



**0 to 1,000 crores**

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**You too can do it !!**

**Raamdeo Agrawal**

30 May 2018

**At the very outset ...**

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**Why Equities ?**

# Power of equities

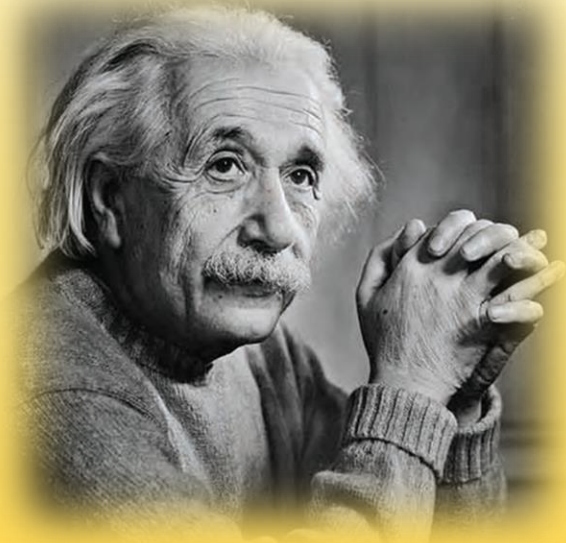
- **Joy of compounding**
- **Magic of Entrepreneurship**
- **Hedge against inflation & tax**

# Equity: Joy of compounding

“Compound interest is the eighth wonder of the world.

He who understands it, earns it  
... he who doesn't ... pays it.”

— *Albert Einstein*



# Equity: Magic of Entrepreneurship

- **Creating something from nothing**
- **Enhancing the value of capital**

Infosys®

 **HDFC BANK**

IndiGo 

D\* Mart

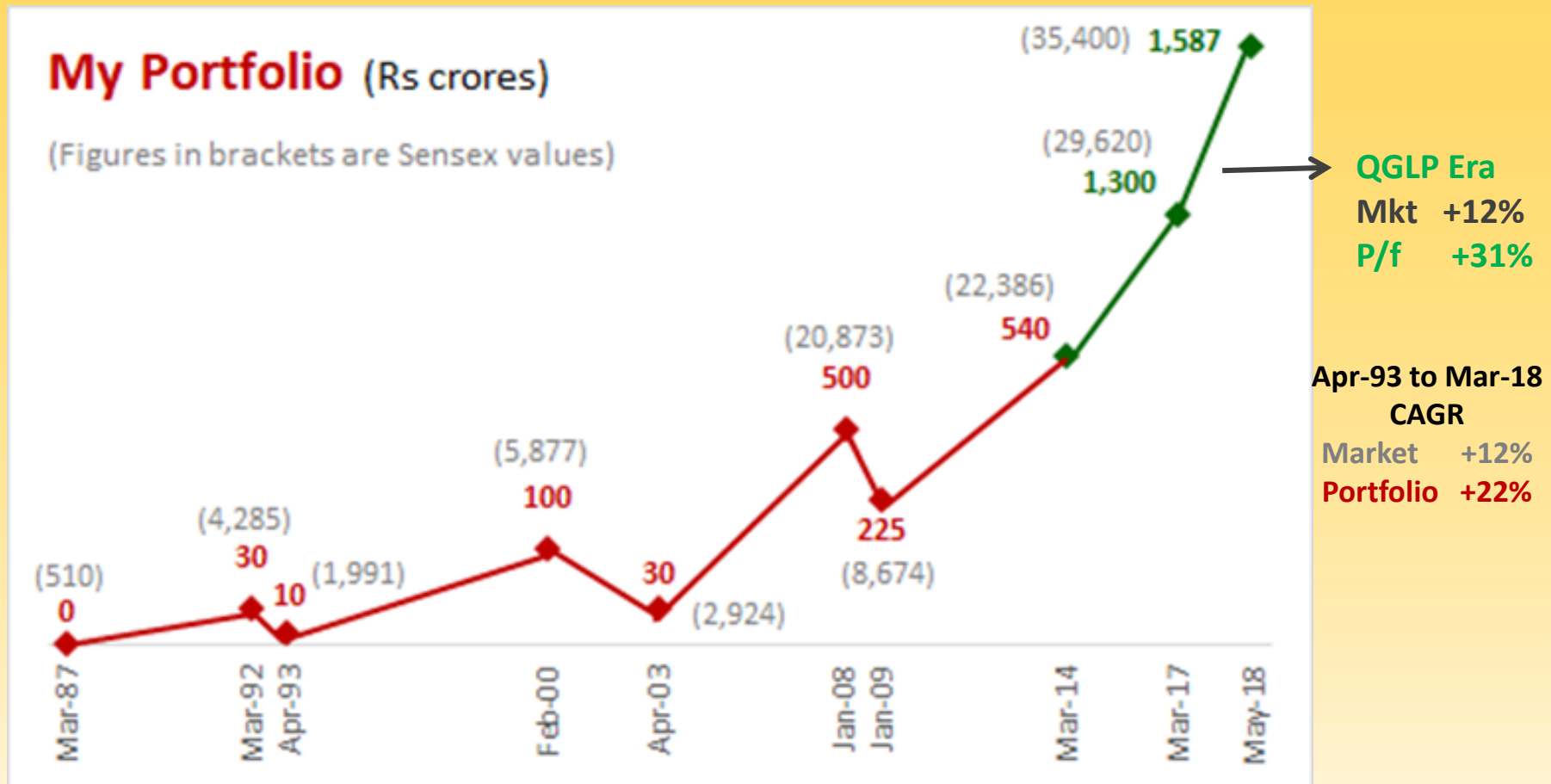
# Equity: Hedge against inflation & tax

## Fixed income v/s Equity

	In Fixed Income	In Equity
Likely return (pre-tax)	7.5%	15%
Return (post-tax)	6%	15%
Inflation	5%	5%
Net real return	1%	10%
Years to double purchasing power	70	7

**How it all happened for me ...**

# 0 to 1,000 crores – How it happened for me



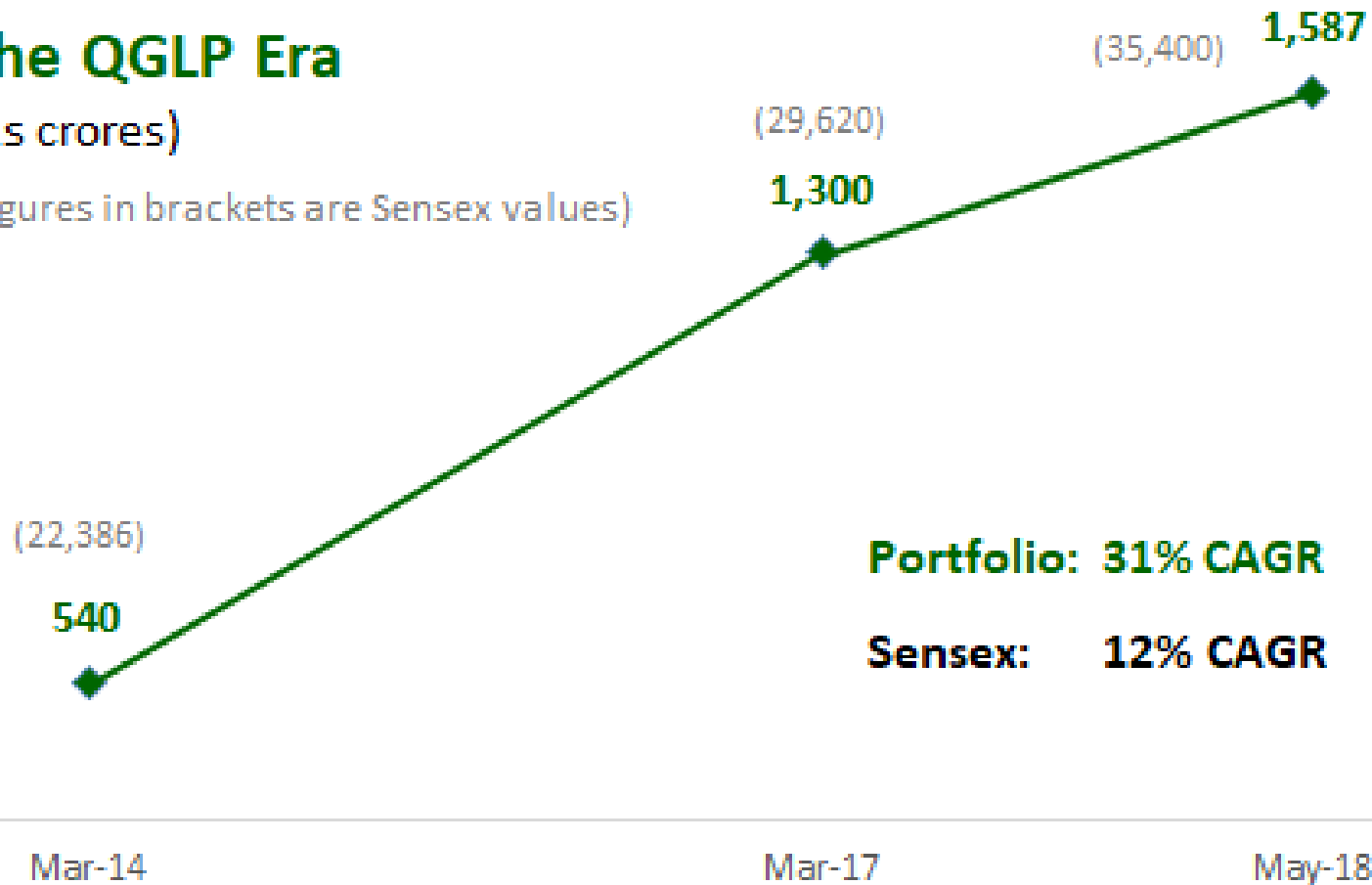


# The QGLP Era

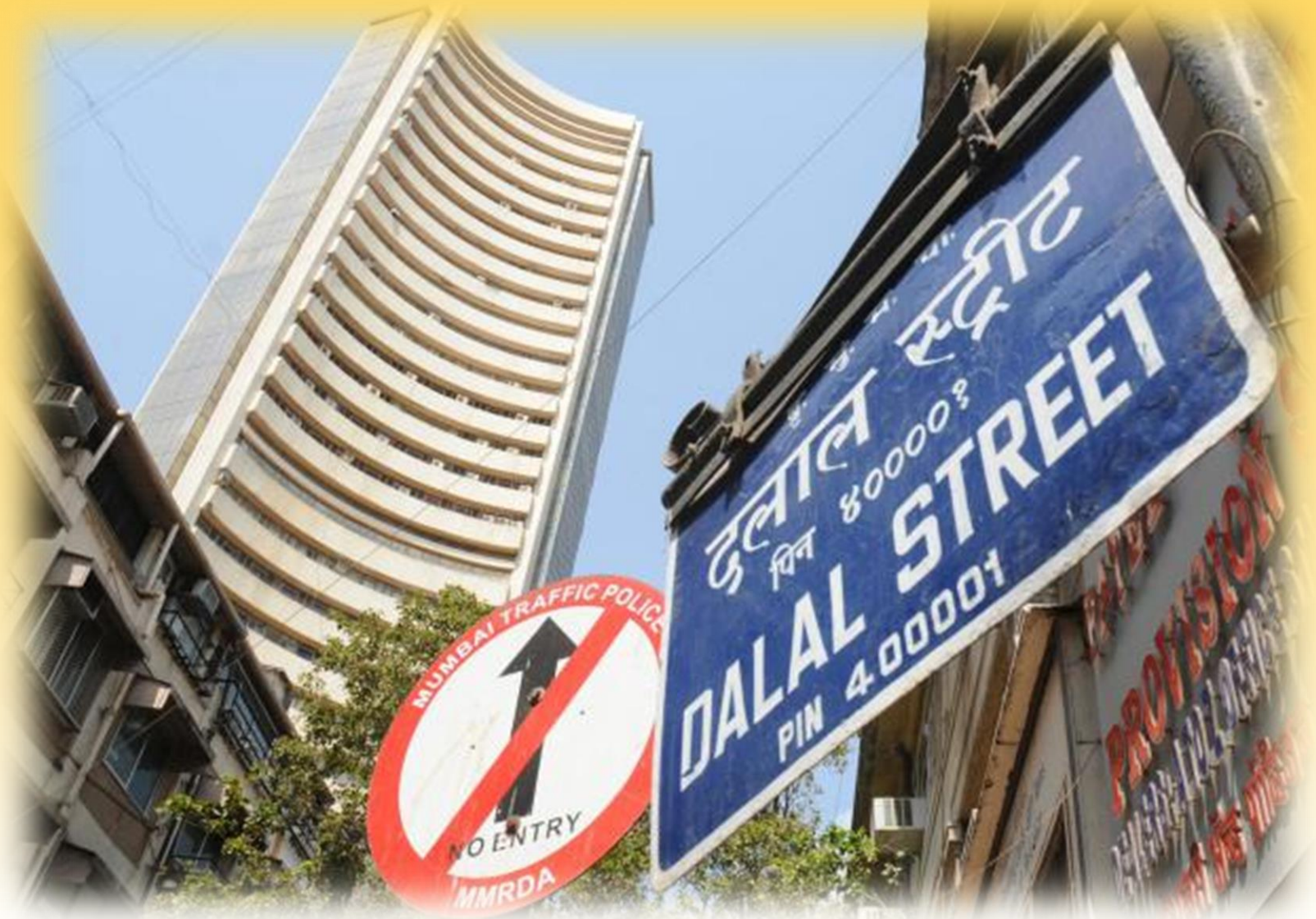
## The QGLP Era

(Rs crores)

(Figures in brackets are Sensex values)



## 1980-90 ... CA student to stock market buff



# What was I doing?



Only mantra !

$$\text{Price} = \text{EPS} \times \text{P/E}$$



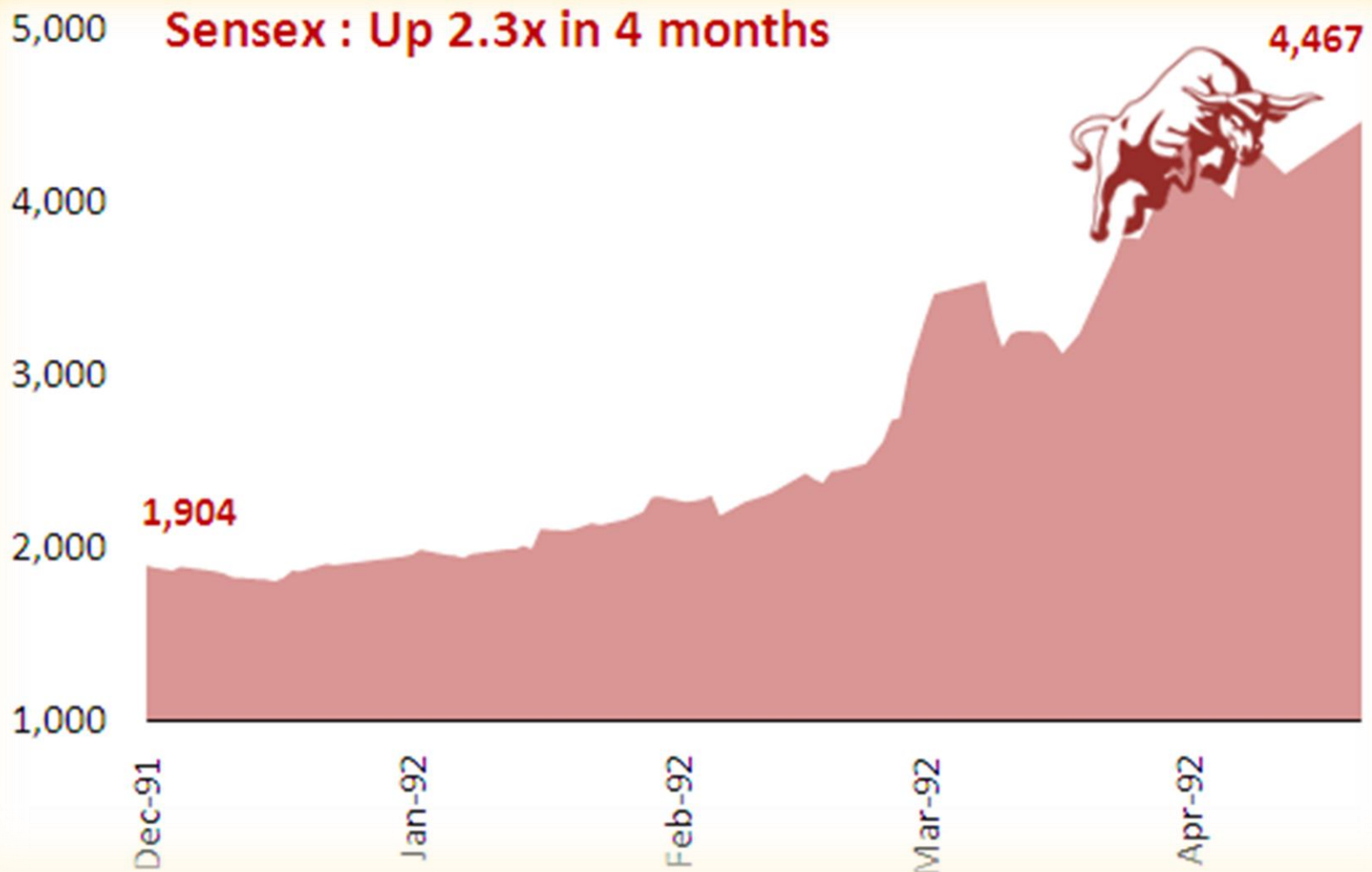
# Starting small ...

- **A business partnership for life !**
- **Ignorance of ignorance !**
- **Only passion !**
- **Sub-broker to BSE member**



**1987-94: Mainly luck, little skill**

# 91-92 Big Bull-run ... *khuda meherbaan!*



# 1994 ... Found the guru

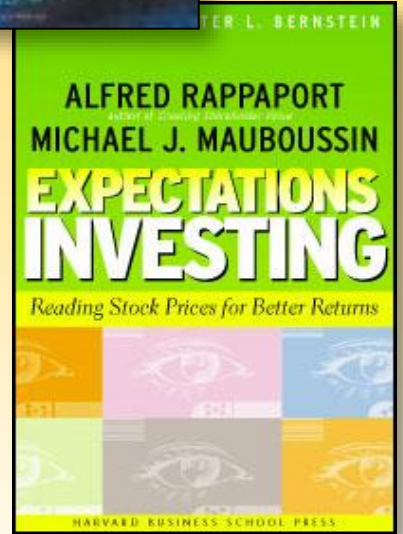
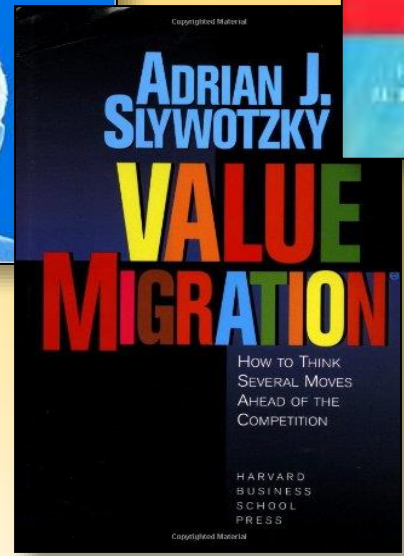
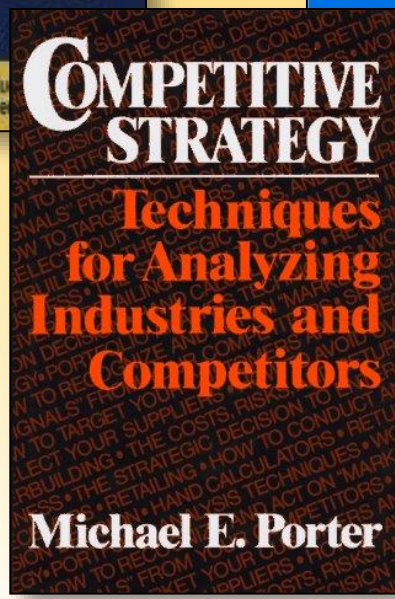
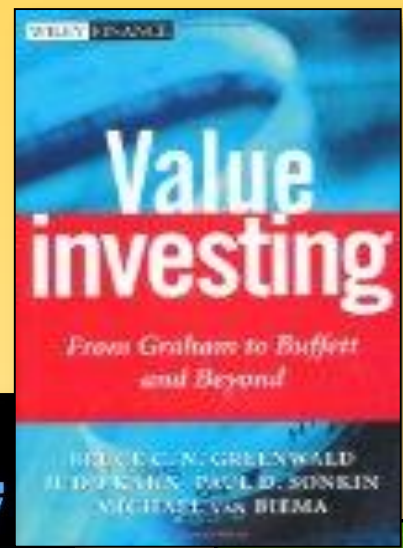
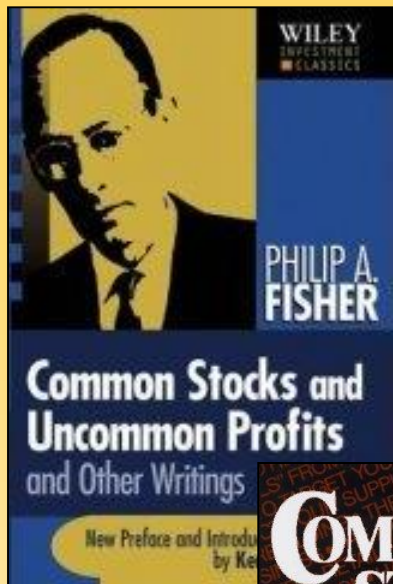


# **Search for the investment philosophy leading to Wealth Creation Studies**





# Back then & even now ... Knowledge First !!



# Landmark studies & frameworks

# Mathematics of Buffett-ology

## Growth Value

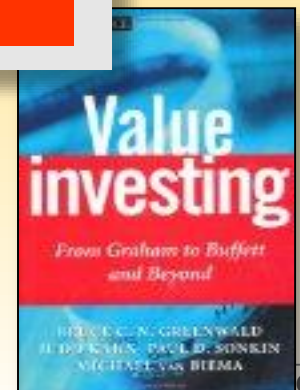
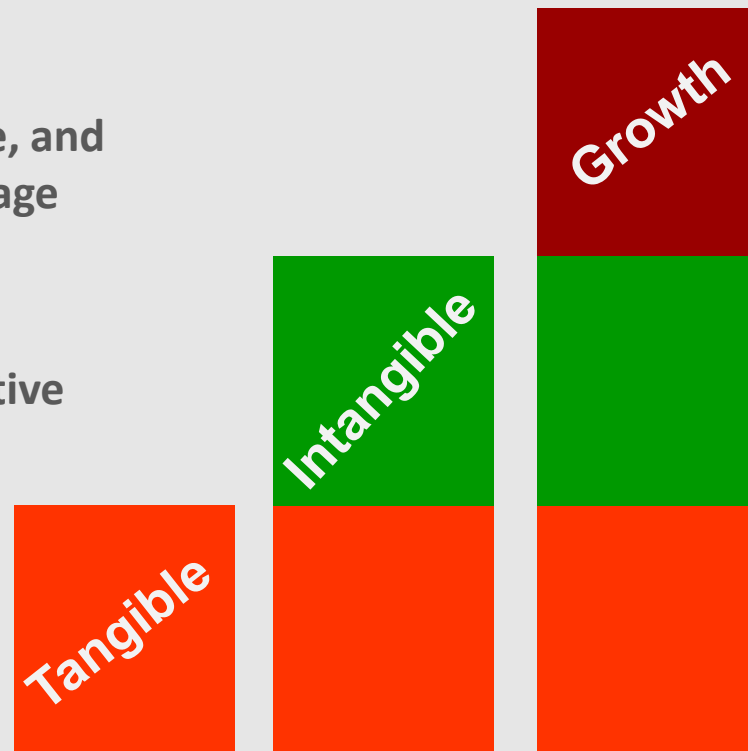
Only if growth is in the same franchise, and benefits from the competitive advantage

## Earning Power Value

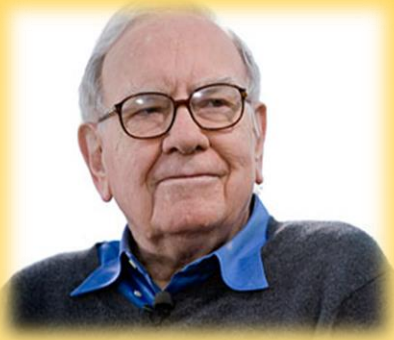
Franchise value from current competitive advantage

## Asset Replacement Value

When entry is free, and there is no competitive advantage



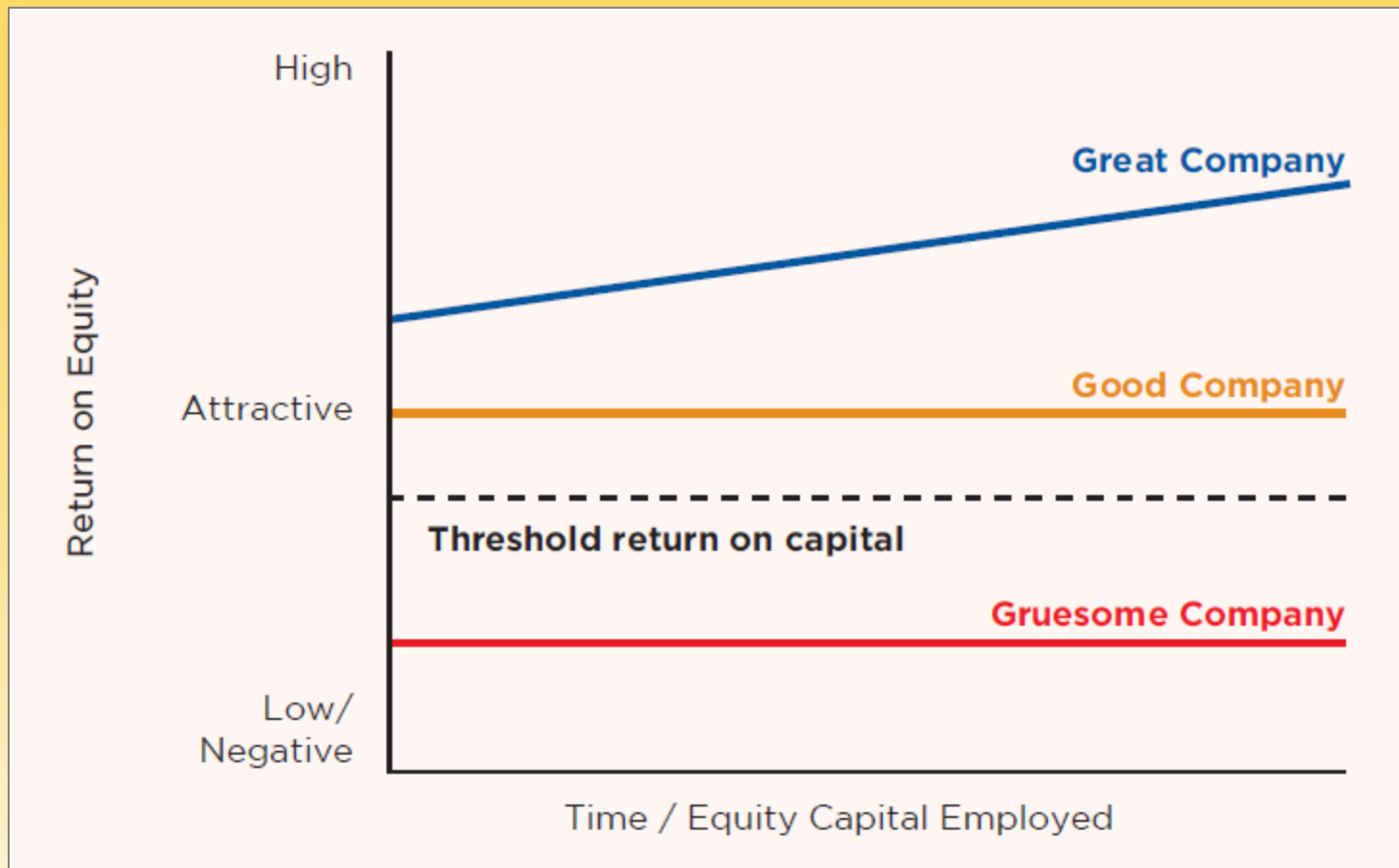
## Importance of interest rates



**“At all times, in all markets  
in all parts of the world,  
the tiniest change in interest  
rates changes the value of  
every financial asset.”**

*– Warren Buffett*

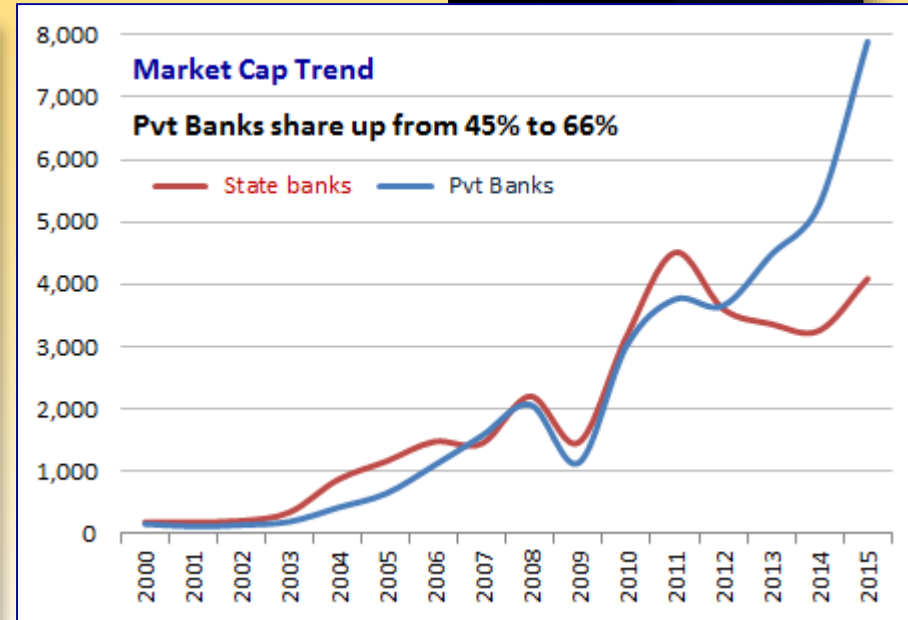
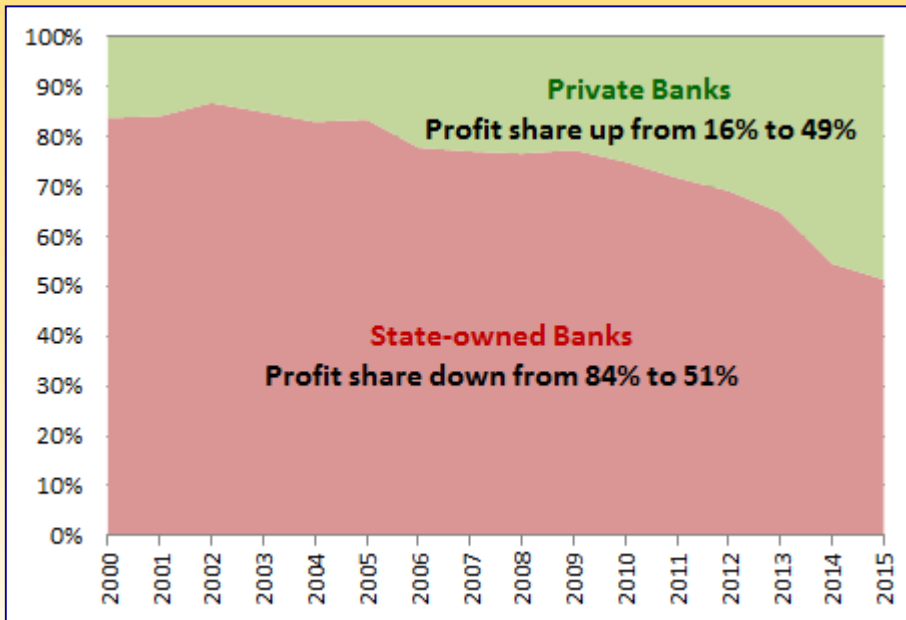
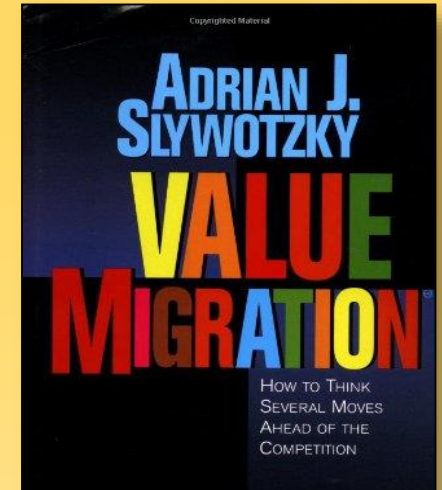
# Great, Good, Gruesome





# Value Migration

“Value migrates from outmoded business design to superior business design.” — Adrian Slywotzky



# Terms of Trade

$$\text{Terms of Trade} = \frac{\text{Debtors}}{\text{Creditors}}$$



Favourable if ratio < 1



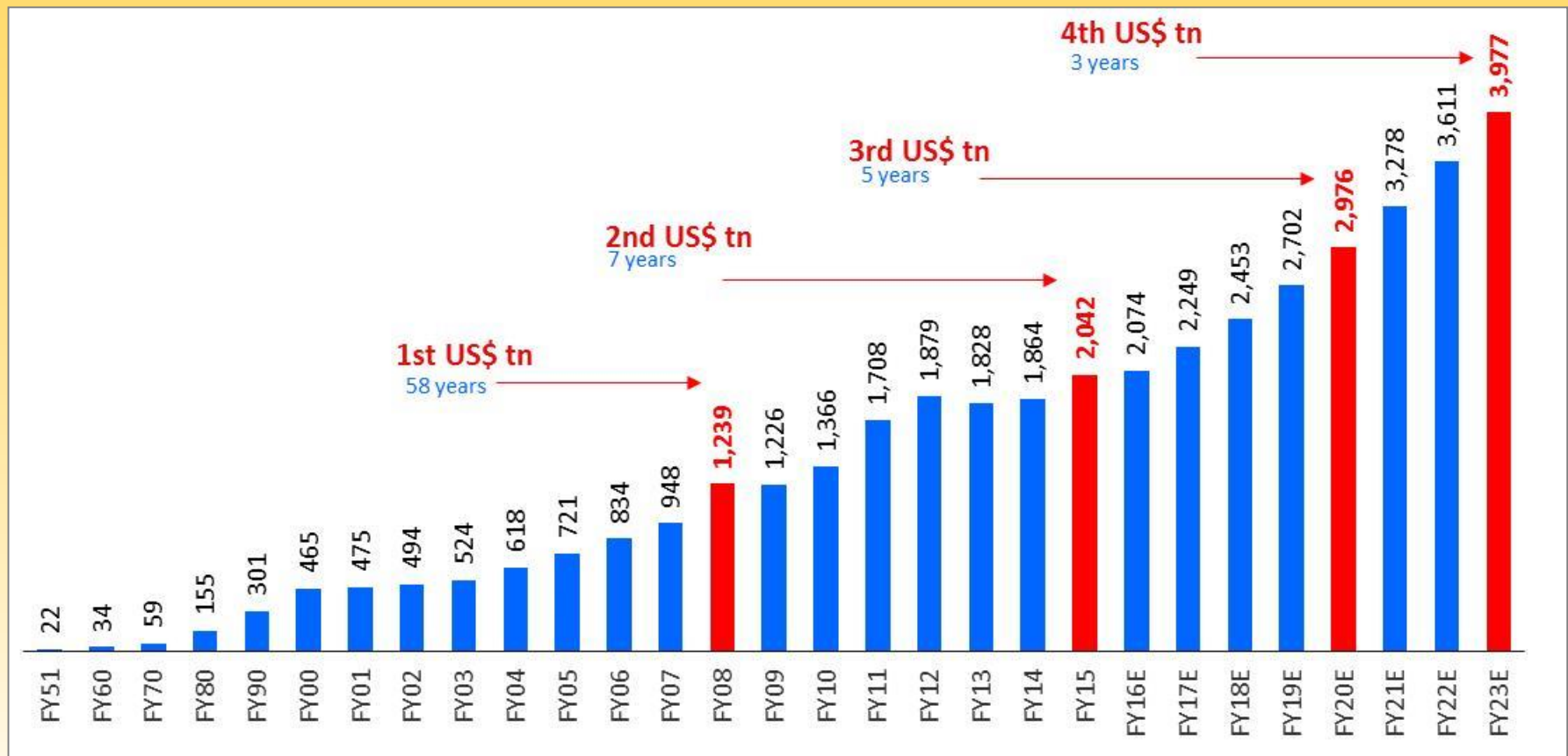
Unfavourable if ratio > 1



# India's NTD (Next Trillion Dollar GDP)

Linear growth ...

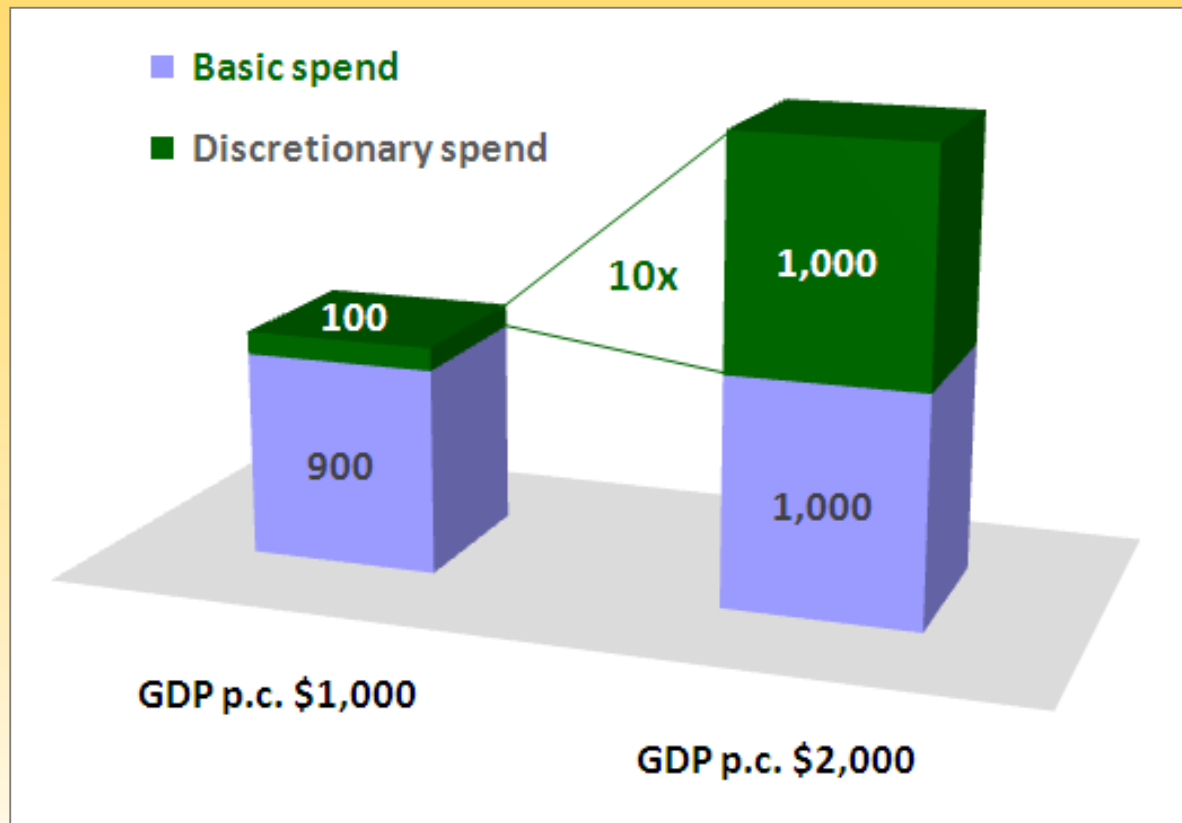
Every successive NTD of GDP takes fewer years



# India's NTD (Next Trillion Dollar GDP)

## ... Exponential opportunity

When per capita GDP doubles, discretionary spend becomes 10x



# Quality Frameworks (continued)

## Winner Categories, Category Winners

- **Winner Category** = **Consolidated sector + Scalability**
- **Category Winner** = **Winner Category**  
+ **Entry Barriers**  
+ **Great Management**
- **Great Investment** = **Category Winner**  
+ **Reasonable Valuation**

# Uncommon Profits ... Emergence & Endurance

Uncommon Profits in companies

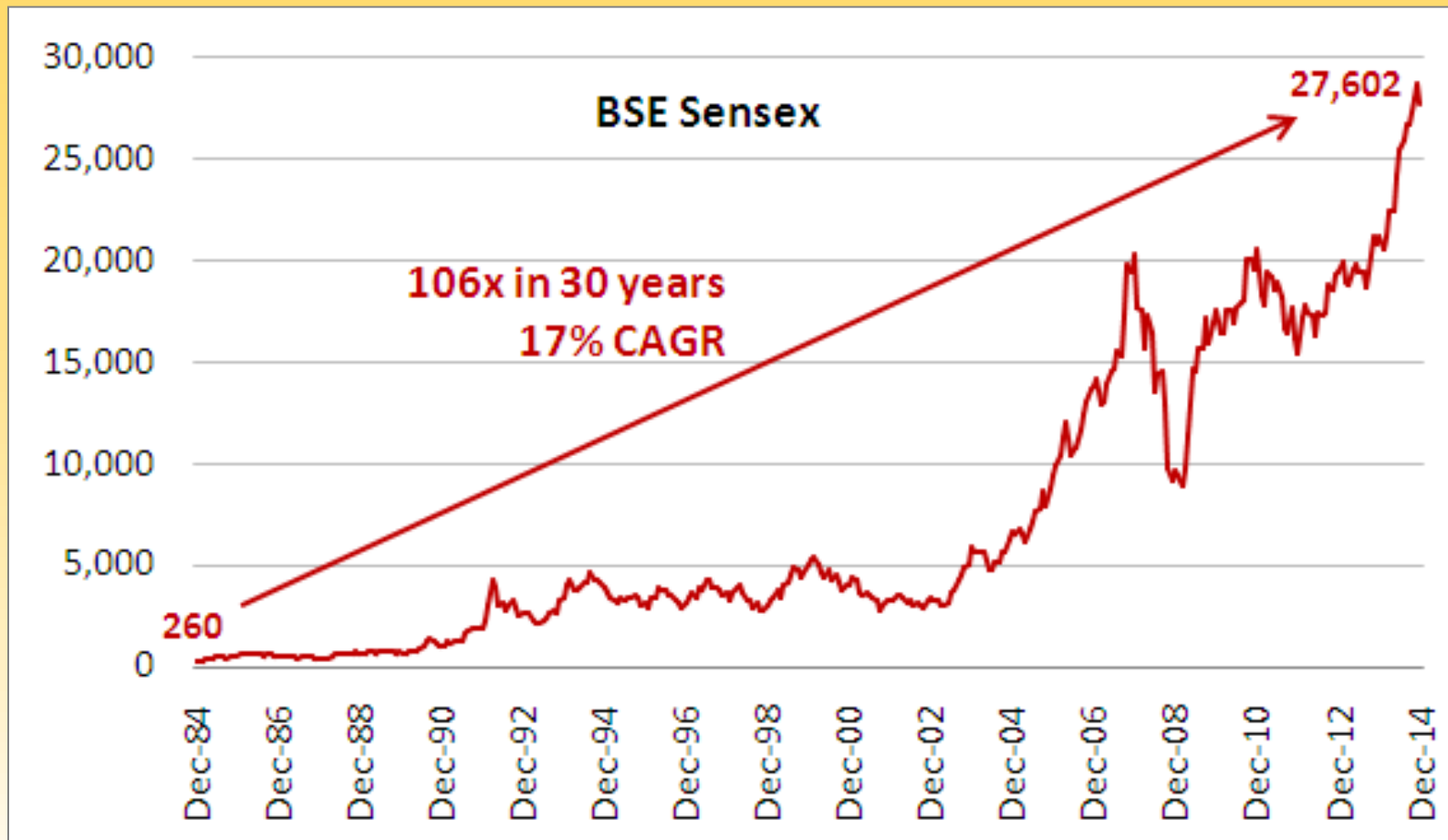
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Uncommon Wealth Creation in markets



# 100x

Indian benchmark indices rise 100x in 30 years



# 100x

## 62 enduring 100x stocks over 1998-2017

Company	Price Mult. (x)	Year of Purchase	No. of Years	Return CAGR
Kotak Mah. Bank	1,077	1999	18	47%
Shree Cement	1,064	1998	19	44%
JSW Steel	938	2002	15	58%
Lupin	845	1998	19	43%
UPL	691	1999	18	44%
Motherson Sumi	672	1999	18	44%
Eicher Motors	623	2000	17	46%
Bajaj Fin.	387	2000	17	42%
Kirloskar Indus.	351	2000	17	41%
Sun Pharma.Inds.	342	1998	19	36%
Hind.Zinc	328	2000	17	41%
Havells India	323	2003	14	51%
Ajanta Pharma	279	2002	15	46%
Amara Raja Batt.	278	2003	14	49%
Vakrangee	261	2009	8	101%
Rajesh Exports	230	2001	16	40%
Titan Company	228	2001	16	40%
Vedanta	227	2002	15	44%
Godrej Inds.	210	2003	14	47%
Berger Paints	198	1998	19	32%
NMDC	196	2001	16	39%

Company	Price Mult. (x)	Year of Purchase	No. of Years	Return CAGR
Axis Bank	175	1999	18	33%
CRISIL	173	2001	16	38%
Bharat Electron	167	1998	19	31%
TI Financial	165	1998	19	31%
Kajaria Ceramics	162	1999	18	33%
Astral Poly	150	2009	8	87%
GRUH Finance	148	2004	13	47%
Pidilite Inds.	147	1998	19	30%
Honeywell Auto	147	1998	19	30%
Torrent Pharma.	146	1998	19	30%
Glenmark Pharma.	143	2001	16	36%
Kansai Nerolac	140	2001	16	36%
Atul	134	2002	15	39%
Guj Fluorochem	132	1999	18	31%
SRF	130	1999	18	31%
Hatsun AgroProd.	127	2005	12	50%
TTK Prestige	127	2005	12	50%
MRF	126	2002	15	38%
P I Inds.	125	2008	9	71%
Jubilant Life	124	2002	15	38%
Supreme Inds.	119	2002	15	37%

Company	Price Mult. (x)	Year of Purchase	No. of Years	Return CAGR
CG Power & Indu.	116	2001	16	35%
Bombay Burmah	116	2003	14	40%
KRBL	115	2000	17	32%
Schaeffler India	114	2001	16	34%
Sundaram Clayton	113	2001	16	34%
Aarti Inds.	110	2002	15	37%
Blue Star	109	2001	16	34%
United Breweries	109	2003	14	40%
Blue Dart Exp.	109	1999	18	30%
Bosch	106	2002	15	36%
HDFC Bank	104	1999	18	29%
Voltas	103	2001	16	34%
LIC Housing Fin.	102	2001	16	34%
Asian Paints	102	1999	18	29%
Federal Bank	102	1999	18	29%
DCM Shriram	101	1999	18	29%
Shri.City Union.	100	2004	13	43%
IndusInd Bank	100	2001	16	33%
GE T&D India	100	2001	16	33%
Marico	100	2001	16	33%
<b>MEDIAN</b>	<b>145</b>		<b>16</b>	<b>38%</b>

**Note:** Price multiples are based on stocks being bought in the respective year of purchase, and held on to Mar-2017. Only stocks with minimum market cap of Rs 100 crore in year of purchase are considered.

# **Stock stories along the way ...**

## HITS

- **Vysya Bank** (1991)
- **Hero Honda** (1996)
- **HDFC Bank** (1996)
- **Infosys** (1997)
- **Bharti Airtel** (2003)
- **Eicher Motors** (2012)
- **Ajanta Pharma** (2013)
- **Au Financiers** (2007 – Private equity)

## MISSES

- **Mastek** (2000)
- **Financial Technologies** (2014)



# **30-year Manthan, 1 Mantra ... QGLP**

# QGLP in a nutshell

## “QGLP – Quality, Growth, Longevity, reasonable Price”

### Quality of business x Quality of management

- Stable business, preferably consumer facing
- Huge business opportunity
- Sustainable competitive advantage
- Competent management team
- Healthy financials & ratios

### Growth in earnings

- Volume growth
- Price growth
- Mix change
- Operating leverage
- Financial leverage



### Price

- Reasonable valuation, relative to growth prospects
- High margin of safety
- Prefer stocks with PEG of around 1x

### Longevity – of both Q & G

- Long-term relevance of business
- Extending competitive advantage period
- Initiatives to sustain growth for 10-15 years

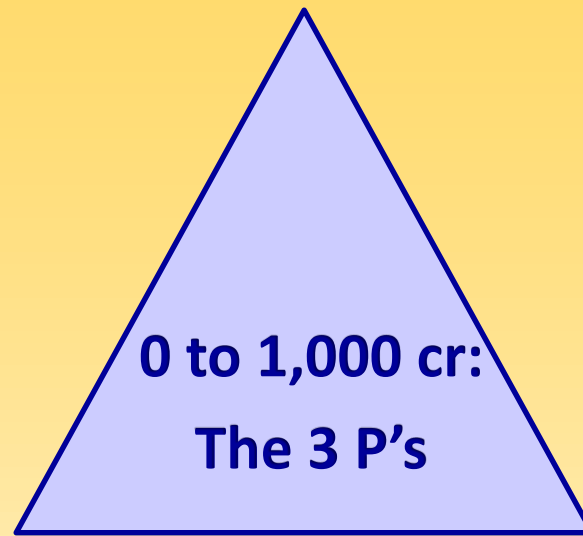
**0 to 1,000 crores**

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**You too can do it !!**

# 0 to 1,000 crores: The 3 P's

1. Power of Compounding



2. Pre-requisites

3. Practice

# P #1: Power of Compounding

Longer the period, exponentially higher the multiple

What happens to one rupee invested at given rate for given time

Years \ Rate	5	10	15	20	25	30
8	1.5	2.2	3.2	4.7	6.8	10.1
10	1.6	2.6	4.2	6.7	10.8	17.4
15	2.0	4.0	8	16	33	66
17	2.2	4.8	11	23	51	111
20	2.5	6.2	15	38	95	237
25	3.1	9.3	28	87	265	808
26	3.2	10.1	32	102	323	<b>1,026</b>
30	3.7	14	51	190	706	2,620
50	7.6	58	438	3,325	25,251	191,751

## **P #2: Pre-requisites**

**Positive thinking**

**+**

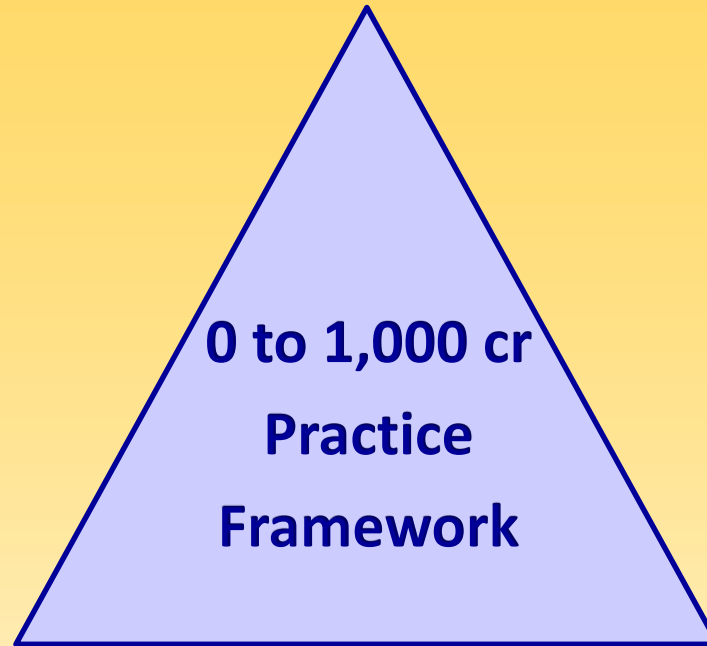
**Time-tested Investment Philosophy**

**+**

**Inquisitive Mind**

# P #3: Practice

**1. Vision to see**



**0 to 1,000 cr  
Practice  
Framework**

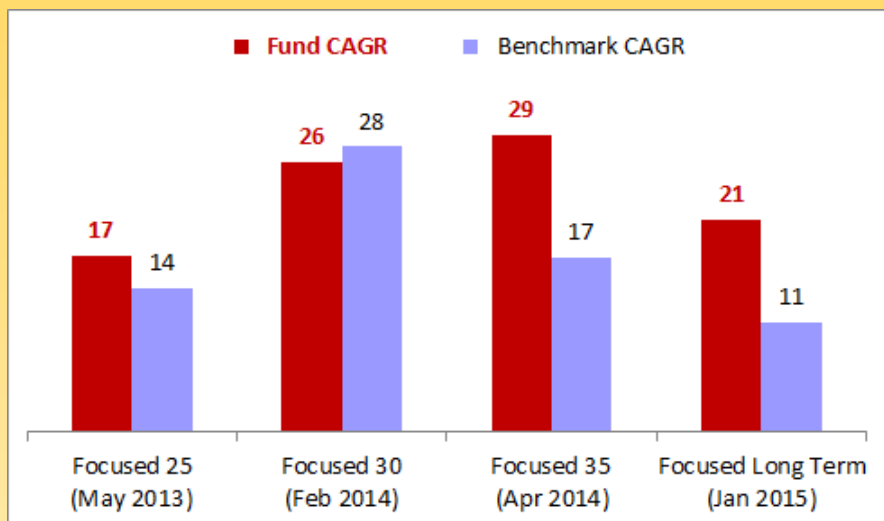
**2. Courage to Buy**

**3. Patience to hold**

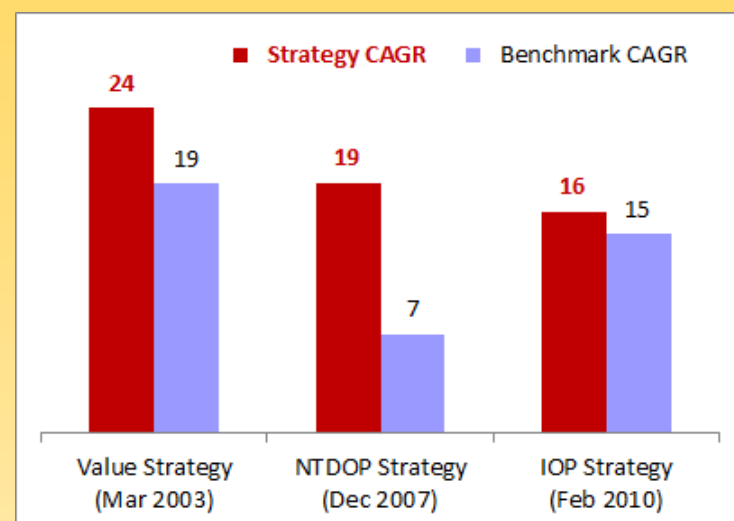
# MOAMC's 0 to 36,000 crore AUM journey

## Healthy alpha across MF and PMS products

### Returns since inception: Mutual Funds



### Returns since inception: PMS



Note: Date of inception given in brackets  
Data as on 30 April 2018



# 0 to 1,000 crores – You too can do it !

- **Start early**
- **Think big**
- **Understand power of compounding**
- **Don't bother about the market**
- **Pre-requisites – Positive thinking, Philosophy, Inquisitive Mind**
- **Practice – Vision, Courage, Patience**
- **Monitor portfolio performance**
- **Continuously improve**

**Wish you a successful  
1,000 crore journey !**