

# BE A PART OF INDIA'S MANUFACTURING STORY



## BARODA BNP PARIBAS MANUFACTURING FUND

(An open-ended equity scheme predominantly investing in Manufacturing theme)

**NFO PERIOD | 10<sup>TH</sup> - 24<sup>TH</sup> JUNE, 2024**

# Once Upon a time...



There was a country with...

**1990s**

Per Capita  
GDP  
**348 USD**

**93%** of the  
population  
was **below**  
**poverty line\***

**Agriculture &**  
**allied activities**  
contributed  
**27% to GDP**

And now the it is second largest economy by GDP with...

**Now**

Per Capita  
GDP in 2022  
**12,720 USD**

**2%** of the  
population  
(2020)  
was **below**  
**poverty line\***

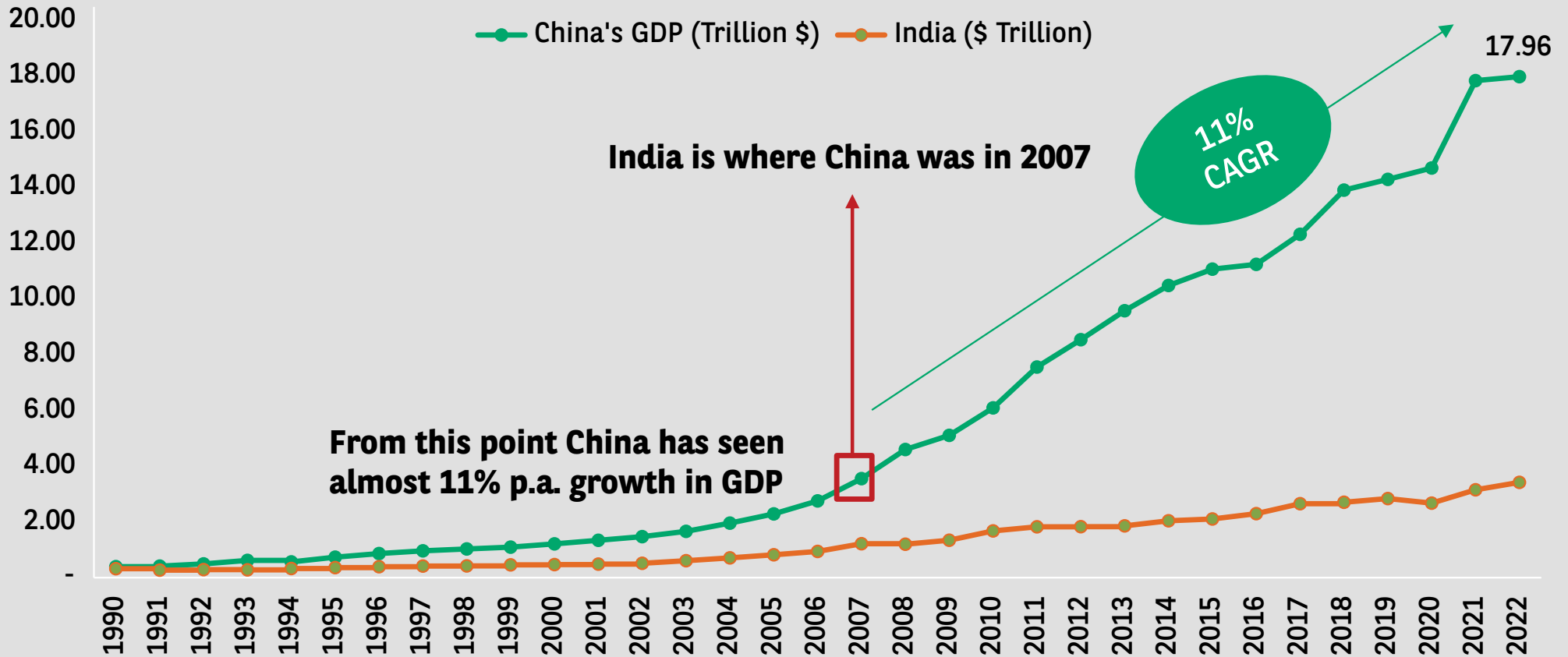
**Agriculture &**  
**allied activities**  
contributed  
(2022)  
**7.3% to GDP**

\*Poverty headcount ratio at \$3.65 a day. Source: World Bank

# India is where China was just a few decades ago



## GDP Growth China v/s India GDP in \$ Trillion



- Manufacturing is the backbone of any economy
- There is strong correlation between manufacturing and economic growth.

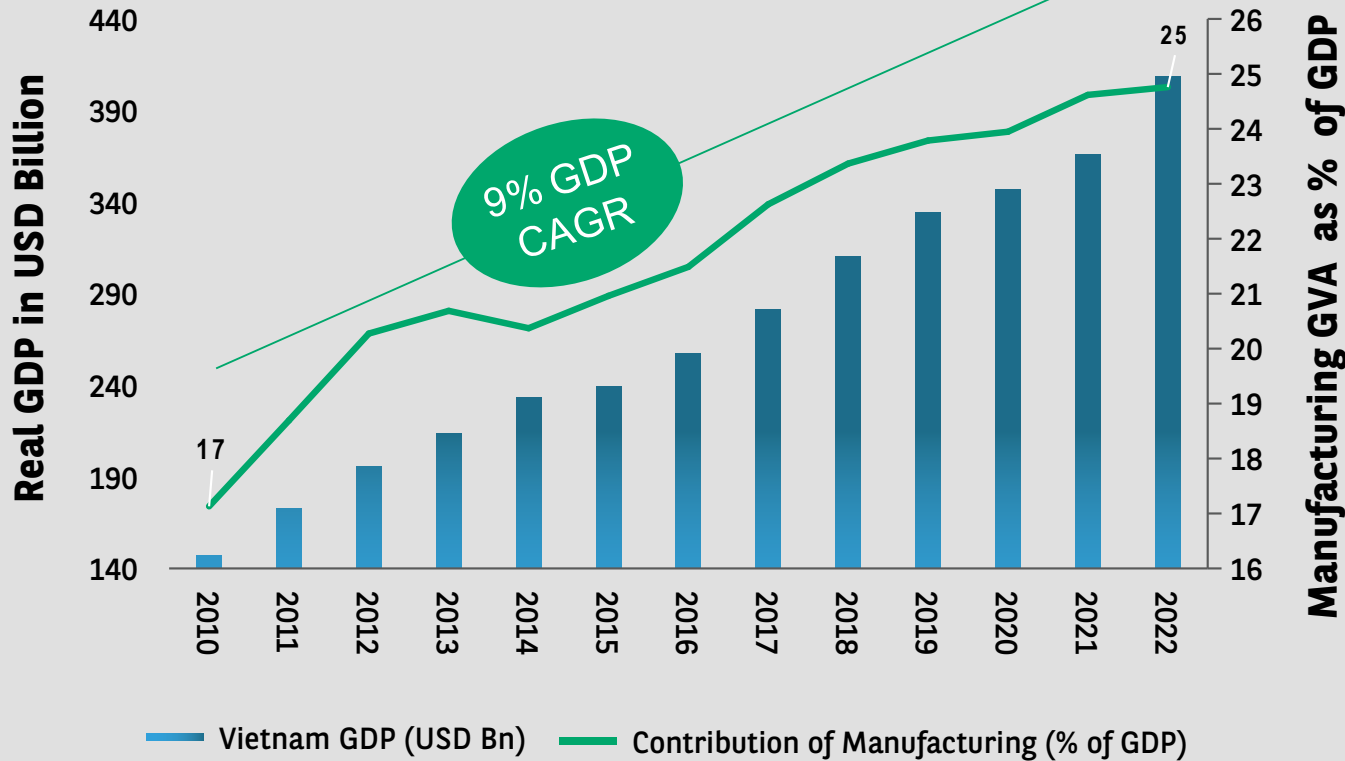
Source: World Bank. Data as on December 2022 (Latest available data)



# Recent growth story - Vietnam



## Vietnam GDP and Contribution of Manufacturing to GDP



Factors led which to the development of manufacturing:

- Low Labour Cost
- Developed power sector and connectivity
- Heavy investment in developing human and physical capital

**We see these factors playing out in India too.**



Manufacturing has been one of the key drivers of growth in economies across the world...



# India heading towards a Manufacturing Renaissance: Mega Trends shaping the Manufacturing Sector



# Geopolitics - Trade Blocs to Protectionism



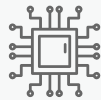
## Offshoring

Transferring business activities to a different country

## Nearshoring/Friendshoring

Transferring specific tasks to low-cost neighboring or nearby country.

## Beneficiaries



### Electronics - Nearshoring

- Chip production
- Gasses
- Silicon Carbide production



### Critical Drug Pharma

- Diversified supply base
- Moved from China to India



### Defence

- Local markets
- Development of ingenious vendors
- Pressure on NATO countries to increase Defence Expenditure

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# Government Focus & Sizeable FDI Flows



## Skill India / Apprentice Program

Ensuring every individual emerges from these programs truly equipped to contribute meaningfully to the workforce.

## GST

Shift from unorganized to organized, bringing more transparency, boosting conducive business environment

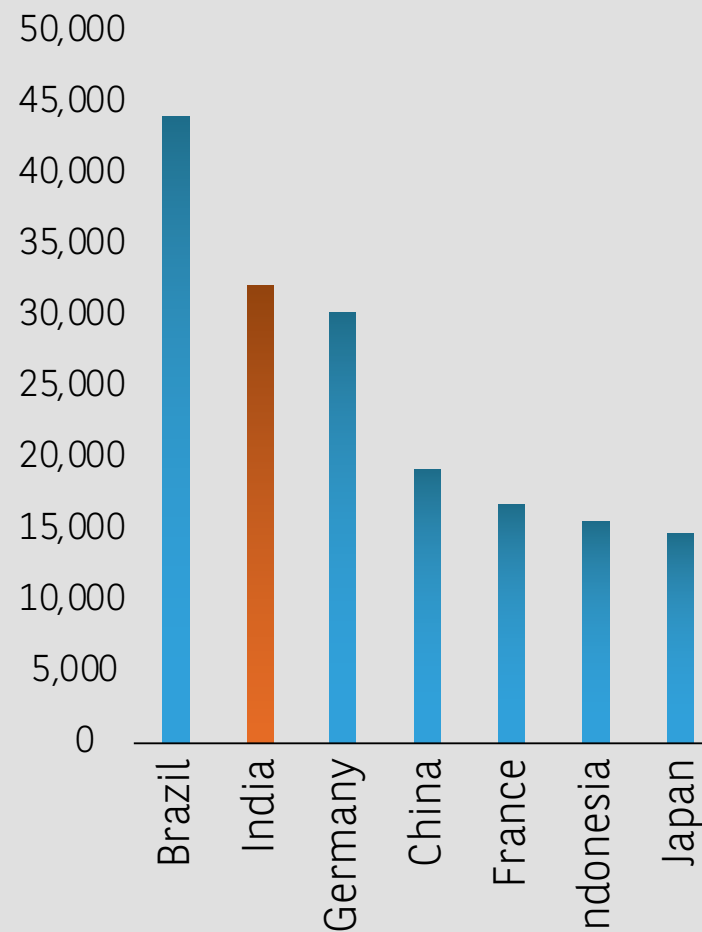
## Atmanirbhar Bharat Import Items

To develop and enhance its own industrial and technological capabilities

## PLI Scheme

Thrust on expanding the manufacturing base from 17% of GDP to 25%. The government has announced incentives across 15 sectors and has an outlay of US\$32bn

FDI Inflows (In USD Mn from Apr'23 to Dec'23)



- Globally, India has got sizeable FDI.
- Out of the FDI equity investments, a large chunk has been received in Manufacturing related sectors



# Manufacturing Costs & Demographic Advantage

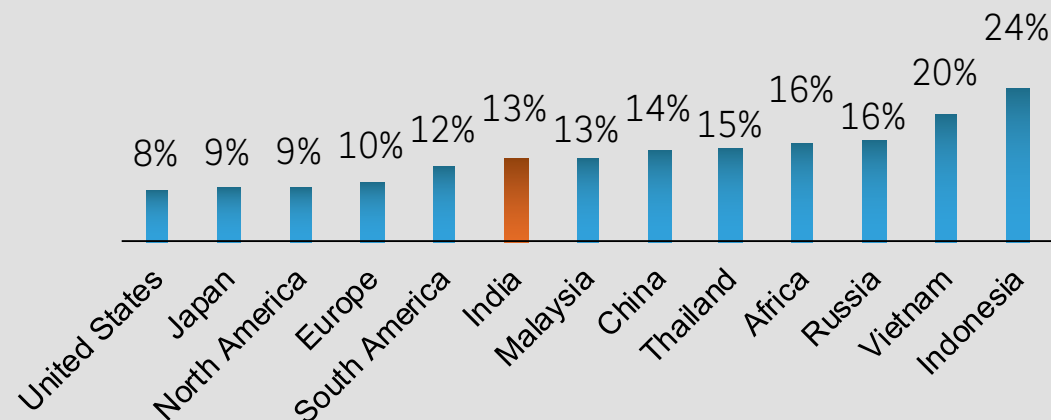


## Countries with the Cheapest Manufacturing Cost

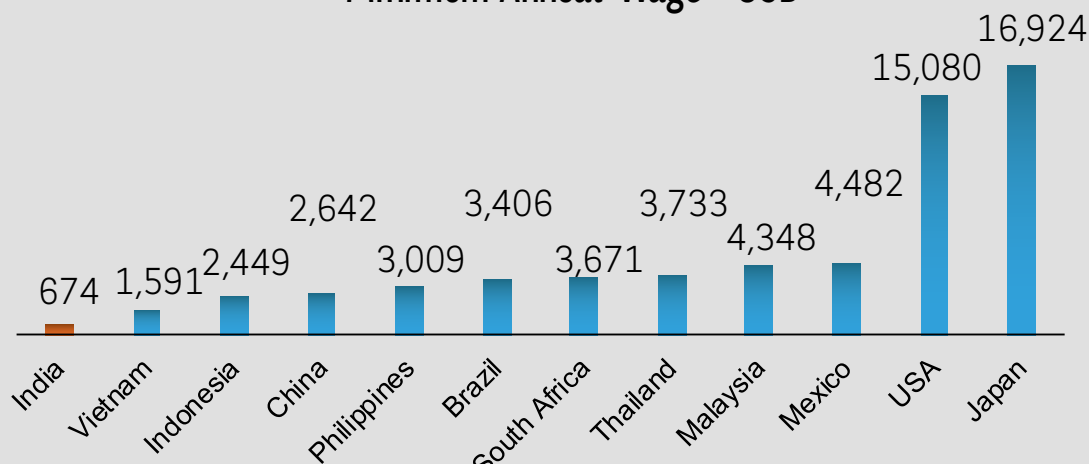
Rank	Country
1	India
2	China
3	Vietnam
4	Thailand
5	Indonesia
6	Bangladesh
7	Philippines
8	Cambodia
9	Malaysia
10	Sri Lanka

- **Quality Human Capital at low Cost** - India would account for the largest proportion of the world's working age population by 2030 (18.8%) surpassing China (17.5%)
- **Large Consumer Base:** India expected to become the 3rd largest Consumer Market by 2023, behind US and China

## Logistic costs % of GDP



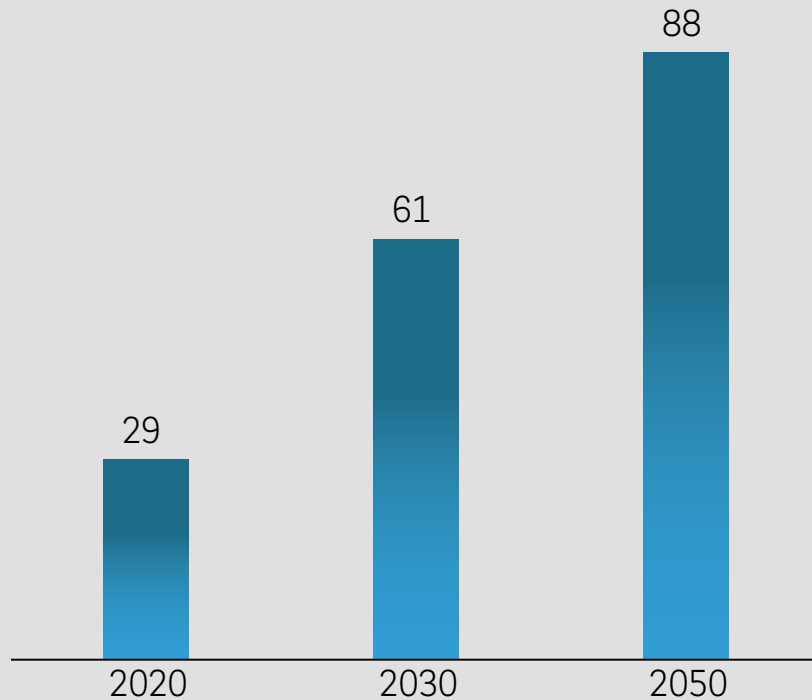
## Minimum Annual Wage - USD



# Climate Change: Transition towards clean energy



Share of Renewables in power generation (%)



- Long Term shifts in weather patterns and temperature changes caused primarily due to the use of fossil fuels.
- Rising power infrastructure spending by emerging countries (like ASEAN, India, South America) necessitated by generation capacity integration.
- COP targets leading to increasing expenditure in alternate fuels and technology

## Industries likely to benefit:

### Power Transmission Equipment Companies

Transformers, Gas Insulated Substation, Switchgear, HVDC

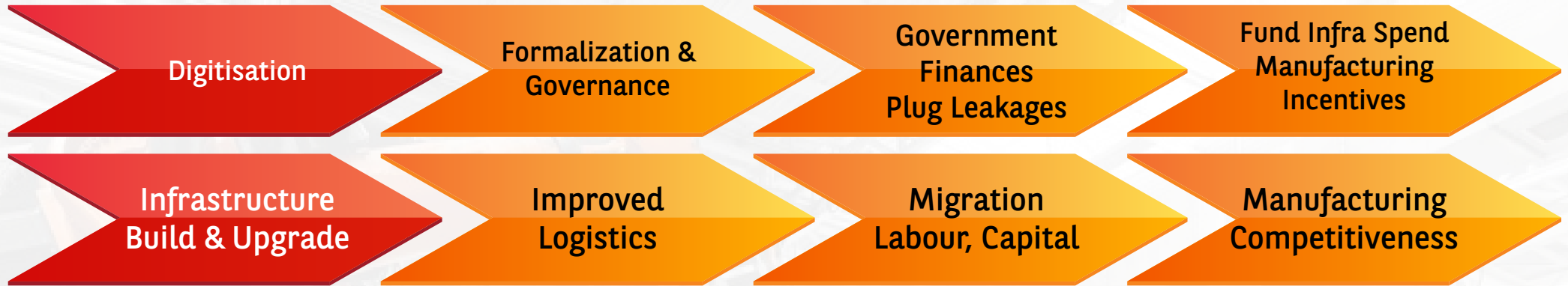
### Automobiles

OEM  
EV and Auto ancillaries

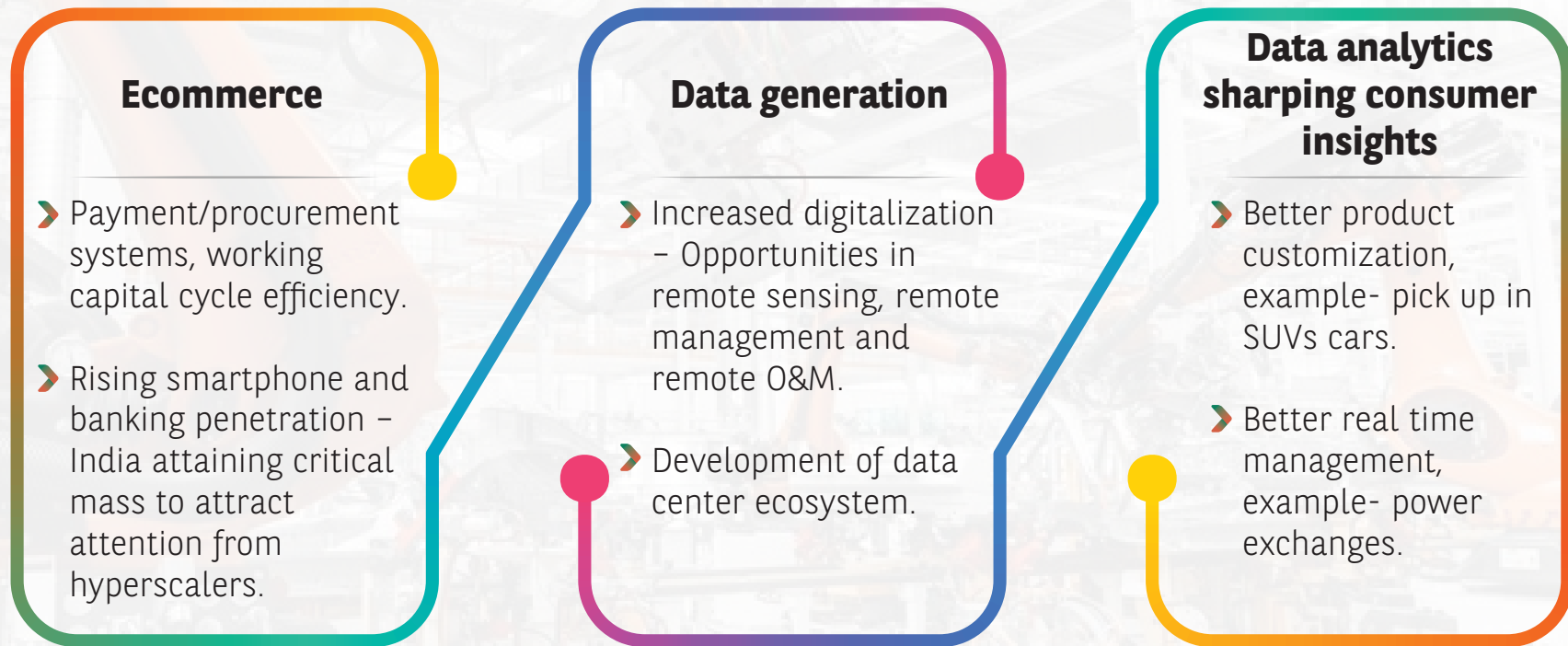
Data as of May 2021(Latest available data). Source – IEA report “net-zero-by-2050”.

COP stands for Conference of the Parties and it often refers to the United Nations Framework Convention on Climate Change (UNFCCC) international meeting focusing on climate. COP is the main decision-making body of the UNFCCC.

# Digitisation – Catalyst for Manufacturing sector



Source: Macquarie Research, January 2024



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Source: Macquarie Equity Research Data as on January 2024



# Industry 4.0: Increase in manufacturing efficiency



- **Optimized process** through sensors, Internet of Things (IoT), artificial intelligence (AI), digital twins etc.
- **Better asset utilization:** Autonomous mobile robots (AMR) can handle menial tasks such as product transportation, leaving skilled human workers to do more higher-value tasks.
- **Higher labor productivity:** Sensors on site and worn by workers are monitored constantly to ensure a safe and healthy work environment.
- **Supply chain visibility:** IoT-enabled sensors and data analytics give manufacturers insight into the entire supply chain and production process.

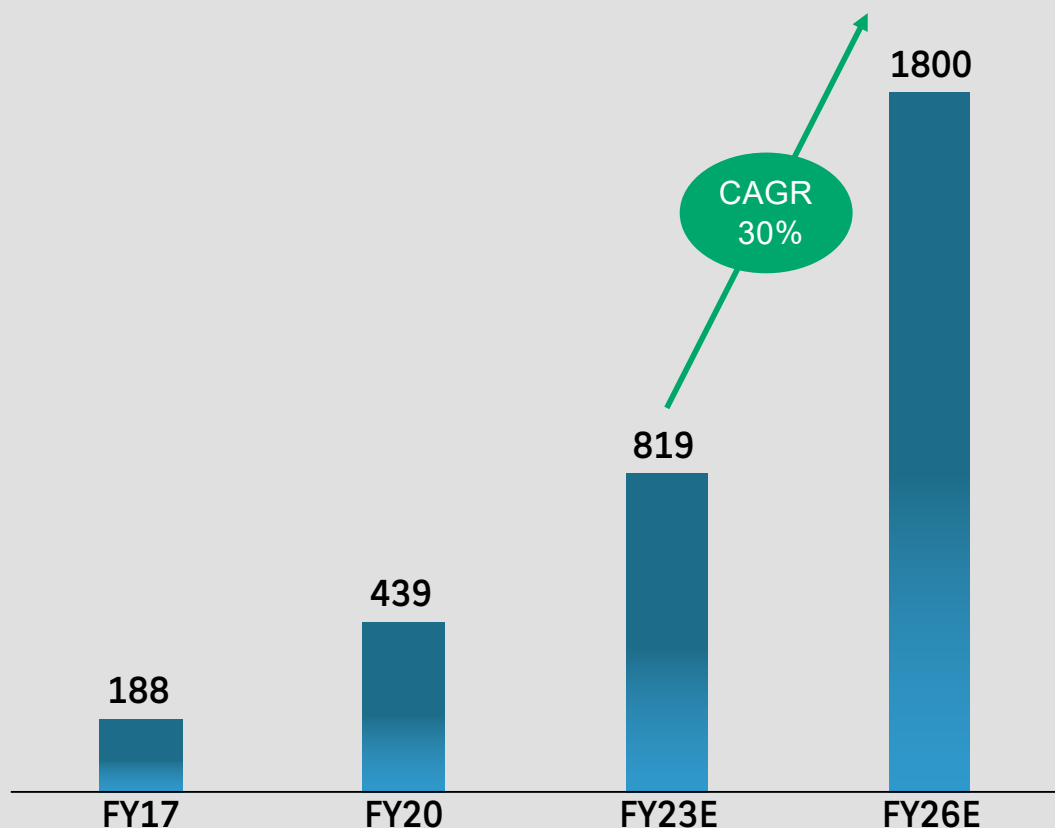


## Case Study: Datacenters Booming in India

# Rise of Datacenters: India, Fastest Growing Market



## Data Centres with Solid Growth Outlook



- **Amazon's cloud unit to invest \$13 billion by 2030 in India.** This comes on top of its existing \$6.5 billion investment in e-commerce, taking the total planned investment to \$16.4 billion by 2030.
- Companies like **Reliance, Nextra, AdaniConneX and Colt Data Centre Services (DCS)** also have huge plans to invest in building and expanding **datacentres**.
- The total opportunity size in India over a period of next 2 years (2023-26E) is Rs. 35000 crores.

Source: Colliers, CII, October 2023

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# Datacenters: Factors promoting rise in India



## Factors Contributing to the Rise of Datacentres

Government Backing Digital India Initiatives

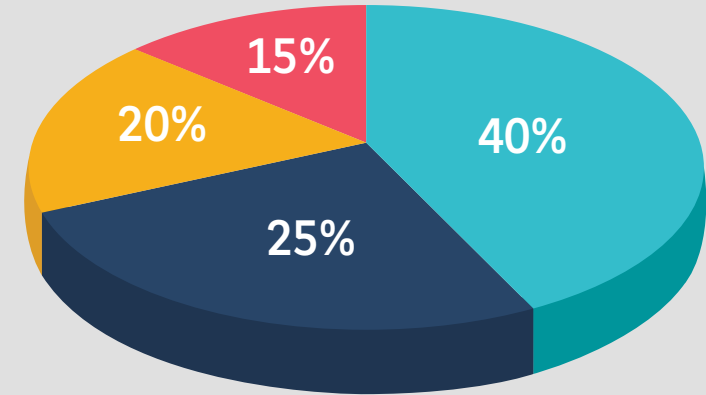
Rising Digital Adoption & E-commerce expansion

Transition from 4G to 5G

Cloud Computing Boom

Artificial Intelligence and Machine Learning

## Value Chain

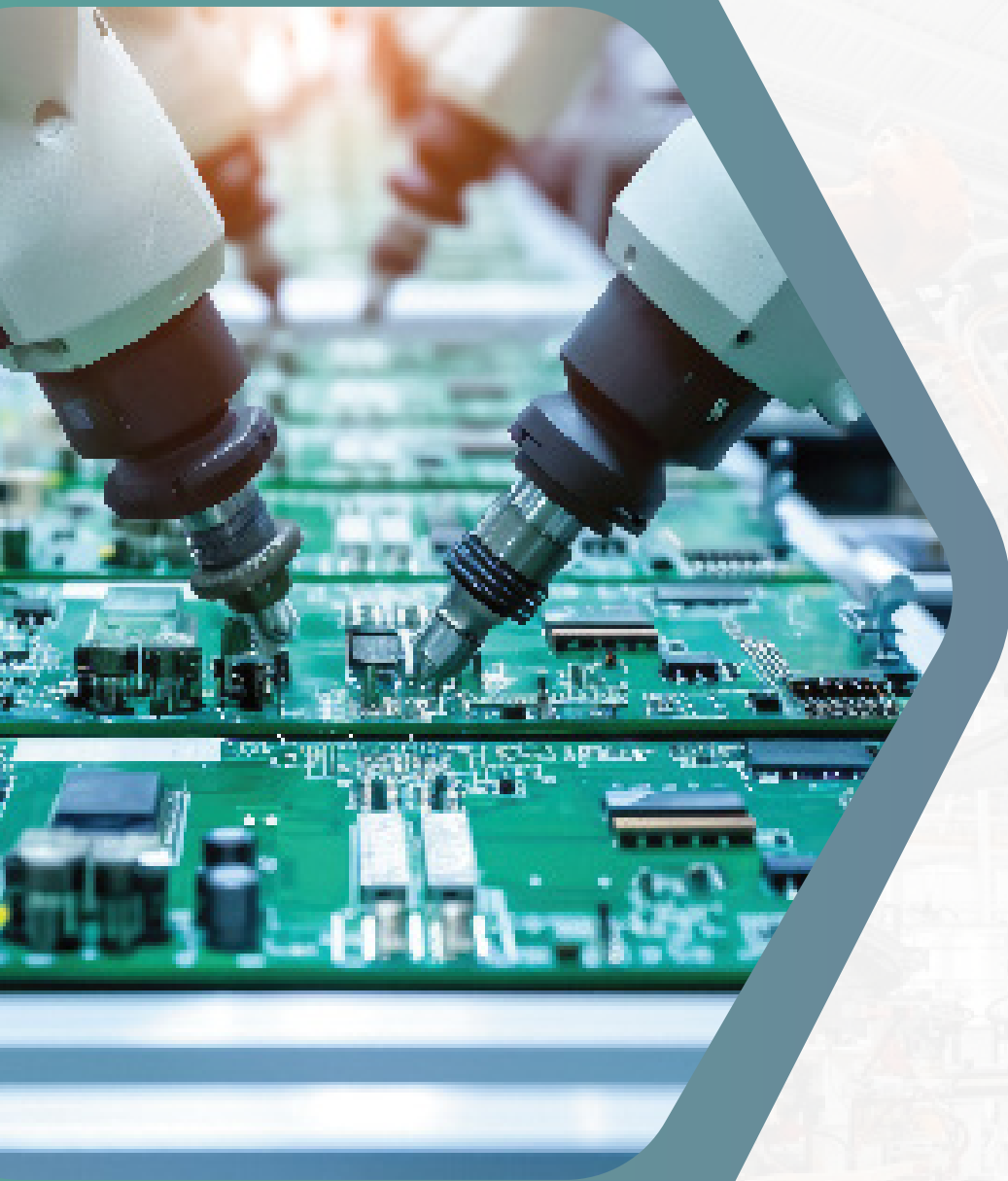


- Electrical Systems
- Building Fit Outs
- Land & Shell
- Cooling Systems

**Major beneficiaries: Companies in the power genset, electrical components, grid connectivity, HVAC (cooling solutions) and IT infrastructure space.**

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Source: CRISIL Ratings. Data as of December 2023



## Case Study: Electronics Manufacturing Ramp-up

# Apple: Heavily Investing in India



Aim to diversify assembly of products from China after increasing geopolitical U.S- China tensions.



According to a report submitted by Bank of America, Apple may shift over 18% of its iPhone production to India and India alone could contribute over 5% of Apple's global iPhone sales by FY25.



**Production:** Apple's production of iPhones in India crossed the \$10-billion mark during the 10-month period of April-January of the current fiscal. This is nearly 30% higher than the \$7-billion production by the tech giant in FY23.



**Industry:** India consumed US\$158 billion of electronics in FY23, growth of 11% CAGR over FY17-23, supply for which, was largely met by imports. To push localization or exports, almost half of the US\$ 37 billion production-linked incentives (PLI) has been allocated to this sector.



**Opportunities for key contract manufacturers:** Foxconn and Pegatron, based in Tamil Nadu, along with Wistron (now owned by Tata Electronics) in Karnataka. Redington India is a leading distributor of Apple's products in India.

Source: india-briefing. Data as on 17th April 2024

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INTRODUCING...

# BARODA BNP PARIBAS MANUFACTURING FUND

(An open-ended equity scheme predominantly  
investing in Manufacturing theme)

# About the Scheme



- The Scheme aims to maximize long-term capital appreciation by investing in equity and equity related securities of companies engaged in manufacturing sector.
- Manufacturing is the backbone of any economy. By investing in the fund, the investors can participate in India's growth journey.
- The scheme aims to invest in listed companies that manufacture goods and that have/will have manufacturing facilities. The Portfolio seeks to invest in companies that:

- Directly engage in manufacturing activity,
- Seek to replace India's imports by manufacturing in India
- Export goods manufactured in India,
- Investing in new manufacturing plants/facilities,
- Aiding manufacturing of new-age technology solutions
- Allied services associated with the entire manufacturing lifecycle
- Companies listed in India and having manufacturing facilities outside India or vice versa.

# Manufacturing – A Diversified Thematic Strategy



Sectors	Nifty 500 (% to total)	Nifty India Manufacturing Index (% to total)
Automobile and Auto Components	7.27	30.61
Capital Goods	5.35	21.24
Healthcare	5.56	14.01
Metals & Mining	3.70	12.46
Oil, Gas & Consumable Fuels	9.23	8.61
Chemicals	2.16	7.20
Consumer Durables	3.11	4.41
Textiles	0.31	0.87
Forest Materials	0.08	0.32
Telecommunication	2.56	0.26

**Manufacturing theme Comprises  
of 39% weight in Nifty 500 Index**

**There are 254 manufacturing  
companies in the Nifty 500**

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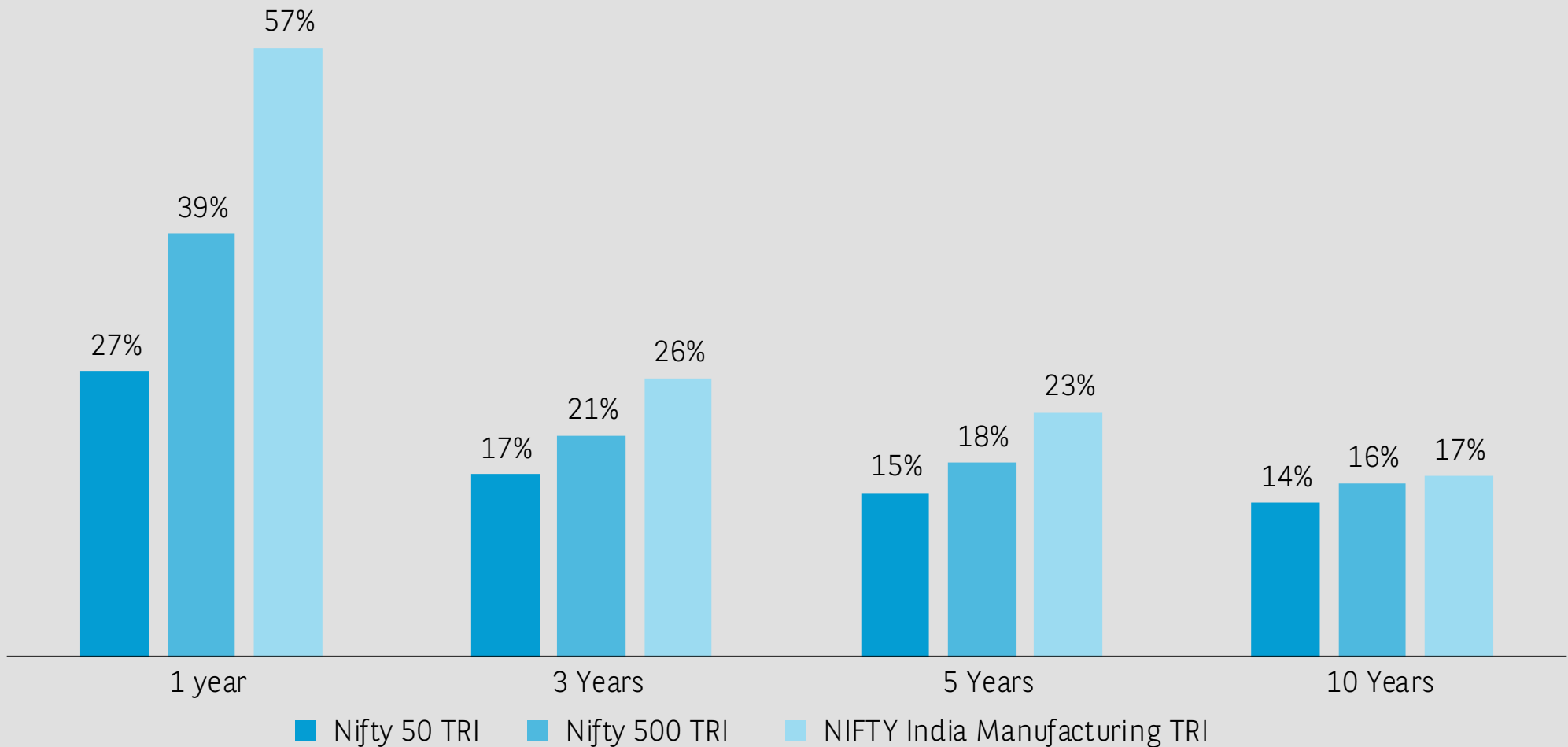
Source: NSE India and Internal. Data as on 30th April 2024

The above illustration is for understanding purpose only and should not constitute as investment advise.

# Manufacturing: History of Consistent Outperformance



## Performance across various time frames

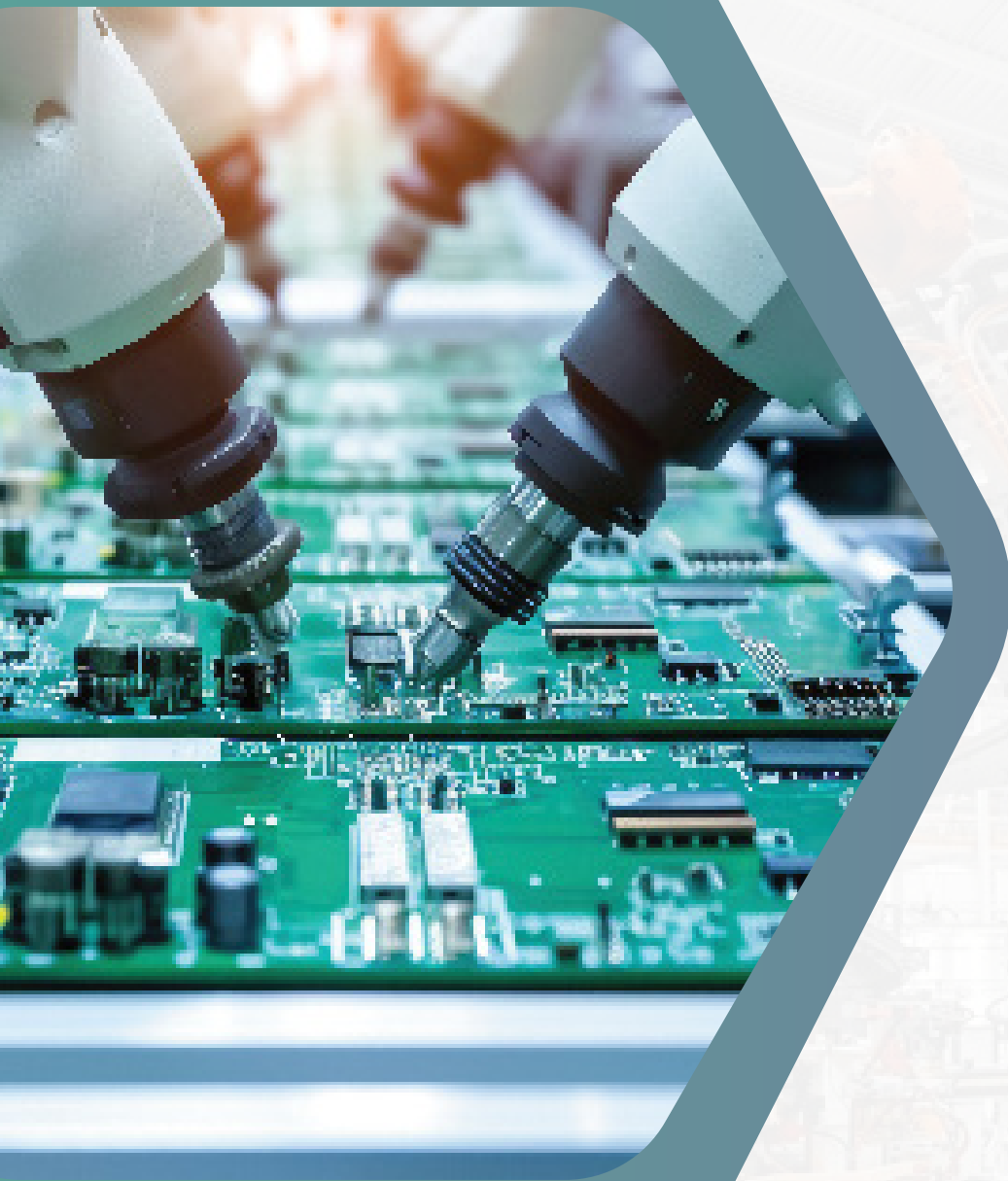


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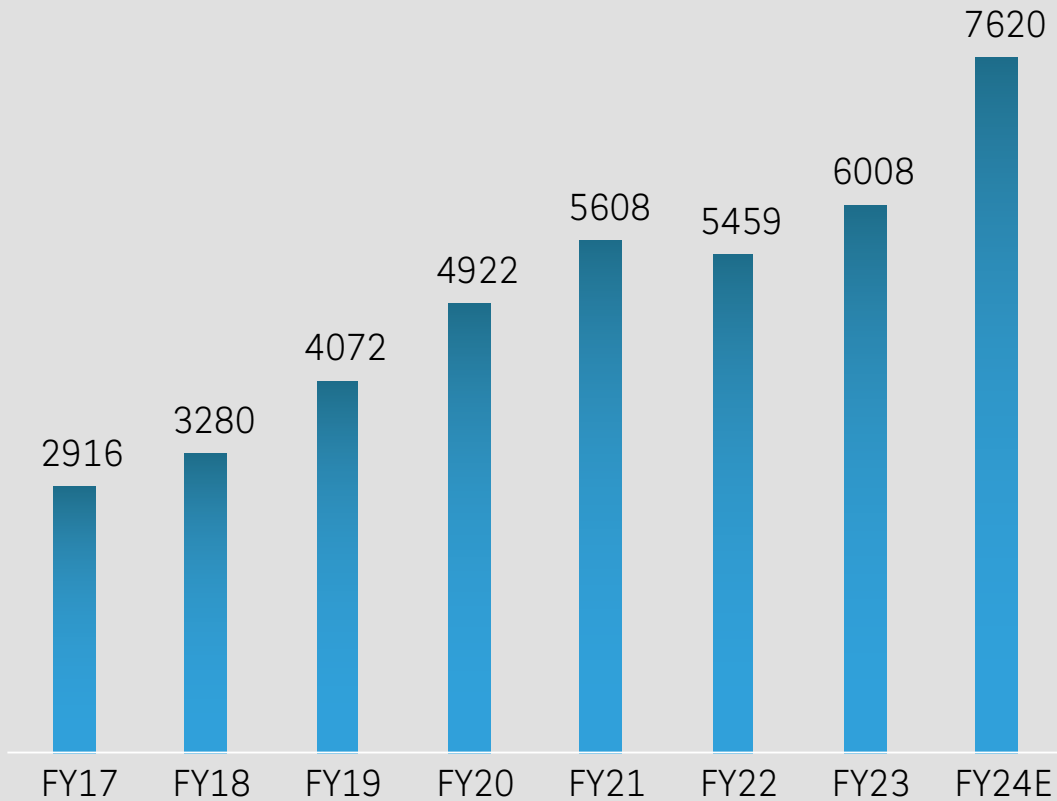


## Key Themes

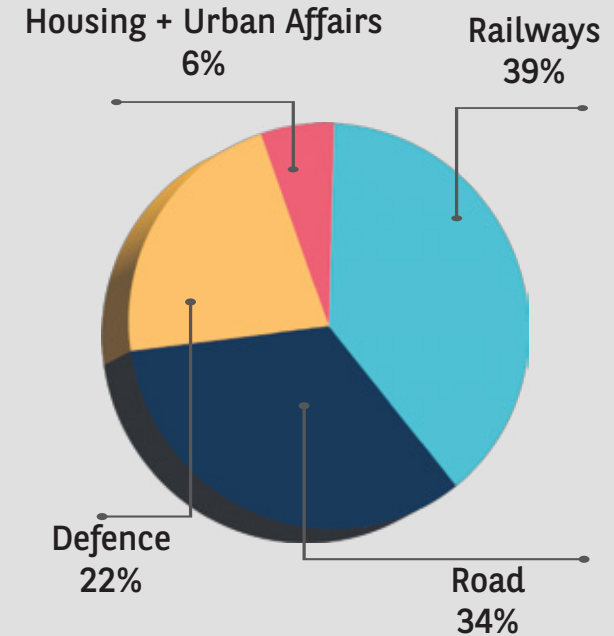
# Central & State Capex: A Rising Trend



## Sequential rise in Capex



## Breakup of Capex



- Sequential rise in capex
- Railways, Roads to get the highest capex allocation

Source: RBI, Macquarie Research: Data as on January 24. The sector(s) mentioned in this document do not constitute any recommendation of the same and Baroda BNP Paribas Mutual Fund may or may not have any future position in these sector(s).

# The Manufacturing Backbone



## Transportation Improvements

- Railways - Manufacturing of worldclass Trains, Rolling Stock, etc.
- Ports and Highways- Better Logistics leading to efficient manufacturing

## Urban Infrastructure buildout

- Metro Rail Network – Engineering and Construction Companies
- Airports – Asset Operators and Electronics Companies

## Energy & Green Energy

- Reducing Energy Shortages (Energy Security) - Thermal
- Renewables - Transmission Capex on a multi decade rise

## Defence

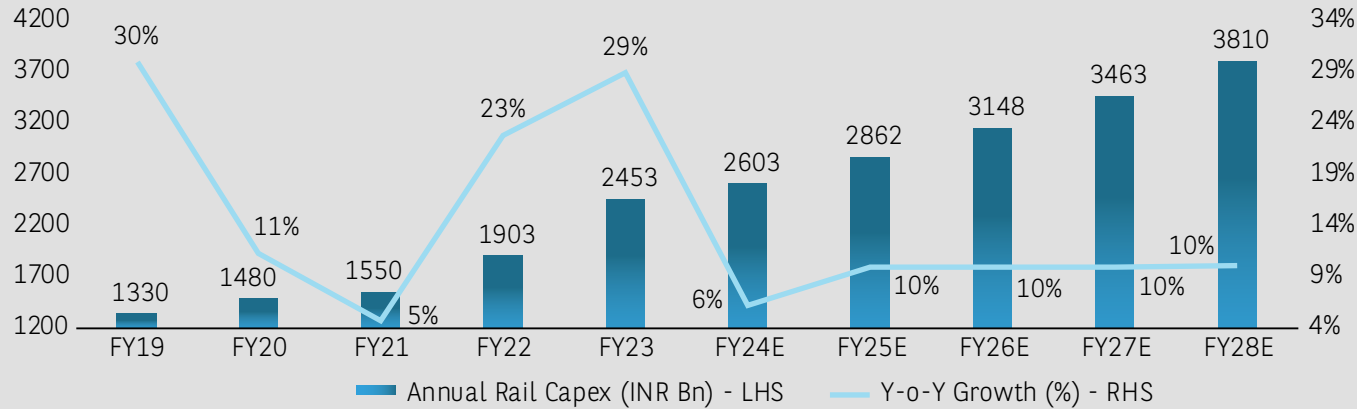
- Focus on self reliance to drive capex in Defence sector

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# Strengthening the Core: Railways, Ports and Highways



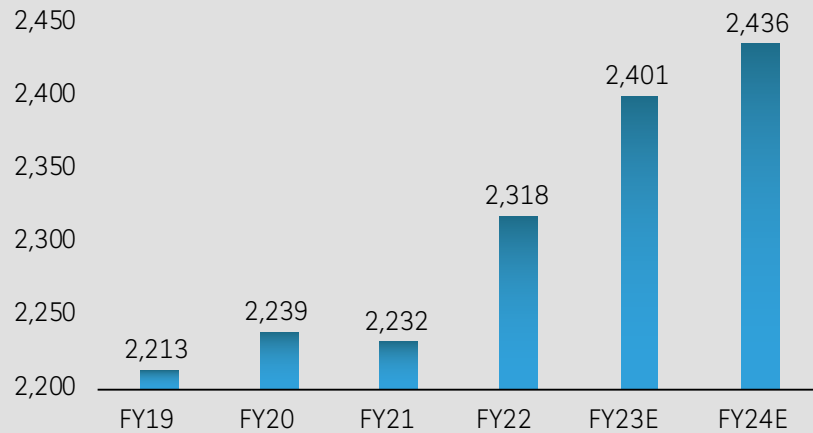
## Rail Capex (INR Bn)



- Boosts rail infrastructure by adding and manufacturing new age trains such as Bullet trains, Vande Bharat, Amrit Bharat and Namo Bharat.
- Laying of new and doubling of existing tracks - 5,000 kms to be added.
- Digitization to boost safety and efficiency.

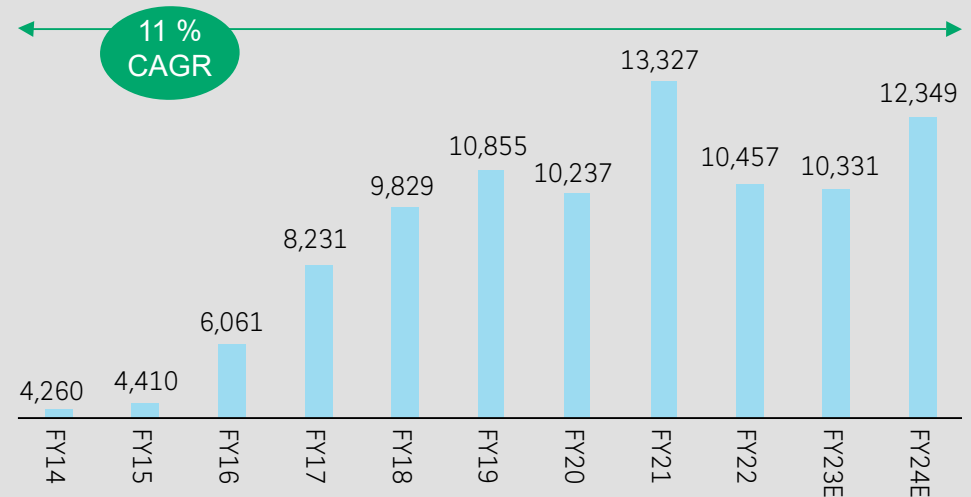
Source: Union Budget Document Ministry of Railway, Morgan Stanley: Data as on March 2024

## Utilization of India Ports (MTPA)



Source IPA, CRISIL, MI&A: Data as of August 2023

## Road Construction (kms)



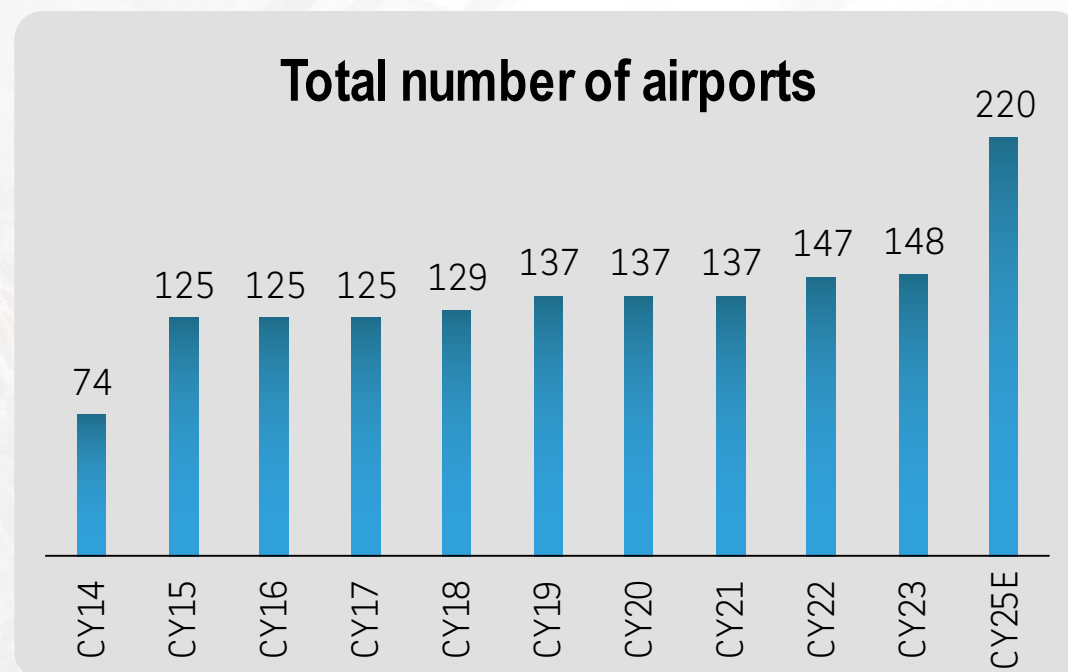


# Urban Infrastructure: Metro Networks and Airports



City	Planned Metro Network by 2029
Mumbai	190
Bengaluru	176
Chennai	134
Dholera	100
Delhi NCR	68
Hyderabad	67
Kolkatta	59
Nagpur	43
Pune	43
Others	311
<b>Total</b>	<b>1191</b>

Planned addition of 1192 kms by 2029 creating a potential market opportunity worth Rs90bn annually.

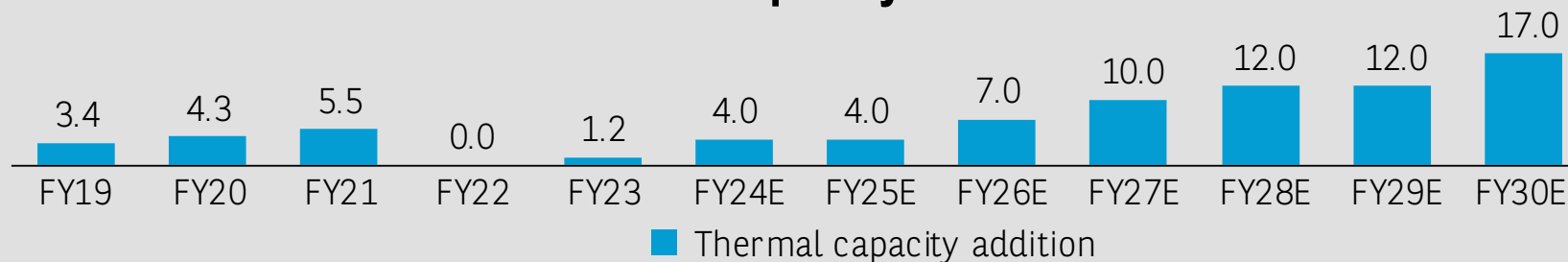


- India has emerged as the 3rd largest aviation market in the world.
- 100 airports to be developed by the end of 2024 under the Regional Connectivity scheme (RCS) UDAN infrastructure scheme.
- Targeted capital outlay of approximately Rs. 98,000 crores by 2025 for construction of Greenfield Airports and new terminals, expansion, and modernization of existing terminals and strengthening of runways.

# Push towards Energy Security and Green Energy

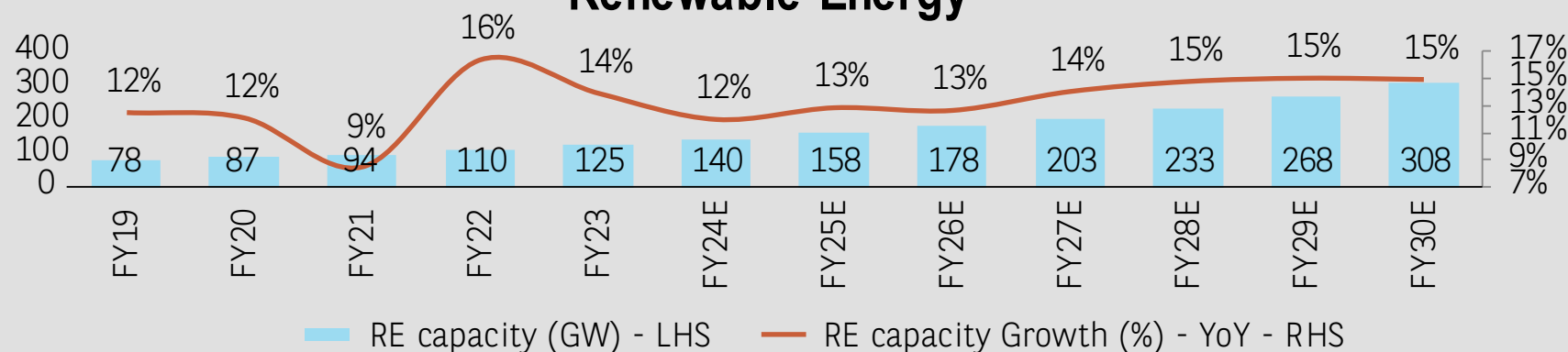


## Thermal capacity addition



India's ballooning power demand fuelled by manufacturing push, urbanisation, digital automation, datacentres, electrification etc. has led to massive thermal capacity addition.

## Renewable Energy



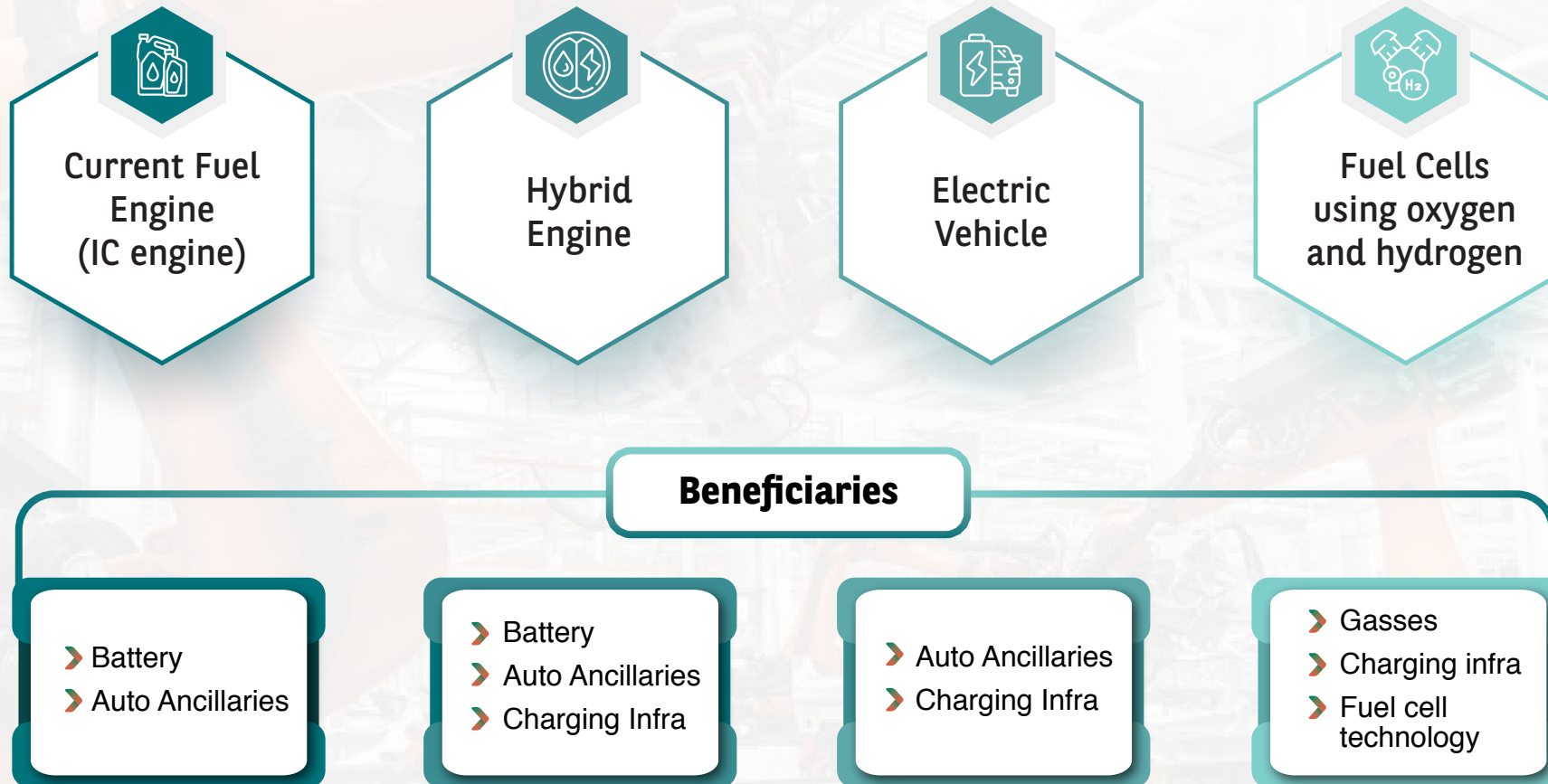
Green energy transition (Target of 500GW by 2030) has triggered revival in transmission and distribution capex of Rs.2.4tn in next three-four years.

Source CEA & Jefferies Estimates: Data as on September 2023 (latest available data)

# Automobiles: Benefiting from shift to green tech



- Automobile sector is experiencing major shifts and there is demand for greener solutions.
- Shift in traditional IC engine to Electric and even fuel cell engines, are causing a shift in the entire ecosystem of the sector.



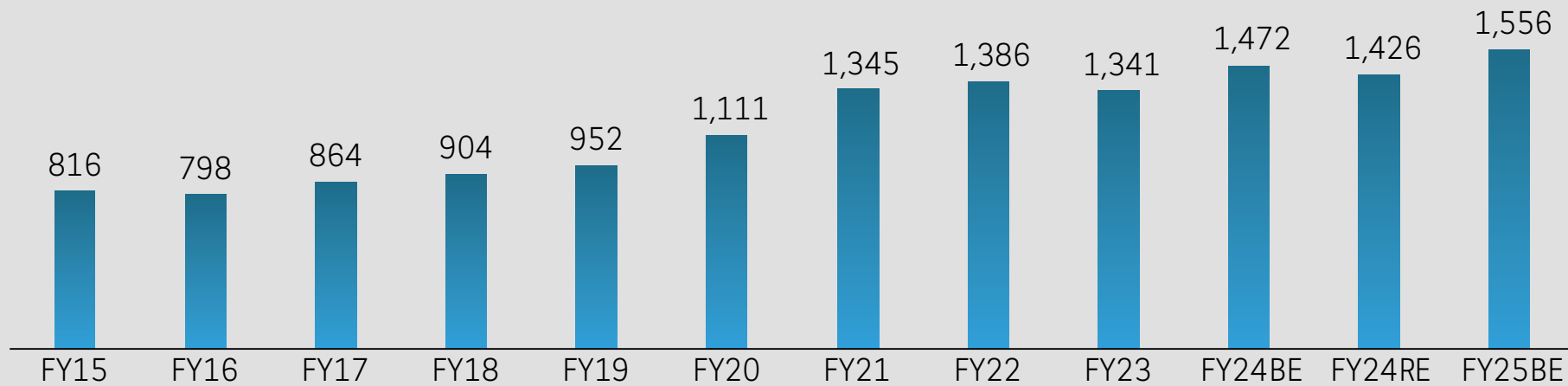
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# India's Defence Capex: Focus on self-reliance



- USD100-120 bn domestic defence opportunity over 5-6 years.
- Embargo list of defence items prohibiting their import, creates opportunities for the Indian defence industry.
- Setting aside separate portion of defence capital budget for domestic procurement – **68% of the capital-acquisition budget for FY23.**

## Capital Budget for Defence



Source: Ministry of Defence Budget FY24 Data as on April 2024



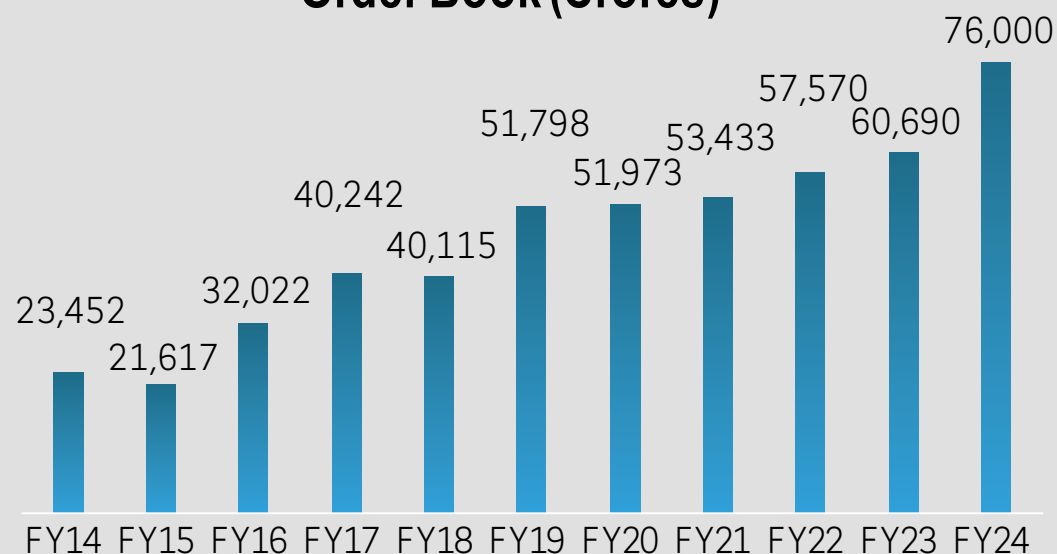


## Some manufacturing success stories

# Defence Order Book: 3X growth in 10 years

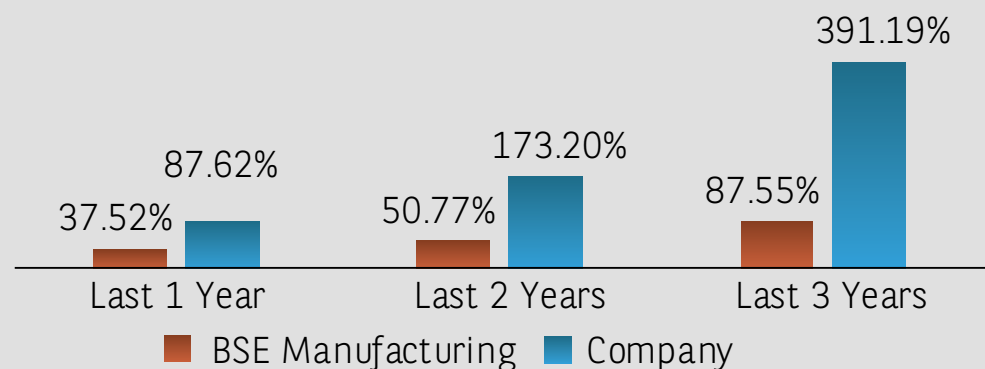


## Order Book (Crores)



- A Large Cap Defence Company benefits from spends across the Army, Navy and Air force
- Well positioned to benefit from the increasing thrust on indigenization from the Govt of India
- Strong growth in the order book (last 10 years) and order pipeline to drive earnings growth.

## Defence Electronics Company (Stock Price Performance)



Source: Bloomberg. Data as on April 30, 2024

The above illustration is for understanding only and should not constitute as investment advise.

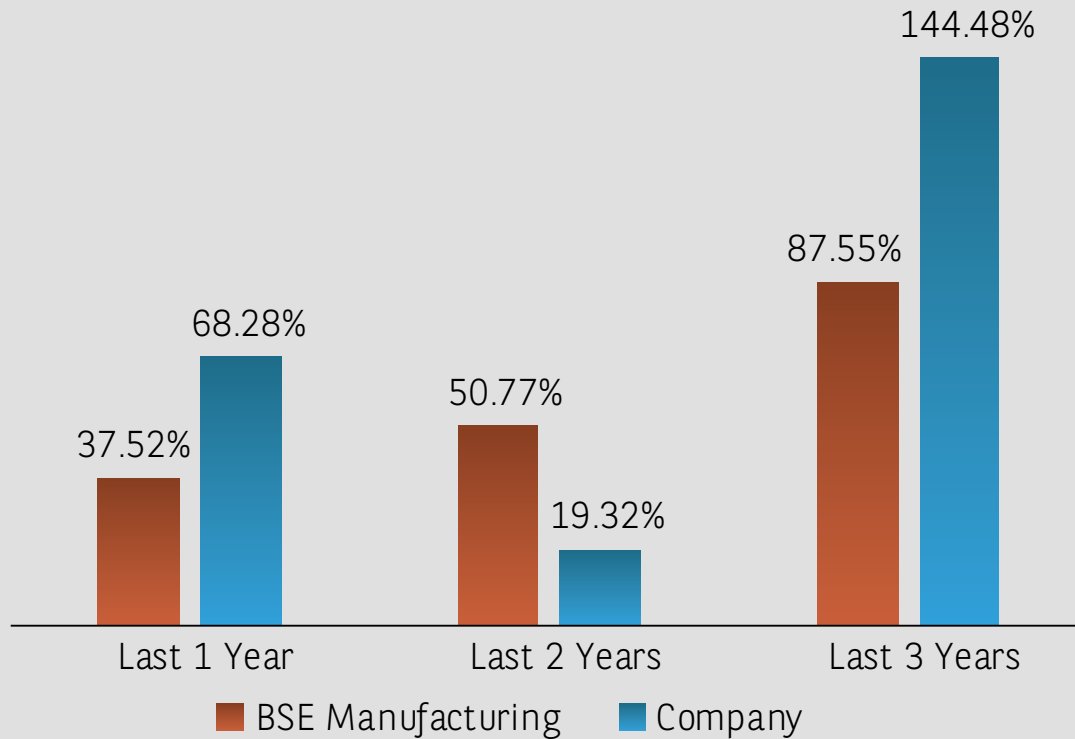
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# Electronics manufacturing – EMS player in the midcap



## Electronics Company (Stock Price Performance)



Source: Bloomberg. Data as on April 30, 2024

- Five PLI schemes related to electronics segments a key driver of import substitution and domestic manufacturing of electronic goods
- Most diversified company with exposure to all major consumer appliances and durable segment.
- Gaining share in the mobile segment
- Potential to become India's Foxconn in electronics manufacturing.

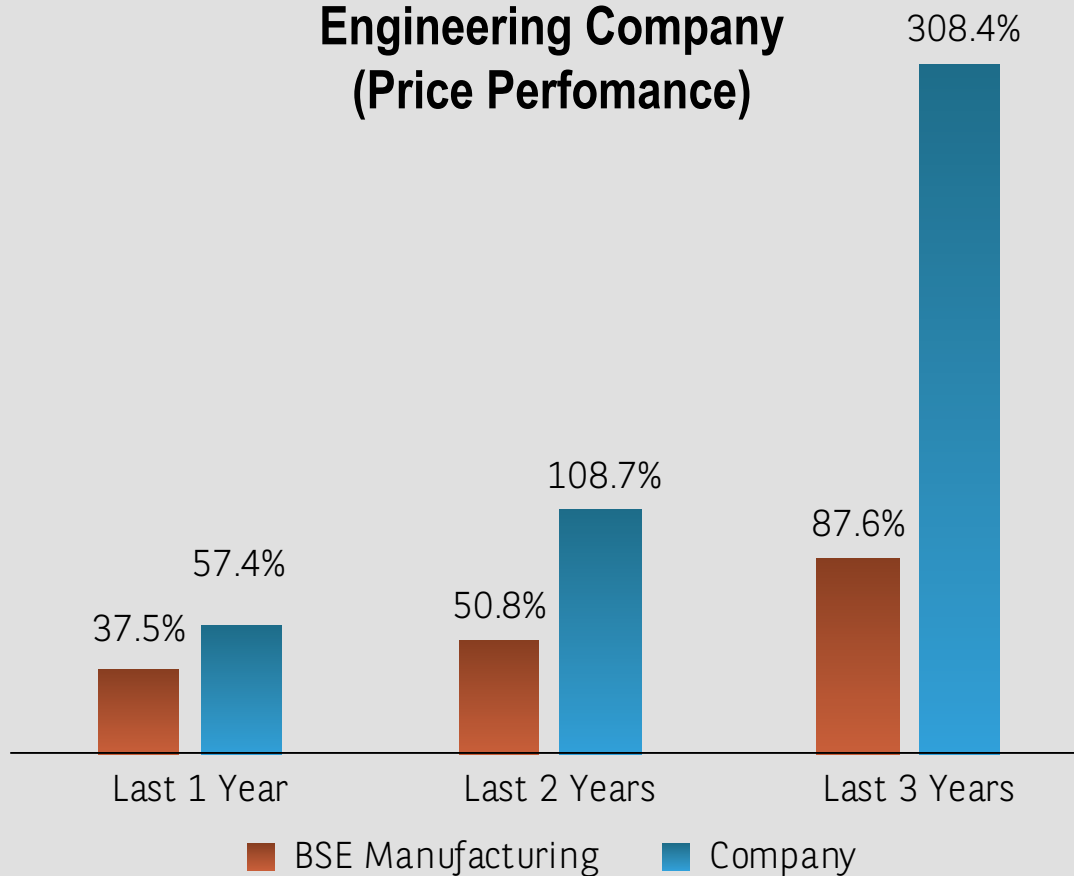
EMS stands for Electronics Manufacturing Services

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# Energy Transition: Driver of Multi-Decade Rise in Transmission Capex



## Engineering Company (Price Performance)



- A Small Cap pure upstream manufacturing beneficiary of India's energy transition.
- Leadership in high voltage equipment and highly indigenized manufacturing capabilities.
- Benefit from tailwinds of grid digitalization, global transmission equipment shortage, global supply chain diversification theme.
- Big play on rail safety as company offers highly automated solutions on network interlocking.

Source: Bloomberg. Data as on April 30, 2024

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# Investment Philosophy: BMV Framework



BMV Framework	What it Means?	Parameters
B - Business	Sustainable competitive Advantage	<ul style="list-style-type: none"><li>➤ "Moats"</li><li>➤ Topline and Bottomline</li><li>➤ Business Model Analysis</li></ul>
M- Management	Quality of Management	<ul style="list-style-type: none"><li>➤ Management Commentary</li><li>➤ Consistency of words and action</li><li>➤ Governance</li></ul>
V - Valuation	Good Company at Reasonable Valuations	<ul style="list-style-type: none"><li>➤ Growth tailwinds</li><li>➤ Return Ratios</li><li>➤ Prudent Capital Management</li></ul>

Moats stands for competitive advantage

Investment philosophy stated above may change within the prescribed limits of the SID of the scheme.

# Who is it Suitable For?



# Investment Team and Experience



**CIO – Mr. Sanjay Chawla  
(33 Years of Experience)**

**Shiv Chanani  
24 Years**

**Sandeep Jain  
16 Years**

**Swapna Shelar  
12 Years**

**Alka Katiyar  
8 Years**

**Pratish Krishnan  
23 Years**

**Miten Vora  
14 Years**

**Kushant Arora  
9 Years**

**Arjun Bagga  
5 Years**



**Fund Manager**

**Jitendra Sriram  
26 Years**

# Fund Facts



<b>Scheme Name</b>	Baroda BNP Paribas Manufacturing Fund		
<b>Type of the Scheme</b>	An open-ended equity scheme predominantly investing in Manufacturing theme.		
<b>Category</b>	Equity Scheme – Sectoral / thematic		
<b>Investment Objective</b>	The investment objective is to generate long-term capital appreciation from a portfolio invested predominantly in equity and equity related securities of companies engaged in Manufacturing. The Scheme does not guarantee/indicate any returns. There is no assurance that the investment objective of the Scheme will be achieved		
<b>Asset Allocation</b>	<b>Type of Instrument</b>	<b>Minimum (% of Net Assets)</b>	<b>Maximum (% of Net Assets)</b>
	Equity & Equity^ related instruments of companies having manufacturing theme	80	100
	Other Equity and equity related^ instruments of companies other than having manufacturing theme	0	20
	Debt* & Money Market instruments	0	20
	Units of Mutual Funds (Domestic Schemes)	0	10
	Units issued by REITs & INvITs	0	10
	<p>^The Scheme may invest upto 50% of equity assets in equity derivatives instruments as permitted under the SEBI (Mutual Funds) Regulations, 1996 from time to time. The Scheme may use equity derivatives for such purposes as maybe permitted under the SEBI (Mutual Funds) Regulations, 1996, including but not limited for the purpose of hedging and portfolio balancing, based on the opportunities available and subject to guidelines issued by SEBI from time to time.</p> <p>*Debt instruments may include securitised debt upto 20% of the debt portfolio of the scheme.</p> <p>For detailed asset allocation, please refer to SID on our website <a href="http://www.barodabnpparibasmf.in">www.barodabnpparibasmf.in</a></p>		
<b>Benchmark</b>	Nifty India Manufacturing TRI		
<b>Fund Manager~</b>	Mr. Jitendra Shriram		
<b>Load Structure</b>	<p>Entry Load: NA</p> <p>Exit Load:</p> <p>If units of the Scheme are redeemed or switched out up to 10% of the units (the limit) within 1 year from the date of allotment - Nil.</p> <p>If units of the scheme are redeemed or switched out in excess of the limit within 1 year from the date of allotment - 1% of the applicable NAV.</p> <p>• If units of scheme are redeemed or switched out after 1 year from the date of allotment - Nil.</p>		
<b>Minimum Amount for Application during the NFO &amp; Ongoing Offer</b>	<p>Lumpsum Details: A minimum of Rs. 1,000 per application and in multiples of Rs.1</p> <p>Minimum Additional Application Amount: Rs. 1,000 and in multiples of Rs. 1 thereafter.</p> <p>SIP Details: Minimum Application Amount -</p> <p>(i) Daily, Weekly, Monthly SIP: Rs. 500/- and in multiples of Rs. 1/- thereafter;</p> <p>(ii) Quarterly SIP: Rs. 1500/- and in multiples of Rs. 1/- thereafter</p>		

~Dedicated Fund Manager for Overseas Investments: Mr. Miten Vora



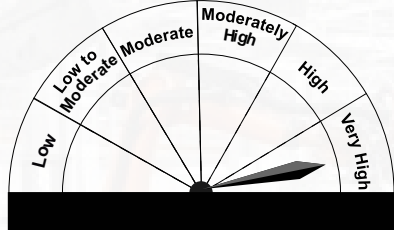
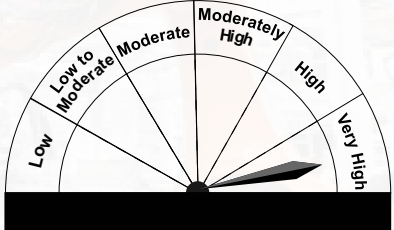
# Risk Factors



The risks associated with investments in equities include fluctuations in prices, as stock markets can be volatile and decline in response to political, regulatory, economic, market and stock-specific development etc. Please refer to scheme information document for detailed risk factors, asset allocation, investment strategy etc.

Further, to the extent the scheme invests in fixed income securities, the Scheme shall be subject to various risks associated with investments in Fixed Income Securities such as Credit and Counterparty risk, Liquidity risk, Market risk, Interest Rate risk & Re-investment risk etc., Further, the Scheme may use various permitted derivative instruments and techniques which may increase the volatility of scheme's performance. Also, the risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments.

Please refer to Scheme Information Document available on our website ([www.barodabnpparibasmf.in](http://www.barodabnpparibasmf.in)) for detailed Risk Factors, assets allocation, investment strategy etc.

This product is suitable for investors who are seeking*:	Risk-o-meter for the Scheme^^	Risk-o-meter for the benchmark Benchmark - Nifty India Manufacturing TRI
<ul style="list-style-type: none"> <li>• Long term capital appreciation.</li> <li>• Investing in equity and equity related securities of companies engaged in manufacturing theme</li> </ul>	 <p>Investors understand that their principal will be at <b>VERY HIGH RISK</b></p>	 <p>Benchmark Riskometer is at <b>VERY HIGH RISK</b></p>

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them. (The above product labelling assigned during the New Fund Offer (NFO) is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.)

# Disclaimers



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