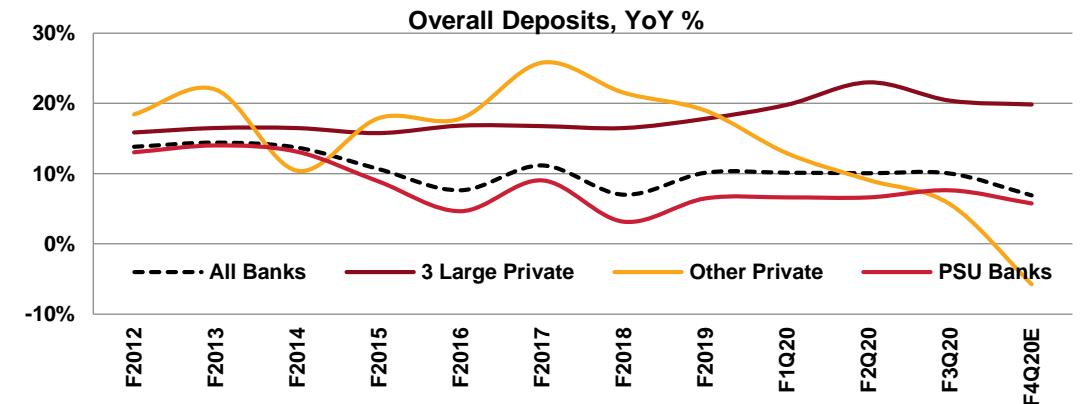
## Private banks incremental deposit market share



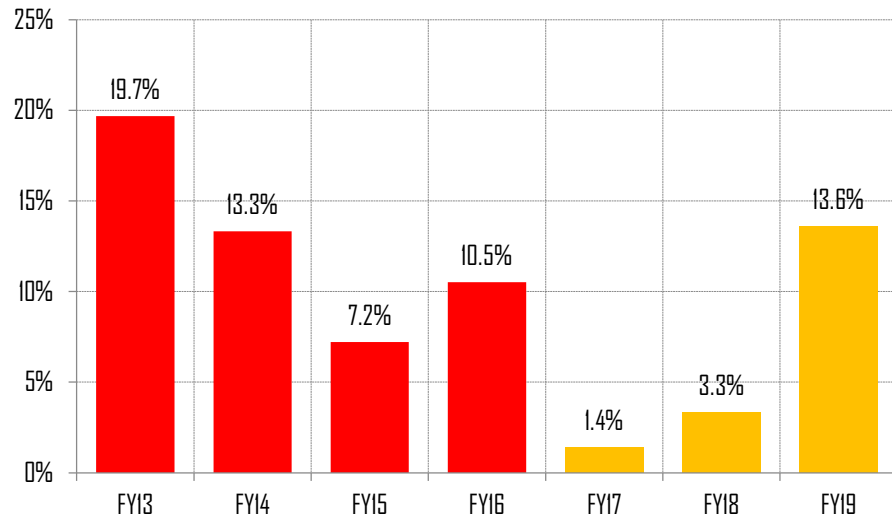
## Liquidity and capital – Large Private banks are best placed



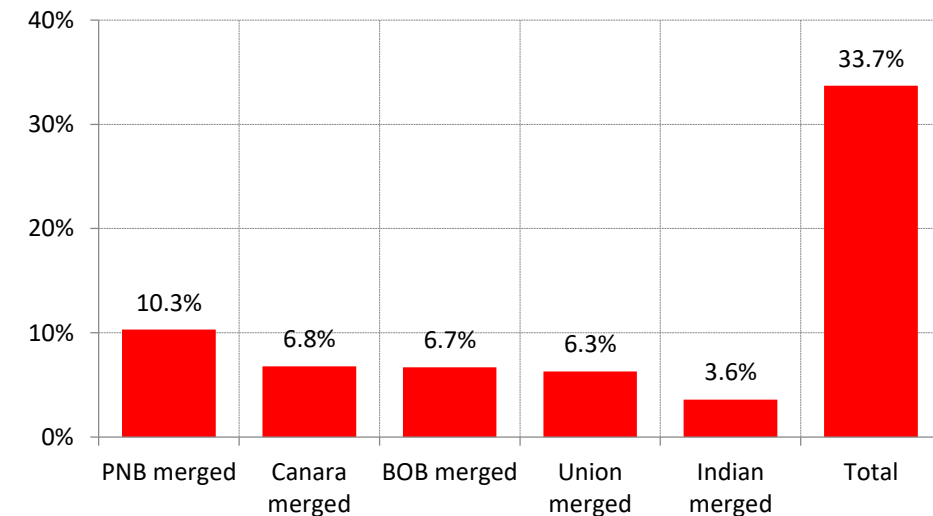
## Acceleration in deposit growth of private banks sustainable



SBI merger: Credit growth suffered post merger

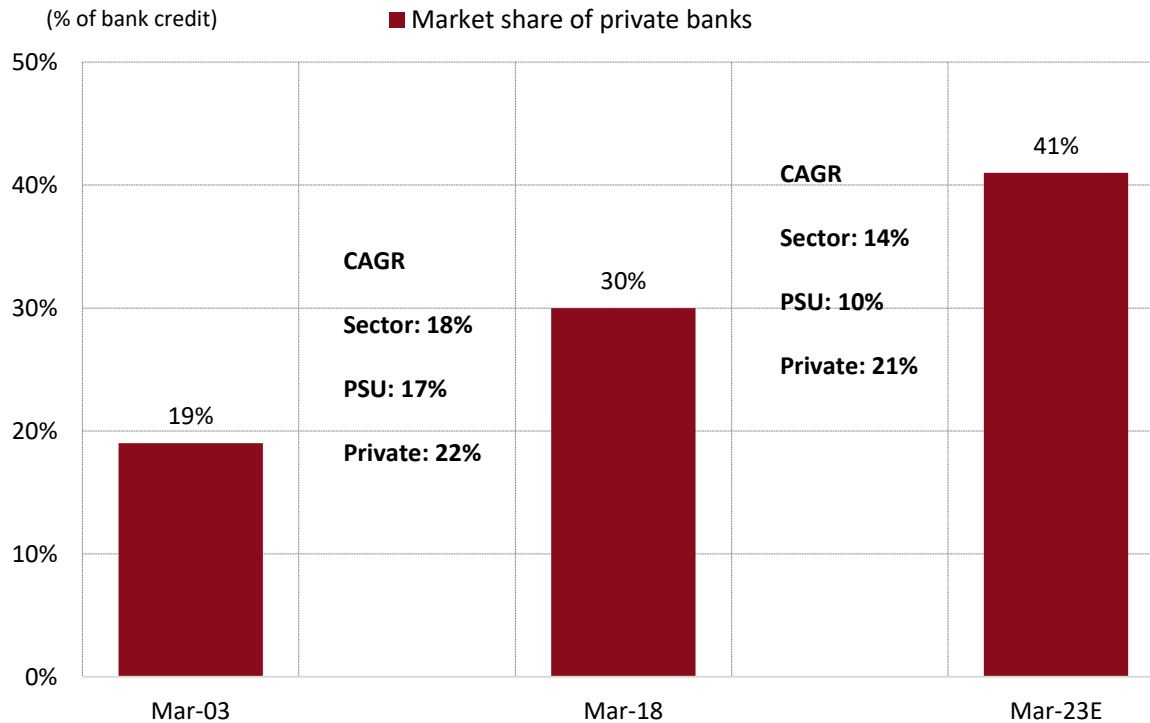


Merging PSU banks enjoy loan market share of 34%



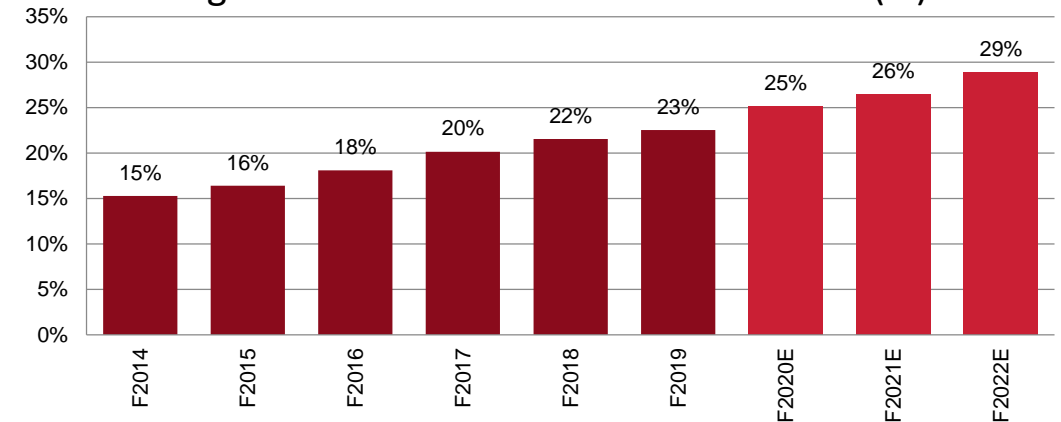
- Government of India has announced merger of 10 PSU banks into 4
- These along with BOB (which has already merged) form 34% loan market share
- We expect loan growth to slow down for these banks as was seen in case of SBI merger with associates
- This in turn will help private sector banks to gain further market share

## Private Banks will continue to gain market share

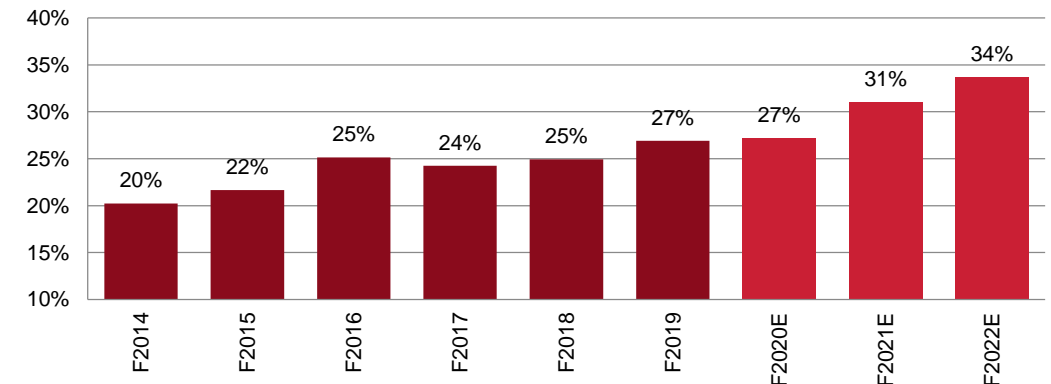


Source : RBI, Companies, Research

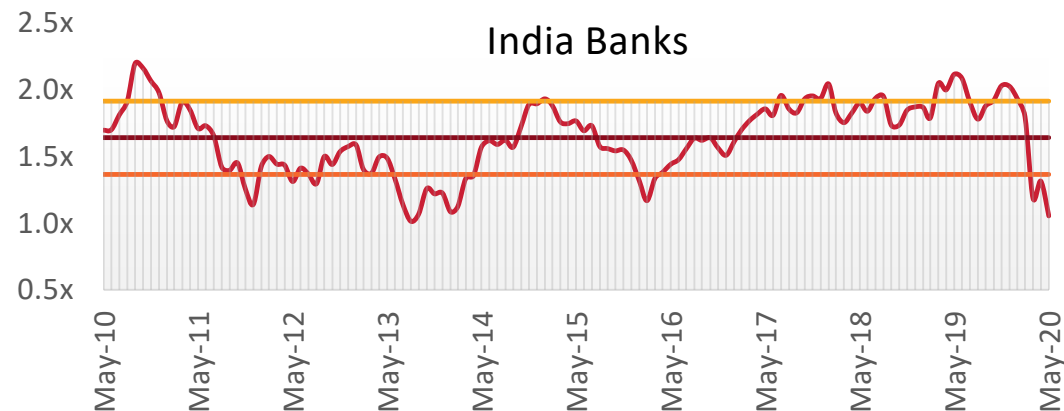
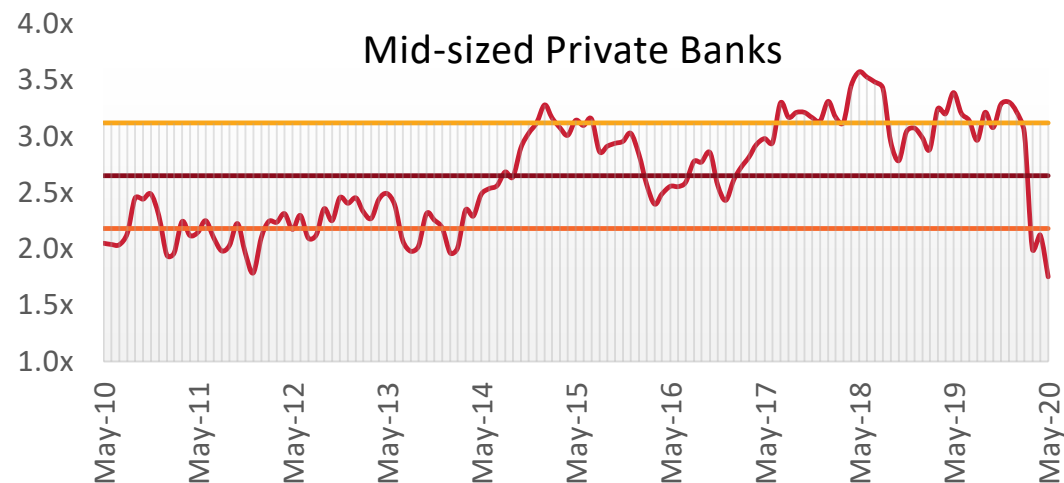
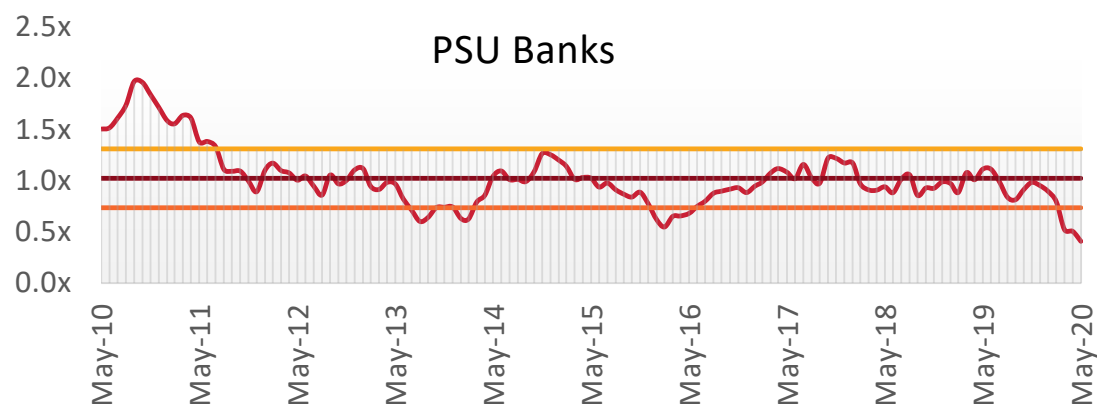
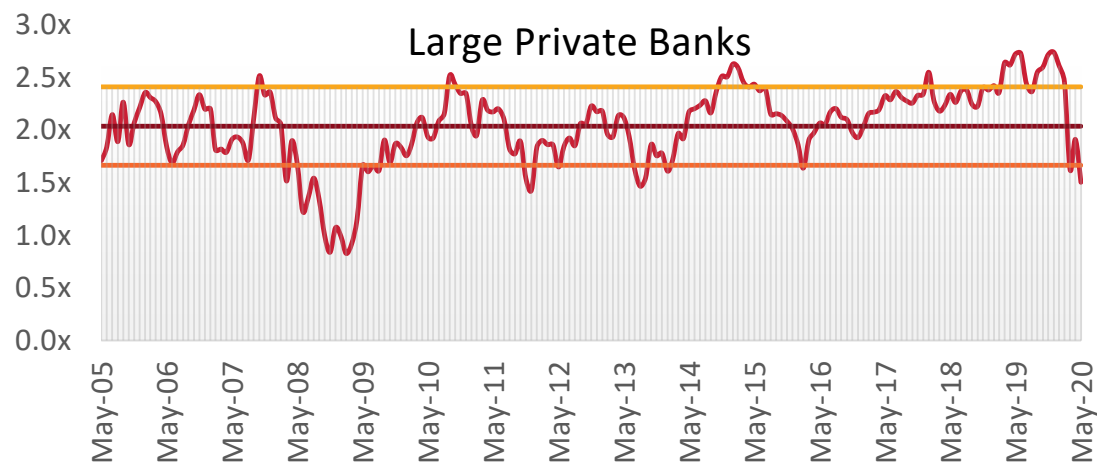
## Large Private Lenders loans market share (%)



## Large Private Lenders PPOP market share (%)



# Valuations fairly attractive, pricing in material risks from Covid19

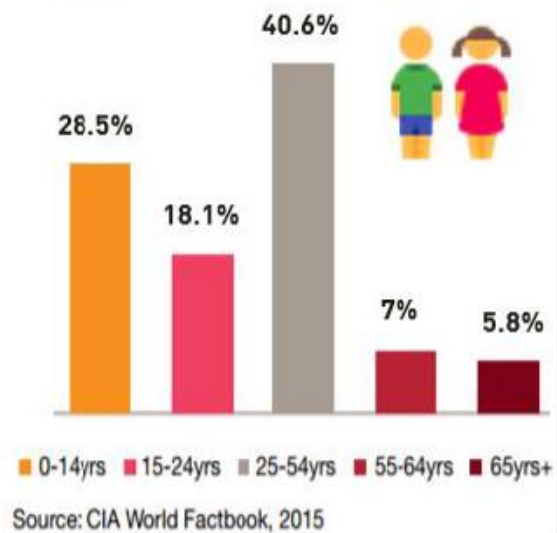


- Consumption



## Demographic

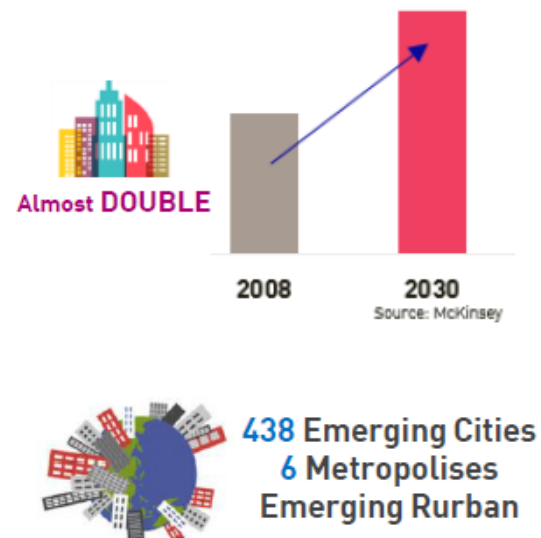
Age profile of Indian Population



Huge youth population (65% of population less than 40 years)

## Urbanization

Population in cities



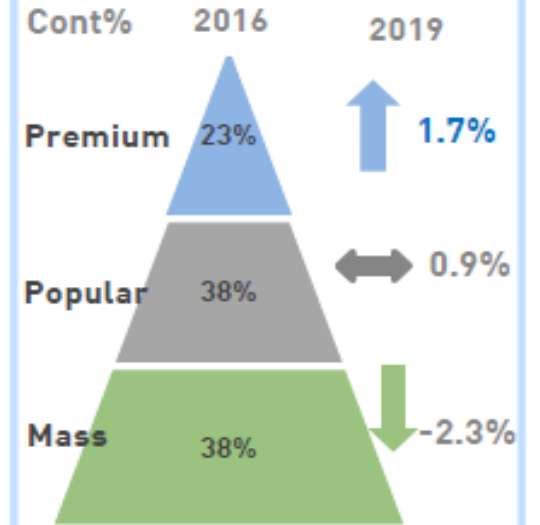
Growing at 4-5%; changes attitude & aspirations

## Shift from unorganized



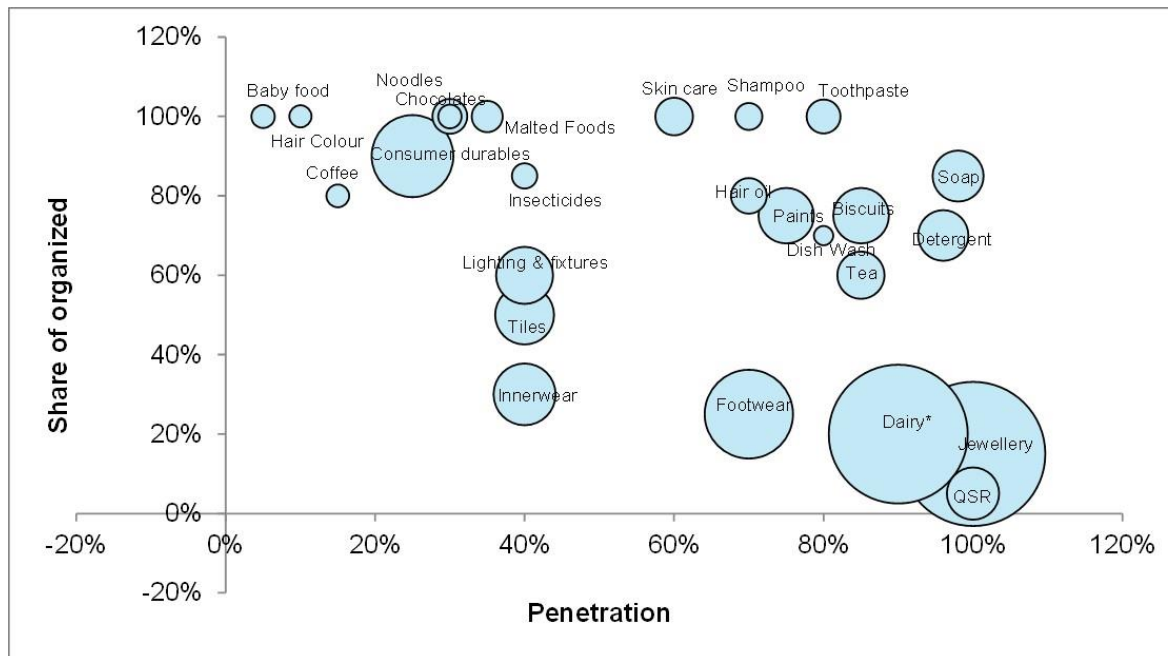
GST will help fasten the process

## Premiumization

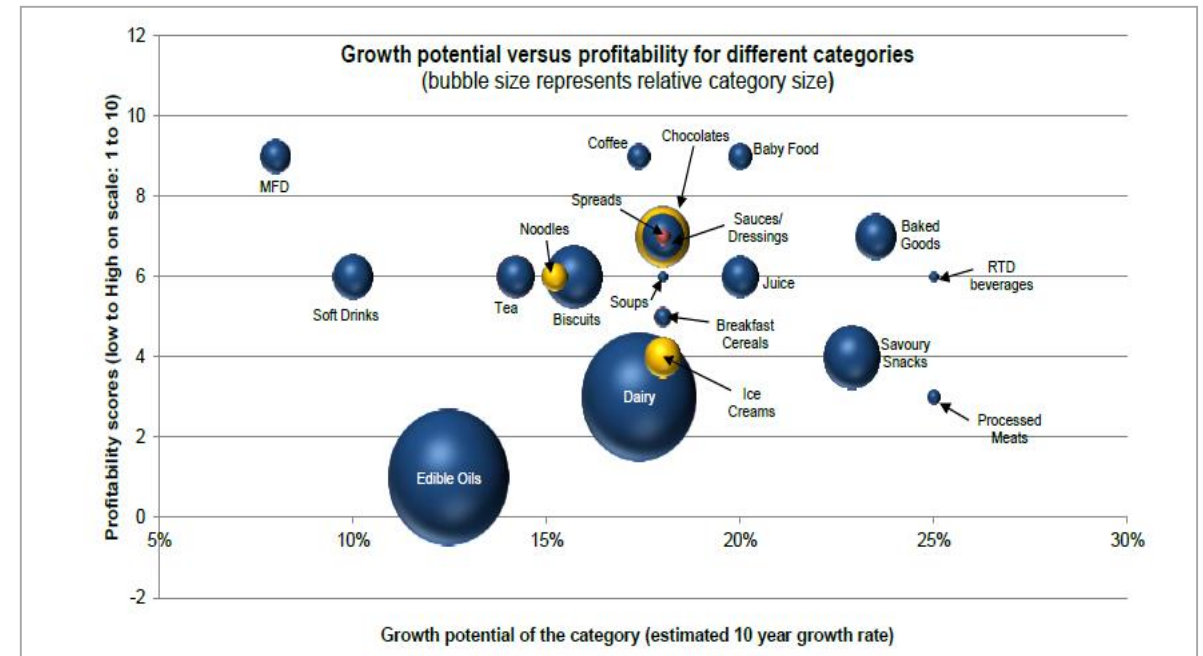


Per capita income improves

Penetration vs. Market Share dynamics



Where are the largest profitable opportunities?



Source: Credit Suisse Estimates

<div> <div>Growth Driver</div> <div>Category</div> </div>	<b>Penetration</b> More people use the product	<b>Consumption</b> Consumers use more volume of the same product	<b>Upgradation</b> Upgradation to higher quality brands
<b>Mature</b> Soap, Detergents, Tea	<i>Penetration 90%+</i>	<i>30-40% lower than other EMs</i>	<i>50% of the category is in the mass segment</i>
<b>Growth</b> Skin Care, Shampoo, Hair oil, Toothpaste	<i>Penetration 50-70%</i>	<i>60-90% lower than other EMs</i>	<i>Most of category in the mass segment</i>
<b>Nascent</b> Processed Foods, Deoderants, Conditioners	<i>Penetration &lt;50%</i>	<i>Over 90% lower than other EMs</i>	<i>Premium segment does not exist</i>

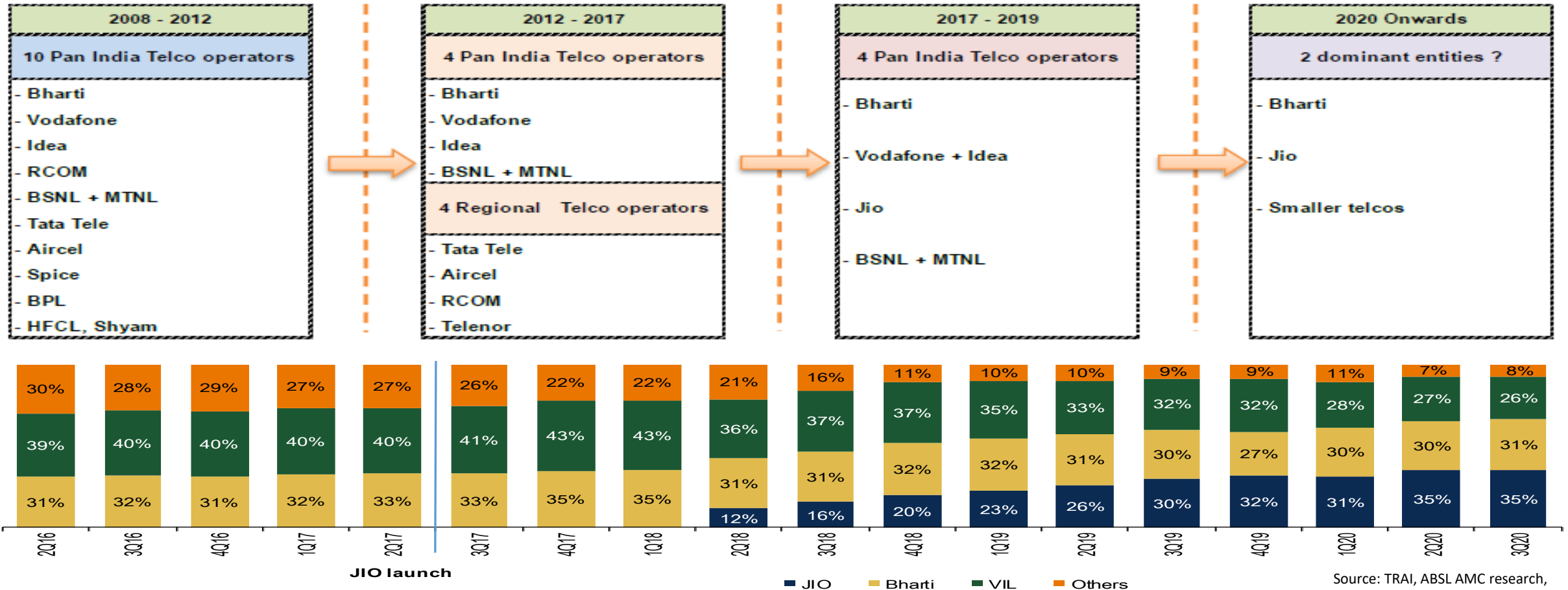


# What sets Indian consumer companies apart?

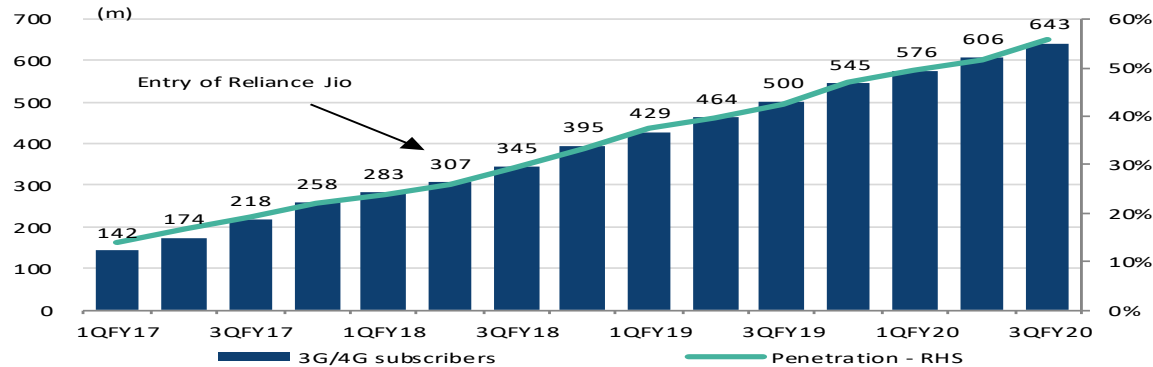


- **Market share concentration**
  - Most categories have a dominant leader with ~40-50%+ market share
  - The leader's share is over 2x that of the No 2 player in most cases
  - High pricing power, raw material inflation has never been a worry
- **High ROE, ROCE**
  - Negative working capital – no debtor days as 90% of trade in not organized, high creditor days as suppliers also do not have scale
  - Low capex business in general
- **Entry barriers in distribution**
  - Distribution challenges for new company
  - Entrenched brands over many decades
- **Good corporate governance track record**

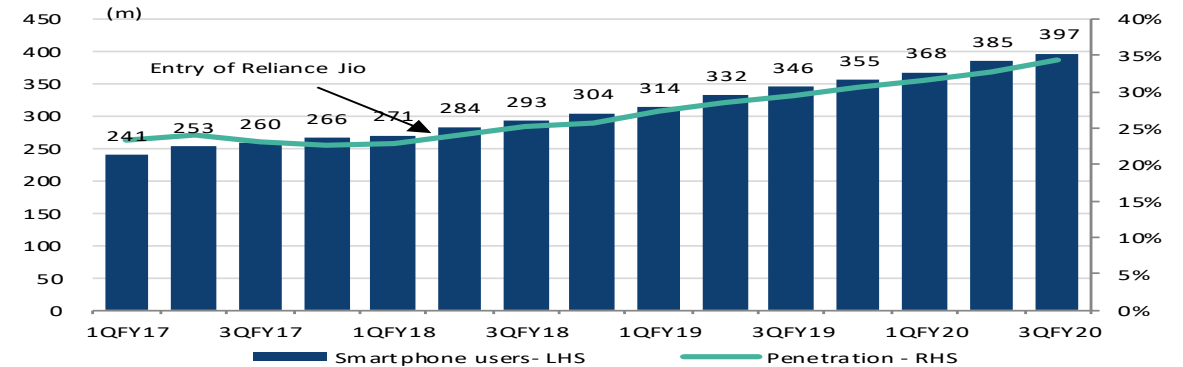
- Convergence



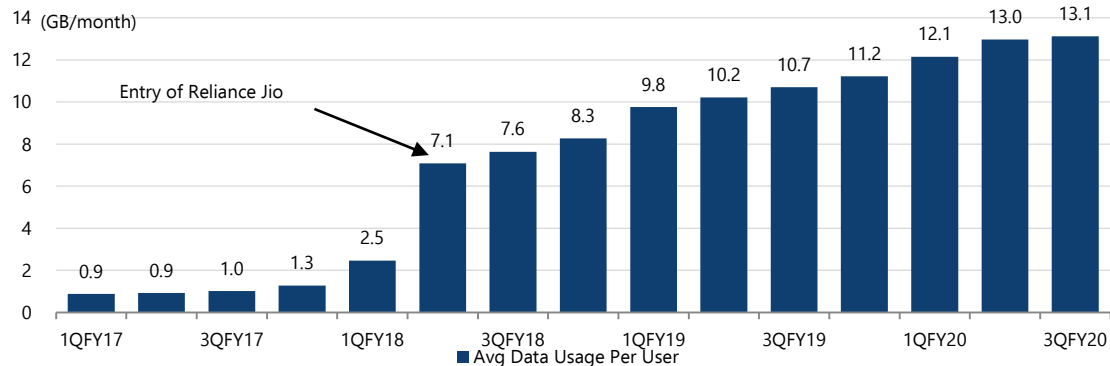
## Over 4x jump in 3G/4G subscribers in India



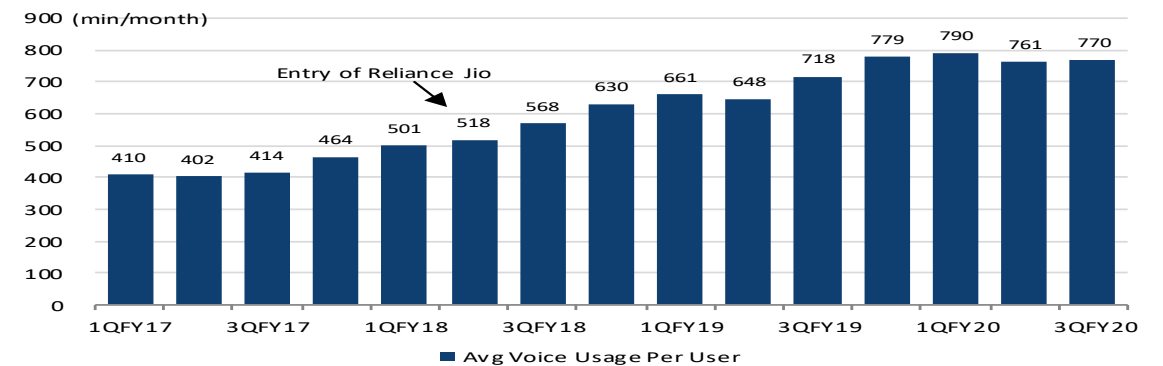
## 60% jump in smartphone users in India



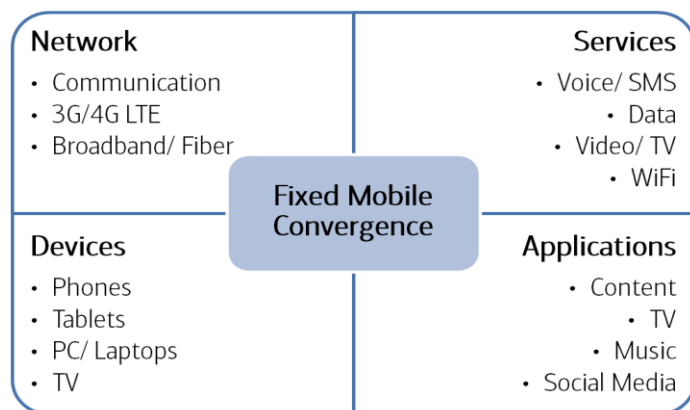
## 10x jump in average data usage in India



## Unlimited calling plans have pushed up voice usage

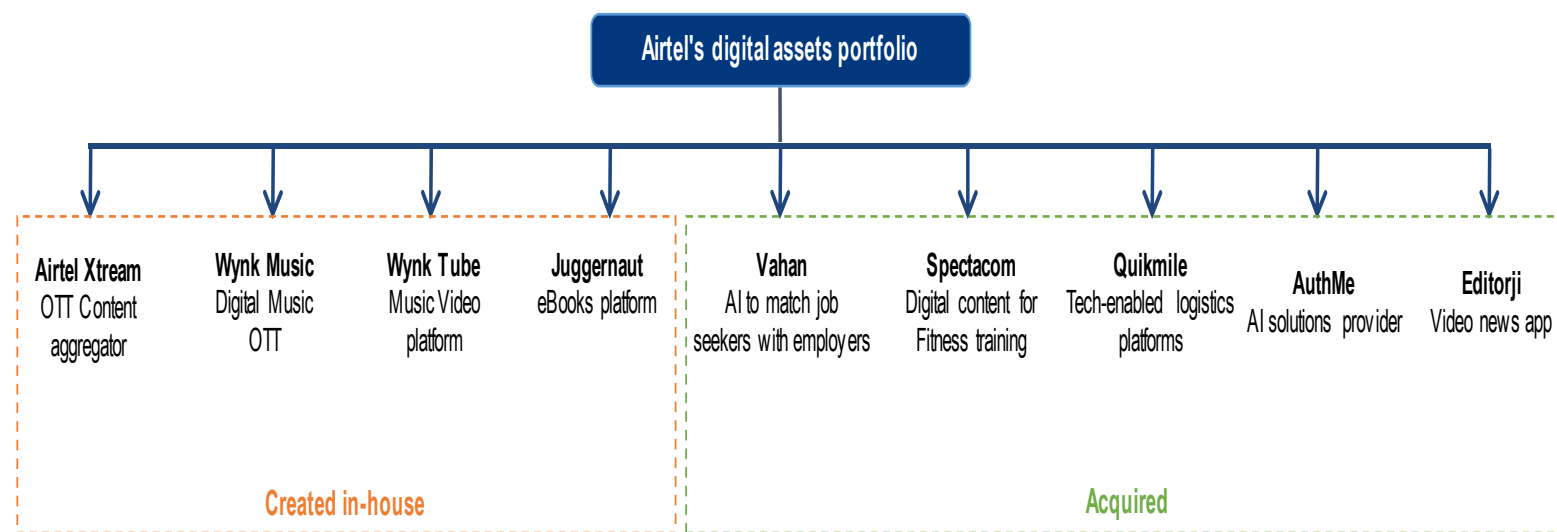


## Convergence of network, service, device and applications



**“One Home, One Bill” policy: Helps reduce churn + gives larger share of consumer wallet**

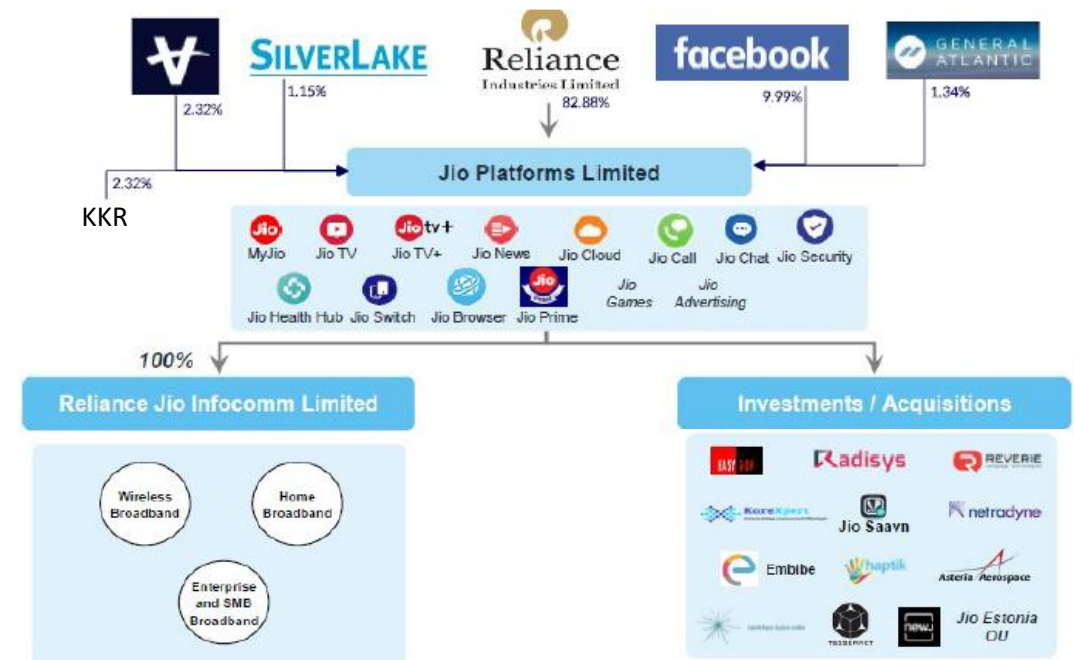
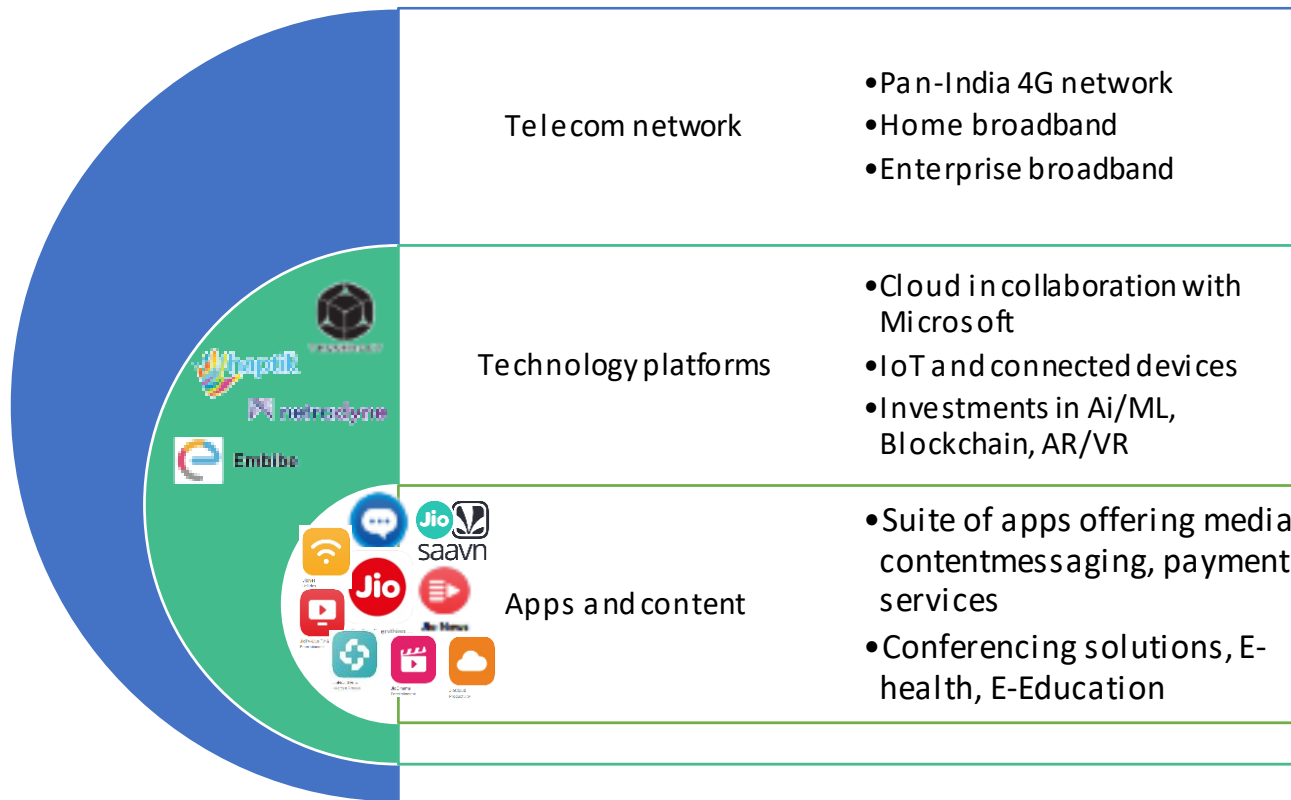
#AirtelThanks acts as a loyalty program



Source: Delta Partners, media articles, ABSL AMC research

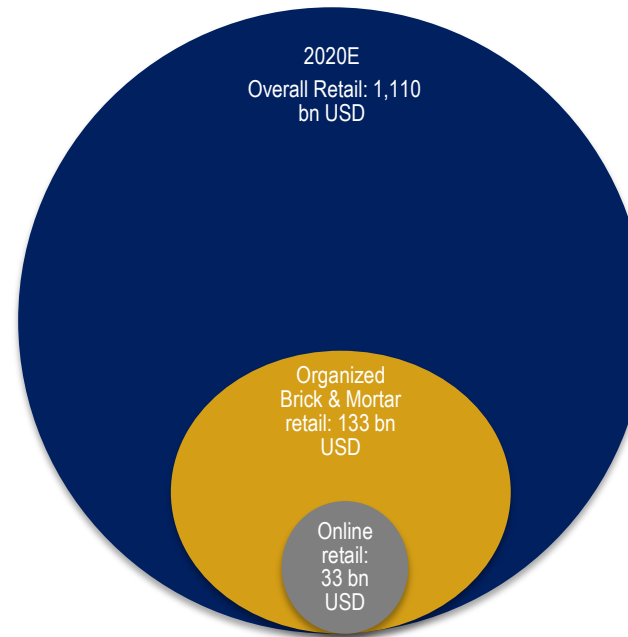


# Reliance Jio leading the wave of TMT convergence in India

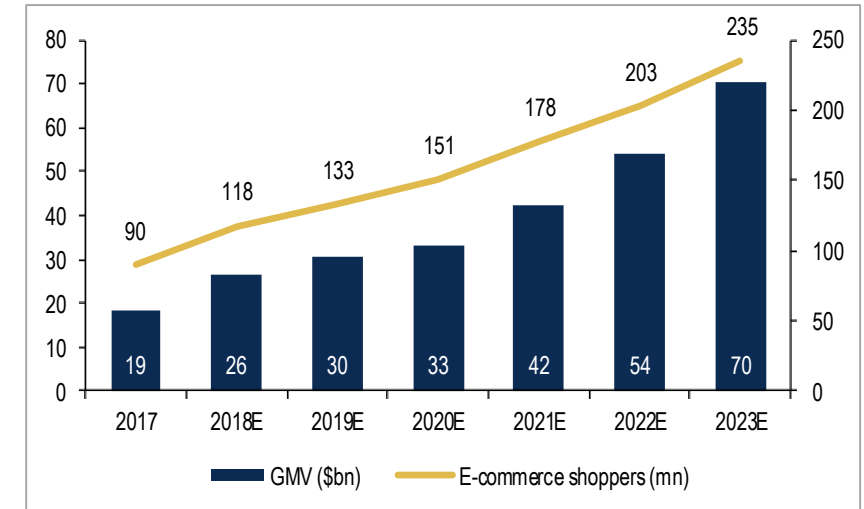


## E-com: India vs China vs US

China	2018	2019E	2020E
e-com shoppers (mn)	605	660	709
e-com Penetration	24%	29%	33%
GMV (\$bn)	1,380	1,717	2,092
India	2018	2019E	2020E
e-com shoppers (mn)	118	133	151
e-com Penetration	3%	3%	3%
GMV (\$bn)	26	30	33
US	2018	2019E	2020E
e-com shoppers (mn)	42	46	50
e-com Penetration	14%	16%	17%
GMV (\$bn)	524	594	672



## India e-commerce shoppers & GMV estimates



**Large part of market unorganized**

E-commerce shoppers are defined as users who have transacted once online in a year; actual monthly transacting user base is <50% of the shoppers base; E-com penetration as % of total retail

Source: IBEF, Avenue Supermarkets, US Department of Commerce, ShawSpring Research, Redseer, \*Others include On demand/Home Services



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