

CONSISTENT COMPOUNDERS

Marcellus' Consistent Compounders PMS invests in a concentrated portfolio of heavily moated companies that can drive healthy earnings growth over long periods of time.

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

Private and confidential

Note: Circulation not intended for US clients

 **MARCELLUS**

Marcellus Investment Managers Pvt. Ltd.

Marcellus Investment Managers



- Who we are and what we do?
- Investment Philosophy and proprietary research process
- Bottom-up research process and case studies
- Fee Structure
- Performance
- Factsheet
- Disclaimers

Key Team Member's



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. Upon SEBI's invitation, he joined 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.



Rakshit Ranjan 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). 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).

Introduction – who we are and what we do?



Team: Long-term working relationship

- Employee-owned boutique and Indian & Global public equities; founded in Dec-2018
- The core team worked together for ~15 years, during which they built two successful and independent research firms in the UK and in India . Research team handpicked and trained internally

Strategy: Long only Indian equities

- India is the world's fifth largest and fastest-growing major economy which allows ample growth runway for well run companies (clean governance, good capital allocation and capable managements)

Philosophy: Quality over quantity

- Invest in a concentrated portfolio of clean and high-quality compounders with low churn
- Ignore short term noise and focus on consistent free cash flow compounding of investee companies

Process: In-depth bottom-up research

- Team of investment professionals trained in forensic accounting and focussed on bottom up research
- Proprietary research framework that uses extensive primary research to ascertain moats, capital allocation, growth longevity and succession planning

Five Mega Themes making their way into our portfolio



W . E . S . C . O



Women

Urban Indian Women Have More Money in the Bank Than Men



Education

For the first time, people from non-IIT, non-IIM, non-foreign degrees run the majority of Nifty50 companies



South

Seven Southern states have per capita incomes 50% higher than the rest of the country



China+1

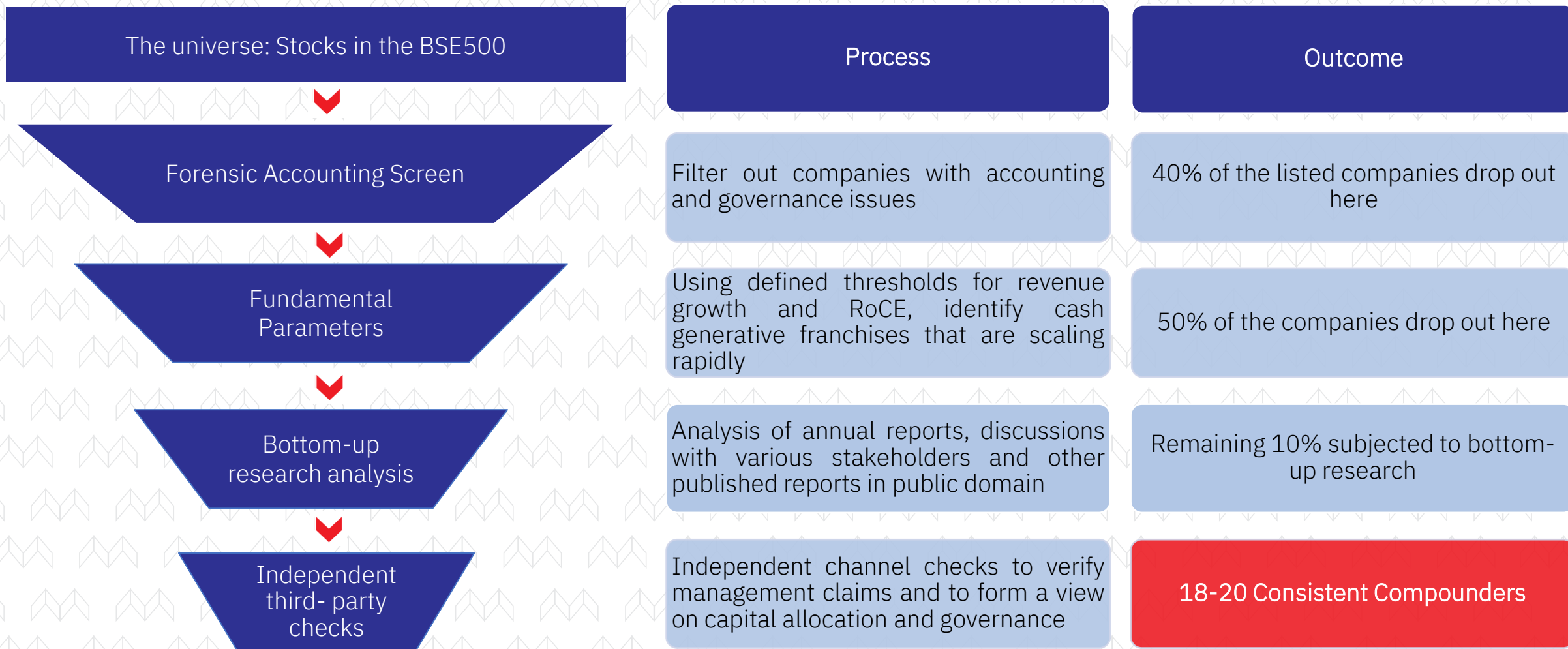
China's Unravelling and Creation of a US\$ 300 Billion per annum opportunity for India



Octopus

Emergence of ~200K octopi families whose wealth has surged more than 16x in the last 20 years

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

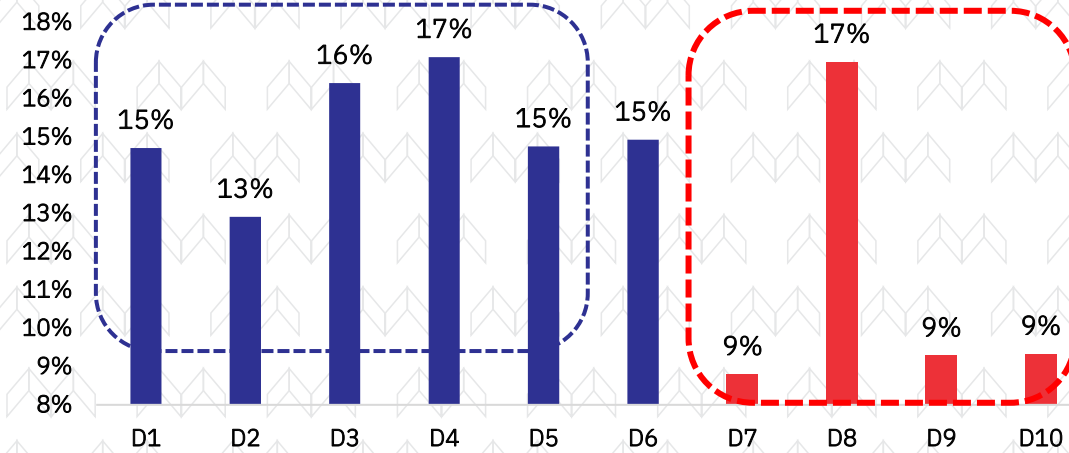
Forensic accounting helps avoid common pitfalls



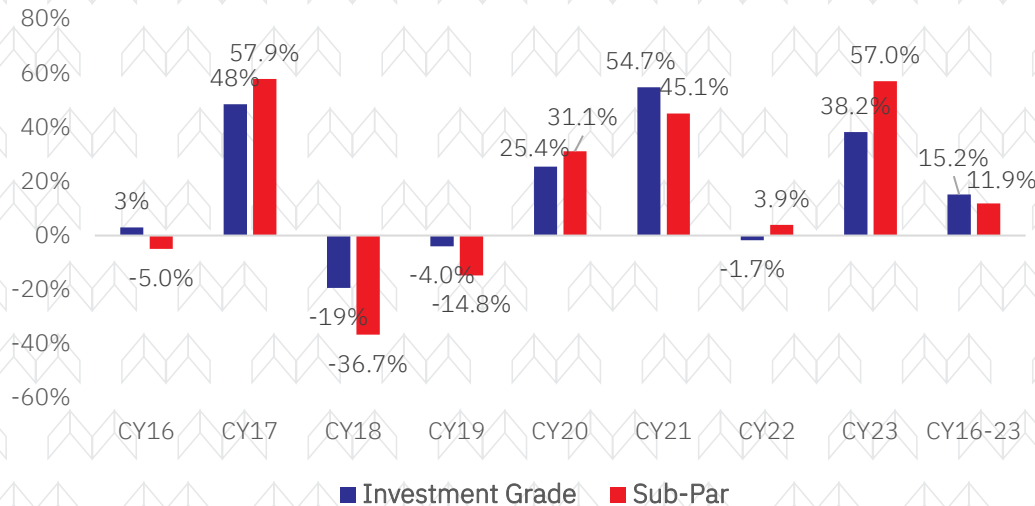
The forensic analysis toolkit

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

Accounting quality directly impacts investment returns

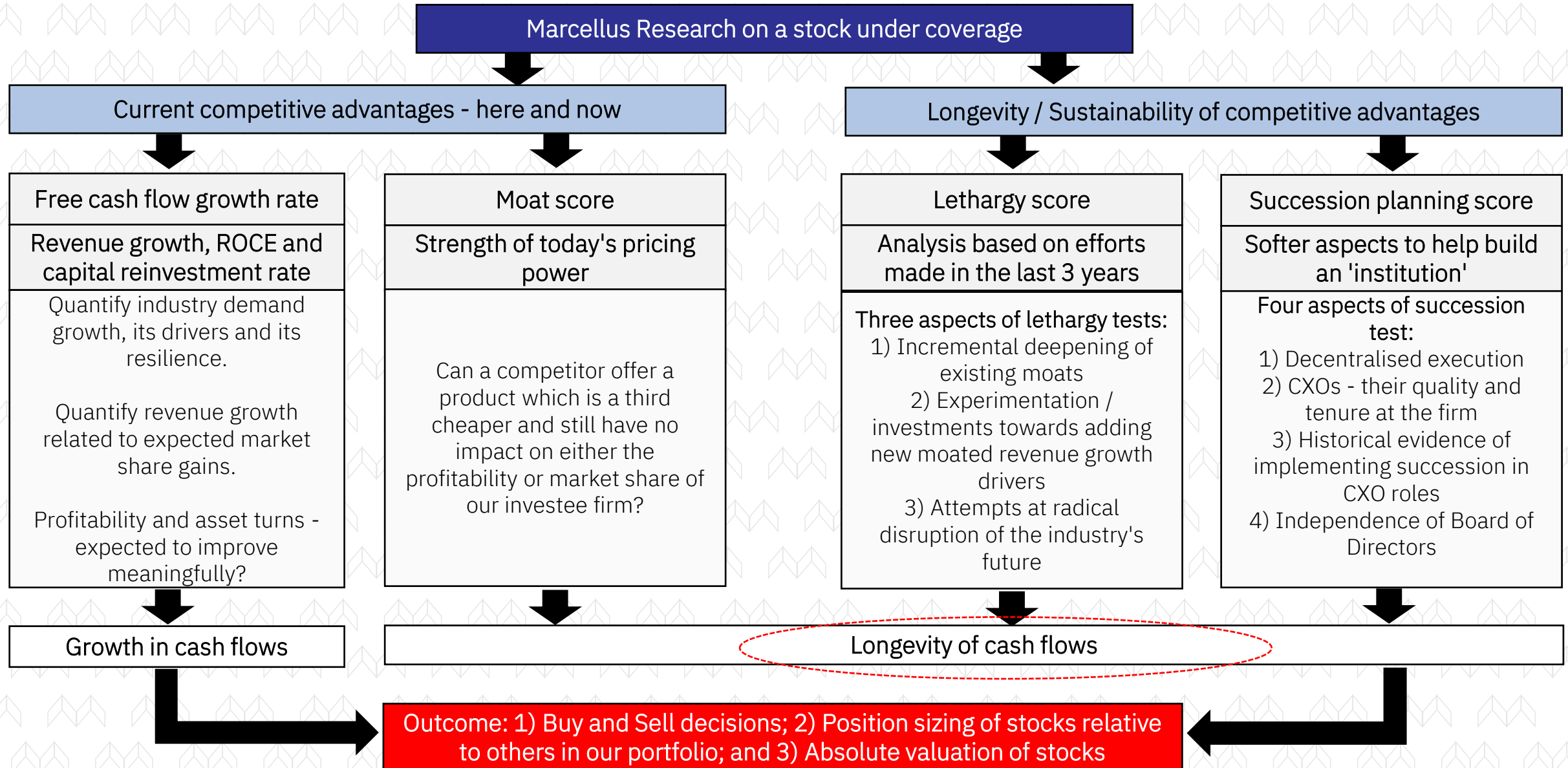


Quality wins big in the long-term



Company	Accounting irregularities	Subsequent share price decline
Amtek Auto	Poor cash conversion, Inflated capex	99%
Cox & Kings	Poor cash conversion, Aggressive accounting of Goodwill	99%
8K Miles	Incorrect accounting disclosures, Poor cash conversion	95%
DHFL	High fee & treasury income, Frequent change in auditors	99%
Kwality	Volatile depreciation rate, Poor cash conversion	99%
Manpasand Beverages	Low asset turns, Poor free cash flow generation	99%

Longevity analysis – Quantify qualitative aspects



Longevity analysis feeds into our ROCEs, reinvestment, EPS & valuation

ROCE x Reinvestment Rate = Growth in capital employed

ROCE is driven by our perception of pricing power, the strength of the moat & the nature of rivalry in that industry

Growth in revenues, profits and FCF

Reinvestment rate is driven by our reading of annual reports (re. planned capex) and our assessment of TAM basis meetings with management, ex-employees, customers & competitors

EPS growth + Cash returned to shareholders + Expected change in P/E = Expected IRR

“Expected change in P/E” is a function of the company’s ability to grow faster than the market average

Expected IRR drives position sizing

Other than IRR, position sizing also reflects: (a) quality of succession planning; and (b) liquidity of the stock.

CCP's fundamentals have been robust inspite of macro turbulence



Stock Name	FY19-24 CAGR			FY25 EPS growth YoY					ROCE
	Revenue	EPS	ROCE	1QFY25	2QFY25	3QFY25	4QFY25	FY25	FY25
Stock 1	11%	19%	18%	90%	11%	5%	4%	14%	24%
Stock 2	13%	20%	35%	-25%	-30%	-23%	-31%	-27%	27%
Stock 3	18%	23%	25%	1%	-17%	1%	-1%	-4%	21%
Stock 4	25%	28%	20%	14%	10%	18%	19%	15%	19%
Stock 5	24%	22%	19%	30%	26%	24%	20%	24%	20%
Stock 6	15%	27%	27%	8%	4%	2%	6%	3%	17%
Stock 7	10%	4%	26%	21%	46%	64%	23%	37%	20%
Stock 8	13%	13%	30%	29%	18%	19%	81%	36%	31%
Stock 9	7%	19%	20%	1%	11%	7%	12%	19%	14%
Stock 10	11%	12%	25%	20%	8%	18%	27%	18%	27%
Stock 11	13%	9%	28%	20%	10%	6%	8%	11%	34%
Stock 12	19%	16%	17%	-1%	5%	1%	6%	3%	14%
Stock 13	15%	11%	19%	48%	19%	67%	-3%	30%	19%
Stock 14	14%	21%	31%	-2%	6%	-3%	21%	9%	29%
Stock 15	12%	68%	19%	9%	-12%	3%	7%	1%	20%
Stock 16	12%	14%	29%	21%	18%	8%	20%	17%	31%
Stock 17	16%	28%	9%	-14%	11%	0%	-31%	-23%	9%
Stock 18	21%	18%	34%	-5%	9%	-1%	13%	-5%	29%
Stock 19	36%	59%	21%	135%	46%	34%	14%	48%	39%
Stock 20	24%	24%	23%	11%	-26%	-9%	-3%	23%	32%
	17%	26%	23%	22%	9%	14%	10%	14%	23%
		16%		6%	7%	10%	4%	6%	

Source: Marcellus Investment Managers; Ace Equity; Note: (a) In case of ILOM, Net Written Premium (NWP) is considered as revenue, (b) In case of lenders; Total Income (Interest Income+ Other income) is considered as revenue (c) Portfolio composition as on 31st May'25; Nifty50 EPS growth taken from Kotak Institutional Equities reported dated 1st Jun'25

Mistakes and learnings



Page Industries – missed the woods for the trees!

Position sizing not in keeping with low tech investments

- **Stellar fundamentals:** Page was posting strong operational performance till FY18 (reported 24% revenue CAGR, 25% PAT CAGR, 57% FCFF CAGR and 60% average ROCE over FY13-18)
- **Failed to invest in tech upgradation initiatives:** This was exposed after GST implementation as the WC of the channel was adversely impacted. Competitors took advantage and ramped up distribution
- **Our research failed to capture the granularity of capital allocation:** we didn't ask the deep questions we should have during our primary data checks on Page

Corrective Action – Reduced allocation till improvements were visible

Reduced allocation but stayed invested before fully exiting. Dug deeper and picked up data points showing tangible improvements in capital allocation like investment in BlueYonder to manage SKUS/inventory. Increased allocation once convinced that lethargy issue is addressed

ITC – staring in the rear-view mirror

Missed the lack of investments in growth drivers

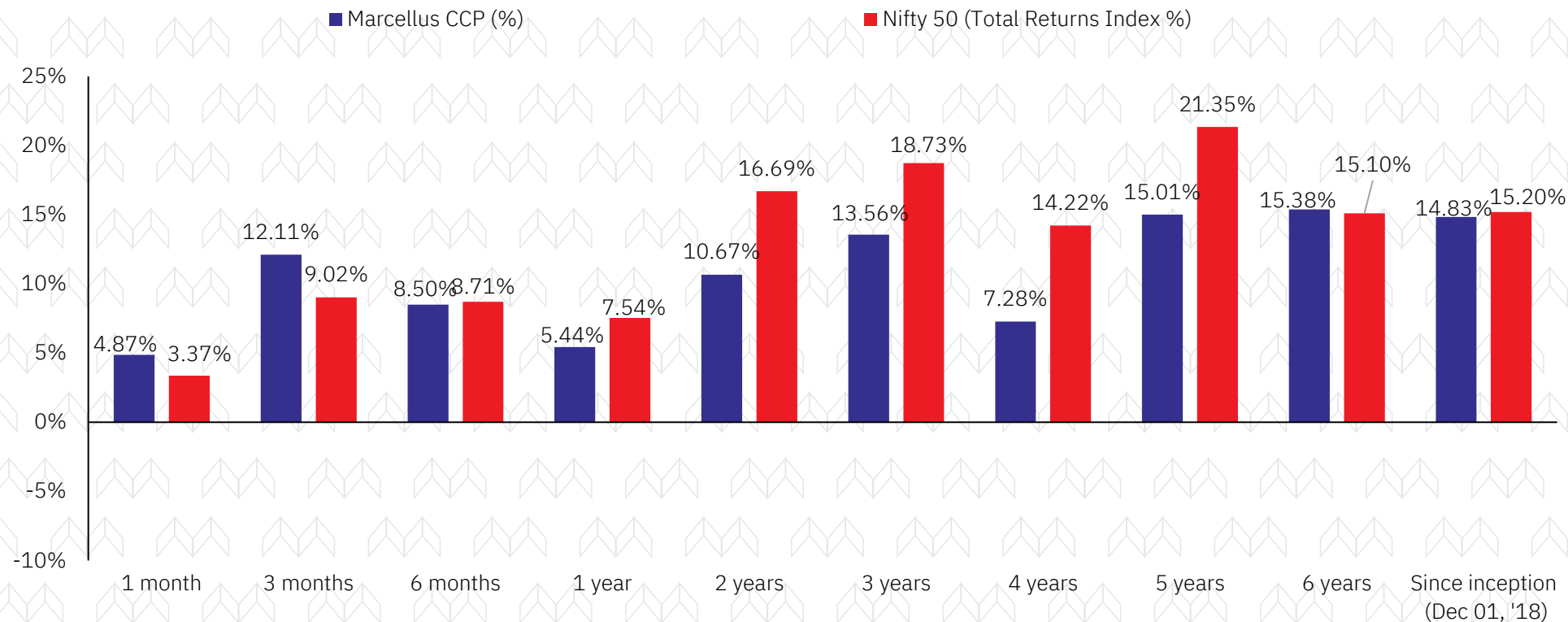
- **Strong moats:** ITC has strong competitive advantages in its core cigarettes business - 80% market share with ~300% ROCE. Until 6 years ago, ITC's rate of reinvestment of operating cash flows into the business had held up at ~40%, as the firm invested capital to grow its FMCG, Agri and Paper businesses.
- **Lethargic capital allocation:** Reinvestment of capital dropped to a level and ITC started accumulating ~USD300mn surplus capital (despite ~65% dividend payout); accumulated surplus capital by FY20 was Rs US\$5bn, ~60% of the capital employed.
- **Did not balance strong moats with weak capital reinvestment:** This kept earnings growth modest and the stock price stagnated

Corrective Action – Exit from the portfolio

Since ITC did not improve its capital allocation, we exited the stock completely and replaced it with companies with superior capital allocation

Key Lesson: Greatness can cause lethargy which often gets masked by strong operational performance in the short term. A truly great company keeps growing its moats through tech investments, radical disruptions and continuous innovations. The mistakes made in our research of Page and ITC gave birth to our '**Longevity Framework**' that informs all our portfolio decisions.

FUND PERFORMANCE (As on 30th Jun' 2025)



Source: Marcellus Investment Managers; Performance Data shown is net of fixed fees and expenses charged till 30th Jun'25 and is net of 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 annualized; other time period returns are absolute. The calculation or presentation of performance results in this publication has NOT been approved or reviewed by the SEC, SEBI or any other regulatory authority.

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

FEE STRUCTURE



Following Options offered under DIRECT Plan:

- 1.A fixed fees model (1.5% 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 (0.75% 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

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



Fund Details

Strategy Name	Consistent Compounders
Fund Manager	Rakshit Ranjan, CFA
AUM In INR Crs.	3,087.74
Category	Large Cap
Benchmark	Nifty50 Total Return Index

Top 5 Holdings (accounts for ~40% of allocation)

Tube Investments	Diversified
Eicher Motors	Auto
Divis	Pharma
Trent	Consumer discretionary
Narayana Health	Healthcare

Market-Cap Wise Allocation

Large-Cap	52.3%
Mid-Cap	26.7%
Small-Cap	19.5%
Cash	1.5%

Sector Wise Allocation

Pharma & Healthcare	23.2%
Financial Services	22.8%
Auto & Auto Components	19.0%
Consumer Discretionary	12.0%
Building Materials	13.0%
IT Services	4.0%
Consumer Staples	4.5%
Cash	

Portfolio Metrics

Wtd. Avg. Market Cap (INR Cr.)	2,13,440
Portfolio PE (TTM)	62
Portfolio PE (1-yr fwd)	49
Dividend Yield	0.7%
Churn Ratio (TTM)	34.6%
Std Deviation (12 month rolling)	17.7%
Sharpe Ratio (12 month rolling)	0.56

Disclosures



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Thank you!

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