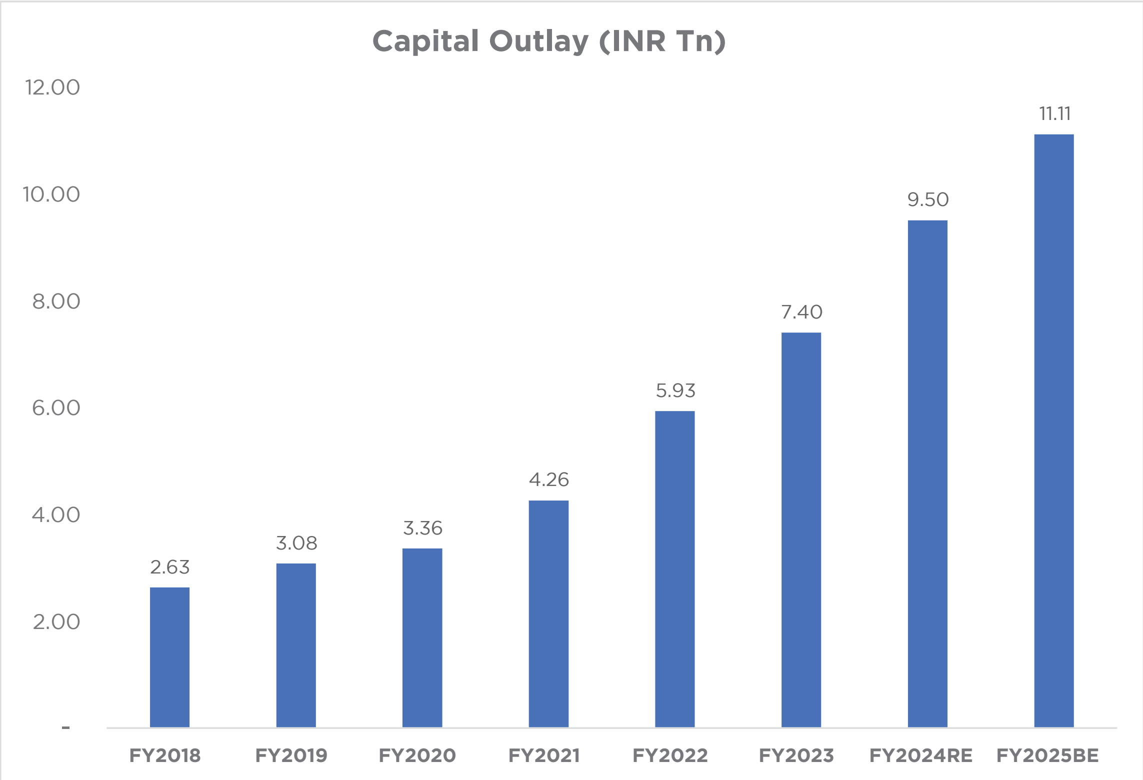
Thematic Opportunities Portfolio - Newsletter

Dear Investor,

The ongoing focus of the government on manufacturing and infrastructure development continued in the interim budget. The capital expenditure outlay increased by nearly 17% on a YoY basis to INR 11.1 Tn for FY2025. The capital expenditure outlay has been rising consistently and has nearly doubled in the last 3 years from FY2022 to FY2025



Source: Budget Documents

The capital expenditure outlay by the government is the primary driver of the medium-term theme of the Thematic Opportunities Portfolio (TOP) – Manufacturing and Infrastructure. The cascading effect of this outlay with Gati Shakti plan makes India a manufacturing destination for domestic as well as global players across industries. The global geopolitical situation has forced the MNCs to look at their supply chain – additional manufacturing locations and India is emerging as one of the preferred manufacturing option across industries.

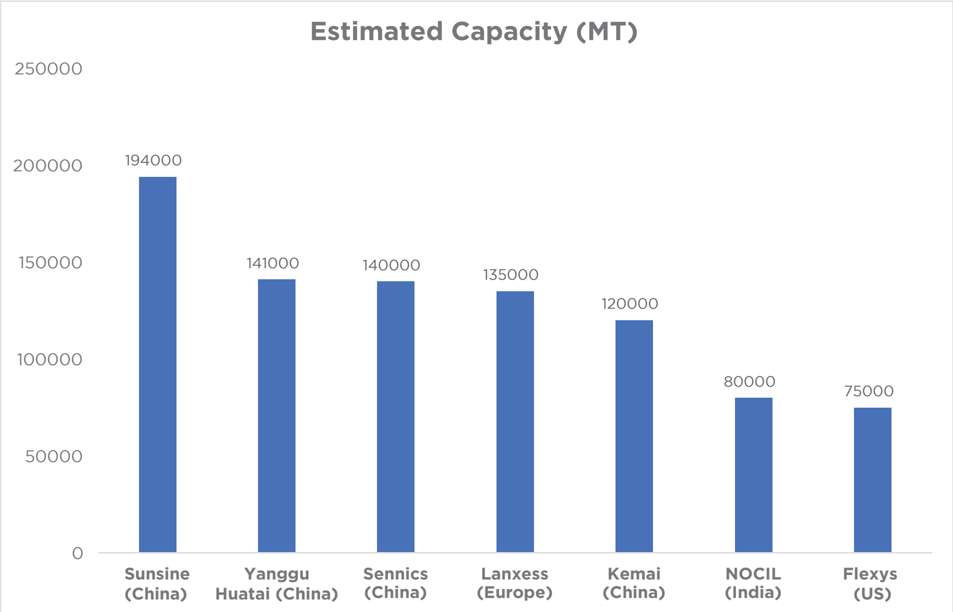
We expect India to emerge as a manufacturing hub for the categories where the companies have a capacity to cater to the global demand and have a USP like:

- Product range
- Distribution reach
- Product approval from key buyers across the globe
- Environmental clearance for future capacity addition

One such segment is Rubber chemicals – a key ingredient for rubber-based products. The demand is from the automotive industry – Tyres and non-automotive industries like hoses, footwear, gloves, industrial belts, etc. The rubber chemicals constitute nearly 3.5% (on tonnage) of the total rubber consumption.

We are having NOCIL in the TOP portfolio – the leader in rubber chemicals space in India by domestic market share of 45% and the sixth largest player in the world by capacity.
Source: Industry, Bloomberg

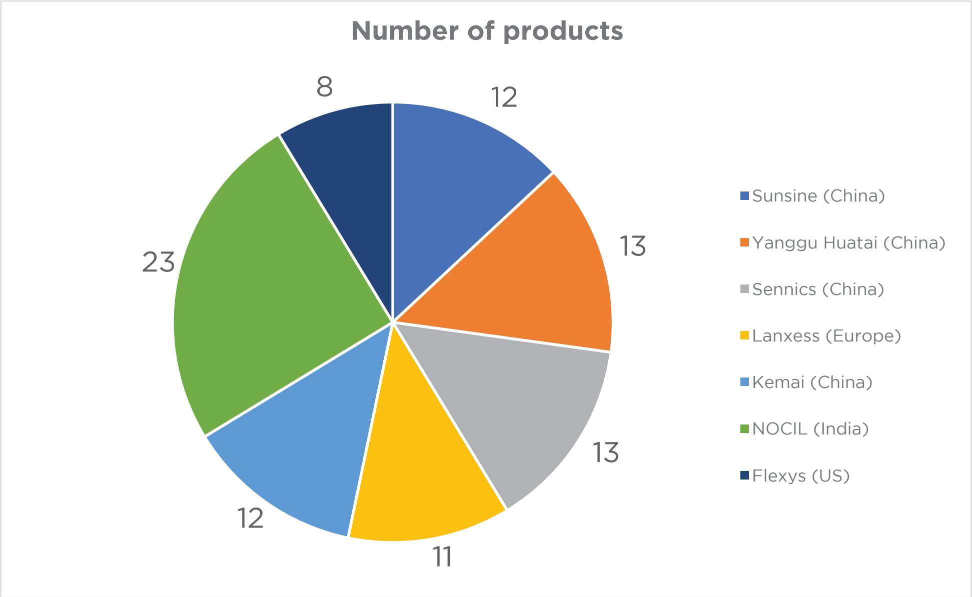
Capacity and Number of Products:



Source: Industry, Bloomberg

NOCIL has an environment clearance for adding approximately 50,000 MT and has land available in its plant at Dahej. The process for approvals for capacity expansion in this space is limited due to the environmental impacts. With limited capacity across the globe, NOCIL can emerge as a beneficiary of the rise in demand for rubber chemicals. The capital expenditure would be done through internal accruals like in the past.
Source: Company

NOCIL also has the widest range of products – 23, out of which 7 were developed in the last 10 years. NOCIL has an internal research team to develop products.



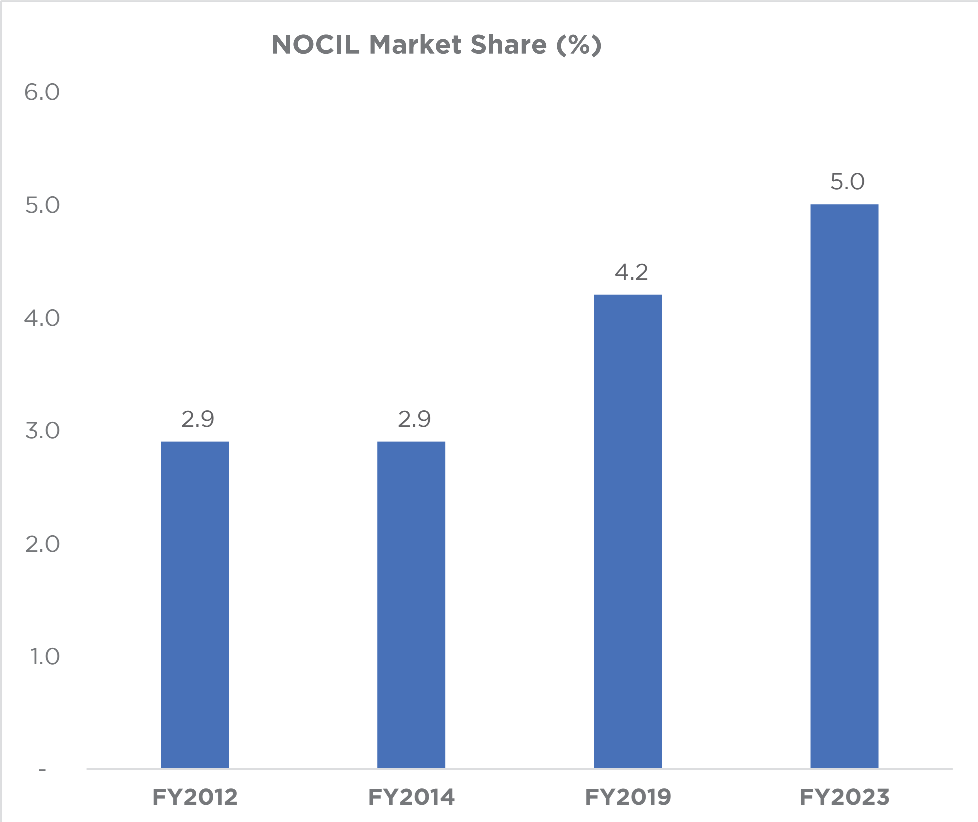
Source: Industry, Bloomberg

The above factors – capacity and product offerings become critical for new customer addition.

Global Opportunity:

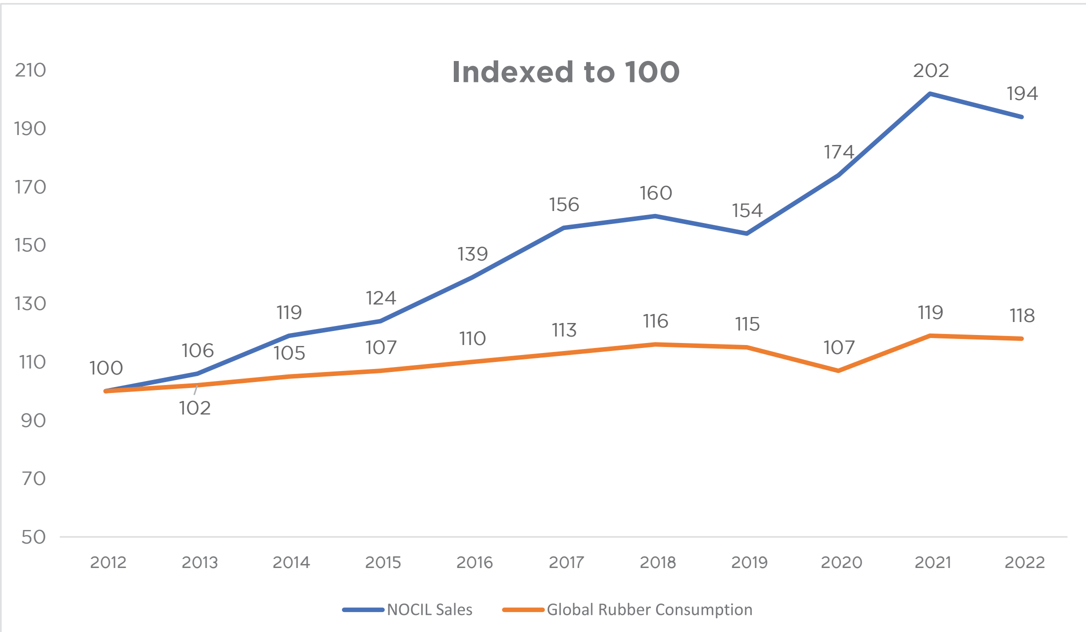
NOCIL is already supplying to top 20 tyre makers globally (except China) (Source: Company presentation) and have long term contract with these tyre makers. During the last 10 years, NOCIL has gained market share globally driven by:

- Rise in number of product offerings
- Increase in wallet share of existing customers
- Expanding geographical presence



Source: Company Presentation

NOCIL has outperformed global rubber consumption by nearly 5x in the last 10 years. With enhanced capacities, new product offerings and global majors looking to develop an alternate supply chain, we believe that NOCIL is in a strong position to grow its global market share in the next 3 years.



Source: Company Presentation

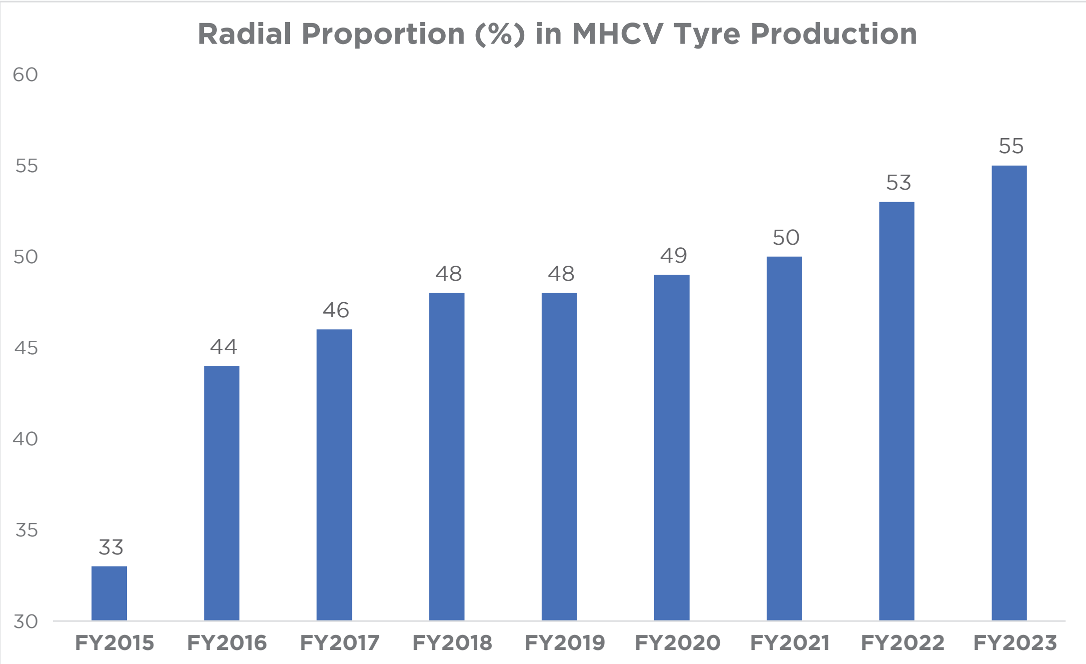
Domestic Opportunity:

The Indian tyre manufacturers are doing INR 200 Bn capital expenditure in the next 4 years and would entail a significant demand for rubber chemicals. The tyre industry accounts for more than 2/3rd of NOCIL volumes.

Source: Industry & Bloomberg

There are two significant changes in the Indian Tyre industry:

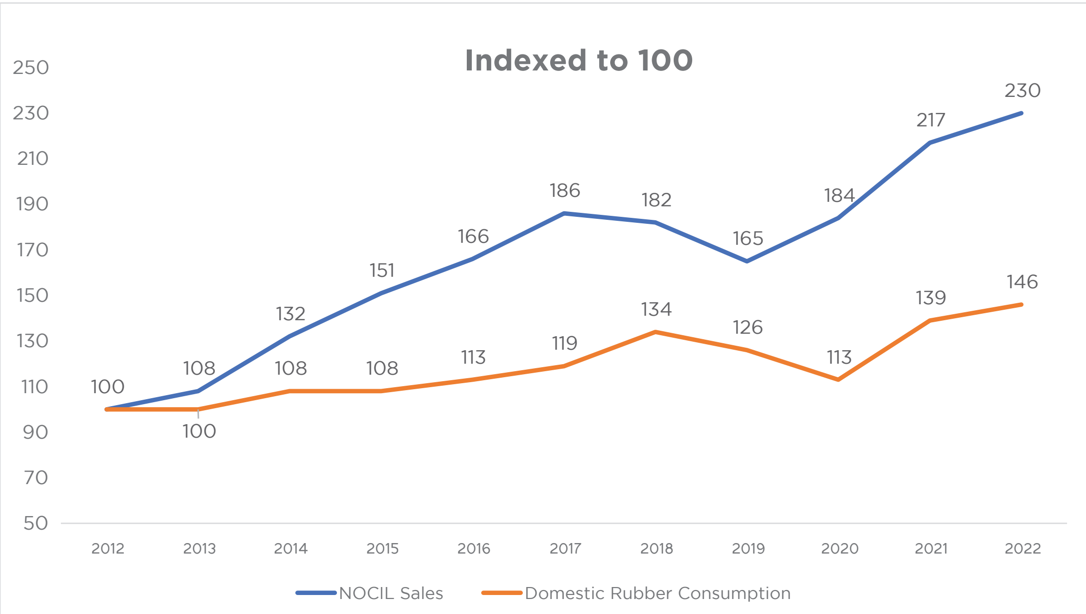
- Higher proportion of Radial Tyres – NOCIL has forayed in the rubber chemicals for radial tyres in FY2020. With its available capacity, it is expected that NOCIL can get a 50% market share in this segment in the next 3 years.



Source: Industry, Bloomberg

- Electric Vehicle (EV) adoption – The electric vehicles are heavier and with higher mileage requirement, the tyres must be more efficient. The tyres for EV will have more rubber (hence more rubber chemicals) as compared to tyres for internal combustion engine vehicles.

NOCIL has outperformed the Indian rubber consumption by nearly 3 times in the last 10 years. We expect the trend to continue due to its leadership position, new product offerings and higher demand for rubber chemicals due to shift towards radial tyres and increase in EV adoption.



Source: Company Presentation

We believe that NOCIL is well placed to capitalize on the rise in domestic demand and changes in the global supply chain of rubber chemicals. NOCIL has demonstrated its ability to protect market share despite the dumping from Chinese players in the past. The capacity availability, new product offerings and tie-up with global majors would enable NOCIL to gain market share in both the domestic and global market.

Portfolio Changes:

The following are the portfolio changes:

1. TVS Motor – increased the weight by 0.5% to 5.5%. The reasons being the continued traction in the scooter segment, consistency in motorcycle market share and gain in 2-wheeler EV share.

Warm Regards,
Yours sincerely

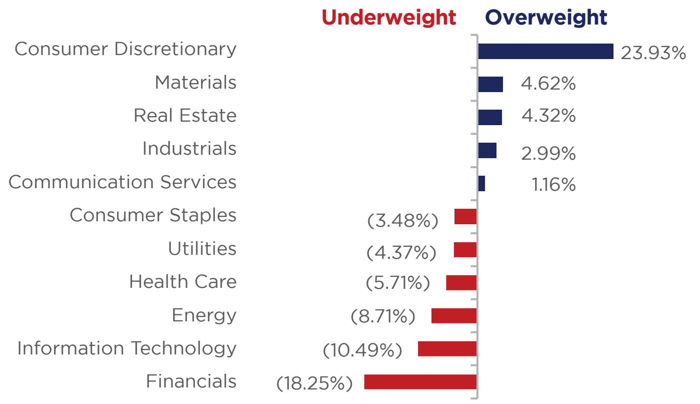
Priyank Chandra
Vice President and Portfolio Manager

Disclaimer:
Please note that the entity formerly known as o3 Securities Private Limited has been officially renamed as BugleRock Capital Private Limited. The new entity name has been duly updated with the Registrar of Companies (ROC) as per applicable regulatory requirements. However, it is imperative to acknowledge that the process of obtaining approval from the Securities and Exchange Board of India (SEBI) is ongoing. Therefore, while efforts are being diligently made to comply with all regulatory obligations, the final approval from SEBI is pending. Recipients are advised to exercise discretion and refrain from making any assumptions or decisions solely based on the updated entity name until such time that formal confirmation from SEBI is obtained. Any actions taken based on this information are at the sole discretion and responsibility of the recipient.

Top 10 Holding of o3 Thematic Opportunities Portfolio

Name	GICS Sector	Weight
Sobha Ltd	Real Estate	9.03%
Bharat Electronics Ltd	Industrials	5.97%
Mahindra Holidays & Resorts	Consumer Discretionary	5.89%
TVS Motor Company Ltd	Consumer Discretionary	5.58%
SBI Cards And Payment	Financials	5.36%
Titan Company Ltd	Consumer Discretionary	5.32%
Bharti Airtel Ltd	Communication Services	5.27%
Astral Ltd	Industrials	5.14%
Nocil Ltd	Materials	5.11%
Asian Paints Ltd	Materials	4.91%
		57.58%

Overweight / Underweight of Model Portfolio Compared to BSE 500 TRI as on 31st January 2024



Investment Objective: The approach will be to invest in companies from the sectors selected based on the investment themes that we believe will play out in India over the next several years.

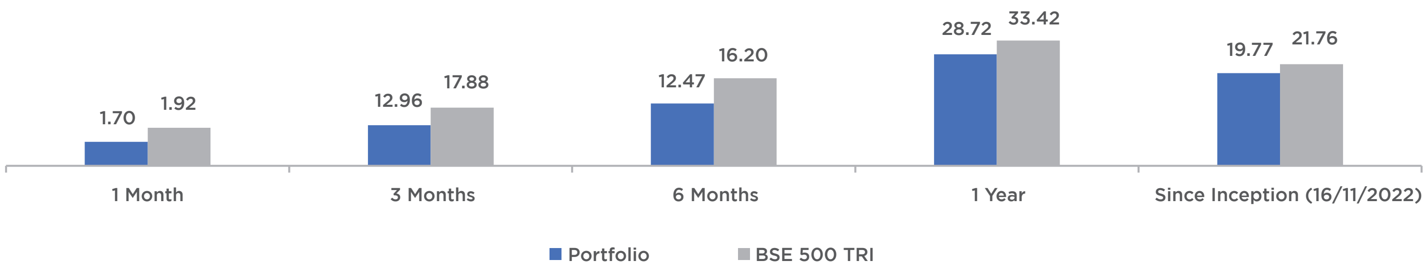
Model Portfolio Details as on 31st January 2024	
EPS CAGR (2023 to 2025)	26.12%
PER to Earnings Growth Ratio (PEG Ratio)	1.31
Average Market Cap (INR Bn)	1,197
Average Age of companies	43 Years

Model Portfolio Composition as on 31st January 2024	
Large Cap	28.50%
Midcap	24.50%
Small Cap	33.00%
Cash	14.00%

- Large Cap: Market cap of the 100th company in the BSE 500 TRI (sorted by market cap in descending order) *
- Midcap: Market cap below 100th company to the market cap of the 250th company in the BSE 500 TRI (sorted by market cap in descending order) *
- Small Cap: Market cap lower than the 250th company in the BSE 500 TRI (sorted by market cap in descending order) *

As on last working day of the month i.e., 31st January 2024

Consolidated Portfolio Performance of o3 Thematic Opportunities Portfolio 31st January 2024



- Benchmark is BSE 500 TRI, the portfolio is spread across different market capitalization, hence BSE 500 TRI is chosen as benchmark.
- Since inception date stated is considered to be the date on which the first client investment was made under the investment approach.
- Source: Internal, Bloomberg, BSE & Ace Equity.