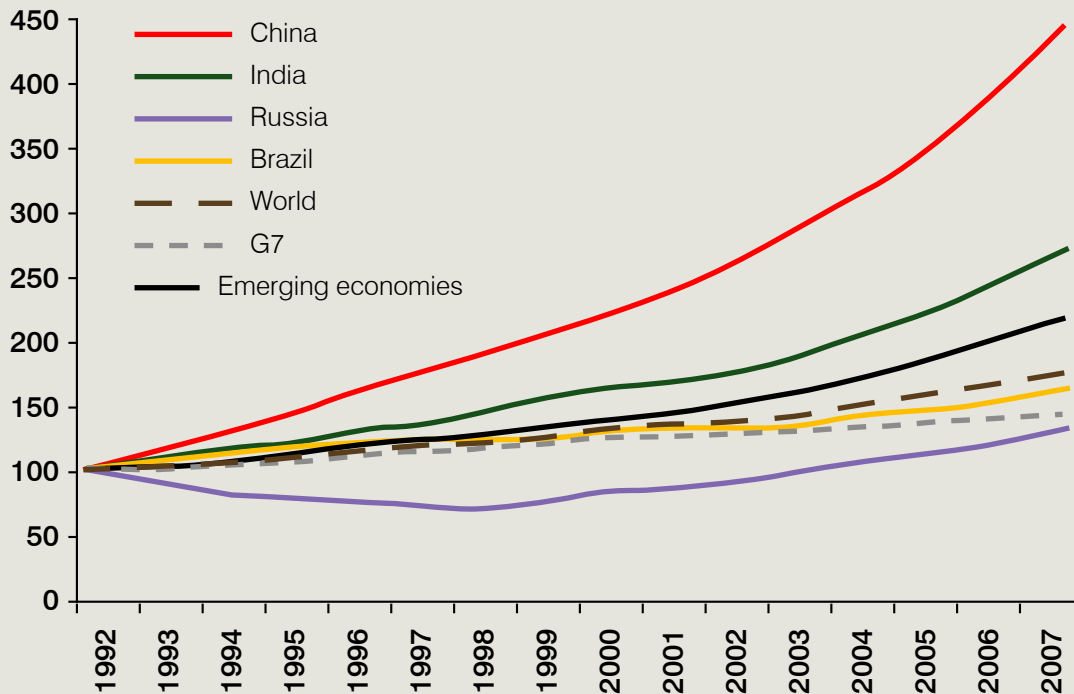


The **Long Term** Case for Indian Equities

India – Growth on the fast track

GDP growth rebased to 1992

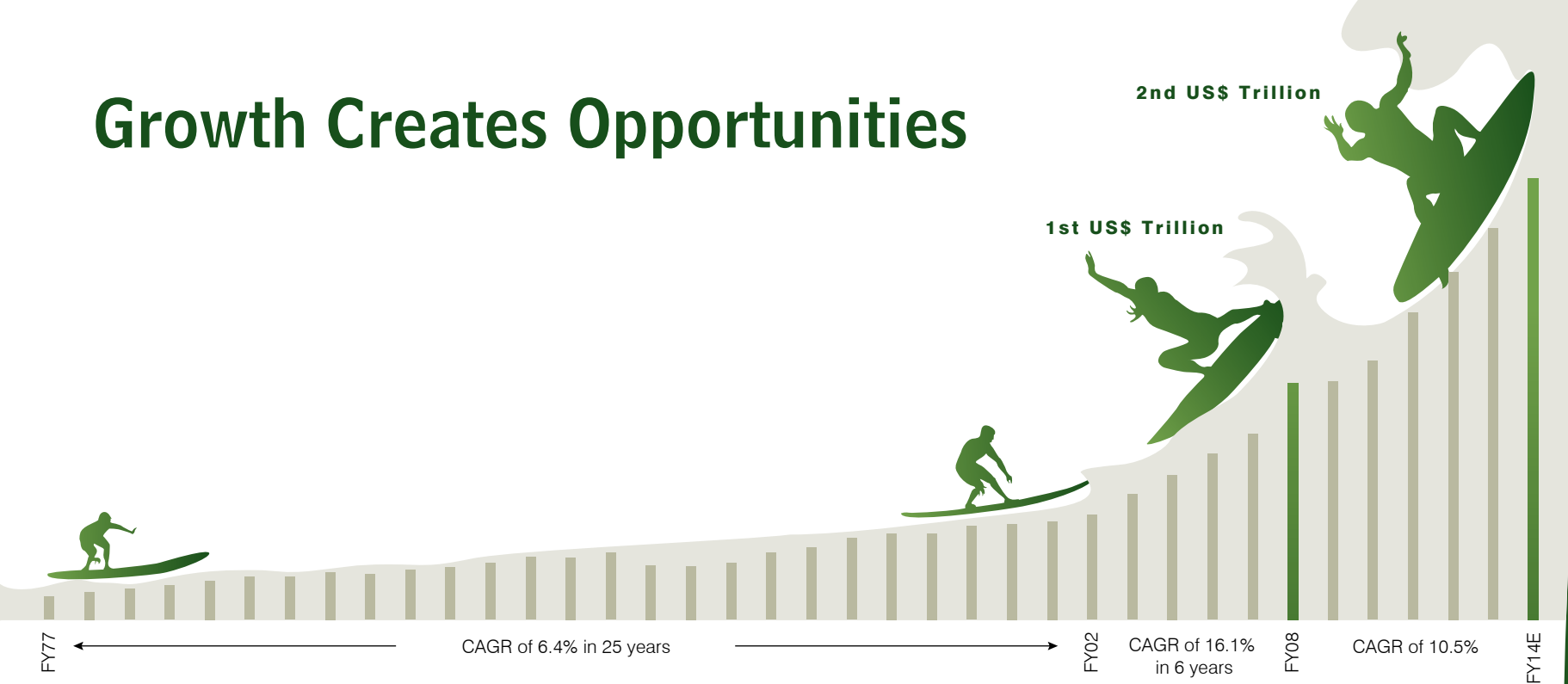


- India's economy has been among the fastest growing economies in the world driven by:
 - Rising capital formation
 - Increase in savings rate
 - Better demographics and
 - Rising consumption

Source: IMF, IIFL Research

 **RELIGĀRE**
MUTUAL FUND

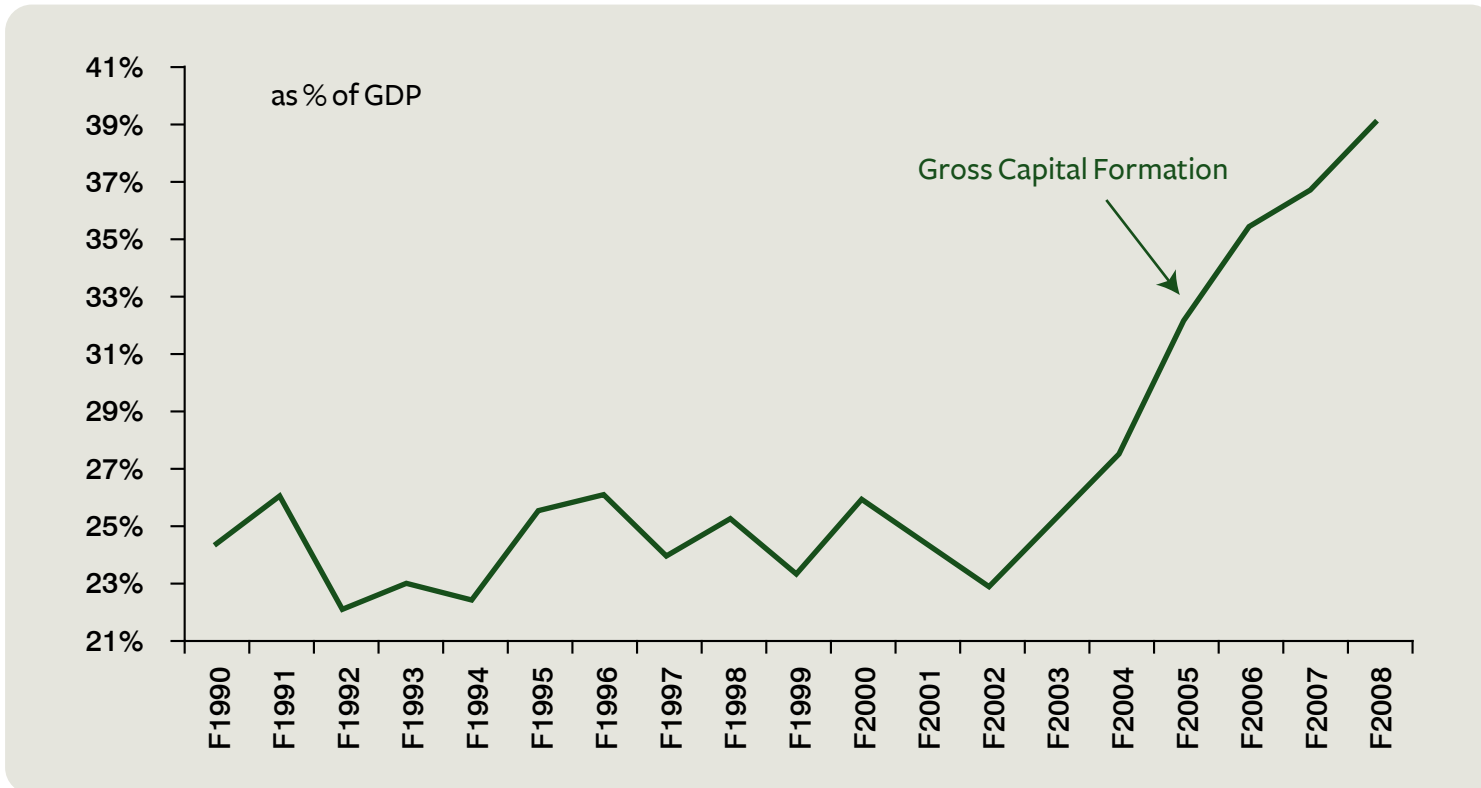
Growth Creates Opportunities



- India became a Trillion Dollar Economy (12th largest country by GDP in FY2008)
- The economy is expected to add another Trillion Dollars to annual output in 6 Years i.e. 2014
- That is likely to make India the 8th largest economy in the world
- This is a structural transformation driven by increasing investments, growing consumption and a young workforce
- For equity investors: an attractive investment opportunity

Source: Motilal Oswal Securities Ltd.

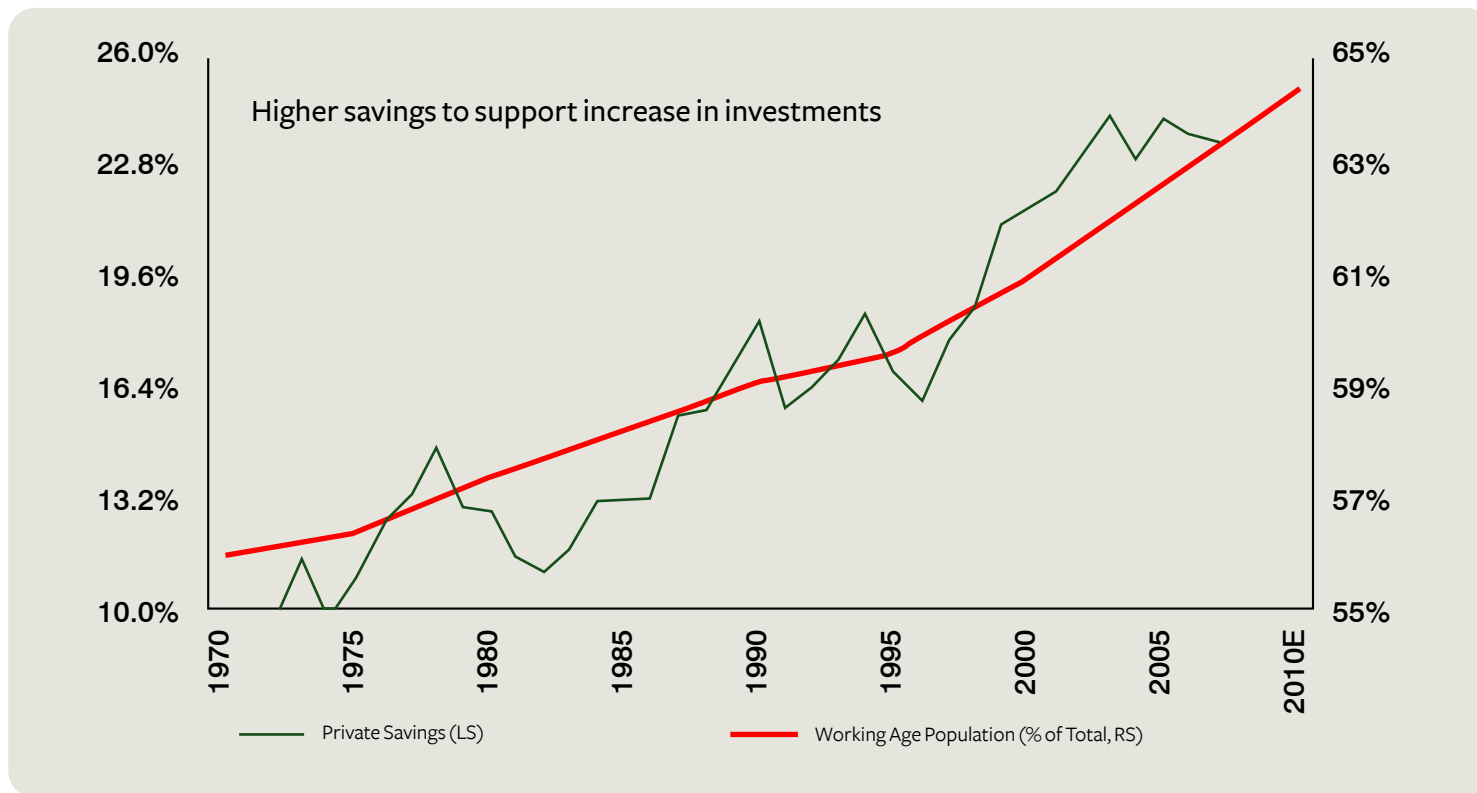
Growth is being led by a rise in capital formation



Source: CSO, Morgan Stanley Research



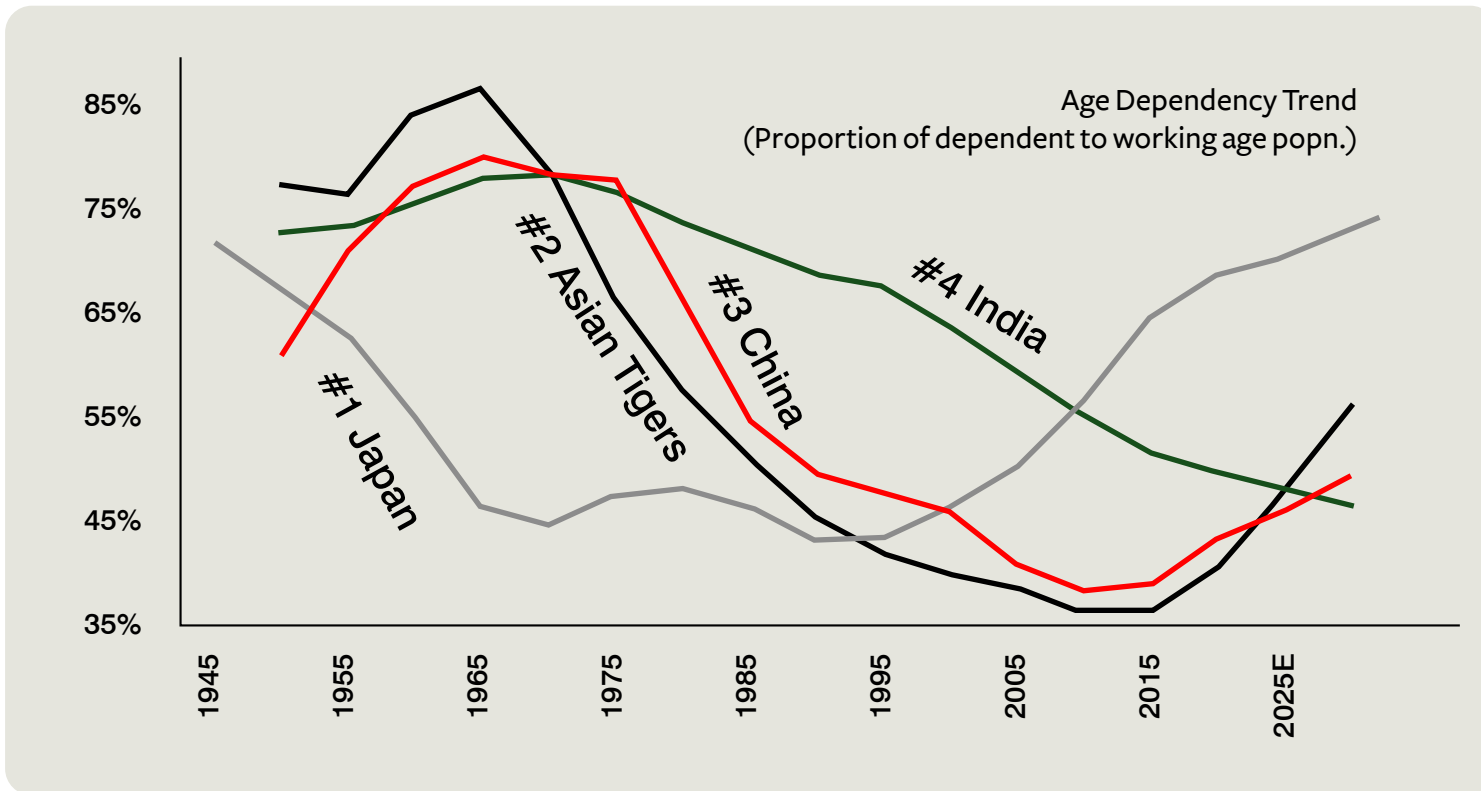
which is supported by a high household savings rate...



Source: CSO, UN, Morgan Stanley Research E= United Nations Research estimates



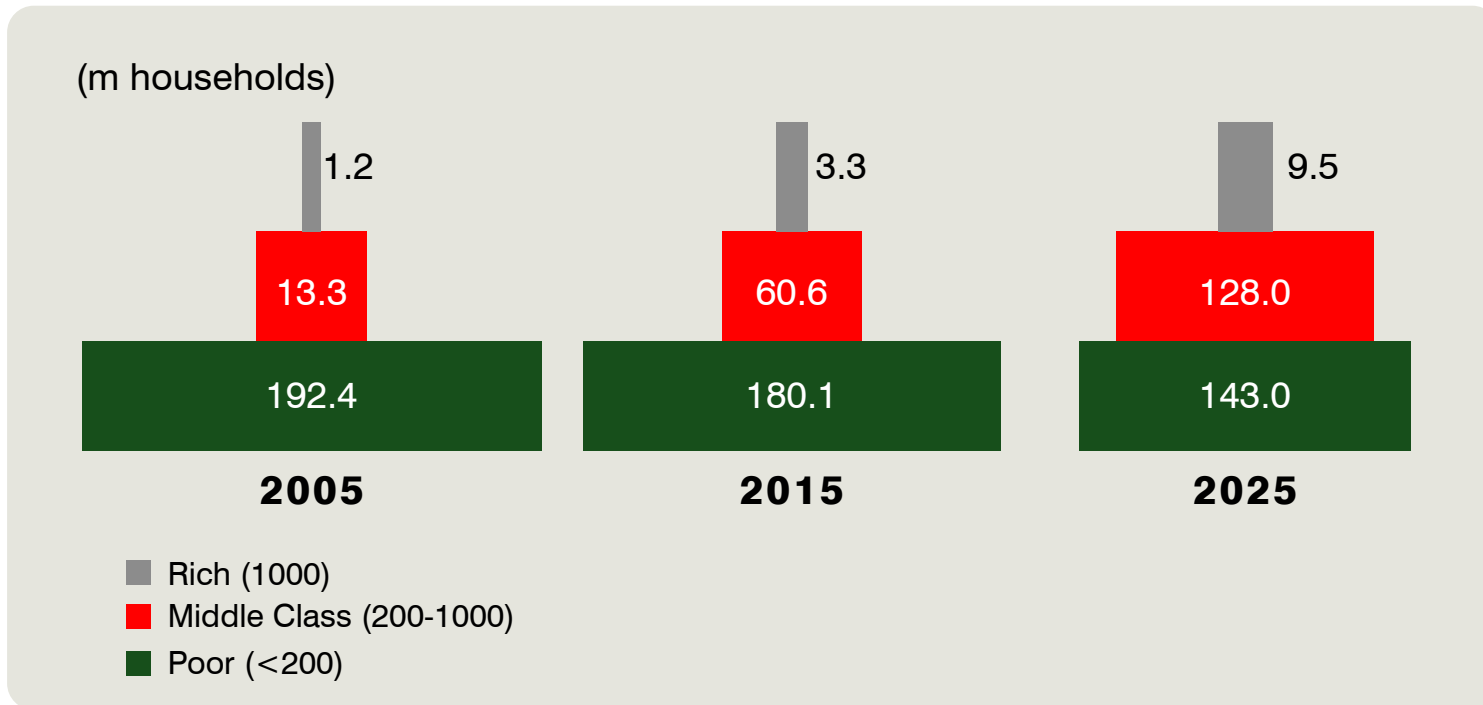
India is poised to reap rich demographic dividend in years to come



E = United Nations Research estimates; Source: UN, Morgan Stanley Research



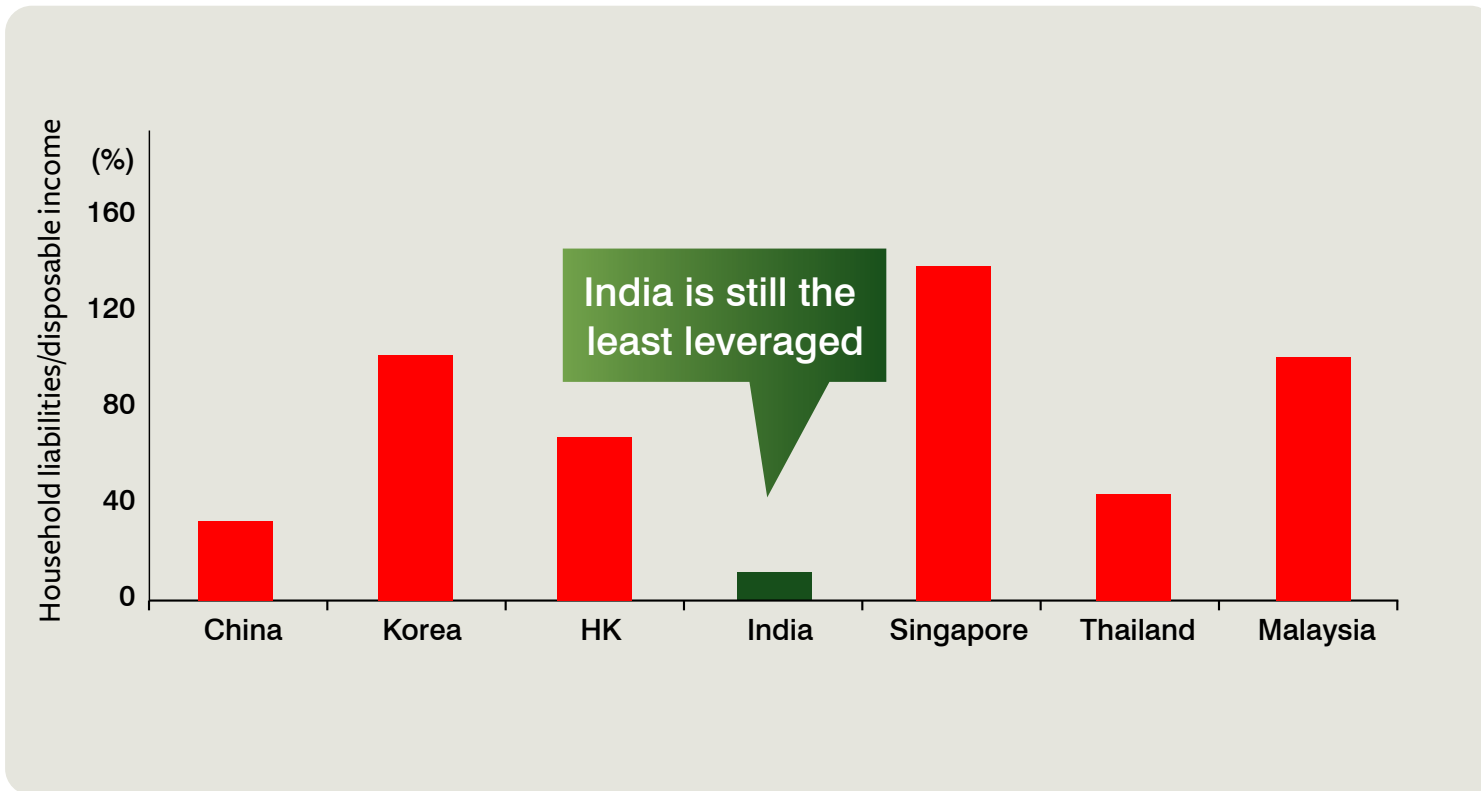
Income imbalance to correct leading to rise in consumption



The poorer class is reducing and the no. of the middle class households (consumer class) is increasing.

Source: IDFC SSKI

Indian consumer is conservative and consumption is largely driven by income



Source: IDFC SSKI

A group of hands in business attire giving thumbs up, symbolizing approval or success.

The Long Term Case – Sectors

Energy

- Low penetration and GDP growth will drive the demand for Energy
- Growing demand-supply mismatch provides ample opportunities for investment in whole value chain from exploration and production to distribution and marketing
- Significant finds of natural gas in recent years will increase supply resulting in savings of 1.5% of India's GDP post 2012
- The government is actively promoting the exploration of oil and gas reserves through partnerships with the private sector
- Investment of US\$40 billion is expected in E&P, US\$22 billion in refining and US\$15 billion in marketing and gas transportation by 2012
- India emerges as significant refining hub- nearly 5% of global trade in refined products

Crude Oil MMT

Year	Demand	Supply	Gap
2001-02	99.7	32.0	67.7
2005-06	140.0	34.0	106.0
2011-12	199.6	33.5	166.1
2024-25	376.5	61.4	315.1

Natural Gas MMSCMD

Year	Demand	Supply	Gap
2001-02	151.0	81.4	69.6
2006-07	231.0	94.8	136.2
2011-12	313.0	158.1	155.0
2024-25	391.0	170.0	221.0

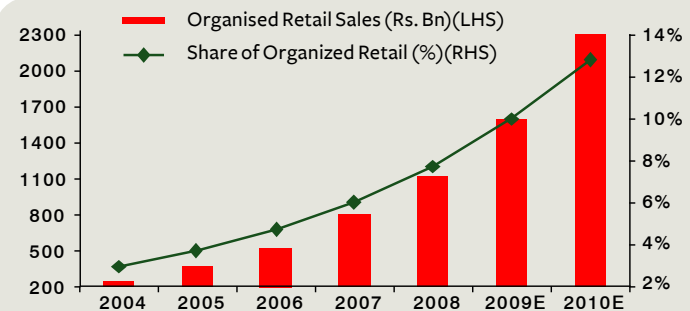
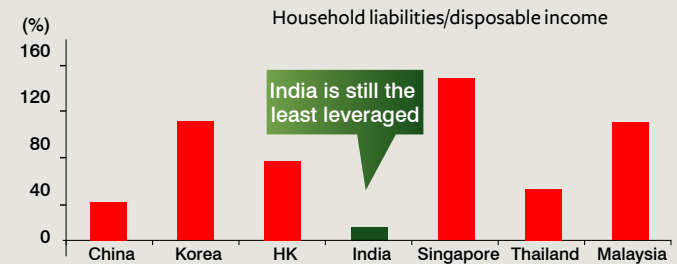
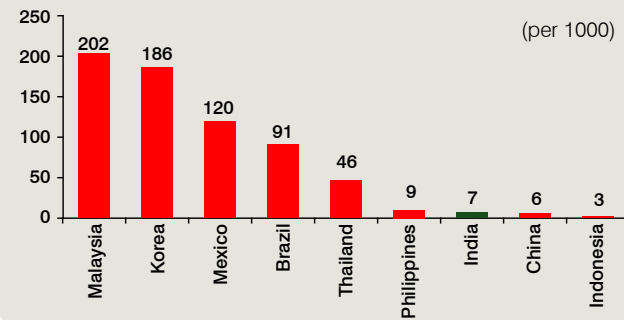
Source: Ministry of Petroleum and Natural gas



Consumer Discretionary

- India is the 10th largest passenger car producer with over 1.2mn cars sold annually but the market is yet under penetrated
- It is the biggest small car market in the world with 935k small cars sold in FY09 and emerging as the global production hub for small cars
- India boasts of the largest 2 wheeler market in the world at 8.44mn units
- And yet the 2 wheeler sector is under penetrated with 51 units/1000 as against 83 for Indonesia to 264 for Thailand
- Low levels of consumer leverage in India, suggest significant room for growth
- Share of organized retail in total retailing industry is expected to increase, driven by factors like increased urbanization, favorable demographics and increased disposable income

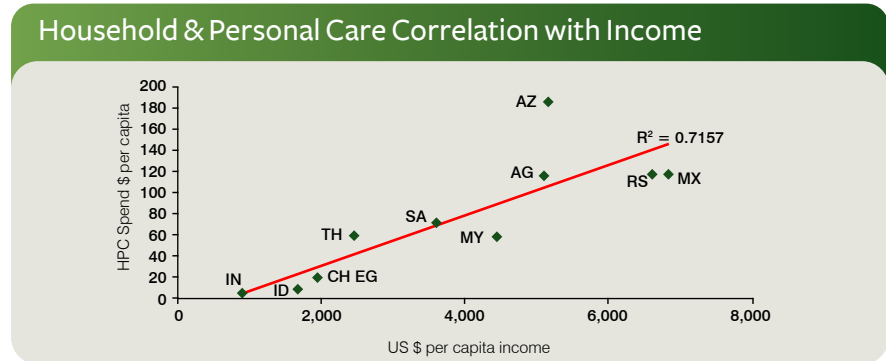
Cars: penetration levels



Source: Image India Retail Report, IIFL Research

Consumer Staples

- India's Household disposable income is expected to rise at a faster pace in 2005-2025 period at 6.9% compared to 5.9% growth in the previous two decades
- This increase in income levels is expected to lead to an increase in the per-capita consumption of consumer staple products which is very low even compared to developing countries such as Indonesia and Brazil
- Almost half of the Indian market is represented by rural demand which presents its own unique opportunities (under-penetrated) and challenges (distribution, pricing)



Source: Euromonitor International, Morgan Stanley Research

AG – Argentina, BZ – Brazil, CH – China, EG – Egypt, ID – Indonesia, IN – India, MY – Malaysia, MX – Mexico, RS – Russia, SA – South Africa, TH – Thailand

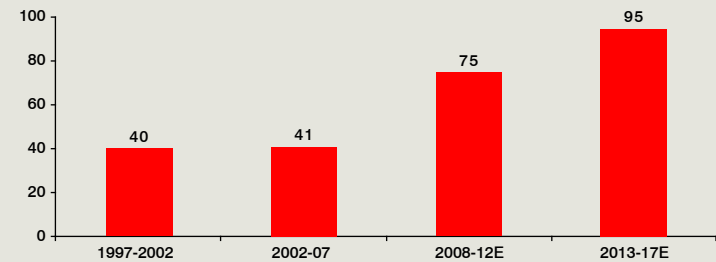
Per-capita consumption (US\$)	India	China	Indonesia	Brazil	Germany	USA
Detergents	1.4	2.2	1.9	12.1	16.6	22.9
Shampoo	0.3	1.0	1.1	6.0	7.5	6.7
Ice Cream	0.2	2.8	0.9	5.9	33.9	49.4
Skin Care	0.3	3.2	0.8	12.2	36.6	26.9
Personal Wash	1.0	0.5	0.7	6.7	1.2	4.3
Oral Care	0.6	1.4	1.5	10.0	18.5	18.9
Coffee	0.2	0.2	1.0	15.0	47.8	22.9
Tea	0.8	0.4	2.4	1.0	11.9	5.5

Source: Industry data, Daiwa

Utilities (Power)

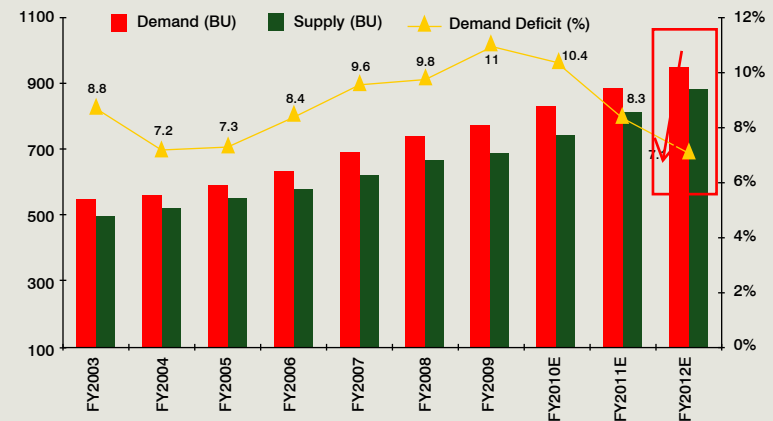
- Electricity demand grew at CAGR of 7.6% (2004-08) driven by rapid industrial growth
- Low per capita consumption of electricity, a peak deficit of around 13% and a robust regulatory framework provide opportunities for private sector investments in the power generation sector
- Significant ramp up in capacity is underway by both the public and private sector
- The key challenges in the sector are fuel linkages, availability of long term finance and further regulatory reform to unbundle the sector
- India has the world's fourth largest coal reserves, but there are quality issues and environmental concerns will have to be duly addressed

Capacity Addition (GW's)



Source: CEA

Deficit: demand / supply mismatch



Source: CEA, JM Financial

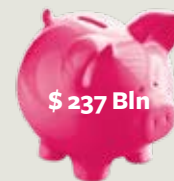
Financials

- Household Savings at 24% of GDP - one of the highest in the world
- Even today 54% of household savings still flow into bank deposits-scope for widening and deepening the array of savings products (mutual funds, insurance, bonds, stocks etc)
- Low penetration levels suggest huge potential in the financial services space
- Large infrastructure investment to drive the corporate lending business
- Reforms to drive financial inclusion, greater operational flexibility and consolidation
- Conservative regulation of the financial system is reflected in it being largely untouched by the global financial crisis

%	India	International Benchmarks
Loan to GDP Ratio	47.7	80-140
Consumer Loans % GDP	11.0	15-40
Credit Cards as % of bankable population	3.3	10-100
Mutual Fund AUM as % of GDP	8.7	20-70
% of Population insured	8.0	20-70
Life Insurance Premium as % of GDP	4.1	1-13
Non Life premiums as % of GDP	0.7	3-5

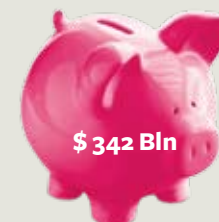
Source: RBI, IRDA, AMFI, IIFL Research

India's Household Savings Pool



\$ 237 Bln

Year 2008



\$ 342 Bln

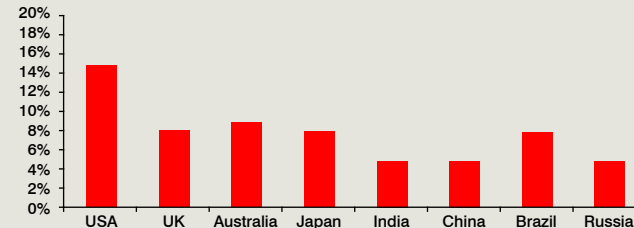
Year 2013 E

Source: CMIE, Religare Estimates

Healthcare

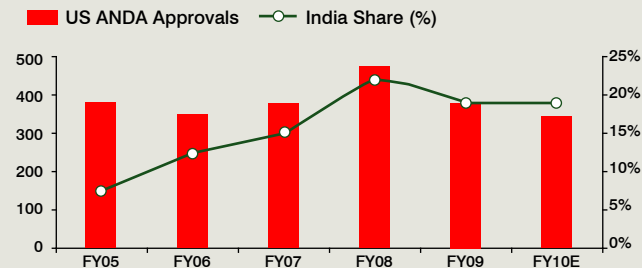
- Rising disposable income will increase healthcare expenditure in India, which is one of the lowest in the world.
- Current domestic market of \$8bn expected to grow at 13-15%pa in the medium term
- Indian companies have dominant market share in Abbreviated New Drug Application (ANDA) approvals by the US FDA and will play a significant role in the global generics market as \$74bn of branded drugs will go off-patent in the next 3 years
- The need to reduce healthcare costs is driving global majors such as Glaxo, Pfizer, Mylan and Dai-Ichi into partnerships with Indian companies

Healthcare spending as % of GDP



Source: WHO

US ANDA approval vs. India share



Source: TataSecurities



Industrials

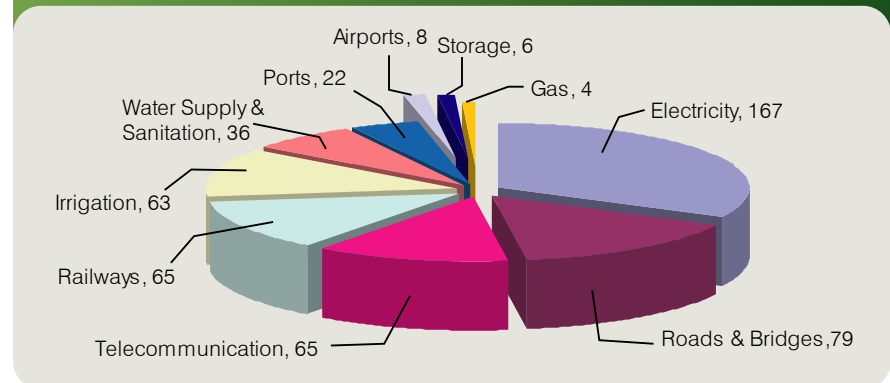
- India has an Infrastructure deficit
 - 13-14% Peak Power Deficit
 - Only 17% highway network 4 Laned
 - Major ports/airports congested
- Infrastructure outlay slated to be over USD 500 billion over 2008-12
- Emergence of Public- Private Partnership model results in private investments in infrastructure going to 30% of total spend over 2008-12E
- The Infrastructure build out is a source of demand and also lays the platform for future growth
- Financing remains a major risk as funding structures are still evolving locally and the global financial turmoil has reduced access to foreign capital

Growth in Infrastructure spending

Year	Base Year 2006-07	Base Year 2011-12	5 year CAGR
GDP at market prices (Rs. crore)	4,145,810	6,378,843	9%
GCF in infrastructure as % of GDP	5	9	
GCF in infrastructure (Rs. crore)	207,291	574,096	23%
GCF in infrastructure (US\$ Billion)	52	144	23%
Public Investment (Rs. crore)	175,388	411,226	19%
Private Investment (Rs. crore)	49,858	184,687	30%

Total Gross capital formation in (2008-12) US\$ 502.88 billion
 Source : CSO for 2006-07 & Computation Of Planning Commission

Investment projected across sectors from 2008-13E (USD Bln)



Source : IIF:L, IDFC SSKI & Planning Commission



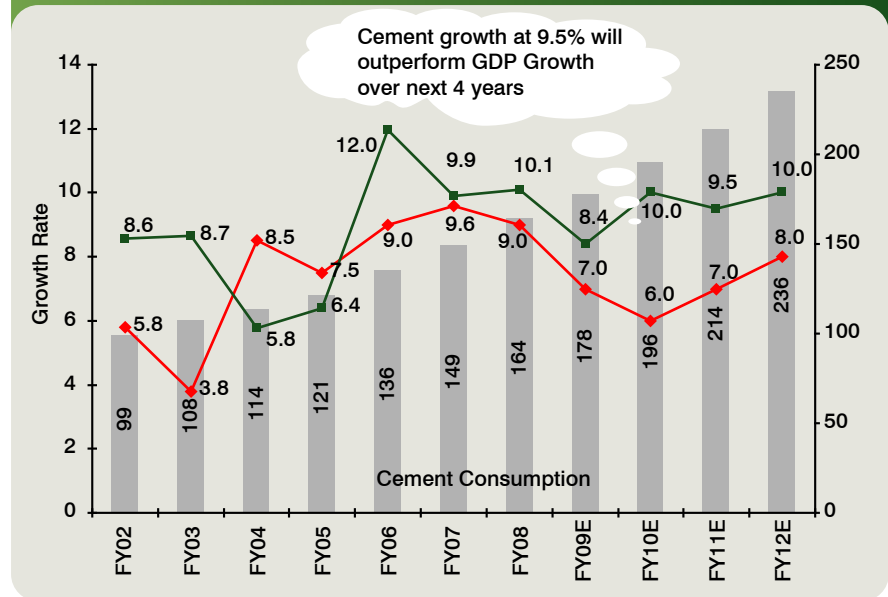
Materials

- Excellent reserve positions but mining activity contributes a mere 2% to the GDP
- Highly competitive global cost positions
- Low capital costs of project development expected to attract investments of US\$50bn over next decade
- Going forward, India's per capita metal consumption is expected to grow at much faster pace than the rest of the world
- India's cement consumption (2nd largest in the world) is expected to grow at 9.5% over next four years

Mineral	Proven Reserves - MT 2005	Production - (Mt - 2006)	Global Standing
Bauxite	3290	12	6th Largest
Iron Ore	25249	154	6th Largest
Coal Reserves	24800	360	4th Largest

Source: IIFL

Cement Consumption Data & Incremental Growth over GDP

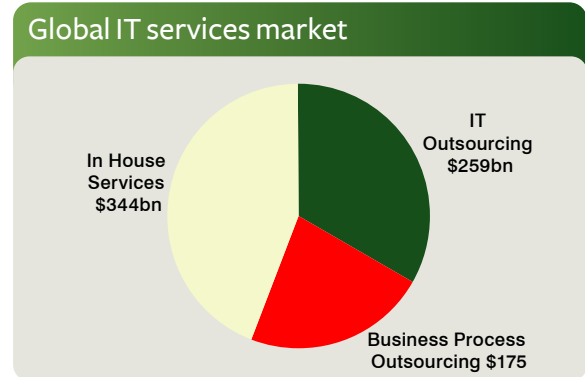


Source: Planning Commission & Religare AMC



Information Technology

- Indian IT's rise as a disruptive force in global IT services delivery is a well known success story
- Indian IT has grown 12 fold from \$6bn in 2000 to \$72bn in 2009
- Indian IT services account for 11.5% of the total outsourcing market
- In-house services account for about 45% of total Global IT services market and outsourcing continues to take market share
- India produces over 0.5 million engineers and 2.5 million graduates each year proving the workforce for this industry
- The exports component of the Indian industry is expected to expand three-fold and reach USD 175 billion in revenues by 2020
- To achieve this target the sector will have to increase its service range and geographic focus



Source: CLSA Asia-Pacific Markets, Gartner, Industry sources.



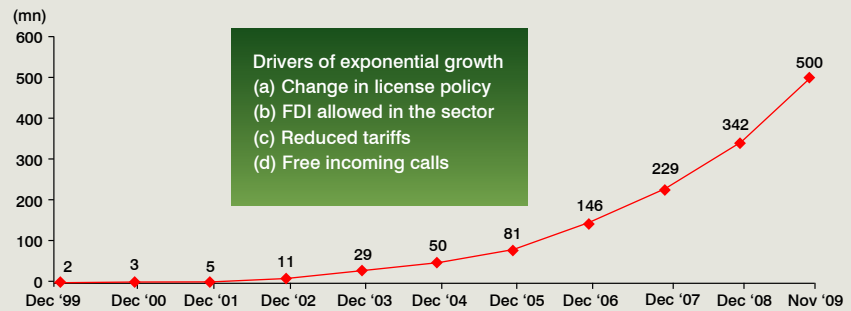
Source: CLSA Asia-Pacific Markets, NASSCOM Strategic Review 2007



Telecommunication Services

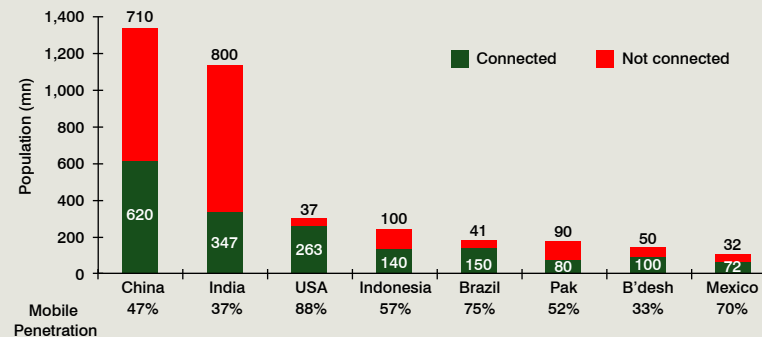
- Regulatory reform and competition have ensured a sharp fall in tariffs thus benefiting consumers and fuelling subscriber growth
- Explosion in mobile subscriber base from near zero in 1997 to 300mn+ in 2009
- India boasts of the cheapest mobile telephony in the world with tariffs of 1.5 cents per minute
- It helps that Indians are the most talkative people in the world (500+ min/month) after US (700+ min/month)

Total Subscriber base



Source: B&K

Penetration: India vs Rest of the World



Source: ICICI Securities



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Get In Touch

Corporate Office:

Religare Asset Management Company Limited
3rd Floor, GYS Infinity, Paranjpe 'B' Scheme, Subhash Road,
Vile Parle (East), Mumbai - 400 057
T +91 22 67310000 F +91 22 28371565

Call: 1800-209-0007 > sms 'Invest' to 56677
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