

## FOCUS IS EVERYTHING



THE LEAD INDICATOR FOR PRICING POWER

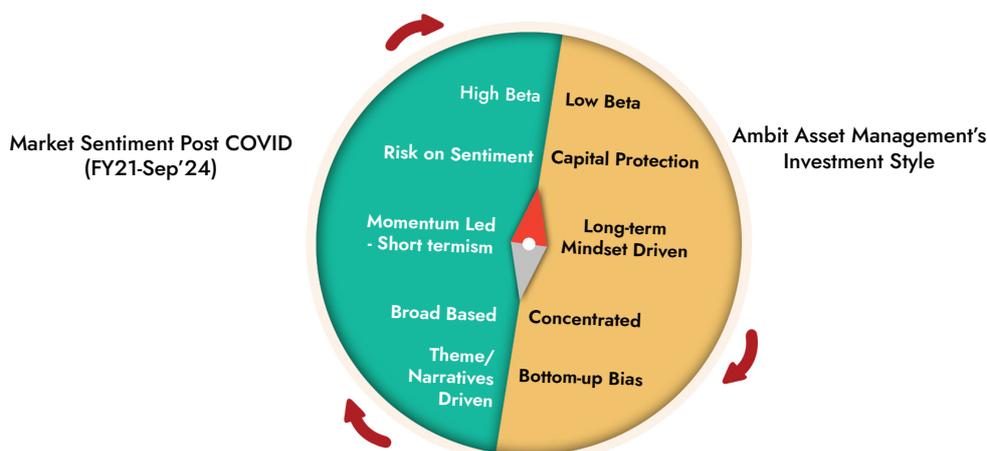
Our recent newsletters highlighted how the market anomaly over the last few years after the COVID lows (FY21-2HFY25) has been exhibiting signs of reversal. This trend reversal is now accelerating. This should benefit Ambit Asset Management’s distinctive bottom-up investment style, which is marked by focus on pricing power plays. In this note we have summarized the key takeaways from a Bloomberg research note “Pricing Power Everywhere” and also applied the methodology to Indian markets. The key objective of the summary is highlighting the effectiveness of a single quantitative data point, Gross Profit Margin (GPM), as a lead indicator for superior returns and identifying pricing power plays. Despite its robustness, GPM has its own limitations. In our pricing power model, we address that by assigning around 30% weight to our quantitative frameworks (four key ratios, highest weightage to GPM) and around 70% weight to our qualitative frameworks (five key measures). In our forthcoming newsletters, we plan to discuss our other qualitative and quantitative frameworks. In this newsletter, we discuss the following: 1) Acceleration of reversal of style anomaly and 2) Stability of GPM as a measure of pricing power.

### 1) Acceleration of reversal of style anomaly

During FY21-1HFY25, the market was characterized by high beta, risk-on sentiments, and a retail-led broad-based SMID-driven rally. During such high beta bull cycles, disciplined long-term investing style and investing principles go out of favour. Short-termism and greed prevail. There is a rush to go down the quality curve and take higher risks. Sustained, low volatility and shallow drawdowns lull investors into underestimating risks and being prepared for ‘Black Swans’. This sets the stage for a market shakeout and eventual manifestation of the No.1 risk, which is permanent capital loss. This investor behaviour is what causes investment style cycles. If one were to go into history for similar divergences, the periods with such divergence would be FY91-94, FY98-00 and FY04-07.

This rally has been driven in the backdrop of high relative earnings growth for mid and small-caps and improving fundamentals. Nonetheless, the majority of the industries/sub-segments which led this rally over FY21-1HFY25 were cyclical, had low return ratios and lacked a history of sustainable wealth creation. This reversal of style anomaly and excesses is now accelerating. History shows that ‘compounders’, which exhibit strong franchise durability, high cash flow generation, low capital intensity and unlevered balance sheets, have delivered superior risk-adjusted returns. Over the past month, Nifty has corrected less than SMID’s, which is in line with empirical evidence suggesting that large-caps and heavyweights outperform in periods of rising concentration.

Exhibit 1 :  
Acceleration of reversal of style anomaly



**Exhibit 2 :**

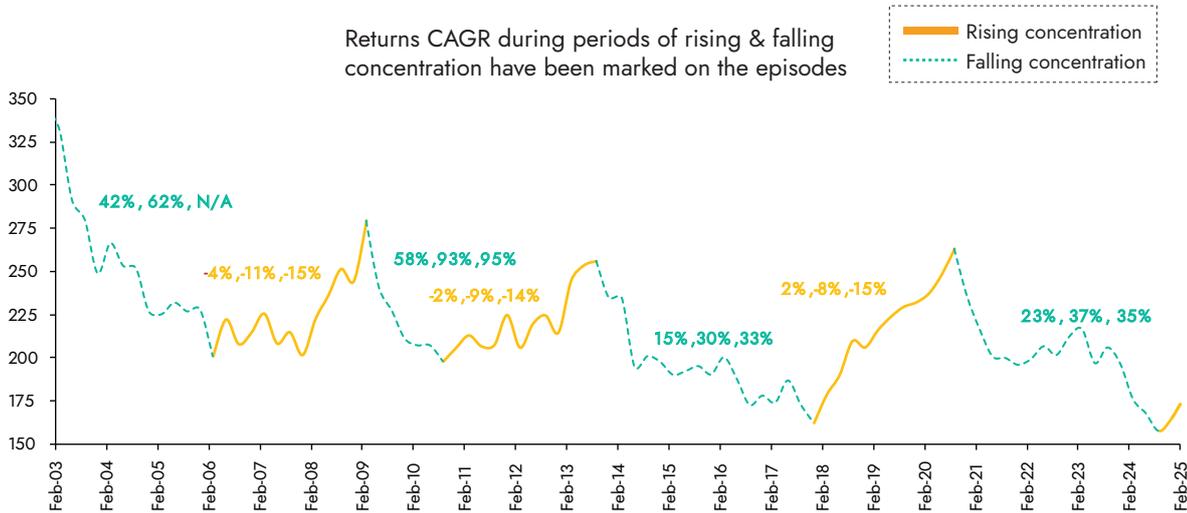
Market concentration at all-time low and reversing

Denote CAGR returns during periods for Nifty 50, Midcap 100 and Smallcap 100 (CAGR %)

NSE 500 concentration index and returns for all equity cohort are negatively correlated

Ambit stock market concentration index (NSE500)

Returns CAGR during periods of rising & falling concentration have been marked on the episodes



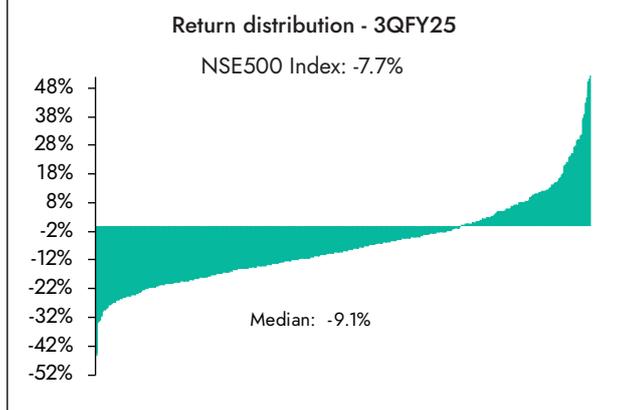
Source: Ambit Capital Research, Ambit Asset Management

**A stock-picker's market**

With earnings growth trajectory normalising, we expect CY25 to be a stock-picker's market. Market breadth has been narrowing over the past two quarters, with rising divergence between median stock and index returns and the majority of NSE500 stocks delivered negative returns in 3QFY25. This was not the case at the start of the year when the median stock outperformed the index by 200bps in 1QFY25. Between FY21 to Sep-24, there was major variance between the performance of large,

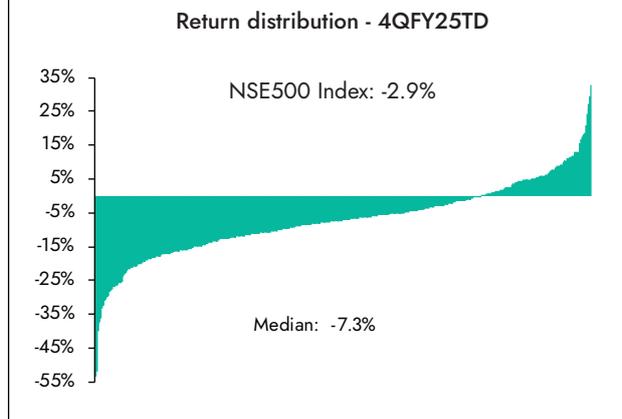
mid and small cap index (Nifty 50 CAGR 17.1%, NSE 500 CAGR 21% and NSE Small cap 250 CAGR 31%). We believe, this wide performance divergence to be unsustainable, given the narrowing earnings growth variance and relatively high valuations for the broader SMID's. Large cap relatively are more attractive and stand to benefit from increasing concentration in the market.

**Exhibit 3:**  
Market breadth has been narrowing since 2QFY25...



Source: Ace Equity, Ambit Capital Research, Ambit Asset Management

**Exhibit 4:**  
...and continued to narrow in 4QFY25TD



Source: Ace Equity, Ambit Capital Research, Ambit Asset Management

## 2) Stability of Gross Profit Margin (GPM) as a measure of pricing power

Pricing power, or a company's ability to raise prices and maintain profit margins amidst increasing costs or competition, is one of the most critical dimensions for evaluating the value of a business. Pricing power is one of the most frequently mentioned concepts in the business world. Since 2002, Bloomberg data shows that "pricing power" has been regularly mentioned in the transcripts of public company earnings calls and shareholder meetings. While the term 'pricing power' is referenced frequently, the concept is rarely precisely

defined or empirically measured. We recently came across a Bloomberg research paper, "Pricing Power Everywhere", wherein the author Steve Huo argues for the use of '**Stability of Gross Profit Margin (GPM)**', as a simple and robust methodology for identifying companies with pricing power. We have in this note, done a summary of the research note and applied the methodology to the Indian context for understanding perspective.

### Key advantages of pricing power companies

- Companies with pricing power can consistently maintain profit margins during economic downturns or market saturation.
- Pricing power is considered a hallmark of quality businesses with strong customer loyalty and demand, signaling to investors the underlying strength and durability of the company. These companies are quality growth companies that quietly compound in the background.
- Companies with strong pricing power can pass on variable cost increases to consumers and increase production in response to rising margins due to stronger demand. These companies have been able to raise prices to offset inflation, preserving their real earnings and shielding investors from the eroding effects of rising costs.
- Pricing power stocks have earned higher returns over the long run and as an equity factor has been shown to work across multiple global markets over the long run (Exhibit 5), across numerous sectors and even asset classes.
- The ability to have pricing power can support premium company valuations, as investors are willing to pay a higher multiple for companies with predictable and sustainable earnings growth.

### Why Gross Profit Margin (GPM) is a metric for pricing power?

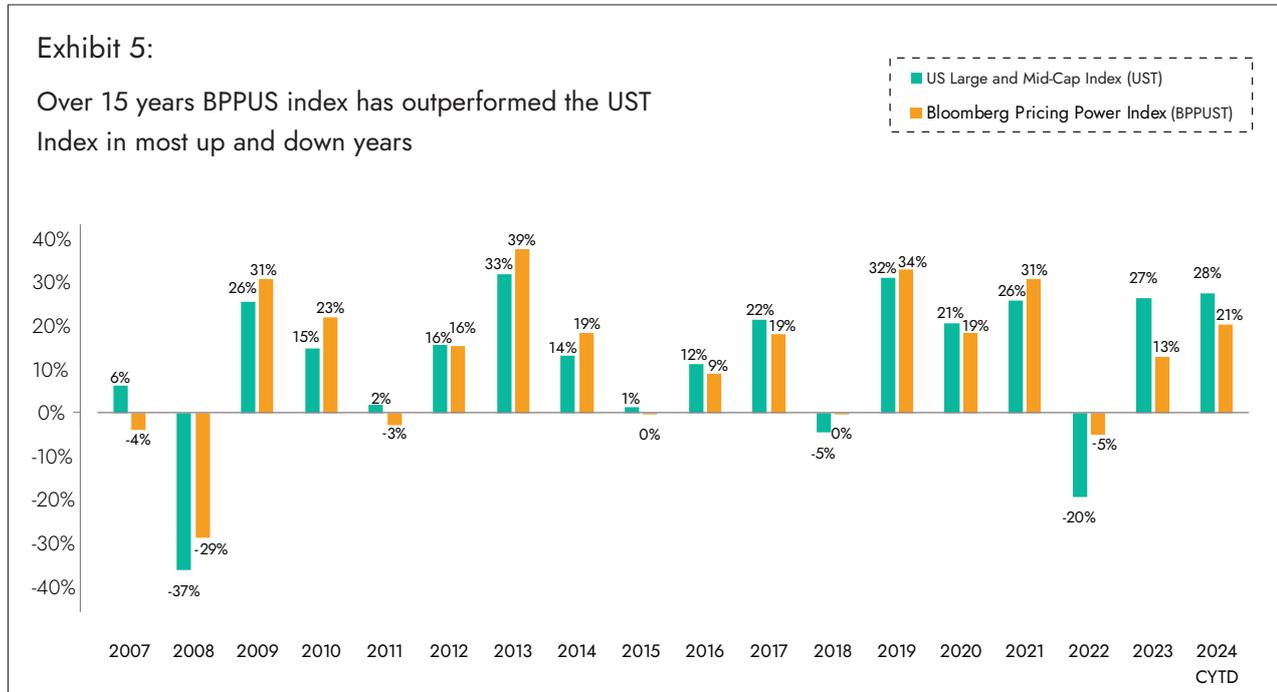
The Bloomberg Pricing Power Index identifies "pricing power" as the long-term **stability of gross profit margin**.

- When looking at a company's financial profile, gross profit margin (GPM) is one of the most important quantitative metrics. A healthy GPM that **meets or exceeds industry benchmarks** is a leading indicator of superior market returns (Exhibit 5) and future scalability of a business (Exhibit 10 - Top 50 stocks under this methodology has outperformed the broader indices even in India).
- Gross margins that are at or above industry benchmarks give companies the ability to reinvest in sales, marketing, and research and development which are all growth drivers. Conversely, a less-than-desirable GPM is a sign of some bigger issues that need to be addressed and typically impedes growth.
- However, a low GPM does not necessarily indicate a poorly performing company. It is essential to compare ratios between companies in the same industry rather than comparing them across industries (for example, Avenue Super, Titan).
- There are three primary root causes of poor GPM: i) **Pricing issues**, ii) **a suboptimal product or solution delivery model** or iii) **a commoditized offering in a mature and overcrowded market**.
- GPM often most accurately captures the margin variations due to input cost changes. EBITDA or Net Profit Margin, a more commonly used measure, is more prone to manipulation or smoothening. There are too many cost items with accounting treatments that are often highly discretionary.
- Higher GPM allow companies the ability to incur a higher customer acquisition cost. Being able to withstand a higher customer acquisition cost can become tremendously valuable when a company finds itself in a hyper-competitive and crowded market or when they have saturated its primary sales and marketing channels.

### Pricing power stocks being expensive

Since pricing power is such a pervasive concept, there are good reasons to expect that it is already “priced in” by the market and does not offer consistent outperformance. However, companies with strong pricing power have historically earned consistently

strong returns while maintaining a lower risk profile. Moreover, they have demonstrated similar characteristics across different geographical markets, lending credence to the long-run reliability of pricing power as an investment factor.



Annual Performances of the Bloomberg Pricing Power Index (BPPUS) versus the Bloomberg US Large and Mid-Cap Index (UST).  
Source: Bloomberg, Ambit Asset Management

### Portfolios based on pricing power stocks outperform globally

Pricing power companies tend to be less glamorous and newsworthy (exceptions when at early life cycle) but are quiet and stable quality “compounders”. As a novel equity factor, pricing power has outperformed the market not just during inflationary episodes but steadily over the long run across the globe.

In a Bloomberg research paper titled ‘Pricing Power Everywhere’, Steve Hou identified that US public companies with excellent pricing power have historically delivered strong and steady equity returns with lower risk and higher returns than the broad equity market benchmark index over the last 15 years\*.

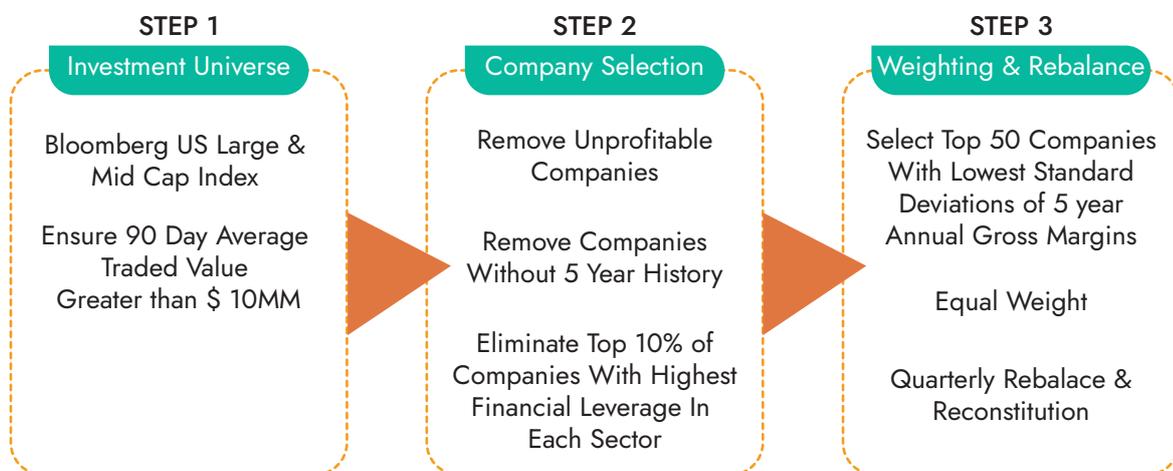
### Methodology for calculating the “Bloomberg Pricing Power Index”

The Bloomberg Pricing Power Index identifies “pricing power” as the long-term stability of gross profit margin. It follows a simple three steps: 1) Identifying an investment universe, 2) company selection and 3) Selecting Top 50 companies with lowest standard deviation. Bloomberg has the following equal weighted 50 stock Index based on its pricing power methodology

across global markets: 1.) Bloomberg US Large and Mid-Cap Index or US Index, 2.) Bloomberg European Developed Markets Large and Mid-Cap Index or EDM Index, 3.) Bloomberg APAC Developed Markets Large and Mid-Cap Index or APACD Index, 4.) Bloomberg Emerging Markets ex-China Large and Mid-Cap Index or EMXCN Index.

Exhibit 6 :

Methodology for calculating the “Bloomberg Pricing Power Index”



Source: Bloomberg Pricing Power Everywhere paper; Bloomberg has the following Index based on pricing power across global markets: 1. Bloomberg US Large and Mid-Cap Index or US Index, 2. Bloomberg European Developed Markets Large and Mid-Cap Index or EDM Index, 3. Bloomberg APAC Developed Markets Large and Mid-Cap Index or APACD Index, 4. Bloomberg Emerging Markets ex-China Large and Mid-Cap Index or EMXCN Index.

Exhibit 7:

Top 10 Pricing Power Companies Reoccurring with Highest Frequency Since Index Inception in US Bloomberg Pricing Power Index

TICKER	COMPANY NAME	SECTOR	MARKET CAPITALIZATION (USD BN)
WMT UN EQUITY	WALMART	CONSUMER STAPLES	782
COST UW EQUITY	COSTCO WHOLESALE CORPORATION	CONSUMER STAPLES	426
LOW UN EQUITY	LOWE'S COS INC	CONSUMER DISCRETIONARY	149
APH UN EQUITY	AMPHENOL CORP	INDUSTRIALS	83
MCK UN EQUITY	MCKESSON CORP	HEALTH CARE	77
AZO UN EQUITY	AUTOZONE, INC.	CONSUMER DISCRETIONARY	56
SYU UN EQUITY	SYSCO CORP	CONSUMER STAPLES	35
TSCO UN EQUITY	TRACTOR SUPPLY COMPANY	CONSUMER DISCRETIONARY	31
DG UN EQUITY	DOLLAR GENERAL CORPORATION	CONSUMER STAPLES	16

Source: Bloomberg, Ambit Asset Management

## Applying Bloomberg Pricing Power methodology to Indian Markets

We applied the Bloomberg Pricing Power methodology to Indian markets, to study its effectiveness in the Indian context. This tool is helpful in identifying 1) sectors to focus on or to avoid and 2) identifying a few quality companies across industries that sustainably compound

in the background. We have conducted the study for three periods – FY23, FY24 and FY25LTM. The table below is the list of the Top 50 companies, across these periods.

### Key Takeaways from the study results:

- The Top 50 companies with the lowest GPM standard deviation present a promising list of quality companies across diversified sectors and underappreciated businesses to conduct more thorough bottom-up research.
- Majority of the companies in the Top 50, even in the Indian context, are from the healthcare and industrial sectors (FY25 LTM – 14 healthcare stocks and 11 industrials stocks). The market cap wise breakup for FY25 LTM stood at 10 stocks from large cap, 13 stocks from mid-cap and 27 stocks from small cap.
- There are 17 companies which appear for the first time in FY25LTM. Key ones being ITC, Poly Medicare, Oracle Fin, Crisil, Kfin, SKF, Metro and JSW Infra.
- The average ROE of the Top 50 companies (FY25LTM) is ~24.5%, while the average GPM is 55%. Almost 30 companies found repeat in all three periods we have covered. The average ROE, GPM and 5years absolute stock returns of companies recurring in the list for >2 years is much higher.
- The aggregate results for the Top 50 stocks in the Indian markets, under the Bloomberg Pricing Power methodology, also yield a strong outperformance over FY00-25. The total absolute 5 year returns for FY25LTM, for the list of Top 50 stocks under this methodology is 354%, vs 91% for NIFTY 50 and 115% NSE 500 Index. Except for 11 companies in FY25LTM Top 50 list, all other stocks have outperformed the NSE 50 and NSE 500 Index on 5years absolute total returns.

### Exhibit 8:

Distribution of Top 50 Indian Companies across sectors and market capitalization over FY23-FY25LTM (In Numbers)

SECTOR-WISE BREAK-UP	FY23	FY24	FY25LTM*
MATERIALS	5	6	3
REAL ESTATE	0	0	0
INFORMATION TECHNOLOGY	3	2	4
HEALTH CARE	20	20	14
CONSUMER DISCRETIONARY	6	6	7
ENERGY	1	1	1
INDUSTRIALS	6	6	11
UTILITIES	1	1	0
COMMUNICATION SERVICES	2	2	1
CONSUMER STAPLES	5	5	6
FINANCIALS	1	1	3
MARKET CAP BREAK-UP			
LARGE CAP	11	11	10
MID CAP	14	14	13
SMALL CAP	25	25	27

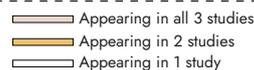
\*LTM (Last twelve months) as on 23/1/2025

## Applying the Bloomberg Pricing Power Methodology to identify the Top 50 Indian companies

- The exhibit below depicts the Top 50 stocks with lowest standard deviation for Indian stocks above Rs100b market capitalization, post all adjustments (five year data, removal of loss making and lending BFSI companies and ROE adjustment) under the methodology.
- We have conducted this study for three periods
- FY23, FY24 and FY25 LTM (Last twelve months)
- We have marked companies appearing in all three years, twice and only once in separate colours, as depicted in the exhibit below.
- We have broken the results across sector-wise, market cap wise, ROE and total absolute returns for the Top 50 stocks.

### Exhibit 9:

Results of GPM study on Indian stocks (for FY23, FY24 and LTM)



Rank	FY23	FY24	FY25 (LTM)	STANDARD DEVIATION FY25 (LTM)	TOTAL ABSOLUTE 5 YEAR RETURNS(%)
1	RVNL	PFIZER	EMCURE*	0.7	(10)
2	PFIZER	RKFORG	PFIZER	0.8	19
3	VIJAYA DIAGNOSTIC	CROMPTON	DMART	0.8	74
4	DMART	RVNL	CROMPTON	1.0	34
5	MANYAVAR	DMART	SUVEN PHARMAC	1.0	532
6	TORRENT PHARM	HDFCAMC	MANYAVAR*	1.1	12
7	GRINDWELL NOR	MANYAVAR	RVNL	1.2	1,798
8	CROMPTON	PAGEIND	KIMS*	1.3	201
9	HINDUSTAN ZIN	VIJAYA DIAGNOSTIC	GRINDWELL NOR	1.3	209
10	PI INDUSTRIES	GRINDWELL NOR	ABBOTT INDIA	1.3	125
11	CAMS	DR. LAL PATHL	PAGEIND	1.4	91
12	COAL INDIA	ADANIPTS	INDUS TOWERS	1.5	66
13	CARBORUNDUM U	CARBORUNDUM U	VIJAYA DIAGNOSTIC*	1.5	65
14	ADANIPTS	EMAMI LIMITED	JSW INFRASTRU*	1.5	72
15	J. B. CHEMICA	SUNTV	HDFCAMC	1.6	29
16	EMAMI LIMITED	J. B. CHEMICA	ADANIPTS	1.6	196
17	EMCURE	EMCURE	SIEMENS LIMIT	1.6	297
18	SUN TV NETWOR	CAMS	MPHASIS LIMIT	1.7	256
19	COLGATE	TORRENT PHARM	CARBORUNDUM U	1.7	253
20	SUN PHARMACEU	HINDUSTAN ZIN	LT FOODS LIM I	1.9	1,372
21	AIAENG	ABBOTT INDIA	AIAENG	1.9	108
22	ALKEM LABORAT	KPITTECH	NIPPON LIFE I	2.0	85
23	TATA CONSULTANCY	NAVIN FLUORIN	DR. LAL PATHL	2.0	73
24	PAGE INDUSTRI	KIMS	HINDUSTAN ZIN	2.0	303
25	ZYDUS LIFESCI	ALKEM LABORAT	J. B. CHEMICA	2.1	640
26	INDUS TOWERS	NESTLÉ INDIA	ERIS LIFESCIE	2.1	134
27	DR. LAL PATHL	INDUS TOWERS	MINDA CORPORA	2.1	435
28	ABBOTT INDIA	ERIS LIFESCIE	CAPLIN POINT	2.2	639
29	DR. REDDY'S	SYNGENE INTERNATIONAL	NESTLÉ INDIA	2.2	51
30	NESTLÉ INDIA	MANKIND PHARM	NAVIN FLUORIN	2.2	233
31	JBM AUTO	COAL INDIA	SYNGENE INTER	2.3	147
32	SYNGENE INTER	AIAENG	METRO BRANDS*	2.3	147
33	CAPLIN POINT	SUVEN PHARMAC	JBM AUTO	2.4	1,393
34	CENTURY PLYBO	JBM AUTO	EMAMI LIMITED	2.4	108
35	KIMS	COLGATE	COAL INDIA	2.5	244
36	HONEYWELL AUT	AJANTA	COLGATE	2.6	123
37	CIPLA LIMITED	SUNDRMFAST	KFIN*	2.6	199
38	MOTILAL OSWAL	RATNAMANI	KAJARIA	2.6	81
39	SUVEN PHARMAC	CAPLIN POINT	ELECON	2.7	2,708
40	ERIS LIFESCIE	GLAXOPHM	TORRENT PHARM	2.8	272

Rank	FY23	FY24	FY25 (LTM)	STANDARD DEVIATION FY25 (LTM)	TOTAL ABSOLUTE 5 YEAR RETURNS (%)
41	GLAXOPHM	RIDES LIMITED	SKFIND	2.8	113
42	SUNDRAM FASTE	SUN PHARMACEU	MANKIND PHARM*	2.8	75
43	GILLETTE INDI	IPCALAB	KPITTECH	2.8	1,386
44	MANKIND PHARM	SONACOMS	BIRLASOFT	2.9	705
45	NHPC LIMITED	CIPLA LIMITED	POLYMED*	3.0	721
46	NAVIN FLUORIN	UNITED SPIRITS	CRISIL	3.0	171
47	IPCALAB	ZYDUS LIO	ITC	3.0	141
48	ASAHI INDIA G	TATA CONSULTANCY	CAMS	3.0	177
49	KIRLOSKAR BRO	NHPCLIMITE	ORACLE	3.0	314
50	CYIENT	CENTURYPLY	JUBILANTFOOD	3.1	90
					AVERAGE TOP 50 - 354%
					NIFTY50 - 91%
					NIFTY500 - 115%

Note: 1) Exercise for FY23/ FY24 and LTM with stock universe >Rs100b; 2) Financials; REITS, Exchanges and Utilities having no material cost eliminated; 3) Loss making stocks excluded; Average 5 year ROE >10%; \*Newly listed stocks Total 5 Year Returns from listing date.

Source: Ambit Asset Management / Bloomberg/ Ambit Capital Research

Exhibit 10:

Top 15 Indian Pricing Power Companies Reoccurring with Highest Frequency over FY23-FY25LTM

PARTICULAR	SECTOR	CLASSIFICATION	5 YEAR TOTAL RETURNS (%)
HINDUSTAN ZIN	MATERIALS	LARGE CAP	303
TORRENT PHARM	HEALTH CARE	LARGE CAP	272
COAL INDIA	ENERGY	LARGE CAP	244
ADANI PORTS	INDUSTRIALS	LARGE CAP	196
MANKIND PHARM	HEALTH CARE	LARGE CAP	75
DMART	CONSUMER STAPLES	LARGE CAP	74
RVNL	INDUSTRIALS	MID CAP	1,798
ABBOTT INDIA	HEALTH CARE	MID CAP	125
COLGATE	CONSUMER STAPLES	MID CAP	123
AIAENG	INDUSTRIALS	MID CAP	108
PAGEIND	CONSUMER DISCRETIONARY	MID CAP	91
INDUS TOWERS	COMMUNICATION SERVICES	MID CAP	66
JBM AUTO	CONSUMER DISCRETIONARY	SMALL CAP	1,393
J. B. CHEMICA	HEALTH CARE	SMALL CAP	640
CAPLIN POINT	HEALTH CARE	SMALL CAP	639
SUVEN PHARMAC	HEALTH CARE	SMALL CAP	532
CARBORUNDUM U	MATERIALS	SMALL CAP	253
NAVIN FLUORIN	MATERIALS	SMALL CAP	233

Source: Bloomberg, Ambit Asset Management

## Exclusions due to increasing margins a key drawback

While sorting for Top 50 companies with lowest standard deviation for GPM, few companies with stable but increasing margins also end up getting excluded from the Top 50 list, due to higher standard deviation. While exclusion due to temporary cyclical reasons could be justified, there could be genuine cases where GPM is structurally increasing due to changing product mix, superior competitive positioning etc., which under this methodology gets eliminated. The table below depicts a

list of few such companies for FY25LTM, which performance wise on a Total 5 Year returns have done significantly better 493% returns vs 115% for Nifty500. This methodology of relying only on one key quantitative criteria also has other drawbacks such as it fails to identify young new economy plays, fallen angels/ turnarounds and bottom up cyclical/ seasonal but quality plays (airlines).

### Exhibit 11:

List of companies which missed out from the Top 50 short list due to increasing margins

COMPANY NAME	SECTOR	MCAP (INR B)	GPM FY20	GPM FY25LTM	% CHANGE GPM 5 YEAR	STDEV* 5Year FY25LTM	AVERAGE ROE	TOTAL RETURNS 5 YEARS	5 YEAR EPS GROWTH
ELECONENG	INDUSTRIALS	116	39.1	46.5	7.3	2.7	15.4	2,708	38.4
NEWGEN SOFT	INFORMATION TECH	148	48.18	50.0	1.8	3.6	19.9	846	18.9
BIRLASOFT	INFORMATION TECH	147	37.48	39.5	2.0	2.9	16.7	705	15.6
JBCHEM	HEALTH CARE	271	63.23	65.4	2.2	2.1	20.8	640	24.2
CAPLIN POINT	HEALTH CARE	154	51.3	57.0	5.7	2.2	23.4	639	20.9
LAURUSLABS	HEALTH CARE	317	48.9	52.1	3.2	3.7	22.7	592	11.0
AJANTPHARM	HEALTH CARE	334	73.35	75.7	2.4	3.2	21.3	277	17.2
TORNTPOWER	HEALTH CARE	1,136	72.7	75.9	3.2	2.8	20.8	272	30.6
COAL INDIA	ENERGY	2,373	83.76	84.4	0.6	2.5	49.5	244	16.6
MOTILALOFS	FINANCIALS	387	73.0	82.0	9.0	3.9	22.6	242	52.6
RAINBOW	HEALTH CARE	145	66.8	72.1	5.2	4.9	18.8	221	35.2
GRINDWELL	INDUSTRIALS	210	54.36	54.6	0.3	1.3	19.1	209	18.1
KIMS	HEALTH CARE	241	56.7	60.4	3.7	1.3	23.2	201	41.3
CAMS	INDUSTRIALS	179	61.1	65.8	4.8	3.0	40.7	177	21.8
METROBRANDS	CONSUMER DISC	327	53.2	57.4	4.2	2.3	19.6	147	21.0
ALKEM	HEALTH CARE	604	59.0	62.4	3.5	3.4	18.4	132	18.7
UNITED SPIRITS	CONSUMER STAPLES	1,013	45.31	46.4	1.1	3.7	17.6	127	15.0

\*Stocks with standard deviation of <5

Source: Bloomberg, Ambit Asset Management

### Conclusion:

- This post-COVID market anomaly and excesses have been exhibiting signs of reversal and are now accelerating.
- When looking at a company's financial profile, gross profit margin is one of the most important metrics. A healthy gross profit margin that meets or exceeds industry benchmarks is a leading indicator of superior market returns and scalability of a business.
- We have a quantitative and qualitative framework for identifying pricing power plays. We assign around 30% weight to our quantitative frameworks (four key ratios) and around 70% weight to our qualitative frameworks (five key measures). Amongst the quantitative factors, gross profit margin stability carries the highest weight.
- Ambit Asset Management focuses on identifying companies with increasing pricing power, which are driving the widest wedge between customer's willingness to pay (WTP) and supplier's willingness to supply (WTS).

## Annexure 1

### Exhibit 12:

#### Top 50 Stocks Bloomberg US Large and Mid-Cap Index

Company Name	Sector	MCAP (USD B)	Total Absolute 5 Year Returns
Quanta Services Inc	Industrials	53	763%
KLA Corp	Information Technology	100	317%
McKesson Corp	Health Care	75	285%
ServiceNow Inc	Information Technology	232	264%
Synopsys Inc	Information Technology	84	256%
Iron Mountain Inc	Real Estate	33	249%
Tractor Supply Co	Consumer Discretionary	31	206%
Costco Wholesale Corp	Consumer Staples	417	201%
AutoZone Inc	Consumer Discretionary	56	189%
Cencora Inc	Health Care	48	172%
Microsoft Corp	Information Technology	3302	168%
Walmart Inc	Consumer Staples	761	143%
Cardinal Health Inc	Health Care	31	136%
Republic Services Inc	Industrials	66	125%
MSCI Inc	Financials	49	121%
Cummins Inc	Industrials	50	115%
Lowe's Cos Inc	Consumer Discretionary	148	113%
Fastenal Co	Industrials	43	109%
Kroger Co/The	Consumer Staples	42	106%
Rollins Inc	Industrials	23	99%
Johnson Controls Int	Industrials	54	96%
HEICO Corp	Industrials	29	96%
AMETEK Inc	Industrials	43	89%
Vertex Pharma	Health Care	113	88%
Home Depot Inc	Consumer Discretionary	412	77%
Booz Allen Hamilton Hold	Industrials	17	74%
Waste Management Inc	Industrials	84	73%
Accenture PLC	Information Technology	227	72%
Waters Corp	Health Care	24	71%
Dover Corp	Industrials	27	68%
Mettler-Toledo Int Inc	Health Care	28	61%
Equinix Inc	Real Estate	91	58%
Autodesk Inc	Information Technology	65	52%
Xylem Inc/NY	Industrials	30	48%
JB Hunt Transport	Industrials	17	46%
STERIS PLC	Health Care	21	43%
ANSYS Inc	Information Technology	31	30%
DuPont de Nemours Inc	Materials	32	29%
IQVIA Holdings Inc	Health Care	37	28%
Zoetis Inc	Health Care	76	21%
Lockheed Martin Corp	Industrials	118	16%
Archer-Daniels-Midland	Consumer Staples	24	13%
Coca-Cola Co/The	Consumer Staples	267	6%
PepsiCo Inc	Consumer Staples	205	3%
Hershey Co/The	Consumer Staples	30	-3%
Best Buy Co Inc	Consumer Discretionary	18	-5%
Sysco Corp	Consumer Staples	37	-12%
Zimmer Biomet Holdings Inc	Health Care	22	-23%

## Annexure 2

### Exhibit 13:

Extract from Bloomberg research paper 'Pricing Power Everywhere' 2007-2023

Particulars	Bloomberg US Total Return Index	US Pricing Power Top 2 Quintile EW Index	Bloomberg EDM Total Return Index	EDM Pricing Power Top 2 Quintile EW Index	Bloomberg APACD Total Return Index	APACD Pricing Power Top 2 Quintile EW Index	Bloomberg EMXCN Total Return Index	EMXCN Pricing Power Top 2 Quintile EW Index
Cumulative return	560.5%	846.8%	290.0%	522.4%	270.5%	323.5%	433.0%	972.7%
Annualized Return	9.7%	11.7%	6.8%	9.2%	6.5%	7.1%	7.4%	10.6%
Volatility	19.1%	17.8%	20.98%	19.5%	18.1%	17.7%	18.1%	16.3%
Downside Volatility	15.5%	14.2%	16.3%	14.5%	13.4%	12.8%	14.8%	13.1%
Sharpe Ratio	0.5	0.6	0.3	0.5	0.4	0.4	0.4	0.6
Dividend Yield	1.6%	1.4%	2.5%	2.2%	2.0%	1.7%	1.8%	2.1%
Max Drawdown	-54.8%	-44.4%	-62.6%	-59.4%	-54.3%	-41.4%	-66.5%	-58.8%
Annualized Excess Return		1.6%		1.9%		0.6%		2.7%
Annualized Tracking Error		5.0%		7.2%		7.8%		9.0%
Information Ratio		0.3		0.3		0.1		0.3
Up Capture Ratio		0.9		0.9		0.9		0.8
Down Capture Ratio		0.9		0.9		0.9		0.8
Correlation		0.9		0.9		0.9		0.9
Beta		90.3%		87.3%		88.3%		78.5%
Alpha		2.6%		3.1%		1.5%		4.5%

Table 2: Performances of Pricing Power indices across the globe from 2003-06-30 to 2023-10-12. The Pricing Power index in each region selects securities in the top two quintiles with the greatest pricing power after certain liquidity and quality screens, is then equal weighted and rebalanced quarterly. US: Bloomberg US Large and Mid-Cap Index; EDM: Bloomberg Europe Developed Markets Large and Mid-Cap Index; APACD: Bloomberg Asia-Pacific Developed Markets Large and Mid-Cap Index; EMXCN: Bloomberg Emerging Markets ex-China Large and Mid-Cap Index.

Source: Bloomberg, Ambit Asset Management

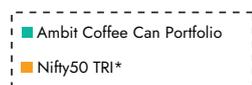
# Ambit Coffee Can Portfolio

At Coffee Can Portfolio, we do not attempt to time commodity/investment cycles or political outcomes and prefer resilient franchises in the retail and consumption-oriented sectors. The Coffee Can philosophy has an unwavering commitment to companies that have consistently sustained their

competitive advantages in core businesses despite being faced with disruptions at regular intervals. As the industry evolves or is faced with disruptions, these competitive advantages enable such companies to grow their market shares and deliver long-term earnings growth.

Exhibit 14:

## Ambit Coffee Can Portfolio point-to-point performance



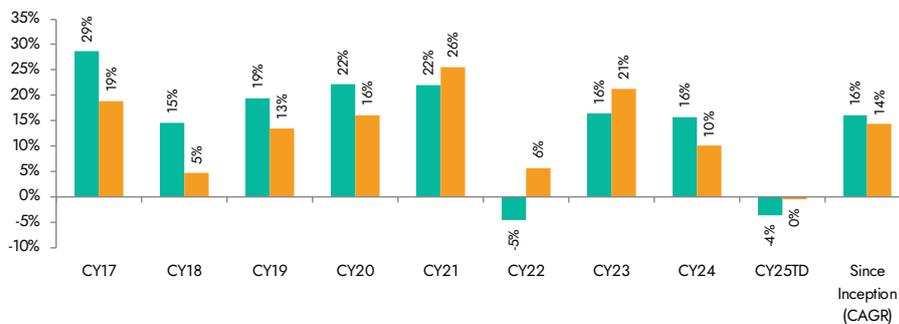
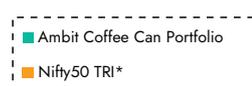
\*Source: Ambit Coffee Can Portfolio inception date is Mar 06, 2017;

\*\*1M Return: 1st - 31st Jan'25; 3M Return: 1st Nov'24 – 31st Jan'25; 6M Return: 1st Aug'24 – 31st Jan'25; 1Y Return: 1st Feb'24 – 31st Jan'25

\*Nifty 50 TRI is the selected benchmark for the Ambit Coffee Can Portfolio. The same is reported to SEBI.

Exhibit 15:

## Ambit Coffee Can Portfolio calendar year performance



Source: Ambit Coffee Can Portfolio inception date is Mar 06, 2017;

\*Nifty 50 TRI is the selected benchmark for the Ambit Coffee Can Portfolio. The same is reported to SEBI.

# Ambit Good & Clean Midcap Portfolio

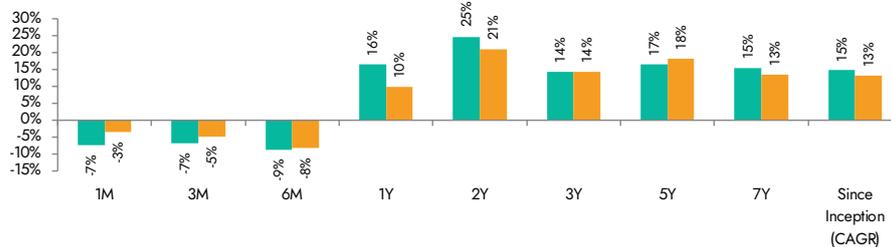
Ambit's Good & Clean strategy provides long-only equity exposure to Indian businesses that have an impeccable track record of clean accounting, good governance, and efficient capital allocation. Ambit's proprietary 'forensic accounting' framework helps weed out firms with poor quality accounts, while our proprietary 'greatness' framework helps identify efficient capital allocators with a holistic approach for consistent growth. Our focus has been to deliver superior risk-adjusted returns with as much focus on lower portfolio drawdown as on return generation. Some salient features of the Good & Clean strategy are as follows:

1. Process-oriented approach to investing: Typically starting at the largest 500 Indian companies, Ambit's proprietary frameworks for assessing accounting quality and efficacy of capital allocation help narrow down the investible universe to a much smaller subset. This shorter universe is then evaluated on bottom-up fundamentals to create a concentrated portfolio of no more than 20 companies at any time.
2. Long-term horizon and low churn: Our holding horizons for investee companies are 3-5 years and even longer with annual churn not exceeding 20-25% in a year. The long-term orientation essentially means investing in companies that have the potential to sustainably compound earnings, with these compounding earnings acting as the primary driver of investment returns over long periods.
3. Low drawdowns: The focus on clean accounting and governance, prudent capital allocation, and structural earnings compounding allow participation in long-term return generation while also ensuring low drawdowns in periods of equity market declines.

Exhibit 16:

Ambit Good & Clean  
Midcap Portfolio  
point-to-point  
performance

■ Ambit Good & Clean Midcap Portfolio  
■ BSE500 TRI\*



Source: Ambit Good & Clean Mid cap Portfolio inception date is Mar 12, 2015;

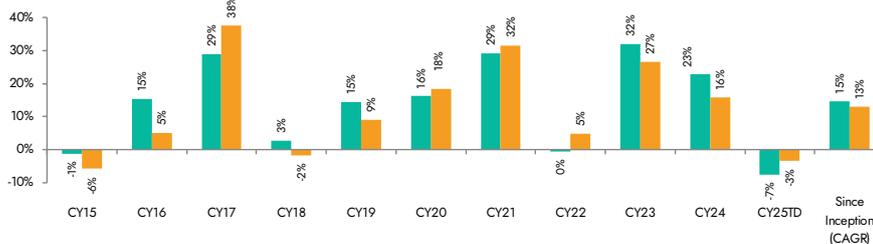
\*\*1M Return: 1st - 31st Jan'25; 3M Return: 1st Nov'24 – 31st Jan'25; 6M Return: 1st Aug'24 – 31st Jan'25; 1Y Return: 1st Feb'24 – 31st Jan'25

\*BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Mid cap. The same is reported to SEBI.

Exhibit 17:

Ambit Good & Clean  
Midcap Portfolio  
calendar year  
performance

■ Ambit Good & Clean Midcap Portfolio  
■ BSE500 TRI\*



Source: Ambit Good & Clean Mid cap Portfolio inception date is Mar 12, 2015;

\*BSE 500 TRI is the selected benchmark for the Ambit Good & Clean Mid cap. The same is reported to SEBI.

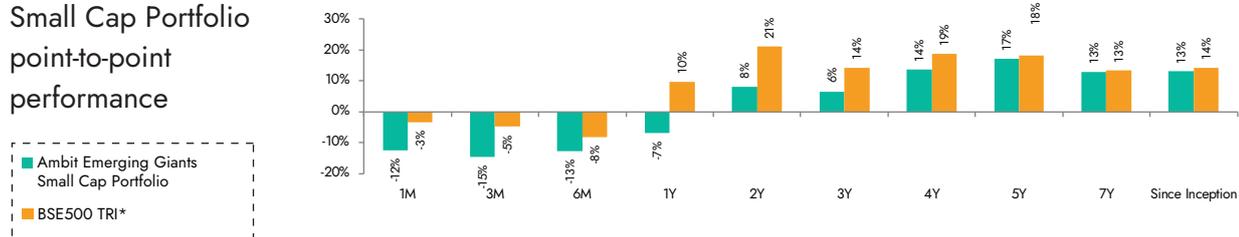
# Ambit Emerging Giants Small Cap Portfolio

Small caps with secular growth, superior return ratios and no leverage – Ambit’s Emerging Giants Small Cap portfolio aims to invest in small-cap companies with market-dominating franchises and a track record of clean accounting, governance and capital allocation. The fund typically invests in companies with market caps less than INR 10,000cr. These companies have excellent financial track records, superior underlying

fundamentals (high RoCE, low debt), and the ability to deliver healthy earnings growth over long periods of time. However, given their smaller sizes, these companies are not well discovered, owing to lower institutional holdings and lower analyst coverage. Rigorous framework-based screening coupled with extensive bottom-up due diligence led us to a concentrated portfolio of 18-20 emerging giants.

Exhibit 18:

Ambit Emerging Giants Small Cap Portfolio point-to-point performance



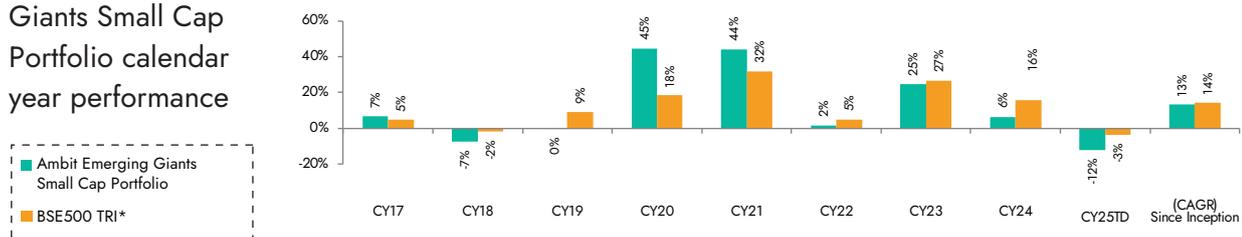
Source: Ambit Emerging Giants Small cap Portfolio inception date is Dec 1, 2017;

\*\*1M Return: 1st - 31st Jan'25; 3M Return: 1st Nov'24 – 31st Jan'25; 6M Return: 1st Aug'24 – 31st Jan'25; 1Y Return: 1st Feb'24 – 31st Jan'25

\*BSE 500 TRI is the selected benchmark for the Ambit Emerging Giants Small cap. The same is reported to SEBI.

Exhibit 19:

Ambit Emerging Giants Small Cap Portfolio calendar year performance



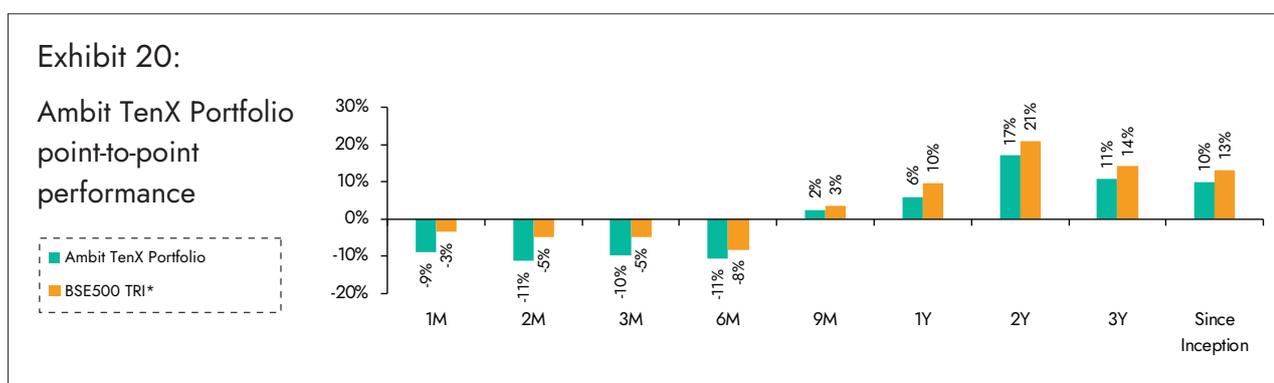
Source: Ambit Emerging Giants Small cap Portfolio inception date is Dec 1, 2017;

\*BSE 500 TRI is the selected benchmark for the Ambit Emerging Giants Small cap. The same is reported to SEBI.

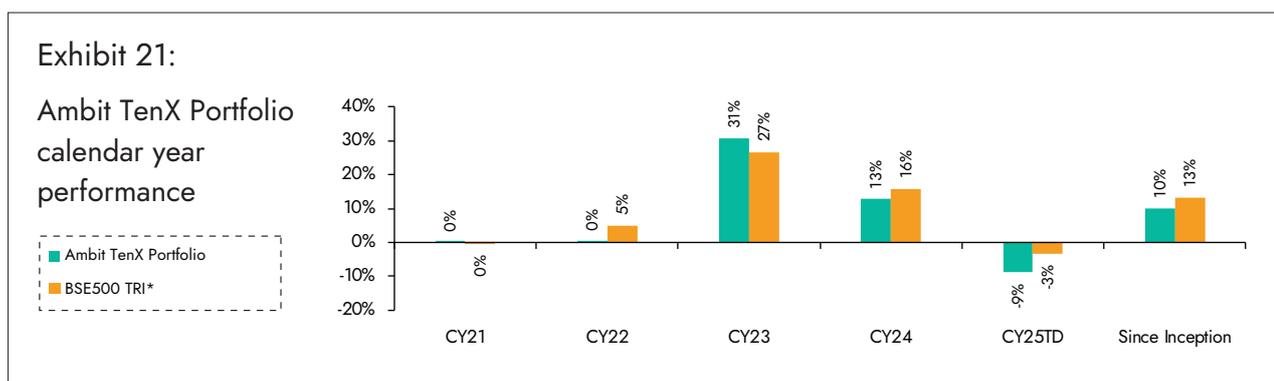
# Ambit TenX Portfolio

Ambit TenX Portfolio gives investors an opportunity to participate in the India growth story as the Indian GDP heads towards a US\$10tn mark over the next 12-15 years. Mid and Small corporates are expected to be the key beneficiaries of this growth. The portfolio intends to capitalize on this opportunity by identifying and investing in primarily mid & small cap companies that can grow their earnings 10x over the same period implying 18-21% CAGR. Key features of this portfolio would be as follows: Key features of this portfolio would be as follows:

1. Longer-term approach with a concentrated portfolio: Ideal investment duration of >5 years with 15-20 stocks.
2. Key driving factors: Low penetration, strong leadership, light balance sheet.
3. Forward-looking approach: Relying less on historical performance and more on future potential while not deviating away from the Good & Clean philosophy.



Source: Ambit TenX Portfolio inception date is Dec 13, 2021;  
 \*\*1M Return: 1st - 31st Jan'25; 3M Return: 1st Nov'24 – 31st Jan'25; 6M Return: 1st Aug'24 – 31st Jan'25; 1Y Return: 1st Feb'24 – 31st Jan'25  
 \*BSE 500 TRI is the selected benchmark for the Ambit TenX Portfolio. The same is reported to SEBI.



Source: Ambit TenX Portfolio inception date is Dec 13, 2021;  
 \*BSE 500 TRI is the selected benchmark for the Ambit TenX Portfolio. The same is reported to SEBI.

# Ambit Micro Marvels Portfolio

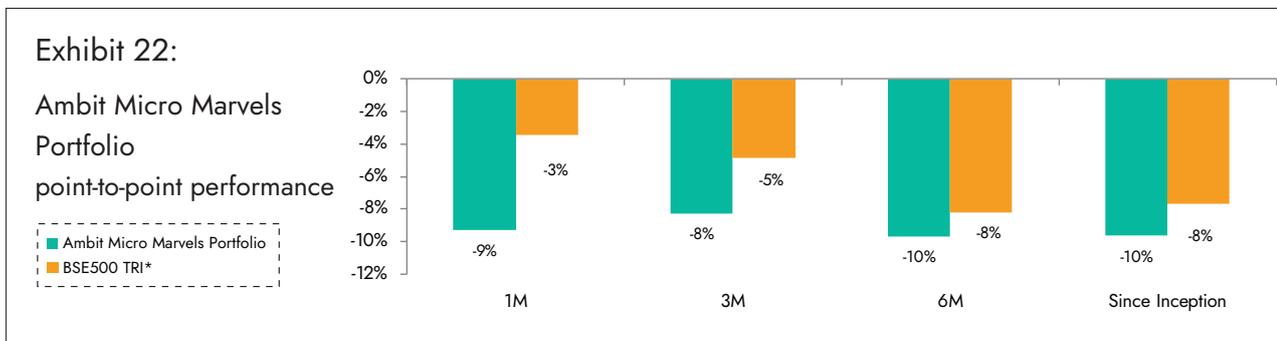
We aim to create a portfolio that invests predominantly in micro-cap companies with the potential of delivering superior earnings growth and generating relatively better risk-adjusted performance over a long period of time.

Ambit's proprietary 'forensic accounting' framework helps weed out firms with poor quality accounts while our proprietary 'greatness' framework helps identify

efficient capital allocators. The result is a concentrated portfolio of 20-25 stocks that draws down less than the market in corrections and has low churn.

## Key Features of Portfolio Companies:

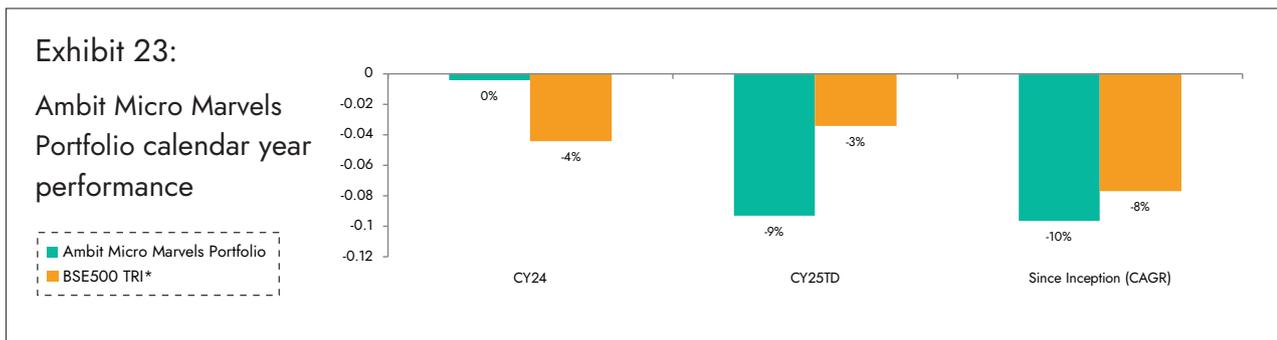
1. High earnings growth companies with low leverage,
2. Market leaders or challengers with strong moat around brand, distribution, technology, and innovation,
3. Strong corporate governance coupled with apt capital allocation.



Source: Ambit Micro Marvels Portfolio inception date is Jul 29, 2024;

\*\*1M Return: 1st - 31st Jan'25; 3M Return: 1st Nov'24 – 31st Jan'25; 6M Return: 1st Aug'24 – 31st Jan'25; 1Y Return: 1st Feb'24 – 31st Jan'25

\*BSE 500 TRI is the selected benchmark for the Ambit Micro Marvels Portfolio. The same is reported to SEBI.



Source: Ambit Micro Marvels Portfolio inception date is Jul 29, 2024;

\*BSE 500 TRI is the selected benchmark for the Ambit Micro Marvels Portfolio. The same is reported to SEBI.

For any queries, please contact:

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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.

# INVEST SUCCESSFULLY ACROSS MARKET CYCLES WITH AMBIT ASSET MANAGEMENT



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The acumen to navigate volatile conditions

The acumen to always stay true to character

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