

HI-QUALITY HI-GROWTH BENEFIT FROM BOTH

Motilal Oswal's investing process builds Hi-Quality & Hi-Growth portfolios.

Our **process**. Your **success**.

THINK **EQUITY**
THINK **MOTILAL OSWAL**

MOTILAL OSWAL
ASSET MANAGEMENT

The term 'Hi-Quality and Hi-Growth Portfolios' refer to Motilal Oswal AMC's defined fund management processes based on internal qualitative and quantitative research parameters & not be construed as investment advice to any party.



Thought Leaders in Equity

Focused, Process Driven, Ideas Powerhouse

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Motilal Oswal Mid to Mega Strategy

Formerly known as Motilal Oswal Focused Midcap Strategy

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WHAT IS MID TO MEGA: MID AND SMALL CAPS ARE THE LARGE CAPS OF THE FUTURE

- Based on Mr. Raamdeo Agrawal's 20th Annual Wealth Creation Study, Mid to Mega stands for a company's stock crossing over from the Mid to the Mega category (i.e. top 100).
- This marks a significant crossover for any company, both in terms of achieving critical mass and scale in its operations, and recognition of the same by the stock markets.

3 Types of profitable crossovers for wealth creation:

- Mini to Mega (Very Low Probability)
- Mini to Mid (Low Probability)
- Mid to Mega (Low to Medium Probability)

The most profitable-cum-plausible crossover

- Industry leader (growth, size or market share leader)
- Industry Tailwinds (Bedrock of India's corporate sector)
- Value migration beneficiaries (Difficult to dislodge)

Probability that a mid will become mega in 5 years is as high as ~17% compared to less than 2% probability of a mini to mega/mid transition

Source: Mid to Mega Wealth Creation study.

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WHY MID? – ENTERING THE SWEET SPOT OF THE MARKET

We believe that Market cap rank 101-400 is the sweet spot for Indian equities

They can provide balance between growth and a demonstrated history of management success

Mini - Ideation Phase

< INR 10,000cr
4600 Companies
Rank: 400+

- Many fail at pre-emergence stage
- Business models not established

Mid - Expansion Phase

~INR 10,000 to INR 65,000 Cr
300 Companies
Rank: 101 to 400

- Under-researched,
- Under-owned
- High growth
- Demonstrated management history.

Mega - Mature Phase

> INR 65,000 Cr
100 Companies
Rank: Top 100

- Extensively researched
- Moderate growth
- High institutional holding

Sweet spot of the equity market

Source: NSEIndia, data as on December 31, 2023

The above study is done based on Mid to Mega Wealth Creation study. The wealth creation study considers Mid as 101-300 companies. We shall be taking 101-400 as our major Mid universe and the same may change without any prior intimation.

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WHY MID? – MIDCAPS OFFER A LARGE OPPORTUNITY FOR ALPHA GENERATION

- Wide dispersion of returns in both mid as well as small caps provides scope for bottom-up stock picking
- It is observed that the most Multi-baggers were seen in the Midcap and Small cap space rather than Large caps due to dispersion

Returns range of Top 500 Companies by Market Cap (as on 31 st March 2020)			
Absolute Returns Range	Top 100	101-250	251-500
>10x	1	8	8
5x-10x	8	17	13
3x-5x	15	22	21
2x-3x	18	28	32
2x	11	20	34
Between 0 and 50%	18	16	45
Between 0 and -20%	13	9	19
Between -20% and -50%	11	19	42
Less than -50%	5	11	36

- Mid Cap space had 95 stocks returns >100% and 11 stocks are <-50% showing wide dispersion of returns
- Simply being present or absent in a few names - out of the highly dispersed stocks results in significant outperformance/underperformance of the portfolio

Source : Capitaline. Data as on 31st March 2020.

Absolute Returns from 31st March 2014 to 31st March 2020 considered for top 500 companies by market capitalization (as on 31st March 2020)

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MID TO MEGA STUDY: **VISIBLE IN 2018-2023**

Transition		% of Companies Transitioning	Average Performance of these companies (%)
From	To		
Mini	Mega	0.0%	NA
	Mid	0.9%	48.1%
	Mini	99.1%	14.1%
Mid	Mega	13.5%	37.6%
	Mid	52.1%	18.1%
	Mini	34.4%	0.4%
Mega	Mega	67.4%	16.3%
	Mid	30.6%	2.8%
	Mini	2.0%	-30.4%

Source : AMFI, CapitalIQ. Data as on 31st Dec 2023.

The above study is done based on Mid to Mega Wealth Creation study. The wealth creation study considers Mid as 101-300 companies. We shall be taking 101-400 as our major Mid universe

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MQGLP: WHAT IT TAKES TO ACHIEVE MID-TO-MEGA



Midsize

- Benefit of low-base
- Well-established track record



Quality

Quality of business x Quality of management

- Stable business, preferably consumer facing
- Huge business opportunity
- Sustainable competitive advantage
- Healthy financials & ratios



Growth

- Revenue growth and market share gains
- Growth in margin & profitability
- Reliable high growth flows



Price

- Reasonable valuation, relative to growth prospects
- High margin of safety



Longevity

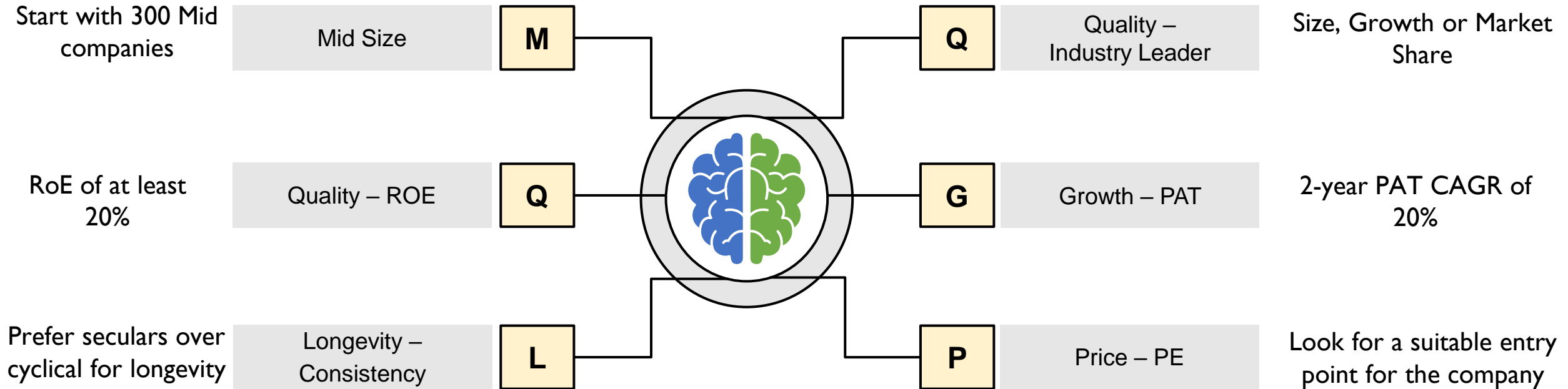
- Long-term relevance of business
- Extending competitive advantage period
- Sustenance of growth momentum

Disclaimer: above is an investment strategy theme of the manager and it should not be used for development or implementation of any investment strategy. Further It should not be construed as investment advice to any party.

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MQGLP CHECKLIST: HOW TO SHORTLIST POTENTIAL MID-TO-MEGA STOCKS

Focused portfolio with high quality growth businesses available at reasonable valuations for a long term



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THE JOURNEY SO FAR: TAILWINDS

Mid and Small Cap Rally

- Mid and small-cap companies, which are often more sensitive to domestic economic conditions, have performed well over CY23. From Sep 2022, the fund has started outperforming the benchmark.
- This was on the backdrop of mid and small-cap stocks, which benefited from the positive market sentiment and risk appetite among investors

Sectoral Rotation

- The fund manager actively changed allocation of the portfolio towards sectors based on the house themes
- The companies in such sectors as consumer discretionary, financials, and healthcare, witnessed investor interest as market participants sought exposure to sectors expected to benefit from improving economic conditions

Low Turnover

- Since its inception, the fund manager has maintained a lower churn ratio in the portfolio which implies higher conviction in the investee companies
- 8 out of the top 10 multi-baggers still form a part of the portfolio.
- This investment process in managing the portfolio, helps to compound the growth in the portfolio

Source: MOAMC Internal Research Data as on April, 2024

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THE JOURNEY SO FAR: HI QUALITY HI GROWTH SECTORS INVESTMENT FRAMEWORK

- Since the arrival of Mr. Prateek Agrawal, there have been a few significant changes brought about in the investment process
- We have introduced a framework to invest in “Hi-Quality Hi-Growth Themes” which shall be beneficial in the growth of the Indian economy

MOAMC Identified House Theme	Sector
Financialization	Capital Markets, NBFC, Insurance
Healthcare Infra	Hospitals, Diagnostics
Tech & Tech Services	Domestic IT, Consumer Services, Telecom
Luxury Consumption	Consumer Durables
China + 1	Specialty Chemical, EMS
Make in India	Capital Goods, Defence
Power	Renewable Energy

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THE JOURNEY SO FAR: MULTI-BAGGERS SPOTTED BASED ON MGQLP

Top 10 Multibaggers	Multiple in the Strategy	Market Cap while Buying (INR Cr.)	Current Market Cap (INR Cr.)	Market Cap Growth (x)
Persistent Systems	14.5x	4,214	56,677	13.4
Mastek Limited	9.1x	709	7,965	11.2
APL Apollo Tubes Ltd.	7.7x	5,016	42,864	8.5
Polycab India Ltd.	5.4x	14,792	79,144	5.4
Dixon Technologies*	3.5x	5,845	45,225	7.7
Global Health Limited	3.3x	11,138	37,228	3.3
Trent Limited	3.2x	43,371	141,791	3.3
KEI Industries	3.1x	11,232	34,749	3.1
LTI Mindtree*	2.8x	31,013	138,069	4.5
Angel One	2.8x	8,853	25,640	2.9

*Exited

- The portfolio has a low turnover reflecting on the high conviction in the investee companies
- 8 of the 10 highest multi-baggers still form a part of the portfolio

Source: MOAMC Internal Research Data as on April, 2024

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PORTFOLIO POSITIONING: MQGLP CLASSIFICATION

NAME	M	Q	G	L				P	Count
	Mcap Rank	ROE	PAT Growth	Size	Growth	Market Share	Industry Leader	PEG	
TRENT LTD		Yes	Yes	Yes	Yes	Yes	Yes		3
GLOBAL HEALTH LIMITED	Yes		Yes	Yes		Yes	Yes		3
BSE LIMITED	Yes	Yes	Yes			Yes	Yes	Yes	5
TVS MOTOR LTD		Yes	Yes		Yes		Yes		3
INDIAN BANK	Yes							Yes	2
KALYAN JEWELLERS INDIA LTD	Yes	Yes	Yes			Yes	Yes	Yes	5
IDFC FIRST BANK LIMITED	Yes		Yes		Yes		Yes	Yes	4
PERSISTENT SYSTEMS LTD	Yes	Yes	Yes			Yes	Yes		4
APL APOLLO TUBES LTD	Yes	Yes	Yes	Yes		Yes	Yes	Yes	5
KEI INDUSTRIES LTD	Yes	Yes	Yes			Yes	Yes		4
APAR INDUSTRIES LTD	Yes	Yes		Yes			Yes		3
ANGEL ONE LTD	Yes	Yes		Yes		Yes	Yes	Yes	4
POLYCAB INDIA LTD		Yes		Yes		Yes	Yes		2
SUZLON ENERGY LTD	Yes	Yes	Yes	Yes			Yes	Yes	5
CYIENT LIMITED	Yes	Yes	Yes					Yes	4
KPIT TECHLOGIES LTD	Yes	Yes	Yes	Yes	Yes		Yes		4
GARDEN REACH SHIPBUILDERS		Yes					Yes	Yes	3
AMBER ENTERPRISES INDIA LTD			Yes	Yes			Yes	Yes	3
EMUDHRA LIMITED		Yes	Yes					Yes	3
MASTEK LTD			Yes					Yes	2
PIRAMAL ENTERPRISES LIMITED	Yes		Yes					Yes	3
PURAVANKARA LTD		Yes	Yes	Yes	Yes		Yes	Yes	4

Source: Factset, Bloomberg, AMFI, MOAMC Internal Research. Data as on May, 2024

Count is based on the 5 factors (MQGLP). Companies satisfying at least 3 of the 5 categories would be eligible in our investment thesis.

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WHY MID TO MEGA: THE PORTFOLIO CONSTRUCT



Primary Investment universe – 101-400 stock as per market capitalisation with some allocation in Large Caps to be measured by weighted average market cap at the portfolio level



Maintaining Positions in companies with relatively less/low leverage



Lower Turnover explains higher conviction in the portfolio and ensures better tax rates



Identifying Multi-baggers – Identifying potential multi-baggers across the broader markets



Sector agnostic – little or no allocations to Commodities and global cyclicals

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PORTFOLIO MIX AT GLANCE

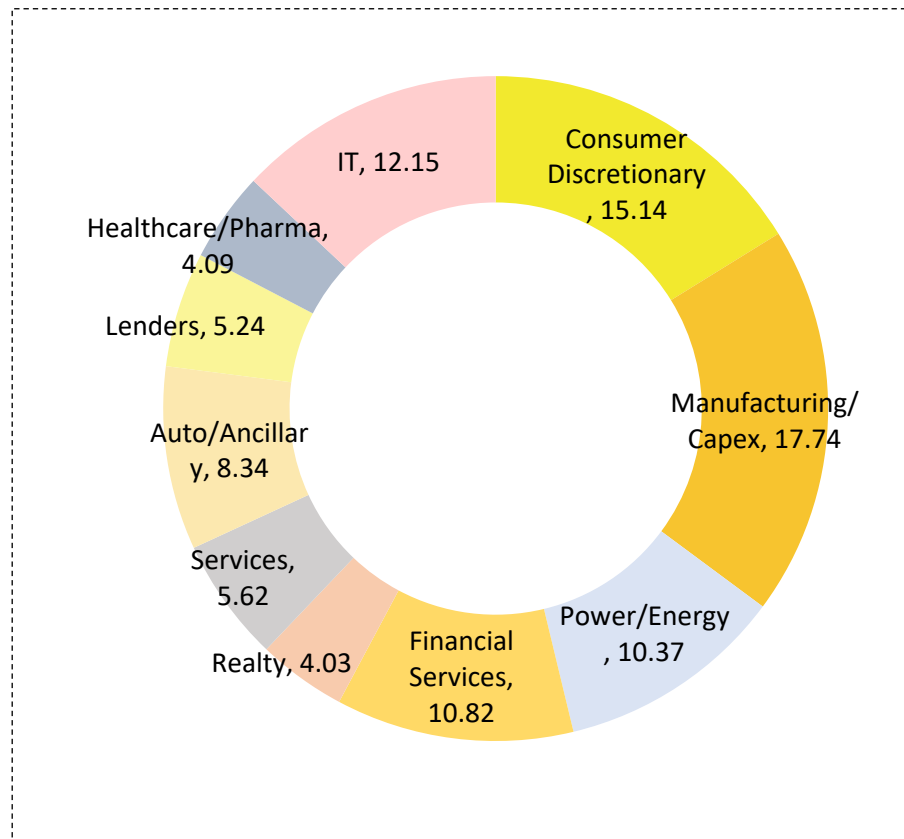
Consumer Discretionary	Kalyan Jewellers India Ltd.
	Amber Enterprises India Ltd.
	Trent Ltd.

Financial Services	Angel One Ltd.
	BSE Ltd.
	Piramal Enterprises Ltd.

Manufacturing/ Capex	Apar Industries Ltd.
	PG Electroplast Ltd.
	KEI Industries Ltd.
	Polycab India Ltd.
	Garden Reach Shipbuilders & Engineers Ltd.

Power/ Energy	Premier Energies Ltd.
	Suzlon Energy Ltd.
	Power Mech Projects Ltd.

Lenders	Indian Bank
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Realty	Aditya Birla Real Estate Ltd.
	Puravankara Ltd.

Services	eMudhra Ltd.
	Bharti Airtel Ltd.

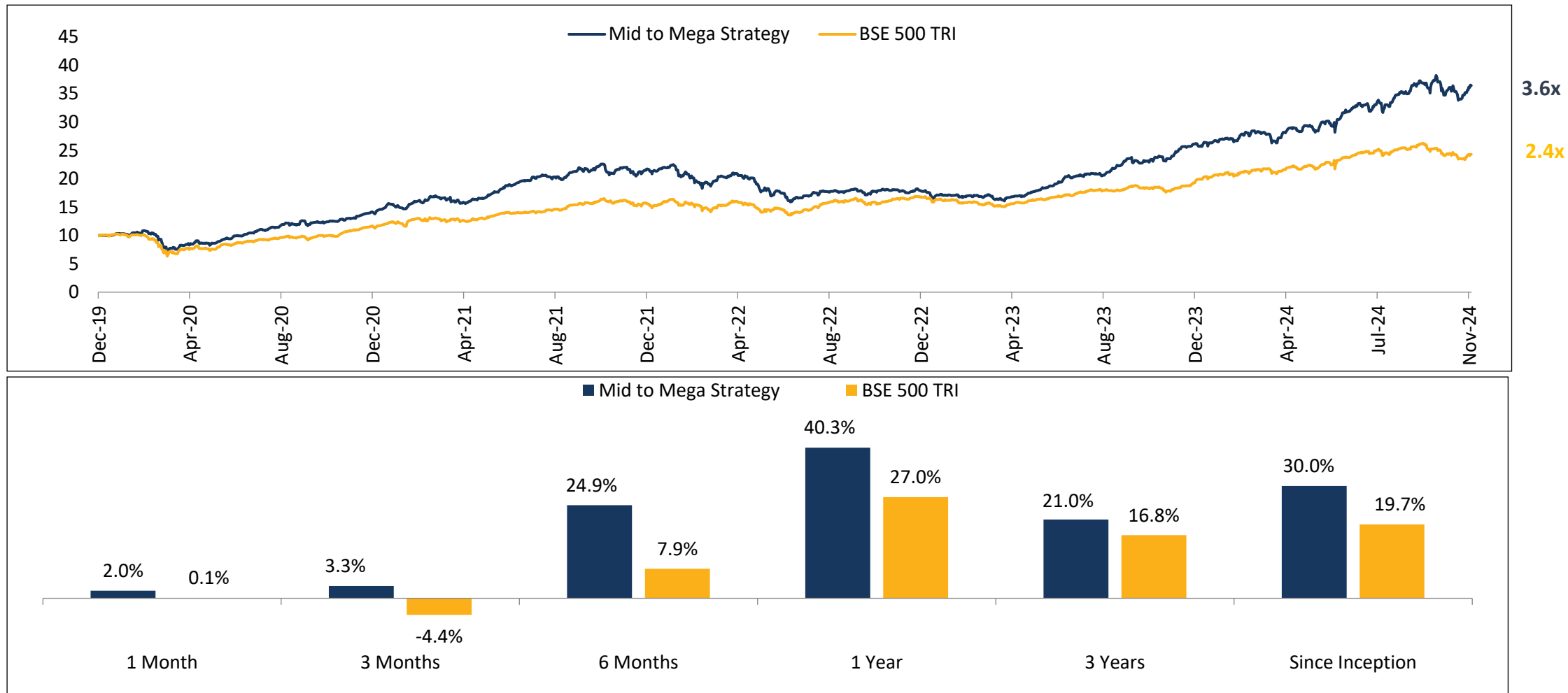
Auto/ Ancillary	TVS Motor Company Ltd.
	Samvardhana Motherson International Ltd.

Healthcare/ Pharma	Global Health Ltd.
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Tech & Tech Services	Persistent Systems Ltd.
	Birlasoft Ltd.
	Zaggle Prepaid Ocean Services Ltd.
	Mastek Ltd.
	KPIT Technologies Ltd.
Cyient Ltd.	

Data as on 30-Nov-2024. The stocks quoted are for illustration only and are not recommended. The current portfolio holdings may or may not be a part of the future portfolio holdings. The stocks are for representational purposes only and are not recommendations to invest and Past performance does not guarantee future returns

PORTFOLIO PERFORMANCE



Mid to Mega Strategy Inception Date: 24th Dec 2019; Data as on 30th Nov 2024; Data Source: MOAMC Internal Research; Please Note: . The performance is based on TWRR. Returns up to 1 year are absolute & over 1 year are Compounded Annualized. Returns calculated using Time Weighted Rate of Return (TWRR) at an aggregate strategy level. The performance related information is not verified by SEBI. Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of 1) the timing of inflows and outflows of funds; and 2) differences in the portfolio composition because of restrictions and other constraints; For the relative performance of a particular Investment Approach to other Portfolio Managers within the selected strategy, please refer APMI website ([click here](#)). Under PMS Provider Name, please select Motilal Oswal Asset Management Company and select your Investment Approach Name for viewing the stated disclosure. The data for the previous month is usually available on the APMI portal on or after the 7th business day of the current month. All portfolio related holdings and sector data provided above is for model portfolio. Returns & Portfolio of client may vary vis-à-vis as compared to Investment Approach aggregate level returns due to various factors viz. timing of investment/ additional investment, timing of withdrawals, specific client mandates, variation of expenses charged & dividend income. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments

DISCIPLINE OVER DISCRETION

- Allocation to be a function of convictions on companies and don't necessarily dependent on price
- Maintain active targets of profits and prices on stocks with 1, 2 and 3 years view
- Mismatch of price and timelines should lead to action on folio on both sides i.e. selling and buying
- Regular trimming of positions if price targets run ahead of time lines
- Regular addition in positions if profits are inline/ahead of times and stock prices not responding.

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PORTFOLIO MANAGER



Rakesh Tarway
Fund Manager

- **Rich Experience:** He has an overall experience of 18 years in equity markets, with a focus on identifying emerging businesses in small & midcap segment.
- **Positions Hold:** He has earlier worked as Head of Research at Motilal Oswal Securities and Reliance Securities.
- **Excellent Academic Background:** Rakesh has a Masters in Management Studies (MMS) degree from Jamnalal Bajaj Institute of Management Studies (JBIMS), Mumbai.
- **Funds Managed:** Rakesh has been managing a Small Cap AIF since August 2018.

DISCLAIMER

Important Disclosures: The Portfolio Manager provides the facility to the Client for Direct on-boarding with us without any involvement of a broker/distributor/agent engaged in distribution services. The Client can sign up for our services by writing to us at pmsquery@motilaloswal.com.

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Custodian: Deutsche Bank A.G. | **Auditor:** BDO India LLP | **Depository:** Central Depository Services Ltd
Portfolio Manager: Motilal Oswal Asset Management Company Ltd. (MOAMC) | **SEBI Registration No. :** INP 000000670

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