

Marcellus Investment Managers

An investment strategy for Indian Public Equities

Private and confidential – meant for current and prospective clients of Marcellus. The stocks described/spoken about in the presentation/webinar do form the part of our Marcellus' portfolio so we as Marcellus, our clients and our immediate relatives do have interest and stakes in the described stocks. The described stocks are for illustration and education purpose only and not recommendatory.

Private and confidential



Circulation not intended for US Clients

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

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

Key Team Members



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. In 2019, Saurabh was part of the Expert Committee constituted by SEBI to upgrade the PMS regulations. Saurabh has written many bestselling books.



Tej Shah manages Marcellus' Curated portfolio. 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 was involved in the end to end execution of 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.

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

Why Curate?



45-50 stocks that clear our proprietary research filters and process

Diversified to include quality companies from various sectors and across market cap

Focus on absolute returns. No index hugging

Account for client-specific considerations such as focus on small/mid-caps, liquidity etc.

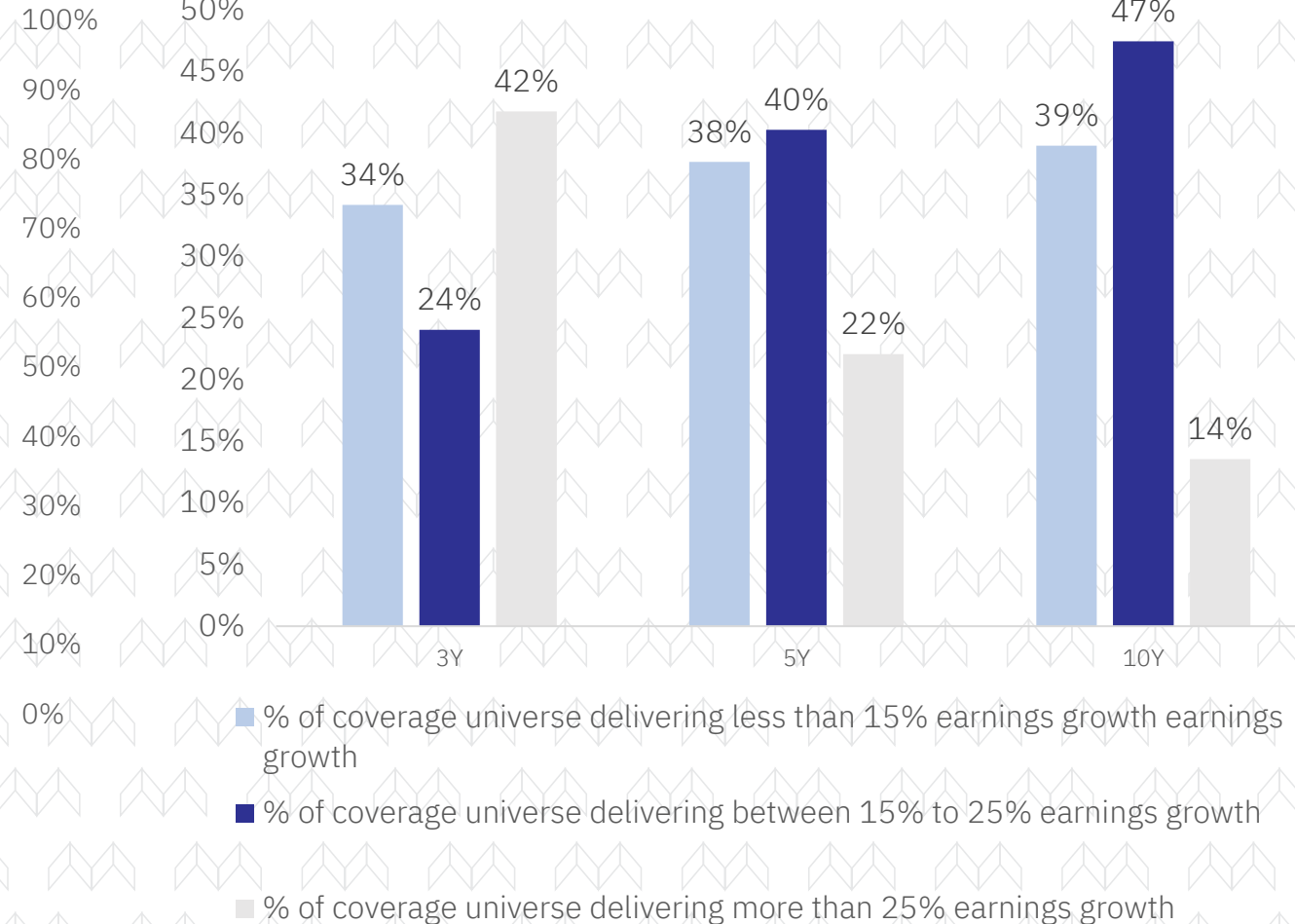
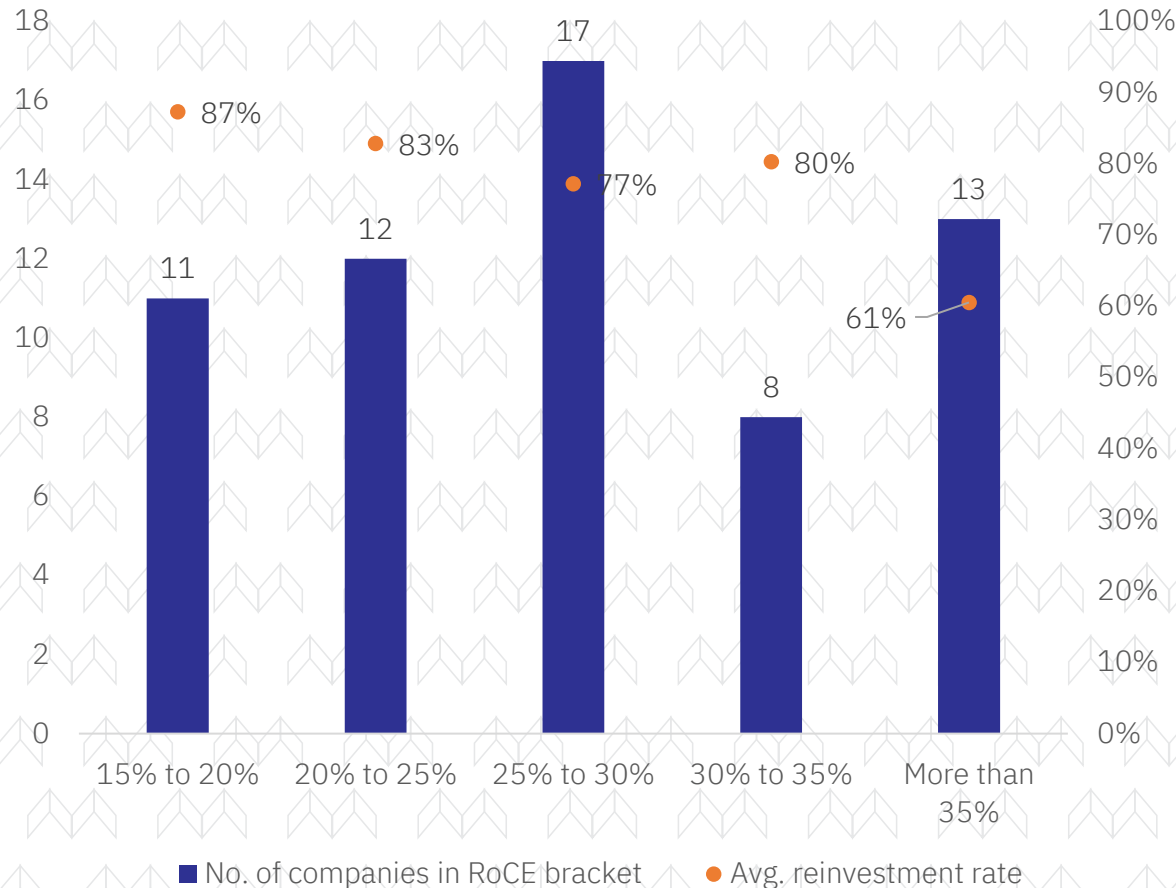
Optimal portfolio

We invest in companies where high ROCE + high reinvestment results in healthy earnings growth..



More than 80% of the coverage universe consists of companies with RoCEs in excess of 20% and high reinvestment rate (FY19-24)

Two thirds of the coverage universe delivers 15%+ earnings growth across time periods (FY14-24)

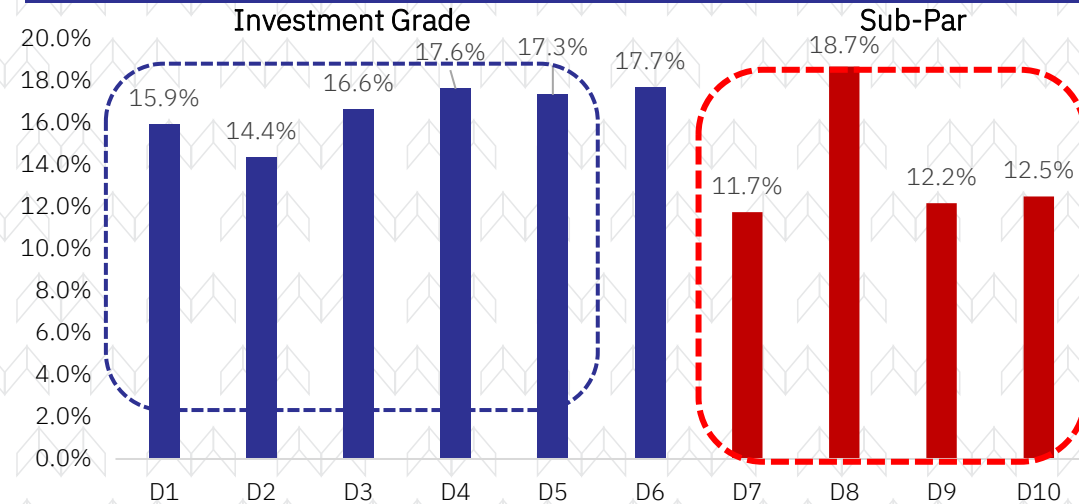


..while maintaining Focus on Forensics and Governance

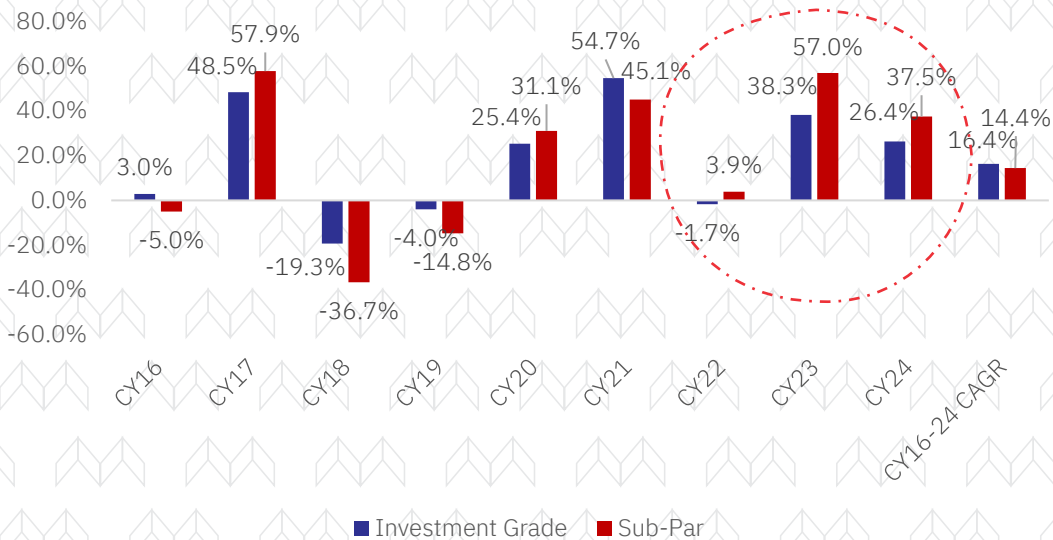
The forensic analysis toolkit

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

Investment returns (2017-24) basis accounting deciles



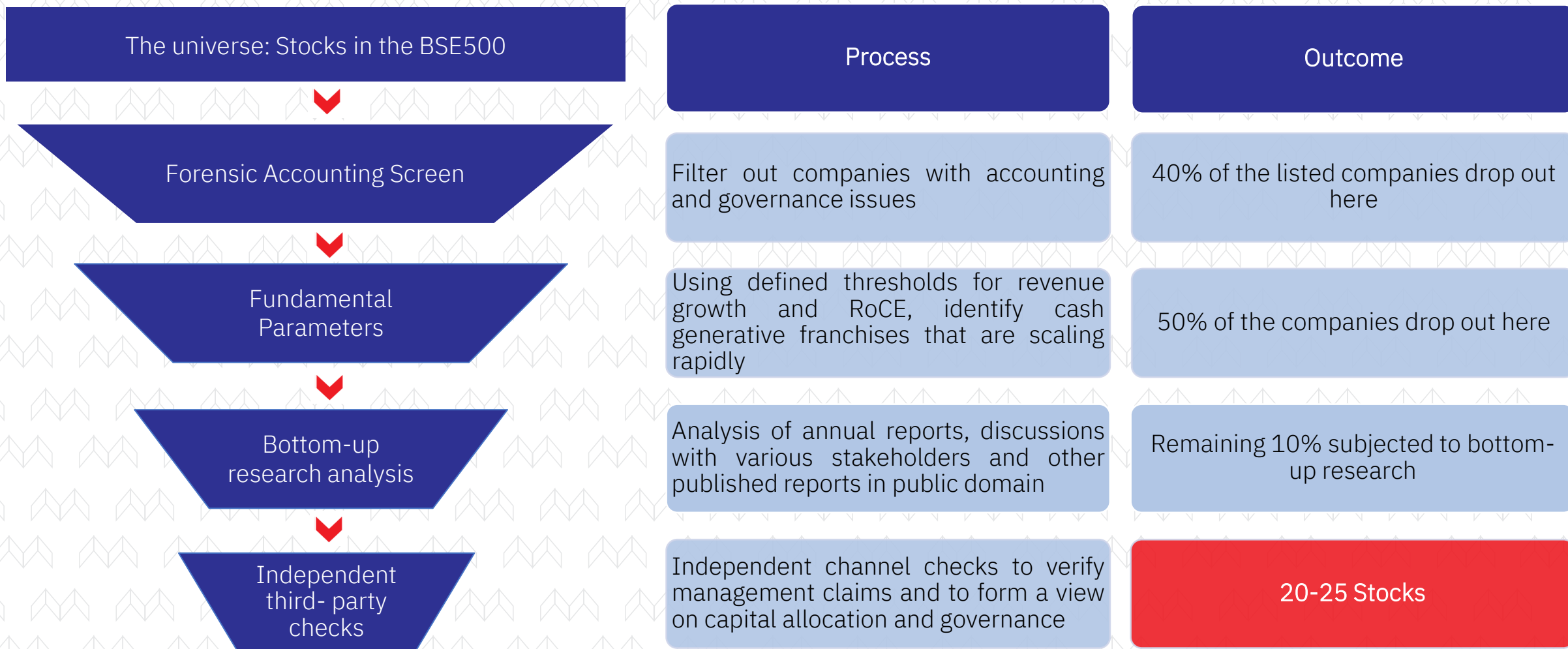
Quality wins in the long run but the last 3 yrs were tough



Sub-par companies seldom improve (and vice versa)

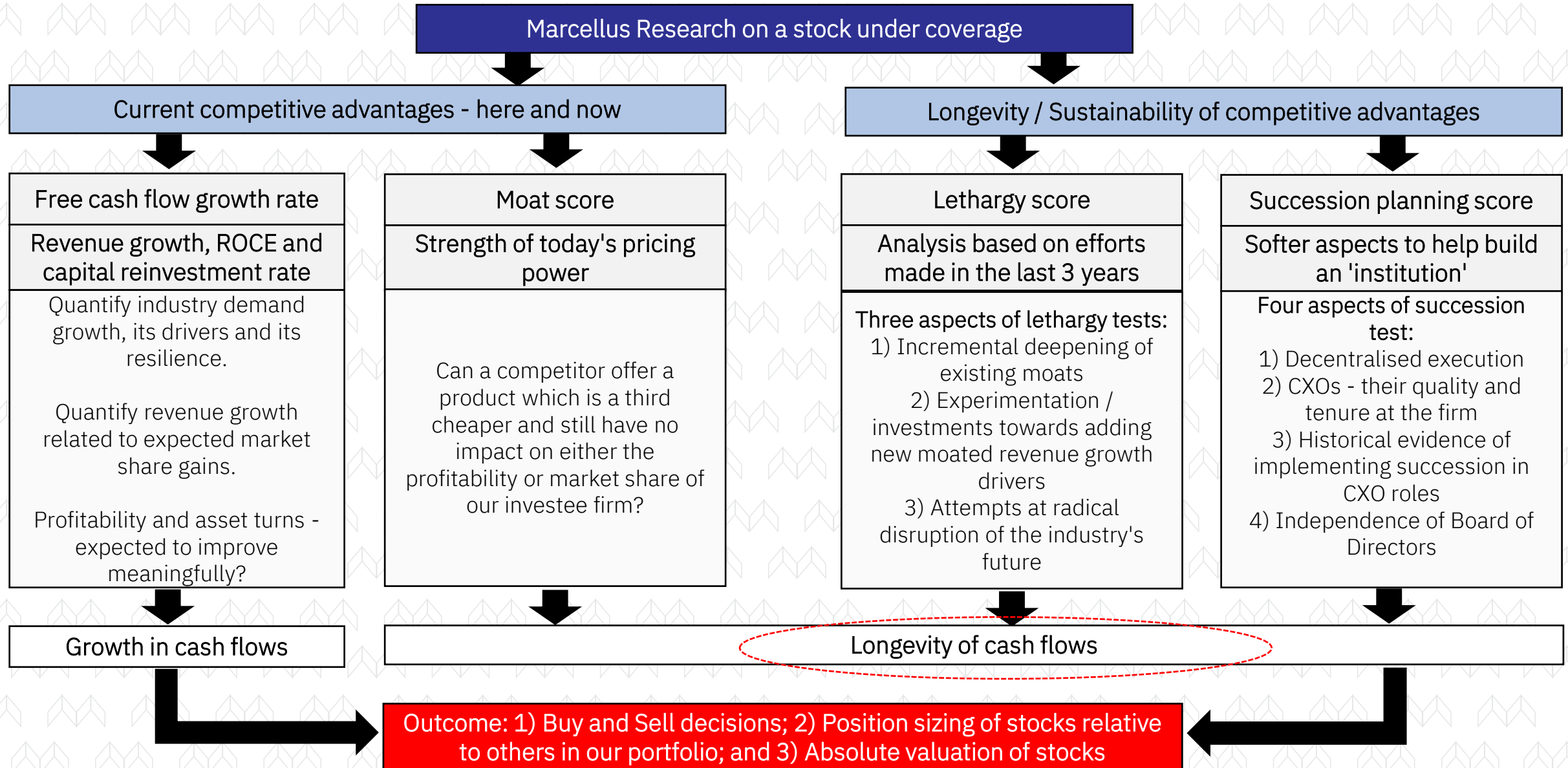
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Forensic decile	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
D1	68%	20%	5%	3%	3%	2%	0%	0%	0%	0%
D2	20%	39%	21%	9%	4%	2%	2%	2%	0%	0%
D3	6%	22%	31%	21%	9%	4%	3%	2%	2%	0%
D4	3%	8%	22%	28%	21%	8%	4%	3%	3%	0%
D5	2%	4%	9%	20%	26%	22%	9%	4%	2%	2%
D6	2%	3%	5%	8%	20%	26%	21%	10%	4%	2%
D7	0%	2%	3%	4%	7%	18%	31%	23%	8%	3%
D8	2%	3%	2%	2%	4%	9%	19%	31%	22%	5%
D9	0%	0%	2%	2%	3%	4%	8%	19%	43%	19%
D10	0%	0%	2%	0%	2%	2%	4%	6%	17%	66%

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



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

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.

MCP investees are compounding earnings at a stellar rate



Stock Name	FY19-24 CAGR				FY25 EPS YoY		
	Revenue	EPS	Avg Reinv. Rate	RoE	Q1	Q2	Q3
HDFC Bank	19%	16%	81%	17%	-1%	5%	1%
Asian Paints	13%	20%	45%	27%	-25%	-29%	-24%
Titan	21%	18%	72%	26%	-5%	-23%	0%
CMS Info Systems	15%	27%	100%	18%	2%	4%	2%
Bajaj Finserv	25%	28%	88%	20%	11%	10%	18%
Eicher Motors	11%	12%	70%	20%	20%	8%	18%
Abbott India	10%	23%	68%	29%	13%	15%	16%
Trent	36%	59%	58%	10%	135%	47%	34%
Escorts Kubota	9%	18%	90%	15%	-11%	11%	5%
Cholamandlam Investment	24%	22%	91%	19%	30%	26%	24%
Info edge India	17%	22%	78%	20%	16%	11%	21%
Narayana Hrudayalaya	12%	21%	87%	66%	9%	-12%	3%
Tube Investments	8%	24%	88%	20%	5%	-8%	2%
Clean Science	15%	20%	86%	37%	12%	13%	5%
Tata Consumer Products	16%	26%	100%	6%	-7%	8%	-25%
Garware Technical Fibres	5%	12%	90%	19%	12%	29%	13%
Divi's Laboratories	10%	3%	65%	20%	21%	47%	65%
L&T Tech Services	14%	11%	68%	27%	1%	1%	-4%
HCL Technologies	13%	9%	95%	23%	4%	11%	6%
Persistent Systems	24%	10%	97%	20%	34%	23%	30%
ICICI Lombard	15%	11%	76%	19%	48%	19%	67%
Jash Engineering	16%	NM	89%	19%	NM	80%	49%
Pidilite Industries	12%	14%	56%	22%	21%	18%	9%
ICRA limited	6%	8%	62%	14%	-12%	16%	31%
Kotak Mahindra Bank	18%	22%	98%	13%	81%	5%	10%
Median	15%	19%	86%	20%	12%	11%	10%
Wtd Avg	15%	18%	77%	21%	16%	11%	13%

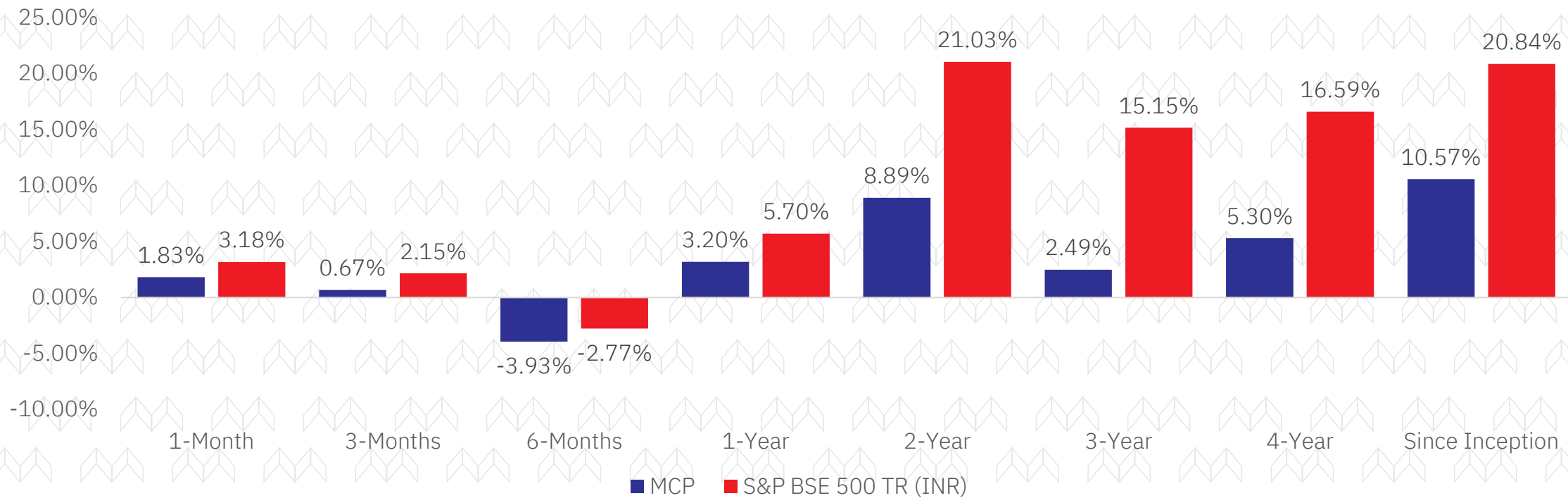
Source: Marcellus Investment Managers; Ace Equity; Note: (a) In case of lenders; Total Income (Net Interest Income+ Other income) is considered as revenue. *NM – No FCF data since these are financial stocks for which FCF is not a relevant metric. **Re-investment rate = 1- Dividend Payout Ratio; FCF for financial firms is not a relevant metric indicates that

Live portfolio performance (as of 30th Apr 2025)



MCP Portfolio performance

MCP vs BSE 500 TR



Disclaimer "Performance Data shown is net of fixed fees and expenses charged till 31st March 2025 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; Returns above 1 Year has been 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. Under PMS Provider Name please select Marcellus Investment Managers Private Limited and select your Investment Approach Name for [APMI \(apmiindia.org\)](http://apmiindia.org) the stated disclosure.

MCP Factsheet



Fund Details

Strategy Name	Marcellus Curation Portfolio
Fund Manager	Tej Shah
AUM In INR Crs	179.98
Category	Multi-Cap
Benchmark	BSE 500 Total Return index

Market-Cap Wise Allocation

Large-Cap	58.5%
Mid-Cap	20.0%
Small-Cap	17.5%
Cash	4.0%

Large cap defined as M.cap > US\$ 10 bn; Mid-cap as US\$ 1 – 10 bn and small cap less than US\$ 1 bn.

Portfolio Metrics

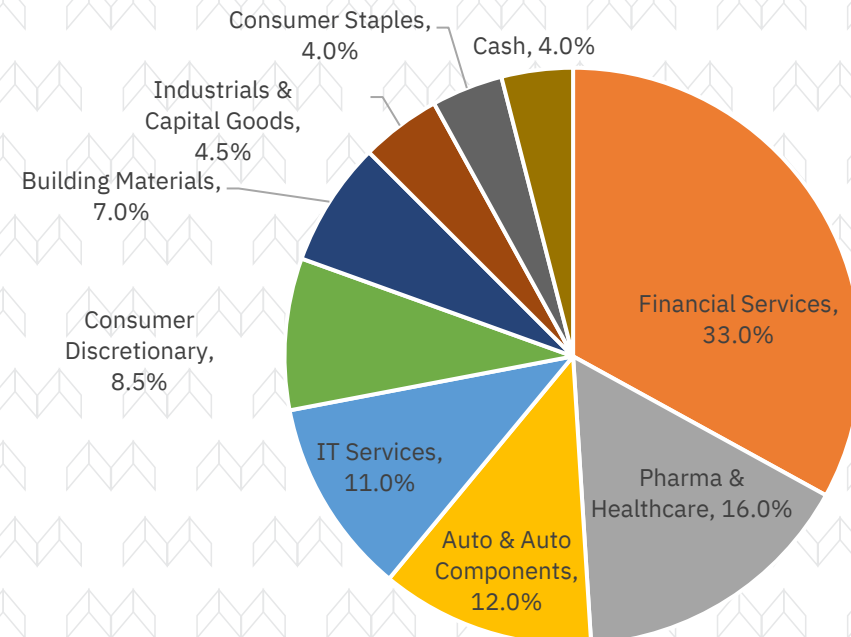
Wtd Avg Market Cap (INR Cr.)	2,66,453
Portfolio P/E	55.80
Churn Ratio (TTM)*	126.1%

*based on stock entry/ exit from the portfolio

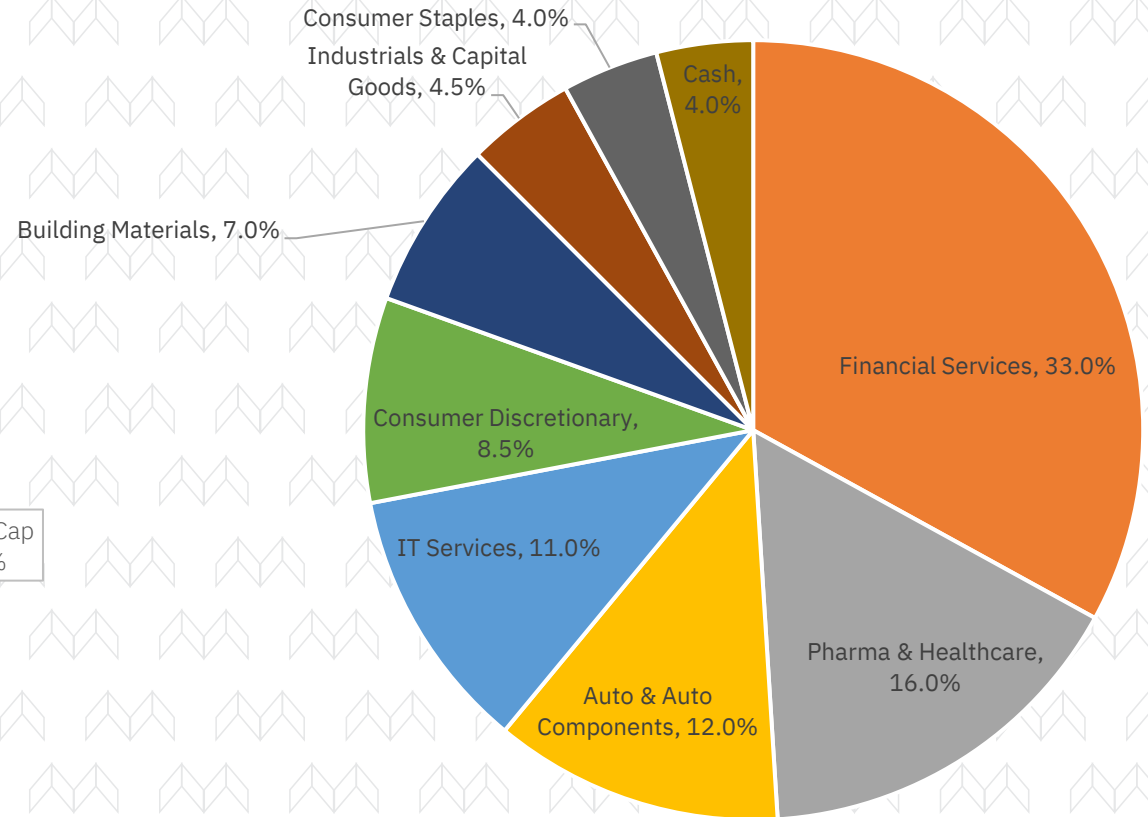
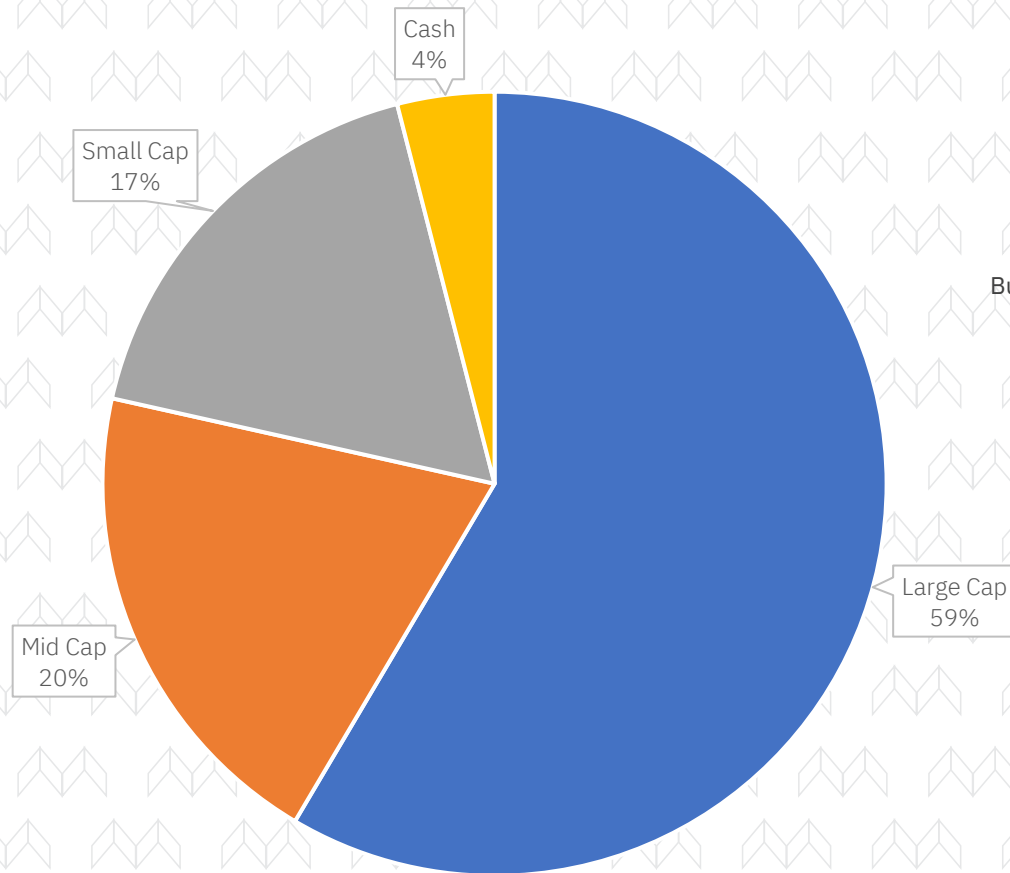
Top 5 Holdings (accounts for ~30% of allocation)

HDFC Bank	Financials
Cholamandalam Inv and Fin Co	Financials
Divi's Laboratories	Pharma & healthcare
HCL technologies	IT services
Eicher Motors	Auto & Auto components

Sector Wise Allocation



Portfolio Composition



Source: Marcellus Investment Managers;

FEE STRUCTURE



Following Options offered under DIRECT Plan:

- 1.A fixed fees model (2.50% p.a. fixed fees + zero performance fees) or
- 2.A hybrid model (1.50% p.a. fixed fees + performance fees of 15% profit share above a hurdle of 10%, 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>

Disclosures



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Thank you!

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