

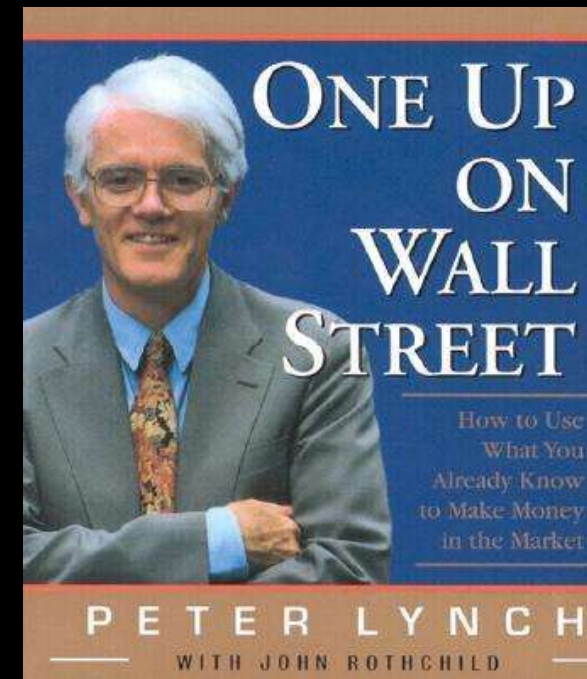
The Search For Multibaggers

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ABOUT ME

- Passed MD (SKIN-VD) from Baroda Medical College in 1990.
- Started serious investing in 2009 after reading One Up On Wall Street. Since then it's a passion.
- Joined ValuePickr as a founding member since 2010.
- Practicing Techno Funda investments besides being on the lookout for multibaggers.



IDEA SOURCING

- Research reports
- Fellow investors
- Advisories
- WhatsApp groups
- Run screens
- ValuePickr, other similar
- Charts
- Magazines and newspapers



MENTAL MODELS

- The models discussed in following slides are just starting points.
- Once we come across any situation in an idea, if we know about these models, then it becomes easy to slot them and recognise them.
- Deeper digging is needed in each case.
- Best sources to dig company details is Annual Reports, concalls, AGMs, Scuttlebutt etc.



MULTIBAGGERS – CONSISTENT GROWTH

- Growth stories available at good valuations during broader corrections.
- Focus on long runway for consistent growth. Find consistent compounders.
- Consistent growth at 15-40% cagr available at decent valuations
- Sources of growth can be new products, new geographies, etc.
- Check balance sheet, promoter integrity, management quality, business quality.



MODEL-NEW PROMOTERS

- Private equity getting in distressed companies, slow growth cos.
- Other change in promoters
- Family feuds settled
- Focus shifts to business, growth
- e.g. JB Chem, Essel Propack, CG Power
- e.g Magma Fincorp acquired by Poonawala, Eveready by Burmans



MODEL - NEW MANAGEMENT

- Same promoters but different mx
- Professional mx, new generation
- Professional focus, fresh energy
- e.g. Eicher - Siddhartha Lal
- e.g. Time techno – Bharat Vageria
- e.g. Alembic, Ajanta – New generation
- e.g. Natco – Rajeev Nannapaneni



MODEL–BALANCE SHEET CLEAN UP

- Debt reduction usually first sign of long term turnaround
- Fund infusion – promoters, marquee investors getting in.
- Sale of assets – e.g Usha Martin, Kamat Hotels
- Sale of loss making subsidiaries (awaited in Time techno, TIIL)
- Jain irrigation is a debt reduction developing story



VALUE MIGRATION

- Flow of economic and shareholder value from obsolete to new business models.
- PSU bank to Private banks – HDFC Bank, Kotak Bank
- Organised to unorganised – Jewellery – Titan
- Lifestyle changes – Page Inds
- Emerging platforms - Zomato, Policy bazaar
- Ecommerce, technology onslaught led to Amazon, Netflix



MODEL - ANCILLARY PLAYS

- Fancied sector ancillaries
- Often street lag
- e.g. Shivalik Bimetal – EV theme
- e.g. – GMM , HLE – chemicals
- e.g. – Exide, Amar Raja – autos, EV
- e.g. Fluorochem – EV, renewable
- e.g. Greaves – EV theme



MODEL - SPIN OFFS

- Initial sell off from funds.
- Slow process of value discovery
- Needs good homework
- High conviction needed
- e.g Aarti Pharma, Aarti Surfactant, 5paisa from IIFL, Epigral (demerged from Megh) post listing up 3 times within months



MODEL -MARGIN IMPROVEMENT

- Slight improvement in margins in companies with big turnover
- Change in business model
- Focus on more profitable products
- Sale/de focus of tail end products, loss making subsidiaries
- Mcdowell premiumisation story, Titan jewellery business
- Kirl Ferrous – value added product



MODEL -INDUSTRY TAILWINDS

- Flavour of the season
- Pharma – US generic, Covid
- Chemicals – China caused shortage
- Defence – Make-in-India
- Railways – Govt expenditure
- Financials – Demonetization
- EV theme – Auto Ancillaries, Autos
- Infrastructure – Govt spending
- Sugar – Ethanol theme
- Basket approach



MODEL - TURNAROUNDS

- Quick, big wealth creators
- Survivor in a sector in pain
- Sleepy companies waking up
- Street lag – 1-2-3 quarters
- e.g Renuka sugar, Suzlon
- e.g HCC, ITD Cementation
- e.g. Tips, Saregama
- e.g Wabag etc .. Many more



MODEL - CYCLICALS

- Steel, cement, paper, chemicals, tyres, textiles, polyfilm etc have shorter cycles
- Hotels, autos slightly longer cycle
- Clear exit policy needed
- Healthcare, real estate, infra have much longer cycles.
- FMCG, top private banks, top other financials, it, consumer durables etc less cyclical



MODEL - PERCEPTION CHANGE

- Same fundamentals
- Market perception changes
- Often neglected
- PSU companies, REC, PFC
- PSU Banks
- e.g Mukand Ltd
- Often multi year breakouts associated with disbelief.



MODEL - CAPEX COMPANIES

- Teething problems, poor numbers
- Finance, depreciation high
- Operating leverage – same assets, same fixed costs, higher sales. By itself also can be a model.
- E.g. CCL Products, Laurus labs
- e.g. Deepak nitrite – phenol plant
- Acquisition pains – MPS, UPL
- Sunken R&D costs – HBL Power



MODEL - BEAR MARKET IPOs

- IPOs at cheap/reasonable rates
- Often neglected post IPO
- Long time to study, accumulate
- e.g Affle IPO in 2019
- e.g EMIL – electronics retailer
- e.g Indiamart – largest b2b mkt place



MODEL - FALLEN ANGELS

- Once market favourite
- Post manic rallies, falls overdone
- Prospects often remain good
- Once over owned, now neglected
- Long time for accumulation
- e.g Zomato, Policy bazar, Paytm, Delhivery



TECHNICAL ASPECTS

- Multi year breakouts with retests
- Rounding bottoms early stage
- Other bottom formations
 - e.g inv h&s, double bottom
 - e.g bottom triangle
- Wycoff patterns
- Post IPO highs



SOFTER ASPECTS

- Increased transparency
- Starting presentations, concalls
- Mx meeting investors/funds
- Consistent promoter buying, preferential issues
- Consistent buybacks
- Company starts paying dividends

CASE STUDY AJANTA

- Prior to 2011-12, sales growth 22%, profit growth 37% cagr – 5 years
- Available at 5-6 pe
- Company had no us presence
- Introduction of first time in India products to plug gaps
- Strong marketing network
- Went up 60 times in next 5 years



CASE STUDY CANFIN

- Prior to 2013-14, book value 220, price 120-150
- Net NPA nil since many years
- Growth of 15-20 % cagr
- Govt companies shunned
- With Modi govt, perception changed
- New CEO breathed new life in co
- Went up 30 times in next 4-5 years



CASE STUDY MAYUR UNI

- Only player making synthetic leather
- Healthy growth from 2009-2015
- Manav Poddar bought 16k shares from mkt above 100 in 2009. Promoter holding was already 72%
- Clean balance sheet.
- Issue of promoter allotment
- Went up 40 times in next 5-7 years



CASE STUDY KAVERI

- Company growing at 30% cagr in period of 2007-2010
- Net cash balance sheet
- BT cotton introduced in 2007
- Concerns about tax – agri products profits were non taxable, co not paying taxes then.
- Net cash co.
- Available at 10 pe. Went up 20 times in next 5 years



CASE STUDY LAURUS

- Expansion into formulations had teething problems
- Technocrat promoter/CEO
- Started showing results from 2020
- Management forthcoming in calls
- API/bulk drugs sectoral tailwinds due to shortages
- Went up 10 times in less than 2 years
- Importance of exits once growth slows down



CASE STUDY USHA

- Company sold its commodity steel business to tata steel in 2020, funds used to retire debt, expand wire ropes
- Strong leadership in wire ropes, a niche product
- No exposure to commodity prices, predictable business high roe biz
- Promoters cousins. Prashant j selling
- Presentations, concall started
- Rerating, growth 80-350 till now



CASE STUDY HBL

- Technocrat promoter
- Sunken costs in R&D
- Its time came with Vande Bharat and railways capex – Kavach
- All divisions started doing well
- Battery segment margins improved with entry into new segments like defence etc, new products fuzes, kits to transform ice trucks to EV
- ATH 77 crossed in 2022. Cmp 260



CASE STUDY TIME TECHNO

- Previous CEO, overpromised, under delivered, poor capital allocation
- New CEO Bharat Vageria focused on debt reduction, improving ROE
- Sales of non profitable overseas subsidiaries expected soon. Funds to retire debt, expand composite business.
- Cheap valuations on entry. 85-150



CASE STUDY J&K BANK

- Growth spurt since 2021
- Book value 100, stock price 30, PE sub 4-5
- Last concall aspiration target of net profit of 4000 crores by FY28. FY23 - 1300 crs net profit
- Kashmir economy booming, J&K Bank market share 65% in J&K.
- Inv h&s breakout in July 2023, above 65
- Stock price from 65 to 110 in 2 month



TECHNICAL ANALYSIS

- Multi year breakouts
- Identify early stage rounding bottoms/inv h &s, cups
- Saucer shaped patterns best
- Bottom triangles
- Double/triple bottoms
- No need to participate in all breakouts.
- Can wait for clearer picture.



NIIT DETAILS

- 170 Was a 20 year high crossed in 2020, more important as we were coming out of a bear market.
- Once crossed, stock price had consolidation of 7 months around breakout levels.
- In April 2022, stock price hit a high of 650, nearly 4 bagger in 4 years.
- Not much fundamentals information was available.



CHART EXAMPLE NIIT



KOPRAN DETAILS

- 98-102 Was a key multi year (20 year) resistance
- Crossed in 2020, went up to 146, came down for retest 5 months after breakout
- High of 370 posted in 2021, nearly a 4 bagger in 2 years.
- 3 fold jump in net profits from FY20 to FY21.

CHART EXAMPLE KOPRAN



CHART EXAMPLE USHA

- 47 was a 10 year high crossed in 2021
- 102 was 14 year high crossed in 2022
- 154 all time high crossed in 2022
- Currently 325.
- Fundamental picture started getting clearer in march 2021 with sale of commodity steel business.
- Company started reporting good results since march 2021

CHART EXAMPLE USHA



CHART EXAMPLE MUKAND LTD

- 27 YEAR HIGH OF 162 CROSSED IN JULY 2023
- STOCK PRICE HIT A HIGH OF 203
- RETEST OF BREAKOUT LEVEL HAPPENING CURRENTLY
- ONLY 3 MONTHS SINCE BREAKOUT.
- RANGE OF 1997-2023 IS FROM 10 TO 160, NEARLY RS 150. ADDED TO BREAKOUT, TARGET CAN BE 310 (160+150)

LIVE EXAMPLE MUKAND



DISCLOSURE

- Any stock discussed in the talk is for purpose of example only.
- Not to be considered as a recommendation
- Please do your own diligence before investing your money
- Even from WhatsApp groups, avoid looking out for tips. Do your own homework and only then invest.
- If not possible, not capable, take professional advisor, PMS, MF etc.