

**June 2019**



**AMBIT**  
Acumen at work

**Ambit Coffee Can Portfolio**

## Investment framework focussing on **Quality**

- Companies with robust capital allocation track record and high quality of financial metrics
- Companies that meet our high benchmarks on accounting and corporate governance
- While the objective is to generate returns, the even bigger goal is to best manage drawdowns

## **Process-Driven Approach**

- Highly qualified team of MBA's, CA's & CFA's with deep-dive equity research experience & specializations across various sectors.
- A 5-member highly experienced & distinguished Investment Committee in place to review all investment decisions.
- Full-fledged support of Ambit Group with over 400+ experienced employees spread across investment banking, institutional equities, equity capital markets, private equity, private wealth, NBFC, among others.

## Our various **Offerings** spread across the market spectrum



**Good & Clean Portfolio**  
(Mid-Cap Focussed)

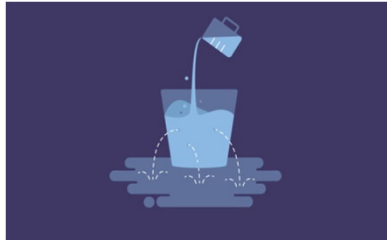


**Coffee Can Portfolio**  
(Large-Cap Focussed)



**Emerging Giants: G&C Small Cap**  
(Small-Cap Focussed)

# Coffee Can Portfolio Philosophy



## Low/Negligible Churn

Coffee Can Portfolio is a highly concentrated portfolio with 10-15 stocks and intended churn of less than 1 stock per year on average. This allows the portfolio to benefit from “**Power of Compounding**”.



## Long Term Wealth Creation

Coffee Can Portfolio intends to provide 20-25% CAGR returns over long term holding periods with volatility of portfolio similar to Govt. bonds (holding period >3 years).



## Consistent track record

Companies having excellent financial track record of revenue growth and earnings for over 10-20 years.



## Market Leaders in B2C sectors

Most companies in our portfolio dominate their markets and possess unassailable competitive advantages in their core industries.

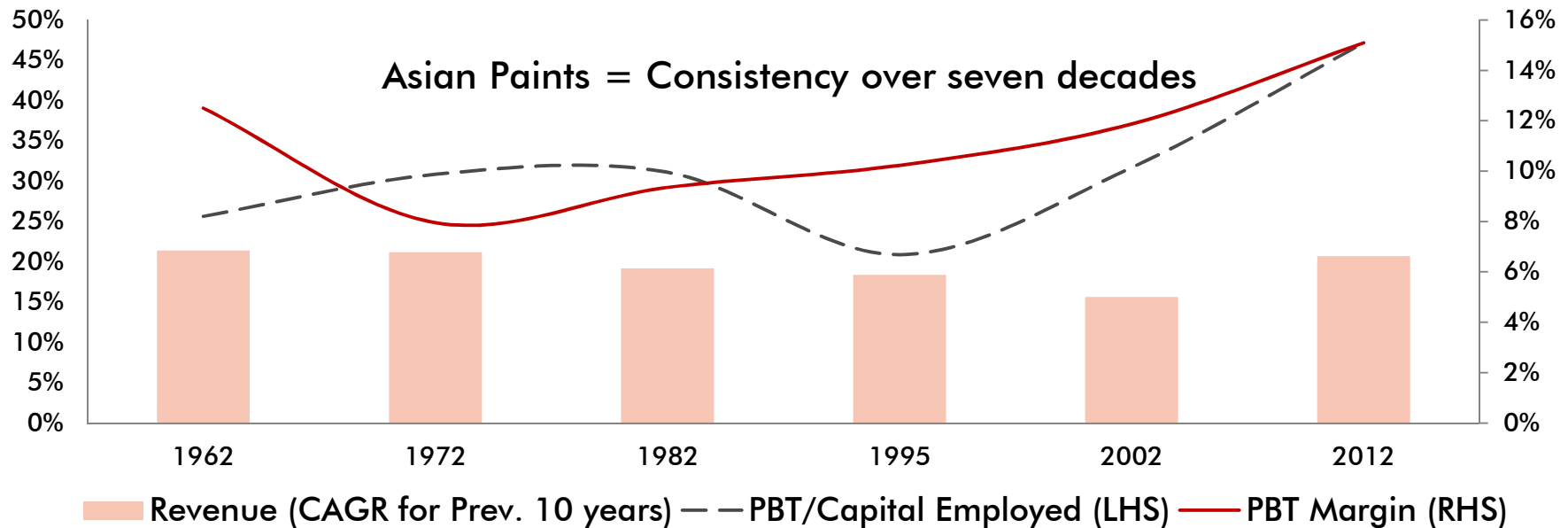
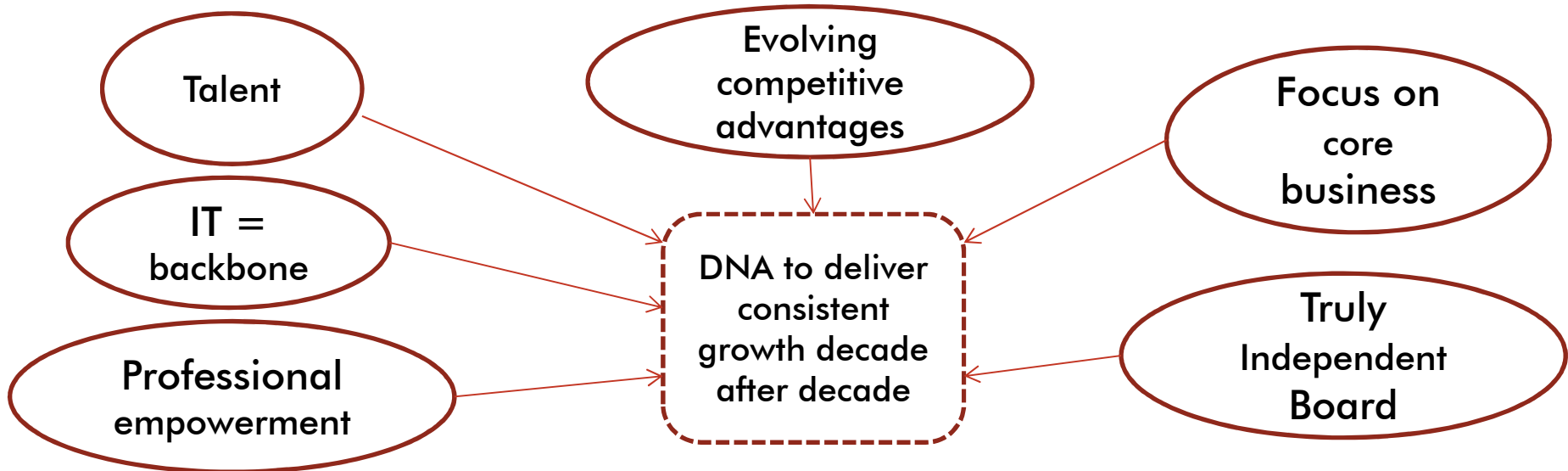
## Coffee Can portfolio



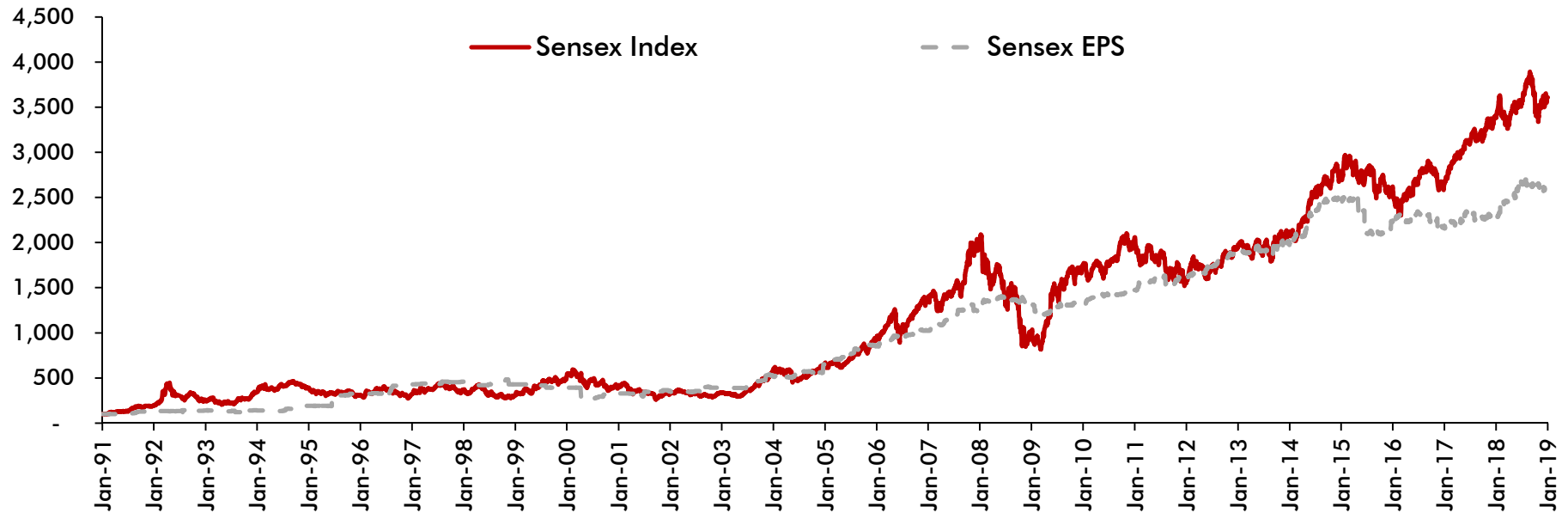
## Do not “TIME” the market

Do not attempt to time the market on the basis of speculation surrounding oil price, exchange rates, politics or other non-fundamental factors.

# Coffee Can approach seeks a unique DNA in companies



# Earnings growth is the biggest driver of share prices...



Source: BSE, Ambit Capital  
Sensex Price and EPS are based to 100 on Jan 1991

Page Industries	Mkt Cap (Rs cr)	Trailing EPS	Trailing P/E (x)
Apr-08	545	21	23
Apr-18	26,827	296	81
<b>CAGR</b>	<b>48%</b>	<b>31%</b>	<b>12%</b>

Source: Ambit Capital

Earnings contributed to ~80% of the share price growth

**'Timing' = Futile when earnings are consistent + strong**

**Total Shareholder Returns** = **Earnings Growth** × **Change in P/E**

Scenarios	A	B	C	D
Starting P/E (x) - trailing	55	55	55	55
Ending P/E (x) - trailing	40	30	40	30
Number of years	10	10	3	3
<b>EPS CAGR</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>
<b>Price CAGR</b>	<b>21%</b>	<b>18%</b>	<b>12%</b>	<b>2%</b>

# To Put it simply – We're Answering two obvious questions

“Which company’s stock should I buy?”

“For how long should I hold this stock?”

**Type 1:**

Volatile earnings  
(could be due to external or internal factors)

**Type 2:**

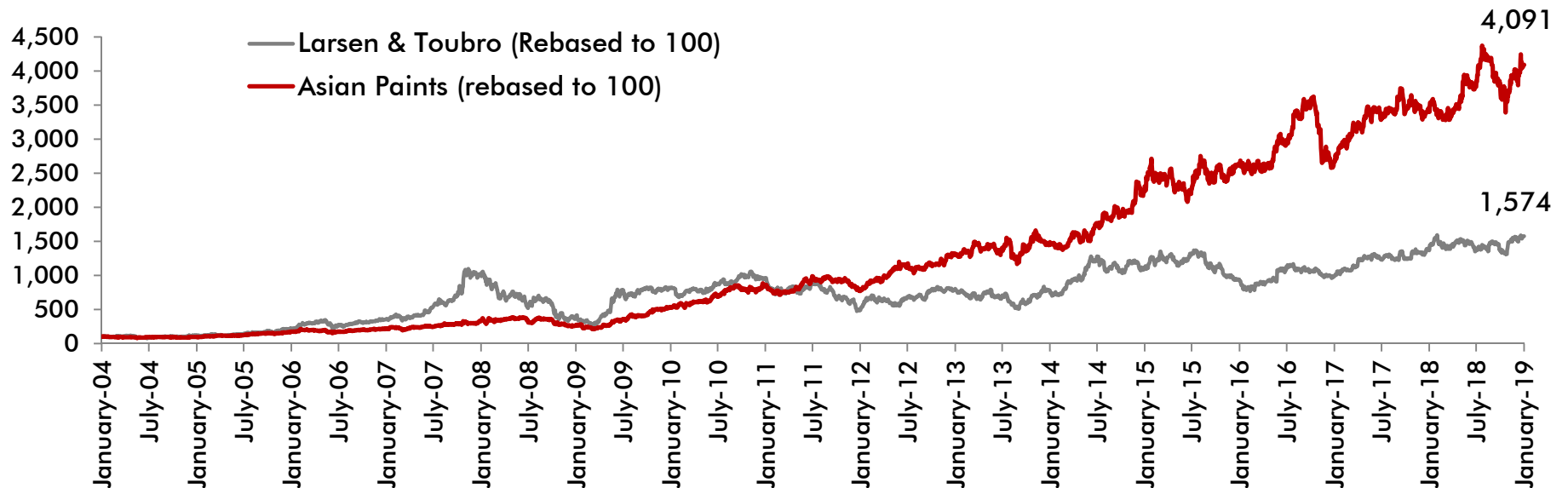
Consistent earnings

**Type 1:**

Time it well

**Type 2:**

Forever (as long as its competitive strengths sustain)



## Should approach rely more on forecasts or on history?

**“I Know the future”**

Option 1

- Forecast earnings and events

**“History will repeat itself in future”**

Option 2(a)

- Run a historical filter-based Coffee Can annual portfolio

**“I only understand the DNA which will take care of the future”**

Option 2(b)

- ‘Ambit’s Coffee Can PMS’ type of in-depth research



## Our investment approach

**Coverage universe = 31 stocks with 10-20 years of historical track record of consistency (for at least 90% of the 10-20 years historical period)**

Consistently > 10% YoY revenue growth

Consistently > 15% ROCE

**Our competitive advantage = Deep understanding of organizational DNA**

**Will the firm sustain CONSISTENCY of growth in future (more than a decade)?**

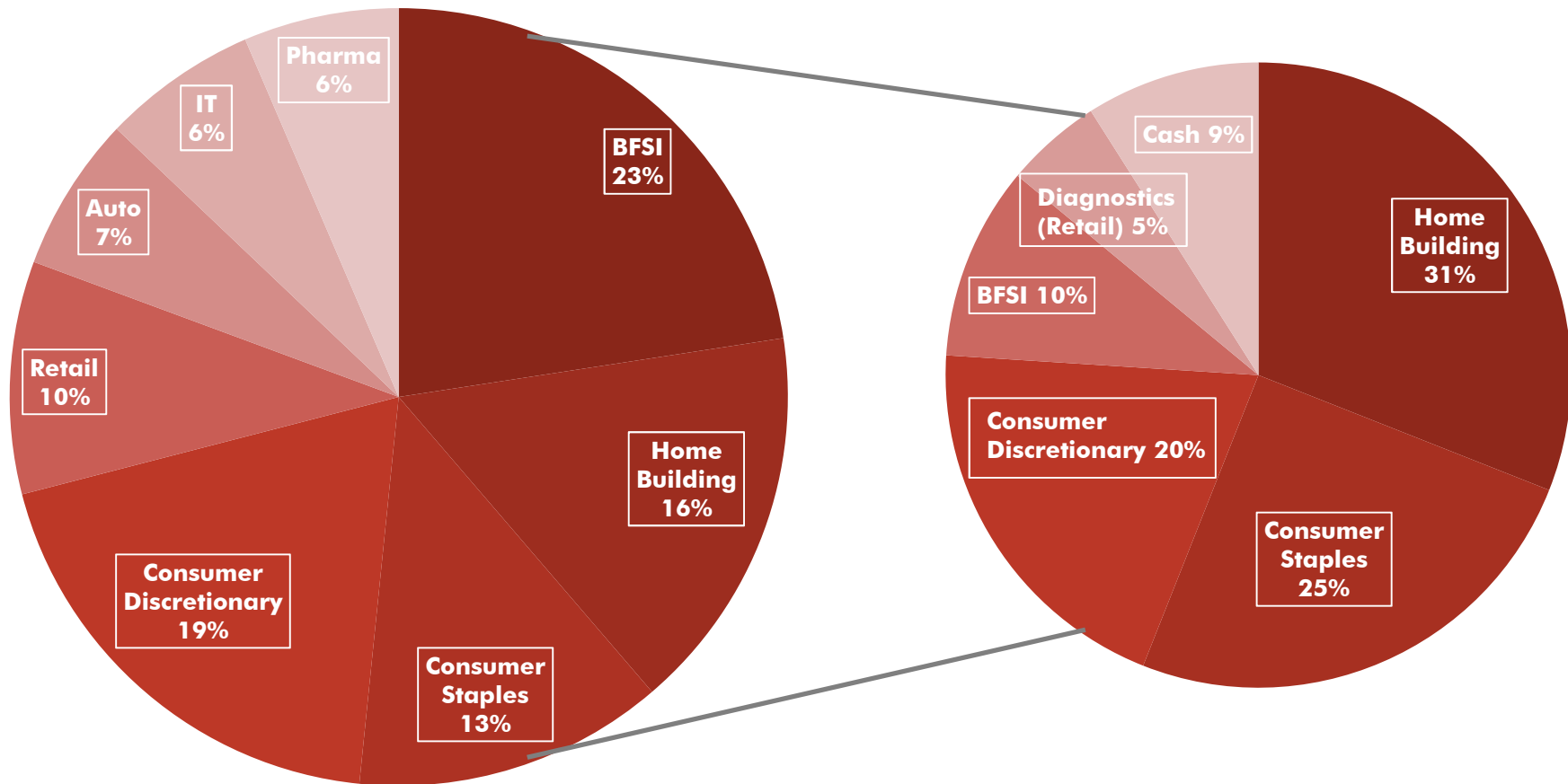
**Marry valuations with longevity**

**Portfolio composition = Concentrated portfolio of 10-15 stocks**

**Monitor earnings potential of companies in portfolio**

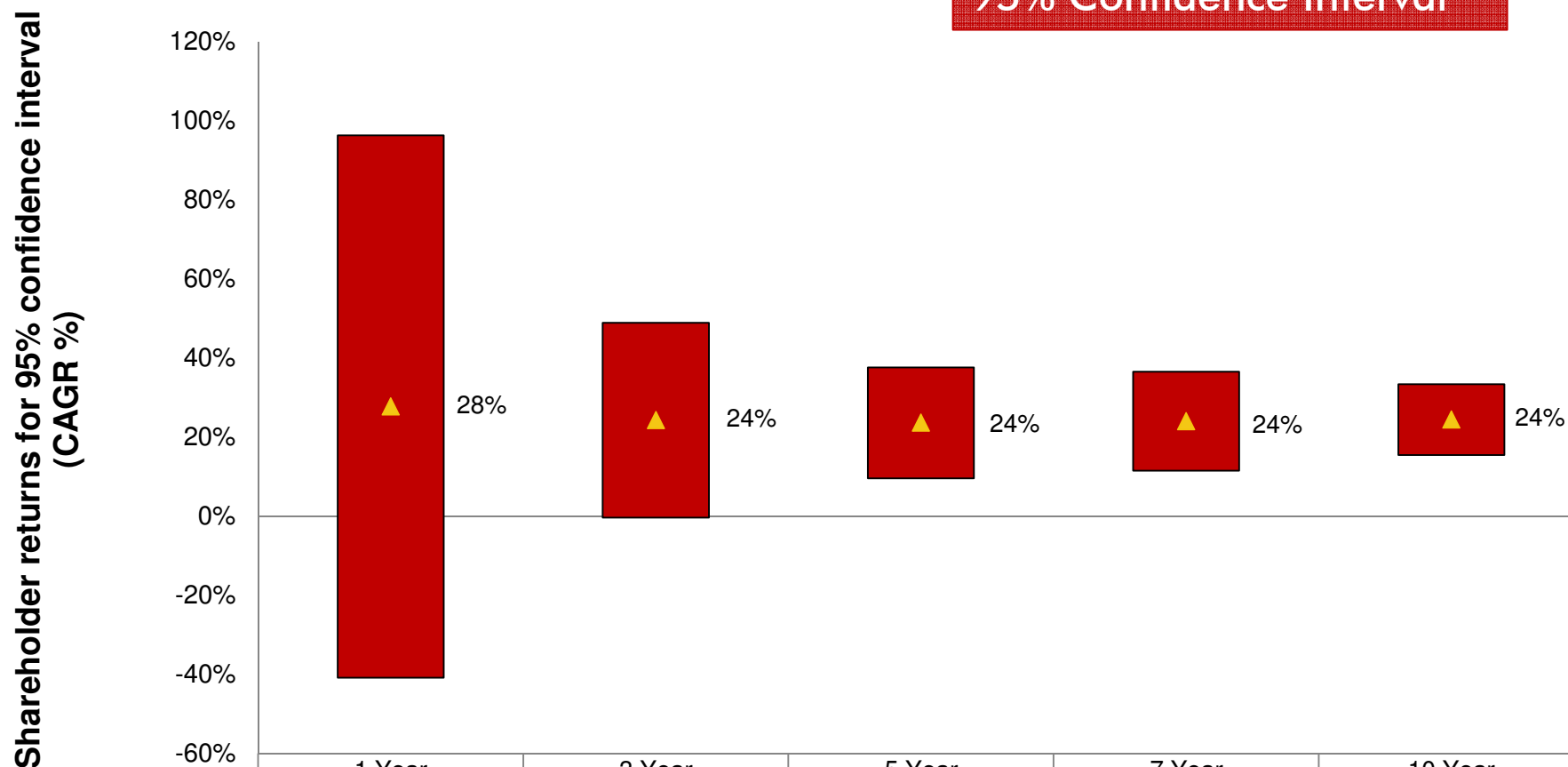
**Churn (if required) = <1 stock per year on average**

## 31 Stock Coverage Universe → 11 Stock Portfolio

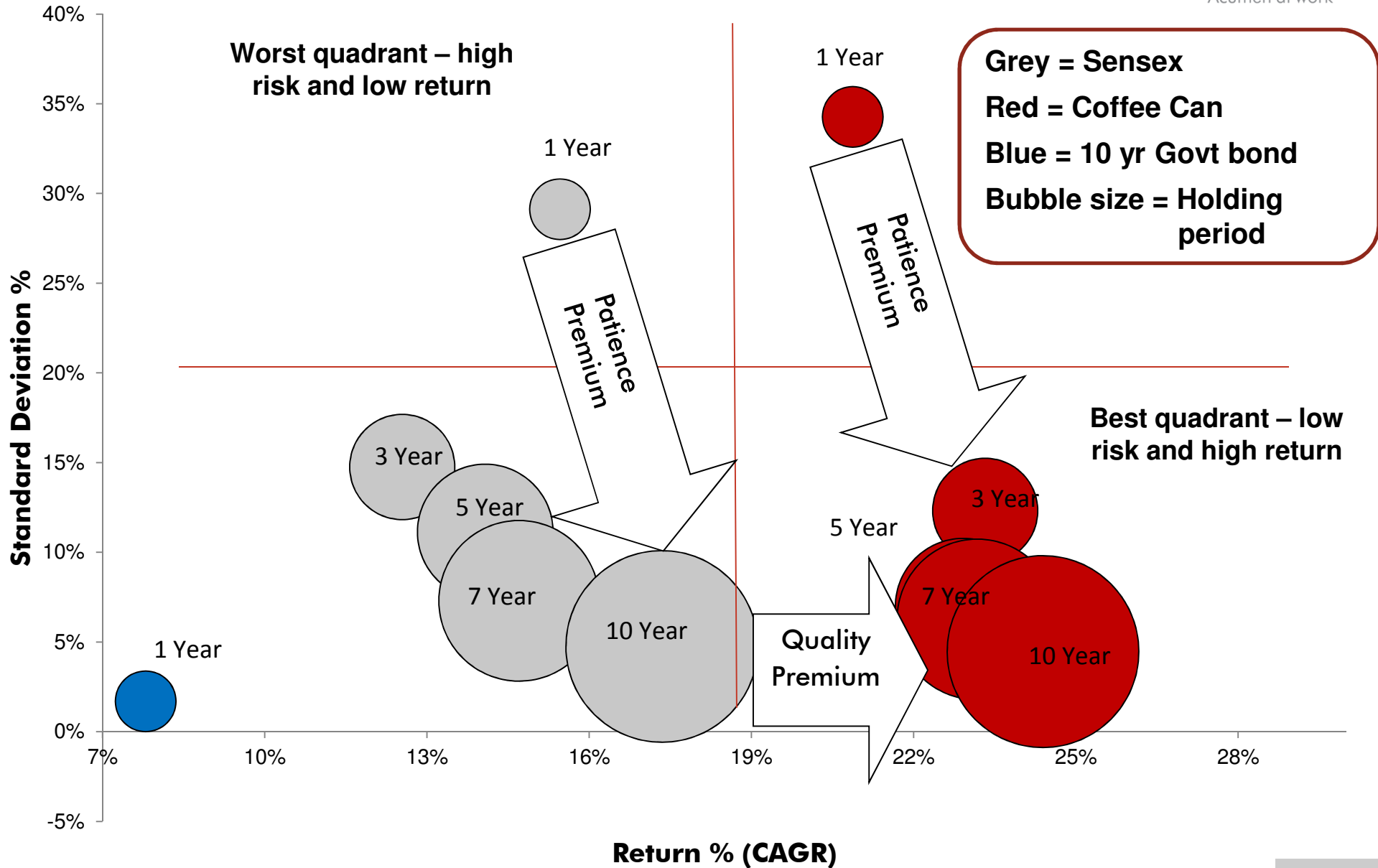


# CCP: Capital protection for 3 yrs or longer holding period

## 95% Confidence Interval



# Risk-Return profile – CCP vs Sensex vs Govt. Bond



# Coffee Can Stocks' resilience vs Sensex

## Sensex

NEGATIVE RETURNS				POSITIVE RETURNS			
							FY98
							FY05
							FY07
						FY08	FY94
				FY97		FY11	FY00
		FY95	FY99		FY14		FY04
FY93		FY03	FY02	FY96	FY17		FY06
FY09	FY01	FY12	FY16	FY13	FY18	FY15	FY10
Less than -30%	-20% to -30%	-10% to -20%	0% to -10%	0% to +10%	+10% to +20%	+20% to +30%	More than +30%

## Stock 1 (HDFC Bank)

NEGATIVE RETURNS				POSITIVE RETURNS			
							FY97
							FY98
							FY00
							FY04
							FY05
							FY06
							FY08
							FY10
						FY07	FY15
				FY99	FY02	FY12	FY11
				FY03	FY16	FY14	FY13
				FY09	FY01	FY03	FY18
<< -30%	-20% to -30%	-10% to -20%	0% to -10%	0% to +10%	+10% to +20%	+20% to +30%	>> +30%

**Sensex returns evenly spread**

**RHS skew of CCP histograms**

## Stock 2 (Berger Paints)

NEGATIVE RETURNS				POSITIVE RETURNS			
							FY94
							FY95
							FY98
							FY99
							FY00
							FY04
							FY05
							FY06
							FY10
							FY11
FY93			FY03		FY12		FY13
FY96		FY01	FY08	FY97	FY14		FY15
FY07		FY02	FY09	FY18	FY16		FY17
<< -30%	-20% to -30%	-10% to -20%	0% to -10%	0% to +10%	+10% to +20%	+20% to +30%	>> +30%

## Stock 3 (Asian Paints)

NEGATIVE RETURNS				POSITIVE RETURNS			
							FY94
							FY00
							FY02
							FY04
						FY95	FY06
					FY93	FY96	FY05
					FY03	FY98	FY11
					FY16	FY07	FY12
				FY97			FY13
FY09				FY99	FY01	FY18	FY14
						FY17	FY15
<< -30%	-20% to -30%	-10% to -20%	0% to -10%	0% to +10%	+10% to +20%	+20% to +30%	>> +30%

**More greens than reds**

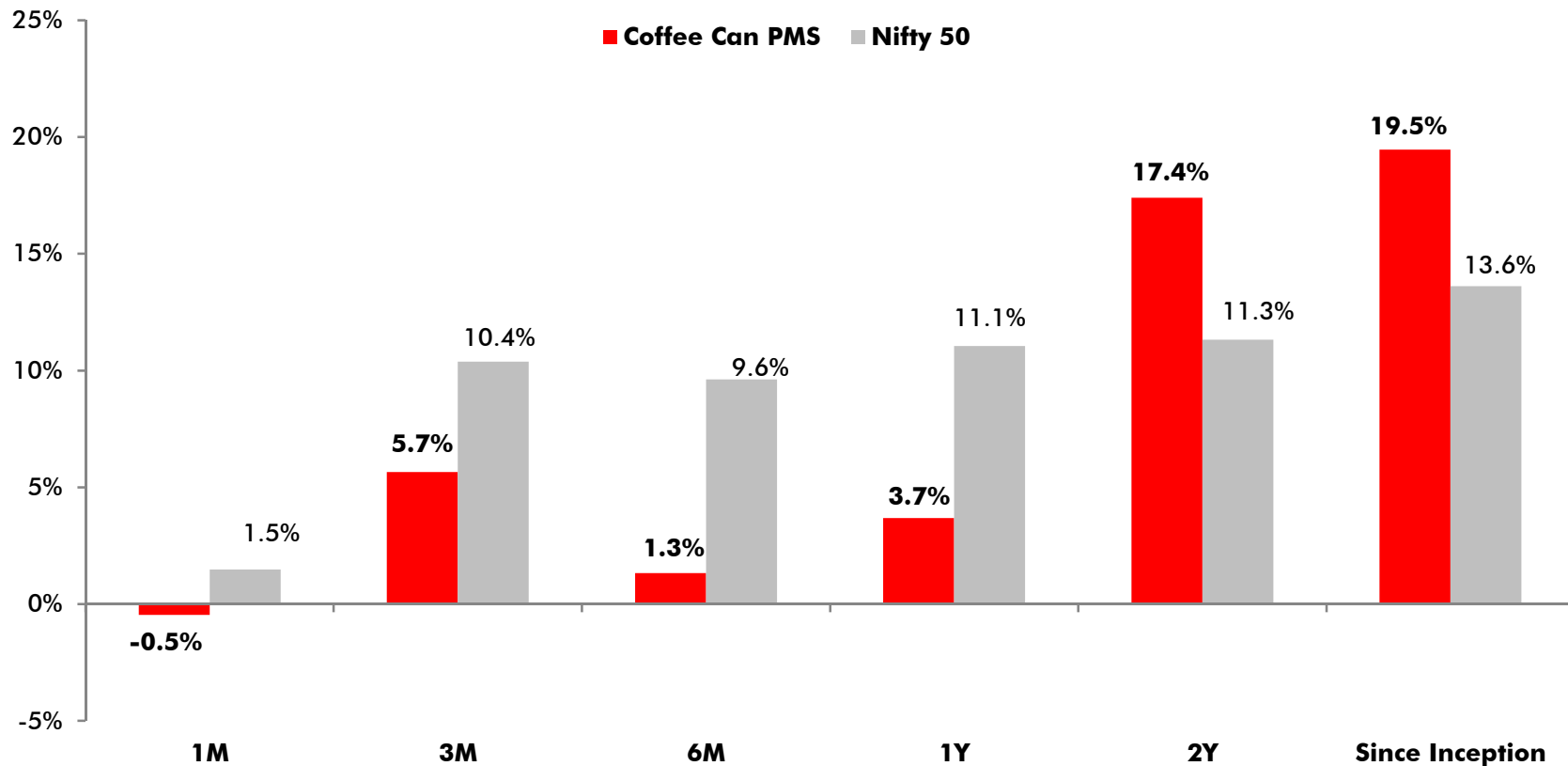
Ambit Capital Pvt. Ltd.



Stock delivered positive returns while Sensex was negative

Stock delivered negative returns while Sensex was positive

# Ambit's Coffee Can Performance – PMS (as on May'19)



\*Inception Date = 06-Mar-17; All returns are net of fees and expenses \*\*Returns for 1-Month,3-Months,6-Months, 9-Months & 12-Months are absolute returns  
**Note:** Returns prior to Apr'19 are returns of all the Pool accounts excluding non-aligned portfolio, and returns post Apr'19 is based on TWRR returns of all the pool accounts.

# Ambit's Coffee Can Performance - Institutional (from July'14)

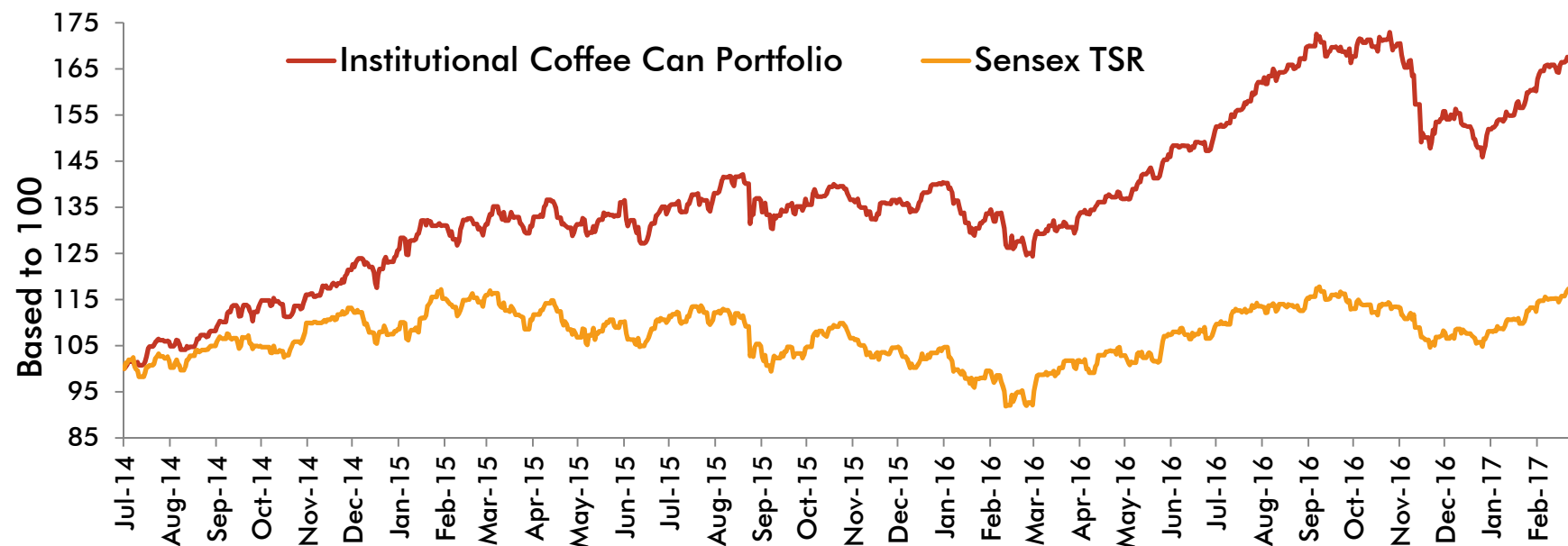


Annual Return		
Start Date	CC Portfolio Return %	Sensex TSR *** %
Jul-14	34.3%	10.5%
Jul-15	12.0%	-2.1%
Jul-16*	10.6%	6.5%
CAGR since inception**	21.6%	6.0%

\* Return for period starting July 2016 is absolute return till Feb 2017

\*\* Return from inception till Feb 2017

\*\*\* TSR = Total Shareholder Return which assumes that dividends received are reinvested

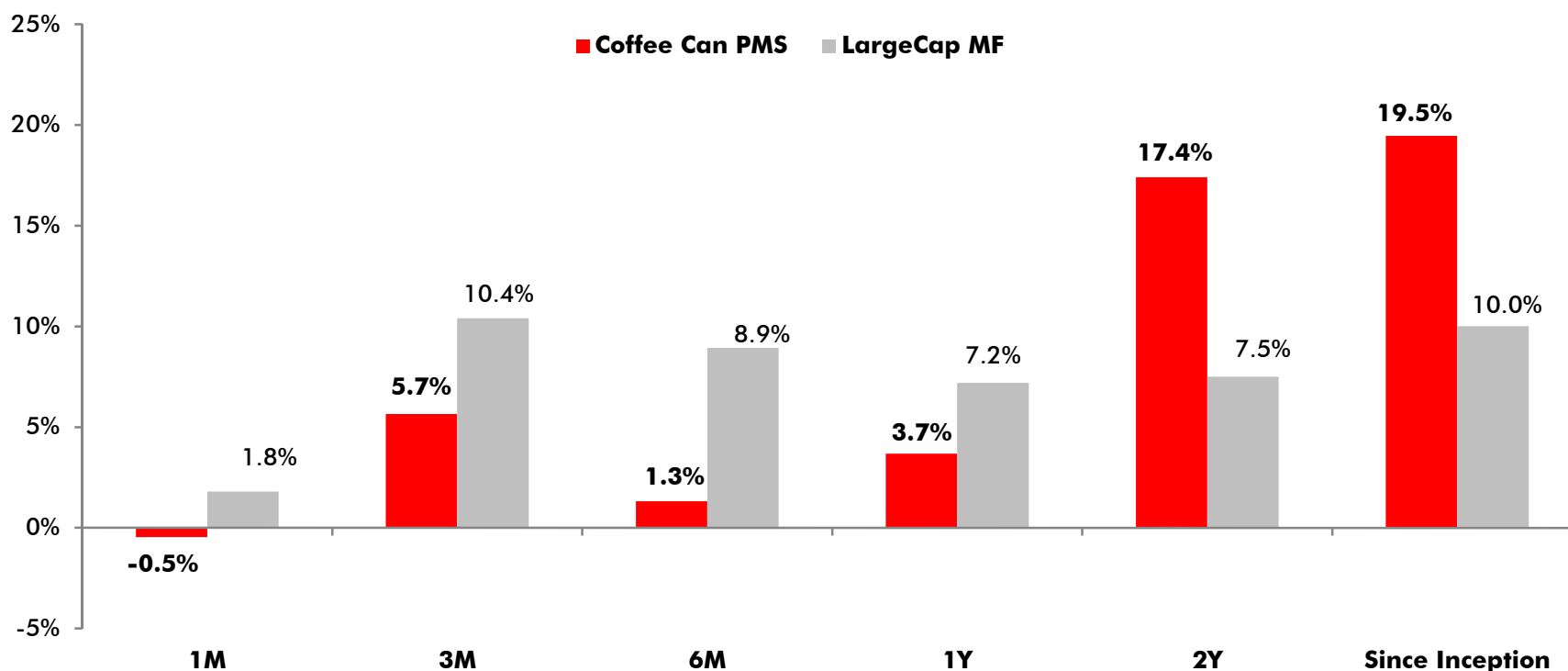


\*From July 2014 to Feb 2017

# Ambit's Coffee Can PMS vs Large Cap MF (As on May'19)



Investment	At Inception 6 Mar 2017	As on May'19
Coffee Can PMS**	25 Lacs	37.2 Lacs
Large Cap MF***	25 Lacs	30.9 Lacs
NIFTY 50	25 Lacs	33.3 Lacs



\*Inception Date = 06-Mar-17; All Returns (except CAGR since inception) are absolute returns

\*\*Coffee Can PMS returns net of all fees & expenses

\*\*\*Large Cap mutual fund returns calculated based on average returns of Top 6 large cap MF (AMFI Website).



# Fund Manager

## **Manish Jain** – Fund Manager

-Manish over 15 years of experience in deep dive equity research.

-He has worked with Nomura for 10 years as lead analyst covering FMCG, electrical durable & retail Sectors. He was amongst the best performing analyst in the research team with consistently strong votes from ADIA, Capital World (Ranked No 1 for four years in running), Capital International (for strong corporate access), FIL, FMR, Wellington, William Blair, Mirae, UBS, Morgan Stanley, TIAA CREF, Putnam, GSAM, Allianz, Alliance Bernstein, Lion Global, ICICI MF, ICICI Life, SBI MF, Birla MF, DSP, Franklin Templeton, amongst others.

-He holds an MBA in Finance.



# Ambit Group: An Overview

## Overview

- Founded in 1997 as a boutique M&A Advisory firm, added various offerings over two decades to become a full service India focused Investment Bank
- Deep coverage of large and mid-cap Indian Corporates and key India focused Global Corporates
- Strong corporate governance with clear demarcation between ownership, governance and management. Owned largely by employees
- Stable experienced team of 450+ employees
- Statutory Auditors: Deloitte Haskins & Sells
- Global presence with offices in Mumbai, Delhi, Bangalore, London, New York and Singapore

## Global Partnerships



Strategic business alliance for mergers and acquisitions advisory services in Indo-Japan corridor



Strategic partnership with Qinvest offers a broad range of expertise to deliver high value service, seamlessly covering client needs across Middle East, Turkey, South and South East Asia, and Africa

## Business Verticals

### ASSET MANAGEMENT

- Portfolio Management Services

### CORPORATE FINANCE

- Mergers & Acquisitions (M&A) and Divestures
- Alternative Capital Raising
- Equity Capital Markets (ECM)

### INSTITUTIONAL EQUITIES

- Differentiated research/Bespoke strategies
- Derivatives and Technical analysis
- Block Trading

### PRINCIPAL INVESTMENT

- Investing in high potential value discovery stories
- Small-Cap and Mid-Cap Public Companies

### PRIVATE WEALTH

- Proprietary Investment Products
- Open Architecture Model
- Asset Allocation, Tax and Estate Planning

### SME FINANCE

- Small Business Loans
- Loans against Properties

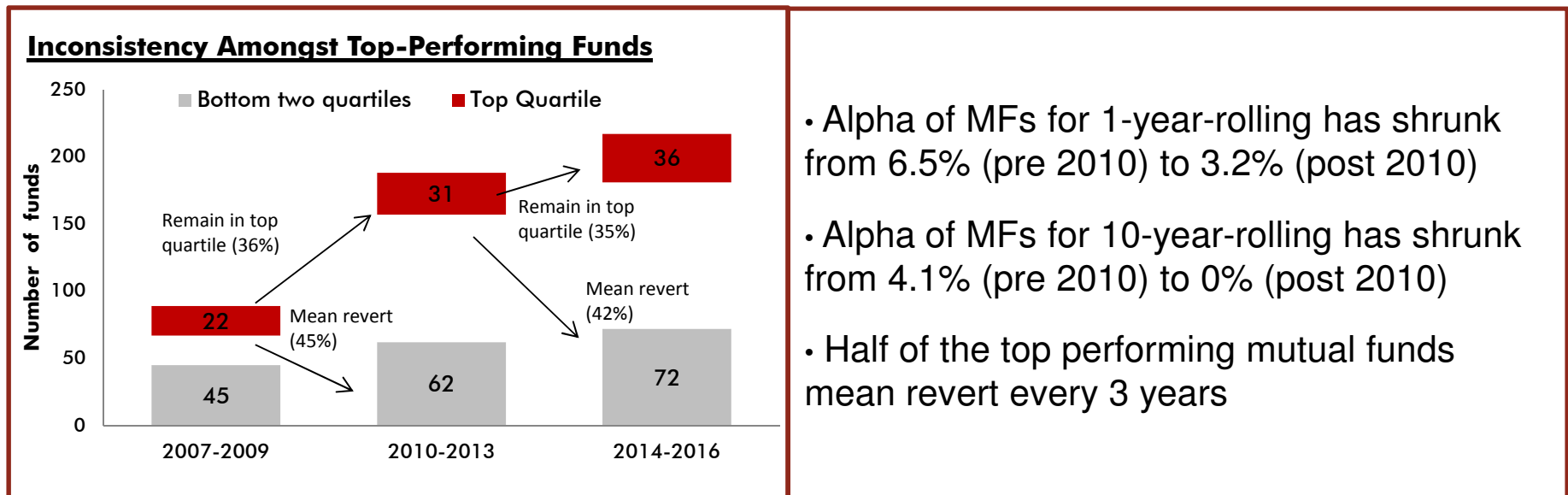
### STRUCTURED FINANCE

- Lending Solutions
- Loan Syndication

# Appendix

# Alpha of Large Cap Equity Mutual Funds is diminishing

<b>Large Cap MFs : Pre 2010 (Jan'91 to Dec'09)</b>					<b>Large Cap MFs : Post 2010 (Jan'10 to Feb'17)</b>				
	<b>Rolling One year</b>		<b>Rolling Ten year</b>			<b>Rolling One year</b>		<b>Rolling Ten year</b>	
	<b>Equity MFs</b>	<b>BSE 100</b>	<b>Equity MFs</b>	<b>BSE 100</b>		<b>Equity MFs</b>	<b>BSE 100</b>	<b>Equity MFs</b>	<b>BSE 100</b>
<b>Avg. Returns (%)</b>	21.8	15.3	17.4	13.3	<b>Avg. Returns (%)</b>	16.6	13.4	15.8	15.8
<b>Std. Dev. (%)</b>	46	37	7	5	<b>Std. Dev. (%)</b>	23	23	3	4



## Examples: Earnings contribute to the bulk of TSR

FY 94-97	Starting P/E	Ending P/E	EPS CAGR	Share Price CAGR
ASIAN PAINTS	38	20	29%	5%
ITC LTD	40	25	19%	2%
PIDILITE INDUSTRIES	20	13	23%	5%
NESTLE	64	37	15%	-4%
<b>Average</b>	<b>41</b>	<b>24</b>	<b>22%</b>	<b>2%</b>
Sensex	47	13	47%	-4%

FY 94-04	Starting P/E	Ending P/E	EPS CAGR	Share Price CAGR
ASIAN PAINTS	38	20	19%	12%
ITC LTD	40	16	23%	12%
PIDILITE INDUSTRIES	20	12	21%	15%
NESTLE	64	25	22%	11%
<b>Average</b>	<b>41</b>	<b>18</b>	<b>21%</b>	<b>13%</b>
Sensex	47	19	14%	4%

FY 99-09	Starting P/E	Ending P/E	EPS CAGR	Share Price CAGR
ASIAN PAINTS	13	19	18%	22%
ITC LTD	38	21	18%	11%
PIDILITE INDUSTRIES	15	19	12%	15%
NESTLE	51	26	18%	10%
<b>Average</b>	<b>29</b>	<b>21</b>	<b>16%</b>	<b>13%</b>
Sensex	15	14	11%	10%

Page Inds	Share price (Rs)	Mkt Cap (Rs cr)	Trailing EPS	Trailing P/E (x)
Apr-08	489	545	21	23
Apr-18	24,030	26,827	296	81
<b>CAGR</b>	<b>48%</b>	<b>48%</b>	<b>31%</b>	<b>12%</b>

Earnings contributed to ~80% of the share price growth

Source: Bloomberg, Company, Ambit Capital

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