

DSP BlackRock CoRe Fund

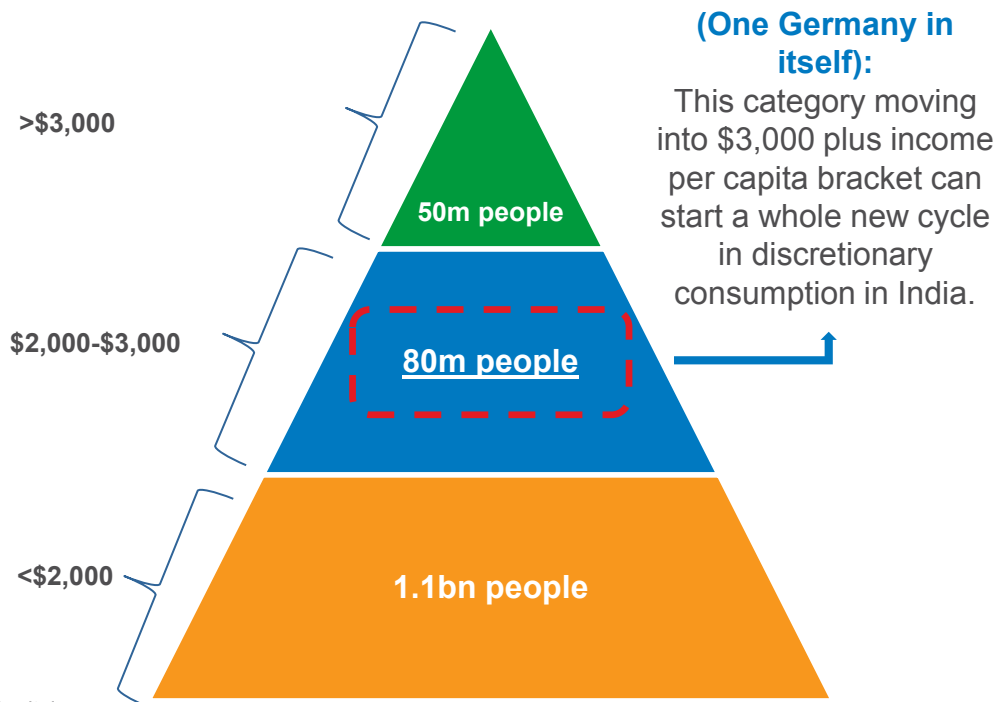
(Consumption, Reforms & Transformation)

September 2016

India is at an inflection point

- Income per capita of \$3,000 marks as the point of inflection for durable products penetration across countries.
- This stage of development corresponds to the point where a large numbers of consumers shift their focus from providing only the basic necessities to discretionary spending.

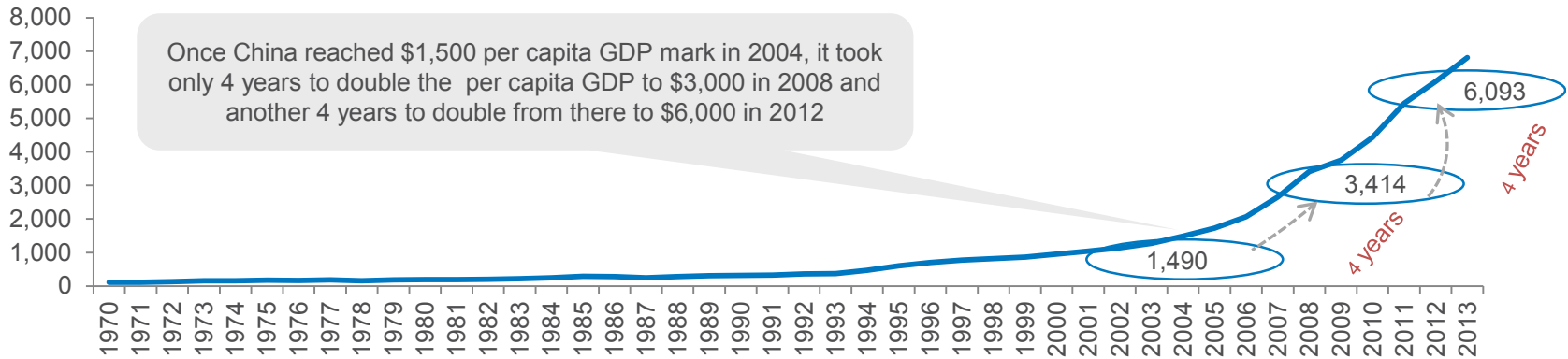
Income-wise population distribution



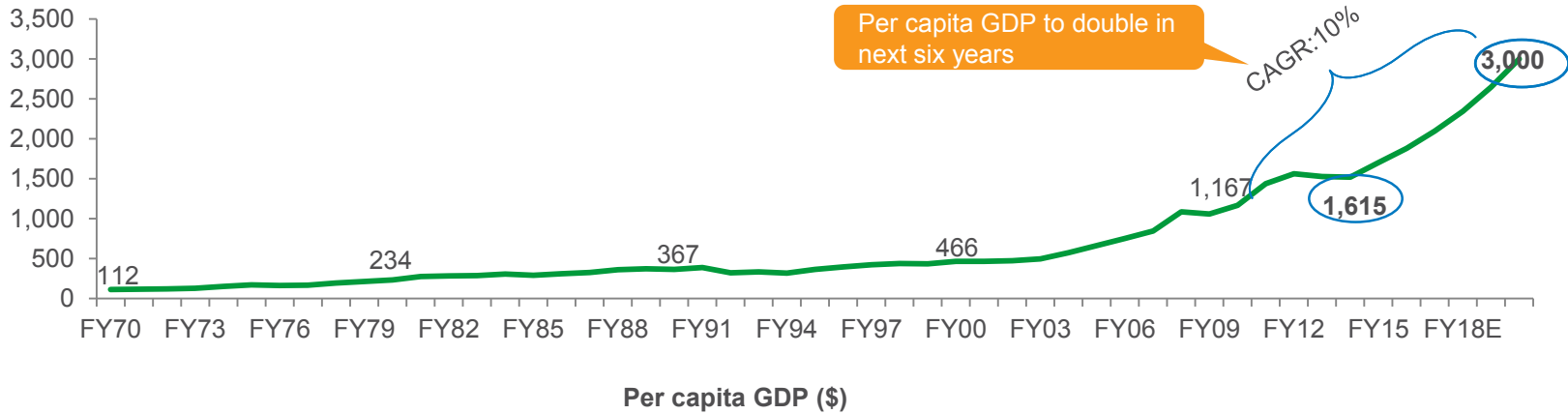
Source: Ministry of Finance, Spark Capital.

A pick up in per capita GDP is imminent

China's per capita GDP up 4x in 8 years once it reached \$1,500 mark



India, in per capita GDP, is following China with a lag of ~10 years



Aspirational spending triggers awaiting

Source: Spark Capital Research, IMF – Bloomberg PLC and NSSO Survey -68th & 64th round data

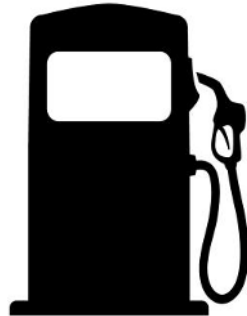
Government is supporting by taking initiatives and reforms

Food Inflation



- ✓ Limit Minimum Support Price (MSP) to 5%
- ✓ Reform of APMC
- ✓ Actively use buffer stock
- ✓ Lower rural wage inflation

Energy Sector



- ✓ Free pricing for petrol/diesel
- ✓ Lower fuel subsidies and improved fiscal deficit
- ✓ Increase in Fuel Taxes Aiding Public Saving

Banking



- ✓ Financial inclusion plan (Jan Dhan Yojna).
- ✓ ~236 mn. bank accounts opened since Sep-14.
- ✓ Direct Benefit Transfer (DBT) of subsidies

Source: PIB, Economic Times, Business Standard, Shutterstock. Macquarie April 2016.

GDP breakup of India

Approx. 90 lakh crore is the size of India's consumption

	60% Contribution to GDP (FY16)
GDP	100.0%
C	59.5%
G	10.6%
I	32.4%

- With **rural demand** turning around on **good monsoon** and higher **govt rural spend**, consumption demand should continue to remain high in the country.
- The **Seventh Pay Commission** has recommended 23.6% increase in salary and pension of 20 million Government employees (Centre + States), which would drive the next leg of consumption growth in next two-three years.

Source: Spark Capital 2016

The stage is set.....

- 1 Good monsoons
- 2 Seventh pay commission will be paid from end August 2016
- 3 One Rank One Pension (OROP) is on track
- 4 GST Bill passed in Parliament
- 5 Significant Government spending on targeted areas (infrastructure, housing, rural and sanitation)

Consumption



Rural: Discretionary, Non-Discretionary & Agri Inputs

Urban: Discretionary, Non-Discretionary, Credit availability

Transformation



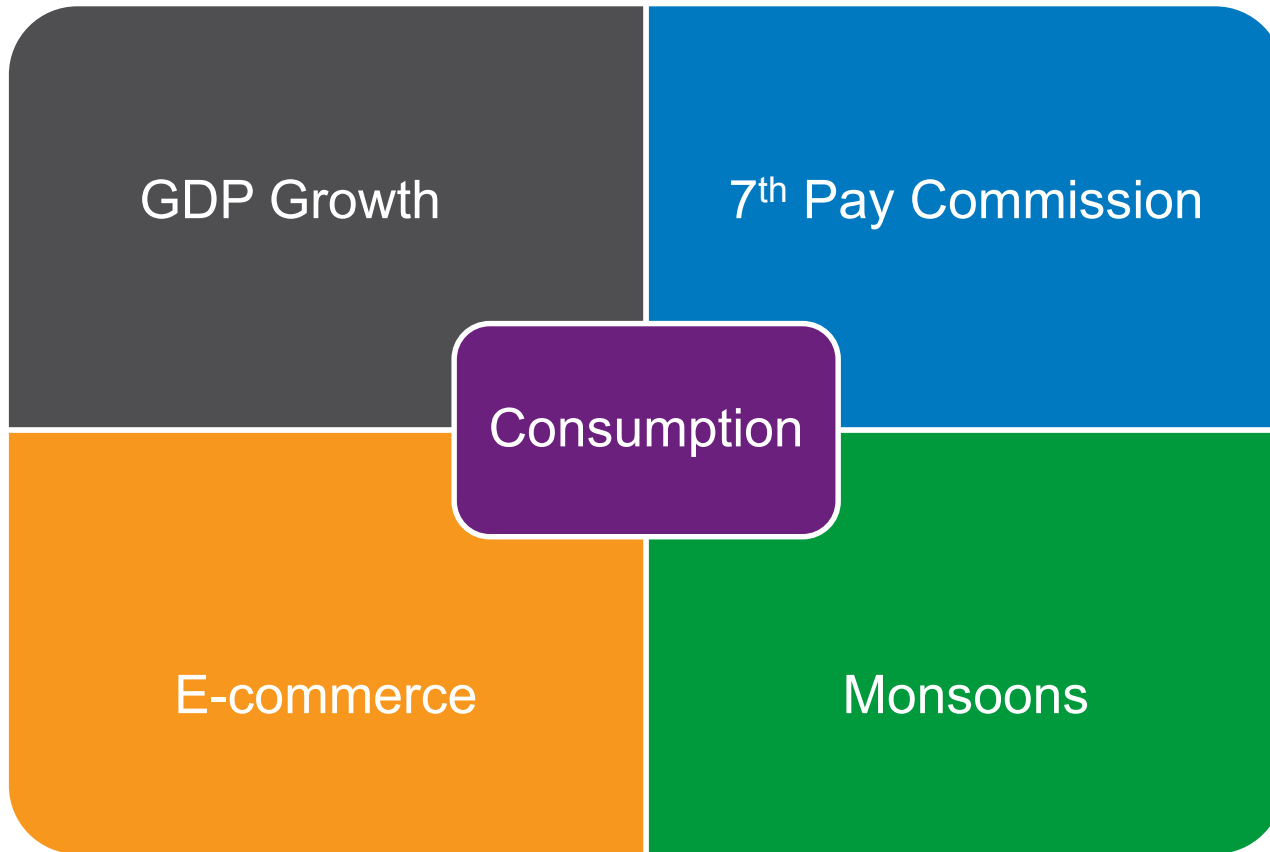
Supply chain: GST, Road, Railways

Direct Benefit Transfer (DBT)

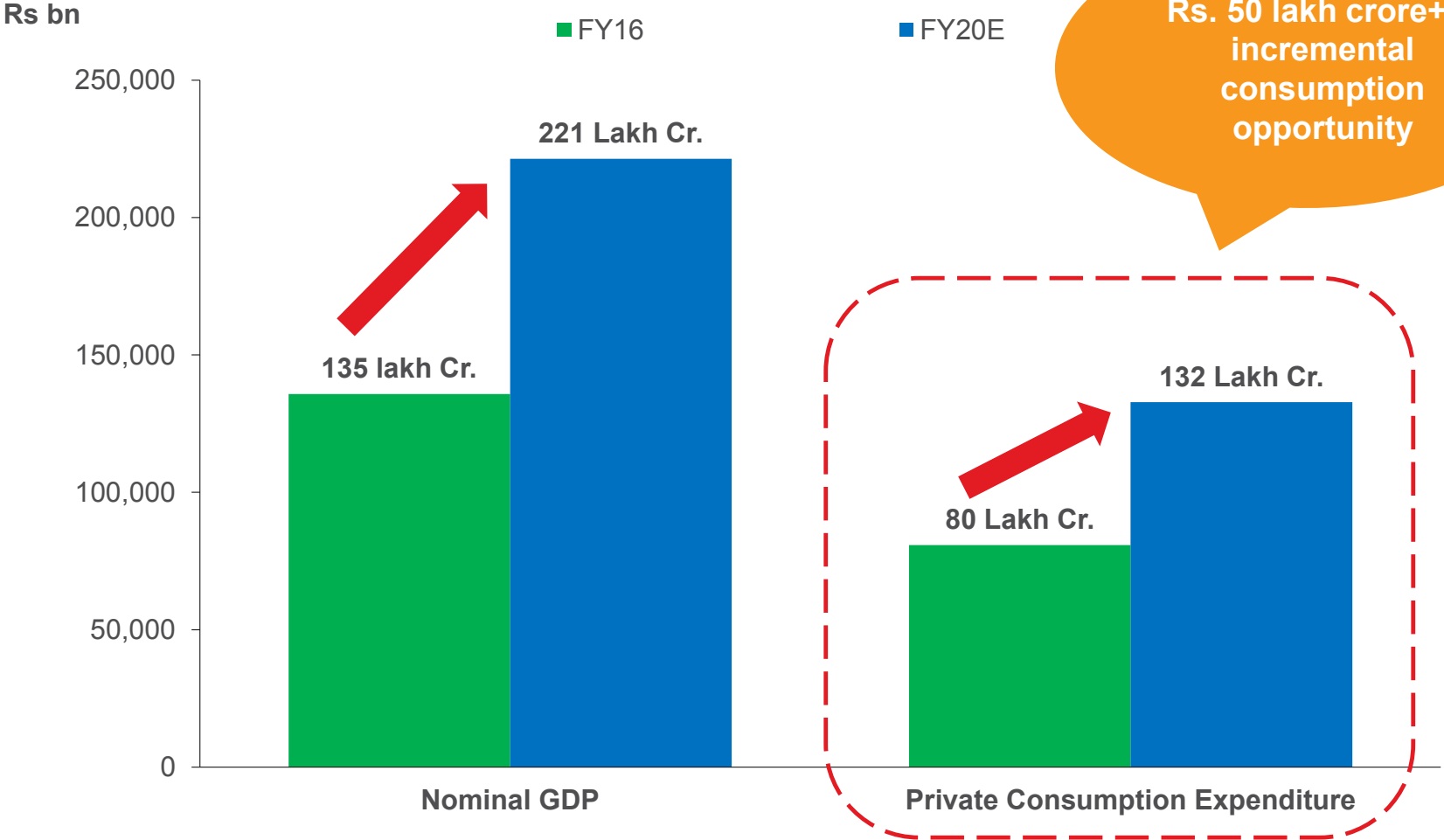
Financial Inclusion: JAM (Jan-Dhan, Aadhar & Mobile), Microfinance

Consumption

What will drive consumption?



Consumption opportunity till 2020



Source: CEIC, Macquarie.

Note: *Nominal GDP growth is assumed at 13% CAGR till FY20. * Private Consumption share in GDP is assumed to be stable at 60% till FY20

Private consumption accounts for ~60% of GDP (~Rs. 80 lakh crore)

Large population drives consumption

India has a large market across all income brackets

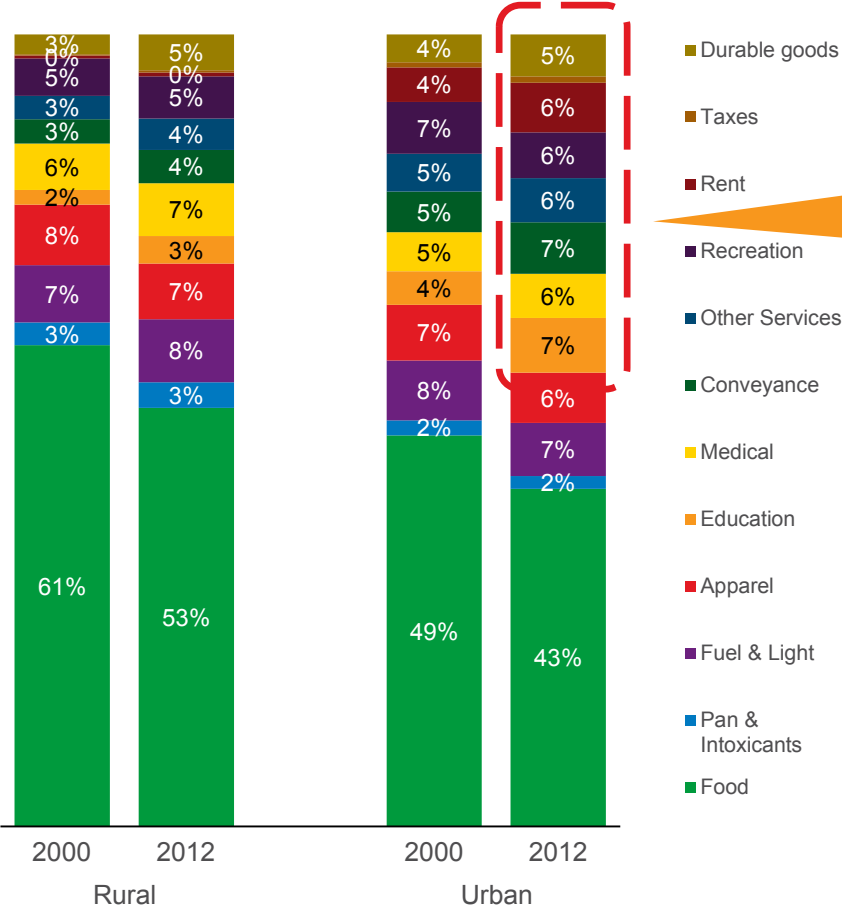


Income Class	Population (mn)	Income (US\$ in PPP terms)	Population size in India relative to country population
Highest	26	36,000	1.2x Australia
Upper middle	73	9,000	1.5x South Africa
Middle	282	3,500	3x Philippines
Lower middle	701	1,200	-

Source: Morgan Stanley, Axis Cap, country by population. Population data is as of December 2011.

Discretionary spend rising

% of money spent on food and basic necessities has been falling

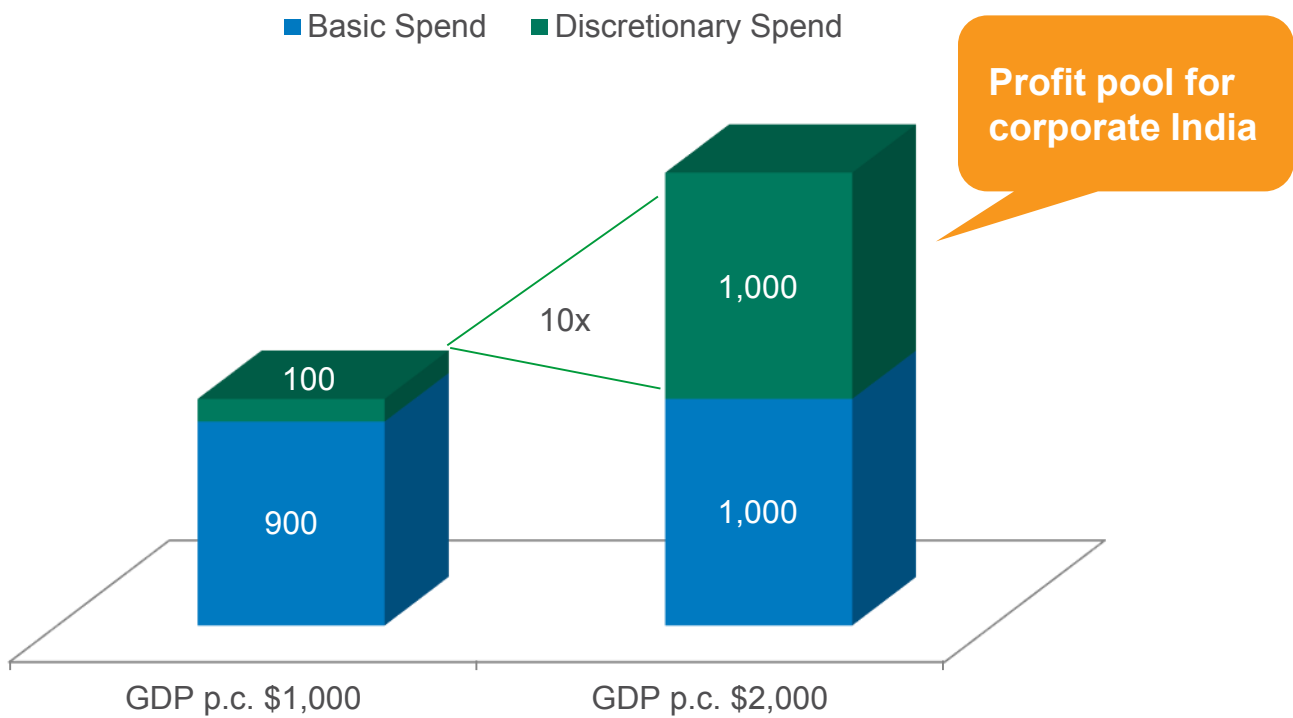


Spend towards durables, recreation, education, apparel rising

Source: Spark Capital Research, IMF – Bloomberg PLC and NSSO Survey -68th & 64th round data

A disproportionate rise in consumption

When per capita GDP doubles, discretionary spend becomes 10x

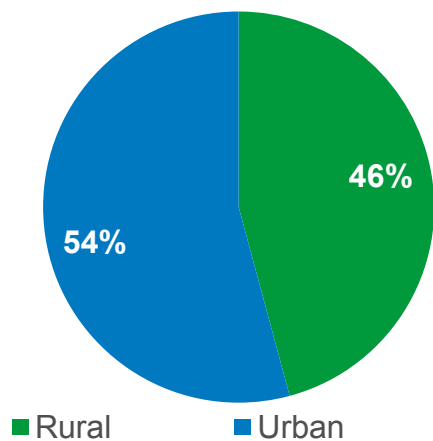


Source: Ministry of Finance, Spark Capital.

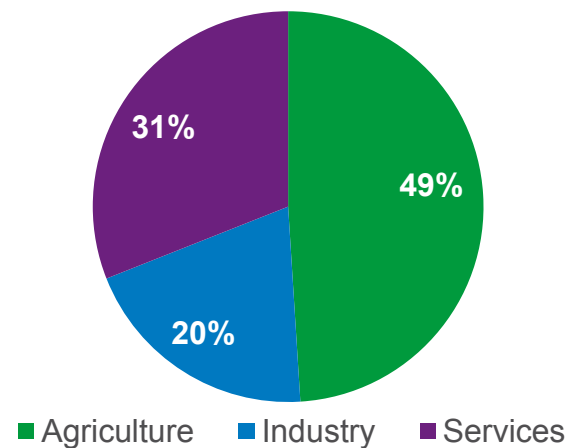
Better monsoons to revive rural demand

- ▶ Agricultural growth this year (estimated at 3.7% YoY in FY17) vs. an average of 0.5% YoY registered in the previous two years
- ▶ Boost to farm incomes to help support rural demand

Rural India accounts for 46% of India's consumption



Rural India employs around half of India's population



Source: Govt, Company presentation, Spark Capital Ltd

7th Pay Commission and OROP to boost overall consumption



7th Pay Commission

The 7th Pay Commission has recommended 23.6% hike in salaries of central government employees (4.7mn) and pensioners (5.3mn) effective from Jan-16 onwards and entailing a wage bill of Rs. 1 trillion

Including other government entities (state government, quasi government and local bodies amounting to another ~15mn employees), the total increase on wage bill could be at least Rs. 3-3.5 trillion over the next 2-3 years

One Rank One Pension (OROP)

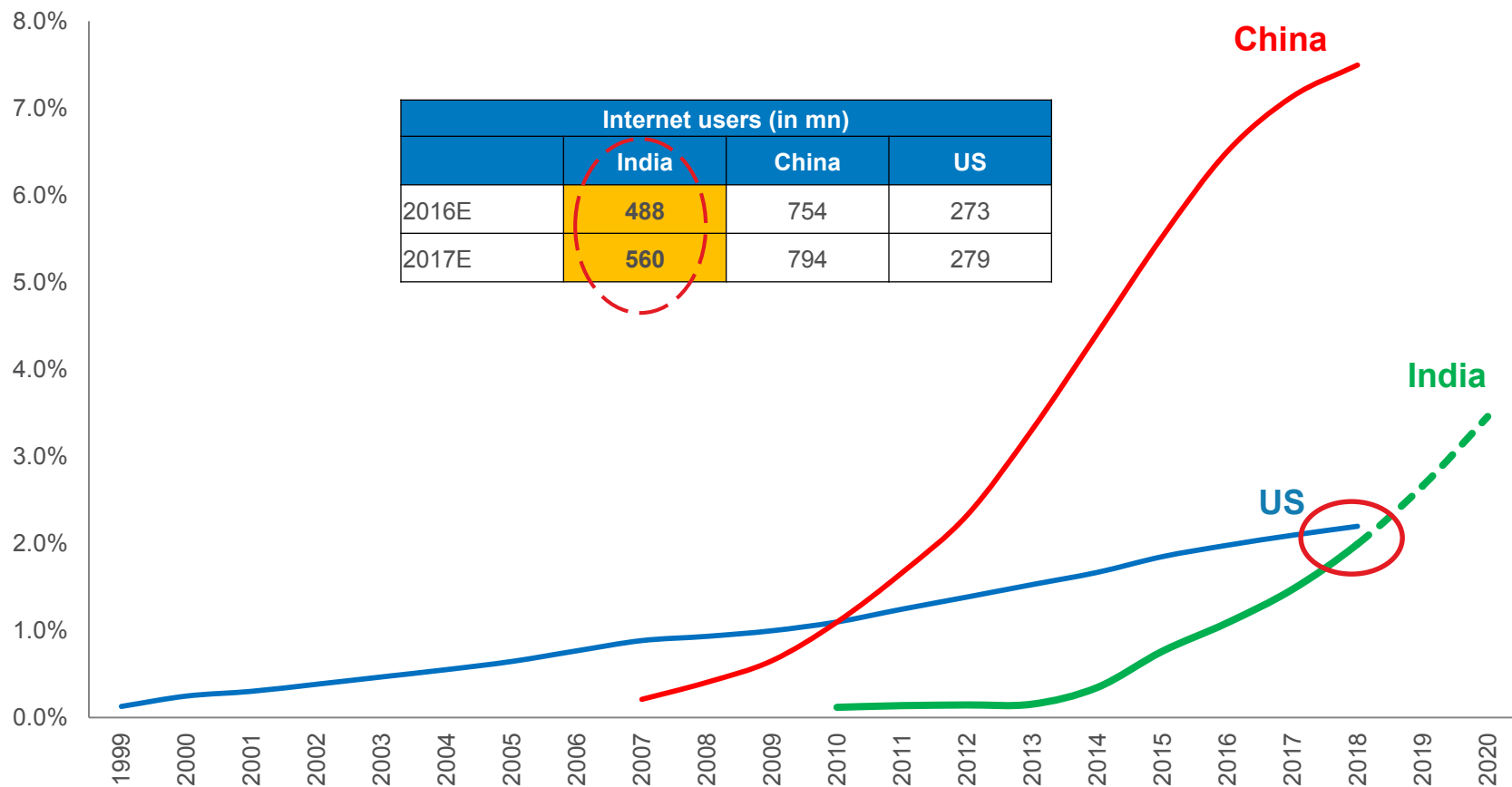
And a recurring outlay of Rs. 7500 cr./year going forward

Will result in an additional outlay of Rs.13,000 cr. in FY17



India e-commerce: Consumer boom fast forwarded?

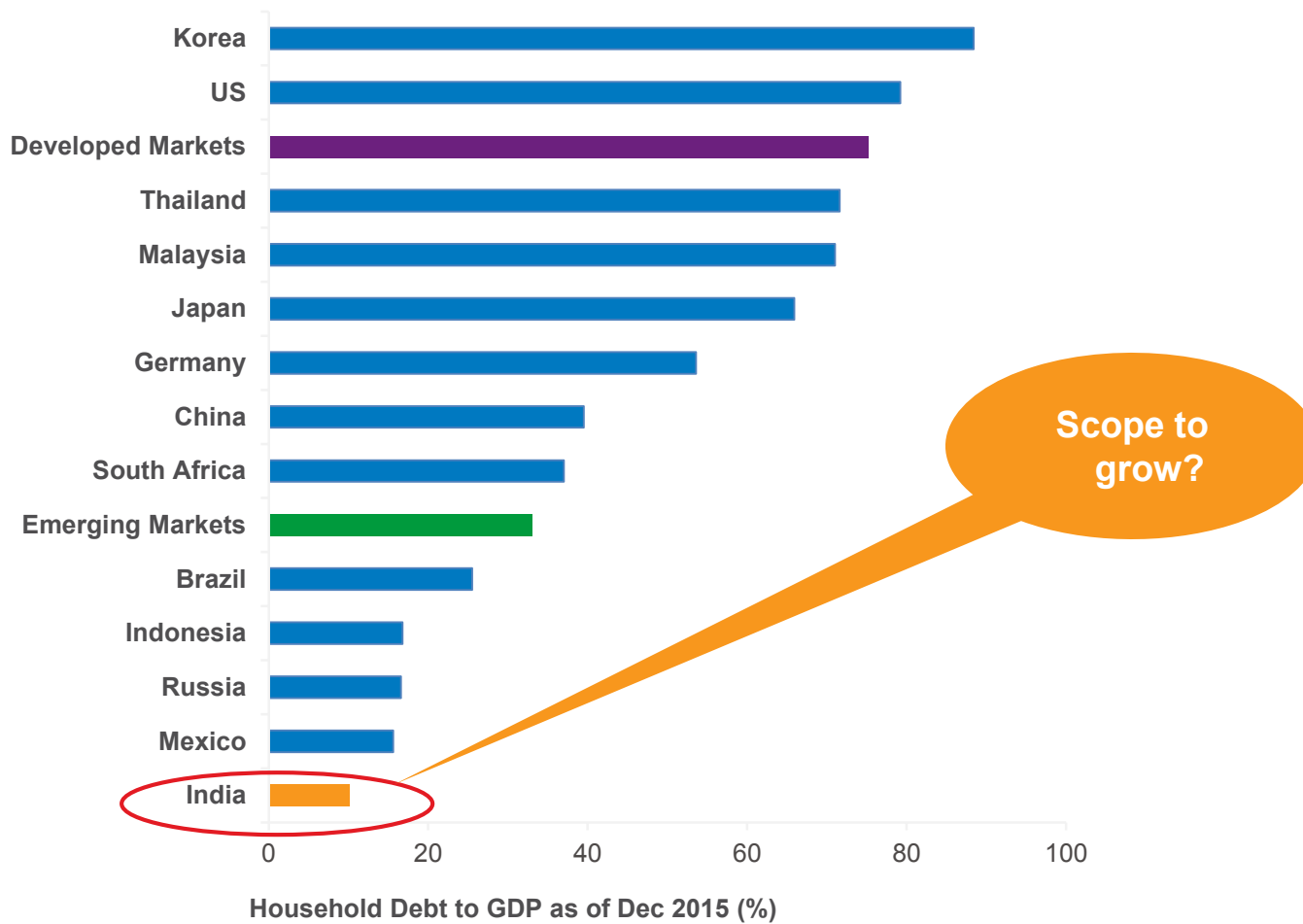
India e-commerce as % of GDP accelerating



Source: Company data, Euromonitor, Techcrunch, Forbes, industry sources, Morgan Stanley. There is no guarantee that any forecasts made will come to pass.

India is significantly underleveraged by global standards

Household Debt % of GDP (2015) one of the lowest amongst EMs and DMs



Source: Edelweiss, BIS, CMIE

Beneficiaries...

Discretionary/ Retail consumption to be driven by conversion from unorganized

Category	Organized Share by value	Market Size (Rs. ~bn)	Drivers of organized retail
Paints	65%	247*	Premiumization
Apparel	36%	2,815	Social Strata
Footwear	40%	400	Comfort
Bags	15%	78	Convenience
Luggage	38%	68	Quality
Jewellery	20%	2,495	Trust and purity
Watches	45%	103	Social symbol
Grocery	5%	1,786	Discounts/Convenience
Leisure	18%	1,500	Entertainment/Ambience
Consumer Electronics	3%	660	Increase in per capita consumption
Furniture	10%	1,290	Aspirational purchases
Books	7%	30	Sophistication & urbanization
Consumer Durables	8%	850	Ambience, quality and service
Pharmacy & wellness	6%	2,000	Trust & quality

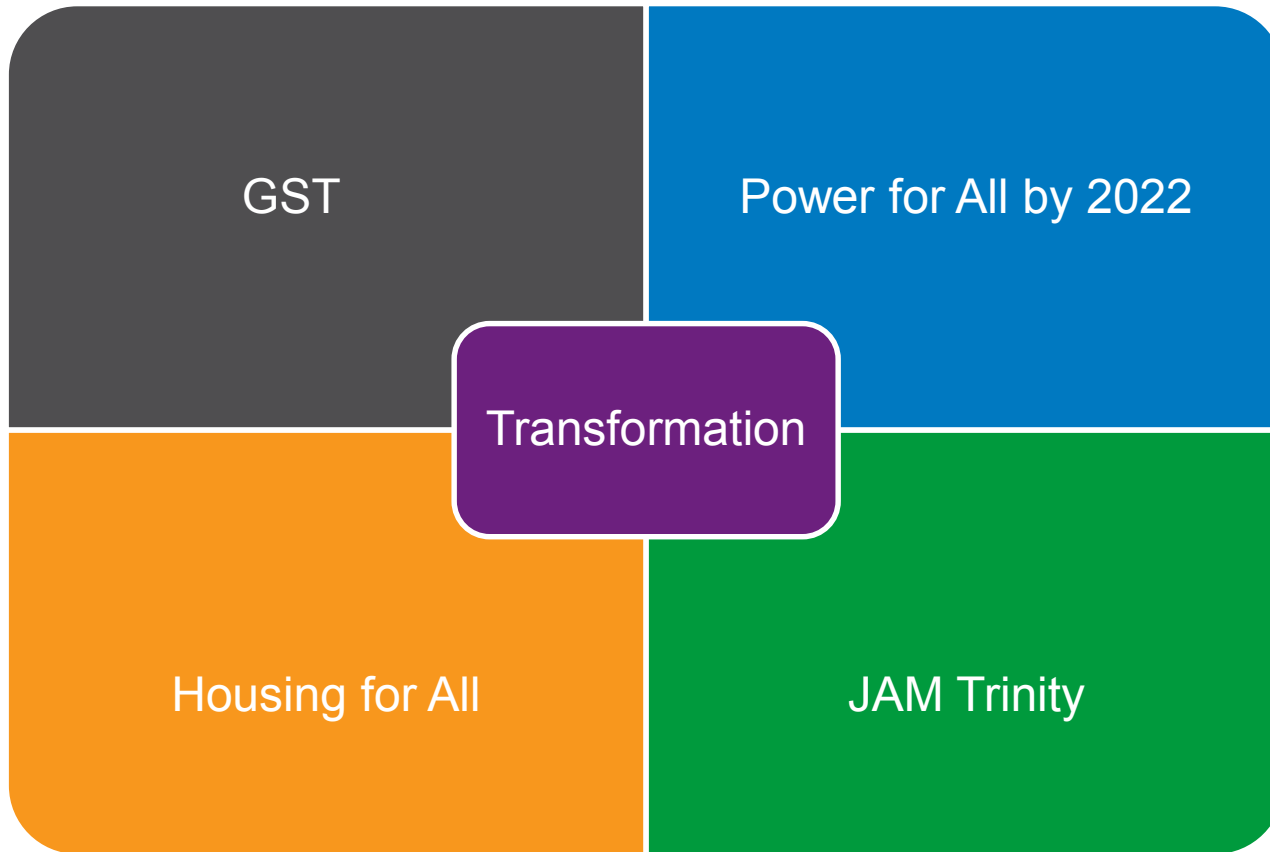
* Decorative Paints only

Conversion from unorganized to be a key retail trigger

Source: Spark Capital.

Transformation

What will drive transformation?



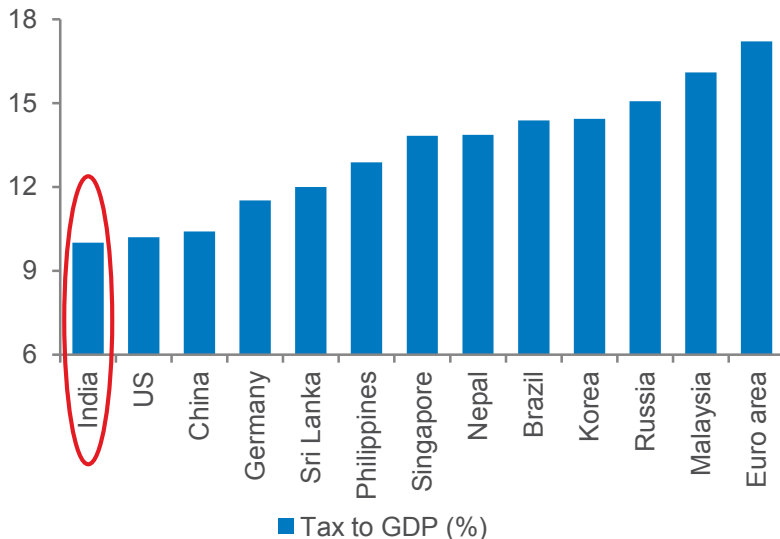
GST: Tax reform to boost organised sector consumption

GST will help reducing the gap between organised and unorganised sector

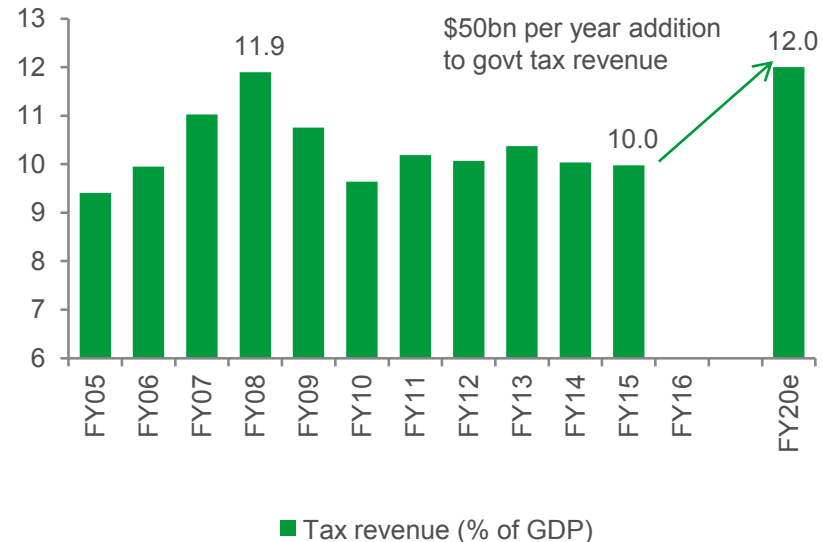
Implementation of GST from Apr'17 to enhance the tax-GDP ratio by ~2 percentage point, which will add over \$50bn per year to Government revenue

Can more than double the government capex spend from 1.8% of GDP to ~4% of GDP leading to higher employment and eventually consumption

India's tax to GDP ratio is amongst the lowest



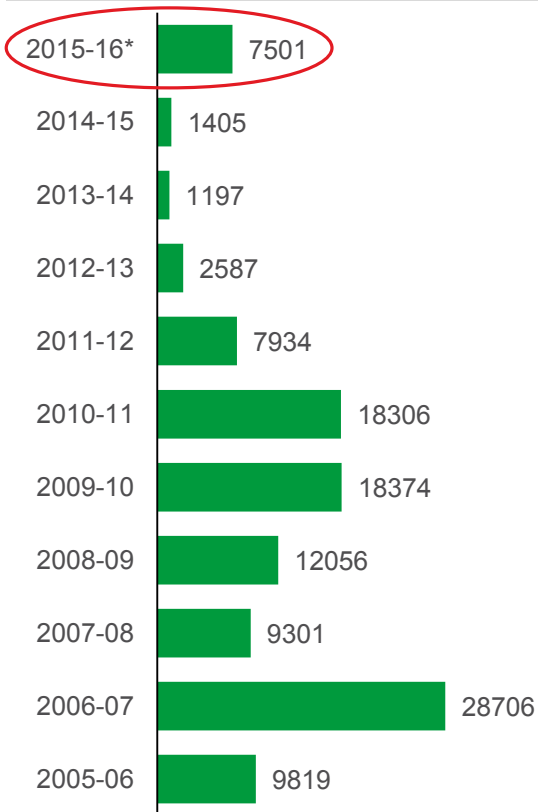
Tax reforms can add >\$50bn per year to govt revenue



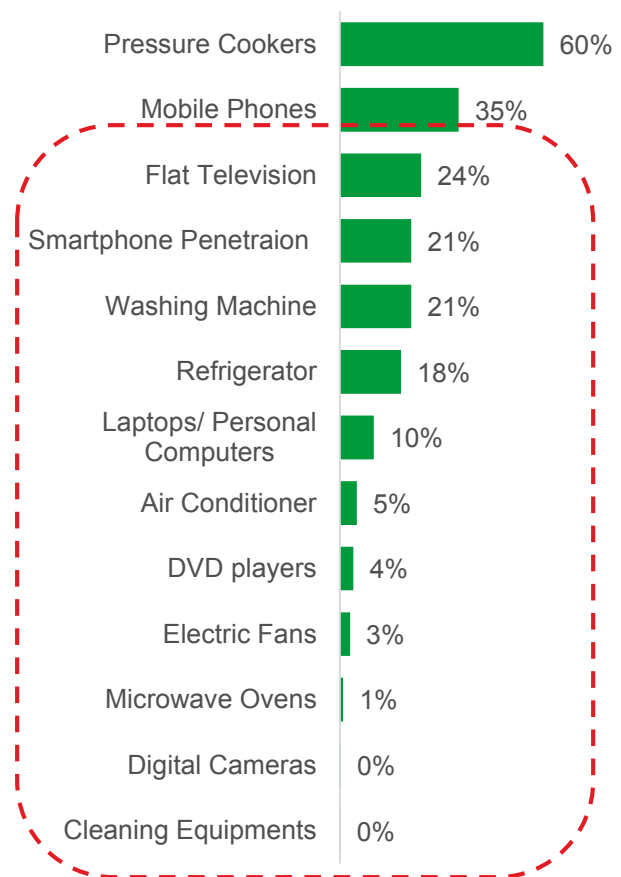
Source: Ministry of Finance, Spark Capital

“Power for all 24x7 by 2022” provides significant opportunity for durables penetration

Number of Un-Electrified Villages Electrified



Penetration of Durables



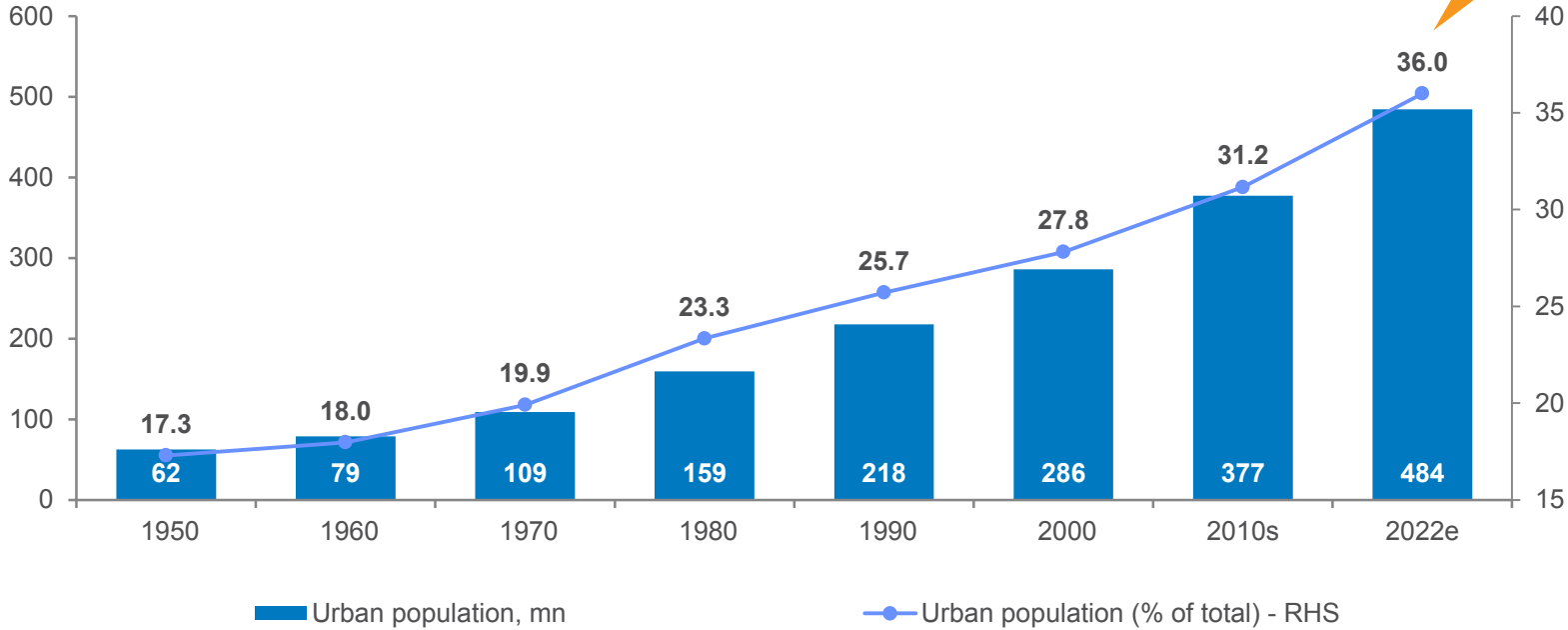
Durables penetration opportunity to receive a boost

Upto April 2016, Source: Spark Capital Research, REC annual reports – FY06-FY15, <http://powermin.nic.in/en/content/deendayal-upadhyaya-gram-jyoti-vojana-ddugjv>, <http://www.wefonline.org/wefonline.org/media/docs/2008/CEAMA.pdf>. Deendayal Upadhyaya Gram Jyoti Yojana to lead to electricity penetration

Government's focus on Housing for All by 2022

- ▶ Urbanization catching up
- ▶ ~108mn people to move to cities by 2022
- ▶ leading to huge demand for building materials

A massive demand driver for building materials

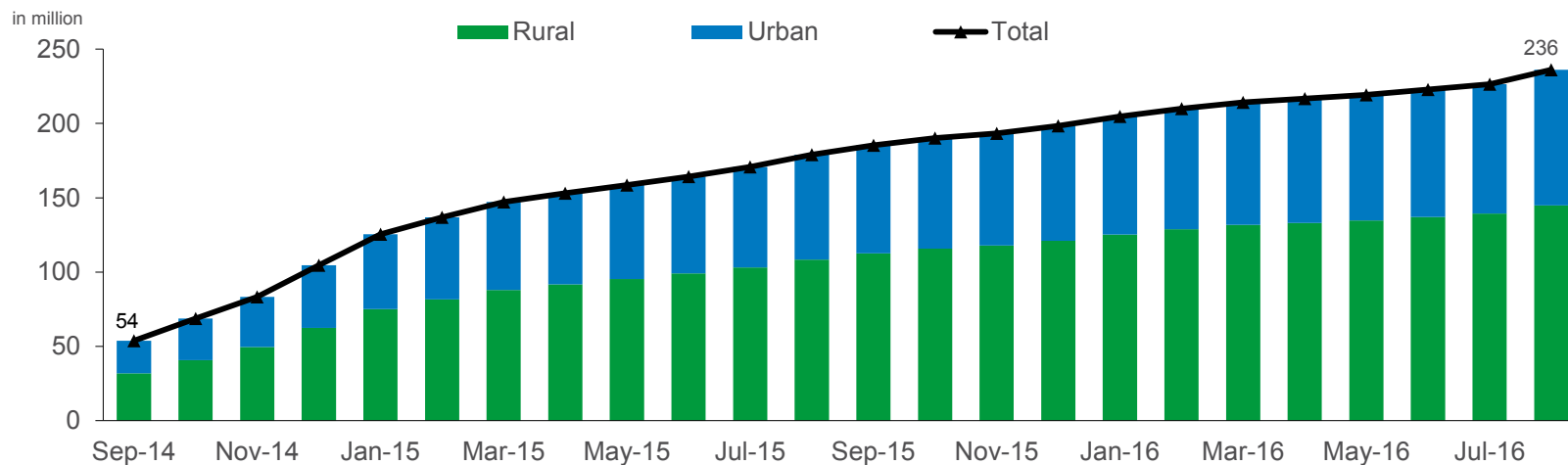


Pradhan Mantri Awas Yojana (PMAY) aims to construct 20 mn houses across the country by 2022.

Source: GOI, Spark Capital.

Direct Benefit Transfer (DBT) & JAM

- ▶ Financial inclusion through **JAM trinity** (Jan-Dhan, Aadhar & Mobile)
- ▶ Better and more timely delivery of **benefits/subsidies to end beneficiaries**
- ▶ **Eliminates middlemen**
- ▶ Mudra finance and micro finance loans to **improve purchasing power among masses**
- ▶ Through DBT, more than Rs 600 bn. have been transferred to about 1/4 of India's population (as of FY16).
- ▶ In the current scheme of things, the potential savings in programmes like PAHAL (the LPG subsidy scheme) and DBT for Food are pegged at around Rs 150 bn and Rs 280 bn per annum, respectively.
- ▶ The savings from the above can be utilized by the government for other productive purposes

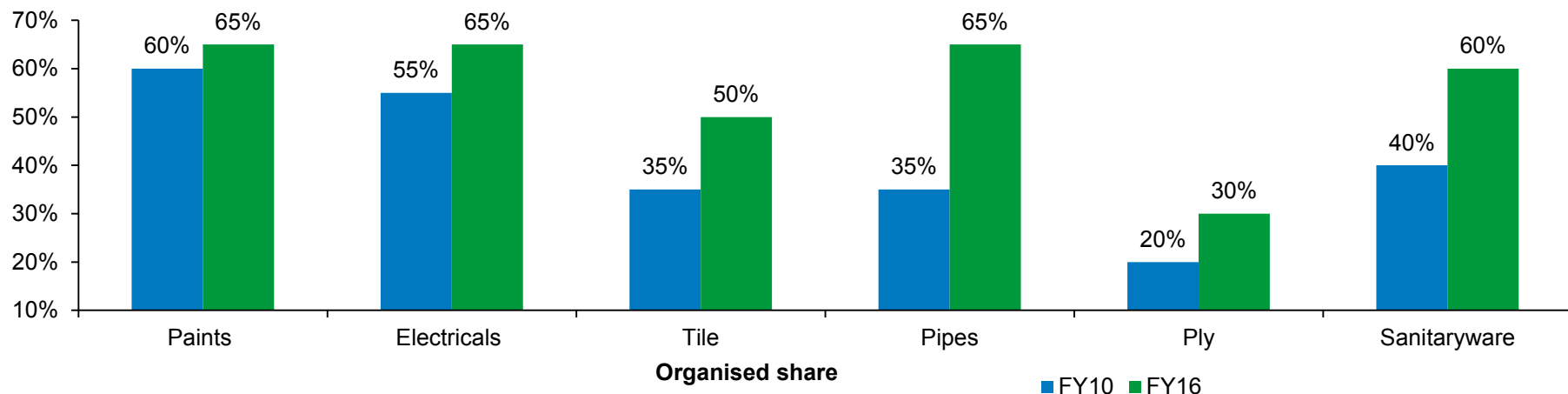


Source: Macquarie.

Some of the beneficiaries: Home improvement categories

Sectors	Size of Industry (Rs mn)				CAGR		Sector multiplier to nominal GDP		
	FY05	FY10	FY15	FY05-10	FY10-15	FY05-15	FY05-10	FY10-15	FY05-15
Paints	45,958	98,198	247,454	16%	20%	18%	1.1	1.1	1.1
Pipes	11,710	40,704	91,800	28%	18%	23%	1.9	1.2	1.5
Tiles	21,918	46,201	95,196	16%	16%	16%	1.1	1.1	1.1
Plyboards	5,348	20,735	47,640	31%	18%	24%	2.1	1.3	1.6
Light Electricals	48,009	89,342	167,475	13%	13%	13%	0.9	0.9	0.9
Adhesives	6,518	17,415	40,231	22%	18%	20%	1.4	1.3	1.3
Sanitaryware	3,016	10,078	26,420	27%	21%	24%	1.8	1.5	1.6
Total size (Rs mn)	142,477	322,674	716,216	18%	17%	18%	1.2	1.1	1.2

Organised market share rose across categories



Source: Spark Capital.

Presenting: DSP BlackRock CoRe Fund

Why DSP BlackRock CoRe Fund?

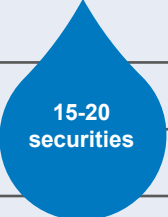
Strong multi-skilled in-house analysts having broad sector coverage

Investment opportunities due to 7th Pay Commission, GST bill and increased Government focus of infrastructure spending

Significant value creation capability in Consumption and reforms related sectors

India at an inflection point with a shift in consumers focus on discretionary spending

As the theme is broad-based, stock picking opportunities are plenty

Fund Manager		Apoorva Shah
Market Capitalization	LARGE	 15-20 securities
	MID	
	SMALL	
	MICRO	
Style		Flexible

About the Fund Manager:



Apoorva Shah joined DSP BlackRock Investment Managers Pvt. Ltd. (previously called DSP Merrill Lynch Fund Managers) in April 2006. He previously held senior positions in the Global Private Client and Institutional Equity Sales divisions of DSP Merrill Lynch Ltd.

Apoorva has a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management (IIM), Ahmedabad, and brings with him over 25 years of experience in banking and investment. Apoorva is focusing on the firm's institutional mandates.

Summary of Key Terms

Scheme Name	DSP BlackRock CoRe Fund	
Nature of the Fund	Close ended Category III AIF	
Fund Manager	Apoorva Shah	
Investment Objective*	Generate wealth from a concentrated portfolio of 15-20 securities of companies, primarily in broader consumption and government spending/reform related sector, with a strong growth potential	
Investment Strategy*	Identify high-conviction securities through bottom-up selection, take sizeable interest with buy-and-hold approach	
Minimum Capital Commitment	B1: >= Rs 1 cr to < Rs 3 crs B2: >= Rs 3 crs to < Rs 10 crs B3: >= Rs 10 crs	
Tenure	4 years from final close; extendable up to 1 year, with approval of 2/3 rd of the unit holders by value of their investment in the Fund	
First Capital Contribution	34% of total capital commitment	
Lock-in	12 months after the collection of last drawdown	
Liquidity Option	Investors can redeem during quarterly redemption windows after the lock-in period is over	
Exit Load	Timelines (from the last drawdown)	Lock-in Period / early redemption fee[@]
	<=12 months	Lock-in
	>12 months and <=24 months	4% of NAV
	>24 months and <=36 months	3% of NAV
	>36 months but before the maturity date	2% of NAV
Frequency of NAV dissemination	Monthly	
Management fee	B1: 1.85% p.a. of the applicable NAV B2: 1.75% p.a. of the applicable NAV B3: 1.50% p.a. of the applicable NAV	
Placement fee	Up to 2% of the Capital Commitment	
Hurdle Rate	10% (XIRR, post tax)	
Performance fee / Carry Units	B1: 20% over hurdle rate (without catch-up) B2: 20% over hurdle rate (without catch-up) B3: 15% over hurdle rate (without catch-up)	

*For detailed investment objective and investment strategy, please refer the Private Placement Memorandum of the Scheme.

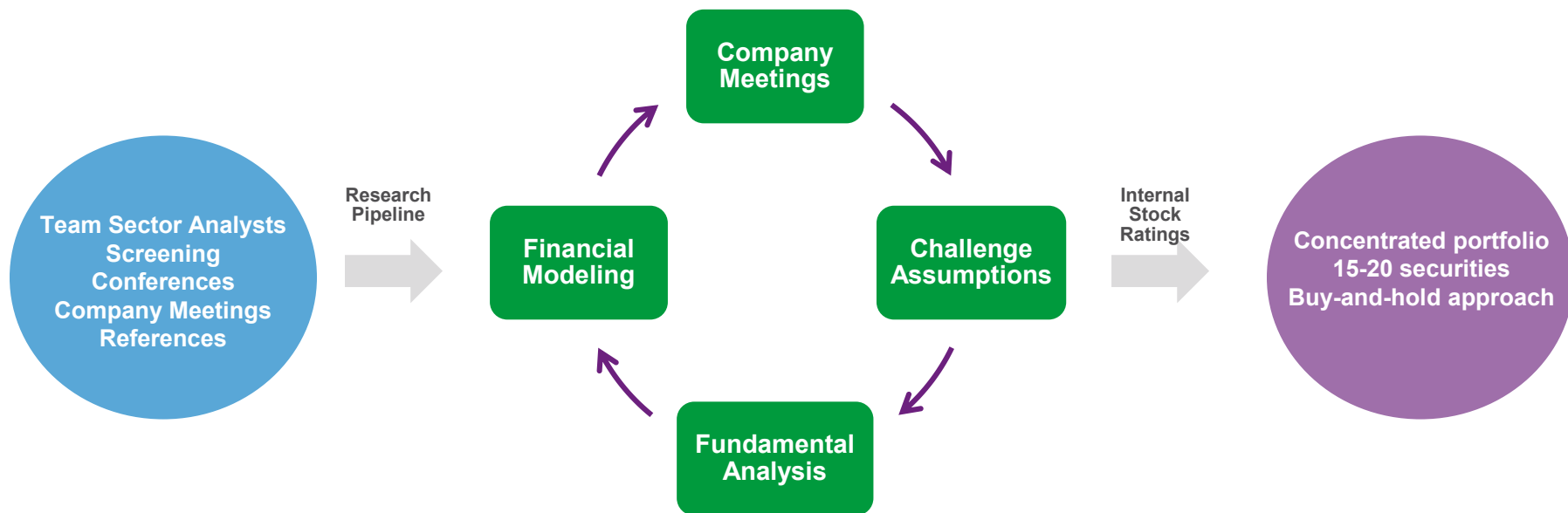
@will be charged on the Beneficial Interest, if any.

Investment Process – A 3 step approach

Idea Generation

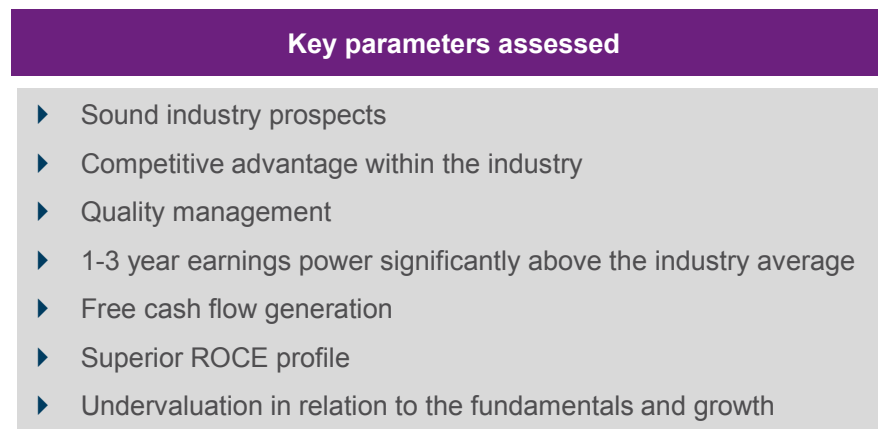
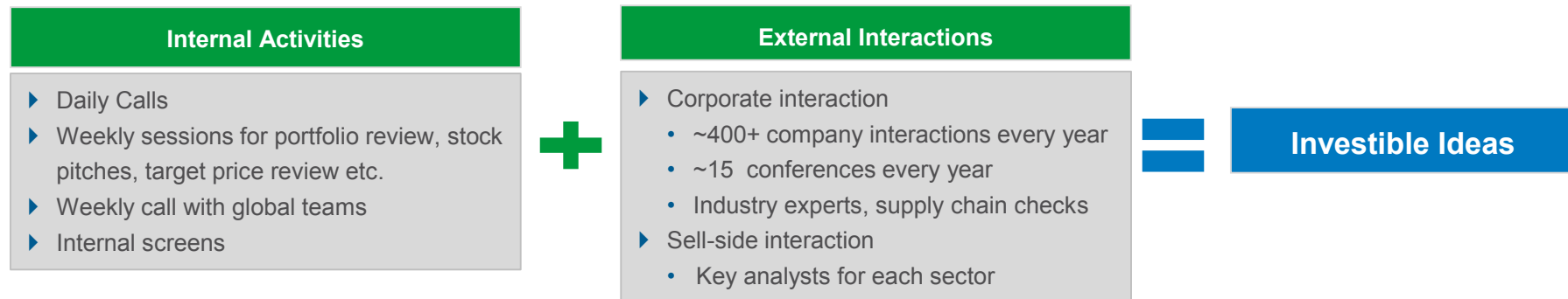
In-Depth Company Analysis

Portfolio Construction



Structured, disciplined research process

Step I: Idea Generation

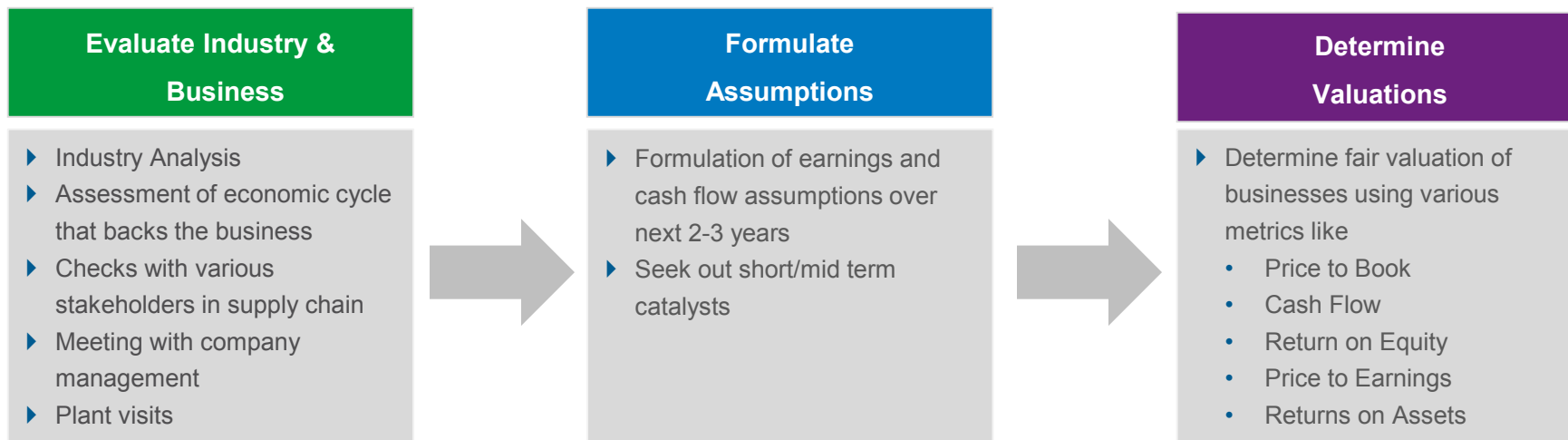


Monetising the best of an exhaustive research process

Step II: In-depth Company Analysis

Targeted, fundamental approach to research

Incorporating in-depth analysis of current business outlook and future prospects



Rigorous approach with emphasis on efficiency and depth of research

Step III: Portfolio Construction

Concentrated portfolio comprising of high-conviction stock ideas

Primary determinants of exposure to be taken

- ▶ Level of conviction
- ▶ Risk considerations

Portfolio Sizing

- ▶ Concentrated portfolio of 15-20 securities
- ▶ Positions taken through gradual increase in bets or block deals

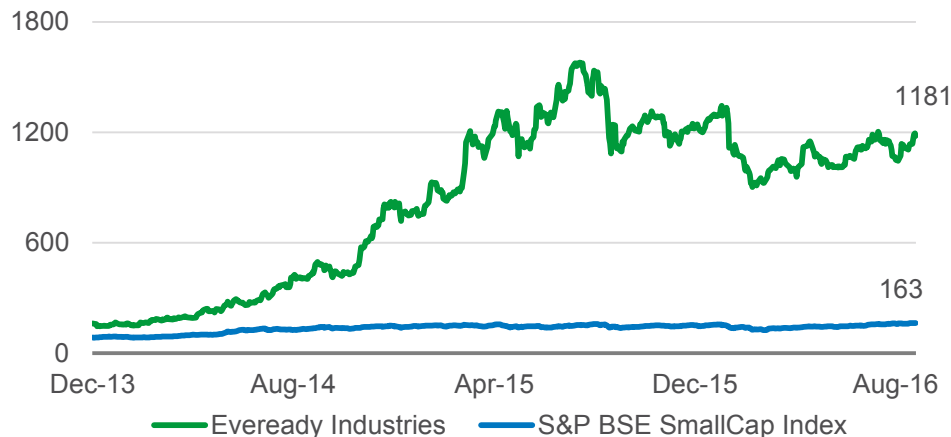
Portfolio Maintenance

- ▶ Primarily a buy-and-hold approach
- ▶ Triggers for position review:
 - Stock reaches price target
 - Stock significantly outperforms expectations
 - Material change in investment case
 - Better idea/ more efficient utilization of portfolio risk capital

The portfolio aims to capture supernormal growth in a small set of stocks

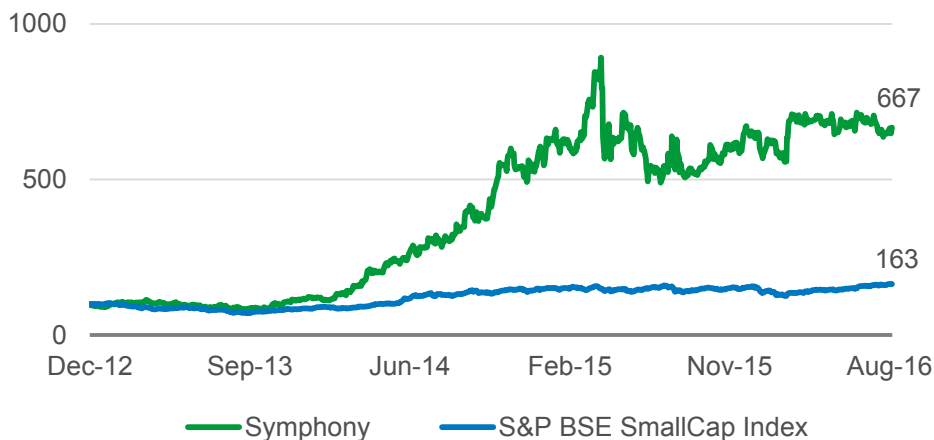
Stock pickers market: generate alpha via active management

Eveready Industries



- Market leader of dry cell batteries, flashlights and a leading lighting solution provider
- Company went through a change of leadership with the new generation taking over the mantle
- Consistently maintained focus on balance sheet
- Benefitted from return of pricing power in its battery business
- Invested in future growth through LED business

Symphony

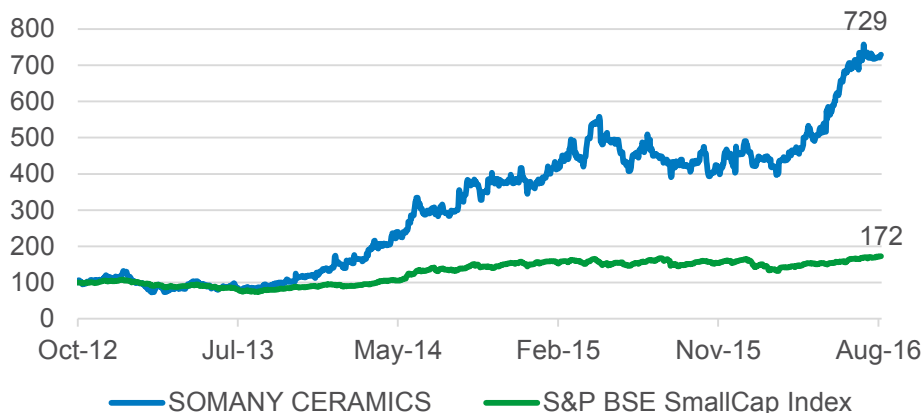


- World leader in evaporative air coolers
- Combination of strong leadership and attractive valuations
- Capitalized on growth opportunity due to low penetration
- Benefits as the market evolves from being unorganized to organized

Source: Bloomberg; Data as on 26 August, 2016. Prices normalized to the base of 100. Individual stock price/stock performance does not represent the returns/performance of the Scheme.

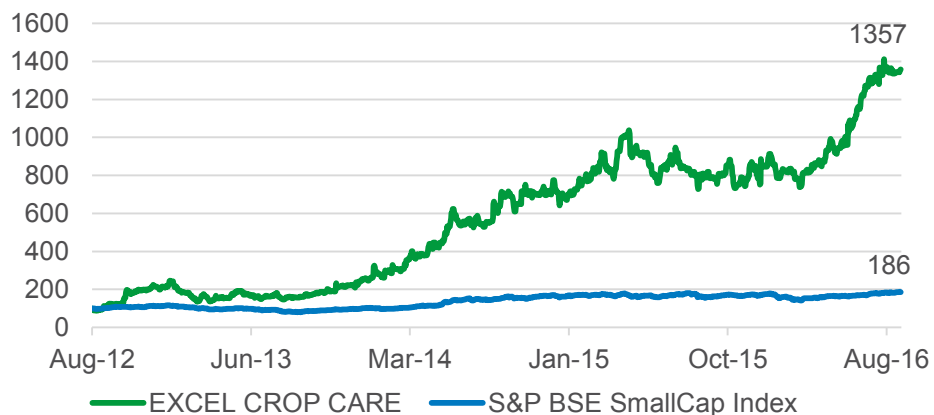
Stock pickers market: generate alpha via active management

Somany Ceramics



- Reported topline growth of 19% CAGR (FY012-16) and PAT growth of 27%
- Company has been continuously gaining market share and became 3rd largest player in the country
- Sustained improvement in product mix, benefit of fall in fuel cost has supported margin expansion
- Increasing capacity through own and entering in Joint Ventures is supporting company's topline growth

Excel Crop Care



- Reported CAGR of 35% (FY12-16) at PAT with 7% revenue growth with improved margins
- Sustained focus on reducing the cost in generic products has helped margin expansion
- Excel has strong pan India distribution and enjoys strong brand equity in generic product portfolio
- Proposed acquisition by Sumitomo chemical (Japan) recently offers significant growth potential by access to new molecules / products

Source: Bloomberg; Data as on 26 August, 2016. Prices normalized to the base of 100. Individual stock price/stock performance does not represent the returns/performance of the Scheme.

Disclaimers

DSP BlackRock Investment Managers Pvt. Ltd. ('DSPBRIM') is the Investment Manager of the DSP BlackRock Alternative Investment Fund (the "Fund"). The Fund has received registration with SEBI, as a Category III Alternative Investment Fund, under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

This presentation is prepared by DSPBRIM strictly for the specified audience and is not intended for distribution to public and is not to be disseminated or circulated to any other party outside of the intended purpose. This document may contain confidential or proprietary information and no part of this document may be reproduced in any form without its prior written consent to DSPBRIM.

If you receive a copy of this document and you are not the intended recipient, you should destroy this document immediately. Any dissemination, copying or circulation of this communication in any form is strictly prohibited.

Neither the Fund, DSPBRIM, Sponsors, Trustee Company nor any of their respective affiliates or representatives make any express or implied representation or warranty as to the adequacy or accuracy of the statistical data or factual statement concerning India or its economy or make any representation as to the accuracy, completeness, reasonableness or sufficiency of any of the information contained in the presentation herein, or in the case of projections, as to their attainability or the accuracy or completeness of the assumptions from which they are derived, and it is expected each prospective investor will pursue its own independent due diligence.

Figures/statistics etc used in the document should not be construed as any indicative/probable return of the Fund.

In preparing this presentation, DSPBRIM has relied upon and assumed, without independent verification, the accuracy and completeness of information available from public sources. Accordingly, neither DSPBRIM nor any of its affiliates, shareholders, directors, employees, agents or advisors shall be liable for any loss or damage (direct or indirect) suffered as a result of reliance upon any statements contained in, or any omission from this presentation and any such liability is expressly disclaimed.

Names of the securities/companies used in the document is purely for illustration purposes and may or may not form part of the Fund's portfolio.

The Fund and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Fund or its particular scheme will be achieved. Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of the Fund, will be profitable or equal to corresponding indicated performance levels. No client or prospective client should assume that any information presented in this presentation as the receipt of, or a substitute for, personalized individual advice from the adviser or any other investment professional. In making an Investment decision, Investor must rely on their own examination of the Fund and the terms of the offering, including the merits and risk involved.

This Fund has not been recommended by any regulator / Statutory Authority. Accordingly, you are recommended to seek your own financial, tax and other advice, and should rely solely on your own judgment, review and analysis, in evaluating the Information.

The data/statistics are given to explain general market trends in the securities market; it should not be construed as any research report/research recommendation.

This presentation is strictly for information and illustrative purposes only and should not be considered to be an offer, or solicitation of an offer, to buy or sell any securities or funds or to enter into any contribution agreements. Any reliance the recipient may place on such information is therefore strictly at his / her / their own risk.

Before anyone considers an investment into the Fund, it is important to read through and understand the contents of the Private Placement Memorandum (PPM) and the Contribution Agreement of the Fund.

The views expressed/data provided are as on 30th August, 2016 and may change as subsequent conditions vary.

The units of the scheme shall not be listed on stock exchange.

The contents of this document is prepared basis the draft PPM filled with SEBI and is pending SEBI's approval. Accordingly, key terms as described herein may undergo changes as per directions/instructions from SEBI.

DSP BLACKROCK