

India @ 75

Compounded Past, Compounded Future

Raamdeo Agrawal

June 2023

Disclaimer



- ❑ All data and exhibits used here are only to support the topic under discussion.
- ❑ This presentation should not be construed as a recommendation for any investment strategy by the Motilal Oswal group companies or its employees and associates.

Insights on compounding

“Compounding is the 8th wonder of the world”

– Albert Einstein

“Understanding both, the power of compounding and the difficulty of getting it is the heart and soul of understanding a lot of things”

– Charlie Munger

“When it comes to compounding, don’t trust your intuition – you have no idea how powerful it is.”

– Manoj Arora

Compounding is not intuitive; Long-term compounding needs imagination.

– Raamdeo Agrawal

Take Warren Buffett's example.

- **His wealth was about \$100,000 at the age of 15.**
- **Currently, at 92, the figure is about \$100 billion.**
- **Thus, he has multiplied his wealth 1 million times over 77 years.**

What is his annualized return?

Countries are about long-term compounding

Rate \ Years	5%	7.5%	10%	13%	15%
5	1.3	1.4	1.6	1.8	2.0
10	1.6	2.1	2.6	3.4	4.0
25	3.4	6.1	11	21	33
50	11	37	117	451	1,084
75	39	227	1,272	9,569	35,673

India

Compounded past, Compounded Future

**Prediction is dangerous,
especially of the future!**

**I have but one lamp by which my feet are guided,
and that is the lamp of experience. I know of no
way to judge the future but by the past.**

— Patrick Henry, American politician

India: 50 to 75

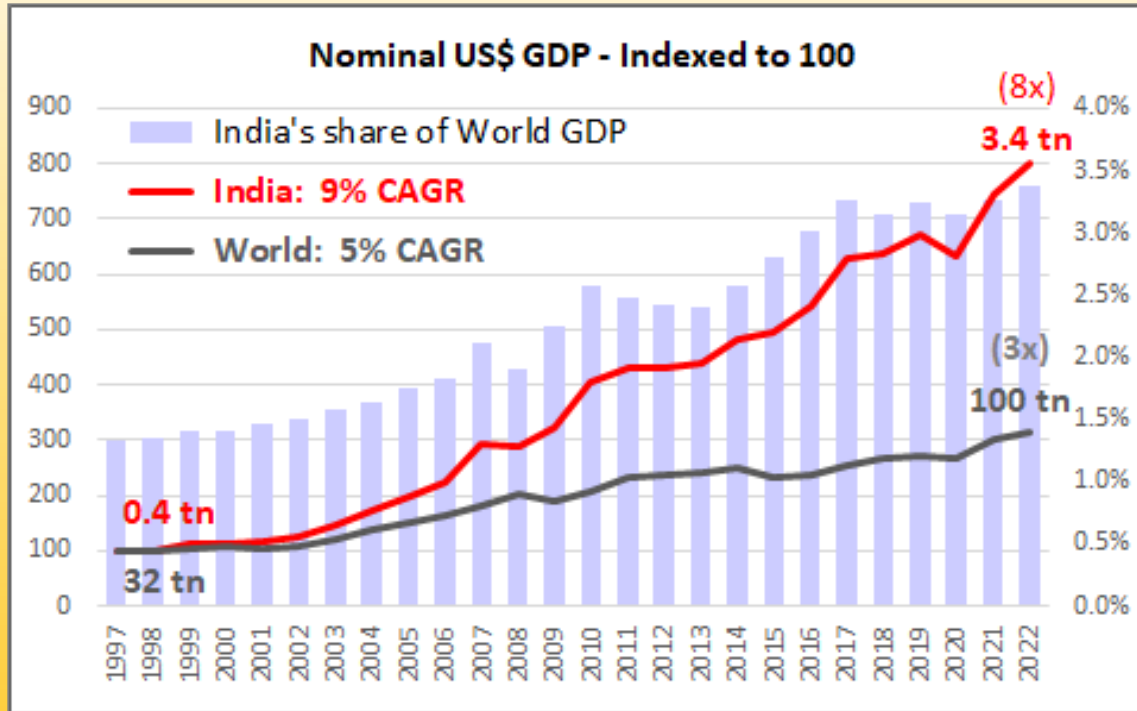
The compounded past 25 years

India is an elephant



- India is massive ...
- ... so, moves slowly
- ... but surely
- ... and wisely!

India's growth: Better than world

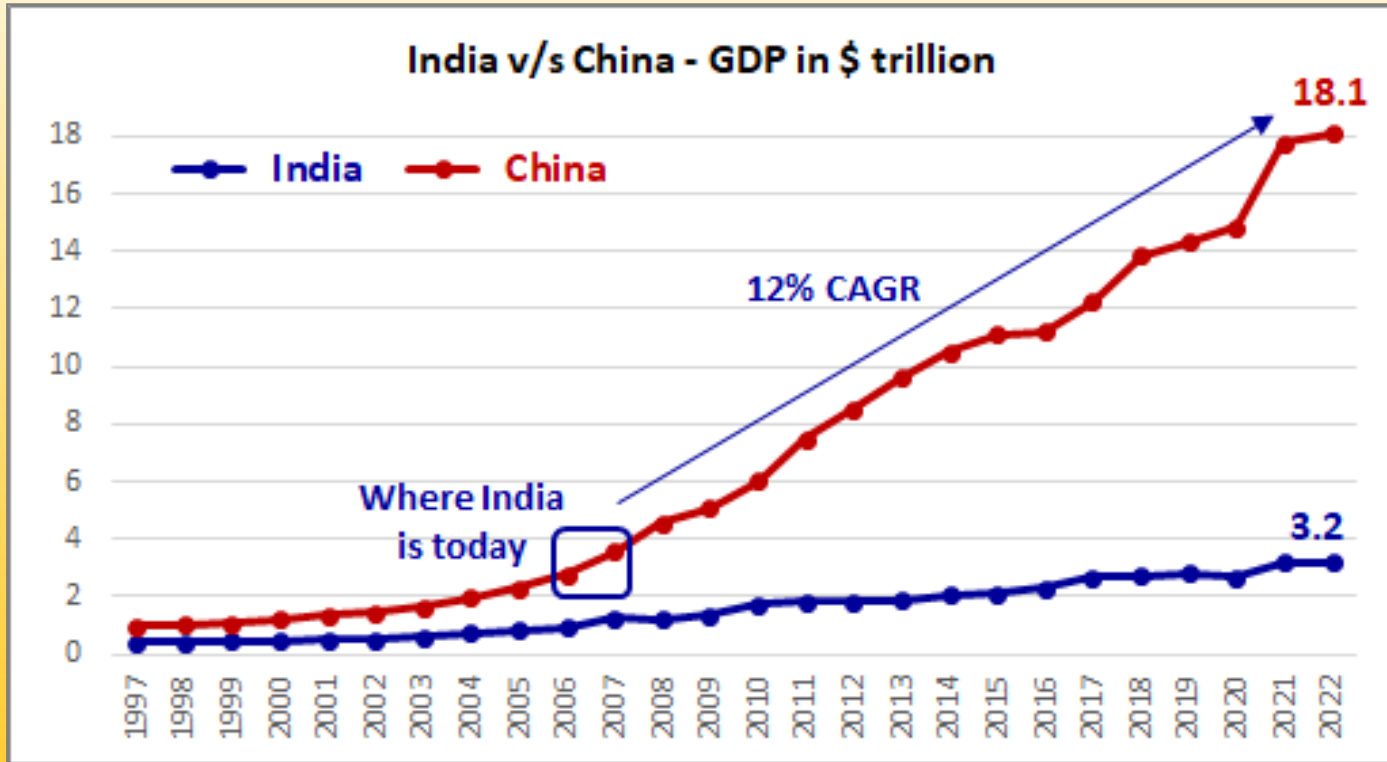


INDIA (FY97 to FY22) –

- Real GDP growth: 6%
- Nominal GDP growth: 13%
- Rupee depreciation: 3%
- Dollar GDP growth: 9%

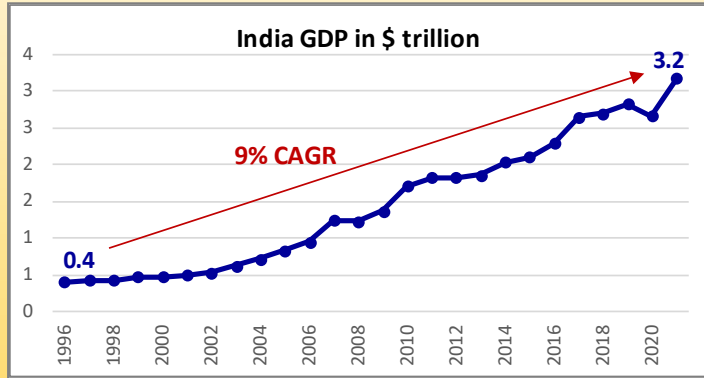
India's share of World GDP has improved from 1.3% in 1997 to 3.4% in 2022

India v/s China: Long growth runway ahead

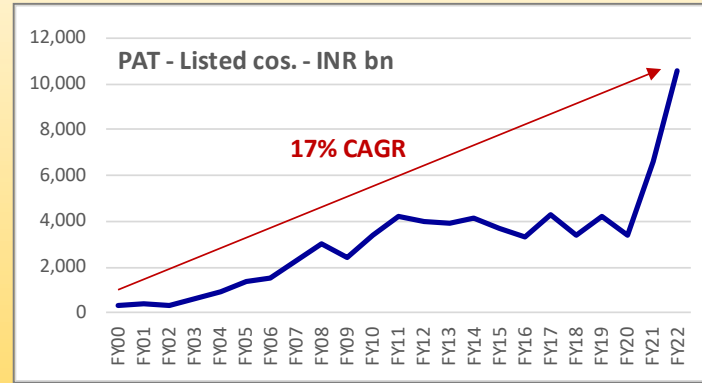


The Compounding Chain

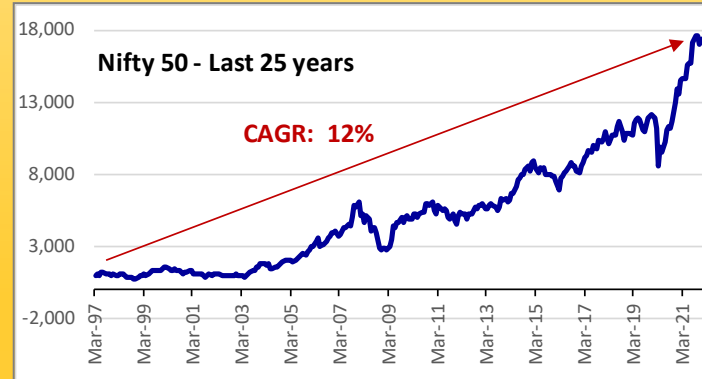
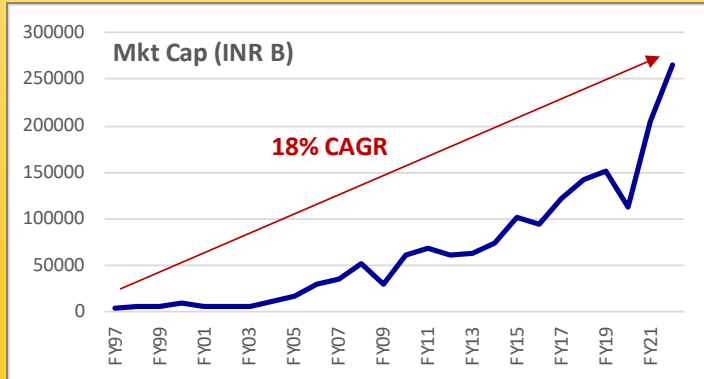
Compounded GDP growth



Compounded Corporate Profit growth



Compounded Wealth Creation



The India Advantage

Multiple Compounding Forces at work

Democracy



- ❑ **India is the largest democracy in the world**
 - Rule of law prevails, but speed of justice needs to improve

- ❑ **Well-established federal structure**
 - Centre-State relations need to improve

One-nation idea



- One unified market
- One PAN
- One GST
- One Aadhaar
- One ration card
- One mobile number
- One bank account

Demography

❑ **Second highest population in the world ...**

- A huge domestic market

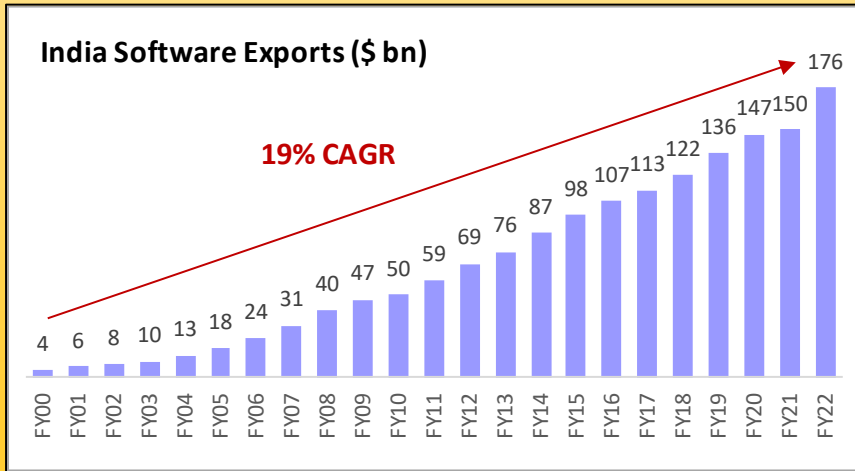
❑ **... dominated by youth**

- 40% below 20, 85% below 50

22% of the incremental global workforce over the next three decades will come from India. *(CII analysis)*

Digitization

- ❑ India's global reputation built on the back of software exports
- ❑ India's domestic digitization – internet and mobile – comparable with the best in the world

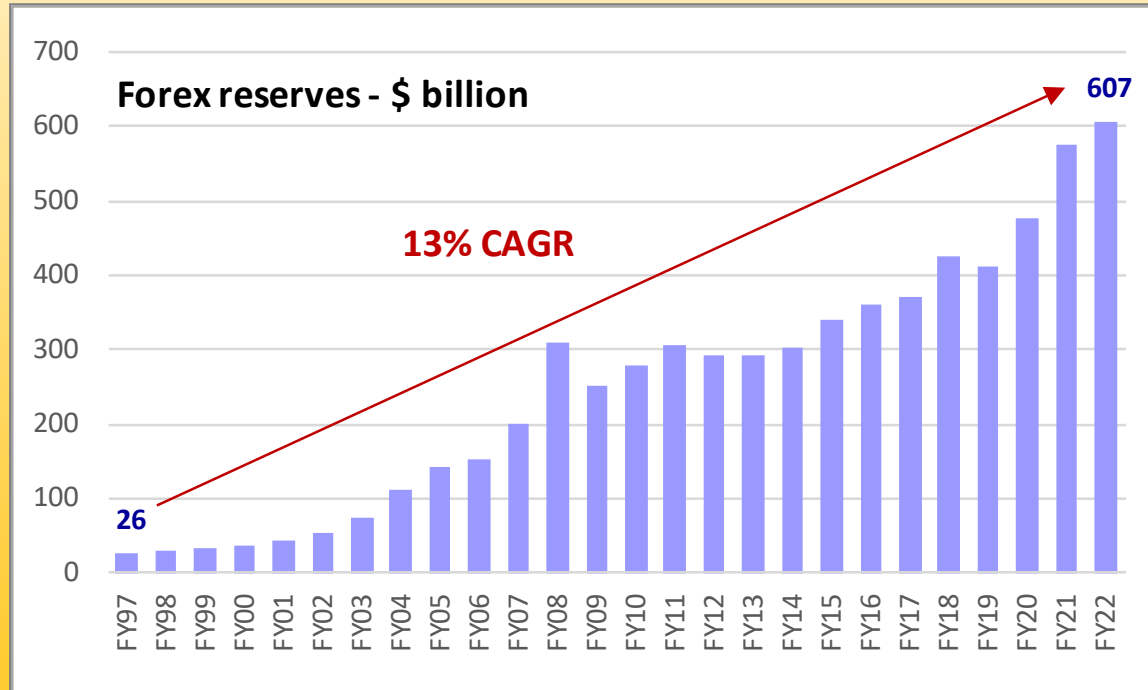


FUN FACTS:

- Over 120 crore telecom subscribers, equal number of mobile phones
- Over 45 crore smart phones
- Over 56 crore internet users, 2nd only to China

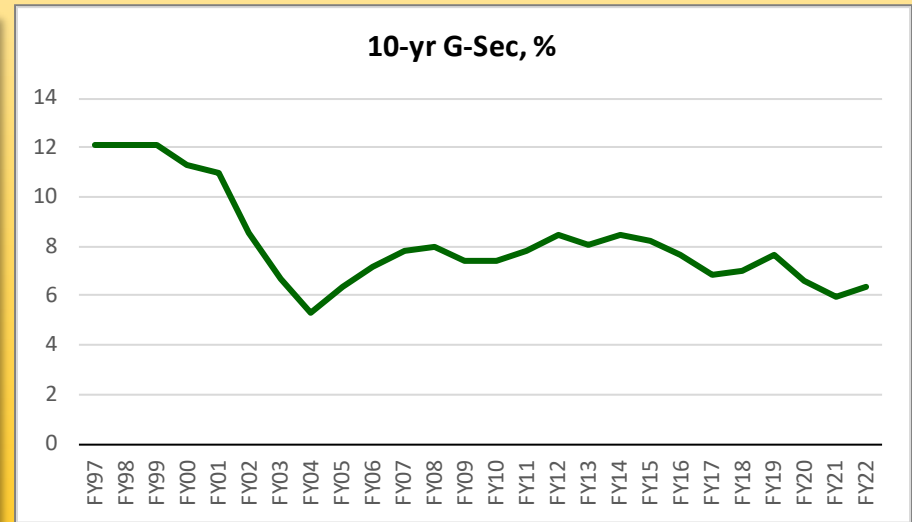
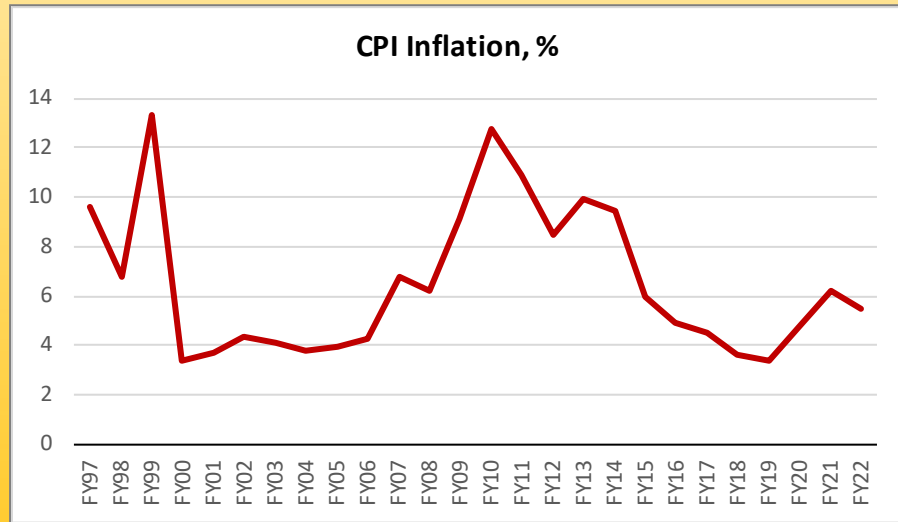
Dollar reserves

Forex reserves from \$26 billion in FY97 to over \$600 billion now



Benign inflation & interest rates

- ❑ Inflation is fairly benign
- ❑ Interest rates in a steady decline over the last 25 years



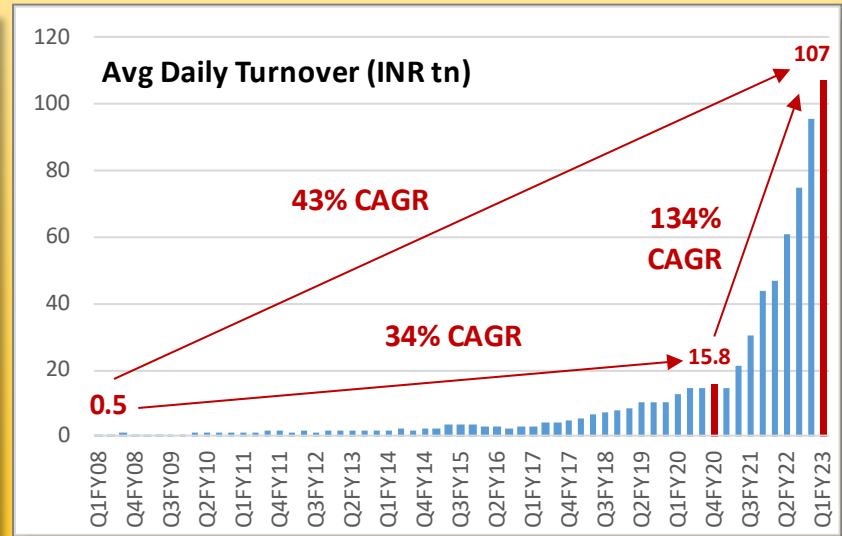
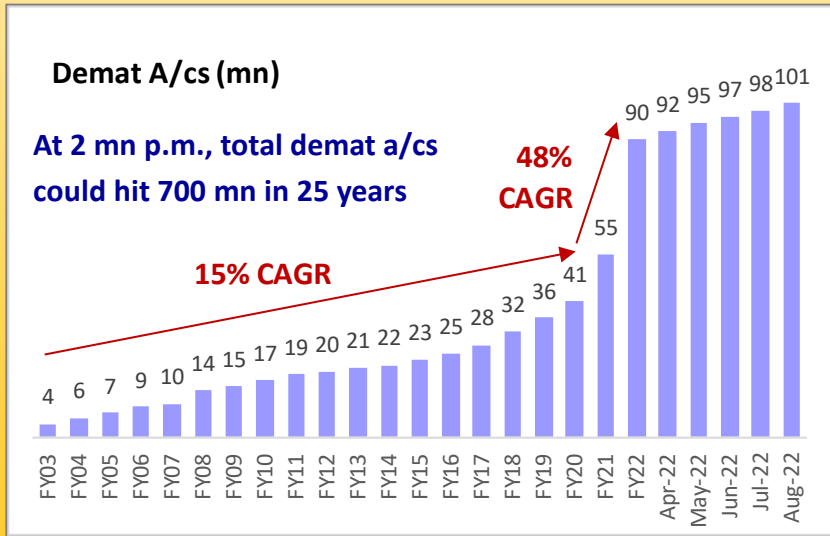
Stable government in place

Expectations from the government

- ❑ **No business to be in business**
- ❑ **Minimum government, maximum governance**
 - All blockades should be cleared
 - Focus should be on creating jobs
- ❑ **Support growth momentum**
 - Accelerated investment in economic & social infrastructure

Changing landscape of Indian capital mkt

- ❑ Retail participation on the rise ...
- ❑ ... reflecting in sharp rise in daily turnover



India: 75 to 100

Let's imagine compounding for next 25 years

India should significantly improve its world standing



\$ trillion	India	World
Current GDP	3.4	100
Next 25-year CAGR	9%	5%
GDP in 25 years	29	339

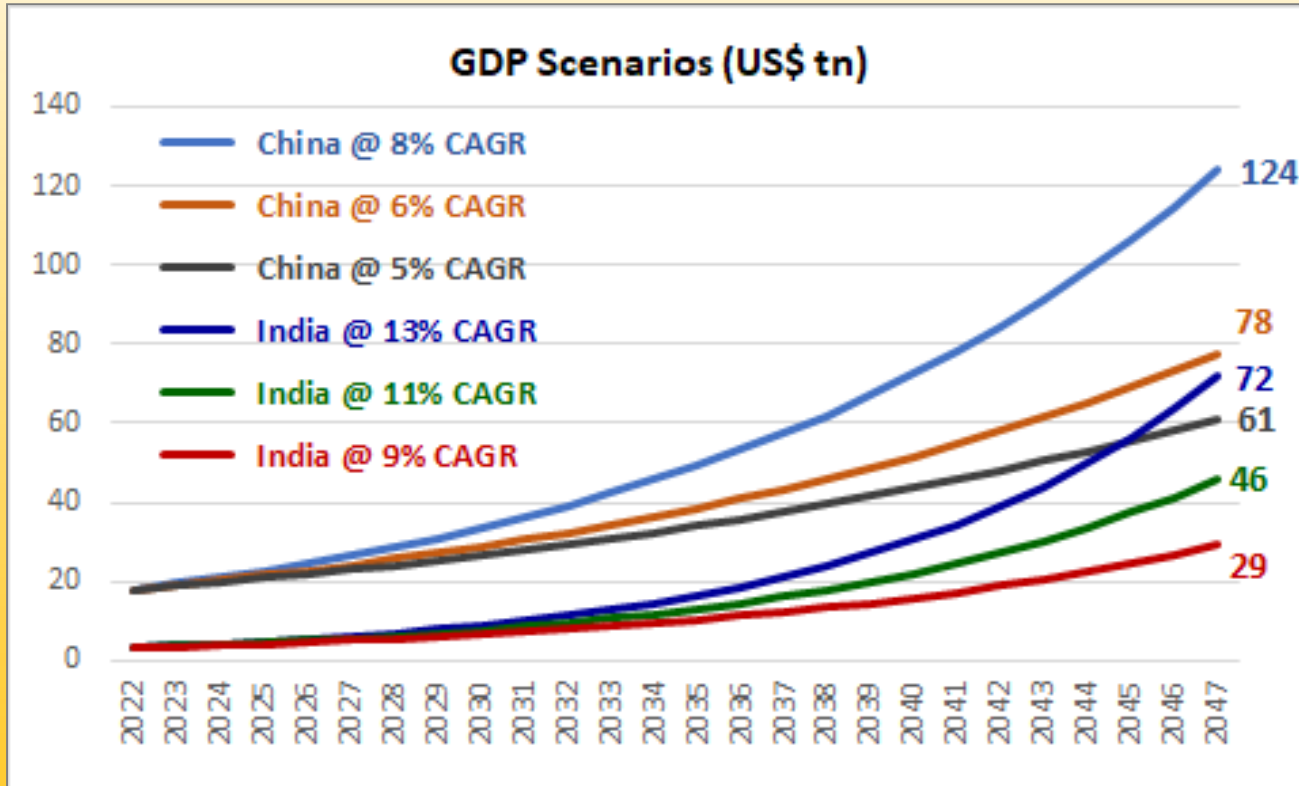
India's share of World GDP

Current	3.4%
India @ 100	8.6%

India should become the 3rd largest country by 2047

\$ tn	2022 GDP	Rank	2022-47 CAGR	2047 GDP	Rank
United States	25.5	1	4%	75.6	2
China	18.1	2	8%	124.0	1
Japan	4.2	3	0%	4.2	6
Germany	4.1	4	2%	7.5	4
India	3.4	5	9%	29.2	3
United Kingdom	3.1	6	3%	6.0	5

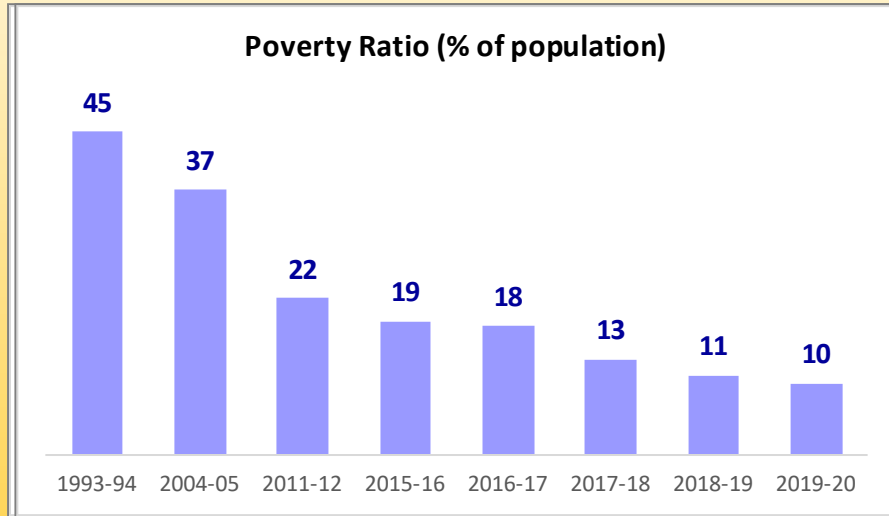
Can India catch up with China?



India to be Advanced Economy in 2047 – What it takes

World per capita GDP in 2047 (USD)	26,225
India's per capita GDP required for Advanced Economy @ 1.5x (USD)	36,715
India's population in 2047 - Current 1.4 bn @ 1.5% CAGR (bn)	2.0
India's required GDP for Advanced Economy (USD tn)	74.6
India's current GDP (USD tn)	3.4
Required GDP CAGR for Advanced Economy	13%

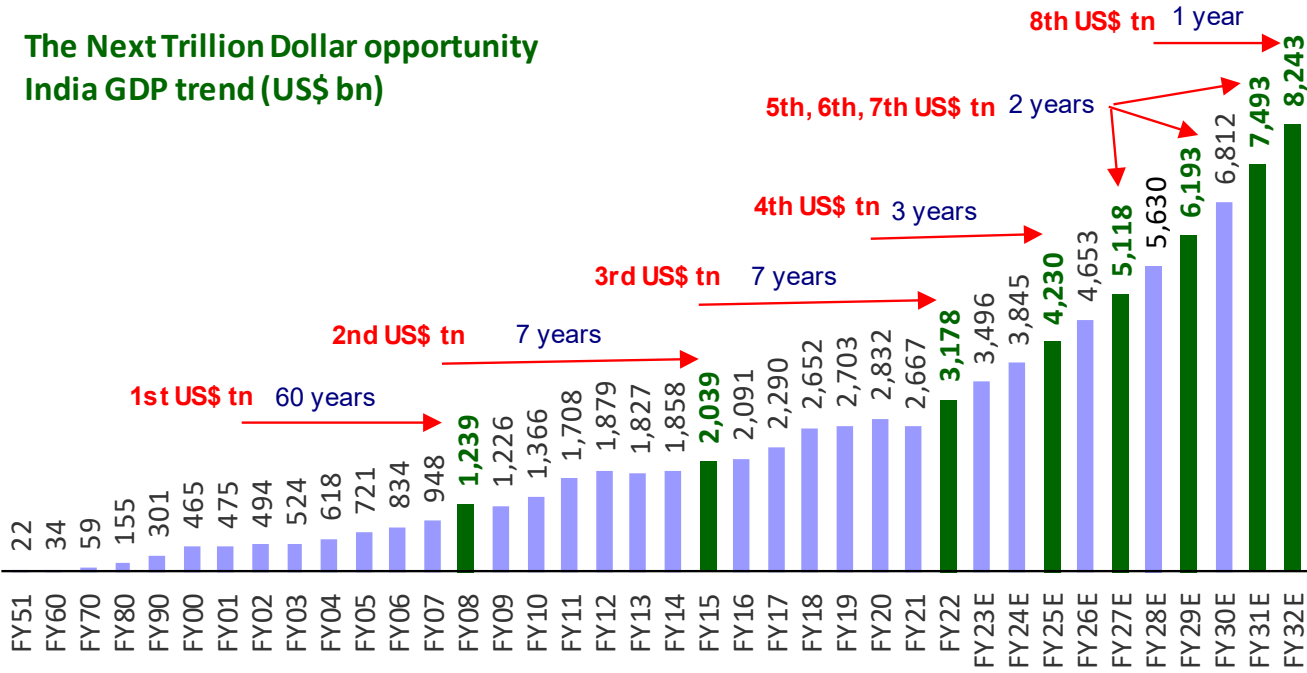
India will zoom from poverty to prosperity



Per capita GDP, \$	India	World	India as % of World
Current	2,379	12,525	19%
25-year CAGR	7%	3%	
India @ 100	13,529	28,893	47%

India is the ultimate NTD story

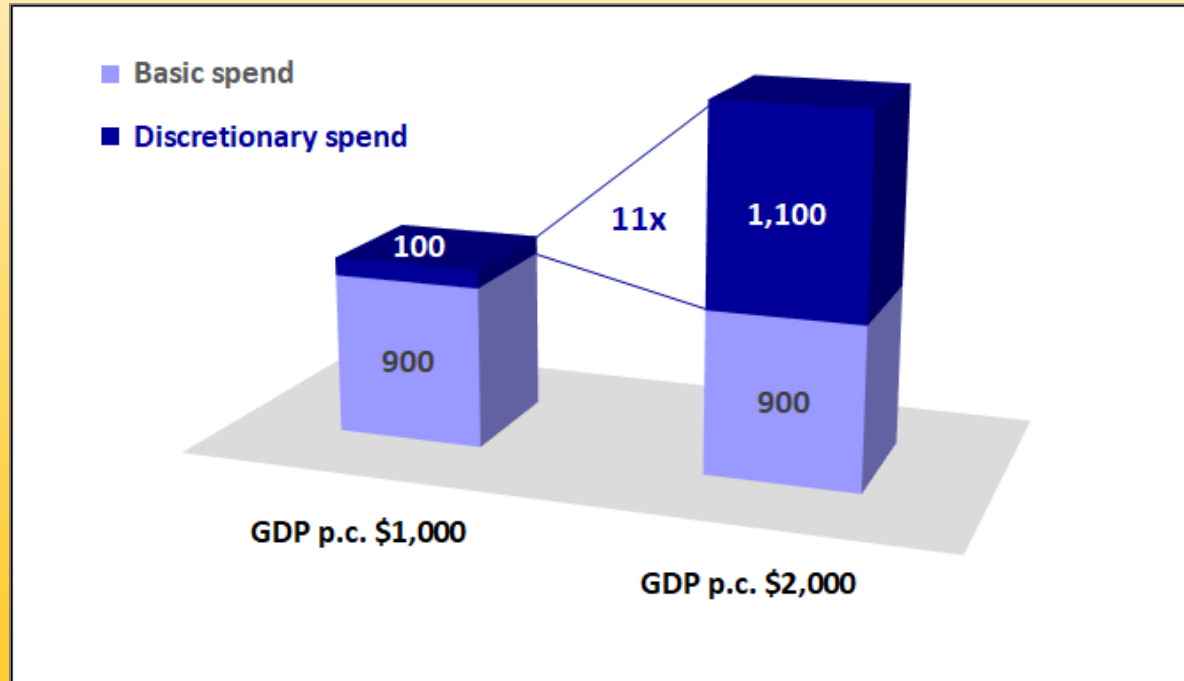
The Next Trillion Dollar opportunity
India GDP trend (US\$ bn)



- 60 years for first trillion dollar of GDP
- Every NTD (next trillion dollar) in successively few years

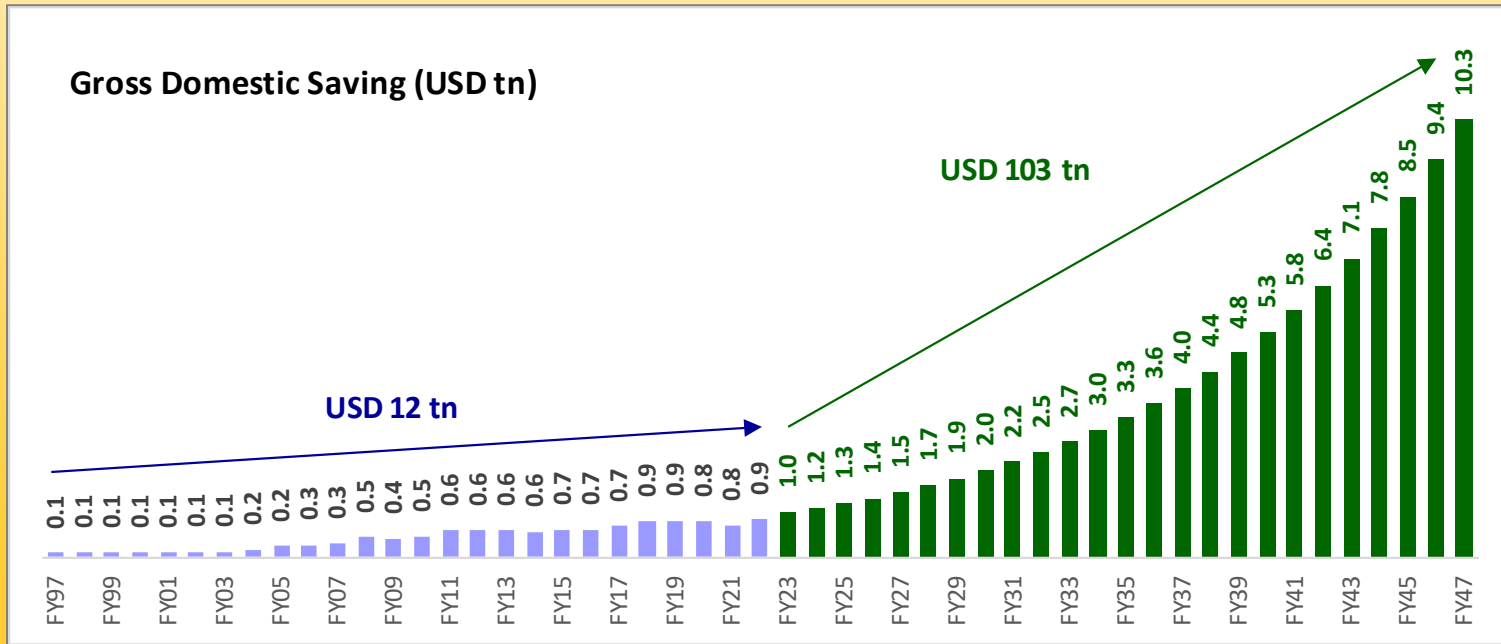
Linear growth, exponential opportunity – Consumption

- Doubling of per capita GDP implies exponential opportunity in discretionary

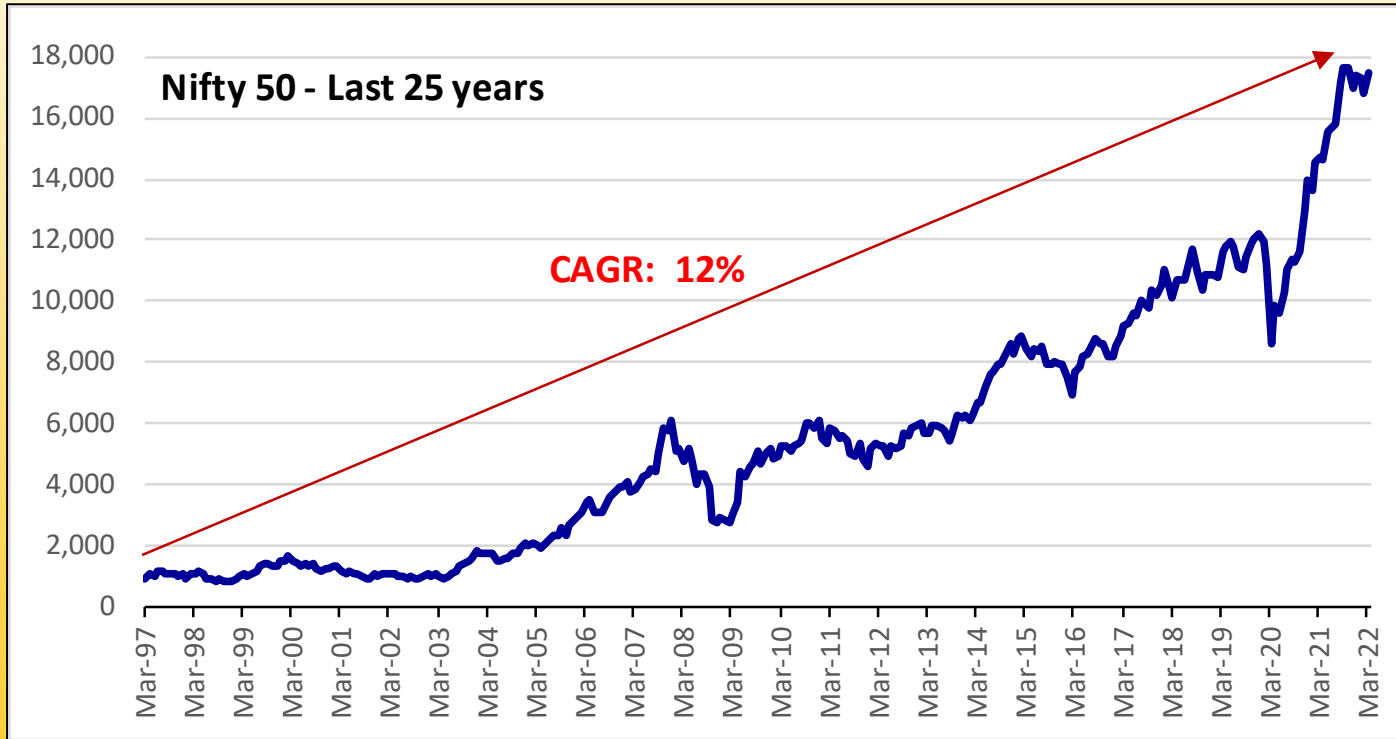


Linear growth, exponential opportunity – Savings & Investments

- USD 103 tn of savings over next 25 years vs USD 12 tn in past 25 years
- Massive opportunity for BFSI, Real estate, Capital goods, Construction



Market base rate is 12%



Nifty range

Nifty	25-year return CAGR		
	Pessimistic <i>10%</i>	Base rate <i>12%</i>	Optimistic <i>15%</i>
Current	18,000	18,000	18,000
India @ 100	1,95,000	3,06,000	5,93,000

What can merely delay – not derail – the India story

- **Inflation risk**
leading to global monetary tightening
- **Global shocks**
e.g. Global financial crisis, geopolitical risks
- **Black Swans**
i.e. unpredictable events like Covid
- **Political risk**
e.g. coming into office of a loosely cobbled alliance

Powerful mantra for Wealth Creation



To make money in stocks you must have –

- the Vision to see
- the Courage to buy &
- the Patience to hold.

Patience is the rarest of the three.

– Thomas Phelps in *100 to 1 In The Stock Market*

Conclusion: Watch out for India @ 100

- ❑ **Compounding is not intuitive**
 - Long-term compounding needs imagination

- ❑ **India has a solid compounded past**
 - Compounded GDP, compounded corporate profit, compounded wealth creation

- ❑ **India is rapidly moving from poverty to prosperity**
 - Per capita GDP could rise from \$2,300 to \$19,300 in next 25 years

- ❑ **India is the ultimate Next Trillion Dollar story**
 - Exponential opportunity in discretionaries and savings/investment products

- ❑ **Don't bet against India**
 - Be optimistic and patient for compounded wealth creation

Thank You!
&
Happy Wealth Creation!