

Birla Sun Life India Reforms Fund



Birla Sun Life
Mutual Fund

The Power of Reforms

India's economic history can be described in two phases... one before 1991-92 and the other after that.

The year 1991-92 assumes a great importance in the economic history of India. It is the year when India made a very significant turn towards economic reforms... a turn towards liberalization in trade and investments. While it was a compulsion (balance of payment crisis) that made India take this turn, this path has turned out to be very rewarding. It ushered India into a higher growth trajectory by opening a large underpenetrated market and offering a whole new world of opportunities to businessmen teeming with revolutionary ideas and unique entrepreneurship.

While the reforms have been very slow, the results are obvious and striking:

Reforms have helped India move from an average growth rate of 3.9% CAGR from 1950 to 1990 to 6.6% CAGR in the last 2 decades and 8.65% CAGR in last 5 years. In nominal terms, India's GDP has doubled from 2003 to 2008 from US\$ 500 Bn to over US\$ 1 Trn. (Source: RBI)

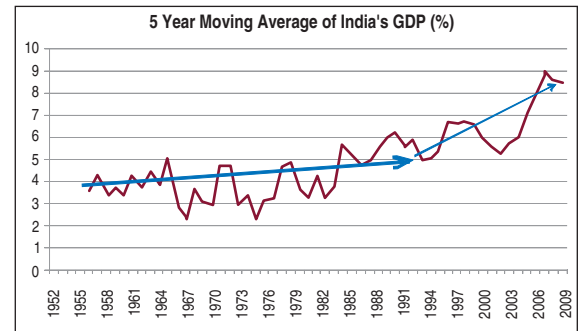
The reform process which started due to a compulsion in 1991 is now the only option. This is reflected in the fact that despite various and dramatic changes in political leaderships over the last 2 decades, the reforms process has been continuous. In fact, in each political party's manifesto, reforms feature as a prime objective.

- Interestingly, the reforms process was initiated by the Congress in 1991 which is now supported by the strongest political mandate (in terms of parliamentary seats) over the last 2 decades. India has achieved an economic transformation over the last few years...
- New roads that can handle more tonnage and reduced travel time thus improving efficiency...
- Addition of 500 Mn wireless phones in last 5 years have dramatically improved efficiency of business, e.g., farmers have better realization of their produce due to better information access... (Source: TRAI)
- Volume of passenger cars sold in India has doubled in 5 years. The same has nearly quadrupled in China in the corresponding period... (Source: SIAM, IIFL)
- Organized retail has grown from nil to 5.5% of total retail sales over the last decade... (Source: KPMG)
- Number of air passengers has tripled since 2000... (Source: DGCA)
- Average age of house owners in the last decade has come down from 38 years to 28 years... (Source: makaan.com)
- GDP per capita is forecasted to grow by 2.5 times from 2000 - 2010... (Source: IIFL)
- Irrigated land to total farm land has gone up from 34% to 46%... (Source: Antique research)
- Urbanization has grown from 26% to 30%... (Source: IIFL)
- Indian companies have gone global and made huge overseas acquisitions...
- India has become a preferred investment destination for overseas investors, e.g., FII and FDI inflow in India this decade has been more than US\$ 200 Bn... (Source: MOSL)
- Pvt sector banks have stimulated competition resulting into higher penetration in banking, Insurance, Mutual funds, & credit cards.
- Interest rates (10 yr G. Sec) have come down from ~ 12% to ~ 8% in the last decade... (Source: RBI)
- Large cap companies (market cap of over INR 100 Bn) have grown from 11 to 92 in the last decade. (Source: MOSL)

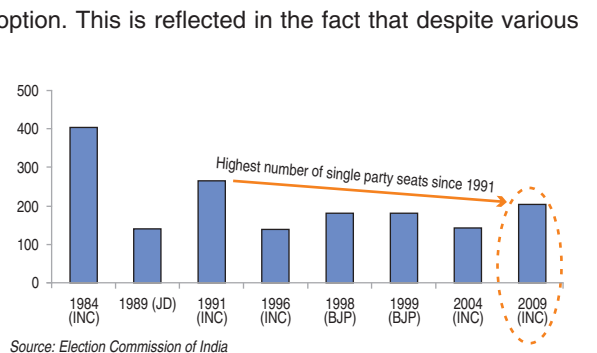
We believe that reforms process in India is irreversible and it is a multi-year process. It implies great growth opportunities for various businesses across sectors, thus creating wealth for companies and enhancing shareholder value.

Reforms Over the years...

Over the last two decades, the reform process has triggered a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructuring of the role of government from being a producer or service provider to a facilitator. Let's reflect on some of the beneficiaries of reforms...



Source: RBI, mapsofindia.com



Source: Election Commission of India

Telecommunication Reforms: Till 1990s, telecommunications services were a Govt. monopoly and a major bottleneck... very long waiting period for connection, extremely poor penetration level and exorbitant costs characterized the telephone communications... In 1999, the New Telecom Policy was introduced, opening up the sector to private participants. The opening up of the sector, large pent up demand and the competition together transformed the India's telecom sector as one of the largest and the fastest growing telecom markets in the world... over the last decade, landline and mobile connections have grown from 15 Mn to 600 Mn... the cost of a Phone call now is lower than the cost of a Post Card, (v/s over 10 times the cost of Post Card earlier)!... India's internet user base has also grown from 3.42 Mn subscribers in 2002, to over 81 Mn in 2009 (Source: <http://www.internetworldstats.com/stats3.htm>). This has led to internet connectivity being made available across the smallest of towns, and led to initiatives like "e-choupal" that have benefitted the farmer community. (See box) There is emergence of new private players in the industry, and market capitalization of Telecom & Telecom equipment companies has soared from a mere 271 Cr in 1991, to over 57,000 Cr in 2000 and currently stands at 210,000 Cr as on March 2010. (Source: *CapitaLine*)



e-Choupal is an initiative from ITC with an efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis. Village internet kiosks managed by farmers themselves, enable the agricultural community access ready information in their local language on the weather & market prices, disseminate knowledge on scientific farm practices & risk management, facilitate the sale of farm inputs and purchase farm produce from the farmers' doorsteps. Real-time information and customized knowledge provided by 'e-Choupal' enhance the ability of farmers to take decisions and align their farm output with market demand and secure quality & productivity. As a direct marketing channel, 'e-Choupal' eliminates wasteful intermediation and multiple handling thereby significantly reducing transaction costs. This is of great value and empowerment to otherwise poor, uneducated and highly vulnerable farmers in India. Launched in June 2000, 'e-Choupal', has already become the largest initiative among all Internet-based interventions in rural India. 'e-Choupal' services today reach out to over 4 million farmers growing a range of crops in over 40,000 villages through 6500 kiosks across ten states. (Source: www.e-choupal.com)

Roads: The implementation of the National Highway Development Program (NHDP), the Golden Quadrilateral, EW-NS (East – West, North – South) corridor will add 34,800 kms of highways, of which about 36.8% is completed so far, and 18% is under implementation while another 45% is yet to be awarded. The improved connectivity has continued to benefit various sectors directly or indirectly.

One such example is the Commercial Vehicles segment which has benefitted in the form of increased demand for larger trucks, as better roads facilitated faster movement of heavy goods across key cities and led to significant reduction in travel time and overall transportation costs like number of vehicles, fuel, maintenance, people etc. This in turn benefits much faster turnaround of goods and services at a lower cost.

Moreover, the building of new roads opens up several growth opportunities for businesses like road contractor, equipment manufacturer and cement and steel producers. Last and the most important... it enhances employment opportunities directly or indirectly through the above mentioned businesses, stimulating a virtuous cycle of consumption, production and need for even better infrastructure.

Power: Reforms in the Power sector began way back in 1991 with 100% FDI allowed in power generation, a 5 year Tax holiday and assured returns on investment by the Government. This was followed by various other reforms in the sector which included opening up of Transmission & Distribution segments to private players, etc. Programs like Accelerated Power Development and Reforms Programme (APDRP) were launched which were aimed at improving efficiencies in the Transmission & Distribution segments. This was followed by the Electricity Act 2003 which permitted license-free thermal generation and allowing access to transmission lines for Independent Power Producers, and introduction of UMPPs for large-scale cost effective production (see box). This has created opportunity for investors to participate in the profits of companies across the value chain, in Power Generation, Transmission & Distribution, and Power equipment companies. From just 2 listed companies and a market cap of a little over 300 Crores in 1991, the sector now comprises of over 20 listed companies with a combined market cap of over 470,000 Crores. (Source: *Capital Line*)

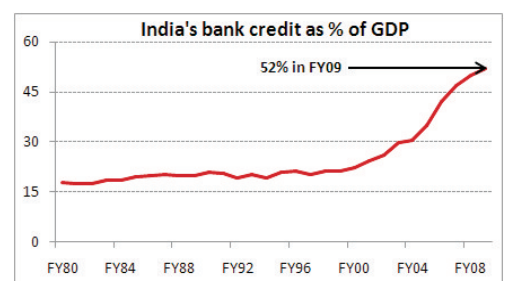
Banking & Financial Service Reforms: The 1991 report of the Narsimham Committee served as the basis for the banking sector reforms. This set of reforms focused on opening up of the economy, giving a greater role to markets in setting prices and allocating resources, and increasing the role of the private sector. In 1993, a guideline for the establishment of private sector banks was issued, which aimed at fostering greater competition. Further, in July '94, Nationalized Banks were allowed to offer up to 49% of their equity to the public to tap the capital market which helped them strengthen their capital base.

Status of the NHDP as on 31st December 2009

	Total Length (in Kms)	Completed	Under Implementation	Balance to be Awarded
GQ	5,846	98.3%	1.7%	0%
NS-FW	7,300	62.8%	26.3%	8.7%
Port Connectivity & others	1,342	84.16%	13.90%	1.9%
NHDP Phase III	12,109	4.82%	26.2%	64.0%
NHDP Phase V	6,500	0.58%	13.6%	84.1%
NHDP Phase VI	1,000	-	-	100%
NHDP Phase VII	700	-	2.7%	97.3%
Total	34,800	36.8%	18.03%	44.7%

(Source: NHAI)

Ultra Mega Power projects (UMPP) are a series of power projects planned by the Government of India, each with a capacity of 4000 megawatts or above and are being awarded to developers on the basis of competitive bidding. Special purpose vehicles have been set up as wholly-owned subsidiaries of the Power Finance Corporation Ltd. (PFC) for each of the UMPPs. These SPVs will be responsible for facilitating various activities such as Preparation of project report, Land acquisition, Allocation of fuel linkages/coal blocks, Allocation of water by the state Govt., etc. Due to the huge size of these power plants, the cost of the electricity would be lower due to the economies of scale. The cost of generation per unit is estimated at under Rs. 2.00. India is estimated to add 62,374 MW of electricity generation capacity in the Eleventh 5-year plan ending March 31, 2012 with a bulk of the contribution coming from these UMPPs. (Source: PFC)



Source: RBI

In Oct '94 lending rate controls were removed and banks shifted to Prime Lending Rate (PLR) guidelines. Gradually, liberalization for the rates of all term deposits was brought in and the minimum maturity was subsequently lowered from two years to 15 days in 1998. FDI limit in Pvt. Banks was also raised to 74% which allowed many Foreign Banks to set shop in India and bring in their expertise in terms of superior work processes. This led to increased credit offtake and Bank credit as a % of GDP saw a rapid & sustained increase from around 20% in 1991 - 96 to ~ 52% in FY 09. Entry of new private banks like HDFC Bank, ICICI Bank and UTI Bank (now AXIS Bank) has changed the face of the Banking industry in India over the last decade. This has led to increased competition and PSU banks have also started providing better services leading to greater penetration and inclusive growth. An efficient operation has also helped banks reduce the breakeven period for a new Branch from about 3 years to approximately 1.5 years (Source: SBI) thereby enhancing profitability of PSU banks which has helped create shareholders' wealth and reflected in their valuations over the last few years.

Tax reforms (VAT / GST): States have multiple tax laws, rules and administration procedures. An assessee with pan-India operations has to deal with 32 tax laws at the province level, along with various other taxes levied by the central government and local authorities. To address some of these issues mentioned above, state VAT was introduced w.e.f. April 01, 2005, and CST rate was gradually reduced to 2% from 4%. VAT's objective was to switch from cascading type of sales taxes to taxes based on input tax credit as well as adoption of fewer tax slabs. VAT implementation has resulted in simplification of the tax system and better tax compliance, which, in turn, has contributed to significant increase in tax revenues. The Centre's Tax- GDP ratio has increased to 11.5 per cent in 2008-09 from a low of 9.2 per cent in 2003-04. However, it is still much lower than USA and China which are at 18% of GDP. (Source: BSLAMC Research)

The migration to the GST framework in Canada has resulted in an increase in potential GDP by 1.4% and in New Zealand it generated 45% higher revenues, primarily on account of improved compliance. (Source: Internal Analysis)

To further simplify the system and tax structure, it has been proposed to move towards a nationwide VAT, known as the goods and service tax (GST). GST will be a destination-based tax on consumption of goods and services with an input credit mechanism across the value chain. It will include most indirect taxes (currently levied on both goods and services) under a single umbrella. The impact of harmonized taxes across the nation, negligible cascading impact and removal of inter-state tax barriers could yield significant dividends for the economy in terms of increased output and productivity, and also contribute significantly to the national income and GDP. This will result in higher tax compliance and ultimately lower effective tax rates.

Apart from the reforms carried out at the Centre, there are reforms being enacted at the State level, that add to the overall reform program. One such shining example is Bihar, which had turned itself around from being a laggard to one of the fastest growing states of the country in 2009. (See Box below)

Bihar: India's Miracle Economy

It may surprise many that economically backward Bihar emerged as one of the fastest growing states in the country. Bihar Chief Minister Nitish Kumar said that sweeping economic reforms undertaken by his government and increased agricultural production have enabled the state to achieve a growth rate of 11.03 per cent during the 5-year period between 2004-05 and 2008-09. It may be difficult to pinpoint all the benefits and carry out attribution of what a policy reform has achieved. It is largely because the reform has a domino effect.

- ✓ The substantial increase in plan expenditure in the last four years has been the main factor for Bihar's turnaround. For 14 years (1990-2004), the total plan expenditure was only Rs 25,000 Crore. On the other hand, they have spent Rs 51,000 Crore in the last four years including Rs 16,000 Crore allocated for 2009-10. Three Lakh jobs have been created in the government sector, including the appointment of 2.12 Lakh teachers.
- ✓ Investors were scared of coming to Bihar due to the poor law and order situation. That is now a thing of the past. Due to the improved law and order situation there has been a 377% increase in tourist footfalls between 2006 and 2008.
- ✓ There is a lot of construction in the state due to which Bihar's consumption of cement saw a 28% hike for the quarter starting April '09, while the national average was 9%.
- ✓ The transport industry has grown by 36% and the sale of trucks has grown by 150%. The total number of mobile connections has grown from 47 Lakh in March 2007 to 2.06 Crore now.

All these indicate how growth is happening in Bihar. The achievement has proved beyond doubt that good governance could work miracles even for a backward state like Bihar.

(Source: Outlook India, Rediff.com)

2010: Challenges ahead...

As per a recent report on Global Competitiveness by the World Economic Forum, the single largest detrimental factor for doing business in India is inadequate supply of infrastructure (24.6%).

Bureaucracy (14%) & corruption (11%) are also another major problem area cited. Other significant factors include access to financing options (9.8%), Tax rates (4%), and inadequately educated workforce (2.6%).

While our capital markets have grown by leaps and bounds in the last decade, we still remain far behind our western counterparts and even our relatively developed Asian peers.

There is a clear need for infrastructure & social development that can only be carried out by effective implementation of the reforms agenda. Here's a quick comparison between India & China, which shows India's current infrastructure capacity in Power, Ports, Highways or No. of Airports is lagging far behind China. In fact, some of the estimates for India in 2025 are much lesser than China's existing capacity.

On the other hand, a large and ever-growing population, increasing urbanization, and increasing per capita income has led to increased demand and pressure on limited infrastructure and resources. This has necessitated a need for reforms and increased Government spending, for providing the necessary resources.

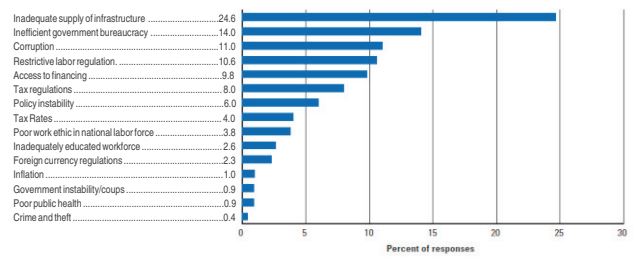
As we embark on the journey to bridge this gap, which is a need rather than a choice, for India to achieve its true economic potential, there will be a large number of companies that will benefit from the government's significant outlay.

The way ahead

Here are some key areas which are seeing such progressive measures currently being taken by the Government across various sectors, and their likely impact.

Sectors	Reforms	Likely Impact
Banking & Financial Services	Additional banking licenses to private sector players. Non Banking Financial Companies would also be considered, if they meet the RBI's eligibility criteria.	Extended geographic coverage of banks and improved access to banking services. It would also provide other eligible players in the financial services sector an opportunity to enter the Banking space.
	Allowing greater participation by foreign banks	Aims to encourage greater foreign bank participation by removing restrictions on M&A, branch opening and ability to tap capital markets. It can result in increased competition and efficiency of banks; consolidation can also result in eradication of small inefficient players.
	Higher FDI limits in Insurance	An opportunity to expand the insurance market and improve penetration. The increased presence of international insurers will be a vital element which can provide additional capital and relieve Indian insurers of partial or entire risks that are too large for their own capital base. Furthermore, an international insurer can bring in innovative products and international experience to cover small and medium-sized risks.
	Setup of an apex-level Financial Stability and Development Council	Strengthen and institutionalize the mechanism for maintaining financial stability by monitoring macro prudential supervision of the economy, including the functioning of large financial conglomerates, and address inter-regulatory coordination issues. Can create opportunity for new & innovative product categories to be developed which can benefit investors but are currently not possible due to different regulations covering different product categories.

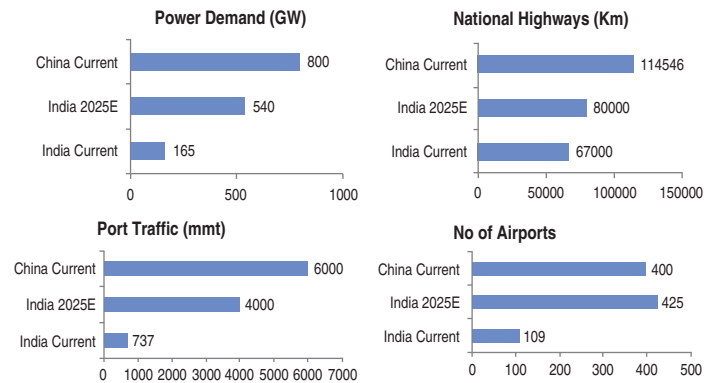
The most problematic factors for doing business



Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country/economy and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

Source: Global Competitiveness Report 2009-10, World Economic Forum

India - Lot to catch up against China



Source: UBS India Strategy Report, 2009

Sectors	Reforms	Likely Impact
Physical Infrastructure	Increased investments in infrastructure projects like roads, ports, airports, irrigation, urban infrastructure etc. from INR 21 Trn in XI plan (FY 08 – 12) to INR 62 Trn between FY10 & FY20	Benefit to companies in Construction sector who would execute these contracts, alongwith equipment manufacturers and other product / service providers.
	Building Roads through various programs like NHDP, RGGSY, etc.	Better connectivity leading to better development of Tier II & Tier III Cities, reduced transportation costs and improved economic activity.
	Allow Real Estate Mutual Funds (REMF) in India	Proposes retail and small investor participation in the sector to improve liquidity and funds flow to real estate companies and projects
Power	Initiated various schemes like Accelerated Power Development and Reforms Program (APDRP), Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) with budgetary allocation in excess of Rs. 9,000 Crores	An opportunity for players across the value chain like Power generation, transmission & distribution and power equipment companies to expand their operation and benefit from these spends. Availability of Power to address the shortage which is acting as an impediment to industry growth
	Include lending to power projects under priority sector lending	Helps lower the cost of financing and ensures easier access to funds for the sector, resulting in more private participation which will help reduce the demand supply gap
Education	Increased expenditure on school education by Rs. 4200 Crores. States to have access to another Rs. 3,675 Crores for basic elementary education.	Improved education facilities will help increase literacy rate and boost demand for products & services that are supplied to the sector. This may benefit segments such as manufacturers of Books, stationery, developers of educational content & software, etc.
	Allow 100% FDI in higher education	Increase in foreign capital flow into India's education infrastructure. To result in establishment of high quality educational institutions and play a significant role in reducing the demand-supply gap in higher education. This may also prevent "Brain Drain" and foreign currency outflow to some extent.
	Right to Education Act	The enforcement of this act is set to give an opportunity to 1 Crore children who do not have an access to primary education currently. This will offer a huge opportunity for various service providers like tutorials, stationery, education software, construction activities etc. The size of this market is pegged at US \$ 40 Bn by 2012. (Source: CLSA research)
PSU Divestment	Plans to divest Rs. 40,000 Crores in 2010-11	The increased free float of PSU companies will lead to greater investor participation and hence better price discovery. It will also help the government to lower the fiscal deficit Increased accountability for PSU companies as they will need to balance the Governments' social objective along with meeting the Shareholders objective of maximizing profitability.
Oil & Gas	Decontrol of Petroleum Product Prices	Proposes to allow OMCs to sell petroleum products at market-determined prices, resulting in reduction of losses. Subsequently, subsidy burden will also come down, a much desired situation which will help improve the Government's fiscal situation.
	New Tariff Mechanism for Natural Gas Pipelines	New and more standardized tariff mechanism for gas pipelines across the country.
	Hike in the Administered Price Mechanism (APM) price of Natural Gas	Reduce losses of state-owned oil & gas firms and encourage more investment in the sector
	Development of Natural Gas Pipelines and City or Local Natural Gas Distribution Networks facilitating the evolvement of a nation-wide gas grid	To enhance competition and produce a more competitive and efficient industry structure. To benefit domestic pipe and metal companies.

Sectors	Reforms	Likely Impact
Tax Reforms	Implementation of Goods & Services Tax (GST)	The implementation of Direct tax Code & GST is expected to scrap the multiple-tax regime and bring them under a single umbrella. Simplification of the tax system and lower rates would lead to better tax compliance, and contribute to significant increase in tax revenues & containing the spread of Black economy which is currently pegged at Rs. 25,00,000 Crore. This would further lead to reduced Government borrowing, causing a drop in interest rates which is conducive for business environment and growth.
	Implementation of Direct Tax Code (DTC)	
Unique ID Project	Implementation of UID for each of India's ~ 1.2 Bn Citizens	Removal of slippages in PDS. Facilitating direct payout of Fuel subsidies to BPL families in line with recommendations of the Rangarajan committee. This will help reduce the cost incurred by the Government, due to misdirected subsidies, by bringing greater efficiency in the subsidy distribution process. This is a huge project whose implementation will benefit service providers in Software, Hardware, Logistics, Networking, Printing, Database management, etc. and help these companies create shareholder wealth.
Fertilizer Sector	Nutrient Based subsidy policy for the fertilizer sector	Direct subsidy transfer to farmers will simplify the subsidy sharing process Free pricing to help benefit cost efficient producers and help long term financial stability of Fertilizer companies.
Retail	Relax the FDI limits in single & multi-brand retail	Increase in foreign direct investment, more competition in retail segment, and direct generation of employment. To be beneficial to end consumers and help domestic organized retail participants expand.
Telecom	Intra-circle M&A in telecom sector	Allow greater consolidation in the telecom sector, an opportunity to reduce the competitive intensity in the sector, thus helping returns for all operators. It is expected to eradicate small, inefficient players and ultimately lead to a more efficient use of spectrum.

(Source: Credit Suisse, Gov Budget Releases, Internal Analysis)

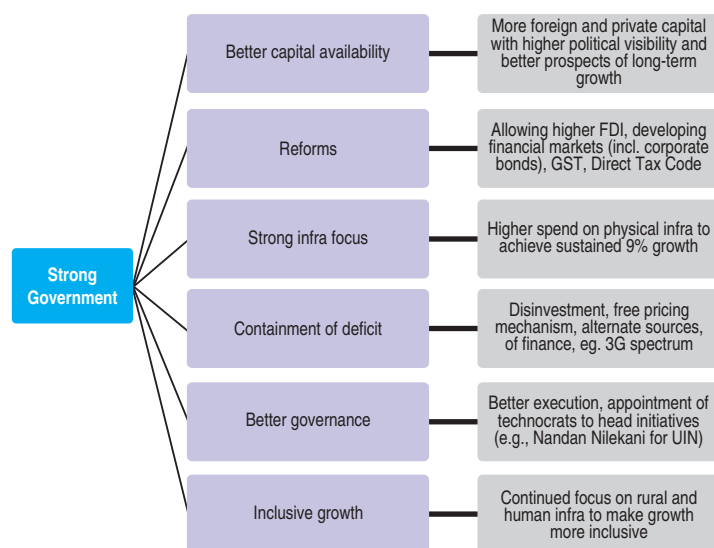
Why Birla Sun Life India Reforms Fund?

SECULAR LONG-TERM THEME - For an emerging economy like India, macro-economic reforms across sectors need to be carried out to sustain overall growth momentum. We believe that reform agenda is secular in nature and would continue for foreseeable long period of time. This belief rests on the fact that government policy evolution is an ongoing process. Even in developed countries policy changes and reforms are being carried out even today, e.g. the US has undertaken to completely reform their current Healthcare sector.

Birla Sun Life India Reforms Fund intends to generate growth and capital appreciation by building a portfolio of companies that are expected to benefit from the economic reforms, PSU divestment and increased government spending.

Why now?

CONDUCTIVE ENVIRONMENT - With a clear majority and the highest number of single party seats since 1991, the current Government is in a better position to execute reforms. While reforms were always on the agenda, they took longer to execute as it was dependent on approval from various allies with diverse interests. However, with a strong pro-reform Government at the center and little dependence on allies, the stage is set for some major reforms to be carried out.



Where & how will it invest?

BUY & HOLD - The scheme intends to follow a buy-and-hold strategy as the stock will be bought on expectations of the reforms, and held until the reform story plays out, unless there is a change in view pertaining to the stock/ sector. Once the reforms are announced, the stocks related to the same would typically rally after the announcement of the reform measures. At this point, various market participants and diversified equity schemes would add these stocks to their portfolio causing the stocks to rally further. The scheme would endeavor to remain invested in such sectors where reforms are expected in order to capture the complete up-cycle - from the announcement of reform measures to the time when the reforms are actually implemented and benefit the respective sectors & stocks.

SECTOR ROTATION STRATEGY

- The Scheme will be invested in multiple sectors at any point in time, which may be at different stages of reform. Once the reforms are carried out & fully executed, the scheme will move to other sectors where the next wave of reforms is expected. Below is a hypothetical example for better understanding of this strategy, resulting in exposure in sectors at different points of time depending on whether reforms were being expected, announced or implemented in those sectors at that time.

Sector	1995	2000	2005	2010	Remarks
Banking	✓	✓	✓	✓	Opening up the sector to Private payers (1994) & Foreign Banks (1997), easing of lending rate controls, opening up Mutual Funds (1994) & Insurance Cos (2000) to the private sector, announced opening up of the banking sector to select large NBFCs and expected raising FDI limit in Insurance to 49%
Telecom	✓	✓	✓	✗	National Telecom Policy 1994, the New Telecom Policy 1999, Opening up of NLD & ILD in 2001-02
Power	✓	✗	✓	✓	100% FDI allowed in Power Generation (1991), Accelerated Power Development and Reforms Programme (2001), The Electricity Act (2003), Rajiv Gandhi Grameen Vidyutikaran Yojana (2005), and implementation of these reforms continues with increased budgetary allocation and allotment of new UMPPs
Oil & Gas	✗	✗	✓	✓	Dismantling of administered price mechanism from 2003 and the expected reform on Oil price deregulation
Education	✗	✗	✗	✓	Significant reforms measures seen only recently with thrust on Govt spending for making education available for all.
Retail	✗	✗	✗	✓	Expected increase in limits for FDI in Retail
Defence	✗	✗	✗	✓	The domestic suppliers in this space expected to benefit from the offset clause where foreign suppliers need to procure from India certain % of their order value received from Indian Govt.
Healthcare	✗	✗	✗	✗	This sector hasn't seen any major reforms yet but would feature on our portfolio when we see some developments in the Healthcare sector

The above table is for illustrative and understanding purposes only and to explain the strategy and shall not be deemed to constitute any portfolio exposure or performance.

INVESTS ACROSS MARKET CAPITALIZATION - The scheme will invest across sectors without any market cap or sectoral bias i.e. a mix of Midcap & Large cap opportunities but will endeavor to maintain sufficient liquidity by investing in fairly liquid stocks and maintaining reasonable diversification in the portfolio.

How is this different from a Diversified Equity or a Sectoral Fund?

CONCENTRATED PLAY WITH FULL PARTICIPATION IN THEME - While any diversified equity fund can also invest in some sectors that benefit from reforms, the Birla Sun Life India Reforms Fund aims to provide a concentrated play on the Reforms theme. The Fund Manager endeavors to actively track the policy related developments across sectors by tracking new proposals, announcements, discussion papers etc. floated by various Governing bodies / Regulators from time to time.

SOME OVERLAP INEVITABLE IN ALL SCHEMES - While an Infrastructure scheme will have some stocks that will overlap with the India Reforms scheme, the same is also true between a Diversified Equity scheme and an Infrastructure scheme. However, there would be some clear distinction in the portfolios as well. E.g. an Infrastructure scheme will not include sectors like Retail, Education, Media, Fertilizer or IT, which can be a part of the reforms theme when the reforms are underway in those sectors. On the other hand, the Infra Sector Fund would include sectors like Cement, Telecom, Hotels, etc. which may not be seeing any major reform.

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Statutory Details: **Constitution:** Birla Sun Life Mutual Fund (BSLMF) has been set up as a Trust under the Indian Trust Act, 1882. **Sponsors:** Aditya Birla Nuvo Limited and Sun Life (India) AMC Investments Inc. [liability restricted to seed corpus of Rs. 1 Lac] **Trustee:** Birla Sun Life Trustee Company Pvt. Ltd. **Investment Manager:** Birla Sun Life Asset Management Company Ltd.

Scheme Classification & Objective: **Birla Sun Life India Reforms Fund:** (An Open ended Equity Scheme) with the investment objective is to generate growth and capital appreciation by building a portfolio of companies that are expected to benefit from the economic reforms, PSU divestment and increased government spending. **Asset Allocation:** Equity and Equity related instruments: 65%-100%, Debt and Money Market Instruments: 0%-35% **Load Structure (Incl SIP):** **Entry Load:** Nil, **Exit Load:** For units Redeemed / Switched out within 1 year from the date of allotment, an exit load of 1% of applicable NAV is payable. For units Redeemed / Switched out after 1 year from the date of allotment, no exit load is payable. **Issue Price:** Rs. 10/- per unit during the NFO period and at Applicable NAV thereafter on an ongoing basis. **Minimum Application Amount:** Minimum of Rs. 5,000/- and in multiples of Re. 1/- thereafter during the NFO and on an ongoing basis. **Minimum Additional Amount:** Minimum of Rs. 1,000/- and in multiples of Re 1/- thereafter on an ongoing basis. **Liquidity:** The Scheme shall re-open for all transactions not later than 30 days from closure of NFO at NAV based prices on all business days.

Risk Factors: **Mutual Funds and securities investments are subject to market risks and there can be no assurance or guarantee that the objectives of the Scheme will be achieved. As with any investment in securities, the NAV of the Units issued under the Scheme may go up or down depending on the various factors and forces affecting capital markets and money markets.** Past performance of the Sponsors / Investment Manager / Mutual Fund does not indicate the future performance of the Scheme and may not necessarily provide a basis of comparison with other investments. **Birla Sun Life India Reforms Fund is only the name of the Scheme and does not in any manner, indicate either the quality of the Scheme or its future prospects or returns.** Unitholders in the scheme are not being offered any guaranteed/assured returns. **Scheme Specific Risk Factors:** The Scheme is required to have at a Portfolio level a minimum number of 20 investors and no single investor shall account for more than 25% of its corpus on an ongoing basis for each calendar quarter. In case of non-fulfilment of any one of the aforesaid criteria, the scheme shall be wound up by following the guidelines prescribed by SEBI and the investor's money would be redeemed at applicable NAV.. Investments in the scheme shall be subject to various risk factors including but not limited to risks associated with: investment in Equity and Equity related instruments such as market risks, sector specific risks, risks due to changes in political and economic environment., investments in derivatives, investments in foreign securities, investments in Fixed Income Securities, investments in Securitised Debt assets, stock lending and borrowing, short selling etc. Please refer to Scheme Information Document for detailed scheme specific risk factors. **Investors should read the Statement of Additional Information / Scheme Information Document / Key Information Memorandum available at Investor Service Centres and with Distributors carefully before investing. Please refer www.birlasunlife.com for further details.**