

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 most of our investments. A simple term, with meaningful implications in the world of investing. It has given us many an edge and looking through the lens of newness has helped us identify new ideas with regularity.

The "**N**" factor in CANSLIM, which stands for "**Newness**" and its importance for stock picking and in generating stellar returns. "Newness" is covered by some 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/listing
- New price high of 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 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.

Bottom line: Strong earnings growth (the C and A factors in the CANSLIM System) is the #1 factor to look for in a stock, and it's the N in the CANSLIM system (the new product or service, etc) that ultimately generates that stellar profitability. This combined with the L factor - Leading business in a Leading industry group combine to generate stellar returns from stocks.

How we evaluate Newness at Girik

At Girik, we are constantly on the lookout for "Newness" among potential investments. Over the last ~13-14 years, we have invested in several ideas that are high on "Newness" (new IPO, demergers, change in management, takeovers/mergers, private equity investments, etc). We are of the view that the stock market takes time to get a complete grip on these situations and underestimates many times the underlying earnings acceleration that results from meaningful changes in the company's management or ownership structure. Some IPOs too come with a high degree of "Newness", and especially in India, we believe, with an underappreciation for the underlying earnings acceleration that comes post-listing. Several times a stock's P/E ratio looks elevated at the time of a new issue which keeps investors on the fence, only to realise over time that the earnings growth far exceeded most expectations and that the stock was actually far cheaper than was initially estimated! A lot of this is because investors do not necessarily understand the business well enough initially but are willing to pay a higher P/E once they understand the potential. Of course, one size does not fit all, and an investor needs to do serious due diligence to understand a business, its Leadership and Earnings Acceleration. These factors matter and work well together with the "Newness" factor!

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Below are the five recent IPO investments which have been added to the portfolio in the last several months which help demonstrate “Newness”:

Security	Description	Date of Purchase	Purchase Price (Rs.)	Price to Earnings (at purchase)	Price to Earnings (FY 25)	Newness	Leadership	Earnings Acceleration
	Leading EMS company benefiting from a revival of Indian manufacturing	Aug’22	269	26.77x	39.1x	●	◐	●
	India’s first listed & luxury automobile dealership and service company	Jan’23	564	16.19x	16.5x	●	◐	●
	Unique NBFC focused on ultra small ticket loans (< Rs.3 lakhs)	Dec’22	600	27.82x	22.9x	●	◑	●
	Pure play OTC & domestic pharmaceuticals focused business	Jun’23	1,487	36.84x	34.5x	●	●	●
	Leading developer & manufacturer of fermentation-based API and formulations	Aug’23	902	29.32x	28.2x	●	◑	●