

o3 Thematic Opportunities Portfolio

Monthly Newsletter – March 2023

Dear Investor,

The Aero India show in February 2023 showcased that how the Indian aviation sector – defense and commercial are attracting the global companies to be a part of this opportunity. The medium-term theme of the Thematic Opportunities Portfolio (TOP) – Manufacturing & Infrastructure would continue traction as India would get investments in manufacturing related to aviation sector.

Aero India witnessed participation by 98 countries, defense ministers of 32 countries and air chiefs from 29 countries. A total of 809 companies participated in the event. The Bandhan ceremony held as a part of Aero India show resulted in 266 partnerships including 9 product launches and 3 transfer of technologies worth more than INR 800 Bn. The government intent is clear with “Make in India” and “Make for the World”. The defense ministry focus has been to move India from an assembly workshop for military equipment’s to produce cutting edge defense hardware through partnerships with global OEM’s and DRDO capabilities.

The MoU’s were signed for various defense products that will pave the way for increased FDI in the defense sector. The following listed entities were involved in signing MoU’s:

- Hindustan Aeronautics
- Bharat Electronics – a part of TOP portfolio
- Bharat Dynamics

On the civil aviation, Air India has signed a deal for procuring 470 commercial aircrafts with both global majors – Airbus and Boeing. The Indian civil aviation sector is expected to become the third largest by end of 2030. With Indian airlines expected to order nearly 2,000 aircrafts in the next decade, the global majors can consider setting up manufacturing base for some parts within India. The number of airports has gone up from 74 in 2014 to nearly 140 plus in 2023.

As per industry reports, the passenger traffic is likely to reach 690 Mn by 2030, growing in double digits and the freight traffic expected to reach 5.8 MMT by 2030 at around 7% CAGR. Greenfield airports are expected to witness significant growth with an investment opportunity of INR 2.3 Tn over the period FY2023 – FY2030. The government plans to increase the number of airports beyond 200 in the next 5 years. This requirement would entail a significant amount of infrastructure investment in development for airports, road connectivity, security equipment and others.

Monthly Updates:


GST collection for February 2023 is at INR 1.50 Tn. This is a growth of 12% versus February 2022 (INR 1.33 Tn). The GST collections was down by 3.8% compared with the previous month of January 2023 (INR 1.56 Tn). This was due to the lesser number of days in February. The GST collection has been above INR 1.4 Tn for consecutive 12 months and has been better than estimated providing a cushion against any extra expenditure.

Portfolio Changes:

There are no changes in the portfolio as we believe that the portfolio is well placed to benefit from the current environment.

Priyank Chandra

Portfolio Manager

 @priyankschandra

Thematic Opportunities Snapshot

Characteristic	Return on Capital	Expected Earnings Growth (FY22-FY24)	Avg. Market Cap (INR Bn)	Price Earnings Ratio (FY24)
TOP	19.31%	36.60%	1,082	32.24
Nifty 500*	20.14%	15.62%	479	17.26

Data Source: Bloomberg & Ace Equity; Data as of 28th February 2023, Forward PE of Index calculated based on eps growth from Bloomberg & current price from NSE site. *Benchmark is Nifty 500. The portfolio is spread across different market capitalization, hence Nifty 500 is chosen as benchmark.

Performance as on 28th February 2023

Period	TOP	Nifty 500
1 Month	-1.49%	-2.79%
3 Months	-5.20%	-8.95%
Since Inception (16/11/2022)	-4.78%	-7.49%

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