



# Thematic Opportunities Portfolio - Newsletter

## Dear Investor,

The Medium-term theme of the Thematic Opportunities Portfolio has Manufacturing as a key theme. The auto industry has been considered a key indicator of the manufacturing activity in an economy. The auto sector has been recovering from a prolonged slowdown of FY2017 - FY2022. With the festive season demand outlook looking robust, semi-conductor supply issues getting better and key raw material prices declining trend, the auto industry outlook continues to get stronger.

The numbers for August 2023 (based on companies press release) across the segments looks encouraging:

- 2W – Hero MotoCorp led the pack with a 6% growth followed by 2% growth of TVS. Bajaj Auto reported a de-growth of 15% due to the challenges in the export market. Royal Enfield grew by 11%. The domestic growth was led by the premium segment whereas the entry level segment continued to face challenges due to slowdown in rural markets.
- CV – The segment grew by 13% with Tata Motors having flattish volume. Ashok Leyland and Eicher Motors grew by 10% and 30% respectively.
- PV – MSIL grew by 15% and sold 41,500 UVs in August 2023. M & M sold 37,000 units. Tata Motors reported a flattish growth due to the high base of last year.

In the TOP portfolio, we have an exposure to the following companies in the auto sector:

- TVS Motor Company – 2w player with a strong scooter and motorcycle portfolio. TVS Motor has been focusing on 2W EV and is already the second largest 2W EV player in India. TVS is planning to launch a range of products with batteries ranging from 5kWh to 25kWh over the next year.
- Sona Comstar – The auto ancillary has developed a strong product range for the EV segment and has been supplying its products to US (43% of revenue) and Europe (29% of revenue). The order book stands at INR 238 Bn – 8x FY2023 revenue and 77% of the order book is from the EV segment. As of now, they have 42 products for 26 customers.
- CIE Automotive – manufacturers of engine and chassis forged components for the PV and the CV segment. CIE automotive has been developing EV products and has started supplies to few customers.

## Monthly Updates (Source - Press Information Bureau):

GST collection for September 2023 is at a record level of INR 1.59 Tn. This is a growth of 11% on a YoY basis. The revenue from the domestic transactions was 14% higher on a YoY basis and the revenue from import of goods was higher by 3% on a YoY basis. The buoyancy in the tax collection is attributed to the increase in number of state-wise GST audits.

## Portfolio Changes:

We have removed Hindustan Unilever and Havells India from the portfolio for the following reasons:

- Based on our analysis and channel checks, we understand that there has been a longer than expected delay in rural recovery for FMCG segment and HUL is a key player in the rural markets.
- We are doing profit booking in Havells India.

There have been no new additions as of now.

**Priyank Chandra**

Portfolio Manager

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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	16.73	29.54	1,043	29.46

Data Source: Bloomberg & Ace Equity; Data as of 31<sup>st</sup> August 2023.

## Performance as on 31<sup>st</sup> August 2023

Period	TOP	BSE 500 TRI
1 Month	1.16	-0.61
3 Months	6.47	7.73
6 Months	17.91	17.34
Since Inception (16/11/2022)	11.88	8.55

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

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