

Jeetay Investments Pvt. Ltd



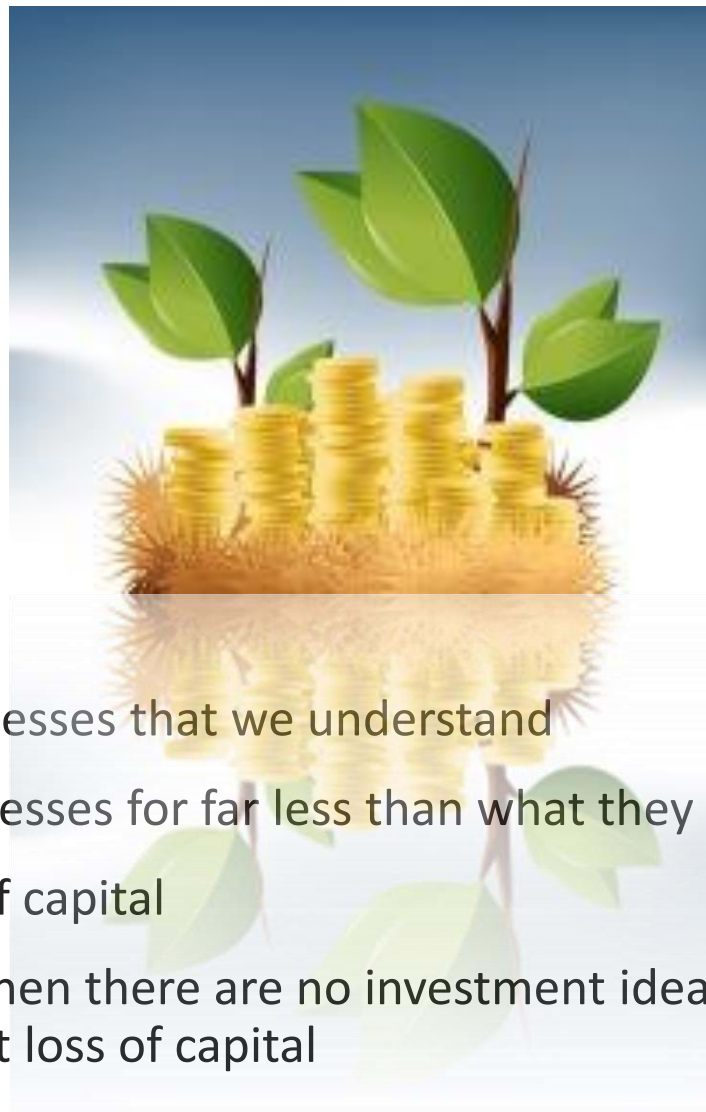
“The market is a pendulum that forever swings between unsustainable optimism and unjustified pessimism. The intelligent investor is a realist who sells to optimists and buys from pessimists.”

Jeetay Mission Statement

To prudently grow client wealth following sound and established value investing principles



The Guiding Principles Of Jeetay



- Investing in businesses that we understand
- Buying into businesses for far less than what they are worth
- Ensuring safety of capital
- Sitting on cash when there are no investment ideas, rather than running the risk of permanent loss of capital

Analytical vigor to determine whether a stock is mispriced



- Asset value bargains
- Debt capacity bargains
- Earnings power bargains
- Special situations and analysis of corporate actions

Promoters - Chetan Jitendra Parikh

Chetan Jitendra Parikh

- Chetan Parikh is a co-promoter of Jeetay Investments Private Limited, a portfolio management firm registered with SEBI. He is also a co-promoter and director of Jasmine India Fund, a Mauritius based India dedicated Fund
- He holds an MBA in Finance from the Wharton School of Business (where he graduated with distinction in the top 2% of the class) and a BSc in Statistics & Economics from University of Bombay (Economics record holder in Bombay University). He also serves as visiting faculty at Jamnalal Bajaj Institute of Management Studies (University of Bombay) for the MBA course
- His writings have been published in Business Standard, Business World, The Economic Times and Business India. His work can also be read at www.capitalideasonline.com

Director - Vinay Jitendra Parikh

Vinay Jitendra Parikh

- Vinay Parikh is a Director, founder, portfolio manager of Jeetay Investments Private Limited, a portfolio management firm registered with SEBI.
- He holds an MBA from the Wharton School of Business (where he graduated with distinction in the top 2% of the class) and a BSc in Statistics & Economics from University of Bombay. He has been investing in the Indian capital markets for over 25 years.
- Vinay has also advised leading business houses on financial strategy.

Jeetay Investments Private Limited

- Sebi registered Portfolio Manager
- Engaged in PMS activities since 2004
- Promoted by Chetan Parikh and Vinay Parikh
- Have a combined experience of over 50 years in the investment management industry

Chetan Parikh

- Chetan Parikh is a promoter of Jeetay Investments Private Limited. He is also associated with www.capitalideasonline.com, a website dedicated to investor education.
- He had obtained his MBA from the Wharton School. He had written for '*Investment Week*' which was a popular weekly financial publication in India and had developed a statistical model for them.
- His writings have been published in *Business Standard*, *Business World*, *Economic Times* and *Business India*.
- He has been rated as amongst one of India's best investors by *Business India*. He is a visiting faculty member of Jamnalal Bajaj Institute of Management Studies, Mumbai.

Vinay Parikh

- Vinay Parikh is a director, co-founder and Portfolio Manager of Jeetay Investments Private Limited.
- He holds an MBA from the Wharton School and a BSc in Statistics and Economics from the University of Bombay.
- He has been investing in the Indian Capital Markets for over 25 years.
- Vinay has also advised leading business houses on financial strategy/ investor relations.

Links

- Interview of Mr. Parikh at <http://therationalinvestor.blogspot.com/2011/02/interview-top-indian-value-investor.html>
- Abstracts of various letters from Jeetay to its investors since inception of the firm i.e. 2003 at www.jeetay.com
- Jeetay associate's long standing education website on investment wisdom www.capitalideasonline.com
- Listen to Mr. Parikh on youtube in programme RD 360 at <http://www.youtube.com/watch?v=2IBGZDW-RAs> (being interviewed by Ramesh Damani).
- Miguel Barbosa of SimoleonSense Interviews Prominent Indian Value Investor Chetan Parikh
- <https://www.gurufocus.com/news/75713/miguel-barbosa-of-simoleonsense-interviews-prominent-indian-value-investor-chetan-parikh>

Investment Philosophy

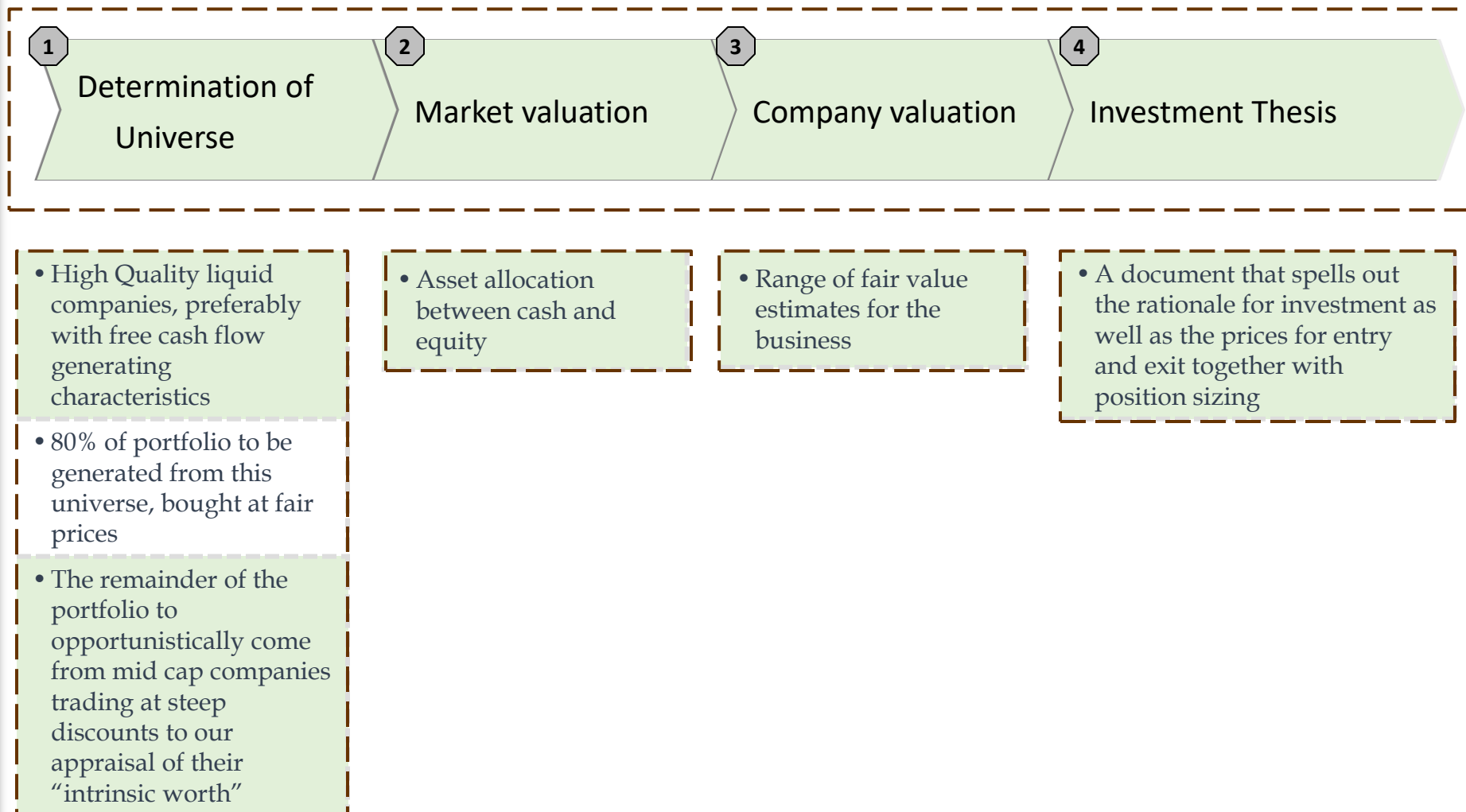
Valuation Driven

Bottom-up Investing

But against a backdrop of market valuation and cycle study:
to determine asset allocation

Accent on risk control
Cash / Equity Allocation - Position Sizing - Purchase with MOS

Investment Process



Index Valuation

Index Valuation



Historical Valuation



Trend Analysis

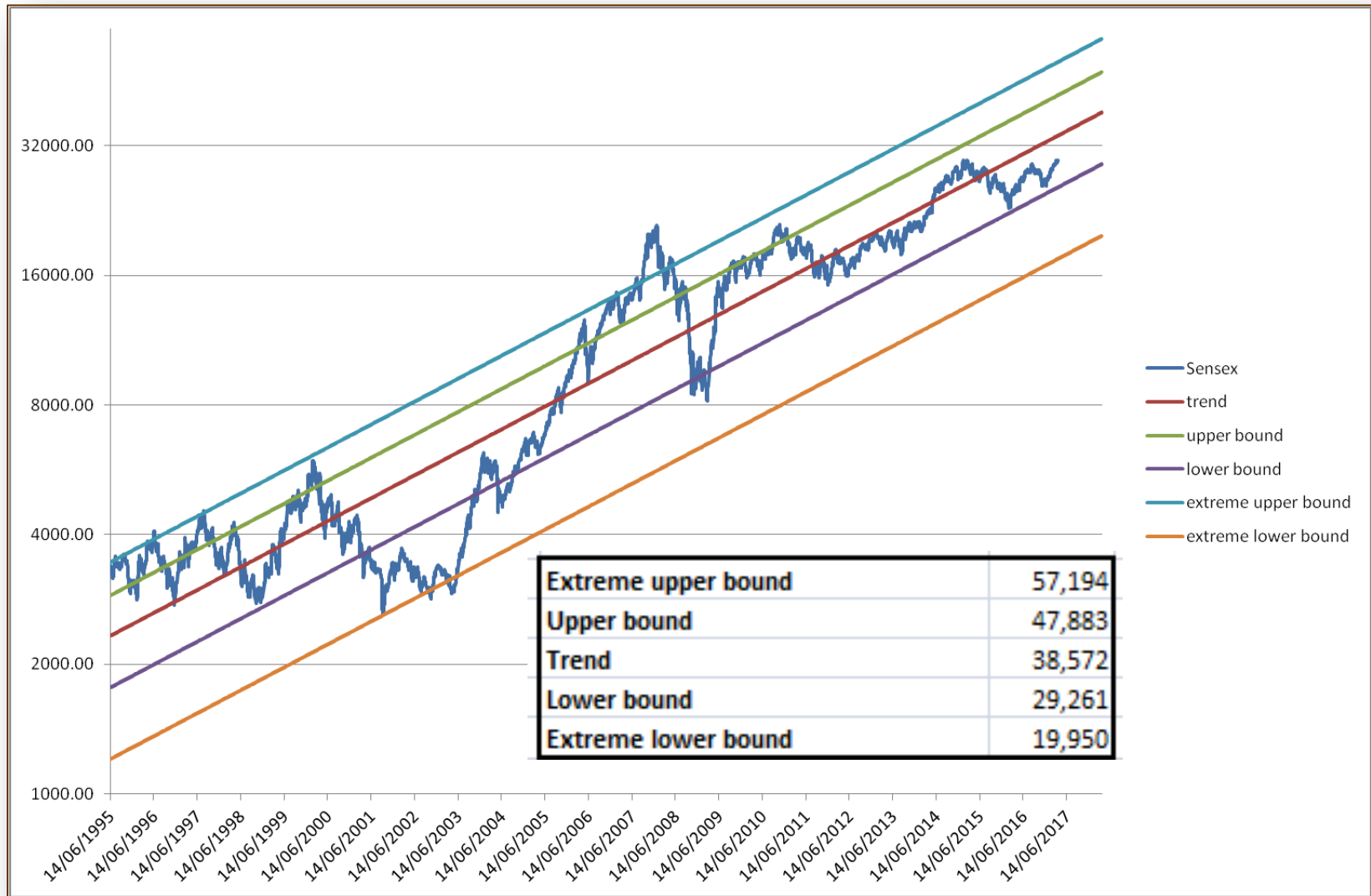


P/E Analysis

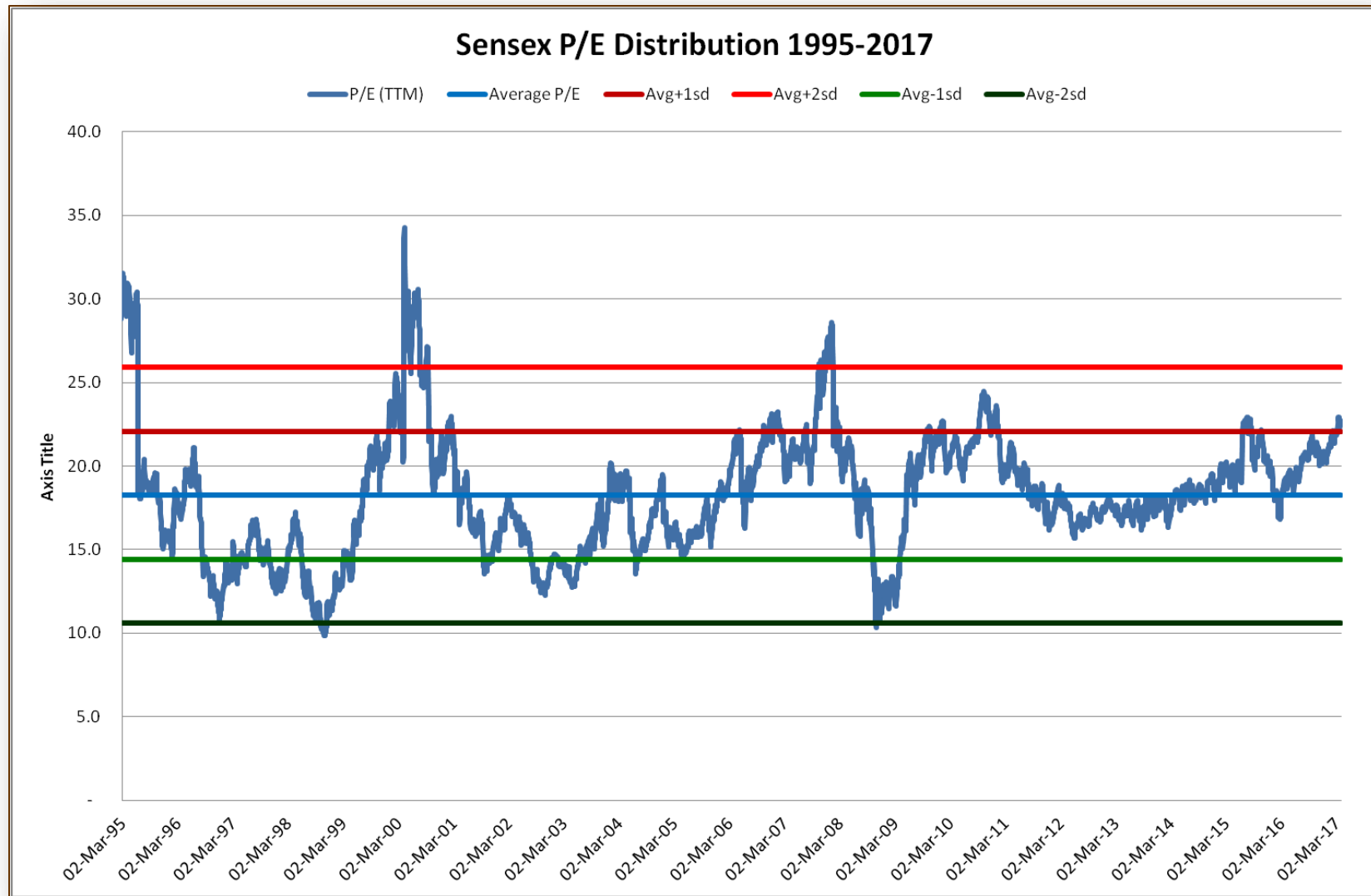
Historical Valuation

December Ending	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017E	2018E	
Sensex level at high	5,921	6,617	9,443	14,035	20,498	21,207	17,531	21,109	20,665	19,612	21,484	28,822	30,025	29,094			Ratio
Sensex Level at low	2,904	4,228	6,069	8,799	12,316	7,697	8,047	15,652	15,136	15,358	17,449	19,963	24,834	22,494			Used
Dividend Yield at High	1.2%	1.5%	1.2%	1.0%	0.8%	0.8%	1.0%	0.9%	1.0%	1.3%	1.4%	1.0%	1.2%	1.3%	36,598	41,209	1.1%
Dividend Yield at Low	2.5%	2.4%	1.9%	1.6%	1.3%	2.2%	2.1%	1.2%	1.4%	1.7%	1.7%	1.5%	1.4%	1.6%	24,108	27,146	1.6%
P/E at High	19.1	17.1	18.7	23.2	28.0	27.2	22.4	24.2	21.9	17.7	18.4	19.7	22.8	22.8	32,728	37,310	22.5
P/E at Low	9.4	10.9	12.0	14.5	16.8	9.9	10.3	18.0	16.1	13.9	15.0	13.6	18.9	17.6	21,797	24,848	15.0
Normalised PE at High	19.8	20.8	25.0	29.1	37.3	31.2	23.2	21.7	23.0	16.5	14.8	17.2	18.7	16.7	40,028	45,392	22.0
Normalised PE at Low	9.7	13.3	16.0	18.3	22.4	11.3	10.6	16.1	16.8	12.9	12.0	11.9	15.5	12.9	25,905	29,377	14.3
P/B at high	3.6	3.8	4.5	5.3	6.8	5.7	4.2	4.0	4.2	3.0	2.7	3.1	3.3	3.0	40,783	46,248	4.0
P/B at Low	1.8	2.4	2.9	3.3	4.1	2.1	1.9	2.9	3.1	2.3	2.2	2.2	2.8	2.3	26,371	29,905	2.6
															37,534	42,540	
															24,545	27,819	
Volatility	103.9%	56.5%	55.6%	59.5%	66.4%	175.5%	117.9%	34.9%	36.5%	27.7%	23.1%	44.4%	20.9%	29.3%			
																	CAGR
EPS	310	387	505	606	733	781	781	871	942	1,108	1,166	1,464	1,317	1,275	1,454	1,657	11.5%
	34.4%	24.8%	30.5%	20.0%	21.0%	6.5%	0.0%	11.5%	8.2%	17.6%	5.2%	25.6%	-10.0%	-3.2%	14.00%	14.0%	
Normalised EPS	299	319	378	482	550	680	757	972	899	1,190	1,454	1,674	1,603	1,742	1,818	2,061	14.5%
Book Value	1,645	1,751	2,079	2,646	3,023	3,739	4,158	5,341	4,938	6,541	7,989	9,197	9,006	9,789	10,213	11,581	14.7%
Dividend	72	101	113	140	163	167	173	193	208	258	301	302	347	365	390	440	13.3%
																	Average
RONW	18.8%	22.1%	24.3%	22.9%	24.2%	20.9%	18.8%	16.3%	19.1%	16.9%	14.6%	15.9%	14.6%	13.0%	14.2%	14.3%	18.8%
DIVIDEND PAYOUT	23.2%	26.1%	22.4%	23.1%	22.3%	21.4%	22.1%	22.1%	22.1%	23.2%	25.8%	20.6%	26.3%	28.6%	26.9%	26.5%	23.5%

Sensex Trend Analysis



P/E Analysis of the Sensex



Company Valuation

Company Valuation

- Attempt to estimate a range of “fair values” within which the “intrinsic value of a business” resides.
- Industry and business characteristic determine valuation methodology used.

Asset based Valuation

In case where sustainability of earning is either absent or not ascertainable

Earning based Valuation

Only in cases where there is identifiable sustainability of earnings (generally referred to as moats):

- Network effects
- Switching Costs
- Cost Advantage incl. economy of scale
- Regulatory or supply constraints e.g. Patents, Mining Rights

Asset Based Valuation

- Commodity businesses tend to earn cost of capital over an industry cycle; although in between they have high and poor returns.
- The major growth driver in commodities business is capacity expansion, requiring more capital infusion. Thus cashless growth is negligible over a cycle.

Thus earning (E) = KA [Cost of Capital (K)* Assets (A)]

Discounting (E) for infinity gives

$$P = KA / K$$

$$P = A$$

Asset Based Valuation

- **Cement Industry:**

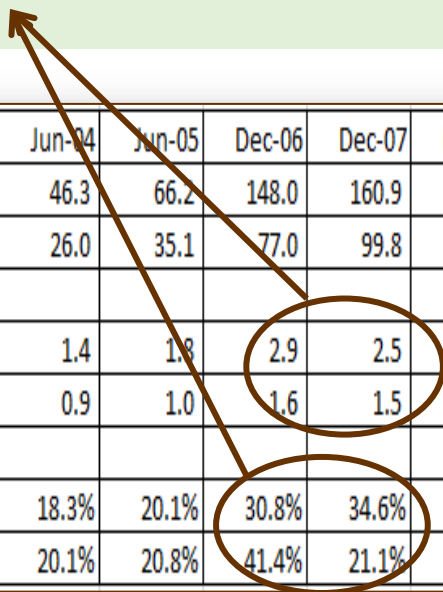
- capital intensive
- low barriers to entry
- 2-4 years gestation period for new plants
- Cyclical
- High transportation cost resulting in regional markets.

Asset based valuation module and study of capital cycle in industry are the best tools for investment decision making

Ambuja Cement

One of the more efficient players in the industry:

- Clear cyclical: in both valuation and profitability.
- Pro-cyclical: Market gives the highest multiple when picture is the brightest



Earning Based Valuation

Use of earning multiples are nothing but abbreviated Discounted Cash Flow

$$P_0 = PV (E_0 + E_1 + E_2 + E_3 + \dots)$$

$$P_0 = E_0 + \frac{E_0(1+G)}{(1+K)} + \frac{E_0(1+G)^2}{(1+K)^2} + \frac{E_0(1+G)^3}{(1+K)^3} + \dots$$

$$P_0 = E_0 \left(1 + \frac{(1+G)}{(1+K)} + \frac{(1+G)^2}{(1+K)^2} + \frac{(1+G)^3}{(1+K)^3} + \dots \right)$$

$$\frac{P_0}{E_0} = \left(1 + \frac{(1+G)}{(1+K)} + \frac{(1+G)^2}{(1+K)^2} + \frac{(1+G)^3}{(1+K)^3} + \dots \right)$$

Where, P_0 = price of security at base period

E_0 = earnings in base period

G = growth in earning without any further capital infusion, and

K = cost of capital (discount rate) used for Present Value calculation

Earning Based Valuation

Exide Industries

- Largest Lead based Batteries Manufacturer in India
- Largest range of product profile
- Economy of scale: Market share twice of next competitor
- Distribution reach: Twice of next competitor
- OEM relations leading to better brand recall at replacement

Exide– Historic Analysis

Financial year ended	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
Turnover	750	750	750	800	800	850	850	850	850	850	850	850
Growth %	25.7%	17.5%	34.9%	50.2%	15.3%	15.8%	8.3%	11.5%	19.7%	26.8%	13.6%	-1.0%
Core Earning Per Share	0.0	0.1	0.1	0.1	0.1	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Growth %	-8.1%	-12.8%	-4.4%	126.3%	19.9%	155.4%	9.8%	-22.5%	22.4%	-2.8%	11.5%	17.5%
Gross Profit Margin	28.1%	30.2%	29.2%	28.4%	30.7%	37.0%	24.4%	19.5%	20.1%	33.9%	33.1%	
Operating Profit Margin	9.4%	10.0%	12.0%	12.9%	13.5%	20.3%	17.7%	12.0%	11.3%	0.7%	-3.5%	4.0%
Net Profit Margin	5.8%	4.3%	3.0%	4.9%	5.1%	11.6%	12.1%	8.4%	8.7%	6.6%	6.5%	7.7%
Assets Turnover Ratio	1.3	1.4	1.6	1.7	2.0	1.5	1.3	1.4	0.6	0.6	0.7	0.6
Fixed assets Turnover Ra	2.7	3.4	4.2	5.1	5.1	5.6	4.9	4.9	5.5	6.9	7.0	5.7
Overall RONW	16.3%	13.1%	11.8%	19.3%	19.7%	27.7%	24.4%	16.8%	17.9%	15.5%	15.6%	16.3%
Overall ROCE	15.2%	18.3%	27.6%	33.5%	36.5%	41.6%	32.4%	22.6%	7.6%	0.5%	-2.7%	2.8%
ROA	10.8%	10.1%	10.6%	15.2%	18.0%	27.8%	24.5%	16.5%	7.0%	6.2%	6.2%	6.5%

Historical Valuation

Historical valuation	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	multiple used
P/E at High	16.1	28.4	54.2	44.6	33.9	20.5	26.2	32.9	25.6	22.7	29.3	23.3	237.9	277.2	25.1
P/E at Low	8.7	14.1	19.9	18.3	14.1	6.5	15.9	18.6	17.4	15.7	16.2	14.0	144.9	168.8	15.3
P/B at High	2.6	3.7	6.4	8.6	6.7	5.7	6.4	5.5	4.6	3.5	4.6	3.8	239.3	319.5	4.0
P/B at Low	1.4	1.8	2.4	3.5	2.8	1.8	3.9	3.1	3.1	2.4	2.5	2.3	145.7	153.4	2.4
EV/Sales at High	1.1	1.4	1.8	2.3	1.8	2.4	3.1	2.6	2.1	1.3	1.8	1.6	220.3	246.3	1.5
EV/Sales at Low	0.7	0.8	0.8	1.0	0.8	0.7	1.9	1.4	1.4	0.8	0.9	0.8	138.1	152.6	0.9
EV/EBIT at High	11.8	14.4	15.3	18.0	13.6	11.7	17.7	21.7	18.6	197.6	-50.3	38.7	408.5	546.0	62.0
EV/EBIT at Low	7.2	8.1	6.5	8.0	6.0	3.4	10.6	11.6	12.2	127.3	-25.6	20.7	280.9	371.4	40.8

WABCO Case Studies - Wabco India Limited

- 75% subsidiary of Wabco Holding
 - Revenue ~ INR 11 billion
 - Erstwhile JV between TVS and Wabco Holdings under Sundaram Clayton Limited
 - Demerged during FY 2008 from Sundaram Clayton, with mutual agreement
-
- Globally, there is oligopoly in vehicle control technologies for CVs
 - Wabco and Knorr-Bremse control close to 85% market share divided almost equally between them
 - Third largest player Haldex based in Europe has less than 10% market share
 - Wabco in India is a clear leader with 85-90% market share with OEMs and ~75% market share in aftermarket sales in Braking System Components in CVs
 - Wabco is far ahead of indigenization of components and raw materials than Knorr-Bremse, giving it cost advantages in Indian market
 - All major OEMs are customers of the company
 - Largest customer is Tata Motors. Tata Motors established a JV with Knorr in 2002, which was not successful and was abandoned a few years ago.
 - Knorr is more focused on the Railway market in India

Growing Moats

- Cost economies: Indigenized rapidly due to forty years in the Indian market
- Difficult to set up distribution network without significant OEM volumes, which would depend primarily on cost and availability of spare parts – a chicken and egg situation for its competitors
- Export location for parent: further economies of scale due to “best cost” status in certain products of the Wabco Group. Combines European systems expertise with frugal engineering costs in India
- Regulatory environment: Push towards mandatory installation of sophisticated braking systems for commercial vehicles
- Increase in population of CV's
- Increased content per vehicle

Thus a play on “economies of scope” and “economies of scale”

What could go wrong?

- Increase in royalty payments to Wabco Inc.
- Prolonged downturn in commercial vehicle sector
- Delay in regulatory requirements to increase vehicle safety
- Rapid indigenization and cost competitiveness of Knor-Bremse

WABCO Case Studies - Wabco India Limited

TRUCK & BUS REGIONAL ATTRIBUTES

WABCO

\$ Estimated content per vehicle based on total applicable market | \$K Typical heavy truck price in market

NORTH AMERICA

<\$1,000 | \$80K

- Less advanced technology vs. Western Europe
- Large OEMs: Daimler, Volvo, PACCAR, ITE
- Large fleets, able to influence OEM design



SOUTH AMERICA

<\$1,500 | \$65K

- Less advanced technology mostly from Brazil
- Main OEMs: Daimler, VW, Volvo, Scania



WESTERN EUROPE

>\$3,000 | \$130K

- Advanced technology, high electronics penetration
- 6 OEMs: Daimler, Volvo, MAN, Iveco, PACCAR, Scania
- Few large, pan European fleets



JAPAN & KOREA

<\$1,000 | \$80K

- Technology moving towards Western Europe
- Main OEMs: Hyundai, Hino, Isuzu, ND
- Targeting global market



EASTERN EUROPE

<\$500 | \$70K

- Expected to Return to Fast growing production in the Future
- Improving quality and safety
- Global and local OEMs: KamAZ, MAZ,



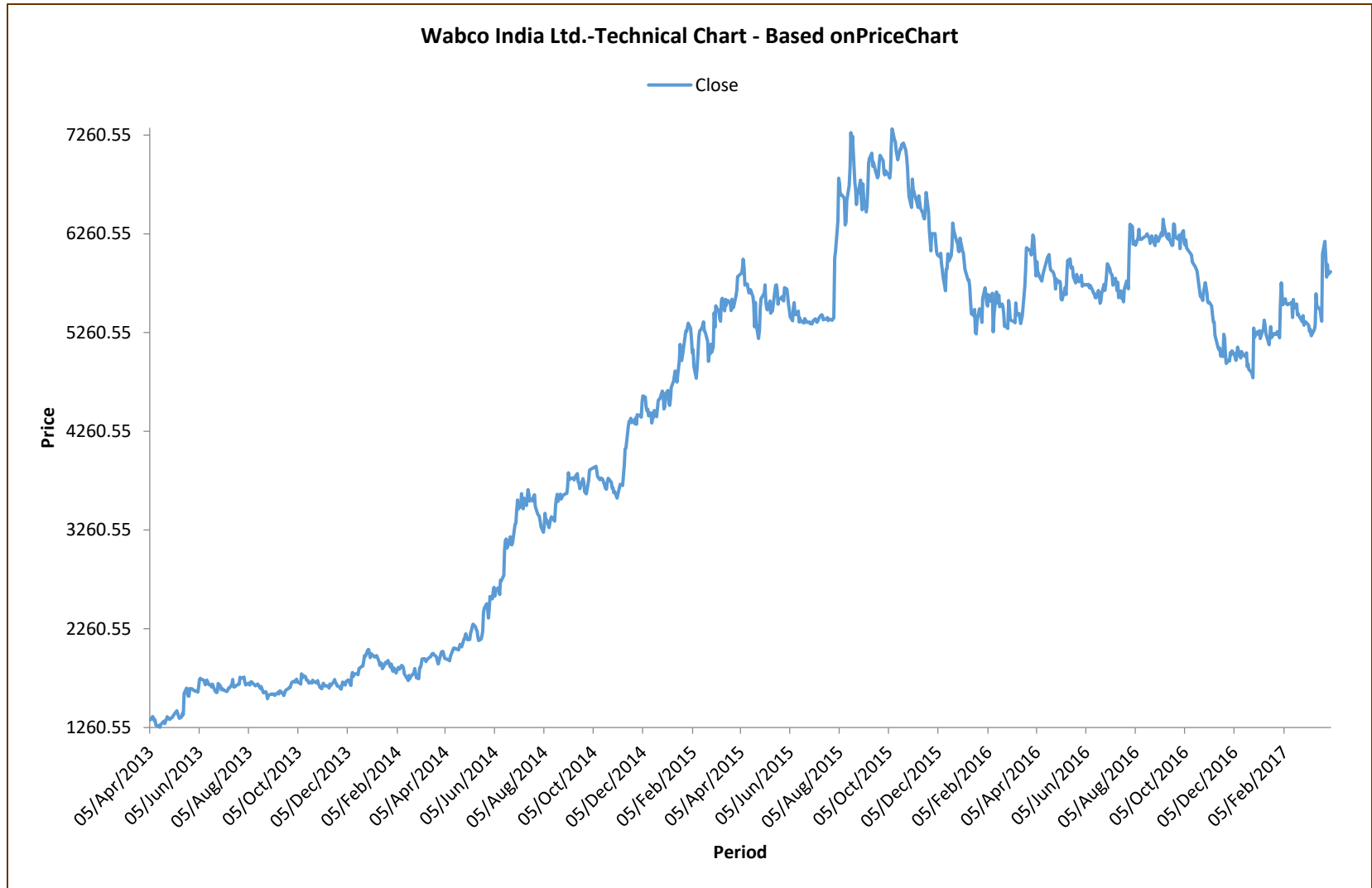
CHINA & INDIA

<\$300 | \$30K

- Basic technology; advanced technology penetration under 10% of total market
- Large OEMs: FAW, DFM, CNHTC in China; TATA Motors & Ashok Leyland in India



WABCO Case Studies - Wabco India Limited



Case Studies – Intellect Design Arena Limited

- It is a BFSI focused product company demerged from Polaris consulting and services Ltd in March 2014
- Generates revenue ~ INR 810 crores
- 50% Gross margin
- Revenue contributions are distributed across the Americas 14%; Europe 29%; India 17%; Rest of the World 40%. With a significant contribution from developed markets reflecting global competitiveness

Case Studies – Intellect Design Arena Limited

De-risked business model – four business lines

iGCB

Global Consumer Banking



- Seamless Omnichannel banking

iGTB

Global Transaction Banking



- World's first complete global transaction banking platform

iRTM

Integrated Risk & Treasury Mgt



- Running the largest treasury operations in the world

**intellect
SEEC**

Insurance

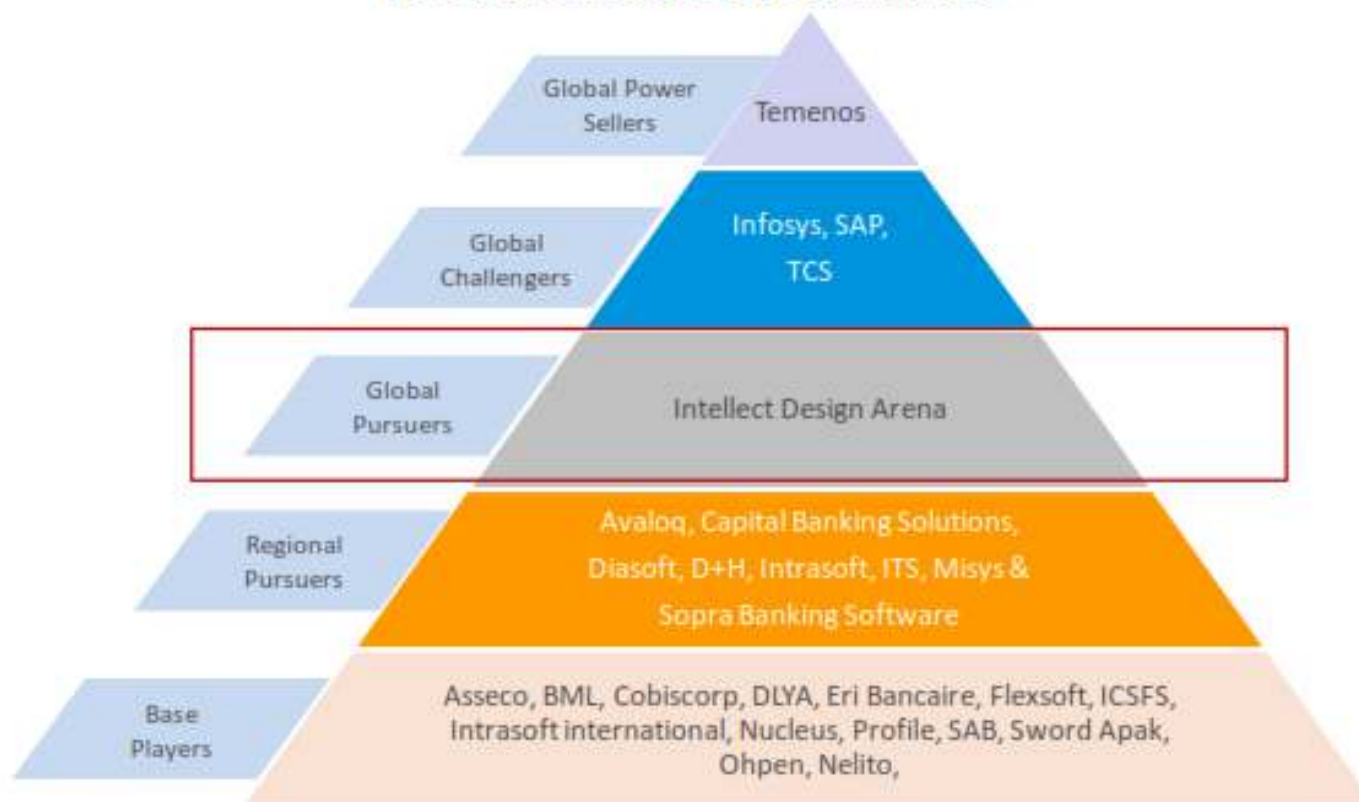


- Reduces time to market by upto 60%

Source: company presentation

Case Studies – Intellect Design Arena Limited

Forrester Ranked IDAL as Global Pursuer



Source: Forrester

Case Studies – Intellect Design Arena Limited

Gartners' Magic Quadrant 2014

Figure 1. Magic Quadrant for International Retail Core Banking



Source: Gartner (November 2014)

Source: Gartner

Case Studies – Intellect Design Arena Limited

Digital disruption : Riding the \$50 Bn digital wave

Right Space & Investments

Spotted the Digital trend 8 years earlier, began investing in Digital Banking

Committed to digital tech

- 600+ creative R&D engineers working to develop Digital 360
- Restructured into 4 product divisions and one services division.

Ready to Surf

- Emerged as a proactive design powerhouse
- Solid referenceable install base – 200 live installs across 100 customers

Source: company presentation

Case Studies – Intellect Design Arena Limited

Growth Drivers

Lloyds Bank - “We believe digital transformation in particular will result in more fundamental change occurring in the banking industry over the next decade than we have seen in the last 200 years.”

– Chairman’s statement

To invest £1 bn over the next 3 years in digital capability

– Annual Report - 2014

In 2015, ~50% of technology investment will be in strategic business priorities: Digital, Data & Analytics, Mobile, Unified Communications, Next Generation Cloud Infrastructure, Next Generation Development, and Security & Controls. Technology is critical for competitive advantage. Over the past 6 years, it has invested 8%-9% of annual revenue to fund global technology capabilities, one of the largest investments by the firm.

-JP Morgan Annual Report - 2014

Case Studies – Intellect Design Arena Limited

Competitive Moat

- Most of the large banks are operating with legacy core banking systems developed in the 1970-80s.
- Core banking systems are high cost and mission critical in nature and replacing them can cause disruption during the implementation stages and this acts as a huge switching cost for the banks to change vendors and therefore the customers are sticky thus enabling to have a recurring revenue model

There are 5,000 banks in the world. 15% banks goes for the replacement . So, every year, there will be 500 to 700 banks will come for the replacement just like a maintenance model, because every 15 years, the products become obsolete. They've to go for the new technologies.

-Arun Jain, Chairman and MD

Case Studies – Intellect Design Arena Limited

Replacement Cost Valuation

- On a replacement cost basis, we valued the company at rs 116 per share.
- Polaris has over the 5 years prior to 2011, invested more than US\$100M in developing Intellect™ suite of products for both banking and insurance markets and the total R&D spend on Intellect since FY 2011 is Rs 308 crores. Therefore the total cost of developing Intellect is ~ 900 crores i.e Rs 93 per share.
- At the time of our purchase the stock was trading at ~ Rs 80 per share

Case Studies – Intellect Design Arena Limited

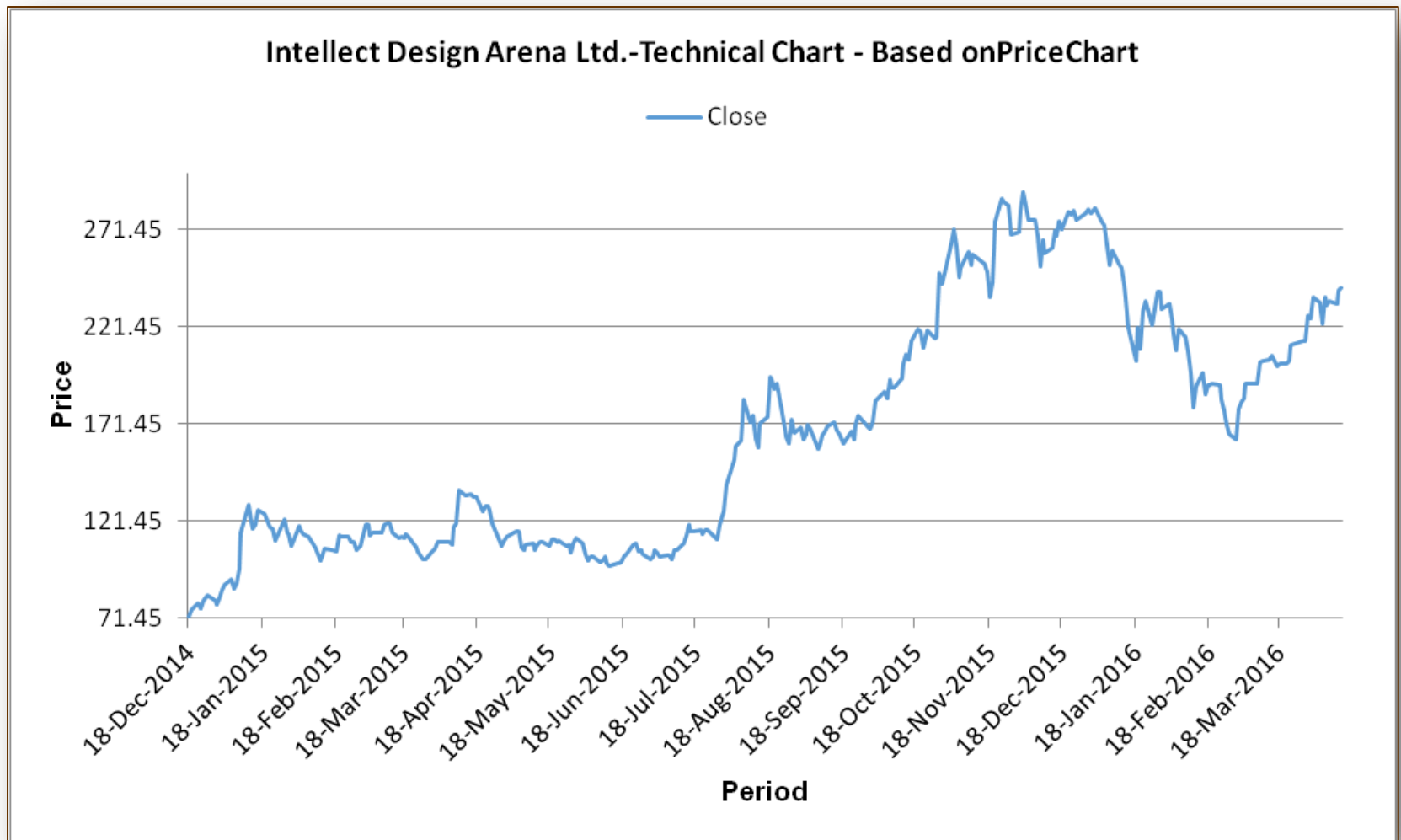
Relative Valuation

Given the absence of profitability at the net level due to R&D spends, and the fact that IDAL has only been listed in Dec 2014, we had used the EV/Sales of Oracle Financial services software Ltd to arrive at some valuation metrics.

Oracle financial	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14
EV/Sales at High	4.8	7.6	3.9	6.7	8.3	8.8	3.9	6.5	6	5.9	6.8	5.5
EV/Sales at Low	1.5	2.9	1.8	2.2	2.9	2.6	0.5	1.3	4.3	3.1	4.1	3.5

The average EV/Sales at high and low for Oracle was in the range of 3-6 and Intellect at Rs 80 per share was available at EV/Sales of less than 1.

Case Studies – Intellect Design Arena Limited



Thank You