


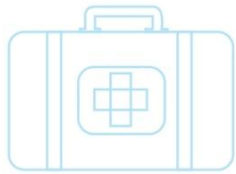



# OWN A PIECE OF INDIA™

## OFFERING A 5+1 SCHEME FROM TATA MUTUAL FUND

 <p><b>TATA BANKING &amp; FINANCIAL SERVICES FUND</b> (An Open Ended Banking &amp; Financial Services Sector Scheme)</p>	 <p><b>TATA INDIA CONSUMER FUND</b> (An Open Ended Consumption Oriented Sector Scheme)</p>	 <p><b>TATA DIGITAL INDIA FUND</b> (An Open Ended Information Technology Sector Scheme)</p>
 <p><b>TATA INDIA PHARMA &amp; HEALTHCARE FUND</b> (An Open Ended Pharma And Healthcare Services Sector Scheme)</p>	 <p><b>TATA RESOURCES &amp; ENERGY FUND</b> (An Open Ended Resources And Energy Sector Scheme)</p>	 <p><b>TATA INFRASTRUCTURE FUND#</b> (An Open Ended Equity Scheme)</p>

**NEW FUND OFFER OPENS ON:  
04 DECEMBER, 2015**

**NEW FUND OFFER CLOSES ON:  
18 DECEMBER, 2015**

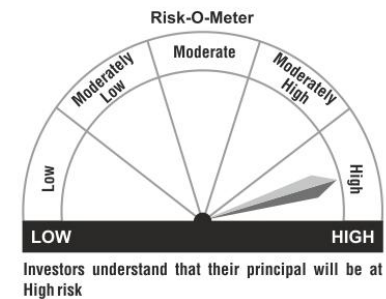
**#EXISTING SCHEME AVAILABLE FOR SUBSCRIPTION  
ON ALL BUSINESS DAYS AT NAV BASED PRICE**



**These Products are suitable for investors who are seeking\*** long term capital appreciation and investment in equity/equity related instruments of the companies in

- Banking and Financial Services sector in India through Tata Banking & Financial Services Fund
- Consumption Oriented sectors in India through Tata India Consumer Fund
- Information Technology sector in India through Tata Digital India Fund
- Pharma & Healthcare sectors in India through Tata India Pharma & Healthcare Fund
- Resources & Energy sectors in India through Tata Resources & Energy Fund
- Infrastructure sector in India through Tata Infrastructure Fund

**\*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.**



**[www.ownapieceofindia.co.in](http://www.ownapieceofindia.co.in)**

Mutual Fund investments are subject to market risks,  
read all scheme related documents carefully.

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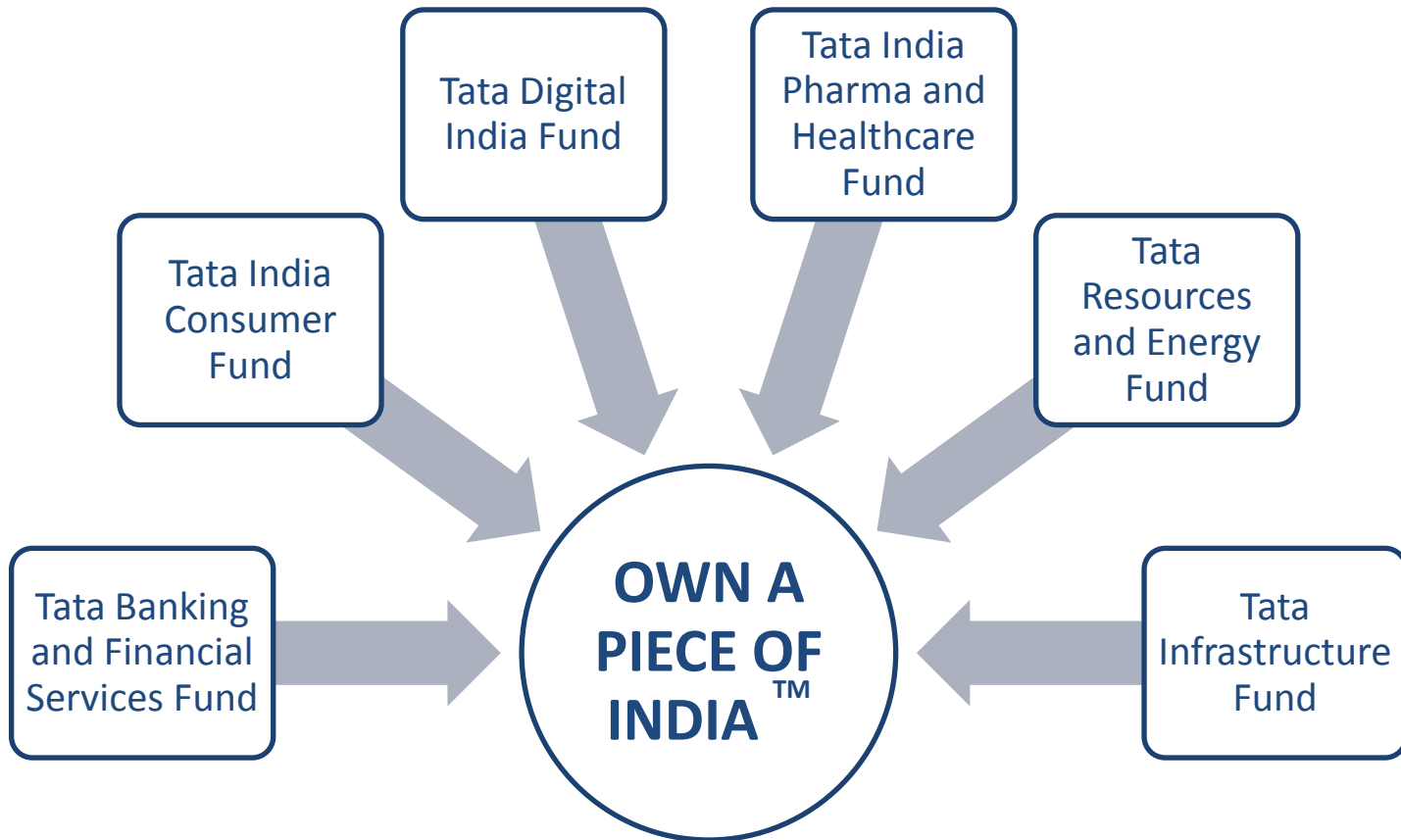
Introduction	<a href="#"><u>Section I</u></a>
Fund Manager Profile & Performance	<a href="#"><u>Section II</u></a>
Investment Management Perspective	<a href="#"><u>Section III</u></a>
Market Research Analysis	<a href="#"><u>Section IV</u></a>
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## INTRODUCTION

# NEW 5+1 FUND OFFER

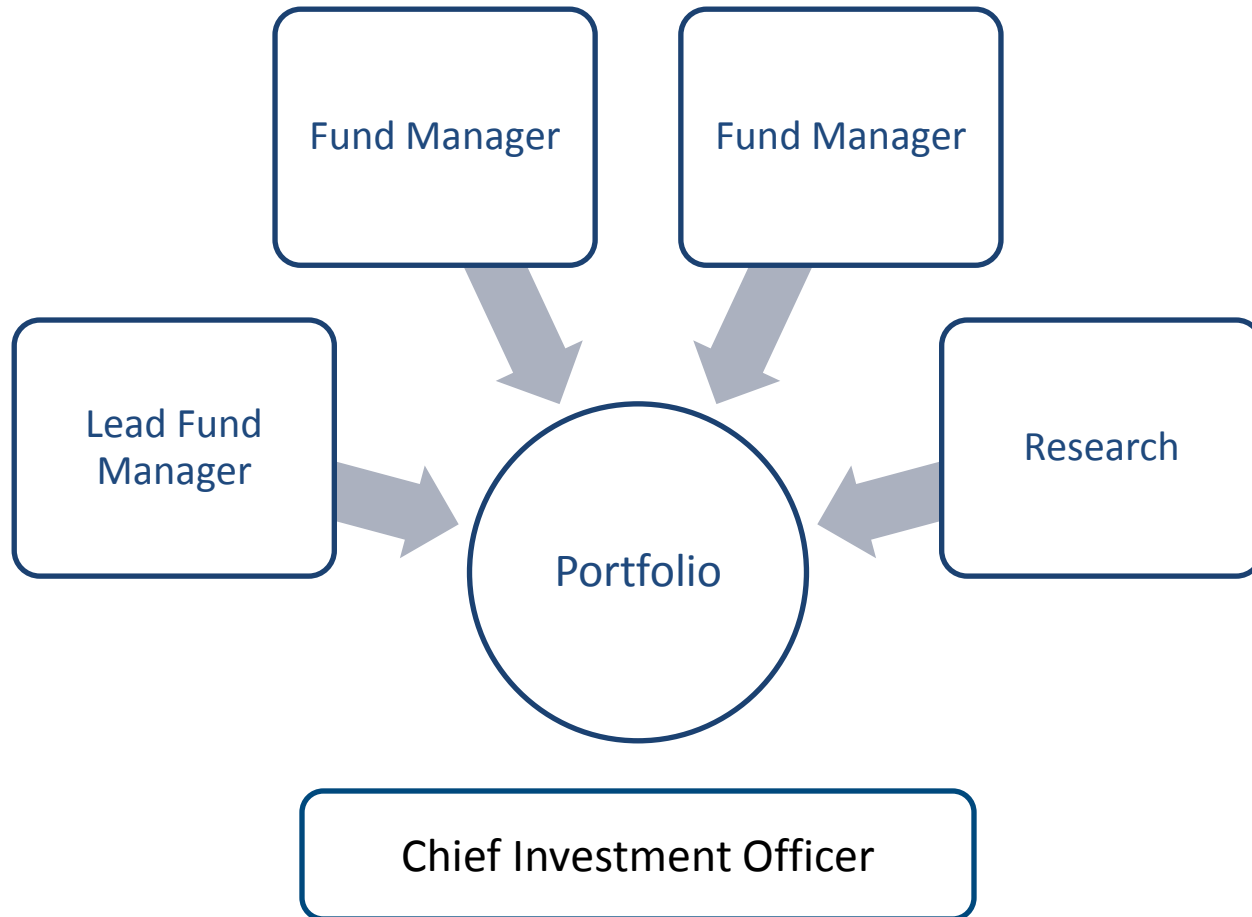
## LAUNCHING 5 NFO'S SIMULTANEOUSLY



**Notes:** 5 New Funds. Tata Infrastructure Fund is an existing fund

- Maiden New Equity Fund Offer from the House of Tata after over Six Years\*
- Own a Piece of India™ - A one stop solution to customize your participation in India's growth
- First Time Multi Manager Approach by Tata Mutual Fund^
- Launching 5 NFO's Simultaneously (+1 Existing Fund) - Simple & Smart way of Investing
- Empowering Investors and Advisors - A Complete Solution for Customized/Tailor made Portfolio
- Ease of Investing
  - One Application & One Cheque
  - Online Investment Facility

**Notes:** ● \*Maiden New Open Ended Indian Equity Fund Offer for all category of Investors. ● ^ First Time Multi Manager Approach in any Equity Scheme by Tata Mutual Fund



- Fund managed by 'Lead Fund Manager' and supported additionally by one or more fund managers in the portfolio management process
- Combining expertise in Research, Stock Selection & Portfolio Management from the fund manager and research team of Tata Asset Management
- Assembling diverse team of fund managers and benefit from the combined investment management experience
- Increased depth of investment management thought and decision making process in each Fund
- Individual Fund Managers to offer highest convictions and limiting risk associated with decision making
- Fund managers experience are blended to minimize dependence on the bias of a single fund manager



## FUND MANAGER PROFILE & PERFORMANCE



- Pradeep Gokhale has over 24 years of experience and is Senior Fund Manager at Tata Asset Management Limited.
- Pradeep joined Tata Asset Management Limited in September 2004 as Deputy General Manager Investment.
- Earlier from April 1995 to September 2004, he served as Deputy General Manager of Credit Analysis and Research Ltd. Previously, he worked at Lubrizol India, Tata International Ltd., and Bombay Dyeing in the finance and taxation departments.
- Pradeep is a Chartered Financial Analyst and a Chartered Accountant. He holds a B.Com degree.
- He is currently the Fund Manager of Tata Equity Opportunities Fund, Tata Pure Equity Fund, Tata Ethical Fund, Tata Index Fund & select offshore and equity portfolio of select close ended funds.

# PERFORMANCE OF FUND MANAGED BY PRADEEP GOKHALE

Fund / Benchmark	Discrete Period Returns				Returns on investment of Rs 10,000			
	September 30, 2014 to September 30, 2015	September 30, 2013 to September 30, 2014	September 30, 2012 to September 30, 2013	Since Inception	September 30, 2014 to September 30, 2015	September 30, 2013 to September 30, 2014	September 30, 2012 to September 30, 2013	Since Inception
	Returns (%)	Returns (%)	Returns (%)	Returns (%)	Absolute returns in Rs.	Absolute returns in Rs.	Absolute returns in Rs.	CAGR returns in Rs.
Tata Pure Equity Fund - Reg - Growth	7.76	39.68	2.31	22.71	10,776	13,968	10,231	352,768
Scheme Benchmark (S&P BSE SENSEX)	-1.79	37.41	3.29	11.28	9,821	13,741	10,329	64,294
Tata Equity Opportunities Fund - Reg - Growth	13.04	49.23	2.94	12.63	11,304	14,923	10,294	147,165
Scheme Benchmark (S&P BSE 200 INDEX)	3.08	42.50	-1.11	11.17	10,308	14,250	9,889	109,571
Additional Benchmark (S&P BSE SENSEX)	-1.79	37.41	3.29	10.39	9,821	13,741	10,329	93,447
Tata Ethical Fund - Reg - Growth	15.22	49.51	7.90	17.67	11,522	14,951	10,790	233,561
Benchmark (CNX 500 Shariah)	5.80	43.83	6.23	NA	10,580	14,383	10,623	NA
Additional Benchmark (CNX NIFTY)	-0.20	38.87	0.56	10.83	9,980	13,887	10,056	73,242
Tata Index Fund - SENSEX - Reg - Growth	-1.90	36.81	3.11	17.22	9,810	13,681	10,311	74,064
Scheme Benchmark (S&P BSE SENSEX)	-1.79	37.41	3.29	17.90	9,821	13,741	10,329	79,665
Tata Index Fund - NIFTY - Reg - Growth	-0.44	38.23	0.36	17.55	9,956	13,823	10,036	76,735
Scheme Benchmark (CNX NIFTY)	-0.20	38.87	0.56	17.37	9,980	13,887	10,056	75,267
Tata Dual Advantage Fund - Scheme A - Growth	-0.28	32.37	NA	12.28	9,972	13,237	NA	12,960
Scheme Benchmark (Crisil MIP Blended Index)	10.72	15.45	NA	9.76	11,072	11,545	NA	12,318
Crisil 10 Yr Gilt Index	13.76	6.85	NA	5.94	11,376	10,685	NA	11,379
Tata Dual Advantage Fund - Scheme B - Growth	8.41	NA	NA	11.39	10,841	NA	NA	11,845
Scheme Benchmark (Crisil MIP Blended Index)	10.72	NA	NA	13.33	11,072	NA	NA	12,171
Crisil 10 Yr Gilt Index	13.76	NA	NA	12.25	11,376	NA	NA	11,989

Past performance may or may not be sustained in future



- Atul Bhole is the Fund Manager of Tata Balanced Fund, Tata Midcap Growth Fund and Tata Equity P/E Fund & equity portfolio of Tata Regular Savings Equity Fund.
- With a total of 10 years of experience backing him, he joined Tata Asset Management Limited in February 2007 as an equity research analyst covering Technology, Telecom and Banking, Financial Services and Insurance (BFSI) sectors.
- Earlier he has worked with JP Morgan Services (India) Pvt. Limited and State Bank of India. Bhole is a commerce graduate and holds a Chartered Accountant's degree apart from a Masters in Management Studies from JBIMS, Mumbai.

# PERFORMANCE OF FUND MANAGED BY ATUL BHOLE

Fund / Benchmark	Discrete Period Returns				Returns on investment of Rs 10,000			
	September 30, 2014 to September 30, 2015	September 30, 2013 to September 30, 2014	September 30, 2012 to September 30, 2013	Since Inception	September 30, 2014 to September 30, 2015	September 30, 2013 to September 30, 2014	September 30, 2012 to September 30, 2013	Since Inception
	Returns (%)	Returns (%)	Returns (%)	Returns (%)	Absolute returns in Rs.	Absolute returns in Rs.	Absolute returns in Rs.	CAGR returns in Rs.
Tata Balanced Fund - Reg - Growth	16.70	50.32	2.33	16.99	11,670	15,032	10,233	230,365
Scheme Benchmark (Crisil Balanced Fund Index)	4.38	28.89	1.87	NA	10,438	12,889	10,187	NA
Tata Mid Cap Growth Fund - Reg - Dividend	24.20	86.87	-4.35	12.62	12,420	18,687	9,565	125,170
Scheme Benchmark (CNX MIDCAP INDEX)	13.72	63.17	-10.75	NA	11,372	16,317	8,925	NA
Additional Benchmark (CNX NIFTY)	-0.20	38.87	0.56	9.04	9,980	13,887	10,056	62,978
Tata Equity P/E Fund - Reg - Growth	8.77	74.77	-8.15	20.79	10,877	17,477	9,185	83,887
Scheme Benchmark (S&P BSE SENSEX)	-1.79	37.41	3.29	16.16	9,821	13,741	10,329	54,020
Tata Regular Saving Equity Fund - Reg - Individual & HUF - Reg - Monthly Income Option (Earlier Known as Tata Monthly Income Fund)	6.29	10.52	4.44	7.43	10,629	11,052	10,444	30,230
Scheme Benchmark (35% in CNX Nifty, 30% of Crisil Liquid Fund Index and 35% of Crisil Short Term Bond Index)	6.17	19.47	5.74	NA	10,617	11,947	10,574	NA

Past performance may or may not be sustained in future



- At 39, Rupesh has more than 15 years experience spread across listed equity investments, private equity real estate investments, credit risk assessment and evaluation of infrastructure projects.
- He is currently the Fund Manager of Tata Infrastructure Fund, Tata Long Term Equity Fund, Tata Dividend Yield Fund, Rupesh also manages select Offshore Funds and Equity Portfolio of Tata Retirement Fund, Young Citizens Fund.& select close ended hybrid funds. He has earlier worked in Equity Research and as Head of TATA PMS investments
- Prior to joining Tata Asset Management, he worked with Indiareit Fund Advisors Private Limited in their investments team and also held directorships to represent Indiareit Fund Advisors Private Limited on the Board of investee companies. He also worked as Head of the corporate sector ratings group at Credit Analysis & Research Limited (CARE).
- Rupesh is a graduate in engineering from Sardar Patel University, Gujarat and holds a masters in business administration from Sardar Patel University, Gujarat.

# PERFORMANCE OF FUND MANAGED BY

## RUPESH PATEL

Fund / Benchmark	Discrete Period Returns				Returns on investment of Rs 10,000			
	September 30, 2014 to September 30, 2015	September 30, 2013 to September 30, 2014	September 30, 2012 to September 30, 2013	Since Inception	September 30, 2014 to September 30, 2015	September 30, 2013 to September 30, 2014	September 30, 2012 to September 30, 2013	Since Inception
	Returns (%)	Returns (%)	Returns (%)	Returns (%)	Absolute returns in Rs.	Absolute returns in Rs.	Absolute returns in Rs.	CAGR returns in Rs.
Tata Dividend Yield Fund - Reg - Growth	12.58	46.78	-1.45	17.53	11,258	14,678	9,855	57,788
Scheme Benchmark (CNX 500 Index)	3.59	46.08	-2.49	14.08	10,359	14,608	9,751	41,813
CNX Nifty Index	-0.20	38.87	0.56	14.23	9,980	13,887	10,056	42,414
Tata Infrastructure Fund - Reg - Growth	14.26	58.18	-22.25	14.17	11,426	15,818	7,775	41,580
Scheme Benchmark (CNX 500 Index)	3.59	46.08	-2.49	12.89	10,359	14,608	9,751	36,832
CNX Nifty Index	-0.20	38.87	0.56	13.28	9,980	13,887	10,056	38,224
Tata Long Term Equity Fund - Reg - Growth	16.58	52.15	2.11	20.35	11,658	15,215	10,211	371,269
Scheme Benchmark (S&P BSE SENSEX)	-1.79	37.41	3.29	11.08	9,821	13,741	10,329	77,707
Tata Retirement Savings Fund - Progressive - Reg - Growth	14.03	48.03	-3.55	17.47	11,403	14,803	9,645	18,783
Scheme Benchmark (S&P BSE SENSEX)	-1.79	37.41	3.29	10.84	9,821	13,741	10,329	14,962
Tata Retirement Savings Fund - Moderate - Reg - Growth	16.93	53.52	-1.54	19.80	11,693	15,352	9,846	20,285
Benchmark (Crisil Balanced Fund Index)	4.38	28.89	1.87	10.81	10,438	12,889	10,187	14,946
Tata Infrastructure Tax Saving Fund - Growth	10.55	54.92	-20.82	10.84	11,055	15,492	7,918	19,536
Scheme Benchmark (CNX 500)	3.59	46.08	-2.49	18.03	10,359	14,608	9,751	29,406
Additional Benchmark (CNX NIFTY)	-0.20	38.87	0.56	16.29	9,980	13,887	10,056	26,698

Past performance may or may not be sustained in future

# INVESTMENT MANAGEMENT PERSPECTIVE



**Tata Banking and Financial Services Fund**  
(An Open Ended Banking and Financial Services Sector Scheme)

## Investment Objective

- To seek long term capital appreciation by investing at least 80% of its net assets in equity/equity related instruments of the companies in the Banking and Financial Services sector in India.

## Benchmark & Fund Managers

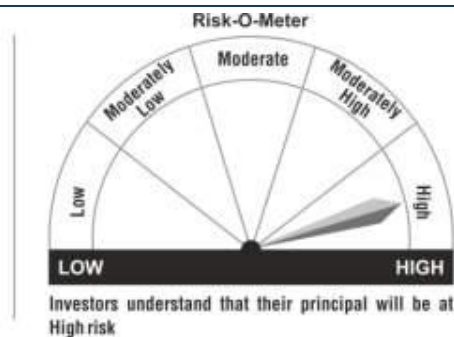
- **CNX Finance Index**
- **Lead FM** – Pradeep Gokhale. **Co-FM** – Atul Bhole & Rupesh Patel

## Product Label

This product is suitable for investors who are seeking\*:

- Long Term Capital Appreciation.
- Investment in equity/equity related instruments of the companies in Banking and Financial Services sector in India

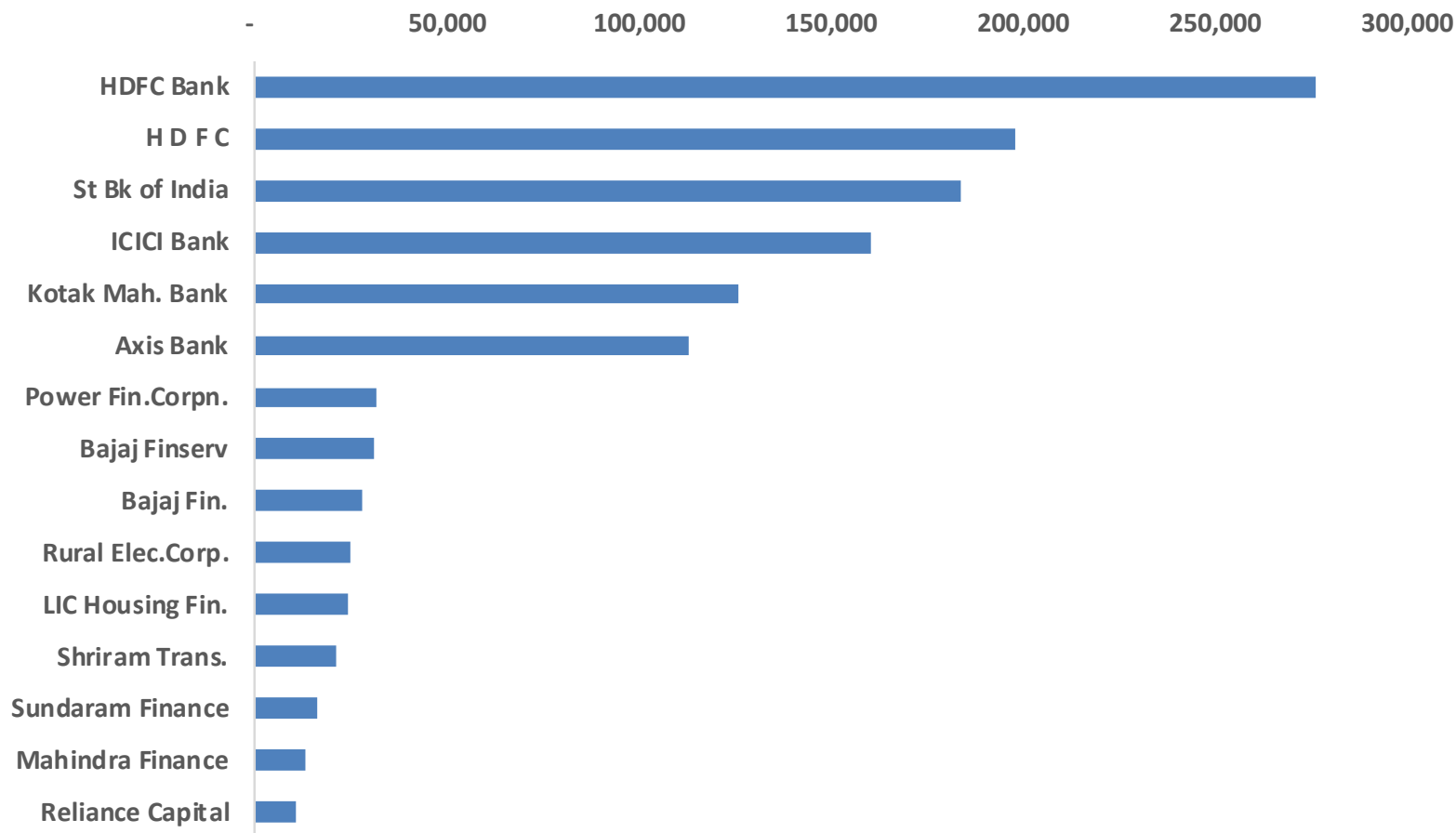
\*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.



## Key Sectors / Industries Included

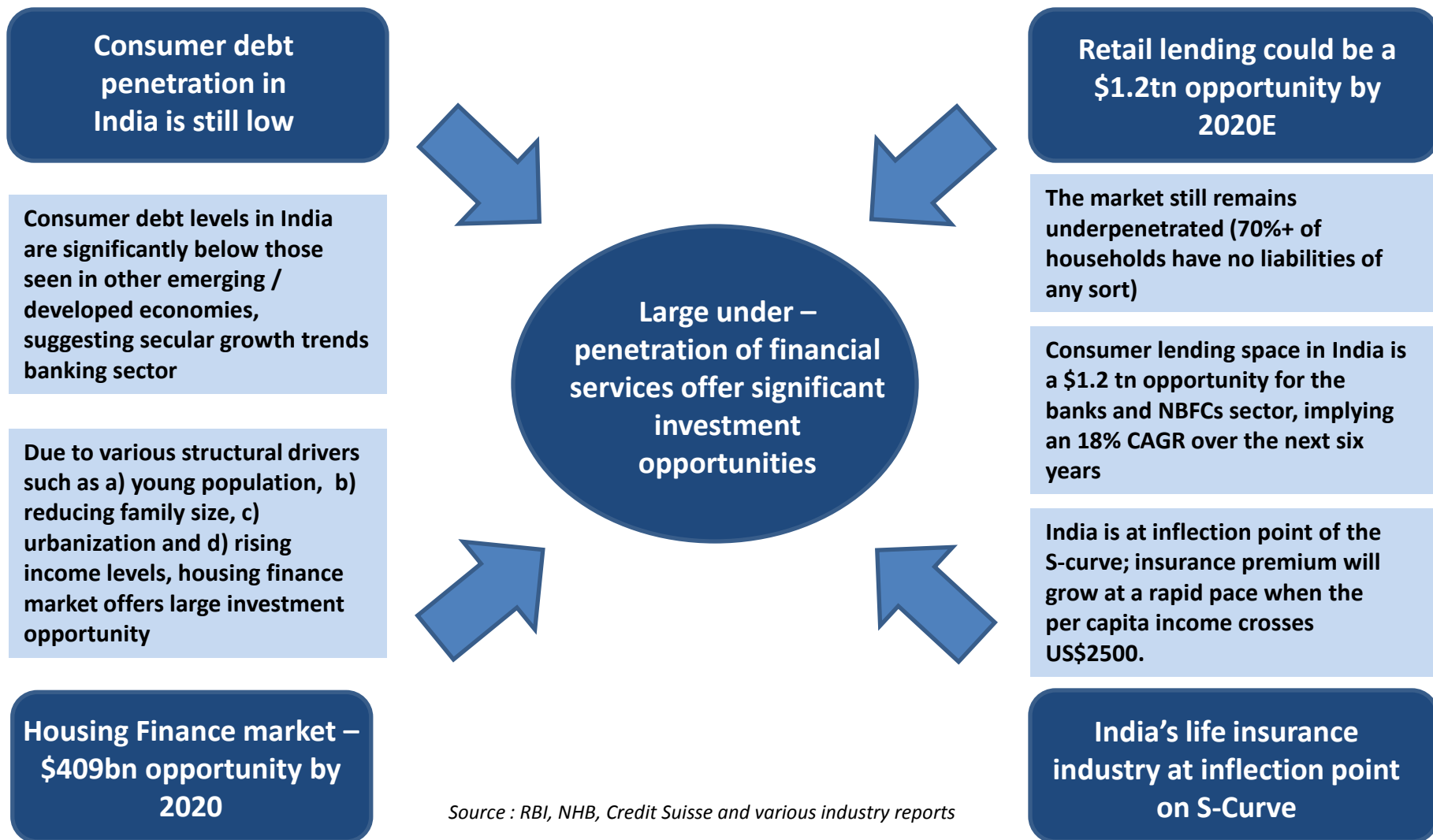
- Banking, Housing Finance
- Non Banking Finance Companies, Rating Agencies
- Stock Broking and Allied
- Financial Services

## CNX FINANCE INDEX CONSTITUENTS



**Notes:** • \* The list of stocks given is for information purpose only and not to be construed as an indicative portfolio of the scheme.

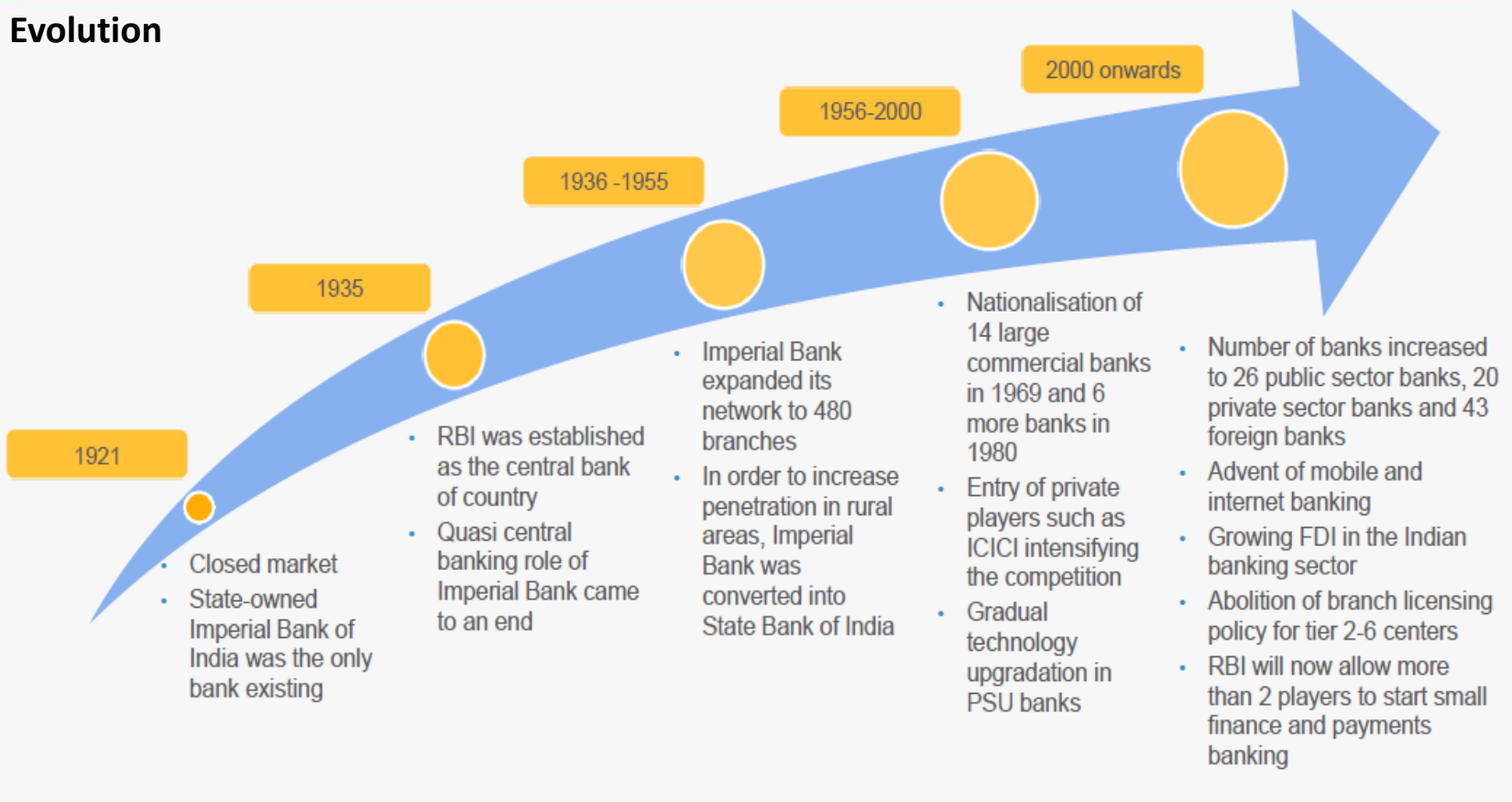
• Data Source – NSE & CLINE • Index Constituents & Market capitalization as on October 30, 2015



# MARKET RESEARCH ANALYSIS

- Indian banking sector: At the cusp of growth
- Growth drivers of Indian Banking Sector
- Consumer lending – \$1.2tn opportunity by 2020E
- Mortgage: Secular growth in an underpenetrated industry
- Insurance : India's vast potential
- Life insurance industry is expected to grow by c.15% over next 10-15 years
- Non Life insurance

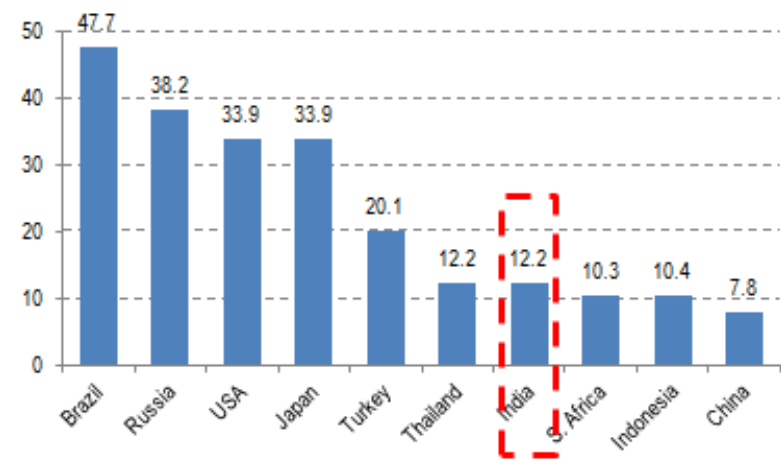
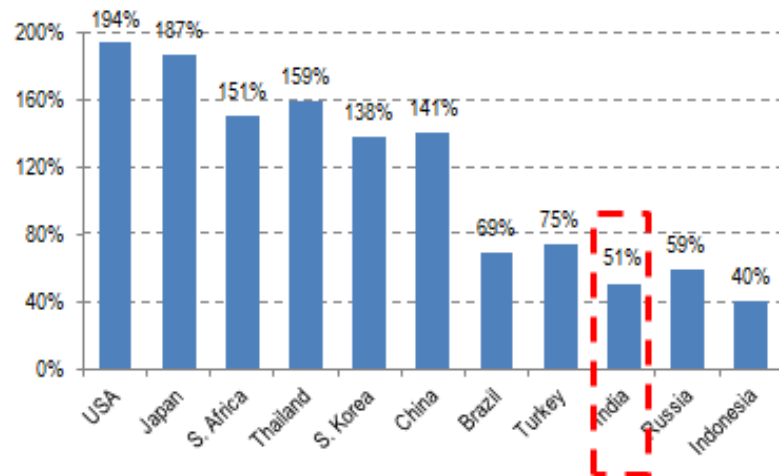
## Evolution



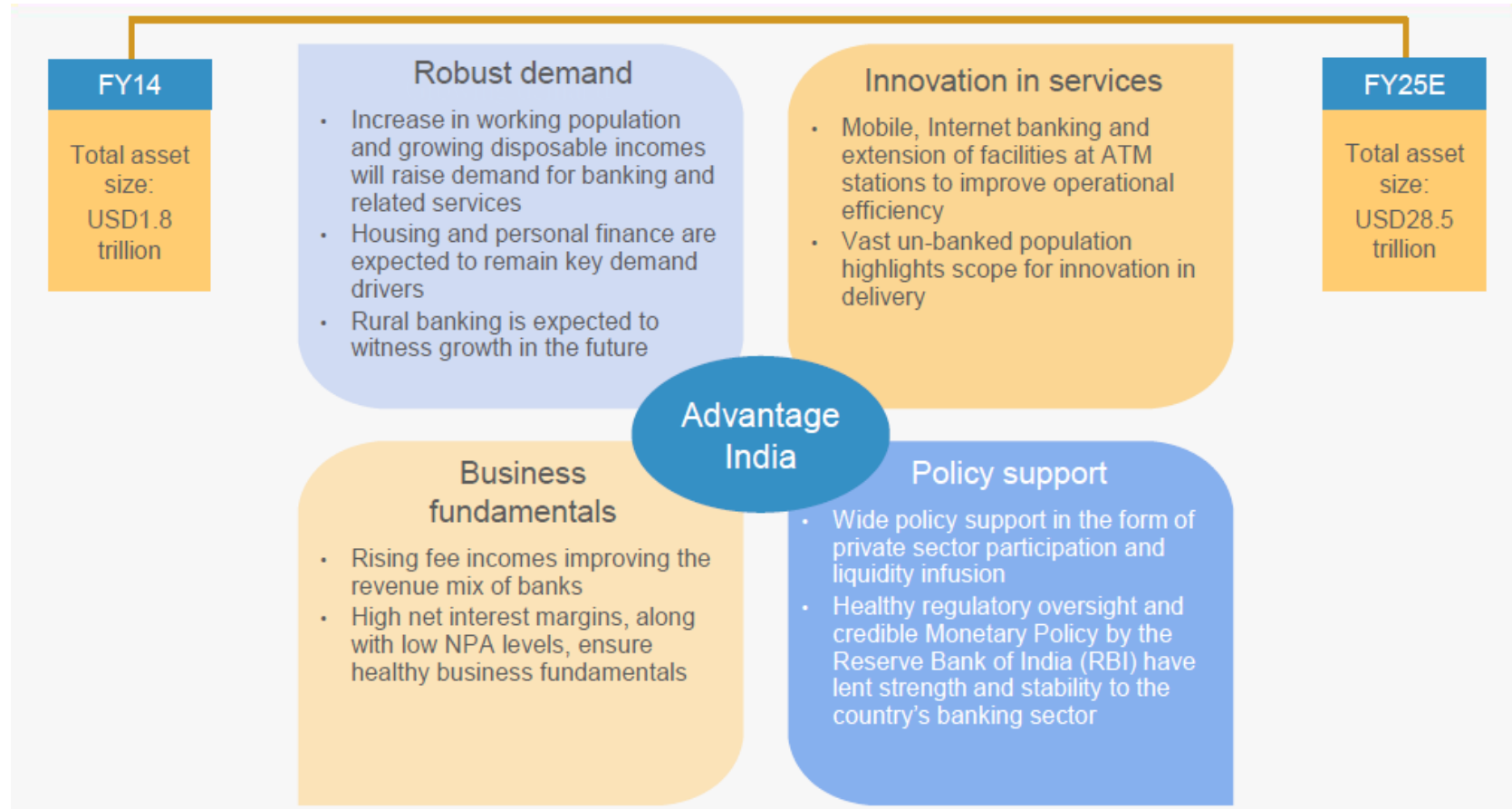
- The Indian economy stands at a critical juncture of its evolution. There are expectations of rapid growth, inclusive growth, wealth creation, trickle down of wealth, plenty of jobs, better living standards, quality infrastructure, and access to basic banking facilities.
- For Indian Banking sector, structural drivers are in place as indicated by Low Domestic Credit and Under-penetration of banking services as shown below. When compared with developed economies, domestic private credit as % of GDP for India (52%) remains well below the norm (USA: 184%, Japan: 177%). Similarly India offers significant opportunities in terms of scaling up banking opportunities as penetration of branches remain low at 11.4 per 100k population compared to 47.3 for Brazil and 38.2 for Russia. (Source: SBI, The World Bank – G20 Financial Inclusion Indicators)



## Domestic Private Credit (% of GDP) (LHS) and Under-penetration (Branches Per 100K Population)



Source: The World Bank – G20 Financial Inclusion Indicators. Data is for 2014. Subsequent data is not available



## Economic and demographic drivers

- Favourable demographics and rising income levels
- Strong GDP growth (CAGR of 7.0 per cent expected over 2012–17) to facilitate banking sector expansion
- The sector will benefit from structural economic stability and continued credibility of Monetary Policy

## Policy support

- Extension of interest subsidy to low cost home buyers
- Simplification of KYC norms, introduction of no-frills accounts and Kisan Credit Cards to increase rural banking penetration
- RBI is considering giving more licenses to private sector players to increase banking penetration

## Infrastructure financing

- India currently spends 6 per cent of GDP on infrastructure; Planning Commission expects this fraction to grow going ahead
- Banking sector is expected to finance part of the USD1 trillion infrastructure investments in the 12<sup>th</sup> Five Year Plan, opening a huge opportunity for the sector

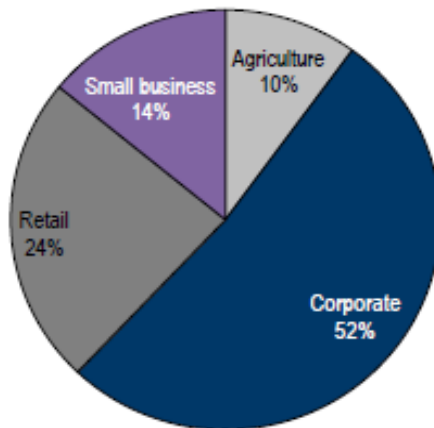
## Technological innovation

- Technological innovation will not only help to improve products and services but also to reach out to the masses in cost effective way
- Use of alternate channels like ATM, internet and mobile hold significant potential in India
- Now cloud technology and analytics also gaining ground

- As per Credit Suisse report, the consumer lending space in India will be an \$1.2tn opportunity for the organized lenders (banks and Non Banking Financial Company (NBFCs)), implying an 18% Compounded Annual Growth Rate (CAGR) over the next six years (up from 15% in the previous five years).
- Unlike in the past, the coming round of growth will likely be driven by multiple engines as banks/NBFCs have developed diverse product lines (including multiplicity of secured lending options).
- In particular, the private lenders (both banks and NBFCs) have opened new loan segments that were hitherto solely controlled by the PSU banks (e.g., small business loans). Overall, select banks and NBFCs will be able to leverage their expertise and established market positions to grow their retail loan books faster than the market projections. (Source: Credit Suisse Report)

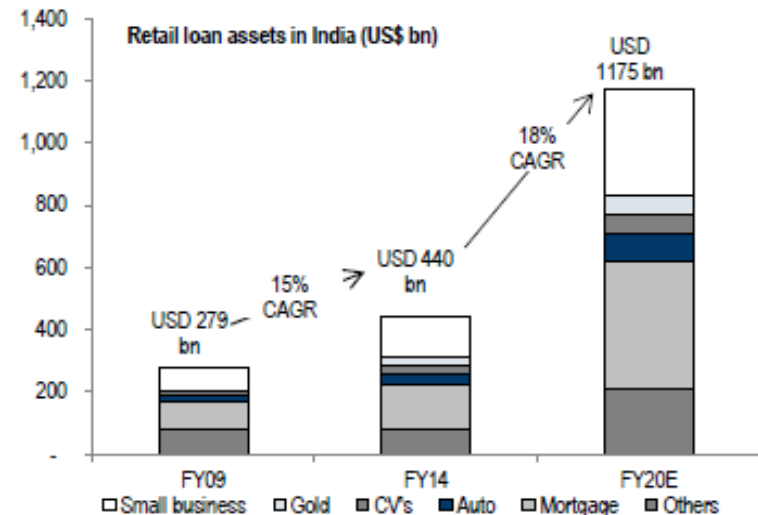
**Retail loans account for 24% of total assets  
(banks + NBFCs)**

Breakdown of advances 2014 (banks + NBFCs)



Source: RBI, Company data, Credit Suisse estimates

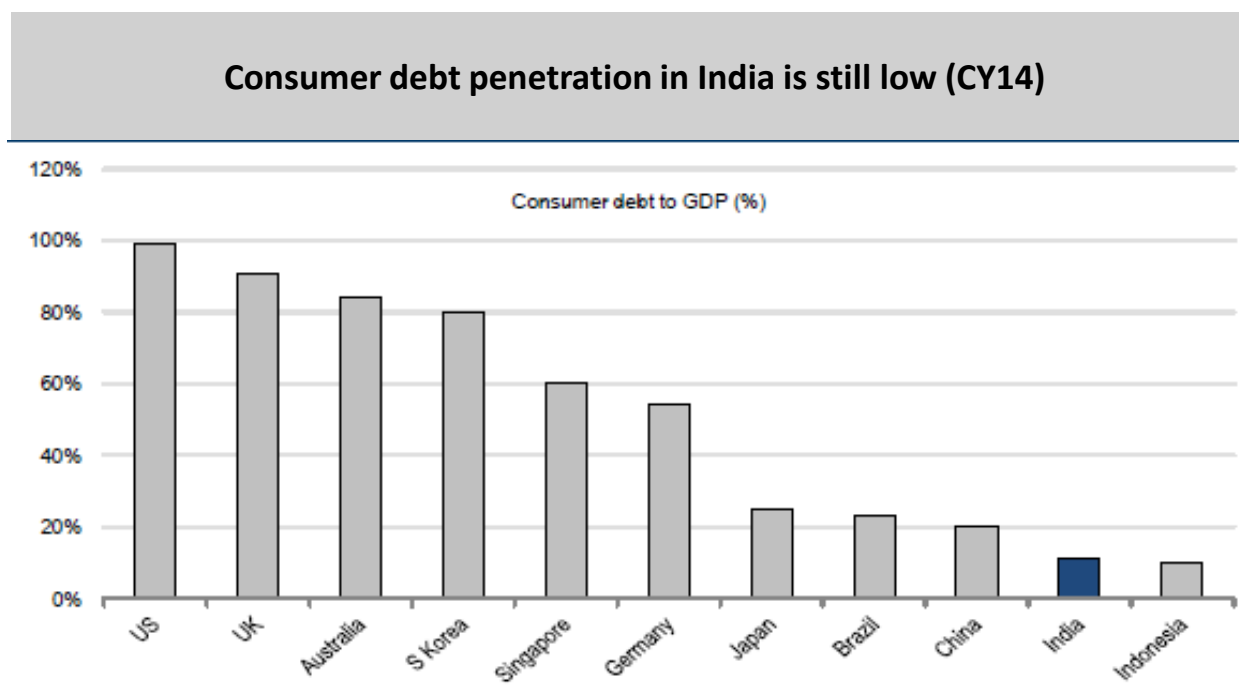
**Credit Suisse report expects an 18% CAGR in  
retail loans by FY20**



Note: (1) Charts based on banks + NBFCs lending; (2) CAGR numbers are on an INR basis.

Source: RBI, Company data, Credit Suisse estimates

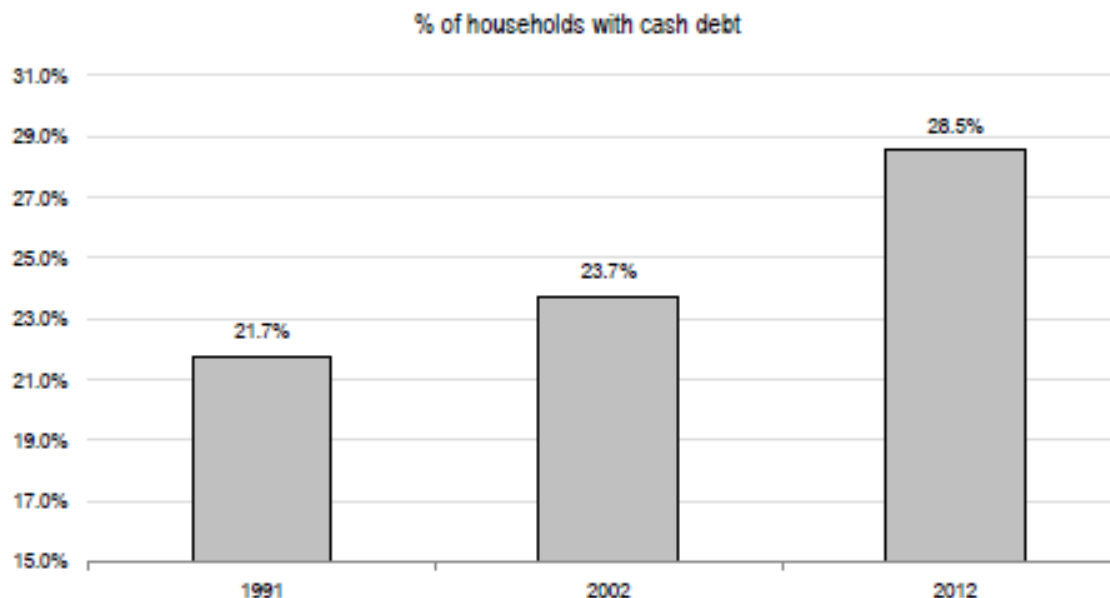
Consumer debt levels in India are significantly below those seen in other emerging and developed economies, suggesting this will remain an important growth driver for the Indian banking system in the coming years



Source: RBI, company data,

Recent data from National Sample Survey Organization (NSSO) show that less than 29% of Indian households have debt of any kind currently, a ratio that has been steadily rising over the years.

## % of households with cash debt (CY12)

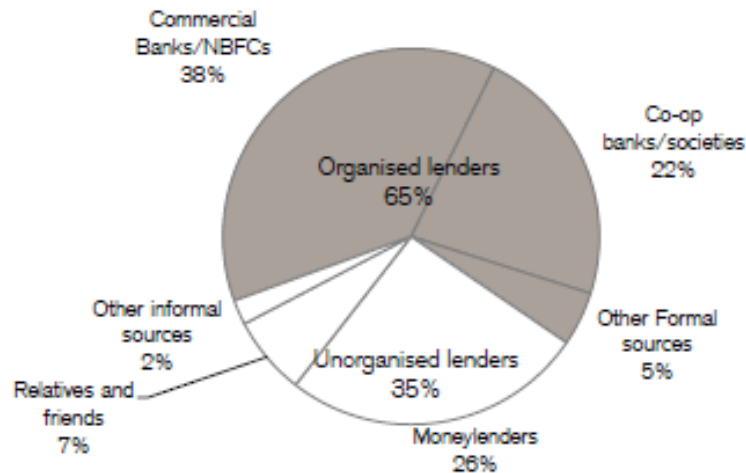


Source: NSSO

Data for subsequent years is not available

As per recent data from the NSSO, the banking system (including NBFCs and cooperative banks) accounts for less than 65% of total consumer debt outstanding in India. The share of the unorganized market (primarily money lenders) has been falling steadily, a process which is expected to continue.

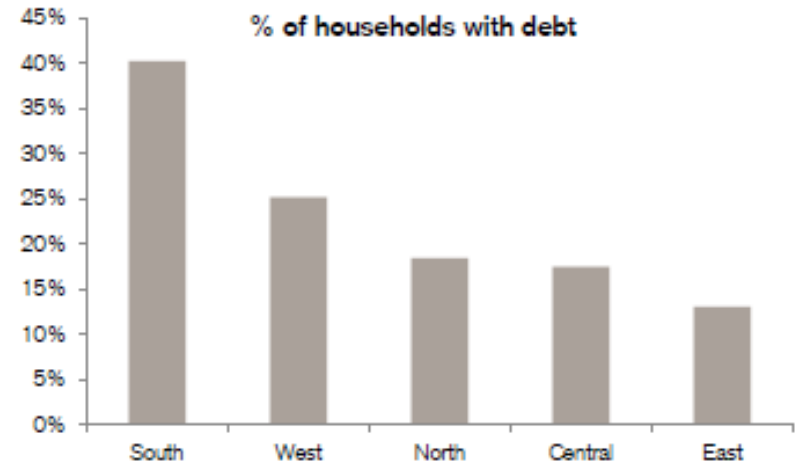
## The unorganized market still accounts for 35% of the consumer debt in India (CY12)



Source: NSSO

Data for subsequent years is not available

## Penetration of consumer debt is lower in northern, central and eastern parts of India (CY12)



Source: NSSO

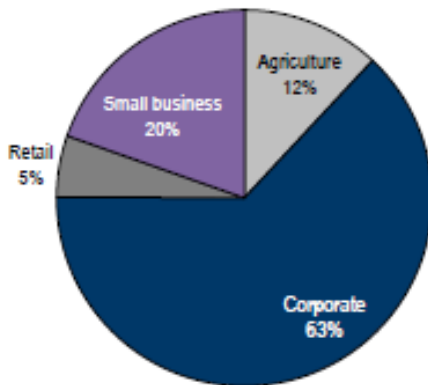
Data for subsequent years is not available



Consumer lending is one of the youngest segments of banking in India, with true focus emerging only over the past 15 years. Back in the 1990s, retail loans accounted for a minuscule 5% of total bank assets (though there were some specialist NBFCs in specific sectors such as car loans and consumer durables).

**18 years ago, consumer lending was ~5% of bank advances**

Breakdown of banking sector advances 1998

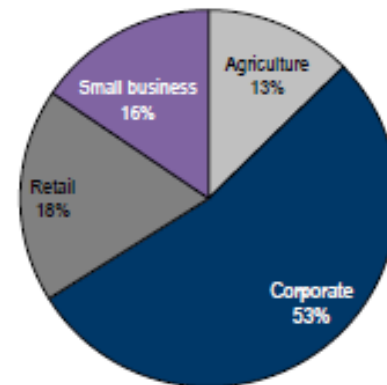


*Note: Banks only.*

*Source: RBI, company data, Credit Suisse estimates*

**Today, retail loans account for 18% of bank advances**

Breakdown of banking sector advances 2014



*Note: Banks only.*

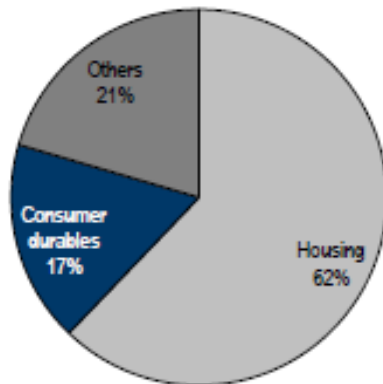
*Source: RBI, company data, Credit Suisse estimates*

## PRODUCT DIVERSITY SHOULD HELP DRIVE PENETRATION...CONT'D

Further, just two segments (housing and consumer durables) accounted for nearly 80% of all retail loans of banks. Today, a number of new, scalable retail asset classes have emerged that have helped diversify risks over multiple underlying drivers.

**In the 1990s, retail lending was dominated by housing and consumer durable loans**

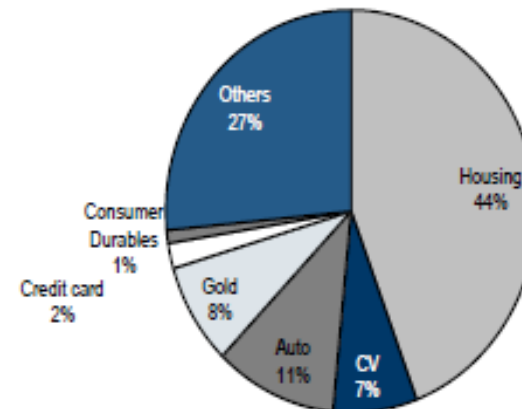
Breakdown of retail loans: 1998



Source: RBI, Company data, Credit Suisse research

**Today, banks have entered into multiple retail asset classes, with differing drivers**

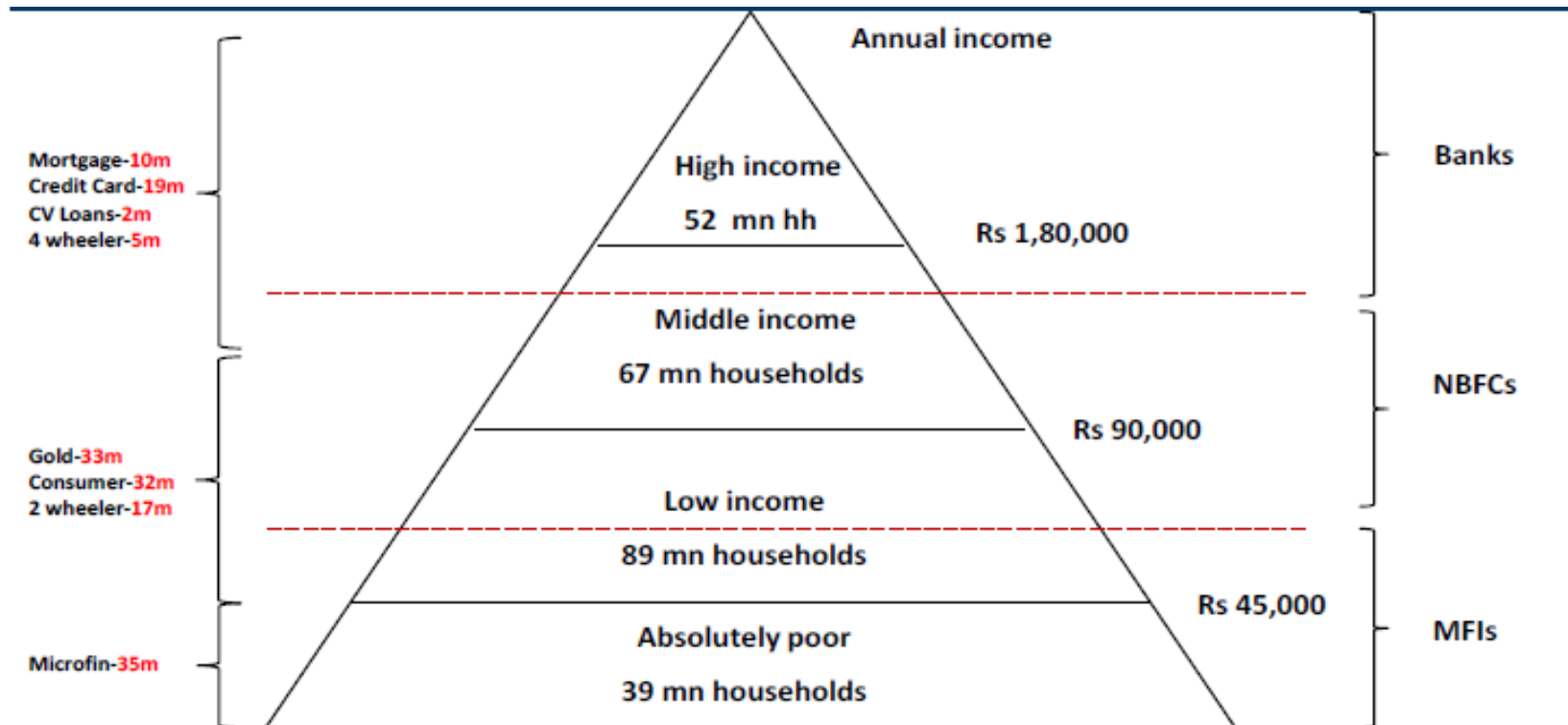
Breakdown of retail loans: 2014



Note: The chart above excludes small business loans Source: Company data, Credit Suisse research

With recent growth in newer segments such as MFI and gold loans, the organized banking industry now has multiple products to offer to all segments of the income pyramid.

## Players across the income pyramid on retail lending – 2015



Source: Company data, Credit Suisse estimates

## Structural factor #1: Multiple secured products give comfort on growth:

Banks and NBFCs have withdrawn significantly from the unsecured loan market (personal loans, credit cards, etc.) after the previous cycles' bust. Instead, these unsecured loans have been replaced by secured loan products, as seen below

Unsecured loan products being replaced by secured loan products (Source : Credit Suisse)



Source: Company data, Credit Suisse estimates

### **Structural factor #2: Credit bureaus are well established: 150 mn+ individuals' credit history captured**

- It was only in 2005-06 that the Credit Information Companies (Regulation) Act was passed by parliament. Thus, for the better part of the consumer lending boom, banks could rely only on their internal history of customers (which would have been rudimentary, given the low focus on retail loans until then). Instances of multiple unsecured loans being offered to the same borrower were not uncommon. (Source: Credit Suisse)

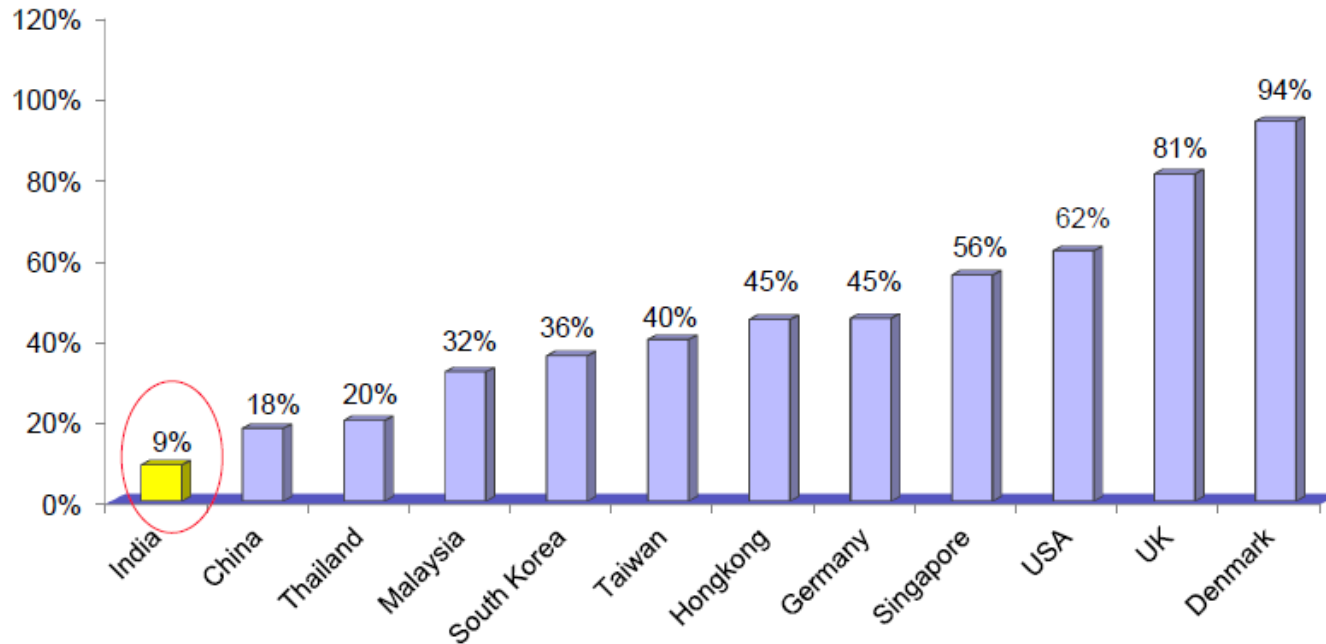
### Structural factor #3: Large existing base of customers allows internal sourcing

- Over the past decade, the top private banks have continued to grow their retail liability franchises, and now each has significantly large customer bases themselves. This provides a ready captive market with available financial history for these banks to cross-sell loan products.

# MORTGAGE: SECULAR GROWTH IN AN UNDERPENETRATED INDUSTRY

- The Indian mortgage industry has grown at a 16% CAGR over the past five years. Based on Credit Suisse (CS) report, the mortgage industry in India is 9-11 years behind other regional EMs such as China and Thailand, in terms of penetration in the economy.
- Due to various structural drivers, like young population, reducing family size, urbanization and rising income levels, CS believes the growth rates in this segment should remain healthy over the longer term.
- At less than 9%, India's mortgage penetration (as a percentage of GDP) is quite low compared with other countries, including other emerging economies in the region. (Source: HDFC Limited investor presentation)

# MORTGAGE: SECULAR GROWTH IN AN UNDERPENETRATED INDUSTRY...CONT'D



Source: European Mortgage Federation, HOFINET & HDFC estimates for India

Data as of CY14; Data for subsequent years is not available



A look at the past growth in other countries shows that at current penetration levels, India is 9-11 years behind other countries such as China and Thailand

## India is 11 years behind China's mortgage penetration

China: Mortgage as % of GDP



Source: CEIC, Credit Suisse estimates

## India is nine years behind Thailand's mortgage penetration

Thailand: Mortgage as % of GDP



Source: CEIC, Credit Suisse estimates

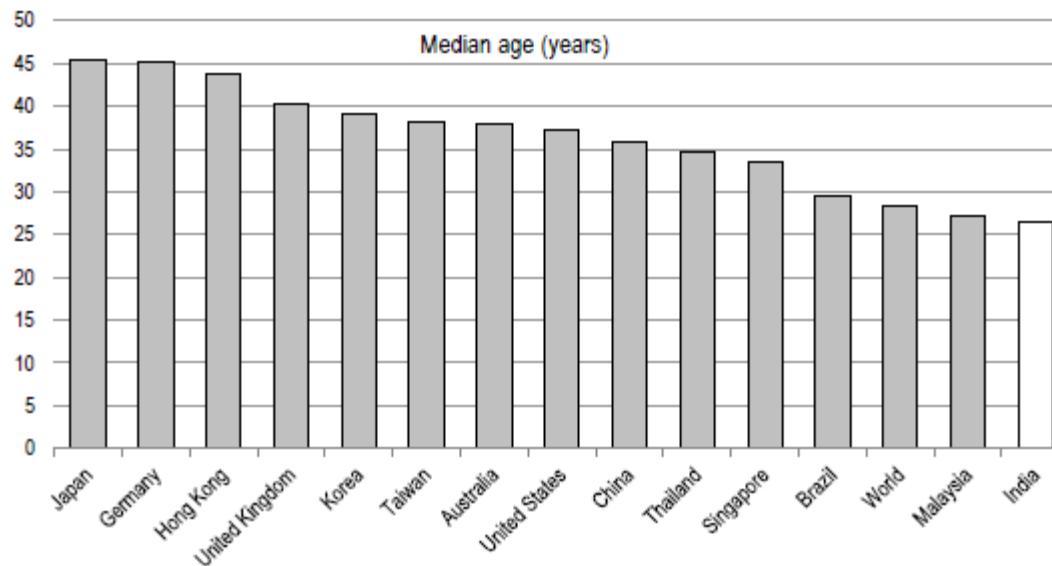
Data for subsequent years is not available

# KEY DRIVERS FOR LONG TERM GROWTH OF HOUSING FINANCE

We believe that a number of drivers are in place to ensure strong and sustained growth in the mortgage/home loan segment in India

**Young population** - With a median age at a little over 25 years, Indian population will continue to supply potential working age home owners over the longer term, willing to leverage based on their future income expectations to purchase houses.

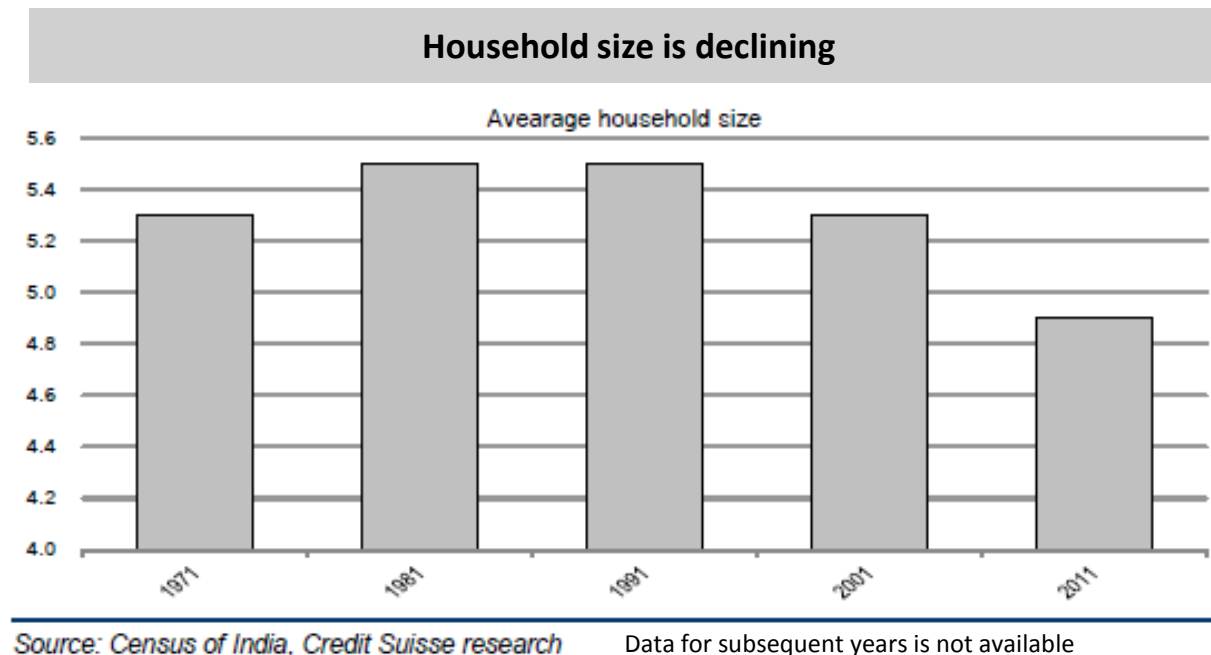
India' median age is lower than most of the developing nations CY14



Source: CIA Factbook

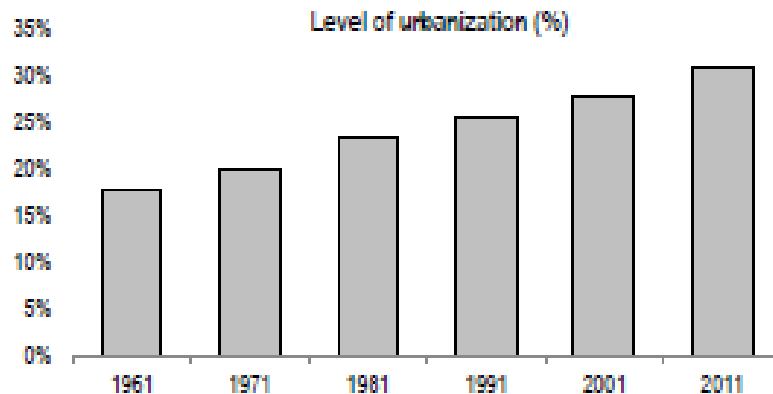
# KEY DRIVERS FOR LONG TERM GROWTH OF HOUSING FINANCE...CONT'D

- With falling household sizes and nuclear families becoming popular, more homes could be required.
- More often than not, these homes could be bought by the younger generation moving out to set up families outside their ancestral town/village, i.e., individuals without sufficient surplus funds but with future cash flow streams that can be leveraged.



**Urbanization** - The proportion of population in urban areas continues to increase, with the latest census data showing that the absolute increase in population in urban India in the 2001-11 decade was higher than the addition to rural India—indicating migration. This could lead to sustained demand for homes in urban areas.

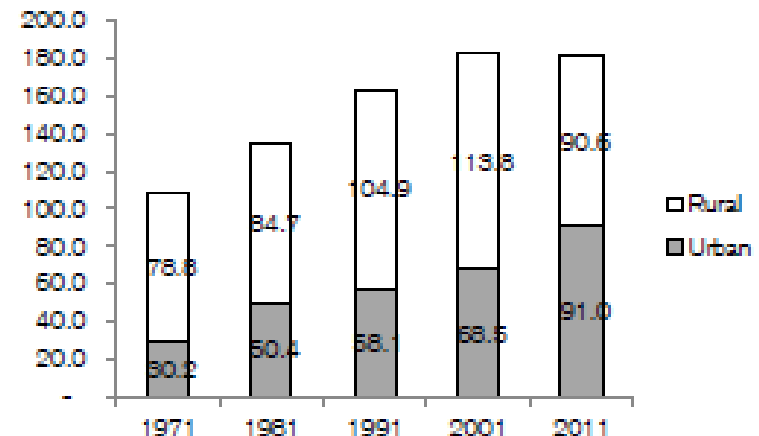
**Urban population is rising as a percentage of overall population**



Source: Census India, Credit Suisse research

Data for subsequent years is not available

**In the last decade, the absolute addition to urban population was higher than for rural population**

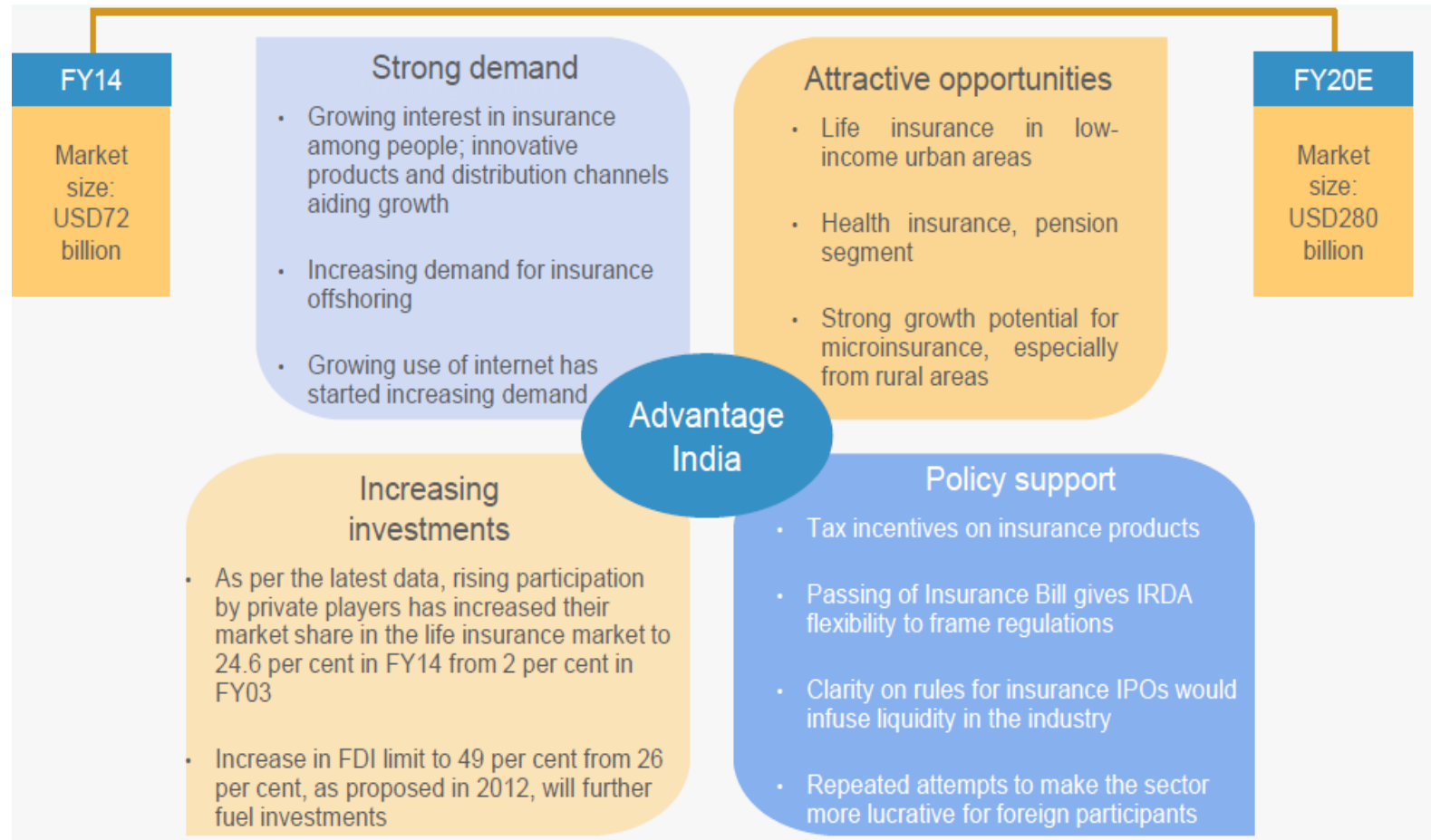


Source: Company data, Credit Suisse research

Data for subsequent years is not available

## KEY DRIVERS FOR LONG TERM GROWTH OF HOUSING FINANCE...CONT'D

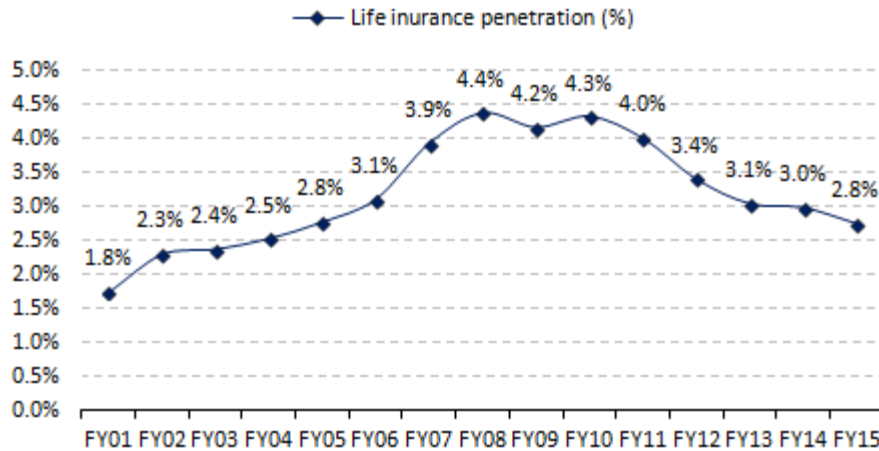
- **Rising incomes => rising affordability** - Income levels have risen faster than property prices in the past couple of decades, leading to increasing affordability. Data from HDFC Ltd. below shows that affordability in Mumbai (measured through property cost as a multiple of annual income) has steadily fallen, from 22x to sub-5x over the past 15 years.
- **Improving land records** - The National Land Records Modernization Programme (NLRMP) was launched by Government of India in August 2008, with an aim to modernize management of land records, minimize scope of land/property disputes—moving eventually towards guaranteed conclusive titles to immovable properties in the country. Unclear land titles could be a significant hindrance to home loan financiers. This is particularly true in rural areas which are not important for the organised home finance industry currently, but could be a potential growth driver in future. (Source: Credit Suisse Report)



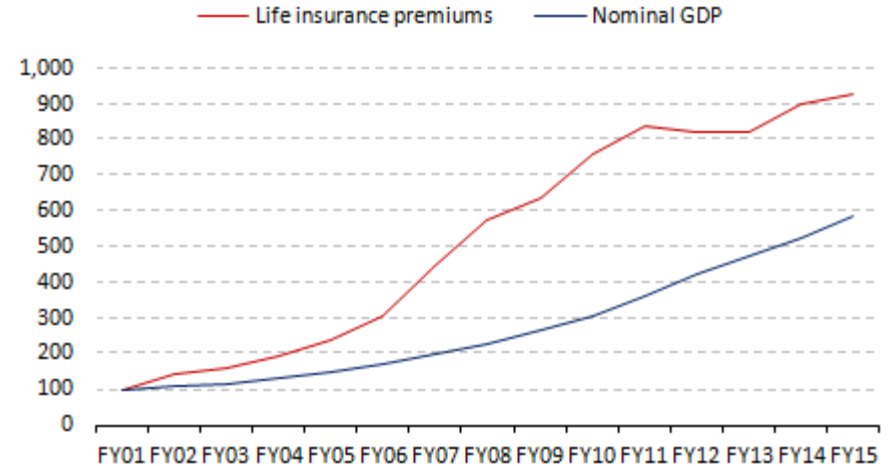
## **Life insurance industry is expected to grow by c.15% over next 10-15 years**

- Life insurance industry has experienced strong growth since the industry was opened for the private sector. Total life premiums have witnessed CAGR of 17% since FY01. (FY denotes Financial Year)
- Consequently this led to increase in life insurance penetration from 1.8% in FY01 to 2.8% in FY15 (however it declined from peak of 4.4% in FY10) and an Increase in insurance density (insurance premium per person) from US\$9 in 2001 to US\$41 in 2013(CAGR of 13%).
- Historically, life insurance premium multiplier to nominal GDP growth has been around 1.5x over the last 11 years. Given nominal GDP growth of c.13-15% for India over the medium term and assuming elasticity of 1.5x (in-line with historical trends), life insurance premiums could grow by c.15-20% over the medium term. (Source: JM Financial report)

Penetration has increased and growth in life insurance is 1.5x of nominal GDP in last decade



Source: Swiss Re Sigma, JM Financial

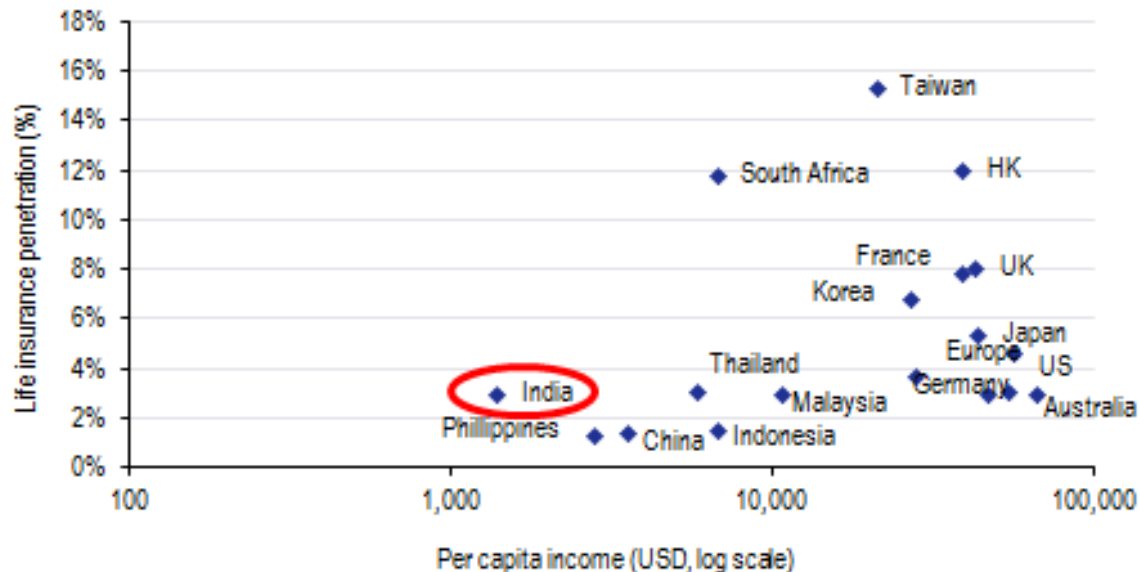


Source: Swiss Re Sigma, JM Financial



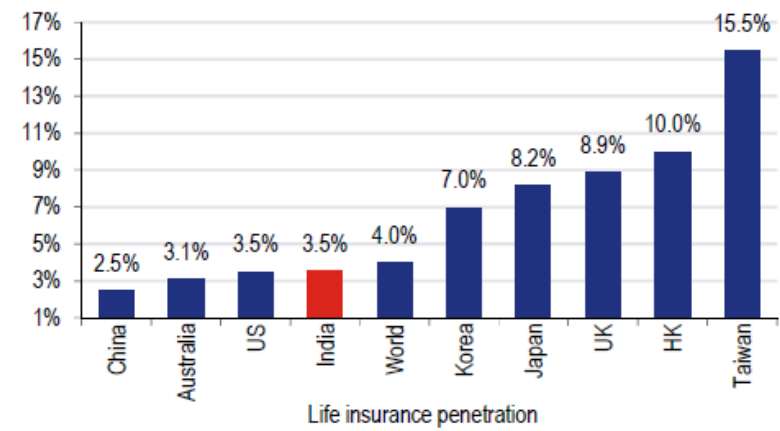
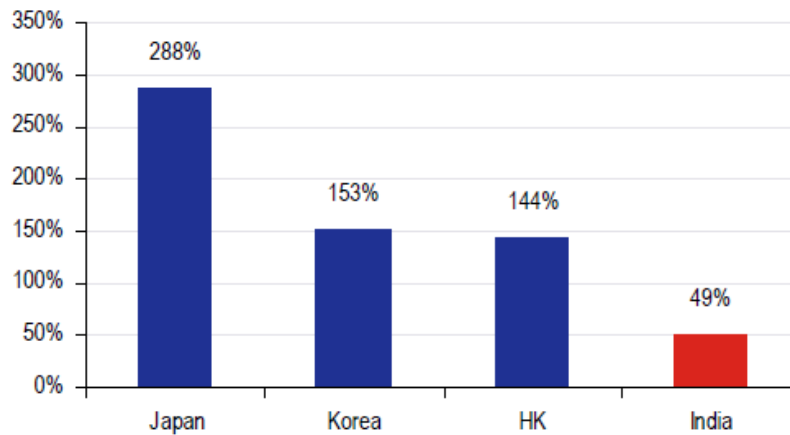
India is at an inflection point on the S-curve, when we compare life insurance premiums penetration to per capita income. With strong long term GDP growth forecasts we expect insurance penetration to improve with rising per capita income resulting in a phase of strong growth for life insurance premiums over medium to long term.

## CY13 India's life insurance industry at inflection point on S-Curve



Source: Swiss Re Sigma, JM Financial; Data for subsequent years is not available

**CY14 India is underinsured (sum assured /nominal GDP) (LHS) but looks reasonably penetrated (RHS)**

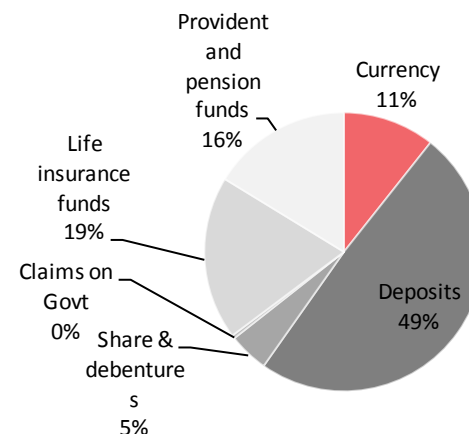
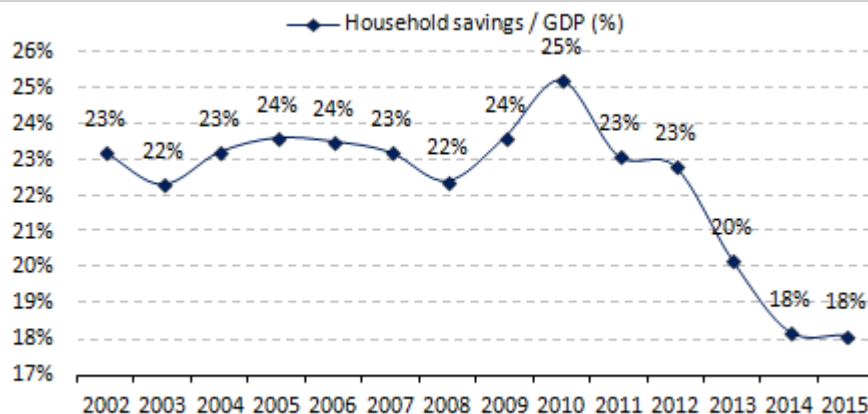


Source: LIAJ, KLIA, IRDA, OCI, IRDA, Swiss Re, JM Financial

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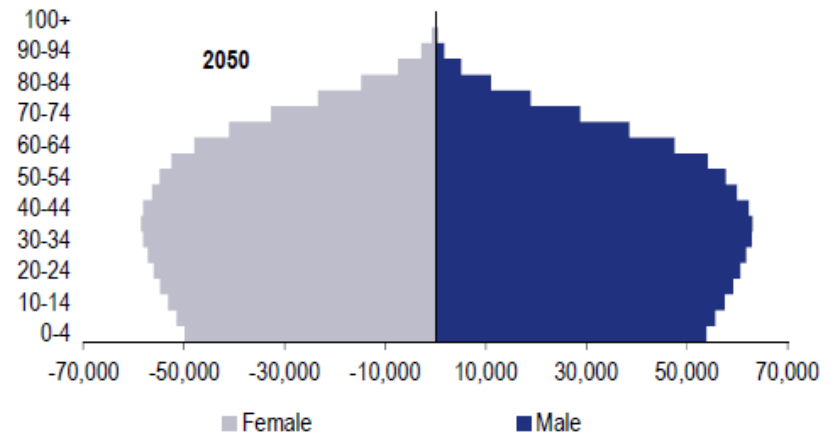
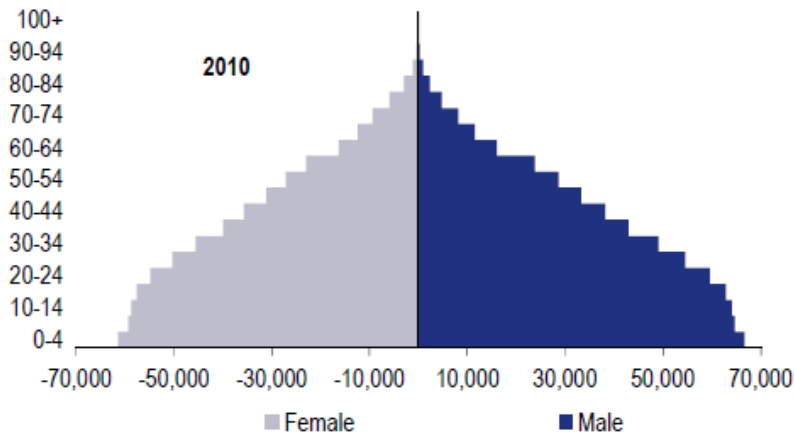
- India has one of the highest household saving rates – (see exhibit 75) approximately half of these savings are in the form of financial products. Much of Indian financial savings go to deposits (47%), followed by insurance products (23%).
- Empirical evidence across globe suggests that as the per capita income of the country start increasing, households start replacing their short term saving instruments like deposits with high return long term structured products like insurance and pension plans. India being one of the fastest growing economies in the world, the per capita income is bound to increase in future which will lead to increase in share of life insurance.

**Strong household savings rate (LHS) and households save 23% of their financial savings in insurance funds as of FY15 (RHS) (Source: RBI)**



Among the emerging Asian countries, India has the most favorable demographics with young population (less than 30 year age) constituting 58% of population. Dependency ratio which is 55 in 2010 is expected to decline further to 49 by 2025 and 46 by 2040. Therefore, increase in proportion of working population augurs well for growth and savings rate. Increased savings and rising per capita will increase the demand for the insurance products

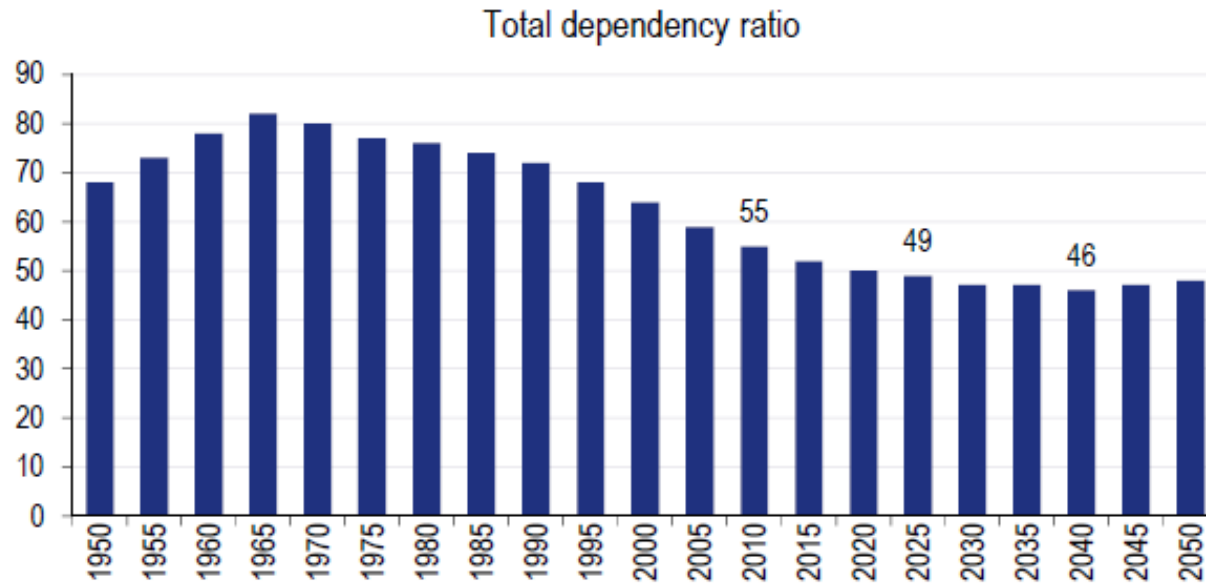
## India has favorable demographic trends



Source: UN, JM Financial

Data for subsequent years is not available

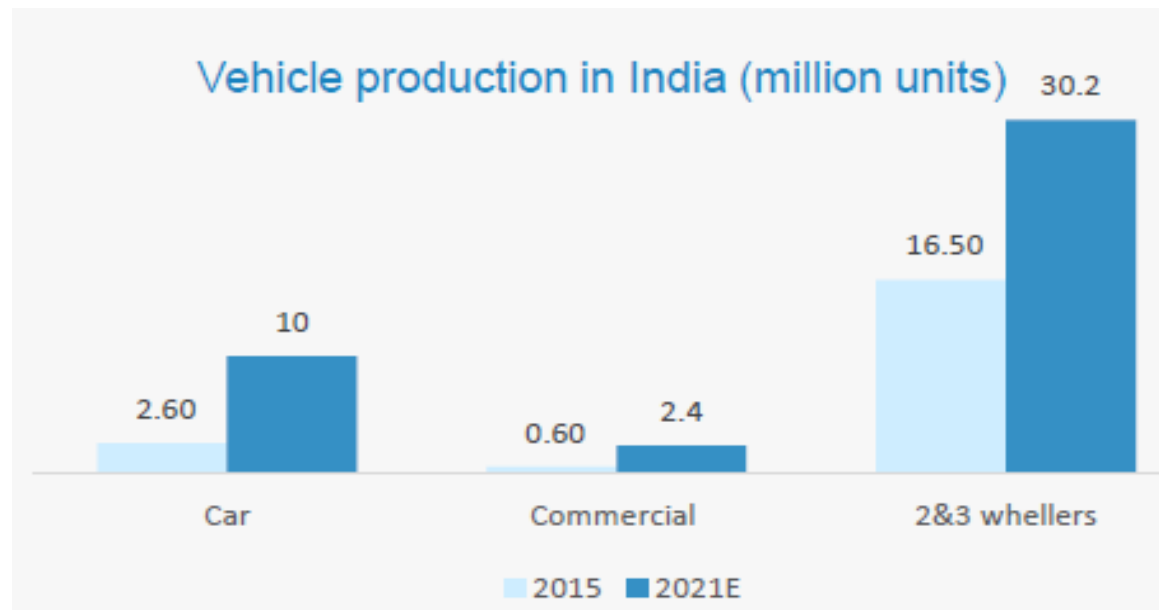
## Future dependency ratio in favor of India's growth



Source: UN, JM Financial

## Motor Insurance

- Strong growth in the automotive industry over the next decade will be a key driver of motor insurance
- Proposed Insurance Regulatory & Development Authority (IRDA) draft envisages a 10–80 percent rise in premium rates for the erstwhile loss-making third-party motor insurance

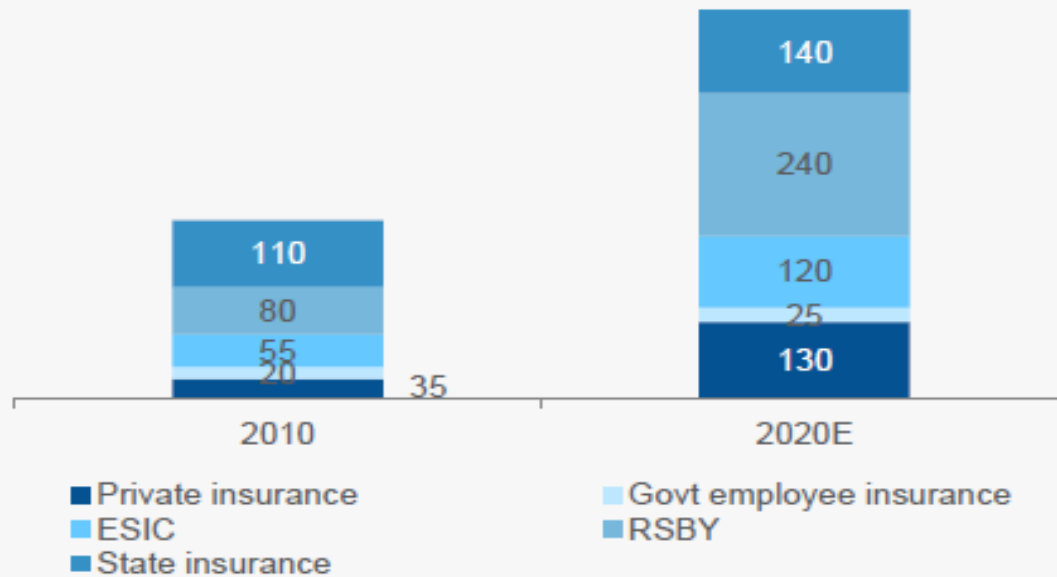


Source: IBEF

### Health Insurance

- Health insurance continues to be one of the most rapidly growing sectors in the Indian insurance industry. It reported 13.2 percent growth in gross premiums in FY14
- Introduction of health insurance portability is expected to boost the orderly growth of the health insurance sector
- Increasing penetration of health insurance likely to be driven by government-sponsored initiatives such as Rashtriya Swasthya Bima Yojna (RSBY) and Employees State Insurance Corporation (ESIC)
- Government sponsored programmes expected to provide coverage to nearly 380 million people by 2020
- Private insurance coverage is estimated to grow by nearly 15 percent annually till 2020 (Source: IBEF)

Population covered by health insurance (in million)



Private insurance  
ESIC  
State insurance

Govt employee insurance  
RSBY



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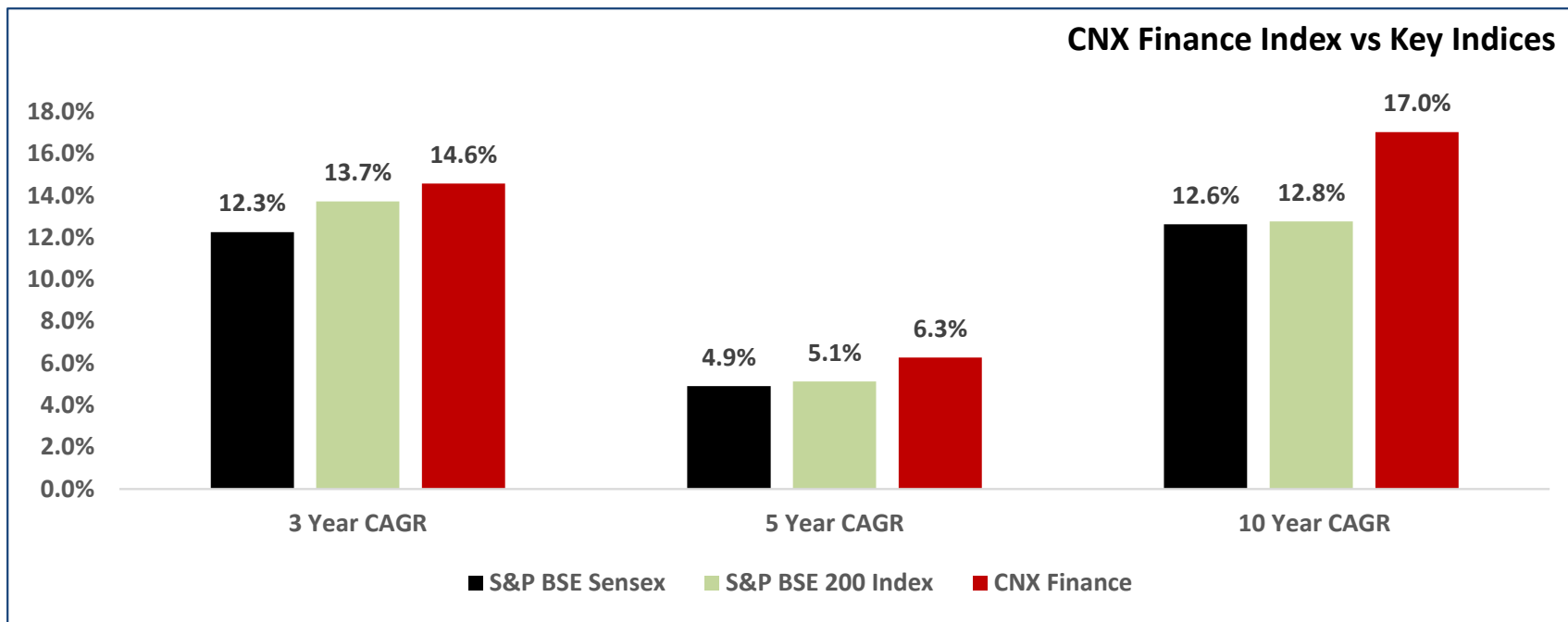
### BENCHMARK PERFORMANCE

# THEMES CALENDAR YEAR RETURNS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
HIGH	S&P BSE IT 42.7%	S&P BSE IT 40.9%	CNX Commodities 108.8%	CNX Pharma -25.6%	S&P BSE IT 132.8%	CNX Pharma 35.3%	CNX Pharma -10.0%	CNX Finance 52.0%	S&P BSE IT 59.8%	CNX Finance 57.3%
	CNX Nifty 36.3%	CNX Nifty 39.8%	CNX Finance 82.9%	CNX Consumption -43.3%	CNX Commodities 108.2%	S&P BSE IT 31.6%	CNX Consumption -10.8%	CNX Consumption 37.5%	CNX Pharma 26.5%	CNX Pharma 43.4%
	CNX 500 36.3%	CNX Finance 39.5%	CNX 500 62.5%	S&P BSE IT -50.8%	CNX Finance 88.7%	CNX Finance 29.9%	S&P BSE IT -15.7%	CNX Pharma 31.9%	CNX Consumption 9.6%	CNX 500 37.8%
	CNX Finance 36.2%	CNX 500 34.0%	CNX Nifty 54.8%	CNX Nifty -51.8%	CNX 500 88.6%	CNX Consumption 21.2%	CNX Nifty -24.6%	CNX 500 31.8%	CNX Nifty 6.8%	CNX Nifty 31.4%
	CNX Commodities 20.3%	CNX Commodities 30.7%	CNX Consumption 37.6%	CNX Finance -55.1%	CNX Nifty 75.8%	CNX Nifty 17.9%	CNX 500 -27.2%	CNX Nifty 27.7%	CNX 500 3.6%	CNX Consumption 29.7%
	CNX Pharma 0.9%	CNX Pharma 25.0%	CNX Pharma 14.6%	CNX 500 -57.1%	CNX Pharma 59.1%	CNX 500 14.1%	CNX Finance -29.0%	CNX Commodities 19.3%	CNX Finance -7.3%	CNX Commodities 16.7%
LOW	CNX Consumption NA	CNX Consumption NA	S&P BSE IT -14.1%	CNX Commodities -57.4%	CNX Consumption 51.3%	CNX Commodities 2.0%	CNX Commodities -34.1%	S&P BSE IT -1.2%	CNX Commodities -8.6%	S&P BSE IT 16.5%

Data Source: ICRA MFI Explorer. Calculation ICRA

- CNX Finance has been a value creator, beating the broader markets over 3,5 and 10 year time frames
- CNX Finance has returned 17% compounded growth over the last 10 years v/s 12.8% by the broader market (S & P BSE 200 Index) v/s 12.6% given by S&P BSE Sensex



Past performance may or may not be sustained in future

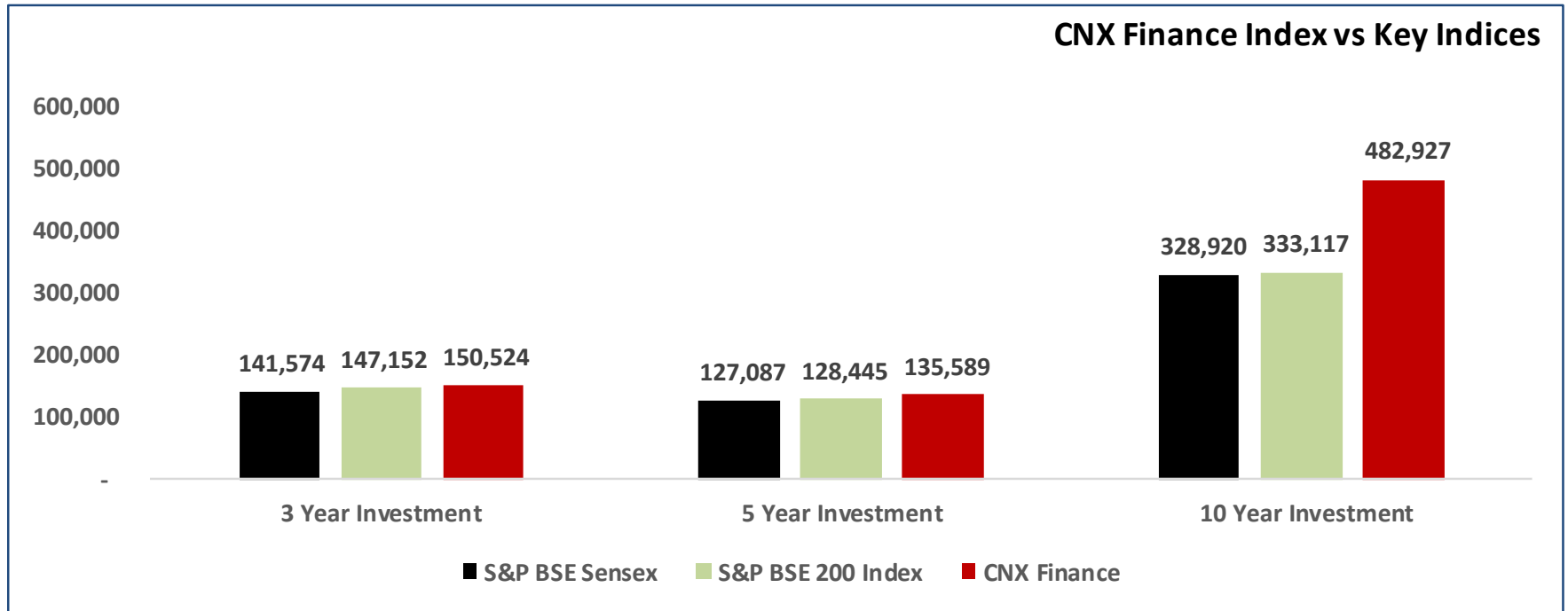
**Notes:** • Returns as on 4<sup>th</sup> Nov, 2015 • Data Source : Index Websites. • Calculations by ICRA

## CNX Finance Index - Calendar Year Returns

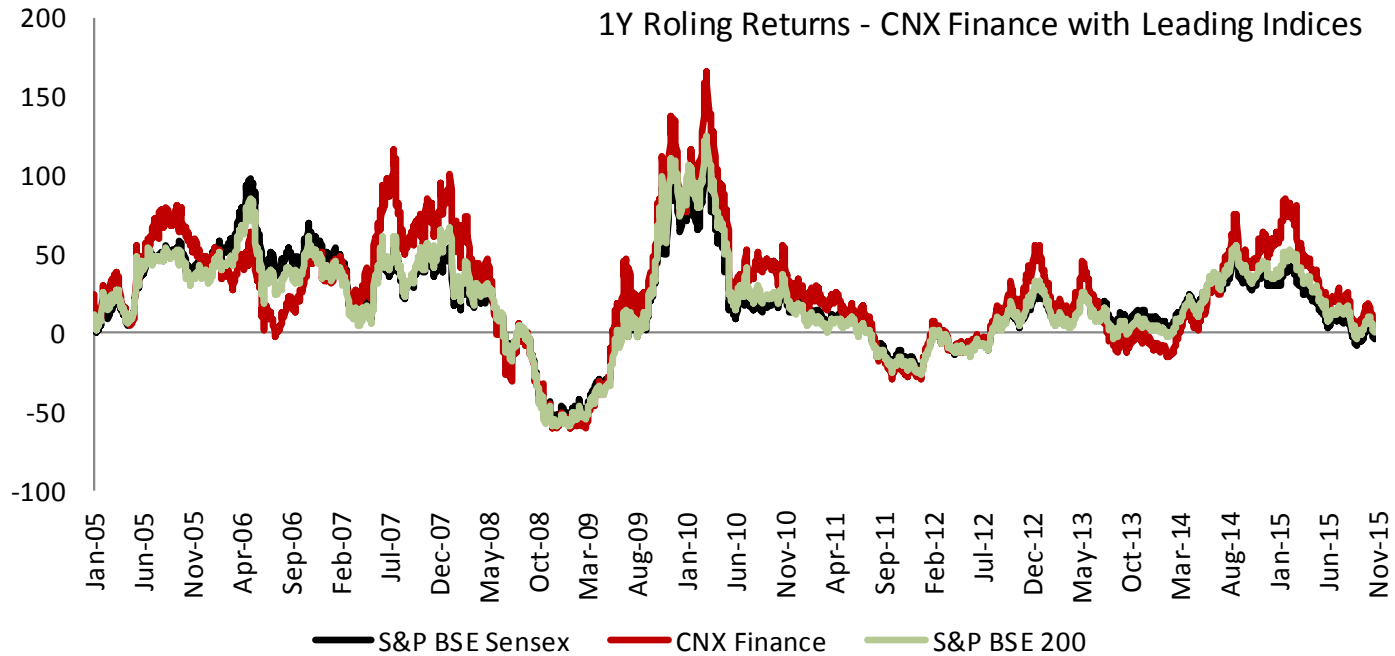


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
■ S&P BSE Sensex	42.33	46.70	47.15	(52.45)	81.03	17.43	(24.64)	25.70	8.98	29.89
■ S&P BSE 200	33.80	39.58	60.44	(56.46)	88.51	16.22	(26.95)	30.98	4.38	35.47
■ CNX Finance	36.17	39.55	82.88	(55.14)	88.68	29.91	(28.99)	51.96	(7.32)	57.34

■ S&P BSE Sensex    ■ S&P BSE 200    ■ CNX Finance



**Notes:** • As on 4<sup>th</sup> Nov, 2015 • Data Source : Index Websites & ICRA MFI Explorer • Calculations by ICRA



Benchmark	Average	Maximum	Minimum	Downside Risk
S&P BSE Sensex	20.31	110.38	-56.45	0.24
S&P BSE 200	22.39	124.61	-59.64	0.19
CNX Finance Index	26.74	165.33	-60.59	0.22

**Notes:** • 1 Year Absolute Rolling Returns. • Daily Frequency. Jan 01, 2001 to Nov 4, 2015 • Data Source: ICRA MFI Explorer • Calculation ICRA

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