



Analysis to Insights

Sandeep Kothari



Buy what goes up

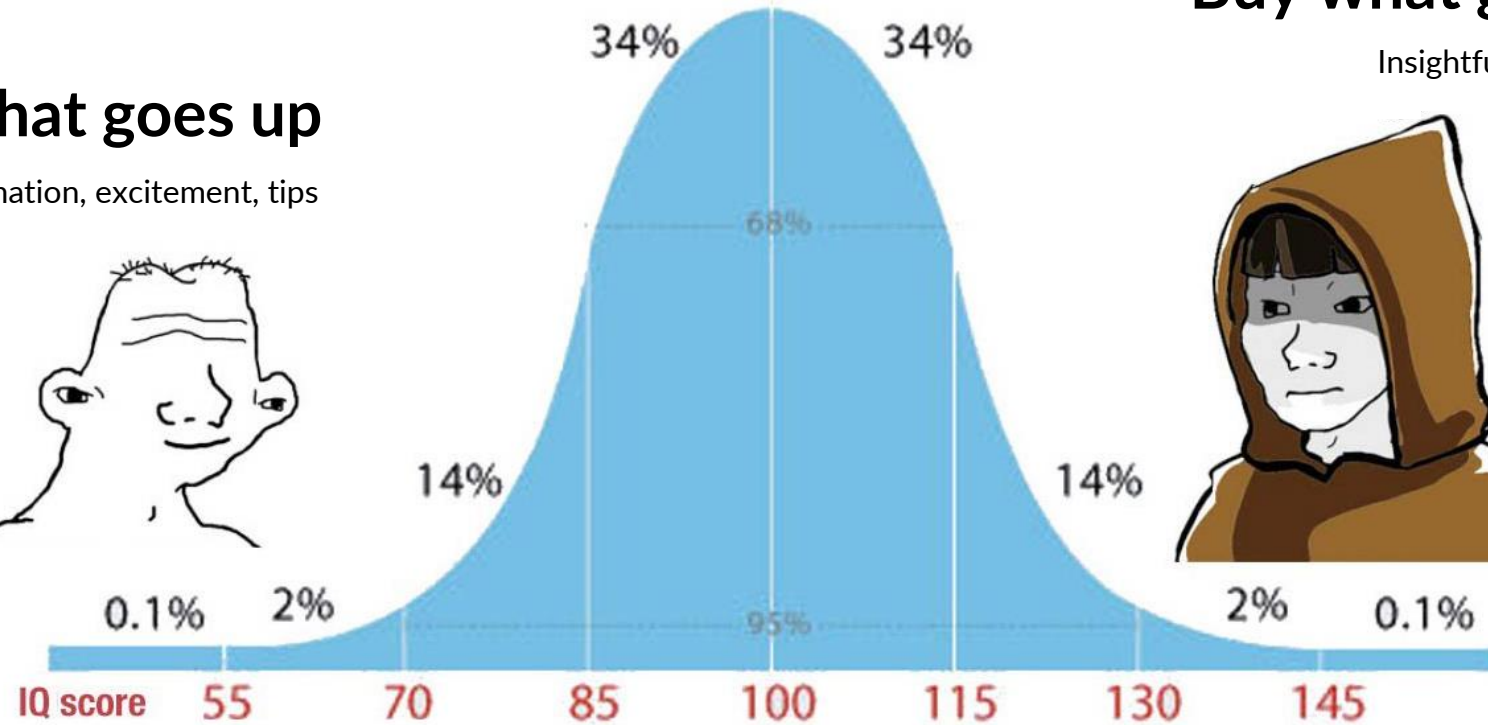
Noise, information, excitement, tips



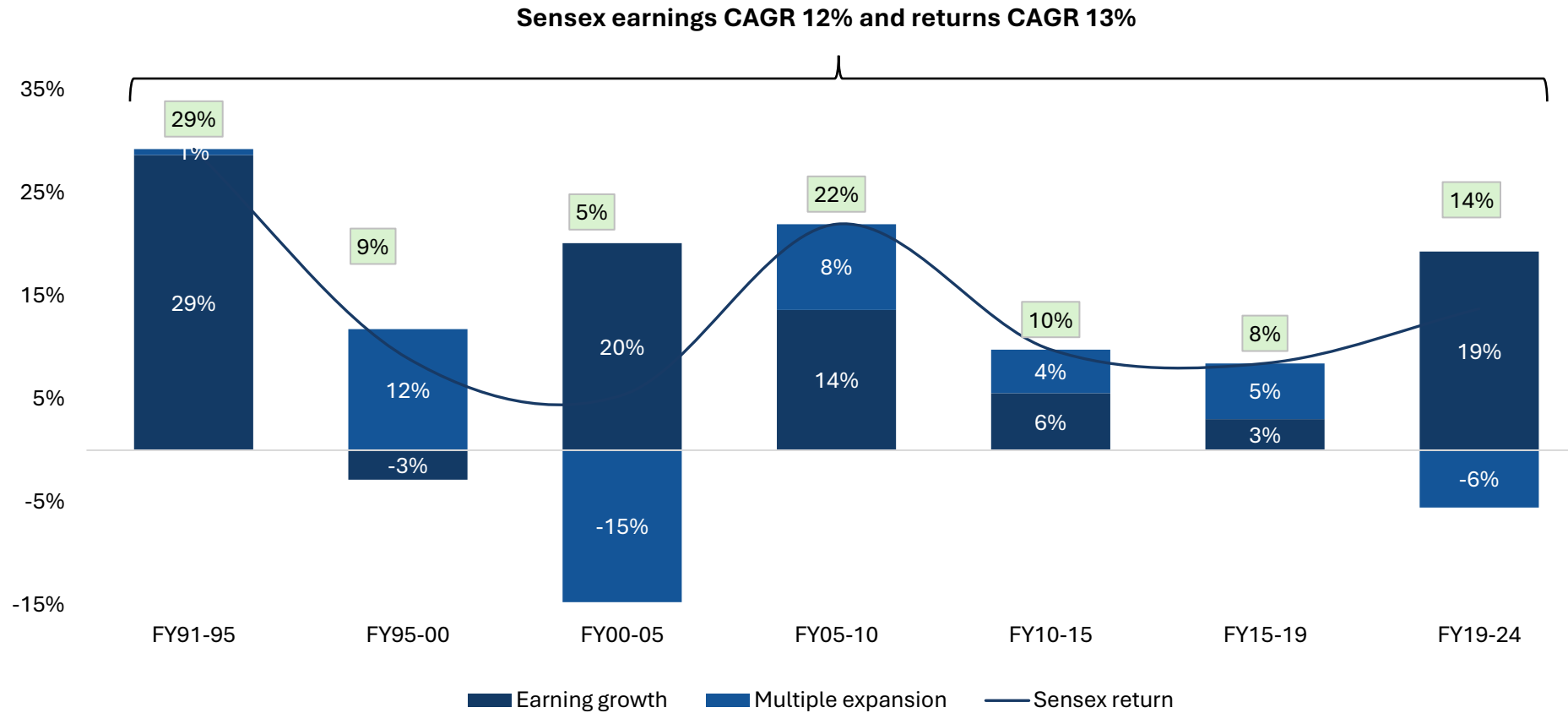
Reads the balance sheets, transcripts, meet management, deep analysis

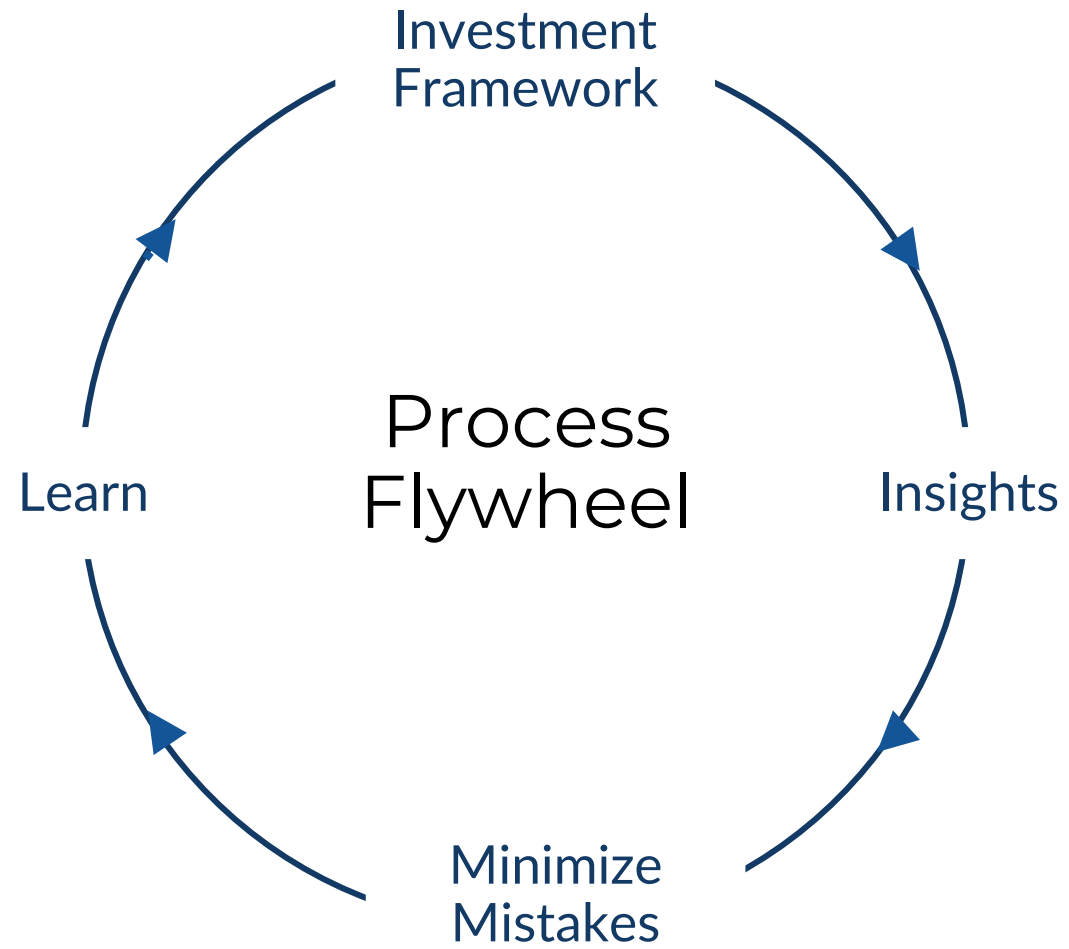
Buy what goes up

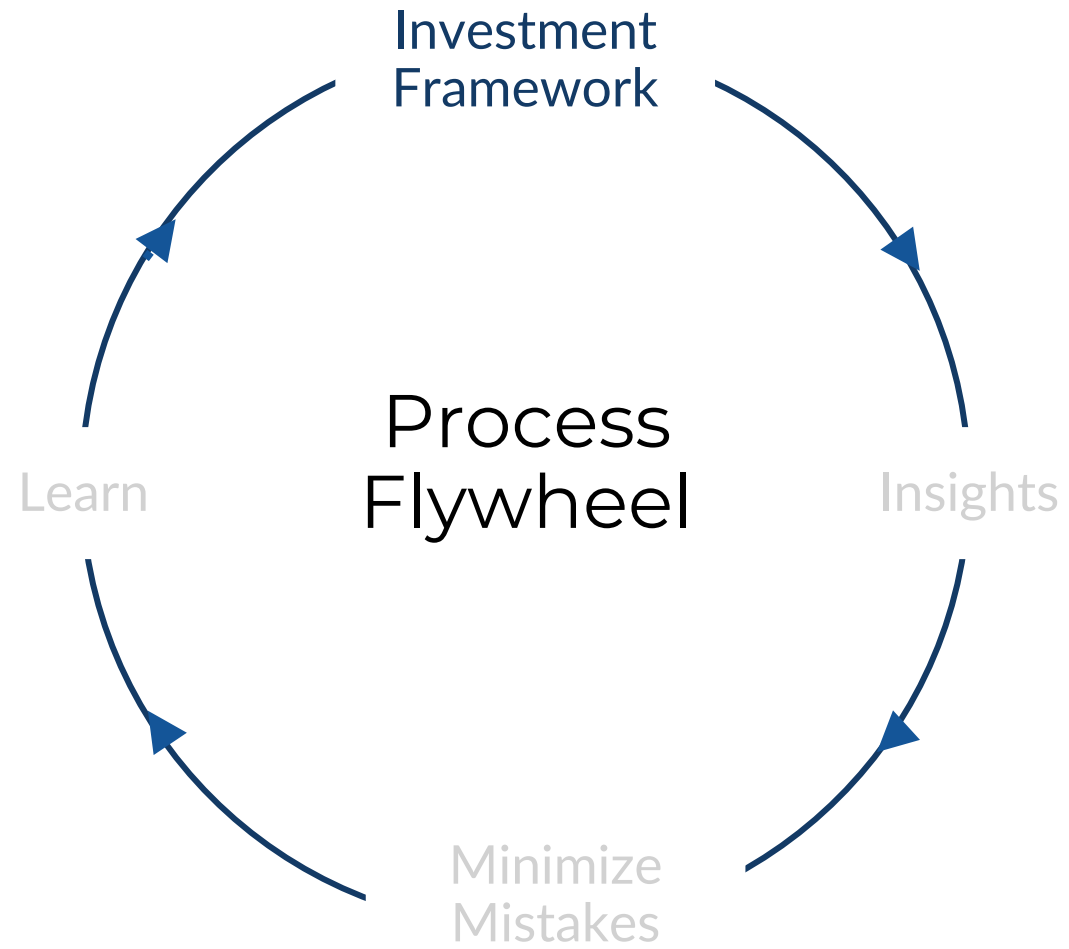
Insightful



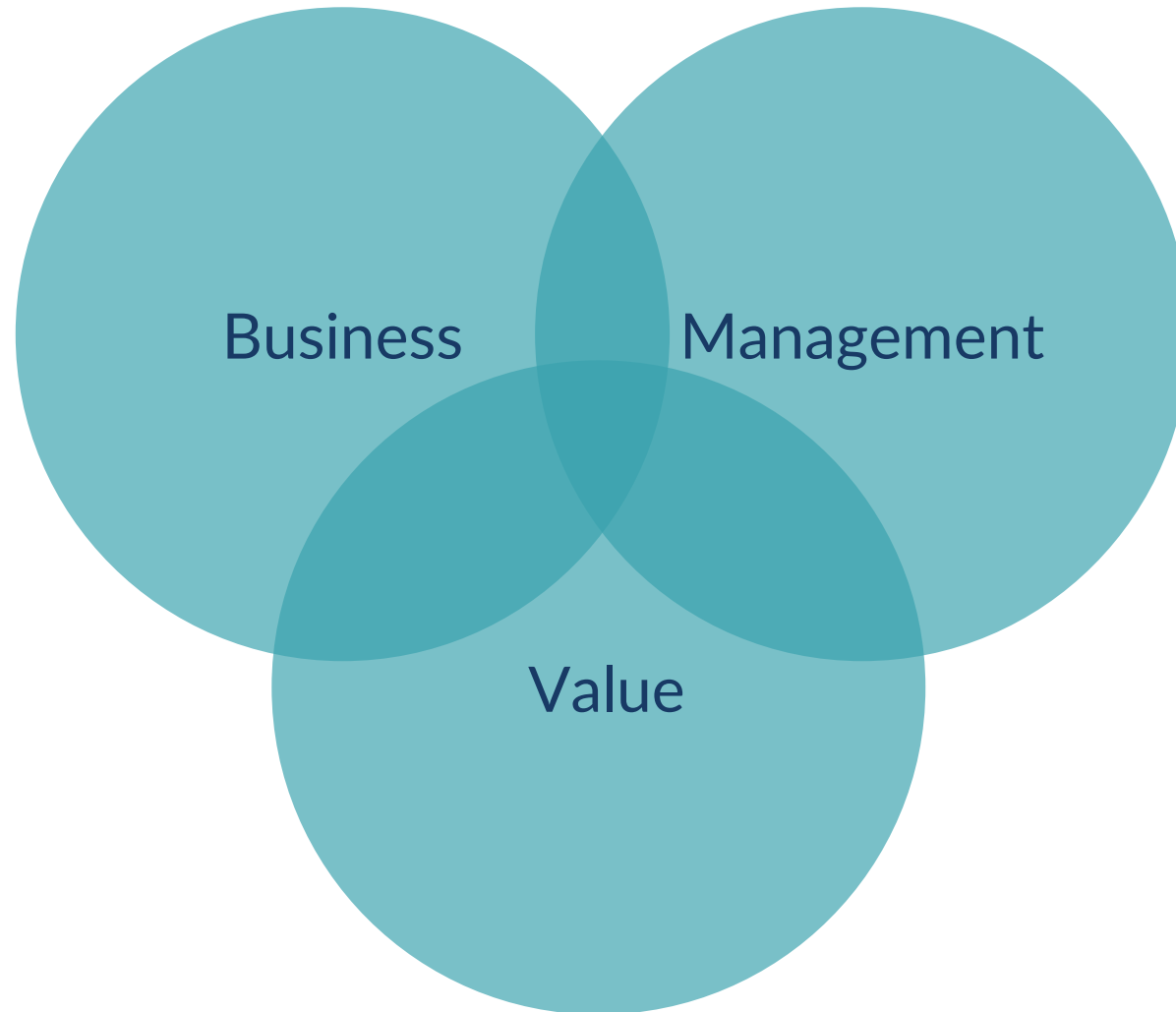
Price follows earnings in the long-term







Investment Framework



Understanding the DNA of the business



Understand key drivers



Growth potential and cyclical nature of earnings



Capital intensity



Understand the unit economics



Return on capital



Compare it to similar businesses

Understanding the DNA of the management

Management is the key ingredient



Intent & integrity



Capital allocation



Execution - scale, market share gains, cost leadership?

Value - Theoretical Concept

Growth and returns determine the multiple

Scenario 1 - Consumer

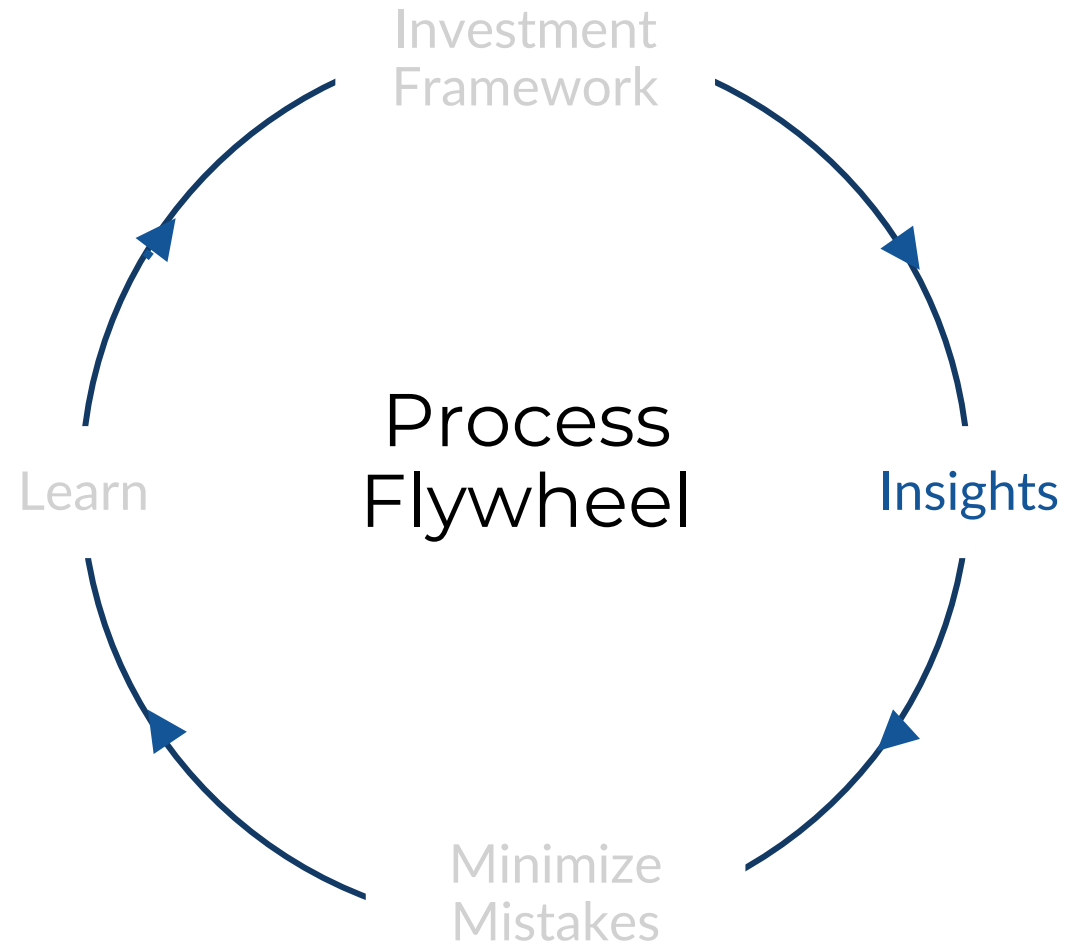
Risk Free rate	7.0%
Beta	0.7
Equity Risk Premium	5.4%
Cost of Equity	10.8%
Years - Phase 1	5
Years - Phase 2	15
Growth - Phase 1	15%
Growth - Phase 2	12%
Terminal growth	5%
RoE - Phase 1	80%
RoE - Phase 2	75%
RoE - Long Term	70%
Target P/E	40

Scenario 2 - IT Services

Risk Free rate	7.0%
Beta	0.9
Equity Risk Premium	5.4%
Cost of Equity	11.6%
Years - Phase 1	5
Years - Phase 2	10
Growth - Phase 1	15%
Growth - Phase 2	12%
Terminal growth	5%
RoE - Phase 1	35%
RoE - Phase 2	25%
RoE - Long Term	25%
Target P/E	20

Scenario 3 - Industrial

Risk Free rate	7.0%
Beta	1.2
Equity Risk Premium	5.4%
Cost of Equity	13.5%
Years - Phase 1	5
Years - Phase 2	10
Growth - Phase 1	20%
Growth - Phase 2	15%
Terminal growth	3%
RoE - Phase 1	25%
RoE - Phase 2	20%
RoE - Long Term	15%
Target P/E	15



Insights

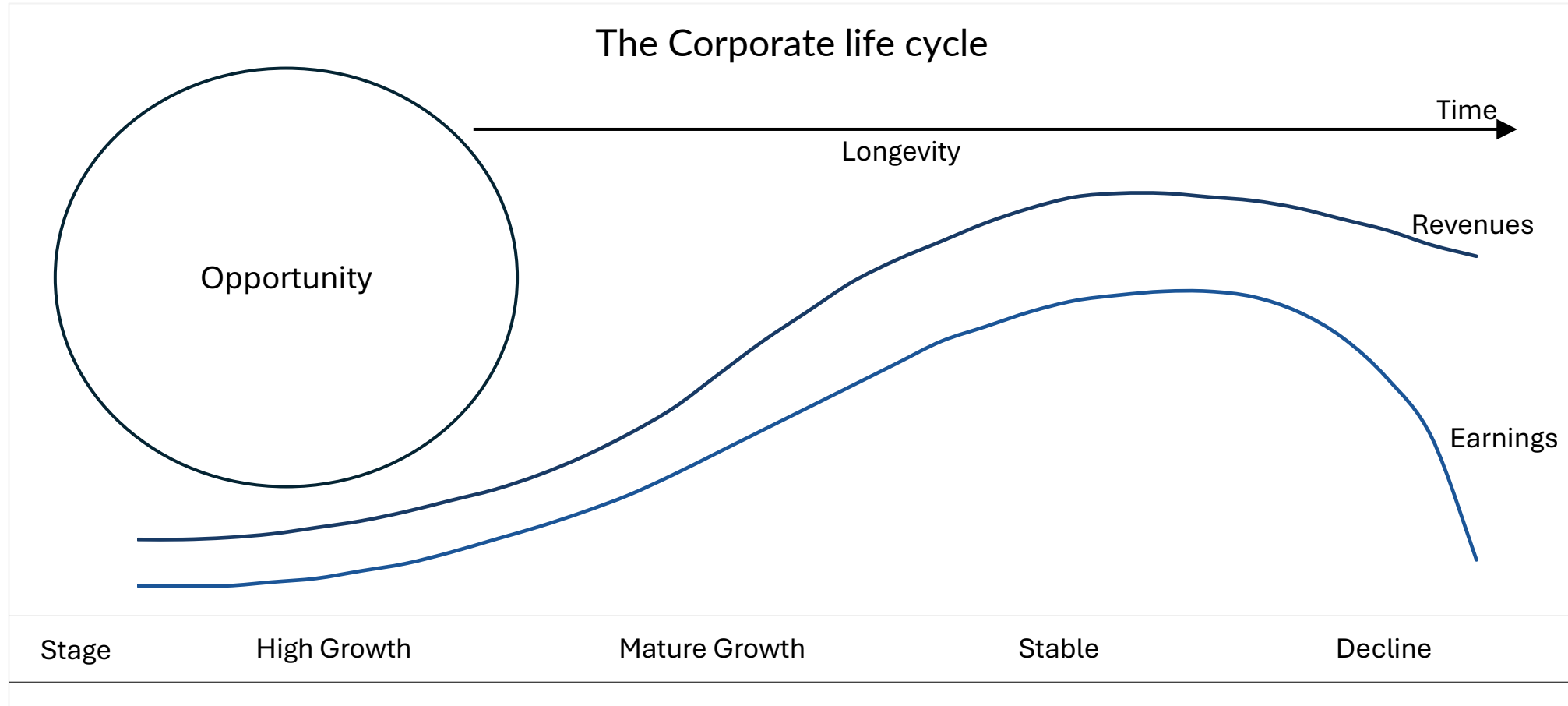
Growth

Cyclical

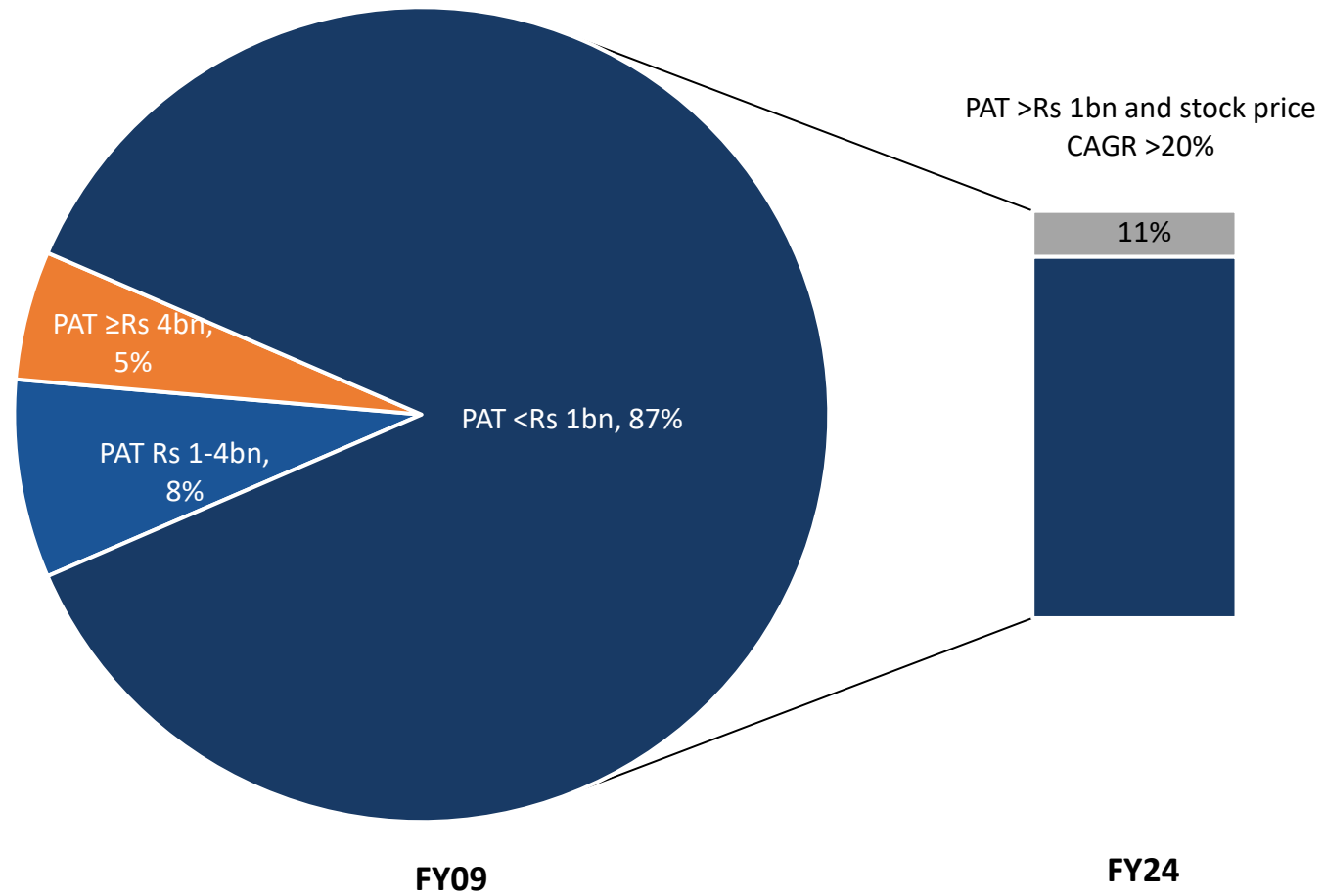
Turnaround

Growth Businesses

The Corporate life cycle



Small to large – Only few scale



APL Apollo Tubes (Mcap \$ 5bn) – 20x volumes in 15 yrs

APL Apollo Tubes (Rs bn)	Mar-09	Mar-14	Mar-19	Mar-24	CAGR / Median		
	FY09	FY14	FY19	FY24	15 Yr	10 Yr	5 Yr
Capacity (KTPA)	234	800	2,100	3,808	20%	17%	13%
Sales Volume ('000 MT)	120	530	1,339	2,618	23%	17%	14%
Revenues	5.3	25.7	71.5	181.2	27%	22%	20%
EBITDA	0.22	1.6	3.9	11.9	30%	22%	25%
EBITDA per MT (Rs)	1,864	3,108	2,933	4,553	6%	4%	9%
PAT	0.03	0.6	1.5	7.3	46%	29%	38%
PAT margin %	0.5%	2.3%	2.1%	4.0%	3.5%	3.5%	4.0%
RoIC %	3.3%	11.0%	12.1%	22.1%	13.3%	15.3%	22.0%
NWC % of Sales	34.9%	19.7%	10.8%	0.7%	14.0%	9.4%	2.7%
Net debt/ EBITDA (x)	3.8	3.0	2.1	0.0	2.1	1.8	0.2
Market Cap - YE	0.7	4.6	34.2	415.2	53%	57%	65%
PE - 1 Year forward (x)	27.9	7.8	23.1	56.7	15.6	26.5	48.6

Neuland Labs (Mcap \$ 1bn) – Focused on CDMO

Neuland Labs (Rs bn)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Product Cycle	GDS - Prime APIs				GDS - Specialty APIs and CMS									CMS	
Capex	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.4	1.3	0.6	0.5	1.1	1.0	0.7	1.4
Capex to Sales %	8.4%	2.1%	1.2%	3.1%	2.5%	3.3%	3.8%	7.1%	25.3%	9.5%	6.4%	11.2%	10.3%	5.6%	9.2%
Gross block to Sales (x)	1.3	1.6	1.8	1.8	1.8	1.8	1.8	2.5	2.8	2.7	2.1	1.9	1.6	1.8	2.1
Revenues	2.8	4.0	4.5	4.6	4.7	4.7	5.1	5.8	5.3	6.7	7.6	9.4	9.5	11.9	15.6
Revenue growth % YoY	-9.2%	42.6%	13.0%	2.7%	1.1%	0.7%	8.7%	13.5%	-8.9%	26.4%	14.4%	22.8%	1.5%	25.2%	30.8%
Gross margin %	41.8%	37.0%	36.5%	41.6%	47.1%	48.0%	50.3%	54.6%	54.8%	45.1%	50.2%	53.2%	55.6%	59.9%	63.0%
Fixed Cost % of Sales	33.3%	25.1%	26.1%	29.0%	31.9%	33.8%	34.5%	36.2%	45.2%	36.3%	36.8%	37.5%	40.6%	37.0%	33.3%
EBITDA	0.2	0.5	0.5	0.6	0.7	0.7	0.8	1.1	0.5	0.6	1.0	1.5	1.4	2.7	4.6
EBITDA margin %	8.5%	11.9%	10.4%	12.5%	15.2%	14.2%	15.8%	18.4%	9.6%	8.8%	13.4%	15.7%	15.0%	22.8%	29.7%
Recurring PAT	-0.1	0.1	0.0	0.1	0.3	0.2	0.3	0.5	0.1	0.2	0.2	0.8	0.6	1.6	3.0
RoE %	-9.6%	7.4%	3.4%	15.8%	24.0%	11.2%	15.7%	12.8%	2.2%	2.6%	2.3%	10.8%	7.8%	17.8%	26.4%
Market Cap	0.5	0.6	0.6	0.7	2.0	3.0	6.2	13.3	6.3	8.7	3.6	26.8	13.2	23.1	81.1
PE - 1 Year forward (x)	10.3	24.7	4.1	2.7	12.5	10.8	13.3	110.1	38.4	53.6	4.5	42.0	8.1	7.7	33.3
PBV - 1 Year forward (x)	0.7	0.8	0.6	0.6	1.2	1.6	1.1	2.4	0.9	1.2	0.5	3.2	1.3	1.8	5.4

Aditya Vision (Mcap \$ 0.6bn) – Underpenetrated markets

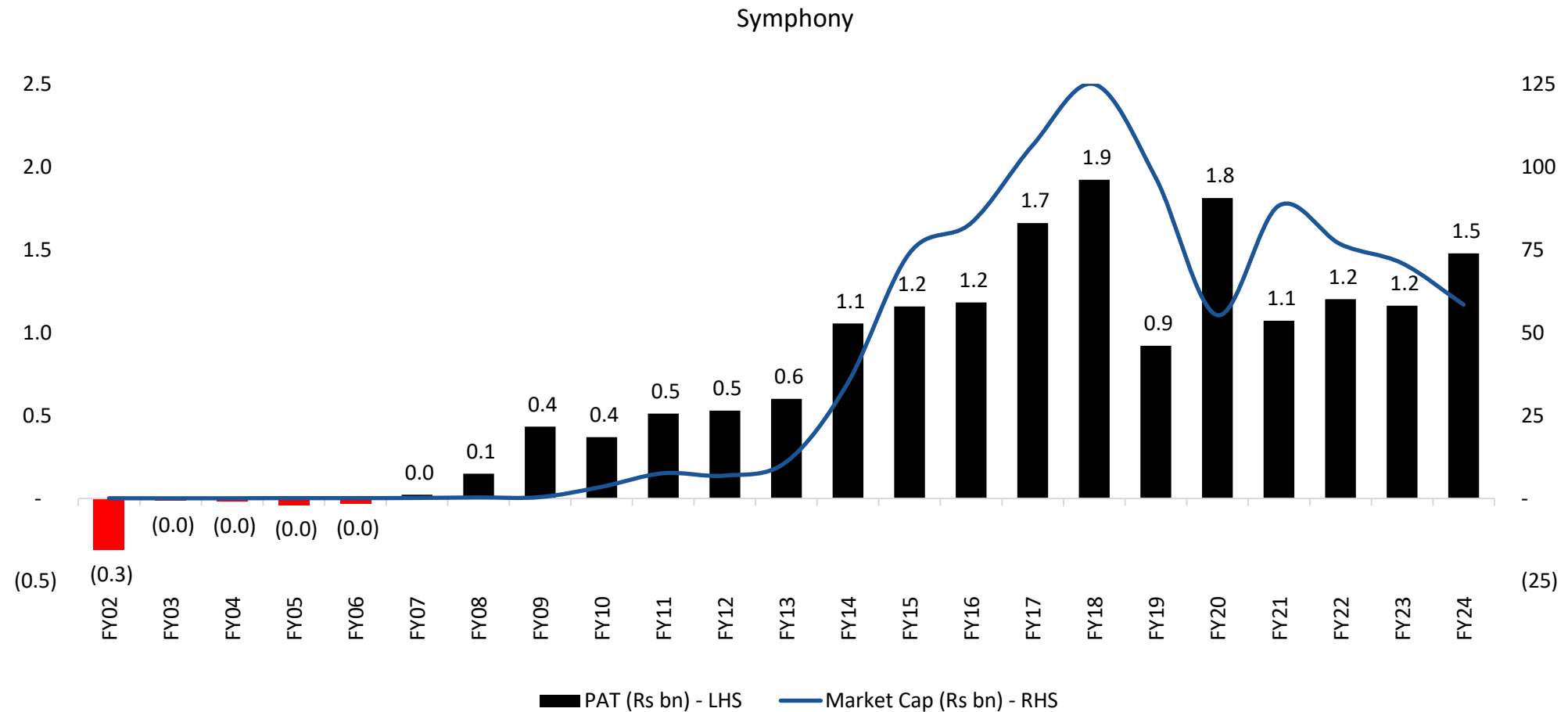
Per Store Matrix (Rs mn)	FY24
Area per Store (sqft)	4,000
Capex per Store	5.5-6.5
Working capital per Store	20-22.5
Revenue per Store	180
Gross margin %	13-15%
EBITDA margin %	7-8%
PAT per Store	7-8
RoE %	22-25%
Store Break even	< 6-8 months

Aditya Vision (Rs mn)	Mar-21	Mar-22	Mar-23	Mar-24	Potential	
	FY21	FY22	FY23	FY24	3 Years	5 Years
Avg Stores (nos)	54	72	92	125	200	300
Revenue per Store	140	126	144	139	200	200
EBITDA per Store	7.8	11.6	14.5	13.4	16.0	16.0
PAT per Store	4.6	4.9	7.0	6.2	7.5	7.5
Revenue	7,480	8,991	13,222	17,433	40,000	60,000
EBITDA	416	831	1,330	1,675	3,200	4,800
EBITDA margin %	5.6%	9.2%	10.1%	9.6%	8.0%	8.0%
PAT	247	353	641	771	1,500	2,250
PAT margin %	3.3%	3.9%	4.9%	4.4%	3.8%	3.8%
Market Cap - YE	2,191	8,679	18,604	44,047		

Medi Assist (Mcap \$ 0.5bn)- Niche in health Insurance

Medi Assist (Rs mn)	Mar-22	Mar-23	Mar-24	Opportunity		
	FY22	FY23	FY24	3 Yr	5 Yr	5 Yr
PUM	110	146	191	329	383	474
PUM growth / CAGR %	40%	32%	31%	20%	15%	20%
Take rate %	3.1%	3.0%	2.8%	3.0%	3.0%	3.0%
Revenues	3,938	5,049	6,347	11,324	13,247	15,973
Revenue growth / CAGR %	22%	28%	26%	21%	16%	20%
EBITDA	912	1,193	1,333	2,491	2,914	3,514
EBITDA margin %	23.2%	23.6%	21.0%	22.0%	22.0%	22.0%
Recurring PAT	616	741	879	1,454	1,701	2,051
PAT growth / CAGR %	134%	20%	19%	18%	14%	18%

Symphony (Mcap \$ 1bn) – Profits stagnates , stock stagnates



Longevity - Understanding the moat

Intangibles

Scale advantage

Capital allocation

“ You make real money sitting on your assets ”

Charlie Munger

HDFC Bank (Mcap \$ 146bn) – Deposit focused, retail franchise

HDFC Bank (Rs bn)	Pre-merger of HDFC Ltd					Post-Merger	CAGR / Median - FY23			
	FY03	FY08	FY13	FY18	FY23	FY24	20 Years	15 Years	10 Years	5 Years
Branches (nos)	231	761	3,065	4,787	7,817	8,734	19%	17%	10%	10%
NIM %	3.3%	4.9%	4.6%	4.4%	4.1%	3.8%	4.4%	4.4%	4.4%	4.1%
Other income to Assets %	1.7%	2.0%	1.9%	1.6%	1.4%	1.4%	1.7%	1.7%	1.6%	1.5%
Cost to Income %	45.4%	49.9%	49.6%	41.0%	40.4%	41.1%	44.6%	44.3%	40.7%	38.6%
PPOP Margin %	54.6%	50.1%	50.4%	59.0%	59.6%	58.9%	55.4%	55.7%	59.3%	61.4%
Credit costs %	1.5%	2.7%	0.8%	1.0%	0.8%	0.6%	1.3%	1.0%	0.9%	1.2%
RoA %	1.4%	1.4%	1.8%	1.8%	1.9%	1.9%	1.8%	1.8%	1.9%	1.9%
RoE %	18.4%	17.7%	20.3%	17.9%	17.0%	16.4%	17.8%	17.0%	17.4%	16.6%
Deposits	224	1,008	2,962	7,888	18,834	23,798	25%	22%	20%	19%
Net Advances	118	634	2,397	6,583	16,006	24,849	28%	24%	21%	19%
CASA %	43.0%	54.5%	47.4%	43.5%	44.4%	38.2%	47.7%	44.8%	44.2%	44.4%
CD Ratio %	52.5%	62.9%	80.9%	83.5%	85.0%	104.4%	81.0%	83.5%	85.0%	86.6%
PAT	3.9	15.9	67.3	174.9	441.1	589.3	27%	25%	21%	20%
EPS (Rs)	1.4	4.5	14.1	33.7	79.1	77.6	22%	21%	19%	19%
BVPS (Rs)	8.0	32.4	76.1	204.8	502.2	579.5	23%	20%	21%	20%
Share Price (Rs) - YE	23	133	313	943	1,610	1,448	24%	18%	18%	11%
PBV 1 Yr forward (x)	2.5	3.1	3.4	3.3	2.6	2.2	3.2	3.4	3.2	2.9

Titan (Mcap \$ 38bn) – Brand Power (Trust)

Titan (Rs bn)	Mar-04	Mar-09	Mar-14	Mar-19	Mar-24	CAGR / Median			
	FY04	FY09	FY14	FY19	FY24	20 Years	15 Years	10 Years	5 Years
Jewellery	4.3	27.6	86.3	164.5	452.2	26%	20%	18%	22%
Watches & Wearables	4.7	9.1	17.9	24.4	39.0	11%	10%	8%	10%
EyeCare	0.0	0.0	0.0	5.1	7.2	na	na	na	7%
Emerging Business	0.0	1.4	5.1	6.1	11.4	na	15%	8%	13%
Unallocated	0.0	0.3	0.0	-0.5	6.3	na	23%	na	na
Revenues	9.0	38.3	109.3	197.8	510.8	22%	19%	17%	21%
EBITDA	0.9	3.0	10.4	19.9	52.9	23%	21%	18%	22%
EBITDA margin %	10.1%	7.9%	9.6%	10.1%	10.4%	9.6%	9.6%	10.1%	11.6%
Recurring PAT	0.2	1.6	7.3	14.1	35.0	30%	23%	17%	20%
Rec PAT margin %	2.0%	4.3%	6.7%	7.1%	6.8%	6.7%	6.8%	7.0%	7.1%
RoE %	17.7%	32.7%	32.7%	25.2%	32.9%	31.7%	29.1%	24.9%	26.4%
Market Cap - YE	4	35	233	1,014	3,375	39%	36%	31%	27%

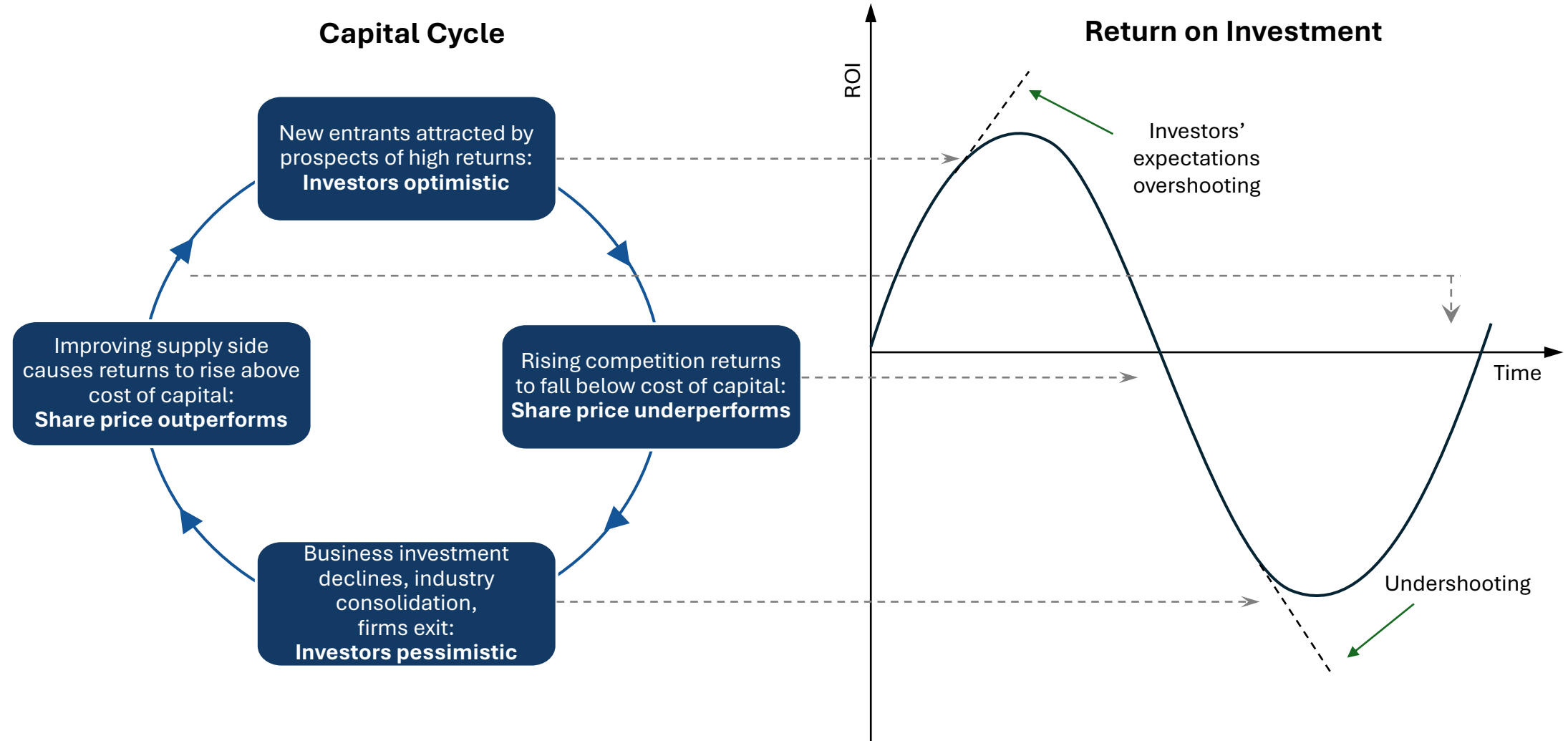
Avenue Supermarts (Mcap \$ 37bn) – Value retailer

DMART - Per Store Economics (Rs mn)			
Revenue	1,450	Current Stores (nos)	365
EBITDA	145	Current EV (Rs bn)	3,089
EBITDA margin %	10%	EV per Store (Rs bn)	8.5
PAT	100		
Capex	287	Derived value per store	1,377
Net Working Capital	70	Stores reflected in current price (nos)	2,216
Capital Employed	357		
RoCE %	28%		

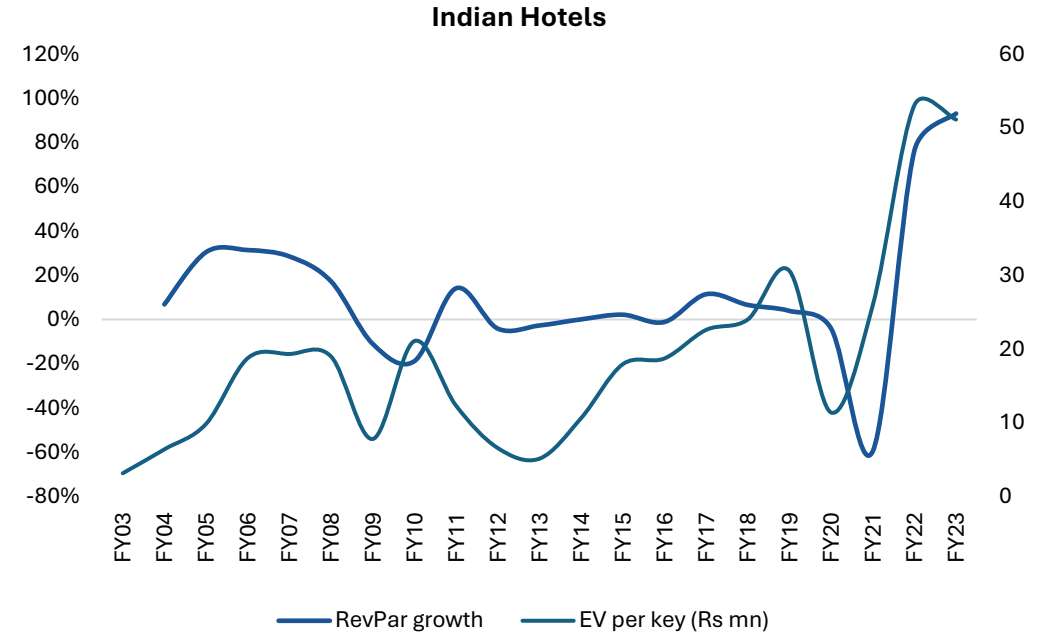
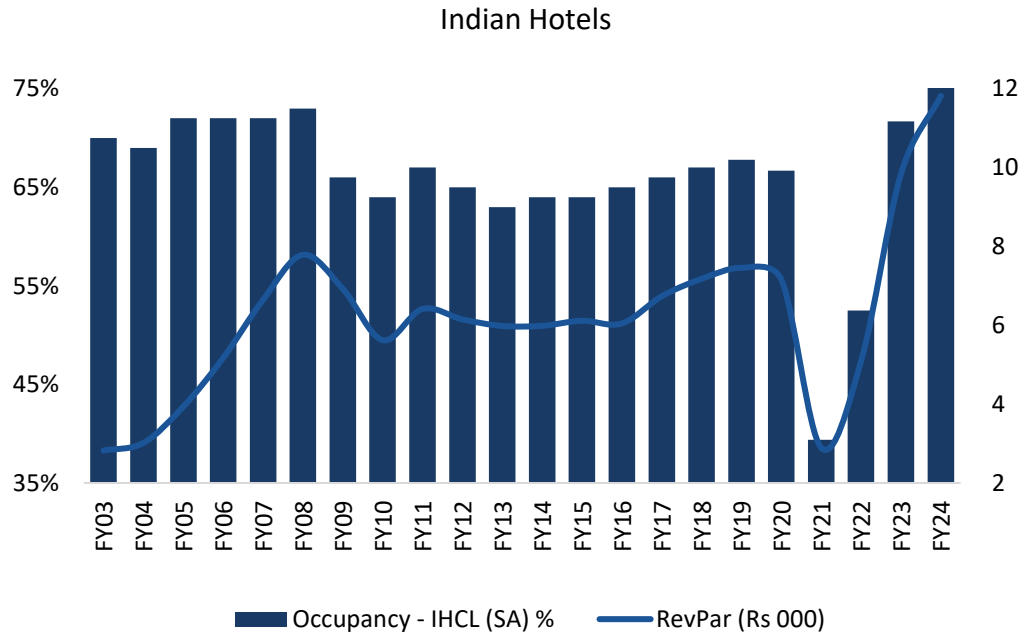
Product	Quantity	MRP (Rs)	DMART	Blinkit	Jiomart	Instamart	Zepto
Fortune Everyday Basmati Rice	5 kg	845	549	625	549	585	603
Aashirvaad Superior MP Wheat Atta	10 kg	583	491	504	491	533	504
Brooke Bond Red Label Natural Care Tea	1 kg	600	468	480	468	498	490
Surf Excel Easy Wash Detergent Powder	5 kg	770	560	742		647	650
Vim Lemon Dishwash Liquid	750 ml	199	154	188	154	179	178
Fortune Kachi Ghani Mustard Oil	1 Ltr	180	146	139	151	142	145
Sunsilk Stunning Black Shine Shampoo	650 ml	765	382	612	365	612	625

Cyclicals

Cyclicals



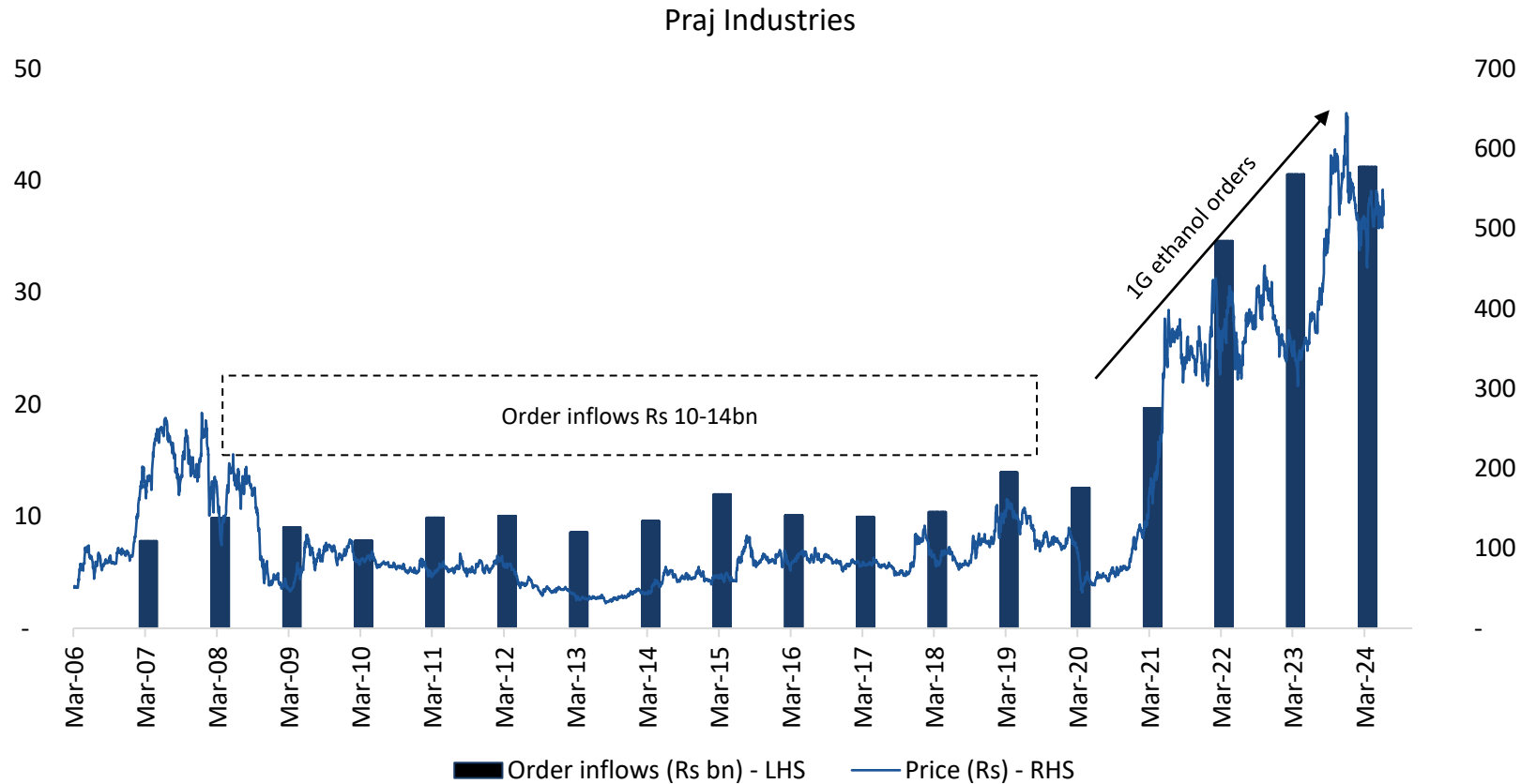
Indian Hotels (Mcap \$ 10bn) – Supply Demand



Laurus (Mcap \$ 2.8bn) – Product and capex cycle

Laurus Lab (Rs bn)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Product cycle	Efavirenz / Lamuvidine				Sofosbuvir			Formulations			CDMO - One off (Covid)		
Capex	0.4	1.2	3.1	3.8	3.3	2.8	3.9	2.5	2.2	6.9	8.8	9.9	6.8
Capex to Sales %	9.8%	16.5%	26.7%	28.9%	18.4%	14.6%	19.0%	11.1%	7.8%	14.3%	17.8%	16.4%	13.5%
Gross block to Sales (x)	1.7	2.4	2.4	1.6	1.7	1.5	1.3	1.2	1.3	1.9	1.6	1.5	1.0
Revenues	4.5	7.2	11.6	13.3	17.8	19.0	20.6	22.9	28.3	48.1	49.4	60.4	50.4
Revenue growth % YoY	na	59.4%	61.4%	14.4%	34.0%	7.1%	8.0%	11.5%	23.6%	70.0%	2.5%	22.4%	-16.6%
Gross margin %	41.5%	43.0%	37.9%	38.1%	43.7%	48.1%	48.6%	46.1%	50.1%	55.2%	55.6%	54.1%	51.7%
Fixed costs % of Sales	25.6%	23.1%	20.3%	23.4%	23.4%	26.7%	28.5%	30.6%	30.2%	22.9%	26.7%	27.7%	36.3%
EBITDA	0.7	1.4	2.0	2.0	3.6	4.1	4.1	3.6	5.6	15.5	14.2	15.9	7.8
EBITDA margin %	15.8%	19.9%	17.6%	14.7%	20.4%	21.4%	20.1%	15.5%	19.9%	32.2%	28.8%	26.4%	15.4%
Recurring PAT	0.2	0.9	1.0	0.7	1.3	1.9	1.7	0.9	2.6	9.8	8.3	7.9	1.6
RoE %	12.8%	41.2%	31.5%	12.7%	16.9%	17.4%	11.9%	6.2%	15.3%	45.1%	28.0%	21.5%	4.0%
Market Cap	0.0	0.0	0.0	0.0	0.0	55	53	43	35	194	317	158	211
PE - 1 Year forward (x)	na	na	na	na	na	32.6	56.9	16.7	3.5	23.3	40.0	97.2	52.8
PBV - 1 Year forward (x)	na	na	na	na	na	3.7	3.4	2.4	1.3	5.8	7.9	3.8	4.8

Praj (Mcap \$ 1.5bn) – Order book drives the stock

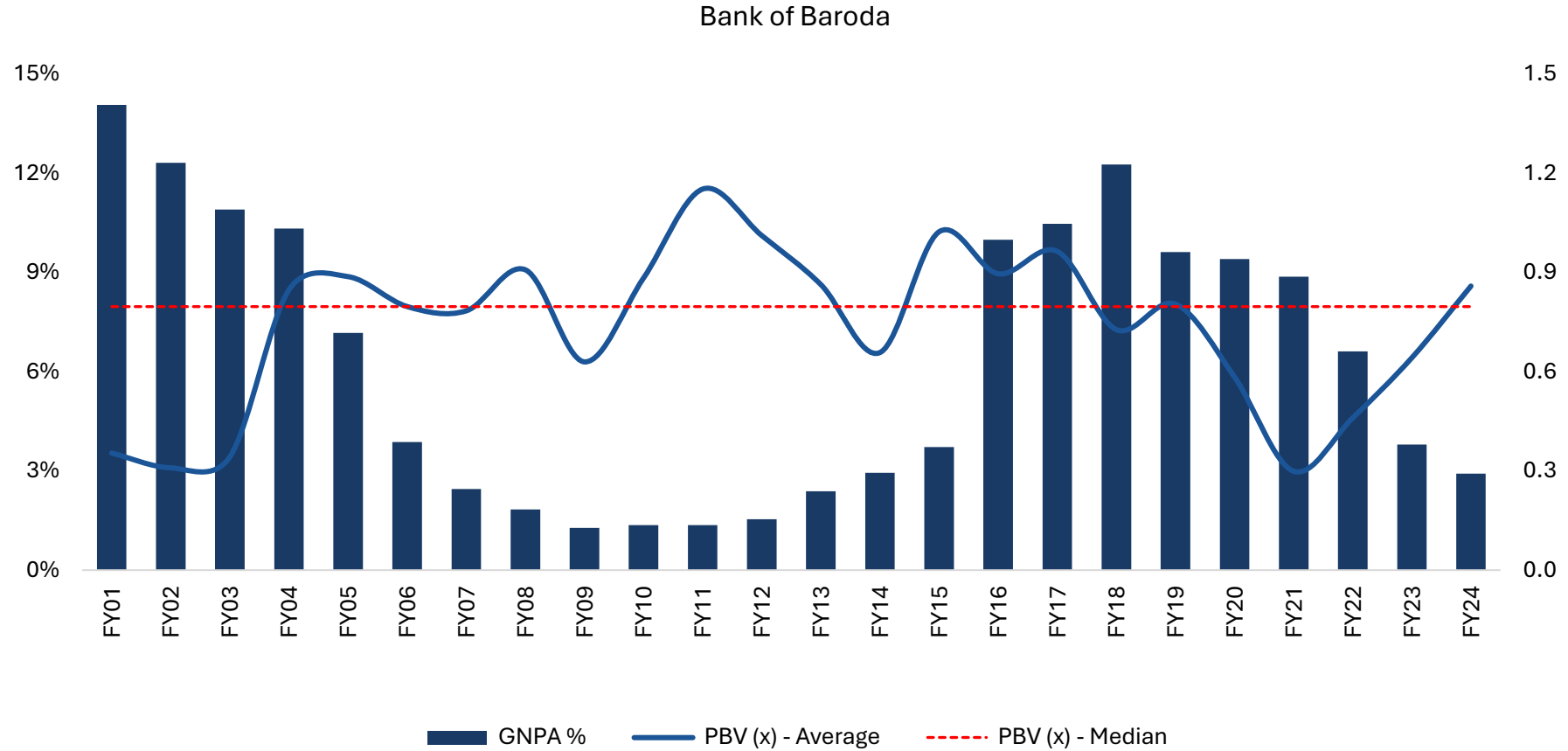


PVR-Inox (Mcap \$ 1.6bn) – High operating leverage

Per Screen Matrix (Rs mn)	Case1	Case2	Case3
Initial capex per screen	35	35	35
Occupancy %	26%	30%	34%
Ticket price (Rs)	260	260	260
Ticket price growth %	5%	5%	5%
Total Revenue	36.7	41.7	46.6
EBITDA	5.8	8.8	11.9
EBITDA margin %	15.8%	21.2%	25.6%
PAT	0.5	2.8	5.1
RoE %	2.3%	13.5%	23.4%
Enterprise Value per Screen - derived	57	88	119
Screens in Current Valuation			
Curren Screens (nos)	1,718	1,718	1,718
Market Cap (Rs bn)	131	131	131
Add: Net debt (Rs bn)	13	13	13
Current EV (Rs bn)	144	144	144
Current EV per store (Rs mn)	84	84	84
Screens factored in current price (nos)	2,532	1,640	1,213

PVR-Inox (Rs bn)	FY19	FY20	FY21	FY22	FY23	FY24
Occupancy %	36.2%	34.9%	10.3%	22.1%	26.4%	25.6%
Revenues	30.9	34.1	2.8	13.3	37.5	61.1
Adjusted EBITDA	5.9	5.8	-4.5	-2.3	3.2	7.1
Adjusted PAT	1.9	1.3	-6.7	-4.2	-2.4	1.2
Net Debt	12.4	9.7	6.2	9.3	14.3	13.0
Net debt to EBTIDA (x)	2.1	1.7	-1.4	-4.0	4.5	1.8
Capital raise	-	5.0	10.9	0.2	0.3	0.2

Bank Of Baroda (Mcap \$ 17.5bn) – Credit cycle

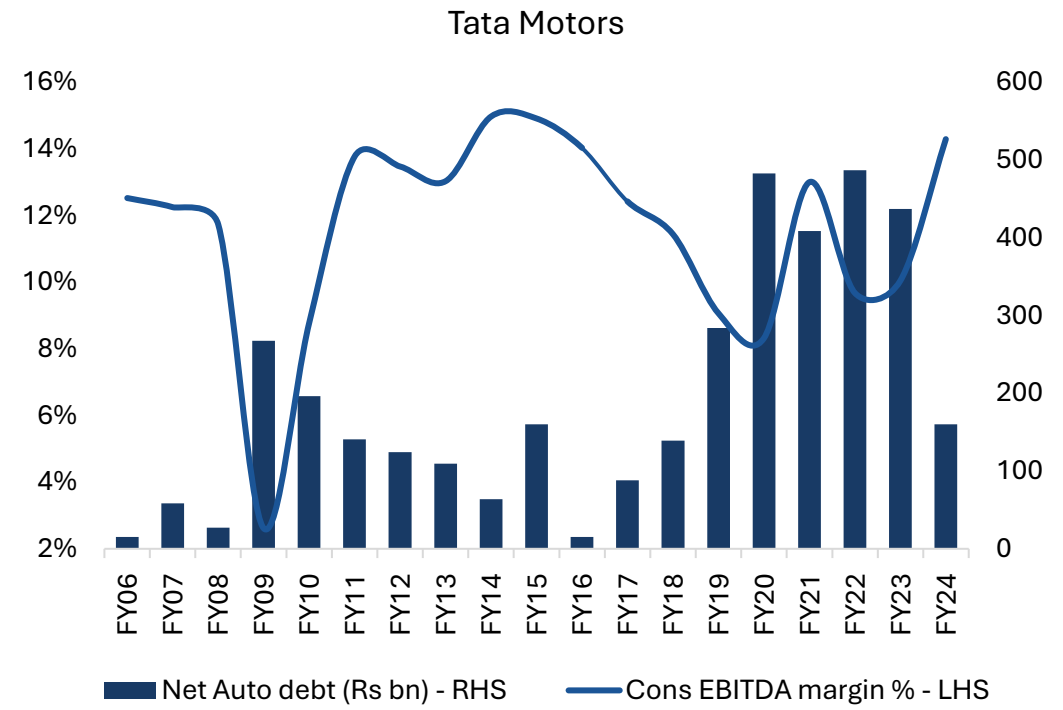
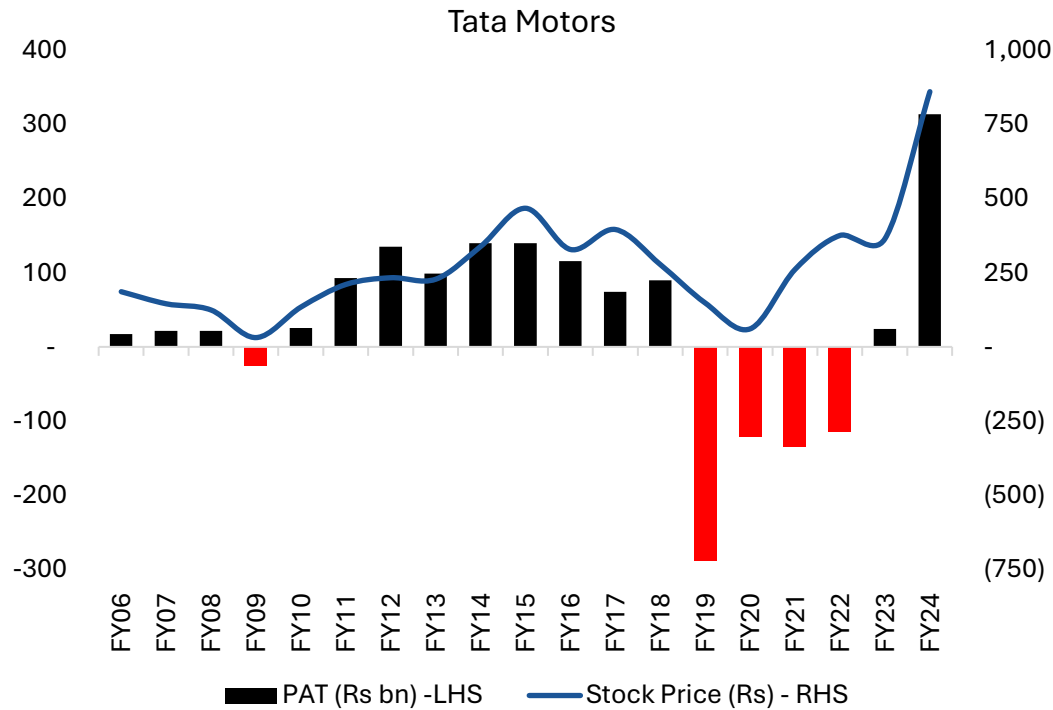


Turn Arouds

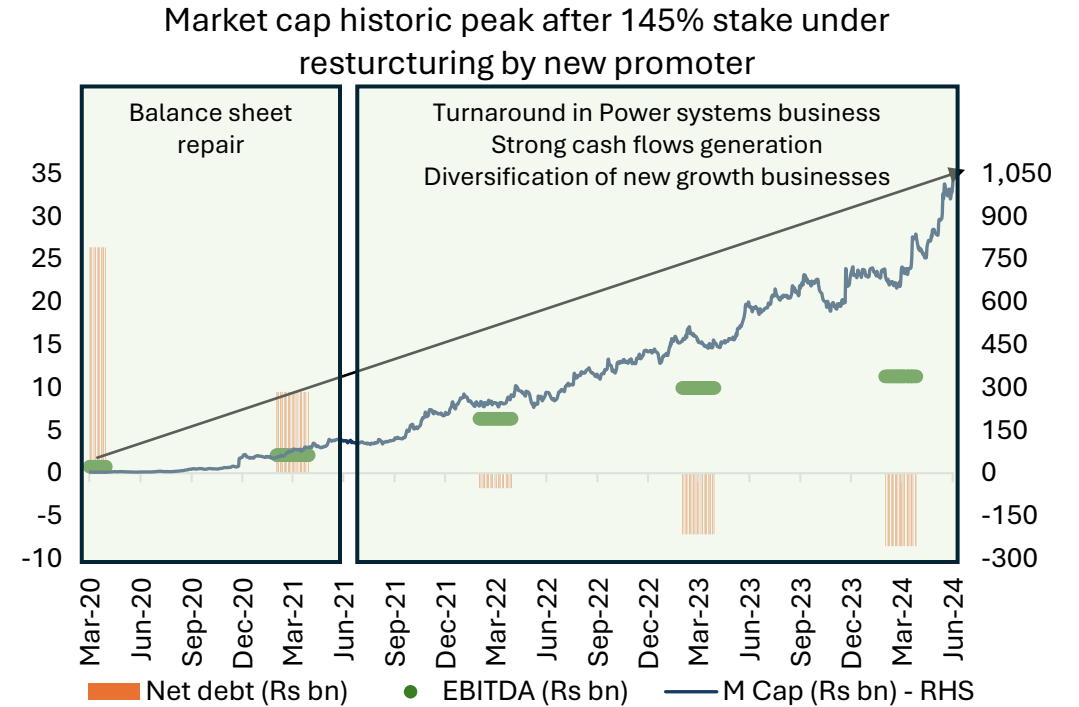
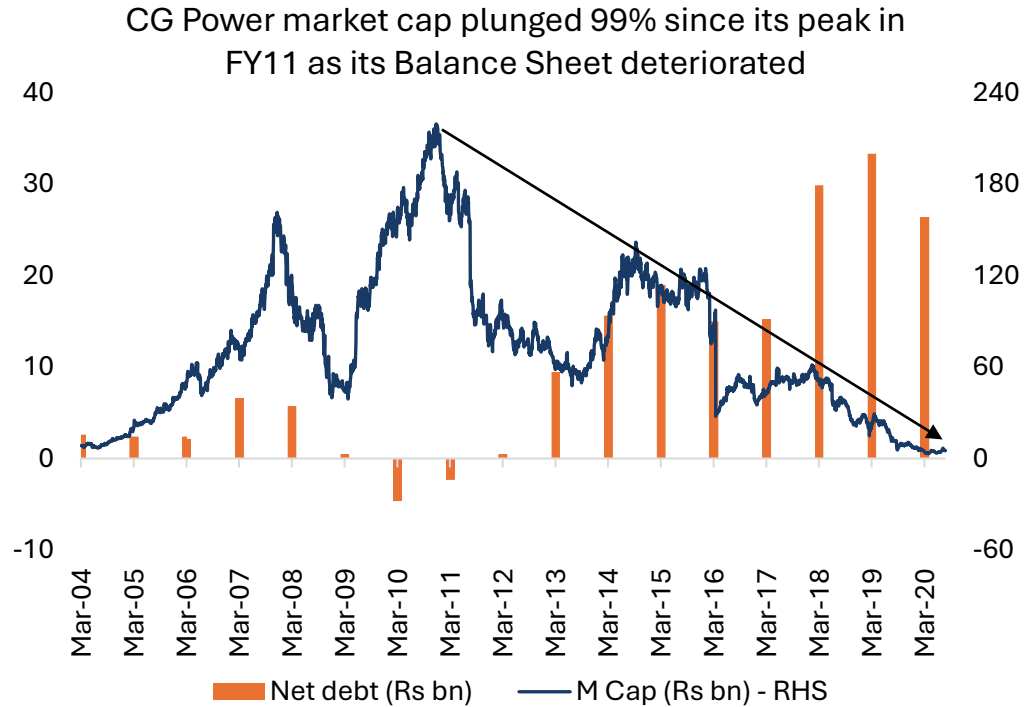
Turnaround



Tata Motors (Mcap \$ 40bn) – Balance Sheet and product cycle

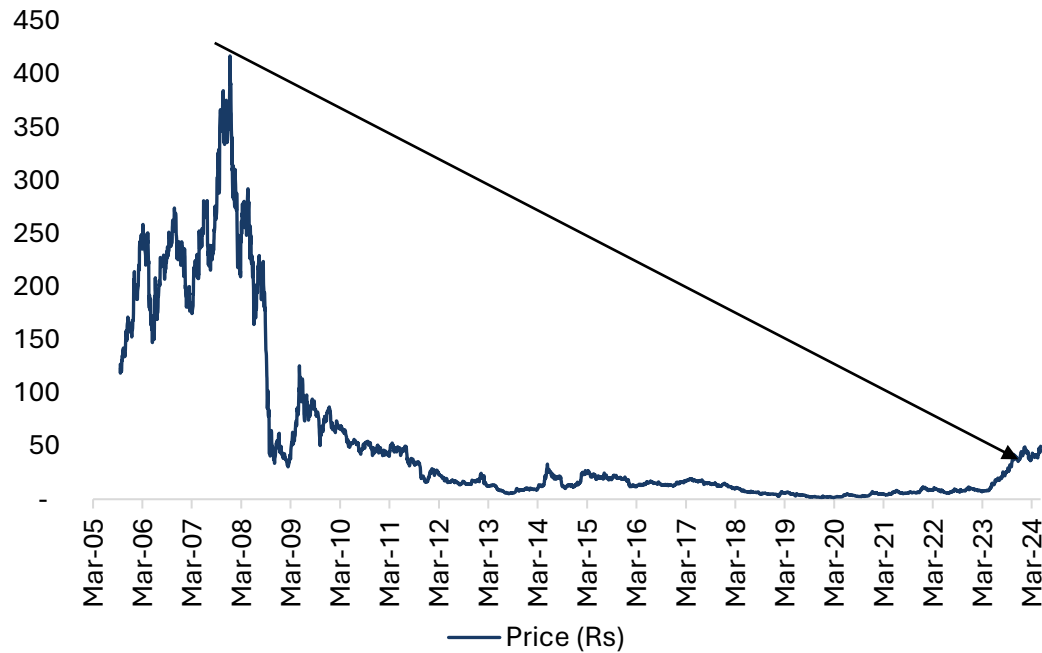


CG Power (Mcap \$ 12.5bn) – Management driven turnaround

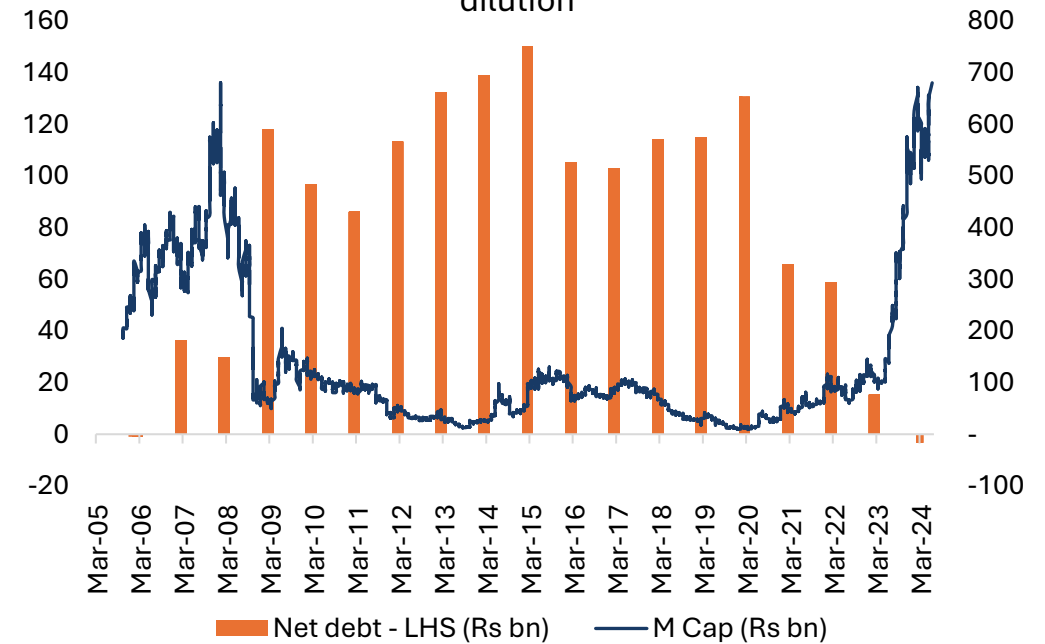


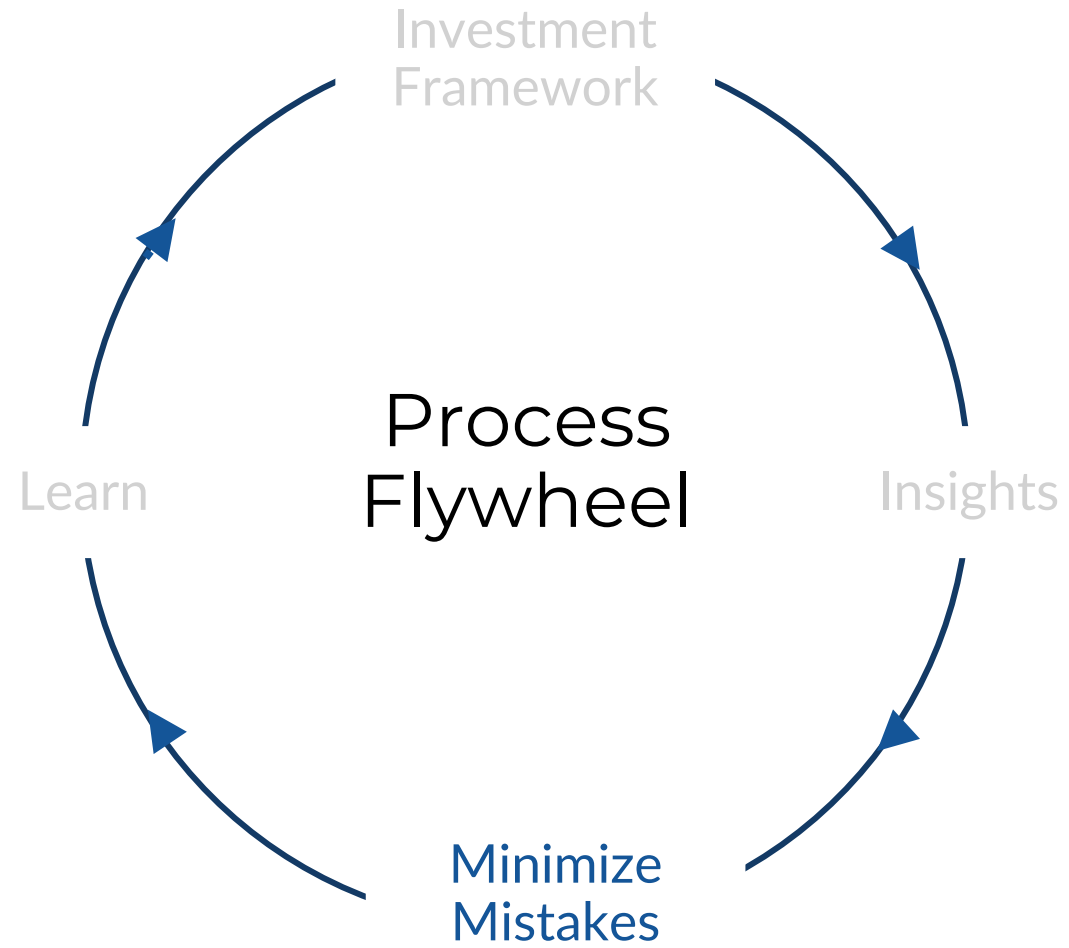
Suzlon (Mcap \$ 8bn) – B/S restructured

Suzlon Price 90% low since its peak in FY08



Market cap close to historic peak after 735% stake dilution





Survive - Reduce Mistakes



Allowing emotions not reasons to guide decisions



Thinking you know more than you do



Backing dishonest management



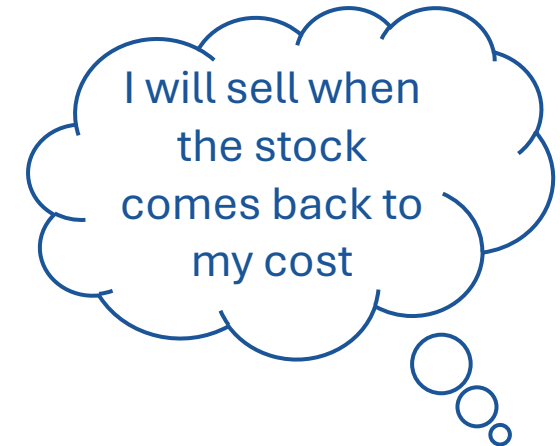
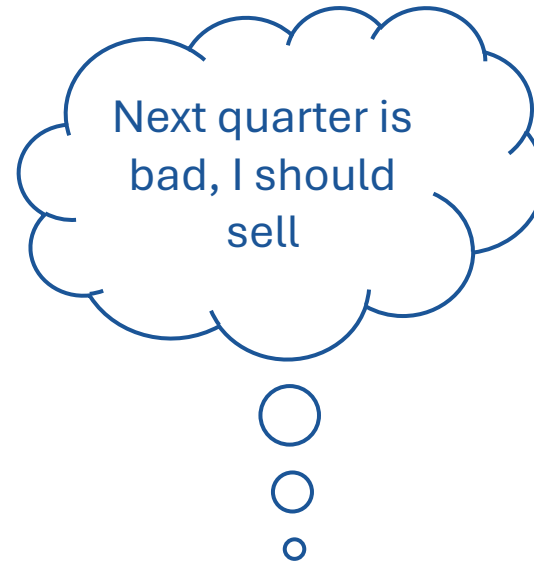
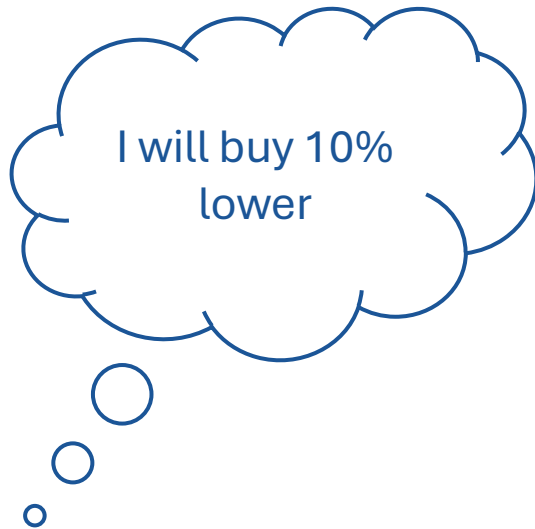
Choosing businesses prone to failure

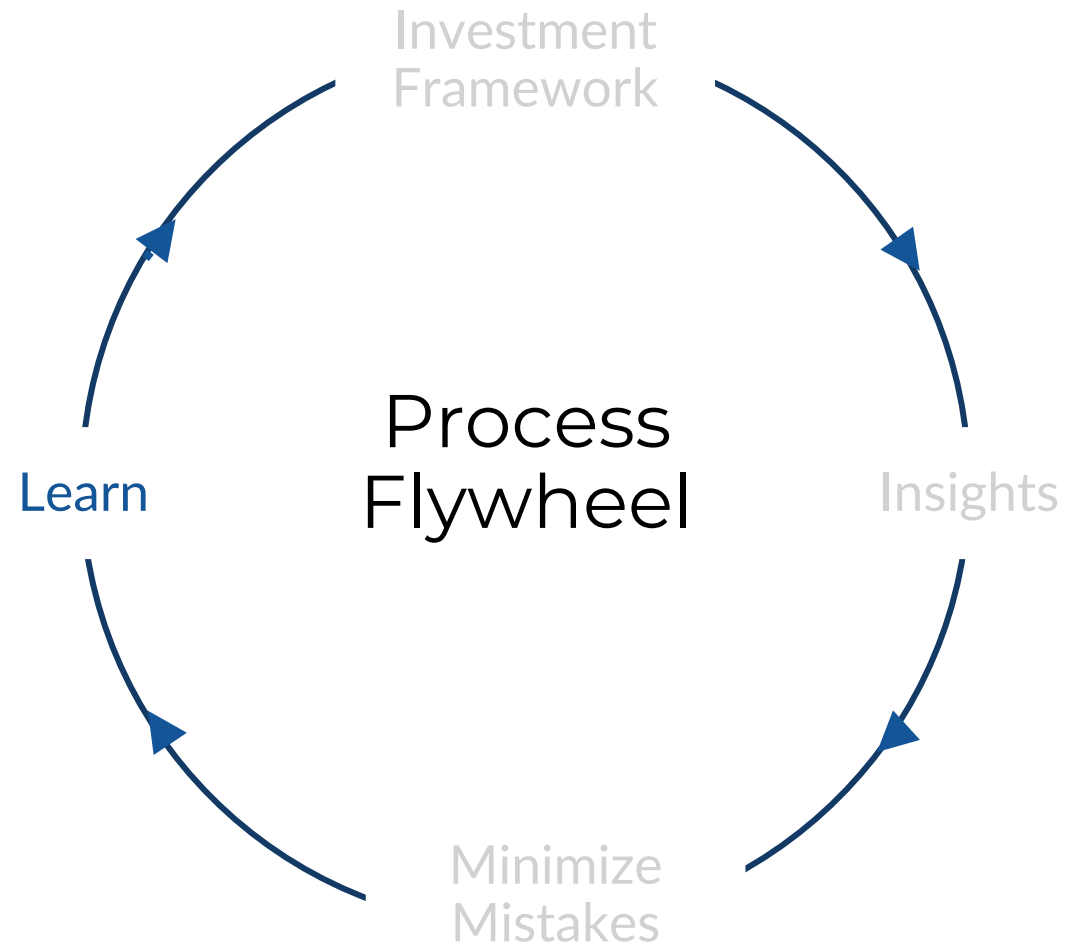


Over paying for stocks

Convert insights into action

Losses over short-term dominate investor psychology – Myopic loss aversion is one the biggest psychological reasons observed which prevents investors for doing well in the stock markets.





We learn through recognising patterns

“ Learning is a process of trial and error in which favorable responses to new situations (stimuli) actually alter the neural connections between brain cells. That is, the process of learning affects the synaptic connections between neurons, which are continually adjusting as they recognize familiar patterns and accommodate new information. ”

Edward Thorndike
Theory of Connectionism

Neural
Network

Just like the brain, neural networks ability to recognize complex patterns, classify new information into patterns, and draw associations between the new data.

The more models you have—the bigger your toolbox—the more likely you are to have the right models to see reality.

Mental
Models

“ When skill is predominant in a field the best course of action is to engage in deliberate practice with feed back and coaching; when luck is predominant, no point worrying about results, get the process right to succeed long-term ”

Michael Mauboussin

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