

1. Fund Manager's Commentary

The Girik Multicap Growth Equity Strategy is inspired by the CANSLIM philosophy of stock picking developed by American investor William J. O'Neil. The goal of this strategy is to identify leading companies from leading industry groups that show sharp acceleration in earnings, newness in products or change in management and suggests buying them at the right price with enough margin of safety ahead of the company's major stock price advance.

In today's letter we will speak about the concept of "Newness" that we look for in our investments. The "N" factor in CANSLIM, which stands for "**Newness**" and its importance for stock picking and in generating stellar returns. "Newness" could mean any of the following:

- New product or service that is leading or changing the industry and generating exceptional sales and earnings growth
- New CEO or new industry trend that benefits the company
- New IPOs/Demergers/listings
- New price high of a stock

Why It's Important

It takes something new to produce a startling advance in the price of a stock. It can be an important new product or service that sells rapidly and causes earnings to accelerate faster than previous rates of increase, or it can be the change of management that brings new vigor, new ideas, or at least a new broom to sweep everything clean. New industry conditions such as supply shortages, price increases, or the introduction of revolutionary technologies can also have a positive effect on most stocks in an industry group.

How we evaluate Newness at Girik

At Girik, we are constantly on the lookout for "Newness" among potential investments. A recent relevant example is Exide, which we hold in our portfolio. In March 2022, Exide's management decided to enter the lithium-ion cell manufacturing business to adapt and stay relevant in the changing landscape of automobile powertrains, shifting from ICE engines to EVs. Exide is the first company in India to announce and commit \$720 million to the lithium-ion cell manufacturing project. The company will start trial runs at the plant in June 2024, with commercial production beginning in December 2024.





Exide's dominant position in the core lead acid business and its step in the right direction to establish leadership in the lithium-ion business convinced us to bet on this "Newness" factor in the EV industry.

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Our Hypothesis on Exide:

Through thorough research and assessments, we were reasonably confident at that time that the project was advancing well, and the product would gain approval from customers due to its technical soundness. We acquired the stock at around Rs 208 in May 2023. We were eagerly awaiting validation from a major OEM to commit to a substantial volume of Exide’s capacity, recognizing it as a potential turning point for the company.

In April 2024, Hyundai Motor Company (Hyundai Motor) and Kia Corporation (Kia) inked a Memorandum of Understanding (MOU) for strategic collaboration with Exide Energy Solutions Ltd. (Exide Energy) as part of their electric vehicle (EV) expansion strategies.

Security	Description	Purchase Date	Purchase Price (Rs.)	P/E (x) (at purchase)	P/E (x) (as on 30-04-24)	Newness	Leadership	Earnings Acceleration
	Leading manufacturer of automotive and industrial batteries	May'23	208	15.9x	30.0x			

Note: Above PE ratios are 1 year rolling forward

In conclusion, robust Current and Annual earnings growth (the ‘C’ and ‘A’ factors in the CANSLIM System) is the primary consideration when evaluating a stock. However, the ‘N’ factor (new product or service, etc.) within the CANSLIM system plays a crucial role in driving exceptional profitability. When combined with the ‘L’ factor - being a leading business in a leading industry group, these factors synergize to generate stellar returns from stocks.