

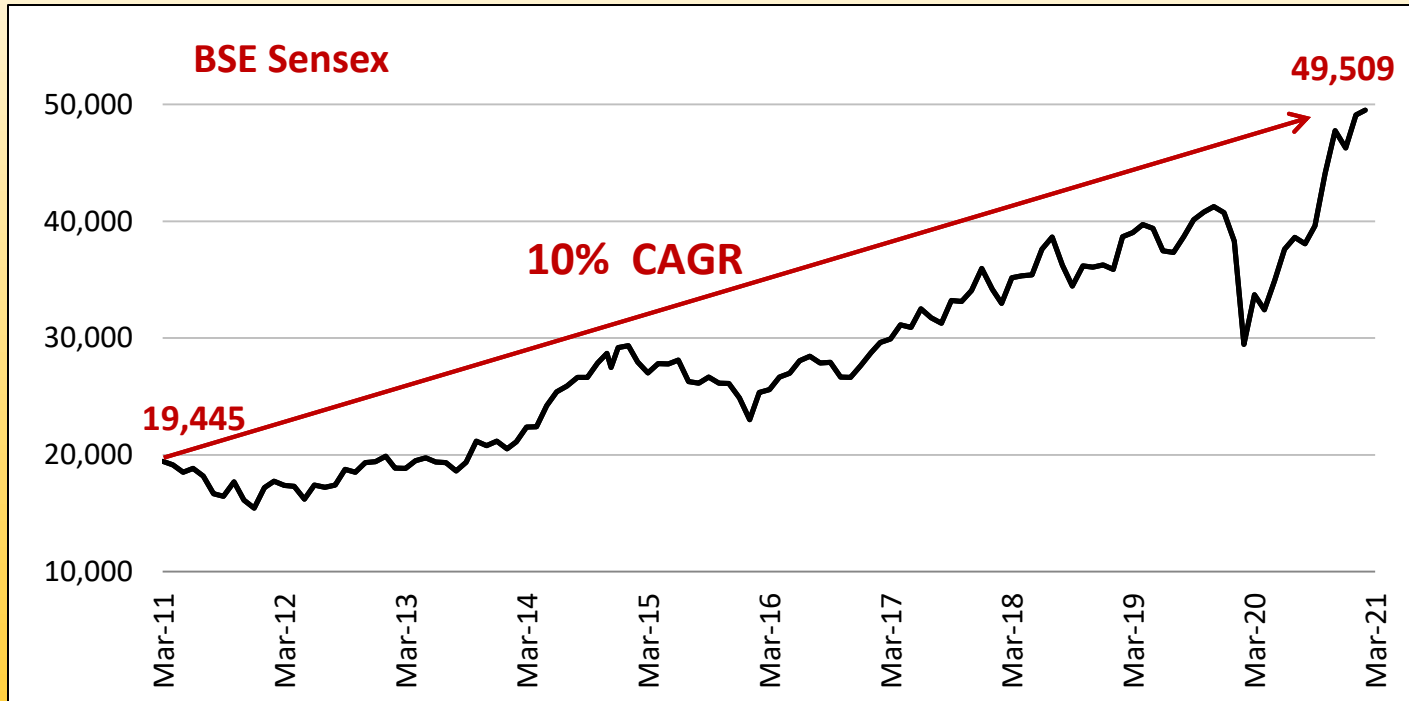
**Prediction is dangerous,
especially of the future!**

**I have but one lamp by which my feet are guided,
and that is the lamp of experience. I know of no
way to judge the future but by the past.**

— Patrick Henry, American politician

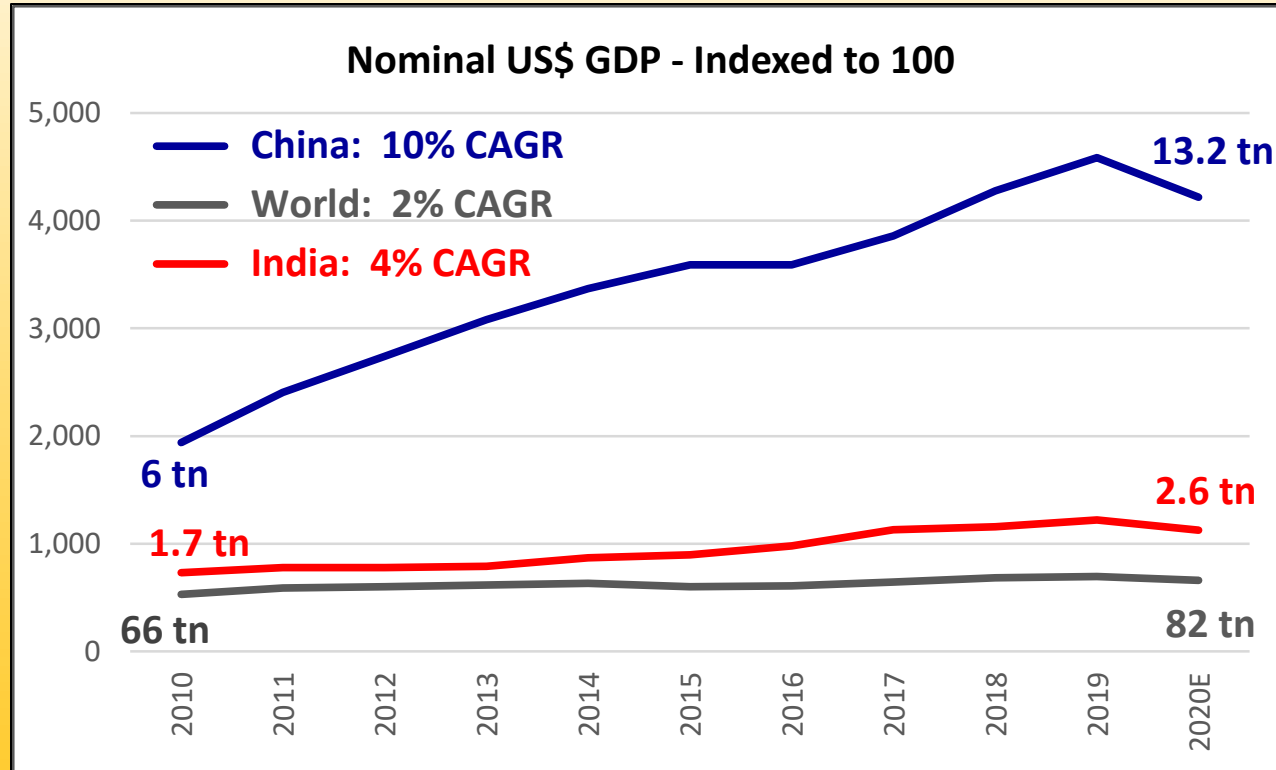
India – Reviewing the last 10 years

Market has delivered modest return last 10 years

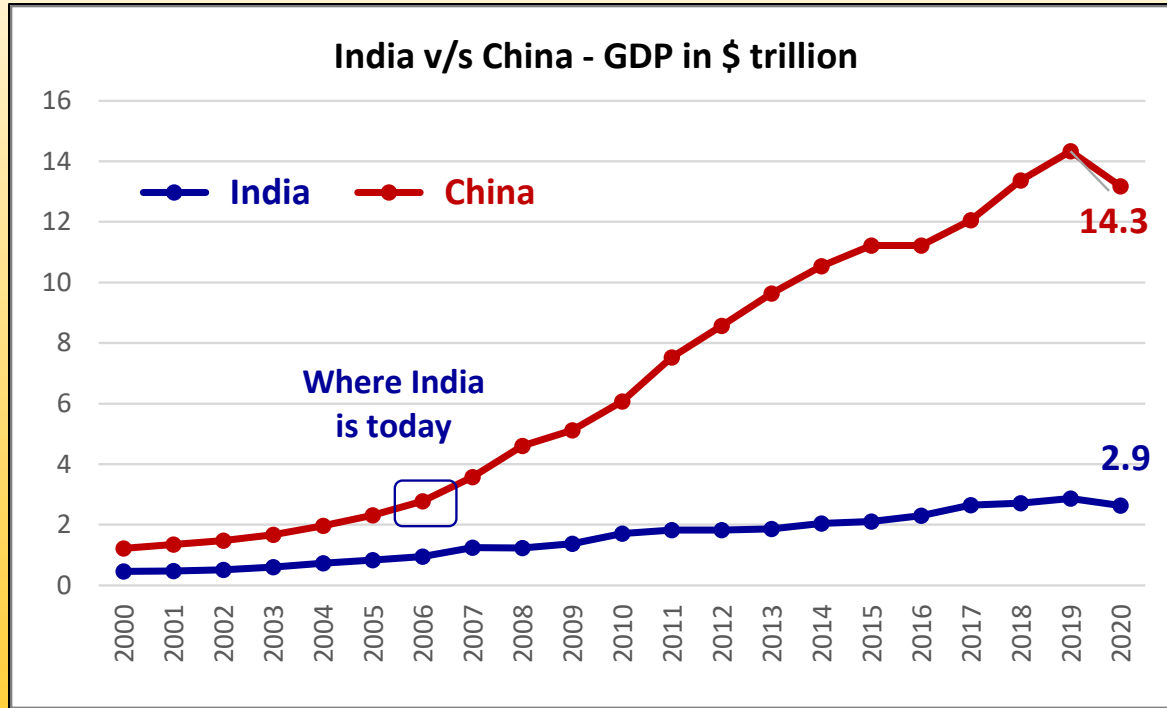


Crises like Demonetisation, ILFS fiasco and Covid have been taken in stride

India's growth: Better than world, but not China



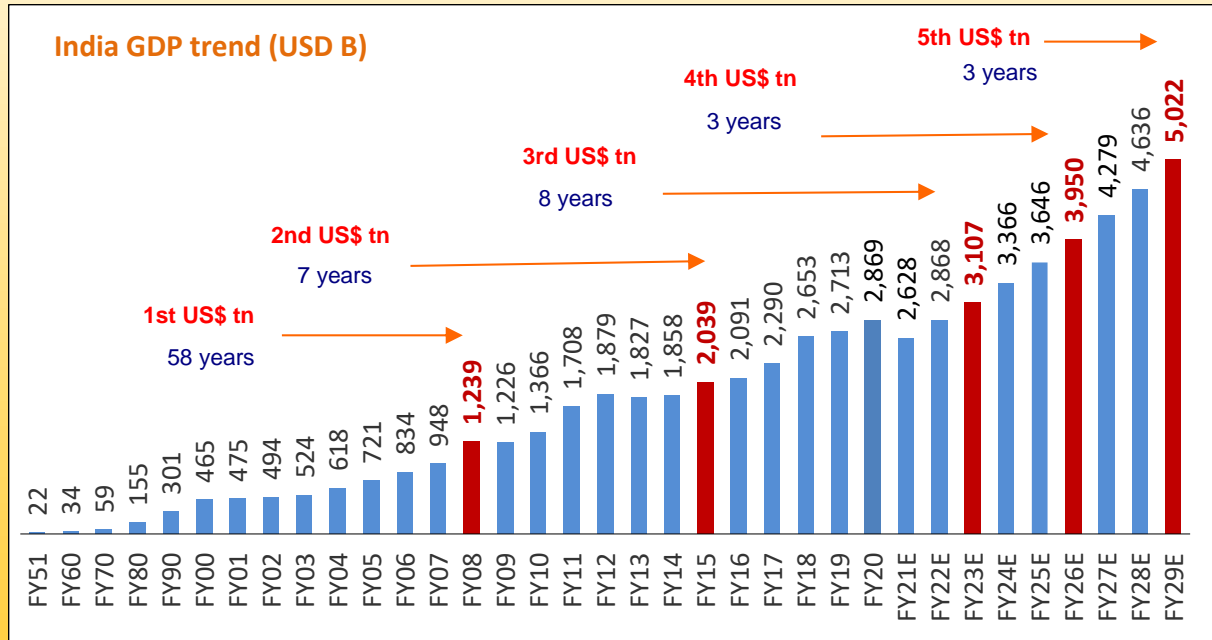
Long runway ahead for India



- India is today where China was in 2006
- From 2006 to 2020, China's GDP CAGR is a robust 12%

India – The NTD Opportunity

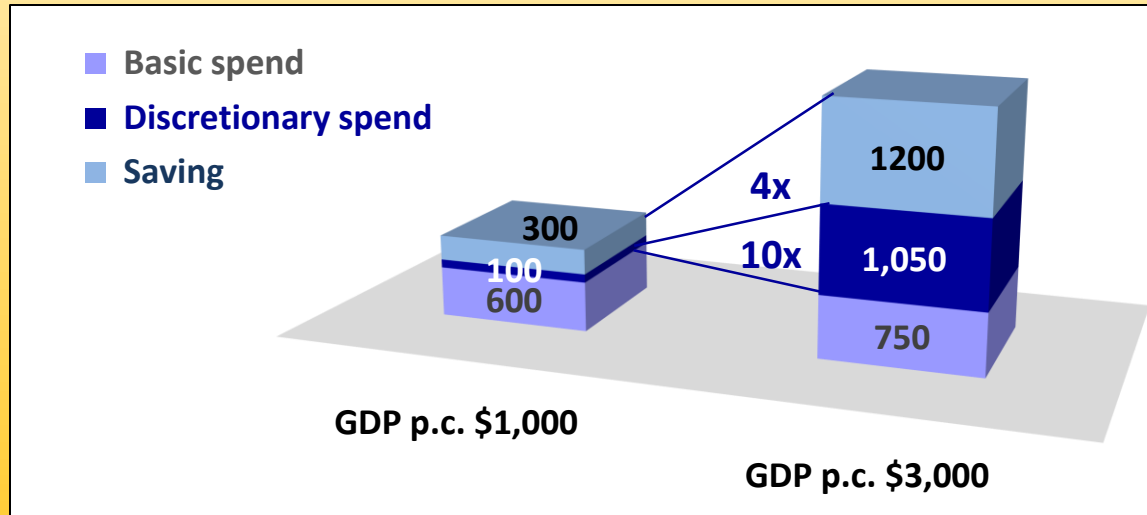
India is the ultimate NTD story



- 60 years for first trillion dollar of GDP
- Every NTD (next trillion dollar) in successively few years

Linear growth, exponential opportunity

- **Trebling of per capita GDP implies 10x opportunity in discretionary & 4x opportunity in savings & investment services**



Can India be the next China?

Most indicators are favourable

#1 Democracy

❑ India is the largest democracy in the world

- Rule of law prevails

❑ Well-established federal structure

- Centre-State relations continuously improving

❑ Moving towards a one-nation idea

- One unified market
- One income tax
- One GST
- One Aadhaar
- One ration card
- One mobile number
- One bank account

#2 Demography

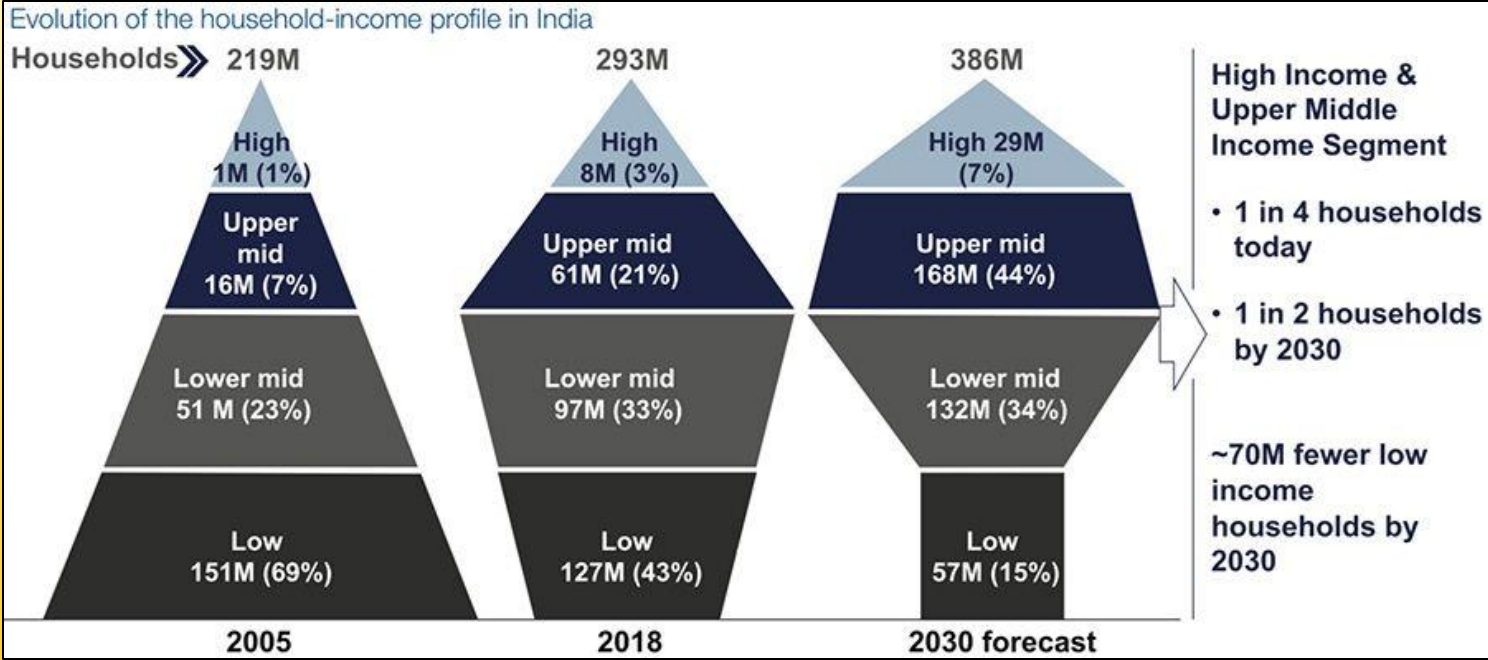
- ❑ **Second highest population in the world ...**
 - A huge domestic market

- ❑ **... dominated by youth**
 - 40% below 20, 85% below 50

#2 Demography (continued)

❑ Burgeoning middle class

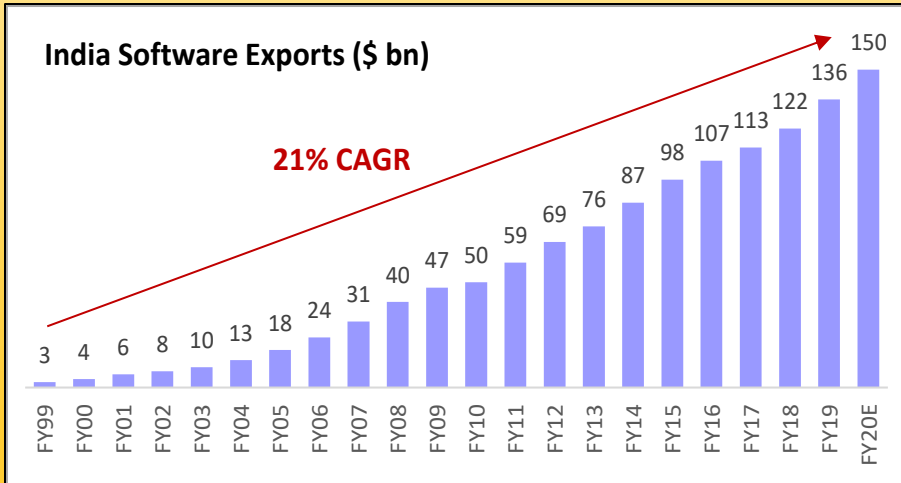
Source: Bain & Co / Consultancy Asia



Long runway of high demand for goods & services

#3 Digitization

- ❑ India’s global reputation built on the back of software exports
- ❑ India’s domestic digitization – internet and mobile – comparable with the best in the world

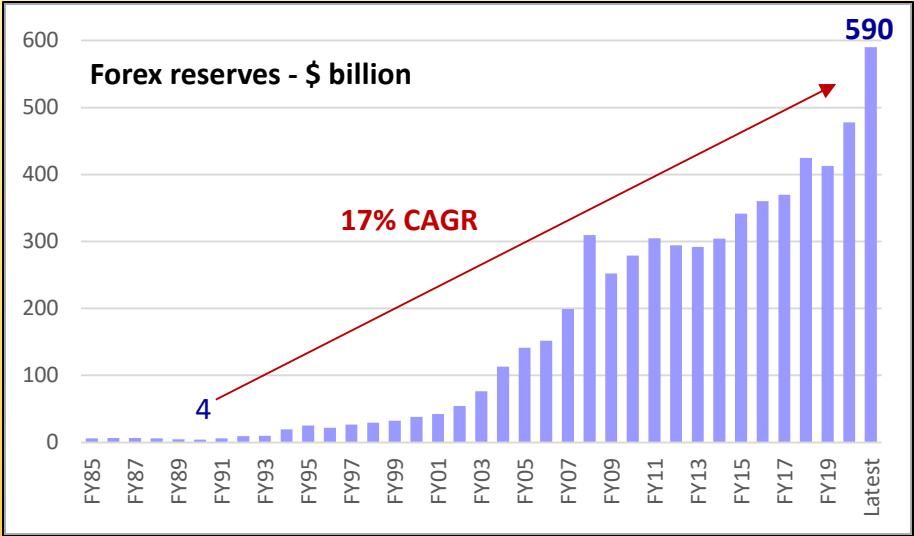
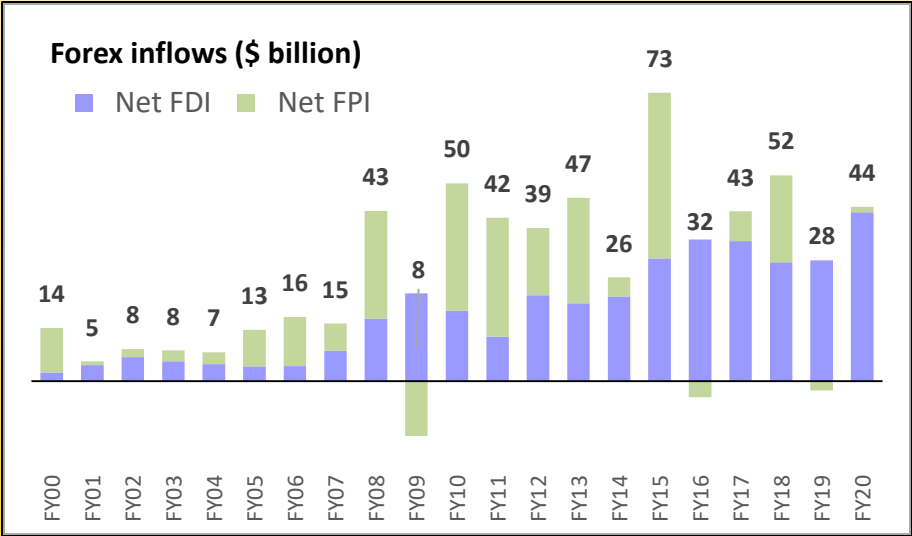


FUN FACTS:

- Over 120 crore telecom subscribers, equal number of mobile phones
- Over 45 crore smart phones
- Over 56 crore internet users, 2nd only to China

#4 Dollar inflows & Forex reserves

Forex reserves from less than \$5 billion in 1991 to \$590 billion now



#5 Declining interest rates & inflation

- ❑ 10-year GSec rate has halved in the last 10 years
- ❑ Inflation is fairly benign

10 year G-Sec, %

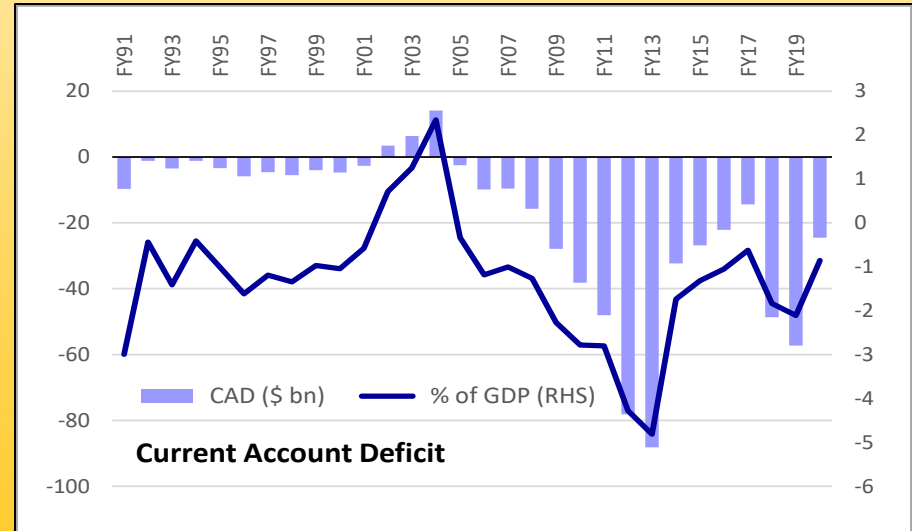
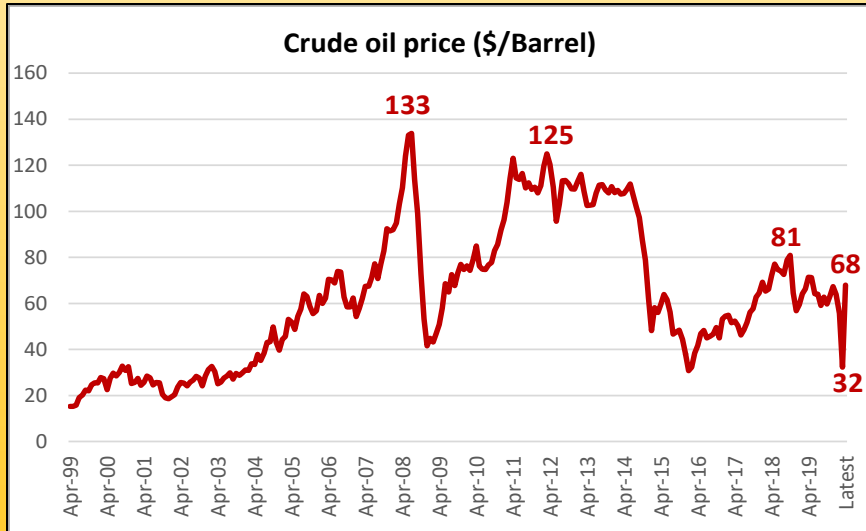


CPI Inflation, % YoY



#6 Declining crude easing CAD

- ❑ Crude is down 50% from its peak levels ...
- ❑ ... significantly easing current account deficit



The added advantage
Most stable government in place

Make “business” the business of India!

- ❑ **No business to be in business**
 - Aggressively divest PSU holdings

- ❑ **Minimum government, maximum governance**
 - All blockades should be cleared
 - Focus should be on creating jobs

- ❑ **Kickstart growth**
 - Accelerated investment in economic & social infrastructure

Covid – a temporary blip

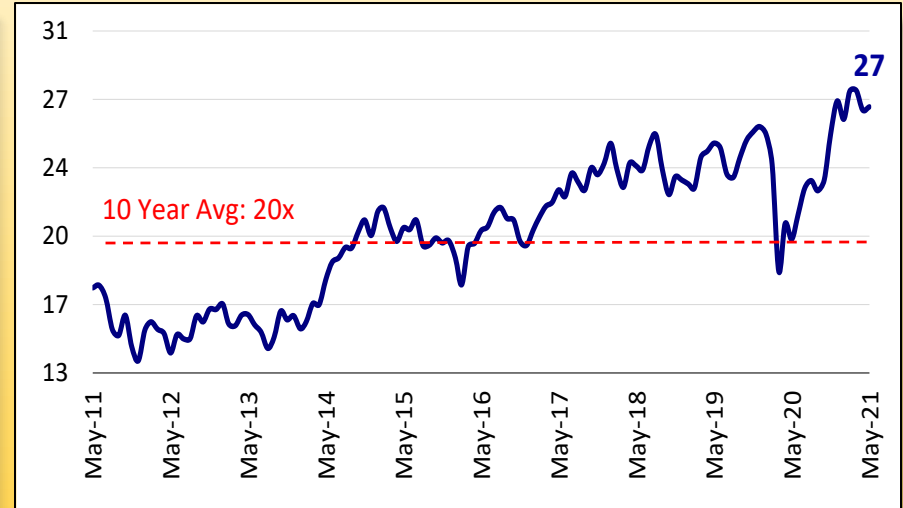
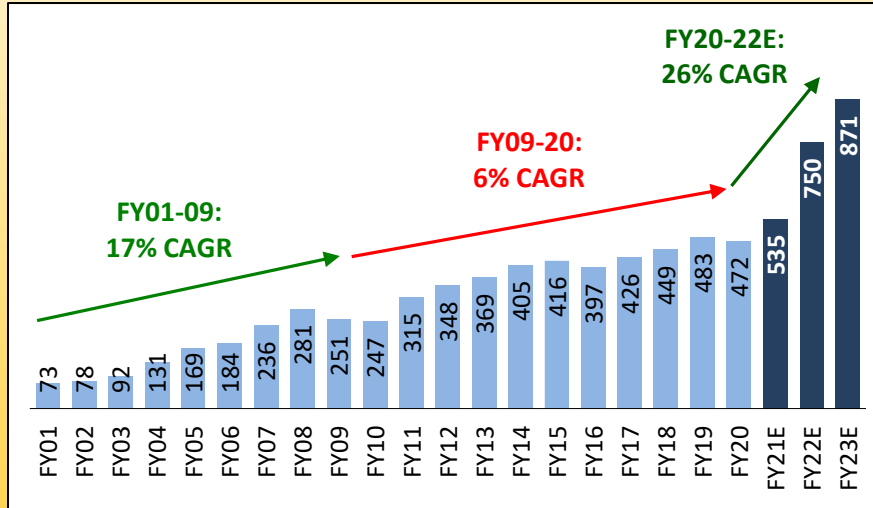
Beginning of the end

Covid pointers

- **Covid now a known beast**
- **Global fiscal and monetary response**
- **In India ...**
 - **Fiscal deficit of 9.5%**
 - **RBI ensuring sufficient liquidity**
- **Vaccination marks the beginning of the end**
- **Expect K-shaped recovery; larger businesses will recover faster**

Sensex can hit 2,00,000 in 10 years
Required CAGR is just 15%

Expect earnings growth to revive, PEG 1x



How 2,00,000 can happen

- **12-13% nominal GDP growth**
 - **7-8% real + 4-5% inflation**
- **Corporate Profit growth to be slightly higher than GDP growth (i.e. 15% CAGR)**
- **Market growth broadly in line with Corporate Profit growth**
- **15% CAGR over 10 years is 4x**
- **$50,000 \times 4 = 2,00,000$**

Sectors to watch out

Go for Value Migration & Open-up plays

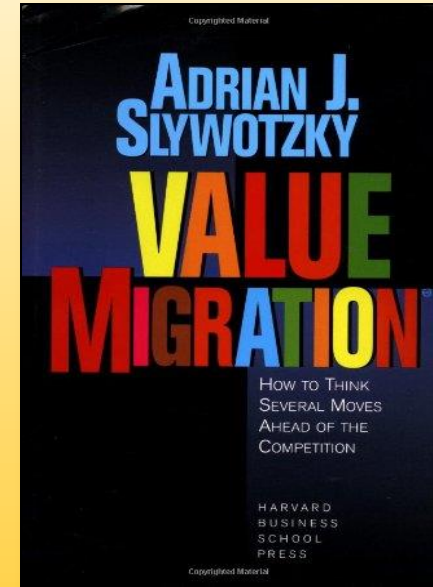
What is Value Migration?

“Value (i.e. profits & market cap) migrates from outmoded business design to superior business design.”

— Adrian Slywotzky

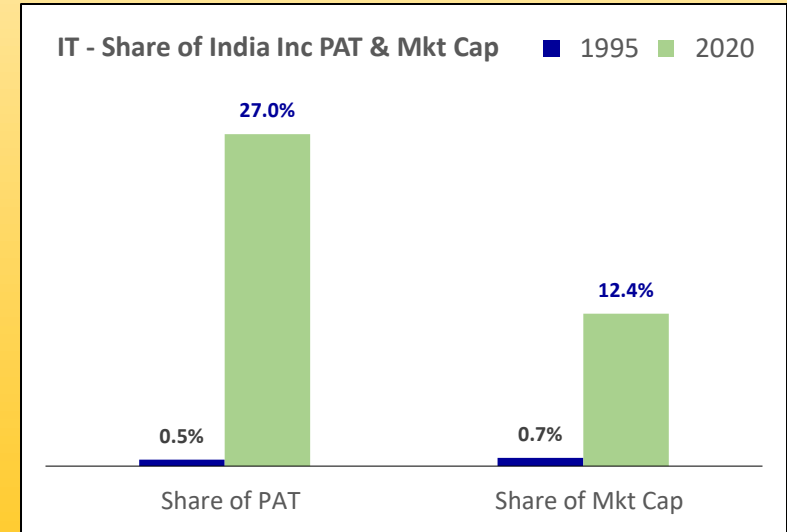
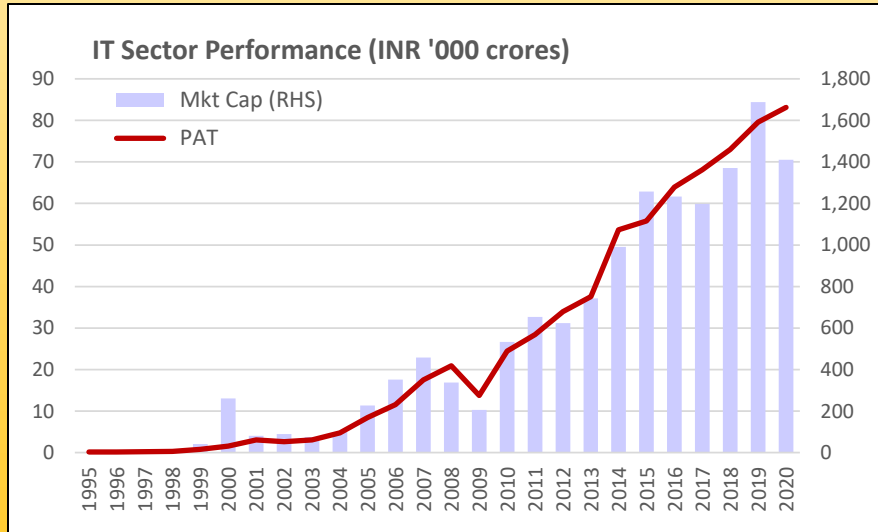
Examples

- Telecom – from Wired to Wireless
- IT – from Boston to Bengaluru
- Banks – from public sector to private sector
- Many businesses – from unorganized to organized



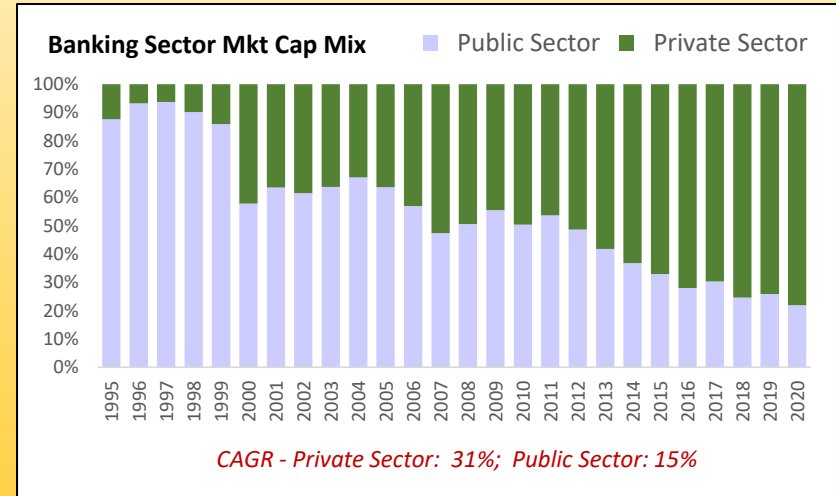
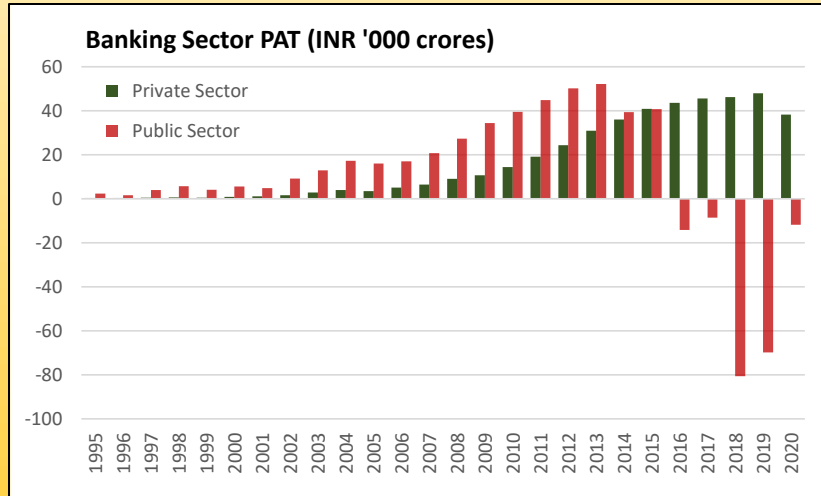
Value Migration creates massive opportunity for sectors which see value inflow

- ❑ India has global competitive advantage
- ❑ Long digitalization runway ahead



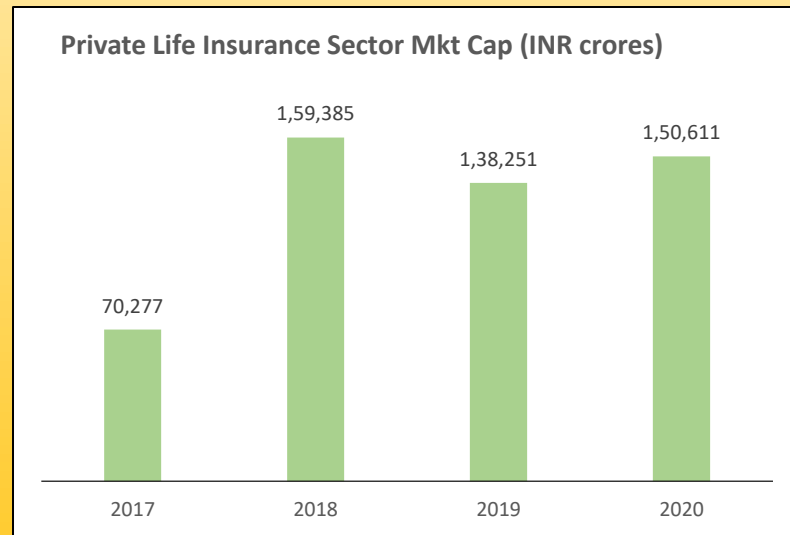
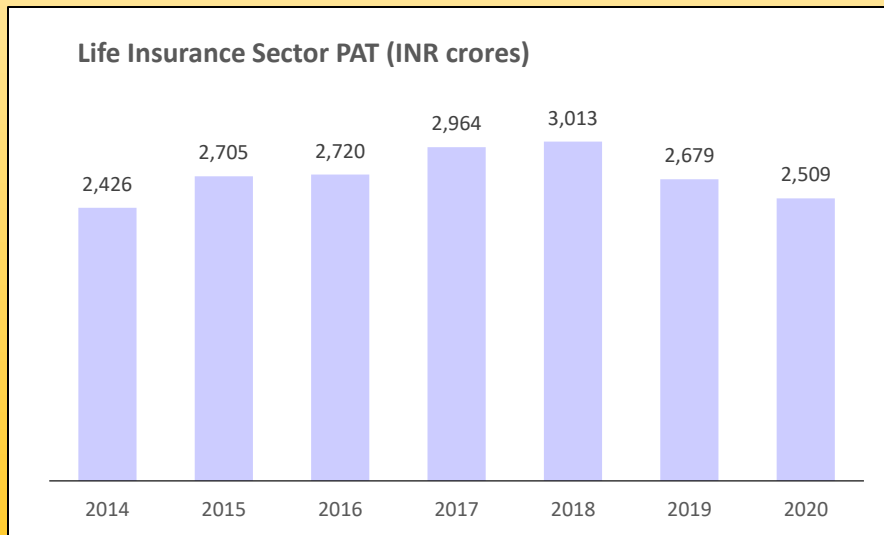
Private Banking

Value Migration story will sustain for a long time



Private Life Insurance

- ☐ Sunrise sector
- ☐ Here too, there's Value Migration from public to private



Open-up Plays

- **Sectors can be classified based on two types of demand –**
 - **Lost demand**
 - **Postponed demand**

- **Given Covid, market has hammered both sectors equally**

- **Post open-up, sectors with Postponed demand should surge**

- **Positive for sectors like Autos, Consumer durables, Paints, selective Industrials**

Conclusions

❑ **India is the ultimate Next Trillion Dollar Opportunity**

- Adding 1 trillion dollars of GDP in successively shorter periods

❑ **Key indicators are favourable ...**

- Democracy, Demography, Digitisation, Dollar reserves, Stable government

❑ **Covid is a temporary blip**

- Vaccination marks the beginning of the end

❑ **Sensex can hit 2,00,000 in 10 years**

- Required CAGR is just 15%

❑ **Play Value Migration and Open-up plays**

- IT, Private banks, Life insurance, Auto, Consumer durables, Paints, select Industrials

❑ **Don't bet against India**

- Be optimistic and patient

**Thank You !
&
Happy Wealth Creation !**