

# Investor Presentation



**ALFAccurate Advisors**  
Protect Capital, Create Wealth



AAA Budding Beasts PMS Strategy

Jan 2024

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# Why AAA?



## Founders are Fund Managers

- Rajesh Kothari, Founder of the firm is CIO of AAA PMS.
- Prior to AAA, Rajesh was Fund Manager with DSP MF & Partner with Voyager Investment Advisors (FII).
- Received CNBC TV18 - CRISIL Mutual Fund of the Year Award & Platinum Fund Manager Award for DSP EQUITY FUND.
- No risk of change in guards for the client which ensures 100% commitment and alignment of interest with investors.



## Client Centric Business Model

- AAA is only into PMS & Investment advisory and not into other businesses like broking, wealth management, etc. Hence, no conflict of interest for the clients.
- AAA clients enjoys the benefits of directly communicating with the founder, thereby ensuring enhanced understanding.
- AAA clients includes family offices, UHNIs and AAAPMS product is presently distributed by well known national distributors.



## Superior Track Record

- AAA PMS is one of the few players in the industry which has completed 13 years.
- During the last 13+ years, AAA IOP PMS delivered 18.8% CAGR vs 13.0% CAGR reported by BSE 500 Index.
- AAA IOP PMS received Best 10 year Performance Award (rank 2) in the country for delivering superior risk adjusted returns across categories by PMSAIF World (Feb23)(data analysed by IIM Ahmedabad).

# The Team



**Rajesh Kothari**

Founder & Managing Director

29  
years



**Govind Agrawal**

Director

29  
years



**Sandeep Biyani**

Head of Sales & Business  
Development

19  
years



**Bhushan Kohli**

Head of Operations

29  
years





# The Team

## About

- ▶ Rich experience of more than 29 years in Indian capital market with expertise in both Long Only & Long Short investment strategy
- ▶ Former Director with Voyager Investment Advisors (US\$500m) – USA based India dedicated fund. During his tenure, fund Outperformed the benchmark indices significantly
- ▶ Former Fund Manager with DSP Merrill Lynch Fund Managers (DSP MF) for more than four years. The schemes delivered annualized return of 55% (Equity Fund) & 62% (Top100 Fund) outperforming benchmark indices by more than 20% & 10% respectively. The equity schemes maintained its “1st Quartile Ranking” consistently during his tenure

## Achievements

- ▶ Received CMA Young Achiever Award 2014
- ▶ Rated as “Platinum Fund Manager” by Economic Times for DSP ML Equity Fund on a risk-adjusted return basis (Jul 2006)
- ▶ Received CNBC TV18 - CRISIL Mutual Fund of the Year Award 2006 for DSPML Equity Fund and Lipper India Fund Awards 2006 for best equity fund group for 3 years
- ▶ Invited at Maharashtra Economic Summit to present views on Indian Infrastructure
- ▶ Invited by Institute of Directors to present views on Governance Deficit
- ▶ Actively involved with Arham Yuva Group - philanthropic initiative

## Rajesh Kothari

Founder &  
Managing Director

CWA, MBA

# The Team



## Govind Agrawal

Director

CA, LLB

### About

- ▶ Rich experience of 29 years in Indian capital market
- ▶ Former Fund Manager with Reliance Capital Asset Management Company (USD 20bn) for over four years. Reliance Emergent India Fund (USD 100m offshore fund) outperformed benchmark indices by 35% since its inception. Played instrumental role in setting up Macro Economic Research desk
- ▶ Former Executive Director with UBS Securities India Pvt Ltd for 4 years as India Account Manager for large FIIs and guided the portfolio managers for right country, sectors and stocks allocation. Former Senior VP - Equity Sales with Motilal Oswal Securities Ltd for 10 years. Played key role in establishing institutional equity broking business, systems and processes

### Achievements

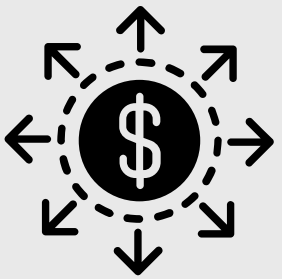
- ▶ Represented Reliance AMC on international platforms and panel discussion on Emerging Markets and Indian Equity Market
- ▶ Addressed investors' meet and the private banking teams of large banks in Middle East, Asia, London, Europe and in India
- ▶ At UBS, was voted as the "Best Equity Sales Person-Mega Funds category, Asia Money 2006"
- ▶ Won several awards at Motilal Oswal for consistently contributing to Institutional Equity Sales

# Investment Philosophy

## Protecting Capital - DSD Mechanism

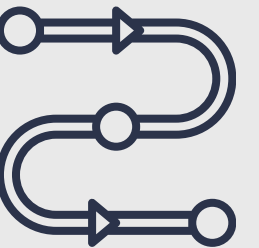
### DIVERSIFICATION

Three important risks : Governance, Technology and Business cycle - can be reduced only by Diversification. We invest across market cap, sectors, and companies to reduce company/sector specific risk.



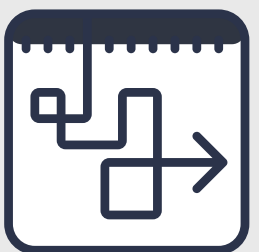
### STAGGERED APPROACH

We build the portfolio over a period of time. We do not follow Model portfolio approach.



### DISCIPLINED EXIT STRATEGY

We have a disciplined Exit strategy. We sell/reduce due to rebalancing of the portfolio, change in growth assumption of our portfolio company, expensive valuations.



# Investment Philosophy

## Creating Wealth - 3M Approach

01

### Market Size

Market size determines size of opportunity. We prefer companies which are targeting large market size to generate exponential returns.

### Market Share

We buy the companies which are leaders in their sector as they are best positioned to navigate upturn and downturn of the economy.

02

03

### Margin Of Safety

Price is what you pay. Value is what you get. We buy the companies which are available at reasonable valuations.

# Quality

## Profit Propellers

800  
PAT > 50 cr



## Screening Stage

Companies which have a good corporate governance, strong business moats along with a reasonable profit size

## Risk Mitigators

300  
OCF/EBITDA, D/E, other filters



## Deep Dive Stage

Companies which are market leaders and effectively positioned to grow and multiply

## Alpha Producers

40-60



## Selection Stage

Companies with strong earnings growth prospects and right valuations



# Internal Checks

## Forensic Assessment

### Management Practices

To assess governance

### Quality of Cashflow

Ability to convert the revenue to cash and re-invest into the business



### Accounting Policies

Assess the consistency and fairness of the accounting policies

### Taxation Mischiefs

Identify the potential fraud

**13**

Such Forensic Parameters

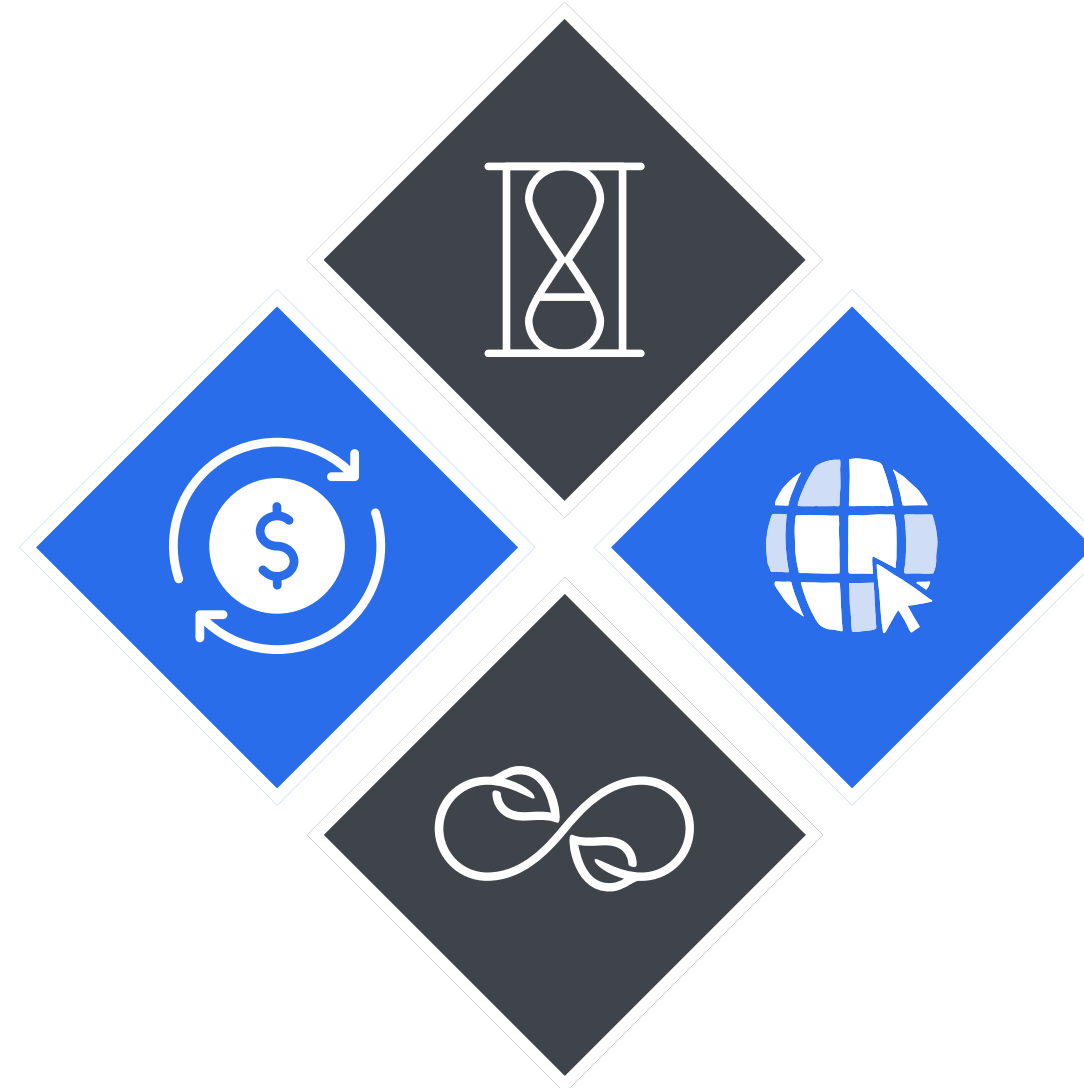
# Internal Checks

## Longevity Assessment

### 8 Longevity Parameters

#### Longevity of business growth

Sustenance of revenue and earnings growth  
& Assessing competitive advantage



**Longevity of cashflow**  
Identify financial strength

**Longevity of return ratios**  
Gauging business profitability and efficiency

#### Longevity of reinvestment

Intensity to generate Self sustaining growth

# Exit Strategy

We exit when....

1

There is a need to rebalancing weights for risk management purposes

2

A company no longer meets our buy/hold criteria

3

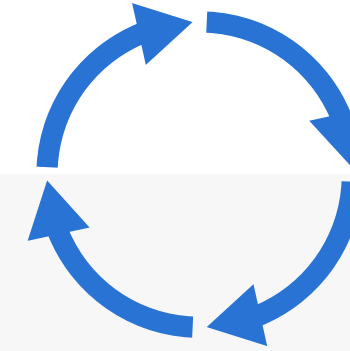
A company no longer meets our valuations criteria

4

There is no longer a durable double digit return expectation for a company's stock

5

There is a more compelling investment opportunity to fund



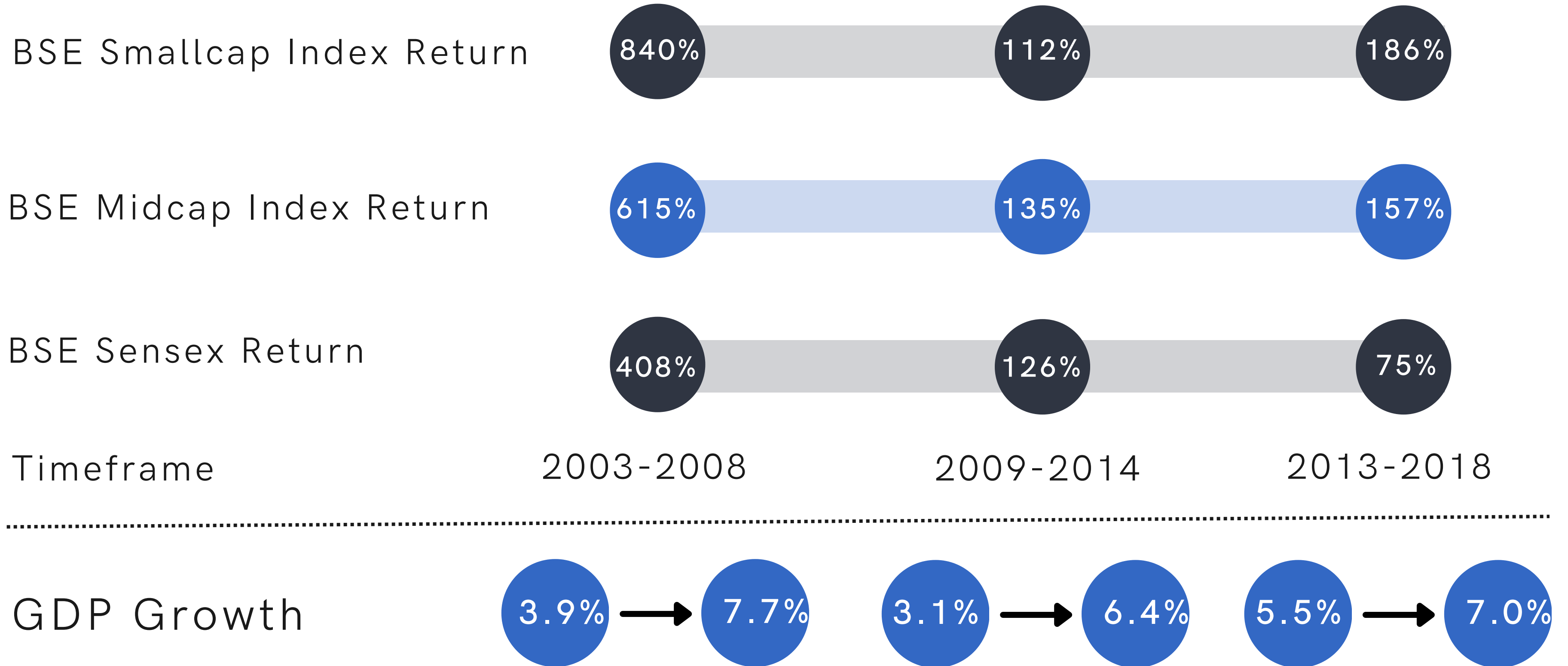
**The only constant is change. The average lifespan of a company listed on the S & P 500 has reduced from 90 years in 1935 to 18 years, as per a McKinsey report. We are agile, and active, never letting our guard down.**

# Why Mid and Smallcap

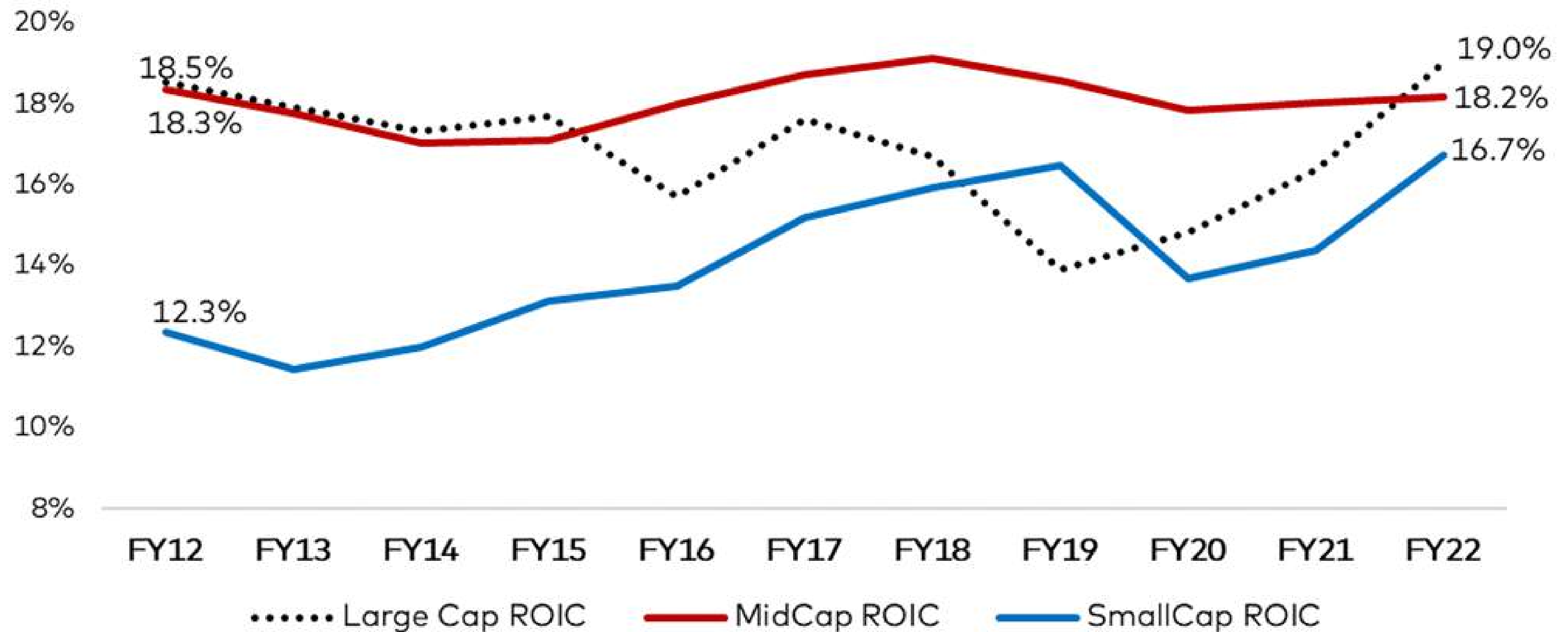




# Economic Recovery = Stronger Results



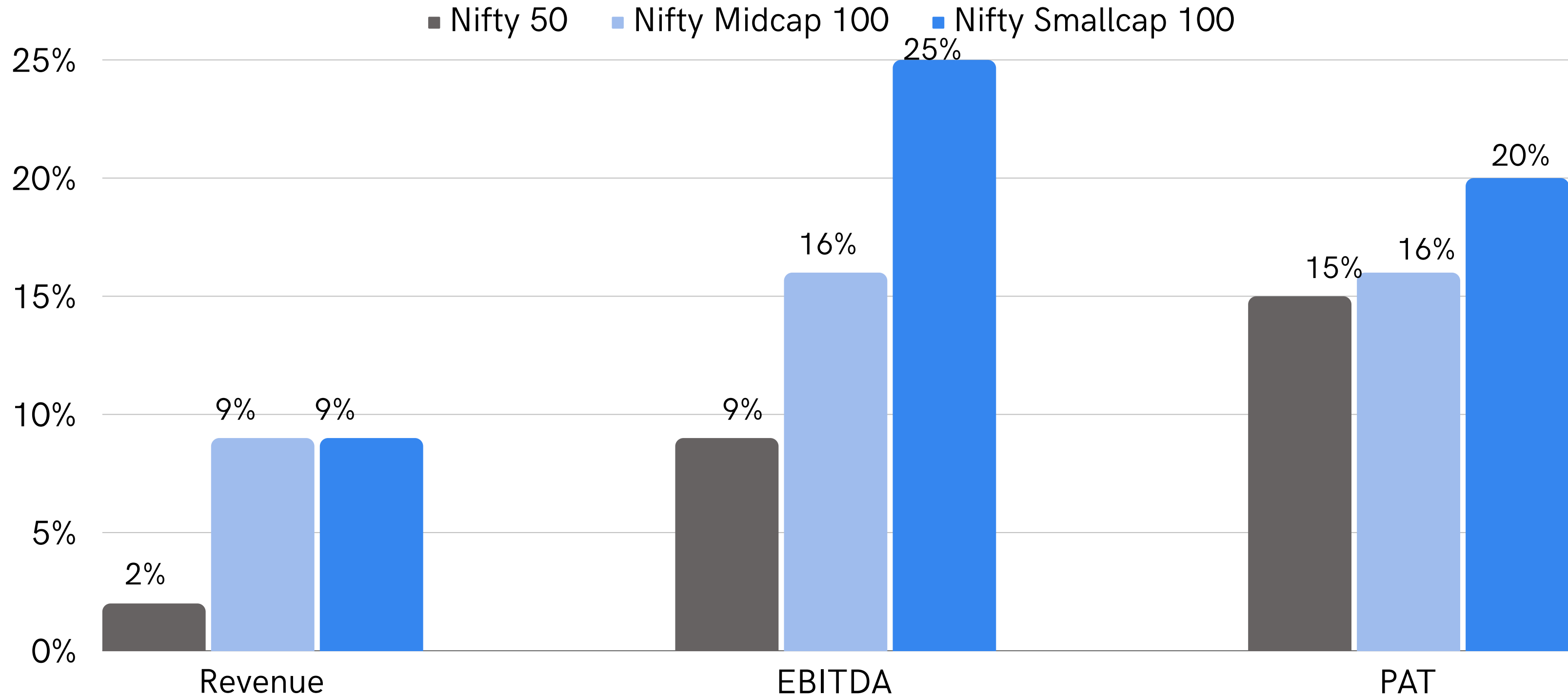
# Mid & Smallcap - Resilient Fundamentals



Midcap ROIC is much more resilient compared to large cap.  
Smallcap ROIC has also improved significantly during last 10 years.

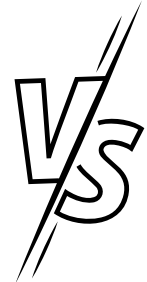
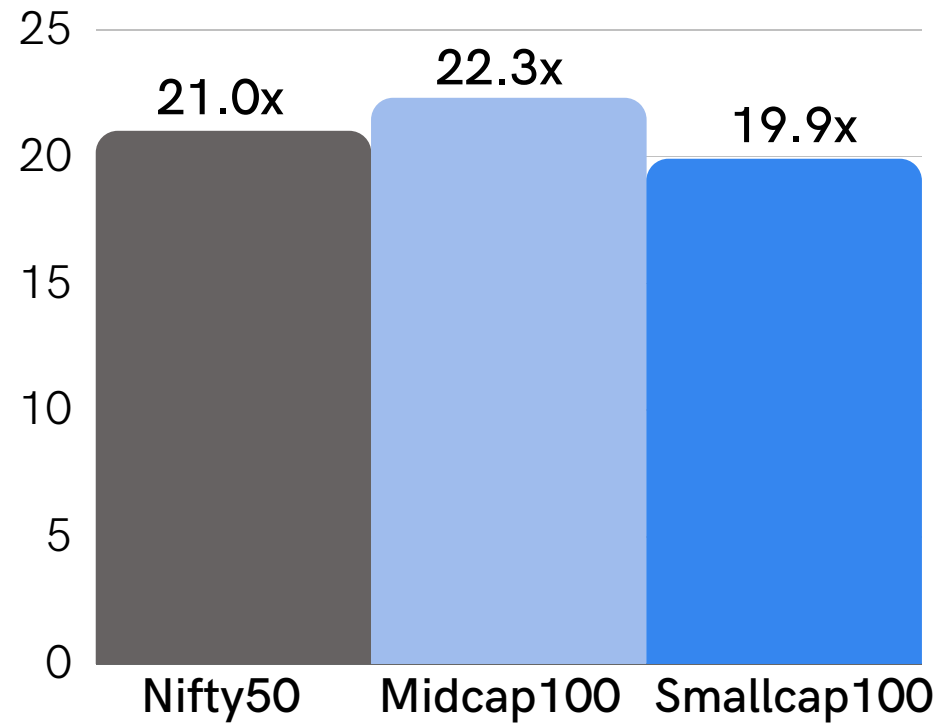
# Mid & Smallcap - Resilient Fundamentals

FY23-25E CAGR(%)

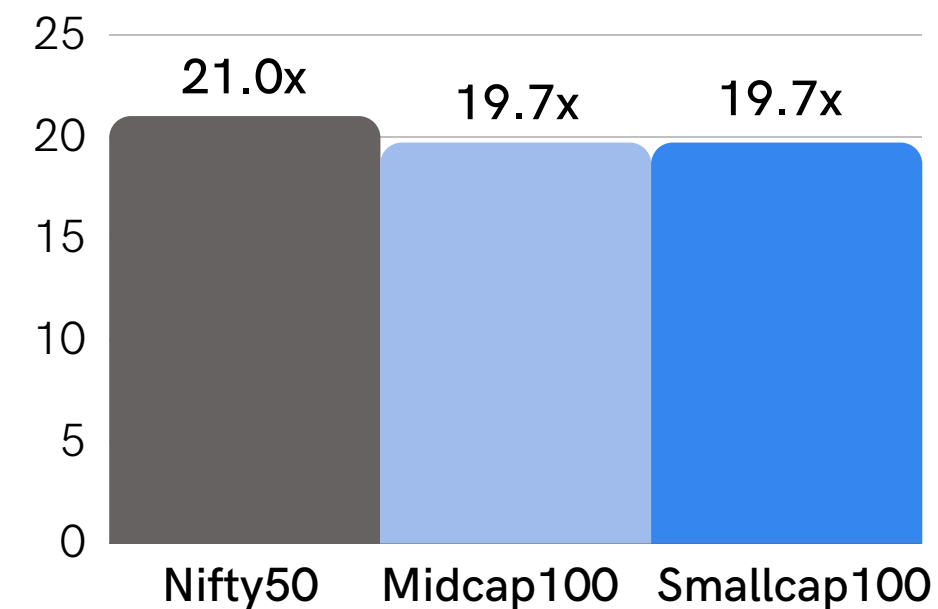


# Valuations - Correcting the Illusion

Perceived PE Valuation (FY24E)

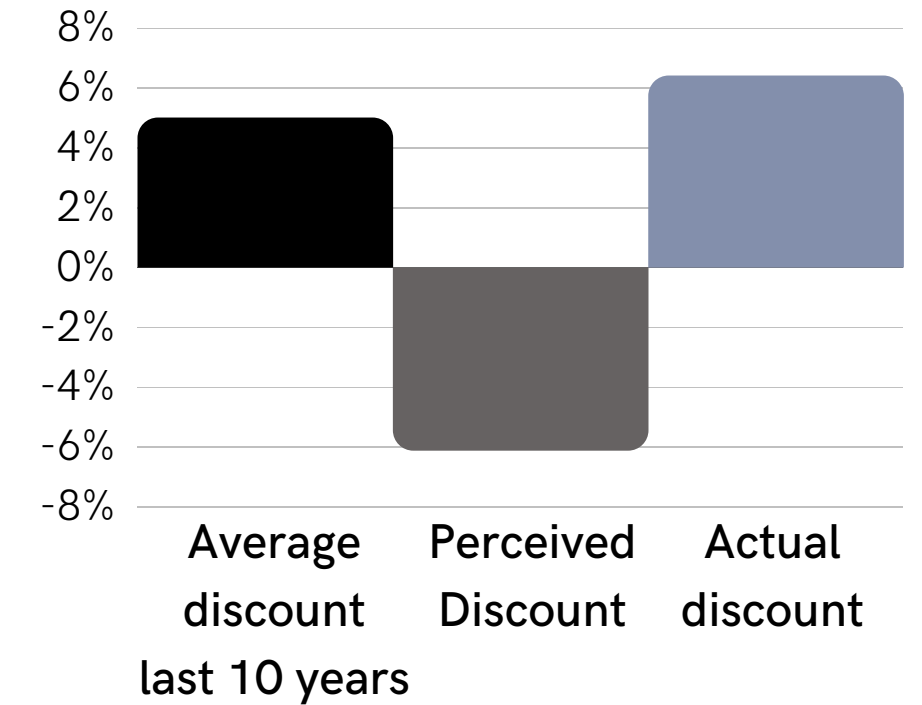


Actual PE Valuation (FY24E)  
(Excluding loss making companies)

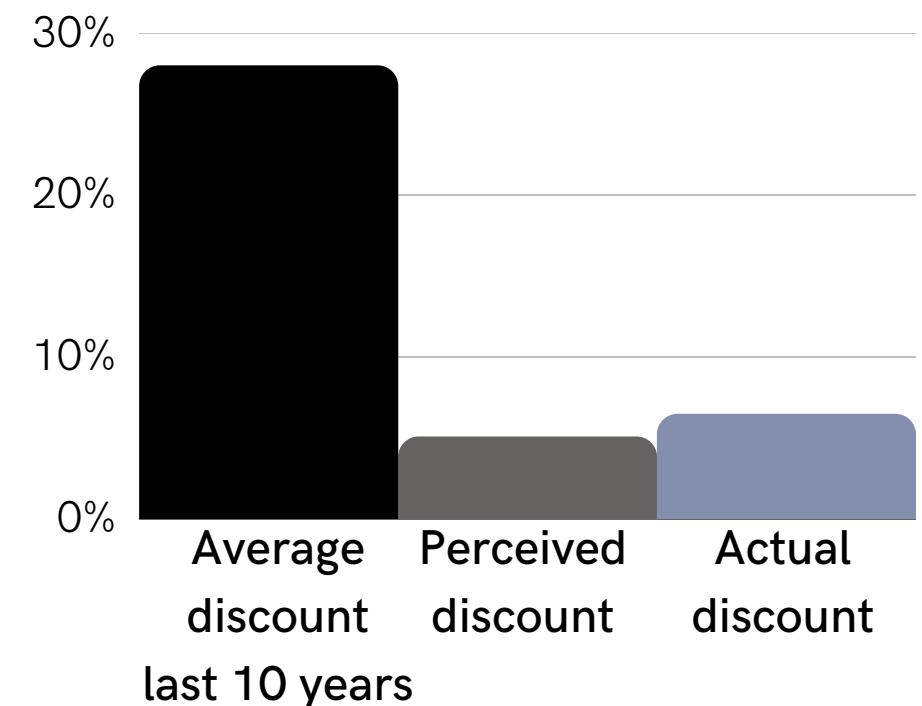


Mid and Small cap are trading at significant discount to Nifty indices.

Mid cap PE discount to Nifty



Small cap PE discount to Nifty



**Note:** For the purpose of arriving actual valuation, we have removed loss making companies in the Indices.  
Source: AAA Research, Ace equity. Prices as on 14 Sept 2023.

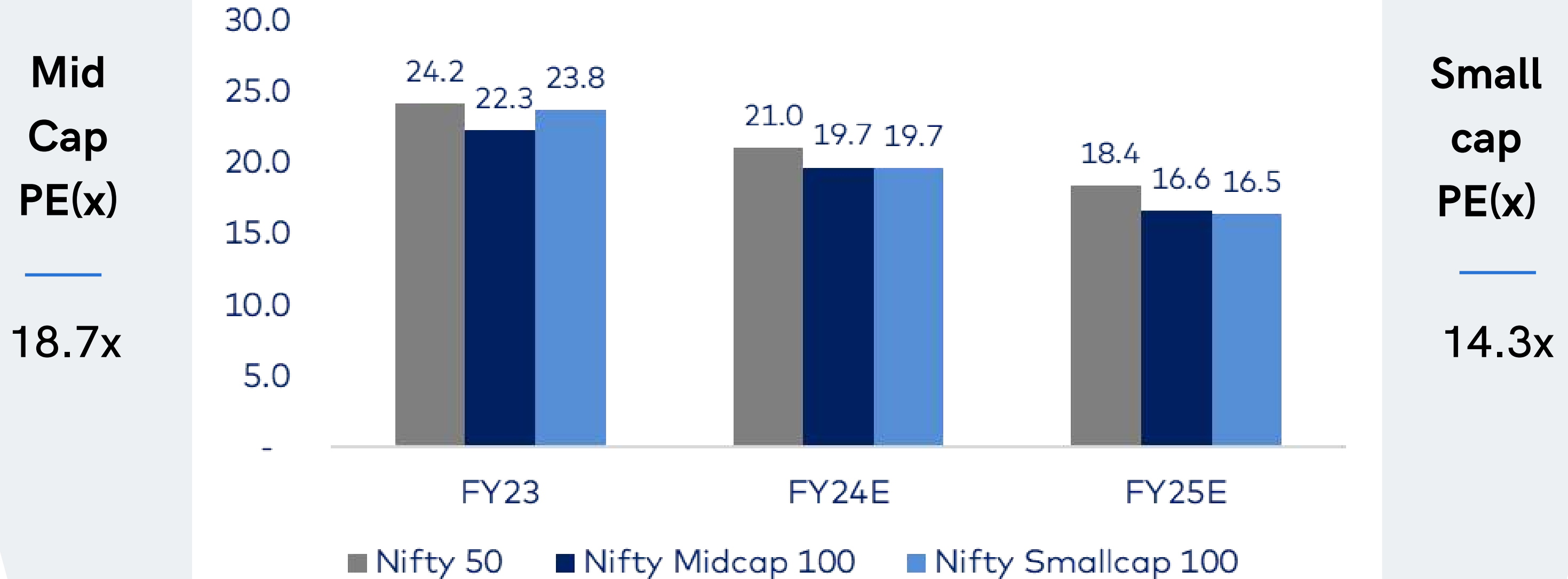


# Attractive Entry Point



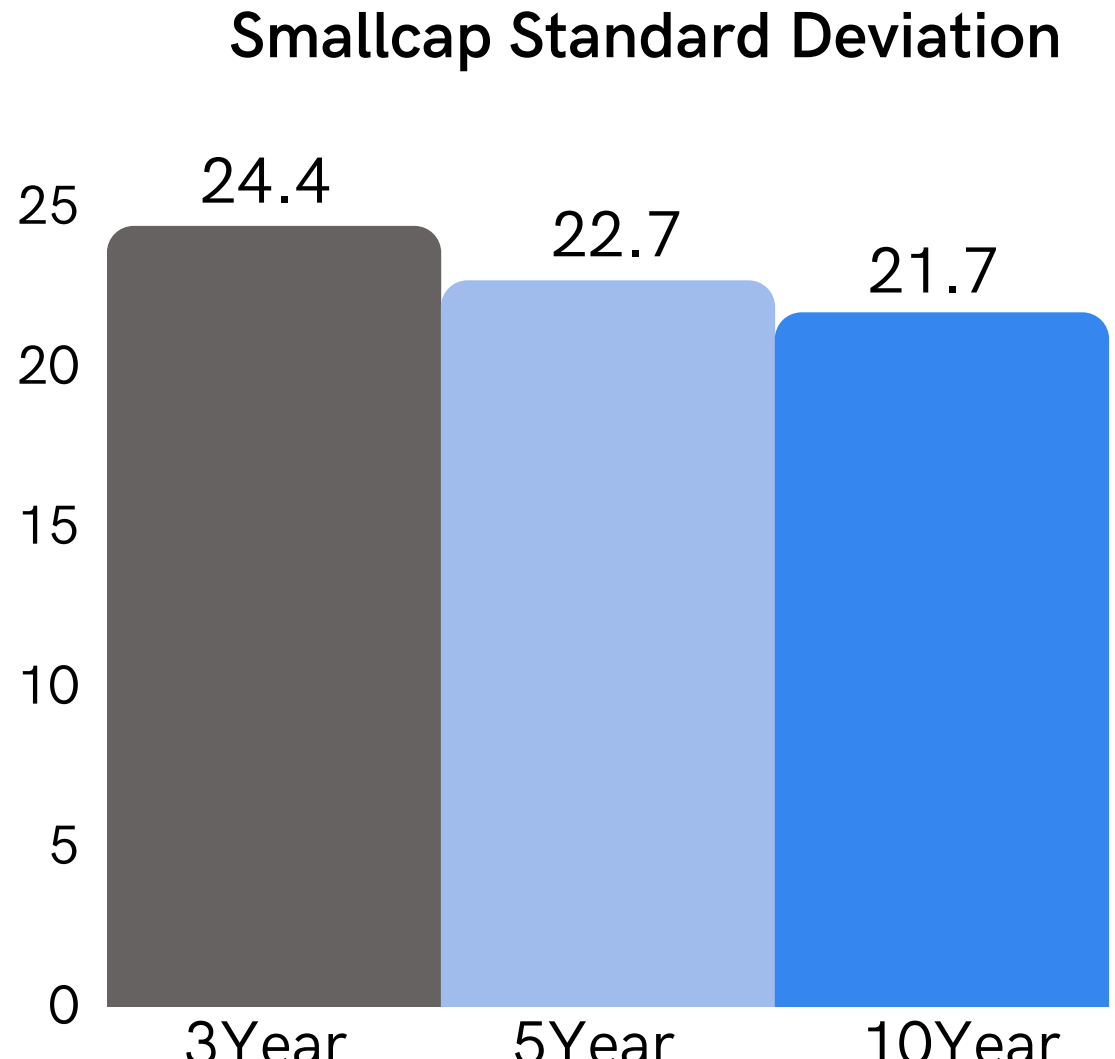
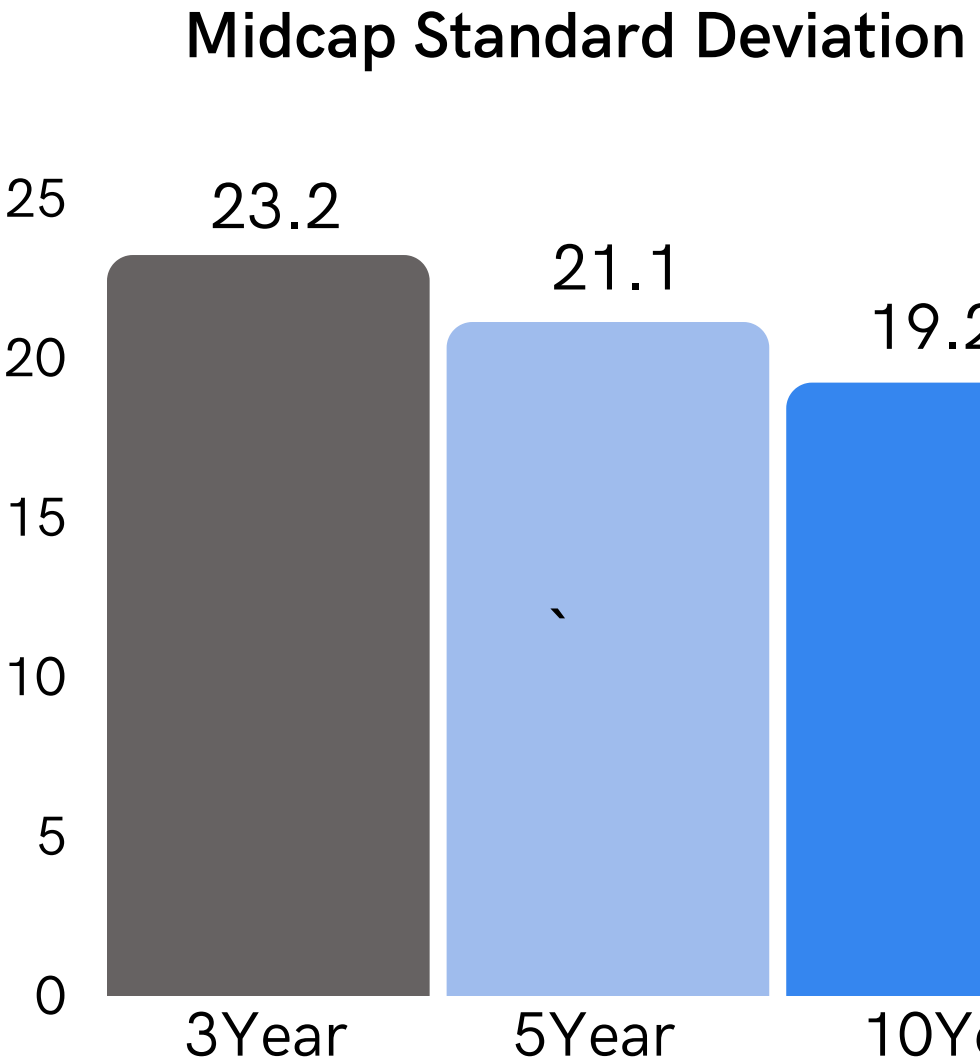
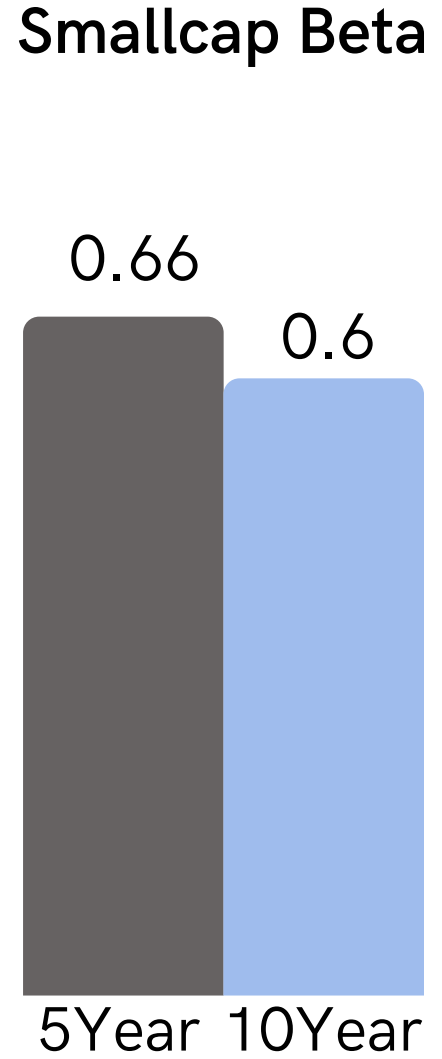
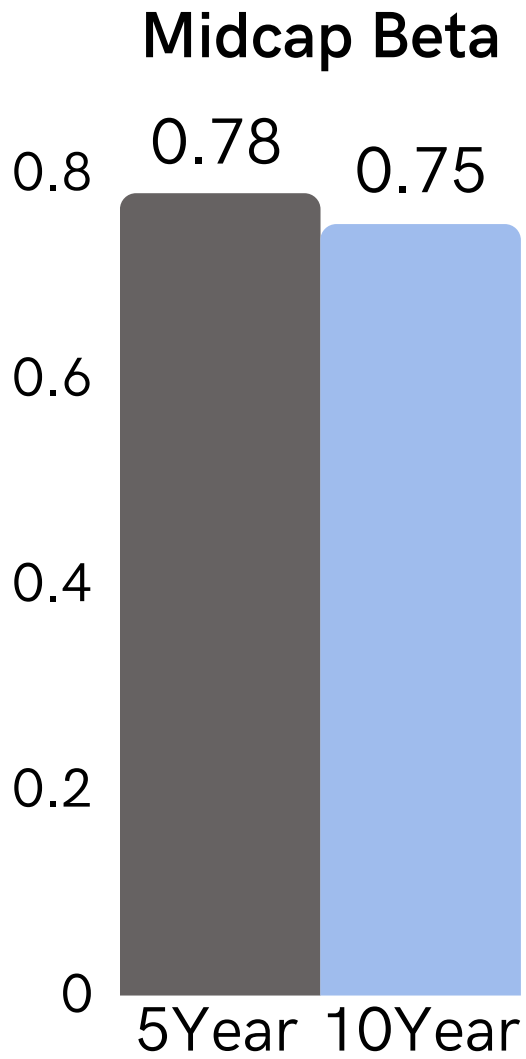
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## Index Valuations



10-year Average Valuations

# Risk is less than perceived



Lower sensitivity (Beta) with Nifty suggests diversification benefits

Volatility (Standard deviation) decreases with higher time frame

Source: Bloomberg, AAA Research

# Why AAA Budding Beasts PMS?



## Access to Market Leaders

Aims for mid & small-cap exposure to ~50 market Leaders across sectors.



## Growth Potential

Significant growth opportunities for Small and Mid cap companies can lead to superior returns.



## Grounded in Research

Combines top-down and bottom-up research with strong due diligence.

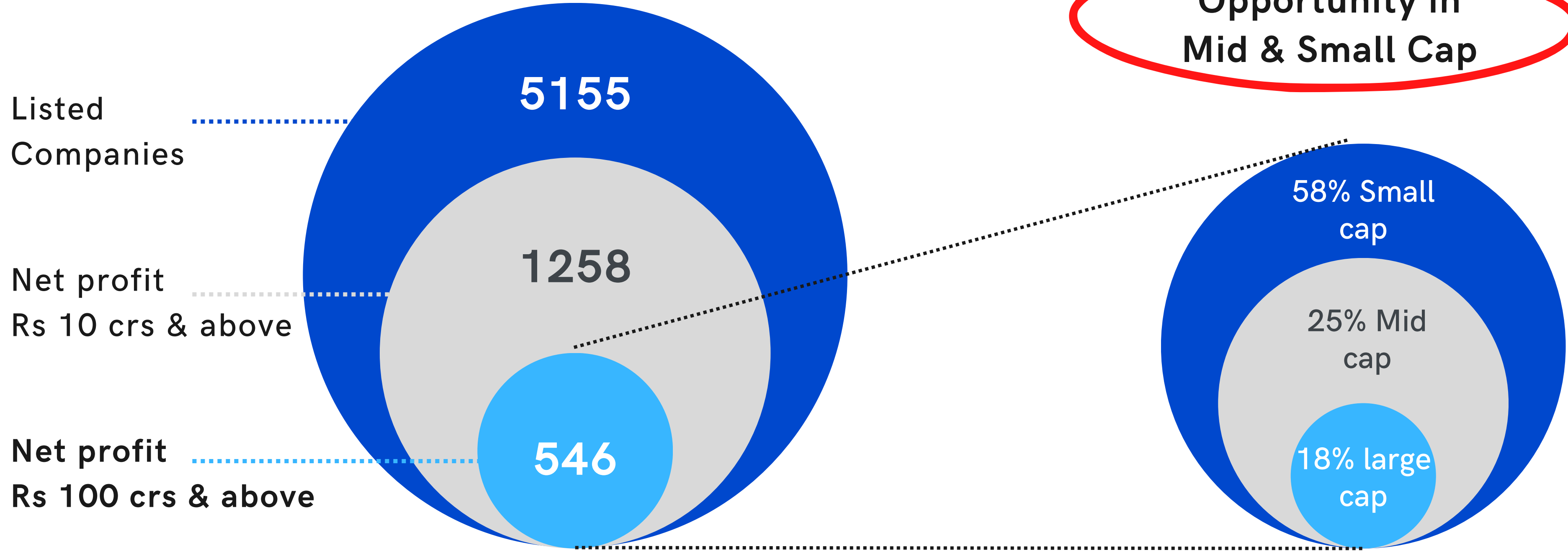


## Award Winning Track Record

We have a proven track record of investment in companies yielding multibagger returns.

# AAA Categorisation based on Profit size

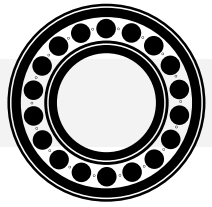
**Opportunity in  
Mid & Small Cap**





# Category Leaders But Mid/Small Cap

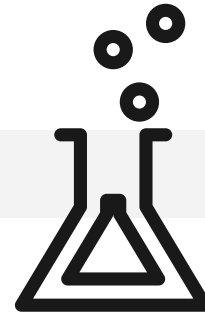
Bearings



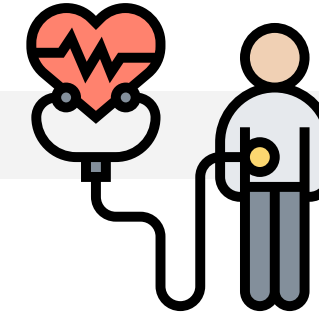
White Cement



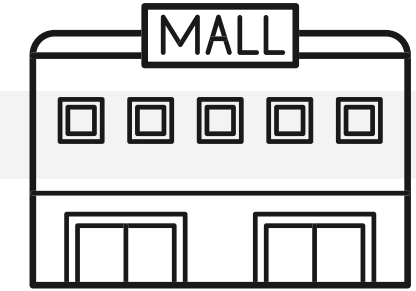
Speciality chemicals



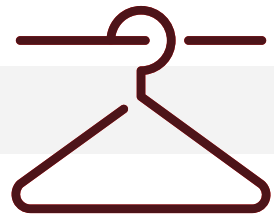
Diagnostics chain



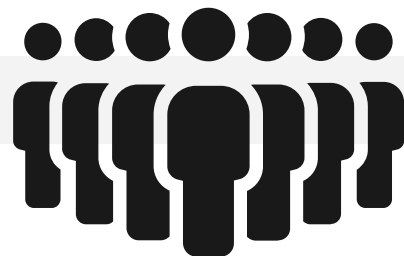
Real Estate - Shopping malls



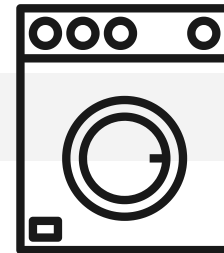
Lifestyle Business



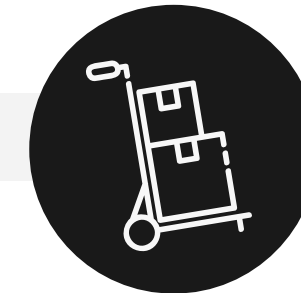
Staffing Services



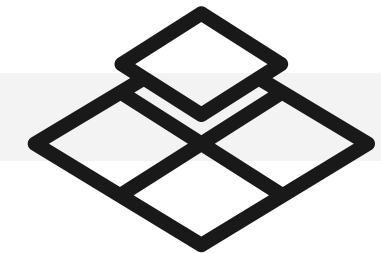
Consumer Durables



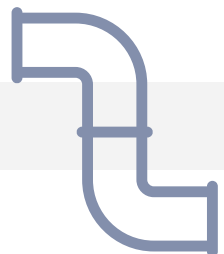
Luggage



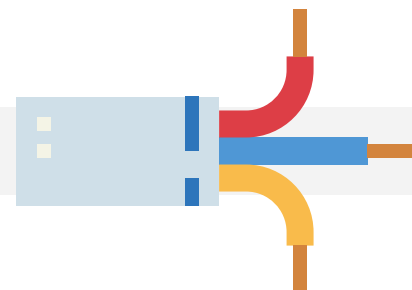
Tiles



Pipes



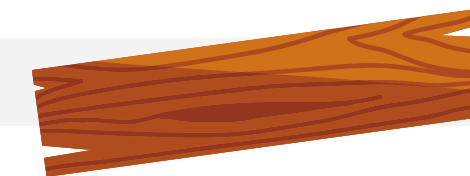
Electricals



Logistics



Plywood



Hotels

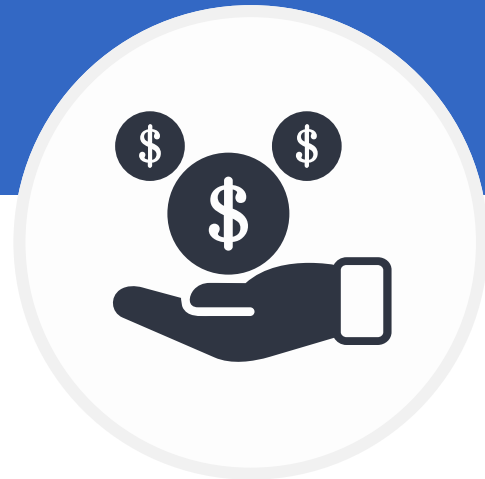


# AAA's Way to Build Resilient Portfolios

Market  
Leadership



Large  
Profit Size



Low  
Leverage



Strong  
Earnings  
Growth



Attractive  
Valuations



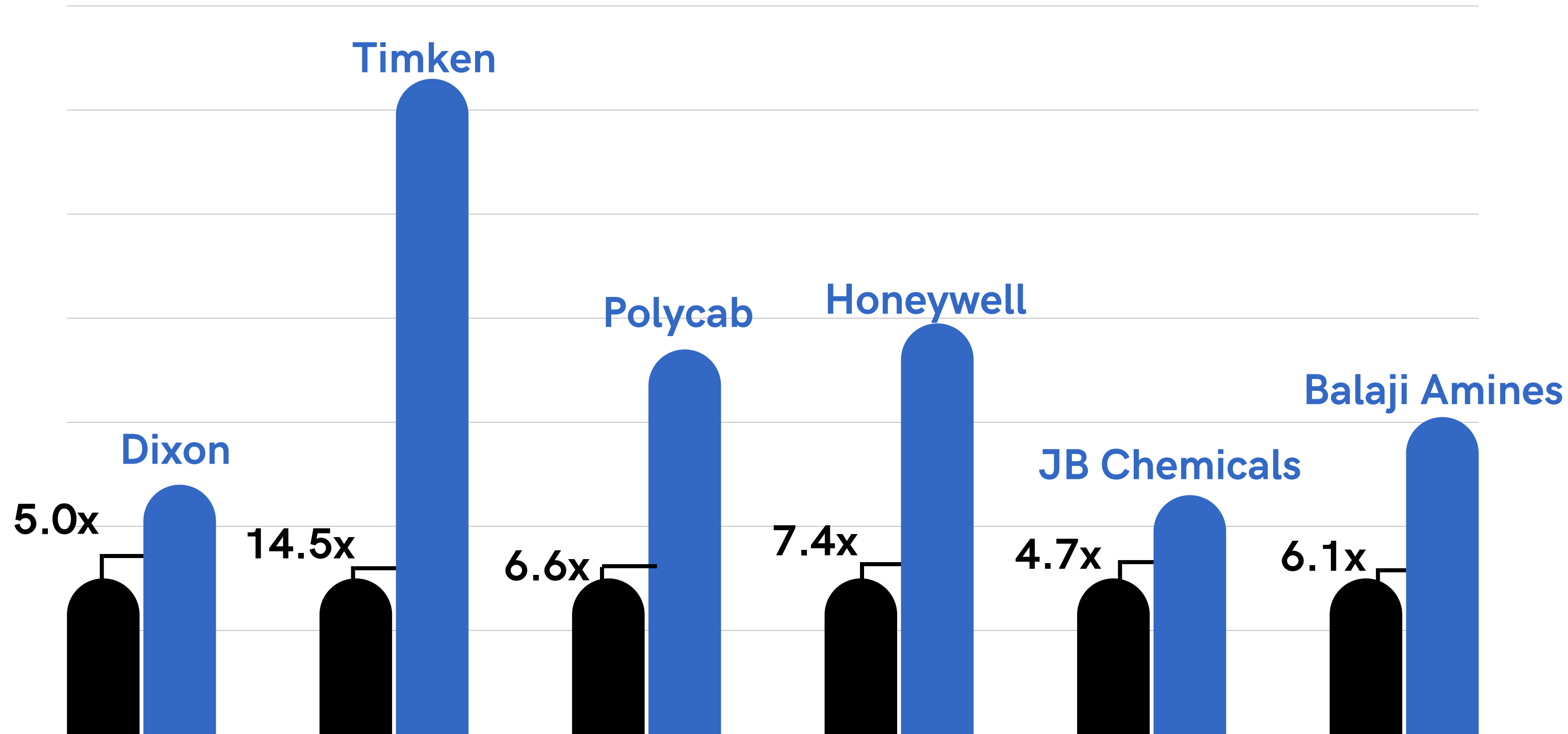
**AAA Budding  
Beasts Portfolio**

# AAA Expertise in Mid & Smallcap

Period	AAA IOP Mid & Smallcap stock holdings	BSE MidSmall Cap TRI Index	BSE 500 Index
2009-2020*	23.1%	10.4%	11.0%
Cumulative returns	1000.5%	201.4%	220.1%

**\*Note:** For uniformity and ease, we have measured our performance using Mid & Smallcap holdings of AAA IOP actual portfolio since 23 Nov 2009 to 31 Dec 2020 period. We have considered AMFI market cap classification as on 31 Dec 2022. Performance related information provided herein is not verified by SEBI. Index performance is calculated as per Total Return Indices as per SEBI Guidelines).

# AAA Success Stories



Note: The companies mentioned above are examples of companies in the AAA India Opportunity Plan (IOP) PMS Strategy

# JB Chemicals - A Case Study



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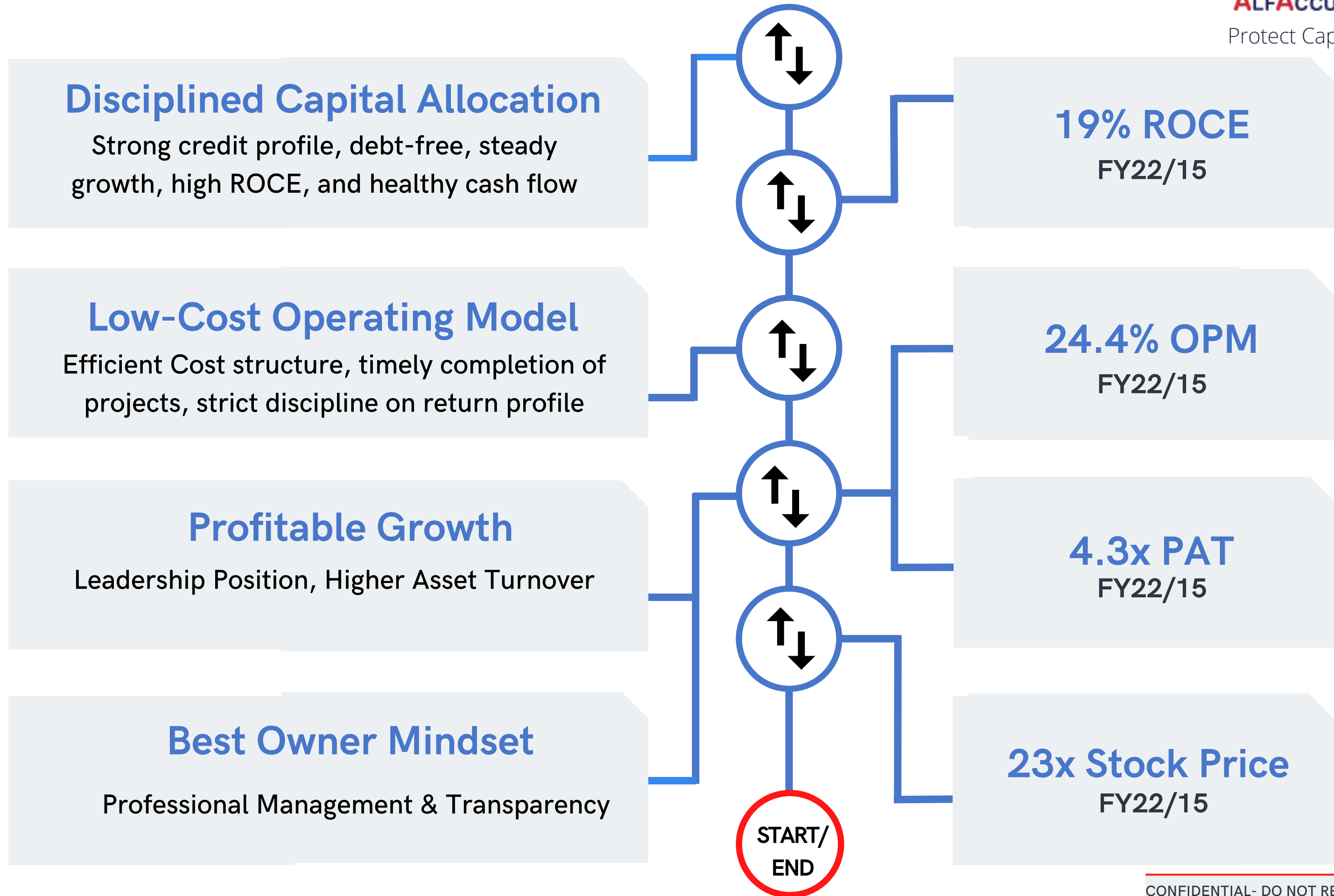


<p><b>Market size</b> The domestic pharma industry size: Rs134,700 crores</p>	<p><b>Growth Drivers:</b></p>	<ul style="list-style-type: none"> <li>Achieved OP &amp; net profit growth of 27% &amp; 47% in FY20.</li> <li>Co further improved its market share.</li> </ul>	<p>At Exit price, stock trades at PER of ~25x on FY23 basis</p>
<p><b>Market Share</b> Domestic market: Co. ranked 34th (Rs 778 crs rev). Exports: Rev 686 crs, 25% g (FY19). 13 approved ANDAs, while 6 ANDAs are pending with US FDA for approval.</p>	<ul style="list-style-type: none"> <li>MR productivity in domestic market</li> </ul>	<ul style="list-style-type: none"> <li>Founders decided to sell their stake to KKR</li> </ul>	<p>Valuation gap vs large players narrowed significantly</p>
<p><b>Margin of Safety</b> P/E of 10x, Debt free B/S, ROE 15%</p>	<ul style="list-style-type: none"> <li>New product launches</li> <li>Focused Segment Approach</li> </ul>	<ul style="list-style-type: none"> <li>New professional and experienced management appointed (ex-CIPLA)</li> <li>Growth: Revenue 15% OP 50% NP 66%</li> </ul>	<p>Entry market cap: Rs 2300 crs Exit market cap: Rs13000 crs</p>
			<p><b>5x Returns in 2 years</b></p>

# Navin Fluorine - A Case Study



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# AAA Budding Beasts Plan Features



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BSE 500

Benchmark Index

30

Minimum No. of Stocks

65%

-100%

Mid & Small Cap Exposure

0%

-35%

Large cap Exposure

10%

Max Weight in 1 stock

30%

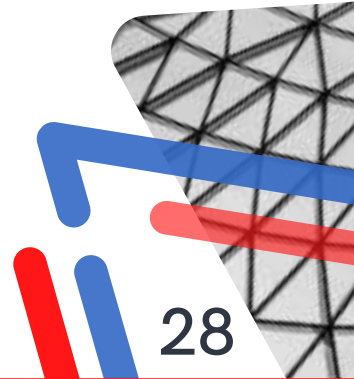
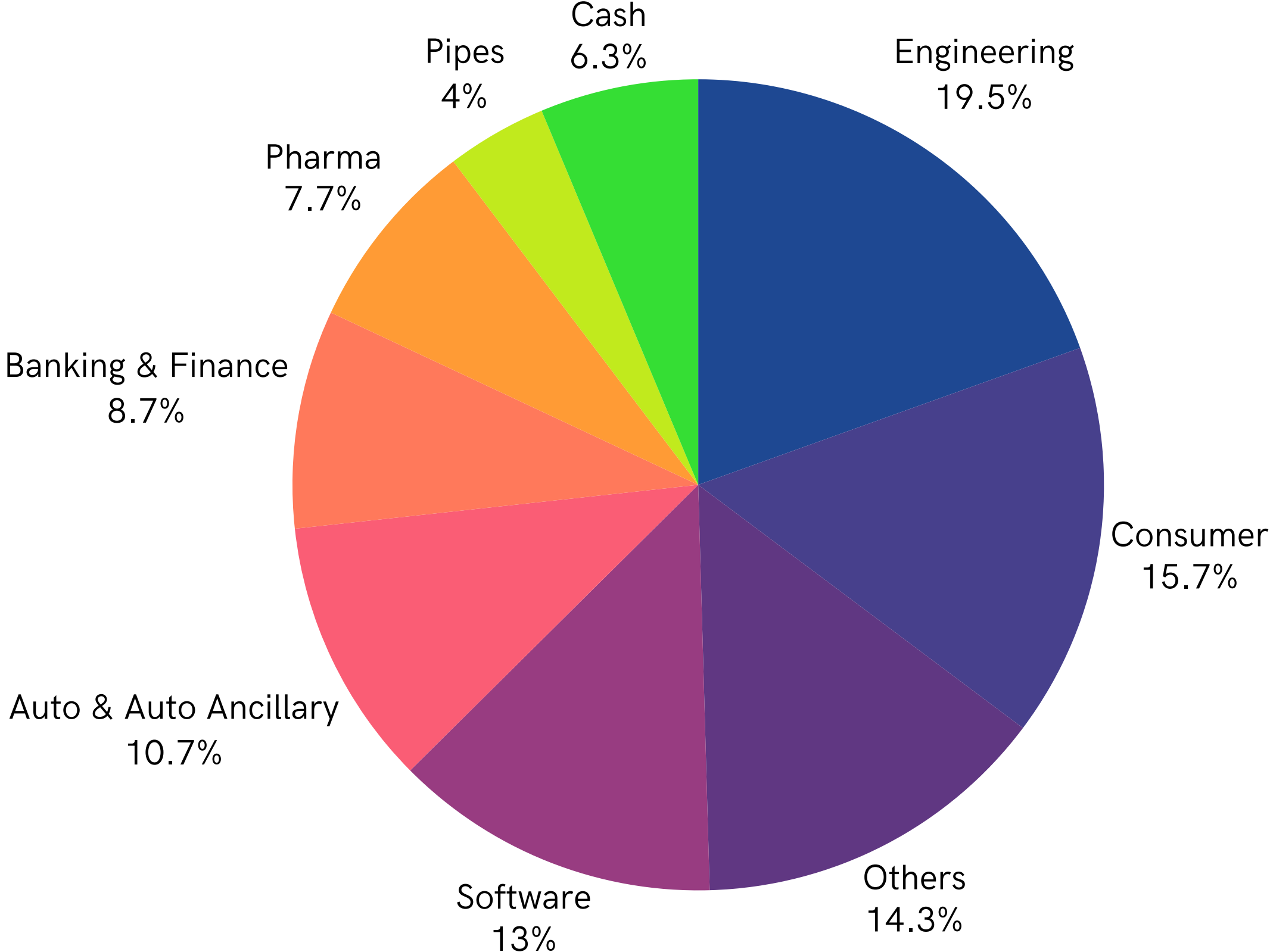
Max Weight in 1 Sector

50%

Max Weight in top 10 Stocks

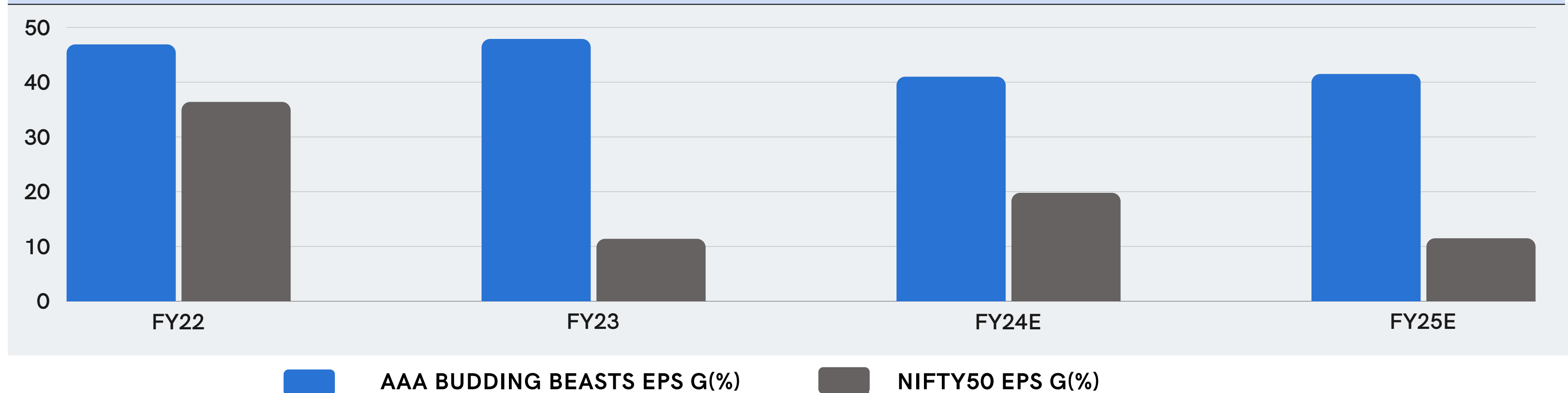
AAA Budding Beasts PMS plan intends to build a portfolio of 30-60 companies which are Market leaders with strong corporate governance and high growth potential with investment horizon of 3-5 years.

# AAA Budding Beasts Sectoral Allocation



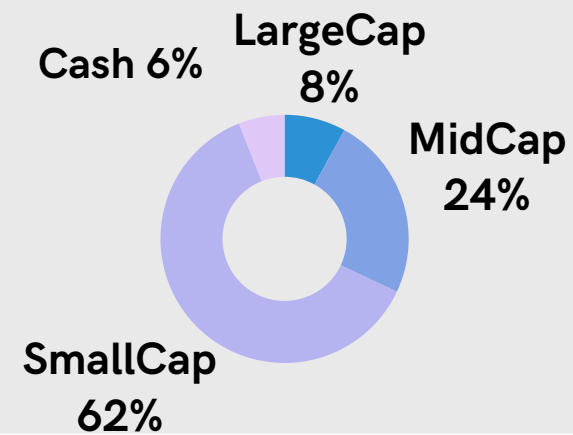
# Superior Earnings Growth

Earnings Matrix	AAA Budding Beasts FY22	Nifty FY22	AAA Budding Beasts FY23	Nifty FY23	AAA Budding Beasts FY24E	Nifty FY24E	AAA Budding Beasts FY25E	Nifty FY25E
EPS G(%)	46.9%	36.4%	47.9%	11.4%	41.0%	19.8%	29.8%	11.5%
ROE(%)	18.5%	14.2%	16.2%	14.4%	17.3%	15.6%	18.8%	15.7%
P/E(x)					48.2	22.3	37.5	20.0
P/BV(x)					9.1	3.5	7.3	3.1



# AAA Budding Beasts Characteristics

## Marketcap

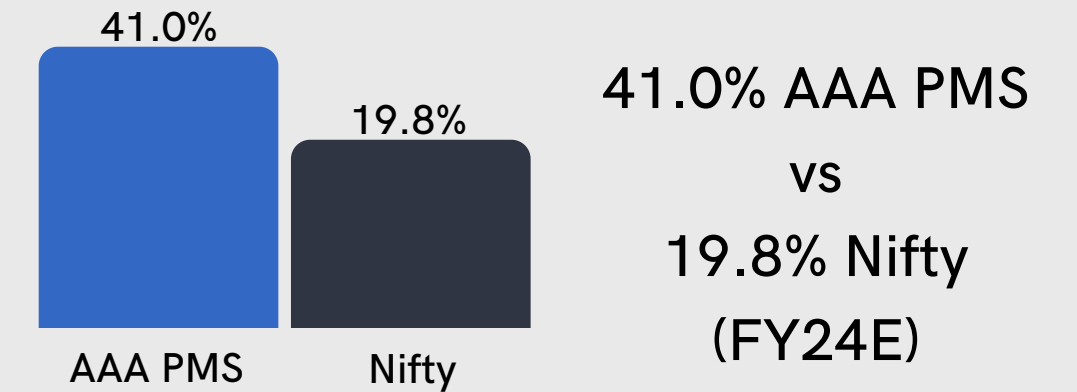


## Large Profit Size



93.0% of portfolio companies Rs.50cr+ NP (77.0% above Rs.100cr+)

## Strong Earnings Growth



## Sectoral Leaders



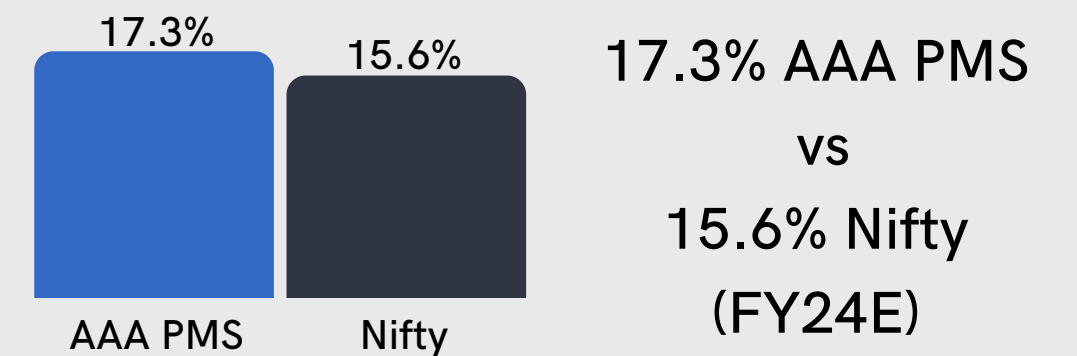
3M stock selection approach

## Cash-rich Balance Sheet



- 53.0% of portfolio cos have zero net debt
- 38.0% of portfolio cos have a D/E <1x

## Superior ROE



# AAA Budding Beasts Performance

Compounded Annual Returns (%)	1M	3M	6M	1 Year	2 Years	3 Years	*Since Inception
<b>AAA Budding Beasts</b>	<b>3.2</b>	<b>15.7</b>	<b>19.5</b>	<b>52.7</b>	<b>27.0</b>	<b>33.3</b>	<b>32.7</b>
BSE 500 TRI (Benchmark)	1.9	17.9	16.2	33.4	16.5	21.9	20.5
BSE Mid-Small Cap TRI	6.3	24.1	29.6	61.4	26.5	34.1	33.1

\*Since Inception Annualized Returns from 01 January 2021 to 31 Jan 2024.

**Note:** Performance figures are net of all expenses and fees. Index performance is calculated as per Total Return Indices in accordance with the SEBI Guidelines. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Performance related information provided herein is not verified by SEBI.

**Note:** We follow a staggered investment approach - hence cash levels were higher during the initial period from Jan' 21 to Mar' 21.

# AAA Budding Beasts Performance

Performance (%)	FYTD24	FY23	FY22	FY21	*Since Inception
<b>AAA Budding Beasts</b>	<b>50.2</b>	<b>8.1</b>	<b>37.4</b>	<b>7.2</b>	<b>139.0</b>
BSE 500 TRI (Benchmark)	36.7	(0.9)	22.3	7.4	77.9
BSE Midcap TRI	62.5	1.1	20.7	12.9	123.8
BSE Smallcap TRI	70.8	(3.6)	37.7	14.3	159.1
CNX Nifty TRI	26.4	0.6	20.3	5.3	61.0

\*Performance from 01 January 2021 to 31 Jan 2024.

Note: Performance figures are net of all expenses and fees. Index performance is calculated as per Total Return Indices in accordance with the SEBI Guidelines. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Performance related information provided herein is not verified by SEBI.

**Note:** We follow a staggered investment approach - hence cash levels were higher during the initial period from Jan' 21 to Mar' 21.



# AAA Budding Beasts Risk Analysis

Since inception*	AAA Budding Beasts PMS	BSE 500 TRI
Sharpe	1.89	0.94
Std. dev	13.6	14.4
Beta	0.76	1.00

**Note:** Performance from 01 January 2021 to 31 Jan 2024.

Performance figures are net of all expenses and fees. Index performance is calculated as per Total Return Indices in accordance with the SEBI Guidelines. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Performance related information provided herein is not verified by SEBI.

# AAA Budding Beasts Top Performers

Trent Ltd	324%
KSB Ltd	305%
ABB India Ltd	243%
Safari Industries India Limited	239%
Laxmi Organic Industries Ltd	229%

Polycab India Ltd	211%
J B Chemicals And Pharma	207%
Cholamandalam Investment	205%
Craftsman Automation Ltd	194%
GNA Axles Ltd	191%

**Note:** Individual stock performance from 01 January 2021 to 31 January 2024. The returns are from our initial purchase price. The companies mentioned are not recommendations. Information enclosed is not verified by SEBI.

# Strategic Partnerships

## Depository Participants

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## Custodian & Fund Accountant

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# Awards & Recognition



AAAIOP PMS received Smart Money Manager Award for Best 10 Years Performance 3 times (2020 - Rank 2, 2021 - Rank 3, 2023 - Rank 2) across categories on Risk adjusted Returns Basis by PMS AIF World



Dr. Jitendra Singh, Union Minister of State (I/C), Prime Minister Office, giving Certificate of Merit - **CMA Young Achiever Award** - 2014



WHAT MAKES THEM TICK?						
Equity Diversified Fund Name	Absolute Returns In %	3 M			AUM	Fund Manager
		1 Yr	3 Yrs	AUM		
SBI Magnum Sector Funds Umbrella-Contr	Platinum	-10.1	64.5	476.6	1,120	Sanjay Sinha
Tata Pure Equity	Platinum	-11.2	49.3	298.3	240	M Venugopal
SBI Magnum Global	Platinum	-12.5	62.1	509.3	595	Sanjay Sinha
DSP Merrill Lynch Equity Fund	Platinum	-11.9	52.6	302.8	520	Rajesh Kothari
Prudential Power	Platinum	-10.7	55.9	267.7	1,277	Anil Sarin
Tata Equity Opportunities Fund-B	Platinum	-15.4	48.3	314.0	366	M Venugopal
SBI Multiplier Plus 1993	Gold	-14.3	64.7	382.3	649	Sanjay Sinha
Sundaram Growth	Gold	-10.8	51.3	263.0	124	N Prasad
HSBC Equity	Gold	-10.2	49.0	311.5	900	Viresh Mehta
SBI Magnum Equity	Gold	-8.4	53.0	262.4	193	Sanjay Sinha

# Assets Under Management In Rs Crore As On June 30, '06

Rajesh was recognized as the platinum fund manager by Economic Times during his time at DSP MF.

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# Thank You



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Protect Capital, Create Wealth

## AlfAccurate Advisors

503, B Wing,  
Naman Midtown,  
Elphinstone Road,  
Mumbai - 400 013, India

T : +91 22 42360300  
F : +91 22 42360333  
info@alfaccurate.com  
www.alfaccurate.com

Rajesh Kothari

T : +91 22 4236 0301

rajeshkothari@alfaccurate.com

Govind Agrawal

T : +91 22 4236 0311

govindagrawal@alfaccurate.com

Sandeep Biyani

T : +91 22 4236 0319

sandeepbiyani@alfaccurate.com