# YEAR 2024-25:

Year has been volatile ride from starting strong to then giving up all the gains then in March it ended up the year for 4.13%. Now coming to the year, it has been all about war, trump, FII Outflows, currency, gold, and tariffs. Chinese markets have made a comeback now breaking even in terms of 5 years returns giving competition for India and all the MSCI Emerging guys Ex- China giving run for their money. Frankly the year mostly for me was sitting on cash after booking of profits but now recently I have started deploying cash making portfolio again diversified from concentrated before. Now I would stop deploying most probably and consolidating the positions rather than deploying fresh cash in future now this is my view as I do not take positions too quickly and let 2-3 quarters even years to build it upto 10% where I see all my high conviction bets.

|  |  |  |
| --- | --- | --- |
| **Particulars** | **NIFTY 500** | **THEREIGN** |
| Return for 22-23 | -3.5% | 9.22% |
| 23-24 | 39.14% | 27.5% |
| 24-25 | 4.13% | 26.34% |
| CAGR Return | 11.82% | 20.72% |

That makes the following situation if you invested 100 in both situations:

|  |  |  |
| --- | --- | --- |
| **Particulars** | **NIFTY 50** | **THEREIGN** |
| Base Year | 100 | 100 |
| End of Year-1 | 96.5 | 109.22 |
| End of Year-2 | 134.27 | 139.25 |
| End of Year-3 | 139.82 | 175.93 |

To be frank in this kind of market my strategy of buy and sell rather than all the talks of buy & hold will always outperform as I sell the businesses if it exceeds intrinsic value according to my assessment by a wide margin. This conservative approach helps to survive rather than being in the momentum like other guys do waiting for trend to bend. However, in past year I have learned to wait for stocks to get overvalued and learned some stop loss & technical strategy to sell like in tranches or certain percentage below from all time high it made this has added maybe 1%-2% to returns.

TO END THIS WITH BEAUTIFUL QUOTE:

 *SELL, REGRET & GROW RICH
 - From Govind Parikh talking with NDTV Profit.*

## INVESTMENT PHILOSOPHY

I am fellow member or like to think so of the Graham and Doddsville aka value investor. From the time I read intelligent investor and the idea of introducing a buying a stock is buying a business was introduced to me a light shined to me as if taking all darkness away. The following are my beliefs, can and is supposed to evolve as time goes and I keep learning from passing of time.

1. Buying stock is ***buying a piece of business*** not something in the hope to sell it at higher price in future. Investing is best when its more business-like.
2. ***Stocks outperform*** the bonds, gold, and real estate (also other crap shit now-a-days called as assets such as crypto, NFT’s, etc.) ***in long-run***.
3. ***Investing*** approach being bottom-up rather than top-down. Thus, buying decision ***based on Micro-economics*** of business rather than Macro scenario.
4. ***Buying*** business ***cheap*** works best.
5. I believe in ***reasonable diversification based on number undervalued stocks*** rather than based on searching for stocks in different sectors, economy or even country just sake for diversification.
6. ***Low-turnover of stocks*** works best rather than selling every other day in hope of timing the market. As I believe no one can do the same time after time.
7. ***Invest*** within my ***circle of competence*** rather than chasing fad’s.
8. Investing by worrying about down-side rather than the possible upside as Howard Marks says “***If we cut of potential losers the winners can take care of themselves.”***
9. Preferring a ***lumpy 25% over smooth 15% return.***

## FLAVOUR OF THE YEAR: GOLD

This year has been all about investing in Gold and Gold ETF’s. Everyone has piled up into it as it has outperformed the market and gave bumper returns from around 46,000 in 2021 to 91995 today as at 2025. Now that is double your money in 4 years which in CAGR terms it comes around 19% p.a. Following are my thoughts on gold:

* Although it has given equity like returns expecting the same from here in future for long term is fools’ expectation as gold also perform in cycles. Thus, it is more of lumpy asset class only performing in times of war and high inflation.
* However, it is the asset which must have some allocation as hedge against black swan to capitalize by selling during times of highest uncertainty and turbulence.
* Now the bull case argument can be summarized as it has lower volatility to black swan events giving negative correlation as compared to equities. However, in my point of view gold and equities have not soared together as such in many years as it did in present thus one must not be surprised if both cracks or goes sideways together breaking that correlation to some extent.
* My belief that good business can outperform every other asset class even gold.

TO CONCLUDE- HAVE SOME ALLOCATION TO GOLD BUT DON’T EXPECT MULTIBAGGER RETURNS LIKE EQUITIES AND DON’T SHUN EQUITIES IF YOU ARE IN FOR LONG TERM.

## PORTFOLIO INSIGHTS

The portfolio composition has changed not that much as top bets remain the same but the bottom churning out of portfolio or coming up in the portfolio in high conviction bet.

Now onwards instead of de-constructing the portfolio on top down I will also start listing my top five positions bottom ups:

KAVERI SEEDS COMPANY LTD

Company as the name suggests is in business of selling seeds which are mostly hybrid, selection variety or in some cases which are genetically modified (cotton).

Business is not so easy as it has long gestation having to go from nucleus seed towards breeder seeds and then the foundation seed where each stage takes one full cycle and then it is sent to outsourcing for production then sold to the end customers. This whole process can take around 5-6 years and after all this there is a chance the product can be hit or miss. Even if company developed product scale it takes another 2-3 years for production to meet that scale.
Therefore following can be observed as characteristic for business:

1. Long product life cycle.
2. Sales must pre-planned as most of sales occur in Q1 of every financial year.
3. Regulatory over hang as other seeds might get regulated as was cotton in few years back.
4. Working capital can be stretched if one doesn’t achieve the sales it pre-planned for.

### WHAT IS ATTRACTIVE HERE:

* Non- linearity: The compounding effect can be seen once a seed gets interest from the farmers as one cycle small number of farmers get yields then in another, they tell some other and so on so forth. Further if one product gets a traction that can lead to some serious non-linear growth vector for company.
* Cost of seeds is relatively small in production of crops.
* Seed is primary thing that determines end output.
* Non cotton segment with higher margins growing well and now accounts for more than 2/3rd of revenue & their contribution is expected to rise growing forward.

Very few things that can be controlled in farming and thus good seed with good performance can be chosen over. This choosing of seeds depends on own experience in last season, other farmers behavior, dealers’ recommendation, and the neighbor effect.

Fundamentals- Company is having around 500 crores in cash, generates around 300 crores of cash from operations, has bought back aggressively can be observed from the fact that for in 2015 for PAT of 300 crores it had EPS of 43.68 as compared to this year where for same PAT level it will have EPS of around 59.
Company throwing cash every year and expected to grow around 15-20 percent EPS wise it is no brainer for me as this valuation is attractive and reasonable. (Disclosure: My position is up by 50% from my average price and have bought more in last 60 days)

VAIBHAV GLOBAL

Company is engaged in selling jewelry and lifestyle products to the consumers through TV Channels in the developed world namely US, UK & now in Germany too. Sales consist of in-house brands and third part brands as well. Company is fully vertically integrated i.e. it sources as well as manufactures in-house then sells through TV Channels to end consumer.

Business model is as such that these companies must spend up-front on the studio, content and broadcasting expense, airtime cost, marketing costs and building supply chain to serve the customers which order the products. Due to this it has inherent operating leverage that means 10 % of topline growth can lead to potentially 15% bottom line growth.

### WHAT IS ATTRACTIVE HERE?

1. Company has gone to capital cycle where it has just started operations in Germany (Shop Lc Germany) whereby it has diversified into 3rd geography from US & UK. This has led to increase in cost and due to inherent high operating leverage of business model company margins and therefore profits have contracted significantly. But now this can turn around from any year from now as Germany operations have broken even at EBITDA level.
2. Ideal World acquisition (now part of UK Operations) leading to increase in touchpoints and better air time for company has reached profitability at PBT level.
3. Mindful souls is already a profitable Dutch based e-commerce company is contributing positively to company. Business model will be margin accretive as it moves towards in-house supply chain and learnings from mindful souls like how it engages the community for purchasing its product, subscription box model, branding and values can help company in its own digital or creating some other niche brands.
4. Management is one of best you can get as it focuses more on Return on capital employed and value accretive growth. (as compared to other e-commerce company just chasing growth and burning money like they have Jerome Powells printing press!!).
5. Business throws free cash which are turn re-invested in business through organic or in-organic means and some of it is paid as dividend.
6. Now coming to valuations- Company is having net cash of around 100 crores, dividend yield is of 2.6%, PE Ratio of around 25 times where one can expect growth of around 17-18% CAGR from here making it attractively priced provided operating leverage and low base of earnings (due to losses of Germany and Ideal World) the profits and easily surprise on the upside rather than downside.

### WHAT CAN GO WRONG?

1. Company has terminal value risk if it is not able to transition over to digital from TV. However, they are showing some momentum in digital as it is growing faster than TV Sales and contribution to overall B2C segment is increasing.)
2. High operating leverage cut both ways as weak sales growth can cut the profitability.
3. Jewelry and lifestyle products that too in e-commerce and selling through TV Channels is subject to highly competitive intensity.
4. Any major disruption in US, UK & Germany affecting the company operations.

DISCLOSURE: I MAYBE BIASED AND I HAVE BOUGHT MORE STOCK IN LAST 60 DAYS.

MATRIMONY

Please refer to my last year letter where I explained the position. I will just re-iterate the things what I like now going on with business.

### WHAT IS ATTRACTIVE HERE?

1. Company is in market leader in the platform business whereby the inherent nature of business is market leader takes it all kind of model.
2. Company is only cash generating company as compared to peers which are still burning cash in search of profitability.
3. Marketing spends and competitive intensity is about to go down as indicated by the management of Info-Edge whereby Jeevansathi has changed its business model and now lowering the spends to turn profitable.
4. Various new initiatives like astrology, wedding services (switching from listing to commission model), blue collar jobs, serious dating platform and loan for marriages, any scaling up of segment can lead to re-rating for stock and provide growth vector company is looking for.
5. Enterprise value stands at 1181 crores and reducing the cash of 315 we get company at Rs.866 crores whereby the company makes around 60 crores of operating cashflow with all its initiatives going on we can expect it to be normalized around 50 crores so we get company at 17 times Operating cashflow however if you remove all new growth initiatives company makes 70-75 crores of operating cashflow making core business available at 12 times! It is cheap and if future fundamentals do not deteriorate its deep value as business is one with inherent operating leverage were incremental top-line flows to bottom line and ROCE is very high and cashflows can compound non-linearly if stuck.

### WHAT CAN GO WRONG HERE?

1. Competitive intensity stays to remain high in matchmaking segment leading to foolish marketing spends with no end to be seen.
2. Marriage services and other new initiatives does not scale up and lead to heavy cash losses for company representing sunk costs.
3. Market share lost to its competitors in core matchmaking business due to focus shifting on so many avenues rather than the core business.

HANGSENG BEES:

* Please refer my last year letter as it pretty much explains the thesis of investing in China through the Hangseng bees. Now coming to why I continue to stay invested is it is still cheap as PE Ratio is around 13 times with around 3.5% dividend yield on index, China regaining momentum so the earnings part pending to catchup with runup in PE Ratio and finally the IPO market still not making return leading to thinking that the market is still not peaked yet and has many legs to go.

INDIAMART INTERMESH LTD:

Company is providing B2B marketplace for suppliers to come and sell it to retailors or other downstream supplier or distributors maybe sometimes directly to consumers as well. Suppliers are paying customer to company which pays different packages (namely silver, gold and platinum) where they can list product, have better visibility, access to leads and enquiries about the product.

### WHAT IS ATTRACTIVE HERE?

1. Company mainly caters to SME where there is huge runway to growth as most of these businesses are local and have ambition to grow whereby platform can provide them the avenue to increase their business.
2. Operating cashflow is greater than PAT as there is something called deferred revenue whereby the subscription received is recognized over the term say 1-3 years but the expense is expensed out immediately leading to this effect. This creates float for the company to use and invest in other avenues (as it did) or hand it out to shareholders.
3. Company has used this cash to buyback shares and give dividend along with it has started investing in the businesses which can be adjacent to the current business. For e.g. Investment in Busy, Vyappar, Real books, live keeping providing tally cloud & mobile services- in accounting software businesses; Distribution & salesforce management; autonomous procurement platform; vertical commerce; legal tech platform; logistics; inventory management; invoice discounting platform; logistics and transport; supply chain; HR Tech; and many other fields. This provides an upside optionality or vector once the company hits its peak or maturity. Potential can be seen as it exited shipway investee company which was sold to Unicommerce whereby it invested 16 crores and sold it for 41.6 crores.
4. Company is hiring the industry specific people other than in-house management, reducing the Unique enquiries per business head, making platform simpler for some old guys to come and build on platform, etc. to address the churn of customers company is facing.
5. Company is at Enterprise value of 12,600 crores approx. having cash of around 2600 crores and 1194 crores of strategic investments we get core company at value of around 8800 crores. So, with 550 crores of operating annual cashflow you get business with very high ROCE at only 16 times!

### WHAT CAN GO WRONG HERE?

1. High customer churn ratio in the silver segment which act as gateway for its gold and platinum sector which contribute most of the company revenue. To address this company has taken steps like taking employees on their own payroll, making platform simpler, reducing unique enquiries delivered as some may corner most of the category, etc.
2. Increasing competitive intensity in various verticals whereby many companies has entered in different B2B solutions giving competition to company suppliers such as SG Mart in B2B steel market, Inframarket in different infra products, etc.
3. Its strategic investment does not payoff or any upside optionality to the company. (as can always happen as these companies are at early stage of their evolution and are kind of PE style bet where if hit payoff can high or they can be eggs if fallen).
4. Reduction in paid supplier continues to happen and it affects the collections from customer as there is limit upto which you can raise ARPU before customer revolting and leaving the platform.

DISCLOSURE: I MAYBE BIASED AND I HAVE BOUGHT SOME IN LAST 60 DAYS.

## MISTAKE DU JOUR

My mistakes cost me by missing opportunity to make more money (who does not like that) and did not let me cost my money which I value the most still I hope I will remember them and in future not repeat mistakes again.

Bronze: Selling some Antony Waste Handling Cell Ltd

Yes, I had 5% portfolio allocation in it and sold to 2.5% of my portfolio allocation- Why? I was expecting a weak quarter became a speculator from investor and was day dreaming of buying it at lower price than I sold half position for.

Outcome? Quarter was bad earnings prediction were right. But…. Share price zoomed from there as worst was behind and fundamentals were expected to improve. And I still see the remaining position in the company and ponder just why I did that and what I was thinking.

But guess I was not so dumb to sell whole position so its half a mistake. Hope I did that mistake with my gold medal mistake but I did not.

Silver: Selling some Kaveri Seed Company Ltd

Yes, you would be wondering why it is here as in my biggest 5 position it was one of them. Guess what the mistake of selling Antony waste I did the same of selling half of position expecting a weak quarter and held to another half.

Outcome- The quarter was not bad and share price zoomed. I missed most of the gains and my position would have been more as compared to earlier.

The both above mistake are same and the biggest lesson of all:

Do not buy or sell on basis of next quarter results if long-term thesis is intact. Market is random it may fall but would recover and one should buy more if it does. And market is not that dumb and may figure that all negativity is behind and price the bright future leading to increase in price instead of bad quarter and vice versa with fall in price can happen if the future trajectory of results is expected to be bad as compared to what is priced in the valuations.

Golden: Hang-seng tech Index (Selling all)

To make my case for being it in gold position I will just show you one chart: (From 12 NAV to 24 doubling in one year yours truly bought it literally near bottom with average price of 12.5 but was enough dumb to sell it for near 14 rupees)



Why did I sell? - It comprised of stocks where the CCP levied the more sanctions and was one subject to many restrictions, everyday news flow about the companies kept on worsening and yours truly did not have stomach to hold on. This reminds me of quote:

*In stock market, the most important organ is the stomach. Its not the brain.
 - From Peter Lynch*

 YOU ARE READING THIS YOU HAVE MADE IT TO LAST LEG; HOPE I DIDN’T BORED YOU THAT MUCH AND HAPPY COMPOUNDING. HERE. STOCKS DISCUSSED AREN’T RECOMMENDATIONS AS I BELIEVE EACH SHOULD DO THEIR OWN RESEARCH AND I CAN CHANGE AND DUMP THE SAME THE NEXT DAY I UPLOAD OR EVEN LATER WHEN THESIS CHANGE. PREPARE YOUR OWN PORTFOLIO OF COMPANIES. I WOULD LIKE TO THINK YOU MAY HAVE LEARNT SOMETHING NEW AND WILL CONTINUE TO LEARN ALONG THE JOURNEY WITH YOU.