

MOTILAL OSWAL

MUTUAL FUND



INTRODUCING
INDIA'S 1ST
& ONLY
INDEX FUND
TRACKING THE
DEFENCE SECTOR

AIM TO GROW WITH THE INDIAN DEFENCE SECTOR

MOTILAL OSWAL NIFTY INDIA DEFENCE INDEX FUND

- 1
5 YEAR
INDEX CAGR
OF OVER 55%
- 2
PURE
EXPOSURE
TO DEFENCE
STOCKS
- 3
AIM TO
BENEFIT
FROM NICHE
BUSINESSES

NFO Period

13th - 24th June 2024

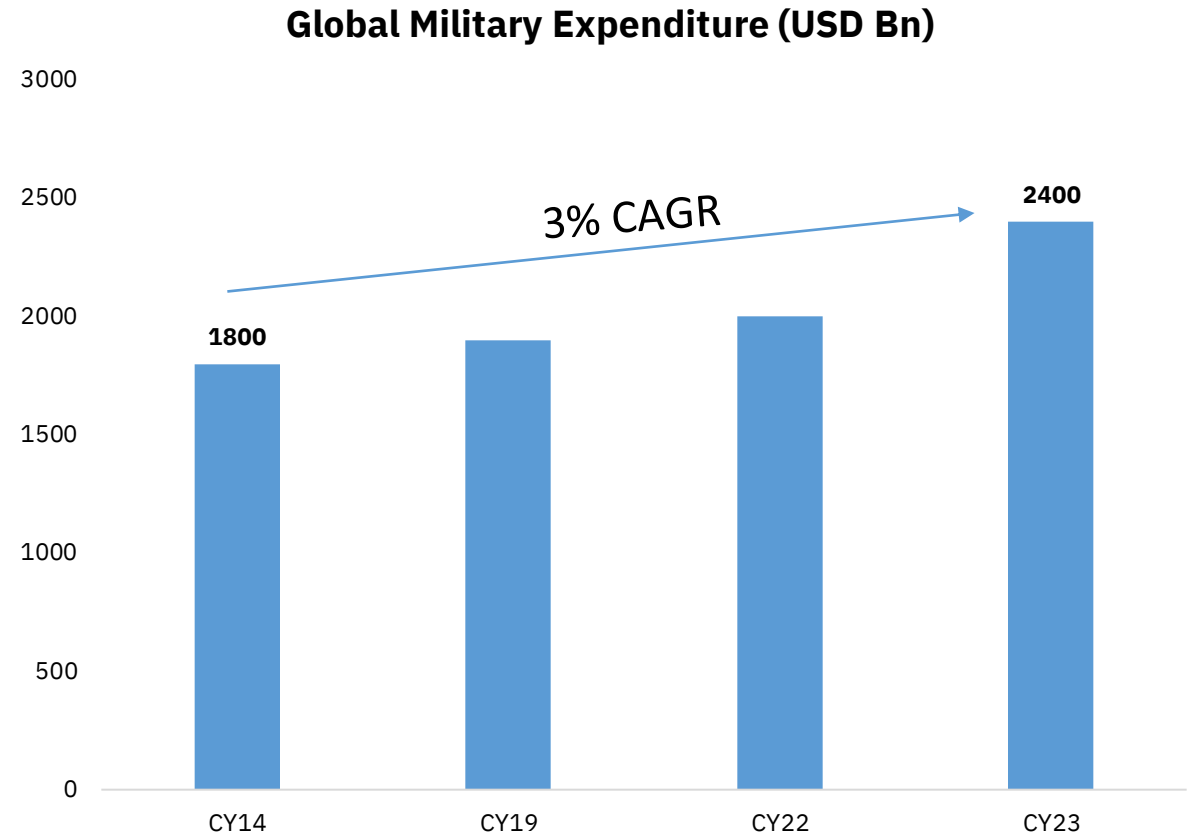
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Defence Sector by the numbers

Global Military Expenditure on the Rise

- **Globally military spending has rising** steadily historically
- **Last year military spent amount to USD 2.4 Trillion globally**
- It **increased by 3% CAGR** since 2014 to 2023
- However **CY 2023 has experienced the sharpest increase (~20%)** over last 10 years.



Source: Nomura Defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may not be sustained in the future

Reason for **Rise** in Global Defence Spending

Large portion of increase during CY 2023 can be **attributed to geo-political tensions** such as Russia-Ukraine War, Israel's Gaza offensive, and Middle East Tension



Maintaining
Peace In the
region

**Increase in
Conflict**

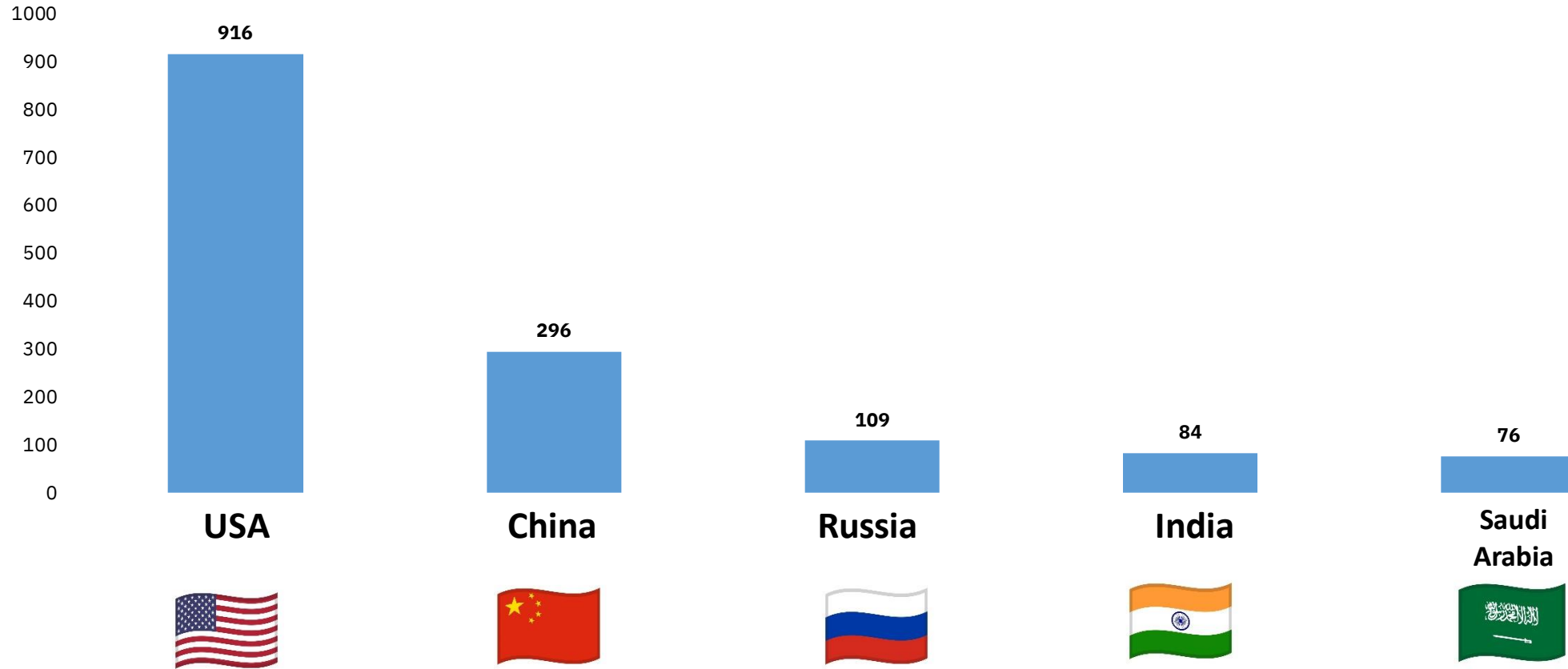


**Increase in
Geopolitical
Tension.**

Source: Nomura Defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

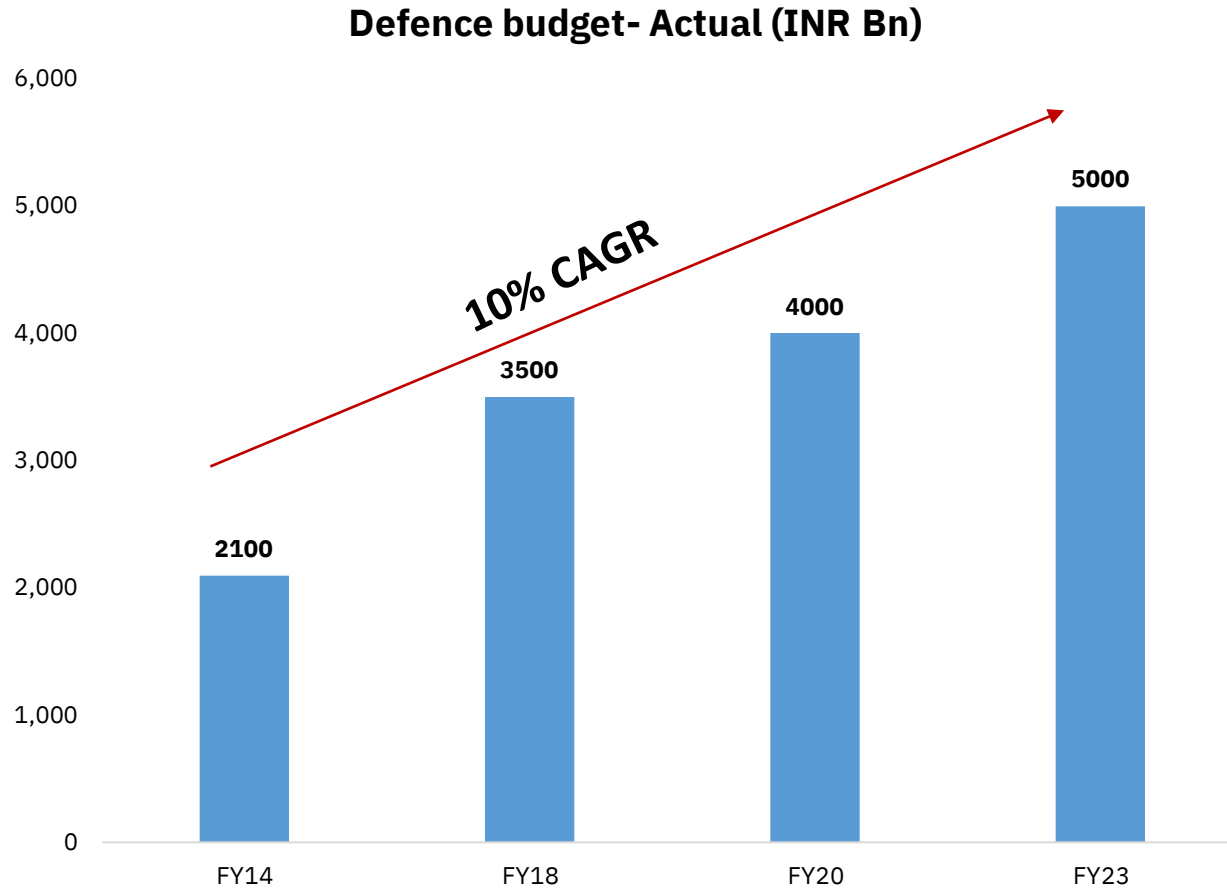
Worlds Largest defence Spenders

USA is considered as one largest spender in defence and India ranks **4th** with around **84 Bn** in spending



Source: Nomura Defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

India defence Budget on the Rise



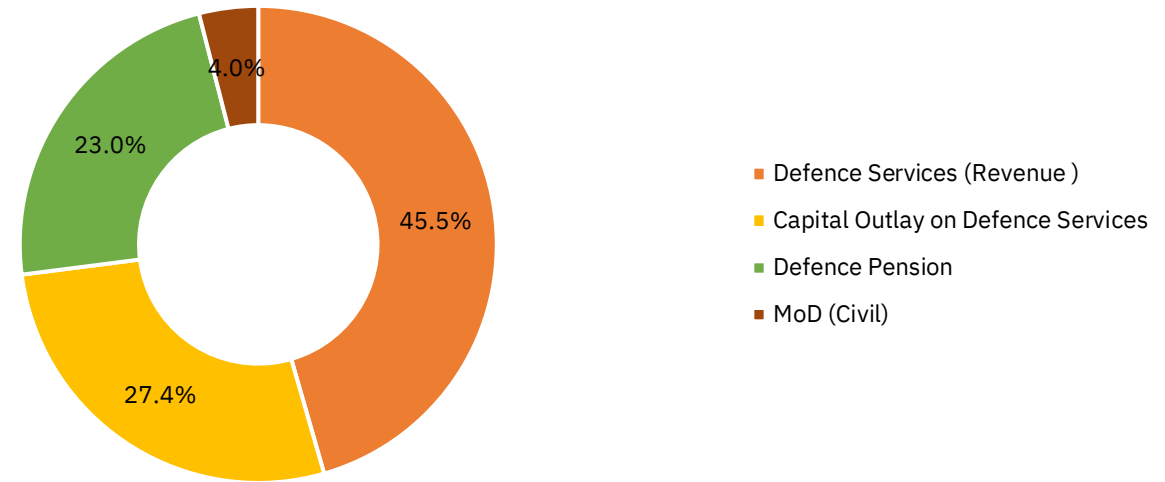
- **India's defence budget increased** from INR 2,10,000 crores to **INR 5,00,000 crores**.
- India's defence spending increased at rapid pace (10%) than global average (3%).
- India's increased their allocation of fund for **Modernization** of arm forces

Source: Nomura defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy.

Budget Allocation of Defence Industry

- In 2023-24, the Ministry of Defence (MoD) was allocated a total **Budget of US\$ 72.2 billion (Rs. 5.94 lakh crore)**, which is **13.2% of the total overall budget US\$ 547 billion (Rs. 45.03 lakh crore)**
- Of this, **US\$ 19.7 billion (Rs. 1.62 lakh crore)** was allocated towards **capital expenditure**, including the purchase of new weapons, aircraft, warships, and other military equipment

Breakdown of fund allocation in Defence Industry as per the Budget 2023-24



Source: IBEF Defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy.

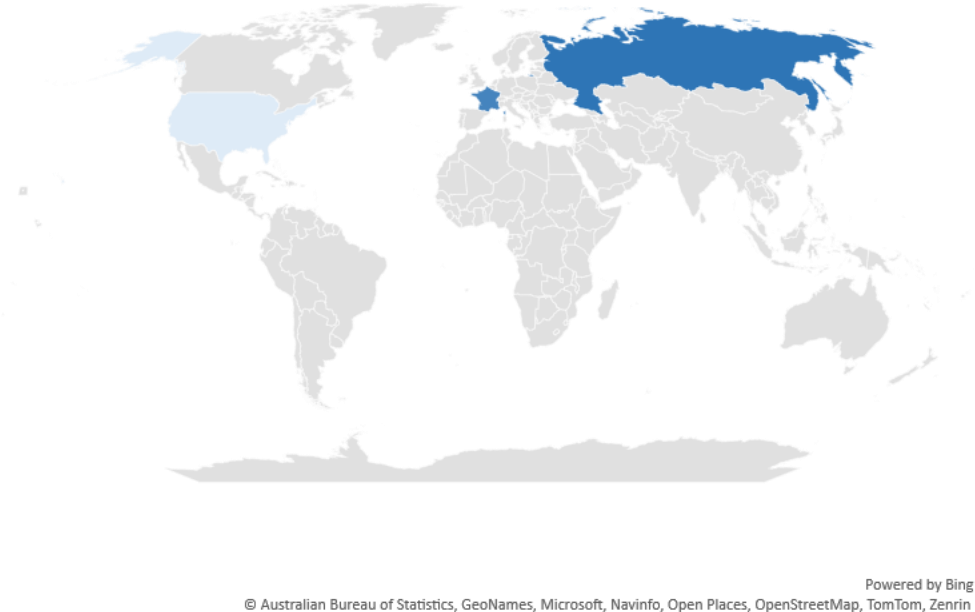
India's Major Import Partner

India is one of the major Importer's of which **Russia** contributes to around **36%** followed by **France 33%** and then **USA 13%**

Total Import of \$ 9.8 Bn (2019-23)



Major Indian Import Countries



Source: Nomura Defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

India Defence Challenges: Geopolitical and Security

Large land and
coastline to
safeguard

Border Issues
with Neighboring
countries

Ongoing Terrorism
issues

Delays in
Modernization due
to Bureaucracy

Source: Nomura Defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

Key Industry Growth Drivers: आत्मनिर्भरता

Defence procurement procedure

- Streamlining the procurement process, reduce bureaucratic hurdles, and create a more conducive environment for indigenous defence production

Defence Offsets

- Defence offsets require foreign defence suppliers to invest a certain % age of the contract value back into India's defence industry
- Helps to stimulate domestic manufacturing and transfer of technology

Equal Field for Private Companies

- Initiatives such as '**Make in India**' and '**Strategic Partnership Model**' aim to enhance private sector involvement in defence production and encourage competition and innovation

Atmanirbhar Provisions

- Initiative aims to promote indigenous manufacturing across various sectors, including defence
- Embargo on importing 4600+ items by end of Dec 2027

Source/Disclaimer: Nomura Defence Sector Report The graphic is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy.

Changing Landscape

Increased protectionism

- Trend of protectionism in defence seen in various countries is spreading globally. Govt prioritizing domestic manufacturing and job creation

Economic impact

- Governments aim to leverage defence spending to stimulate their economies while bolstering domestic industries

Indigenization (Atmanirbhar)

- Developing domestic capabilities and reducing reliance on foreign suppliers

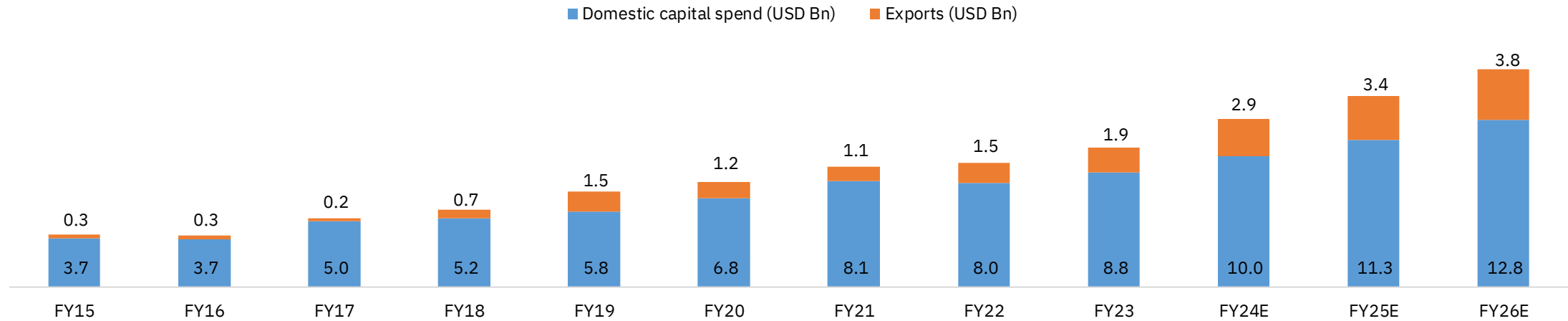
Saving forex

- Reducing defence import bills, Govt helping to preserve Forex Reserve, which is very essential for any developing country

Source/Disclaimer: Nomura Defence Sector Report The graphic is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy.

Addressable **Opportunity** for Indian Defence Players

Defence exports grew by **334%** in the last **5 years** and **India exports to over 75 countries** due to changes in the government policies which aim to **reduce imports by around 70%**



Key Defence Equipment's Exported From India

Dornier 228 utility aircraft



Advanced Towed Artillery Guns



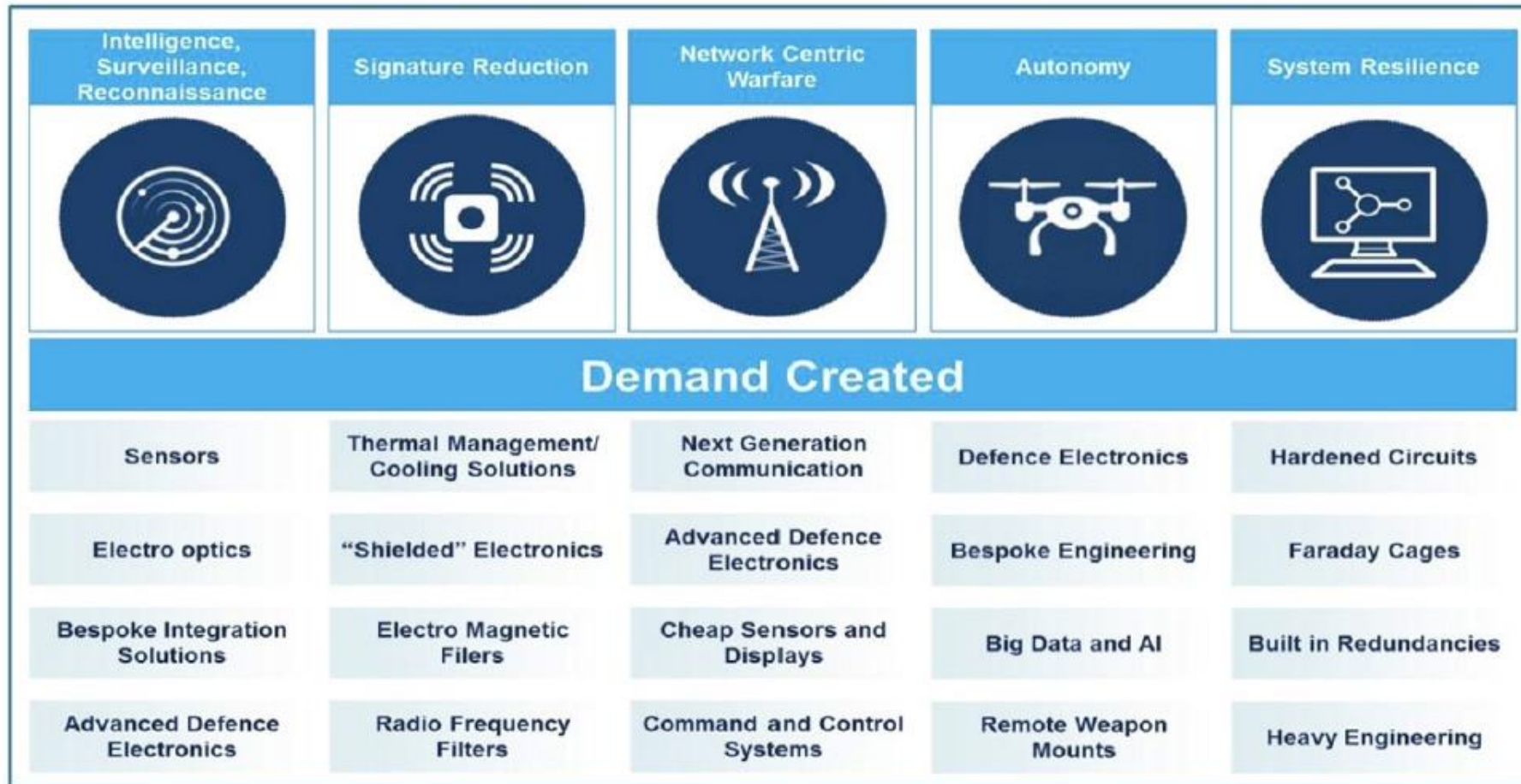
Brahmos Missiles



Source/ Disclaimer: Jefferies Defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

Emerging **Trend** in Defence Space

Countries are moving to rapid expansion of **Intelligence, Surveillance, and Reconnaissance (ISR) solutions** as there are shift from the traditional warfare



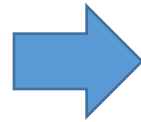
Source/ Disclaimer: Nomura Defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

India Defenders

Defence Companies and some of the indigenous products that are manufactured by them



Hindustan Aeronautics LTD



Tejas



Chetak



Dhruv



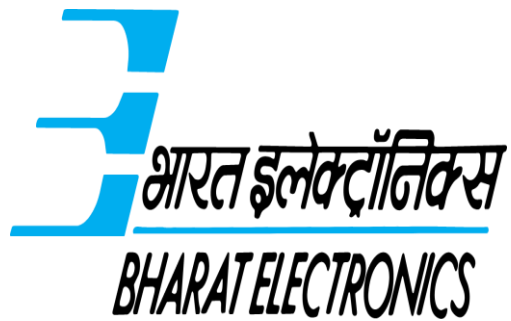
ATULYA



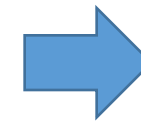
Lightweight laser target designator



Drone Detection Radar



Bharat Electronic LTD



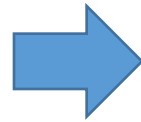
Source/ Disclaimer: Company website. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

India Defenders

Defence Companies and some of the indigenous products that are manufactured by them



Mazgaon Dock Shipbuilder



Submarines



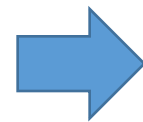
Destroyer



Missile boats



Cochin Shipyard



Maintenance of Aircraft Carrier



Maintenance of Tanks



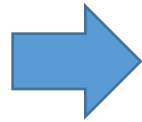
Source/ Disclaimer: Company website. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy.

India Defenders

Defence Companies and some of the indigenous products that are manufactured by them



MITAR Technologies LTD



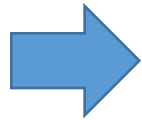
Helicopter Housing



Dalia Actuators-LCA Tejas



Data Pattern (India) LTD



Radar System



Low Level Tracking Radar "Ashwini"

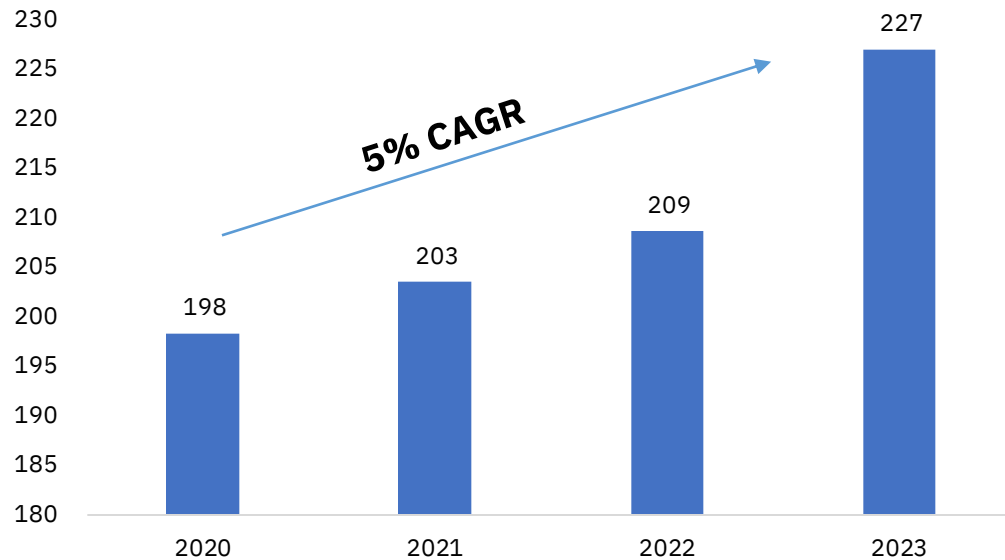


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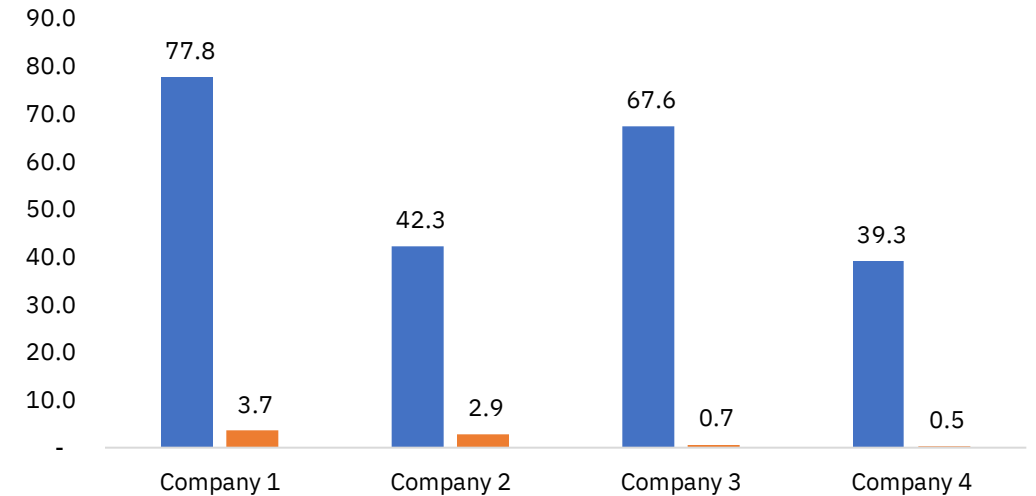
Comparison with US's leading Defence Companies

Top 4 U.S Largest have grown at a CAGR of 5% showing the head room growth for Indian Defence Players over the longer period

Top 4 US Defence Companies Revenue (USD Bn)



Comparison between US and Indian Defence Companies Revenue (USD Bn) as of 2023



Source/Disclaimer: Facset & MOAMC Research. The graphic is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy.

About Motilal Oswal Nifty India Defence Index Fund

Motilal Oswal Nifty India Defence Index Fund



Type of Scheme

An open-ended fund replicating/tracking Nifty India Defence Total Return Index



Investment Objective

The investment objective of the scheme is to provide returns that, before expenses, correspond to the total returns of the securities as represented by Nifty India Defence TRI, subject to tracking error. However, there is no guarantee or assurance that the investment objective of the scheme will be achieved



Minimum Application Amount

Lumpsum and SIP – Rs 500/- and in multiples of Re 1/- thereafter



Exit Load

1% if redeemed before 15 days of allotment, nil thereafter



Benchmark

Nifty India Defence TRI

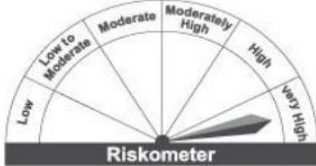
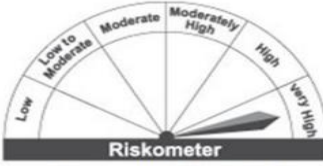


Fund Manager

Mr. Swapnil Mayekar (for Equity)
Mr. Rakesh Shetty (for Debt Component)

Source/Disclaimer: MOAMC. Data as on 31-May-24 Mutual funds are subject to market risk, read all scheme documents carefully

Product suitability

Name of the Scheme	This product is suitable for investors who are seeking*	Scheme Riskometer	Benchmark Riskometer
<p>Motilal Oswal Nifty India Defence Index Fund (An open ended fund replicating / tracking the Nifty India Defence Total Return Index)</p>	<ul style="list-style-type: none"> Return that corresponds to the performance of Nifty India Defence Total Return Index subject to tracking error Long-term capital growth 	 <p>Riskometer Investors understand that their principal will be at Very High risk</p>	<p>Nifty India Defence Total Return Index</p>  <p>Riskometer Benchmark riskometer is at Very High risk</p>

Nifty India Defence Total Return Index

About: Nifty India Defence Total Return Index

Index Objective: The Nifty India Defence Index aims to track the performance of a portfolio of stocks that broadly represent the Defence theme

Index Methodology Snapshot:

Eligible Universe

- Should be part of Nifty Total Market Index

Stocks Selection

- Should be part of SIDM (Society of Indian Defence Manufacturers) at review date & at least 10% of revenue from defence segment
- Stocks Forming part of Basic Industries

Rebalancing and Reconstitution

- Semi-Annual (Mar-Sep)
- Weight = Free Float Mcap
- Stock Weight Cap 20%

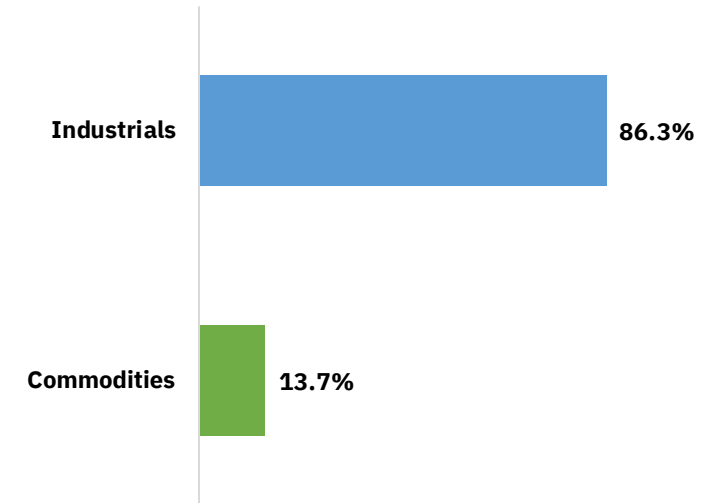
Source/Disclaimer: Nifty Indices. Data as on 31-May-24 *for detailed index methodology kindly visit <https://www.niftyindices.com/indices/equity/thematic-indices/nifty-india-defence>

Nifty India Defence TR Index Snapshot

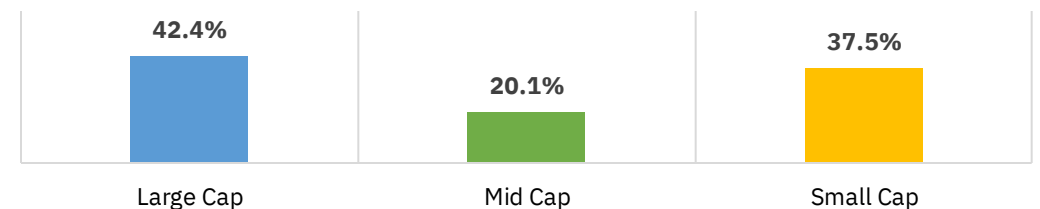
Top 10 Constituents

Sr No	Company Name	Weight
1	HINDUSTAN AERONAUTICS LTD.	21.9%
2	BHARAT ELECTRONICS LTD.	20.5%
3	SOLAR INDUSTRIES INDIA LTD.	13.7%
4	BHARAT DYNAMICS LTD.	9.2%
5	COCHIN SHIPYARD LTD.	9.0%
6	MAZAGOAN DOCK SHIPBUILDERS LTD.	6.4%
7	ASTRA MICROWAVE PRODUCTS LTD.	4.7%
8	DATA PATTERNS (INDIA) LTD.	4.4%
9	GARDEN REACH SHIPBUILDERS & ENGINEERS LTD.	2.7%
10	MTAR TECHNOLOGIES LTD.	2.3%
--	Total	94.7%

Basic Industry (AMFI): Nifty India Defence TR Index



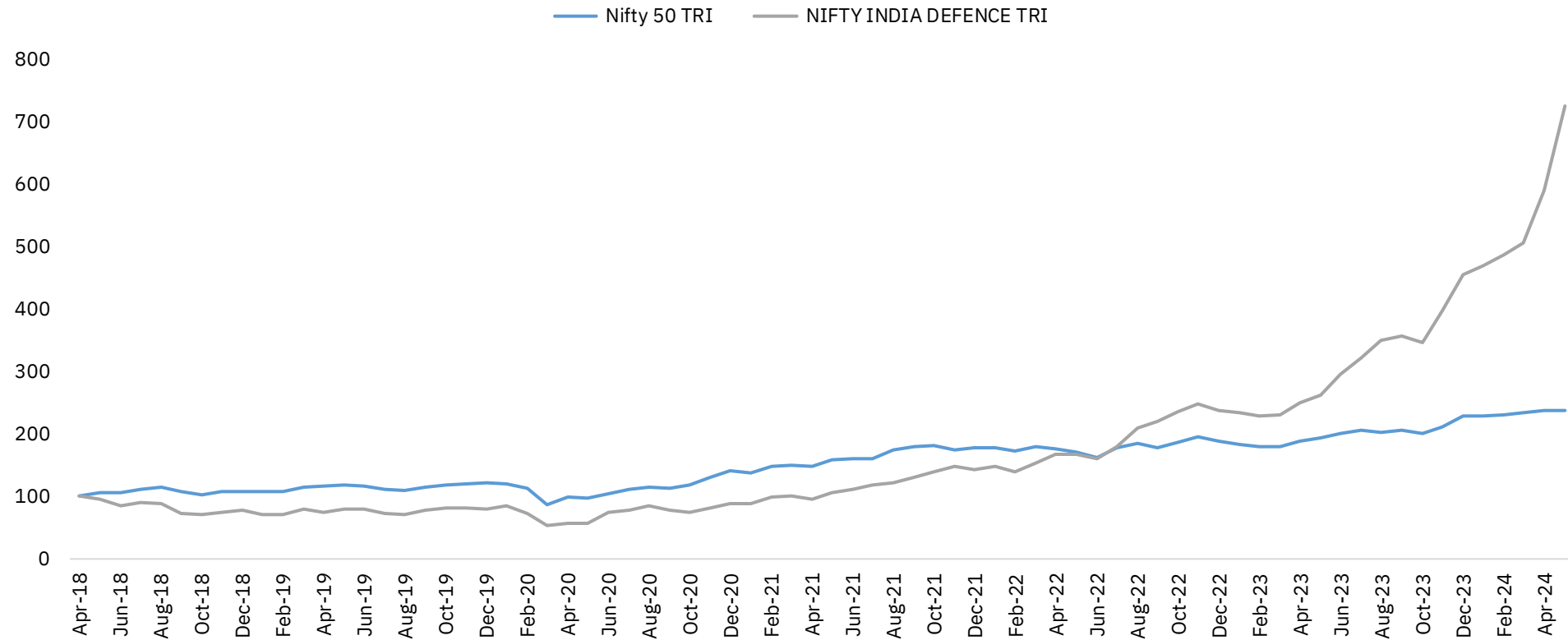
Size Coverage AMFI: Nifty India Defence TR Index



Source/Disclaimer: Nifty Indices. Data as on 31-May-24 Basic Industry Sectors as per AMFI Industry Classification. The stocks/sectors mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. The stock may or may not be part of our portfolio/strategy/ schemes. It should not be construed as investment advice to any party. Past performance may or may not be sustained in future.

Long term historical performance

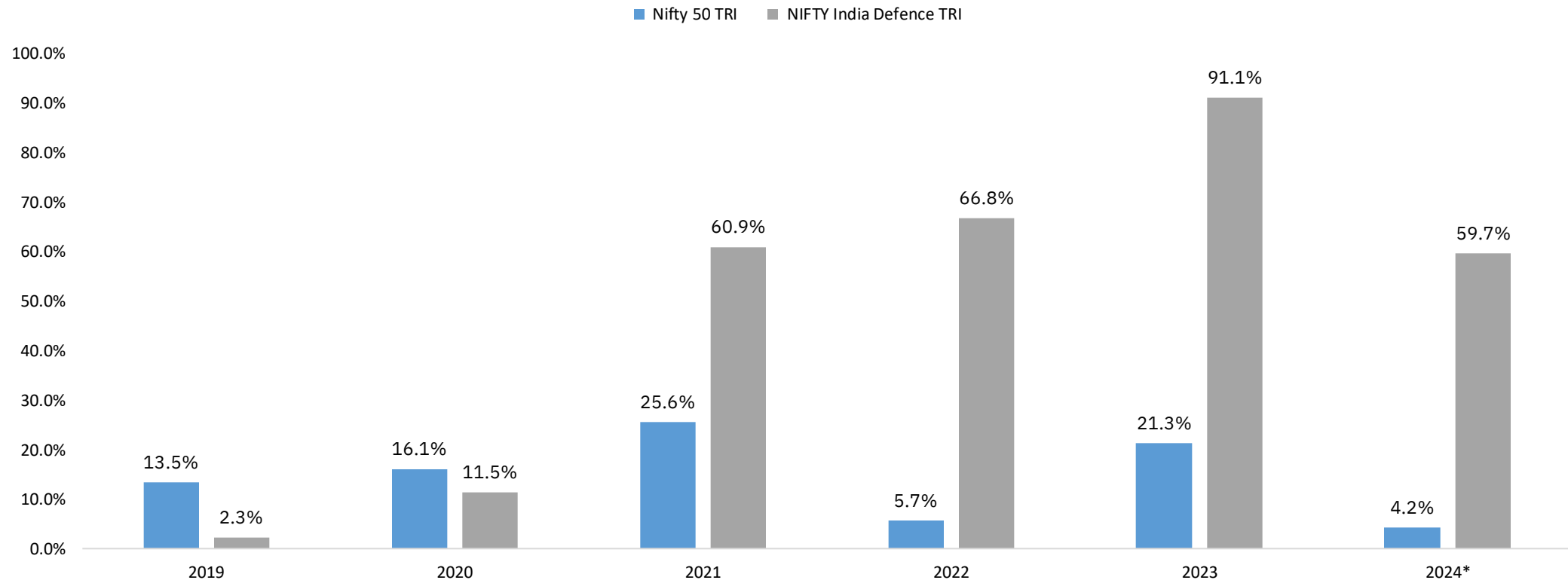
Nifty India Defence TR Index has been outperforming since the Covid era led by shift in government policies



Source/Disclaimer: Nifty Indices. Performance as of close of 01-Apr-14 to 31-May-24 . Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

Calendar Year Performance

Nifty India Defence TRI Index has outperformed Nifty 50 TRI **four times** in recent **six** calendar years



Source/Disclaimer: Nifty Indices. Performance as of close of 31-Dec-19 to 31-May-24 . Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

Risk-Return Profile

Data Label		1 year	3 year	5 year
Nifty India Defence TR Index	CAGR	177.7%	89.5%	55.5%
Nifty 50 TR Index		23.0%	14.4%	15.0%
Nifty India Defence TR Index	Annualised Volatility	26.2%	24.4%	26.1%
Nifty 50 TR Index		10.1%	13.3%	18.9%
Nifty India Defence TR Index	Risk Adjusted Returns	6.8	3.7	2.1
Nifty 50 TR Index		2.3	1.1	0.8

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Index SIP Returns

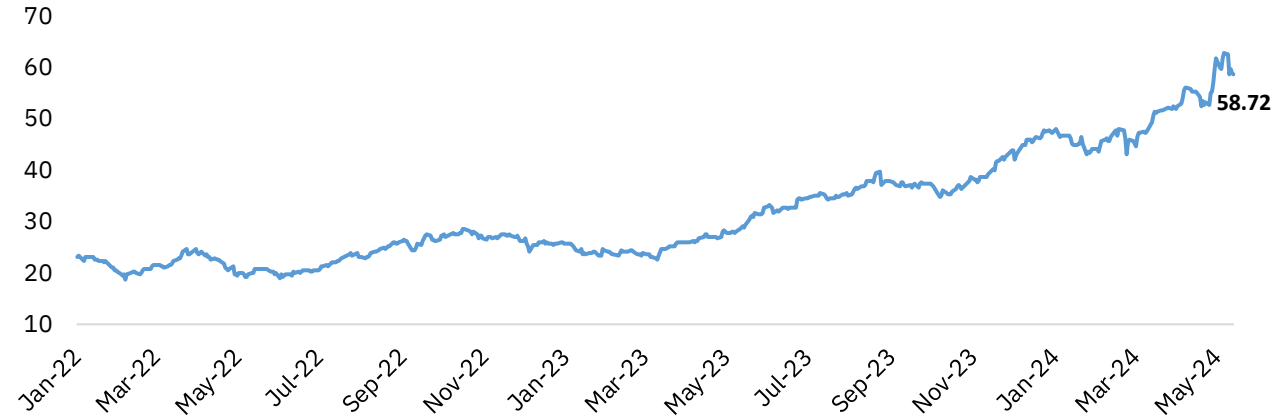
Nifty India Defence TRI	1 year	3 year	5 year
Returns	198.0%	103.4%	77.5%
Amount Invested	1,20,000	3,60,000	6,00,000
Market Value	2,27,026	12,88,544	35,56,606

Data as of close of May 31, 2024 For SIP returns, monthly investment of INR 10,000/- invested on the first business day of every month has been considered. Performance is calculated using Total Return Index, with zero cost/expenses. Past performance may or may not be sustained in the future

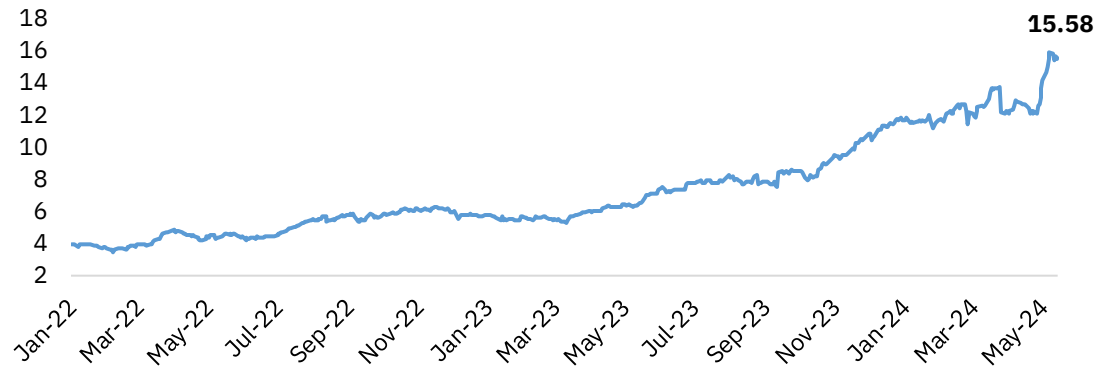
Source/Disclaimer: Nifty Indices: Performance as of close of 01-Apr-18 to 31-May-24. Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. The SIP amount, tenure of SIP, expected rate of return are assumed figures for the purpose of explaining the concept of advantages of SIP investments. The actual result may vary from depicted results depending on scheme selected. It should not be construed to be indicative of scheme performance in any manner. The above are not scheme SIP returns, but simulation of index SIP returns. Past performance may or may not be sustained in future.

Valuation Metric

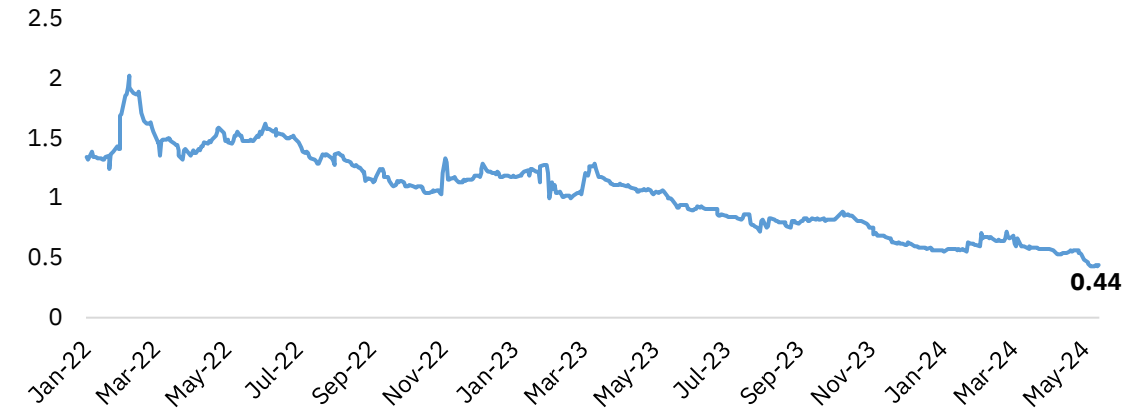
P/E



P/B



Div Yield %



Source/Disclaimer: www.niftyindices.com; Data as of close of 19-Jan-22 to 31-May-24; The above graph/table is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

Key takeaway

- Domestic Defence sector is expected to grow at USD100-120 bn over the next 5-6 years
- Global geopolitical tensions and India's rising focus on self-reliance is fueling order flow and revenue growth for domestic Defence companies
- Government focus on building country-to-country relations to promote exports
- Reduce imports by moving to Atmanirbharta (Self Reliance)
- Changes in Government policies (Make In India) and also increase in the FDI flows upto 74%

Source/ Disclaimer: Nomura Defence sector report. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

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