



# CARNELIAN YNG STRATEGY 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...

# YnG Strategy (PMS)



- A long only, multi-cap, well diversified portfolio designed to capture yield n growth across industrials, financials & services
- Blend of public & private sector companies
- Portfolio features
  - 3% - 5% dividend yield
  - 12% - 13% expected 3-yr earnings CAGR
  - 10 - 11x FY24 forward PE
  - 10 - 11% free cash flow (FCF) yield
- Portfolio of 10-15 ; benchmarked against BSE 500 TRI

# A curated portfolio which offers ...



Reasonable dividend yield



Margin of safety on valuation



Moderate earnings growth  
(favorable business cycle)



Potential re-rating catalysts



Hedge against inflation

# YnG portfolio attributes



A well diversified portfolio across industrials, financials & services

Blend of public & private sector companies providing

## YIELD N GROWTH

**3 - 5%** dividend yield

**12 - 13%** expected 3-yr revenue CAGR

**12 - 13%** expected 3-yr earnings CAGR



Potential catalysts - divestment /demerger/favourable cycle

**10 - 11x** FY24 forward PE

**10 - 11%** free cash flow (FCF) yield



# YnG portfolio v/s Nifty50



*YnG* portfolio

Nifty50

3 - 5%

3-yr average dividend yield

1%

12 - 13%

3-yr forecasted earnings growth

18%

10 - 11<sub>x</sub>

FY24 forward PE

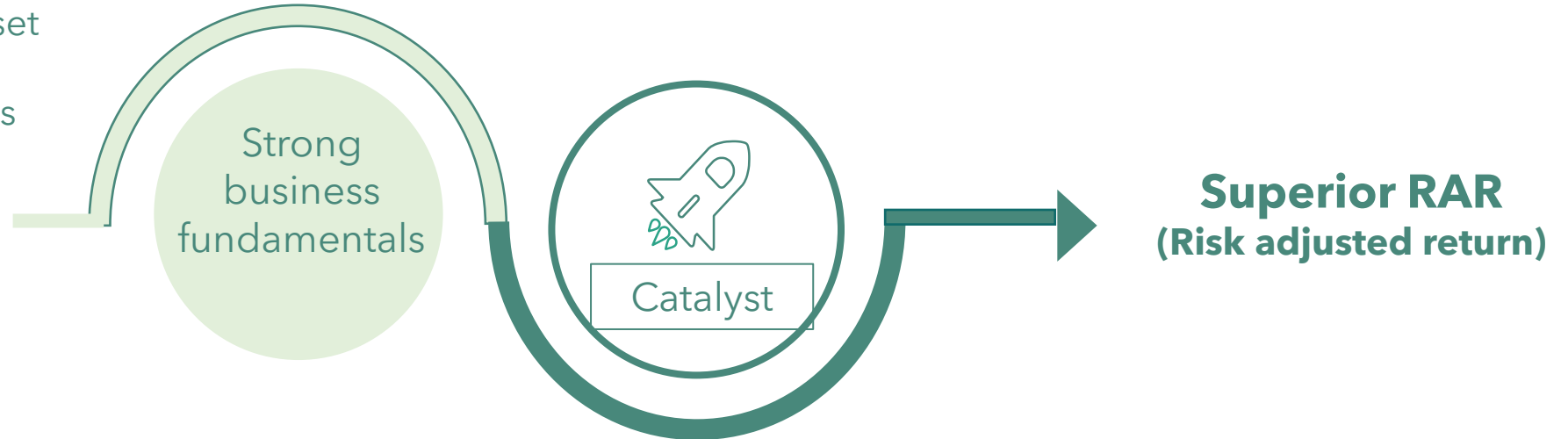
18 - 19<sub>x</sub>

Possibility of re-rating on account of earnings growth/divestments and demerger

# Recipe for returns in PSU...



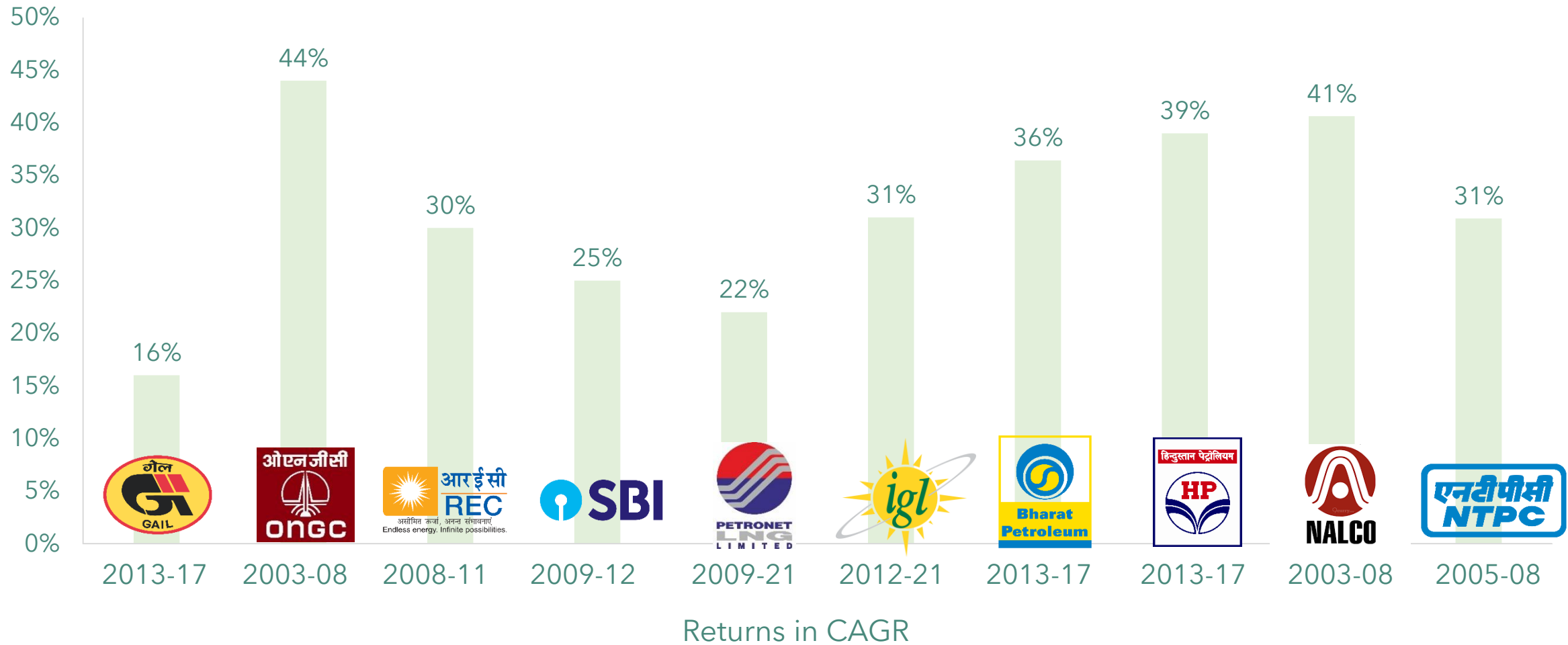
- Strategic asset ownership
- Irreplaceable asset
- Strong cash flows
- Entry barrier



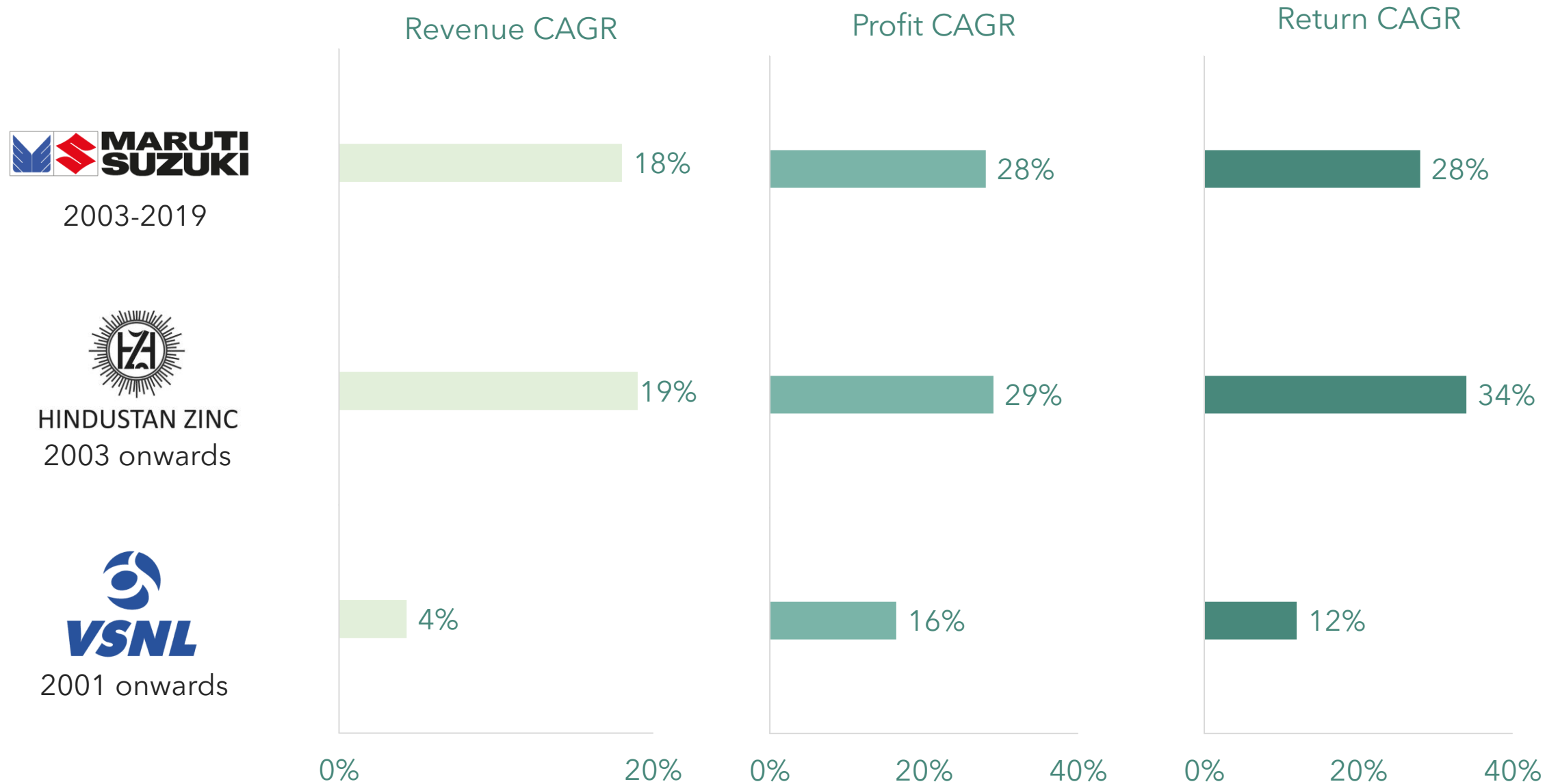
- Change in ownership / Privatization
- Favourable cycle
- Sectoral reforms

Supported by data

# PSUs have delivered good returns in business upcycles



# Divestment, a catalyst for wealth creation



# Carnelian YnG Strategy



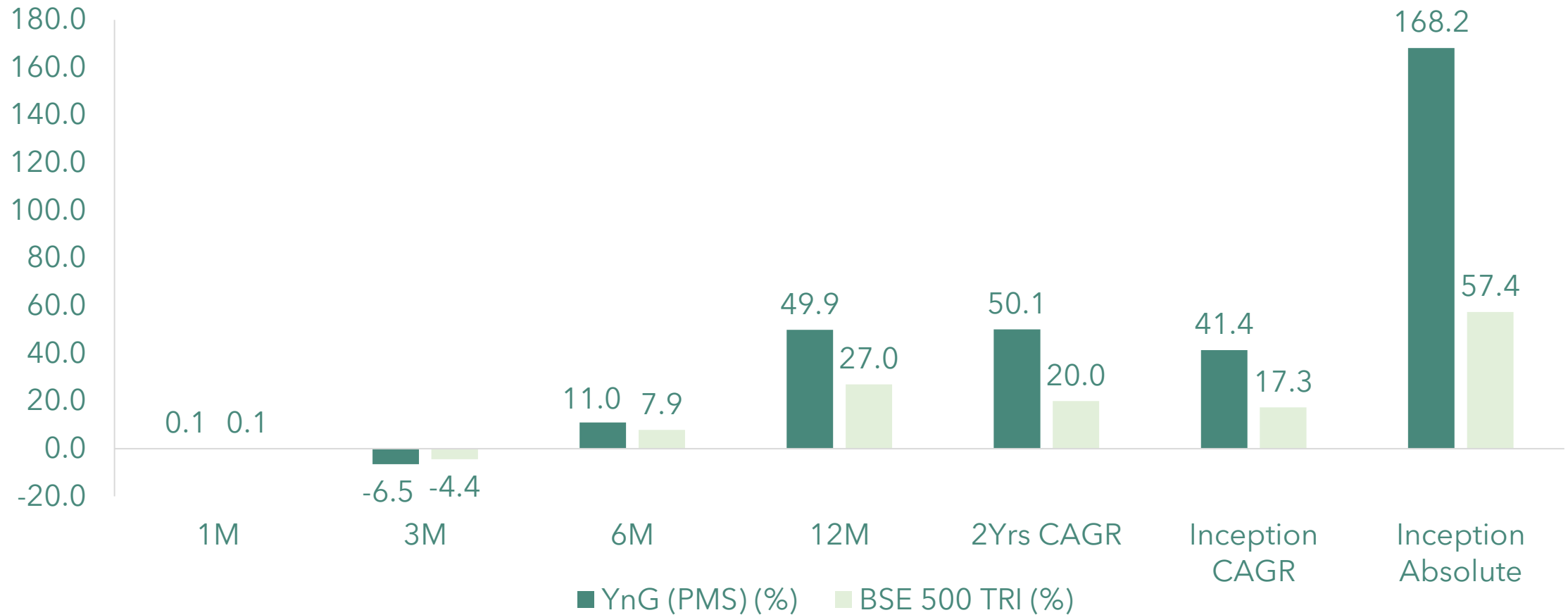
Strategy Details	
Strategy Name	Carnelian <i>YnG</i> Strategy
Investment Manager	Carnelian Asset Management & Advisors Pvt Ltd
Benchmark	BSE 500 TRI
Custody	Nuvama Custodial Services
Estimated duration	~3 years
Min. investment amount	INR 1 Crore
Exit load	1% if redeemed within 12 Months.
Stock universe	12 - 15 stocks

- Fundamental growth driven investing; bottom-up stock picking
- Absolute return-oriented approach
- Blend of public & private sector companies (40-50% each)
- Apply stringent Carnelian filters & forensic checks (CLEAR framework)



# **PORTFOLIO PERFORMANCE & ATTRIBUTES**

# Performance as on 30<sup>th</sup> November 2024

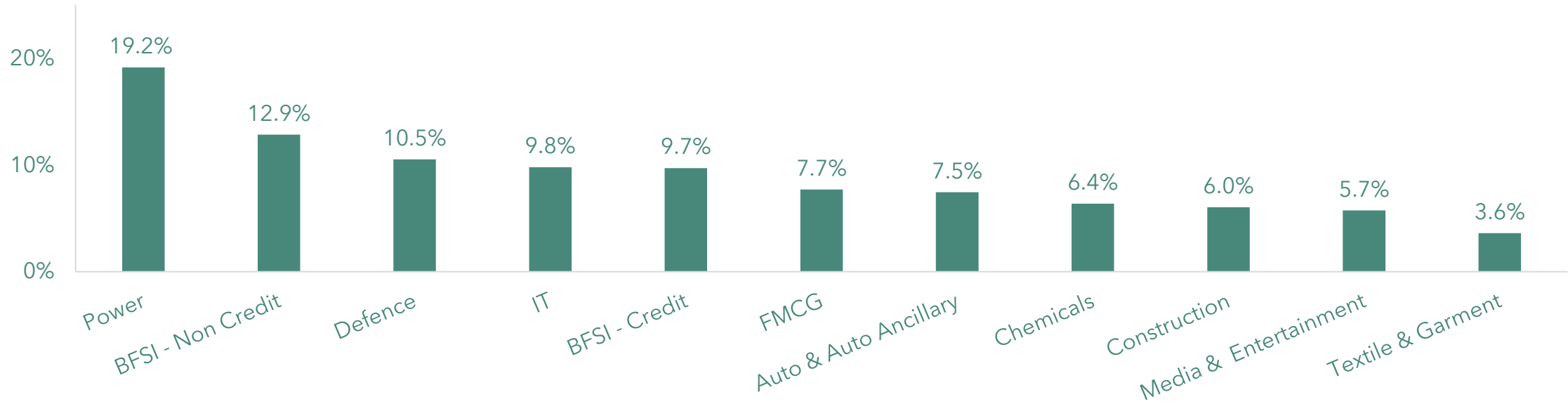


Note - Inception Date - 27<sup>th</sup> January 2022. Benchmark - BSE 500 TRI

# Holdings as on 30<sup>th</sup> November 2024



## Sector Allocation



## Major Portfolio Holdings

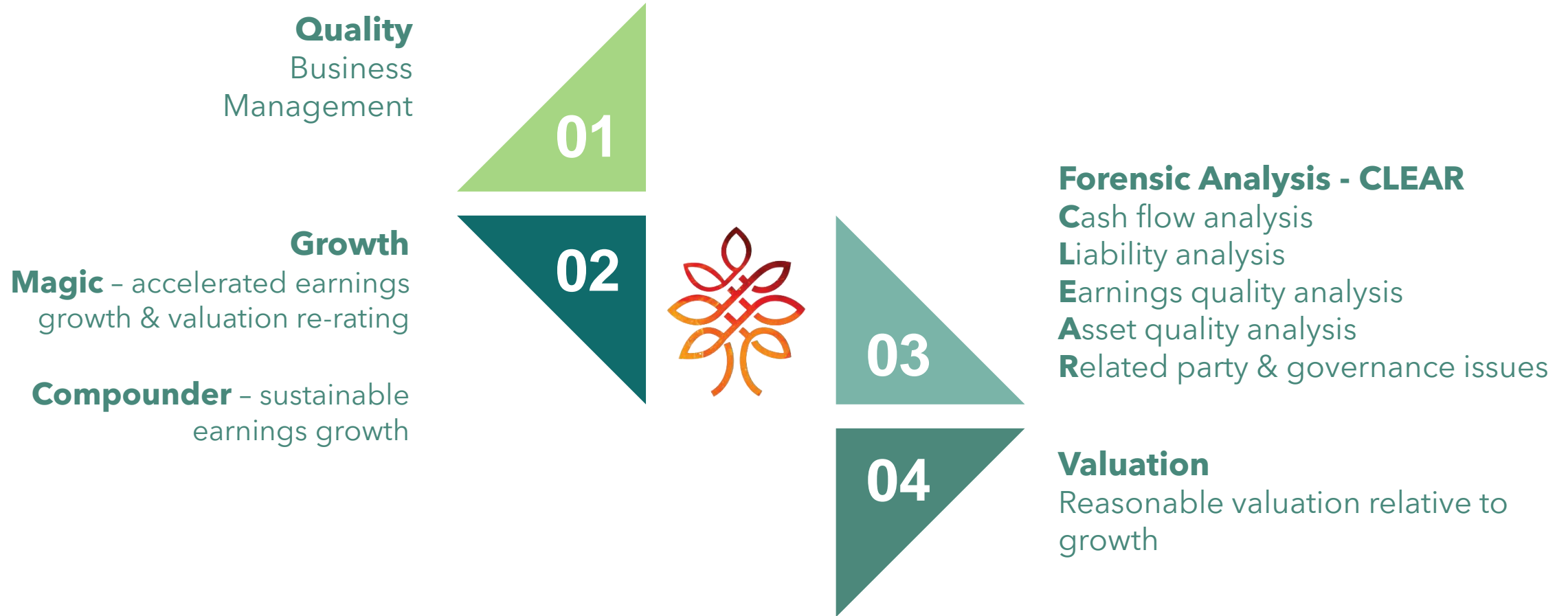
Security	Sector	%	Security	Sector	%
Hindustan Aeronautics	Defence	10.5%	PCBL	Chemicals	6.4%
Power Finance Corporation	BFSI - Credit	9.7%	HCL Technologies	IT	6.3%
ITC	FMCG	7.7%	Neyveli Lignite Corporation	Construction	6.0%
Bajaj Auto	Auto & Auto Ancillary	7.5%	Sun TV Network	Media & Entertainment	5.7%
CESC	Power	7.2%	NTPC	Power	5.2%





# 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%	<b>47.0%</b>	37.3%	23.7%	24.2%	<b>24.9%</b>	<b>9.3%</b>
Capital Compounder*	PMS	May-19	2.0%	0.7%	12.9%	<b>38.6%</b>	30.9%	19.6%	21.3%	<b>21.7%</b>	<b>2.6%</b>
Shift	PMS	Oct-20	5.4%	5.2%	32.7%	<b>45.2%</b>	49.6%	33.9%	-	<b>46.6%</b>	<b>22.0%</b>
Bespoke	PMS	Oct-21	2.6%	-0.1%	14.8%	<b>40.9%</b>	41.0%	31.6%	-	<b>34.9%</b>	<b>20.1%</b>
YNG	PMS	Jan-22	0.1%	-6.5%	11.0%	<b>49.9%</b>	50.1%	-	-	<b>41.4%</b>	<b>24.1%</b>
Structural Shift	AIF	April-22	7.9%	9.6%	35.9%	<b>54.3%</b>	45.3%	-	-	<b>40.7%</b>	<b>24.5%</b>
Bharat Amritkaal	AIF	April-24	1.5%	-1.6%	16.2%	-	-	-	-	<b>25.4%</b>	<b>10.8%</b>
India Amritkaal	AIF	Aug-24	2.2%	2.4%	-	-	-	-	-	<b>10.0%</b>	<b>15.1%</b>
BSE 500 TRI			0.1%	-4.4%	7.9%	<b>27.0%</b>	20.0%	16.8%	19.6%		

Notes:

Data as on 30<sup>th</sup> 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



# 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!

# Disclaimer



*This document has been prepared by Carnelian Asset Management & Advisors Private Limited (“Carnelian”) and is provided to you for information only. This document does not constitute a prospectus, offer, invitation or solicitation and is not intended to provide the sole basis for any evaluation of the investment product or any other matters discussed in this document. This document is made available to you because Carnelian believes that you have sufficient knowledge, experience and/or professional advice to understand and make your own independent evaluation of the risks and rewards of the investments and/or other matters discussed in this document and to make your own independent decision whether to implement the same. Any view expressed in the document is generic and not a personal recommendation and/or advice. It does not consider your risk tolerance, financial situation, knowledge and experience. Please discuss with your investment advisor if you seek advice on whether the proposed investment product are appropriate for you. The investments discussed in this document may not be suitable for all investors. Investments are subject to market risk. There can be no assurance or guarantee that any investment will achieve any specific return. Unless expressly stated, product performances are not guaranteed by Carnelian or their affiliates or any government entity. Past performance is not necessarily an indicator of future performance. Actual results may vary significantly from the forward-looking statements contained in this presentation due to various risks and uncertainties, including the effect of economic and political conditions in India and outside India, volatility in interest rates and the securities market, new regulations and government policies that may impact the business of Carnelian as well as its ability to implement the strategy. The information contained in this document has been obtained from sources that Carnelian believes are reliable, but Carnelian does not represent or warrant that it is accurate or complete, and such information may be incomplete or condensed. Neither Carnelian, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any upon this document or its contents, or for any omission. The views in this document are generally those of Carnelian and are subject to change without notice, and Carnelian has no obligation to update its views or the information in this document. Carnelian or its affiliates may have acted upon or have made use of material in this document prior to its publication. Carnelian does not provide legal or tax advice and should you deem it necessary to obtain such advice, you should approach independent professional tax or legal advisors to obtain the same. This document is confidential and may not be reproduced or disclosed (in whole or part) to any other person without our prior written permission. The manner of distribution of this document and the availability of the products may be restricted by law or regulation in certain countries and persons who come into possession of this document are required to inform themselves of and observe such restrictions. This document is not directed to, nor intended for distribution or use by, any person or entity in any jurisdiction or country where the publication or availability of this document or such distribution or use would be contrary to local law or regulation, including for the avoidance of doubt the US. The contents of this document have not been reviewed by any regulatory authority in India or in any other jurisdiction. If you have any doubt about any of the contents of this document, you should obtain independent professional advice. The name of the strategy does not in any manner indicate the quality of the strategy, its future prospects or returns. The product strategies mentioned in the document may change depending upon the market conditions and the same may not be relevant in future. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any recommendation of the same and the strategy may or may not have any future position in these sector(s)/stock(s)/issuer(s). This strategy and this presentation have been prepared for potential investors in India and may not be published or distributed in the United States. This strategy does not constitute an offer of units for sale or the solicitation of any offer to buy Units in any jurisdiction, including the United States.*



**THANK YOU**