



Ambit TenX Portfolio

Ambit Asset Management

April 2024

What is TenX?

Indian economy to be on structural growth path.

GDP to grow 3x plus in the next decade on the back of structural growth drivers
We expect India to be only the third country in the world to reach US\$10tn mark

Mid and small cap companies to be beneficiary of the same.

We expect structural 13% nominal GDP growth to lead to steady double digit earnings growth for broader markets.

Ambit TenX portfolio to leverage this opportunity.

Companies that can grow their earnings TenX in the next 12-15 years.
Low penetration, strong leadership, light balance sheet to be the key driving factors.
Expect earnings CAGR of 18-21% in the portfolio over the next decade.

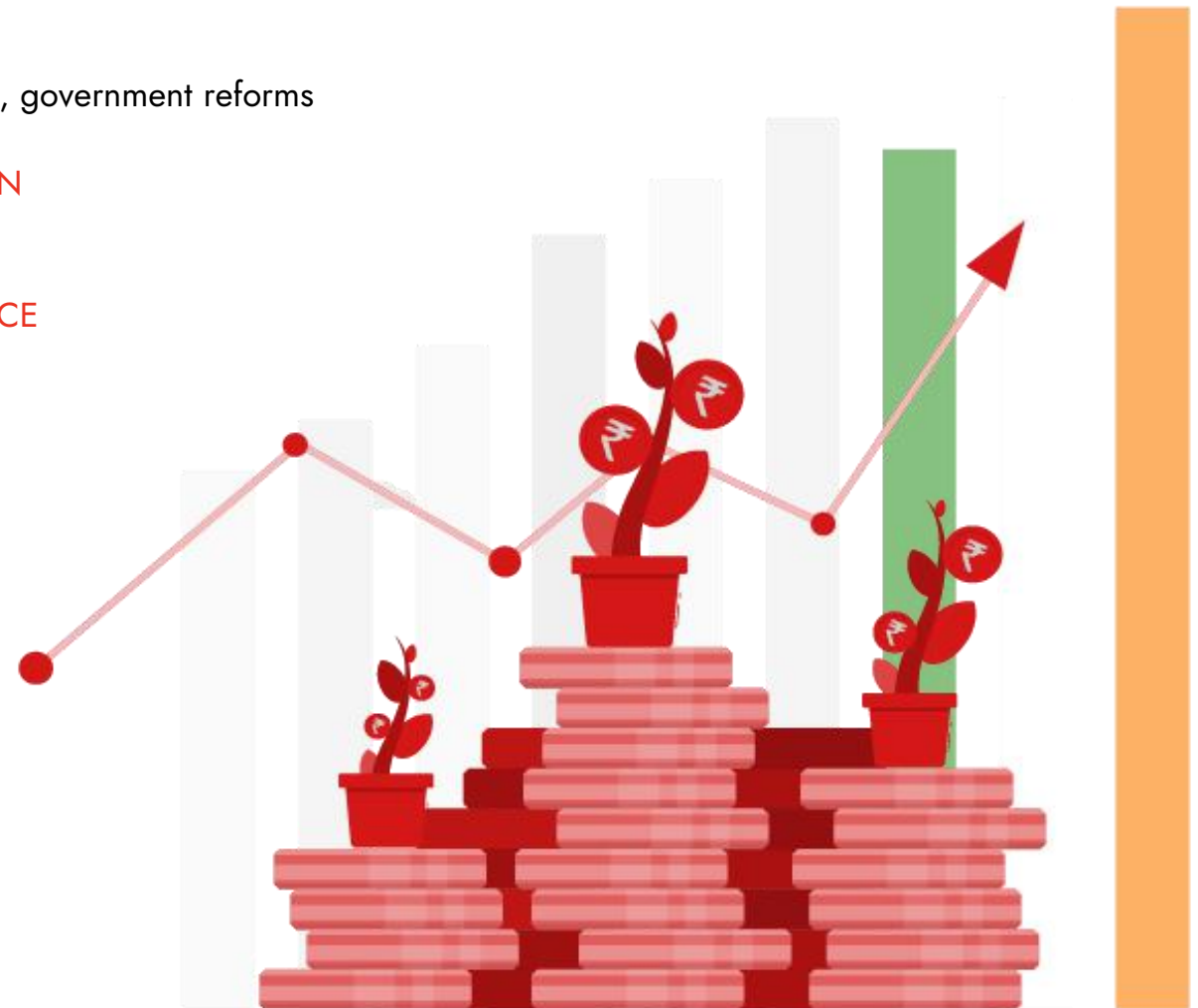
Think like a business owner focus on - earnings growth and long term.

Returns will automatically follow



Why the Ambit TenX Portfolio?

- **PLAYING THE INDIA GROWTH STORY**
 - The next decade brings with it structural growth
 - India is truly “shining”
 - Hockey stick curve in per capita income
 - India at an inflection point
 - Low interest regime, swift formalization, strong capex pipeline, government reforms
- **LONG TERM PORTFOLIO THAT AIMS AT STRUCTURAL WEALTH CREATION**
 - Ideal duration of investment more than 5 years
- **PLAYING THE EARNINGS GROWTH STORY IN THE MID-SMALL CAP SPACE**
 - Identify the large/Mid caps of tomorrow
- **HIGH QUALITY COMPANIES IN NICHE SEGMENTS**
 - Low penetration with strong growth potential
 - India manufacturing theme (China+1)
- **HIGHLY DIFFERENTIATED PRODUCT OFFERING**
 - Strong in-house developed philosophy
 - Focused on compounding of earnings in a steady way
 - The process is the fund manager



India at US\$10TN?



India at US\$10tn – If? When? How?

Expecting India to get there over the next 12-13 years will not be a wild assumption

Scenario	1	2	3	4
Current GDP (\$ tn)	2.8	2.8	2.8	2.8
Growth	12%	13%	14%	15%
Years	13.5	12.3	11.4	10.5
GDP (\$ tn)	10.0	10.0	10.0	10.0

Source: CSO; Note: Nominal GDP growth, T12M GDP of Rs.210TN as of Q1FY22 at USD/INR rate of 0f 74.3. Assumed USD/ INR depreciation of 2% per annum.

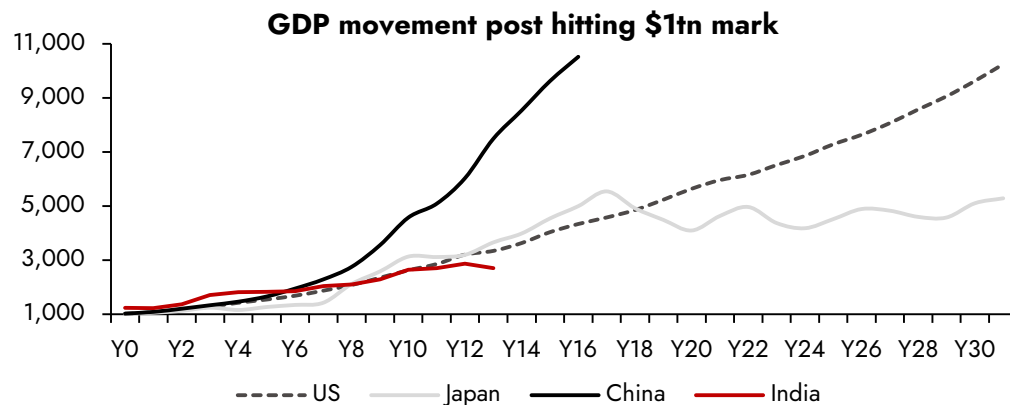
It has achieved the required growth rate in the past

5 - year period		10 - year period	
2007 - 12	15%	2002 - 12	14%
2008 - 13	15%	2003 - 13	15%
2009 - 14	15%	2004 - 14	15%
2010 - 15	14%	2005 - 15	15%
2011 - 16	13%	2006 - 17	14%

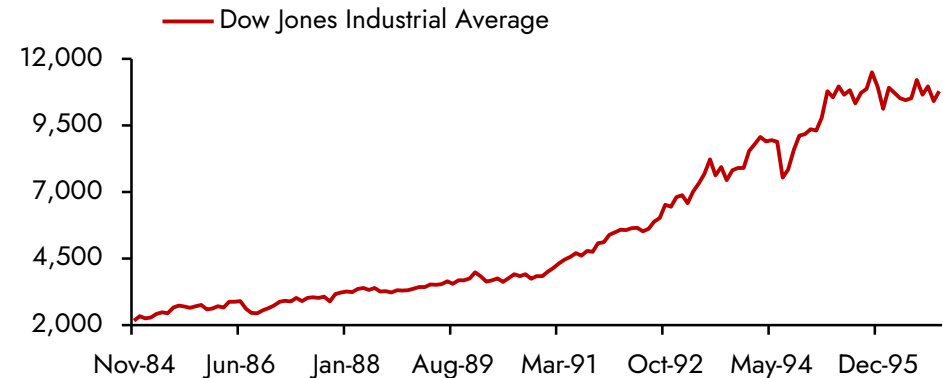
Source: CSO

Each of the major economy has had a different growth path/trajectory. India's trajectory is similar to US – gradual, yet structural

\$5tn - \$10tn Journey of US GDP translated to ~14% CAGR return for DJIA



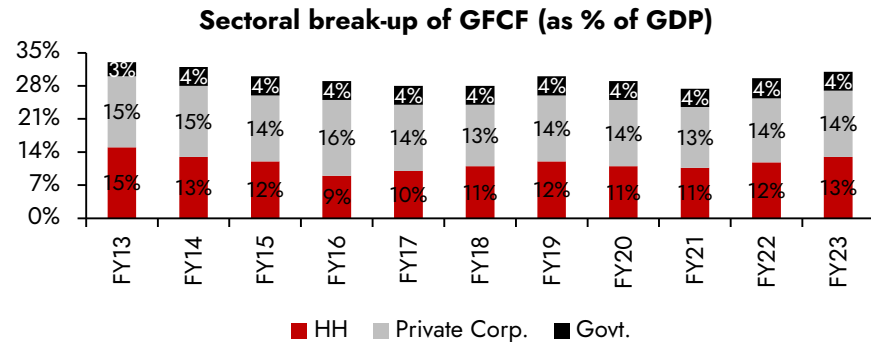
Source: Bloomberg; Note: Nominal GDP in USD for all. China, Japan, India – IMF Data. US – Bureau of Economic Analysis, Japan 1978-79 Data (Y0, Y1) from World Bank



Source: Bloomberg

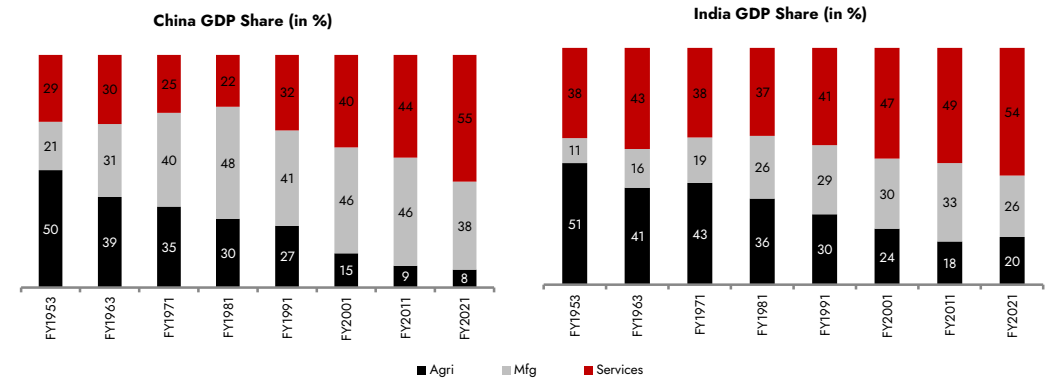
Key Growth Pillars

Improvement in Housing and Private Corporate CAPEX will lead to a turnaround



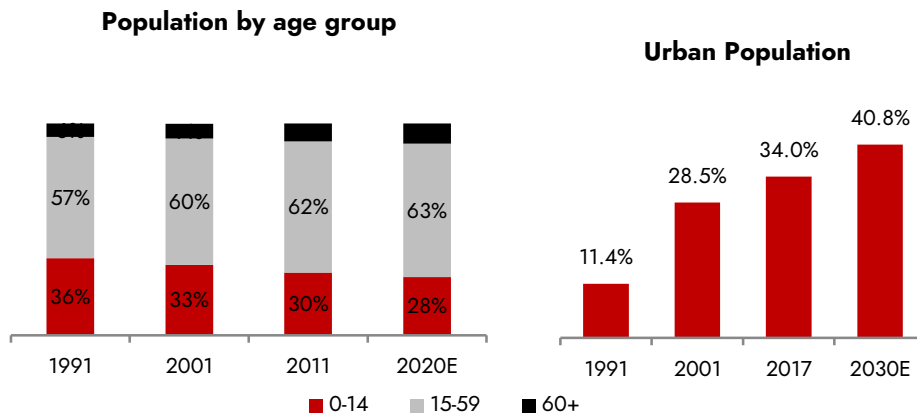
Source: MOSPI

Reducing dependence on agricultural sector will result in faster GDP growth



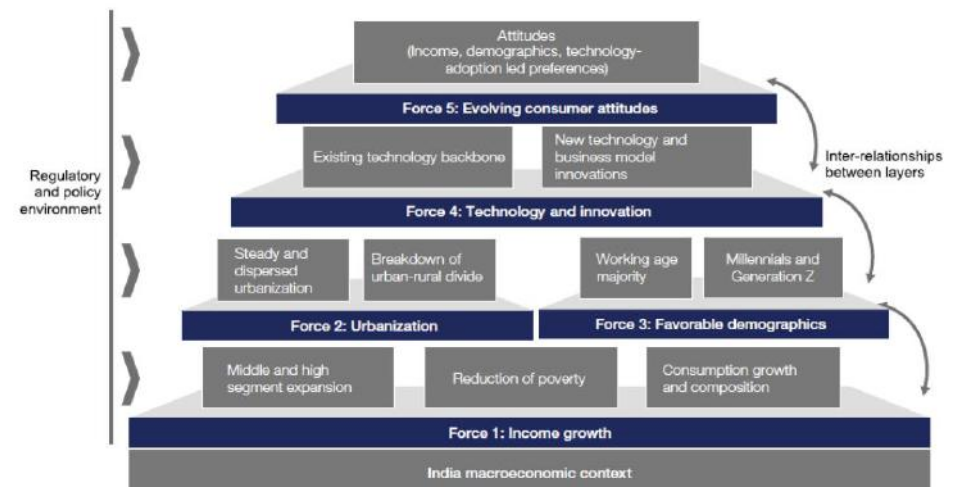
Source: CEIC, in local currency

Increased pace of Urbanization (3% land mass, 60% GDP), led by ~50% working age population



Source: World Bank, Census of India, United Nations Department of Economic & Social Affairs

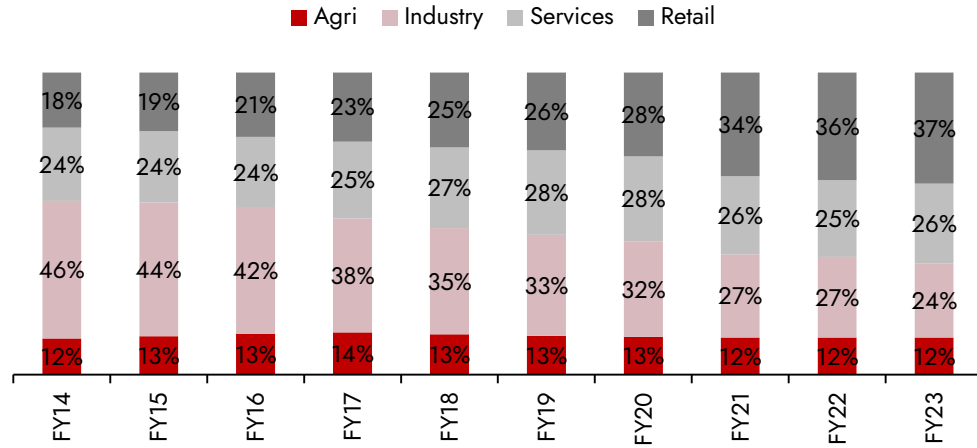
Domestic consumption (60% of GDP) is expected to be a \$6tn opportunity by 2030



Source: Bain & Company/ World Economic Forum Analysis

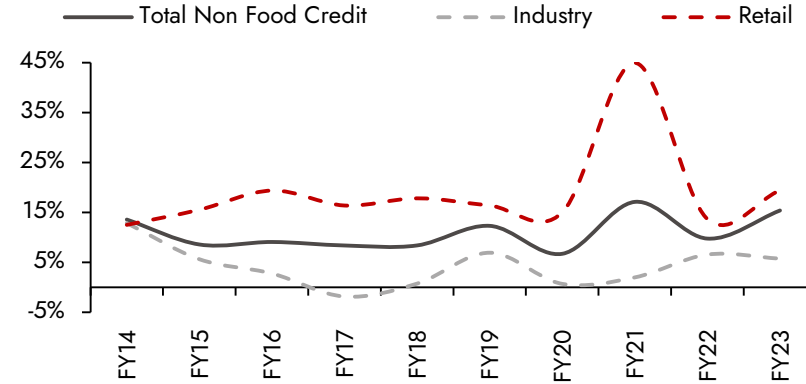
Credit Cycle and Corporate India

Slowdown in Industrial Credit has led to declining share over the last decade



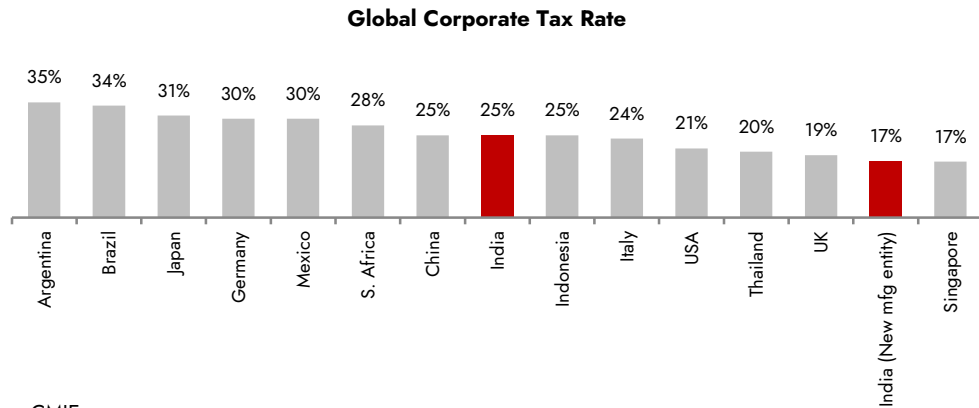
Source: RBI

Dragging overall Credit growth, which will have to turn around



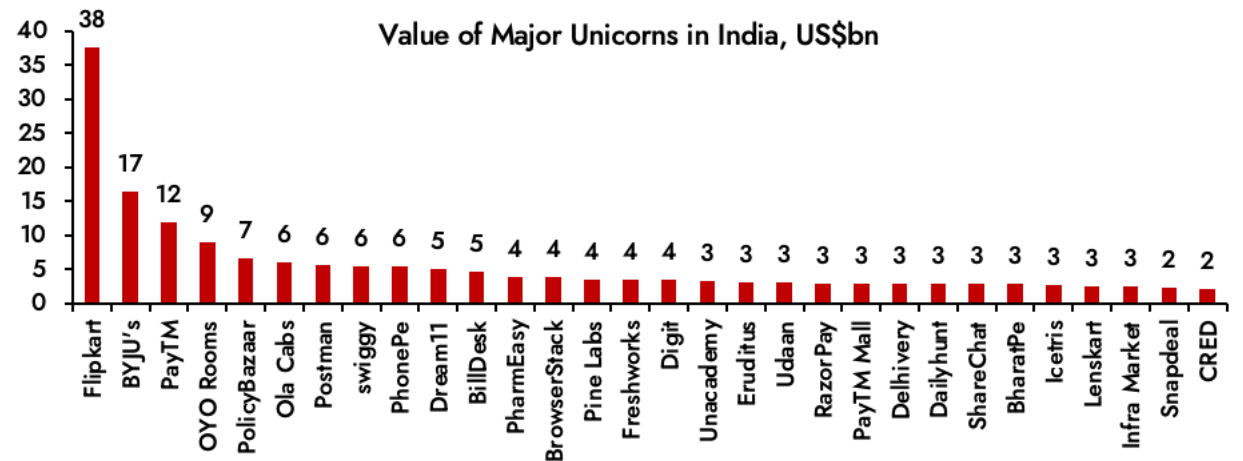
Source: RBI

Initiatives like GST and Coporate Tax Rate cut will accelerate formalization leading to better efficiency



Source: CMIE

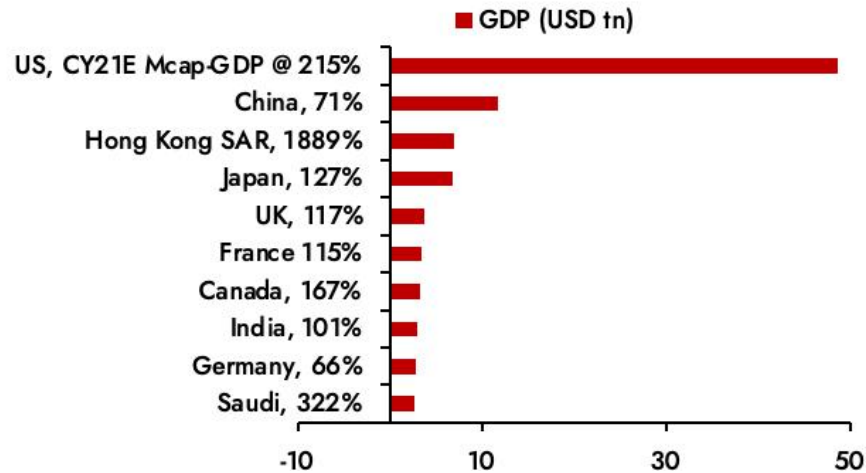
Fairly mature Start-up ecosystem will pay an important role in job creation



Source: Venture Intelligence, press articles, Tracxn

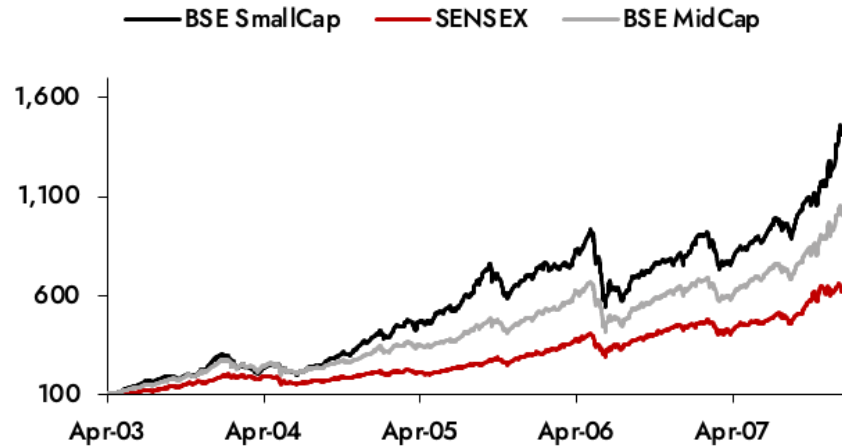
SMID Corporates will be the biggest beneficiaries

India's Mcap-to-GDP is 3rd lowest among countries with Top-10 MCap



Source: CMIE, IMF

Mid/Small Caps generated 1.6x/2.5x better return than Sensex (large caps) during 2003-2007 rally



Source: Bloomberg

Successful identification of companies that can upgrade to a higher Market Cap

% shift from one category to another		FY10			
		1-100	101-250	251-500	501-1000
FY20	1-100	53%	15%	3%	3%
	101-250	28%	24%	12%	3%
	251-500	6%	23%	32%	10%
	501-1000	8%	20%	23%	34%
	Exclusion	5%	18%	30%	53%

Successful identification will lead to disproportionate returns for investors

Avg. Performance CAGR %		FY10			
		1-100	101-250	251-500	501-1000
FY20	1-100	6%	21%	34%	3%
	101-250	-6%	9%	21%	37%
	251-500	-20%	-34%	6%	22%
	501-1000	-32%	-18%	-9%	5%

Ambit TenX Portfolio



What drives success for corporate India?

Our research over the past few years shows that over and above firm-specific competitive advantages, three factors are essential for a company to consistently outperform



CLEAN ACCOUNTING

The bottom 40% of the BSE500 stocks on accounting quality have underperformed the top 60% by a whopping 12% per annum since Nov 2010



CONSERVATIVE CAPITAL ALLOCATION

Indian companies are amongst the most aggressive capital allocators in the world and that aggression costs their shareholders dear.



GOOD GOVERNANCE & LACK OF POLITICAL CONNECTIVITY

Firms whose central competitive advantage is political connectivity seldom outperform in India.

Ambit **TenX** Portfolio is your solution to identify these traits for sustainable wealth creation through Indian equities

Ambit TenX Portfolio - Investment Process

Companies Market Capitalization > 500 Cr.



Ambit Good and Clean Framework



Check if the companies are present in an underpenetrated market with lower per capita consumption;
Net debt to equity < 1.0



Bottom-up research, Industry Analysis, Management meets and Channel Checks



Concentrated portfolio of 15-20 primarily mid and small cap companies



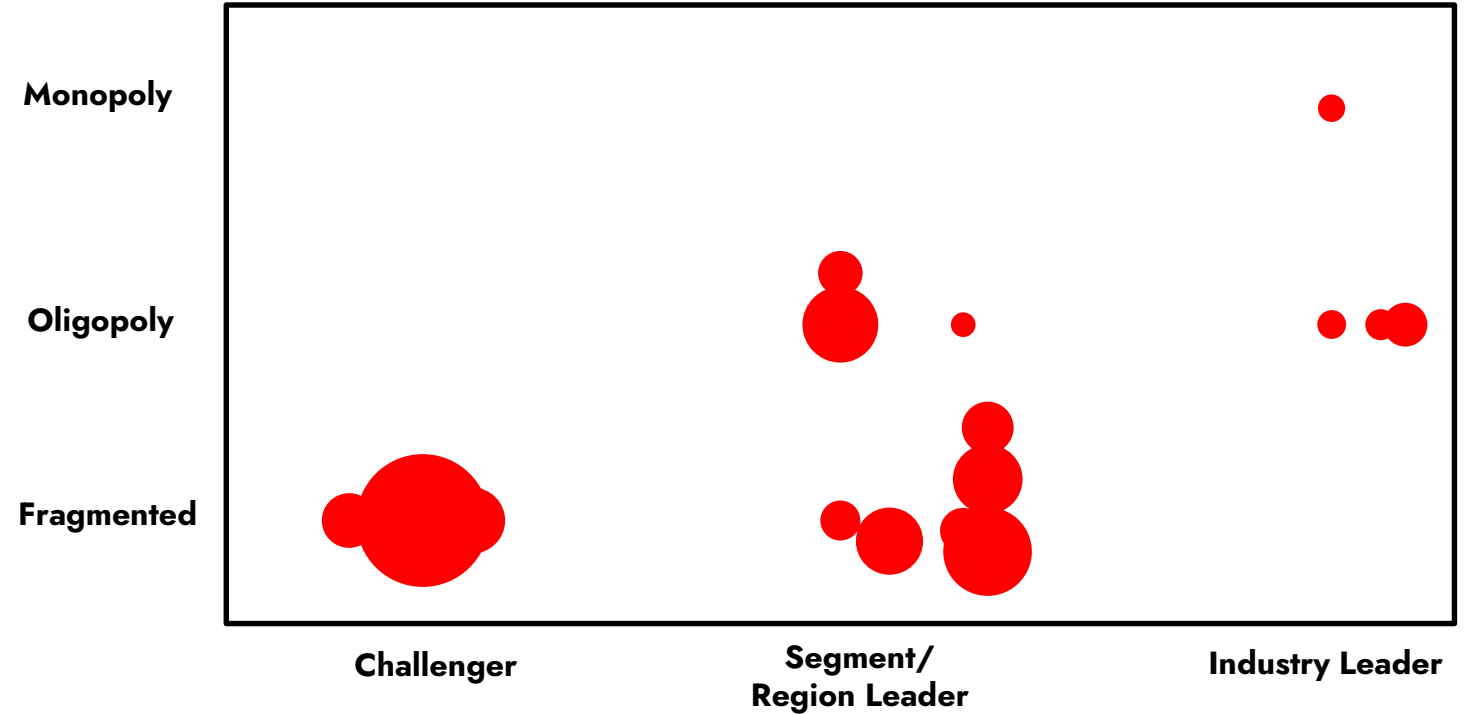
Monitor earnings potential of companies in portfolio



Average Churn ~15 - 20% p.a.

Portfolio Composition & Characteristics

- Stellar track records of capital allocation in terms of RoE
- Low debt with the median portfolio company cash positive
- Median market cap of the portfolio is ~Rs.28,244 cr.
- Growth potential above the comparable index
- Reasonable valuations for quality stocks



Note: Size of the bubble represents Market Cap of our portfolio companies

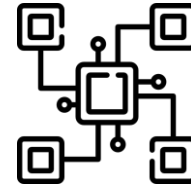
Stoicism – A Behavioral Finance Methodology



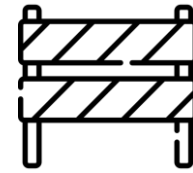
Scope for horizontal/
backward integration



Leveraging **T**echnology for
consistent innovation



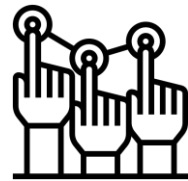
Optimization of
Distribution & network



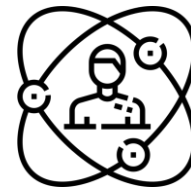
Industry opportunity size
with entry barriers



Competency & execution
with consistency



Increased Scope for
Penetration



Strong brand equity &
customer experience



Management Bandwidth &
Strong leadership

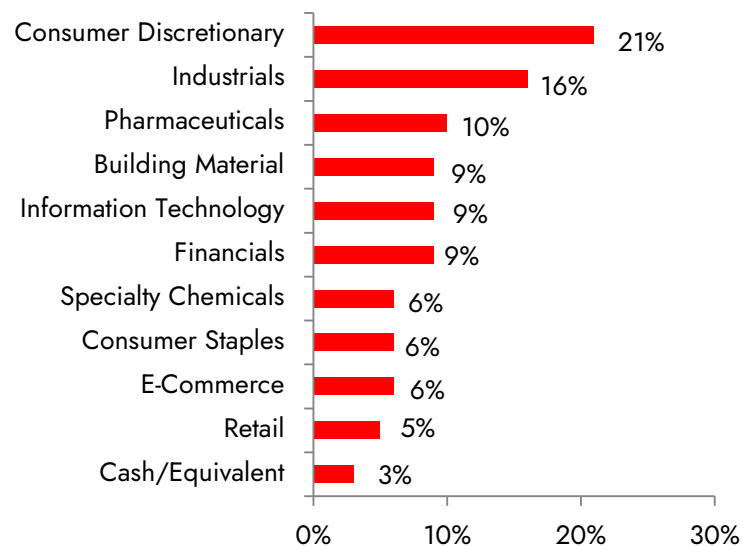
Portfolio Composition & Characteristics

MODEL PORTFOLIO STATISTICS

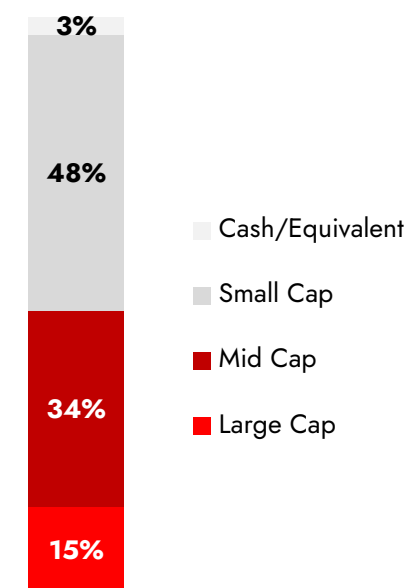
Comparison with Indices		Ambit TenX Portfolio	BSE 500
P/E (x)	FY24E	41.9	25.2
	FY25E	33.3	22.1
F20-F23 (CAGR %)	EPS	25.7	27.4
Net Debt / Equity	FY23	-0.13	NA
RoE (%)	FY24E	21.0	14.5

All Portfolio statistics are weighted average except for Debt/equity

MODEL PORTFOLIO SECTOR ALLOCATION



MARKETCAP SEGMENT



SUPERIOR RISK ADJUSTED RETURNS AND DRAWDOWN TRACK RECORD

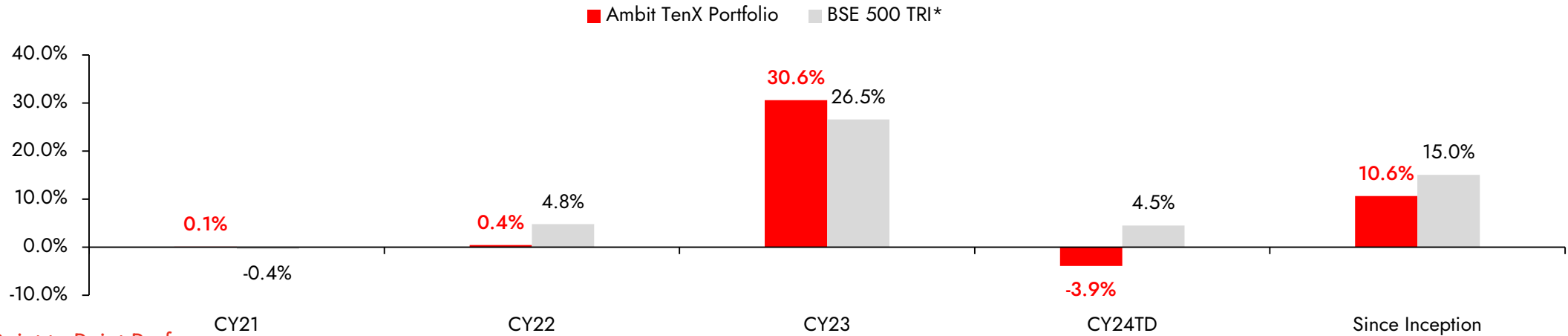
Performance (since inception)	Net Returns (CAGR)	Standard Deviation	Sharpe Ratio	Beta
Ambit TenX Portfolio	10.6%	15.0%	0.24	0.8
BSE 500 TRI*	15.0%	13.7%	0.58	1

Note: Returns are calculated from 13th Dec'21 to 31st Mar'24.

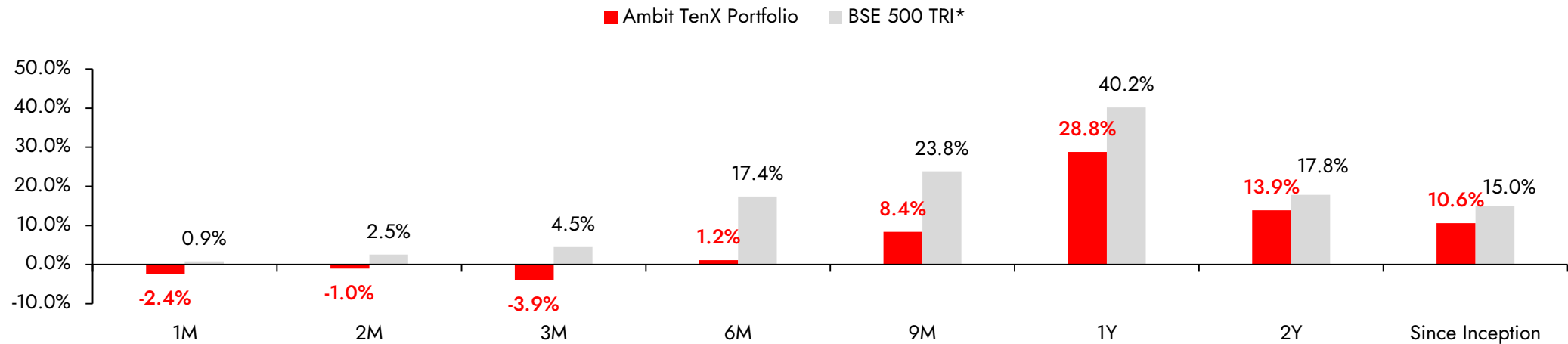
*BSE 500 TRI is the selected benchmark for the Ambit TenX Portfolio and the same is reported to SEBI.

TenX philosophy delivers

Calendar Year Performance



Point to Point Performance



Source: Ambit; Portfolio inception date is December 13, 2021; Returns as of 31st Mar 2024; All returns are post fees and expenses;
 *BSE 500 TRI is the selected benchmark for the Ambit TenX Portfolio and the same is reported to SEBI.

How will we deliver this?

- Good risk adjusted returns is an **outcome** of **Good Processes** characterized by:

1 Stringent quantitative filters

- Each offering is based on deeply researched and back tested framework to generate the investment universe
- High threshold for performance over long spans of time, greatly minimize chances of poor performers or poor quality companies entering into the investment universe
- High quality of accounts and corporate governance is uncompromised

3 Focus on earnings growth + earnings quality

- Lower obsession with timing when one is investing in a superior calibre of companies
- Companies with a consistent track record and leadership traits are preferred
- Past track record + Future sector potential + Current management capabilities = Comfort on delivering quality earnings

2 Experienced team & deep-dive research

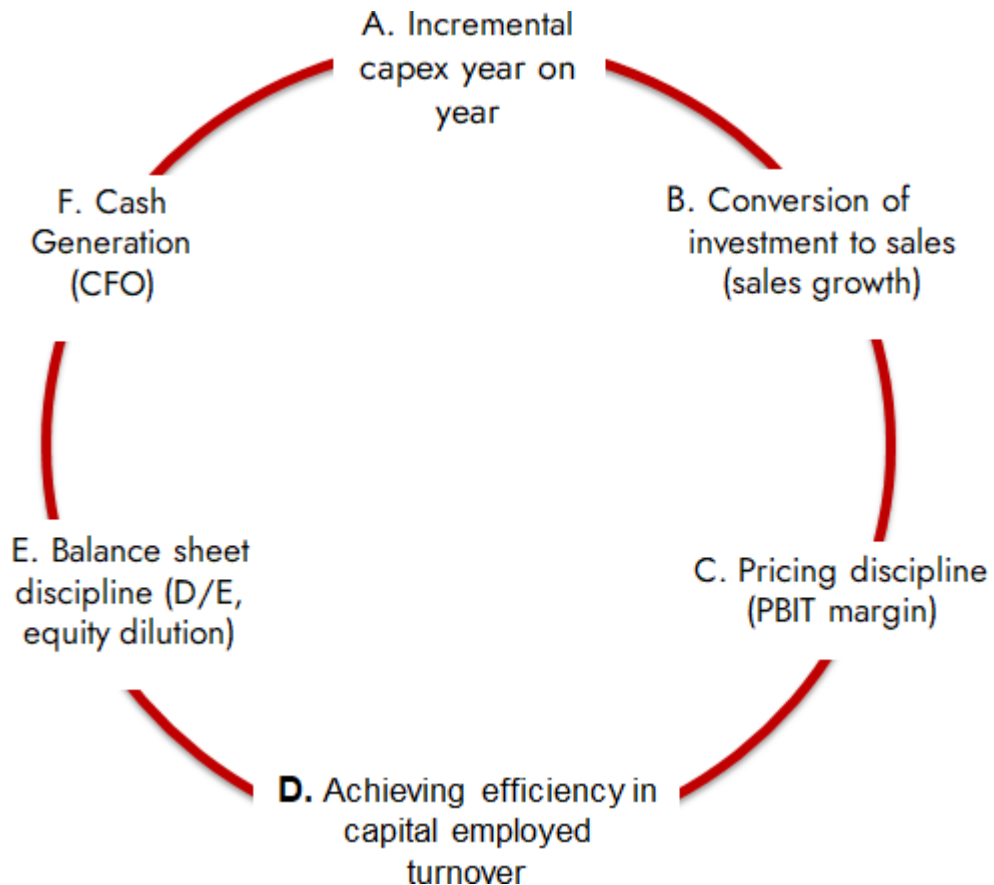
- Dedicated and experienced research team
- Research processes inspired by Ambit's Institutional Equity
- Investment Committee to approve all investment decisions
- Part of larger Ambit group lends advantages
- Focus on what is knowable and what is important

4 Risk management

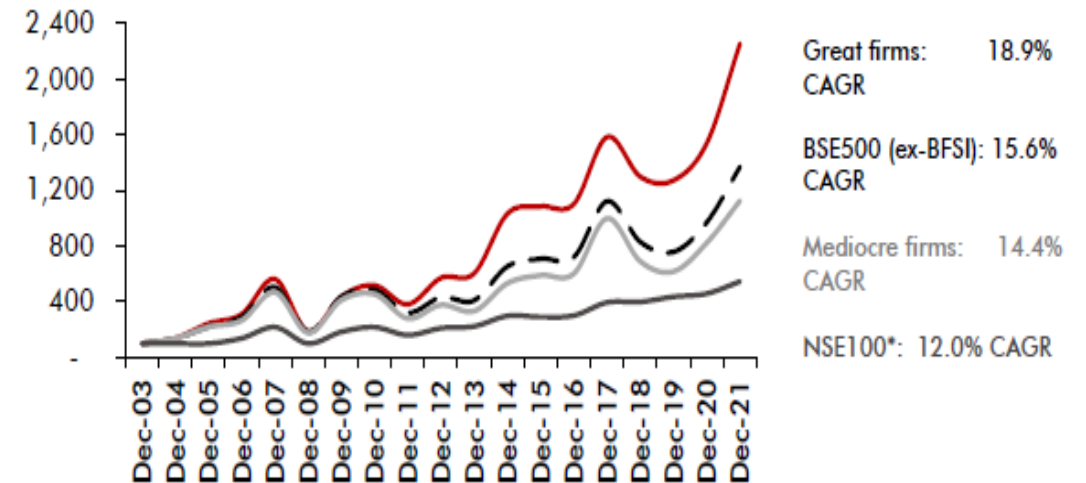
- Concentrated Portfolios deliver best returns as returns do not get average out
- Lower drawdowns due to consistent performers in secular sectors
- Long term orientation with low churn realize the power of compounding

Focus on 'good' helps generate upside

Ambit's 'greatness' framework identifies efficient capital allocators in the country



Greatness model has outperformed BSE500 by a whopping 3.3% annually



Source : Ambit Capital research, Bloomberg; Note: The back-test is based on annual rebalancing with forward-looking returns being calculated from December 31 of year X to December 31 of year X+1; for example, in the exhibit above, for the most recent year, the framework included numbers until FY21 and returns have been calculated from 31 December 2020 to 31 December 2021. (Note: The above exhibit only considers the share price returns and not the total shareholder returns). *NSE100 data is considered from Dec-06

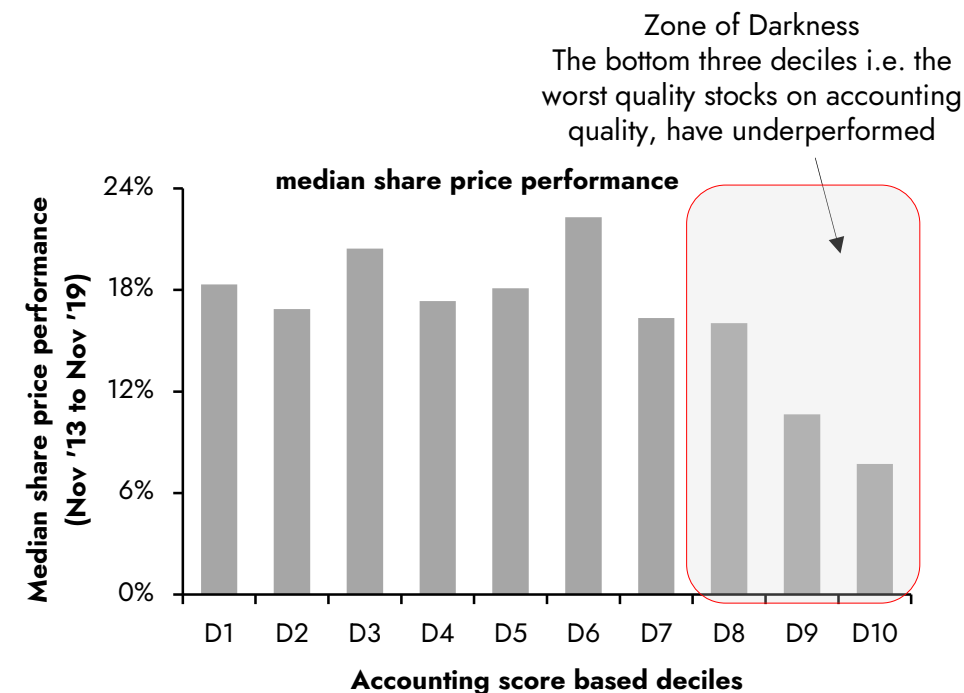
Our greatness framework looks at holistic and consistent growth as the hallmarks of efficient capital allocation- a self sufficient growth engine without the need of tapping external capital frequently is key to long term wealth creation.

Not compromising on 'clean' is critical to managing drawdowns

Ambit's proprietary forensic accounting model helps steer clear firms with questionable accounts

Strong link between accounting quality and stock performance

Accounting checks
P&L Mis-statement
<ul style="list-style-type: none">• Abysmally low CFO/EBITDA ratio over a long run• High volatility in Depreciation Rates• Boasting earning through lower debtor provisioning
B/S Mis-statement
<ul style="list-style-type: none">• Low Cash yield implying balance sheet misstatement• Writing-off losses directly through balance sheet• High contingent liability
Pilferage Checks
<ul style="list-style-type: none">• High Miscellaneous expenses• Unsubstantiated capex or delay in plant commissioning• Historically generating negative free cash flows• Increasing advances to related party
Auditor Quality
<ul style="list-style-type: none">• High auditor remuneration



Source: Ace Equity, Capitaline, Ambit Capital research; Note: Accounting score is based on annual financials over FY12-18; stock price performance is from Nov'12 to Nov'18 on a CAGR basis. Universe for this exhibit is BSE500 (ex-BFSI)

Who is the fund manager?

- The process is the fund manager
 - Revolutionizing fund management
 - Moving away from people towards process
 - Team first to client first – prioritizing our fiduciary duty of staying true to the clients needs
- A team of highly motivated and skilled research analyst drive ideation
- Also, ensures ownership of the idea and constant monitoring
 - Staying ahead of the curve
- Two step approval process – Research team & Investment Committee ensures robustness
- Democratic process ensures healthy debate and disagreement
 - We don't get married to our calls
- Future talent grooming
 - Keeping the well oiled machine going





Asset Management Team



Ambit Asset Management Team



SUSHANT BHANSALI
CEO

Over 20 years of experience. Before Asset Management, he led Ambit's Principal Investment business, where he cut his teeth investing in listed equities from Ambit's Balance Sheet.



SIDDHARTH BOTHRA
FUND MANAGER

Siddharth has more than two decades of experience in equities and asset management



TRILOK AGARWAL
FUND MANAGER

Trilok has over 16 years of experience in Investment Management. Prior to Ambit, he was a key Investment member at Aditya Birla Sun Life managing funds over 500mn\$, He was also associated with Dymon Asia Capital briefly.



BHARGAV BUDDHADEV
FUND MANAGER

Bhargav has over 18 years of experience in equity research. Prior to joining Ambit, he worked with Kotak Mutual Fund and also worked with Ambit Institutional Equities.



SIDDHARTHA RASTOGI
COO & HEAD OF SALES

Siddhartha has over 20 Years of experience & is with Ambit for over 13 Years. Before joining Ambit, Siddhartha was one of the cofounded members for IIFL Private wealth and set up the mutual fund and structured product distribution business at IIFL. He has also worked with Citibank, HSBC Bank and UTI Bank where he played a key role in setting up Wealth management and merchant banking roles.

FUND MANAGEMENT

TOTAL TEAM MEMBERS
10

CUMULATIVE EXPERIENCE
78 YEARS

SALES

TOTAL TEAM MEMBERS
14

CUMULATIVE EXPERIENCE
129 YEARS

SERVICE & OPERATIONS

TOTAL TEAM MEMBERS
20

CUMULATIVE EXPERIENCE
202 YEARS

Construct & structure for Indian high net worth investors

Fund Structure	SEBI Registered Discretionary PMS
Fund Tenure	Open Ended
Minimum investment	INR 50 lacs
Stock selection	Investible universe is stocks that perform well on the framework noted earlier. A further subjective assessment then leads to a more concentrated stock portfolio
Number of stocks	15 – 20 primarily mid and small cap. stocks.
Investment limit	25% per sector except financials, 10% per stock
Benchmark index	BSE500 TRI
Time horizon and turnover	The investment horizon is 5-8 average years and longer; average turnover therefore should not exceed 15-20% p.a.
Cash calls	Not to take aggressive cash calls; this is keeping in mind the longer term investment horizon of the portfolio.
Custodian & Fund Accountant	ICICI Bank Limited.
Brokers	Ambit Capital, Motilal Oswal, Kotak Securities, HDFC Securities, Spark Capital, Batlivala and Karani Securities Pvt Ltd
Depository Participant	Ambit Capital (Central Depository Services Limited)

Our presence



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Ambit Overview

The Ambit Group: key highlights



Pre-eminent full-service India focused Investment Bank

- Innovative solutions that reduce complexity
- Deep understanding of prevalent regulatory framework
- Broad range of tailor-made solutions for Business Owners, Corporates, Institutional Investors, Family Offices and High Net Worth Individuals (HNWIs)



Successful Partnerships

- Strategic partnership with QInvest, Qatar
- Strategic business alliance with Daiwa, Japan for M&A



Experienced and Professional pan-India Team

- Team of 2500+



Proven Track Record

- Closed over 100+ M&A/PE and 50+ ECM transactions in the last decade
- Consistently ranked amongst the top 10 M&A advisory firms
- Manages wealth of 2500+ HNI families

Risk Disclosure and Disclaimer

- Ambit Investment Advisors Private Limited (“Ambit”), is a registered Portfolio Manager with Securities and Exchange Board of India vide registration number INP000005059.
- The performance of the Portfolio Manager has not been approved or recommended by SEBI nor SEBI certifies the accuracy or adequacy of the performance related information contained therein. Returns are calculated using TWRR method as prescribed under revised SEBI (Portfolio Managers) Regulations, 2020. Performance is net of all fees and expenses. Past performance is not a reliable indicator of future results. Please note that performance of your portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of 1) the timing of inflows and outflows of funds; and 2) differences in the portfolio composition because of restrictions and other constraints. For comparative Performance relative to other Portfolio Managers within the selected Strategy, please visit: bit.ly/APMI_PMS
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- You are expected to take into consideration all the risk factors including financial conditions, risk-return profile, tax consequences, etc. You understand that the past performance or name of the portfolio or any similar product do not in any manner indicate surety of performance of such product or portfolio in future. You further understand that all such products are subject to various market risks, settlement risks, economical risks, political risks, business risks, and financial risks etc. and there is no assurance or guarantee that the objectives of any of the strategies of such product or portfolio will be achieved. You are expected to thoroughly go through the terms of the arrangements / agreements and understand in detail the risk-return profile of any security or product of Ambit or any other service provider before making any investment. You should also take professional / legal /tax advice before making any decision of investing or disinvesting. The investment relating to any products of Ambit may not be suited to all categories of investors. Ambit or Ambit associates may have financial or other business interests that may adversely affect the objectivity of the views contained in this presentation / newsletter / report.
- Ambit does not guarantee the future performance or any level of performance relating to any products of Ambit or any other third party service provider. Investment in any product including mutual fund or in the product of third party service provider does not provide any assurance or guarantee that the objectives of the product are specifically achieved. Ambit shall not be liable for any losses that you may suffer on account of any investment or disinvestment decision based on the communication or information or recommendation received from Ambit on any product. Further Ambit shall not be liable for any loss which may have arisen by wrong or misleading instructions given by you whether orally or in writing. The name of the product does not in any manner indicate their prospects or return.
- The product ‘Ambit Coffee Can Portfolio’ has been migrated from Ambit Capital Private Limited to Ambit Investments Advisors Private Limited. Hence some of the information in this presentation may belong to the period when this product was managed by Ambit Capital Private Limited.
- The performance data for coffee can product between 6th march 2017 - 19th June 2017 represents model portfolio returns. First client was onboarded on 20th June 2017. The performance data for G&C product between 1st June 2016 to 1st April 2018 also includes returns for funds managed for an advisory offshore client. Returns are calculated using TWRR method as prescribed under revised SEBI (Portfolio Managers) Regulations, 2020
- You may contact your Relationship Manager for any queries.



Thank you