



# Ambit Good & Clean Midcap Portfolio

**Ambit Asset Management**

**July 2024**



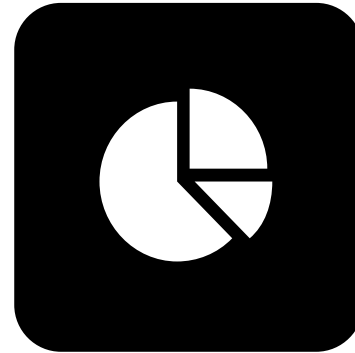
# What drives success for corporate India?

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.



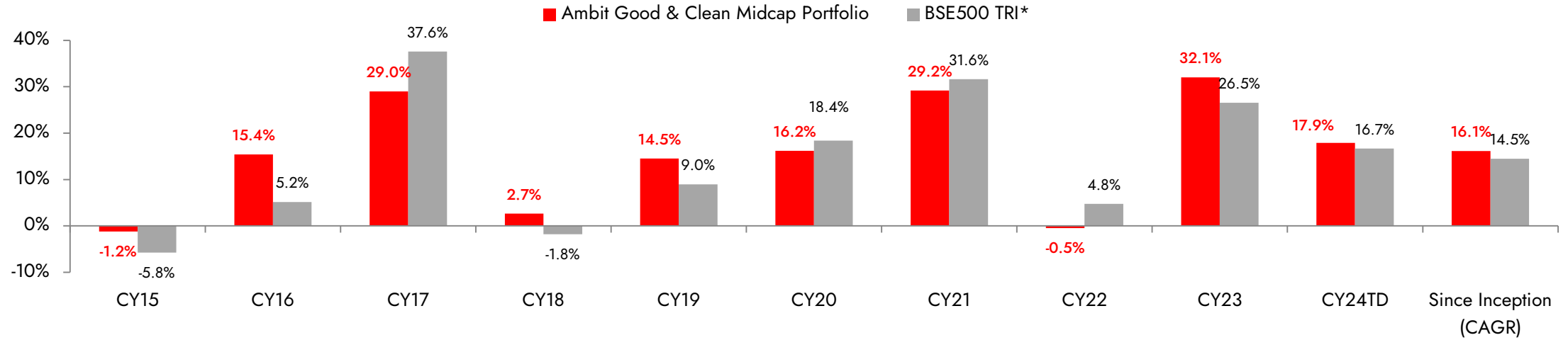
## **GOOD GOVERNANCE & LACK OF POLITICAL CONNECTIVITY**

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

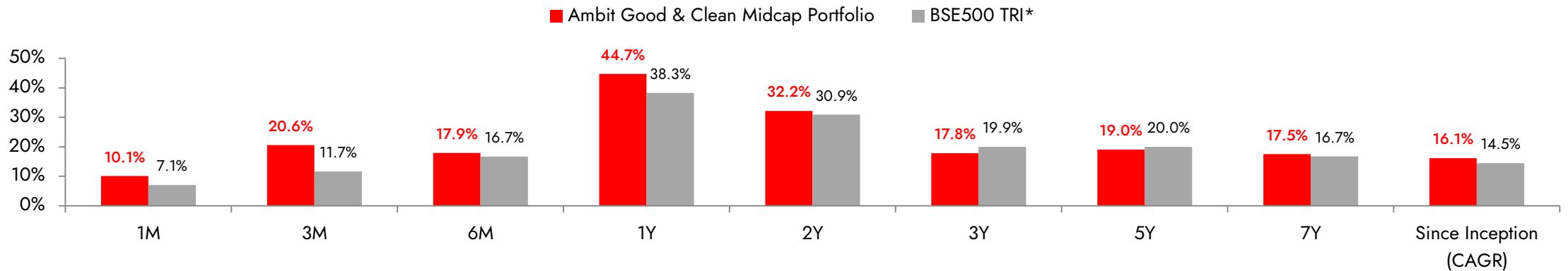
Ambit **Good & Clean Midcap** Portfolio is your solution to identify these traits for sustainable wealth creation through Indian equities

# Ambit Good & Clean Midcap Portfolio : Performance Track Record

## CALENDAR YEAR RETURNS

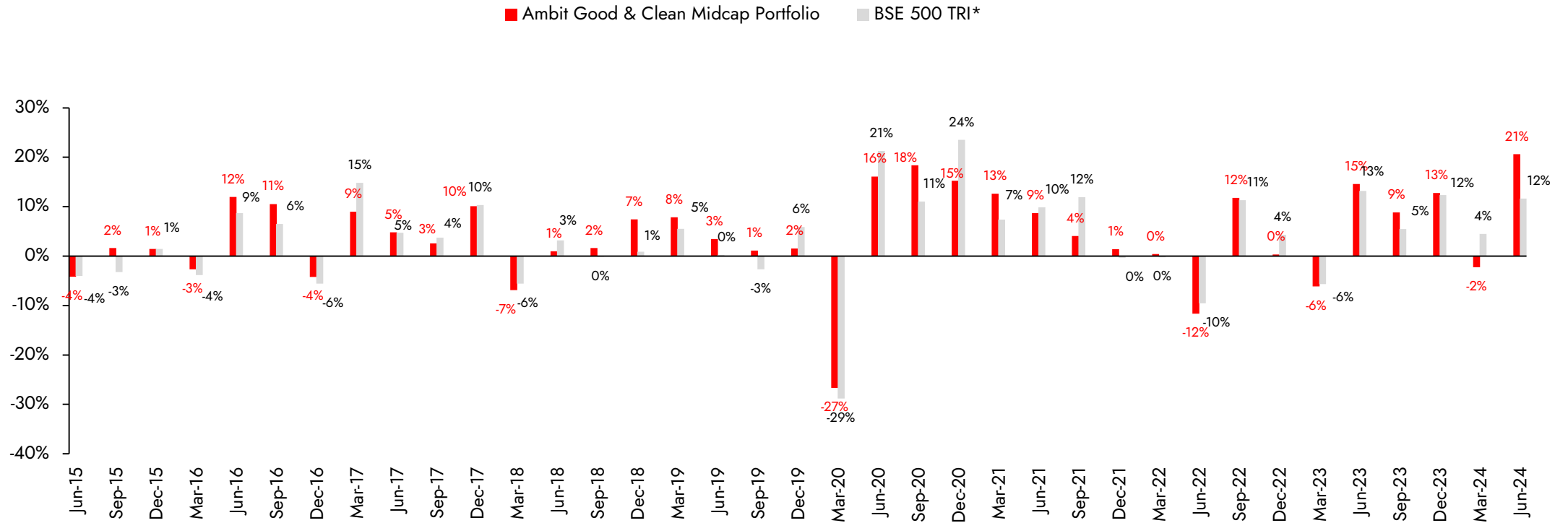


## POINT TO POINT RETURNS



Ambit Good and Clean Mid cap Portfolio inception date is Mar 12, 2015; Returns as on 30<sup>th</sup> Jun, 2024; Returns are net of all fees and expenses; \*BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Midcap Portfolio and the same is reported to SEBI.

# Quarterly Performance – Ambit Good & Clean Midcap Portfolio

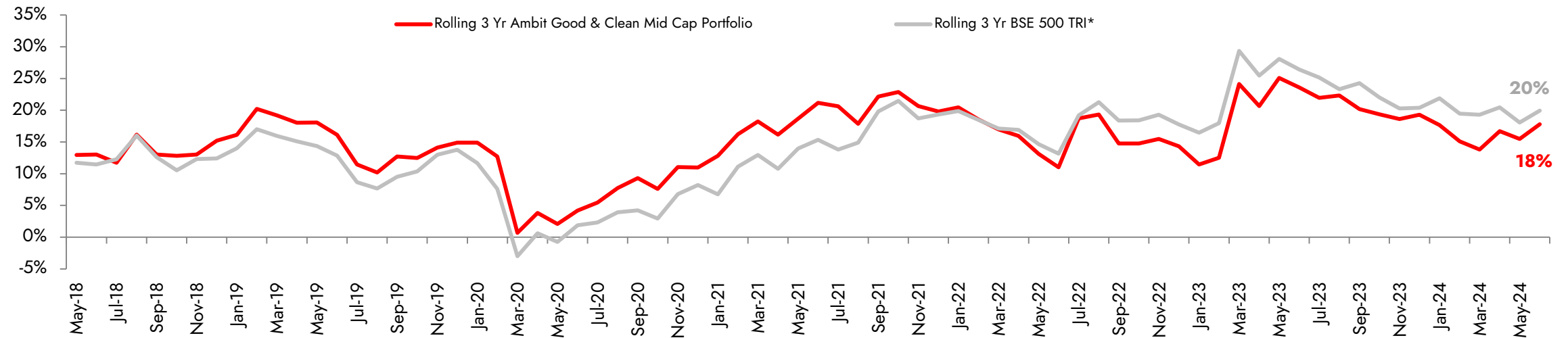
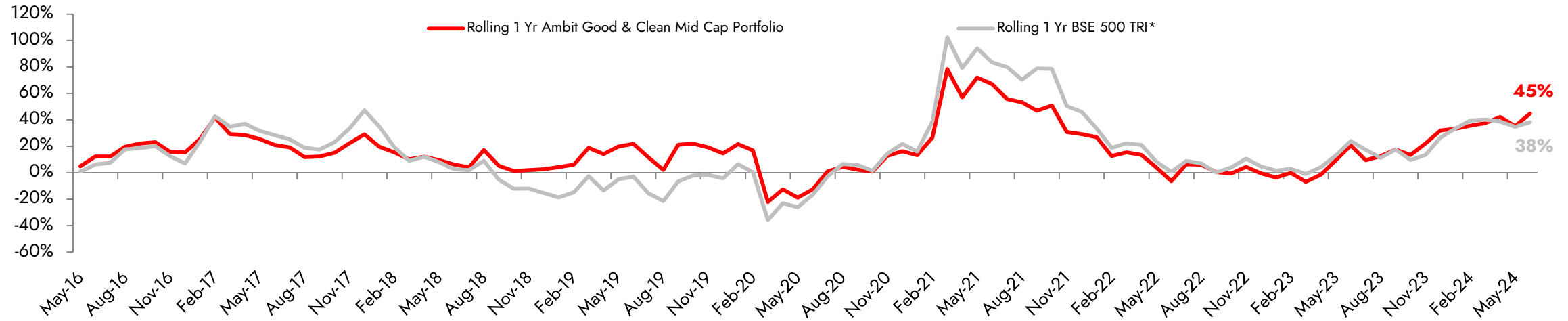


Source: Ambit

Note: Performance is post all fees and charges; Date of inception of the Ambit Good & Clean Midcap Portfolio is 12 Mar'15. Return as of 30<sup>th</sup> Jun 2024.

\*BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Midcap Portfolio and the same is reported to SEBI.

# Performance: Rolling basis



Source: Ambit

Note: Performance is post all fees and charges; Date of inception of the Ambit Good & Clean Midcap Portfolio is 12 Mar'15. Return as of 30<sup>th</sup> Jun 2024.

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**How did we deliver this?**



# Investment Framework Pillars

- 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

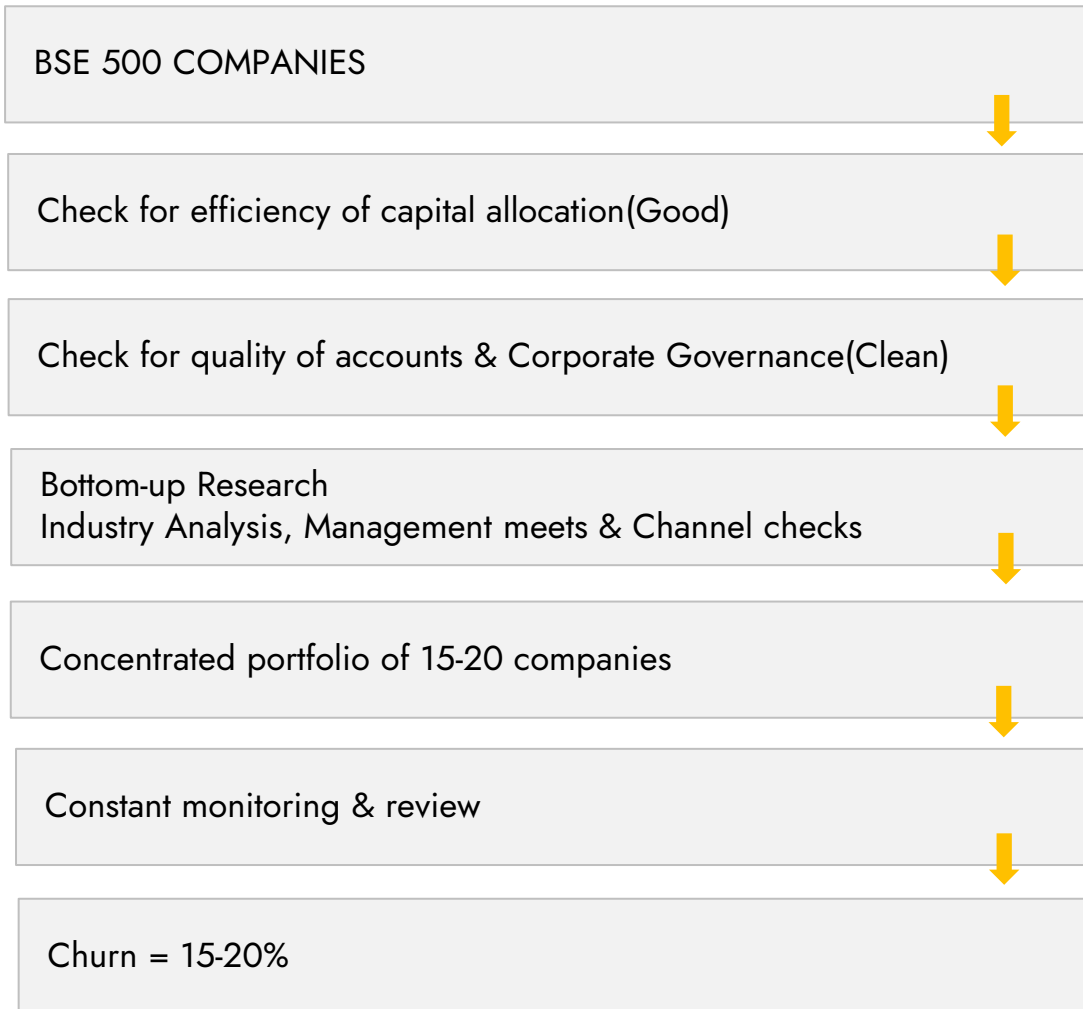
- Dedicated and experienced research team
- Research processes inspired by IE Research
- Investment Committee to approve all investment decisions
- Part of larger Ambit group lends advantages
- Focus on what is knowable and what is important

## 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

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# Stringent quantitative filters

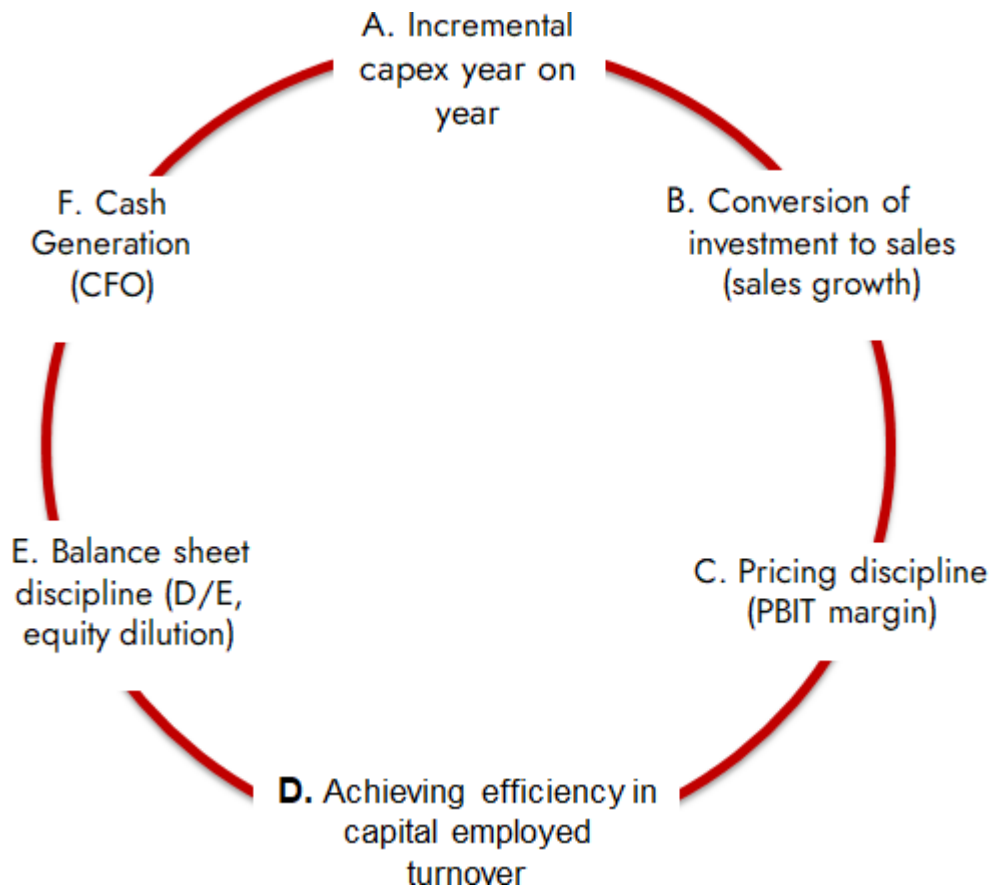


- Invest in firms which are:
  - Good** - On the basis of capital allocation track record and quality of improvement in financial metrics over the past six years, and
  - Clean** - Based on the quality of their accounts & corporate governance.
- The focus on 'good' helps **generate upside** while not compromising on 'clean' **reduces downside risk**. Essentially, while the objective is to generate returns, the even bigger goal is to better manage drawdowns because we believe doing the latter successfully is critically vital in achieving the former.
- Ambit's proprietary 'forensic accounting' framework helps weed out firms with poor quality accounts while our proprietary 'greatness' framework helps identify efficient capital allocators with a holistic approach to consistent growth.
- The result is a **concentrated portfolio** of 15-20 stocks that **draws down lesser** than the market in corrections and has **low churn** (not more than 15-20% of portfolio in any year amounting to 2-3 holdings being replaced).

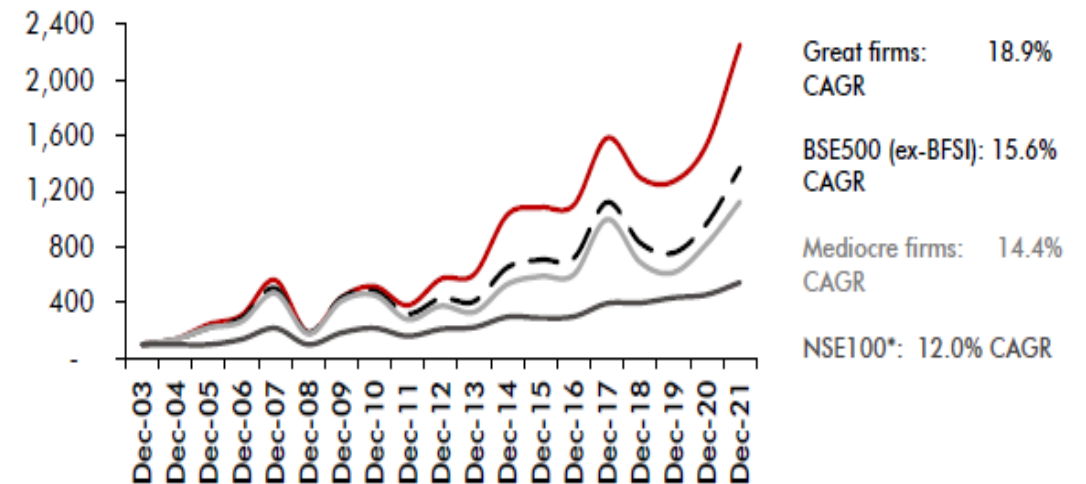


# Focus on 'good' helps generate upside

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' 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

- Abysmally low CFO/EBITDA ratio over a long run
- High volatility in Depreciation Rates
- Boasting earning through lower debtor provisioning

### B/S Mis-statement

- Low Cash yield implying balance sheet misstatement
- Writing-off losses directly through balance sheet
- High contingent liability

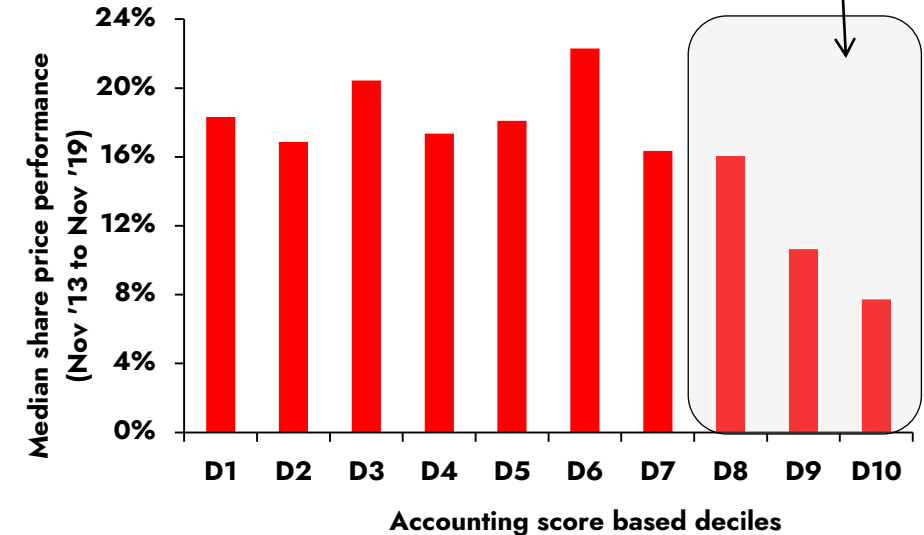
### Pilferage Checks

- High Miscellaneous expenses
- Unsubstantiated capex or delay in plant commissioning
- Historically generating negative free cash flows
- Increasing advances to related party

### Auditor Quality

- High auditor remuneration

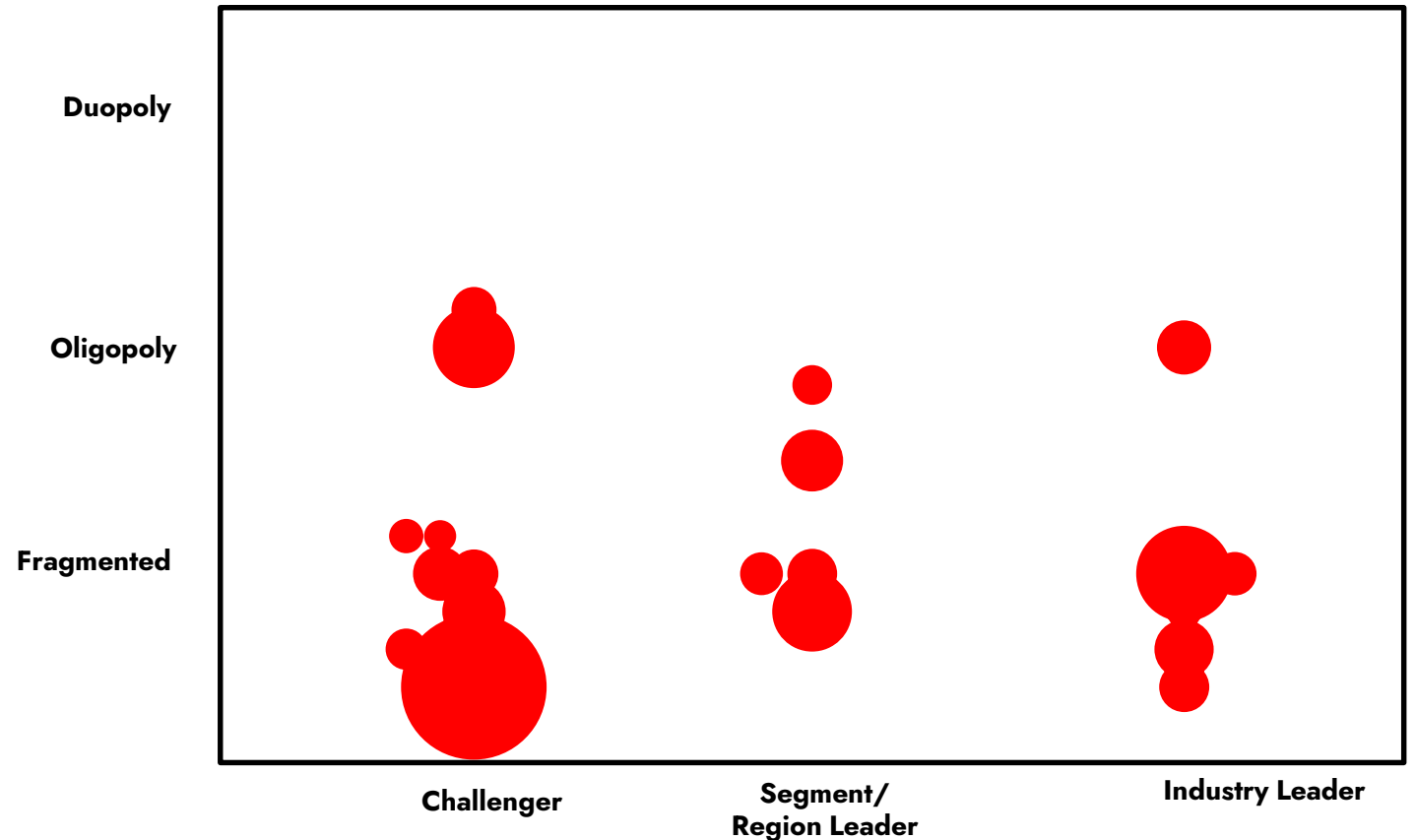
Zone of Darkness  
The bottom three deciles i.e. the worst quality stocks on accounting quality, have underperformed



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)

# Portfolio Composition & Characteristics

- Stellar track records of capital allocation reflecting high RoE.
- Strong corporate governance & fairness of accounts.
- Strong pedigree of management with high competency and integrity.
- Negligible leverage at portfolio level.
- Median market cap of the portfolio is ~Rs45,031 cr.
- Reasonable valuation for quality stocks



Bubbles refer to individual companies in Good & Clean Portfolio;  
Size of the bubble indicates Market Cap size

# Good & Clean philosophy delivers

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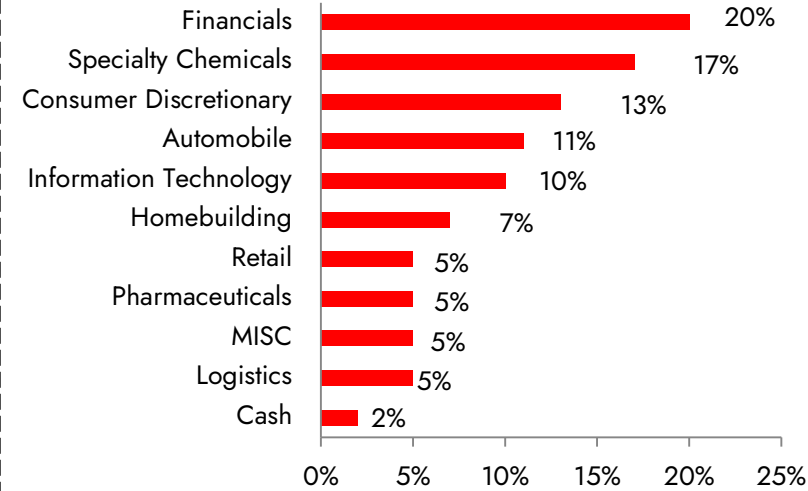
## Risk Management

### MODEL PORTFOLIO MARKETCAP ALLOCATION

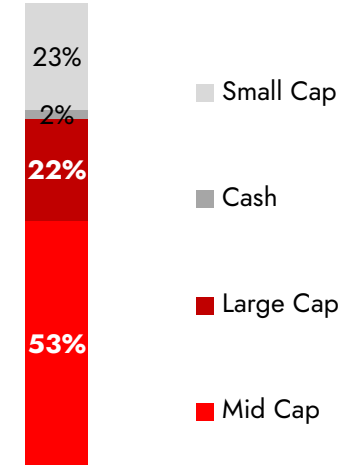
Comparison with Indices		Ambit Good & Clean Midcap Portfolio	BSE 500
Frwd P/E (x)	FY25E	34.3	24.6
	FY26E	28.3	21.5
EPS Growth (%)	FY25E	19.1	14.0
	FY26E	21.1	14.7
Net Debt / Equity	FY24	-0.08	NA
RoE (%)	FY25E	21.2	15.5

All Portfolio statistics are weighted average except for Debt/equity

### MODEL PORTFOLIO SECTOR ALLOCATION



### MARKETCAP



### SUPERIOR RISK ADJUSTED RETURNS AND DRAWDOWN TRACK RECORD

Performance (since inception)	Net Returns (CAGR)	Standard Deviation	Sharpe Ratio	Beta	Maximum Drawdown
Ambit Good & Clean Midcap Portfolio	16.1%	18.1%	0.5	0.8	-29.8%
BSE 500 TRI*	14.5%	17.1%	0.4	1	-28.8%

Source: Ambit

Note: Performance is post all fees and charges; Date of inception of the Ambit Good & Clean Midcap Portfolio is 12 Mar'15. Return as of 30<sup>th</sup> Jun 2024.

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**Earnings growth is the only  
driver of share prices...**



# Earnings growth is the key driver of stock price...

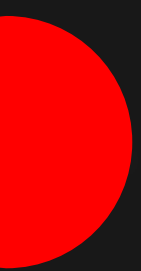
## 3 Focus on earnings growth + earnings quality

PI Industries Ltd.	Mcap Crs	EPS	PE(x)
Mar'13	17,172	7.7	16.6
Mar'24	586,777	108.9	35.5
CAGR	42%	30%	8%

Page Industries Ltd.	Mcap Crs	EPS	PE(x)
Mar'13	37,149	100.9	33.0
Mar'24	384,262	604.1	57.0
CAGR	26%	20%	6%

Cholamandalam Investment & Finance	Mcap Crs	EPS	PE(x)
Mar'13	39,090	4.6	11.9
Mar'24	971,508	52.2	22.2
CAGR	38%	27%	6%

Trent Ltd.	Mcap Crs	EPS	PE(x)
Mar'13	33,138	1.0	113.0
Mar'24	1,403,464	41.8	94.4
CAGR	45%	45%	-2%



# Asset Management Team



# Key terms

Fund Type	SEBI Registered PMS
Fund Tenure	Open Ended
Structure	Discretionary PMS
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
	25% per sector (except BFSI), 10% per stock
	All cap with 'BSE 500 TRI' as the benchmark
Time horizon and turnover	The investment horizon is 3-5 years and longer; turnover therefore low
Cash calls	Not to take aggressive cash calls; this is keeping in mind the longer term investment horizon of the fund and is suitable from a taxation standpoint
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 Asset Management Overview



# AMBIT ASSET MANAGEMENT TEAM



**SUSHANT BHANSALI**  
**CEO**

Over 22 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 - EQUITY**

Siddharth has more than two decades of experience in equities and asset management. His expertise spans large-cap, midcap, flexicap and hybrid funds and is consistently positioned focused 25 in the top 10 funds in its category in nine out of eleven years, on long-term rankings.



**TRILOK AGARWAL**  
**FUND MANAGER - EQUITY**

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 - EQUITY**

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.



**MALAY SHAH**  
**FUND MANAGER - FIXED INCOME**

Malay comes with 22 years experience in Indian fixed income markets. He has stellar track record in managing Fixed Income Funds at Mutual Funds. Before joining Ambit, Malay was Head of Fixed Income, independently managing more than Rs 14000 crores across various fixed income schemes of the said AMC.



**SIDDHARTHA RASTOGI**  
**COO & HEAD OF SALES**

Siddhartha has over 22 Years of experience & is with Ambit for over 14 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	<b>12</b>
CUMULATIVE EXPERIENCE	<b>85 YEARS</b>

## SALES

TOTAL TEAM MEMBERS	<b>18</b>
CUMULATIVE EXPERIENCE	<b>280 YEARS</b>

## SERVICE & OPERATIONS

TOTAL TEAM MEMBERS	<b>18</b>
CUMULATIVE EXPERIENCE	<b>192 YEARS</b>



## AMBIT COFFEE CAN PORTFOLIO

Since March 2017

Aims to deliver steady returns with minimal risk to create wealth over long term

Large-cap oriented portfolio

Great companies with a long proven track record of consistent growth and high RoE

## AMBIT GOOD & CLEAN MIDCAP PORTFOLIO

Since March 2015

Focuses to deliver superior risk adjusted returns by identifying the large caps of tomorrow

Mid-cap oriented portfolio

Proven track record of efficient capital allocation and sustainable growth

## AMBIT TenX PORTFOLIO

Since December 2021

Targets to compound wealth by investing in businesses with potential to multiply earnings by ten times

Flexi cap portfolio with mid & small cap orientation

Companies leveraging technology and innovation in under-penetrated categories

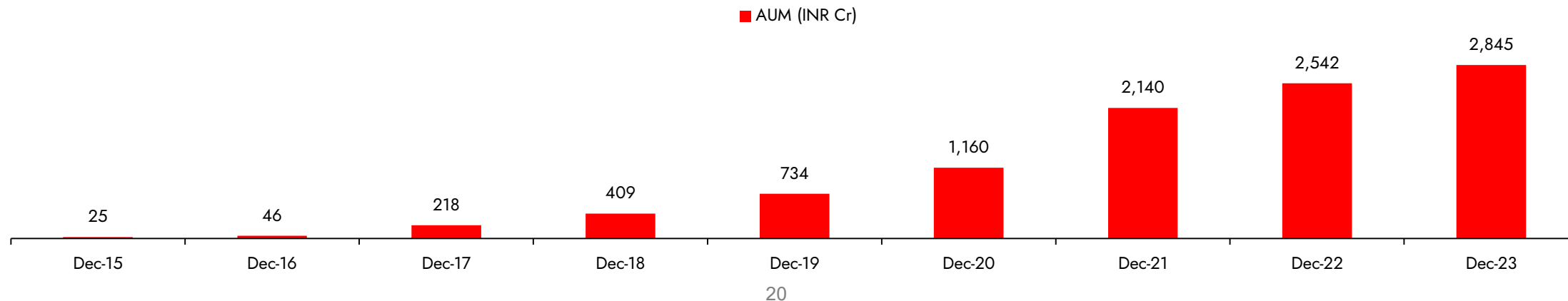
## AMBIT EMERGING GIANTS SMALL CAP PORTFOLIO

Since December 2017

Seeks to create wealth over a long period of time by investing early in undiscovered businesses

Small-cap oriented portfolio

Low leveraged, well governed, high growth niche segments





# 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](https://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.
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- 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**