IDFC EQUITY OPPORTUNITY – SERIES 6
Multi Cap Fund - A close-ended equity scheme investing across large cap, mid cap, small cap stocks
Fund Focus

Focused on domestic consumption

At least 75-100% of the corpus would be invested in consumption oriented sectors; 0-25% in others.

Blend of Top-down and Bottom-up approach

Depending upon the prevailing market conditions and opportunities available at the time of investment

Multicap oriented

Benchmark Agnostic
Consumption Theme – Here to Stay

Consumption: Significant wealth creator

Factors Supporting Consumption Theme

Demographic Dividend
Increase in Purchasing Power
Growing Urbanization
Moving beyond Tunnel Vision to Radar Vision

Traditional Consumption focused on 2 basic aspects

- Staples
- Discretionary – Autos, Paint, Textiles

Tunnel Vision

To

Radar Vision

New-Age Consumption has an comprehensive view

- Building Materials
- Food Chain
- Financial Savings
- Auto ancillaries
- Media
- Diagnostic /Domestic Pharma
- Modern retail
- Jewellery
Favourable demographics: India is very young country with median age of just 26.7 years and millennial (20-35 years’ age) forming 35% of total population.

Source: HSBC Research, NCAER
Middle Class Population

2016: 270 Mn
2026: 550 Mn

What is Driving Consumption?

India’s burgeoning middle class will drive aspirations up
What is Driving Consumption?

Adult Literacy rates

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>60%</td>
<td>64%</td>
</tr>
<tr>
<td>Urban</td>
<td>82%</td>
<td>84%</td>
</tr>
<tr>
<td>Male</td>
<td>77%</td>
<td>80%</td>
</tr>
<tr>
<td>Female</td>
<td>55%</td>
<td>61%</td>
</tr>
</tbody>
</table>

Favourable demographics alone is not sufficient. Growing literacy rates further supports it.

Source: Ambit Research
India's Consumption Opportunity is Well Distributed

<table>
<thead>
<tr>
<th>Per Capita Income</th>
<th>Below $1300</th>
<th>$1300-$2000</th>
<th>$2000-$2500</th>
<th>More than $2500</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of States/UT</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>States</td>
<td>Assam, Bihar, Jharkhand, MP, Manipur, Meghalaya, Odisha, UP</td>
<td>AP, CH, J&amp;K, Nagaland, Raj, WB, Tripura</td>
<td>Arunachal, Guj, HP, TN, Karnataka, Pun, Tel, Mizoram</td>
<td>Goa, Haryana, Kerala, Delhi, Maha, Sikkim, Uttrakhand, Chandigarh</td>
</tr>
<tr>
<td>GDP (%)</td>
<td>21%</td>
<td>19%</td>
<td>32%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: Future Retail
What is Driving Consumption?

4.5

Average people per household

India has high dependents ratio of ~50% which leaves lesser savings

20%

Of dependents are old-age dependents

Thus with growing age of young dependents, India will see more savings per household

Source: Ambit Research
What is Driving Consumption?

- Young Median Age
- High Literacy Rate
- More Working Population
- Lesser Dependents
- More Disposable Income
- More Consumption
- Happy Customer

Source: Ambit Research
All these is leading to shift towards value from volume and household expenditure is moving towards discretionary side.

Source: Ambit Research, Edelweiss Research
Growing Brand Pull Versus Brand Push

Distribution network of key consumer companies

<table>
<thead>
<tr>
<th>Name</th>
<th>2012</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUL</td>
<td>2mn</td>
<td>7.5-8mn</td>
</tr>
<tr>
<td>Asian Paints</td>
<td>27000</td>
<td>40000+</td>
</tr>
<tr>
<td>Hero Motocorp</td>
<td>5100</td>
<td>6000</td>
</tr>
<tr>
<td>Maruti Suzuki</td>
<td>1100</td>
<td>1820</td>
</tr>
<tr>
<td>Ashok Leyland</td>
<td>557</td>
<td>1462</td>
</tr>
<tr>
<td>Royal Enfield</td>
<td>250</td>
<td>500</td>
</tr>
</tbody>
</table>

No. of showrooms

- TBZ: 2 → 14 → 30
- PC Jewelers: 1 → 16 → 64
- Titan: 84 → 148 → 197

To capture this value movement, companies are expanding footprints and there is growing brand pull from brand push.

Source: Edelweiss Research
Growing Brand Pull Versus Brand Push

Still there is huge gap...

Per capita FMCG consumption

- Thailand: 13X India
- Philippines: 5X India
- China: 4X India
- Indonesia: 2X India
- India: USD 29

Source: HUL
From single ‘A’ to the three ‘A’s

Growing middle class, literacy rates, millennial, distribution push and brand pull is leading towards quest for eating better, looking better and living better which is ultimately transforming India from single A to 3A

i.e Availability, Affordability and Awareness

Earlier either there was an Awareness about the product but there was no Availability Or there was Availability but no Affordability.

Shift from single A to 3A

Availability

Eating Better

Affordability

Looking Better

Awareness

Living Better

Source: Ambit Research, Edelweiss Research, HUL
Benefits to Consumption Oriented Companies

Consumption companies are benefiting from

- Growing Consumption Data base = Know your customer better
- Strong Technology adoption = Improved supply chain management
- Growing Loyalty Base = Repeat customers moving up value chain
- Celebrate every Indian Festival = Fairly distributed demand throughout the year
- Premiumization & Innovation = Improving Average Selling Price
- Increased Distribution Foot Print = Reducing distance to market & better availability
- Cost leadership = Value Engineering, reducing wastages
- Leverage Fixed Assets = New & large modern factories
## Attractions of the Consumption Theme

1. Consumption theme is now much more wider than the earlier historical consumption space – Private banks, NBFC, Insurance, Building Material, Food Processing, Media, Healthcare, Auto Ancillaries etc. have become part of the consumption universe which wasn’t the case 5-10 years ago.

2. Consumption is coming out of headwinds of twin shocks i.e. De-mon and GST.

3. Positive rub off effects of GST expected to reflect in coming times. We believe GST is a structural driver of growth for large organized players (Market share gain).

4. Thrust on rural spending in run up to election and consistently good monsoons are expected to boost rural demand. Urban demand remains fairly buoyant.

5. In the backdrop of volatile global markets amidst trade war rhetoric, consumption offers pure play domestic structural growth opportunity.

6. Consumption is evergreen pocket to HIDE and RIDE markets even in the most uncertain times of election and (post election) years.

7. There remains 25% leeway to buy non-consumption sectors to not miss other opportunities.
Blend of Top Down & Bottom Up Philosophy

**Market Share Gain**
- Grow business ahead of competitors
- Examples: - Private banks, private insurance companies, selective FMCG, NBFC, Modern Retail etc.

**Value Migration**
- Ever changing customer’s priorities requires dynamic business design
- Knowing what your customers want and delivering the same year after year without fail makes you winner.
- Examples: - Selective FMCG, Paint, Branded accessories, Consumer durables, Auto, Specialized Pharma etc.

**Operating Leverage**
- Commitment of higher capex ahead of big opportunity
- Examples: - Logistics, CV, Tyres, Defence etc.
Portfolio Approach

- High Promoter Holding
- Capable and Focused Management Driving the Business
- Consistently Generate Above Average Return on Equity (ROE)
- Low Financial Leverage
- Strong Cash Generation
Higher portfolio weights in low Beta
Domestic consumption and domestic growth oriented sectors like Auto, Consumer Discretionary, Staples, Media, retail oriented financials including insurance

Top Down
Focus on Rising India growth opportunities

Bottom up investing
License to go anywhere
Fund Features

Nature
Multi Cap Fund - A close-ended equity scheme investing across large cap, mid cap, small cap stocks

Liquidity
Being close-ended scheme, it does not offer redemption facility before maturity. The Units of the Scheme are proposed to be listed on BSE.

NFO Dates
NFO Opens: 9th July 2018
NFO Closes: 23rd July 2018

Maturity Date: 2nd November, 2021

Minimum Application Amount
Fresh Purchase - Rs.5000/- & in multiples of Rs.10 thereafter

Benchmark
S&P BSE 500 Index

Exit Load
Nil

Tenure
1194 Days

Fund Manager
Mr. Anoop Bhaskar, Mr. Kartik Mehta & Mr. Sumit Agrawal
Investors understand that their principal will be at Moderately High Risk

This product is suitable for investors who are seeking*:

• Long-term capital growth
• Investment predominantly in Indian as well as overseas Equity and Equity related securities in either growth stocks or value stocks or both without any capitalization bias

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them
MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

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