



KRI TAL

Presents,

Value Investing

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Marketing Overview

Product Categories

	2015	2016	2017	2018	2019
General Tools	+10% AC	+11%	+10%	+11%	+10%
Health & Skincare	+12%	+13%	+12%	+13%	+12%
Art Supplies	+15%	+16%	+15%	+16%	+15%



What is Value Investing?



The 4 horsemen



History and all that boring stuff...



Valuation of a Business

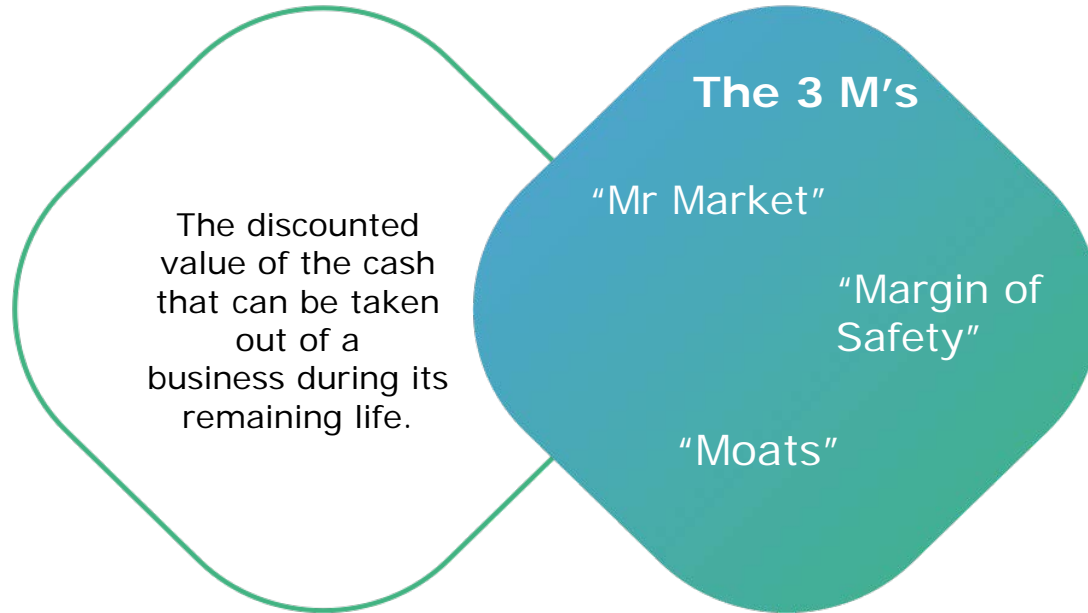


The A Team



Other investing strategies

So.... what is Value Investing?



The 4 Horsemen + Notes, notes, notes..

Balance Sheet

Example Company Balance Sheet December 31, 2017	
ASSETS	LIABILITIES & OWNER'S EQUITY
Current assets	Current Liabilities
Investments	Long-term liabilities
Property, plant, and equipment	Total liabilities
Intangible assets	Owner's equity
Other assets	Total liabilities & owner's equity
Total assets	

Income Statement

Company XYZ Income Statement For the Year Ended December 31, 2015	
Sales Revenue	100000
Cost of goods sold	75000
Gross profit	25000
Operating Expenses	
Advertising expense	3000
Commission expense	2000
Office supplies exper	1000
Salary expense	12000
	18000
Operating Income	7000
Non-operating revenue / expense	
Interest revenues	3000
Gain on sale of invest	5000
Interest expense	(2000)
	6000
Income Tax (20%)	13000
	2600
Net Income	10400

Statement of Change in Equity

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY									All figures in US\$ million		
	Attributable to shareholders of the parent						Non-controlling interests	Total equity			
	Share capital	Share premium	Statutory reserve	General reserve	Retained earnings*	Foreign exchange translation adjustments					Cumulative changes in fair value
Balance at 31 December 2009	2,000	110	321	150	(151)	(16)	(223)	2,191	390	2,581	
Profit for the period	-	-	-	-	75	-	75	75	26	101	
Other comprehensive (loss) income for the period	-	-	-	-	-	(39)	84	45	(15)	30	
Total comprehensive income for the period	-	-	-	-	75	(39)	84	120	11	131	
Issue of share capital - rights issue	1,110	(110)	-	-	-	-	-	1,000	-	1,000	
Other equity movements in subsidiaries	-	-	-	-	-	-	-	-	(17)	(17)	
Balance at 30 June 2010	<u>3,110</u>	<u>-</u>	<u>321</u>	<u>150</u>	<u>(76)</u>	<u>(85)</u>	<u>(139)</u>	<u>3,211</u>	<u>384</u>	<u>3,695</u>	
Balance at 31 December 2008	2,000	110	309	150	(261)	(81)	(434)	1,793	295	2,088	
Profit for the period	-	-	-	-	54	-	54	54	18	72	
Other comprehensive income for the period	-	-	-	-	-	46	150	196	51	247	
Total comprehensive income for the period	-	-	-	-	54	46	150	250	69	319	
Other equity movements in subsidiaries	-	-	-	-	-	-	-	-	(11)	(11)	
Balance at 30 June 2009	<u>2,000</u>	<u>110</u>	<u>309</u>	<u>150</u>	<u>(207)</u>	<u>(35)</u>	<u>(284)</u>	<u>2,043</u>	<u>353</u>	<u>2,396</u>	

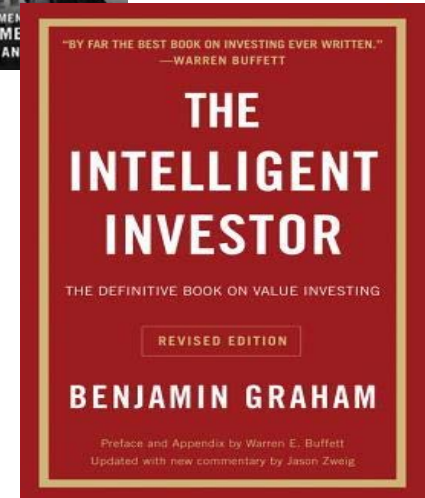
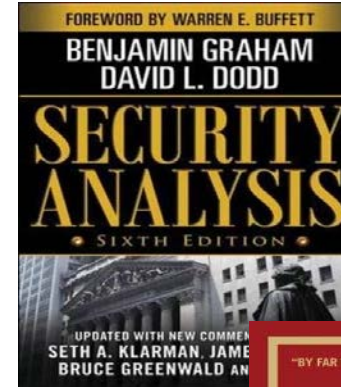
* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to US\$ 422 million (31 December 2009: US\$ 418 million).

Statement of Cash Flow

Example Corporation Statement of Cash Flows For the Year Ended December 31, 2017	
Cash Flow from Operating Activities	
Net income	\$23,000
Add: depreciation expense	4,000
Increase in accounts receivable	(6,000)
Decrease in inventory	9,000
Decrease in accounts payable	(5,000)
Cash provided (used) in operating activities	<u>25,000</u>
Cash Flow from Investing Activities	
Capital expenditures	(28,000)
Proceeds from sale of property	7,000
Cash provided (used) by investing activities	<u>(21,000)</u>
Cash Flow from Financing Activities	
Borrowings of long-term debt	10,000
Cash dividends	(5,000)
Purchase of treasury stock	(8,000)
Cash provided (used) by financing activities	<u>(3,000)</u>
Net increase in cash	1,000
Cash at the beginning of the year	1,200
Cash at the end of the year	<u>\$ 2,200</u>

History & all that boring stuff

$$V^* = \frac{EPS \times (8.5 + 2g) \times 4.4}{Y}$$



"In the short run, the market is a voting machine but in the long run it is a weighing machine"

Valuation of a Business

Step 1: Do you understand the business

Step 2: Businesses that could have a durable competitive advantage (Moats)

Step 3: Trustworthy Promoter/Management

"invest in businesses any idiot could run because someday one will."

Step 4: Ensure enough Margin of Safety

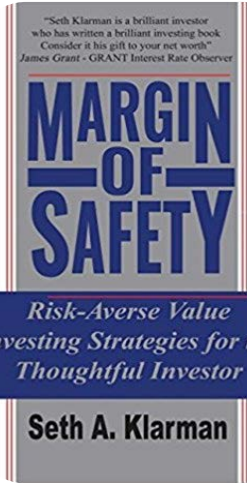
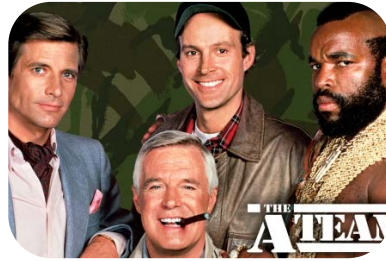
Step 4 (contd).

Value = Shareholder Equity + present value of all future cash that can be taken out of the business

-> **Shareholder Equity:** Assets - Liabilities

-> **Owner Earnings** = (a) reported earnings plus (b) depreciation, depletion, amortization, and certain other non-cash charges...less (c) the average annual amount of capitalized expenditures for plant and equipment, etc. that the business requires to fully maintain its long-term competitive position and its unit volume. *(1986 Letter to Shareholders - Berkshire Hathaway)*

The A Team

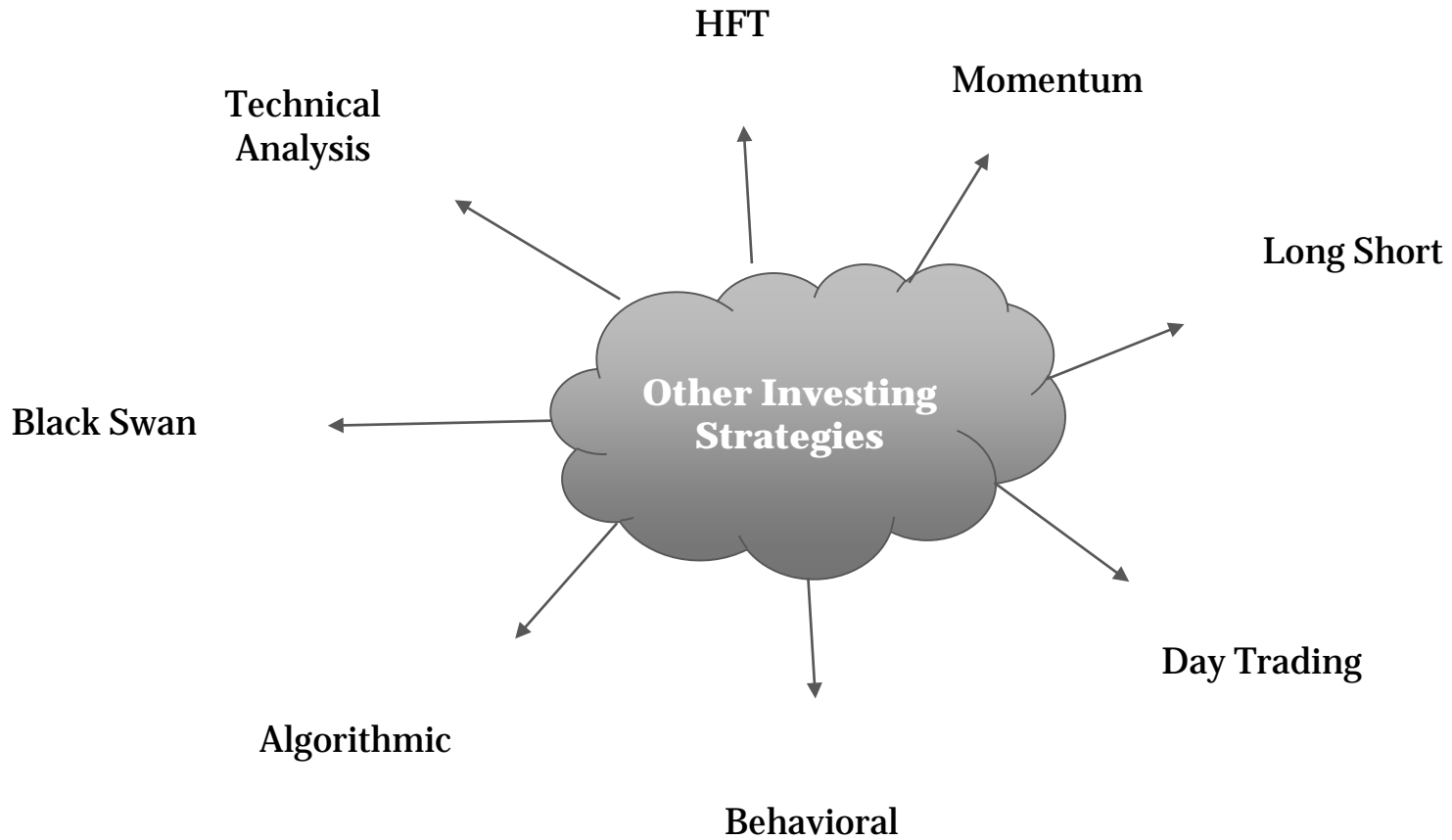


The Superinvestors of Graham-and-Doddsville

Now out of print, Margin of Safety has sold on Amazon for \$1,200 and eBay for \$2,000.

"It's better to buy a great company at a fair price, than a fair company at a great price."

<http://www.berkshirehathaway.com/letters/letters.html>



Thank You!

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