

# CONSISTENT COMPOUNDERS PORTFOLIO

AN INVESTMENT STRATEGY FOR INDIAN  
STOCKS FROM MARCELLUS INVESTMENT  
MANAGERS

NOVEMBER 2023



*Disclaimer: The mentioned stock forms the part of Marcellus portfolio thus Marcellus clients, Marcellus employees and their immediate relatives may have interest in. The described stocks are for illustration and education purpose only and not recommendatory*

# INVESTMENT COMMITTEE



## **Saurabh Mukherjea, CFA, FRSA**

Saurabh Mukherjea is the Founder and CIO of Marcellus. Saurabh was educated at the London School of Economics where he earned a BSc in Economics (with First Class Honours) and an MSc in Economics. In London, Saurabh was the co-founder of Clear Capital and in 2007. Prior to setting up Marcellus, Saurabh was the CEO of Ambit Capital. He was also a part of SEBI's Mutual Fund Advisory Committee. In 2019, Saurabh was part of the Expert Committee constituted by SEBI to upgrade the PMS regulations. Saurabh has written four bestselling books.



## **Pramod Gubbi, CFA**

Pramod leads the business development efforts at Marcellus. He also sits on Investment Committee that discusses and approves investment strategies of the firm. Pramod was previously the MD & Head of Institutional Equities at Ambit Capital. Prior to that Pramod, served as the head of Ambit's Singapore office. Before joining Ambit, Pramod worked across sales and research functions at Clear Capital. Besides being a technology analyst, Pramod has served in technology firms such as HCL Technologies and Philips Semiconductors. Pramod did his B.Tech from Regional Engineering College, Surathkal and has a Post-graduate Diploma in Management from the Indian Institute of Management – Ahmedabad.



## **Rakshit Ranjan, CFA**

Rakshit is the Portfolio Manager of Marcellus' Consistent Compounders strategy. Rakshit spent 6 years (2005-2011) covering UK equities with Lloyds Bank (Director, Institutional Equities) and Execution Noble (Sector Lead). From 2011, Rakshit led Ambit Capital's consumer research franchise. He launched Ambit's Coffee Can PMS in Mar'17 and managed it till Dec'18. Under his management, Ambit's Coffee Can PMS was one of India's top performing equity products during 2018. Rakshit has a B.Tech from IIT (Delhi).

# THE NETWORKING OF INDIA ALONGSIDE TECH CHANGES IS CREATING POLARISATION

The Indian economy has been 'networked' at a rapid pace over the past decade:

- The length of India's national highways has doubled.
- The number of broadband users has increased from 20 million in FY11 to 687 million at the end of FY20 (CAGR of 48%).
- Airline passenger traffic has grown at a CAGR of 16%.
- 15 years ago, only 1 in 3 Indian families had a bank account; now nearly all Indian families have a bank account.

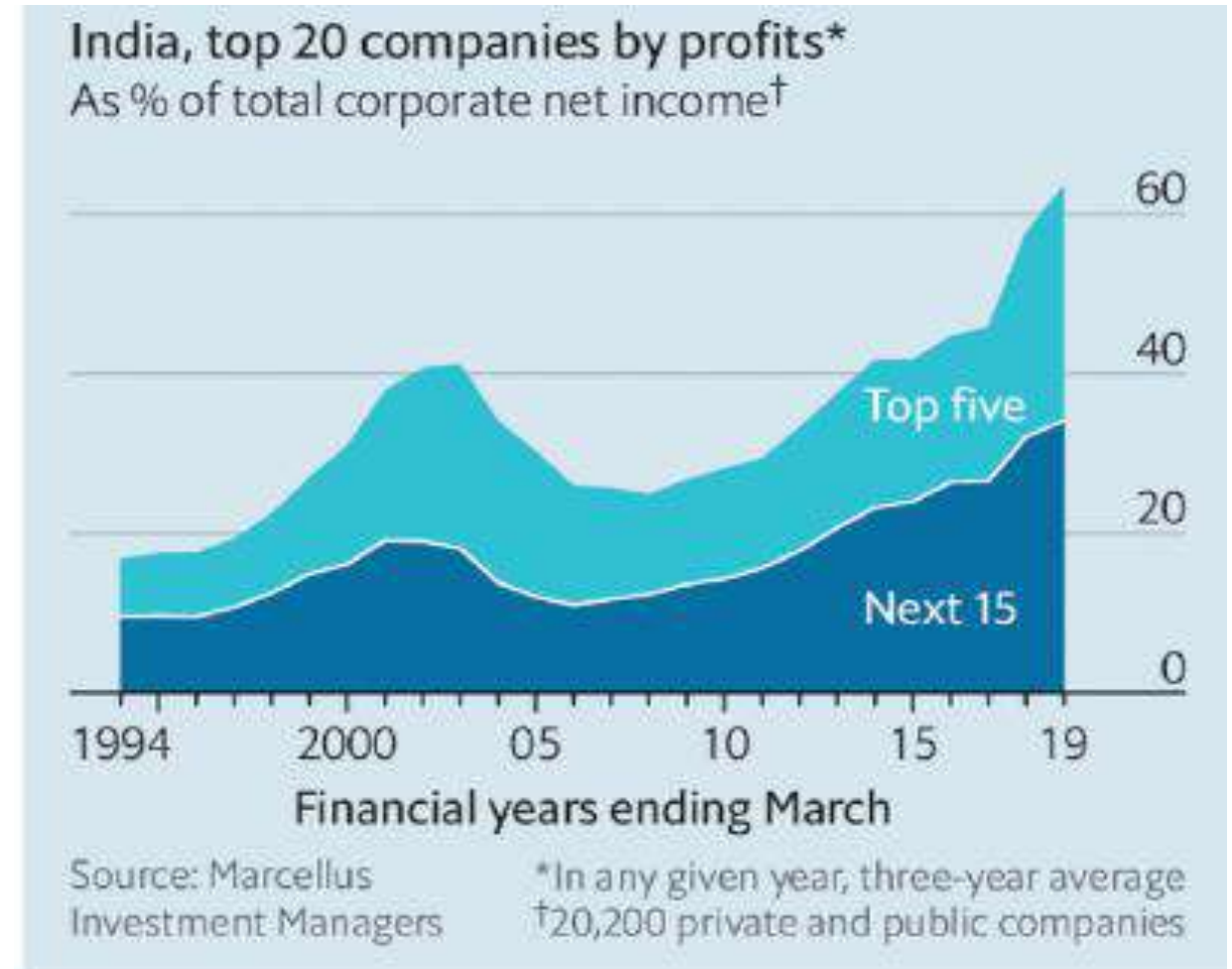
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The inception of a single Goods & Services Tax in 2017 has allowed companies to consolidate their supply chains (from multiple state-level structures to unified national supply chains)

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The rise of low cost SaaS (e.g. Salesforce, SAP) alongside RFID tracking and big data gleaned from 400mn internet connected mobile phones is allowing companies to improve working capital cycles, asset turns, profit margins and hence RoCE

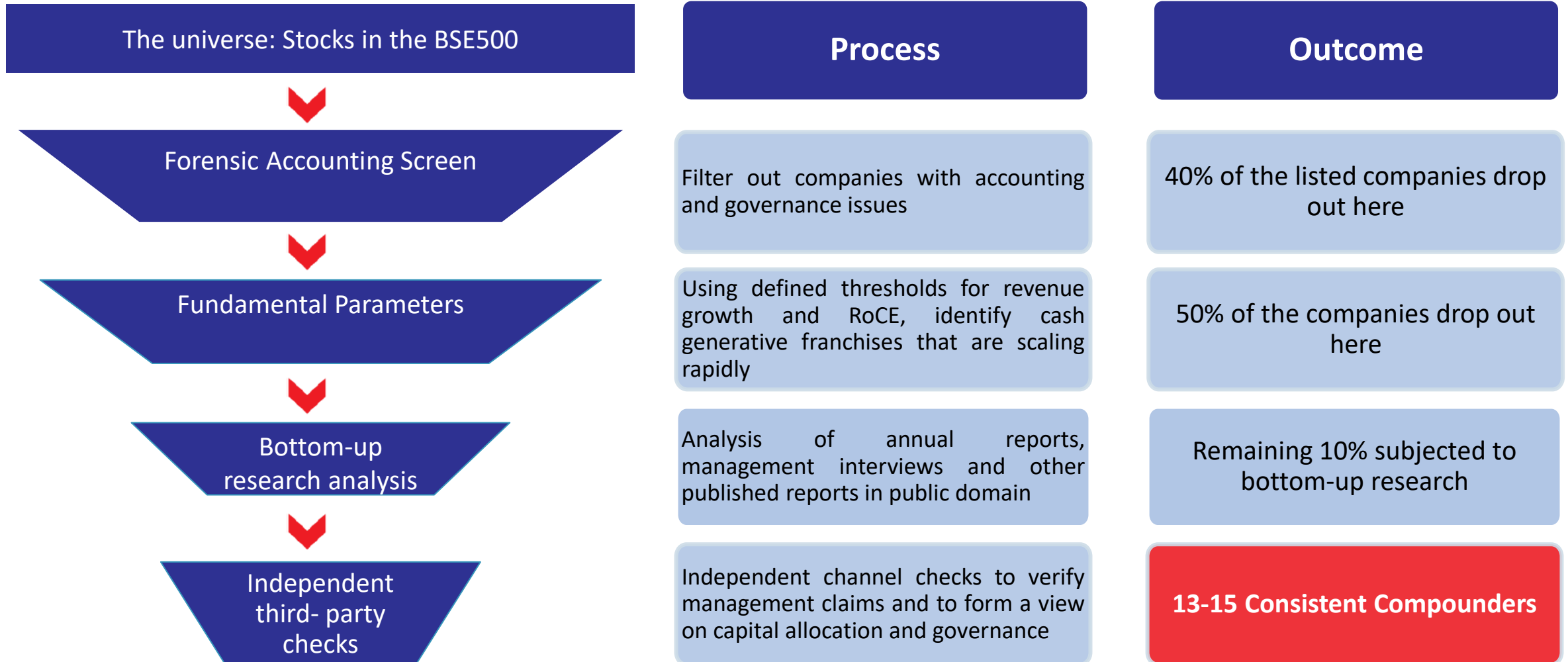
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The Economist

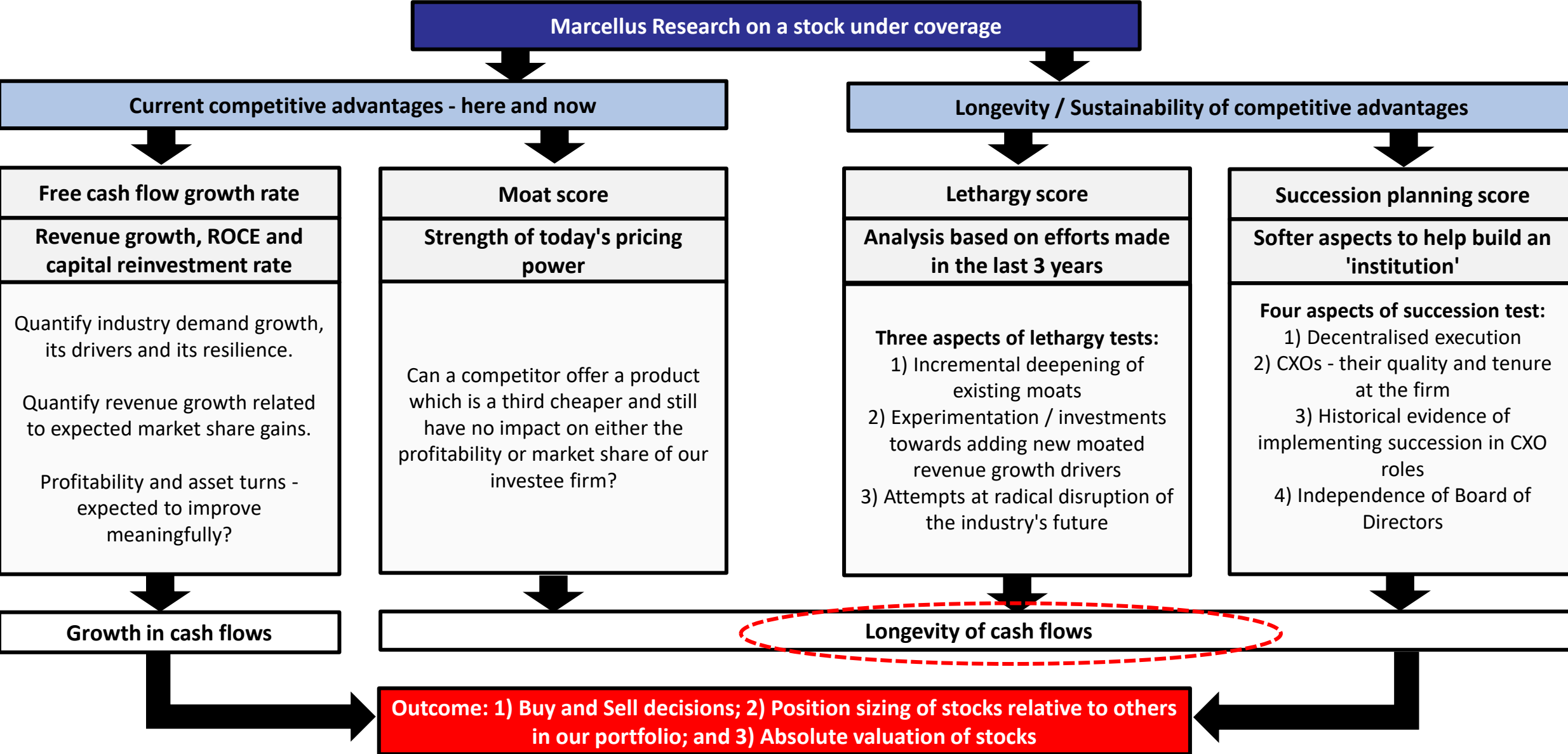
Source: Marcellus Investment Managers, CMIE, Ace Equity, Bloomberg, Ministry of Aviation, TRAI, Ministry of Road Transport.

# Portfolio construction process



*Note: The fund manager maintains discretion on stock inclusion in the portfolio. In case, a stock does not clear the above filters, the fund manager must record and present to the Investment committee for approval with the reasons for such inclusion*

# Longevity analysis – Quantify qualitative aspects



# STEP 1: USE FORENSIC ACCOUNTING TO AVOID MOST COMMON PITFALLS

## Methodology

12 accounting ratios covering income statement (revenue/ earnings manipulation), balance sheet (correct representation of assets/liabilities), cash pilferage and audit quality checks.

Six years of historical consolidated financials.

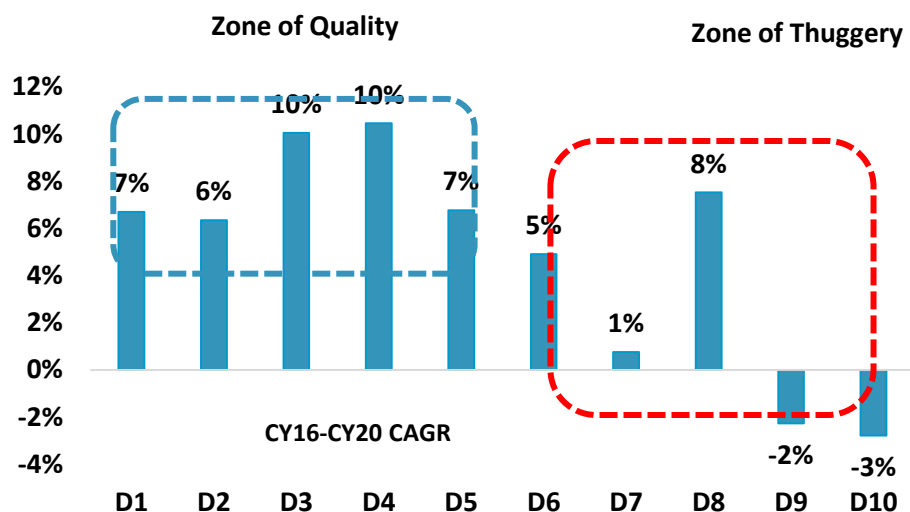
First rank stocks on each of the 12 ratios individually (some examples outlined in the table on the right). These ranks then cumulated across parameters to give a final pecking order on accounting quality for stocks –for instance D1 being the best, D10 being the worst.

Selection of these ratios has been inspired by Howard M. Schilit's legendary forensic accounting book 'Financial Shenanigans'.

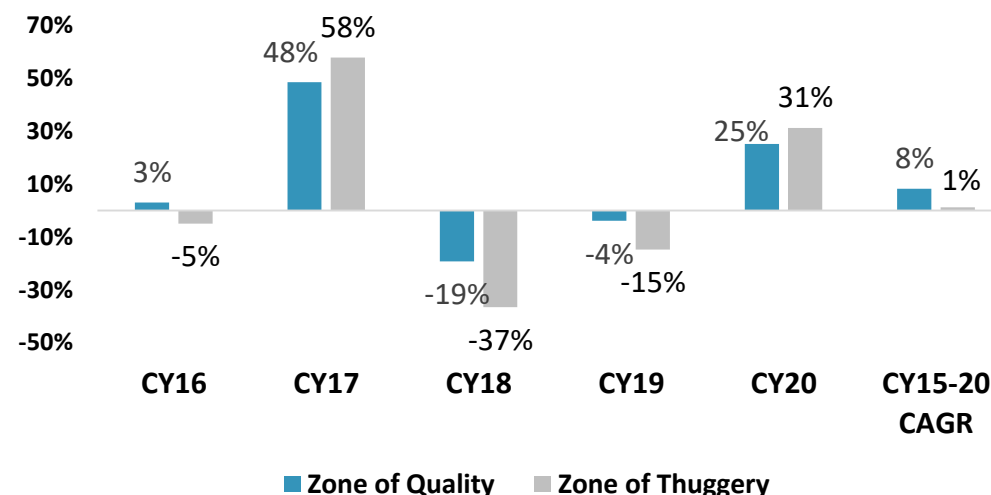
## A few of our forensic ratios

Category	Ratios
Income statement checks	(1) Cashflow from operations (CFO) as % of EBITDA (2) Provisioning for Debtors
Balance sheet checks	(3) Yield on cash and cash equivalents (4) Contingent liabilities as % of Networth (for the latest available year)
Cash theft checks	(5) CWIP to gross block
Auditor checks	(6) Growth in auditors' remuneration to growth in revenues

## Strong correlation between accounting quality and shareholders' returns



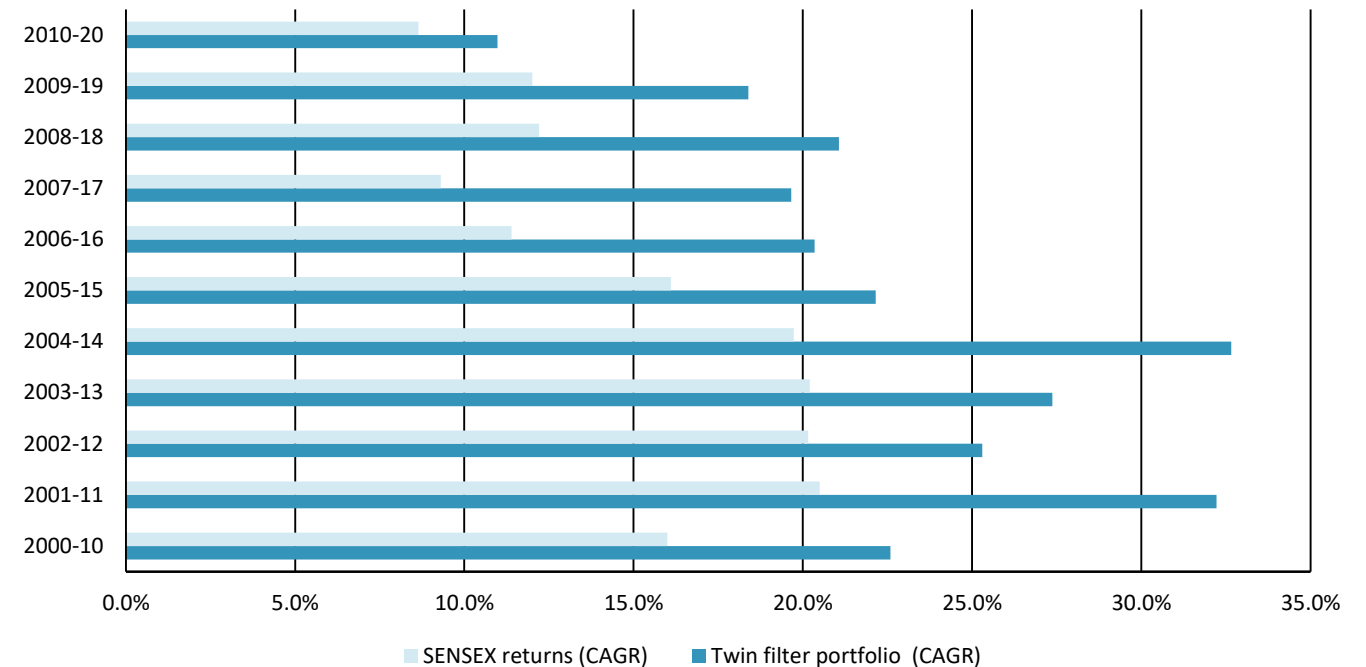
## Quality wins and wins big over the long term



## STEP 2: IDENTIFY COMPANIES WITH SUPERIOR CAPITAL ALLOCATION

If one creates a list of stocks using a twin-filter criteria\*, of double-digit YoY revenue growth and return on capital being in excess of cost of capital, each year for 10 years in a row

Next, if a portfolio is built of such stocks each year and each of these annual iterations of portfolios are held for the subsequent 10 years (without any churn), then the bar chart on the right shows the performance of such portfolios.



Source: Bloomberg. Note: Only the portfolios which have finished their 10year run have been shown. Note: These are Total Shareholder returns in INR terms. **The portfolio above is not Marcellus' model portfolio but a sample portfolio derived out of the twin-filter criteria\***

### There are two conclusions from this exercise:

- This filter-based portfolio delivers returns of 20-30% p.a. (of INR returns) and 8-12% outperformance relative to the Sensex.
- The volatility of returns of such portfolios, for holding periods longer than 3 years, is similar to that of a Government of India Bond.

Returns here (both for filter-based portfolio and for the Sensex) are on a Total Shareholder Return basis i.e., all dividends are included in the returns.

\*Note: The twin filter criteria is explained in the book 'Coffee Can Investing – Low Risk Route to Stupendous Wealth (2018)' authored by two of Marcellus' co-founders – Saurabh Mukherjea and Rakshit Ranjan - and Pranab Uniyal.



# THE RESULT: CONSISTENT COMPOUNDING OF FREE CASH FLOWS AND RETURNS

Stock Name	Free Cash Flow (FCFE) CAGR							Share Price CAGR						
	5-years				10-years		20-years	5-years				10-years		20-years
	FY02-07	FY07-12	FY12-17	FY17-22	FY02-12	FY12-22	FY02-22	FY02-07	FY07-12	FY12-17	FY17-22	FY02-12	FY12-22	FY02-22
Asian Paints Ltd.	30%	27%	17%	14%	29%	16%	22%	28%	34%	27%	23%	31%	25%	28%
Berger Paints India Ltd.	30%	3%	41%	-1%	16%	18%	17%	45%	24%	45%	24%	34%	34%	34%
Nestle India Ltd.	12%	15%	10%	14%	14%	12%	13%	14%	37%	8%	21%	25%	14%	19%
Pidilite Industries Ltd.	37%	24%	19%	7%	30%	13%	21%	45%	26%	32%	29%	35%	30%	32%
Titan Company Ltd.	4%	105%	-5%	17%	59%	5%	26%	75%	40%	15%	41%	57%	27%	41%
Divis Laboratories Ltd.	NM	55%	30%	2%	NM	15%	26%	93%	20%	10%	48%	48%	28%	37%
Page Industries Ltd.	NA	43%	35%	22%	NA	28%	33%	NA	NA	40%	24%	NA	32%	NA
Dr. Lal Pathlabs Ltd.	NA	NA	33%	18%	NA	25%	NA	NA	NA	NA	22%	NA	NA	NA
Tata Consultancy Services Ltd.	NA	24%	29%	12%	NA	20%	21%	NA	14%	16%	25%	18%	20%	20%
<b>Weighted Avg.</b>	<b>14%</b>	<b>29%</b>	<b>24%</b>	<b>11%</b>	<b>14%</b>	<b>17%</b>	<b>19%</b>	<b>33%</b>	<b>22%</b>	<b>20%</b>	<b>29%</b>	<b>28%</b>	<b>23%</b>	<b>24%</b>

Source: Marcellus Investment Managers; Ace Equity; FCFE = Operating cash flow less Capex less Investment in Subsidiaries/Strategic investments /Acquisitions less Net debt repayments less Interest Paid less Lease liabilities; \*In case of Pidilite, high capex on account of Araldite acquisition skews the CAGR % making it incomparable, hence CAGR for the period FY16-20, FY11-20 and FY01-20 is considered; ^Divis' FCFE is for the period FY02-11 and FY02-21 since the company was not listed prior to FY01; \*\*Page's FCFE is for FY04-11 and FY04-21 since company was not listed prior to FY04; ^^TCS's FCFE is for FY06-11 and FY06-21 since FCFE for FY04 and FY05 was negative; Free Cash Flow is not an appropriate metric for Banking & Financial stocks, hence BFSI names in our portfolio are not part of the above table

- FCFE compounding for CCP companies has been **healthy, consistent and accelerating** over the last 2 decades
- Market Cap compounding for CCP companies has been broadly in line with FCFE compounding over the last 2 decades



## CCP'S EARNINGS GROWTH IS DRIVEN BY HIGH ROCE AND HIGH REINVESTMENT RATE

### ROCE and Reinvestment rate of Marcellus' CCP stocks

Name	ROCE* (FY22)	Avg. ROCE* (FY17-22)	Avg. Reinv. rate (FY17-22)**
Asian Paints Ltd.	30%	35%	51%
Bajaj Finance Ltd.	17%	19%	88%
Berger Paints India Ltd.	28%	30%	64%
Divi's Laboratories Ltd.	34%	27%	71%
HDFC Bank Ltd.	17%	17%	75%
Kotak Mahindra Bank Ltd.	13%	13%	98%
Nestle India Ltd.	148%	96%	9%
Page Industries Ltd.	75%	64%	37%
Pidilite Industries Ltd.	25%	32%	65%
Tata Consultancy Services Ltd.	56%	47%	42%
Titan Company Ltd.	36%	31%	69%
Dr. Lal Pathlabs Ltd.	32%	36%	68%
HDFC Life Insurance Co Ltd.	17%	20%	92%
ICICI Lombard General Insurance Company Ltd.	15%	20%	76%
<b>W. Avg.</b>	<b>36%</b>	<b>33%</b>	<b>65%</b>

*Source: Marcellus Investment Managers; Ace Equity; \*ROE considered instead of ROCE for BFSI companies; \*\*Reinvestment rate for financials = (1 - dividend payout ratio(%)); \*\*Reinvestment rate for non-financials is 'cumulative CFI divided by cumulative CFO over last six years*

# STRONG 10 YEAR EARNINGS GROWTH MAKES P/E REDUNDANT

$$\boxed{P} = \boxed{P/E} \times \boxed{E}$$

NON-COMPOUNDING + OSCILLATING

CAN COMPOUND OVER TIME

$$\boxed{\triangle P \%} = \boxed{\triangle P/E \%} + \boxed{\triangle E \%}$$

A for Airlines (e.g. Telcos)

P/E doubles

$$\boxed{+7\%} = \boxed{+7\%} + \boxed{0\%}$$



P/E halves

$$\boxed{-7\%} = \boxed{-7\%} + \boxed{0\%}$$



B for Buffett (e.g. Maruti, HUL)

P/E doubles

$$\boxed{+19\%} = \boxed{+7\%} + \boxed{12\%}$$



P/E halves

$$\boxed{+5\%} = \boxed{-7\%} + \boxed{12\%}$$



C for CCP (e.g. Asian Paints, HDFC Bank)

P/E doubles

$$\boxed{+32\%} = \boxed{+7\%} + \boxed{25\%}$$



P/E halves

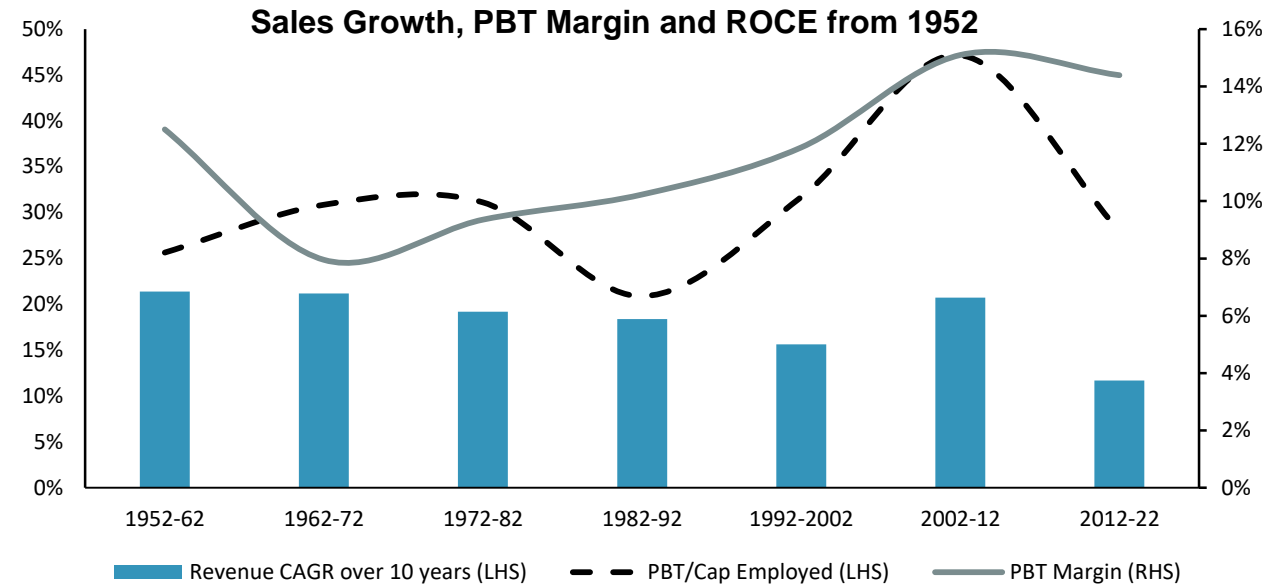
$$\boxed{+18\%} = \boxed{-7\%} + \boxed{25\%}$$



# CASE STUDY: ASIAN PAINTS [MKT CAP \$37 BN]

- *“We have been lucky to have new jewels in the form of professional managers who attempted to do things that haven’t been done before, and lucky to have a management that allowed them to do so’ — K.B.S. Anand, Former MD & CEO, Asian Paints*
- **Growth drivers:**
  - Moats built predominantly around supply chain efficiencies:** No room for competition to disrupt through better product quality or high trade margins as the market dynamics force dealers to make money on volumes.
  - Strong HR:** Attracts top quality talent from the most prestigious institutions and then grooms and empowers them. Result –talented & independent professional management team.
  - Tech investments:** Makes use of technology to improve operating efficiencies, which helps in three ways – a) shape up moats around systems and processes (e.g., demand forecasting); b) suffocates competition through fewer price hikes; and c) disrupts itself once every 2-3 decades
  - Addition of new revenue growth drivers:** Foray into adjacencies such as waterproofing (1/10<sup>th</sup> of paints market), Launch of service offerings (SAFE Painting service), Launch of Home Decor service (interior design & execution), Scaling up of new retail formats – Beautiful Homes stores (all in one stores), Colour Ideas

**NOTE:** We as Marcellus hold this stock in our portfolio, thus our clients have stake and also our immediate relatives do have stake in the stock described.



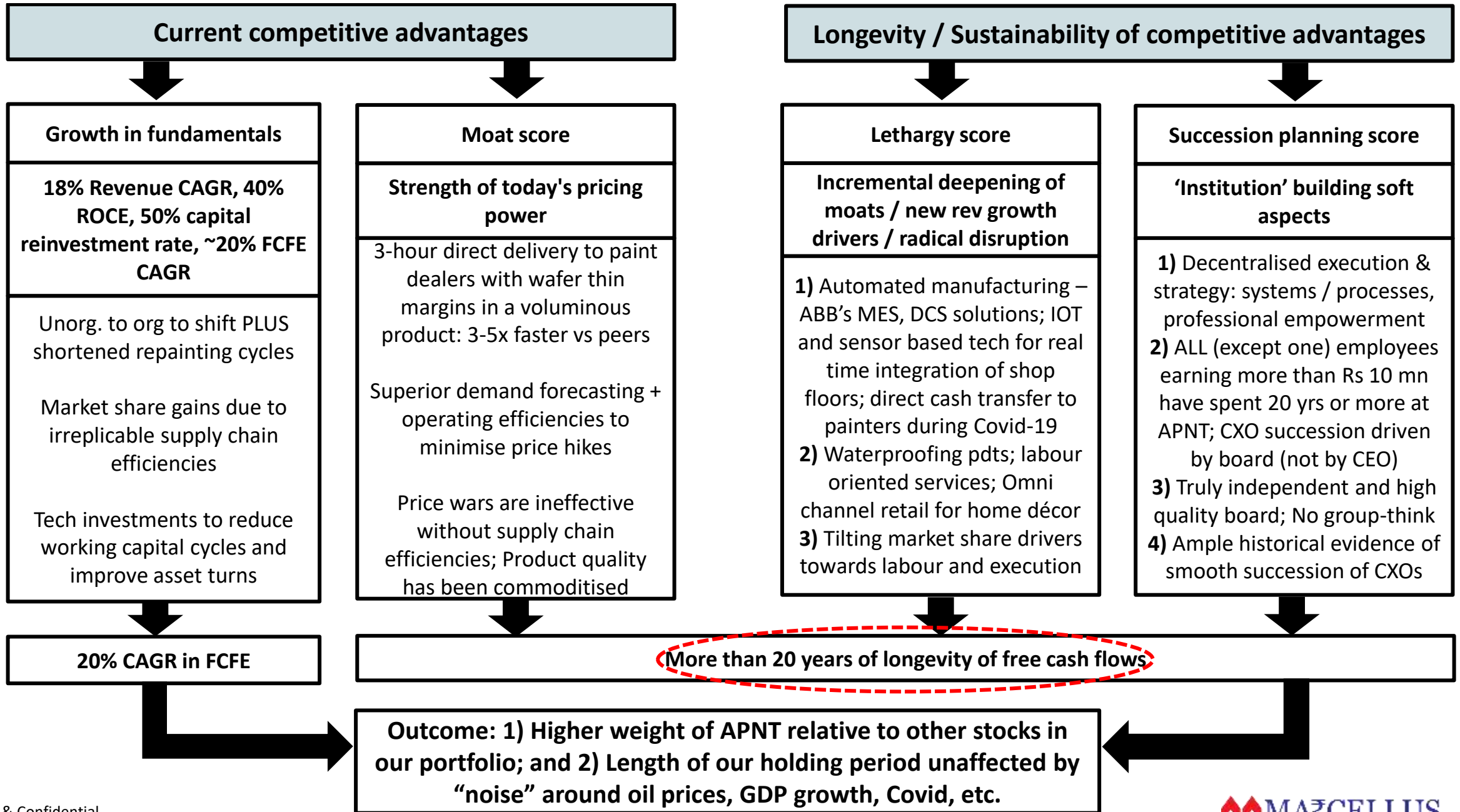
Source: Marcellus Investment Managers; Ace Equity

## Volume growth, Sales growth and Earnings growth (FY02-22)

	FY02-07	FY07-12	FY12-17	FY17-22
Volume CAGR	12%	16%	10%	14%
Sales CAGR	20%	21%	11%	14%
PAT CAGR	22%	29%	13%	10%
FCFE CAGR	30%	27%	17%	14%

Source: Marcellus Investment Managers; Ace Equity; FCFE = Operating cash flow less Capex less Net Debt Repayments less Interest Paid

# MARCELLUS' INVESTMENT HYPOTHESIS ON ASIAN PAINTS (APNT)



# CASE STUDY: BAJAJ FINANCE [MKT CAP \$47 BN]

- *“We had been showing ALM data for the past five years. Two years ago, nobody paid much attention to it, so we pushed it back as an annexure in our presentations. Now when investors ask for it, I tell myself, ‘Thank God, I did not treat ALM as an annexure to my business model’”* — Rajeev Jain, MD, Bajaj Finance

- **Company has built its strengths around:**

- Found a niche, differentiated business opportunity in consumer durable financing 10 years ago. Today, more than 70% of all consumer durables financing in India is done by Bajaj Finance.
- Focus on high velocity, small ticket size lending with turnaround times and customer convenience as the differentiation rather than interest rates.
- Ability to switch gears across products based on data driven risk and underwriting models. Completely stopped construction equipment financing in 2014 due to muted RoE and profitability prospects.
- Data science backed credit algorithms to capture data points over & above those captured by credit agencies

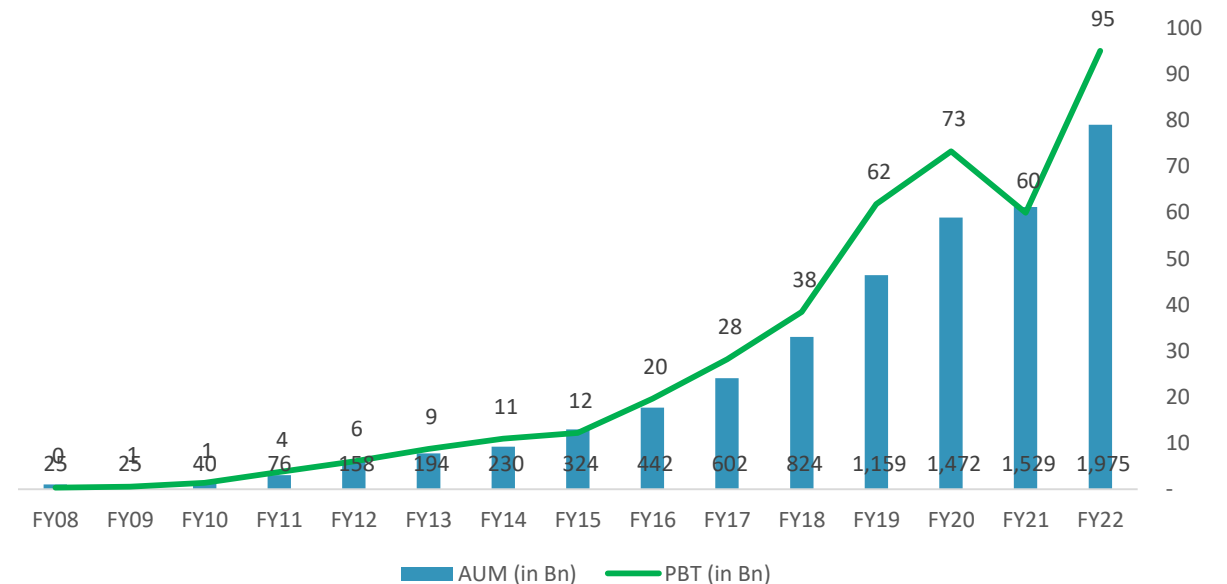
**NOTE:** Marcellus do include the described stock in our portfolio thus making our clients interested and our immediate relative as well interested in such stock presented.

Key Performance Matrices: Bajaj Finance (FY 2008-22)

Indicators	FY08	FY21	FY22	14- year CAGR
AUM (Rs. in bn )	25	1,529	1,975	37%
PBT (Rs. in bn)	0.3	60	95	51%
RoA	0.90%	3.10%	3.70%	
RoE	3.20%	12.80%	17.40%	
NNPA	7.05%	0.75%	0.74%	

Source: Marcellus Investment Managers; Ace Equity

14yr Financial Snapshot



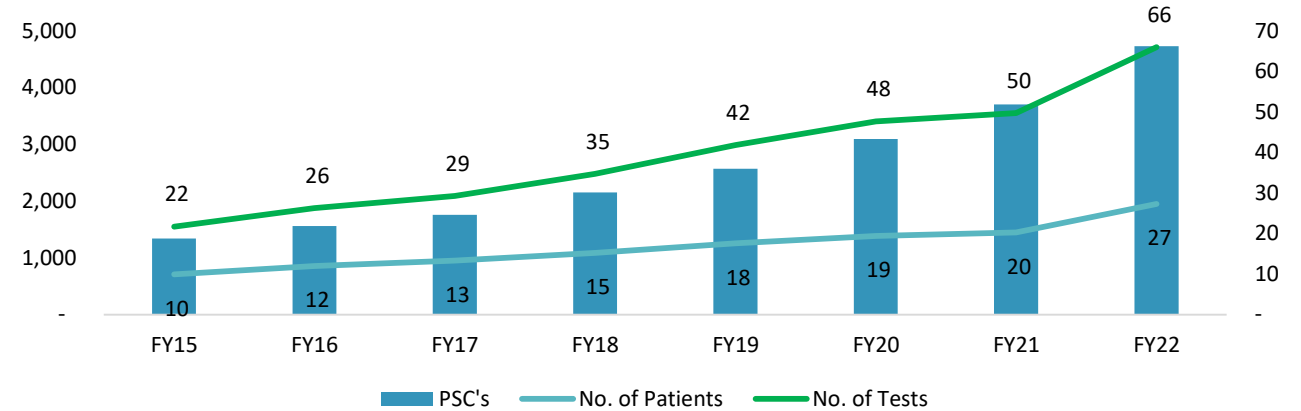
Source: Marcellus Investment Managers; Ace Equity

# CASE STUDY: DR. LAL PATHLABS [MKT CAP \$3.2 BN]

- Dr. Lal provides pathology diagnostics in North and East India with a network of 200+ labs, 3000+ collection centres (CCs) and 6000+ pick-up-points (PUPs).
- Over the past five years, it has strengthened its moats through:
  - Optimising its hub and spoke retail network** – Using tech investments in store level data collection, Dr. Lal Pathlabs is leveraging on its 15 years learning curve to optimise the location, size and supply chain infrastructure of its CCs and labs.
  - Timely report generation** – With complete ownership or control on lab technicians, sample handling toolkits, CCs, PUPs and labs, Dr. Lal differentiates against its competitors in the timeliness of its report generation.
  - Extending home collections to smaller cities** – During the COVID-19 crisis, Dr. Lal has significantly invested in home collections infrastructure in smaller cities, which is helping it gain substantial market share from both org as well as unorg. competitors.
  - Disciplined capital allocation** – Diagnostic labs industry is ripe for consolidation as pan-India firms gain share from mom-and-pop labs. Dr. Lal currently has more than 750 crores worth of surplus capital on its balance sheet. Over the past 5 years, capital allocation towards acquisitions has been prudently done in a bolt on manner.

**NOTE:** Marcellus do include the described stock in our portfolio thus making our clients interested and our immediate relative as well interested in such stock presented.

~4700+ collection centres, ~27mn patients annually, ~66mn tests annually



Source: Marcellus Investment Managers; Ace Equity

Rs mn	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	7-year CAGR
<b>Revenues</b>	6,596	7,913	9,124	10,569	12,034	13,304	15,813	20,874	18%
<b>EBITDA</b>	1,551	2,077	2,375	2,640	2,936	3,436	4,363	5,607	20%
<b>PAT</b>	964	1,332	1,556	1,718	2,004	2,276	2,965	3,503	20%
<b>RoCE (pre tax)</b>	49%	47%	43%	38%	35%	32%	35%	32%	
<b>Net debt/Equity</b>	-0.55	-0.54	-0.58	-0.58	-0.71	-0.71	-0.79	-0.18	

Source: Marcellus Investment Managers; Ace Equity

# WHEN AND WHY DO WE SELL?

## Factors driving SELL decision at Marcellus

- Complete exit from a stock due to deterioration in Marcellus research analysts' view of the said company's strength and sustainability (longevity) of competitive advantages
- Optimising portfolio concentration through an exit when a new stock is being included in the portfolio - due to an increase in conviction levels on strength and longevity of competitive advantages of the new company (which was hitherto not in the portfolio)
- Partial selling of a stock as part of portfolio rebalancing to bring it in sync with relative conviction on fundamentals of the stock vs other stocks in the portfolio

**Case study 1: Gruh Finance was sold in Jan 2019 on the day after HDFC Ltd sold its controlling stake to Bandhan Bank:**

- Change in board composition and senior management – it was clear that HDFC Ltd's board will not be involved at Gruh after the stake sale;
- Potential disruption of moats – Gruh had built its moats around decentralised and localised understanding of their borrowers' credit profile through gradual geographical expansion. Bandhan Bank announced that pan-India expansion of Gruh's footprint will be a key targeted synergy.
- Marcellus' lack of conviction on Bandhan Bank's fundamentals – since the bank does not clear our accounting quality and historical fundamental consistency filters

**Case study 2: Marico was sold in January 2020 and was replaced with Divis Laboratories:**

- Structural deterioration in growth prospects of premium edible oils due to health orientation of its customer base
- Elements of lethargy in the ground level execution of value-added-hair-oils of Marico in the face of intense competition
- Increased in Marcellus' conviction on Divi's competitive advantages

**Case study 3: Abbott was sold in February 2022 and was replaced with ICICI Lombard:**

- Market share loss in key products like Duphaston and Thyronorm. Duphaston has seen loss of 30 percentage points market share in value terms in last two years after launch of a competing product by Mankind. Thyronorm's market share has stagnated in last two years (at around 48%) and it has lost some market share in the last four years.
- Low visibility on new product pipeline in the foreseeable future to offset the weakness in some of its existing products like Duphaston, Thyronorm.
- High churn in top management layer.
- Increased in Marcellus' conviction on ICICI Lombard's competitive advantages



# CASE STUDY: MARICO [MKT CAP \$9 BN] – EXITED FROM CCP IN JAN'2020

## Competitive advantages built around:

- a. Supply chain efficiencies:** Dis-intermediation of copra supply chain (key main raw material for Parachute) to procure directly from farmers/individual traders and setting up of copra crushing plant in Kerala to reduce procurement costs. Difficult to replicate.
- b. Brands:** Both Parachute and Saffola enjoy clear brand leadership build over the years through consistent advertisement, innovative brand positioning, innovation in packaging and quality. Saffola brand extended to Foods.
- c. Strong HR:** Attracts top quality talent from the most prestigious institutions due to superior work culture

## Reasons for exit from Marcellus' CCP PMS in Jan'20:

- a. Sluggishness in volume growth of Parachute & Value Added Hair Oils (VAHO):** Challenges in ground level execution in the face of intensifying competition e.g., players like Dabur
- b. Structural slowdown in super premium edible oils category:** Installed base of customers in super premium edible oils reducing consumption due to health orientation. Saffola volume growth only ~6.5% over FY15-20 despite increase in market share from ~55% to ~75% over the same period

## Sales Growth, Volume growth and EBITDA growth over FY10-20

	FY10-15	FY15-20
Consolidated Sales CAGR	17%	5%
Domestic Sales CAGR	17%	5%
Domestic Volume CAGR	11%	4%
EBITDA CAGR	19%	11%

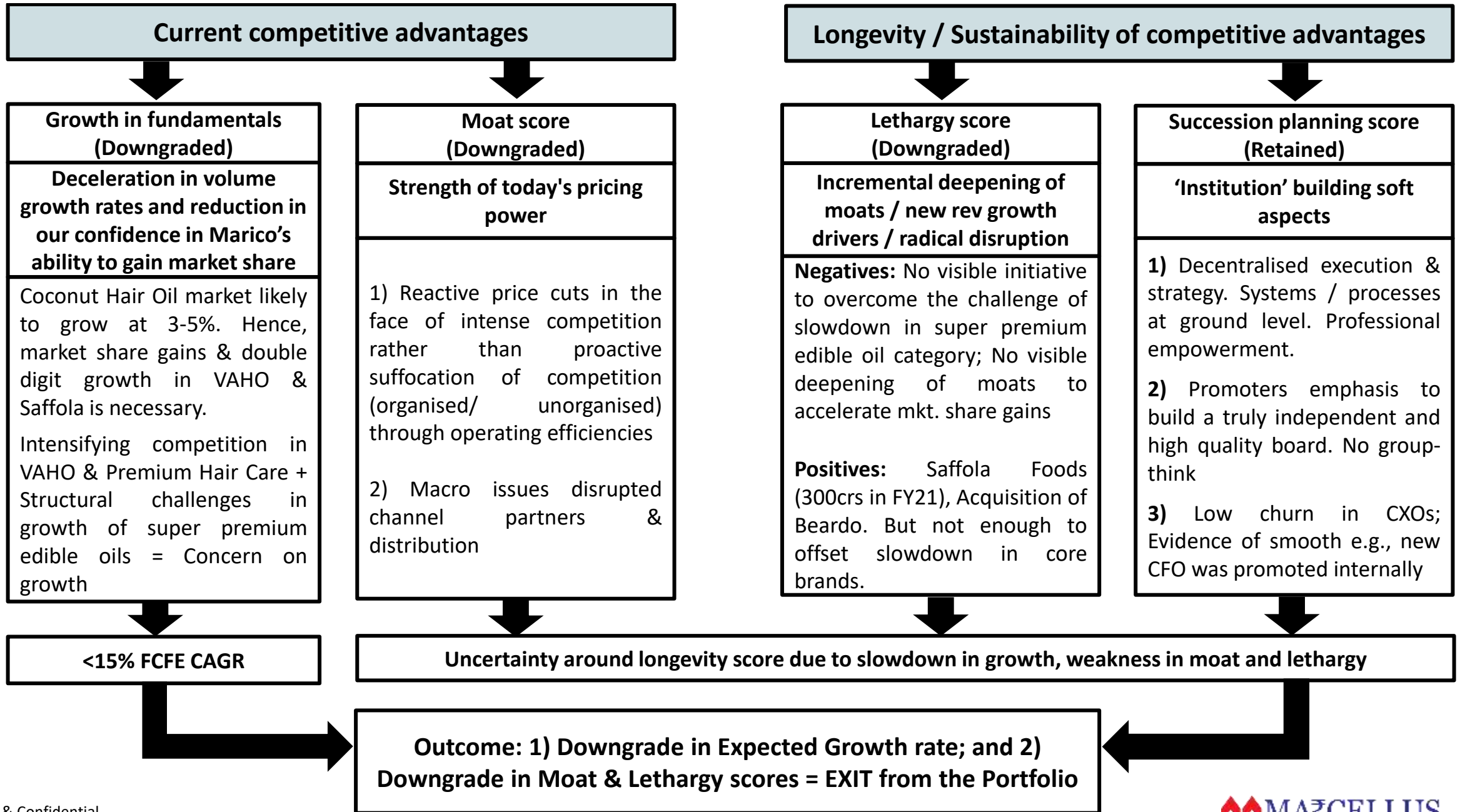
Source: Marcellus Investment Managers; Ace Equity

## Moderation in segmental volume growth over FY15-20

	FY10-15	FY15-20
Domestic Volume CAGR	10.5%	4.2%
Parachute Volume CAGR	8.4%	4.2%
Value Added Hair Oil Volume CAGR	18.4%	5.3%
Saffola Volume CAGR	9.8%	6.5%

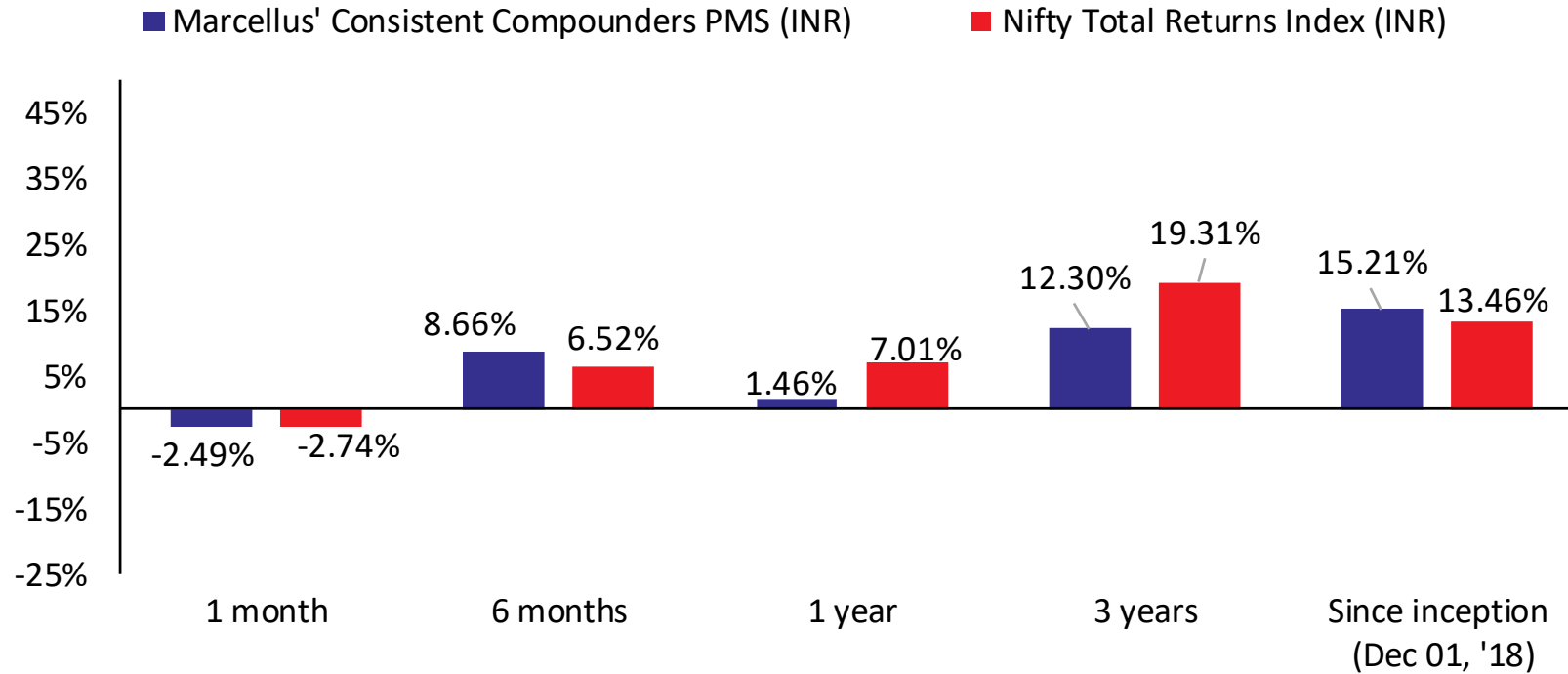
Source: Marcellus Investment Managers; Ace Equity

# MARCELLUS' EXIT HYPOTHESIS ON MARICO



# FUND PERFORMANCE (AS ON 31<sup>ST</sup> OCT'2023)

**Exhibit 1a: Marcellus' Consistent Compounders PMS performance as on 31st Oct'23 (INR denominated returns)**



**Source: Marcellus; Performance data shown is net of fixed fees and expenses charged till 30th Sept, 2023 and is net of annual performance fees charged for client accounts whose account anniversary/performance calculation date falls upto the last date of this performance period; Since inception & 3 years returns are annualised; Other time period returns are absolute.**

*\*For relative performance of particular Investment Approach to other Portfolio Managers within the selected strategy, please refer <https://www.apmiindia.org/apmi/WSIAConsolidateReport.htm?action=showReportMenu> Under PMS Provider Name please select Marcellus Investment Managers Private Limited and select your Investment Approach Name for viewing the stated disclosure*

# FUND STRUCTURE

## **Marcellus offers Consistent Compounders Portfolio with a zero fixed fees option**

The Consistent Compounders PMS comes with ZERO entry load/exit load and with no lock-in. Our clients can choose any of the following fee structures:

1. a fixed fees model (2% p.a. fixed fees + zero performance fees) or
2. a variable fees model (zero fixed fees + performance fees of 20% profit share above a hurdle of 8%, no catch-up)
3. a hybrid model (1% p.a. fixed fees + performance fees of 15% profit share above a hurdle of 12%, no catch-up).

*High water mark applies for performance fees; Minimum investment: INR 50 lacs*

\*\*\*Clients also have the option to be onboarded directly (Direct Fee Code).

**We also have an STP (Systematic Transfer Plan) plan using which clients can stagger their investment in tranches spread over 5 months :-**

<https://marcellus.helpscoutdocs.com/article/96-stp>

**Existing Investors have the option to save and invest regularly in Marcellus Funds through Systematic Investment Plan (SIP) :-**

<https://marcellus.helpscoutdocs.com/article/100-systematic-investment-plansipfaqs>

# CCP FACTSHEET (1/2)

## Fund Details

Strategy Name	Consistent Compounders
Fund Manager	Rakshit Ranjan, CFA
AUM In INR Crs	6,084
Category	Large Cap
Benchmark	Nifty50 Total Return Index

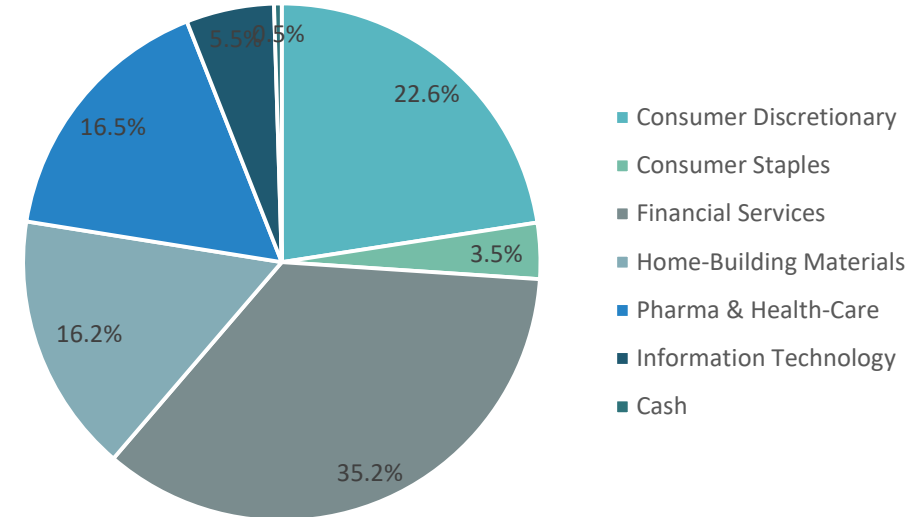
## Top 5 Holdings (accounts for ~50% of allocation)

Page Industries	Consumer Discretionary
Bajaj Finance	Financials
Dr. Lal Pathlabs	Healthcare
Asian Paints	Home Building Materials
Titan	Consumer Discretionary

## Market-Cap Wise Allocation

Large-Cap	79.5%
Mid-Cap	11.6%
Small-Cap	8.5%
Cash	0.5%

## Sector Wise Allocation



## Portfolio Metrics

Wtd. Avg. Market Cap (INR Cr.)	3,47,490
Portfolio P/E (TTM)	67x
Dividend Yield	0.8%
Churn Ratio (TTM)	23.2%
Std Deviation (12 month rolling)	20.4%
Sharpe Ratio (12 month rolling)	0.51

# CCP FACTSHEET (2/2)

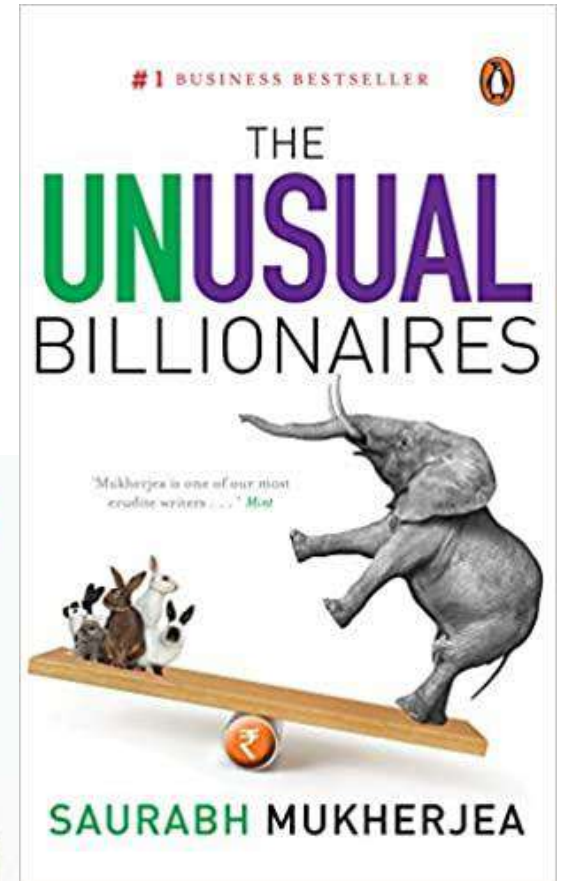
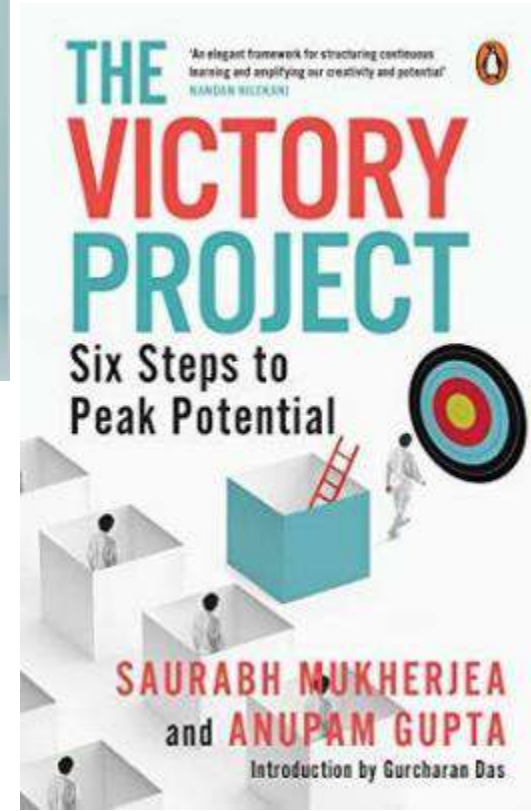
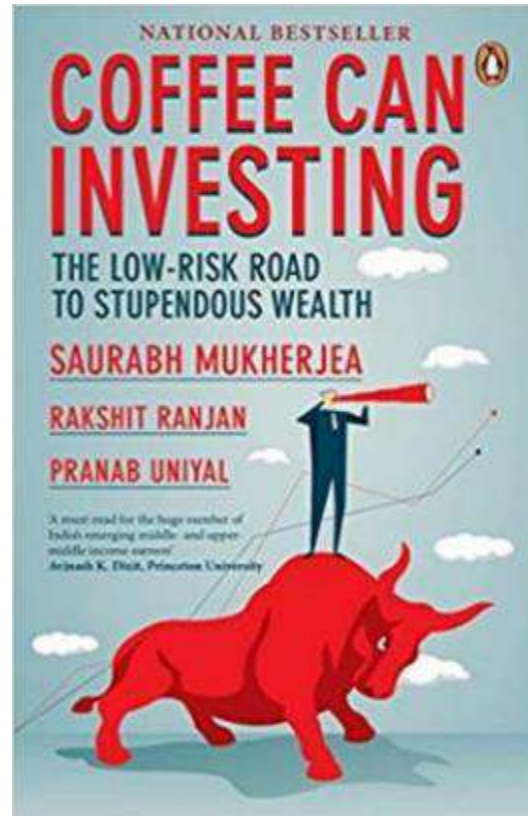
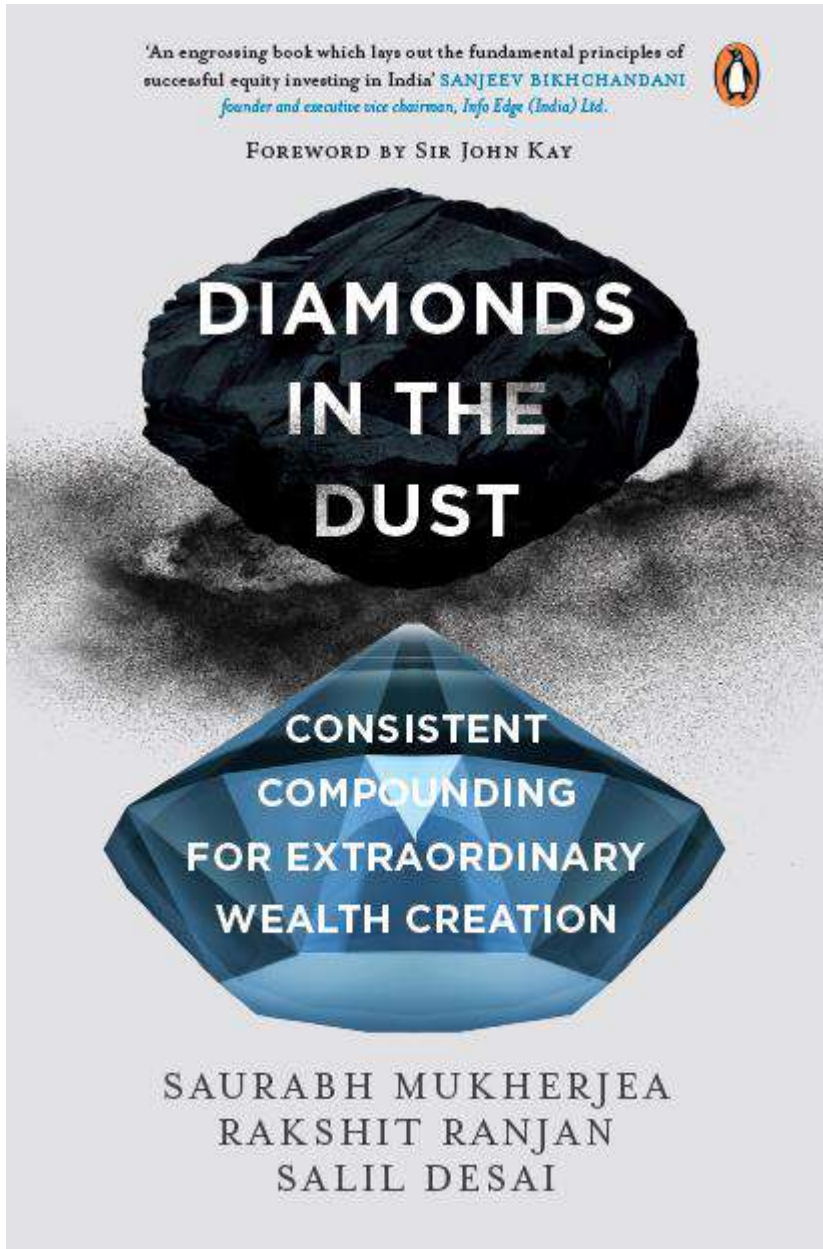
## CCP v/s NIFTY50 performance



Source: Marcellus Investment Managers; Note: Performance data shown is net of fixed fees and expenses charged till 30<sup>th</sup> Sept, 2023 and is net of annual performance fees charged for client accounts whose account anniversary/performance calculation date falls upto the last date of this performance period



# BESTSELLING BOOKS WHICH WILL GIVE YOU MORE INFORMATION





# WE PROACTIVELY SEEK TO INFLUENCE CHANGE

Area of engagement	Desired outcome
Corporate governance	<ul style="list-style-type: none"><li>• If we spot diversion on a meaningful scale, we exit</li><li>• If we spot the beginnings of what look like small scale diversion, we speak to the 'Promoter' and explain to her why her wealth creation can be compromised</li></ul>
Succession planning	<ul style="list-style-type: none"><li>• Through our discussions with suppliers, customers and competitors of a company, we keep a close eye on whether the 'promoter' is on top of his game.</li><li>• If his successors either do not exist or have not been groomed adequately, we discuss the matter and its consequences with him.</li></ul>
Capital allocation	<ul style="list-style-type: none"><li>• If we see a company either hoarding cash or moving into an unrelated, we engage with the 'promoter' to understand her thinking on capital allocation.</li><li>• If we are not convinced about the fitness of what she's doing, we present our point of view (arguing in favour of a different capital allocation strategy)</li><li>• If six months later we see that our engagement has made no difference, we consider exiting</li></ul>
Regulatory constructs	<ul style="list-style-type: none"><li>• By being a part of multiple regulatory committees, by writing in the press and by being vocal on social and broadcast media about regulatory reform, we have sought to improve transparency in the fund management industry in India</li></ul>

# OUR TEAM - PORTFOLIO COUNSELLORS



## **Ashvin Shetty, CA, CFA**

Ashvin has more than 10 years of experience in equity research. He led the coverage on automobile sector at Ambit Capital from 2010 to 2017. He thereafter worked as a senior analyst for Ambit's Mid and Small cap PMS funds till November 2018. Prior to joining Ambit, he worked with Execution Noble as an analyst covering consumer and media space. He has also worked with KPMG's and Deloitte's statutory audit departments from 2004 to 2007 gaining extensive experience across Indian accounting standards and financial statement analysis. Ashvin is a BCom graduate from Narsee Monjee College (Mumbai). He is a qualified Chartered Accountant (ICAI India) and Chartered Financial Analyst (CFA Institute, USA).



## **Sudhanshu Nahta, CA**

Prior to joining Marcellus, Sudhanshu was Executive Assistant to the CEO at Ambit Capital and worked in the Institutional Equities' Strategy team. He has also worked with KPMG in the statutory audit team from 2013 to 2016 gaining extensive experience across Indian accounting standards, financial control systems and financial statement analysis & reviews. Sudhanshu is a qualified Chartered Accountant and a CFA Level 3 candidate. He has completed his graduation in Commerce from Mumbai University.



## **Salil Desai, CA, MBA**

Salil joined Marcellus from Premji Invest, India's largest family office by assets under management, where he spent 6 years as a senior member of the team that managed ~US\$2bn in listed equities. Prior to that, Salil worked for IDFC Securities, a prominent equity brokerage in Mumbai, where he came to be known as one of India's leading analysts for core economy sectors. Over a career spanning 12 years in equities, he has tracked multiple sectors, including industrials, infrastructure, utilities, insurance, cement, metals and logistics. Salil is a Chartered Accountant and a Post Graduate Diploma in Business Management from NMIMS, Mumbai. He completed his graduation in Commerce from Mumbai University.



## **Tej Shah, CA, CFA**

Prior to joining Marcellus, Tej worked at Mayfield, a Silicon Valley headquartered venture capital fund which manages \$3Bn globally and \$220Mn in India. Tej spent 2 years as a part of Mayfield India's investment team covering multiple sectors and being at the centre of India's evolving venture ecosystem. Prior to Mayfield, Tej was a part of the equity and capital markets team of Ambit Capital where he worked on executing IPOs, QIPs and buybacks. Tej is a Chartered Accountant and has cleared all levels of the CFA exam. He holds a B. Com degree from Ahmedabad University.

# OUR TEAM - OPERATIONS, HR, COMPLIANCE & LEGAL, IT



**Manish Hemnani, MBA**

## **Operations**

Manish is one of the Founders of Marcellus. Manish comes from quantitative data analytics and research background, and has more than 12 years of experience working with banks and financial institutions across east-Asia, India and Europe. Prior to founding Marcellus, he founded Crosstab Limited (2011), a London based quantitative data analytics outfit. Prior to that he worked with a Mumbai based boutique analytics consulting firm. Manish holds an MBA from University of Warwick – Warwick Business School (UK).



**Sapana Bhavsar**

## **Human Resources**

Sapana has 15 years of experience in Human Resources. In her prior stint with CRISIL, Sapana was leading the India HR Shared Services and was the Business HR for CRISIL's Research division. Before CRISIL, Sapana was associated with Bank of America Merrill Lynch and has donned varied hats across the BAML entities. Sapana is a University Gold Medallist and has a Master's degree in Labour Studies from Mumbai University.



**Parimal Deuskar, Company Secretary**

## **Compliance and Legal**

Parimal heads Compliance & Legal function at Marcellus. In his last assignment, Parimal set up the Group Compliance Function at Avendus Capital, an investee company of KKR US. He is experienced in dealing with securities market regulators in US, Europe and Asia. Over his career spanning 15+ years he has set up fund structures in jurisdictions like India, Singapore, Ireland and Mauritius. His previous employers include Ambit, and Prudential UK's India KPO. Parimal holds Bachelor of Commerce and Bachelor of Law degrees from Mumbai University. He is also a qualified Company Secretary.



**Siddharth Joshi**

## **Information Technology**

Siddharth has more than 15 years of experience in Technology. During these 15 years, he has provided technology consultation to a variety of functions within investment banks and financial institutions. Before joining Marcellus, Siddharth was working with Nomura where he was head of multiple teams, responsible for providing IT solutions to front office, operations and risk. He has expertise in Middleware, Automation, DevOps, Cloud and Messaging for low-latency trading. Prior to working with Nomura, he has been associated with Wells Fargo and TCS. Siddharth has a Bachelor of Engineering from Rajiv Gandhi University, Indore.

# OUR ~120 EMPLOYEES COME FROM A VARIETY OF BACKGROUNDS

Our **PURPOSE** - *To make wealth creation simple and accessible, by being trustworthy and transparent capital allocators.*

- Overall Gender diversity - 31%; At mid-management level - 41%; thus creating a **pool of potential women leaders**
- Average Age – 31 years; age range - 20 to 50 years; 55% of the team below 31 years; thus constituting a **fair mix of new age and experienced generations.**
- Educational background ranges from Finance, Management, Economics, Statistics, Engineering, Law and Company Secretarial; 25% of the team has dual post-graduation degrees; average total experience of 8 years; thus **creating domain experts across functions**



- Diverse opinions and ideas encouraged and invited during the **'All Marcellus' weekly meeting.**
- The team follows a **no-designation policy.** Use of hierarchical “job titles” not allowed in the firm.
- Research team meets twice a week for 3-hour long deliberations on existing portfolios; this also includes **cross team discussions and ideations** across all levels.
- An integral part of performance assessment is feedback on behaviours (30% weightage) that is sought via **360 degree feedback** and is published to the whole firm on a monthly basis.
- The team’s inputs on the firm’s policies and practices are captured by an **anonymous third party engagement** survey; these inputs drive the firm’s People priorities

# ANNEXURE

## PORTFOLIO FUNDAMENTALS

# STRONG FUNDAMENTALS OF CCP COMPANIES

Stock Name`	Revenue growth			Earnings growth		
	FY19-22 (3-yr CAGR)	FY22 (YoY)	9MFY23 (YoY)	FY19-22 (3-yr CAGR)`	FY22 (YoY)	9MFY23 (YoY)
Asian Paints Ltd.	10%	15%	21%	9%	-11%	32%
Bajaj Finance Ltd.	23%	28%	29%	19%	59%	81%
Berger Paints India Ltd.	13%	9%	24%	18%	12%	10%
Divis Laboratories Ltd.	21%	28%	-10%	31%	44%	-27%
Dr. Lal Pathlabs Ltd.	20%	32%	-5%	20%	18%	-36%
HDFC Bank Ltd.	16%	13%	20%	19%	18%	18%
HDFC Life Insurance Co Ltd.	16%	17%	16%	20%	22%	39%
ICICI Lombard	12%	26%	21%	4%	-20%	33%
Kotak Mahindra Bank Ltd.	13%	11%	22%	19%	23%	29%
Nestle India Ltd.	9%	10%	16%	10%	3%	8%*
Page Industries Ltd.	11%	37%	38%	11%	44%	42%
Pidilite Industries Ltd.	12%	36%	23%	9%	7%	4%
Tata Consultancy Services Ltd.	9%	17%	18%	12%	19%	9%
Titan Company Ltd.	13%	33%	44%	16%	136%	52%
<b>Weighted Avg.</b>	<b>14%</b>	<b>23%</b>	<b>20%</b>	<b>15%</b>	<b>27%</b>	<b>24%</b>

Source: Marcellus Investment Managers; Ace Equity: \*LTL growth of 8% is after removing the effect of exceptional expense last year

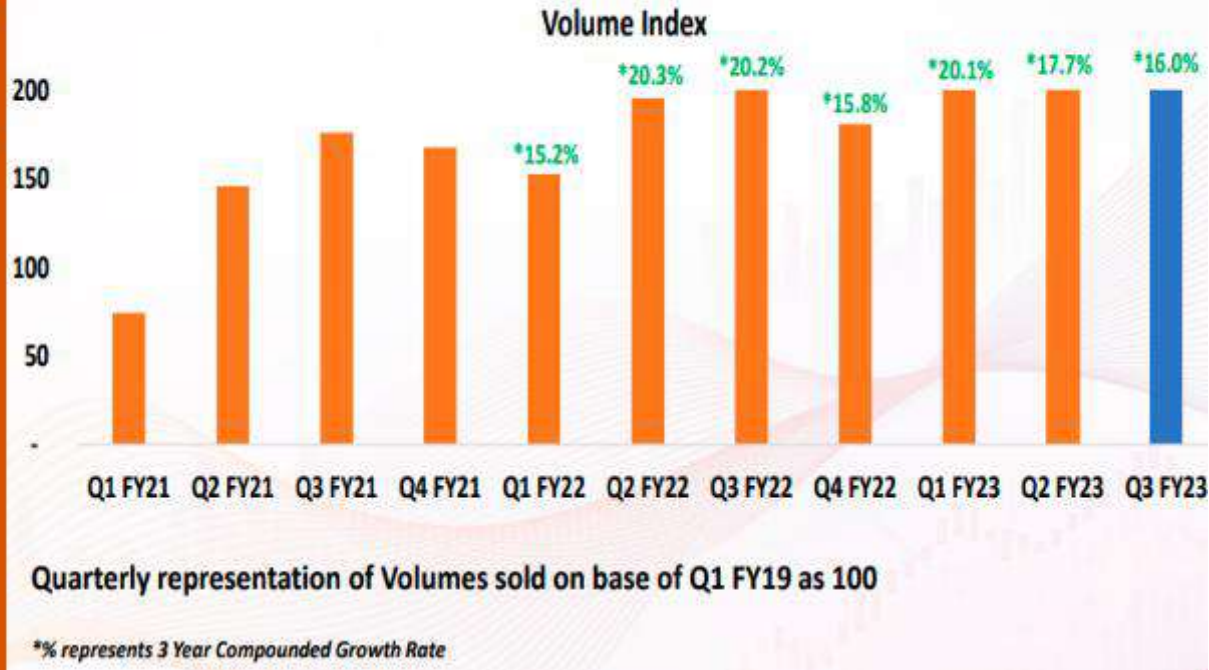
# PORTFOLIO UPDATE





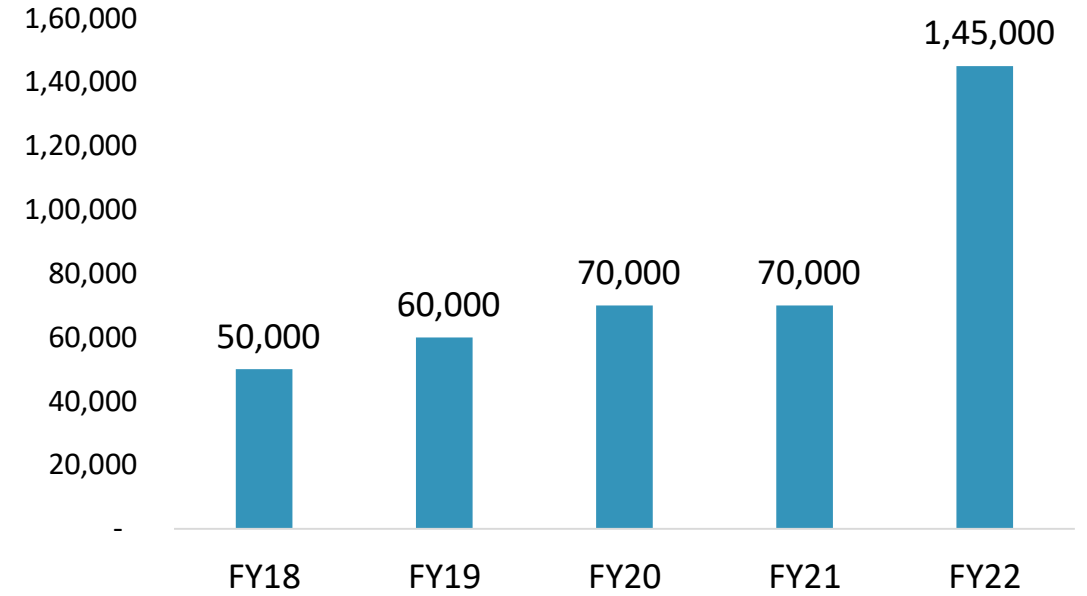
# ASIAN PAINTS 3-YEAR VOLUME CAGR

Consistent trend of double-digit volume growth



Source: Marcellus Investment Managers; Company results

26% CAGR in dealer count over FY18-23



Source: Marcellus Investment Managers; Company results

# ASIAN PAINTS: KEY CAPITAL ALLOCATION DECISIONS

## Capital Allocation decisions to strengthen the moat:

*(a) Investment of ~2,100crs in backward integration to make VAE & VAM to provide sustainable cost advantage of ~4-5% in terms of gross margins.*

*(b) Investment of ~550crs in White Cement to make White Putty. To provide incremental ~5-7% gross margin as well as improvement in product quality*

*(c) Small acquisition in chemical company possessing nanotechnology for paints to help drive premiumisation by offering better product quality*

## Home Décor - New growth driver (~2% to ~4% of sales in 4-5 years)

*Asian Paints' competitive advantage in Home Décor in our view:*

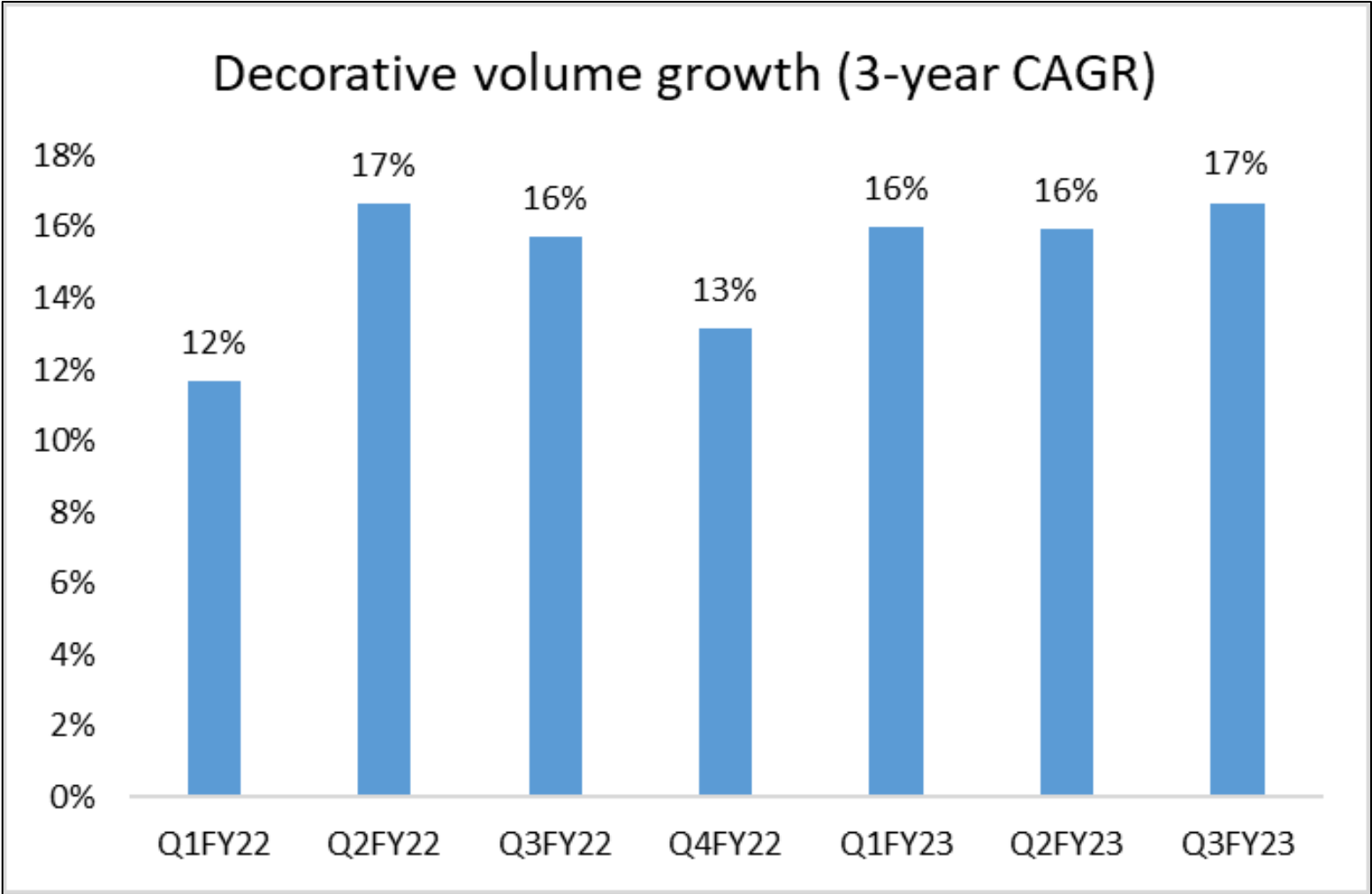
**a) Strong relationship with existing paint dealers.** Old paint dealers looking to upgrade beyond paints.  
**FY20 = 10 stores > 75 stores in FY23**

**b) 3D visualization technology = A differentiated offering for consumers who cannot afford designers/architects**

**c) 'AP Homes' experience - offering services & dealing with painters/contractors from 'AP Homes' project**



# BERGER: CONSISTENTLY HEALTHY 3-YEAR VOLUME CAGR



Source: Marcellus Investment Managers; Company results

**Market share increased from 18% in FY22 to 18.8% in H1FY23** (Source: Q2FY23 concall)

# BERGER PAINTS: KEY INITIATIVES & CAPITAL ALLOCATION DECISIONS

## Key initiatives to strengthen the moat:

*(a) **Strong growth in dealers:** 36,000 dealers to 50,000 dealers over FY19 to FY22. Tinting machine count increased from 30,000 to 40,000*

*(b) **Accelerated network addition - 2x increase in dealer addition rate in FY23:** Tinting machine count expected to increase to ~46,000 from ~40,000*

*(c) **Commercialised new state of the art plant at Lucknow** at an investment of ~1,000crs. Expected to improve service levels in North market and automation to help in lower costs/ inventory*

*(d) **Major milestone - Implementation of Advanced planning tools for transformation of Supply Chain. Benefits = Improved accuracy in demand forecasting (forecasting to move from depot level to dealer level), Better visibility on demand to help in better production planning/ RM procurement. Expect reduction in inventory days.***

Source: Marcellus; Company results



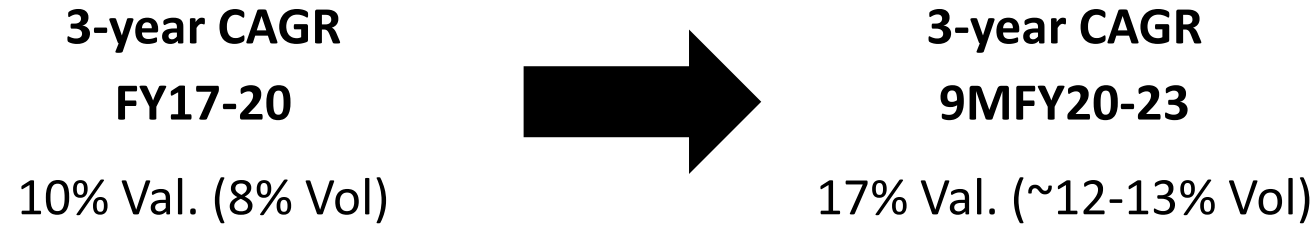
Source: Web results – o9 solutions website

# ASIAN PAINTS & BERGER PAINTS: MARKET SHARE GAINS CONTINUE (Q3FY23)

<b>YoY Sales growth (standalone)</b>	<b>YoY</b>	<b>3yr CAGR</b>	<b>TTM</b>
Asian Paints Ltd.	0.9%	17.2%	0.9%
Berger Paints India Ltd.	7.2%	17.2%	7.2%
Kansai Nerolac Paints Ltd.	1.4%	11.4%	1.4%
Akzo Nobel India Ltd.	7.9%	10.7%	7.9%
Indigo Paints Ltd.	6.0%	17.9%	6.0%
<b>YoY Volume growth (Deco)</b>	<b>YoY</b>	<b>3yr CAGR</b>	
Asian Paints Ltd.	0.0%	16%	
Berger Paints India Ltd.	6.6%	17%	
Kansai Nerolac Paints Ltd.	-7.0%	8%	

Source: Marcellus; Company results

# PIDILITE: ACCELERATION IN GROWTH RATES



*Source: Marcellus; Company annual report; Note: Data for Consumer & Bazaar division*

## Initiatives over the last 3-4 years to strengthen the business

*(a) **Sales & Distribution expansion: 70% increase in number of towns covered** over 2020 to 2023. Successful experiments in sales & distribution: **Pidilite Ki Duniya store** (rebranding of stores in villages to sell as Pidilite products), **Dr. Fixit centres** (reduce dependence on paint and cement channel).*

*(b) **Strengthening of supply chain: Automation for packaging, Implementation of Warehouse Management System & Automation, Implementation of Theory of Constraints in Distribution. Invested 500crs in last 2 years in building 24 plants** (for new as well as existing products) and various **supply chain automation/ technology** projects*

*(c) **Use of digital: Launch of digital platforms for retailers, distributors, users/ contractors & sales force to improve productivity with 3.5L+ active dealers & 2.5L+ active users on apps. Contribution of dealer app to retail sales = 15% v/s 3% in April 2021** (which means sales force can cover more outlets and yet not lose out on sales as dealers are ordering on app)*



# PIDILITE: PRODUCT INNOVATION ENGINE AT WORK – A FEW EXAMPLES

Core: 1-2x GDP



**Homefix:** Sticks everything everywhere; No need for nails



**Fevistik Power:** Enables application of all art & craft materials on paper

Growth: 2-4x GDP

**Tile adhesives** - a superior alternative to tradition method of cement & sand to fix tiles. ~2,500 to 3,000crs market with just 18-20% penetration



**Other brands in Growth category:** Dr Fixit, Araldite, ICA Pidilite, WD-40, Nina-Percept, Emerging India division



Pioneer: 100crs in 3 years



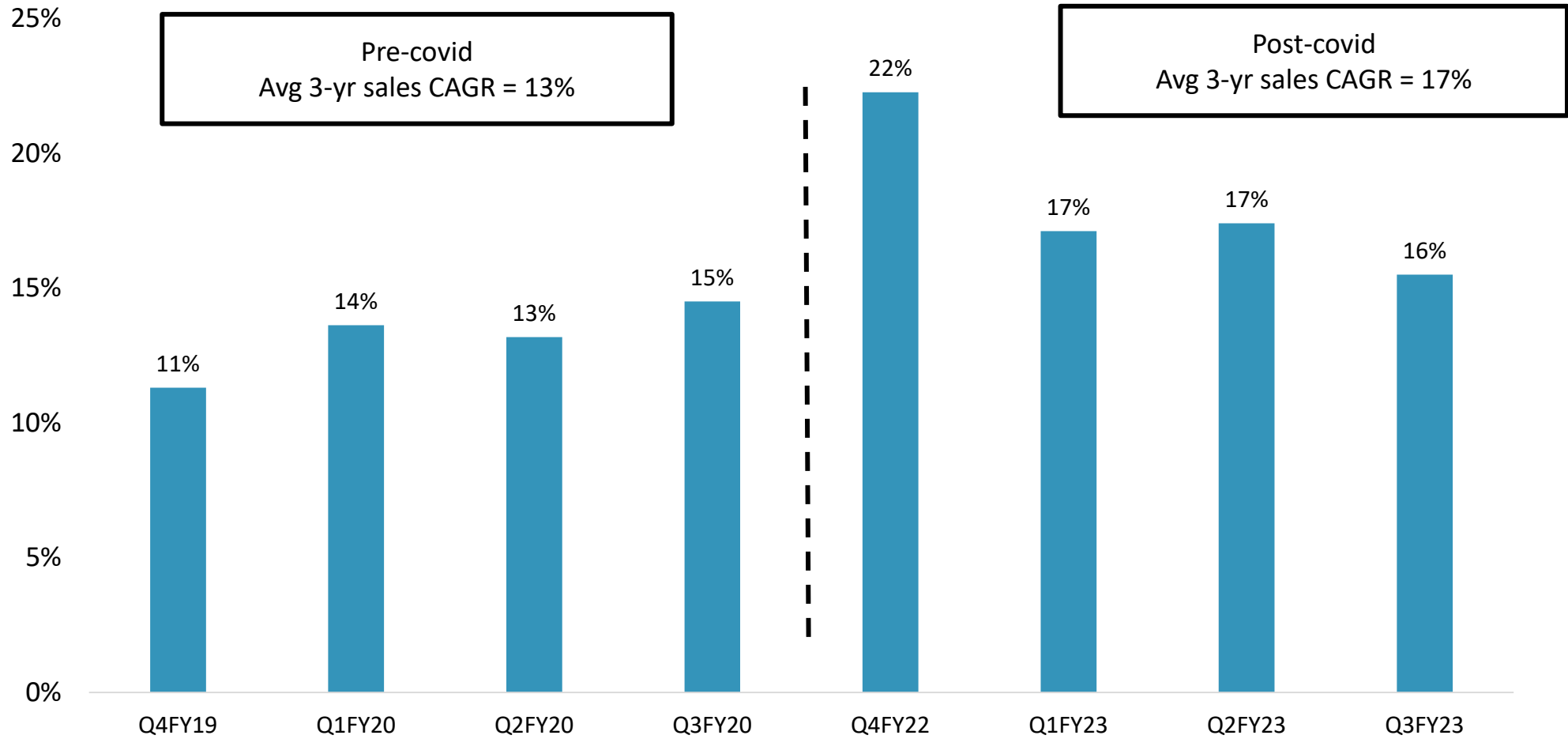
**Creating new brand for sealants market** – market potential of 600 to 800crs



**Pidilite-Puma Uno Fin:** All in one product - replaces Plaster, Putty, Primer and Paint. Currently driving Applicator Training Programme

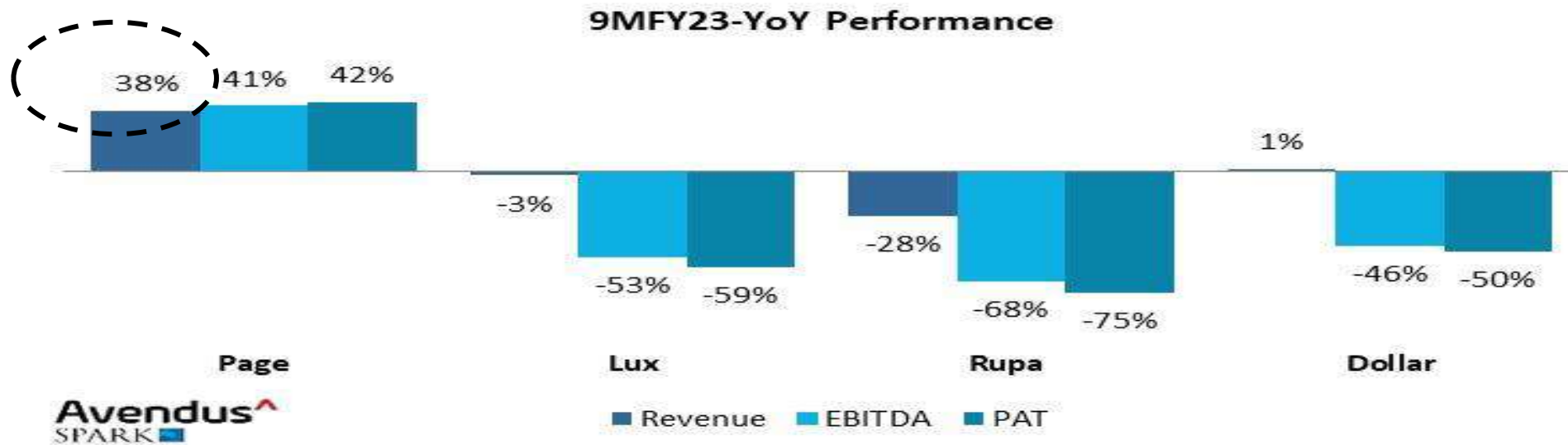
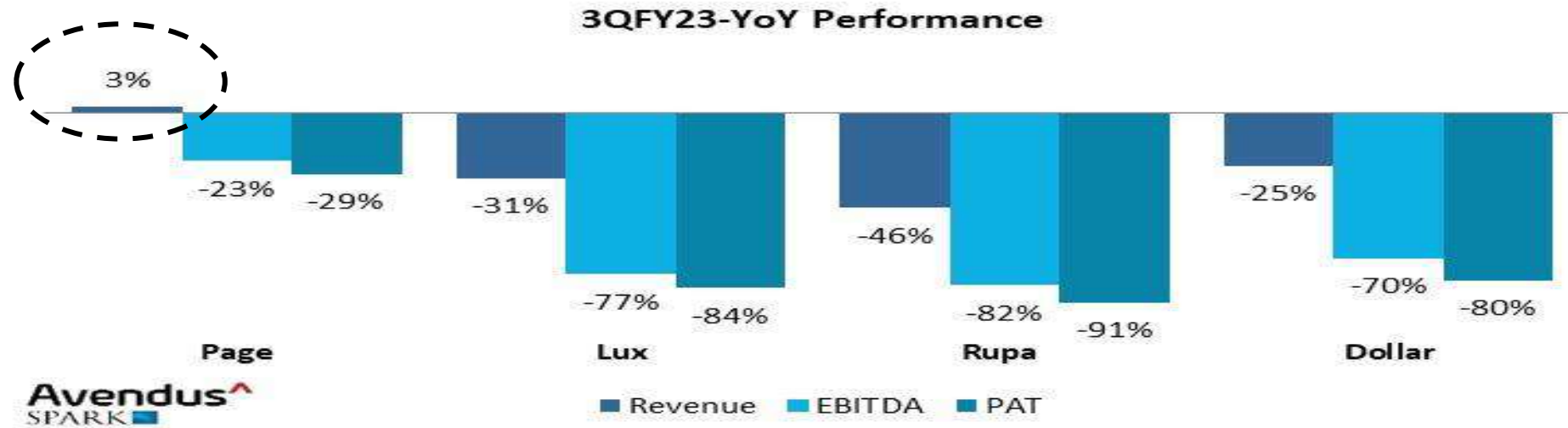


# PAGE: ACCELERATION IN 3-YEAR SALES CAGR



Sales growth has been healthy & above pre-covid levels on a 3-year CAGR basis despite the optical effect of ARS implementation

# PAGE: COMPARISON WITH OTHER INNERWEAR COMPANIES (Q3FY23)



## PAGE: MAJOR INITIATIVES IN LAST 3 YEARS

*Sales & Distribution expansion – 2 to 2.5x times increase in MBO & EBO touchpoints. Separate professional CXOs leading distribution expansion for MBOs as well as EBOs with dedicated sales teams for mens, womens, athleisure & kids*

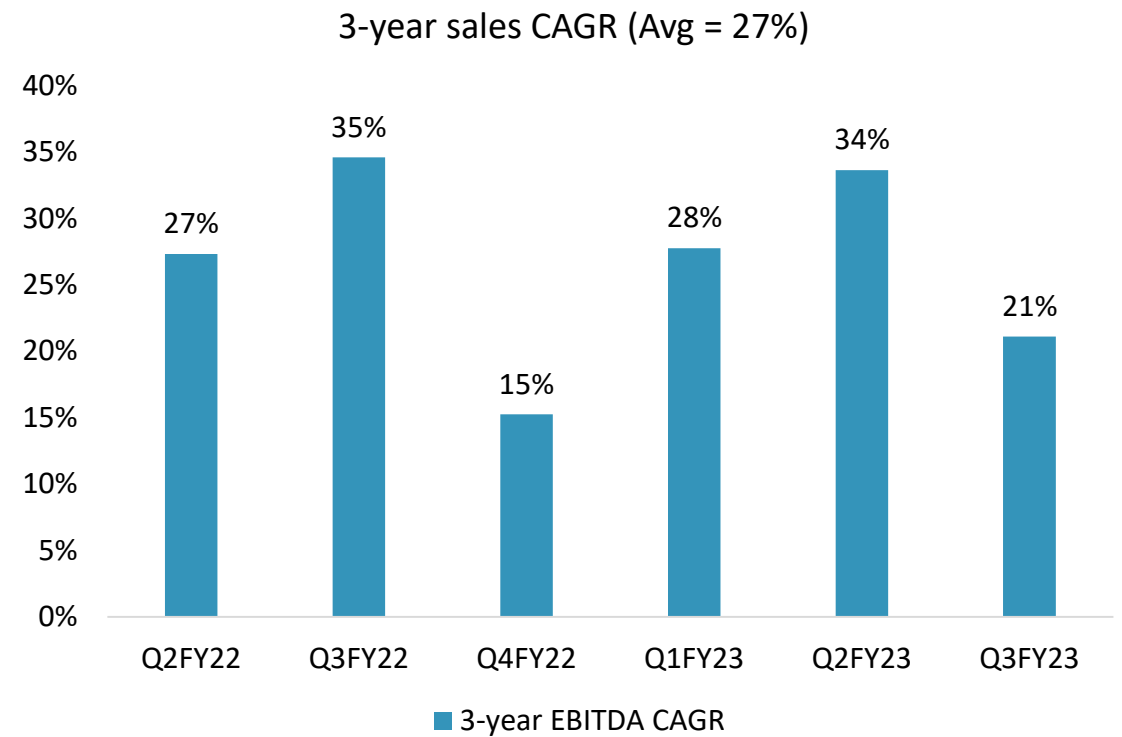
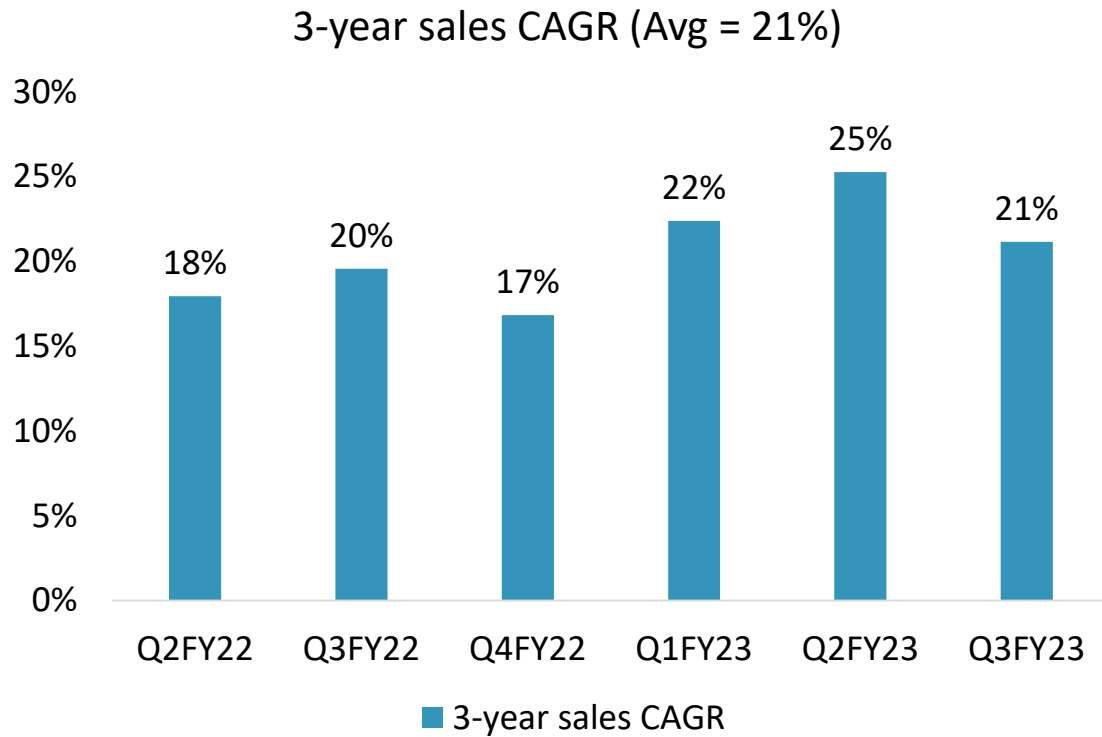
	Mar'18	Dec'22	CAGR
MBOs	50,000	1,18,838	20%
EBOs	470	1,228	22%
EBOs - Womenswear	23	48	17%
EBOs - Kidswear	-	76	

### **Major capital allocation decisions:**

- a) Technology investments: BlueYonder** – improvement in demand forecasting, production planning, procurement planning to drive reduction in inventory; Upgradation to **SAP S4 HANA** – SAP suitable for fashion business; **Vinculum** – aggregates various online marketplaces
- b) Capex of ~350-450crs in 2 years:** New plant in Orissa for mens innerwear to double capacity from 260mn to 420mn pieces + Backward integration projects for elastic, bra cups & hooks for import substitution, yarn store room at Tirupur for strategic stock holding

Source: Marcellus Investment Managers; Company

# TITAN: STRONG GROWTH (3-YEAR SALES CAGR)



## TITAN: UPDATE ON OTHER SEGMENTS

**Caratlane - star performer. 50% Sales CAGR + turned profitable + 20% ROCE in FY22**

Rs mn	FY18	FY19	FY20	FY21	FY22	TTM
Sales	2,902	4,164	6,212	7,160	12,650	19,730
<b>YoY</b>		<b>43%</b>	<b>49%</b>	<b>15%</b>	<b>77%</b>	<b>56%</b>
EBIT	-813	-375	-110	220	600	1,270
<b>EBIT margin</b>	<b>-28%</b>	<b>-9%</b>	<b>-2%</b>	<b>3%</b>	<b>5%</b>	<b>6%</b>

**Eyewear – turned profitable. YTD EBIT margin 18% v/s loss pre-covid:**

- a) Consolidation of lens manufacturing labs from 7 to 4
- b) Reduction in discounting; Exit from LFS channel

**New categories: Taneira (Ethnic), IRTH (Handbags)**

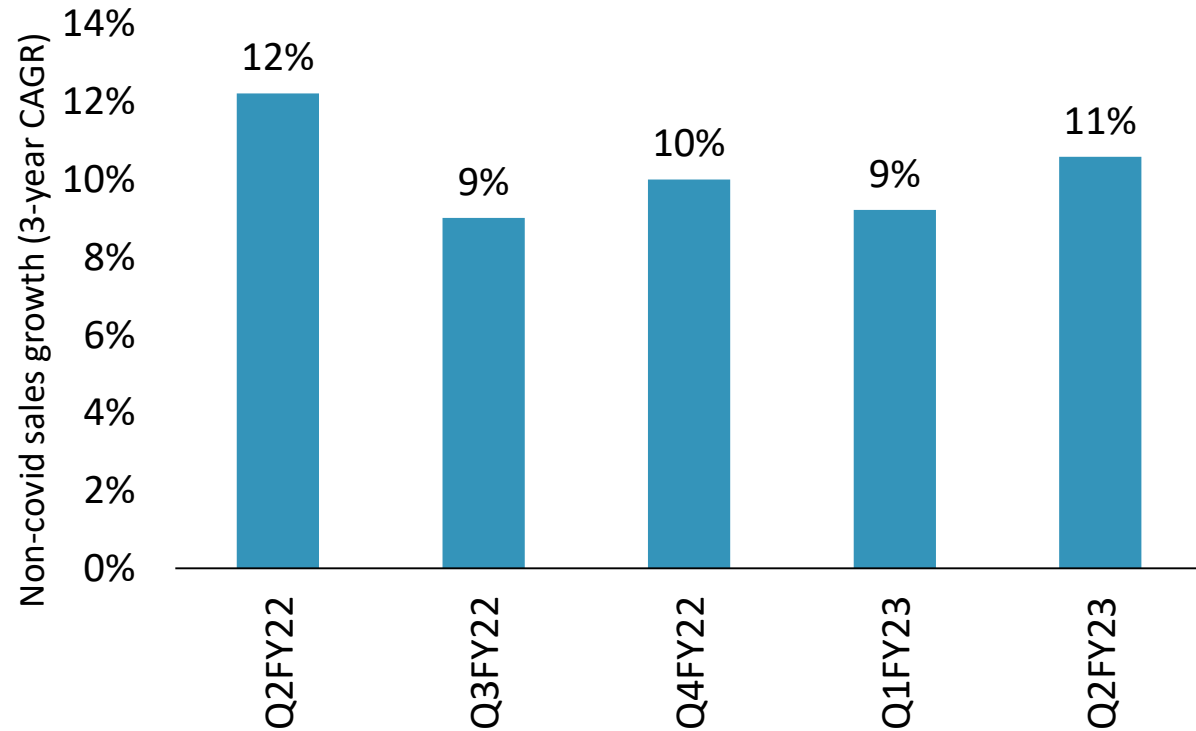


**12x stores in 4 years**  
**Q2FY19 > 3 stores**  
**Q2FY23 > 36 stores**



# DR LAL: INDUSTRY LEADING SALES GROWTH AMIDST WEAK INDUSTRY GROWTH

***Core business non-covid sales growth 3-year CAGR is 9-10% v/s 15+% pre-covid***



***Market leading non-covid sales growth over a 3 year period***

Non-covid sales (Rs in mn)	3-yr CAGR (Q1)	3-yr CAGR (Q2)	3-yr CAGR (Q3)
Dr Lal Pathlabs	13%	12%	13%
Metropolis	9%	9%	8%
Thyrocare	4%	3%	7%
SRL diagnostics	7%	6%	11%
<b>Total</b>	<b>9%</b>	<b>9%</b>	<b>10%</b>

Source: Marcellus Investment Managers; Company

# DR LAL PATHLABS: RECENT INITIATIVES & UPDATE ON SUBURBAN

## Dr. Lal's incremental capital deployment to deepen moats in existing core:

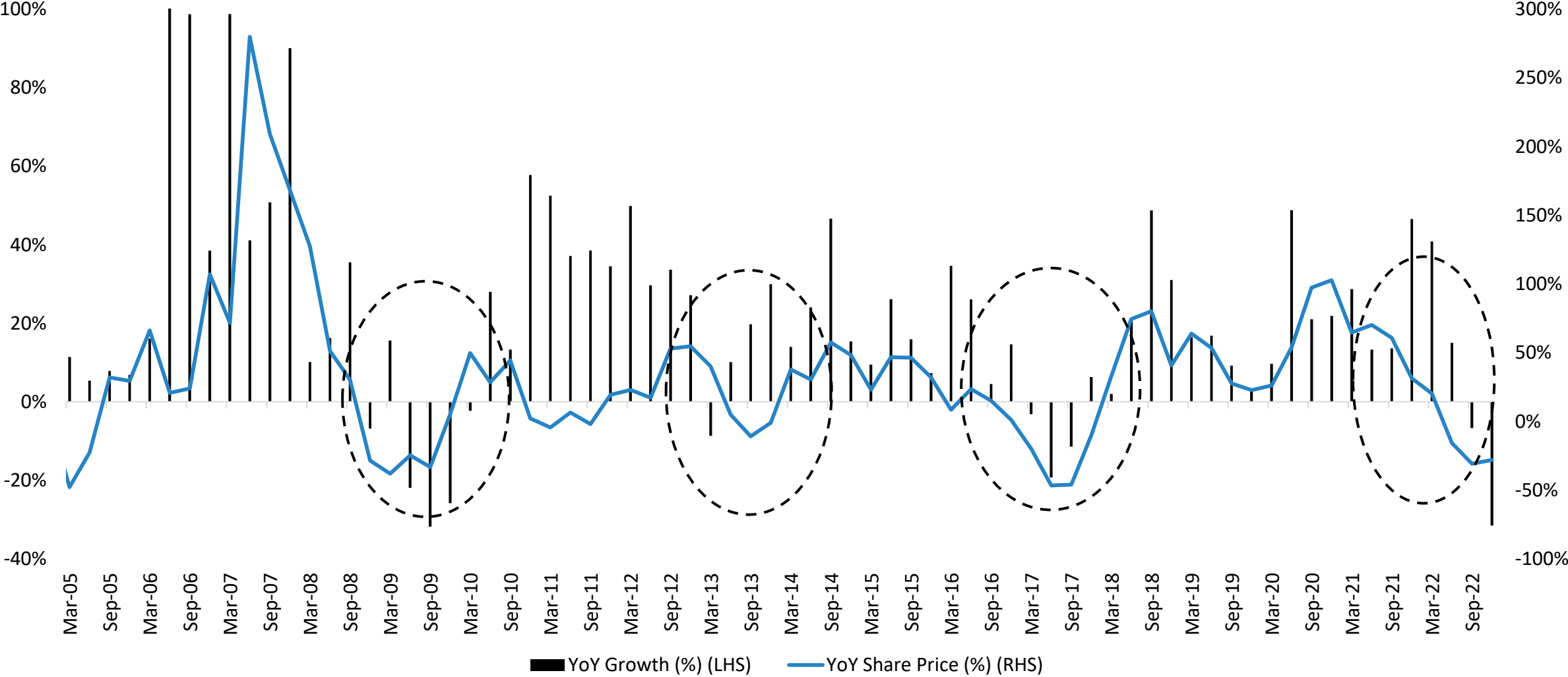
- Investing in **technology**/ talent to strengthen **D2C online** presence
- Strengthening the B2B business – e.g., **tech solutions** for internal systems of Hospitals; Digital interface for B2B clients like small labs, hospitals, phlebos
- **Tech investments for scalability** – Control Tower, Automation of Quality Checks

## Suburban diagnostics:

- **Conversion** of owned centres into franchised centres
- **New reference lab** (Mumbai) has increased test menu from 700 to 2800 – will help attract high quality B2B business as well as improve TAT for retail business
- **B2C strategy**: Expand collection centres in West India (increase in centre to lab ratio from 4 currently to drive operating leverage) + Suburban's 'path + radio' centres for corporate wellness and premium wellness



# DIVIS LABS' HISTORICAL QUARTERLY REVENUE PROGRESSION VS. SHARE PRICE



Source: Marcellus Investment Managers; Company

# DIVIS LABS: UPDATE ON Q3FY23 RESULTS

## Update on gross margin reduction in Q3FY23 (996 bps YoY and 693 bps QoQ)

- 90% yoy reduction in sales of Molnupiravir – a 75-85% gross margin product for covid
- **Temporary product mix change:** Marked increase in volume mix of older generic API sales for the quarter. Our analysis of import-export data does not indicate any significant pricing pressure or RM inflation.

## Other updates/ Initiatives

- **Two new CSM molecules** expected to launch in Q1FY24 + CSM project for Contrast Media has started commercial supplies and expected to ramp up in Q1FY24.
- **Multiple DMFs filed** for generic APIs. Expects addition of multiple new generic API products over FY24/FY25.
- **Investments in new technologies** - flow chemistry, vapor phase chemistry, lipid liquid, electrochemistry. Beyond capability addition, should also bring efficiencies
- Received clearance for **Kakinada plant**, help meet requirements and create a diversified manufacturing base

*Source: Marcellus Investment Managers; Company*

# Bajaj Finance's digital transformation journey has gathered pace

## BAF has a history of solid cross sell execution

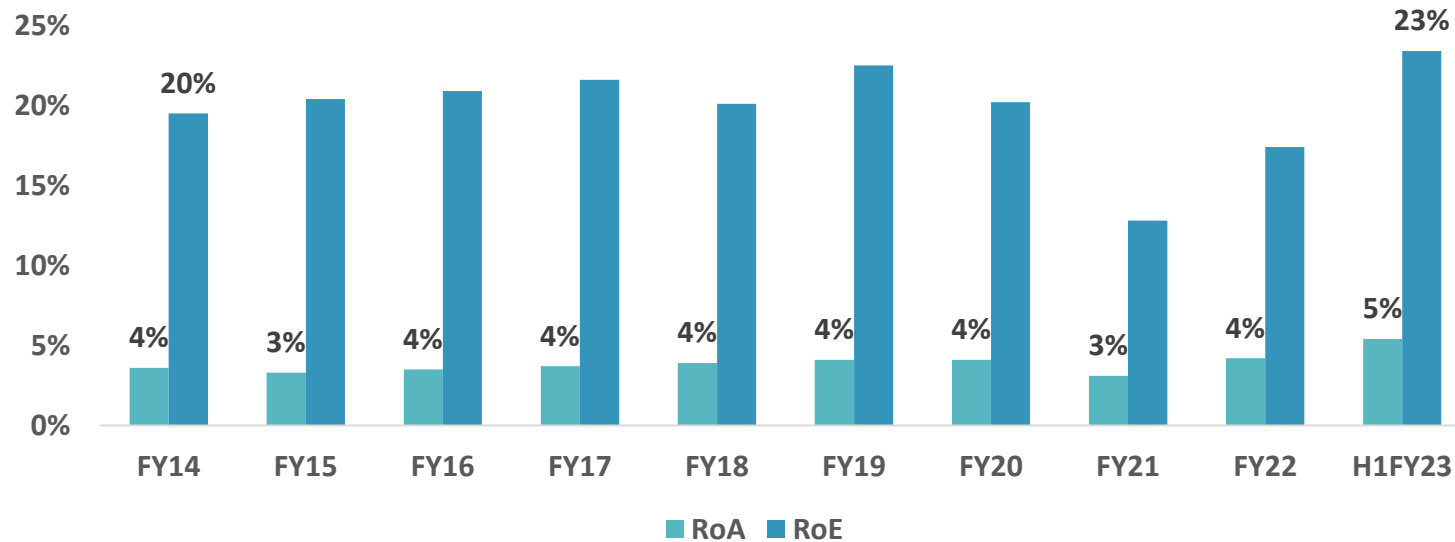
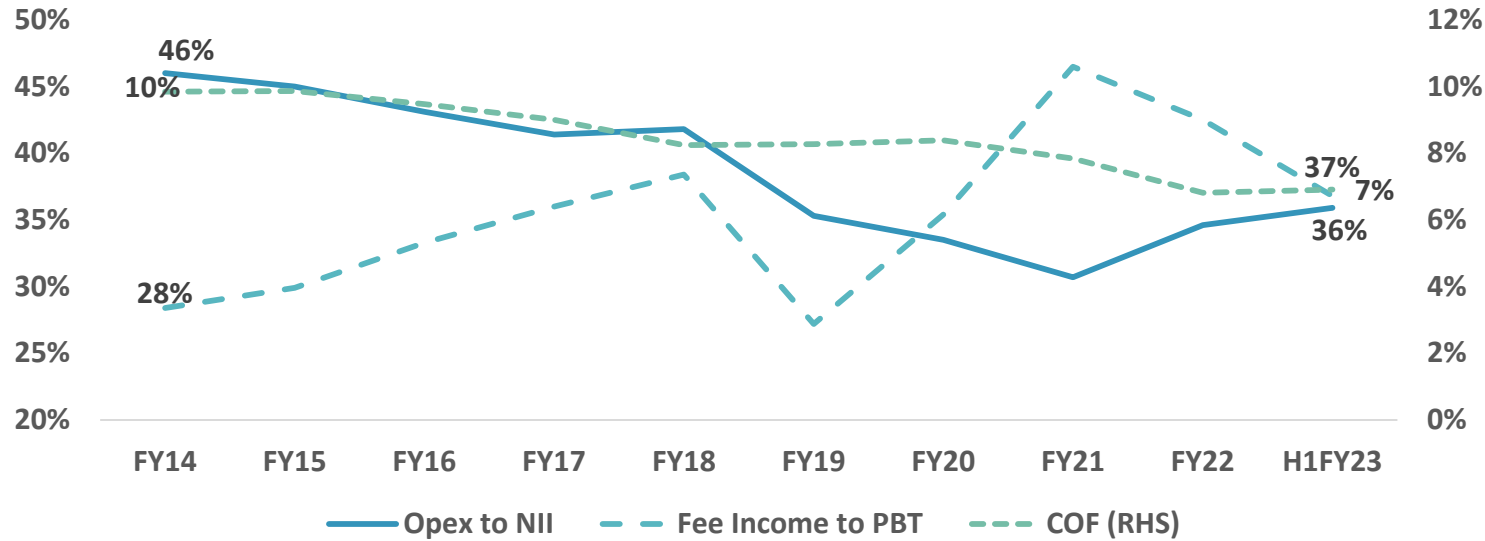
	FY17	FY18	FY19	FY20	FY21	FY22	9MFY23
<b>Existing customer mix in new loans (%)</b>	<b>59.8</b>	<b>60.3</b>	<b>64.8</b>	<b>70.4</b>	<b>64.6</b>	<b>63.5</b>	<b>61.4</b>

	FY17	FY18	FY19	FY20	FY21	FY22	H1FY23E	5Y CAGR (%)
<b>AUM per cross sell franchise</b>	54,722	53,417	56,066	60,983	56,879	58,617	60,007	<b>3%</b>
<b>PAT per cross sell franchise</b>	1,670	1,618	1,933	2,182	1,644	2,145	2,956	<b>14%</b>
<b>Customer franchise</b>	20.1	26.2	34.5	42.6	48.6	57.6	62.9	<b>21%</b>
<b>Total PAT (annualized)</b>	18,364	24,964	39,950	52,636	44,199	70,282	107,538	<b>38%</b>

Given BAF's digital initiatives, the proportion of fee income in overall profitability has been increasing and this is visible from higher share of fee income in PBT.

	FY18	FY19	FY20	FY21	FY22	FY23E
<b>Core fee income as % of AUM</b>	1.2%	1.7%	2.0%	1.6%	1.8%	2.0%
<b>Core fee income as % of PBT</b>	21.0%	27.2%	35.4%	40.9%	32.3%	28.8%

# Bajaj Finance












## Key initiatives

- ✓ Omnipresent strategy to build hyper scale at hyper speed.
- ✓ Created market places to improve velocity and cross sell franchisee.
- ✓ Building payments business to improve customer engagement.

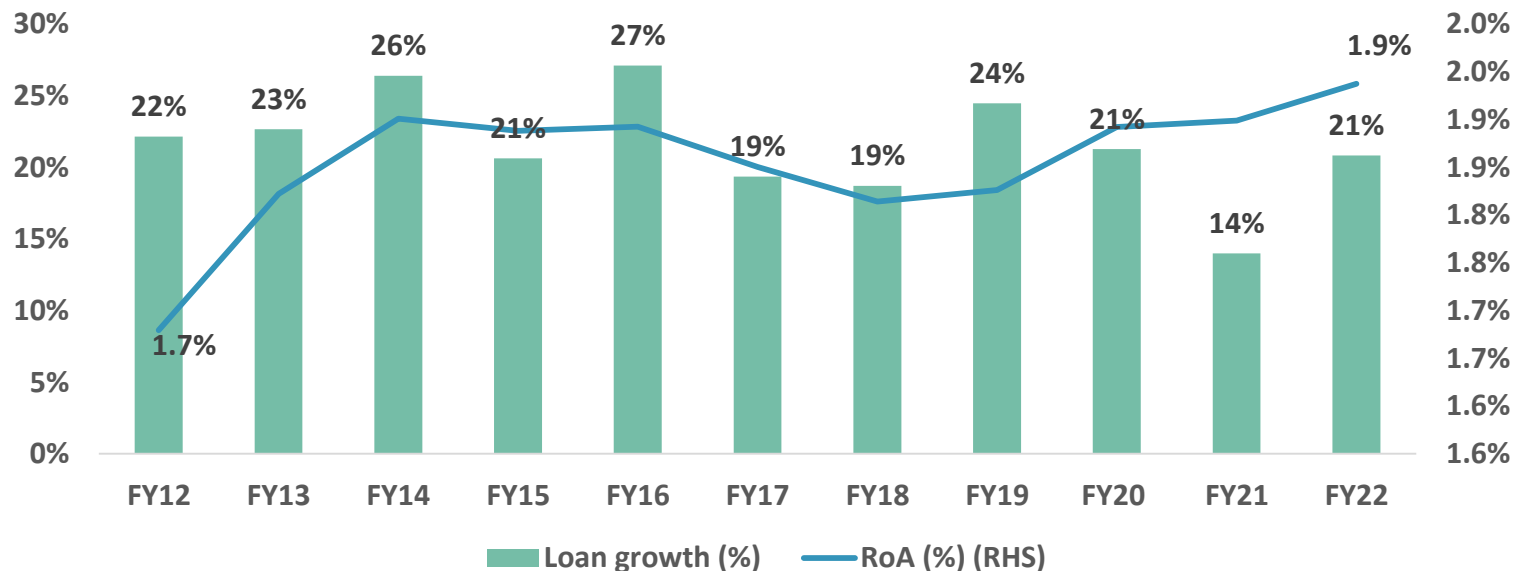
## Key monitorable

- Success in the online space for financing of products.

# Bajaj finance is knocking on the doors of likes of Amazon

Product Category	Product	Name	Price On 	Price On 	Prices are Lower on which platform ?	% Difference in Prices, Positive Denotes Bajaj Mall Prices are lower
Smartphones		Vivo V23 5G 128 GB Storage Stardust Black (8 GB RAM)	29,990	27,800	Amazon	-7%
Washing Machine		Samsung 8.0 kg Semi Automatic Top Load Washing Machine Light Grey (WT80R4200LG/TL)	15,999	13,090	Amazon	-18%
TV		Samsung 81.28 cm (32 inch) HD LED Smart Tv PurColor (32T4310)	16,990	17,900	Bajaj Mall	5%
Refrigerators		Whirlpool 240 L Frost Free Triple Door Refrigerator Alpha Steel (FP 263D PROTTON ROY)	24,469	24,949	Bajaj Mall	2%
Laptops		Lenovo IdeaPad Slim 3 Intel Core i3 10th Gen 8 GB RAM/ 256 GB SSD/ Windows 10 Home/ 15.6 inch Laptop (Platinum Grey, 81WE01P5IN)	39,490	43,390	Bajaj Mall	11%
Refrigerators		Hitachi 1.5 Ton 3 Star Inverter Split AC White (Copper Condenser, RSQG318HEEA)	36,450	38,790	Bajaj Mall	6%
Water Purifiers		Kent SUPER PLUS 8 L RO + UF + TDS Water Purifier (White)	15,818	14,080	Amazon	-11%

# HDFC Bank

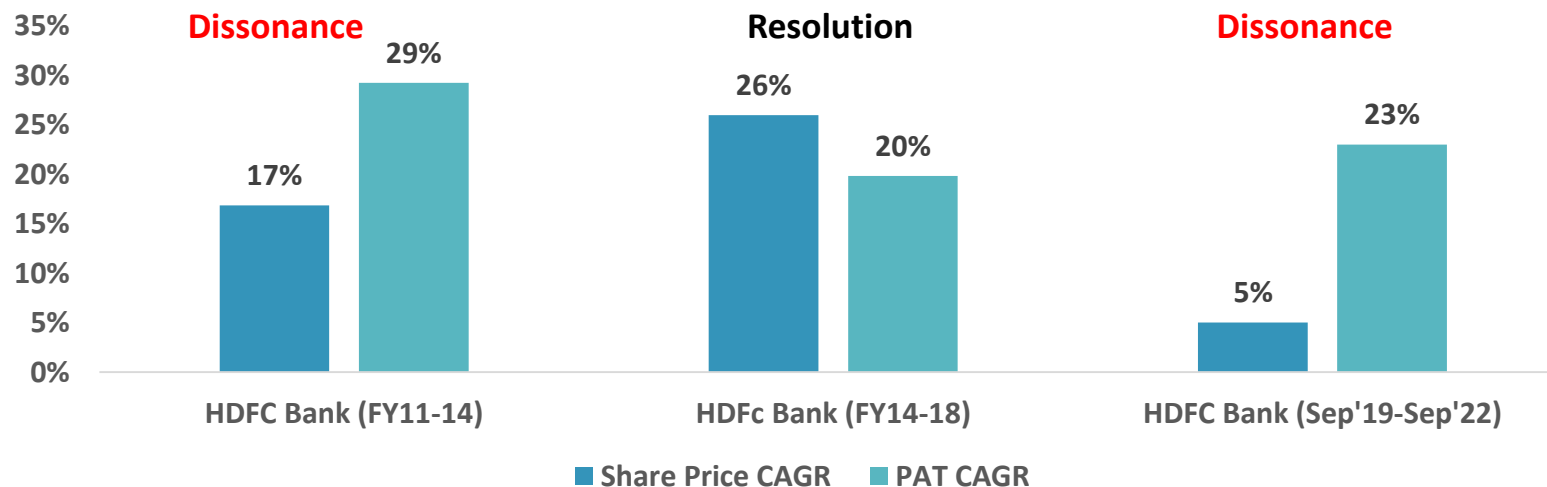


## Key initiatives

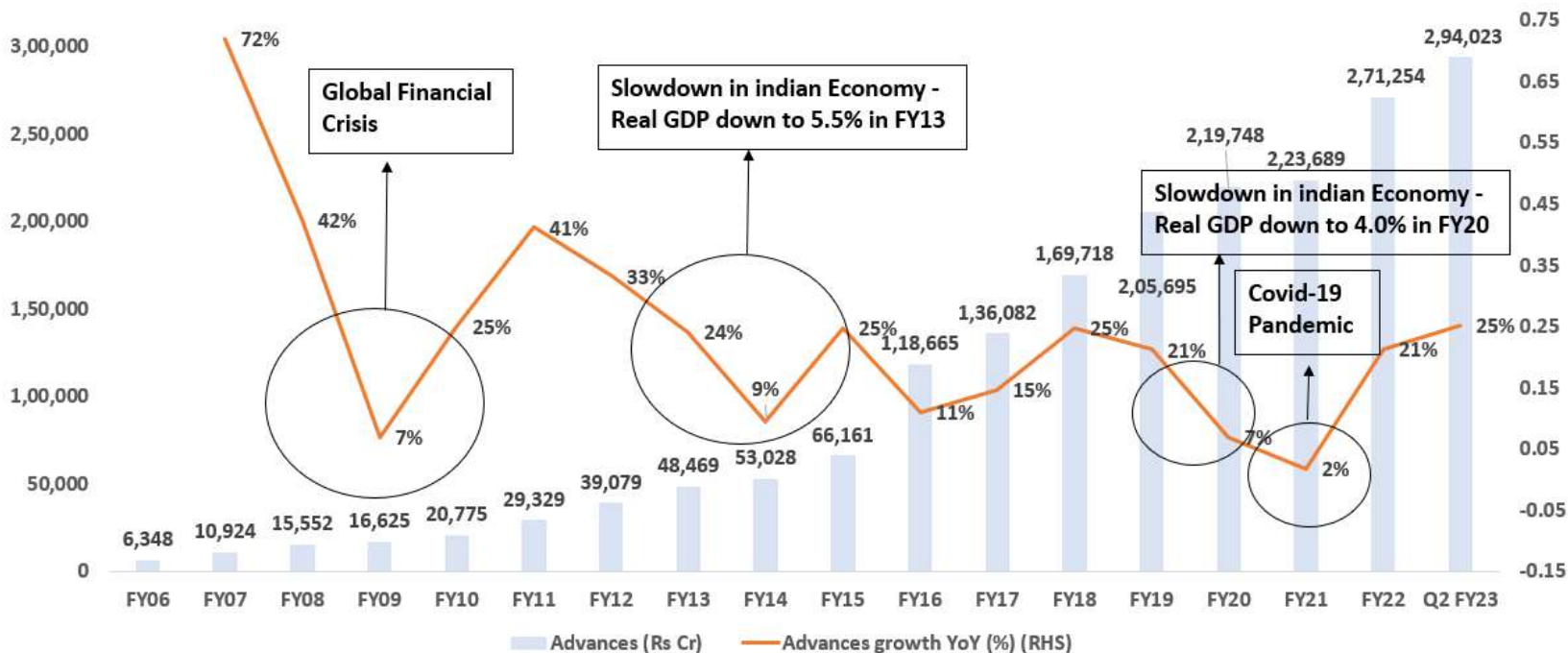
- ✓ Deepening presence in semi urban and rural India.
- ✓ Aspire to double physical footprint in next 3-4 years.
- ✓ Working on launch of many digital products – Payzapp 2.0, New Internet Banking, Vyappar (for SME)

## Key monitorable

- Accelerated deposit accretion to substitute the high cost liabilities of HDFC Ltd.



# Kotak Mahindra Bank

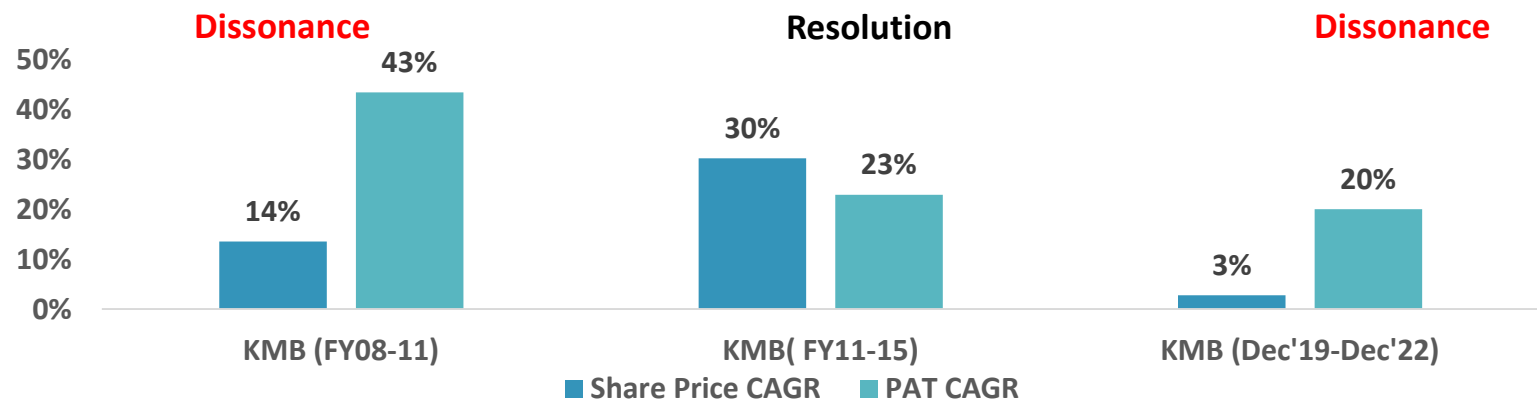


## Key initiatives

- ✓ Kotak 811 digital bank – targeting to accelerate customer acquisition.
- ✓ Shoring up share of unsecured credit to tap onto the underlying improvement in retail credit risk.

## Key monitorable

- Succession planning and initiatives around the same



Source: Company financials, Marcellus Investment Managers



# HDFC Life Insurance



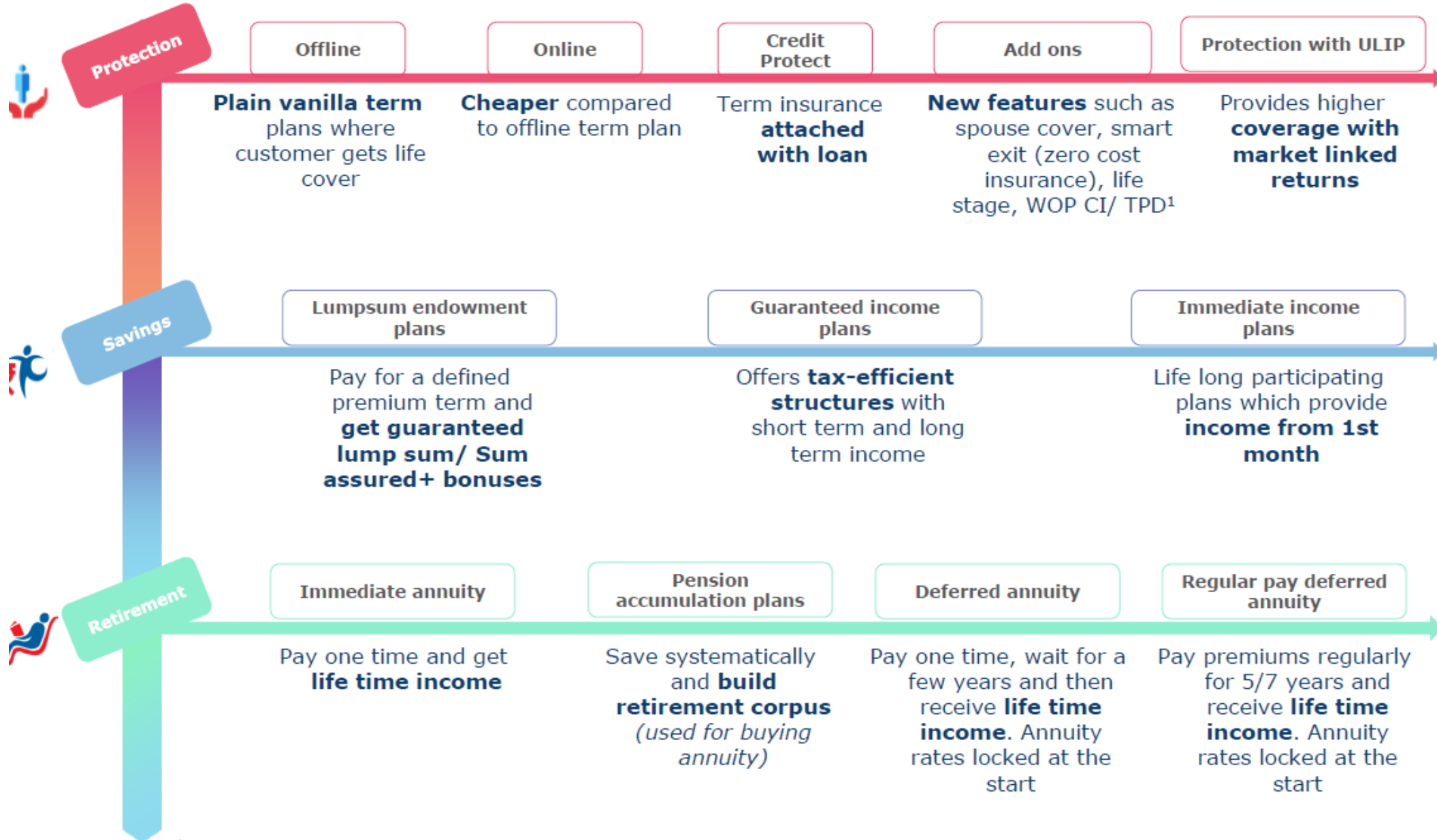
## Key initiatives

- ✓ Expanding footprint in agency channel to capture mass market
- ✓ Acquired the business of Exide Life to expand reach especially in southern India.

## Key monitorable

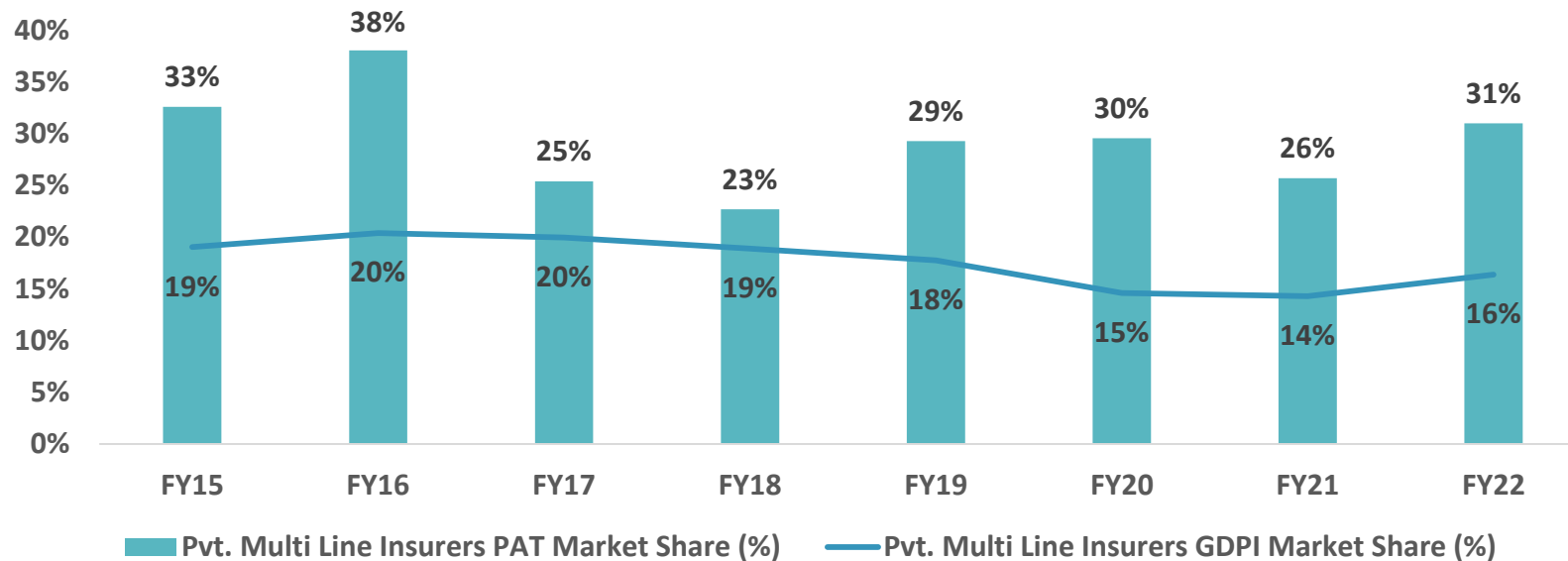
- Improvement in reinsurance support and underwriting confidence to accelerate term insurance growth.

# HDFC Life Insurance



# ICICI Lombard General Insurance

(%)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Yield of float	11.1	10.2	9.0	9.3	7.7	7.9	8.8
Cost of funds/float	4.6	3.3	1.8	1.4	0.7	1.1	4.0
Return on float (yield-cost)	6.5	6.9	7.2	7.9	7.0	6.8	4.8
Leverage	3.6	3.8	4.0	4.1	4.2	4.2	4.2
Return on float * Leverage	23.0	26.1	28.9	32.5	29.6	28.8	20.4
RoE (post-tax)	16.5	20.2	20.8	21.3	20.8	21.7	15.4



## Key initiatives

- ✓ Building an agency channel to improve presence in the fast growing retail health insurance business.
- ✓ IL Take care app for improving customer journeys and claims servicing.
- ✓ Leveraging adoption of technology across claims servicing, policy issuance, analytics etc.

## Key monitorable

- Fast evolving competitive environment.

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