

Let India's  
every purchase



power your  
portfolio.

## HSBC Consumption Fund

(Thematic - An open ended equity scheme following consumption theme)

## Consumer space is bigger than it seems – its not about FMCG

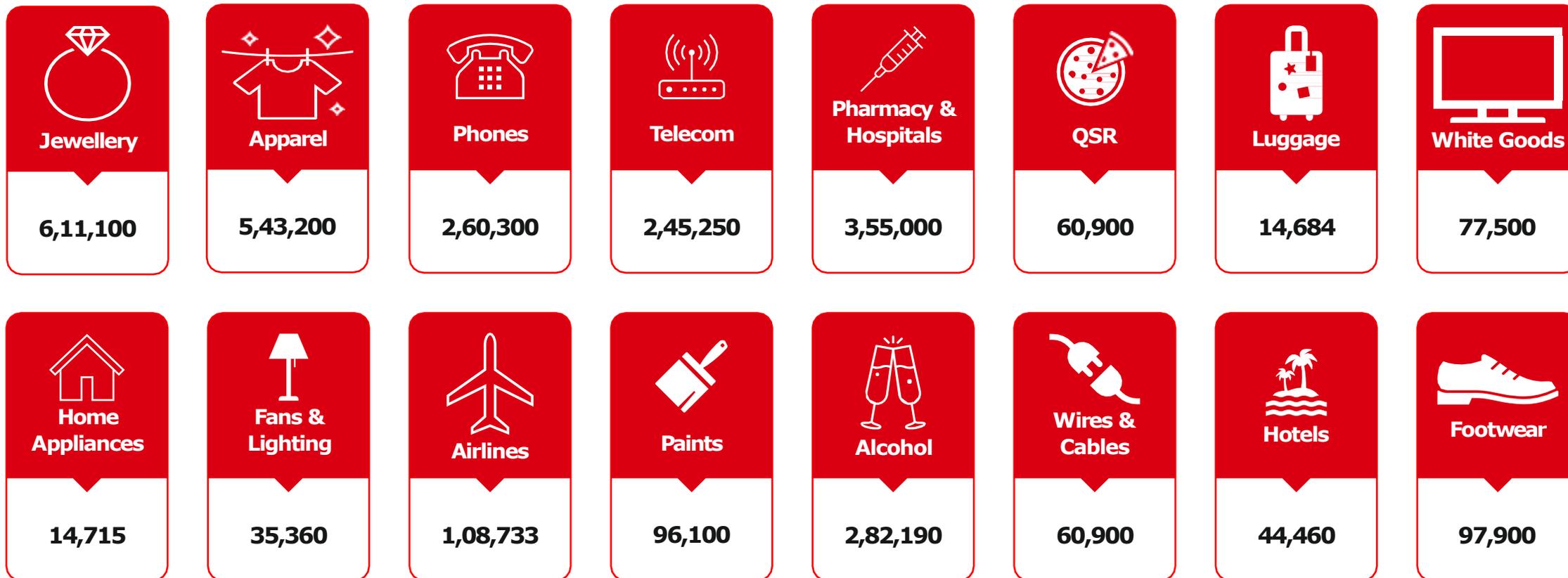
	2013		2018		2023	
	No of companies	M-cap (in crs)	No of companies	M-cap (in crs)	No of companies	M-cap (in crs)
<b>FMCG</b>	<b>16</b>	<b>5,15,224</b>	<b>19</b>	<b>10,76,054</b>	<b>22</b>	<b>22,31,484</b>
<b>QSR</b>	<b>3</b>	<b>9,934</b>	<b>4</b>	<b>27,344</b>	<b>8</b>	<b>77,544</b>
<b>Footwear</b>	<b>4</b>	<b>6,157</b>	<b>5</b>	<b>19,314</b>	<b>8</b>	<b>85,034</b>
<b>Hospitals</b>	<b>3</b>	<b>16,033</b>	<b>7</b>	<b>40,687</b>	<b>14</b>	<b>3,22,402</b>
<b>Apparel</b>	<b>4</b>	<b>6,966</b>	<b>6</b>	<b>40,245</b>	<b>10</b>	<b>2,14,289</b>

### New emerging categories:

- **E-Commerce** – Zomato, Policy Bazaar, Cartrade, Mamaearth
- **Retail** – Electronic mart, Aditya vision, Medplus
- **Stationery** – Doms, Cello, Flair
- **Travel** – Yatra, TBO Tek, Dreamfolks, IRCTC
- **Ethnic snacks** – Bikaji, Gopal snacks
- **EMS** – Dixon, Amber, Kaynes
- **Luxury Retail** – Ethos, Landmark cars, Stanley Furniture

# 30 Lakh crore+ of Consumer Discretionary spending every year

INR Crore



## Brands have grown at least 3x in store count

	Category	Company	Brands	2014	2019	2024	
	Jewellery	Titan	Tanishq	163	287	466	3x
			Caratlane	-	92	262	-
	Apparel	ABFRL	Pantaloons	107	275	446	4x
			Lifestyle - VH, LP, Peter Eng	1659	1980	2696	1.5x
		Page	Jockey	139	620	1390	10x
		Trent	Westside	80	150	227	3x
			Zudio	-	56	460	-
	Footwear	Metro	Metro, Mochi, Crocs	281	504	826	3x
	Grocery	Dmart	Dmart	75	176	341	4.5x
	Durables	Electronics Mart	Electronics Mart	28	59	148	5x
	QSR	Jubilant	Dominos	726	1227	1928	2.7x
		Devyani/Sapphire	KFC/Pizza Hut	597	1035	2385	4x

..... India is at an inflection point

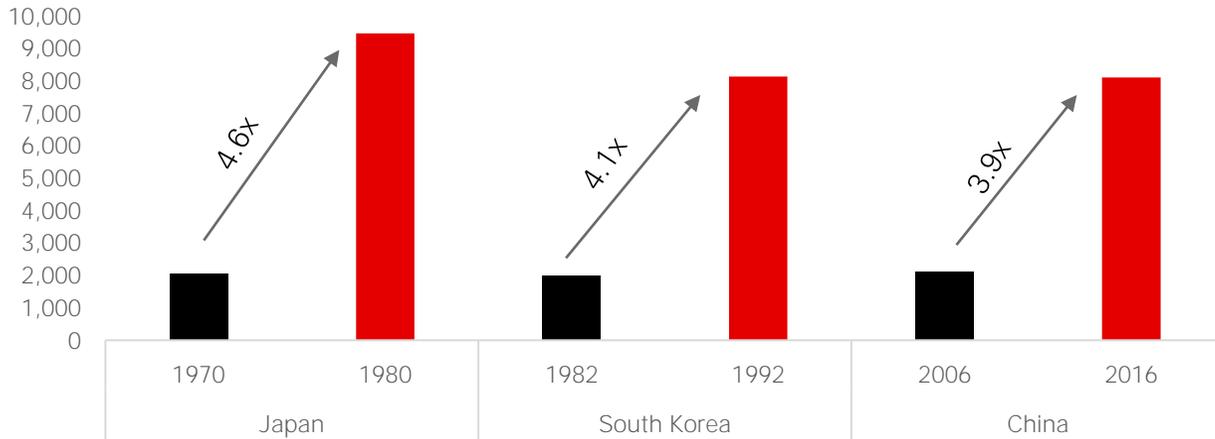
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# India is where China was in 2006

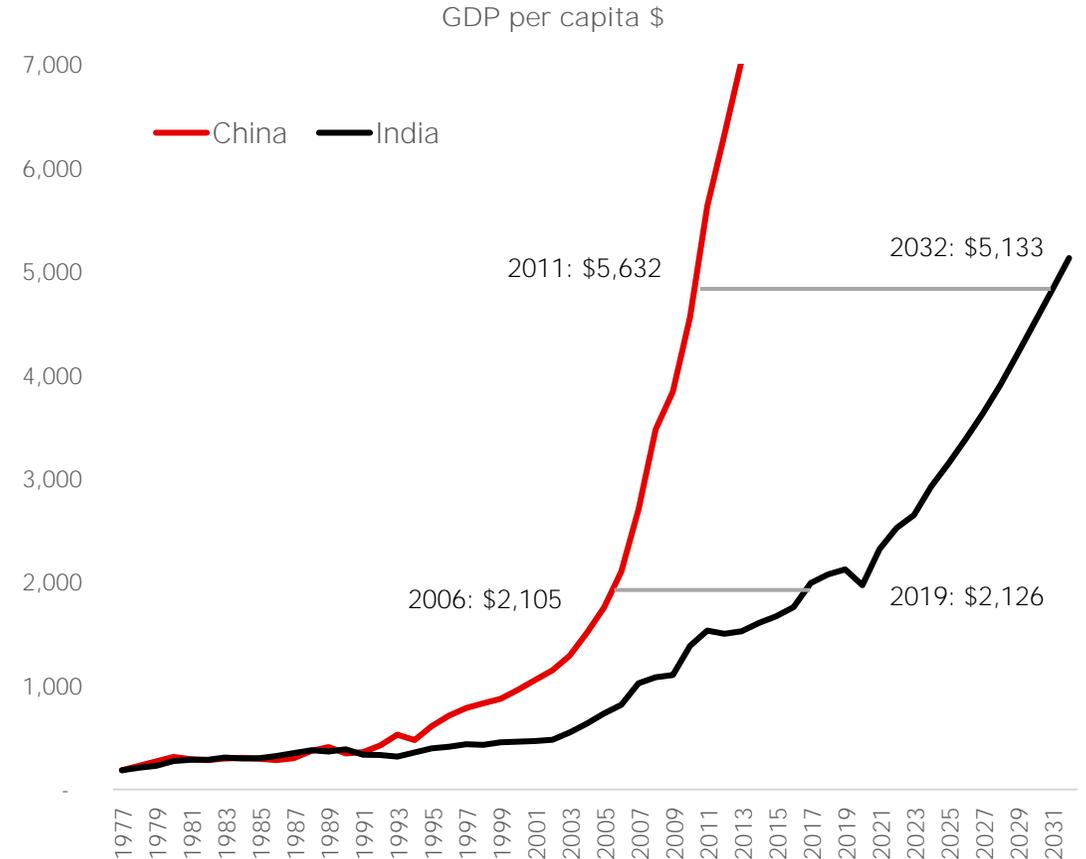
India crossed USD 2000 per capita income in CY19

- China per capita income crossed USD 2,000 in CY06
- China's growth in next 10 years (CY06-16) was 14.5%
- During this period
  - China Car sales grew by 5x from 5mn to 24mn (India FY23 car sales was 4mn)
  - China air passenger travel grew by 3x from 158mn to 488mn (India FY20 air passenger was 164mn)
  - Other categories like Food & Beverage grew 3.6x, Medicines & Medical appliances 3.5x and Sports Equipment 7.4x

India's per capita path likely to be similar



China vs India (Per capita income)

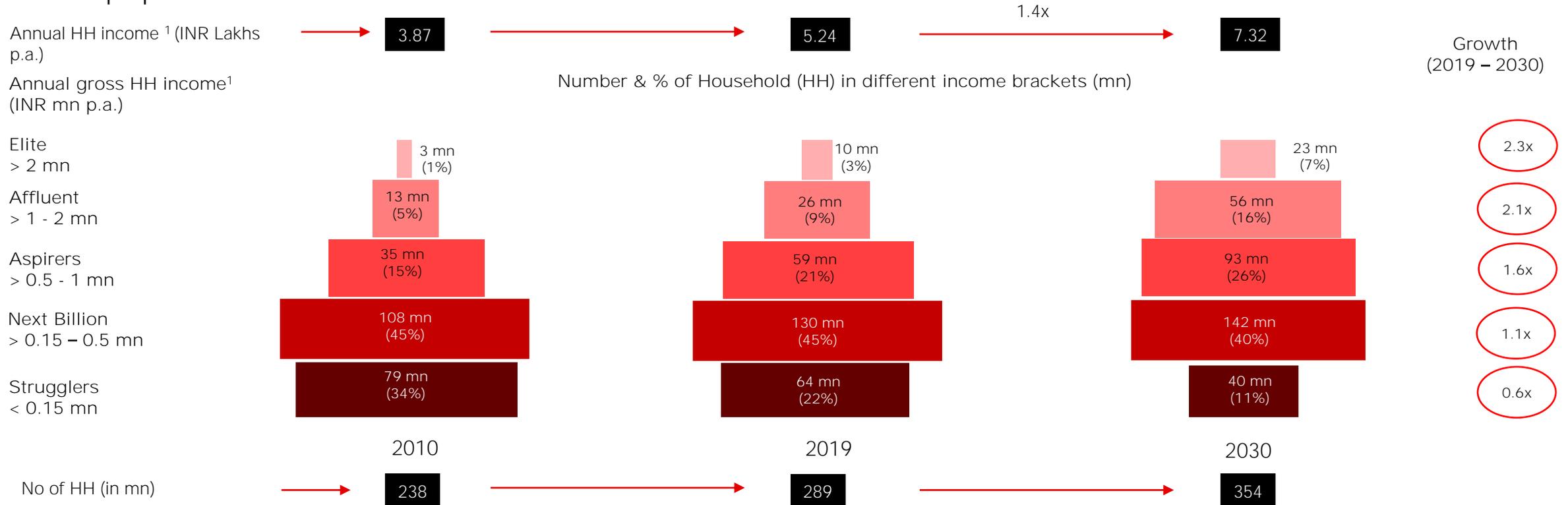


India can replicate China consumption success story in the next 10-15 years

Source: World bank, NBS of PRC, Bloomberg, Euromonitor, Latest available data as on 31 May 2023

# Middle Class to redefine India's consumption story

## Shift in population structure

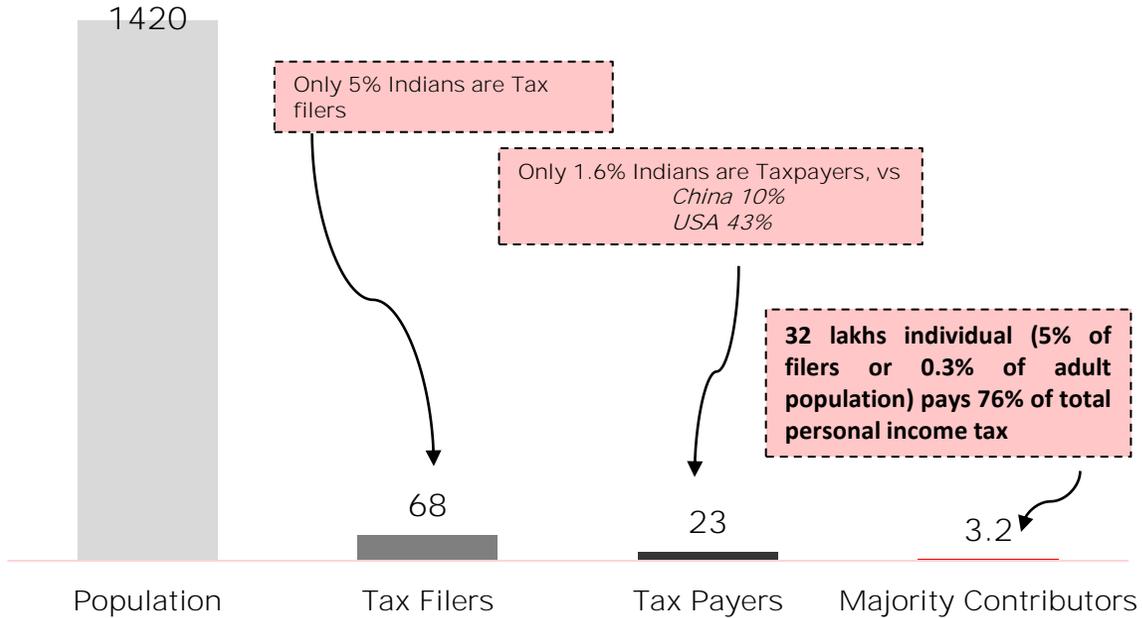


### India's current and expected future population breakup holds the key

- 34 million new households (HH) likely to enter Aspirers category while 43 Mn HH to enter Affluent & Elite category by the end of this decade
- India is clearly well positioned to reap benefits of demographic dividend

Source: BCG X Rai 2022, 1. Annual HH gross income based on 2019 prices, Bloomberg, For illustration purpose only.

# Consuming class set to double over next 5 years

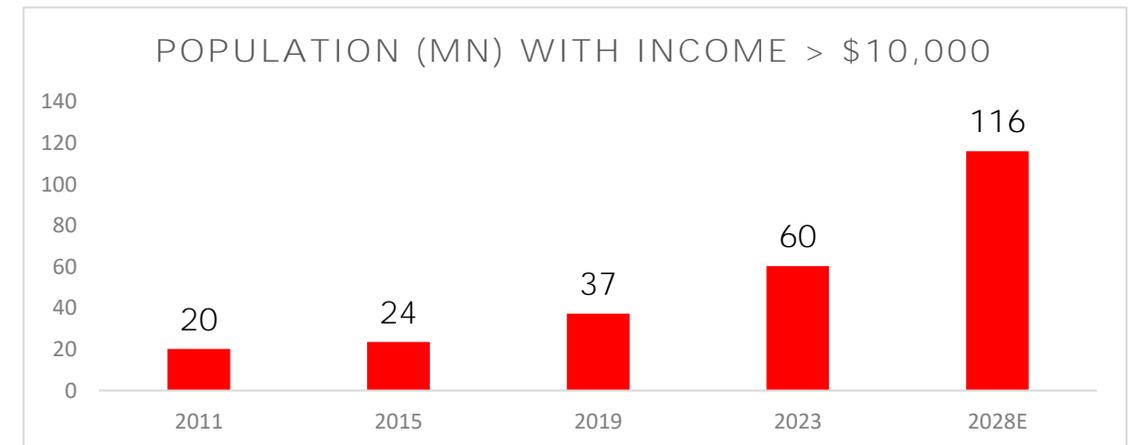


Across several premium categories, we have 25-40m unique users

Only 2% of India (26mn) traveled abroad in 2019	~40mn unique credit card users ~33mn households using credit cards
30mn wired Broadband homes (regular electricity)	35-40mn mature internet users 25-30mn households
Less than 30mn Demat accounts with holdings > ₹10k	~22mn taxpayers ~70mn total tax filers
25-30mn car-owning households	~40mn mutual fund investors
25mn MTUs on Zomato/Swiggy	40mn Take at least one flight a year



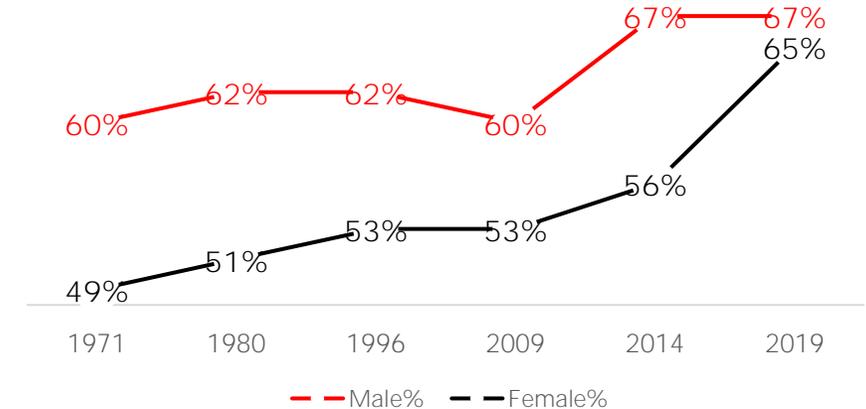
'Affluent India' will double from ~60mn in 2023 to ~116mn in 2028



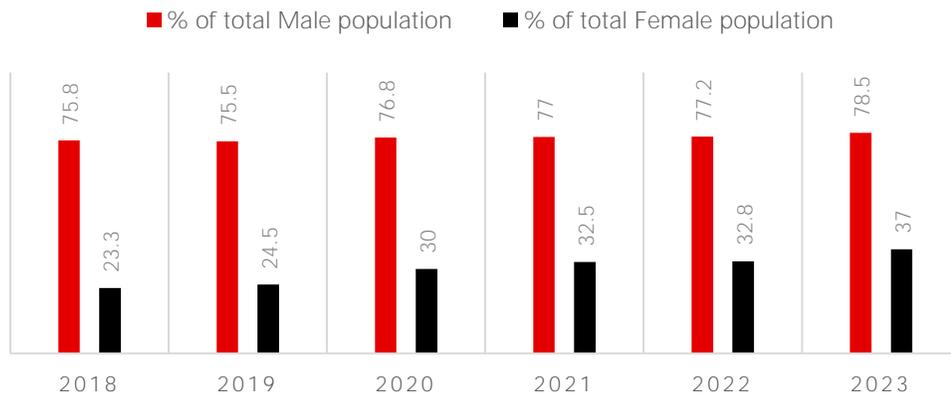
# Women Power

- Page has 70%+ factory workers as women – same with many good companies
- Nestle’s Attrition went down from 15% to 4% as women employees increased
- Women as store-managers in few Retail companies
- Many MFI give loans only to women
- HUL Shakti Amma program
- Bihar election – Women are higher voters

## SHARP INCREASE IN FEMALE VOTERS



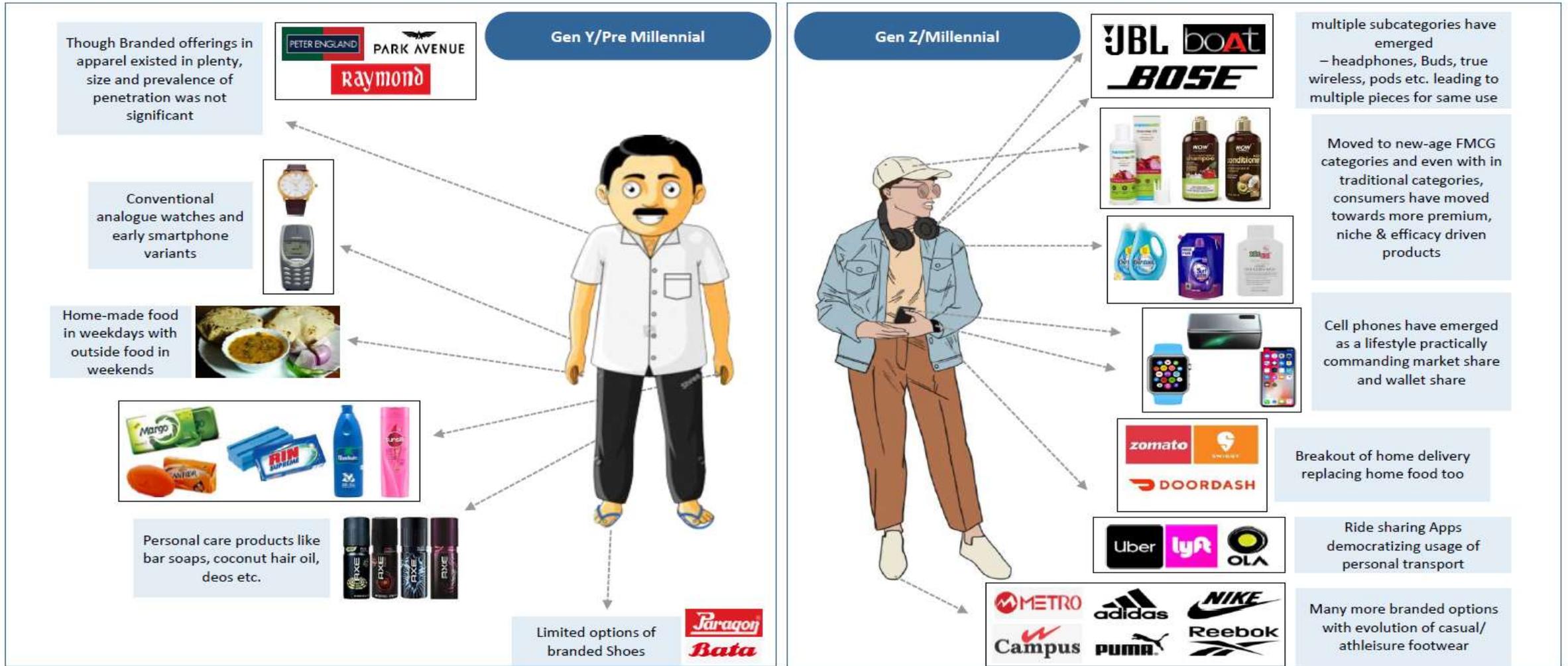
## RISING FEMALE LABOR FORCE



- 2<sup>nd</sup> earning member of a Household
- Greater control for women in decision making
- Packaged Foods (NSSO’s recent survey shows spends on processed foods & beverages is rising)
- Alcoholic Beverage (UNSP CEO recently mentioned that women account for 40% of Indian luxury spirits demand)
- Beauty & Personal Care, Apparel & Footwear, Food/Grocery delivery and indulgent/luxury categories

.....Change in behaviour / spending pattern

# Changing Spending Patterns



Source – Avendus Spark, For illustration purpose only, Stock/brand specific information mentioned above is for illustrative purpose only. The same should not be considered as investment advice.

# New age consumer is upgrading their lifestyle



A family consisting of 2 members, has average lifetime value spend of Rs.12,500 on Soaps, Rs.17,000 on Shampoo & Rs.24,000 on Hair oil

Avg. smartphone price is Rs.15,000 & spends on data is Rs.2,000 per year

Smartphones (2.5 Lakh cr) and Data recharges (2 Lakh cr) combined is larger than relevant FMCG (4 Lakh cr)

Is Mobile discretionary anymore? Same with Fashion, Footwear

Consumer think in EMIs, even stores talk about 1000 per month

Credit card/EMI not considered a loan

Credit card spending is now 1.6 lakh cr per month – growing at 30%

Borrowing from future income for present consumption leading to Consumption growth can be higher than Income growth

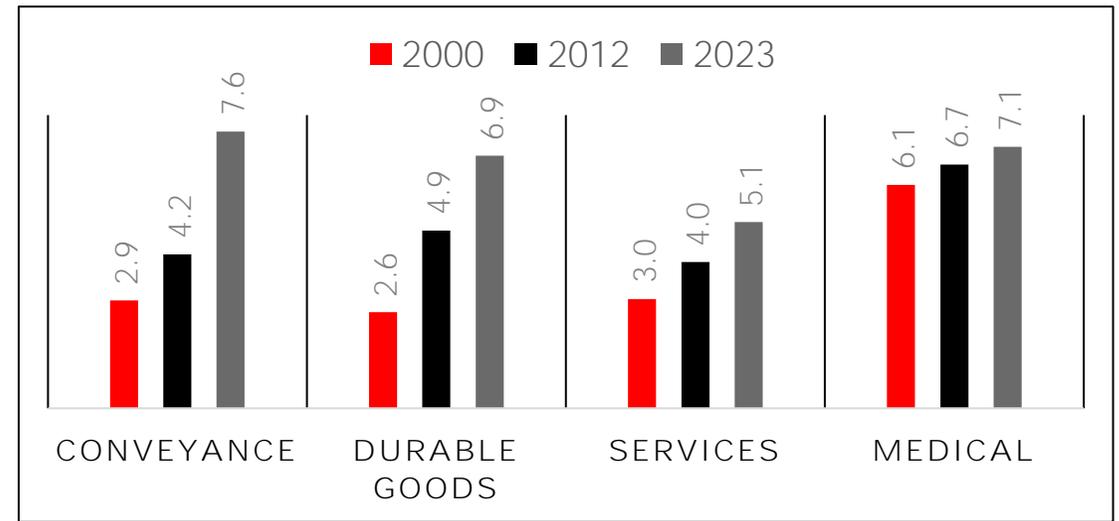
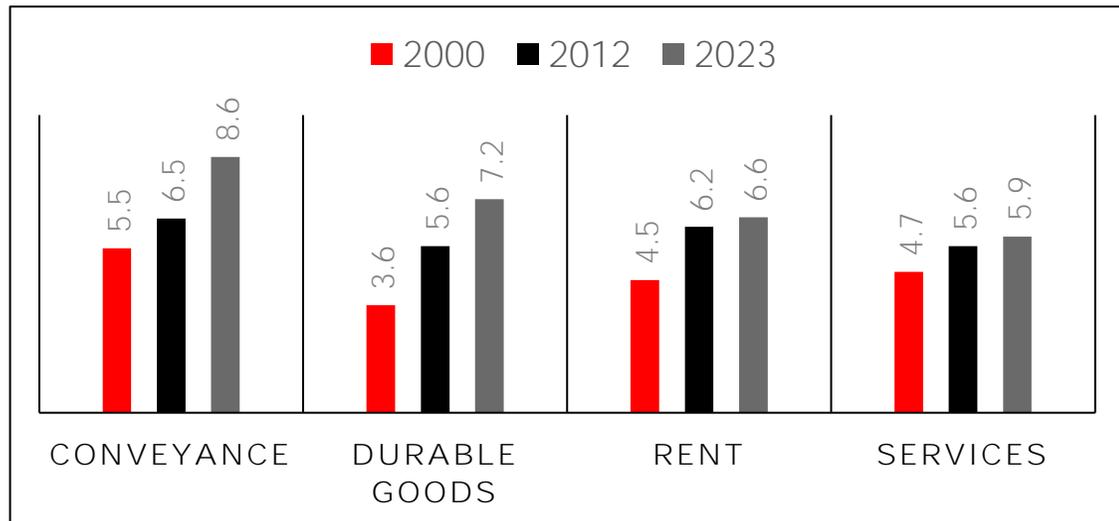
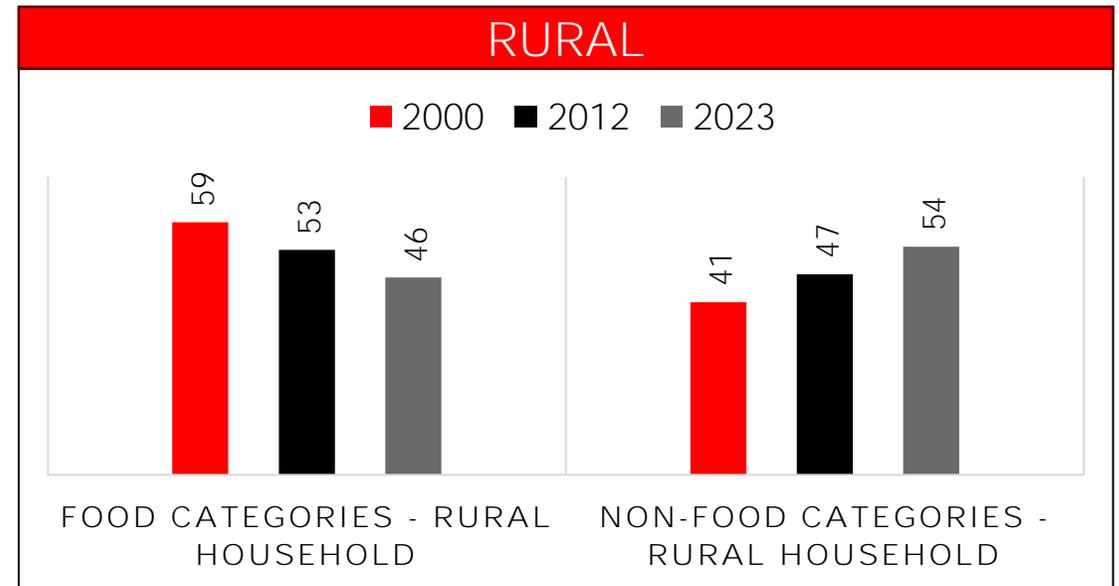
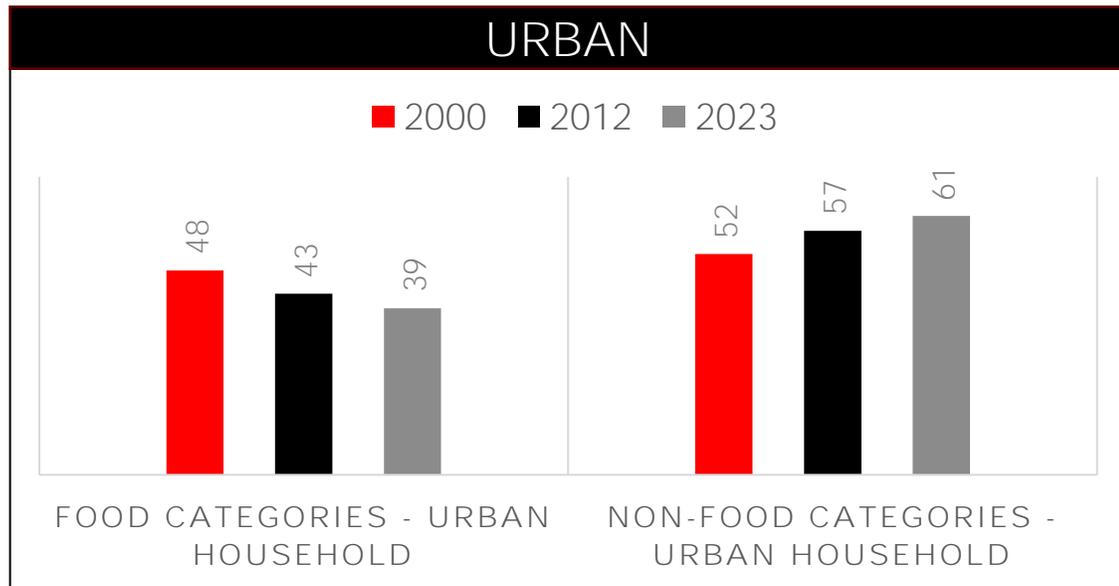
Different product choices for each member of the household  
v/s  
One purchase for the whole family earlier

Facebook, WhatsApp, Instagram, YouTube has given access to information and influencing everyone

Next generation consumer, wants to look cool, smartphones changed everything, influenced by social media, branded clothes, travel in Uber, order from Zomato, have unlimited options

Travel culture, Home upgradation, Premium/Branded products, Convenience led services are all leading to higher consumption

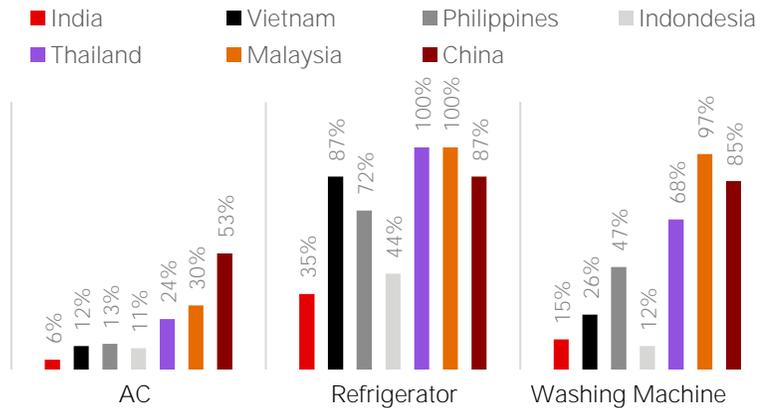
# Is there a wallet share change? A big YES



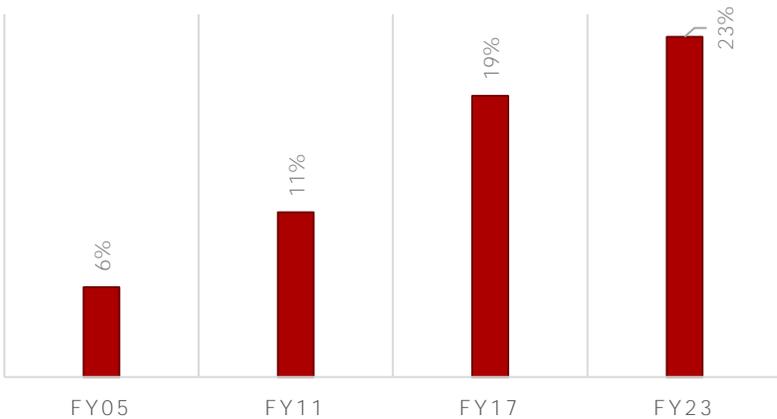
# Key Consumption Themes

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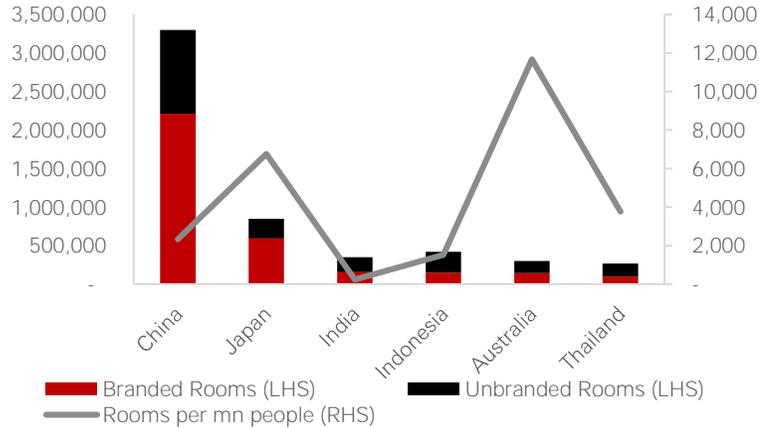
Country wise penetration of select consumption products



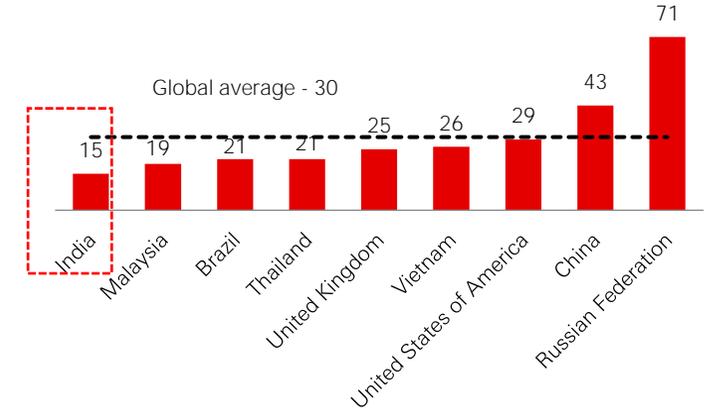
Passenger Vehicles penetration^



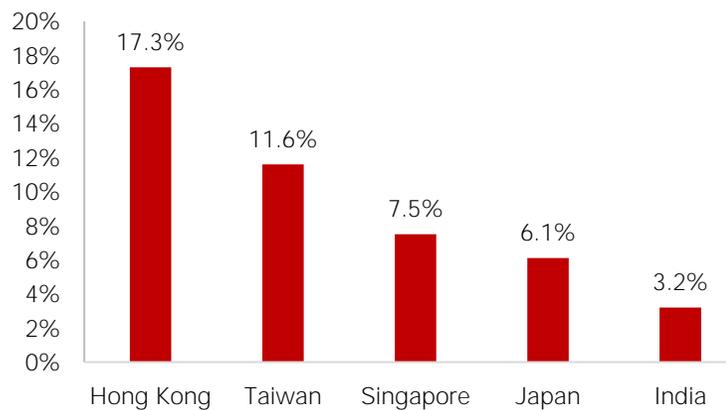
India hotel rooms – starkly lower vs peer countries ^^



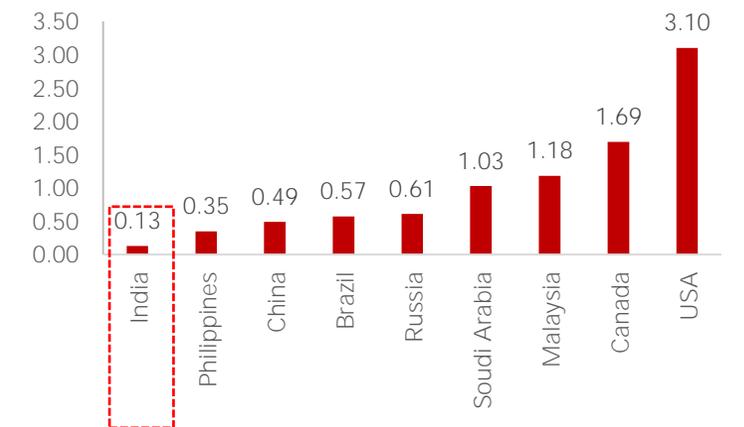
India hospital bed density vs other countries\*



India Life Insurance premiums as % of GDP (CY21)



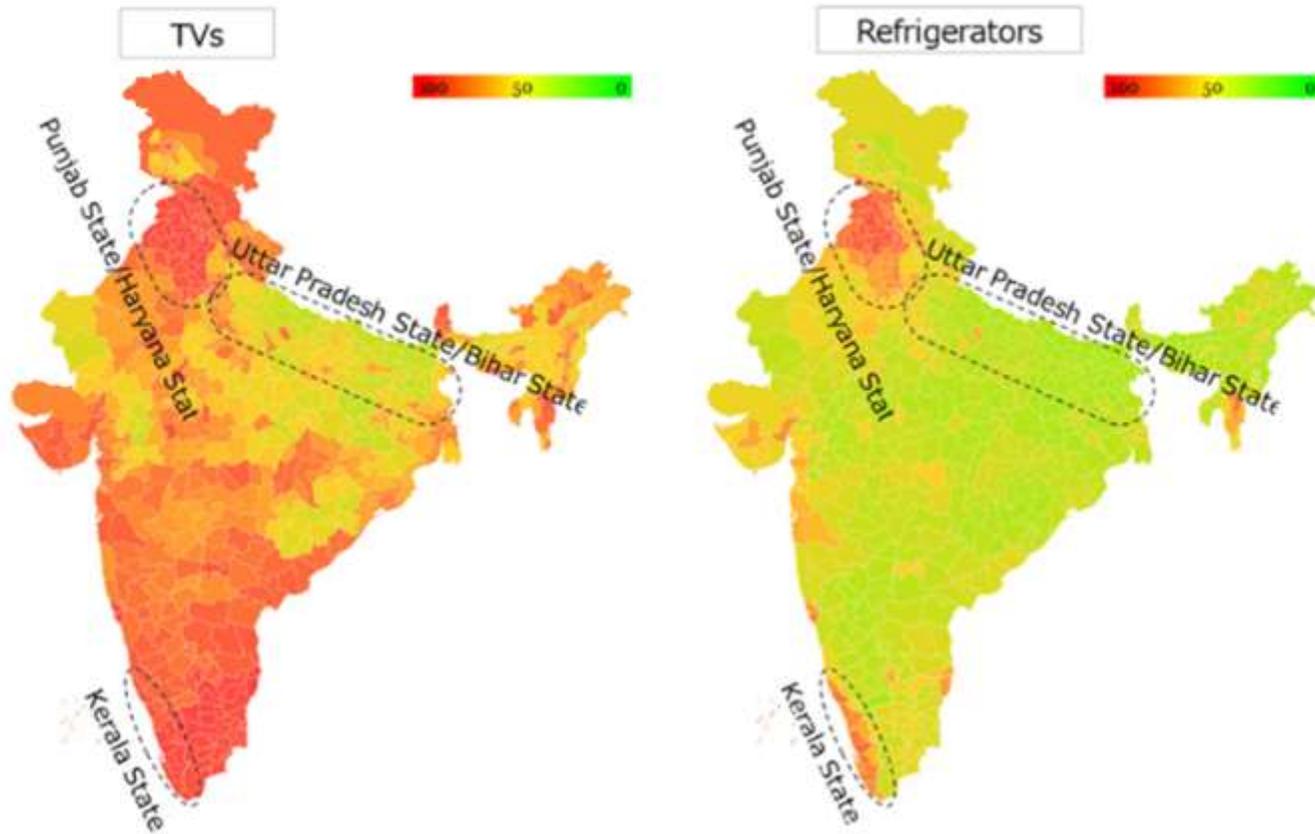
Airline seat per capita in various markets (FY20)



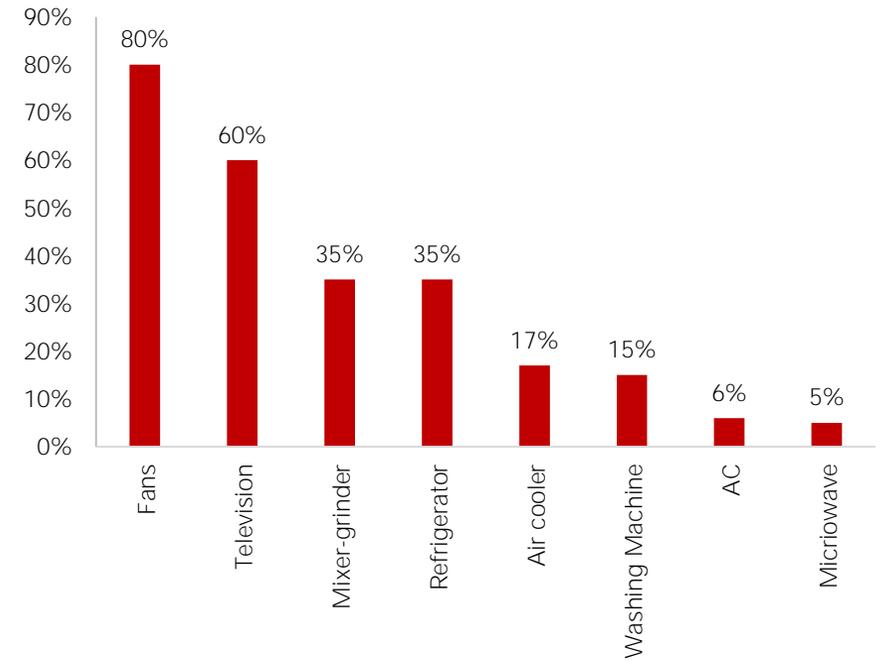
Multiple categories give a long runway for growth

Source: Kantar, CLSA, Credit Suisse, MOFSL, Bharat FIH DRHP, JLL research, Kotak ^^ India branded rooms per mn people CY21, ^% of people that own Passenger vehicles per 1000 person in India, \* Hospital beds per 10,000 population FY22

Durable goods penetration rate in India by district



Penetration of Consumer Durables in India



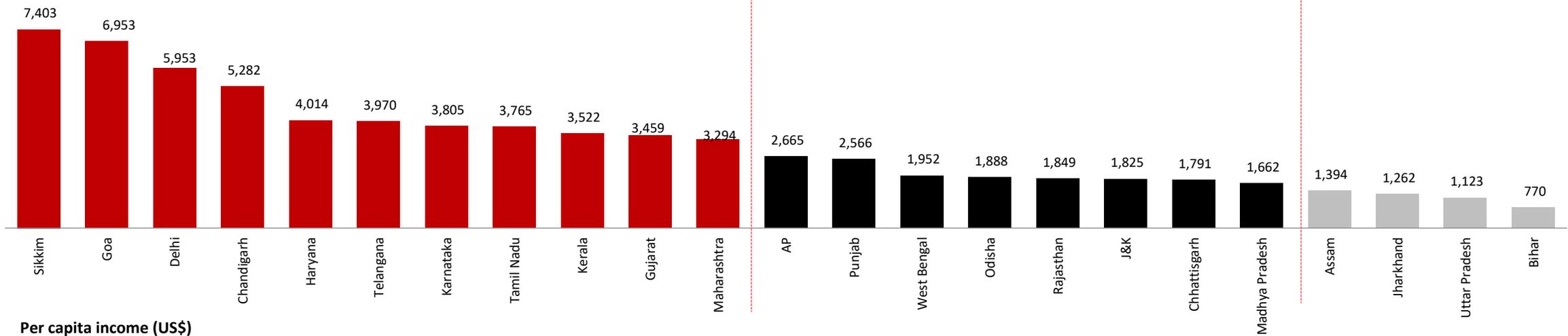
Source: Compiled by MGSSI based on data from the Ministry of Health and Family Welfare using "India MAP", MOFSL, For illustration purpose only  
Map of India is used for illustrative purpose only and is not a political map of India.

11 large Indian states with 457mn population have already crossed the \$3,000 per capita income mark  
 8 other states have reached the \$2,000 per capita income mark

Average income per capita: \$3,730  
 Population: 457mn (34% of India's population) = Combined population of the US and Mexico  
 (Share in GDP: 56%)

Average income per capita: \$2,000  
 Population: 428mn  
 (Share in GDP: 28%)

Average: \$1,050  
 Population: 420mn  
 (Share in GDP: 14%)



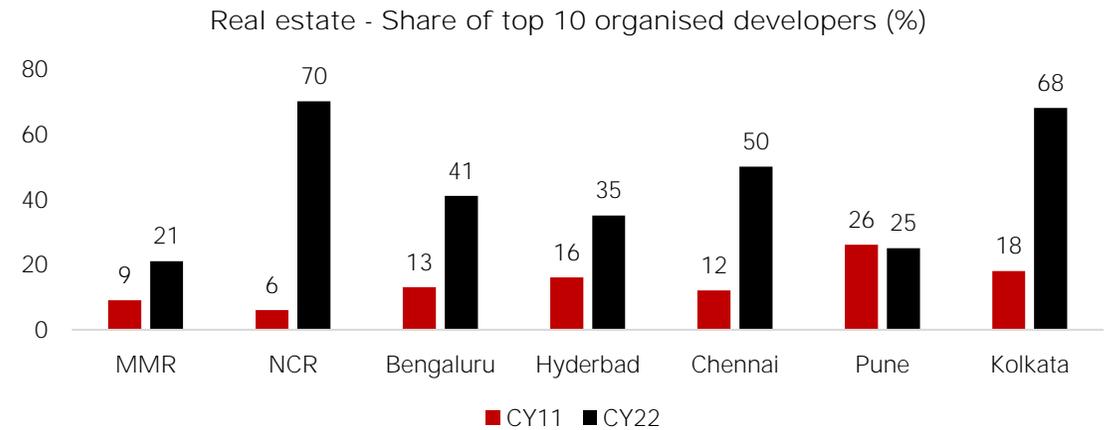
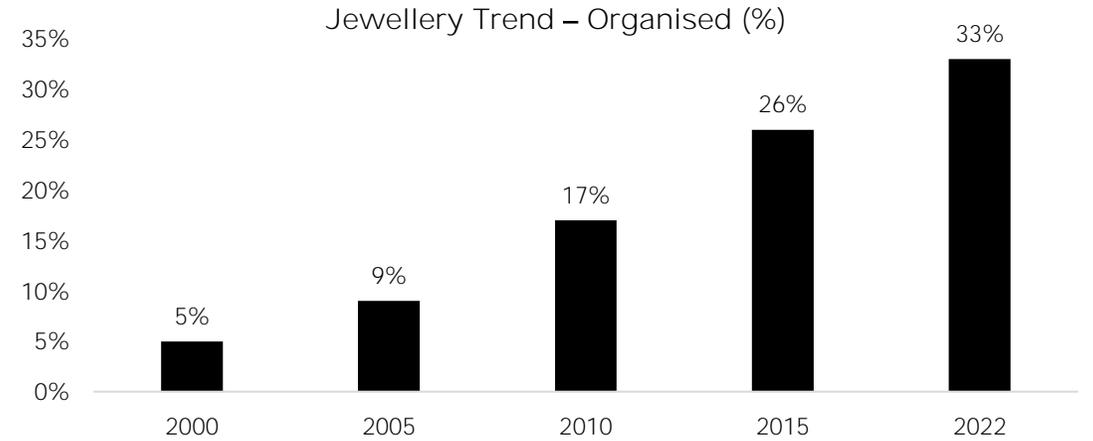
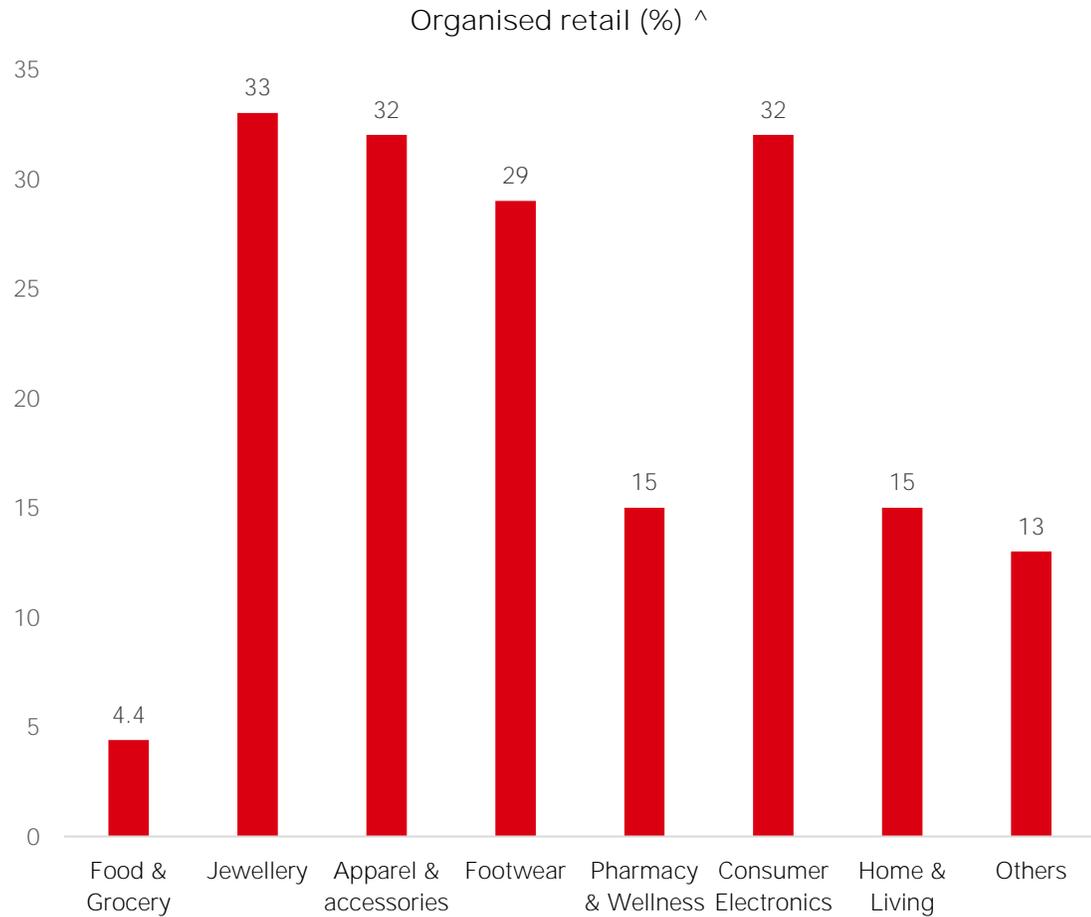
Goa / Chandigarh spends very differently than UP / Bihar

## Formalization of Economy

GST Turnover Slab	Count of Taxpayers - FY19	Count of Taxpayers FY23	Growth(%)
Upto 1 Crore (except Nil filers)	54,07,859	66,95,625	24%
1 Crore to 10 Crores	18,83,070	24,59,490	31%
10 Crores to 20 Crores	1,87,015	2,63,759	41%
20 Crores to 50 Crores	1,18,633	1,75,213	48%
50 Crores to 100 Crores	39,936	58,371	46%
100 Crores to 500 Crores	31,878	47,178	48%
Above 500 Crores	7,496	11,731	56%
<b>Total</b>	<b>76,75,887</b>	<b>97,11,367</b>	<b>27%</b>

- In FY19 there were 7,496 companies having turnover of >500 cr, and in FY23 it is 11,731 companies – **56% more companies**
- USA has 90,000 companies doing \$100mn – Given USA has high purchasing power; it is easier to scale up business
- But India is scaling up well especially the formal sector

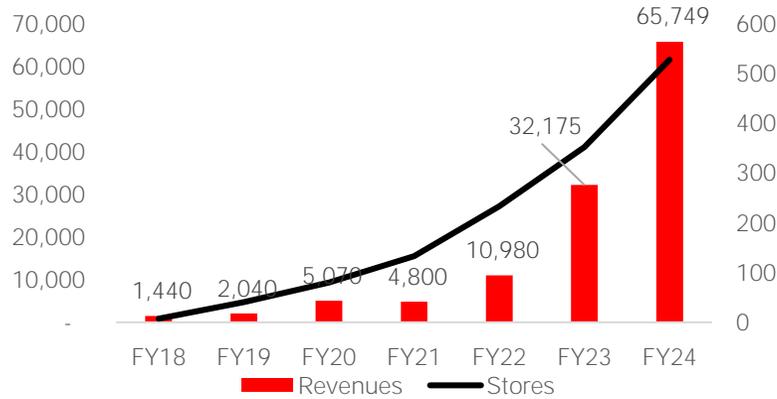
# Visible shift from unorganised to organised players



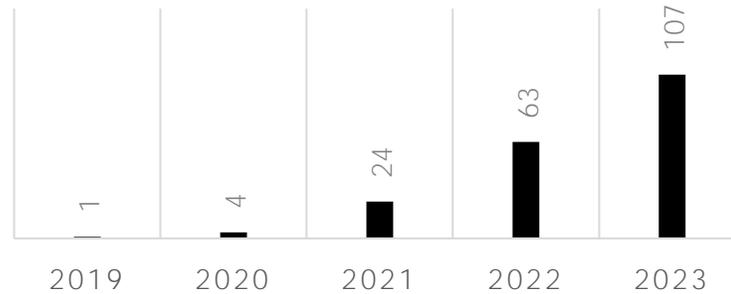
Organised retail has significant growth opportunities ahead

# Unorganized to Organized is a structural theme

## ZUDIO – 13x IN 4 YRS



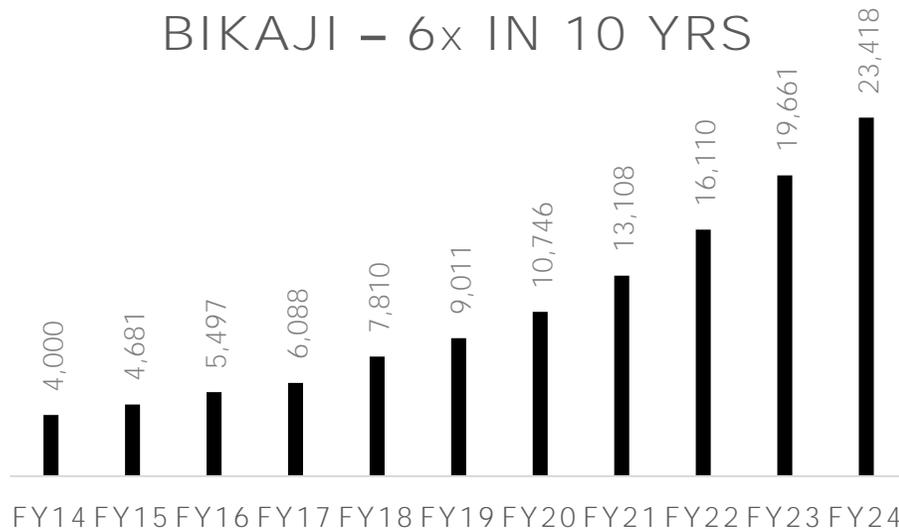
## STING – 100 MN CASES IN 4 YRS



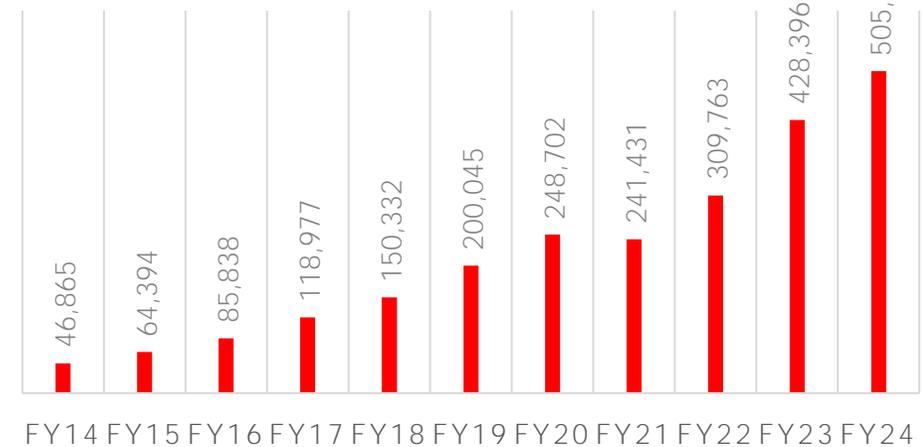
## ELECTRONICS MART – 4x IN 8 YRS



## BIKAJI – 6x IN 10 YRS

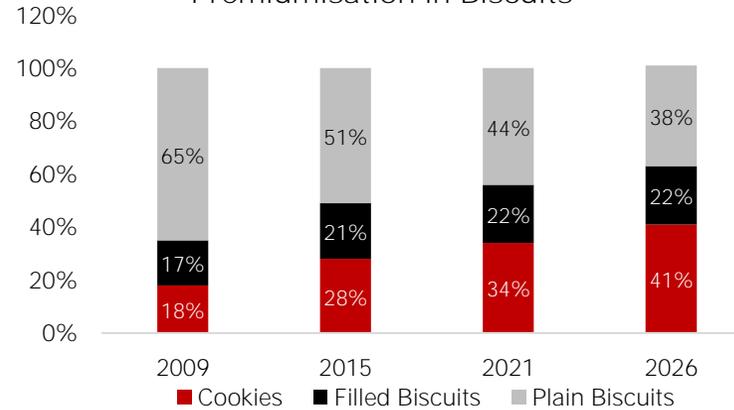


## DMART – 10x IN 10 YRS

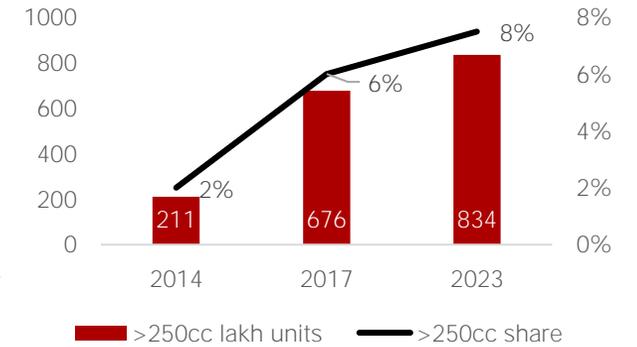


- Regulatory / Technology / Preference changes driving premiumization (leading to significant price Jump)
  - Lighting – CFL to LED
  - Fan – AC motor to BLDC motor
  - Refrigerator – Direct Cool to Frost Free
  - AC – Window to Split, Fixed Speed to Invertor
  - Soaps – Bars to Liquid Body Wash
  - Detergent – Powder to Liquid detergent
  - Mobile – Feature to Smart Phone, 2G to 4G to 5G
  - Travel – Train to Aeroplane
  - Cars – Manual to Automatic, Infotainment system

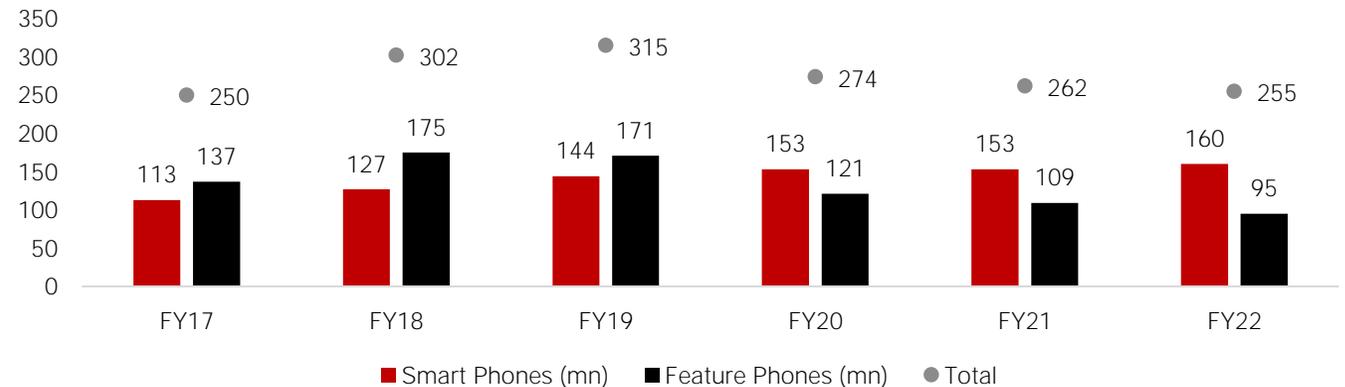
Premiumisation in Biscuits



Rising share of premium motorcycles



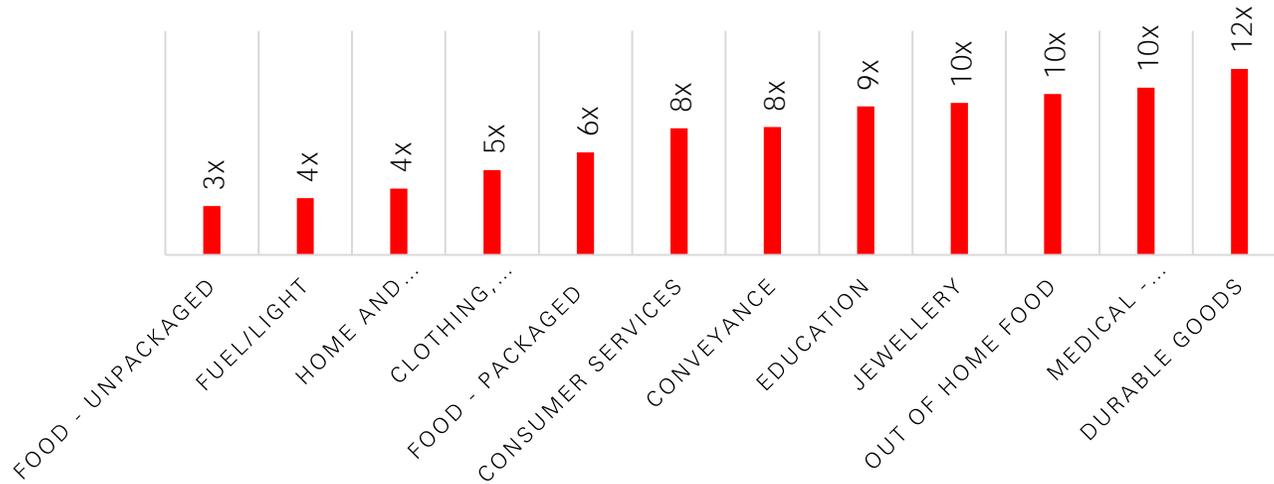
India mobile phone market (in mn units, FY17-22)



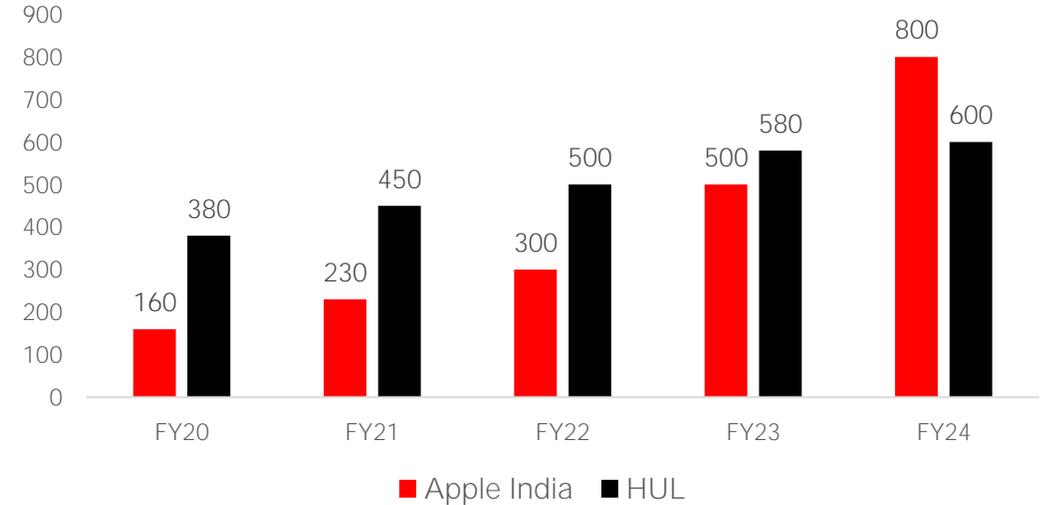
Source: Bloomberg, Goldman, Axis Capital, Company data

# Premium consumption taking off everywhere

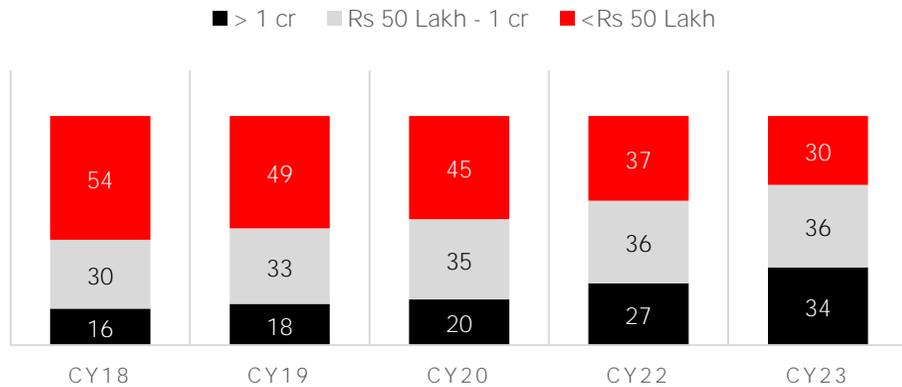
## INDIA'S URBAN TOP 10% VS INDIA'S AVERAGE PER CAPITA EXPENDITURE



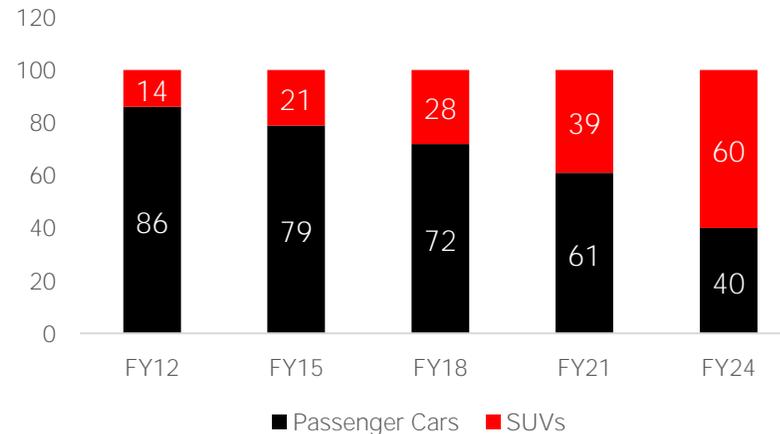
## APPLE INDIA SALES SET TO OVERTAKE HUL



## ONE THIRD HOUSING SALES ARE 1CR+



## 60% OF CARS SOLD ARE NOW SUV



## PHOENIX IS PRESENT IN ONLY 8 CITIES, BUT POTENTIAL IS 35-40 CITIES

Category	Consumption mix
Fashion & Accessories	50%
Electronics	12%
Jewellery	12%
F&B	11%
Multiplex	5%
<b>Affluent' India total</b>	<b>90%</b>

Source: Jefferies, Goldman Sachs, Phoenix Mills, CLSA Research

Stock/brand specific information mentioned above is for information purpose only. The same should not be considered as investment advice. Information provided above is available in public domain at this present and subject to change.

# UPI is the new Cash

## India in 1 tweet (New name 'X')

UPI, payments and the adoption of tech in small town India



In a small town like Muzaffarnagar, people pay ₹7 for a glass of milk via UPI; why are you going on and on about Bangalore?

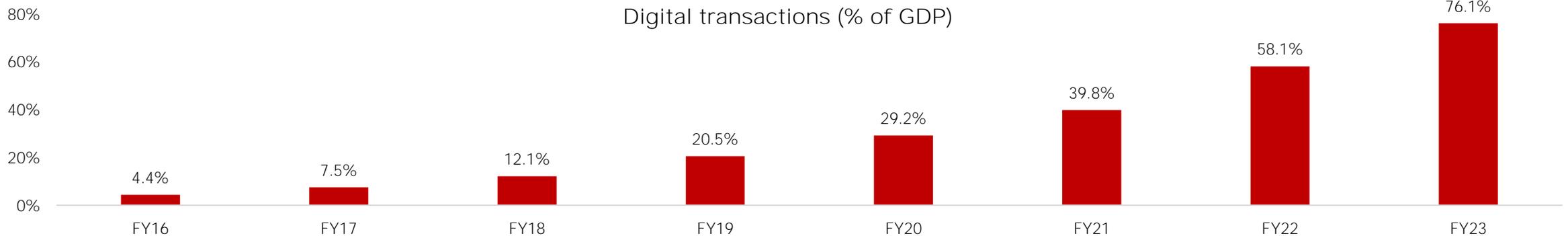
In Gujarat, we pay ₹2 via UPI for a matchbox

No Wi-Fi required  
No electricity required  
No POS machine required

#MeraDeshBadalRahaHai courtesy  
@PMOIndia @NPCI\_BHIM @NPCI\_NPCI @UPI\_NPCI



2:45 PM · Nov 3, 2021 · Twitter



**In 6 years, India became the world's highest digital payments volume generator**

## HSBC Consumption Fund - Consumption theme is a sizeable part of portfolio universe

NSE 500	Number of Companies	Market Cap (Rs crores)
Automobile and Auto Components	30	26,17,239
Capital Goods	10	3,68,471
Consumer Durables	31	12,19,973
Consumer Services	25	11,13,363
Fast Moving Consumer Goods	32	25,56,932
Financial Services	50	63,08,175
Healthcare	48	20,71,137
Media, Entertainment & Publication	6	74,428
Oil, Gas & Consumable Fuels	5	24,64,106
Realty	12	6,38,321
Telecommunication	6	9,54,959
Textiles	7	1,31,581
Others	2	2,90,301
<b>Total</b>	<b>264</b>	<b>2,08,08,984</b>
Large Cap	85	1,74,93,630
Mid Cap	64	19,74,390
Small Cap	115	13,40,964
<b>Total</b>	<b>264</b>	<b>2,08,08,984</b>

Note: 264 companies out of NSE 500 belong to the consumption or consumption related theme, Source: Bloomberg, Data as on 31 Mar 2024

Note: The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s).

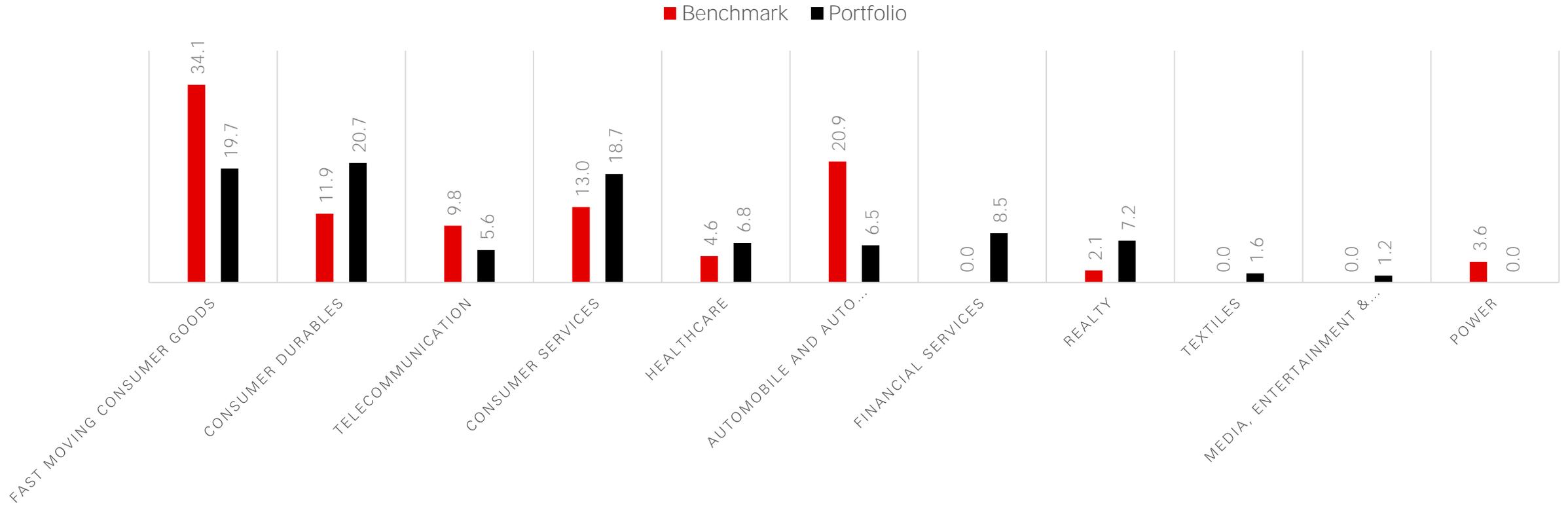
## HSBC Consumption Fund - Portfolio (only 43% overlap with Benchmark)

Companies	Weight	Companies	Weight
Varun Beverages Limited	6.10	Phoenix Mills Limited	1.81
Bharti Airtel Limited	5.60	360 One Wam Limited	1.60
Titan Company Limited	5.07	Page Industries Limited	1.59
Avenue Supermarts Limited	4.47	Sai Silks Kalamandir Limited	1.54
Global Health Limited	4.33	Sobha Limited	1.50
Hindustan Unilever Limited	3.69	Devyani International Limited	1.44
Zomato Limited	3.39	Bajaj Auto Limited	1.40
PB Fintech Limited	3.22	Voltas Limited	1.34
Godrej Consumer Products Limited	3.13	Cholamandalam Financial Holdings Limited	1.27
Kalyan Jewellers India Limited	3.01	Century Textiles & Industries Limited	1.27
Maruti Suzuki India Limited	2.81	Metro Brands Limited	1.22
DLF Limited	2.64	PVR INOX Limited	1.21
Radico Khaitan Limited	2.63	CCL Products (India) Limited	1.19
Dixon Technologies (India) Limited	2.56	Vedant Fashions Limited	1.11
Rainbow Children's Medicare Limited	2.50	Electronics Mart India Limited	1.09
Multi Commodity Exchange of India Limited	2.42	Credo Brands Marketing Limited	1.02
Havells India Limited	2.37	Redtape Limited	1.01
Lemon Tree Hotels Limited	2.32	Kajaria Ceramics Limited	1.00
TVS Motor Company Limited	2.24	Safari Industries India Limited	0.96
Bikaji Foods International Limited	2.05	Gillette India Limited	0.89
Trent Limited	2.00	Jubilant Foodworks Limited	0.34
Amber Enterprises India Limited	1.95	DOMS Industries Limited	0.17

Source: Bloomberg, Data as on 31 Mar 2024

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# HSBC Consumption Fund Portfolio vs Benchmark



SECTORS
LARGE CAP
MID-CAP
SMALL-CAP

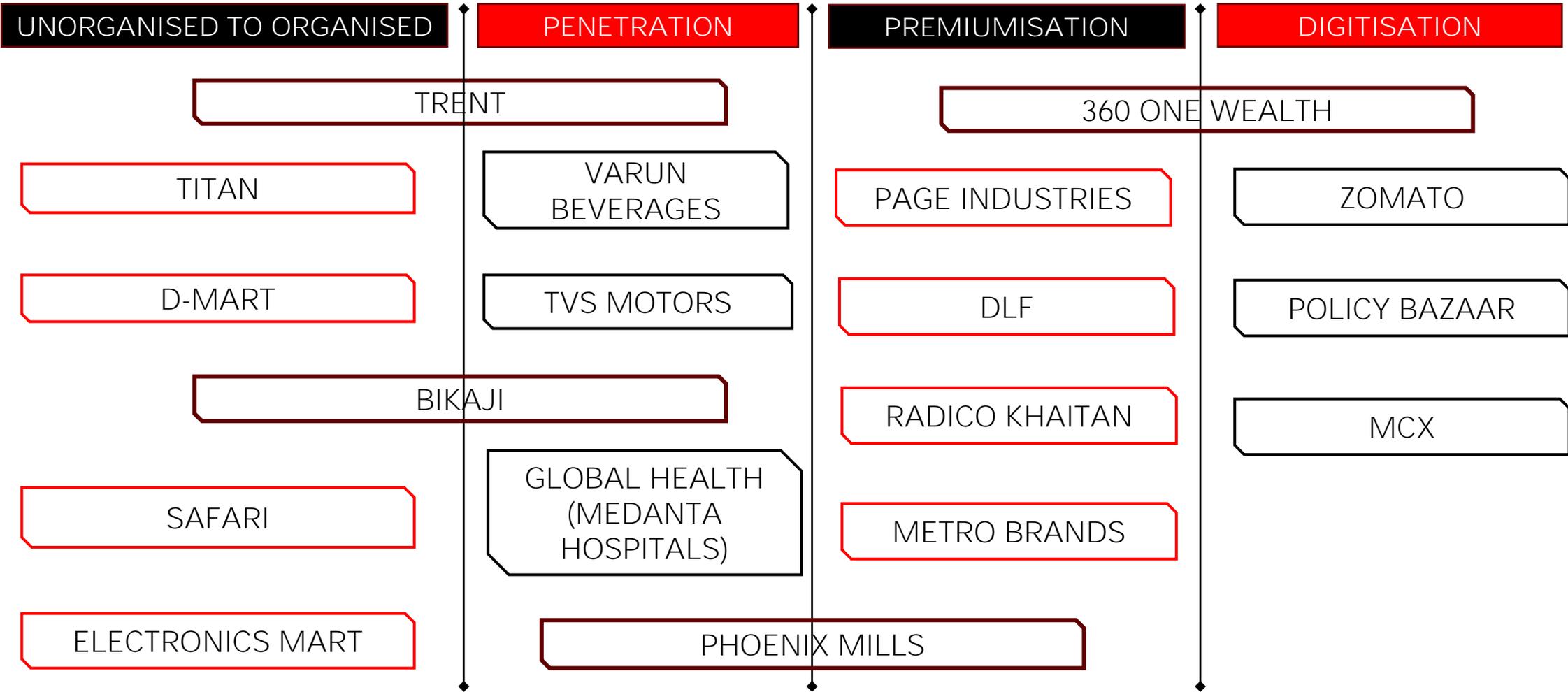
PORTFOLIO
50%
22%
25%

BENCHMARK
100%
0%
0%

Source: Bloomberg, Data as on 31 Mar 2024

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# HSBC Consumption Fund – Thematic portfolio break-up



Source: Bloomberg, Data as on 31 Mar 2024

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# HSBC Consumption Fund snapshot

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date	AUM <sup>&amp;</sup>
Thematic Fund	Gautam Bhupal, Anish Goenka, Sonal Gupta <sup>#</sup>	Nifty India Consumption Index TRI	31 Aug 2023	Rs. 1172.77 Cr

Portfolio	% to net assets	Sector - Allocation	% to net assets
Varun Beverages Limited	6.10%	Consumer Durables	20.49%
Bharti Airtel Limited	5.60%	Retailing	14.62%
Titan Company Limited	5.07%	Beverages	8.73%
Avenue Supermarts Limited	4.47%	Healthcare Services	6.83%
Global Health Limited	4.33%	Automobiles	6.45%
Hindustan Unilever Limited	3.69%	Realty	5.95%
Zomato Limited	3.39%	Telecom - Services	5.60%
PB Fintech Limited	3.22%	Leisure Services	4.10%
Godrej Consumer Products Limited	3.13%	Personal Products	4.02%
Kalyan Jewellers India Limited	3.01%	Capital Markets	4.02%

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
<p>HSBC Consumption Fund (An open ended equity scheme following consumption theme)</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> <li>To create wealth over long-term</li> <li>Investment predominantly in equity and equity related securities of companies engaged in or expected to benefit from consumption and consumption related activities</li> </ul>	 <p>Investors understand that their principal will be at Very High risk</p>	<p>Benchmark : Nifty India Consumption Index TRI</p> 

\* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

**Note on Risk-o-meters:** Riskometer is as on 31 March 2024, Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme

<sup>1</sup>As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark effective from 01 December 2021.

<sup>#</sup> Sonal Gupta is dedicated fund manager for investments in foreign securities by all the schemes of HSBC Mutual Fund. <sup>&</sup>For disclosure of quarterly AUM/AAUM and AUM by geography, please visit our website: <https://www.assetmanagement.hsbc.co.in/en/mutual-funds/investor-resources/information-library#&accordion1446811090=4>.

Note: The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s).

Source – HSBC Mutual Fund, Data as of 31 March 2024. Past performance may or may not be sustained in the future and is not indicative of future results.

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