



Thematic Opportunities Portfolio - Newsletter



Dear Investor,

The Medium-term theme of the Thematic Opportunities Portfolio has a key catalyst – Production Linked Incentive (PLI) scheme. The PLI scheme has an allocation of INR 1.97 Tn and is expected to add nearly INR 40 Tn in the economic output. The interest received by the government is significantly ahead of the allocated amount signifying the success of the PLI scheme.

The government has come up with PLI scheme 2.0 with an outlay of INR 170 Bn for the IT hardware industry covering laptops, tablets, all in one PCs, servers, etc. The mobile manufacturing growth with PLI impetus has been a success story – India is now the second largest mobile phone manufacturer after China. The focus of this scheme is to do more manufacturing in India as compared to assembling as even today, India imports more than 90% of the mobile components from China and Taiwan.

Along with this, the government has proposed restriction on import of IT hardware from November 1, 2023, to spur domestic manufacturing. The existing importers would have to get a license for importing IT hardware products and are given a timeline till October 31, 2023. This would give adequate time to importers to seek the license to ensure no disruptions in IT hardware availability in the country.

The objective is to:

- To reduce imports from China, pre-empt geopolitical pressures that impact trading and strengthen India's IT hardware supply chain.
- This is in sync with government's target of achieving self-sufficiency in domestic electronics manufacturing by FY2026 and position India as an export hub.

Post these steps, there has been a significant increase in interest in the PLI scheme of IT hardware. The following developments are worth highlighting:

- The leading laptop companies have registered for the PLI scheme and some of them are ready to start manufacturing in India.
- August 30, 2023 has been set as the last date for the INR 170 Bn PLI scheme for manufacturing IT hardware.
- This comes barely days after the union government-imposed registration mandates for importing laptops, tablets, and personal computers into the country.
- More than 44 companies have already registered for the PLI scheme, including top laptop manufacturers.

Monthly Updates:

GST collection for July 2023 is at a record level of INR 1.65 Tn. This is a growth of 11% on a YoY basis. This is the fifth instance that monthly GST collections have crossed the INR 1.6 Tn mark. The revenue from the domestic transactions was 15% higher on a YoY basis. The buoyancy in the tax collection is attributed to the progressive reduction in the e-invoicing turnover limits and increase in number of state-wise GST audits that led to all businesses becoming more GST compliant.

Portfolio Changes:

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

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Thematic Opportunities Portfolio Snapshot

| Characteristic | Return on Capital | Expected Earnings Growth (FY23-FY25) | Avg. Market Cap (INR Bn) | Price Earnings Ratio (FY25) |
|----------------|-------------------|--------------------------------------|--------------------------|-----------------------------|
| TOP | 20.29 | 31.72 | 1,278 | 33.42 |

Data Source: Bloomberg & Ace Equity; Data as of 31st July 2023.

Performance as on 31st July 2023

| Period | TOP | BSE 500 TRI |
|------------------------------|-------|-------------|
| 1 Month | 2.35 | 3.95 |
| 3 Months | 12.58 | 12.49 |
| 6 Months | 14.44 | 14.82 |
| Since Inception (16/11/2022) | 10.60 | 9.22 |

Benchmark is BSE 500 TRI. The portfolio is spread across different market capitalization; hence BSE 500 TRI is chosen as benchmark.

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