

VRDDHI

✉ pms@ithought.co.in

🌐 www.ithought.co.in

☎ +91 95000 27285

# EXECUTIVE SUMMARY



Where we fish is an interesting area – Mid, Small & Micro Caps



Buy un-discovered, under-researched and under-owned business



Sound Investment Philosophy – Buy market leaders, run by competent & ethical people, at a fair price



Differentiated investment approach – PE style due diligence



Sharp focus on controlling risks



Demonstrated ability of picking winners; Strong pedigree; 5 decades of multi-cycle experience in the Indian markets



## WHERE WE FISH

- Lay of the land
- Fertile fishing ground
- What succeeds in small-caps
- Risks in small caps



## HOW WE FISH

- Investment philosophy
- PE style due diligence
- Winners
- Risk  $\neq$  Volatility
- Case Study
- Team Pedigree



## TEAM & TERMS

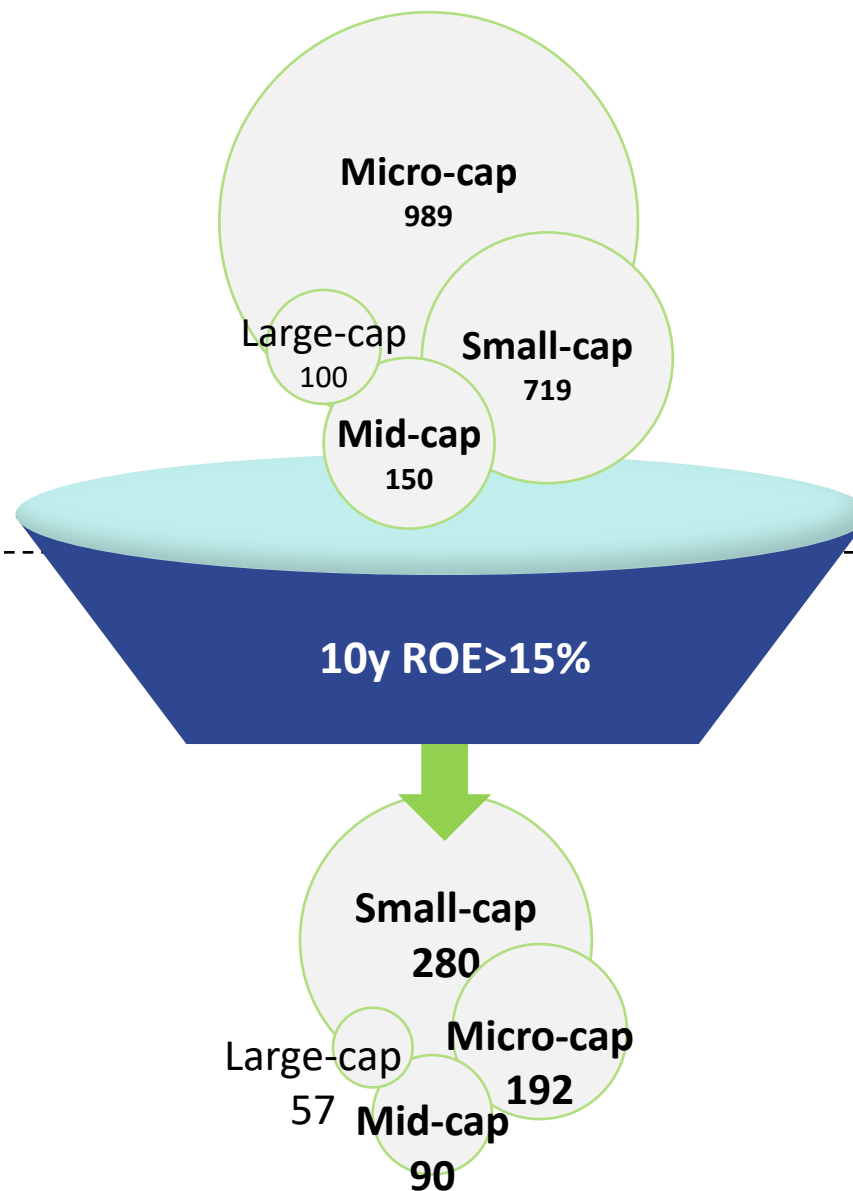
- Portfolio Performance
- Team
- Terms of Investment



# LAY OF THE LAND – SMALLCAPS

Total Actively Listed  
Companies Above  
100 Cr MCAP: 1,958

Investible Universe:  
619

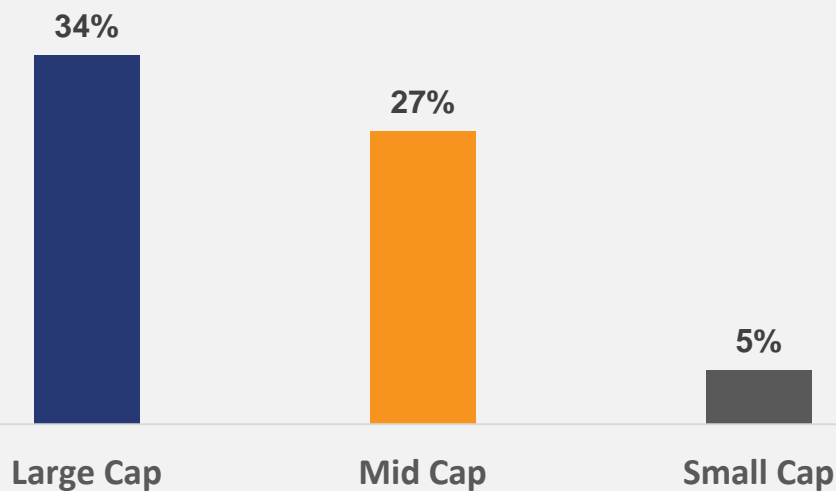


# WHERE OPPORTUNITY LIES

Mid, small & microcap offers tremendous opportunity for an investor with **long term orientation**.

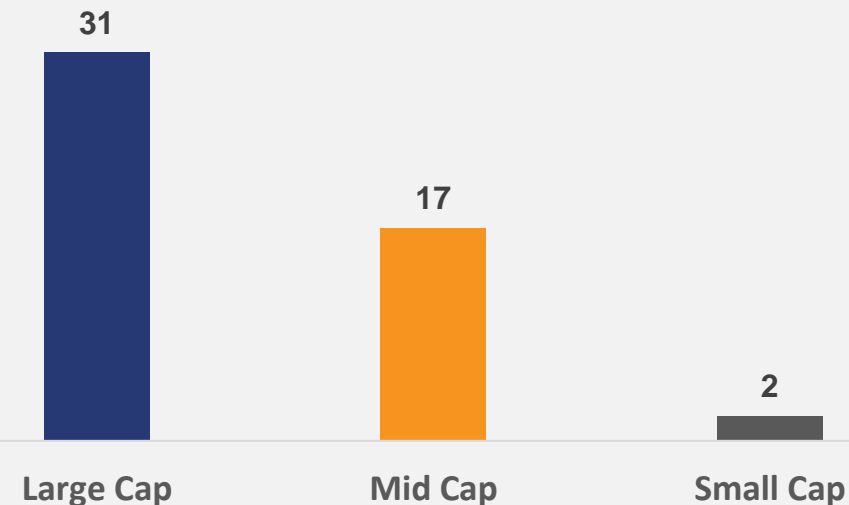
## Very Low Institutional Interest

*Institutional ownership, % of total outstanding shares*



## Information Scarcity

*Average # of research analysts per company, #*



# WHAT SUCCEEDS IN THIS SPACE



Buying businesses that demonstrate market leadership characteristics



Promoters/Management who score high on corporate governance, capital allocation and treatment of minority investors



Underlying business/industry growth – leading to earnings growth



Entry valuations

## MULTIBAGGERS



Alkyl Amines Chemicals Limited



NGL FINE-CHEM LIMITED



ajanta pharma limited









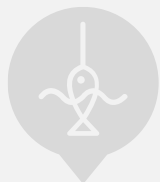
Quality Par Excellence



VRDDHI

# RISKS IN THIS SEGMENT

Risks in Mid, Small & Micro Caps	Nature of Risks	VRDDHI's Mitigation
 Poor corporate governance	Controllable	Avoid completely
 Poor business quality	Controllable	Avoid completely
 Expensive valuation	Controllable	Don't pay up
 Execution risk	Manageable	Extensive Due-Diligence on the promoters/management
 Low liquidity	Manageable	Careful execution of trades
 Volatility in stock price	Not a risk!	Buy on dips, be opportunistic



## WHERE WE FISH

- Lay of the land
- Fertile fishing ground
- What succeeds in small-caps
- Risks in small caps



## HOW WE FISH

- Investment philosophy
- PE style due diligence
- Winners
- Risk  $\neq$  Volatility
- Case Study
- Portfolio Management Process & Portfolio Growth



## TEAM & TERMS

- Portfolio Performance
- Team
- Terms of Investment



# VRDDHI INVESTMENT PHILOSOPHY



## THINK LIKE A BUSINESS OWNER

Buy businesses that we understand for the long term

## BACK HIDDEN CHAMPIONS

Back niche market leaders, who operate in favorable industry structures

## STRONG BALANCE SHEET

No/Low debt & robust cash flows

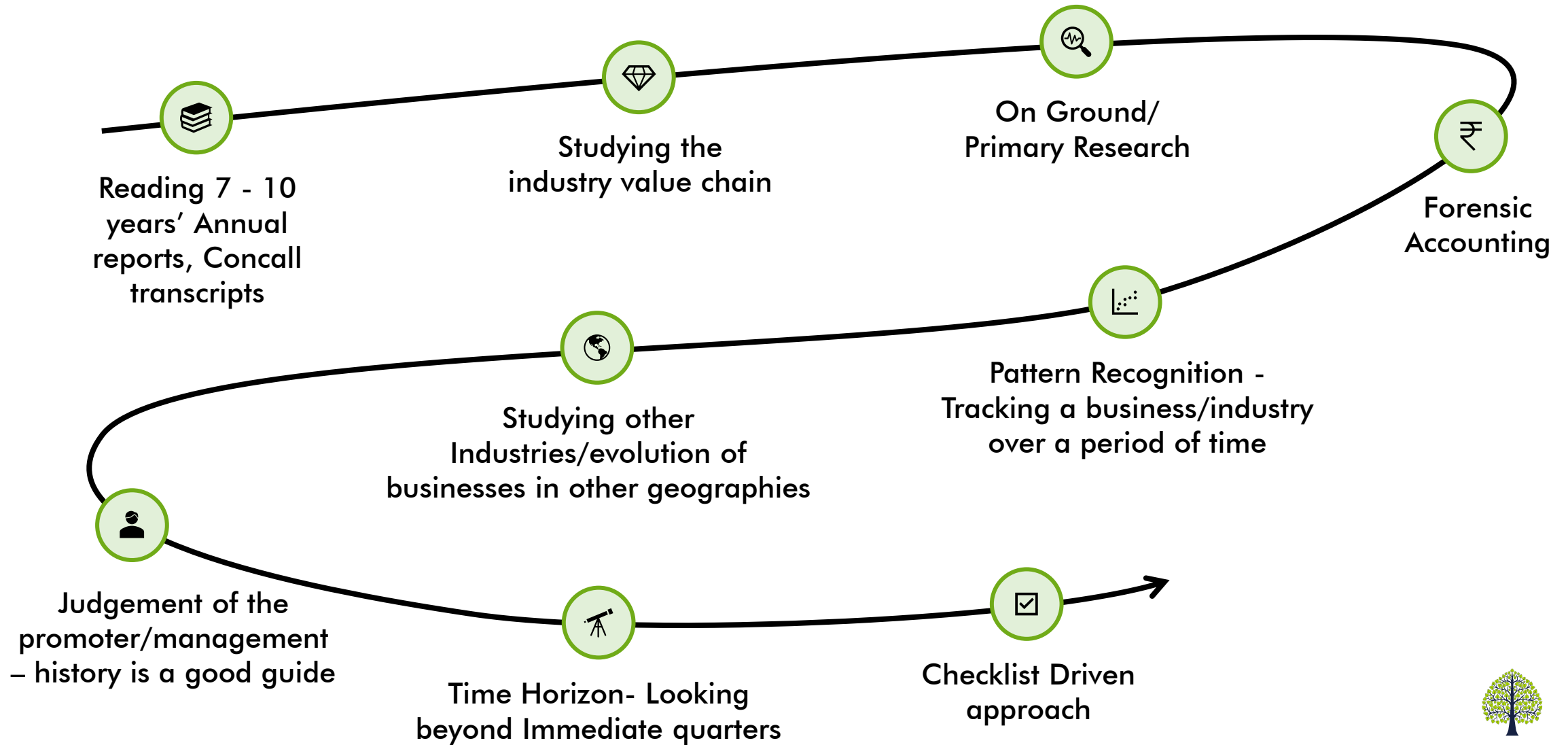
## HIGH CORPORATE GOVERNANCE

Partner with owners who are transparent, ethical, & who have demonstrated prudent capital allocation skills

## MARGIN OF SAFETY

Be conservative and disciplined on valuations – both in buying & selling

# OUR PROCESS



# PE STYLE DUE DILIGENCE

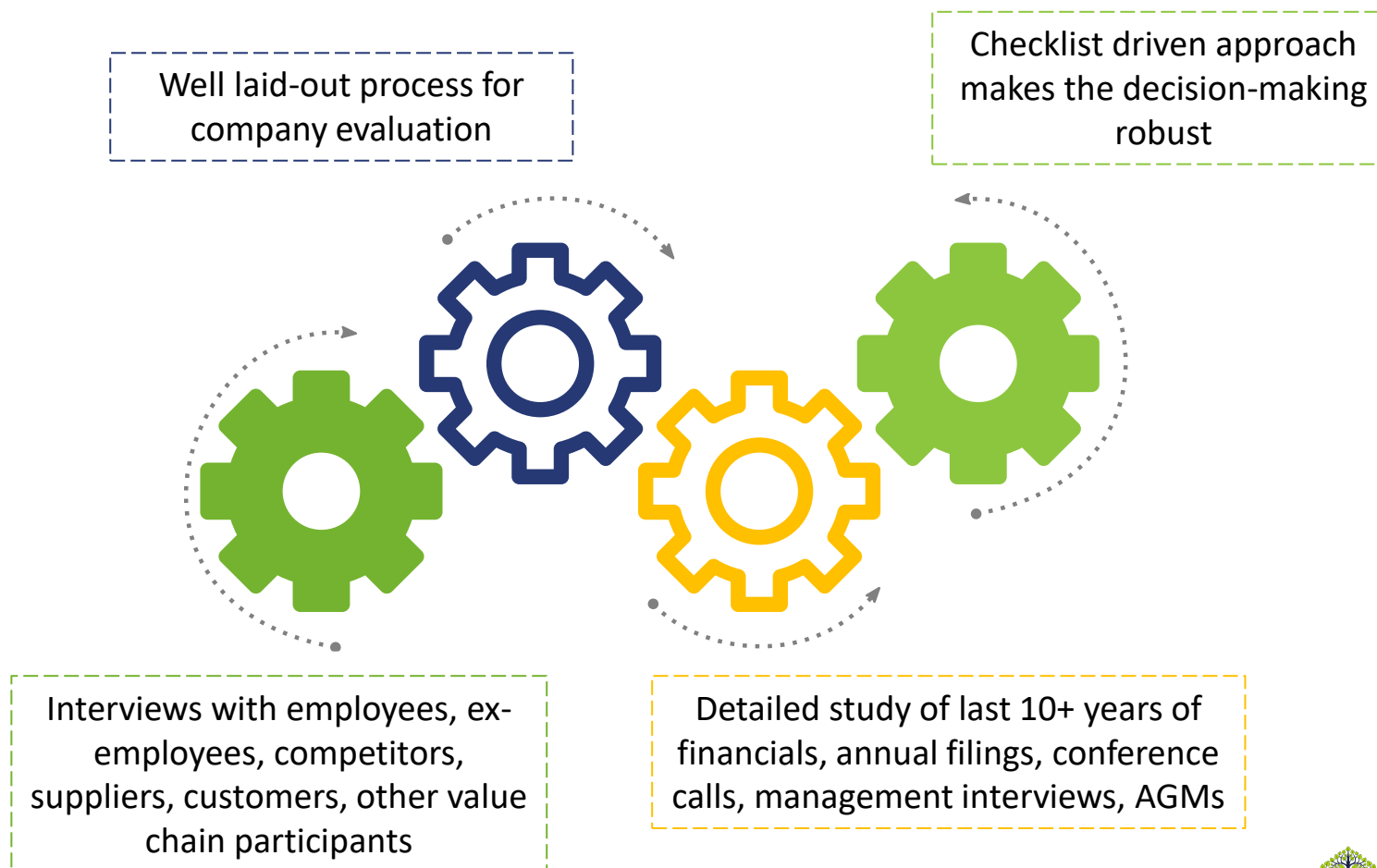
## The Importance of Primary Research

### Primary Research Helped Identify Alpha Generators:

1. Alkyl Amines
2. Dharamsi Morarji
3. Axtel Industries
4. MCX
5. NGL Fine
6. Ashiana Housing

Supported by an  
Unparalleled Peer Network  
in Small Cap Stocks

50+ Years of Collective  
Industry Experience



# TEAM HAS SPOTTED THE WINNERS EARLY



- 450%, 53 months
- #1 Market Position
- Intrinsic ROCE- 20%+
- Surplus Cash

birla**soft**

- 380%, 35 months
- 5Yr ROCE - 20%
- Surplus Cash



- 300%, 35 months
- #1-3 in domestic market
- 5 Yr. ROCE- 22%
- D/E – 0.07x



NGL FINE-CHEM LIMITED

- 230%, 43 months
- # 1-3 globally
- 5 Yr. ROCE- 30%
- Surplus Cash



Alkyl Amines Chemicals Limited

- 160%, 17 months
- #1 Market Position
- 5yr ROCE- 37%
- Surplus Cash



- 160%, 32 months
- #1 in domestic market
- 5 Yr. ROCE- 192%
- D/E – 0.19x



- 580%, 71 months
- # 1-3 globally
- 5 Yr. ROCE- 23%
- D/E – 0.5x



- 120%, 30 months
- # 1 Domestic co
- 5 Yr. ROCE- 30%
- Surplus Cash

# RISK CONTROL FRAMEWORK

<b>What We Buy</b>	Market leadership, growth, attractive economics, balance sheet, cash flows.
<b>Who We Partner With</b>	Historical track record, governance checklist, capital allocation, channel checks.
<b>Valuation Discipline</b>	Don't overpay while buying; Disciplined selling at over-valuation.
<b>Focused Portfolio</b>	10-25 positions – reasonable diversification yet focused portfolio; ~75% allocation in top 10 positions.
<b>Position Sizing</b>	Max allocation 15% at cost in a single stock; 25% in a sector.

VOLATILITY   $\neq$   RISK

# HOW WE BUY ?

---



## CALIBRATED CAPITAL DEPLOYMENT

Auto alert during  
expensive markets



## GRADUAL SCALE-UP

Individual positions  
in a portfolio



## STICKING TO BASICS

Simple, but  
not easy



## LONG-TERM HORIZON

Competitive edge

# WHAT WE ***DON'T DO***

- ❌ Chase Returns – and hence we **do not** go after the ‘hot stocks’/ ‘the next big thing’ / darlings of the market
- ❌ Invest in **IPOs**
- ❌ Invest in momentum stocks
- ❌ Invest in companies with reputation for **bad corporate governance**
- ❌ Indulge in **short term trades**
- ❌ Indulge in **shorting and futures & options**
- ❌ Invest in **leveraged companies**

“All I want to know is where I’m going to die so I’ll never go there.”

~Charlie Munger



# LONG TERM HORIZON – COMPETITIVE EDGE

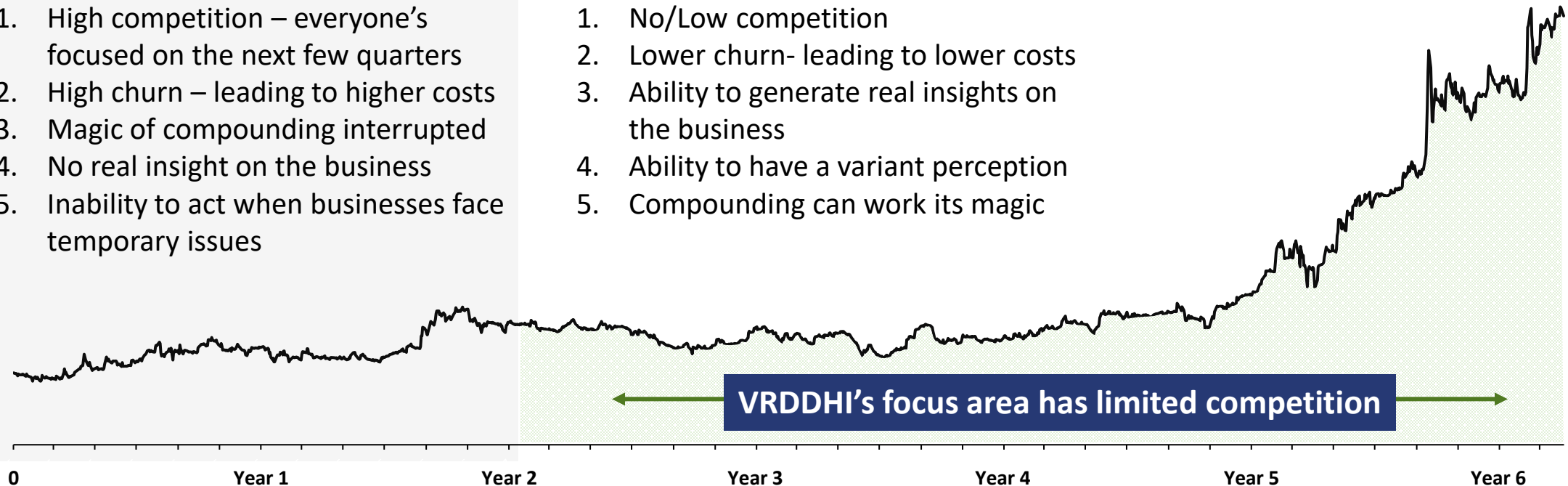
**12M Portfolio  
Churn 16.9%**

## Perils of having a shorter horizon:

1. High competition – everyone's focused on the next few quarters
2. High churn – leading to higher costs
3. Magic of compounding interrupted
4. No real insight on the business
5. Inability to act when businesses face temporary issues

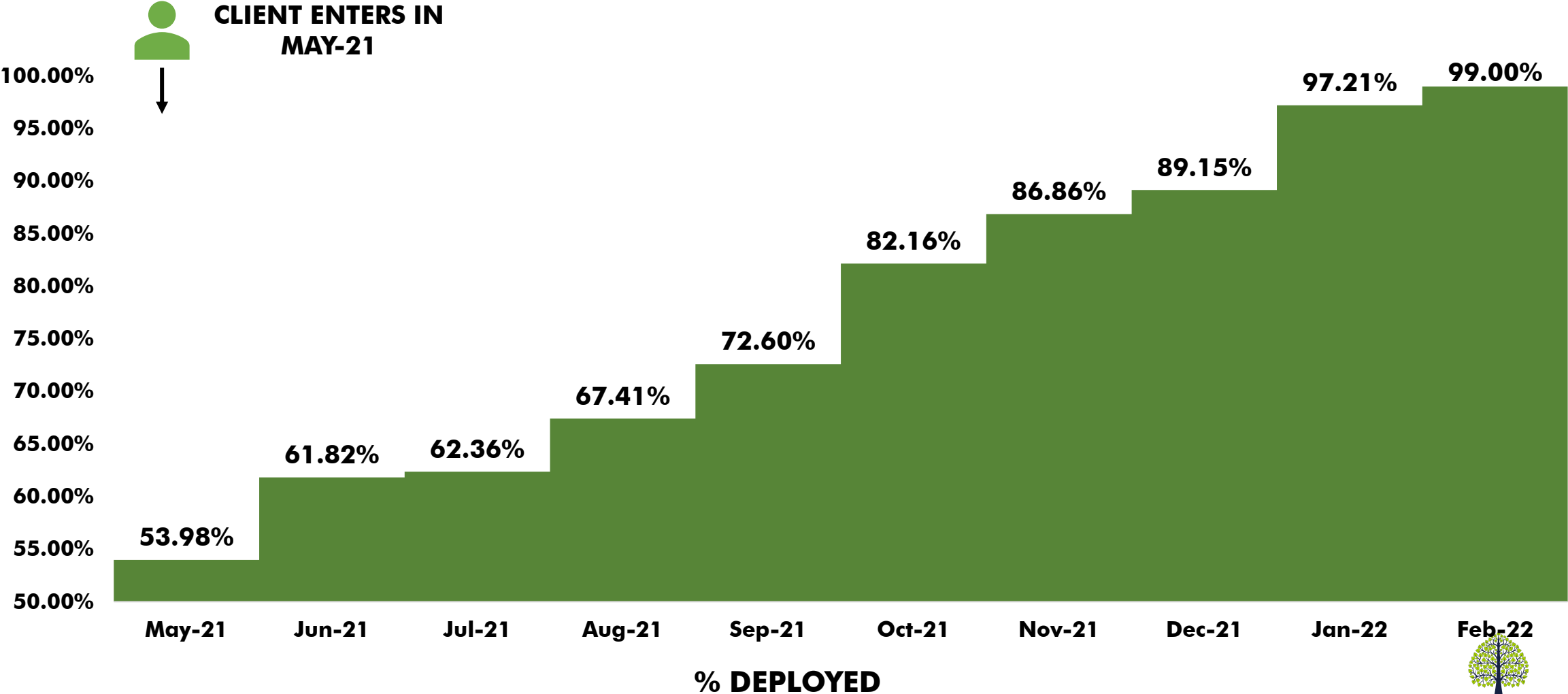
## Benefits of having a longer horizon:

1. No/Low competition
2. Lower churn- leading to lower costs
3. Ability to generate real insights on the business
4. Ability to have a variant perception
5. Compounding can work its magic

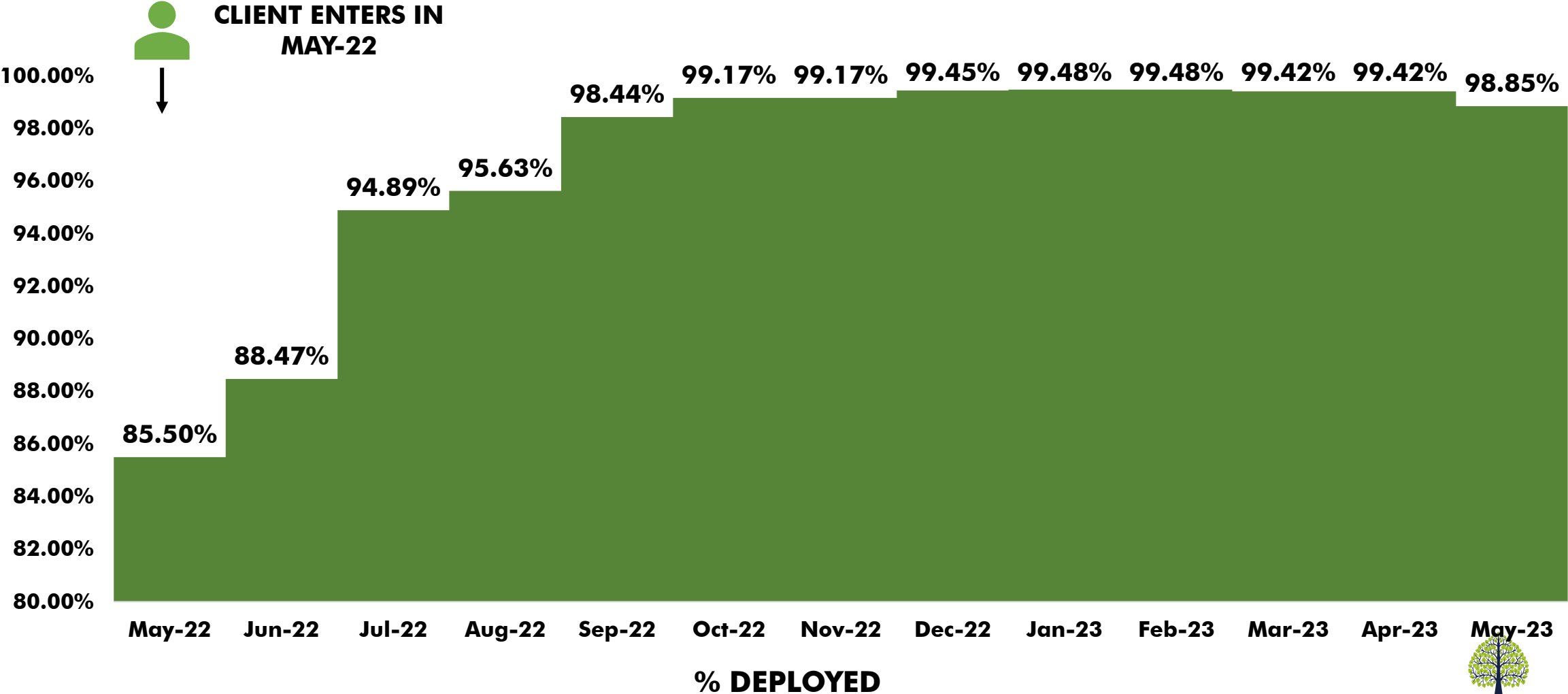


*Note: Actual Stock price chart of JB Chemicals & Pharma  
12M ending Jan 2023*

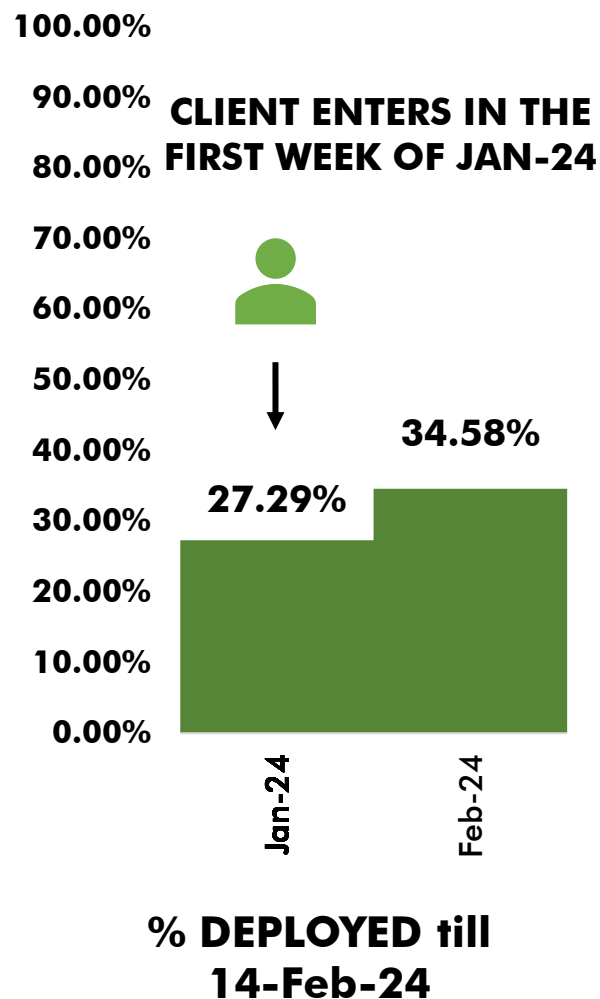
# CALIBRATED DEPLOYMENT – (1/3)



# CALIBRATED DEPLOYMENT – (2/3)



# CALIBRATED DEPLOYMENT – (3/3)

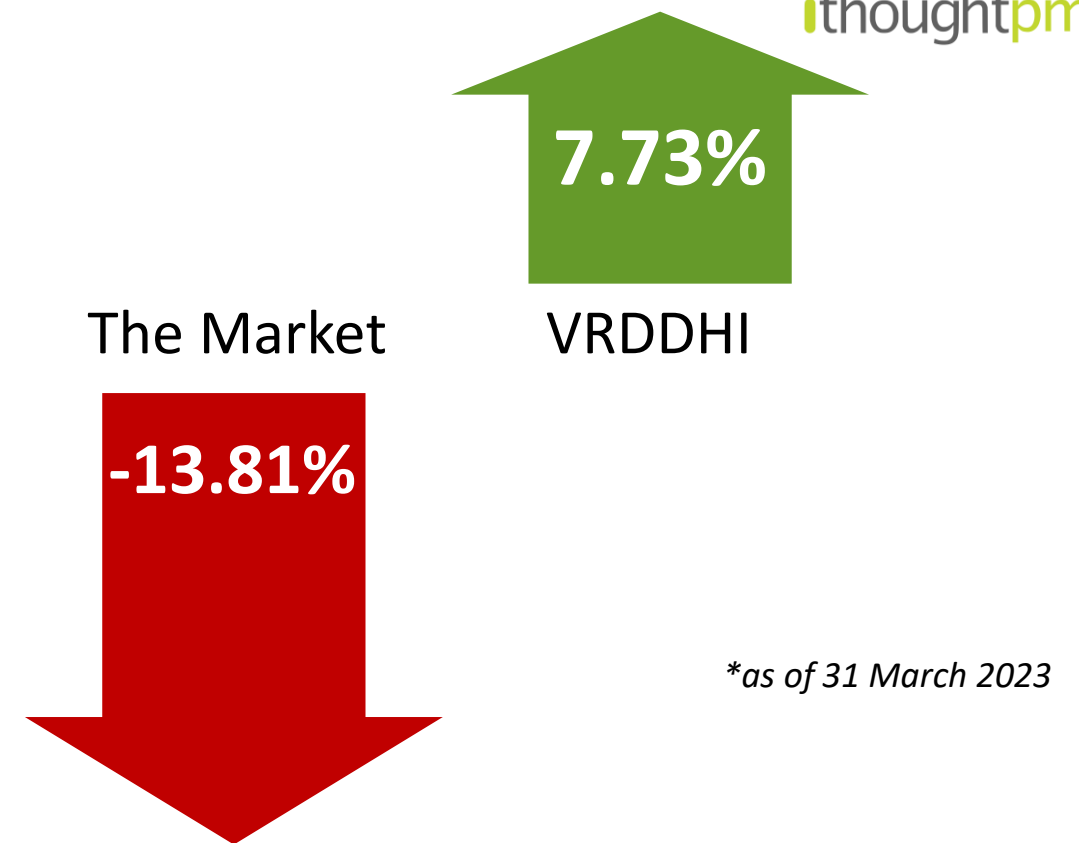


- Don't follow a model portfolio approach
- This doesn't mean that we are taking a call on the market
- Ideas under coverage – don't have good risk reward - hence not deploying
- Selective average down during price corrections

# VRDDHI, IN A VOLATILE MARKET.

ithoughtpms

## HOW DID VRDDHI BEHAVE IN A YEAR OF CORRECTION?

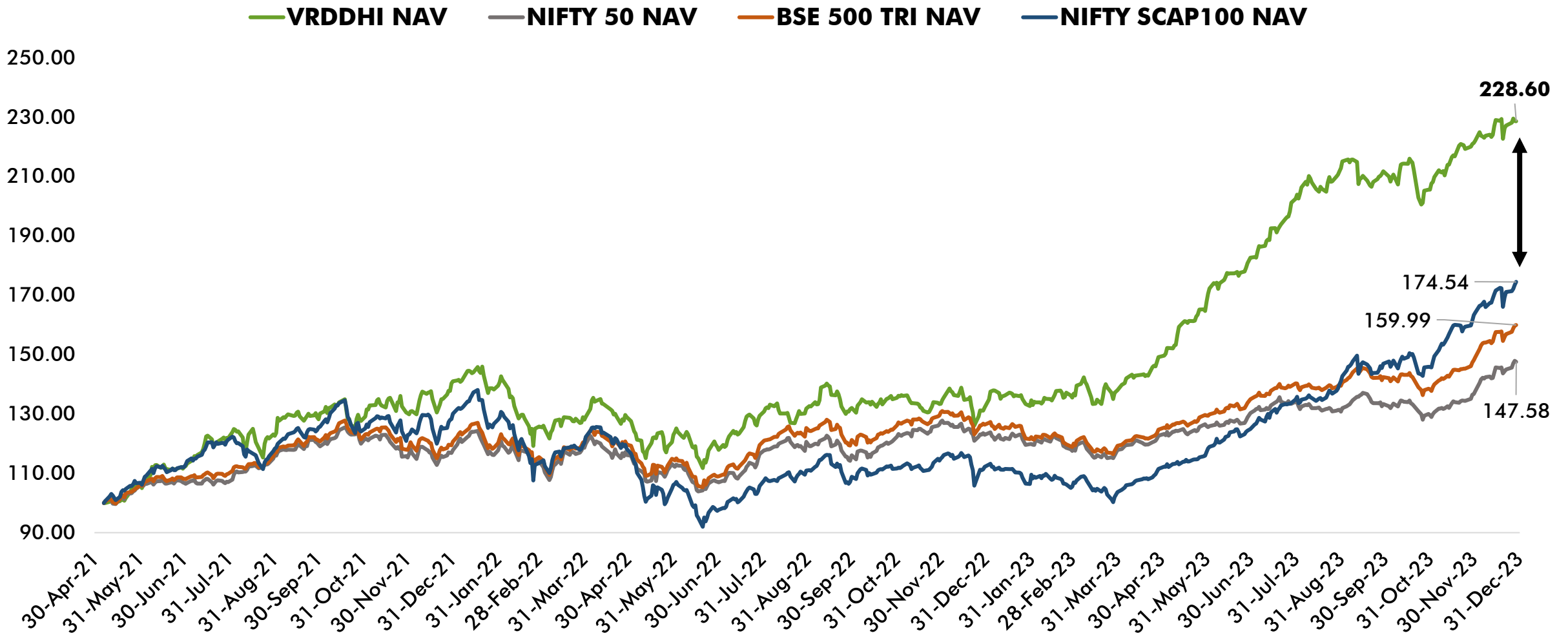


- From its peak in Oct 2021, Nifty SC 100 fell by ~32% while VRDDHI witnessed correction of ~17%
- Alpha created during down markets becomes **bedrock for outperformance** over a longer horizon
- From the bottom, the NIFTY SMALLCAP 100 has gone up ~36% while **VRDDHI is up ~63%**

*\*Disclaimer: Comparison against NIFTY Smallcap 100 shown for assessment. However, benchmark as per SEBI regulations is S&P BSE 500 TRI*



# VRDDHI VS BENCHMARKS – NAV SINCE FUND INCEPTION



*\*Disclaimer: Comparison against NIFTY 50 & NIFTY Smallcap 100 shown for assessment. However, benchmark as per SEBI regulations is S&P BSE 500 TRI | Data as on 31<sup>st</sup> December, 2023 | Data updated every quarter*

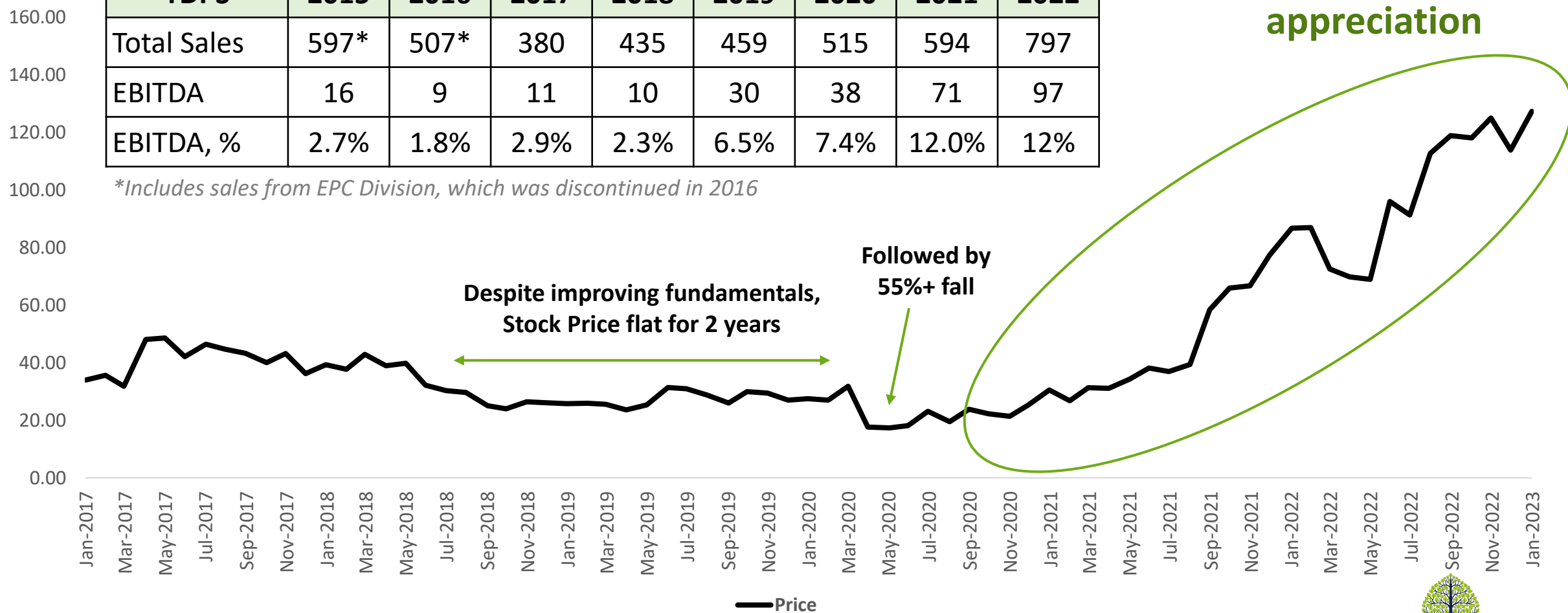
# CASE STUDY- TD POWER SYSTEMS

tdps

ithoughtpms

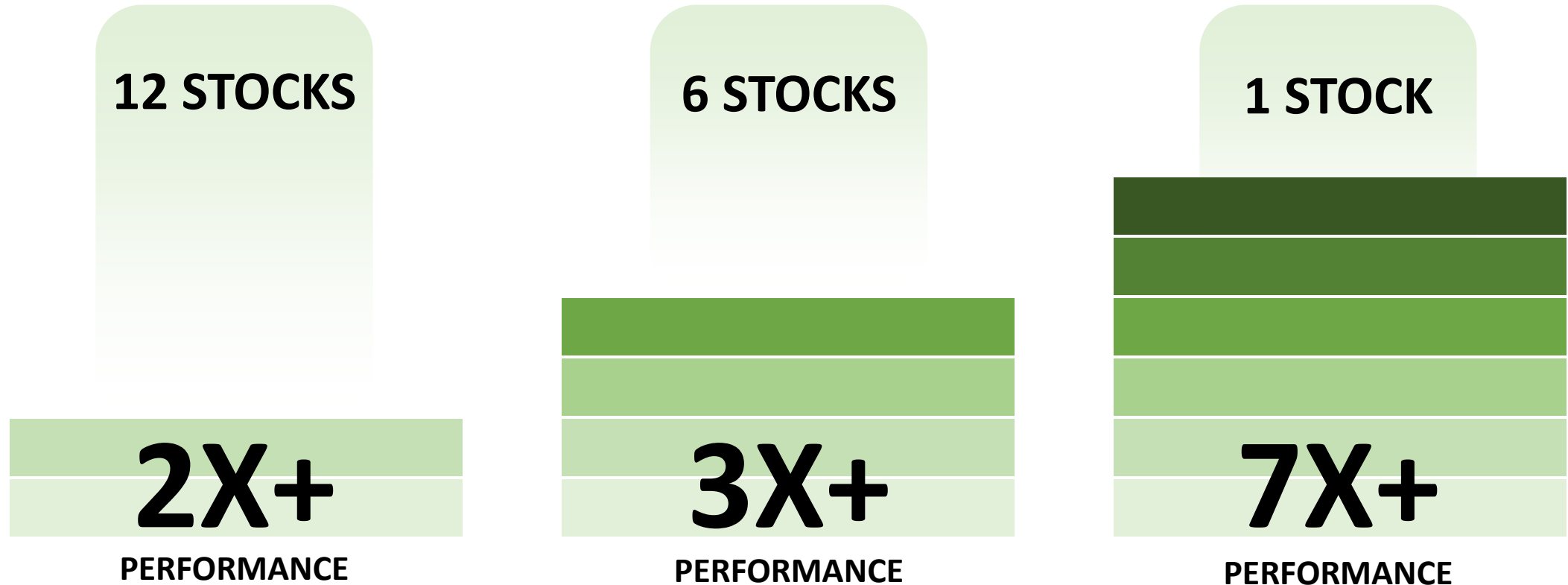
TDPS	2015	2016	2017	2018	2019	2020	2021	2022
Total Sales	597*	507*	380	435	459	515	594	797
EBITDA	16	9	11	10	30	38	71	97
EBITDA, %	2.7%	1.8%	2.9%	2.3%	6.5%	7.4%	12.0%	12%

*\*Includes sales from EPC Division, which was discontinued in 2016*



VRDDHI

# STOCK WISE PERFORMANCE SINCE PMS INCEPTION



# TIMING THE MARKET? – DATA SAYS IT ALL!!!

Decade	Price Return	Excl. worst 10 days per decade	Excl. best 10 days per decade
1930	-42%	39%	-79%
1940	35%	136%	-14%
1950	257%	425%	167%
1960	54%	107%	14%
1970	17%	59%	-20%
1980	227%	572%	108%
1990	316%	526%	186%
2000	-24%	57%	-62%
2010	190%	351%	95%
2020	18%	125%	-33%
Since 1930	17,715%	37,93,787%	28%

Source: Bank of America, S&P 500 returns.

**TIMING THE  
MARKET IS  
FUTILE.**

**STAYING  
INVESTED IS  
CRUCIAL.**

# INDIA STORY GETTING STRONGER

**Best outlook for India Manufacturing since Independence & how that will trickle down to smaller companies**

**1**

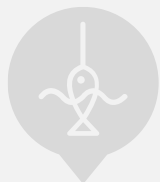
**China+1, tax incentives for new manufacturing unit, PLI schemes for manufacturing, Make in India is real as visible in defense, railways, white goods, electronics sectors**

**2**

**Domestic driven economy, growing incomes, not much dependence on exports, utilization of manufacturing sector as released by RBI is inching up**

**3**

**Unlevered BS of corporate India, NPA cycle is behind, PSU banks are ready to lend, capex cycle is on the cusp of revival with early sign taking place**



## WHERE WE FISH

- Lay of the land
- Fertile fishing ground
- What succeeds in small-caps
- Risks in small caps



## HOW WE FISH

- Investment philosophy
- PE style due diligence
- Winners
- Risk  $\neq$  Volatility
- Case Study
- Team Pedigree



## TEAM & TERMS

- Portfolio Performance
- Team
- Terms of Investment



# PORTFOLIO PERFORMANCE

(as on 31 January 2024)

## Performance numbers since inception\*

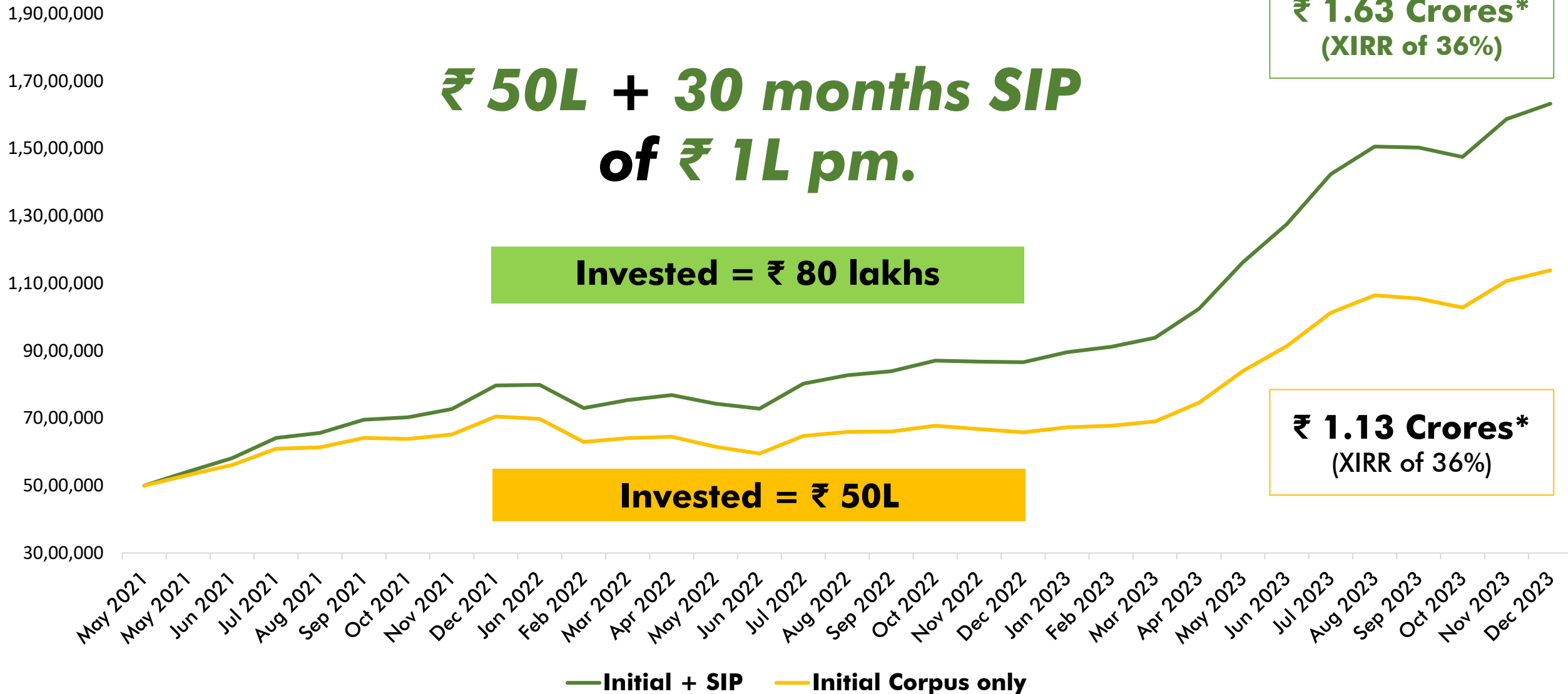
	1 month	3 months	6 months	1 year	2 years	Since inception (07 May 2021)
<b>VRDDHI</b>	<b>4.42%</b>	<b>15.64%</b>	<b>17.41%</b>	<b>76.66%</b>	<b>30.55%</b>	<b>37.21%</b>
S&P BSE 500 TRI	1.92%	17.88%	16.20%	33.42%	16.47%	19.55%

- \* The benchmark is S&P BSE 500 TRI
- \* Returns are post fees and expenses
- \* Returns less than 1 year are absolute
- \* Cash levels in portfolio as on 31 January 2024 are 9.80%
- \* Performance related information is not verified by SEBI



VRDDHI

# VRDDHI | LUMPSUM vs. LUMPSUM + SIP



\* All Portfolio & Performance Details as on 29<sup>th</sup> December 2023 | Data Updated every quarter

# The ithought Investment Team

## SHYAM SEKHAR

CIO & Fund Manager

i**thought**pms



**TRUEBLU**



**SPHERE** **NIO**

### FUND MANAGEMENT

#### **BALAJI G R**

Head of Research  
Co-Fund Manager (TRUBLU)

#### **ROHIT BALAKRISHNAN**

Co-Fund Manager (VRDDHI)

#### **RAJAT SETIYA**

Co-Fund Manager (VRDDHI)

#### **NIRANJAN SRIDHAR**

Head of Investment Strategy  
(SPHERE)

### RESEARCH

#### **SENTHIL, CFA**

Sr. Research Analyst

#### **SANJAY, PGPM**

Sr. Research Analyst

#### **ATHREYA, CA**

Research Analyst

#### **YASH TANNA**

Research Analyst

#### **TANISH MEHTA**

Research Analyst

#### **AISWRYA DAVE**

Research Analyst

#### **VAISHNAVI G**

Data Analyst

### STRATEGY

#### **SAMYUKTHA V, CFA**

Investment Strategist

#### **HARITHA, CA, CS**

Investment Strategist

#### **HARSHIL N**

Investment Strategist

#### **ROSHAN R**

Investment Strategist

#### **SUBASH MITRA KUMAR**

Investment Strategist

### INVESTMENT MANAGEMENT

#### **GAURAV, CA**

Investment Manager - PMS

### PRODUCT MANAGEMENT

#### **GANESH, CMA**

Product Manager - PMS

# TEAM



## SHYAM SEKHAR

Mr. Shyam Sekhar has 3 decades of investing experience in franchise based high growth businesses. He follows a theme-based approach to investing. His past successes have been identifying emerging themes to the changing economic context, investing early and realising the full potential of the investment theme. His strengths include exposure to multiple industries as a research analyst, creating large sized portfolios and investing across market cycles.



## ROHIT BALAKRISHNAN

Rohit has ~ 12 years of experience and ~ 10 years of experience in public markets. He has previously worked with companies such as McKinsey & Co, Elevation Capital (previously SAIF Partners) a sector and stage agnostic fund, RARE Enterprises – Mr. Rakesh Jhunjunwala's family office. Prior to joining ithought, Mr. Balakrishnan was the founder of SEBI Registered Investment Advisory – VRDDHI Capital Investment Advisors (SEBI Registration # INA10008832). Mr. Balakrishnan has done his B.B.S from Delhi University.



## RAJAT SETIYA

Rajat has ~13 years of experience and over 10 years of experience in public markets. He has previously worked with companies such as Elevation Capital (previously SAIF Partners) a sector and stage agnostic fund, RARE Enterprises – Mr. Rakesh Jhunjunwala's family office, Moody's Analytics. Prior to joining ithought, Mr. Setiya was the founder of SEBI Registered Investment Advisory – VRDDHI Capital Investment Advisors (SEBI Registration # INA10008832). Mr. Setiya has done his B. Com (Hons) from Delhi University and has completed his CFA (Level 2).



# TERMS OF INVESTMENT

Minimum investment	₹ 50,00,000
Suitability	For investors with moderate/high risk appetite and expectations over a period of 3 to 5 years.
Fees	1.5% Fixed Management Fee + Performance Fee of 15% profit share above a hurdle of 8%, no catch up. (GST is not included in the above fees, all other expenses i.e., custodian charges, brokerage, STT etc. are at actuals)
Exit Terms	Exit Load as prescribed by SEBI. First year exit load at 3%; second year 2%, third year – 1%. Performance Fee and other Charges will be calculated on a Pro-rata basis and charged.
Market Cap Focus	Mid & Small Cap
Benchmark	S&P BSE 500 TRI

# MEDIA & RECOGNITION

Mint

## Use disruption to improve your portfolio, says Shyam Sekhar

Sekhar started his career in a manufacturing business in 1990, but encouraged by the potential of his own equity investments, he started his ...

15-Apr-2020



The Economic Times

## ETMarkets Investors' Guide: Shyam Sekhar's guru mantra for Robinhood investors

Is it time to seek safety? We caught up with Shyam Sekhar, a Market Veteran, Value Investors and Founder and Chief Ideator of the Chennai- ...

18-Jul-2020



The Economic Times

## Shyam Sekhar's twin bets for making money this year

Shyam Sekhar, Chief Ideator & Founder, iThought, calls agriculture and consumption twin bets as these are very closely interconnected.

02-May-2018



Mint

## Proactive approach helped beat volatility

Shyam Sekhar, chief ideator and founder, iThought. Photo: John Ravi/Mint 2 min read . Updated: 31 Dec 2018, 08:41 AM IST Deepti Bhaskaran. Keeping an ...

31-Dec-2018



The Economic Times

## Shyam Sekhar's three favourite themes for mutual fund investors

India will increasingly be a structural turnaround story . Over next six months, bring the portfolio to a state of passivity: Shyam Sekhar, iThought ...

14-Nov-2018




# MEDIA & RECOGNITION

EAST AND SOUTH ASIA - December 2020

#1

EAST AND SOUTH ASIA



**Rajat Setiya**  
Vrddhi Capital Investment Advisors  
New Delhi  
Recently Ranked This Month

+ Follow

TOP IDEAS:

AACL:IN ▲ 361.93%	NTCPH:IN ▲ 53.25%	VAMP:IN ▲ 11.76%
----------------------	----------------------	---------------------

View all of Rajat's Ideas

MOST RECENT IDEA: NTCPH:IN  
▲ 53.25%


BADGES:  
11 14

Share this ranking

Rajat has **been consistently ranked # 1 analyst** across 2000+ analysts globally on SumZero - a global Investment research platform for high quality investment ideas.

Rohit's pitch on Dharamsi Morarji Chemicals was **covered** in [Bloomberg Quint](#)

Bloomberg | Quint Markets Business BQ Blue Exclusive Videos Research Reports >



## Alpha Ideas 20-20 | Why Rohit Balakrishnan Likes Dharamsi Morarji Chemical Company

Yash Upadhyaya  
@iYashUpadhyaya

Bookmark

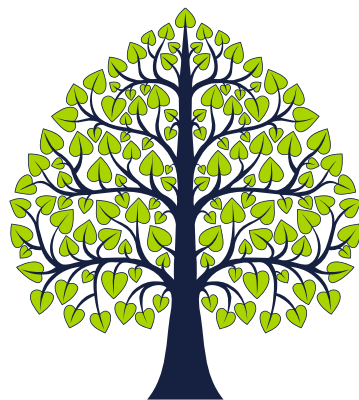
Published on August 02 2019, 10:42 AM  
Last Updated on August 02 2019, 10:42 AM

f t in

# Disclaimer

All data/information used in the preparation of this material is dated and may or may not be relevant any time after the issuance of this material. The recipient of this material is solely responsible for any action taken based on this material. ithought Financial Consulting LLP (the Portfolio Manager) takes no responsibility of updating any data/information in this material from time to time. The statements made in this presentation are forward looking and based on our current views and assumptions and involve known and unknown uncertainties that may cause actual results or events to be materially different from those expressed herewith. The information contained herein should not be construed as forecast or promise. Past performance of the Portfolio Manager may not be indicative of the performance in the future. Investments in securities are subject to market and other risks.

To know more about us, visit our website – [www.ithought.co.in](http://www.ithought.co.in)




VRDDHI

### Get in touch!

 [pms@ithought.co.in](mailto:pms@ithought.co.in)

 [www.ithought.co.in](http://www.ithought.co.in)

 +91 95000 27285

### Follow Us!

