



CARNELIAN BESPOKE PORTFOLIO PMS

DECEMBER 2024

Firm Overview



- A boutique investment management firm founded by industry veterans in April 2019, managing USD ~1.3bn with an aspiration to create a best-in-class asset management platform known for its **values, expertise and best practices**
- Specialize in Indian equity investments for HNI's, family offices, institutions & partners' own capital, across different strategies and caps & sectors
- Founding team of three motivated, passionate professionals with complementary skill sets & strong track record of building leadership businesses in the capital market domain and enduring research platform
- Supported by an equally motivated and passionate team of 70 professionals
- **100% founder owned** - reinforcing trust and value for all stakeholders; skin in the game
- Technology, risk & compliance and process driven DNA
- We believe in investing in "**quality growth at a reasonable price**" and "**risk diversification through forensic analysis**"

Founder's Profiles



VIKAS KHEMANI
(CA, CFA, CS)

- Chartered Accountant & CFA Charter holder, having ~ 27 years of capital markets experience, founded Carnelian asset management, a boutique investment management & advisory firm based out of India in 2019. Before starting Carnelian, he spent 17 years as the CEO of Edelweiss Securities Ltd., incubated & built several businesses to leadership including institutional equities, investment banking business & equity research
- Has a strong business acumen & deep understanding of capital markets; enjoys strong reputation with corporate India. Associated with several industry bodies and committees:
 - Member of the CII National Council on Corporate Governance & FICCI Capital Markets Committee
 - Serving as an invited member of Executive Council of Bombay Management Association
 - Member of Young Presidents Organization (YPO) a global forum for entrepreneurs and CEOs



MANOJ BAHETY
(CA, CFA)

- ~ 27 years of financial services experience, most recently as the Dy. Head - Institutional Equity research, Head - forensic, thematic & mid cap research at Edelweiss Securities
- Known for his non-consensus research. Pioneered differentiated forensic research, popularly known as "Analysis Beyond Consensus" (ABC research)
- ABC research has helped investors across the globe to take informed investment decisions based on true numbers instead of reported numbers, thus "avoiding pitfalls"- one of Carnelian's virtues
- Has represented several committees of the CFA Institute including Chairperson of India advocacy committee and member of the US based global CDPC committee



SWATI KHEMANI
(CA)

- With 23 years of financial experience, Swati exemplifies the important role of the Indian modern professional and empowered woman. Her professional journey has taken her to leading roles in equity research, institutional sales, investment banking, client relationships and human capital management, all this, while raising a family and being an entrepreneur.
- Along with Vikas Khemani and Manoj Bahety, she founded Carnelian Asset Management where she currently holds the key position of managing the overall business and capital management. Her mentoring skills have been instrumental to lay the foundation of a strong, cohesive and winning investment management team. She enjoys a good relationship with the investor & corporate community

Board of Advisors



PATRICIA PEREZ-COUTTS
(CFA)

- Patricia Perez-Coutts, CFA has a distinguished & extensive background with over 30 years of experience managing emerging market equities. She joined Westwood Holdings Group, Inc. in 2012 as a Senior Vice President & Portfolio Manager and led a team of analysts focused on managing emerging market equity strategies.
- Prior to that she worked at AGF Investments Management for over 10 years, also managing emerging market equity strategies
- She has won numerous industry accolades throughout her career, including six consecutive Morningstar Canadian Investment Awards as Senior Vice President and Portfolio Manager of the AGF Emerging Markets Fund
- Patricia is also an Impact investor, a philanthropist and is the Chair of the Board of Cuso International, a Canadian development organization and is also Chair of Viridis Terra International
- She has travelled extensively the world over the years and speaks four languages fluently



VIVEK CHHACHHI
(MBA)

- Vivek Chhachhi is a partner of CX Advisors LLP, and currently serves as the Chief Investment Officer also leading investments in healthcare and technology
- Vivek is serving/has served on the boards of several portfolio companies including Thyrocare, Nueclear, Thyrocare Gulf, Healthium Medtech, Natco, Veeda, Sekhmet Pharma and Anjan Drugs
- Prior to joining the Investment Advisor in 2010, he was a director with CVCI, where he had about 15 years of experience identifying, managing and exiting a large number of portfolio companies across a wide spectrum of industries
- Vivek holds a Master's degree in Management Studies from the Jamnalal Bajaj Institute of Management Studies, University of Mumbai and a B.Sc. degree in Computer Science from St. Stephen's College, Delhi University



DENIS NOLAN
(CFA)

- Denis has more than 30 years of capital markets experience globally having worked in London, Hong Kong, Dublin and Toronto, with most of that time spent in institutional sales with large international investment banks, investment management firms and a hedge fund.
- As the principal & founder of DPN Capital, over the last 15 years Denis has made it his job to find the best up and coming investment managers and successfully partnered them with sophisticated institutional investors around the world, mainly large public pension funds, banks, endowments and sovereign wealth funds.
- Denis has travelled extensively all over the world to fulfil institutional investors goals and has been successful in raising nearly USD 10 billion capital for investment managers from institutional investors in Europe, Asia, the Middle East and North and South America over his career.

Carnelian Competitive Advantage



Unique Approach, Unique Insights

Independent, entrepreneurial boutique with a reputed board of advisors

Long-term approach with high active share (differentiated portfolio)

Concentrated **QGARP** portfolio - **Quality Growth companies (Business & Management) at a Reasonable Price**

Offers a unique blend of companies with accelerated and sustainable growth

Proprietary forensic analysis

Known for identifying larger themes, trends /stocks early



PEOPLE

- Founders are Industry veterans with strong complementary skill sets
- Deep understanding of Capital markets & businesses
- Strong relations with corporate India/industry
- Team of 70 passionate/driven professionals
- 100% founder owned - skin in the game



PROCESS

- Unique forensic framework - **"CLEAR"**
- Focus on quality
- Screen for red flags
- Disciplined investment process
- Differentiated approach to risk management
- Processes driven by core values...

Bespoke Strategy (PMS)



- Customized long only portfolio for HNI's/Institutions tailored to suit client specific risk reward profile
 - Min. investment amount: INR 20cr
 - 25% of commitment amount to be paid upfront; balance commitment to be paid in 3 months
 - Min. tenure: 3 years
- Portfolio of 5 - 10 stocks
- Illustration of customized portfolios -
 - High Conviction Magic portfolio (accelerated growth),
 - High Conviction Thematic portfolio (theme/sector portfolio),
 - High Conviction Concentrated portfolio (5 / 10 stocks portfolio),
 - Shariah Compliant portfolio
- Quarterly portfolio review
- Fully aligned performance-based fee structure



Illustration of portfolios

High Conviction Magic portfolio



- We aim to capture the pivotal moments in a company's lifecycle that lead to **substantial growth** and **valuation re-rating**.
- Our **focus spans across market caps and sectors**, seeking opportunities where fundamental changes drive long-term value creation.
- Identifying high-growth sectors and themes driven by strong **sectoral tailwinds**, unlocking substantial wealth creation opportunities yet to be fully recognized by the market.



Change in CEO's



Company	PAT at the time bought (in cr.)	TTM PAT (in cr.)	Valuation when bought PE/PB (times)	Current valuation PE/PB (times)	Months held	Scrip Return (Times)	IRR (%)
ICICI Bank Change in CEO - Focus on risk calibrated growth	1,08,368	2,60,000	2.3	3.2	36	3.0x	44%
Tube Investment Of India Change in leadership, focus on growth / adding new businesses, improving efficiencies/margins.	178	1,000	64.0	67.0	23	6.0x	155%
Praj Industries Change in leadership coupled with change in industry	80	280	25.0	40.0	36	5.5x	77%
Cipla Change in CEO with focus on core competencies and return on capital employed	1,667	4,481	24.0	27.0	54	3.2x	30%
Aditya Birla Capital Change in CEO with focus on growth across businesses	15,492	28,000	1.9	2.0	34	1.9x	25%
Glaxosmithkline Pharmaceuticals Ltd Change in CEO & Increased focus of parent company on pharma business in India	600	675	45.0	65.0	12	1.6x	60%

Sectoral Tailwinds



Company	Sector	PAT at the time bought (in cr.)	TTM PAT (in cr.)	Valuation when bought PE/PB (times)	Current valuation PE/PB (times)	Months held	Scrip Return (Times)	IRR (%)
Neuland Laboratories CDMO business tailwinds	Pharmaceutical	65	300	26.0	60.0	30	10.0x	151%
KPR Mills China+1 & labor cost advantage	Textiles	348	809	15.0	39.5	48	6.1x	57%
Kirloskar Pneumatic Expanding addressable market opportunity operating in the compressor segment	Capital Goods	85	190	35.0	55.0	26	3.5x	78%
Ratnamani Metals Beneficiary of Capex in City Gas Distribution & Water projects	Manufacturing	320	600	34.0	42.0	30	2.3x	39%
Bank of Baroda Improved governance, efficient leadership & improvement in asset quality	PSU	85,910	1,20,180	0.7	1.1	26	2.2x	44%

Business Structure/Strategy



Company	PAT at the time bought (in cr.)	TTM PAT (in cr.)	Valuation when bought PE/PB (times)	Current valuation PE/PB (times)	Months held	Scrip Return (Times)	IRR (%)
PCBL Shifted focus towards specialty chemicals + capex coming on stream	430	550	8.0	30.0	30	4.7x	86%
Newgen Software Partnership with global system integrators & new products	46	119	55	62	34	4.4x	69%
Dynamatic Technologies Focus on scaling up better margins Aerospace business	90	110	45.0	90.0	18	2.4x	79%
Tata Motors DVR Focus shifted towards JLR and generation of cash flow	-3798	31807	NA	12.5	14	2.5x	119%
Senco Gold Focus on core markets coupled with expansion in newer geographies	158	214	15.5	41.2	16	3.6x	161%
Bharti Airtel Advantage of duopoly structure	8964	13815	48.0	68.0	33	2.2x	33%

Client 1 – major holdings & return as on 30th November 2024



Account	Inception Date	Market Cap	Sector	No. of stock	Inception (%)
Client 1	12-04-2023	Mid + Small Cap	Sector Agnostic	8-10	65.2
Benchmark					30.3

Note: Above 1 year returns are in CAGR

Major Holdings

Sr. No.	Script Name	% Allocation
1	Anup Engineering	22.7%
2	Dynamatic Technologies	7.7%
3	V.I.P.Industries	6.5%
4	Max Financial Services	6.5%
5	Glaxosmithkline Pharmaceuticals	6.4%

Client 2 - major holdings & return as on 30th November 2024



Account	Inception Date	Market Cap	Sector	No. of stock	Inception (%)
Client 2	24-03-2023	Multi Cap	Sector Agnostic	8-10	64.9
Benchmark					31.7

Note: Above 1 year returns are in CAGR

Major Holdings

Sr. No.	Script Name	% Allocation
1	Anup Engineering	24.1%
2	Ramco Cements	12.9%
3	ONE 97 COMMUNICATIONS	10.1%
4	IndoStar Capital Finance	8.9%
5	Dynamatic Technologies	7.8%

Client 3 - major holdings & return as on 30th November 2024



Account	Inception Date	Market Cap	Sector	No. of stock	Inception (%)
Client 3	05-04-2023	Multi Cap	Sector Agnostic	8 - 10	64.3
Benchmark					31.4

Note: Above 1 year returns are in CAGR

Major Holdings

Sr. No.	Script Name	% Allocation
1	IndoStar Capital Finance	20.7%
2	Jana Small Finance Bank	10.4%
3	Dynamatic Technologies	9.1%
4	Eclerx Services	8.8%
5	Tech Mahindra	8.4%

Client 4 – major holdings & return as on 30th November 2024



Account	Inception Date	Market Cap	Sector	No. of stock	Inception (%)
Client 4	17-03-2022	Mid Cap	Sector Agnostic	8-10	48.8
Benchmark					19.2

Note: Above 1 year returns are in CAGR

Major Holdings

Sr. No.	Script Name	% Allocation
1	IndoStar Capital Finance	17.0%
2	PCBL	15.8%
3	Anup Engineering	7.8%
4	Glaxosmithkline Pharmaceuticals	7.0%
5	Laurus Laboratories	6.7%

Client 5 - major holdings & return as on 30th November 2024



Account	Inception Date	Market Cap	Sector	No. of stock	Inception (%)
Client 5	07-10-2021	Multi Cap	Sector Agnostic	8-10	37.5
Benchmark					14.8

Note: Above 1 year returns are in CAGR

Major Holdings

Sr. No.	Script Name	% Allocation
1	One 97 Communications	8.5%
2	Anup Engineering	7.6%
3	Max Financial Service	6.9%
4	Tech Mahindra	6.6%
5	Orchid Pharma	6.5%

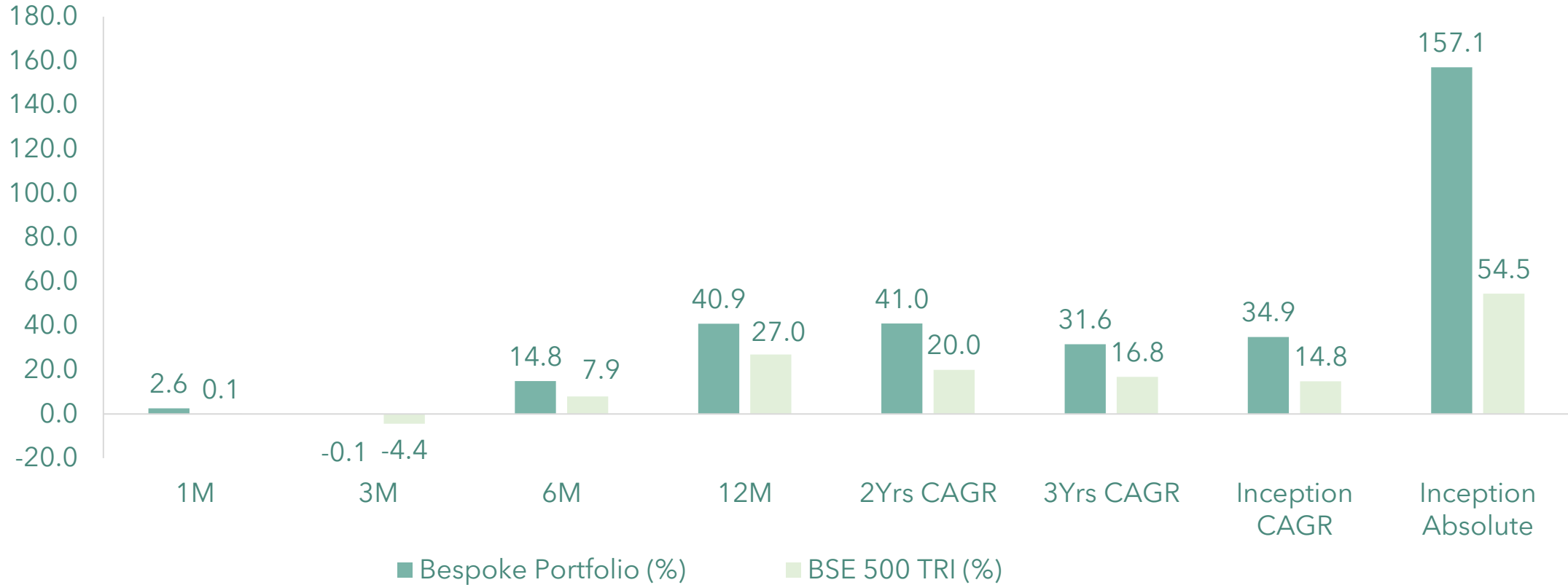
Portfolio Returns of some clients as on 30th November 2024



Account	Inception Date	Market Cap	Sector	No. of stock	Inception (%)
Client 1	12-04-2023	Mid + Small Cap	Sector Agnostic	8-10	65.2
Benchmark					30.3
Client 2	24-03-2023	Multi Cap	Sector Agnostic	8-10	64.9
Benchmark					31.7
Client 3	05-04-2023	Multi Cap	Sector Agnostic	8-10	64.3
Benchmark					31.4
Client 4	17-03-2022	Mid Cap	Sector Agnostic	8-10	48.8
Benchmark					19.2
Client 5	07-10-2021	Multi Cap	Sector Agnostic	8-10	37.5
Benchmark					14.8

Note: Above 1 year returns are in CAGR

Performance as on 30th November 2024

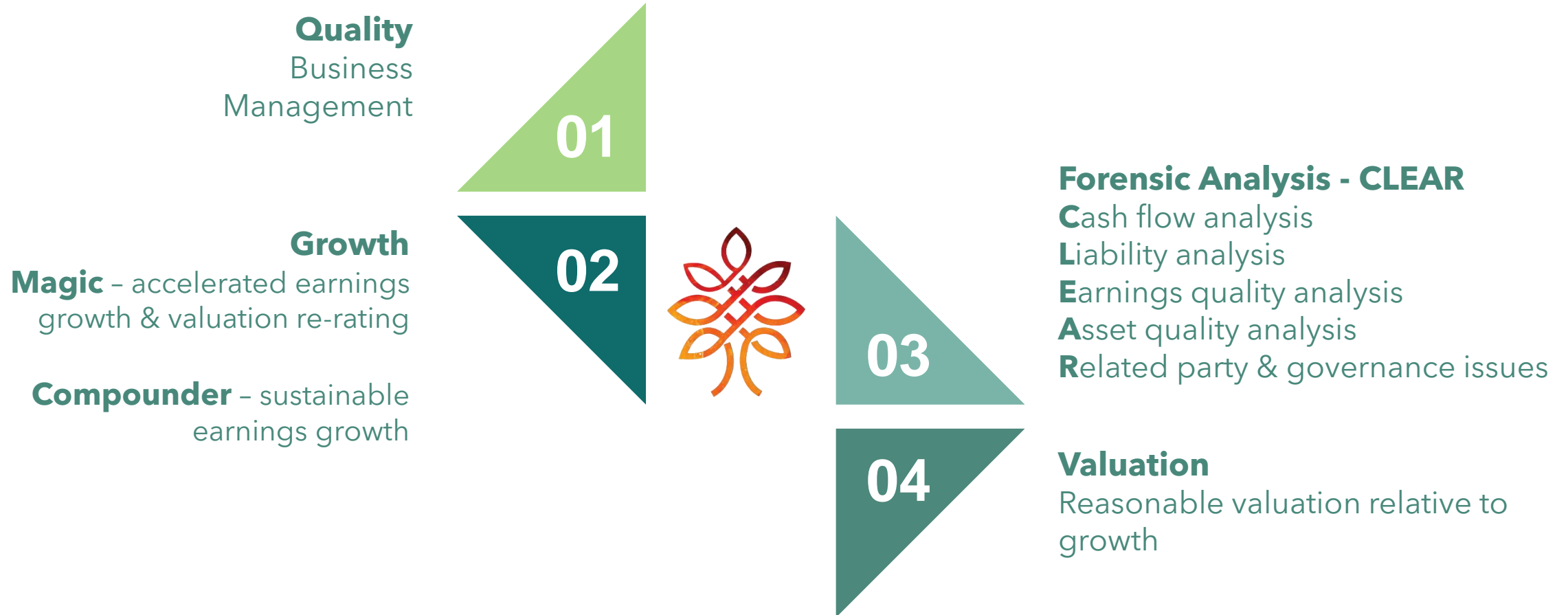


Note - Inception Date - 7th October 2021. Above returns are at strategy level & net of expenses. Above 1 year returns are annualized.



Carnelian Investment Framework

Investment Framework



Quality Growth at a Reasonable Price



QUALITY

Margin of safety not only lies in the price, but also in the quality of business and management

Strong focus on sustainability & governance

Quality Business

- Profitable
- Free cash flow generation
- Incremental return on capital
- Opportunity & market size
- Sustainable moat
- Environment & socially conscious

Quality Management

- Integrity
- Passionate & driven
- Efficient capital allocator
- Skin in the game
- Strong risk management culture
- Strong governance



GROWTH

Investing for acceleration in growth yet to be factored in by market, leads to superior returns.

Magic (Accelerated Growth)

Aims at capturing earnings growth & valuation re-rating

- Management/CEO change
- Industry structure change
- New growth catalyst
- Product innovation
- Completion of capex phase

Compounder (Sustainable Growth)

Aims at capturing sustainable earnings growth

- Large & growing opportunity size
- Sustainable moat
- Robust free cash flow generation



FORENSIC ANALYSIS - CLEAR

No matter what your investing style is, forensic analysis can help avoid some of the pitfalls inherent in human misjudgment.

Cash flow analysis

- Earnings conversion; reported vs sustainable cash flows

Liability analysis

- True debt vs reported debt, contingent liability & likely impact on future earnings; payables vs acceptances

Earnings quality analysis

- True economic profit vs reported profit, discretionary vs non-discretionary profit, expense capitalization policy

Asset quality analysis

- Core vs non-core assets; intangible creation policy

Related party & governance issues

- Related party transaction, complex structures (JVs/subs), off BS arrangement - connecting the dots



VALUATION

“Value of an asset cannot, over the long term, grow faster than its earnings”

Multi-Faceted Valuation Approach

- P/E multiple
- P/B
- EV/EBITDA
- DCF

Identify companies with reasonable valuations in relation to growth prospects

Pay a reasonable price, avoid overvalued companies



RISK

We believe knowing the source of risk is the key to risk management.

We classify risk into 3 types based on the source of risk.

Type A - Capital Loss risk

- Inferior quality of management
- Disruption prone businesses

Type B - Volatility risk

- Temporary market dislocation
- Macro factors
- Geo-political/political issues
- Liquidity

Type C - Opportunity cost risk

- Lack of knowledge
- Human biases



RED FLAGS

"Invert, always invert"

- Carl Jacobi

- Aggressive accounting practices
- High financial leverage
- Low tax incidence
- Management having
 - no skin in the game / misaligned objective
 - a poor governance track record
 - hurry to create value

Carnelian performance at a glance



Fund Name	Product	Inception	1M	3M	6M	12M	2 Yr	3Yr	5Yr	Inception CAGR	Alpha CAGR
Capital Compounder*	AIF	May-19	2.4%	1.8%	17.3%	47.0%	37.3%	23.7%	24.2%	24.9%	9.3%
Capital Compounder*	PMS	May-19	2.0%	0.7%	12.9%	38.6%	30.9%	19.6%	21.3%	21.7%	2.6%
Shift	PMS	Oct-20	5.4%	5.2%	32.7%	45.2%	49.6%	33.9%	-	46.6%	22.0%
Bespoke	PMS	Oct-21	2.6%	-0.1%	14.8%	40.9%	41.0%	31.6%	-	34.9%	20.1%
YNG	PMS	Jan-22	0.1%	-6.5%	11.0%	49.9%	50.1%	-	-	41.4%	24.1%
Structural Shift	AIF	April-22	7.9%	9.6%	35.9%	54.3%	45.3%	-	-	40.7%	24.5%
Bharat Amritkaal	AIF	April-24	1.5%	-1.6%	16.2%	-	-	-	-	25.4%	10.8%
India Amritkaal	AIF	Aug-24	2.2%	2.4%	-	-	-	-	-	10.0%	15.1%
BSE 500 TRI			0.1%	-4.4%	7.9%	27.0%	20.0%	16.8%	19.6%		

Notes:

Data as on 30th November 2024. Above returns are pre-tax and post expenses. Returns below 1 year are absolute and above 1 year is CAGR

* The difference in performance is due to the acquisition of the PMS strategy, which includes its legacy performance.



Awards & Testimonials

Awards and recognition



 **PMS AIF WORLD**
High Performance Investing

#2
In Top 30 PMSs Based on
the QRC Framework
Quality, Risk And
Consistency Attributes

Winner
Best PMS on Absolute Returns
And Best Theme Identification
(Post Pandemic Period)
Carnelian Asset Advisors
Shift Strategy
2021

What our investors say..



Farah Malik Bhanji, MD - Metro Brands

Vikas, Swati and the Carnelian team have done an excellent job managing our money. They have been one of the top performing funds in our portfolio for the year. Having been invested with them since inception, we have seen their strategy play out through the Covid period with great success. Carnelian's clarity and fidelity to their thesis and process inspires a lot of confidence and the results speak for themselves. I wish them all the best for their future endeavours and look forward to being a part of their journey.



Gopal Srinivasan, Chairman & Managing Director - TVS Capital Funds

Find a great manager like Vikas. I have invested in his funds and I think give people like him money because this requires a very strong navigation, break, clutch, acceleration and steering system to manage so that would be my advise to most people that there is alpha in the market and alpha can be best sought out in the hands of professionals like Vikas.



Abhishek Dalmia, Chairman - Renaissance Group

In investing, big money is made by being a contrarian. Humans derive comfort from being part of a crowd (group think). It is rare to find someone who has the conviction to stand apart from the crowd and is willing to bet money on his conviction. Vikas is that sort of guy. He bet on revival of Indian manufacturing at the peak of the first covid lockdown when he launched the Shift Strategy. The performance of the fund demonstrates that he got it right.



Chaitanya Desai, MD - Apar Industries

Carnelian tries to achieve an absolute long term consistent return with substantial alpha keeping in mind the risk reward ratio. They are pretty much modern in their investments but also traditional when it comes to capital protection utilising their expertise in Forensic Accounts.

Their culture is such that fiduciary duty to the clients is at the heart of all their actions and processes. We are definitely IMPRESS'ed by their approach to their investments.

What our investors say..



Apurva Parekh, Executive Director - Pidilite Industries

I am impressed by the fund's vision, investment philosophy, diligence process and long term approach. I have known Vikas Khemani for many years. He has deep domain knowledge and sound understanding of Indian businesses and economy. This has allowed Vikas to consistently identify superior businesses and trends ahead of the market.



Russell Mehta, MD - Rosy Blue India

Have known Vikas for many years now and I love/admire his enthusiasm, passion and aggression to invest which is very well and equally balanced with deep and meaningful research, level headedness and receptiveness. He has canny ability to foresee trends!



Yogesh Agrawal, MD - Ajanta Pharma

I was confident of Vikas' s ground up experience in investing which earned him sharp acumen in spotting the businesses that have potential to provide above index returns. Today, I can confidently say that Carnelian has lived up to the promise and delivered me sound and much above index returns so far. I am fully assured about the long term performance of Carnelian fund and would strongly recommend them to others. I wish team Carnelian all the best and healthy growth in future.



Yogesh Mahansaria, MD - Mahansaria Tyres India

Vikas and his team have a great passion for investing, clarity of thinking, and deep research capabilities - all of this gave us lot of confidence to be an early investor in Carnelian Funds. Their performance over time has validated our confidence, leading us to enhance our investments with them over time; one of the best performing funds in our portfolio.



Sohil Chand, Senior Advisor, NVP India

I have known Vikas for a while & been an investor since early days. It has been the best performing PMS in my portfolio over 20 PMSes!

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THANK YOU