



# BCAD:2 BREAKOUT

The India of tomorrow will be meaningfully different than the India of yesterday. Educated, tech savvy, and digitally enabled. Our new fund BCAD-2: Breakout 20 seeks to capitalize on these structural shifts – from the unorganized to organized and demographic led consumption.

# Executive Summary

Unifi Capital is a discretionary, long-only India centric fund manager, specialising in event-oriented top-down themes and a bottom-up focus on “growth with value”.

## Performance

Investment Approach	Year of Inception	TWRR 3 Years	TWRR Since Inception	Correlation	Ann. Standard Deviation
Blended- Rangoli	2017	25.09%	23.05%	0.88	22.03%
BCAD	2018	23.77%	17.93%	0.86	19.46%
BCAD2: Breakout 20	2022	NA	20.50%	0.87	12.83%
Insider Shadow Strategy*	2010	22.04%	16.25%	0.84	21.17%
Holdco Strategy*	2014	18.89%	22.50%	0.77	26.51%
APJ 20*	2015	29.05%	23.82%	0.85	23.38%

The following Investment Approaches have been redeemed

Spin Off*	2014	11.34%	17.43%	0.85	28.97%
DVD*	2013	14.15%	24.96%	0.89	22.97%
Green Strategy*	2017	53.31%	14.47%	0.94	25.10%
Delisting*	2009	-	43.00%	0.62	14.54%
Sector Trends Large Cap*	2011	2.42%	10.80%	0.88	17.90%

*"For relative performance of particular Investment Approach to other Portfolio Managers within the selected strategy, please refer APMI website ([click here](#)).*

*Under PMS Provider Name, please select Unifi Capital and select your Investment Approach Name for viewing the stated disclosure. The data for the previous month is usually available on the APMI portal on or after the 7<sup>th</sup> business day of the current month."*

## Objective

Focus on identifying unique investment opportunities that consistently generate superior (risk adjusted) returns with due emphasis on capital preservation.

## Advisory Team

The core group of 14 professionals, headed by K Sarath Reddy, having considerable experience in Indian capital markets.

## Portfolio Risk Controls

Comprehensive risk management framework including in-depth stock reviews, exposure limits and marketable liquidity assessment.

Robust risk monitoring mechanisms comprising of daily MTM and liquidity assessment combined with real-time tracking of corporate events and performance.

## Operational Risk Control

Best-in-class prime broker, custodian and counterparties.

## About Unifi

- ✓ Unifi focuses on long-only investment approaches as well as event arbitrage, focused on Indian equities, with a strong in-house research team, offering high levels of service.
- ✓ The core team of four experienced capital market professionals co-founded the company in 2001.
- ✓ Unifi has a successful 20-year performance record, evidenced by every strategy having performed better than its benchmark. The current AUM is Rs 23,900 Crs (USD 2,882 million)
- ✓ Unifi is headquartered in Chennai with offices in Bangalore, Hyderabad, Mumbai, Kolkata and Delhi with a total team size of 122 professionals.

# Business Consolidation After Disruption (BC AD 1)

## What triggered our idea of BCAD in 2018?

- GST Implementation and its impact on unorganized businesses benefiting organized players in the same industry
- Post demonetization small businesses that were handling cash faced many challenges

## Disruptions driving consolidation

Regulatory Changes

Demographics

Urbanisation

Consumer Behavior

Technology

# Why revisit the theme now ?

## Changing consumption pattern

Spending pattern across middle class India is changing driven by factors like education, nuclearization of family, income growth, premiumization, access to credit and many more

## Urbanization

The trend of urbanization continues to rise with migration from rural India to urban India along with improving rural productivity

## Compliance and consolidation

The trigger set by demonetization, GST and the pandemic has had a stark impact on small scale industry players. This has led to the consolidation of the larger and formal operators

## Financialization of savings

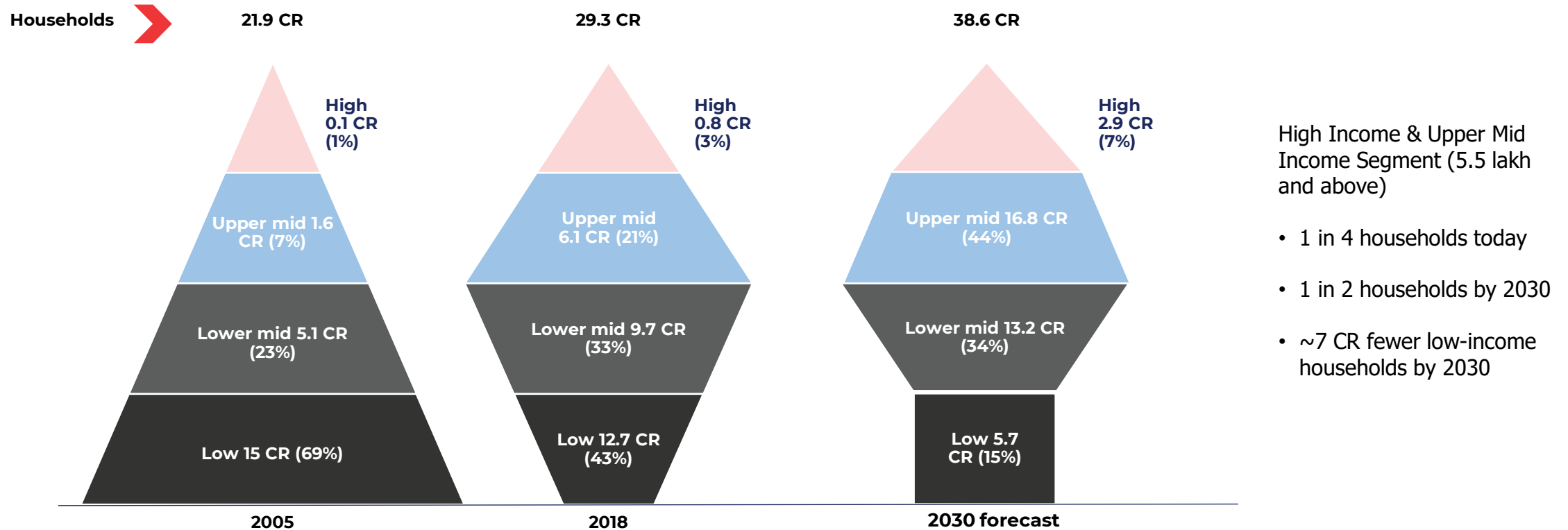
Household's investment towards financial assets instead of physical assets has strong tailwinds and is a long-term trend

# Why revisit the theme now ?

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- The 'Business Consolidations After Disruptions' ("BCAD") theme looks to benefit from the underlying consumerism and the imminent migration of market share and economic value from unorganized to organized players.
- The investment mandate will be directed towards companies where the underlying is consistency in volume growth, rate of growth > than the industry, operating leverage, and incrementally better capital efficiency profile.
- The drivers of each of these variables are a combination of consistency in execution at the marketplace, premiumization, product leadership and cost optimization.
- We run proprietary filters on governance to eliminate managements with a poor history of capital allocation and poor operations.
- We seek to make such investments at reasonable value to long term growth potential. We believe such companies have a long runway of growth ahead of them.
- The strategy shall focus on a bottom-up approach for selection of securities. The securities would be identified on the basis of fundamental and rigorous stock selection process backed by in-house research and supported by external validation.
- The strategy shall follow a 'buy and hold' strategy but will not hesitate to sell in order to redeploy in a relatively better opportunity, or when the stock achieves a valuation higher than is warranted.
- The strategy would identify stocks considering qualitative and quantitative analysis including earnings growth, capital efficiency, relative margin of safety to valuations and management integrity.

# Evolution of household income profile



Note: Low: <INR 2.5 lacs, Lower mid: INR 2.5 -5.5 lacs, Upper mid: INR 5.5 – 27.5 lacs, High: >INR 27.5 lacs

Projections with annual GDP growth assumed at 7.5%

Source: PRICE projections based on **ICE 360 Surveys** (2014,2016,2018)



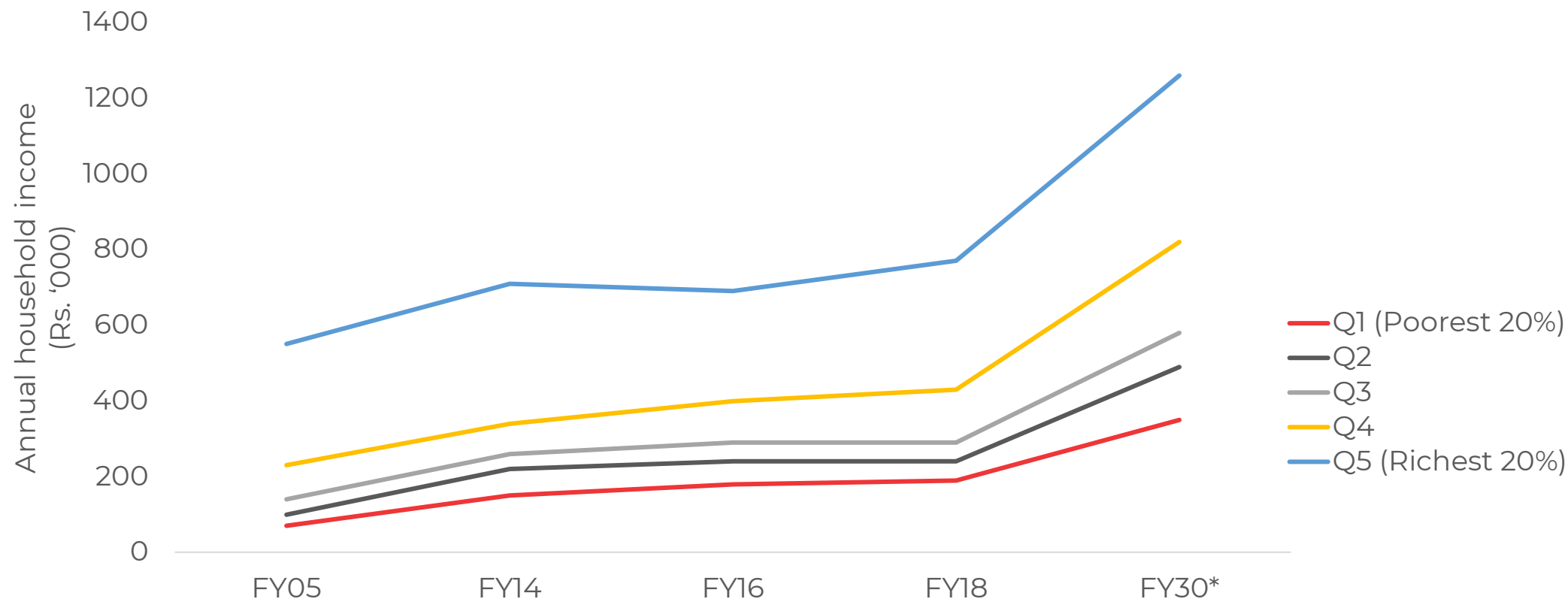
# Income Structure of Consumer India

Population Quintile based on per capital Income	HH in mn	HH Size	HH Inc lakhs/year	% Share of each income quintile to total		
				Income	Expenditure	Surplus income
Richest 20%	72 mn	3.72	6.3	45	36	70
Next 20%	61 mn	4.33	3.6	22	23	20
Next 20%	42 mn	4.71	2.7	15	18	8
Next 20%	49 mn	5.44	2.2	11	14	3
Bottom 20%	42 mn	6.28	1.6	7	10	-1
All India	281 mn	4.70	3.9	100	100	
Richest 10%	39 mn	3.43	7.5	29%	22	50
Poorest 10%	20 mn	6.56	1.4	3%	4	-1

Source: Ice 360



# Breakout of Next 20



The second line (from top) representing second quintile of population is growing at a faster rate for the last few years and is breaking out from the lowest 3 quintiles.

# The Universe

## Roti

Food/Snacks/Masalas  
Dairy & value added  
QSR Chains  
Restaurants  
Rice  
Non-alcoholic beverages  
Alcoholic beverages  
Cigarettes  
Food retail  
Proteins

## Kapda

Home care  
Personal care  
Clothing  
Innerwear  
Footwear  
Jewelry

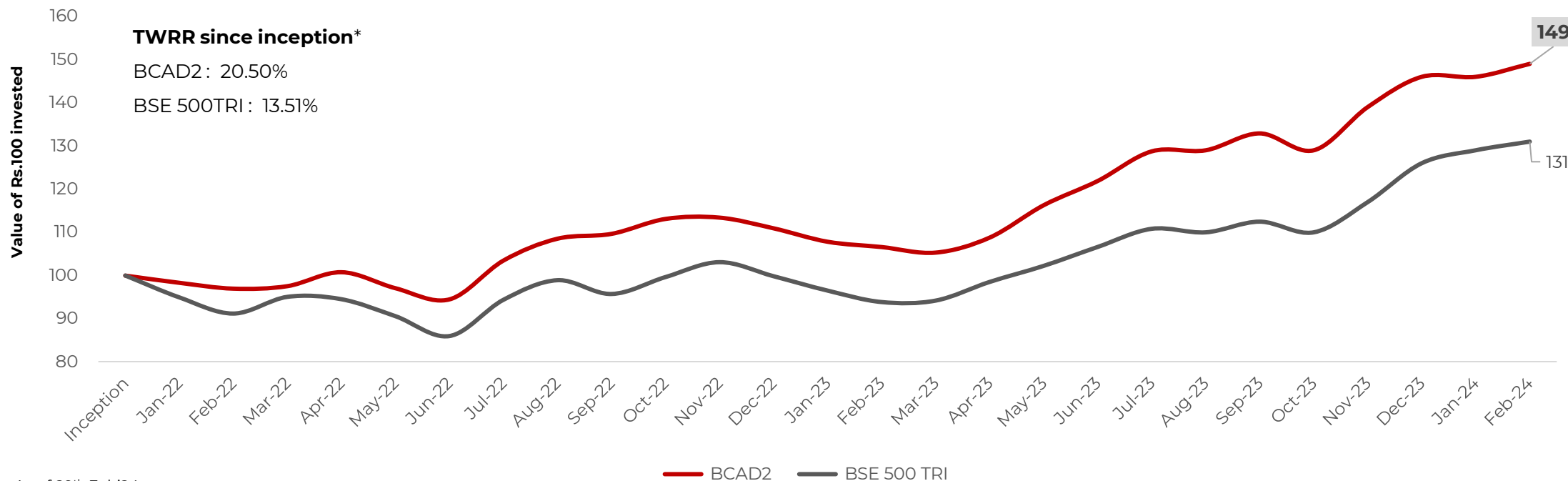
## Makaan

Home appliances  
Kitchen appliances  
Cables and electricals  
Paints  
Tiles  
Adhesives  
Sanitary ware  
Pipes  
Plywood/MDF  
Roofing  
Laminates  
Structural steel  
Mattress  
Staffing  
Office spaces  
Real estate

## Plus 1

Financialization  
Savings  
Multiplex  
Hotels  
Gaming  
Malls  
Luggage  
Diagnostics  
Healthcare  
Consumables  
Logistics  
Travel  
Internet  
Entertainment

# BCAD 2 Breakout 20 - Performance



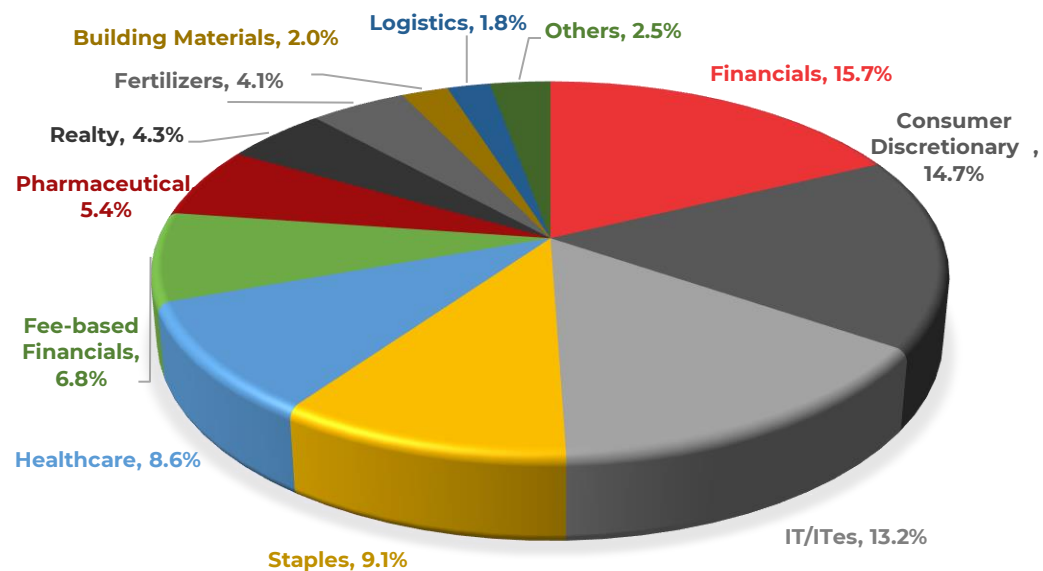
As of 29<sup>th</sup> Feb'24

TWRR	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	FYTD
<b>FY 22</b>										-1.67%	-1.37%	0.59%	<b>-2.44%</b>
<b>FY 23</b>	3.31%	-3.66%	-2.67%	9.45%	4.89%	1.03%	3.16%	0.27%	-2.18%	-2.80%	-1.14%	-1.21%	<b>7.99%</b>
<b>FY 24</b>	3.27%	6.89%	4.82%	5.63%	0.18%	3.11%	-3.32%	8.24%	5.24%	-0.22%	1.72%		<b>41.56%</b>

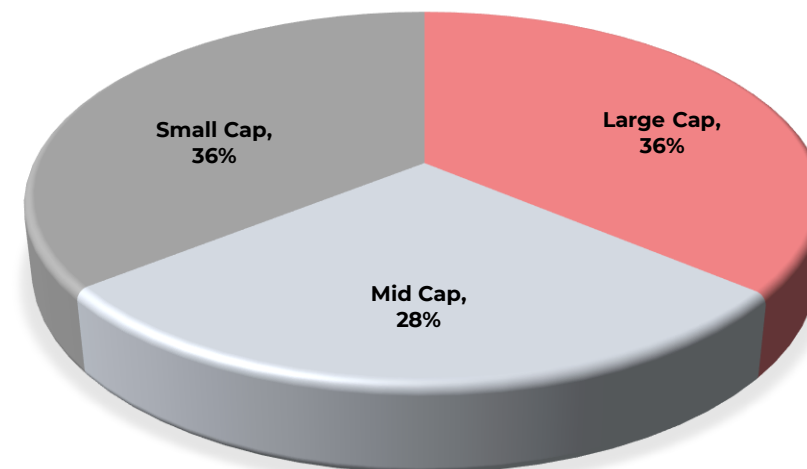
\* Performance data disclosed hereabove is net of Management & Performance fees.

# Sector Allocation & Market Cap Exposure

Sector Exposure



Market Cap Exposure



As of 29<sup>th</sup> Feb'24

# BCAD 2.0 - Valuation Metrics

Characteristics	FY23	FY24e
Earnings Growth	40.2%	17.6%
P/E	29.1	24.6
ROE	22.1%	22.4%
D/E	0.1	0.09
PEG	1.1	1.1

FY 24 data is estimated based on assumptions and expectations considering currently available information and they involve risks, variables and uncertainties

# Salient Features / Strategy Structure

Strategy Structure	<ul style="list-style-type: none"><li>Discretionary PMS</li></ul>	Fee Structure	Management Fee applicable will be charged on a monthly basis computed on each day end value. Applicable performance fee will be charged at the end of 5 years or on achieving 200% absolute return, whichever is earlier or at the closure of the strategy.
Benchmark	<ul style="list-style-type: none"><li>S&amp;P BSE 500 TRI</li></ul>	Tax Implications	The tax is paid by the client combining his other investments thus the returns to the client in PMS are on pre tax basis. Profits in the PMS are taxed at applicable capital gains tax rates.
Custodian & D-Mat	<ul style="list-style-type: none"><li>HDFC Bank Ltd, ICICI Bank Ltd, Axis Bank Ltd, Kotak Mahindra Bank Ltd.</li></ul>	Reporting structure	<ul style="list-style-type: none"><li>MIS - monthly</li><li>Investor Report &amp; Strategy Newsletter - Quarterly</li><li>Performance review webinars- Half yearly</li><li>Tax reporting- Quarterly for advance tax and Yearly for year end tax</li></ul>
Minimum Investment	<ul style="list-style-type: none"><li>Rs 50 L</li></ul>		
Subscriptions and New Investments	<ul style="list-style-type: none"><li>This is open ended strategy with no entry and exit loads</li></ul>		
Redemptions	<ul style="list-style-type: none"><li>Recommended time horizon for effective portfolio returns as envisaged by the portfolio manager is minimum 5 years or 200% absolute return, whichever is earlier. Since the structure is PMS , there is no lock-in of funds. The redemption is processed within 30 days</li></ul>		

For further information visit:  
**[www.unificap.com](http://www.unificap.com)**

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# THANK YOU!

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**The investor has the option of enrolling with the company either Directly or through a Distributor or through a Registered Investment Advisor (RIA)**

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