

# **AMBIT INDIA** **ASCENSION** **FUND**

Your Gateway to High-Growth Opportunities

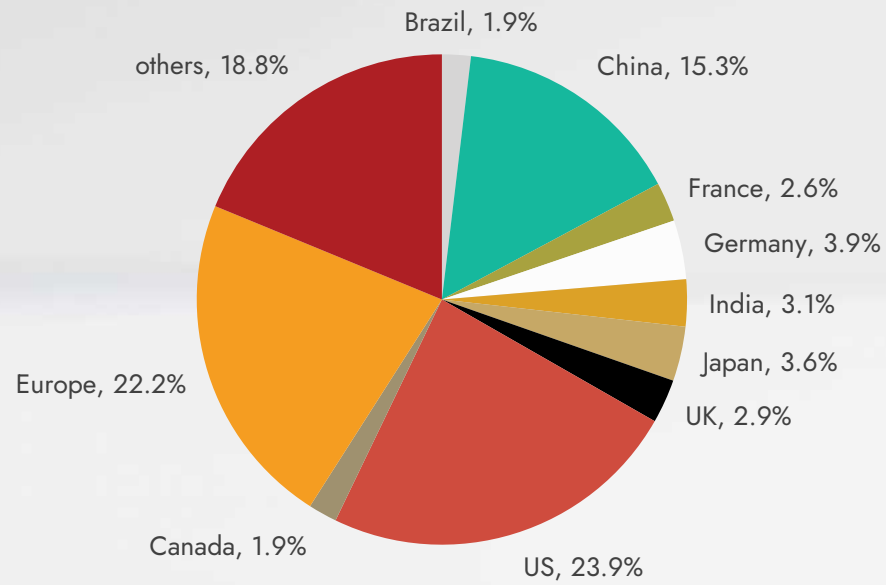


## INDIA PROGRESSION OVER LAST 2 DECADES

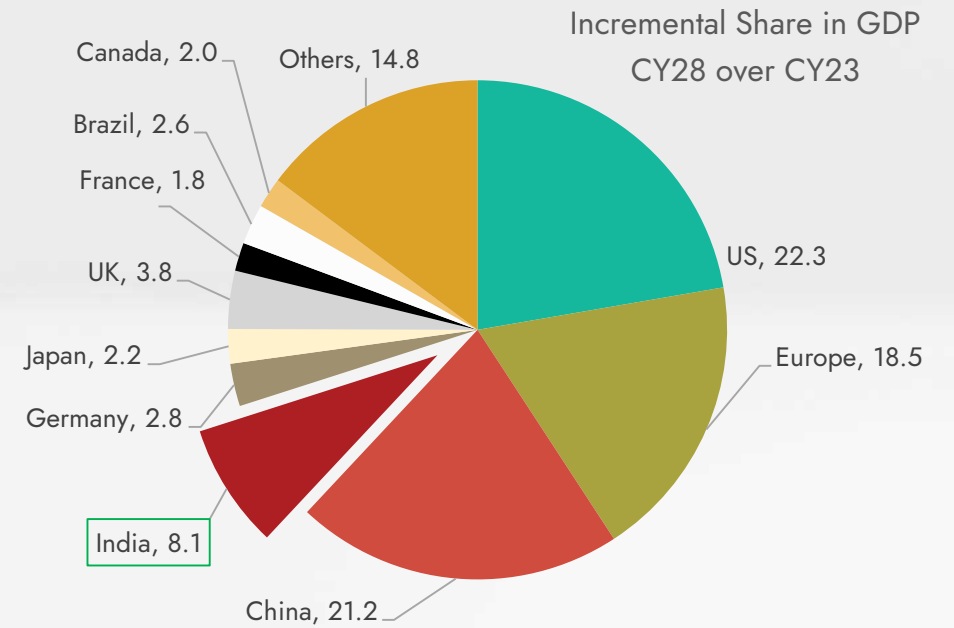
India – Then and Now				IMF estimates
Key parameters	1991	2023	Change (x)	2025E
Nominal GDP	\$0.3tn	\$3.7tn	10x	\$4.5tn
Share in world GDP	1.20%	3.10%	2.6x	3.50%
GDP in PPP	\$1.1tn	\$11tn	10x	\$14.6tn
Per capita GDP	\$318	\$2,449	8.0x	\$2,830
Forex reserves	\$5.8bn	\$600bn	100x	...
Market Cap (USD)	\$47.7bn	\$4,200bn	88x	...
Bank credit to GDP (%)	20%	55%	2.7x	...

Source: IMF, Ambit Asset Management

# INDIA – TORCHBEARER OF GLOBAL GROWTH



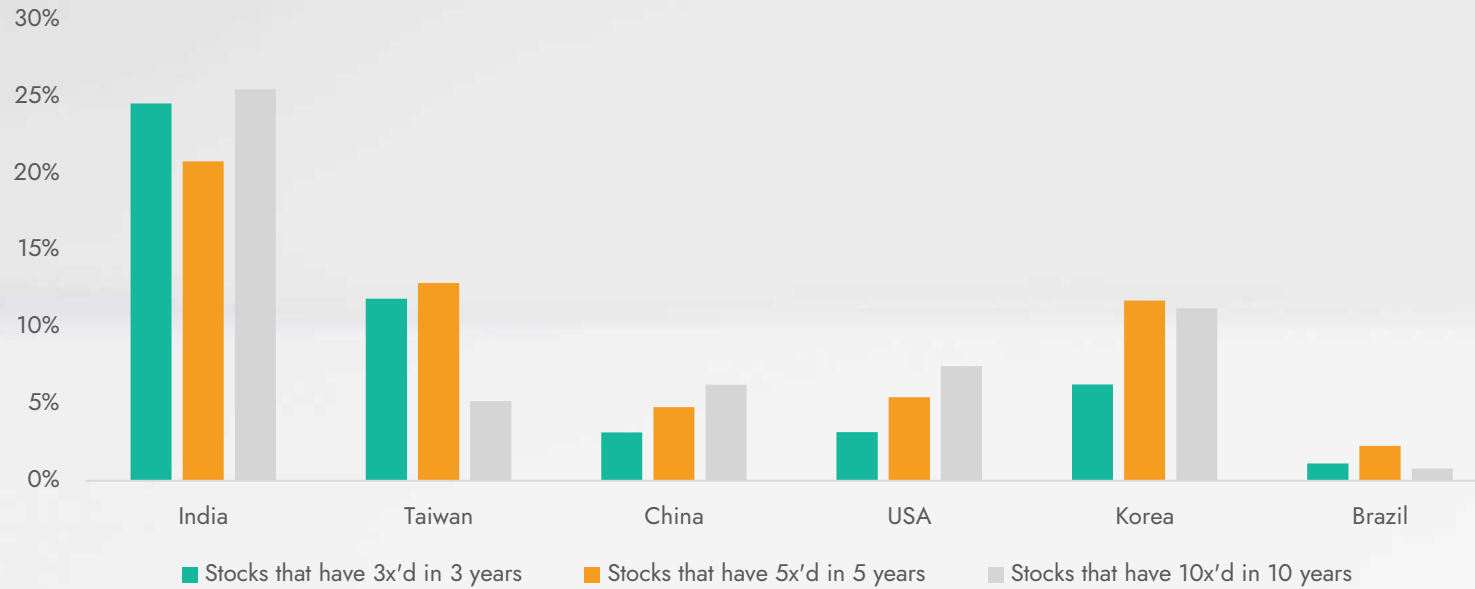
## India's contribution in incremental global GDP in CY28 over CY23



- India stands at 4% of world GDP
- With sustained growth, INDIA will contribute ~ 8% to incremental global growth over the next 5 years

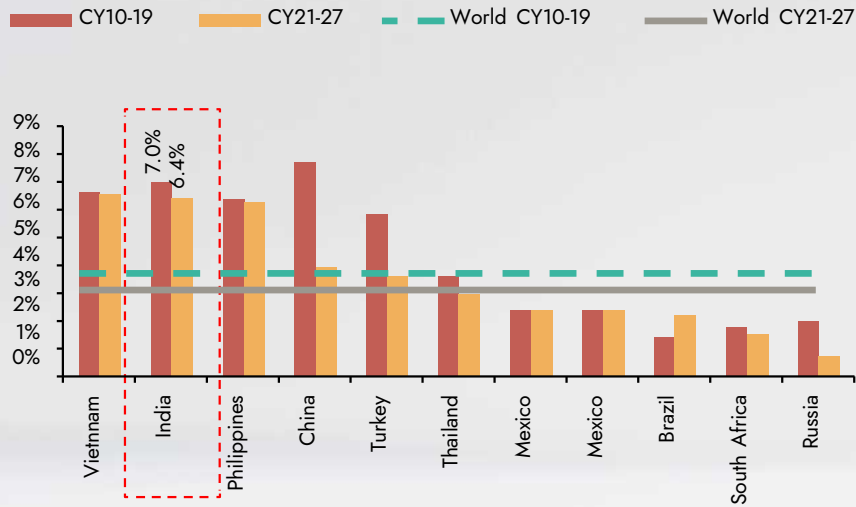
# INDIA – A LAND OF MULTI BAGGERS

% of Multibaggers among the Top 500 Stocks as per M Cap



- INDIA stands out in terms of wealth creation compared to any other markets.
- 25% of BSE 500 stocks delivered 10x returns in the last decade as on 30<sup>th</sup> Sep 2024
- 11% of stocks in Korea and 7% in USA attained similar feat

# INDIA CONTINUES TO GROW THE FASTEST



Source: IMF, Ambit Asset Management

## India's growing GDP ranking (USD terms)

India becomes 3<sup>rd</sup> largest  
India's GDP cross \$10tn mark

Rank	CY10	CY15	CY20	CY23	CY27	CY33	GDP CY33 (\$ Trn)
1	US	US	US	US	US	US	39.4
2	CH	CH	CH	CH	CH	CH	36.8
3	JP	JP	JP	GR	IN	IN	10
4	GR	GR	GR	JP	GR	GR	6.9
5	FR	UK	UK	IN	JP	JP	6.2
6	UK	FR	FR	UK	UK	UK	5.3
7	BR	IN	IN	FR	FR	FR	4.8
8	IT	IT	IT	IT	CN	CN	3.6
9	CN	BR	CN	BR	IT	AU	3.4
10	IN	CN	SK	CN	AU	IT	3.2

- Despite widespread global uncertainty, India is expected to grow above 6 percent over the next five years
- Key factors being continued strong investment, still-growing private consumption, and digitalization-driven productivity gains.
- India will become 3<sup>rd</sup> largest economy soon and on its journey to become USD 10Trillion within next decade

● ● FAVORABLE DEMOGRAPHICS



DRIVERS OF  
ECONOMIC GROWTH



# DRIVERS OF ECONOMIC GROWTH

## Factors Augmenting Economic Growth



**Favorable  
Demographics**



**Discretionary  
Spends**



**Manufacturing &  
Exports**



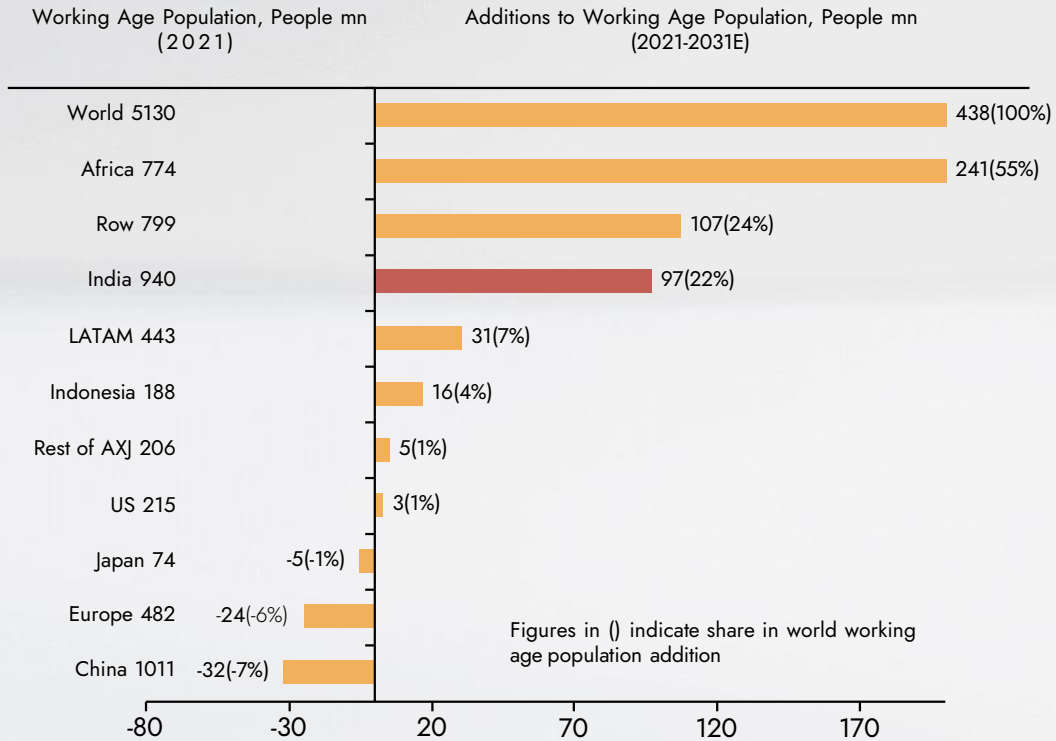
**Digitalization  
& Financialisation**



**Reforms  
& Policies**

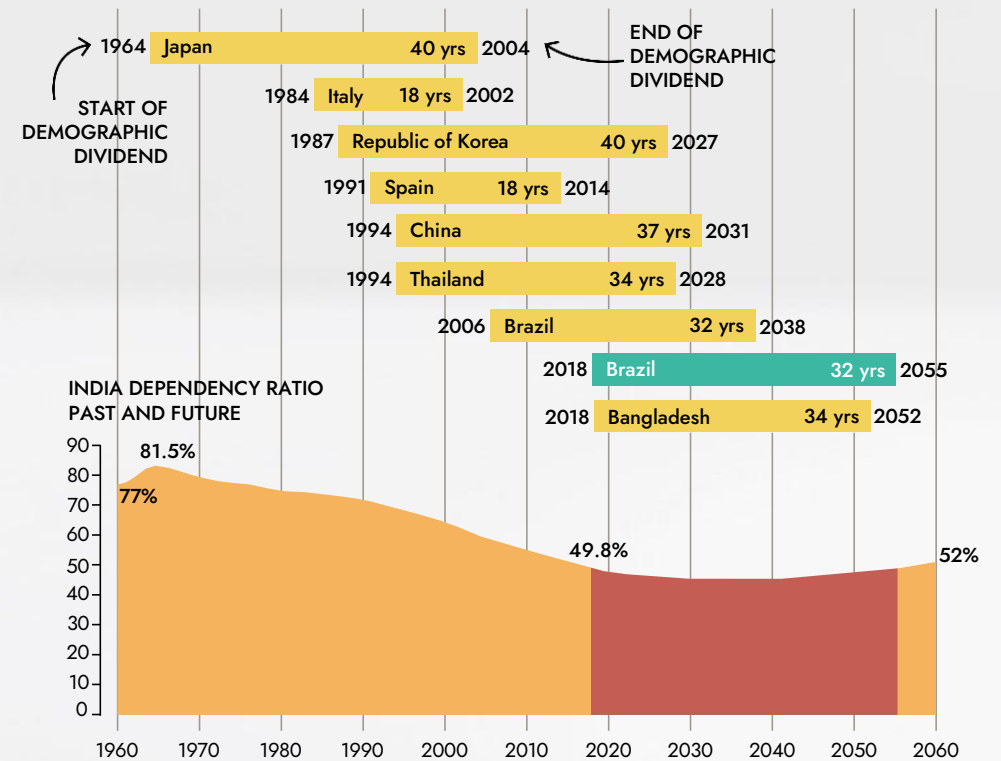
# FAVORABLE DEMOGRAPHICS

## Working Population



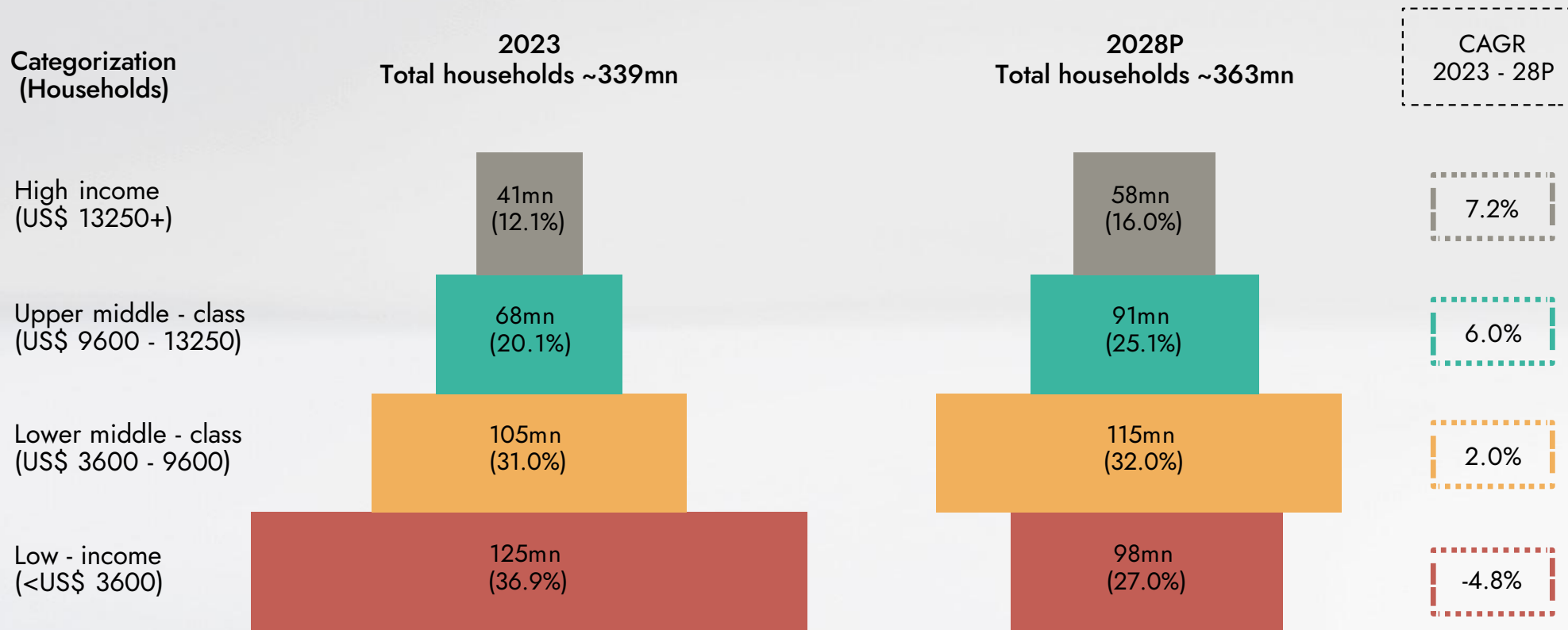
Source: IMF, World Bank, Ambit Asset Management

## Period of demographic dividend in large economies



Source: Ambit Asset Management

# SURGE OF THE INDIAN AFFLUENT



Note: (1) Annual household income range: High-income (INR 1.1mn+), Upper-middle class (INR 0.8mn to 1.1mn), Lower-middle class (INR 0.3mn to 0.8Mn) and Low-income (less than INR 0.3mn)

## SURGE OF THE INDIAN AFFLUENT

Indian affluent and masses segment projected to grow ~60% in next 4 years

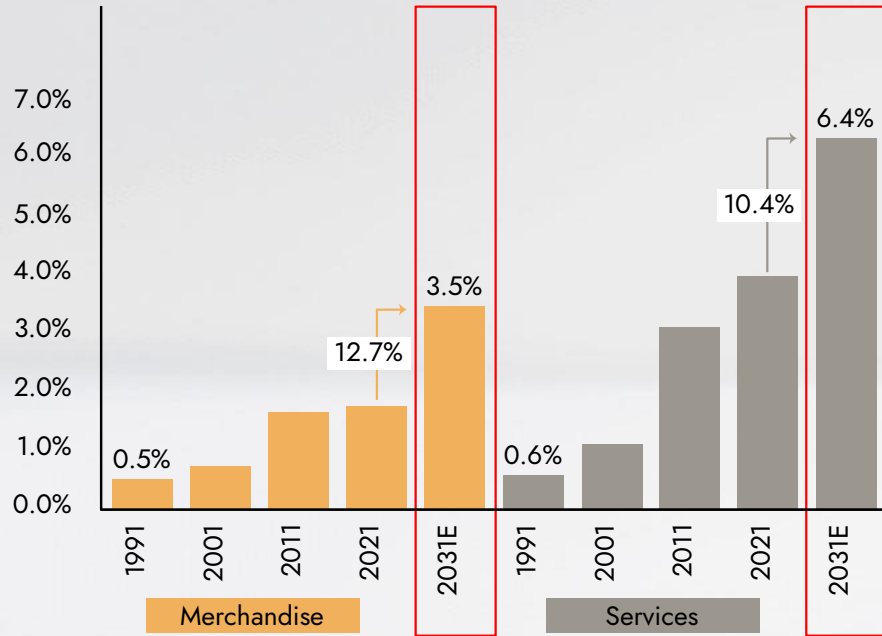
Indian financial wealth in \$bn

Segment	2021	2024		2028P
HNW & UHNW	1,535	2,226	+58%	3,512
Affluent	217	321	+61%	516
Masses	2,148	3,012	+50%	4,516
Overall	3900	5,560		8,544

- INDIA will witness unprecedented growth in Affluent class driving discretionary spends
- Rise in income will also drive financialisation and channel savings into equities

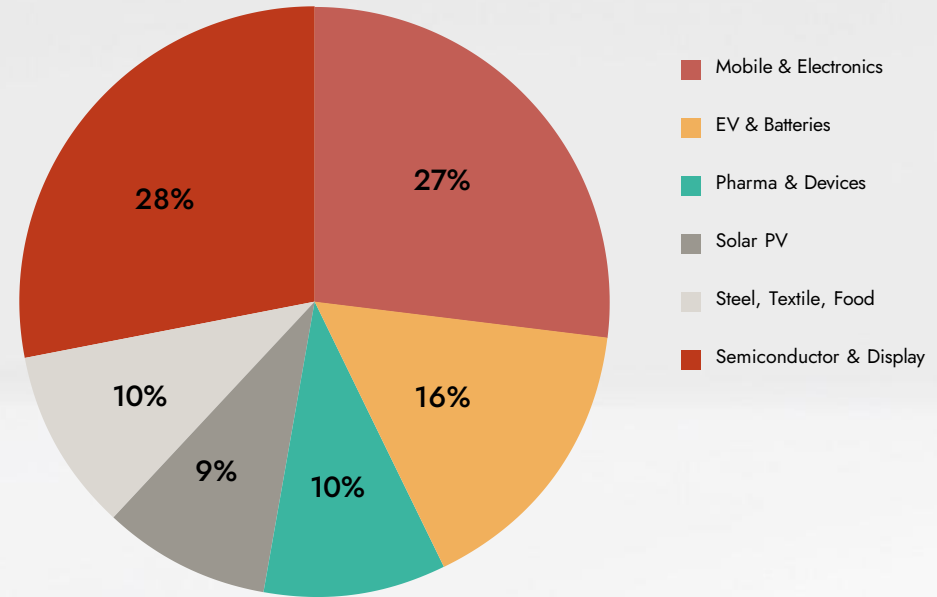
Source: BCG Global Wealth Market Sizing 2024, Asian Private Banker, Expert Interviews, Press Search, Investor Presentations, BCG Analysis, Ambit Asset Management

# MANUFACTURING & EXPORT: KEY FOCUS AREAS



Source: IBEF, Ambit Asset Management

## Government outlay under PLI



Total government incentives: ₹2.7trn

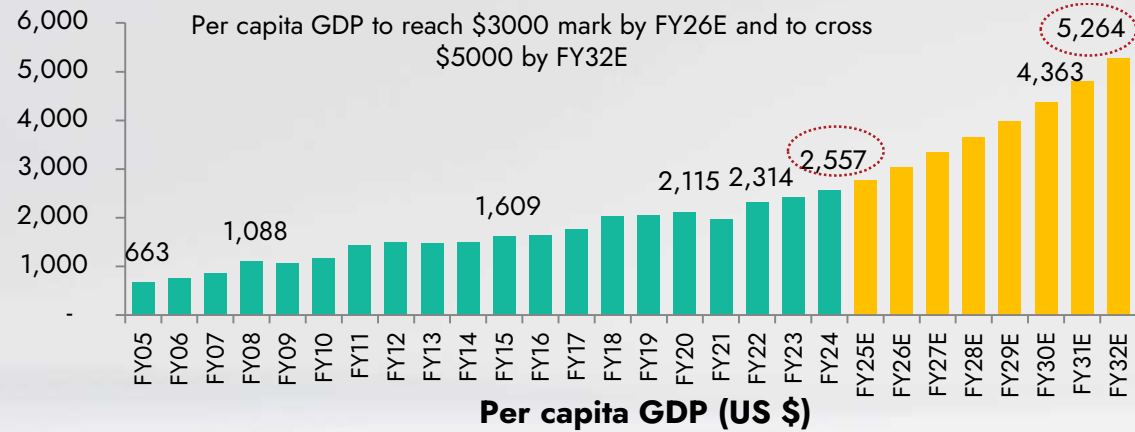
Source: GOI, Ambit Asset Management

India's global export market share to more than double to 4.5% by 2031 providing an incremental US\$1.2trn export opportunity.

# INDIA'S CONSUMER STORY AT AN INFLECTION POINT

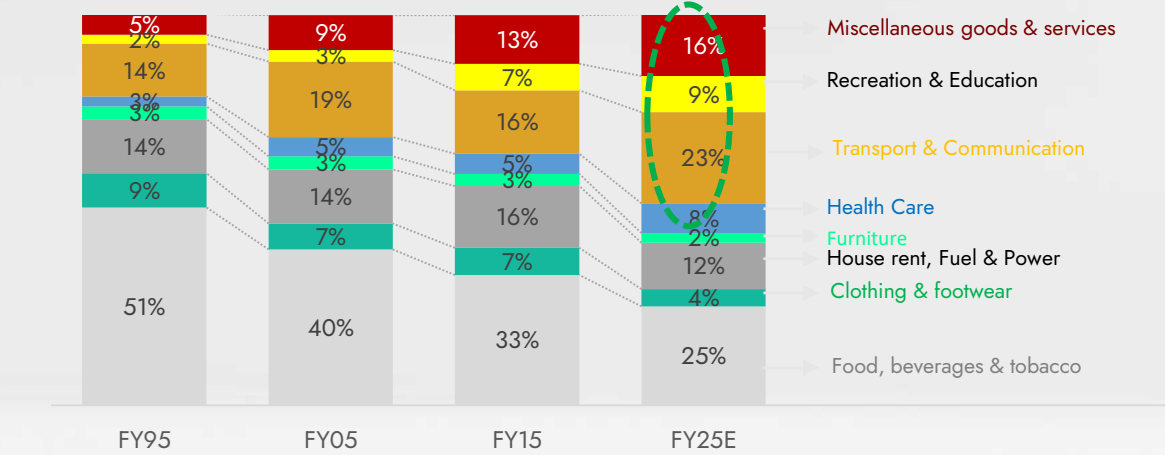
## India nears \$3000 per capita income mark –an inflection point for discretionary consumption to take off

#1: India has crossed the \$2,000 per capita income mark – which has been an inflection point for non-linear jump in discretionary spend in other countries



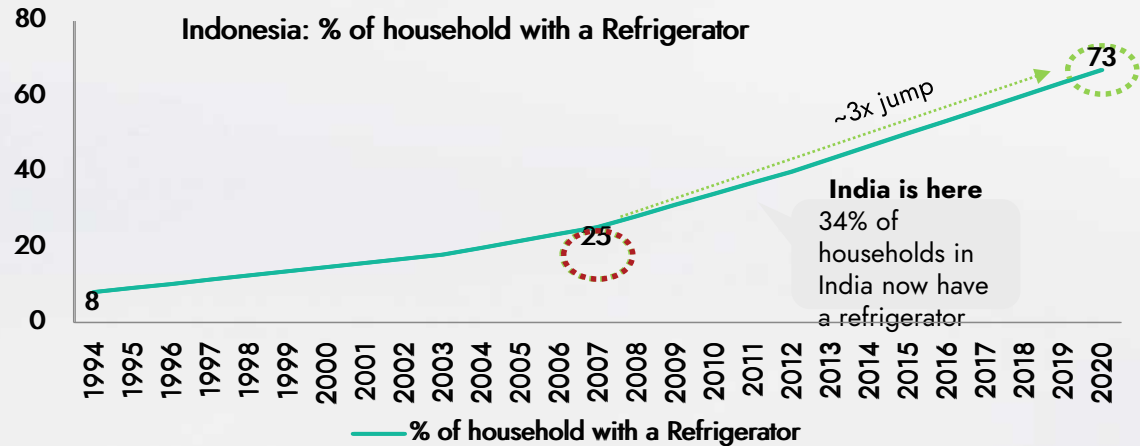
Source: Gol, Spark Research

#2: Discretionary spending rises as increase in income level drives households to shift their focus from providing only the basic necessities to discretionary spending



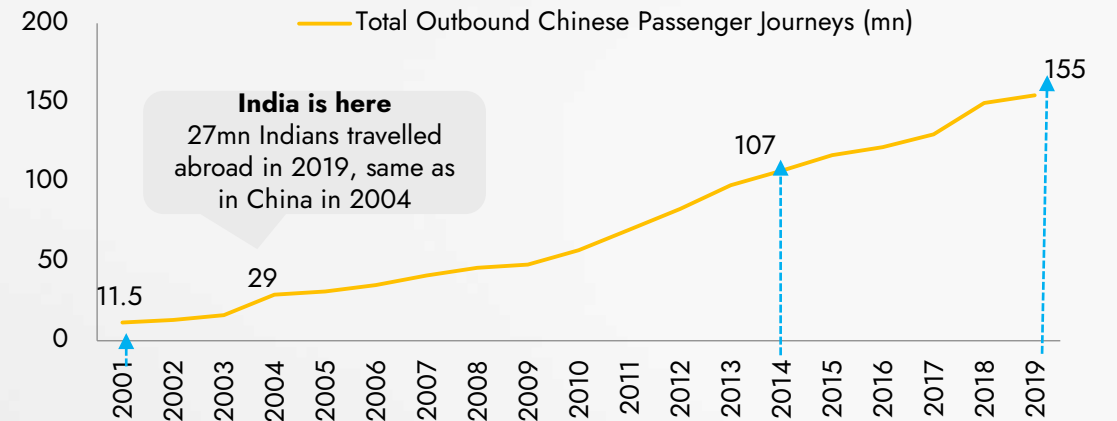
Source: CSO, Spark Research Transport includes purchasing a car, 2-Wheelers etc.

#3: Sharp jump in consumer durable penetration from Indonesia; Penetration of durable products rises very sharply once a country crosses a \$2000 per capita mark



Source: World Bank, Spark Research

#4: Outbound travel from China jumped nearly 10x by 2014 from 11.5mn in 2001



Source: World Bank, Spark Research

# DIGITAL TRANSFORMATION



## Identity layer

- **Aadhaar-led Identification**  
1.4bn Aadhaar generated  
118nn authentications done (18% YoY growth)
- **Digi Locker**  
Registered users: 300mn (32% YoY growth)  
Document issued: 7.7bn
- **e-KYC**  
Total e-KYC transactions, 19.8bn (22% YoY growth)
- **GSTIN**  
>14mn registered taxpayers



## Payments layer

- **Unified Payments Interface**  
FY24 volume: 131bn (57% YoY growth)  
FY24 value: Rs.200trn
- **Aadhaar-enabled payment system**  
FY24<sup>1</sup> volume: 1bn  
FY24<sup>1</sup> value: Rs.2.6trn
- **CBDC**  
9 banks currently in pilot  
4.6mn users onboarded
- **UPI Lite**  
37 banks live  
12 other apps live



## Data layer

- **Account Aggregators**  
Accounts liked: 71mn (400% YoY growth)  
Entities live: 370+
- **National Health e-Registries**  
648mn accounts created (60% YoY growth)  
397mn records linked
- **Public Credit Registry**  
360 - degree database of all credit info of borrowers
- **Goods & Service Tax**  
Taxpayer base up 40% from Apr'18



## Open networks

- **Open Network For Digital Commerce (ONDC)**  
Live in 600+ cities  
Monthly transactions: 9.9mn (~1.8x of Dec'23)
- **Open Credit Enablement Network (OCEN)**  
Aimed at bridging credit gap for MSMEs
- **National Digital Health Mission**  
22mn health IDs created
- **Public Tech Platform for Frictionless Credit (PTPFC)**

India's foundational digital infrastructure has significant potential to raise **total factor productivity**

Facilitating innovation and accelerating **financial inclusion**.

## POLICIES & REFORMS

### GST Implementation

Credit-based tax system which replaced 1000s of different tax rates and policies prevalent across states.

### Bankruptcy Law

Bank bad asset ratio 4%, down from 11% in FY18; Banks Tier-I capital at 15% - record high levels.

### Demonetization

Targetted large cash driven economy; led to much higher income declaration and formalization of economy.

### Path-Breaking Reforms

### RERA (Real Estate Regulation Act)

The Real Estate Regulatory Act of 2017 helped cleanup the vast, inorganised property sector.

### Formalization/Digitalization

India's UPI, UID driving fast digital payment adoption; plugging subsidy leakage in the system.

### Inflation Targeting

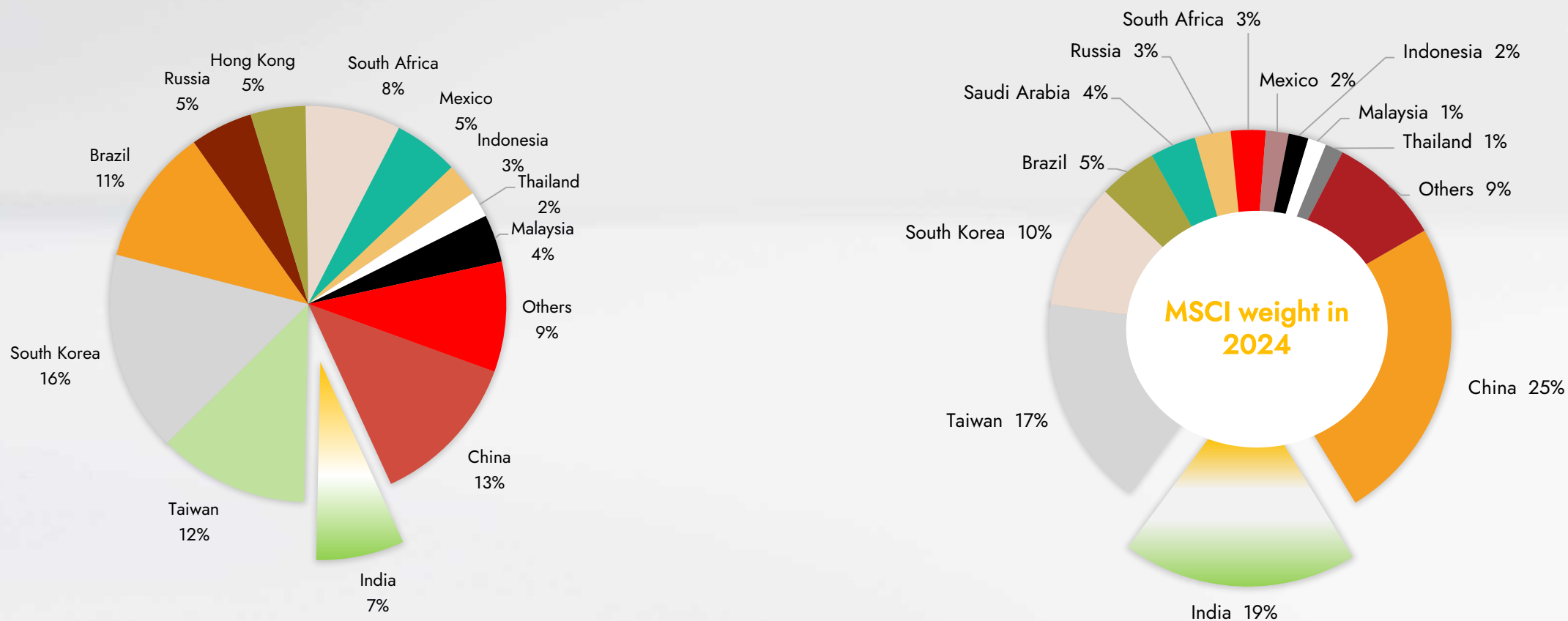
CPI halved from 10% before 2014, resilient against global inflation post Covid.

Source: Jefferies, Ambit Asset Management

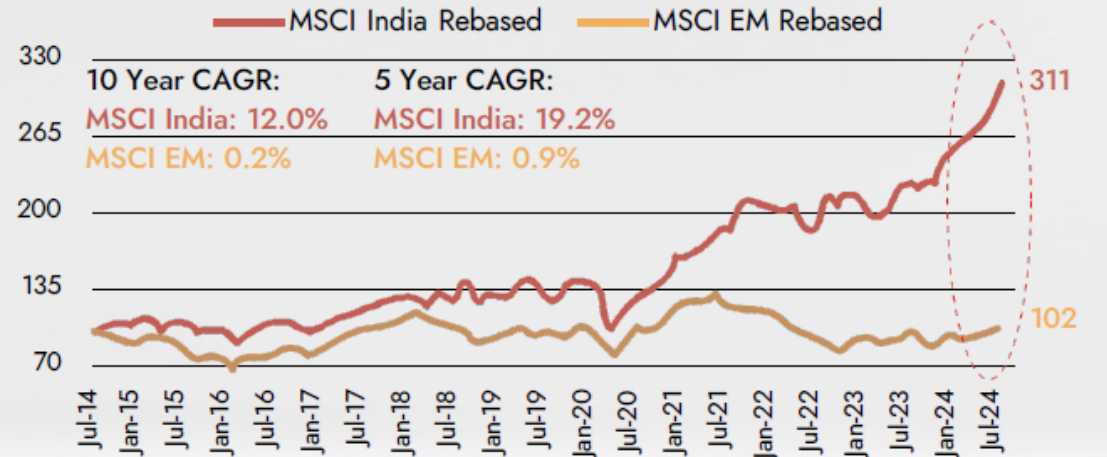
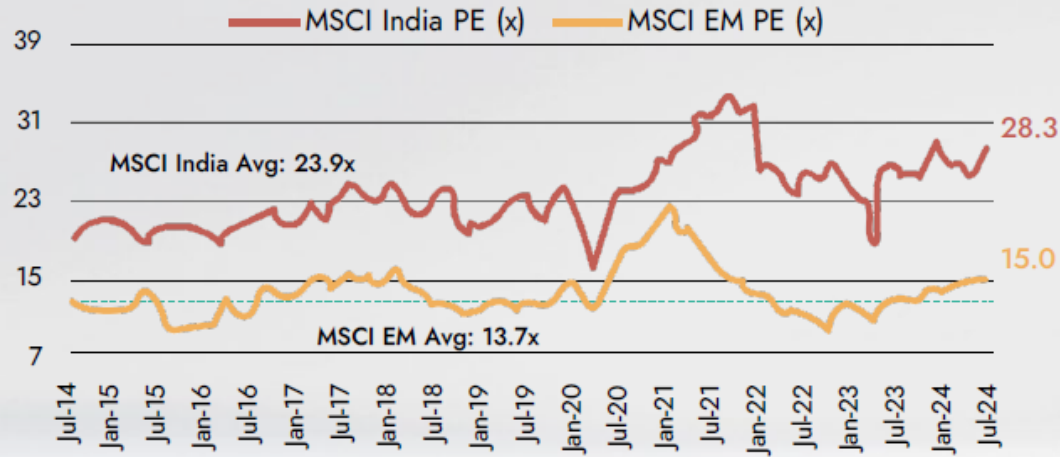
- Political stability coupled with structural reforms, high score on Democracy will ensure strong growth

# INDIA'S WEIGHT IN THE MSCI EM INDEX HAS ALSO INCREASED

INDIA'S weight in MSCI Indices has tripled over the last decade

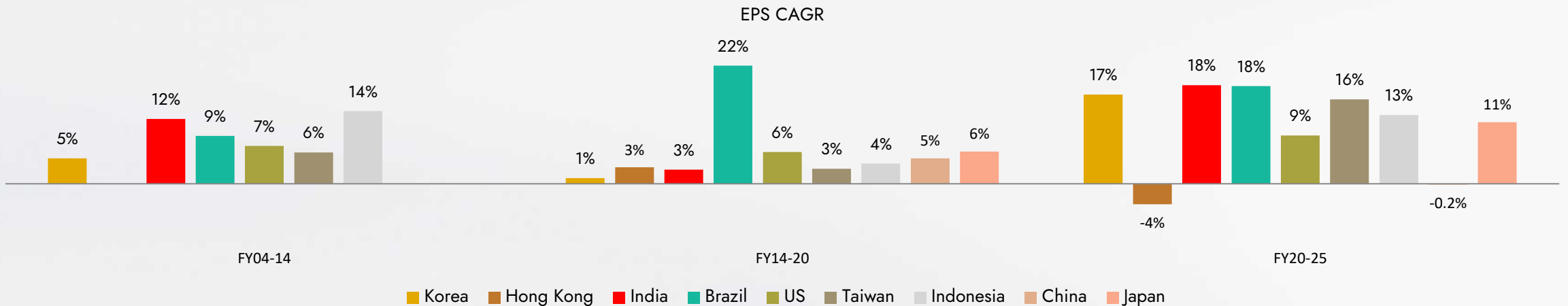


# INDIA OUTSHINES OTHERS ON EARNINGS FRONT TOO...



Source: Ambit Asset Management

Source: Ambit Asset Management



Source: Bloomberg; EPS in the currency of reporting

## INDIA PREMIUM TO EM WILL SUSTAIN

Recession years	2008	2015	2020	Average
India	-15%	3%	14%	1%
China	-13%	-3%	-1%	-6%
South Korea	-41%	5%	16%	-7%
Taiwan	-71%	-1%	30%	-14%
Russia	-3%	-42%	-36%	-27%
Brazil	-19%	-48%	-31%	-33%

Source: Bloomberg, AMBIT research

- India's earnings has been more resilient than other EMs during down cycles.
- Notably, strong consumption led economy has ensured INDIA resilience during global downturns.
- Predictable earnings growth coupled with lower volatility will ensure sustained premium for INDIA

WHY INVEST IN SMALL CAPS?



## SMALL CAPS ARE NO MORE SMALL

**Increase in profit pool helps companies professionalize themselves** – Companies are able to hire professionals across Finance & Accounts, Compliance & Legal, Sales & Marketing, and various other business functions which was difficult to pursue while the profit pool was smaller and were more dependent on family & friends for those functions

**No of companies of scale have increased massively** – Higher promoter holding represents higher skin in the game which for minority shareholders is very critical

**Strong FCF generation has led to significant balance sheet deleveraging for small cap companies** – Deleveraged balance sheet should trigger capex spree across small cap companies

**Liquidity in small caps have improved** – Investors can participate in more number of companies without taking higher liquidity risk compared to the past

## ● CONTRARY TO POPULAR BELIEF, SMALL CAPS EARNINGS ARE NOT CYCLICAL

**Small cap companies have delivered much higher EPS CAGR** – EPS CAGR for small cap companies is significantly higher than large cap/mid-cap companies across FY03-08/FY08-19/FY19-23 periods

**Resultantly small caps have delivered impressive returns** – Small cap companies have delivered impressive returns across these years and also delivered impressive alpha

EPS CAGR	FY03-08	FY08-19	FY19-23
Large cap	27.5%	5.4%	10.1%
MidCap	48%	6.4%	11.1%
Small Cap	185.8%	13.2%	21.3%
Small Cap index return	36.1%	7.2%	12.7%

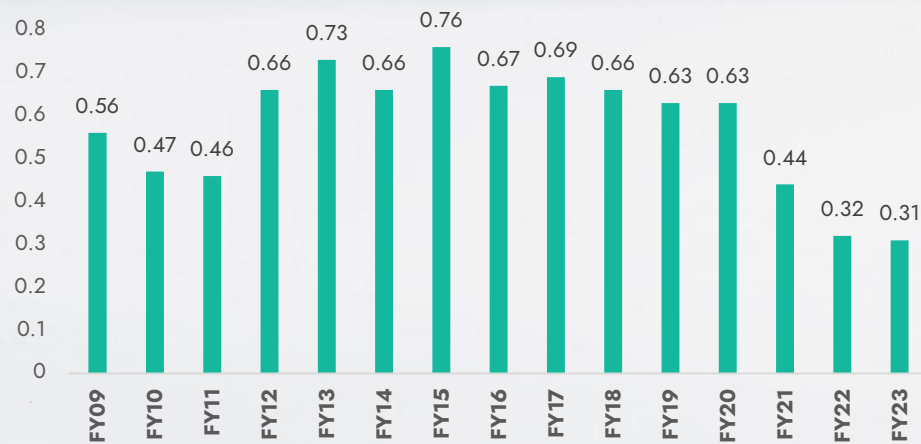
% allocation	Nifty 50	Nifty Small Cap 250
Top 5 Sectors	75%	60%
Top 10 Sectors	95%	83%

# SMALL CAPS HAS SEEN SIGNIFICANT AMOUNT OF DELEVERAGING

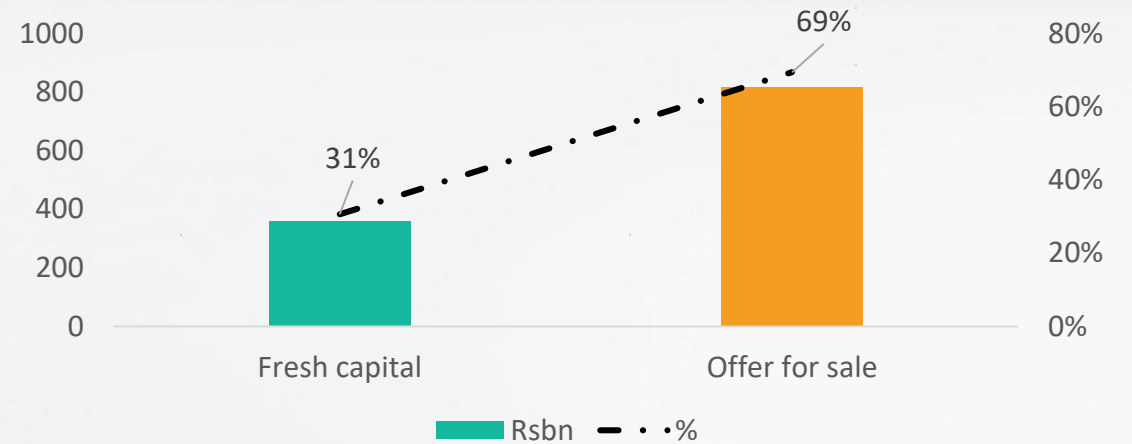
**Significant deleveraging happened during FY09-23:** Net debt:equity for nifty small cap 250 companies halved from 0.56x to 0.30x over FY09-23

**Majority of fund raise by small cap companies is offer for sale:** Since 2021, 70% of capital raised by small cap companies is offer for sale and balance is capital infusion

Small cap companies have seen significant deleveraging



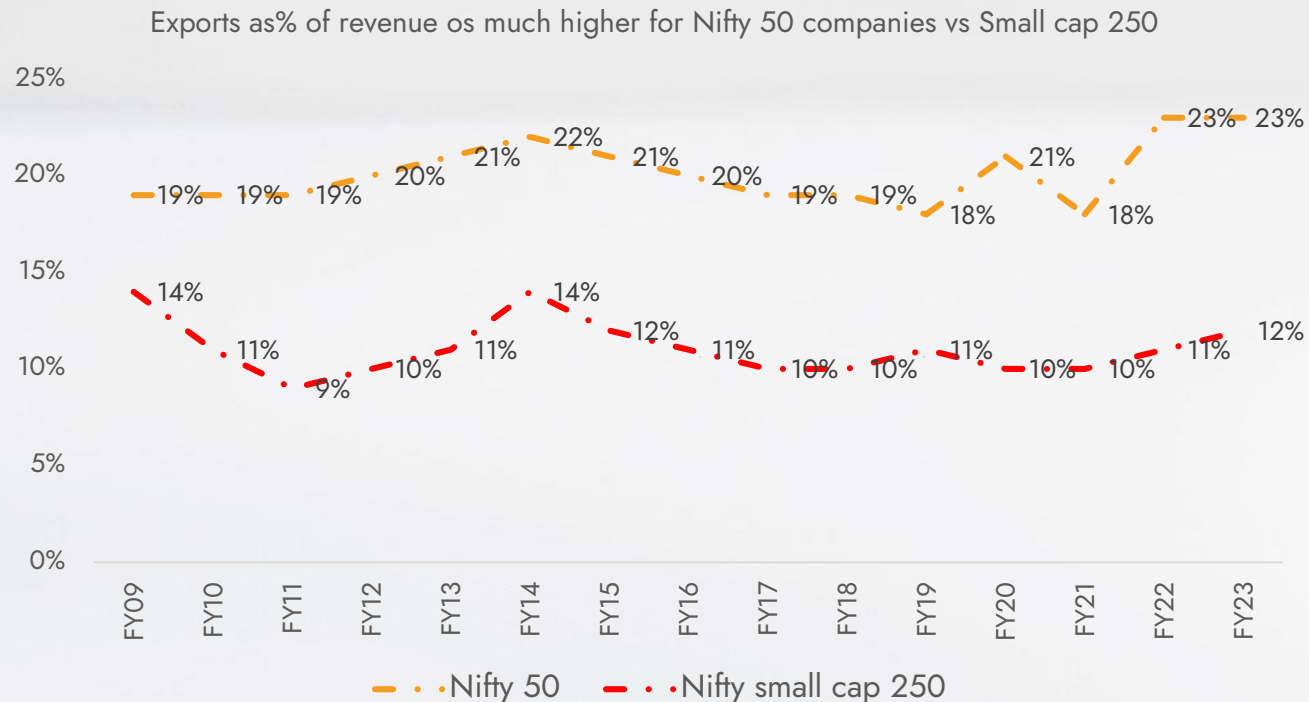
Share of fresh capital has seen significant decline for small cap companies since 2021



## SMALL CAPS OFFER YOU HIGHER EXPOSURE TO DOMESTIC SECTORS

**Small cap have lower exposure to exports:** Share of exports as % of revenue is ~12% led by relatively lower weightage to export oriented sectors like Pharma/IT

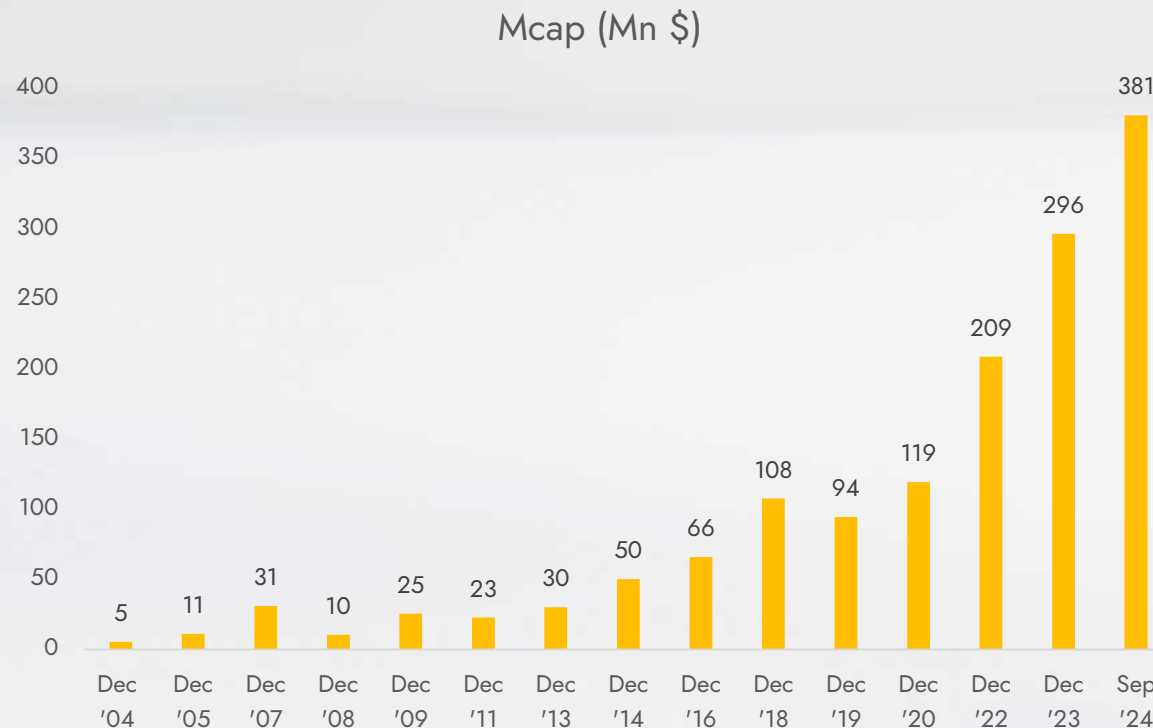
**Nifty 50 has higher exposure to exports:** Share of exports as % of revenue is ~23% led by relatively higher weightage to export oriented sectors like Pharma/IT



# MARKET CAP BUCKET FOR SMALL CAP COMPANIES IS GETTING BIGGER WITH TIME ALLOWING MORE ROOM TO INVEST

**Market cap of 251<sup>st</sup> company has seen consistent expansion:** Market cap of the 251<sup>st</sup> company in Dec'04 was 54.40Mn \$ and this has increased to 3794Mn \$ as on 30<sup>th</sup> Sep 2024

**Large universe of companies to invest:** In the market cap bucket of ~521.6Mn \$ to 3794Mn \$ there are more than 500 companies to be invested

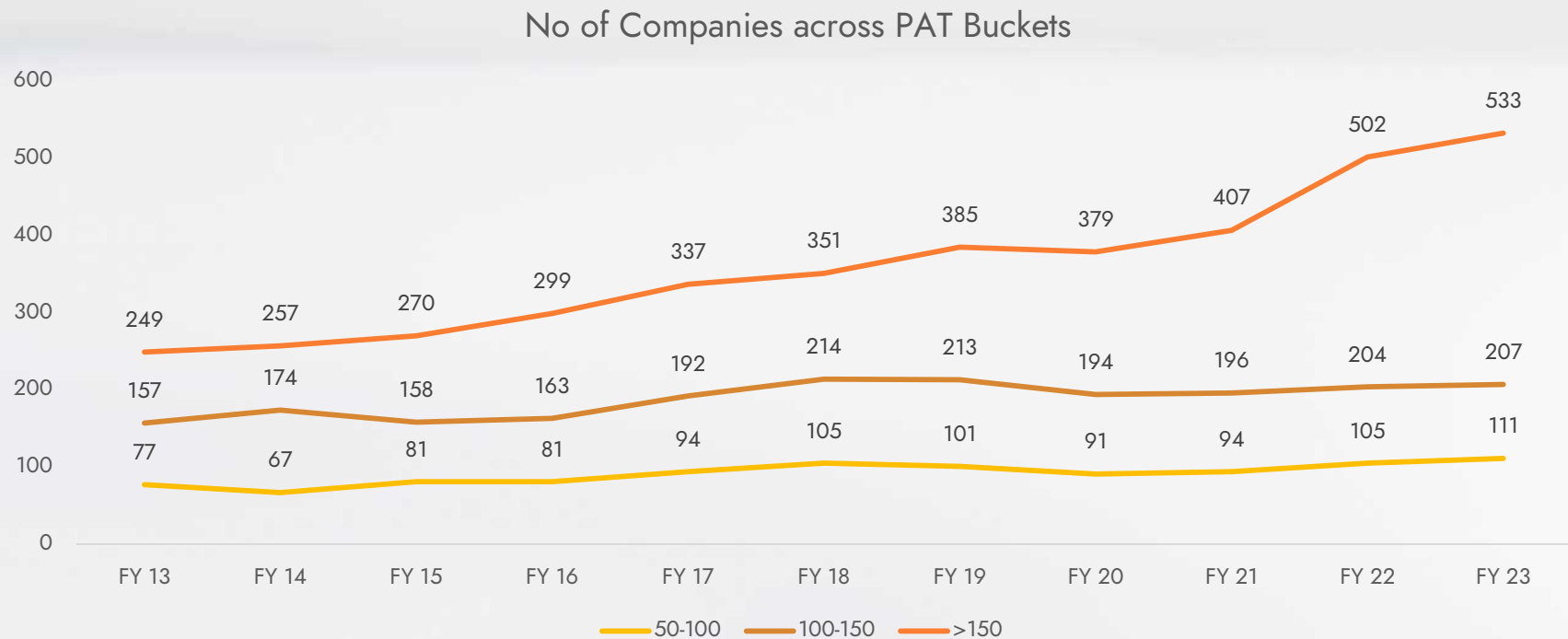


USD Million	No of companies
> 3794	250
593 – 3793	489
237-592	344
59- 237	501

## SEVERAL COMPANIES IN >RS150CRS PAT BUCKET

**Number of companies with more than 150crs PAT have doubled in the last ten years:** In FY13 there were 249 companies with >Rs150crs PAT and this increased to 533 in FY23

**More than 750 companies with PAT of more than Rs100crs:** In FY13 there were 406 companies with >Rs100crs PAT and this increased to 780 in FY23



# HIGHEST ALPHA GENERATION HAPPENS IN THE NEXT 500 COMPANIES

- Highest alpha generation happens in the Next 500 companies by market cap bucket; 10.7% of companies in Micro caps go on to become mid caps and 45.2% of companies go on to become small caps over a period of 10 years
- Companies which became small caps gave a CAGR of 29.3% and companies which became mid caps gave a CAGR of 46.6% over a 10 year period
- Stock selection however is very critical in this bucket given ~50% casualty rate; faulty selection can lead to only 6.5% CAGR over a 10 year period; casualty rate in small caps is far lower at 10% and in mid-caps at 1.6%

>50% of companies in Micro caps go on to become mid/small cap companies over a period of 10 years

% Shift from one category to another	FY24				
	1-100	101-250	251-500	501-1000	
FY14	1-100	80.0%	16.8%	2.1%	1.1%
	101-250	16.7%	53.8%	23.5%	6.1%
	251-500	1.0%	23.2%	51.2%	23.6%
	501-1000		4.2%	29.7%	65.6%

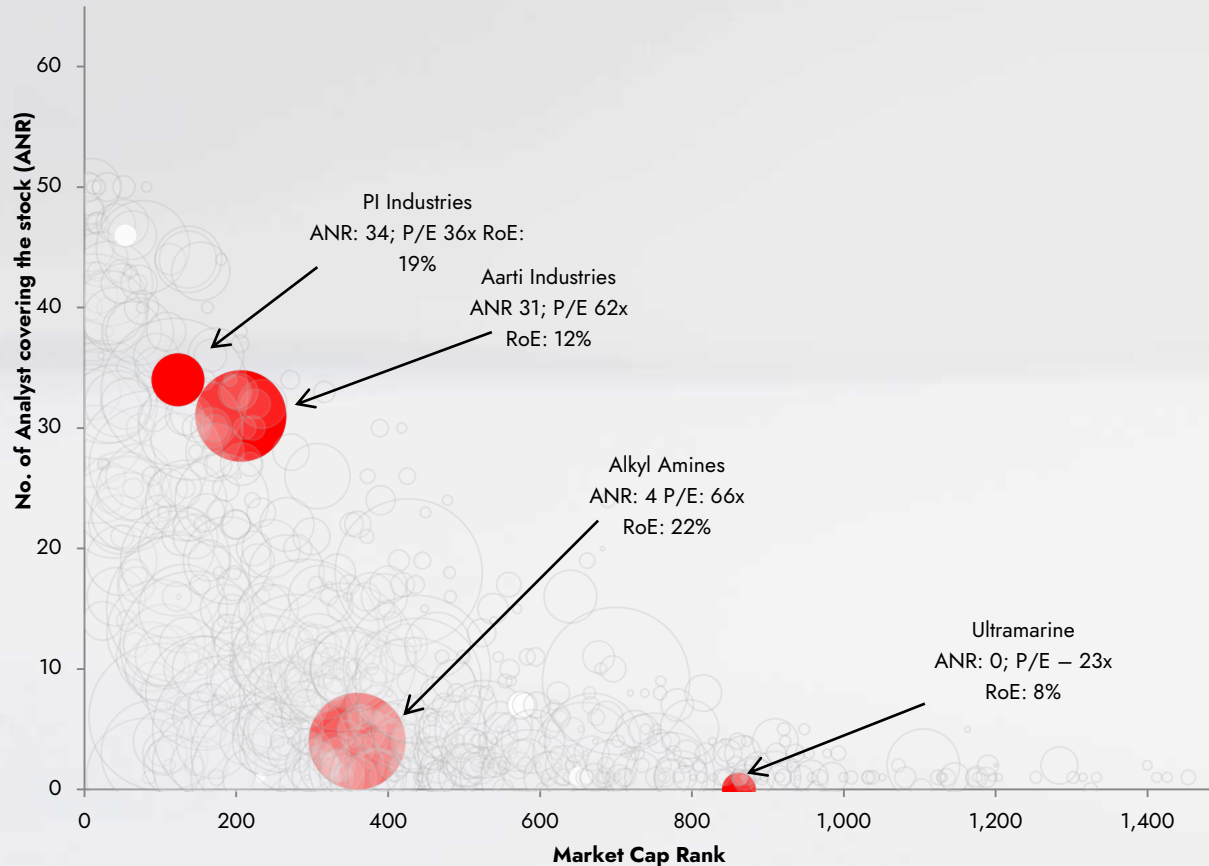
Micro cap companies which become small/mid cap companies gave CAGR of 29.3/46.6% on a 10 year basis

Avg Performance CAGR %	FY24				
	1-100	101-250	251-500	501-1000	
FY14	1-100	15.7%	7.5%	-6.2%	-32.7%
	101-250	29.4%	18.0%	5.5%	-17.5%
	251-500	45.6%	29.6%	16.2%	-8.3%
	501-1000		46.6%	29.3%	6.5%

Identify good stocks in the Next 500 bucket by market cap

# PRICE DISCOVERY IS INEFFICIENT IN SMALL CAPS

Small caps are largely undiscovered with low analyst coverage and lower liquidity resulting in valuation disconnect with fundamentals



Size of Bubble signifies trailing P/E Ratio (x) as on 30/09/2024  
ANR refers to No. of analyst covering a particular stock

Source: Ambit Capital Research.

**UN-DISCOVERED** with low analyst coverage:  
On average only 7-8 analyst cover a small-cap stock vs. 45-50 analyst coverage for large-caps



**LOW LIQUIDITY** is a challenge:  
Daily Trade Volume of a Large-Cap company is Rs 464Cr. whereas for small-cap its just Rs 11Cr.

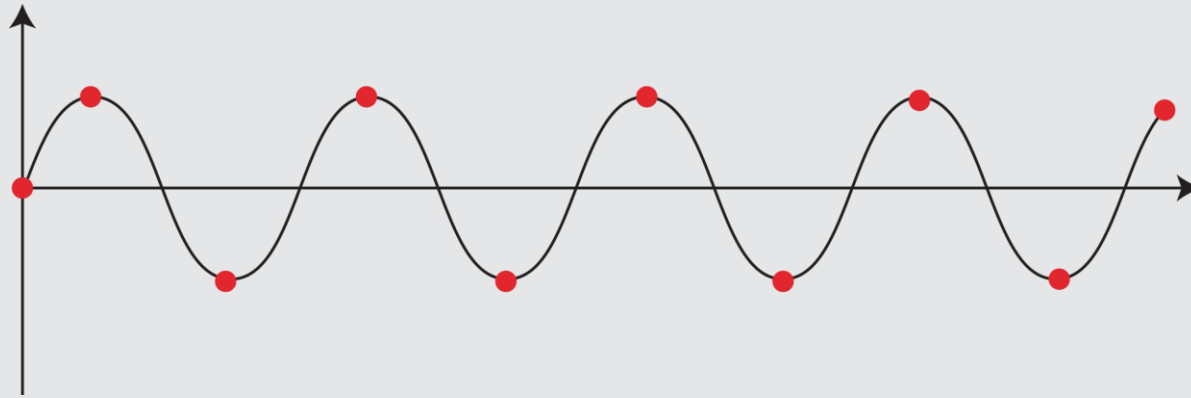


**UNDER-OWNED** with low Institutional ownership:  
Large-Caps, with an Institutional ownership of ~55% are over-owned by Mutual Funds & FII's vs. ~15% in case of Small-caps

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## INVEST SUCCESSFULLY ACROSS MARKET CYCLES WITH AMBIT ASSET MANAGEMENT



Successful investing takes acumen

The acumen to have a solution for every need

The acumen to navigate volatile conditions

The acumen to always stay true to character

At Ambit Asset Management, it is this acumen that helps you invest successfully, with products that stay true to character across market cycles

THANK YOU



Email: [amsales@ambit.co](mailto:amsales@ambit.co)

Website: <https://www.ambit.co/asset-management>

