

OLD BRIDGE
CAPITAL MANAGEMENT

AGENDA

Introduction

Investment Strategy

Why Old Bridge

Track Record

Investment Landscape

Portfolio Strategies

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Portfolio Strategies



Kenneth Andrade, Founder and Chief Investment Officer

Proven Track Record

25 years of experience in Fund Management

Long Term track record of stock picking across multiple cycles

Journey so far...



KENNETH

1991-02

- Journalist - Capital Market Magazine
- Analyst - Apple Asset Management Company
- Head Portfolio Advisory - Sharekhan

2002-04

- Joined Kotak Mutual Fund
- Kotak MNC Fund - No1 in its Category/Top decile amongst all equity funds in India

2005

- Launched Kotak Midcap Fund
- Top percentile in Performance across all categories
- Joined Standard Chartered Asset Management

2006

- Fund Manager PEF
- Fund Manager IEF

2010

- Smartest Fund Manager Award-Business World
- Lipper Award for 3year performance
- ICRA-Moody's 7 Star Fund Award

2009

- Fund Manager of the Year-Business Standard / Sterling Equity

2008

- IEF top percentile fund across all funds
- PEF top percentile fund across all funds
- Launched Sterling Equity Fund

2007

- PEF Top percentile Fund across all funds
- ICRA-Moody's Award for the best performing Diversified Fund in India

2012

- Lipper 5 year category award

2013

- First unique close ended fund with div payout option only
- Mobilized 250Cr in a negative equity environment
- Established leadership in the Mid Cap category in India

2014

- First billion dollar equity fund for IDFC asset management

2015

- Best performing fund across 10 years
- Started Old Bridge Capital Management

Gauri Anand

12 years of experience in equity research

Last assignment, Vice President – Research at Phillipcapital

Experience – Equity research Chemicals, Oil & Gas and Mid-caps

Rupanjana Sur

9 years of experience in financial services

Last assignment, Credit analyst at Dun & Bradstreet

Experience – Credit research, FoF Performance evaluation and Equity research

Sanjay Dam

21 years of experience in Equities

Last Assignment, Senior Vice President - Institutional Equities Sales, Motilal Oswal Securities

Experience – Equity research, Institutional Sales

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Concentrate on identifying businesses early into a cycle. The underlying companies have to belong in industries that are consolidating, demonstrate leadership skills and have financial discipline.

Create a portfolio of companies which meet the criteria of

Capital efficiency

Low leverage

Profit making with low capex scheduled

Low valuation

Universe of companies between \$50mn- \$2bn market cap

Portfolios may not be necessarily diversified across industries

Stock Selection

Capital efficient nature of the business

Monopolistic/Consolidator of the industry

Low financial leverage

Low valuation

Capital efficient nature of the business

Monopolistic/Consolidator of the industry

Low financial leverage

Low valuation

Look to identify companies that would migrate upwards from a low RoE

The ideation is not to predict growth, but to necessarily look for capital employed to be controlled

Cash flow positive nature of the business with low gearing are critical elements of this transition

Capital efficient nature of the business

Monopolistic/Consolidator of the industry

Low financial leverage

Low valuation

Preference for consolidating businesses

Identify companies gaining market share with no corresponding change in capital employed

Identify companies with the lowest cost in their respective industry

Companies need to be profitable in this transition

Leadership at the end of consolidating cycle usually end up with higher market share and pricing power

Capital efficient nature of the business

Monopolistic/Consolidator of the industry

Low financial leverage

Low valuation

Preference for companies with negligible debt

Prefer businesses leveraging into an economic up-cycle & deleveraging at the top of the cycle

Capital efficient nature of the business

Monopolistic/Consolidator of the industry

Low financial leverage

Low valuation

Look for “out of favor” businesses where current value of the stock reflects its depressed earnings

EV/ Sales

Market Cap/Cash Profit (Flows)

Capital efficient nature of the business

Monopolistic/Consolidator of the industry

Low financial leverage

Low valuation

Stock selection in the past

Page Industries	MRF
Kaveri Seeds	Balrampur Chini
Vardhaman Textiles	Blue Dart
Bata	Bharat Financial Incl
VA Tech Wabag	Coromandel Intl

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Why Old Bridge Capital Management

Investment Team cumulative experience of 65 years in Equity Research

Aligning with a manager with

- An established 13 year public markets track record

- Managed a billion dollar portfolio with 90% active weights

- Outperformed the benchmark every single year over the last 10 years

Investment style has been

- Consistent with Stock Picking

- Adopt a buy and hold strategy

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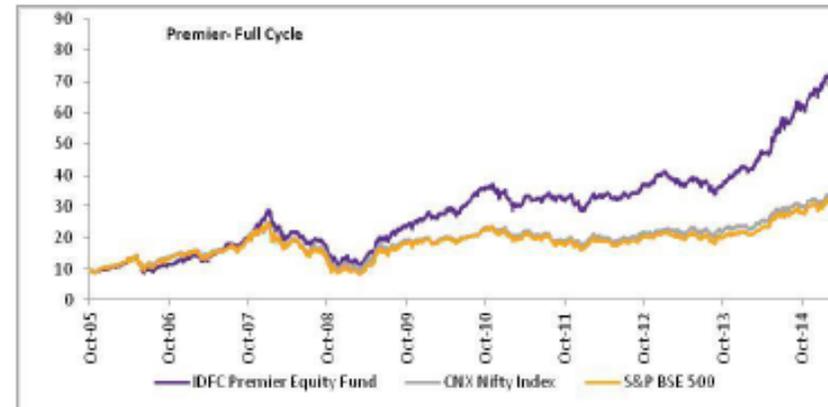
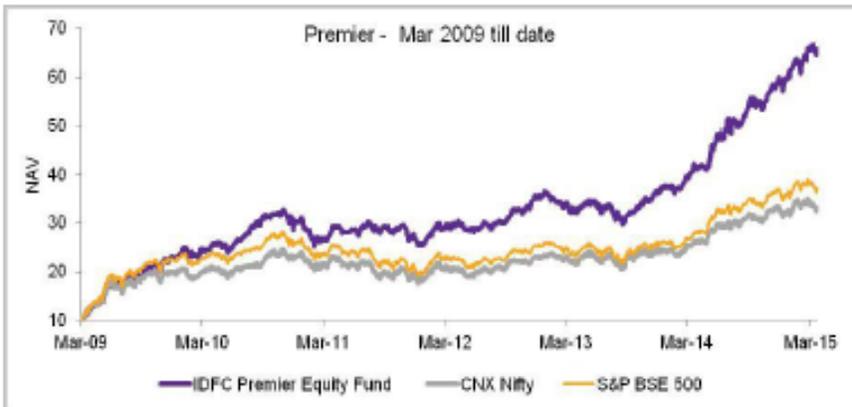
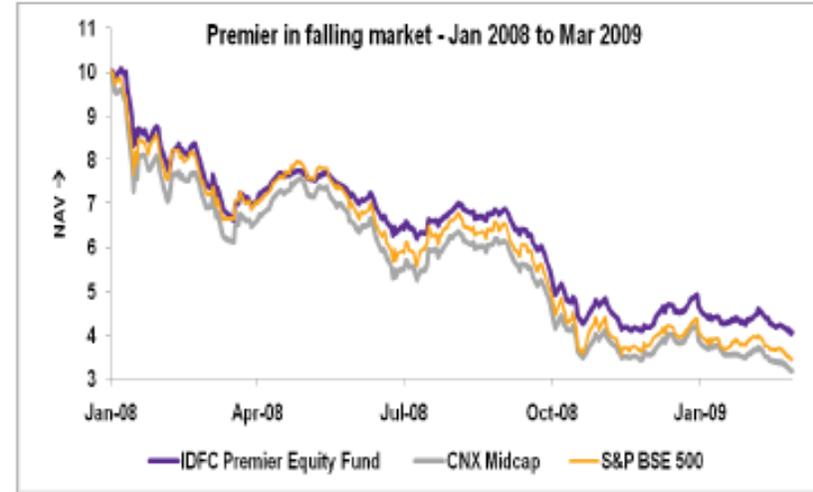
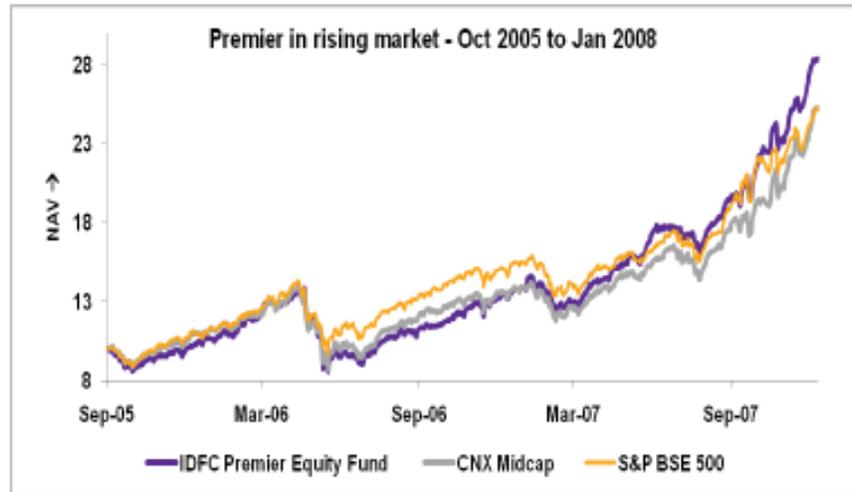
Premier Equity-Performance & Active Share

Premier Equity vs Indices: Outperformed over the last 10 years

Calendar Returns (%)											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	SI
IDFC Premier Equity	1.21	31.90	110.47	-53.14	102.12	32.07	-18.00	40.84	5.62	58.91	23.59
S&P BSE 500 India	6.21	38.85	63.02	-58.14	90.23	16.35	-27.41	31.20	3.25	36.96	12.77
CNX Midcap	5.31	29.09	76.51	-59.29	98.97	19.16	-31.08	38.93	-5.10	55.91	13.72
CNX Nifty Index	9.18	39.94	54.47	-51.70	75.76	17.95	-24.69	27.54	6.76	31.39	13.26

Active Share	
Year	% NAV
Dec-05	98.38%
Dec-06	97.36%
Dec-07	85.65%
Dec-08	76.64%
Dec-09	88.95%
Dec-10	82.90%
Dec-11	69.58%
Dec-12	79.56%
Dec-13	86.19%
Dec-14	91.21%

Premier Equity-Across Cycles



As at March 31st, 2015

"Performance data shown represents past performance and is not a guarantee of future results. More recent performance may be lower or higher. Principal value and returns fluctuate over time (including as a result of currency fluctuations) so that investments, when redeemed, will be worth more or less than their original cost. Please see additional notes and the disclosure statement for important information."

Source: MFI

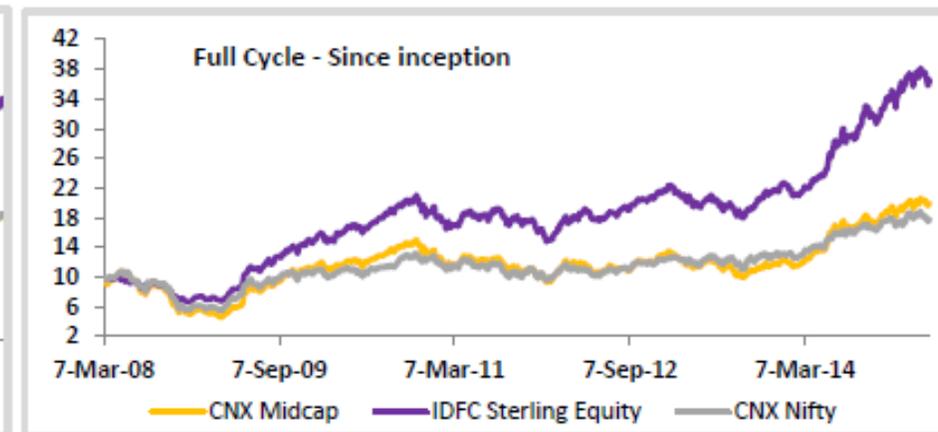
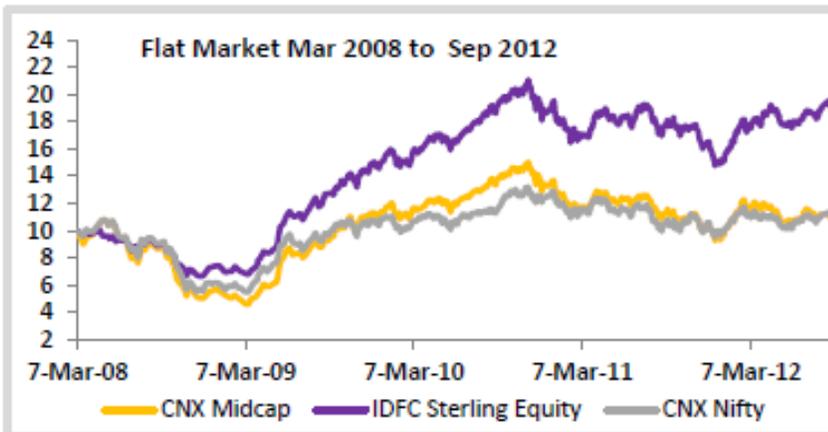
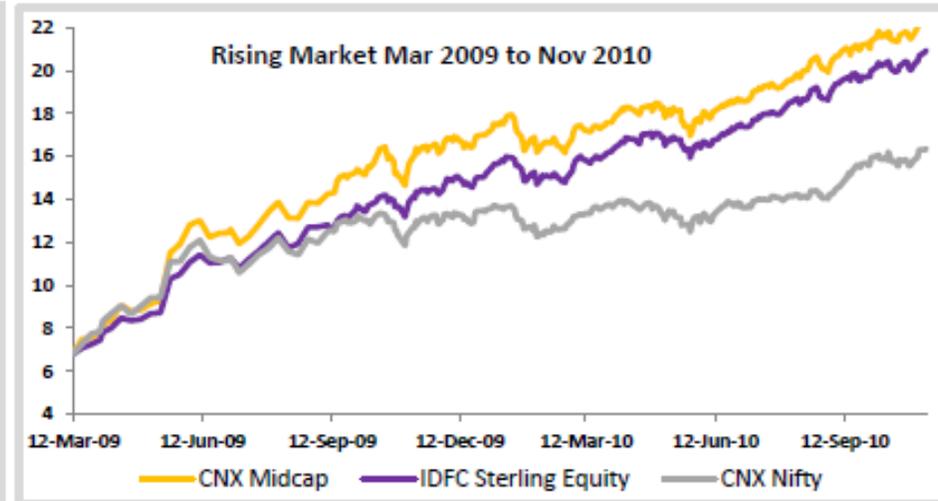
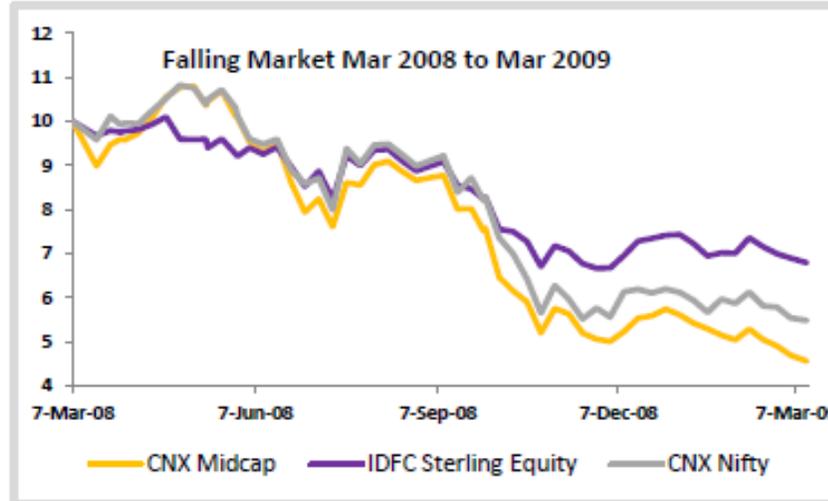
Sterling Equity-Performance & Active Share

Sterling Equity vs Indices: Outperformed over the last 5 years

Calendar Returns (%)								
	2008	2009	2010	2011	2012	2013	2014	SI
IDFC Sterling Equity	-25.83	105.10	26.80	-22.36	44.99	4.92	57.32	20.03
<i>CNX Mid Cap</i>	-43.40	98.97	19.16	-31.00	39.16	-5.10	55.91	10.03
<i>CNX Nifty Index</i>	-37.98	75.76	17.95	-24.69	27.54	6.76	31.39	8.50

Active Share	
Year	% NAV
Dec-08	77.35
Dec-09	75.89
Dec-10	74.60
Dec-11	78.68
Dec-12	71.30
Dec-13	70.18
Dec-14	74.76

Premier Equity-Across Cycles

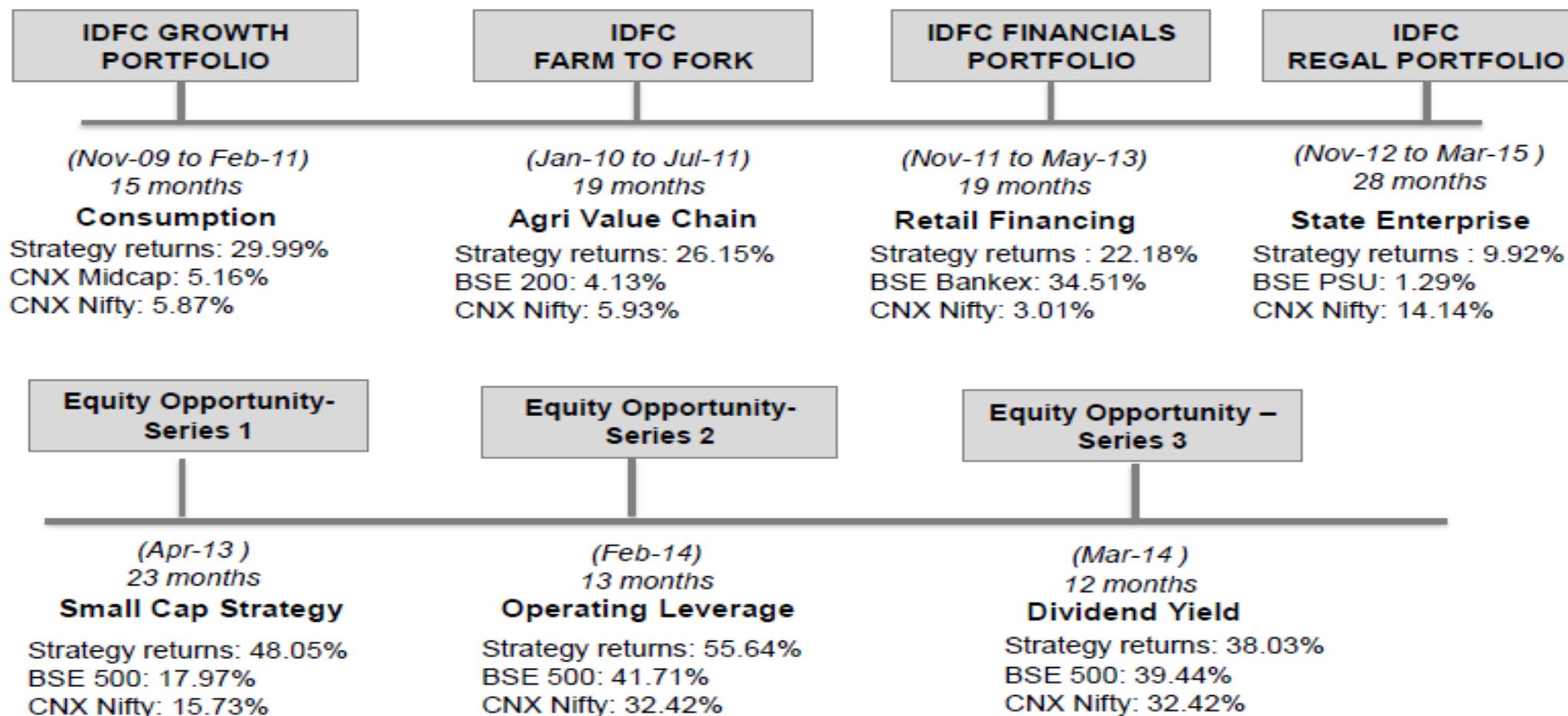


As at March 31, 2015

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Source: MFI

Thematic Portfolios



Data as on 31st March'15 in USD; Returns over 1 Yr are annualized

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BSE 500 Index Financials: Deleveraging

Year	No. of Companies	Net Sales	Net Profit	Total Assets	Net Debt/Equity	Total Debt/Equity	Ebitda Margin	RoE	Asset Turnover	10 Year Gsec Yield	Spread
1999	280	353,981	25,573	471,222	0.61	0.74	18.9%	12.4%	0.75		12.4%
2000	296	439,323	28,380	534,447	0.56	0.68	17.6%	11.7%	0.82	10.8%	0.9%
2001	309	530,614	36,355	593,386	0.54	0.65	17.0%	13.3%	0.89	10.2%	3.1%
2002	329	579,906	36,664	693,555	0.55	0.73	17.2%	12.7%	0.84	7.4%	5.3%
2003	358	674,025	53,236	784,636	0.52	0.69	18.6%	16.6%	0.86	6.2%	10.4%
2004	381	786,310	75,493	924,854	0.40	0.62	20.4%	19.0%	0.85	5.2%	13.8%
2005	394	1,014,185	106,035	1,161,849	0.26	0.54	20.1%	20.2%	0.87	6.7%	13.5%
2006	396	1,272,310	124,456	1,436,798	0.25	0.56	18.7%	19.5%	0.89	7.5%	11.9%
2007	403	1,644,529	178,136	1,915,005	0.28	0.64	20.0%	21.8%	0.86	8.0%	13.8%
2008	411	2,113,513	227,830	2,595,733	0.35	0.71	19.8%	21.2%	0.81	8.0%	13.2%
2009	408	2,569,597	192,393	3,237,692	0.45	0.80	16.5%	15.0%	0.79	7.0%	8.0%
2010	415	2,693,211	251,710	3,735,482	0.37	0.73	19.5%	16.4%	0.72	7.8%	8.6%
2011	418	3,290,244	302,976	4,503,622	0.43	0.77	18.2%	16.7%	0.73	8.0%	8.7%
2012	420	4,104,698	293,133	5,296,732	0.55	0.87	16.3%	14.5%	0.77	8.5%	5.9%
2013	418	4,546,669	281,121	5,933,101	0.62	0.94	15.6%	12.8%	0.77	8.0%	4.8%
2014	416	5,073,716	340,935	6,871,455	0.66	0.98	16.4%	13.6%	0.74	8.8%	4.8%
2015	414	5,139,328	281,150	7,272,221	0.67	0.98	16.6%	10.8%	0.71	7.7%	3.0%

CAGR: 19.8%

CAGR: 11.4%

CAGR: 22.6%



Too much leverage to start a fresh cap-ex cycle



No incentive owing to stagnating profits, for promoters to take incremental risk in new asset creation



RoE's, Debt Equity, Asset turnovers- At extreme values



Growth in Balance Sheet down to single digit (7% in FY15), surplus capacities across various industries

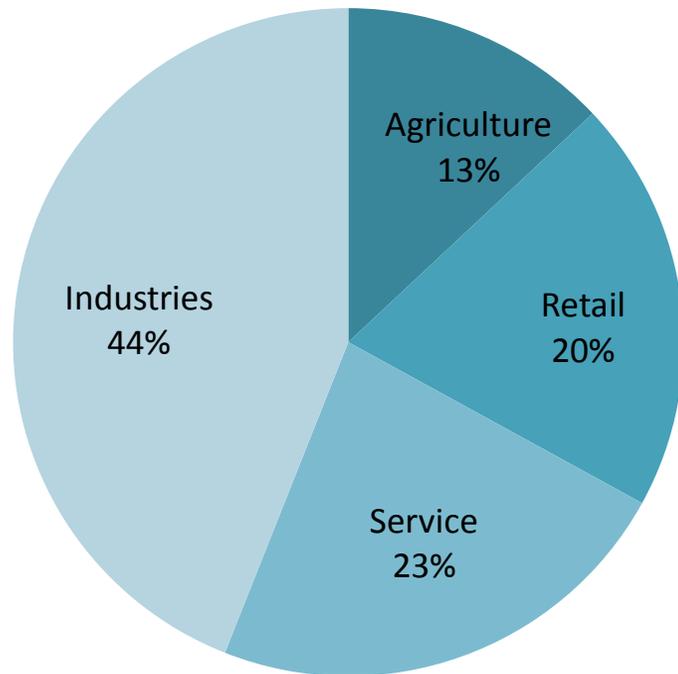
The Small Cap Index: Deleveraging

Year	No. of Companies	Net Sales	Net Profit	Total Assets	Net Debt/Equity	Total Debt/Equity	Ebitda Margin	RoE	Asset Turnover	10 Year Gsec Yield	Spread
1999	446	123,280	5,745	178,482	0.90	1.01	17.5%	8.4%	0.69		
2000	463	140,789	5,981	191,099	0.82	0.94	16.2%	7.8%	0.74	10.8%	-3.0%
2001	480	162,219	7,059	209,700	0.78	0.92	15.8%	8.2%	0.77	10.2%	-2.0%
2002	513	180,475	5,232	235,102	0.85	1.02	14.8%	6.1%	0.77	7.4%	-1.3%
2003	547	202,316	6,337	250,970	0.83	1.00	14.3%	7.1%	0.81	6.2%	0.9%
2004	603	255,010	11,864	287,123	0.67	0.94	14.1%	11.6%	0.89	5.2%	6.4%
2005	626	320,954	20,546	347,158	0.56	0.89	14.5%	16.4%	0.92	6.7%	9.7%
2006	642	400,310	25,050	447,354	0.55	0.86	14.1%	14.7%	0.89	7.5%	7.2%
2007	655	524,845	37,886	628,600	0.67	1.01	15.3%	17.0%	0.83	8.0%	9.1%
2008	666	655,285	48,156	868,751	0.62	0.96	16.1%	15.3%	0.75	8.0%	7.3%
2009	665	792,789	34,432	1,038,652	0.82	1.13	13.2%	9.9%	0.76	7.0%	2.9%
2010	681	879,916	46,868	1,235,276	0.73	1.04	14.6%	10.8%	0.71	7.8%	2.9%
2011	692	1,065,840	52,431	1,485,777	0.84	1.12	14.0%	10.3%	0.72	8.0%	2.4%
2012	697	1,282,563	41,119	1,780,309	1.09	1.34	12.5%	7.5%	0.72	8.5%	-1.1%
2013	694	1,329,844	26,052	1,978,738	1.26	1.50	12.6%	4.6%	0.67	8.0%	-3.4%
2014	691	1,413,666	31,998	2,095,690	1.32	1.53	12.2%	5.3%	0.67	8.8%	-3.5%
2015	685	1,520,886	13,141	2,258,863	1.36	1.58	12.6%	2.1%	0.67	7.7%	-5.7%

CAGR: 18.9% (Sales), CAGR: (4.8%) (Profit), CAGR: 23.1% (Assets)

 Key ratios are hit even harder in case of small cap businesses

Non-Food Credit-Break up (As on March 2016)

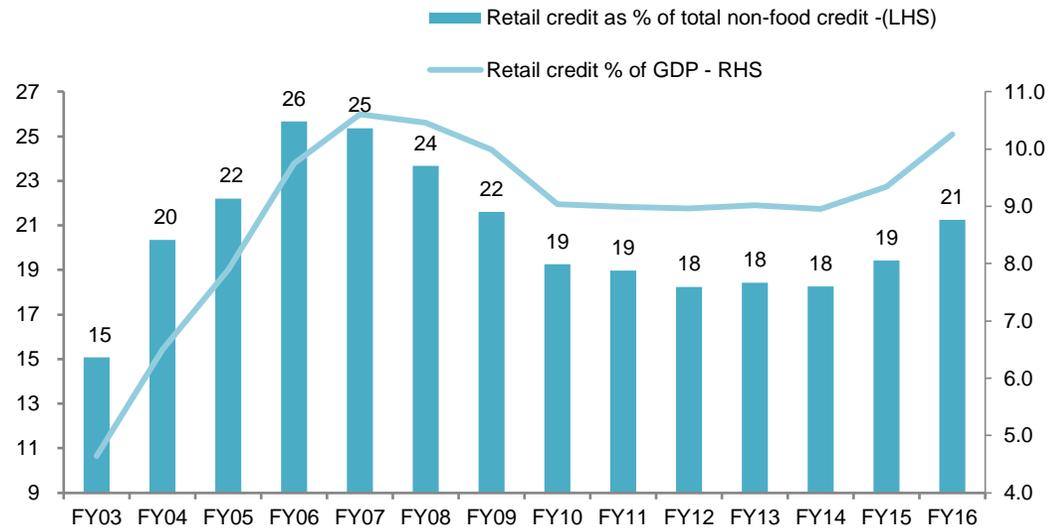


RBI Data

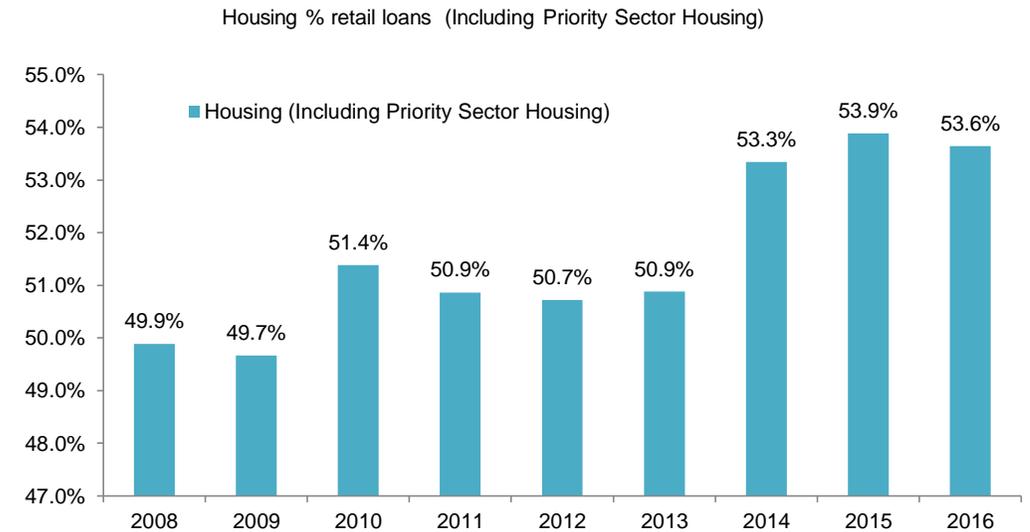
Banks will move to finding the next credit cycle

Corporates/ Organised Sector already account for 65% of the debt

Consumer leverage low in the Indian economy



Housing Loans a dominant part of Retail credit



Trend likely to play out

Easier to grow retail credit (@30% CAGR) than to increase corporate credit

Retail credit rates will have a secular downward trend

- Micro Finance yields have fallen from 24% to sub 20% in 2 years

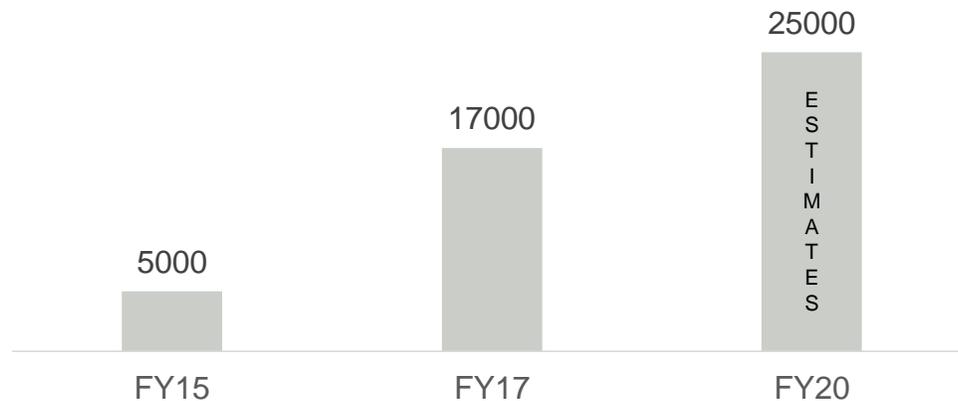
- Mudra Bank re-finance of SME credit could be significant

Availability of credit will release equity employed in SMEs

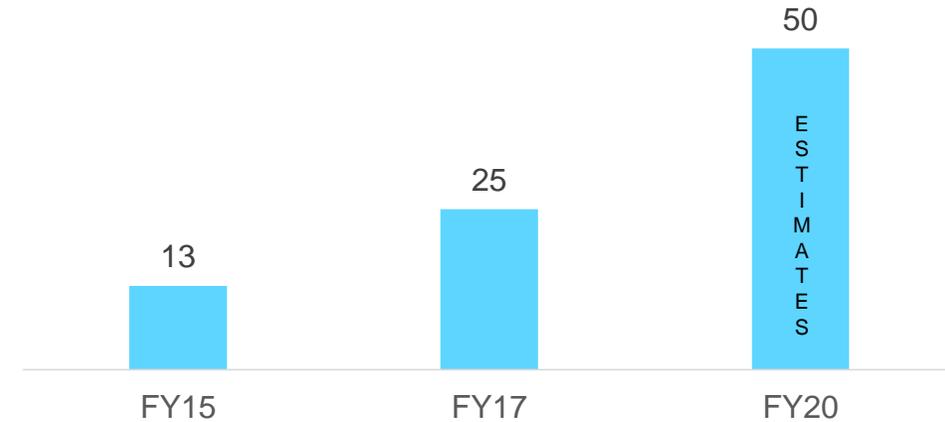
- Consumption could be a secular trend

Farm Insurance is set to drive stability of cash flows in the system

New crop insurance, premiums tripled (Rs cr)



Crop insured doubled in FY17 (\$ bn)



This will drive availability of affordable finance through the system

Addressing the bottom of the pyramid

Government's intent is to double farm income by 2022

This is a 12.5% CAGR in per capita income

Policies to look beyond MSP's to deliver this result

Intent to focus on eliminating the cyclicity of the monsoons in the entire country

All realignment of subsidies, to bring down leakages in the system

Transfer subsidy direct in the hands of the farmer

60% of population are direct beneficiaries

They rely on cash flows of 15.4% of GDP, which is Agriculture

This should stimulate capital spend in the Rural economy

Sizing The Opportunity

Financials → Farm Inputs → Mechanization → Processors/ Agro Commodities → Logistics

Rs25,000cr
Incremental

Rs130,000cr

Rs30,000cr

Rs126,000cr

Lower credit cost.
Large growth in
Insurance
Premiums

Disruption in the
way the subsidy is
disbursed. Lead to
a far more efficient
working capital
cycle

Growth linked to
wage inflation

Value Addition to
drive capacity,
higher per capita
to create
demand

Higher
Productivity
leads to higher
Volumes

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Old Bridge Capital Management “All Cap Strategy”



Style	Diversified
Number of Stocks	12 – 20
Max Sector Concentration	30%
Market Cap bias	\$50mn - \$2bn

Create a portfolio of 12-20 companies which meet the criteria of

Capital efficiency

Low leverage

Profit making with low capex scheduled

Low valuation

Reference Index	BSE500
Exit Loads	18 Months, 3%

Time to Fully Invest 45-60 days

Old Bridge Capital Management “Thematic Portfolio”



Style	Concentrated
Number of Stocks	Average 10 stocks, maximum 20 at any time
Market Cap bias	Nil

The Thematic Portfolio would align to the fastest growing part of the economy/ industry / subsector and build a value chain around the specific sector/ theme. It takes its idea from the ongoing disruption of cash flows in rural India and the lower dependence of the rural economy from the monsoons. It will put a portfolio of companies together that benefit from the increased cash flow in the system.

Reference Index	NIFTY		
Exit Loads	Year 1, 5%	Year 2, 4%	Year3, 3%

Time to Fully Invest 45-60 days

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Thank You

