

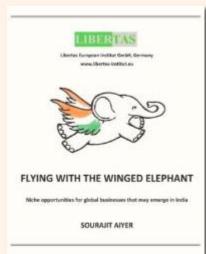


#### **Brands worked for...**



#### **Books written...**





#### **Brands written for...**



#### **Deliberations**

- Is the Bay of Bengal region (BIMSTEC) the next BRICS opportunity?
- How does it stack as an opportunity for Consumption, Investment & Production ?
- What if it includes Indonesia or Vietnam? What would be India's advantage?

### Some ways Groupings can help?

- 1. As a Regional Trade Bloc
- Has India gained within BRICS?
- Trade blocs: One-sided or Synergistic ?

- 2. As a Financial Market Asset Class
- Low-hanging fruit ?
- Growth in BRICS dedicated FPI funds?

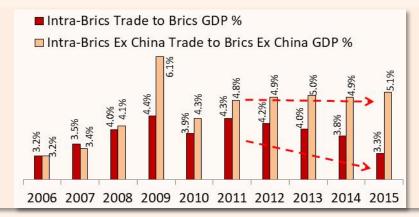
- 3. As an Outbound FDI target
- Nepal gains as OBOR is multilateral?
- Impact on global sourcing decisions?

- 4. As a Military or Religious motive
- NATO: military alliances but US vs. DE?
- OIC: religious-related?

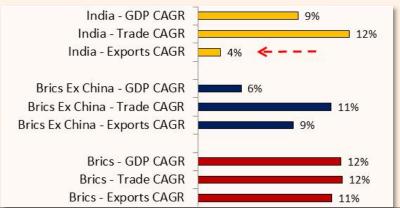
Are all of them politically driven only...

### Does Grouping really lead to favourable trade/export situation?

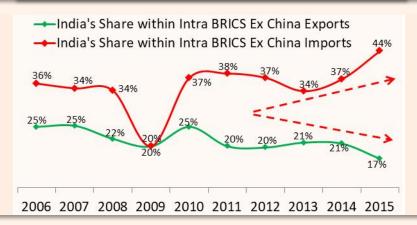
- Trade didn't rise more-than-proportionately to GDP
- Intra-Brics Trade to Brics Total has held at ~8-10%



- Gap btwn Trade & Exports in India, unlike other Brics
- India's Top-20 trading partners incl. only China



- Intra-BRICS Trade rose 3X, but India has deficit
- India's also has a deficit with Thailand (BIMSTEC)



#### So let's come to #2

Can BIMSTEC be a financial asset-class, just like BRICS did?

Or maybe BIMSTEC + I\*

or BIMSTEC + I + V\*\*?

Consumption Investment

**Production** 

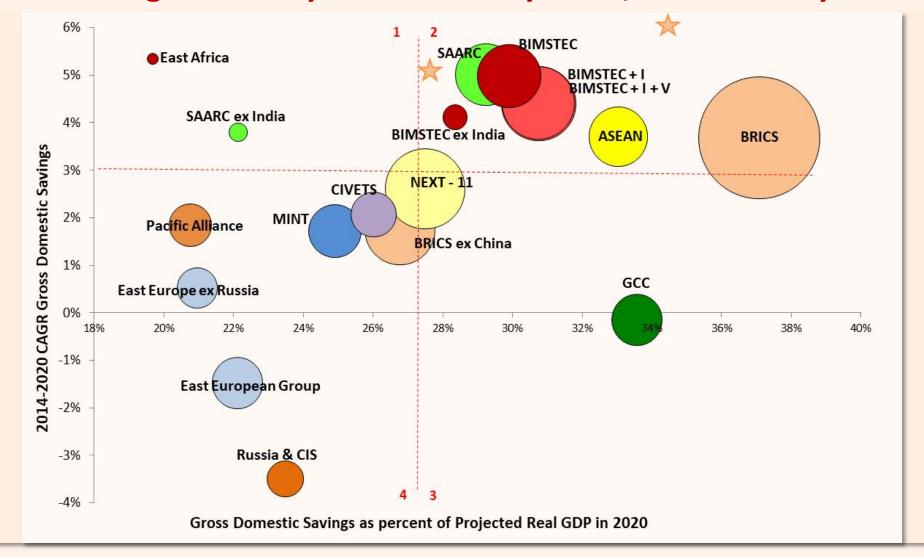
<sup>\*</sup> BIMSTEC + I refers to Bimstec plus Indonesia

<sup>\*\*</sup> BIMSTEC + I + V refers to Bimstec plus Indonesia & Vietnam

# **Comparable developing countries used**



### Does Saving matter if you want to buy more, & continually?

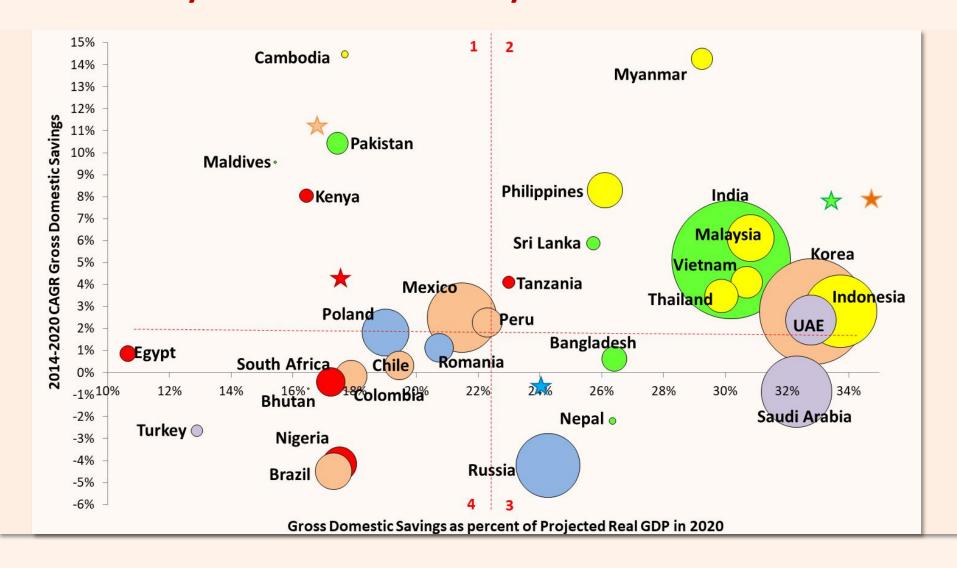


Does Bimstec help India's case ? A hand in both regions?

Where was Brics back in 2005-2010?

If Consumption is great, is Saving glorious? China & India's situation!

### So how many countries will actually Save?



Why savings matters: products (HFC), discretionaries (tap into) & cx customer (acq cost)

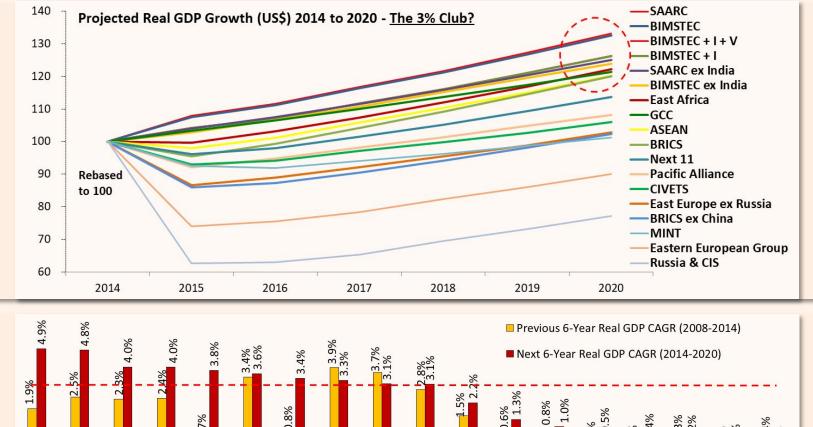
Where were the Brics markets back in 2005-2010?

### Who will grow "linearly"?

SAARC

BIMSTEC

BIMSTEC + I + V

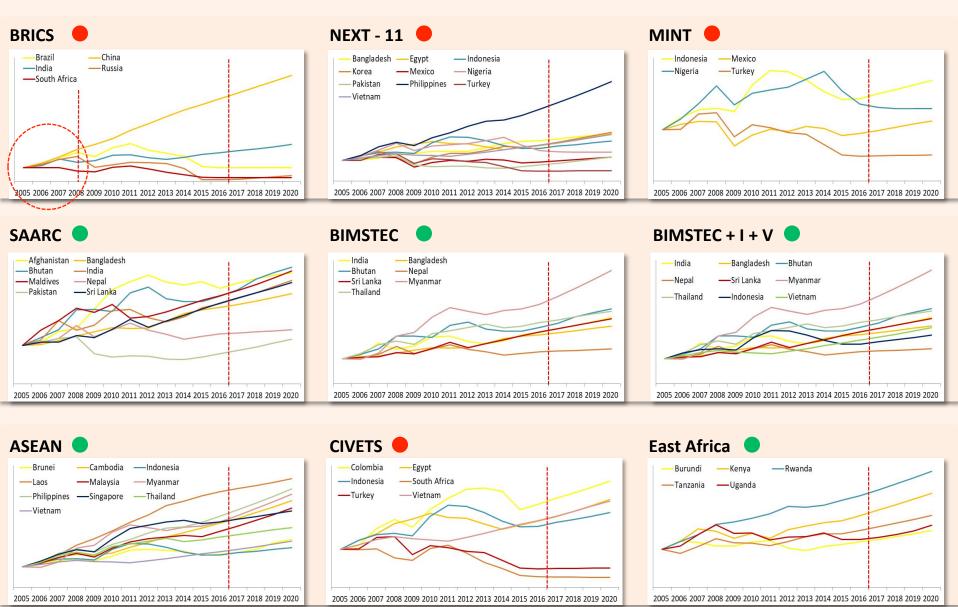


%9.0 0.8% 2% -0.7% 0.3% -6.4% .2% Eastern European-5.0% Group SAARC ex India Next 11 MINT 200 **ASEAN** BRICS CIVETS **BIMSTEC + I BIMSTEC ex India** East Africa Pacific Alliance East Euro<mark>pe ex Russia</mark> BRICS ex C<mark>hina</mark> Group

**South China Sea + Bay of Bengal + Indian Ocean ?** 

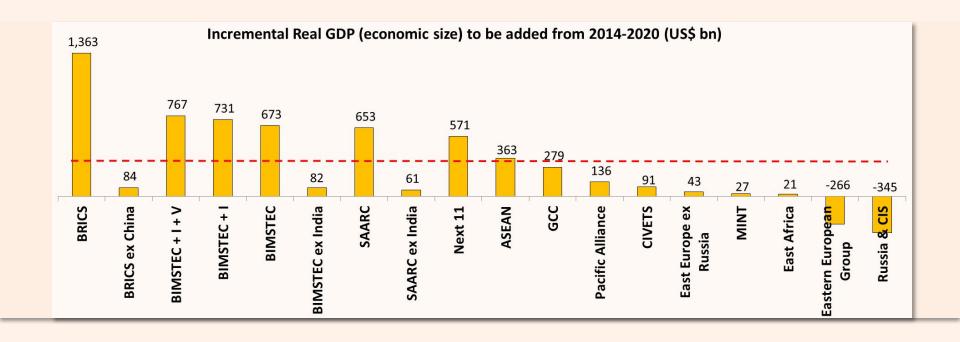
Where were Brics & Brics ex China back in 2005-2010?

## How many will grow "together at the same time"?



Just Fat or Wholly Mutton?

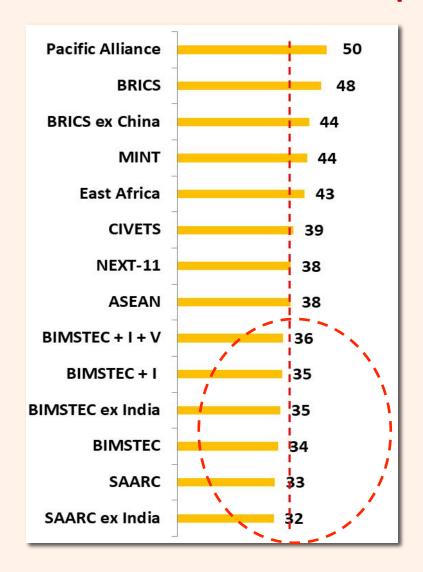
### Growth is not sufficient, Size adds the mass to invest?

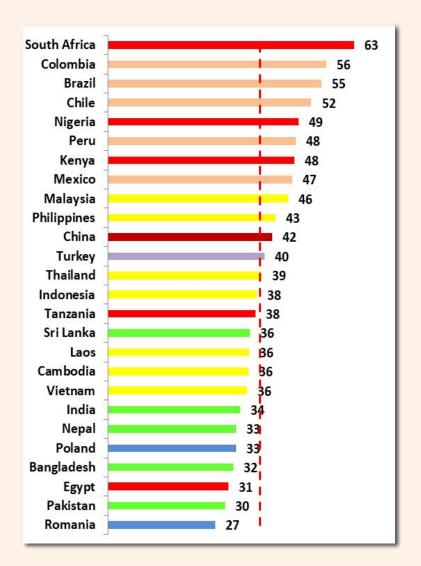


**India and Bimstec and Asean?** 

How much was Brics & Brics ex China back from 2005-2010? Is growth is getting redistributed?

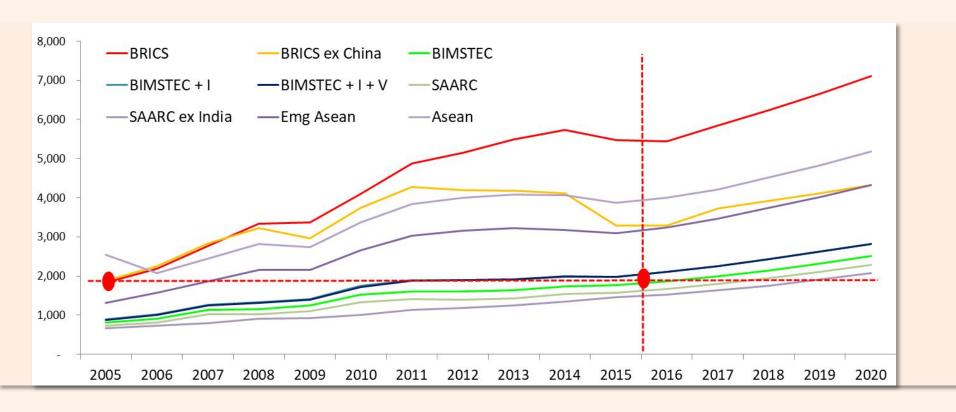
#### Can Income concentration impact Mkt Share vs. Mkt Size battle?





Unlike India, Asean & Next-11 are skewed north (Mal, Philpp, Mex, Nig, Turk)

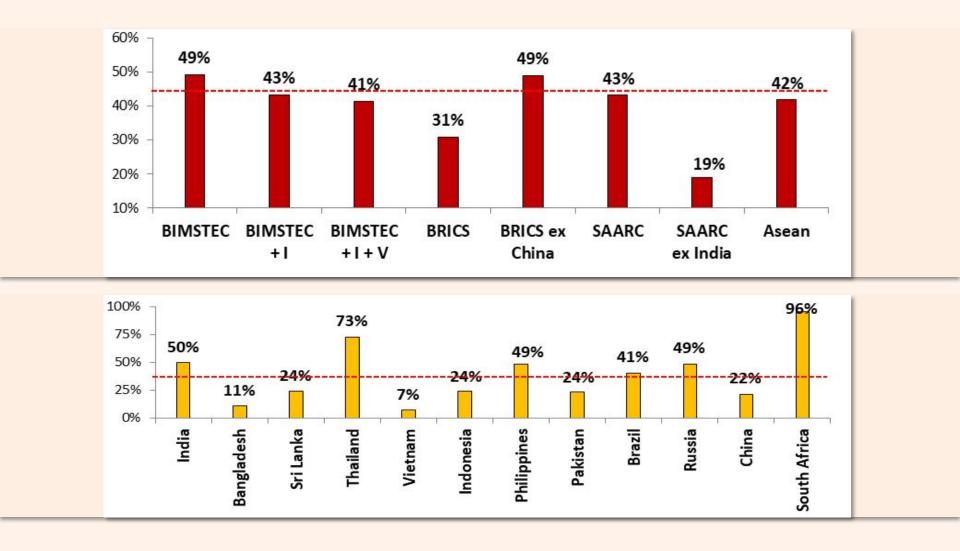
### Is BIMSTEC's PCI today where BRICS was a decade ago?



How do Bimstec & Saarc of today compare to Brics from a decade ago ?

S.E. Asia mkts pushes up the average; India adds the mass ?

#### A longer journey to become an Organized economy?



If the "journey yet to travel" matters, then who has a longer way to go still?

Bimstec or Bimstec + I +V?

### Would you deal with a more Solvent economy?

#### Improving the Govt Gross Debt average?

- Asean mkts like Thailand & Indonesia lowers the average for India, as Saarc mkts fare higher
- IT also lowers the average for Vietnam, as it too fares higher
- But this is still much lower than the Developed markets

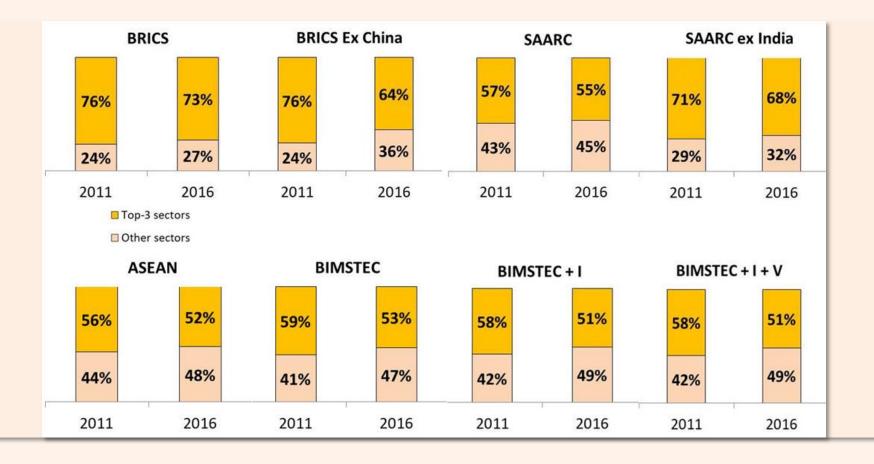
#### **Improving the Current Account Deficit average?**

- Thailand's healthy surplus <u>pulls up the average</u> for Bimstec, as 5 Saarc nations have deficits
- Asean mkts like Indonesia, Myanmar also gain since their deficits are worse than India's
- Brics's rough median back in 2010 was worse than what it is today for Bimstec

#### **Improving the Fiscal Deficit average?**

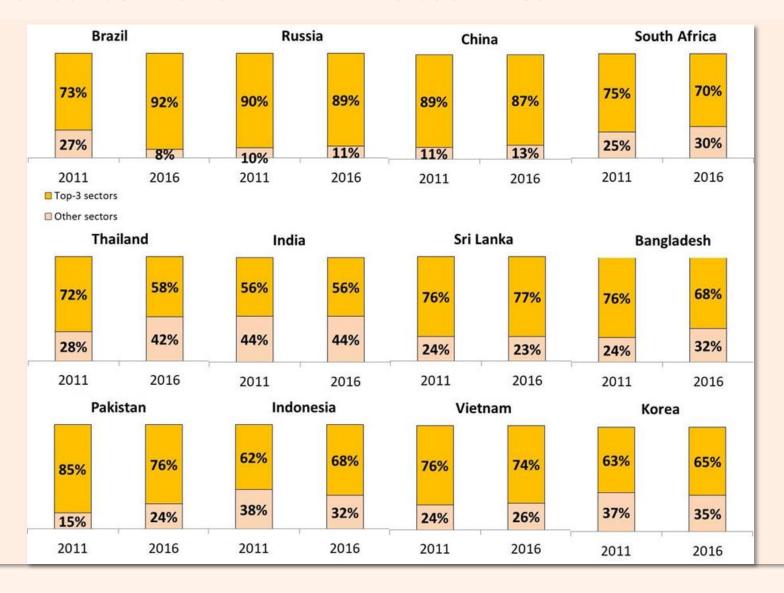
- Thailand & Indonesia's better nos. improves the average for India
- The same holds true for Vietnam, as smaller markets within Asean have higher deficits
- But this is still high than what Brics was back in 2010

#### Does the degree of the Sectoral-concentration matter?



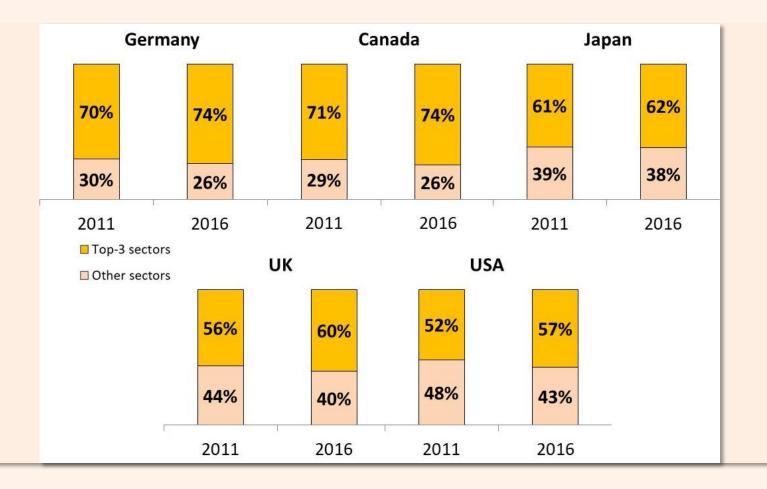
Markets become concentrated eventually; those with lower proportion will have a longer journey Adds profit mass to S.E. Asia – India's pool is ~2.3X of Thailand's, ~3X of Indonesia's, ~88X of Vietnam

#### Sectoral-concentration within the countries



Can only few sectors meet the economic opportunity, or would your size demand more sectors?

### But what is the ideal range of sector-concentration?



Developed-5's average is in the ~60-70% range!

But irrespective of the "journey", the "nature of the earnings" also matters?

## Which sectors eventually dominate or don't? Nature of earnings

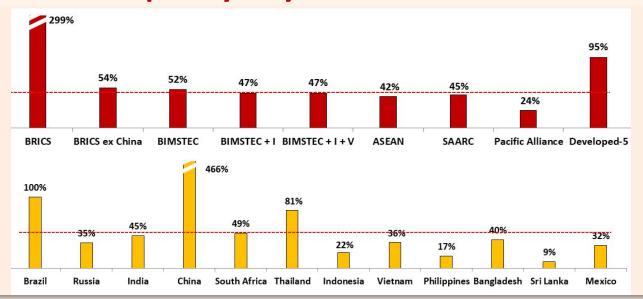
	BIMSTEC	Financial	Energy	IT				
	BIMSTEC + I	Financial	Energy	IT				
	BIMSTEC + I + V	Financial	Energy	IT				
	BIMSTEC + I + V ex India	Financial	Energy			Consumer		
	BRICS	Financial	Energy				Industrials	
	BRICS ex China	Financial	Energy		Materials			
	SAARC	Financial	Energy	IT				
	ASEAN	Financial	Energy			Consumer		
_								
	Thailand	Financial	Energy		Materials			
	Indonesia	Financial				Consumer		Telecom
	Vietnam	Financial			Materials		Industrials	
	India	Financial	Energy	IT				
	China	Financial				Consumer	Industrials	
	Brazil	Financial			Materials			Utilities
	Russia	Financial	Energy		Materials			
	South Africa	Financial			Materials		Industrials	
	Bangladesh	Financial	Energy					Telecom
	Sri Lanka	Financial	Energy				Industrials	
	Pakistan	Financial	Energy		Materials			
	Germany	Financial				Consumer	Industrials	
	Japan	Financial				Consumer	Industrials	
	UK	Financial				Consumer		Utilities
	USA	Financial				Consumer		Healthcare
	Canada	Financial				Consumer	Industrials	

Which sectors start to dominate as the economies mature (Developed 5 & China's case)?

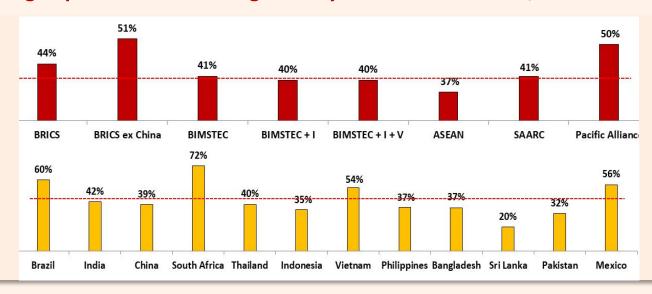
Does Bimstec + I + V become relevant?

Does not disturb Asean's tilt towards Consumer, rather adds Services

## Does it improve the liquidity of your market?

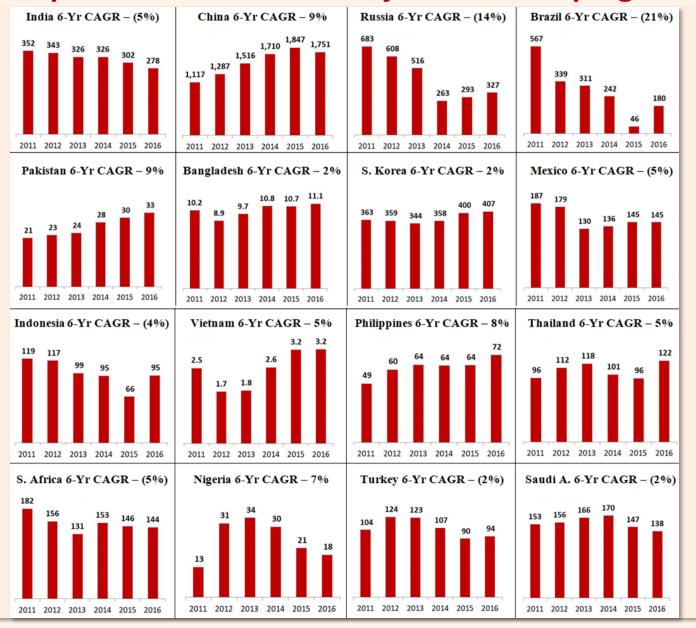


#### Grouping improves share-trading velocity in India & most SEA/SA markets!

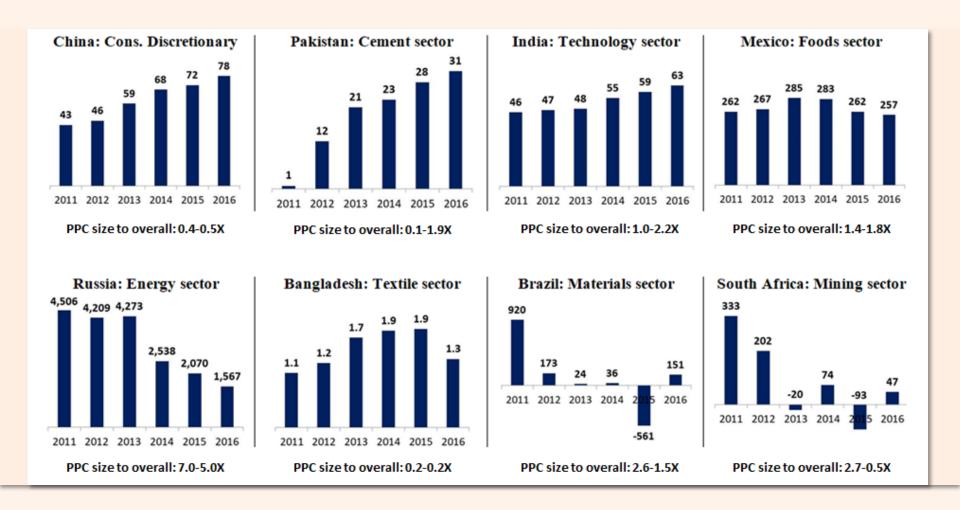


Grouping holds free-float liquidity in India; improves in most SEA/SA markets!

### The current predicament across major 16 developing countries!



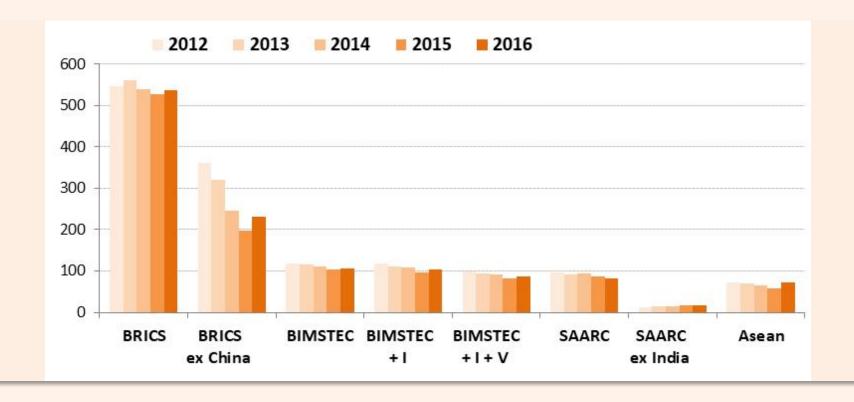
#### Even sectors of competitive advantage were not spared in most



What if TCS & HCL are removed from India's IT sector?

Capex or revex pressures to renovate and innovate will persist!

#### PPC of Top-200 cos for these regions?

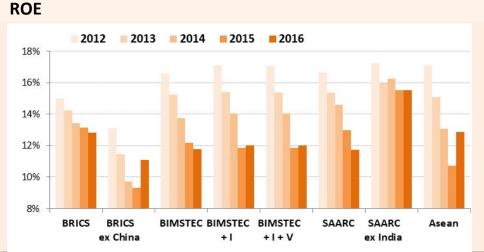


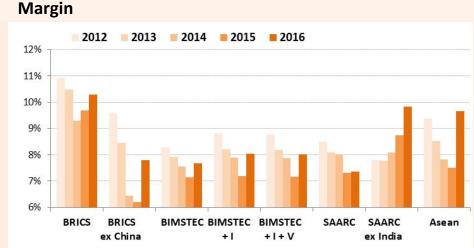
#### **Bimstec has fared better than Saarc**

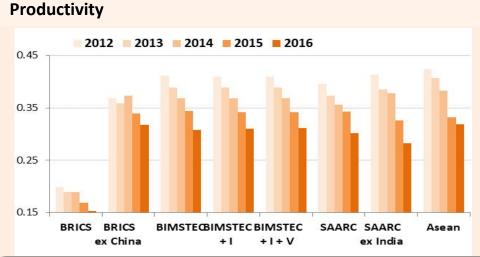
Bimstec adds mass, but is still smaller than Brics of 5 years ago (~0.25X)

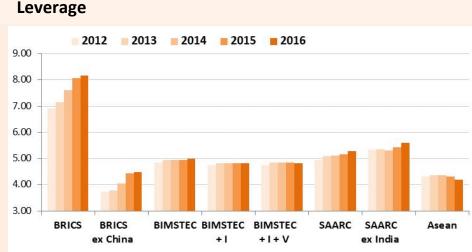
PPC in Bimstec is 1.5X that of Asean; PPC in Bimstec + I + V is 1.2X that of Asean

### So what have the largest cos "returned"?



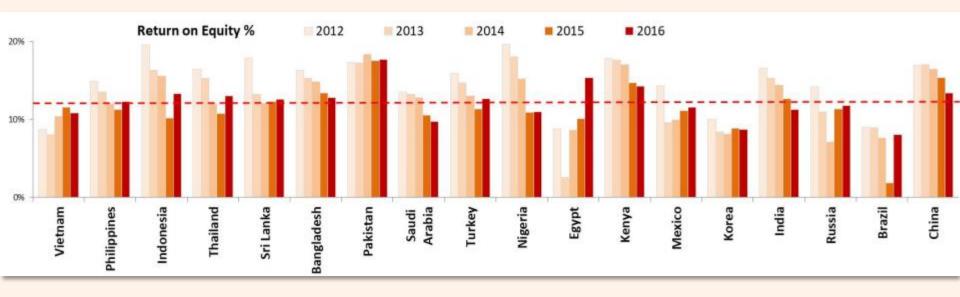






Bimstec is better on productivity, despite lower on ROE
Remains lower on leverage, which offers further headroom for growth

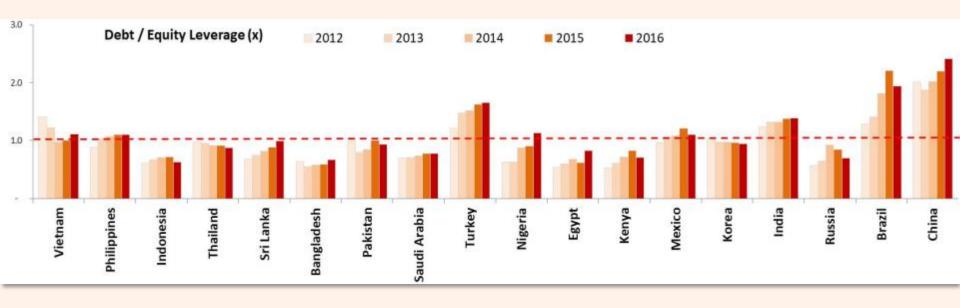
#### The largest cos in their countries



ROEs in S.E. Asia improving in 2016, while India goes below the median!

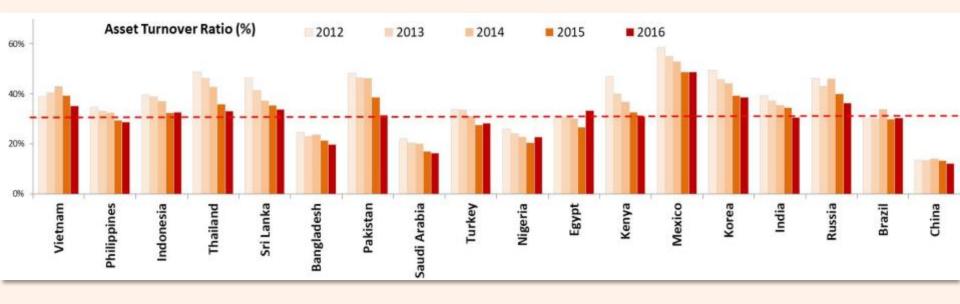
Revenue growth predominant in smaller markets; Cost saving predominant in larger markets

## Contributors to ROE - Profitability, Leverage & Productivity



Leverage dipped, or remained stable, in most S.E. Asian markets – Headroom for growth India's leverage moving north, reduces the headroom for growth

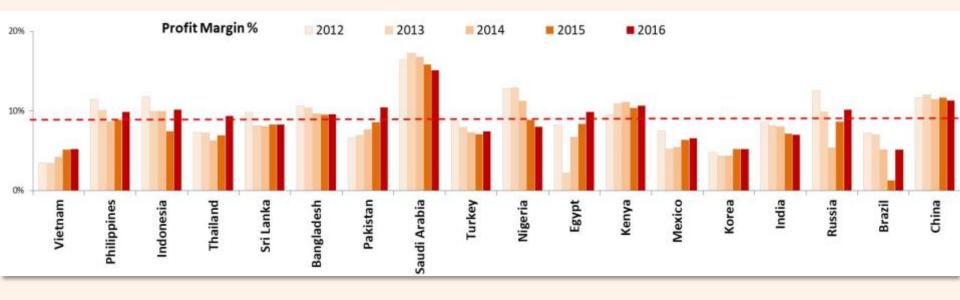
### **Contributors to ROE – Profitability, Leverage & Productivity**



Productivity has been the single-biggest concern for corporate performance

Sweating of assets wholly inadequate

# **Contributors to ROE – Profitability, Leverage & Productivity**



Most S.E. Asian markets improving profitability & Saarc ex India remains stable

But India ?

Designing financial product ideas for a volatile region like this?

Small can also be fine; Everything big is not always beautiful?

**Keeping structures separate at country-level?** 

Convert region's unique challenges into ideas?

Awareness is itself a product?

Performance has to be kingmaker?

Marry size, growth & correlation in ONE?

**ETF IFC (ideally Singapore) SDR Listings Mutual Fund Passport Index Futs Trading Link** 

Master ETF with Country-wise Feeder/Investment funds

**CDCF Basket Portfolio Idea** 

**Medical Tourism Insurance** 

**Solar Energy Bonds** 

**Thematics & Frameworks** 

**Start-ups Platform** 

### **Anchors first: Can Geo-Economics trump Geo-Politics?**













Bringing in a partner country as an anchor investor might hasten the process. They may need this as much as SAARC

- has strong relations with SAARC members individually
- has institutional-entities in investments
- is eyeing investment returns from overseas investments
- is in proximity to SAARC to have geographical stake

#### Focus on returns and nature of earnings amongst tepid profitability?

Ticker	Short Name	Cntry	NAV: Jun 2015	NAV: Mar 2015	NAV: Dec 2014	NAV: Sep 2014	NAV: Jun 2014	NAV: Mar 2014	NAV: Dec 2013	NAV: Sep 2013	NAV: Jun 2013	NAV: Mar 2013	NAV: Dec 2012	NAV: Sep 2012	NAV: Jun 2012	NAV: Mar 2012	NAV: Dec 2011	NAV: Sep 2011	NAV: Jun 2011	NAV: Mar 2011	NAV: Dec 2010	NAV: Sep 2010	NAV: Jun 2010	NAV: Mar 2010	NAV: Dec 2009
<b>v</b>			▼.	Ψ.	▼.	▼.	¥	¥	▼.	▼.	▼.	¥	▼.	▼.	*	▼.	▼.	▼.	¥	▼.	▼.		▼.	▼.	_
	ABBOT LABS PAK	Pakistan	22	-	-	-	-	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	
	ECLERX SERVICES	India	22	-	-	-	-	2	2	1	1	1	1	2	1	1	1	2	2	1	2	1	1	1	
	OIL & GAS DEVELO	Pakistan	23	-	-	-	-	12	14	11	12	10	10	10	8	9	8	8	9	8	10	8	8	8	
UPFL PA Equity	UNILEVER PAK FDS	Pakistan	-	-	-	-	-	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
NDB SL Equity	NATL DVLP BANK P	Sri Lanka	-	-	-	-	-	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	
SAMP SL Equity	SAMPATH BANK PLC	Sri Lanka	-	-	-	-	-	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	
GDPL IN Equity	GATEWAY DISTRIPA	India	-	-	-	-	-	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	1	1	
PPL PA Equity	PAKISTAN PETROLE	Pakistan	-	-	-	-	-	9	8	7	7	5	6	6	5	5	5	6	6	6	6	5	4	5	
DABUR IN Equity	DABUR INDIA LTD	India	-	-	-	-	-	18	15	15	15	15	13	14	12	12	11	12	16	13	12	12	14	10	
OINL IN Equity	OIL INDIA LTD	India	-	-	-	-	-	7	7	6	9	8	8	8	8	9	8	10	10	10	11	12	11	9	
APNT IN Equity	ASIAN PAINTS LTD	India	-	-	-	-	-	19	16	14	13	15	15	13	14	14	9	13	17	12	14	14	12	12	
GAIL IN Equity	GAIL INDIA LTD	India	-	-	-	-	-	15	14	12	13	12	12	14	11	11	11	12	13	13	14	12	12	10	
ONGC IN Equity	OIL & NATURAL GA	India	-	-	-	-	-	19	16	11	15	16	13	13	12	12	11	13	13	13	12	13	12	10	
HEXW IN Equity	HEXAWARE TECHNOL	India	-	36	20	24	19	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	
JKBK IN Equity	J&K BANK	India	_	15	22	17	18	4	4	3	4	3	4	3	3	3	2	3	3	3	3	3	3	3	
MMFS IN Equity	M&M FIN SERVICES	India	_	18	25	18	20	7	10	7	8	6	7	6	4	4	4	5	5	5	5	4	3	3	
HCLT IN Equity	HCL TECH LTD	India	_	28	19	22	19	19	17	19	13	18	14	16	11	14	11	11	14	15	15	14	10	10	
ITC IN Equity	ITC LTD	India	_	20	21	22	16	19	14	15	14	15	14	13	13	13	12	13	15	15	13	14	12	11	
NELI IN Equity	NAVNEET EDUCATIO	India	_	14	15	16	16	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	
NTB SL Equity	NATIONS TRUST BK	Sri Lanka	_	8	8	8	7	_	_	_	_		_	_	_	_	_	_	_	_	_	_	_	_	
BATBC BD Equity	BRIT AMER TOBACC	Bangladesh	23	27	20	24	18	2	2	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	
PAG IN Equity	PAGE INDUSTRIES	India	25	27	31	21	20	3	3	2	2	2	2	2	2	2	1	2	1	1	1	1	1	1	
TCS IN Equity	TATA CONSULTANCY	India	23	23	19	21	20	17	17	18	13	17	13	13	13	12	13	11	14	14	17	15	10	11	
LUCK PA Equity	LUCKY CEMENT	Pakistan	27	20	27	18	23	_	_	_	_	-	_	_	_	_	_	_	_	_	_	_	_	_	
	HUM NETWORK LTD	Pakistan	8	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	
	MONSANTO INDIA	India	23	_	_	_	_		_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	
	FATIMA FERTILIZE	Pakistan	24	_	_	_	_		_	_	_	_	_	_	_	_	_	_	_	_	_		_		
	HABIB BANK LTD	Pakistan	28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Price based NA	V only		248	235	226	211	195	178	164	148	146	150	137	138	122	127	111	124	143	136	142	133	116	105	100
Gross NAV (Incl	l Dividend)		248	235	230	211	195	178	168	148	146	150	141	138	122	127	114	124	143	136	144	133	116	105	100

It means the case for active investment was never more stronger in these markets SAARC CDCF basket is an example that active can yield better than benchmarks

A similar method for Bimstec can work too

#### Performance is kingmaker if the market is unexplored as an asset

clace

US\$ terms	CDCF E	Basket	DJ SA	FE 100 I	NDEX	MSCIE	merg M	kt Index	MSCI	Front MI	t Index	ASE	N40 INI	DEX	MSC	I BRIC	Index	MSCI	Asia EN	/I Index
Annual Basis	NAV	Return s	Value	Returns	Excess Returns	Value	Return s	Excess Returns	Value	Returns	Excess Returns	Value	Return s	Excess Returns	Value	Return s	Excess Returns	Value	Return s	Excess Returns
Jun-15	248	21%	1,777	-1%	22%	972	3%	18%	578	-11%	32%	10,038	-13%	35%	279	14%	8%	475	8%	13%
Dec-14	225	38%	1,783	20%	17%	956	-5%	42%	612	3%	35%	10,781	3%	35%	262	-6%	44%	457	2%	35%
Dec-13	164	19%	1,480	9%	10%	1,003	-5%	24%	595	21%	-2%	10,449	-7%	26%	278	-6%	26%	446	0%	19%
Dec-12	137	24%	1,352	14%	10%	1,055	15%	9%	490	5%	19%	11,190	16%	8%	297	11%	13%	447	18%	6%
Dec-11	111	-22%	1,182	-29%	7%	916	-20%	-1%	467	-22%	0%	9,651	-6%	-16%	268	-25%	3%	379	-19%	-3%
Dec-10	142	42%	1,656	28%	14%	1,151	16%	25%	600	19%	23%	10,278	24%	17%	356	7%	34%	468	17%	25%
Dec-09	100		1,298			989			504			8,256			332			402		
Annualized	18%		6%			0%			2%			4%			-3%			3%		
Return	10 /0		0 /6			U /6			2 /0			4 /0	'		-0 /0			3 /0		
Volatility	15%		15%			17%			16%			13%			19%			15%		
Sharpe Ratio	0.7		(0.1)			(0.2)			(0.3)			0.1			(0.5)			0.0		
Correlation			0.89			0.56			0.52			0.61			0.53			0.61		
Alpha			12.0%			16.6%			12.8%			14.6%			15.9%			15.1%		
Risk-free rate	7.1%		7.2%			2.9%			7.9%			2.9%			6.0%			2.5%		

Regions:	DJ SAFE 100 Index		MSCI FM Index	ASEAN 40 Index	MSCI BRIC Index	Shanghai Comp	NSE Nifty	CDCF Basket
DJ SAFE 100 Index	1.00	0.65	0.72	0.64	0.58	0.13	0.93	0.89
MSCI EM Index		1.00	0.72	0.84	0.98	0.34	0.72	0.56
MSCI FM Index			1.00	0.62	0.66	0.04	0.63	0.52
ASEAN 40 Index				1.00	0.75	0.06	0.72	0.61
MSCI BRIC Index					1.00	0.42	0.68	0.53
Shanghai Comp						1.00	0.22	0.20
NSE Nifty							1.00	0.88
CDCF Basket								1.00

So despite tepid PPC, investment results are still possible SAARC CDCF Portfolio Basket returned @ 18-20% p.a. Correlation, Size & Growth – All in one basket?

#### Other scales that Media loves!

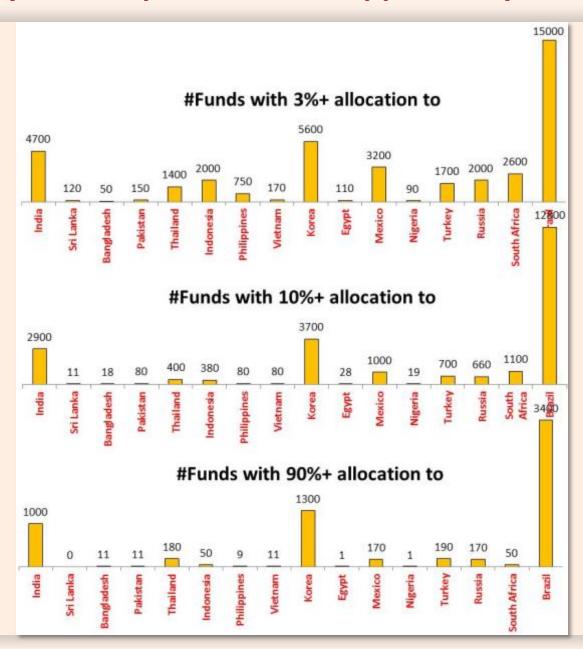
The "Ease of Doing Business" Scale?

The "Competitiveness" Scale?

The "Labour-Skills" Scale? etc etc

But does this necessarily imply better B2P & B2B awareness and contact? Not entirely!

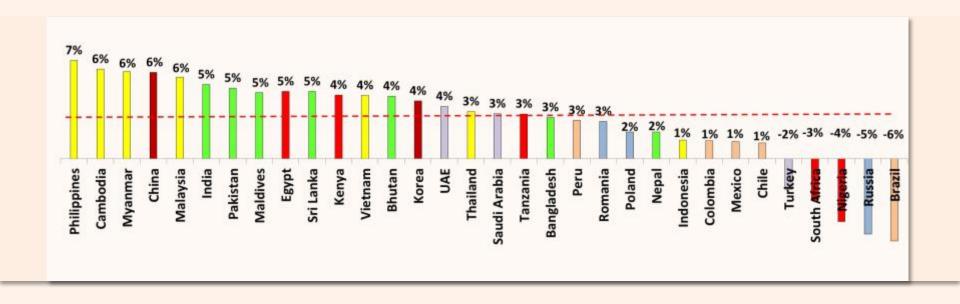
### FPI investors yet to respond to this? Opportunity for migration







### Which countries will grow?



The smallest grow the fastest?