

SBI AUTOMOTIVE OPPORTUNITIES FUND

WHEN YOU DRIVE INDIA GOES FAR

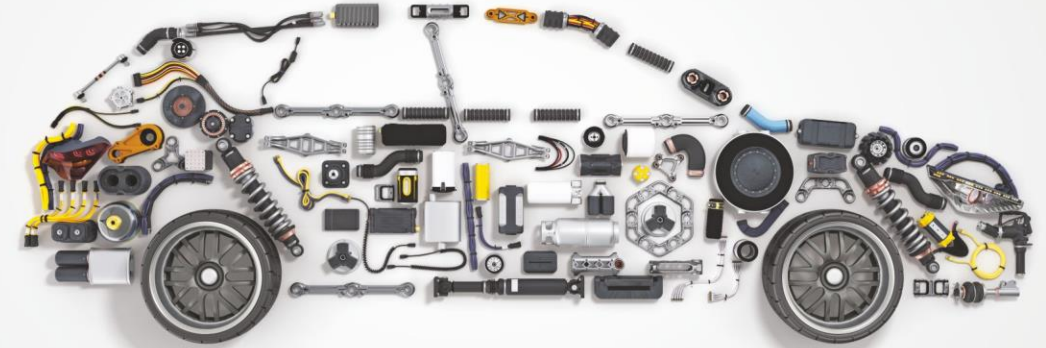
Benefit from India's Growing Automotive Ecosystem.

ORIGINAL EQUIPMENT MANUFACTURERS (OEM)

AUTO ANCILLARIES

AUTO EXPORTS

ELECTRIC MOBILITY



NFO Period: 17th May – 31st May 2024

The classification of companies following the automotive & allied business activities theme will be largely guided by AMFI industry classification. For more details, refer Scheme Information Document.

| | | |
|---|--|--|
| <p>Scheme Riskometer:</p> <p>RISKOMETER Investors understand that their principal will be at very high risk</p> | <p>This product is suitable for investors who are seeking[^]:</p> <ul style="list-style-type: none"> • Long - term capital appreciation. • Investment in equity and equity related instruments of companies engaged in and/or expected to benefit from the growth in automotive & its allied business activities theme. <p>[^]Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p> | <p>First Tier Benchmark Riskometer: Nifty Auto TRI</p> <p>RISKOMETER The benchmark riskometer is at Very High risk</p> |
|---|--|--|

India's Automotive Credentials

4th largest automotive industry in the world **in terms of domestic sales**



Auto component industry is set to become the **3rd largest** globally by 2025.



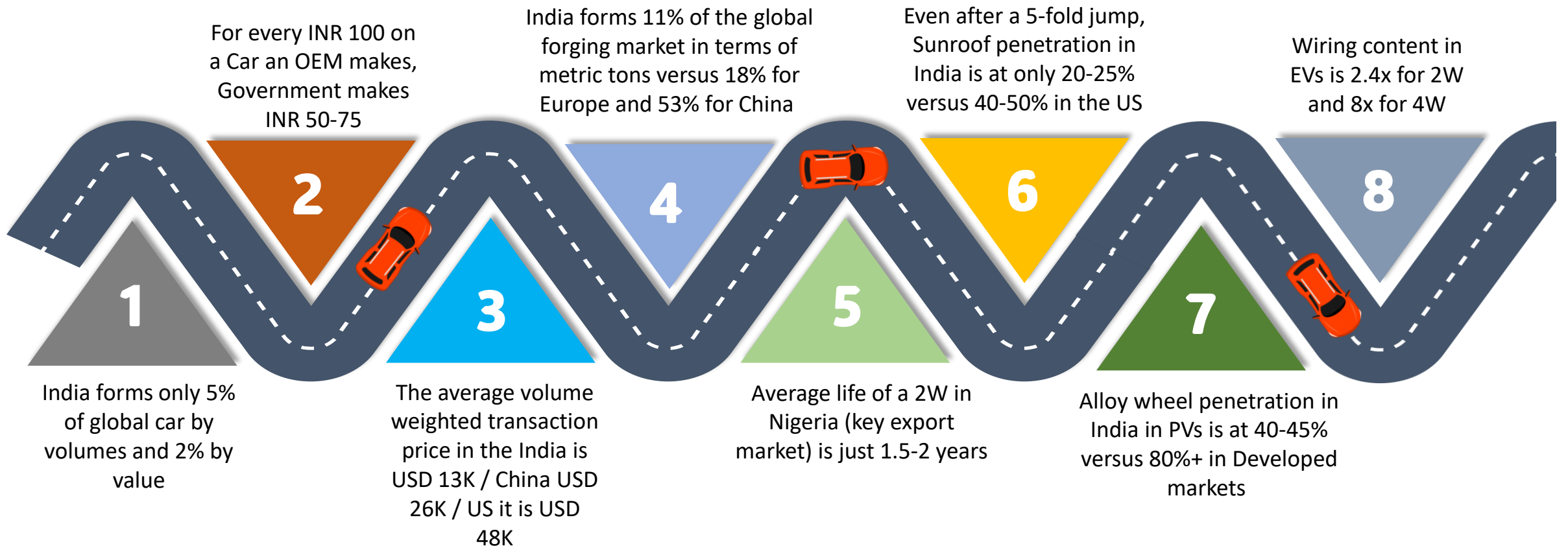
2nd largest manufacturer of **two-wheelers** in the world.



Largest tractor producer, **2nd** largest **bus manufacturer**, and **3rd** largest **heavy truck manufacturer** in the world



Did You Know?



Automotive Theme – A structural opportunity

Rise in GDP & under penetration

- Rise in per capita GDP, under-penetration in select segments and shift in trend from luxury to necessity will aid structural long-term growth.

Multiple opportunities

- Pockets of opportunities across OEM's, Auto Ancillaries, EVs and export segments.

Multi-fold Growth

- 2Ws recovering from an extended downcycle
- Shift in trend from luxury to necessity and premiumization benefiting PVs.
- Infrastructure push and overall economic growth supportive for CVs.

Premiumisation the new necessity

- OEM growth, premiumization & presence across categories to benefit Auto Ancillaries segment

Export Competitiveness

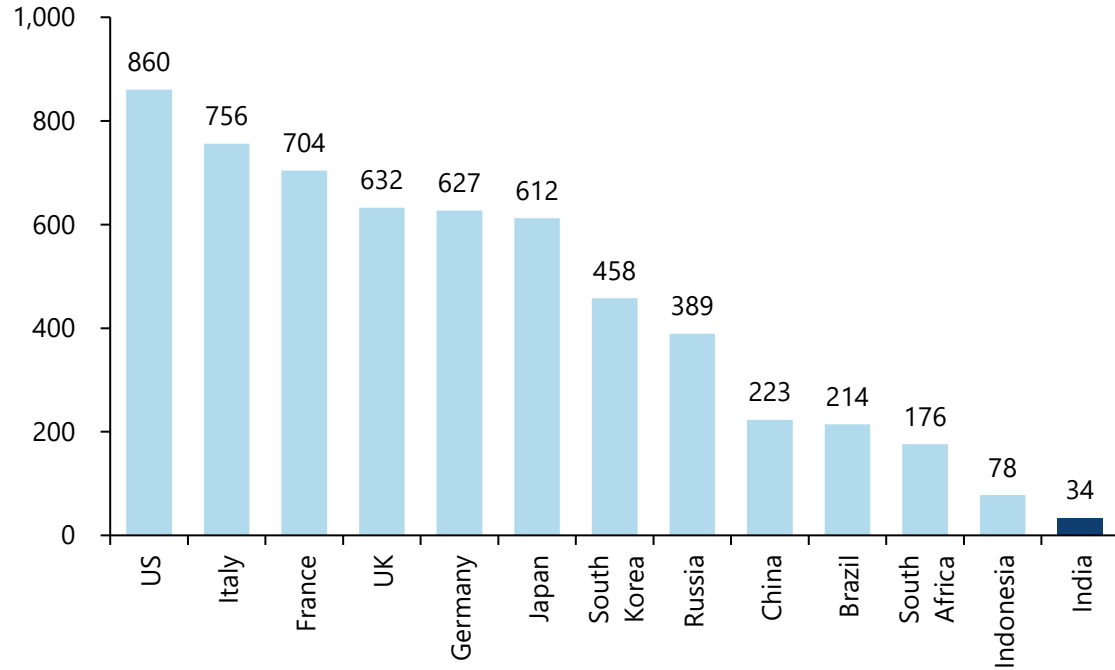
- Cheaper cost of production, improved regulatory standards and derisking of global supply chain favorable for exports growth.

Emerging EV adoption

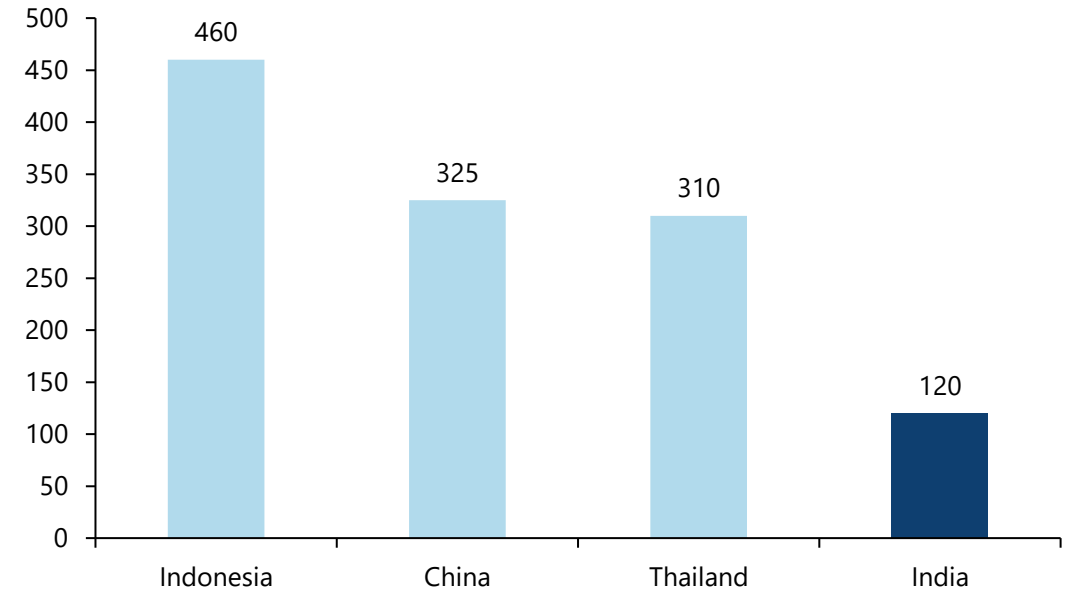
- Decarbonization agenda and government reforms have led to rise in EVs
- Supportive EV ecosystem may drive further investments in the space

Significant Under-penetration provides huge headroom for growth

Four-wheeler per 1000 population



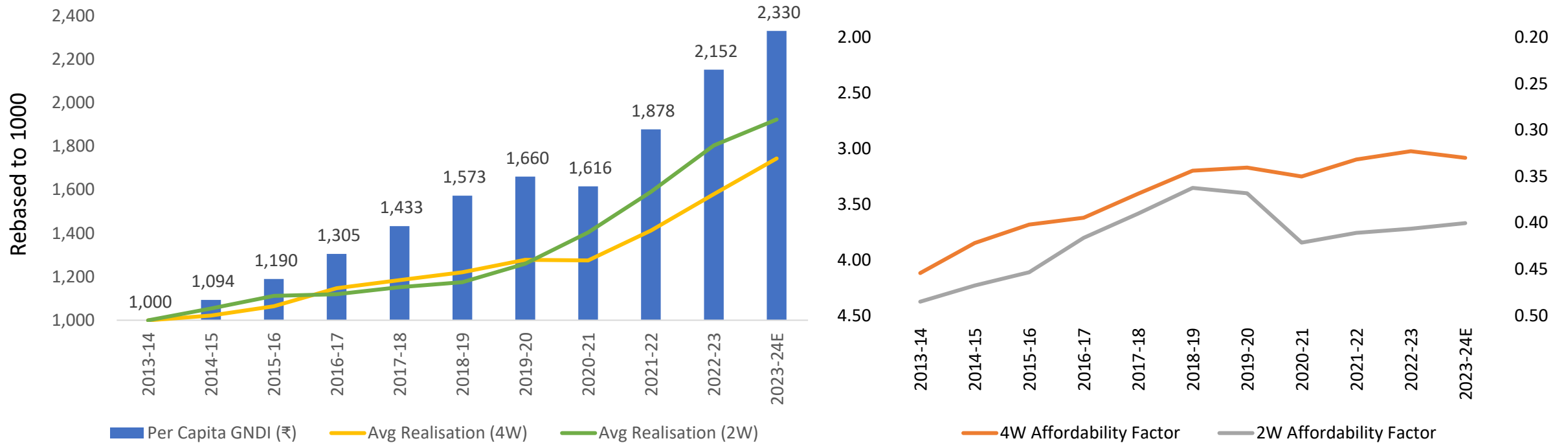
Two-wheeler per 1000 population



- Penetration of 2W and 4W in India per 1000 people is still significantly low as compared to other economies thereby offering huge headroom for growth in the future.
- Further, truck penetration in India at 3 per 1000 people is also much lower than in US/China (15/28), highlighting the potential for growth in the Commercial vehicle space

Rise in per capita income leading to better affordability

Growth in per capita income vis-à-vis Average selling price per unit*



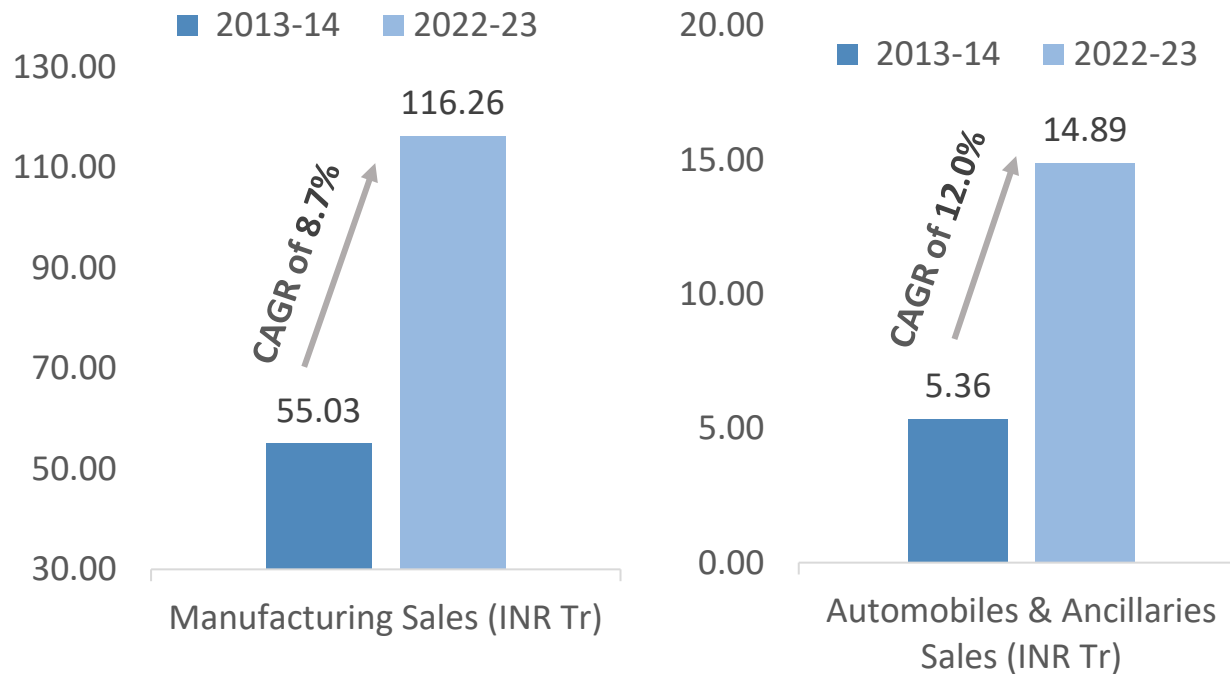
Over the last decade, average vehicle price growth is lower than rise in per capita income allowing for better affordability today. Future potential of upgradation by consumers is very much possible

Source: Bloomberg, company annual reports, ICED dashboard, RBI statistics Handbook, Internal source. *Average Realisation implies average selling price per unit. Affordability Factor = Average Realisation / Per capita Income

Maruti Suzuki has been considered as a proxy to four wheeler market as it holds more than 50%. Incase of two-wheelers, the four major players of the market i.e Hero Motorcorp, TVS Motors, Bajaj Auto & Eicher Motors have been considered.

Governments reforms supportive for growth in manufacturing and in-turn for automotive segment

Automobiles & Ancillaries and Manufacturing Activity

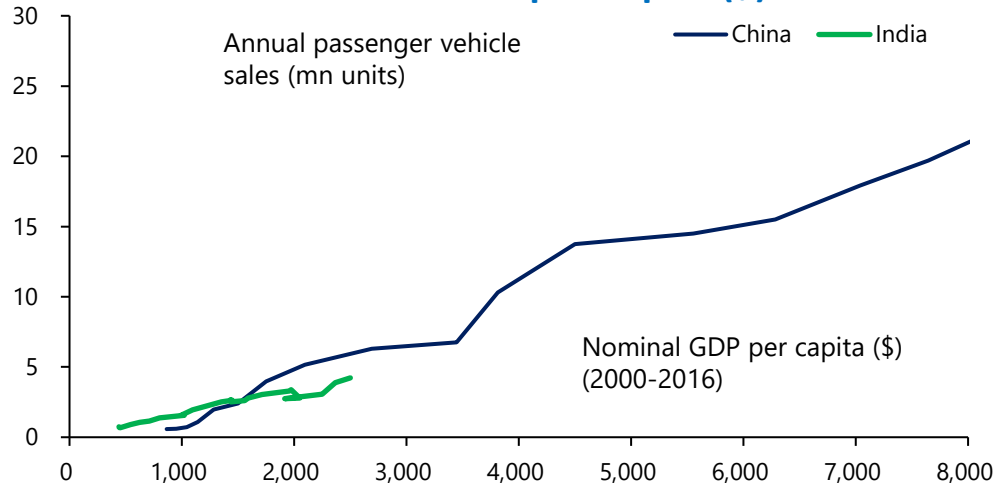


Auto to be the biggest beneficiary of Govt Initiatives

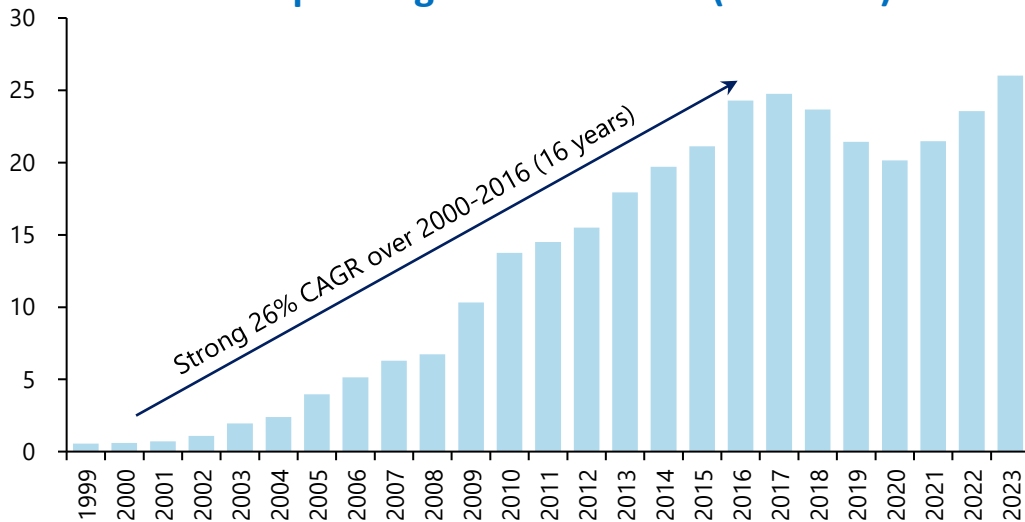
- Within manufacturing, auto and auto components players accounts for ~7% of GDP
- Govt support in the form of incentives both at manufacturer and customer level through FAME subsidies
- PLI scheme providing incentives to both OEMs and Ancillaries with a total outlay of INR 259 bn

India today is where China and Korea were in early hyper-growth phase

Annual passenger vehicle sales (mn units) and Nominal GDP per Capita (\$)

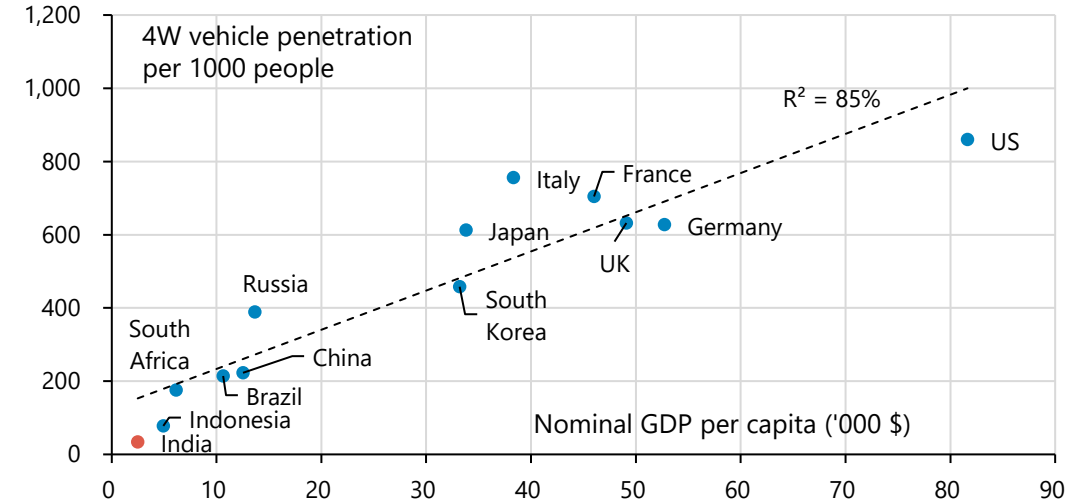


China passenger vehicle sales (mn units)



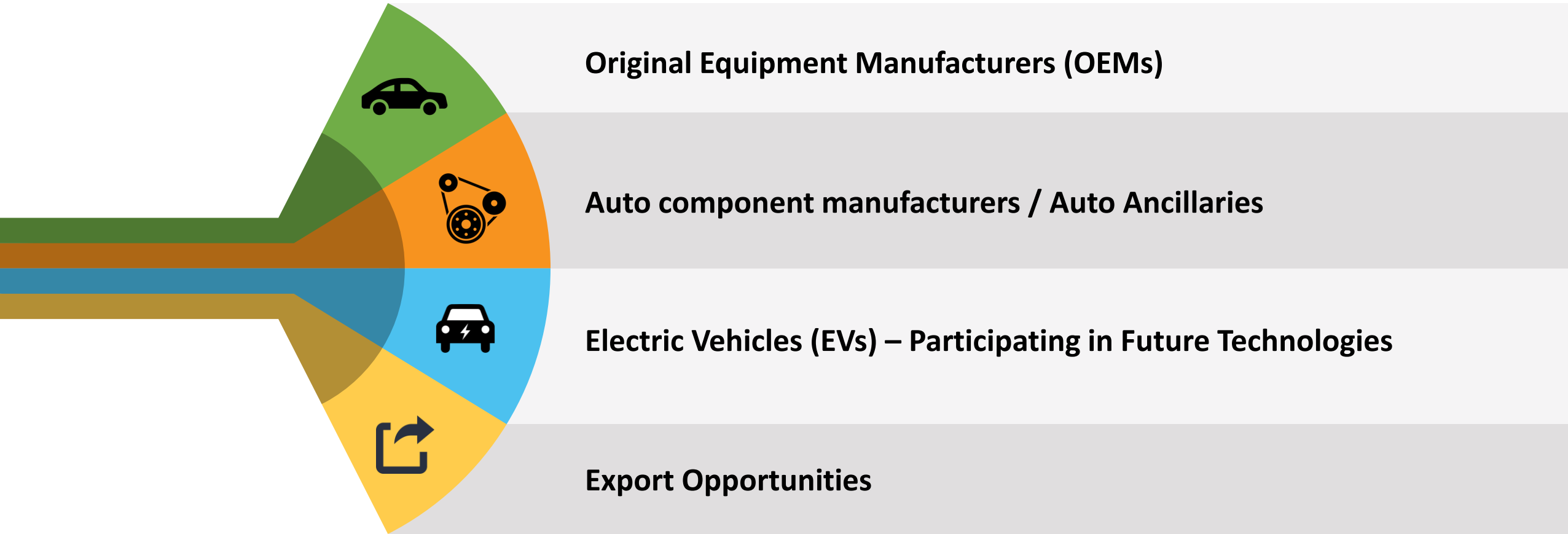
Source - International Road Federation, Crisil, OICA, IMF, CMIE, Jefferies and Economic Times

Passenger vehicle penetration and Nominal GDP per Capita



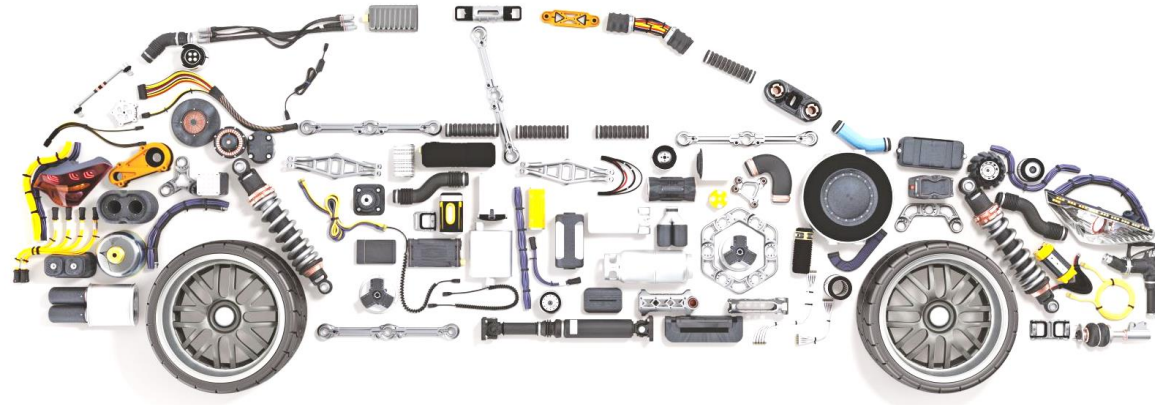
- China's per capita GDP grew at a CAGR of 14% over 2000-2016. PV industry witnessed strong multi-year growth (26% CAGR) in this high growth phase.
- South Korea witnessed a strong ~18% CAGR in passenger vehicle sales over 1985 – 1996. GDP per capita for South Korea in 1985 was \$2.5K – very similar to India's GDP per capita in 2023.
- US saw a hyper-growth phase (~15% CAGR) in its automotive industry from 1914-1929.
- With India's nominal GDP per capita expected to grow at a CAGR of 9% over the next five years, we believe there is significant growth potential in India's personal and commercial vehicle segment in the coming years.

Automotive Theme – Key Segments

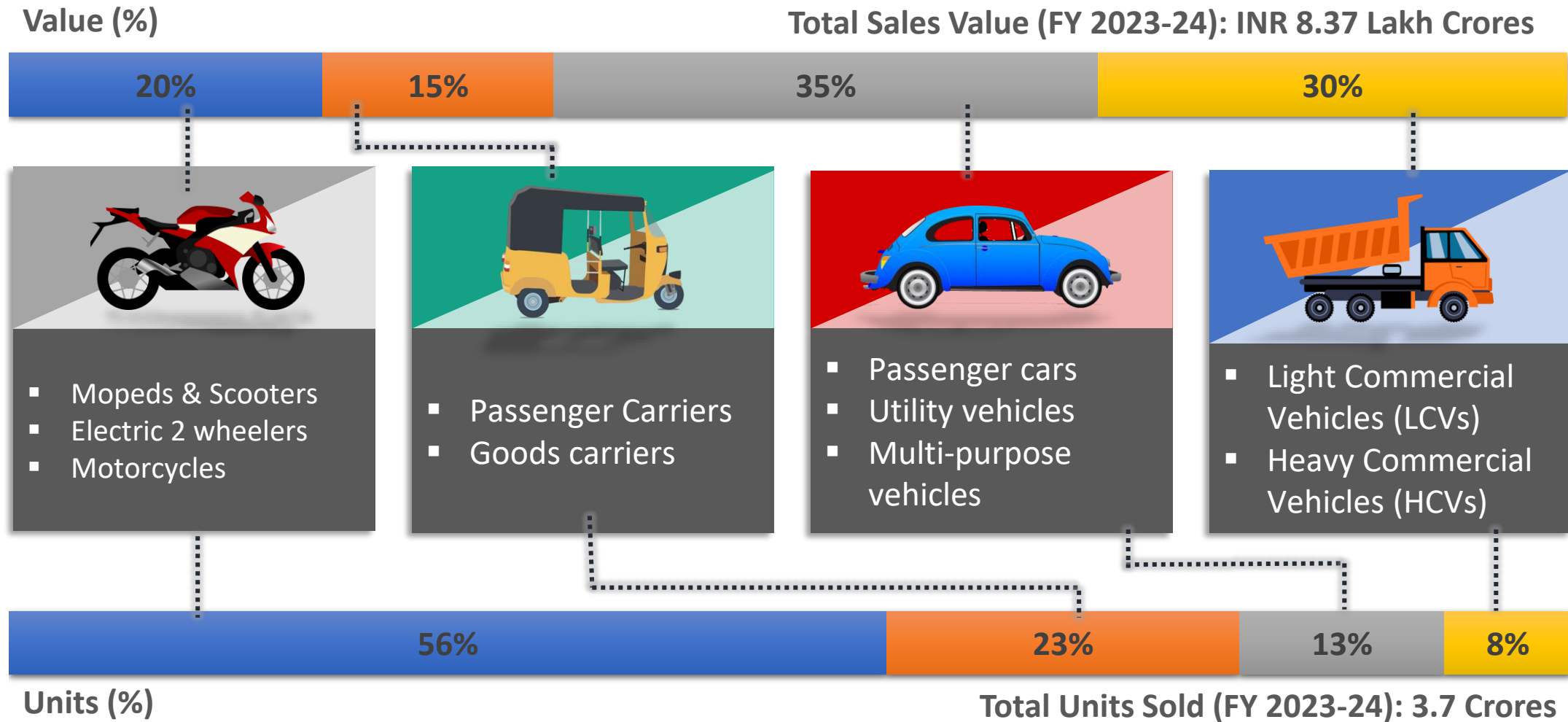


Please refer offer document for detailed Asset Allocation & Investment strategy. The classification of companies following the automotive & allied business activities theme will be largely guided by AMFI basic industry classification.

Original Equipment Manufacturers (OEMs)



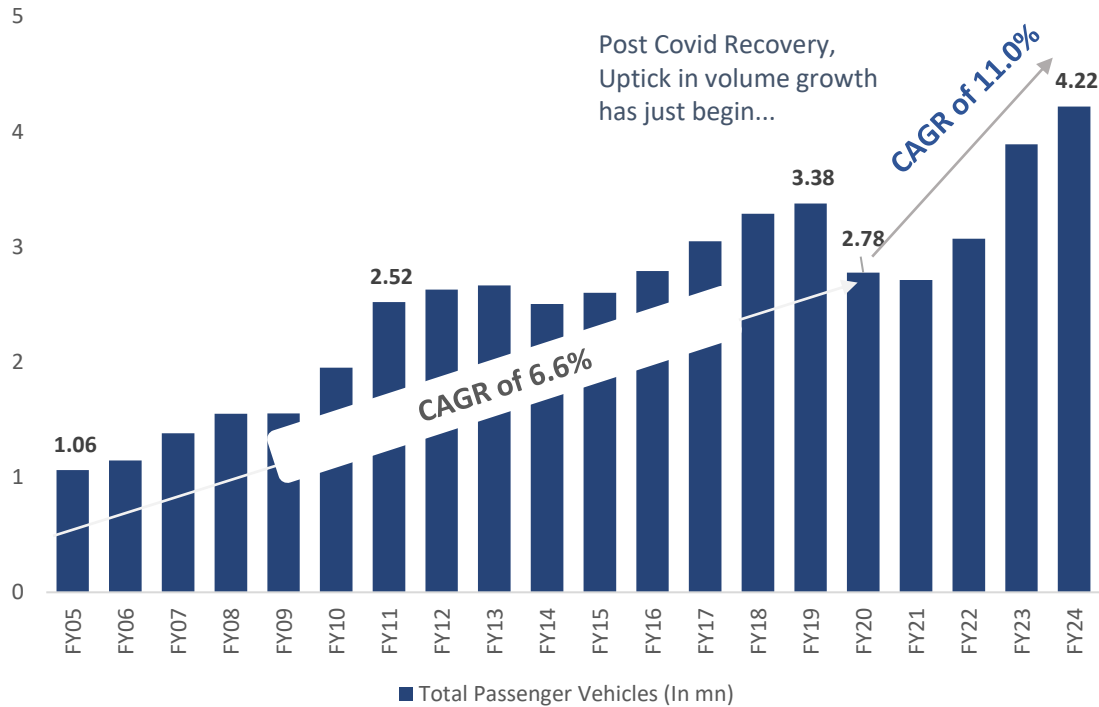
Original Equipment Manufacturers (OEM) Universe



Source: SIAM. The list provided above is meant for illustration purposes and is not comprehensive. There could be additional segments / sub segments that may or may not be part of our investment universe. Tractors have been included in commercial vehicles. The above data includes exports.

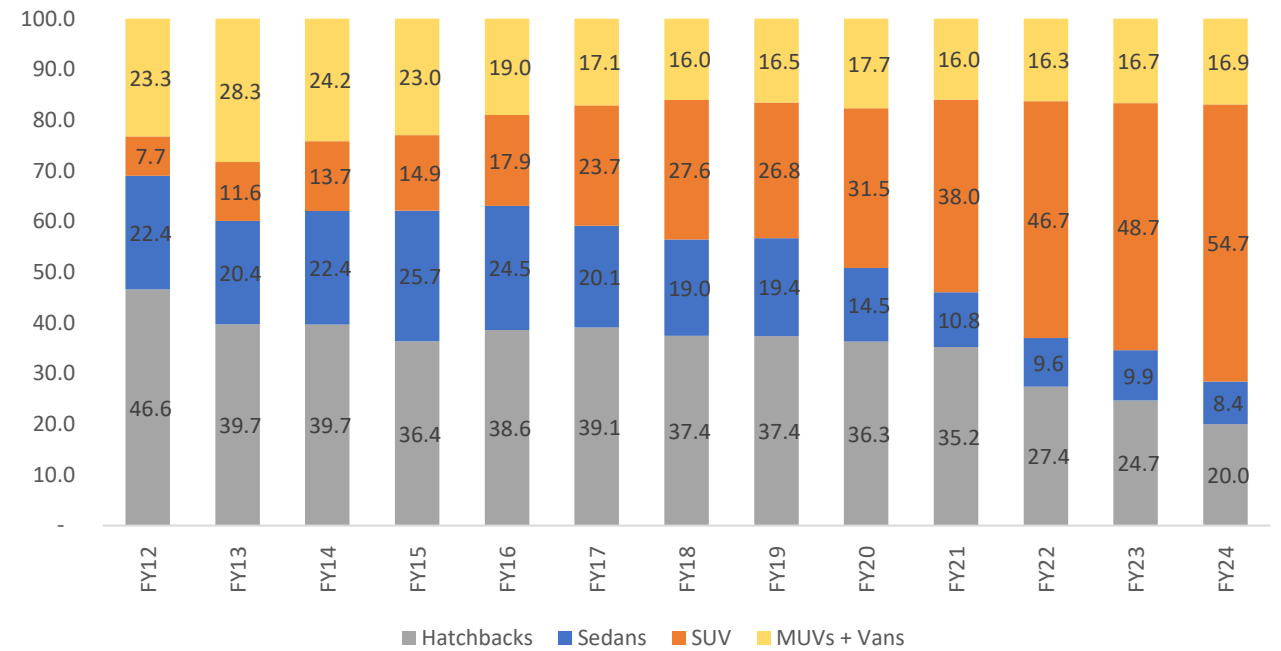
Auto OEM Passenger Vehicle Segment - Growth Trends

Passenger Vehicle's Sales Volume Trend



Low penetration and rising per capita income to drive volume growth

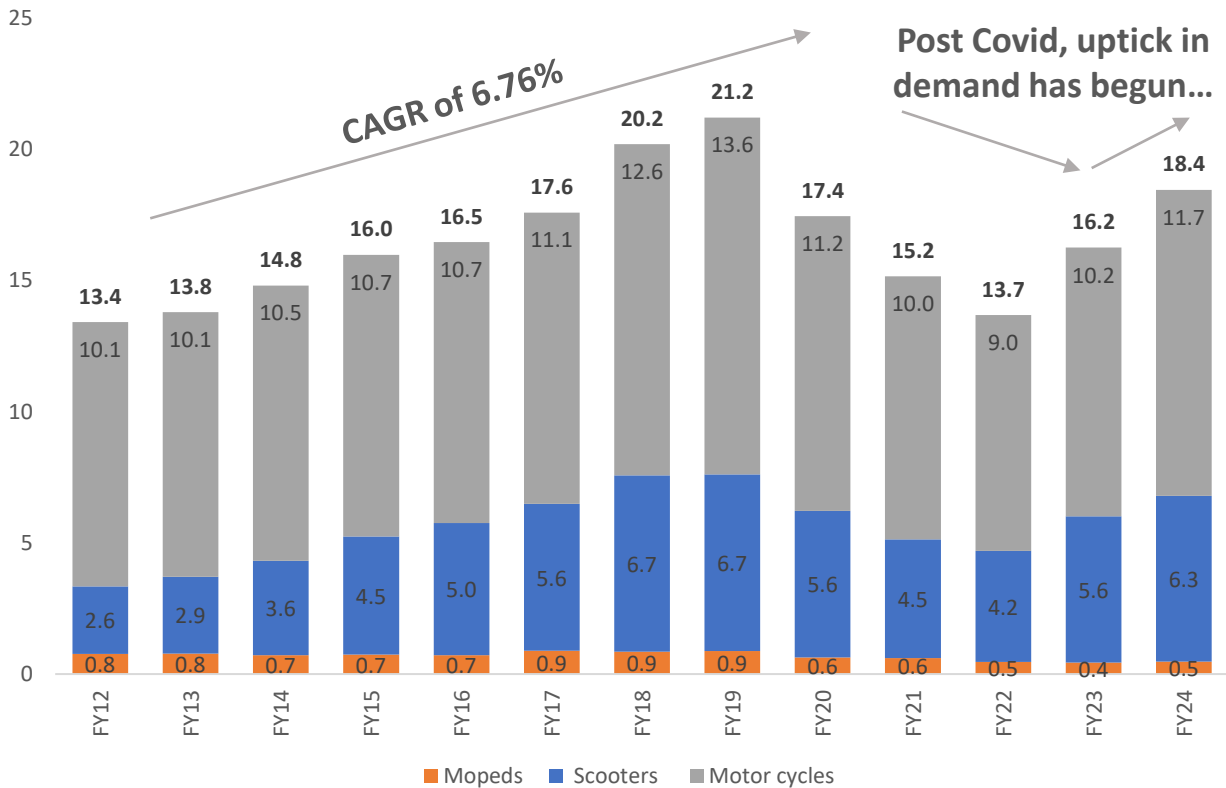
Passenger Vehicle's revenue breakup (% mix)



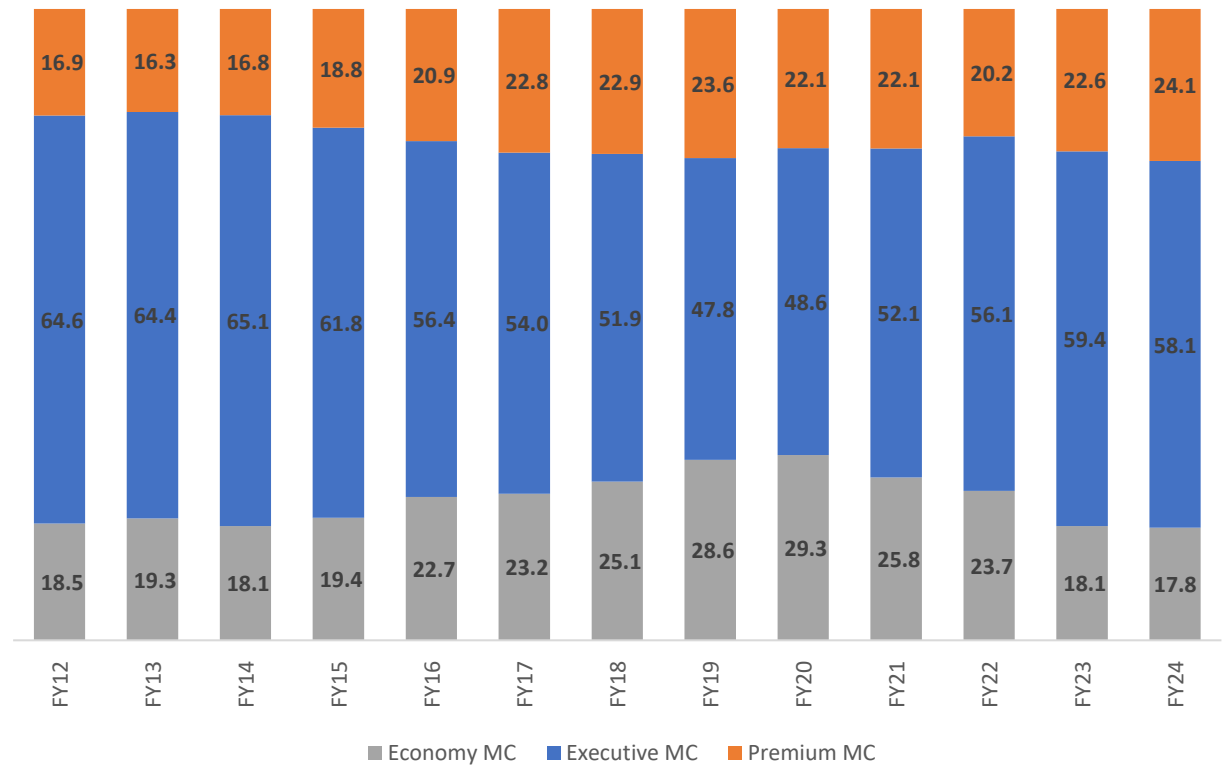
Desire to own high end vehicles will lead to premiumization led value growth

Auto OEM 2-Wheeler Segment - Growth Trends

2-wheeler segment-wise Sales Volume Trend (units in mn)



Motorcycle's Volume Breakup (% share)

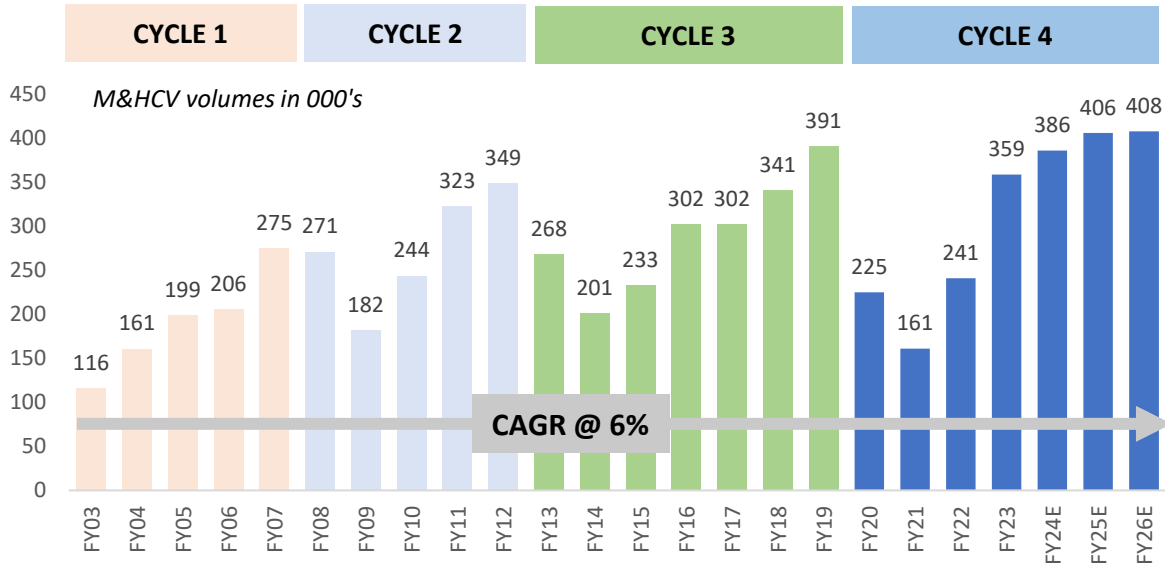


2Ws recovering from an extended slump

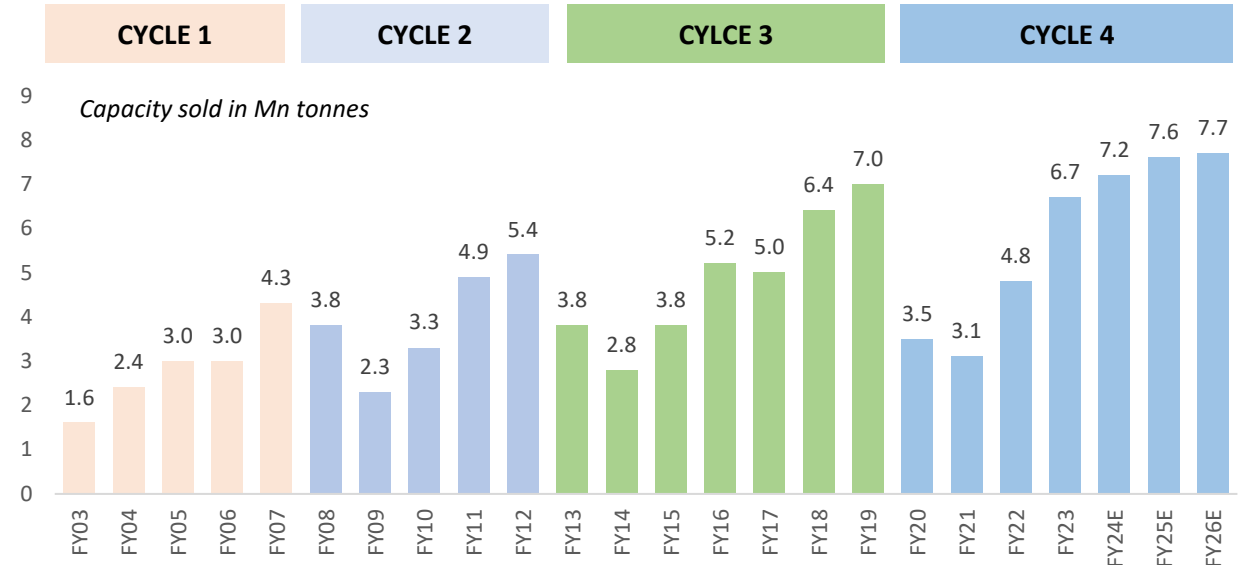
Scooterization may pick up steam again. Premiumization is also visible in 2W segment

Auto OEM CV- Growth Trends

MHCV volumes currently for FY24 are close to previous peak, however drawdown in current cycle was a higher

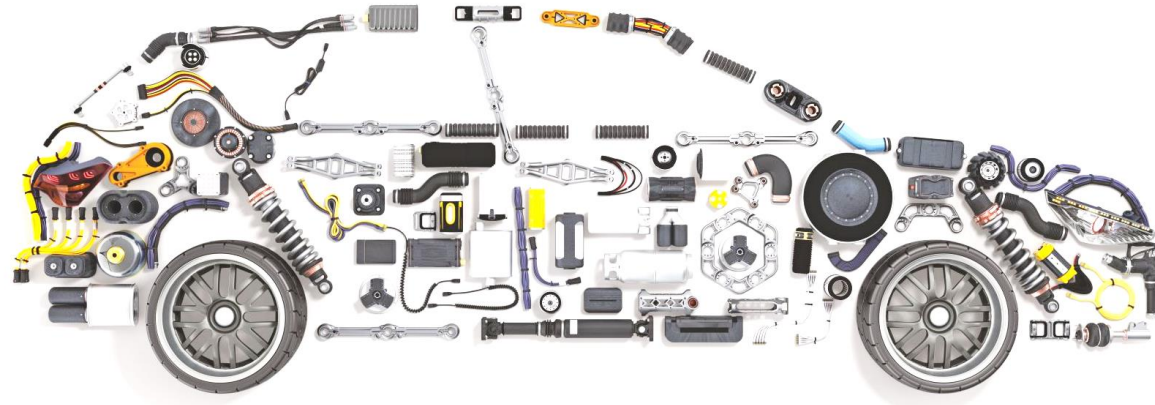


MHCV tonnage consumption – each cyclical peak is 25-30% above previous peak

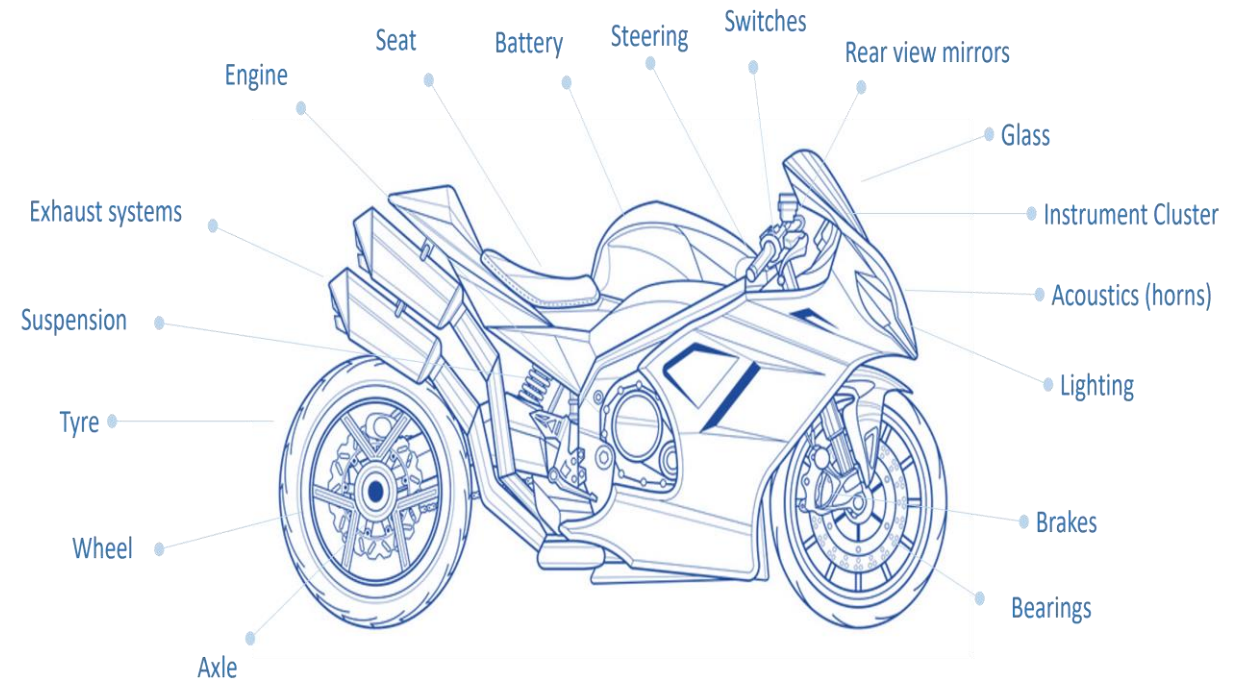
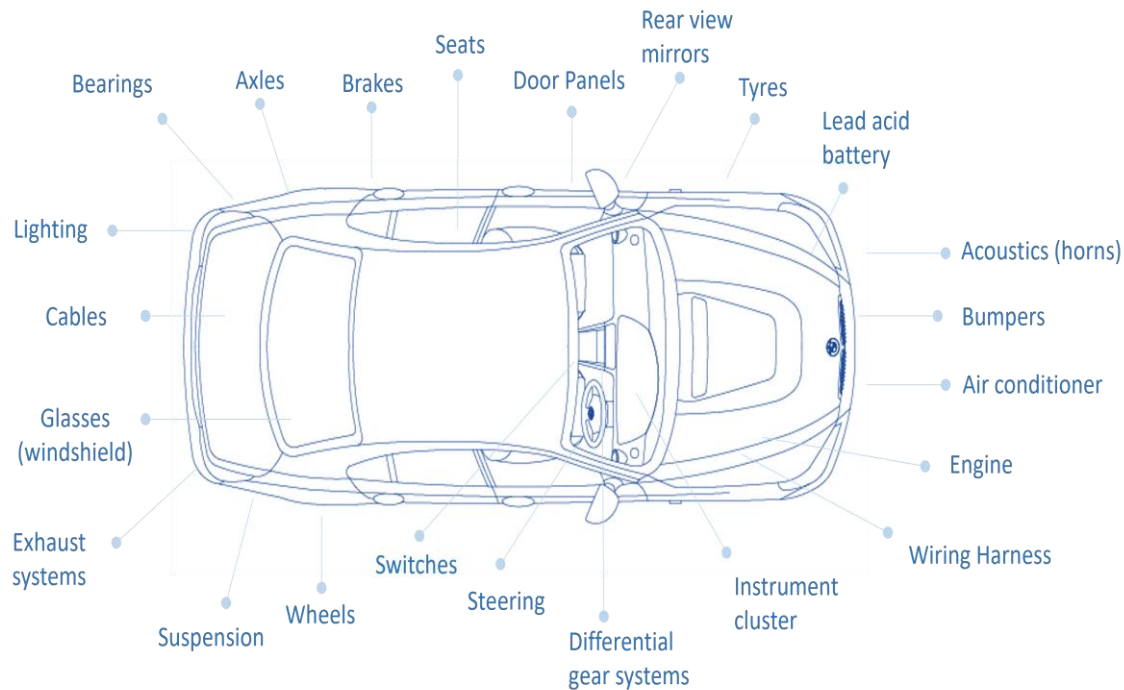


- Commercial Vehicle Industry is cyclical in nature and is currently on a tricky wicket.
- Strong macros and an aged CV fleet (avg. age of ten years vs eight to nine years historically) are drivers of medium-term growth in CVs.

Auto component manufacturers / Auto Ancillaries



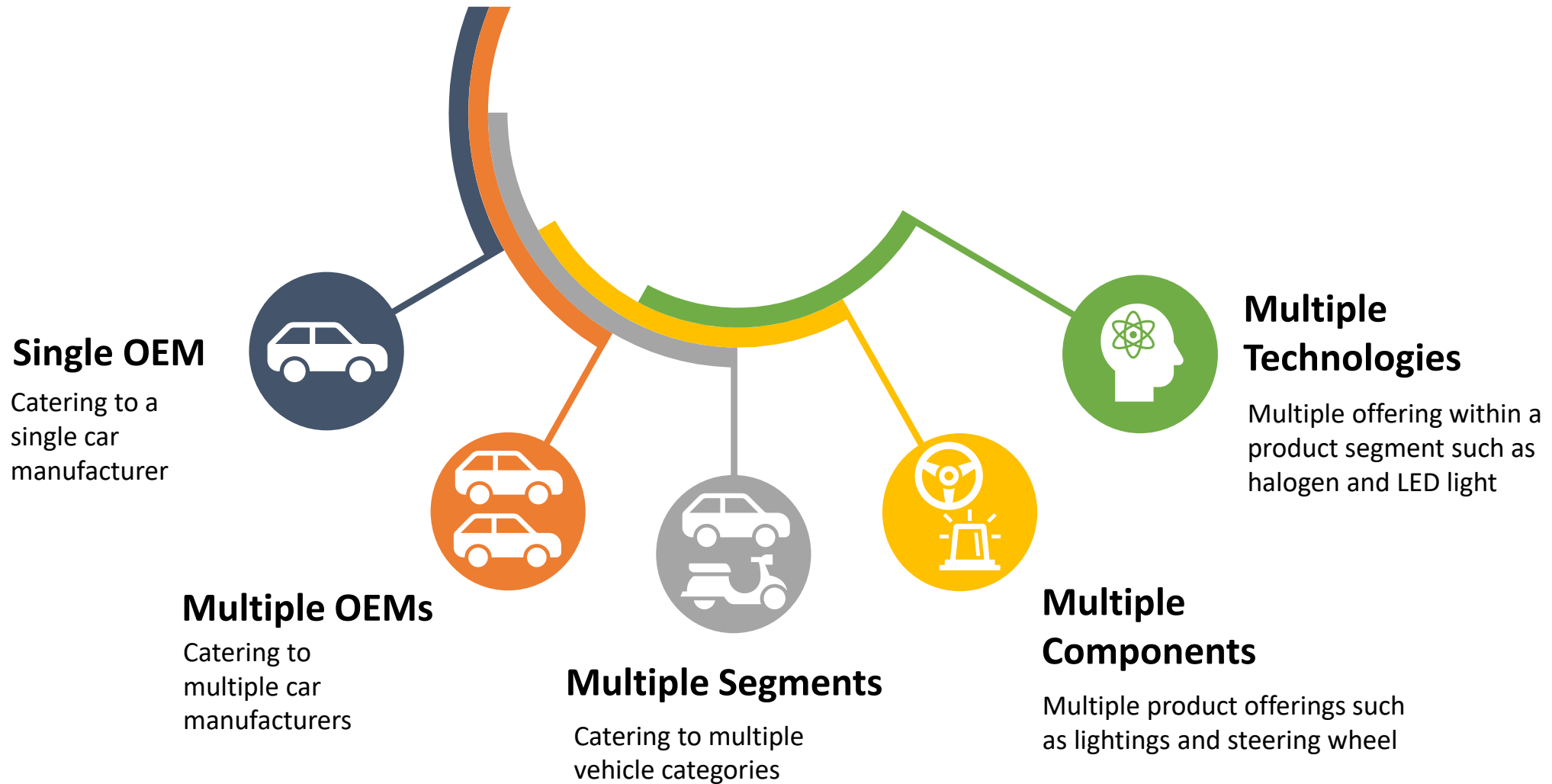
Plethora of Opportunities in the component space



The auto component industry (incl exports) has witnessed a robust growth, expanding from INR 3.5 lakh crores in FY18 to INR 6.2 lakh crores in FY24, marking 10% CAGR growth.

Source: ACMA, Company disclosures. The list provided above is meant for illustration purposes and is not comprehensive. There could be additional segments / sub segments that may or may not be part of our investment universe.

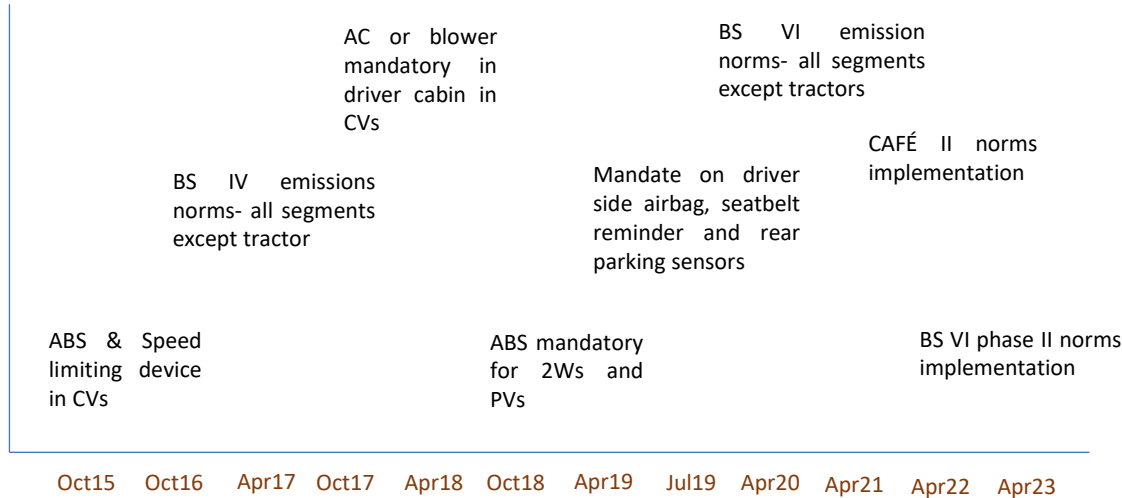
Auto Ancillary - Growth Avenues



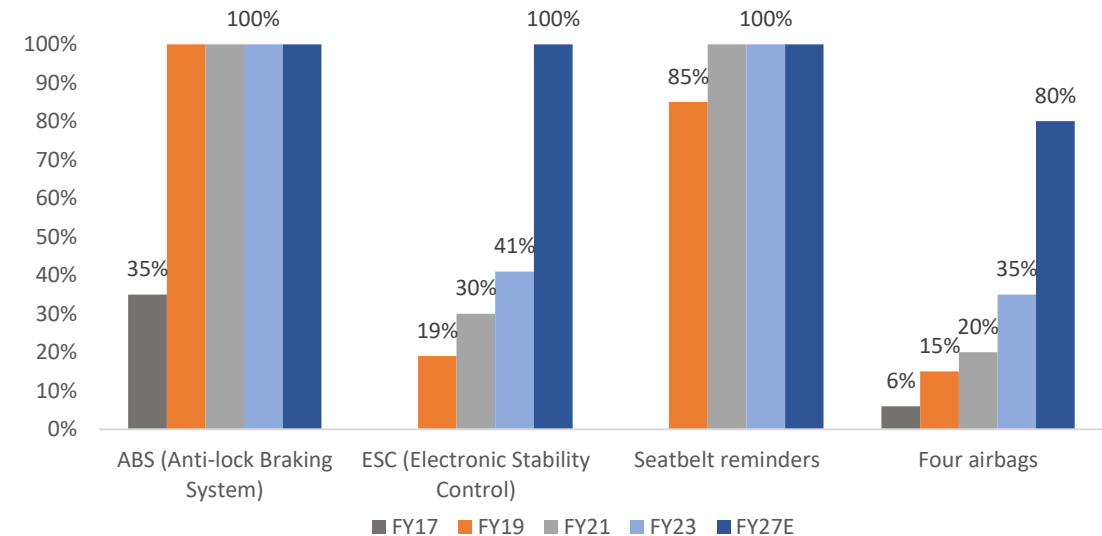
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Regulatory Changes have been a key driver for Auto Ancillaries segment...

Government Regulations have driven Higher Content for Auto Supplies



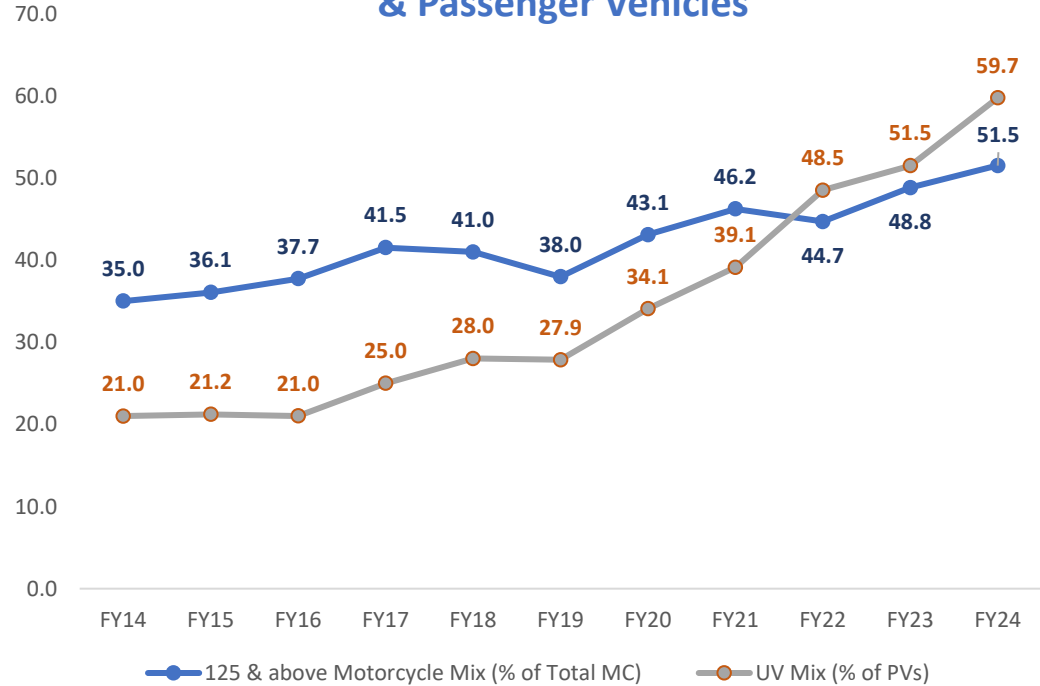
Penetration (% of total units) of features due to Regulatory Changes



- With increasing road accidents in the last few years, the government mandated to add safety features like ABS, driver and passenger airbags, seat belt reminders etc. and has set a target to reduce accidents by 50% till 2030.
- This has given opportunity for Ancillary to increase their content per vehicle.

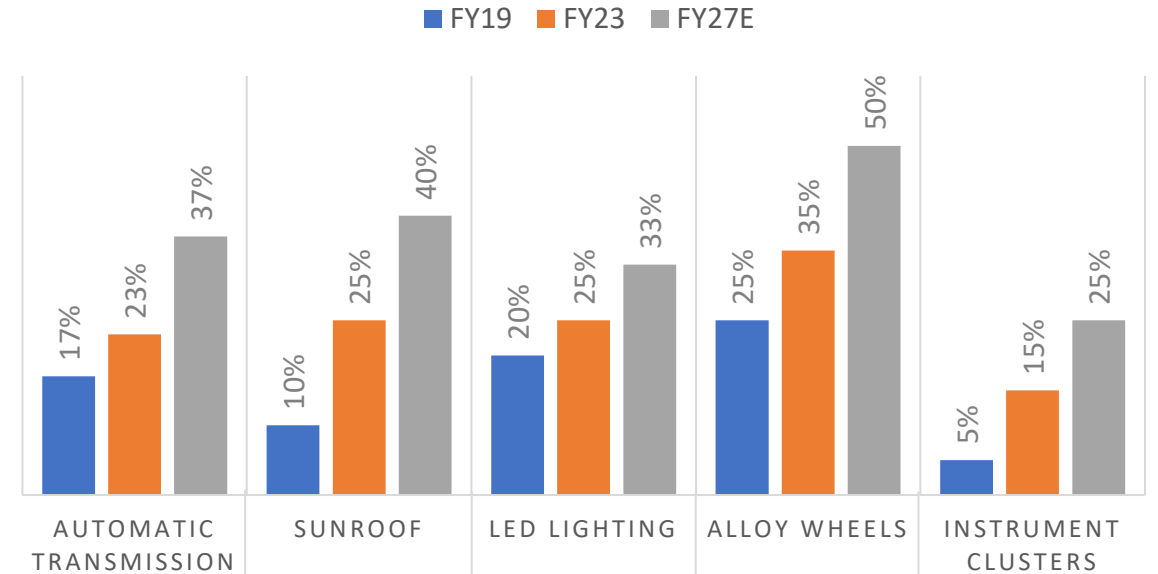
...along with premiumization of features & increase in content

Increasing premiumization is visible in both Two-wheelers & Passenger Vehicles



“Today, a car is seen as a reflection of the buyer's personality. Having a sunroof, desired color, a particular brand's music system, amongst others, have taken a priority. The aspirations have also taken a lead owing to the YOLO (you only live once) factor post the pandemic”
 - COO at Hyundai Motor India

Penetration (% of total units) of premium features



AT cars normally costs INR 50k-80k (8-10%) more compared to MT cars.

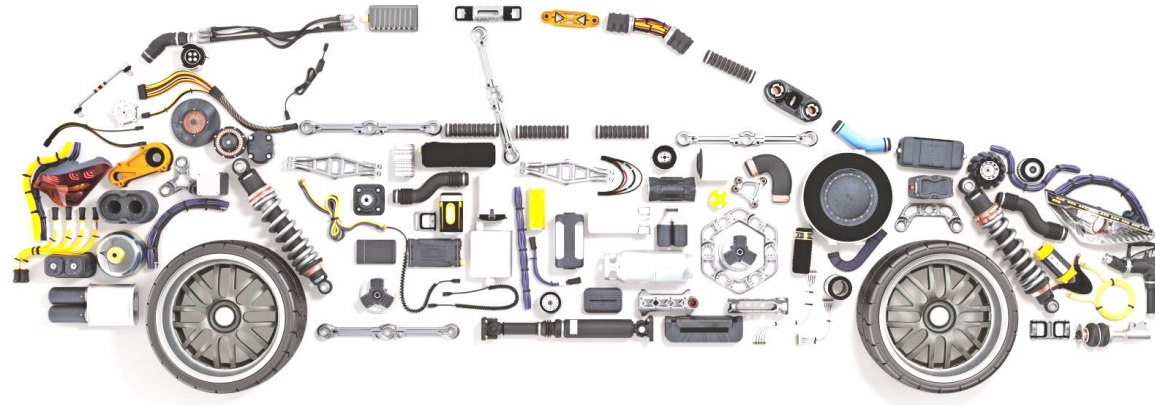
Sunroofs content vehicle usually ranges from INR 20k-40k for Twin Vent and panoramic Sunroof.

Alloy wheels are normally 4x more expensive for 2W than steel wheels and 3.5x more expensive for 4W.

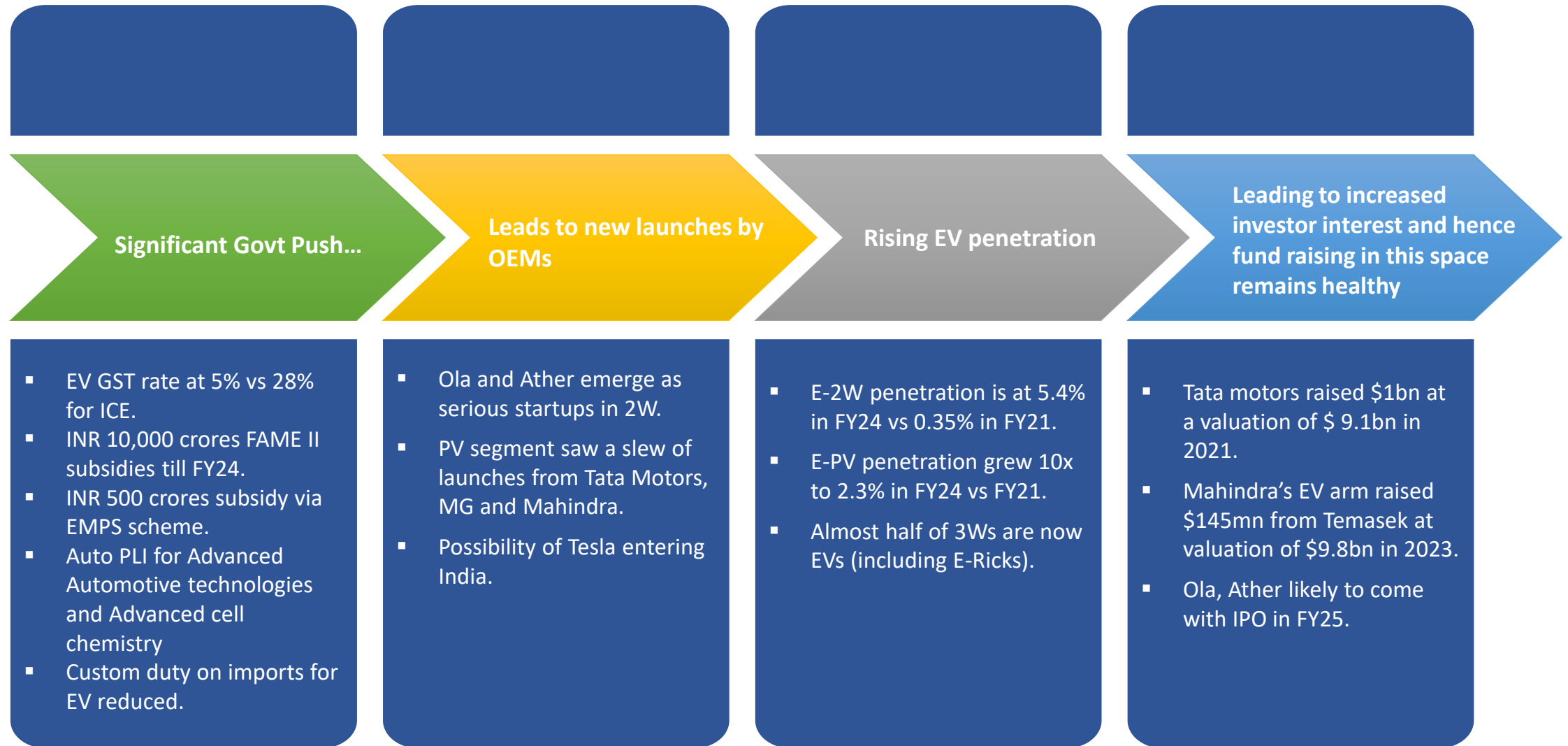
LED lights are ~2x expensive than conventional halogen lamps.

Digital/TFT cluster is 3-4X more expensive than Analog clusters (in 4W).

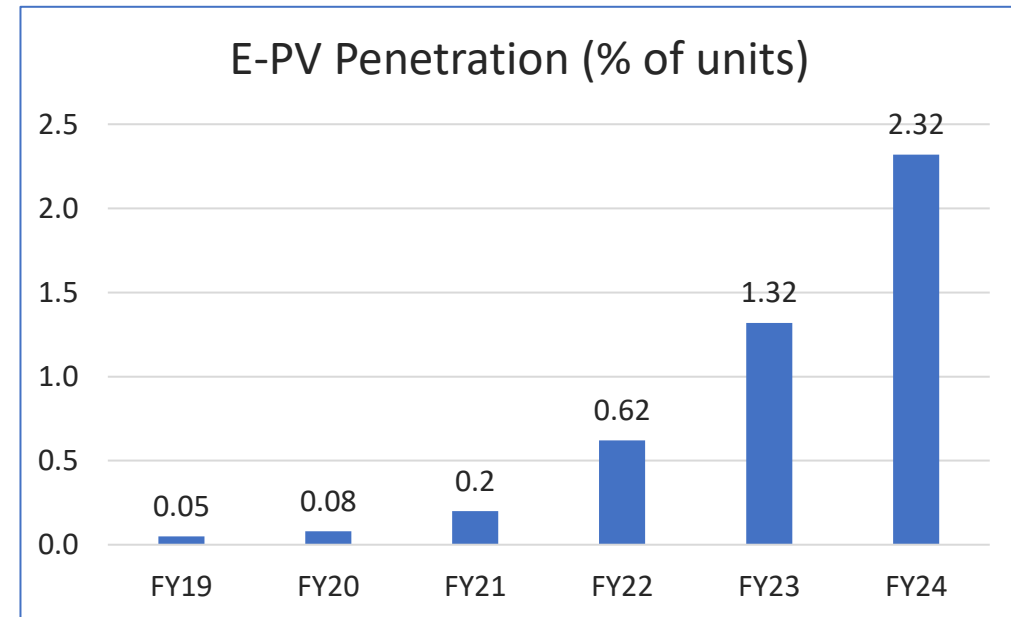
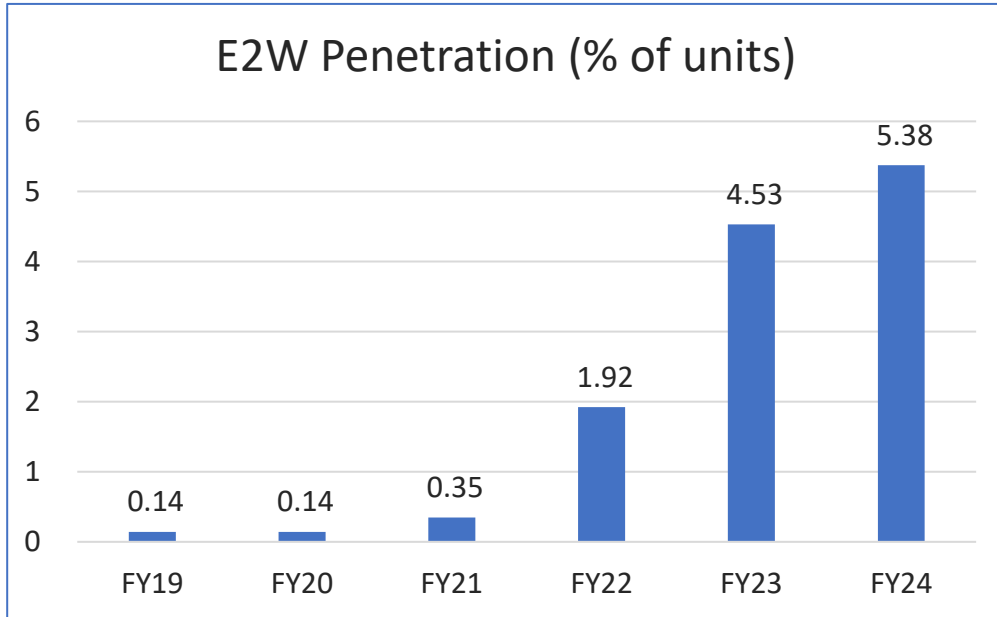
Electric Vehicles (EVs) – Participating in Future Technologies



A supportive ecosystem driving EV penetration



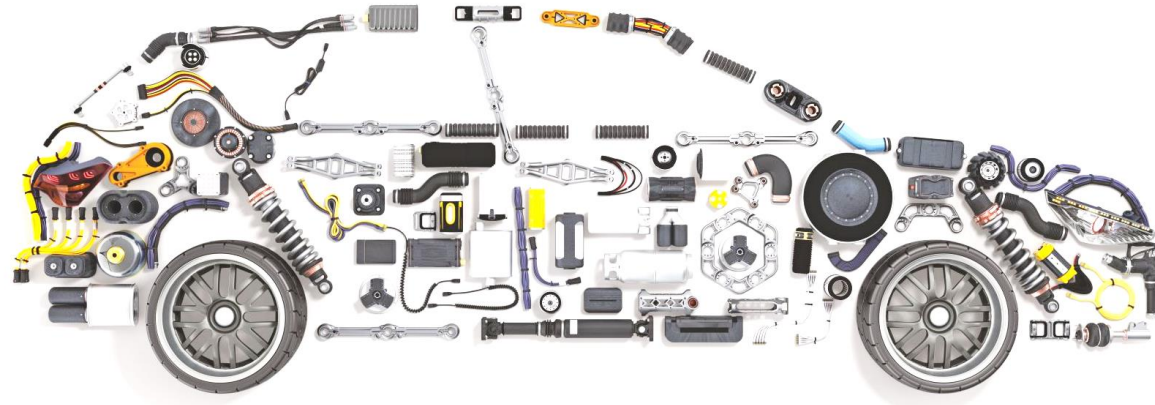
EV penetration surges; strong order book for Ancillaries



Auto Ancillaries EV orderbook has grown multi fold driven by rising EV Penetration and acceptance of Indian suppliers

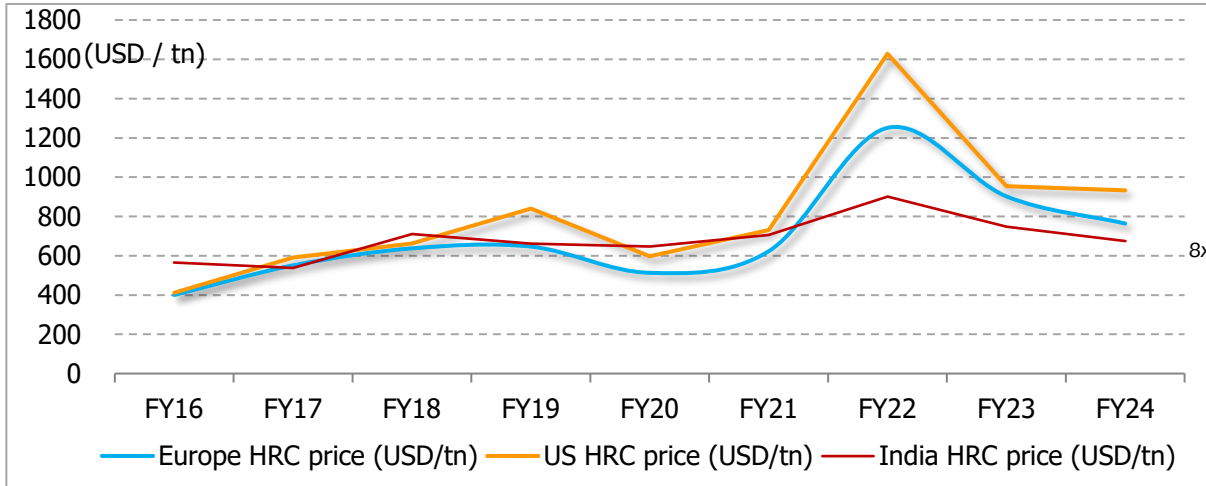
- Prominent gear company's EV orderbook increased by 1.6 times compared to its orderbook two years ago.
- Multi-product company's EV orderbook surged by 5 times compared to FY22.
- Forging company's EV orderbook rose by 1.9 times compared to FY22.
- Lockset company's EV orderbook expanded by 2.8 times compared to its orderbook two years ago.

Export Opportunities

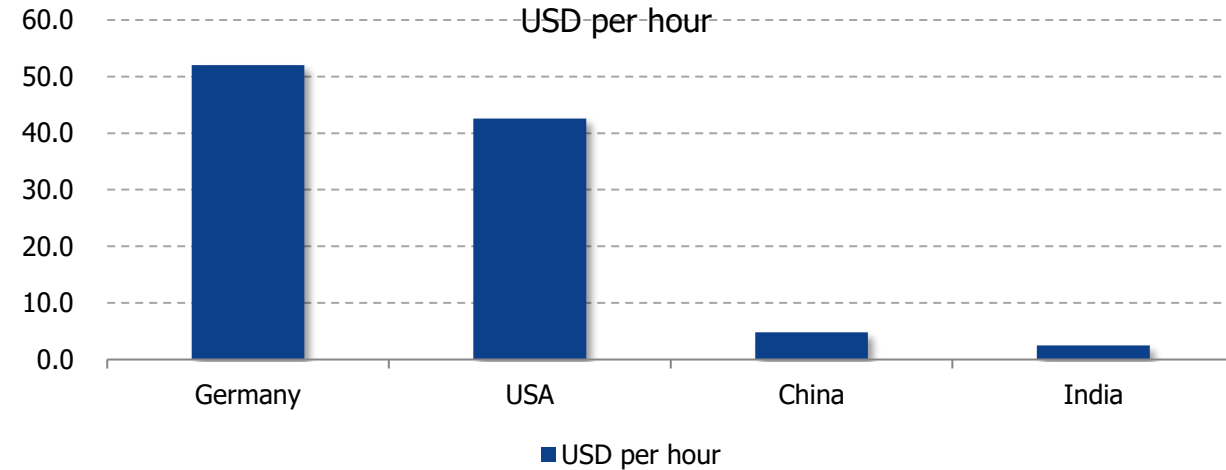


Cost competitiveness of Auto companies is improving...

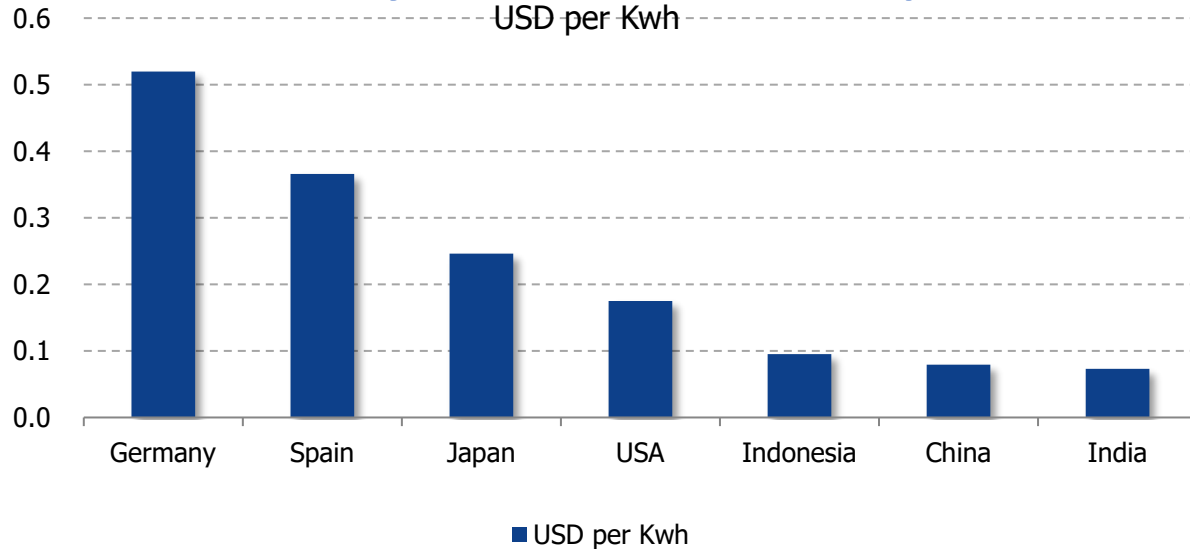
India steel price now cheaper than Europe and US



Labor cost comparison; India cheaper than China too



Cost of electricity; India one of the cheapest



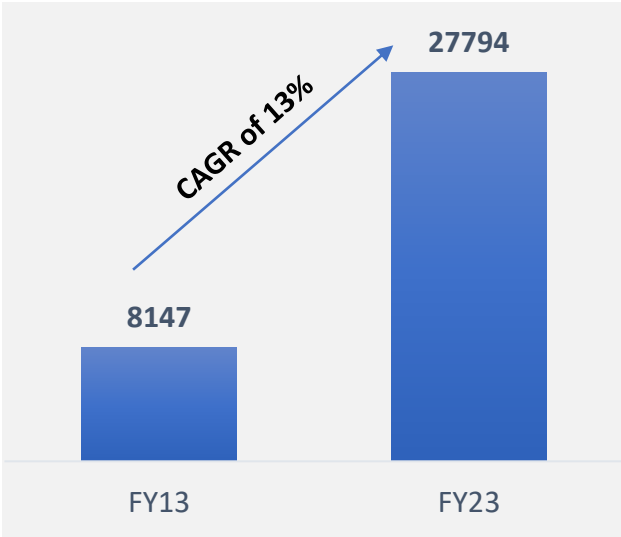
India now at par with global emissions

| Emission norms | India | Europe |
|---------------------|---------|--------|
| Euro 1 / India 2000 | 2000 | 1992 |
| Euro 2 / BS II | 2005 | 1996 |
| Euro 3 / BS III | 2010 | 2000 |
| Euro 4 / BSIV | 2017 | 2005 |
| Euro 5 / BSV | Skipped | 2009 |
| Euro 6 / BSVI | 2020 | 2014 |

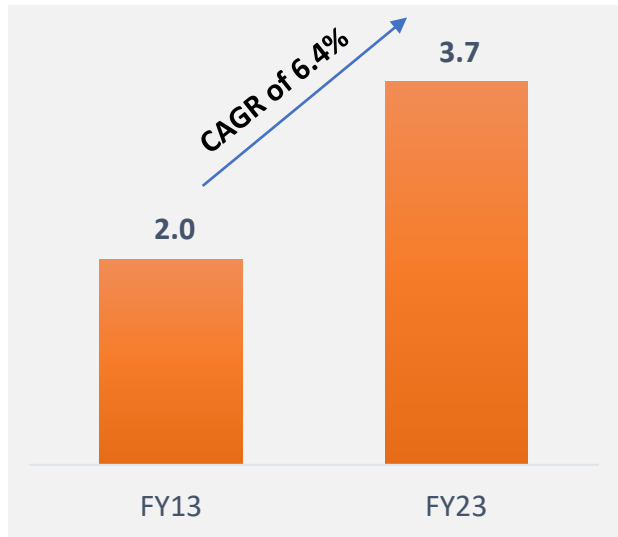
Source: Steelmint, CMIE, Bloomberg, Elara Securities research, Worldpopulationreview.com, Elara securities research, Elara Securities Research. HRC – Hardness Rockwell C Sclae.

...which can lead to accelerated export growth opportunities

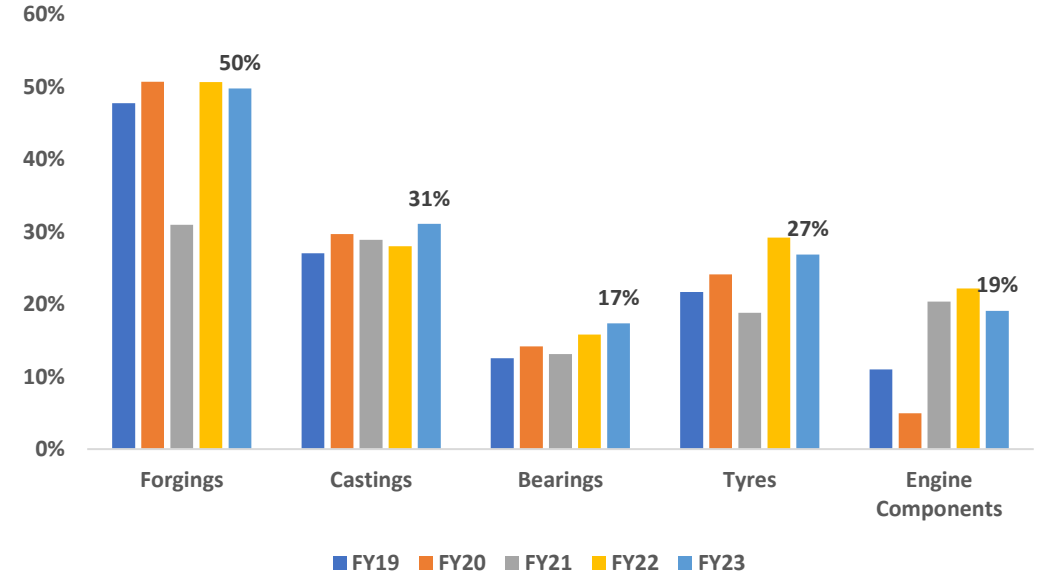
2W exports in Value (INR Crs.)



2W exports in Units (in million)



Exports as a % of total sales has been increasing, growing at 8-21% CAGR over the last 4-5 years

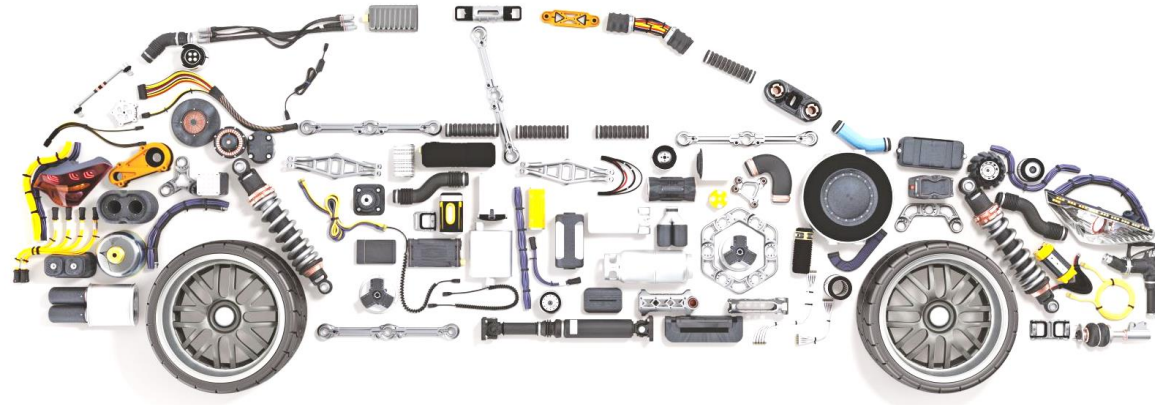


Overall, the global 2W industry sales (excl China) is around 30 Mn. 10-15% is India's share in addressable export market.

Auto Ancillary industry* witnessed a growth of over 12% CAGR over last 5 years.

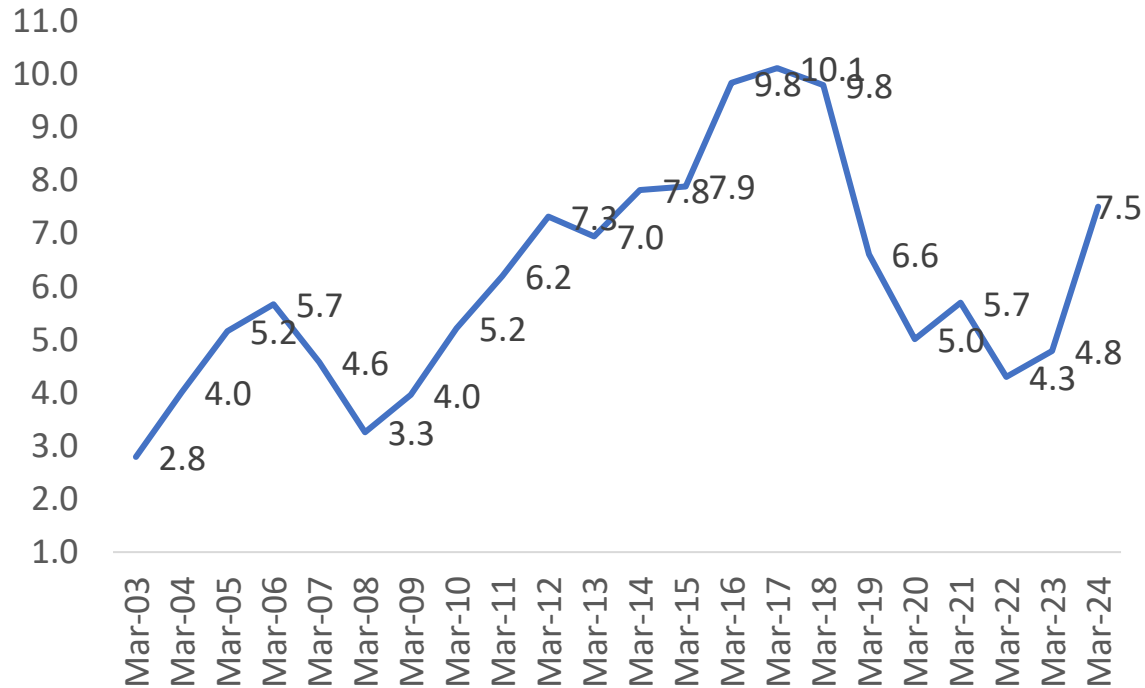
Source: ACMA, Internal Estimates, Company Disclosures, *17 Auto Ancillary companies considered and is based on the latest data available.

Index Performance & Valuations

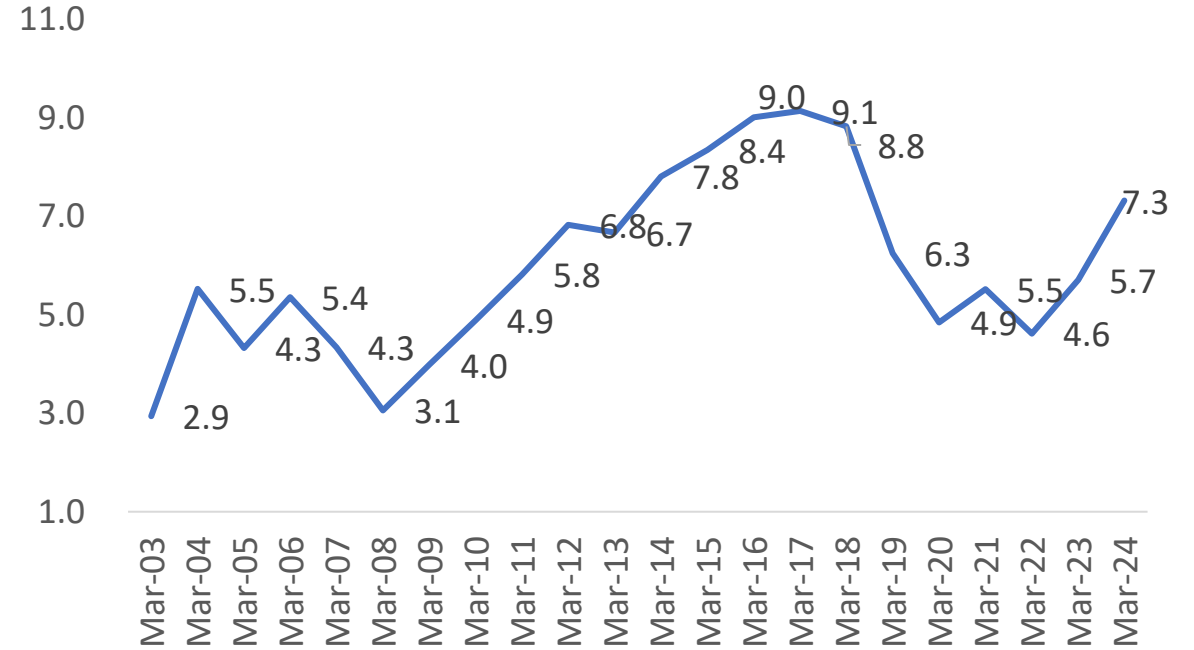


Auto segment under-represented in broader indices vs history

Auto Weight in BSE 100



Auto & Auto components Weight in BSE 500



FY03-06: Strong growth across segments with improving profitability.

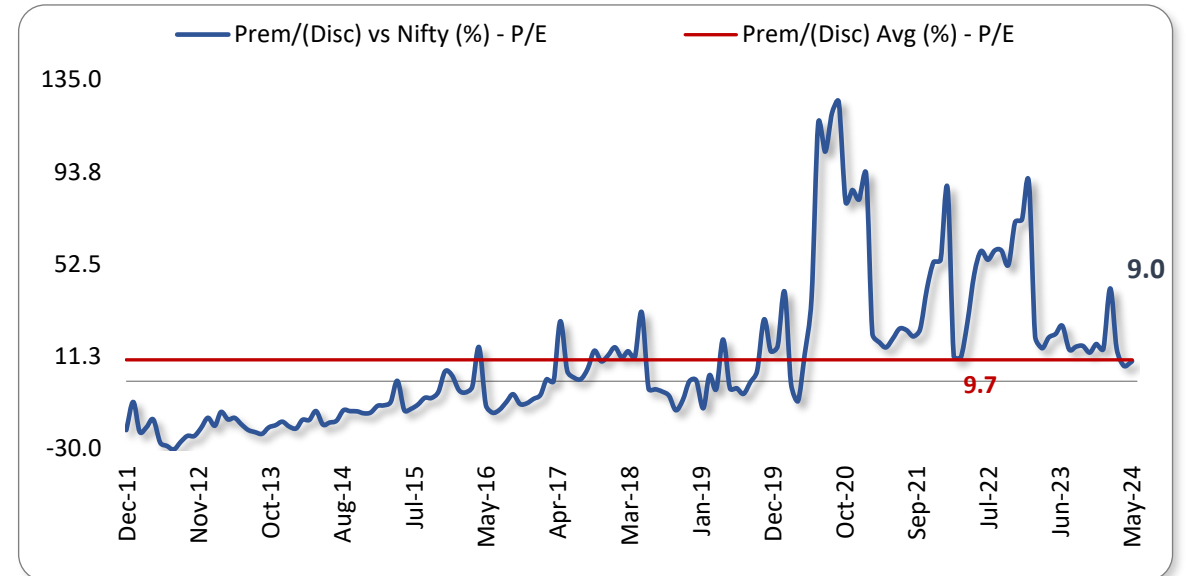
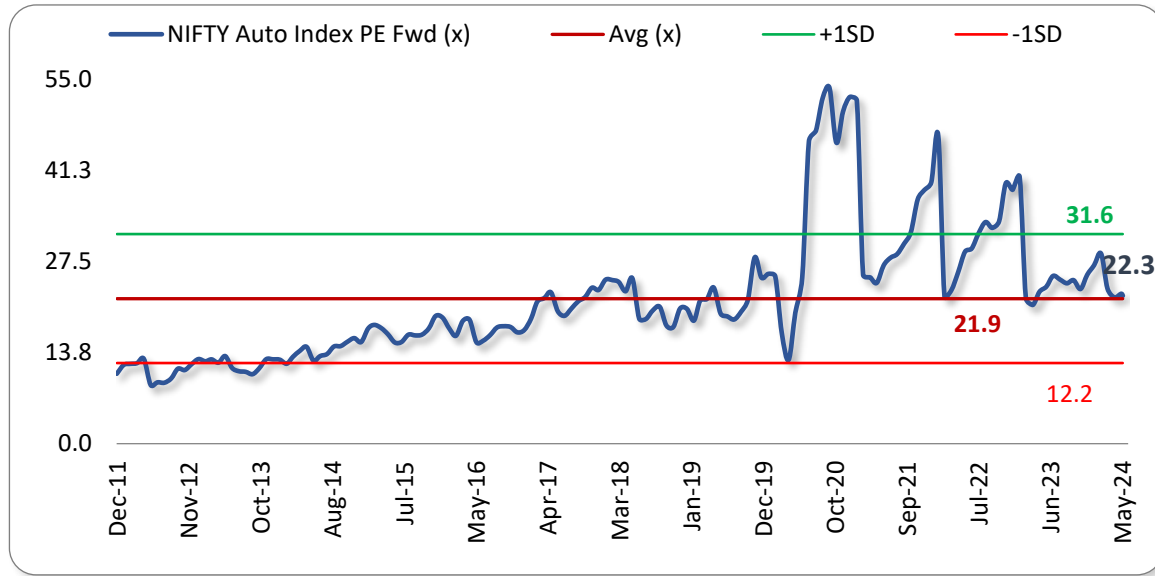
FY06-08: 2W growth moderated significantly partly coinciding with global financial crisis.

FY09-18: Strong growth across categories while profits soar with improving mix

FY19-20: Volumes across categories started declining from 2HFY19 owing to ILFS crisis, insurance cost included (FY19), transition to BS6 related issues in FY20 and dragged down the Auto industry started even before COVID struck.

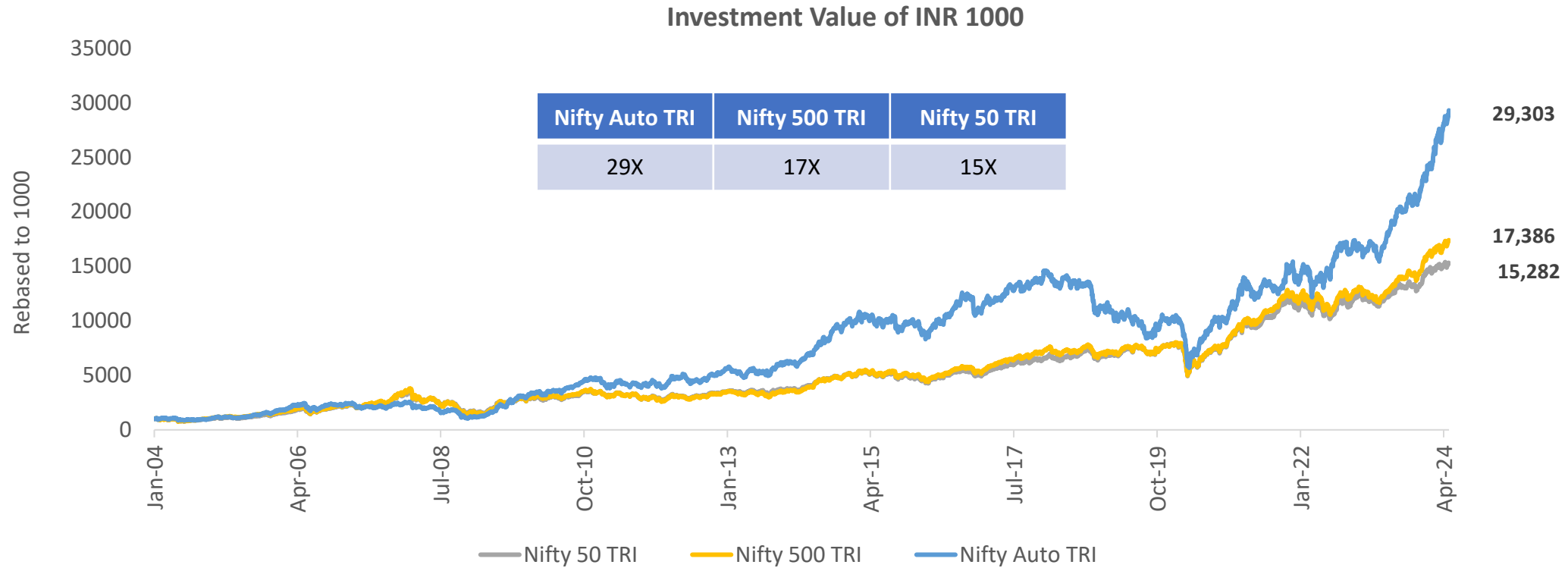
FY22-24: Strong volume recovery across segments with improving profitability on premiumisation.

Valuations reasonable compared to broader market & historical valuations...



Source: Bloomberg, NSE Indices. Data as on April 30, 2024. Since Inception returns computed is from Jan 01, 2004 for all the indices that is since inception date of Nifty Auto TRI. Past performance may or may not be sustained in future. Returns computed are on CAGR basis. For Disclaimer on NSE Indices please refer slide 38.

Automotive Theme – Wealth creation opportunity in the long term (1/2)







| CAGR Returns | 1 year | 3 year | 5 year | 10 years | Since Inception |
|----------------|--------|--------|--------|----------|-----------------|
| Nifty Auto TRI | 71.7% | 33.9% | 23.3% | 15.5% | 18.1% |
| Nifty 50 TRI | 26.5% | 16.9% | 15.3% | 14.3% | 14.1% |
| Nifty 50 TRI | 39.3% | 20.5% | 18.0% | 16.15% | 15.1% |

Source: NSE Indices. Data as on April 30, 2024. Since Inception returns computed is from Jan 01, 2004 for all the indices that is since inception date of Nifty Auto TRI. Past performance may or may not be sustained in future. Returns computed are on CAGR basis. For Disclaimer on NSE Indices please refer slide 38.

Automotive Theme – Wealth creation opportunity in the long term (2/2)

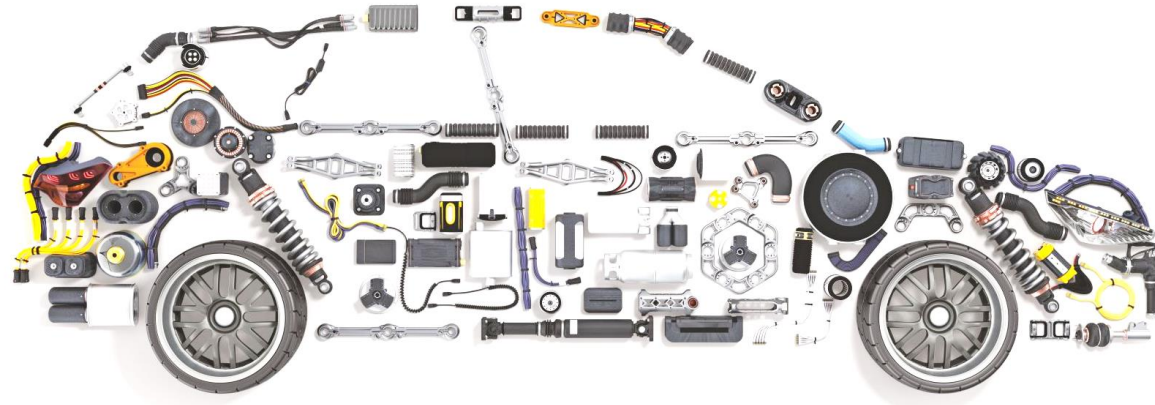
(5 Year daily rolling CAGR – Rolling Period Jan 01, 2004 to April 30, 2024)

| | Nifty Auto TRI | Nifty 50 TRI | Nifty 500 TRI |
|--------------------------------------|---|--------------|---------------|
| Maximum Return (%) | 43.8  | 27.0 | 26.2 |
| Average Return (%) | 15.4  | 12.6 | 12.7 |
| Median Return (%) | 17.1  | 12.9 | 13.0 |
| Minimum Return (%) | -11.3 | -1.0 | -1.4 |
| Observations with < 7% CAGR | 26.9% | 15.1% | 14.6% |
| Observations with 7% to < 10% CAGR | 4.5% | 13.9% | 14.4% |
| Observations with 10% to < 15% CAGR | 10.0% | 44.1% | 35.1% |
| Observations with 15% and above CAGR | 58.6%  | 26.9% | 36.0% |
| Total Observations* | 100.0% | 100.0% | 100.0% |

Nifty Auto TRI has generated higher alpha over broader market in the long run but with higher downside during unfavourable market cycles.

Source: MFIE & Internal Research. Performance for understanding purpose only. Past performance may or may not be sustained in future and is not a guarantee of any future returns. Index performance does not signify scheme performance. ^Daily Rolling CAGR from 1st Jan, 2004 (inception date of Nifty Auto TRI) to 30th April, 2024 with first observation recorded on 1st Jan 2009. *Total Observations is 3797 for the rolling period. For Disclaimer on NSE Indices please refer slide 38.

Presenting SBI Automotive Opportunities Fund



Automotive Ecosystem – Key Growth Segments

ORIGINAL EQUIPMENT MANUFACTURERS (OEMS)

- Opportunities across vehicle segments such as 2Ws, PVs, CVs & tractors etc.
- Balance between long term structural growth & cyclical upturns.

AUTO COMPONENT MANUFACTURERS

- Companies having diverse growth areas with presence across segments, products and technologies.
- Companies with strong order book & capital outlay.

Optimal mix of these segments to offer better risk adjusted returns

EXPORT OPPORTUNITIES

- Companies having competitive advantage & benefitting from economies of scale.
- Forging, casting and off highway tyres are just a few examples of export opportunities

ELECTRIC VEHICLES PLAY

- Pure play EV OEMs as well as component manufacturers with a focus on EV specific parts like motors, battery, cooling systems etc.
- Companies having cost competitiveness, reasonable exposure to developed markets and technology tie-ups

- Participation in investment opportunities in the overseas markets in the companies within the automotive theme especially in mega trends, R&D, and those companies which has no presence in domestic listed space. Scheme may also invest residual net assets i.e. up to 20% of the net assets in companies other than automotive & allied business activities theme.

Please refer offer document for detailed Asset Allocation & Investment strategy. The classification of companies following the automotive & allied business activities theme will be largely guided by AMFI basic industry classification.

Investment Universe

| Industries | Investment Universe* | | Benchmark – Nifty Auto TRI | | Weights (%) |
|-------------------------------------|----------------------|------------------------|----------------------------|------------------------|-------------|
| | No. of Companies | Total Mkt Cap (INR Cr) | No. of Companies | Total Mkt Cap (INR Cr) | |
| Auto Components & Equipment's | 85 | 8,06,856 | 3 | 2,15,642 | 10% |
| Castings & Forgings | 11 | 89,352 | 1 | 59,186 | 3% |
| Tyres & Rubber Products | 9 | 1,56,247 | 3 | 1,35,771 | 6% |
| Passenger Cars & Utility Vehicles | 6 | 10,67,794 | 4 | 10,75,519 | 51% |
| 2/3 Wheelers | 4 | 5,63,147 | 4 | 5,63,147 | 27% |
| Commercial Vehicles | 4 | 80,045 | 1 | 56,568 | 3% |
| Compressors, Pumps & Diesel Engines | 4 | 14,652 | 0 | 0 | 0% |
| Abrasives & Bearings | 3 | 48,758 | 0 | 0 | 0% |
| Construction Vehicles | 3 | 24,317 | 0 | 0 | 0% |
| Tractors | 2 | 41,192 | 0 | 0 | 0% |
| Trading - Auto Components | 2 | 1,471 | 0 | 0 | 0% |
| Auto Dealer | 1 | 3,283 | 0 | 0 | 0% |
| Grand Total | 134 | 29,00,506 | 16 | 21,05,833 | 100% |

* The fund may also invest in Semiconductor & electronics companies catering to auto companies

Source: Bloomberg, NSE India, Internal Research; Data as on 30th April 2024



OEM Players





Auto Component Players



Stock Selection Parameters



Economic growth trend and penetration levels

Ability to adopt to evolving auto landscape



Companies' growth potential

Companies earning quality and cash flows



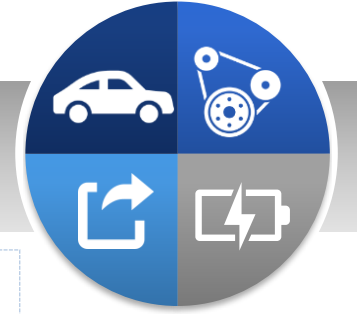
Brand building capabilities


Capital allocation strategy and return profile





A concentrated and market cap agnostic portfolio


Fund facts





 **Name**
SBI Automotive Opportunities Fund
An open-ended equity scheme following automotive & allied business activities theme.

 **Category**
Thematic

 **Fund Manager[&]**
Mr. Tanmaya Desai

 **First Tier Benchmark Index**
NIFTY AUTO TRI

 **Minimum Application[^]**
Rs. 5000/- and in multiples of Re. 1 thereafter

 **Minimum Monthly SIP^{*}**
Minimum Rs 500 & in multiples of Re. 1

Exit Load

- For Ongoing basis: 1% of the applicable NAV - If units purchased or switched in from another scheme of the fund are redeemed or switched out on or before 1 year from the date of allotment.
- NIL - If units purchased or switched in from another scheme of the fund are redeemed or switched out after 1 year from the date of allotment.

For details, please refer to the Scheme Information Document (SID). [&]Mr. Pradeep Kesavan is the dedicated fund manager for overseas securities. [^]Additional Purchase: Rs. 1000 and in multiples of Re.1 thereafter. ^{*}For detailed minimum amount of SIP across frequencies & number of installments, please refer to SID/KIM.

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