



Birla Sun Life
Mutual Fund



Birla Sun Life Manufacturing Equity Fund

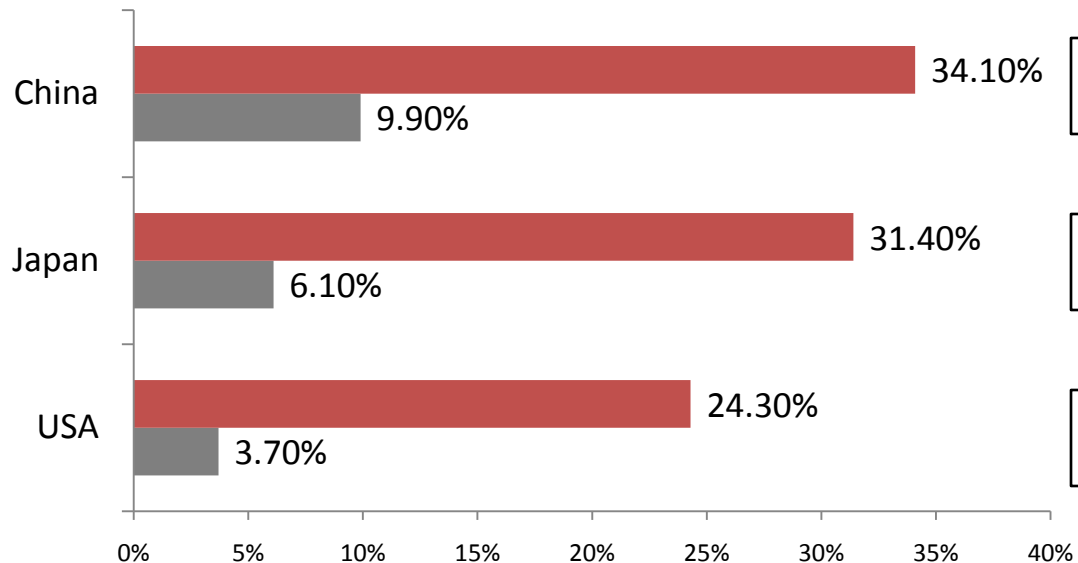
(An open ended Manufacturing sector scheme)

India's next Big leap – Resurgence of Manufacturing

Manufacturing has moved the world to glory

Manufacturing share of GDP & Overall GDP growth

■ Average Manuf. contribution as a % of GDP ■ Average GDP growth



**Manufacturing dream run : 1978-2010
(33 Years)**

**Manufacturing dream run : 1962-1992
(31 Years)**

**Manufacturing dream run : 1960-1981
(22 Years)**

- ❖ In the time frame that any country has enjoyed manufacturing success, its economy has seen higher growth
- ❖ Typically the %age contribution of Manufacturing to GDP for these countries is very high

Source : Morgan Stanley, BSLAMC research



Manufacturing has a lasting impact on any country's growth – China is a case study

	1960	1970	1980	1990	2000	2007	2010	2013
China								
GDP (USD Bn)	61	90	307	403	1,193	3,505	5,951	9,542
Agriculture	23%	35%	30%	27%	15%	11%	10%	10%
Industry	44%	40%	48%	41%	46%	47%	47%	44%
Services	32%	24%	22%	32%	39%	42%	43%	46%
India								
GDP (USD Bn)	38	64	189	327	476	1,243	1,711	1,879
Agriculture	43%	42%	36%	29%	23%	18%	18%	18%
Industry	19%	21%	24%	27%	26%	29%	27%	25%
Services	38%	37%	40%	44%	51%	53%	55%	57%

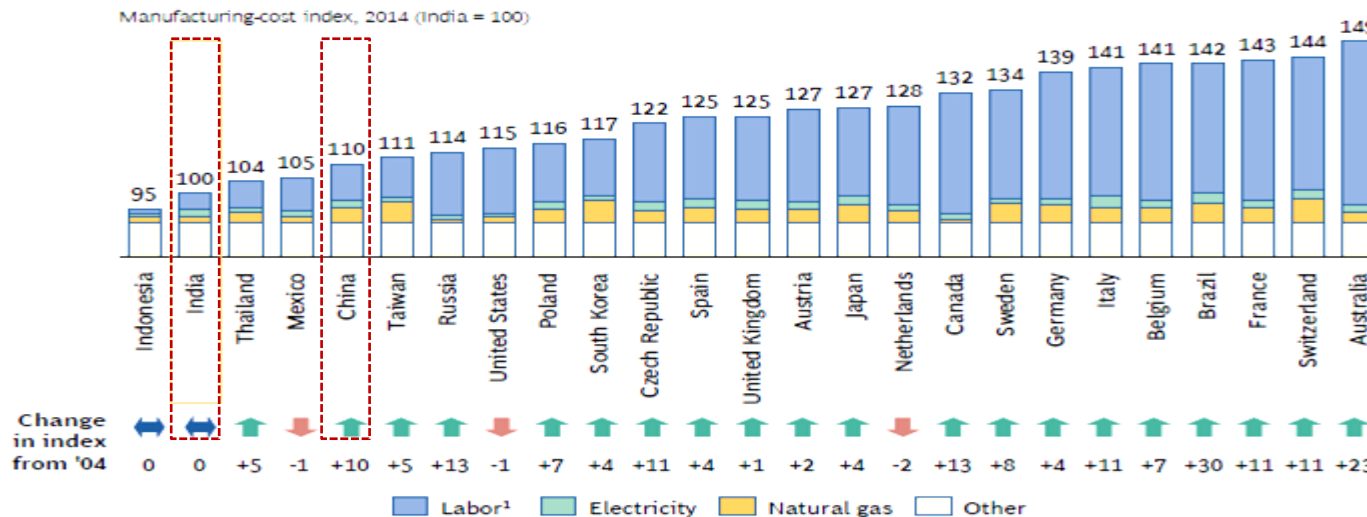
- ❖ India jumped from Agriculture to Services sector without fully developing the "Industry"
- ❖ Current Indian Model is unsustainable due to implications on employment & growth structure

- ❖ **Multiplier effect on GDP from Industry (1980-2013): ~31x (China) & ~10x (India)**
- ❖ Manufacturing resulted in huge employment generation and sustainable growth
- ❖ Results in trickle down effect positively impacting other parts of GDP also
- ❖ China followed an **export led manufacturing growth model** → direct correlation with World's economic state; India could be a Domestic driven one

Nominal GDP considered
Source : Morgan Stanley, BSLAMC research

As China starts slowing, India grows stronger...

- ❖ Cost structure changing in China : Wage and power costs in China have more than doubled in the last decade
- ❖ Currency : Chinese Yuan has appreciated 25% and the Indian rupee has depreciated 75% against the dollar making our exports more competitive*
- ❖ Quality : Advantage India



India is in a sweet spot compared to the rest of the world

India's clear advantage is with factors of Manufacturing being in place!

* Currency change is Absolute, Period : 16th Dec 96 to 15th Dec 14

Source : BCG report, BSLAMC research, Bloomberg

Largest reservoir of resources – Natural & Human

Abundant Natural resources

- ❖ 4th largest reserves of coal
 - ❖ 5th largest power generation portfolio
 - ❖ 6th largest reserves of bauxite
 - ❖ 800 MMT of proven oil reserves
 - ❖ 47 Trillion Cubic Feet of proven natural gas reserves
 - ❖ 5th largest iron ore reserves
 - ❖ 5th largest wind energy producer
- & many more

Source : Govt of India

Cost efficient Human resources

Division of Workforce

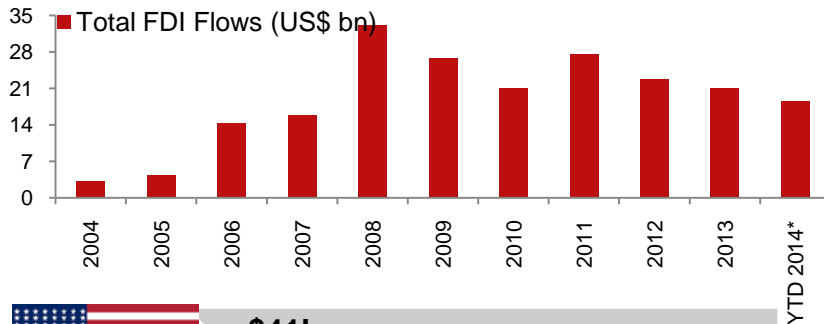


- ❖ India adds ~1 million people every month to its working age population in the next decade
- ❖ India to account for 25% of the addition in the global working age population
- ❖ With dependency ratio dropping and skilled workforce on the rise, efficiency is set to improve

Source : Morgan Stanley

Capital chases growth & market opportunity – Exports is just the cherry on cake

Adequate capital to fuel growth



\$41bn

• US investors bet on PM Modi, to invest \$41 billion in India in 3 years



\$35bn

• Japan intends to invest \$35bn in India over 5 years



\$100bn

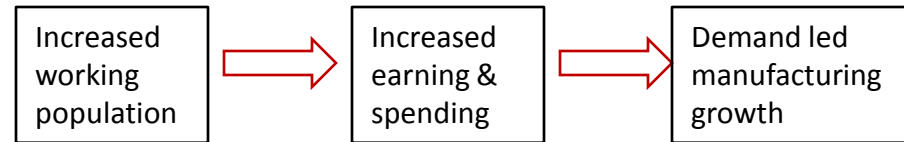
• China to invest \$100bn in India over 5 years

- ❖ YTD India is the highest FII inflow recipient with a bigger potential in FDI
- ❖ Massive potential to grow in Manufacturing as FDI typically goes to it

Pictures for representation purpose only

Source : BCG report, BSE, SEBI * In USD terms

Make in India, for India & Rest of World



- ❖ 2nd largest population, falling dependency ratio and increasing employment (Manufacturing) will result in a **virtuous cycle of demand led growth**
- ❖ **Per capita Income expanded at CAGR 10.67%*** over last 11 years and only expected to move higher
- ❖ All this, while India grows younger: Will become **one of the youngest countries in world by 2020** with an average age of 29 years



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All these tailwinds mean nothing without
effective governance

NDA's previous innings laid the foundation for growth – credible track record

Clear focus was Investments, Infrastructure & Industry

Highway

- Golden Quadrilateral Route
- Built 25,000 km of 4/6 lane highways @11 km/day

Airports

- Privatization of Delhi and Mumbai Airports & aviation industry
- New International Airports at Bangalore and Hyderabad

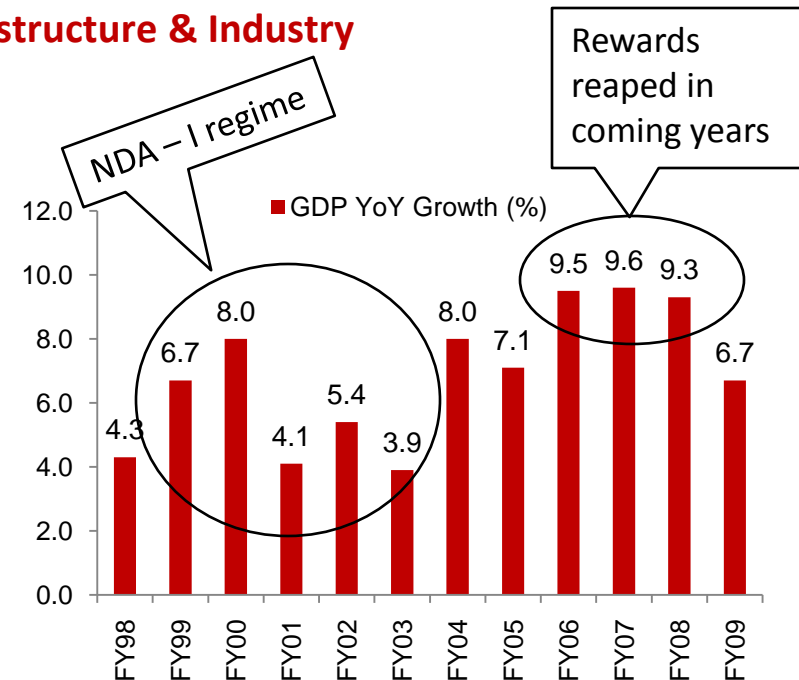
Power

- Enacted Electricity Act 2003 → de-licensed Power Generation
- Restructured loss making State Electricity Boards (SEBs)

PSU Disinvestment

- Spurred growth by bringing efficiency in to key PSU businesses notorious for inefficiency
- Disinvestment process helped manage fiscal deficits

Pictures for representation purpose only



India reaped from the seeds of growth sown by NDA-I

Gujarat is a shining example of Modi's abilities

Source : Bloomberg, BSLAMC research

NDA's second innings – Manufacturing revival is the priority

Boost growth and **ramp up the share in the country's GDP to 25%** from 15% currently and **create 100 million jobs by 2022**



Over **14% CAGR** for Manufacturing Sector
To add **2x** of the existing Manufacturing GDP to overall GDP

Source : National Manufacturing policy document

Manufacturing could gain from



Infra

- Delhi-Mumbai Industrial Corridor
- Urban Infra- thrust on Metro project
- Gram Jyoti Yagna
- River linking project
- Road projects to be fast tracked to over 25km/day

Railways

- 100% FDI under automatic route permitted in specific areas
- Investment in Direct Freight Corridor
- Linking all corners of country effectively needing more investment in routes & coaches

Defense

- FDI cap raised from 26% to 49%.
- Portfolio investment permitted up to 24% under the automatic route.
- Existing annual spend of US\$37.3 Bn .. Expected to go up by another US\$ 4BN

Smart Cities

- Sustainable growth needs efficient water & waste management
- Road infrastructure to reduce pollution & fuel loss
- MRTS & Bullet Trains linking cities

Over \$ 350 Billion worth of projects across sectors over the next 3 years

Source : CMIE capex, Based on publicly available information

Enabled by reforms & initiatives targeted to make doing business in India, Easier

- Labor law reforms targeting increased flexibility
- National Skill Development Agency (NSDA), to centrally coordinate skill development for PSU & Pvt sector

Labor Reforms



- GST implementation from FY2016
- Could drive a big productivity improvement (~1% p.a. sustainable rise in GDP growth)
- Boost trade & commerce across the country

GST implementation



- Land acquisition & Environmental clearances
- Single window & time bound clearance system to reduce delays
- Project execution timelines to become more realistic and projects to be profitable

Administrative & Policy Reforms



- Market linked pricing for petroleum products to bring down the subsidy & increase profitability for petro-chem product companies
- Farm sector reforms to hugely benefit the fertilizer companies by increase in demand

Subsidies – Energy, Fertilizer s etc



- PM's recent foreign trips have raised over US\$200Bn pipeline in next 3-5 yrs
- Multiple beneficiary sectors – Railways, Defence etc apart from existing beneficiaries Auto, Pharma & Eng Goods

FDI opening up in key areas



Some of the key beneficiary sectors –

- **Textiles: Exports picking up**
- **Automobiles: India is now Detroit of East**
- **FMCG**
- **Power**

Source : BSLAMC research

Indian Manufacturing has its own successes

Automobiles



- ❖ 100% FDI, Cheap skilled labor & lower tax on assembly in auto sector → MNC's (**Audi & Hyundai**) setting up shop to sell in India & export too



Mercedes-Benz

- ❖ India a preferred centre for small & mid end car exports by global brands – **Nano & Maruti** exported from India

- ❖ Indian Auto Anc's have a major success story on Quality with Cost advantage - **Bharat Forge, Motherson Sumi, Bosch**



- ❖ Future plans of expansion by many global auto giants already laid down

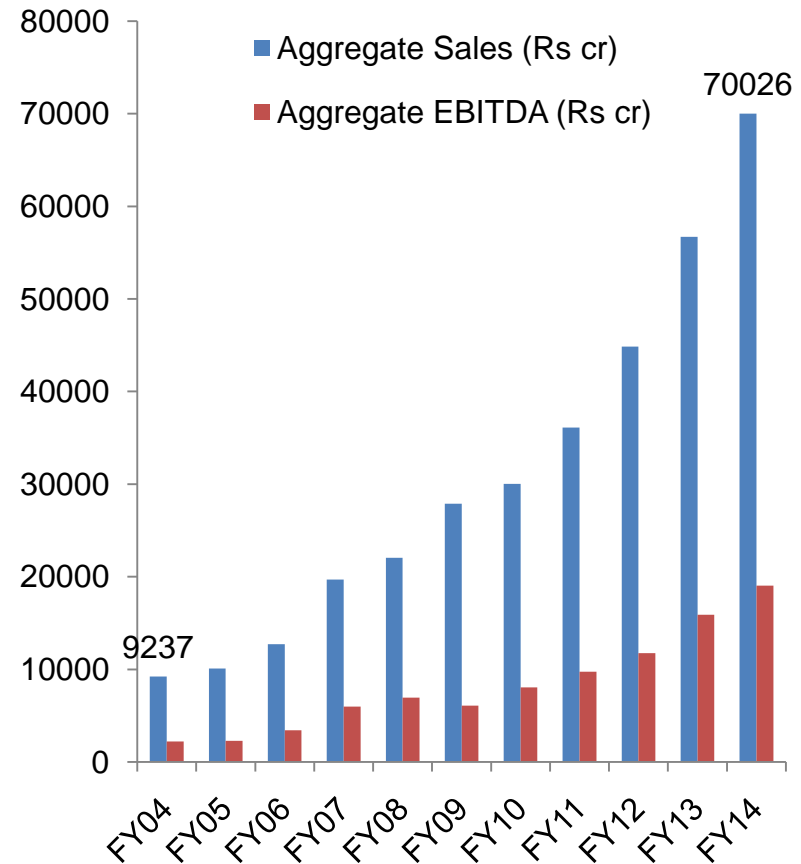
- ❖ Honda intends to set up a power-train facility in Rajasthan with an investment of USD115 million
- ❖ Hyundai plans to invest \$300 million for a new engine plant and metal pressing shop and source gasoline and diesel engines from India
- ❖ Volkswagen plans to set up a \$244 million plant in India and increase sourcing to 70% of its total global sourcing from India



Indian Manufacturing has its own successes

Pharmaceuticals

- ❖ Indian companies dominate the US generics space, accounting for ~26% generic volume share in 2014, up significantly from 9% in 2006
- ❖ India owns 20% of the global USFDA approved facilities – highest outside the US
- ❖ Driven by strong exports and domestic market, major India pharma companies combined sales over the past decade have grown at a staggering CAGR of 22.5%
- ❖ Indian pharmaceutical industry is ranked 3rd in volume terms and 10th in value terms and expected to grow at 14% CAGR till 2018
- ❖ The Govt has unveiled 'Pharma Vision 2020' aimed at making India a global leader in end-to-end drug manufacture. It has reduced approval time for new facilities to boost investments



Source : Capital Line, USFDA

Did you know?

India is already a choice centre for global investors in some key sectors

World leading auto parts maker
4th largest Auto market in the world

World's leading producer of dyes, agro
chemicals and petrochemicals

4th Largest Steel producer in 2014

10% of the world's leather production

163 Million passengers in 2013
3rd largest aviation market by 2020

20% of Global exports in generic drugs

Defence spend of \$37.3 Bn with INR 250
Bn to be invested in 7-8 years

World's largest passenger carrier, 4th
largest rail freight carrier in the world

2nd largest producer of silk & cotton

Source: Govt of India

Even as we speak, action has begun..

What has happened

- Petroleum products price deregulation
- Easier FDI norms for Defense/ Rail/ Construction
- Ease of doing business (Self attestation, Single window clearance)
- Labor law in some states
- Abolition of eGoMs and GoMs
- Faster decision making & Effective bureaucracy.

What is happening

- Coal Block Auctions
- Coal Output enhancement plan
- Direct Benefit Transfer
- Ease in environmental approval
- Work on Smart Cities development
- Plugging subsidies
- GST

What is likely to happen

- Time line for all clearances along with online clearance
- Multiple returns for different departments to be replaced by one simplified return.
- FDI in Insurance
- Land Acquisition amendment
- Divestment of bleeding PSUs

Source: Based on publicly available information

So where is the opportunity?

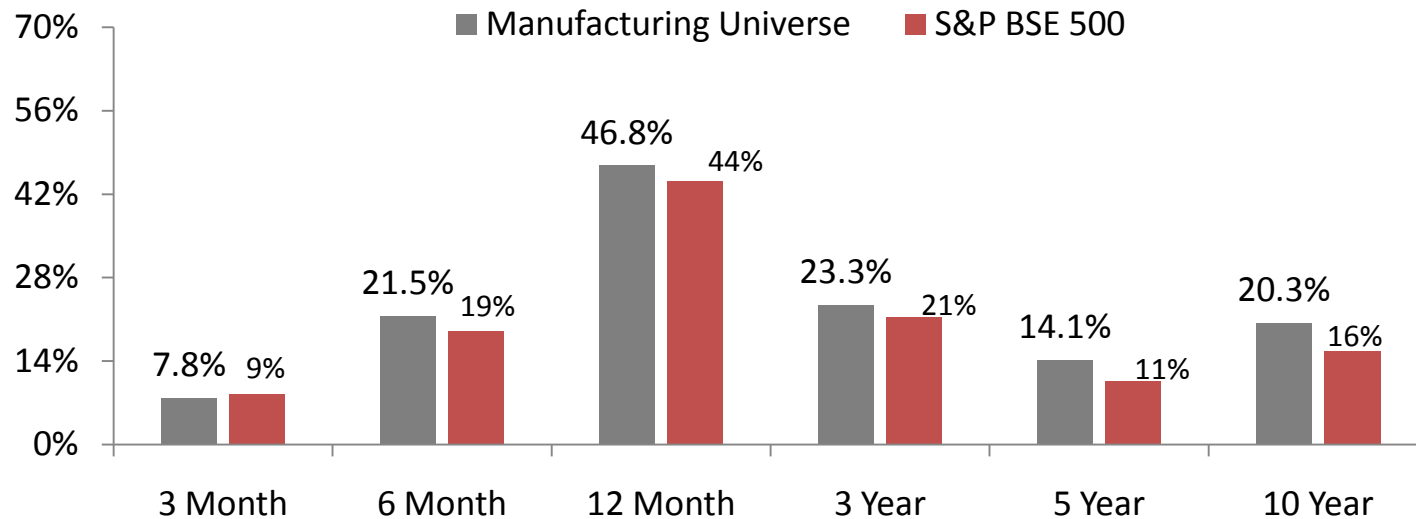
At least 240 companies across 22 sectors could benefit from this focus on Manufacturing

Sector Name	Theme	Domestic Market size (Approx)	Growth drivers
Pharmaceuticals	Exports	USD 18 Billion	Increasing FDI, Focus on product patents & rising domestic market
Automobiles & Ancillaries	Exports	USD 59 Billion	FDI, Competitive Cost & Quality environment, large domestic market
Consumer Goods	Domestic	USD 33 Billion	Large domestic market, GST implementation & urbanization
Engineering goods	Exports, Import substitution	USD 57 Billion	FDI in key sectors, increased Govt spend on Railways & Defence
Textiles & Apparels	Exports	USD 63 Billion	Labor reforms, Competitive Cost environment, Chinese mfg slowing
Electronics	Import substitution	USD 70 Billion	FDI in key sectors, increased Govt spend on Railways & Defence

Source : J M Financial, BSLAMC Research

Our test results show ..

Sustained performance across time periods, despite little focus on manufacturing during these years



Investment Universe	No of Stocks
Large Cap	54
Mid cap	74
Small Cap	112

More reasons to invest :

- ❖ ***Not concentrated***
- ❖ ***Wide Universe***
- ❖ ***Sustainable Proposition***

Returns as on 30 Nov 2014 Source – BSLAMC Research




Birla Sun Life Manufacturing Equity Fund

(An Open ended Manufacturing sector scheme)

Name of Scheme	This product is suitable for investors who are seeking*:
<p>Birla Sun Life Manufacturing Equity Fund (An Open ended Manufacturing sector scheme)</p>	<ul style="list-style-type: none"> • long term capital growth • investments in equity and equity related securities of companies engaged in the manufacturing sector • high risk (BROWN)

*Investors should consult their financial advisers if in doubt whether the product is suitable for them.

Note: Risk is represented as:

	<i>(BLUE) investors understand that their principal will be at low risk</i>		<i>(YELLOW) investors understand that their principal will be at medium risk</i>		<i>(BROWN) investors understand that their principal will be at high risk</i>
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Birla Sun Life Manufacturing Equity Fund

Scheme details

Scheme Name	Birla Sun Life Manufacturing Equity Fund
Scheme Type	An open ended Manufacturing sector scheme
Scheme objective	The primary investment objective of the Schemes is to generate long-term capital appreciation to unit holders from a portfolio that is invested predominantly in equity and equity related securities of companies engaged in Manufacturing activity. The Scheme does not guarantee/indicate any returns. There can be no assurance that the scheme's objectives will be achieved.
Scheme Benchmark	S&P BSE500
Asset Allocation	Equity & Equity related securities of Manufacturing Sector Companies: 80%-100%; Cash, Money Market & Debt instruments: 0-20%
Liquidity	The scheme offered is an Open ended Scheme.
Plans/Options	Regular Plan and Direct** Plan; Both plans will have two options: Growth and Dividend. Dividend option will have two facilities: Payout and Re-investment.
Entry & Exit Load	Entry Load : NIL; Exit Load : For redemption/switch-out of units within 365 days from the date of allotment : 1.5% of applicable NAV For redemption/switch-out of units after 365 days but within 540 days from the date of allotment : 1% of applicable NAV For redemption/switch-out of units after 540 days from the date of allotment : NIL

Birla Sun Life Manufacturing Equity Fund

Investment strategy

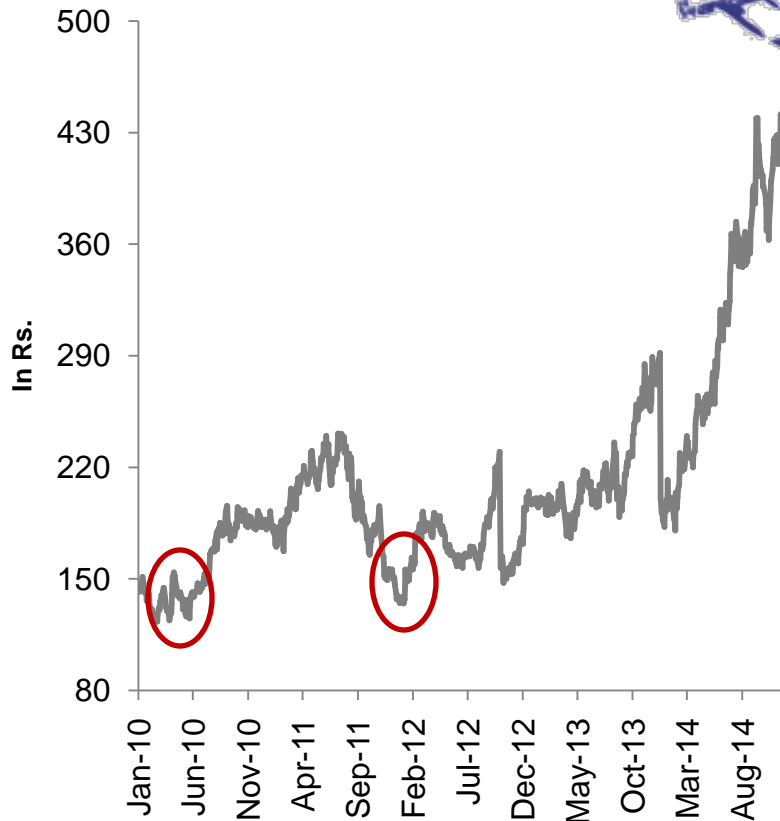


- ❖ Top Down Approach to drive overweight/ underweight sectoral positions while Bottom up stock picking to pick stocks or take advantage of mispriced opportunities
- ❖ Diversified portfolio with approximately 35 – 40 stocks
- ❖ Selection parameters to include business fundamentals like –
 - nature and stability of business,
 - prospects of future growth and scalability,
 - financial discipline and returns,
 - valuations in relation to broad market
 - expected growth in earnings,
 - financial strength and track record.
- ❖ Sector classification follows National Industry Classification (NIC), 2008 in line with the National Manufacturing Policy

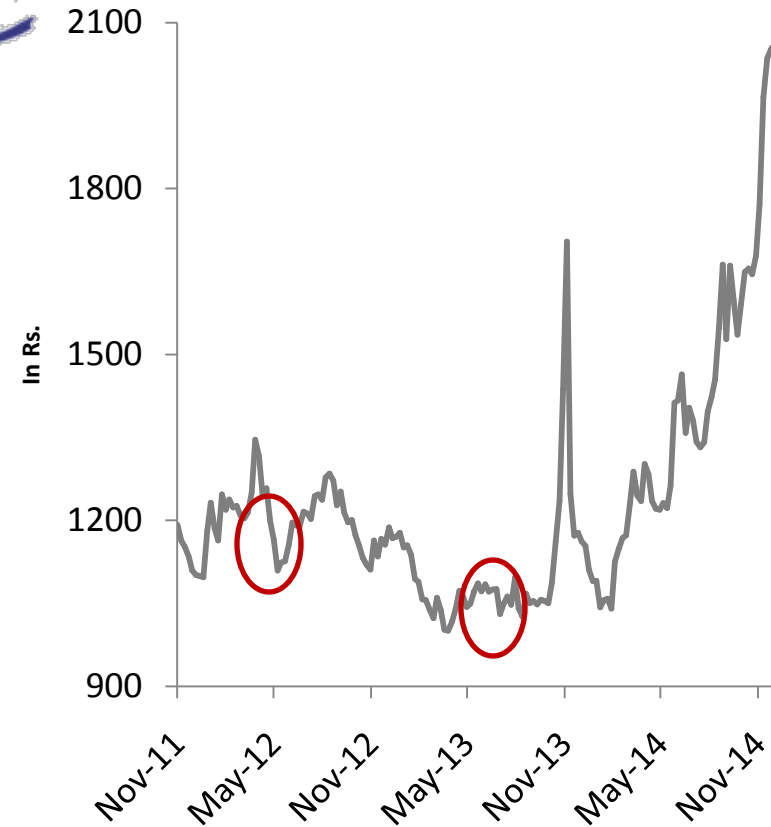
BSLAMC investors have already benefitted from some of these companies



Motherson Sumi Systems




PFIZER Ltd.



Source : Bloomberg, Data as on 4th Dec 2014

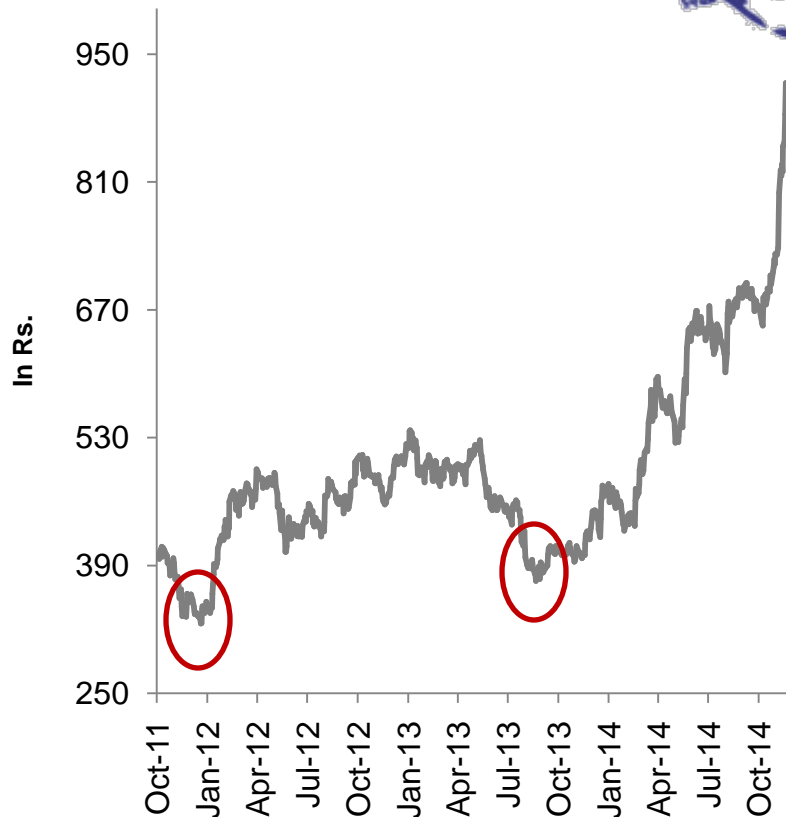
Past performance may or may not be sustained in the future

 - Purchased / Added exposure

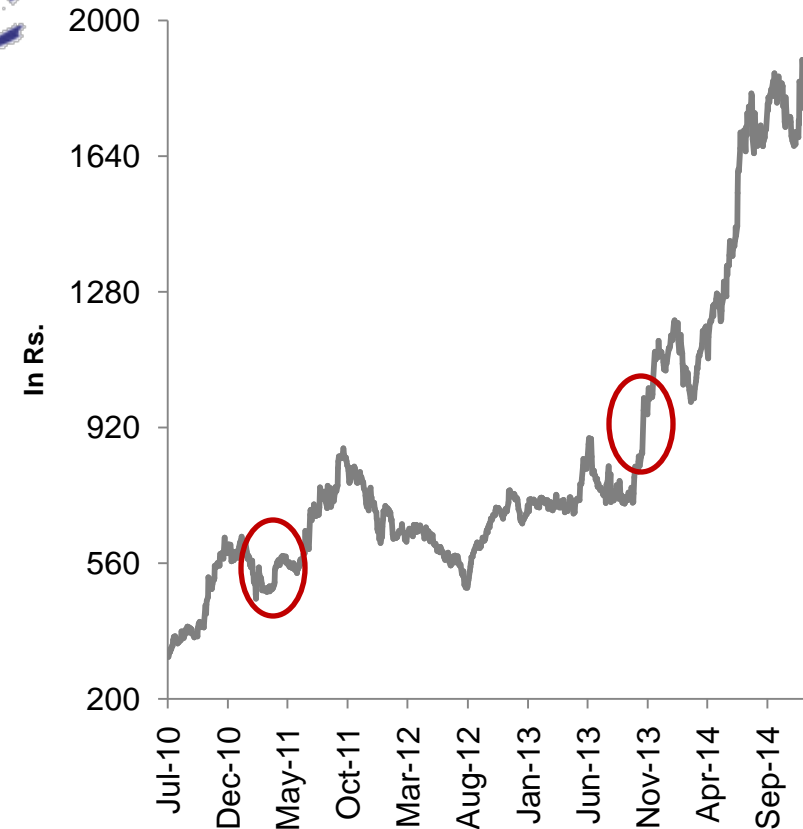
BSLAMC investors have already benefitted from some of these companies



Cummins India




Kewal Kiran Clothing



Source : Bloomberg, Data as on 4th Dec 2014

Past performance may or may not be sustained in the future

 - Purchased / Added exposure

Why You need to invest NOW?

- coz all stars seem aligned for India

Current Account Deficit	Declining	✓
Inflation	Declining	✓
GDP Growth	Accelerating	✓
Corporate Earnings & Margins	Improving	✓
Reforms	Accelerating	✓
Valuations	Attractive	✓
Global Liquidity Environment	Benign	✓

2015 is a pivotal year for India, crucial to implementing the announcements well and seizing the opportunity to claim global leadership.

Source : BSLAMC Research

Manufacturing has the nation's support



Birla Sun Life
Mutual Fund

Modi's 'Make in India' campaign aims manufacturing sector

Promises to build trust among investors and create a conducive environment for manufacturer's woes with effective governance

BS B2B Bureau | New Delhi September 26, 2014 Last Updated at 15:23 IST

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Narendra Modi at the launch of 'Make in India' campaign

RELATED NEWS

Modi to Sandberg: Facebook can

With an aim to make manufacturing a key economic growth, Prime Minister Narendra Modi launched the website makeinindia.com.

Addressing a gathering consisting of top global event, Modi said, "FDI should be understood India' along with 'Foreign Direct Investment' not look at India merely as a market, but instead opportunity."

Prime Minister said it is important for the common man to increase, as this would demand, and hence spur development, in ad

[Click to view video](#)

It's Now Or Never

Let's make India sizzle as a global manufacturing hub

Kumar Mangalam Birla



I am an ardent believer in a glorious future that beckons India. The path to that future must necessarily go through a resurgence of manufacturing. We have all it takes to be a global manufacturing hub.

Still the share of manufacturing in India's GDP is only 15% vis-à-vis 34% for China, 31% for South Korea and 22% for Germany. We have a lot of catching up to do in manufacturing.

The world's economic centre of gravity has been shifting from West to East. Making India a global manufacturing hub will capitalize on this inevitable shift, positioning India at an inflexion point.

Manufacturing should be the next big wave for us. As articulated in the national vision, we need to move the share of manufacturing in GDP from 15 to 25%.

For us the ingredients are in place – talent, entrepreneurship, raw material and a large internal market, which render economies of scale. With its size and scale, India can boast of a critical mass. The government's "Make in India" campaign is an affirmation.

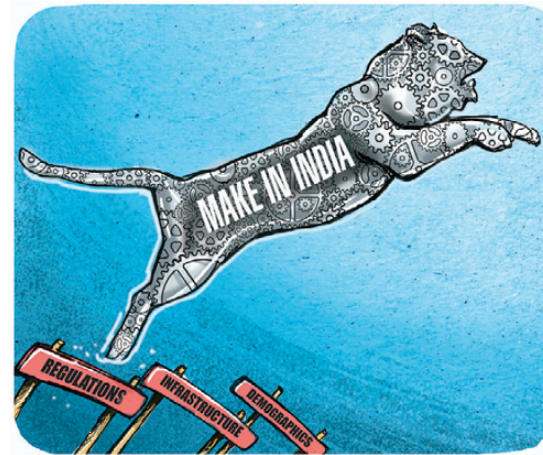
What stands in the way of India becoming a manufacturing powerhouse? Three broad areas that we need to address are regulatory hurdles, infrastructure bottlenecks and developing talent.

Setting up a manufacturing unit in India is an uphill task. It involves a long and tedious process for land acquisition, securing a plethora of clearances and approvals from regulatory authorities at the central, state and local levels.

What is needed is clarity of regulation, less clutter, more consistency, greater transparency and speed in decision making. All this is doable. The new government is bringing these issues centre stage.

Infrastructure remains a critical bottleneck. This includes roads, ports, railway, power and communication – the basics for growth.

Take power for example. Peak power shortage is estimated at about 15% of de-



Chaitanya

mand. In the year 2014, over one-fourth of industrial power is still generated by captive units! The availability of coal has become a major constraint despite India having the third largest coal reserves globally.

We are aware of India's demographic advantage. Our labour force is young and expanding much faster than the general population. India is in the enviable position of providing manpower, even for the rest of the world.

To seize this opportunity India's manpower skills have to be massively upgraded, calling for an educational ecosystem that can support a modern economy. This means vocational training, on-the-job training, curriculum redesign, teacher training, apprenticeship development, leveraging distance education and more.

The one metric which effectively captures many of these constraints is the "Ease of Doing Business" global ranking. This is compiled annually by the

We need to remind ourselves always that there is a lot of good going for India. We must leverage it. India's economy is the third largest in the world in terms of purchasing power parity. I believe that India has reached a stage of sure-footedness and confidence.

World Bank for 189 countries, following a well-defined, comprehensive and transparent methodology.

Let's see where India stands on this ranking. Overall India's rank is 142 out of 189. In "ease of starting a business" it ranks 179th; in "dealing with construc-

tion permits" it ranks 182nd; in "enforcement of contracts" it ranks 186th. India's performance in "access to electricity" is also low at a rank of 111.

Given our low ranking, our vision for manufacturing resurgence must aim, among other things, to improve substantially India's global ranking in terms of ease of doing business.

We need to remind ourselves always that there is a lot of good going for India. We must leverage it. India's economy is the third largest in the world in terms of purchasing power parity.

Recent policy measures such as labour reforms, dilution of the factory "inspector raj", deregulation of diesel prices and coal sector reforms all point to an improvement in the investment climate going forward. Business confidence indicators are rising, and the pipeline of announced projects is bound to increase.

Foreign exchange reserves have now swelled to their highest ever, covering about 8 months of exports. The current account deficit is low. If oil prices keep going lower, we may even end up with a current account surplus.

The currency has been quite stable for the past one year. India is well prepared to withstand abrupt changes in monetary policy in the US or Europe, according to RBI.

Foreign fund inflows were very healthy and India's stock market has been among the topmost performers during 2014. The fiscal deficit is also on a downward trend. If this favourable tailwind is combined with a determined push, India can become a key global manufacturing hub.

I believe that India has reached a stage of sure-footedness and confidence. There is a palpable sense of excitement as our leadership takes the initiative and decisive steps, at a faster clip, to build the India that we have always dreamed about.

We are now tantalisingly close to seizing the moment and to getting it right. All the pieces finally seem to be falling in place.

The author is the Chairperson of Aditya Birla Group.

Advantage India: Key reasons to invest now

- ❖ Improving domestic Macros (Inflation, CAD, Stable currency)
- ❖ Key Triggers : Budget 2015, RBI Monetary policy
- ❖ India's improving growth outlook; clearer visibility of high growth ahead
- ❖ Implementation of key policies (GST, Labour reforms, FDI)
- ❖ Potential of rerating for these manufacturing oriented sectors not completely priced in

Manufacturing is a direct play on Growth; generally does better than other themes that are more derived themes on Growth

Disclaimer & Risk factors

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Asset Management Company/ Investment Manager: Birla Sun Life Asset Management Company Limited

Registered Office: One India Bulls Centre, Tower - 1, 17th Floor Jupiter Mill Compound, 841, SB Marg, Elphinstone Road, Mumbai 400013, CIN: U65991MH1994PLC080811

Scheme specific risk factors : Investments in the Scheme are subject to various risk factors including but not limited to risks associated with: investment in Equity and Equity related instruments, investments in Fixed Income Securities such as Price-Risk or Interest-Rate Risk, Credit Risk, Liquidity or Marketability Risk, Reinvestment Risk etc., , investments in Derivatives (The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments), investments in Securitised Debt assets which would be in the nature of Mortgage backed securities (MBS) and Asset backed securities (ABS) with underlying pool of assets and receivables like Housing Loans, Auto loans and corporate loans. The various risks associated with securitised assets include Prepayment Risk, Credit Risk, Liquidity Risk, Conversion risk, Price risks etc. The Scheme shall also be subject to risks associated with stock lending to the extent in engages in stock lending activities. Different types of securities in which the Scheme would invest as given in the Scheme Information Document/Key Information Memorandum carry different levels and types of risk. Accordingly the scheme's risk may increase or decrease depending upon its investment pattern. e.g. corporate bonds carry a higher amount of risk than Government securities. The above are some of the common risks associated with investments in various securities. There can be no assurance that a Scheme's investment objectives will be achieved, or that there will be no loss of capital. Investment results may vary substantially on a monthly, quarterly or annual basis. Further, the Fund/AMC is not guaranteeing or assuring any returns. Further, it should be noted that the actual distribution of dividends and the frequency thereof are indicative and will depend, inter-alia, on availability of distributable surplus. Dividend payouts will be entirely at the discretion of the Trustee. Investors may, if they wish, consult their legal, tax, investment and other professional advisors to determine possible legal, tax, financial or other considerations of subscribing to or redeeming Units, i.e. before making a decision to invest/redeem Units



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Thank You