TechnoFunda Investing

Summary of Key Learnings

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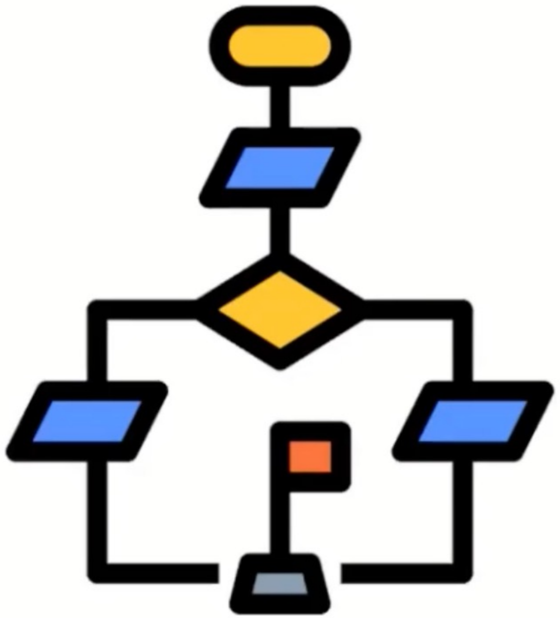
Alok Jain – Casino Math

WeekendInvesting
POWER of MOMENTUM



Takes Care of CASINO MATH

	Case (a)	Case (b)
Pct of Winners	70%	30%
Returns of Avg Winner	25%	90%
Pct of Losers	30%	70%
Returns of Avg Loser	65%	20%
Portfolio Returns	(-2)%	13%

Amit Jeswani – Megatrend sectors

STALLION ASSET
CREATING ALPHA

Where do we Invest for next Decade?

In order to get 18-25% CAGR in Stock Market, It is Very Important we Invest in Companies that Grow at 18-25% CAGR for next Decade. Markets Rewards Sustainable, Secular, Predictable, Durable & Scalable Growth in business. India's GDP will Move from 3 Trillion to Between 5-7 Trillion$ depending If we grow at 5% or 9%

For a Business to Grow Revenues there are only 4 Ways

1) Increase Volume 2) Increase Price 3) Enter New Products 4) Acquire other Companies.

We Believe the Largest Market Cap Creation will happen in these 4 Sectors

1) Consumer
2) Financials
3) Technology
4) Pharma

Why These 4 Sectors? – The Opportunity size is massive, the Business model in these 4 Sectors are secular & typically get better with Size. Majority of our Portfolio are B2C Facing business. We avoid B2G,G2B though we are open to B2B Business only if it's a Hyperscaler with Massive Competitive Advantage.

Amit Jeswani – Opportunity Size

STALLION ASSET
CREATING ALPHA

What We Want Our Companies to Have?

Market Opportunity

1) Shark in an Ocean
2) Shark in a Pond
3) Fish in an Ocean
4) Fish in a Pound

Management

Capital Allocation & Capital Distribution are two most Important Fundamental Responsibilities

The Three 'S' of Management

- Speed
- Scale
- Sustainability

Emerging Monopolies Or Proven Monopolies

There is nothing worse than competition in business, Monopoly is the only condition of every very successful business

Every Business starts with Solving a Problem! Every Big Business succeeds sustainably with making sure that it's the only one who can solve that problem.

Large Profit Pool Only with Few Players

Entrepreneur's Dilemma – 1% market Share

Ashish Kila – When not to average down

When to avoid average down

PERfECT research

- Highly levered businesses like Banks
- Operationally levered models like Airlines
- Obsolescence or Technological Disruption like Kodak
- Promoter/Management concerns like Satyam & Yes Bank
- Risk of Black Swan events like USFDA Sanctions to Pharma companies/ plants.
- Detoriation in Fundamentals of company
- Actual dip in structural growth like Page Industries.

Source - Bronte Capital, Perfect Resear

Kumar Saurabh – DFM case study

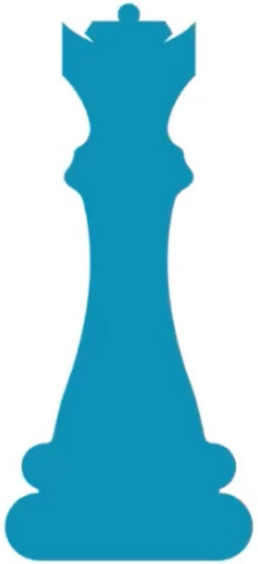
How is DFM story unfolding beyond the numbers

Investing Accelerator Summit

4Ps OF MARKETING: PROMOTION

Major thrust on brand building by doubling advertising expenses

Short term margin compromise for long term gains, thinking beyond quarterly results



Q4 FY'21: Key Highlights

DFM FOODS LTD.

Market Update:
- Q4 FY21: Salty snacks industry grew by ~2% YoY; extruded continued to decline by ~13% YoY
- FY21: Salty snacks industry declined by ~15% YoY; extruded market declined by ~23% YoY

Company Update
- **Continued share gain:** All India share gain in Q4 of ~200 bps YoY; higher gain in core geography
- **Resilient product portfolio:** Investment in Fritts, Curls & Natkhat paying off
- **New segment entry:** Entered Potato Chips with 3 flavours in Uttar Pradesh @ Rs 5 / Rs.10
- **Improved margins:** Material margins improved by ~30 bps QoQ despite commodity inflation
- **Brand building:** Advertising more than doubled in Q4 FY21 to 7.1% of sales vs. 3.1% in Q4 FY20
- **Go to market:** Initiated reach expansion drive in focus geographies; continue to expand in ecommerce and large stores
- **Technology:** Launched sales force automation tool in core geography
- **Credit rating:** Crisil credit rating upgraded in February 21 to A-/Stable from BBB+
- **Vaccination:** ~50% of employees vaccinated; vaccination extended to other stakeholders. Vaccination push to continue through additional vaccination drives; biggest challenge being vaccine hesitancy
- **Dividend:** Declared a dividend of Re 1 per share.

9

Q1'22: Key Highlights

DFM FOODS LTD.

Market Update:
- **Q1FY22**: Salty snacks market declined by ~9% QoQ and extruded declined by ~13% QoQ

Company Update
- **Business remains structurally strong:** Incremental investments (6% of net sales) in advertising and Go To Market initiatives
- **COVID Impact:** Q1FY22 was impacted by the 2nd wave, resulting in lower revenue, closure of key markets, and affecting a large number of employees and channel partners
- **Continued share gain:** Gained ~85 bps share QoQ in Q1FY22; higher share gain in core geography
- **Resilient product portfolio:** Investment in Fritts, Curls & Natkhat continues to drive share gain
- **New segment entry:** Successfully launched Potato chips in UP in 3 flavours
- **Cost management:** Contained material margin at 37.9% through a company wide cost management programme and pricing improvement, despite intense commodity inflation
- **Brand building:** Continued investment in brand through increased advertising and visibility; spend of 4.7% of sales in Q1FY22 vs. 0.2% in Q1FY21
- **Go to market:** ~140bps QoQ improvement in weighted reach in core geography, driven by increased investment in go to market initiatives: ~2.3% of net sales in Q1FY22 vs 0.8% in Q1FY21
- **Technology**: Driving deeper adoption and stabilization of sales force automation in core geography; expanding automation to other geographies as well as to indirect distribution
- **Vaccination:** 91%+ of employees vaccinated; vaccination extended to other stakeholders

8

VISION AND EXECUTION

Dream above average realistic targets and execute them

Scientific Investing

Deepak Thakran – Patterns

Soumya Malani – Multibagger Patterns

SOME OF THE MULTIBAGGER PATTERNS

- **Negative Working Capital Pattern**
- **Keep an eye on Acquisitions and Takeovers**
- **Demerger in a Sizeable Company**
- Companies which are Leaders in a Niche Area with Small Marketcap
- Companies eating Market Share of Market Leaders
- Eradication of Non-Core Diworsification

Ravi Jain – Valuation Framework

Valuation Primer: Mental Model for Valuation Multiple

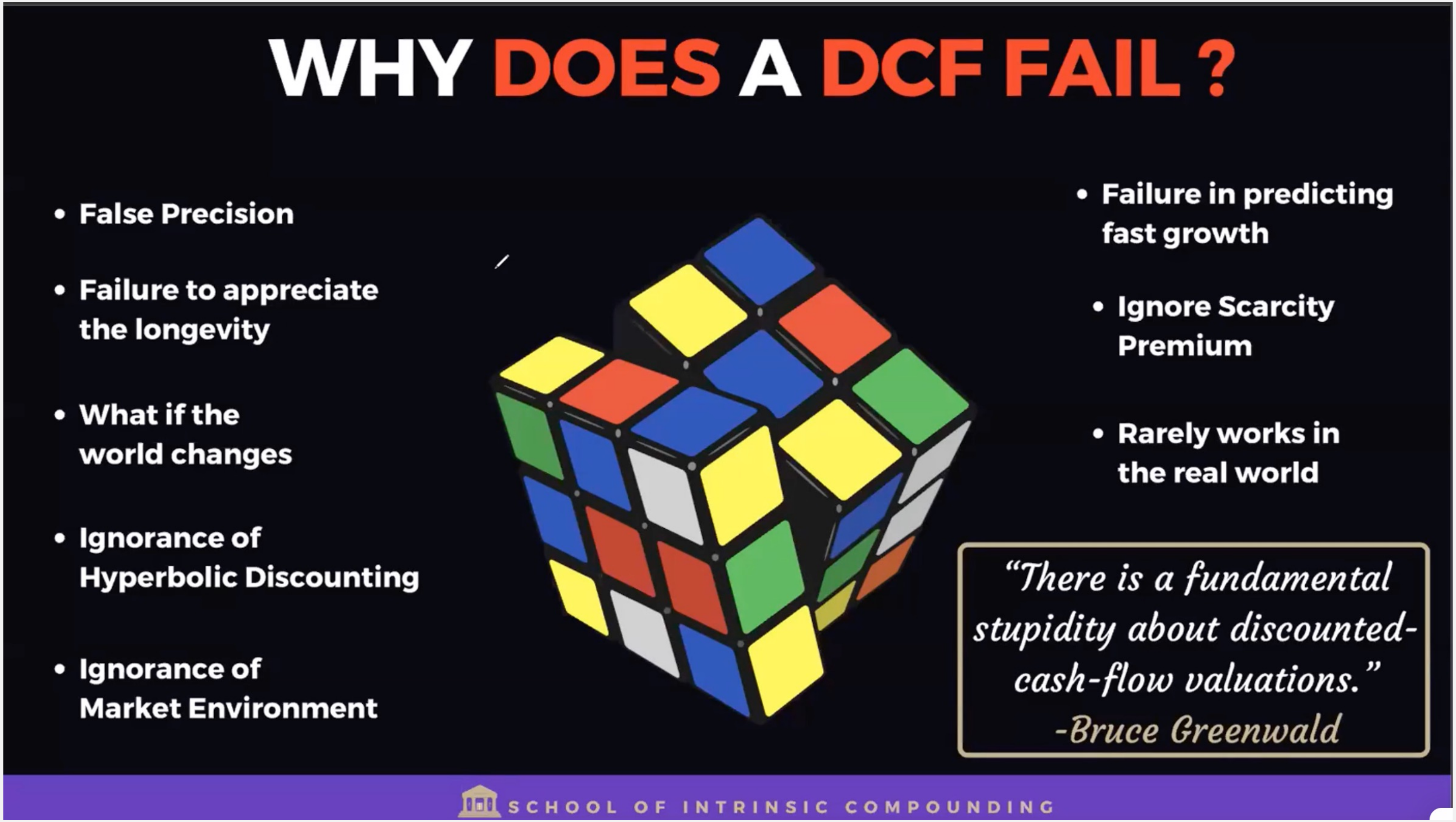
Valuation Multiples are a factor of various things and its always good to have mental model of expected multiples based on following factors:

Implied PE multiples

		Growth Rate								
		5.0%	10.0%	12.5%	15.0%	17.5%	20.0%	22.5%	25.0%	30.0%
Duration	5	11.3	13.8	15.2	16.8	18.5	20.3	22.2	24.3	29.1
	10	11.0	15.4	18.3	21.8	25.9	30.8	36.5	43.4	61.0
	15	10.8	16.8	21.1	26.8	34.2	43.7	56.2	72.3	119.9
	20	10.7	17.8	23.6	31.8	43.4	59.8	83.1	116.2	228.7
	25	10.6	18.6	25.8	36.8	53.6	79.7	120.1	182.7	429.6
	30	10.6	19.3	27.8	41.8	65.1	104.3	170.7	283.7	800.3

- **Market Cycle:** Bull> Normal > Bear
- **Quality of Business:** Good > Bad > Ugly
- **Business Type:** Star > Cash Cow > Growth Trap
- **Management Pedigree and Corporate Governance:** Very good> Good> Clean> Bad
- **Growth Drivers:** Structural Trend> Cyclical Trend
- **Longevity**: 20 year> 10 years> 5 years
- **Opportunity Size:** Shark in the Ocean>Fish in the Ocean> Shark in the Pond> Fish in the Pond
- **Accounting Adjustments:** Subsidiaries, R&D expenses, Depreciation, provisions (Tata Motors, M&M)
- **Market Cap**: Midcap>Large Cap/Small Cap
- **Risk Profile:** Debt Free> Low Debt>High Debt (Beta)

SOIC – Hyperbolic Discounting (Breakouts?)



Neil Bahal – Demergers Special Situations

Why do they work?

QUESTION NUMBER 3.

Lack of coverage.
Give me more of Asian Paints.

Institutions do NOT want them.
Forced selling.

Bad Apple out, Good Apple in.
For example: Aditya Puri

What to do during falling market

- Create WATCHLIST for your SATELLITE PORTFOLIO

- Nibble high conviction CORE PORTFOLIO showing Relative Strength

- Rotate from WEAKER to STRONGER sectors/companies

Watch for divergence…!!

Ravindra Bhandari – Valuation Approaches

P/E vs EV/EBITDA vs P/B
Which is the RIGHT APPROACH

	PE Ratio	EV/EBITDA Ratio	PB Ratio	DCF
Sectors	FMCG, IT, Disc & Non discretionary consumption, Non fund based financial services	Metals, Power, Cement	Fund based Financials	All except fund based lending business
Feature	Light capex and negligible or manageable debt	Capex / debt heavy with requirement of regular maintenance capex	Fund is the raw material for future growth	Very tricky to forecast for long period
What may causes higher valuation	Longer visibility of growth	Moat developed from the size, inherent strength to withstand long downturn	Risk management in fund based activity	One and only Free Cash Flow

THANK YOU FOR YOUR TIME

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