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June 15-17, 2015

Investment philosophy -
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Philosophy

- Investing in stories with structural tail winds , 'some' sort of uniqueness , efficient management .
- Number's and past track record although desirable , not absolute MUST . Would focus more on products , opportunity , tailwinds , management capabilities .
- Believe in Concentration and allocations are tactical .
- No short term calls , Long only .
- Importance to valuations
- Entire thought process is revolving around Where I am now and where I would like to be .

Action r strategic ??

- Portfolio wise very much Strategic .
- Invested in just less than ten to fifteen companies in last three years .
- I've always been working on lot of companies and industries whether I invest or not . Believe that this will laid great foundation for future . So I believe in action .
- Calculated risk taker . Allocations usually ranged between ten to twenty five , based on conviction & under valuation

Under valuation , or conviction

- Under valuation is desirable , not Must . In few stories where I believe underlying business is so strong With very high visibility I will pay up .
- Three layers of investment returns A. Intrinsic value.B.Compounding returns C. Re rating on euphoria
- Difficult psychological proportion to bear euphoric valuations . Would stay away from story either temporarily or for longer periods .
- Conviction up to certain valuation benchmarks .

What are we most excited by ?

- Opportunity size and sectoral tail winds
- Companies with intellectual property and higher allocations for R&D .
- Prudent managements with focus on cash flows
- Reinvestment dynamics
- Some sort of uniqueness
- U.S. & Europe opportunity

Must haves

- Significant long opportunity & tail winds
- High growth rates , minimum of 25 percent
- Reinvesting capital at higher rates
- Efficient management
- Higher IRR's .
- Solid down side protection at the time of buying

Ignorables

- Past numbers especially return ratios .
- Past sins of management if you're sure of change
- Unrelated investments /diversification up to an extent .
- Lower Dividend distribution .
- Complexity in corporate structure and bleeding subsidiaries . Ex :Loba in Shilpa
- Non Ignorables
- Deteriorating underlying segment and difficulties
- Tall projections by managements in hay days to raise funds .
- Management and accounting quality

Businesses you might pay up for

- Having seen both boom and bust valuations bt 2007 to 2009 , slowly started my investments with absolute downside protection and dividends . Ex: Indag , Grp , Narmada , wimplast , Mazda , Roto .
- Gradually moved towards quality+visibility stories ex: Accelya , repco, Shilpa albeit at higher valuations 15*
- Now I would pay even 20 times if I find business with all parameters mentioned ex:PI , PAGE
- Will buy a story at any point of market cycle given my preferred parameters and valuations .

When will you sell or book profits

- Strategy has been fairly consistent from last five to six years .
- If my thesis is wrong ,will sell out complete quantity irrespective of price .
- Any big change in business dynamics .
- Given any point of time my IRR calculations should be okay .
Otherwise will book partial qty or move completely out .
- I always try to gauge perception quotient vs realistic value . If perception quotient move beyond a point , that will trigger SELL .
- Believe in maintaining cash , as markets today are more globally aligned and throw opportunities .
- No thumb rule for cash portion . It's dynamic management that drives cash portion .

Few lessons for me

- **Don't look too far ahead** : Given the too uncertain future better to develop options and continuously evaluate them .
- Don't be over precise in quantifying upsides : Should be more **rigorous in defining downside** , as entire world is moving towards PAYING UP thesis , given little choice in growth stories .
- Be independent and confident enough to go against conventional and broader wisdom .

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