

# ALCHEMY SMART ALPHA SMALL & MICRO CAP

Unlocking Hidden Gems in India's Small Cap Market

Fund Manager: Alok Agarwal



# ALCHEMY SMART ALPHA SMALL AND MICROCAP

## WHY SMALL AND MICROCAP STRATEGY?



India is a land of a billion opportunities and a long runway of growth.



This growth gets better captured in riding the journey of successful companies morphing from micro to small to mid to large. This whole journey has potential to create lot of wealth/returns.



Over the last 10 years, while Nifty 50 TRI has delivered 14.3% CAGR, the comparative number for Nifty SmallCap 250 TRI is 19.9% .\*

## WHY ALCHEMY CAPITAL?



**Expertise:** Our seasoned team possesses deep knowledge and expertise in navigating the nuances of India's small-cap landscape.



**Research-driven Approach:** We use a unique blend of Quant + Active styles.

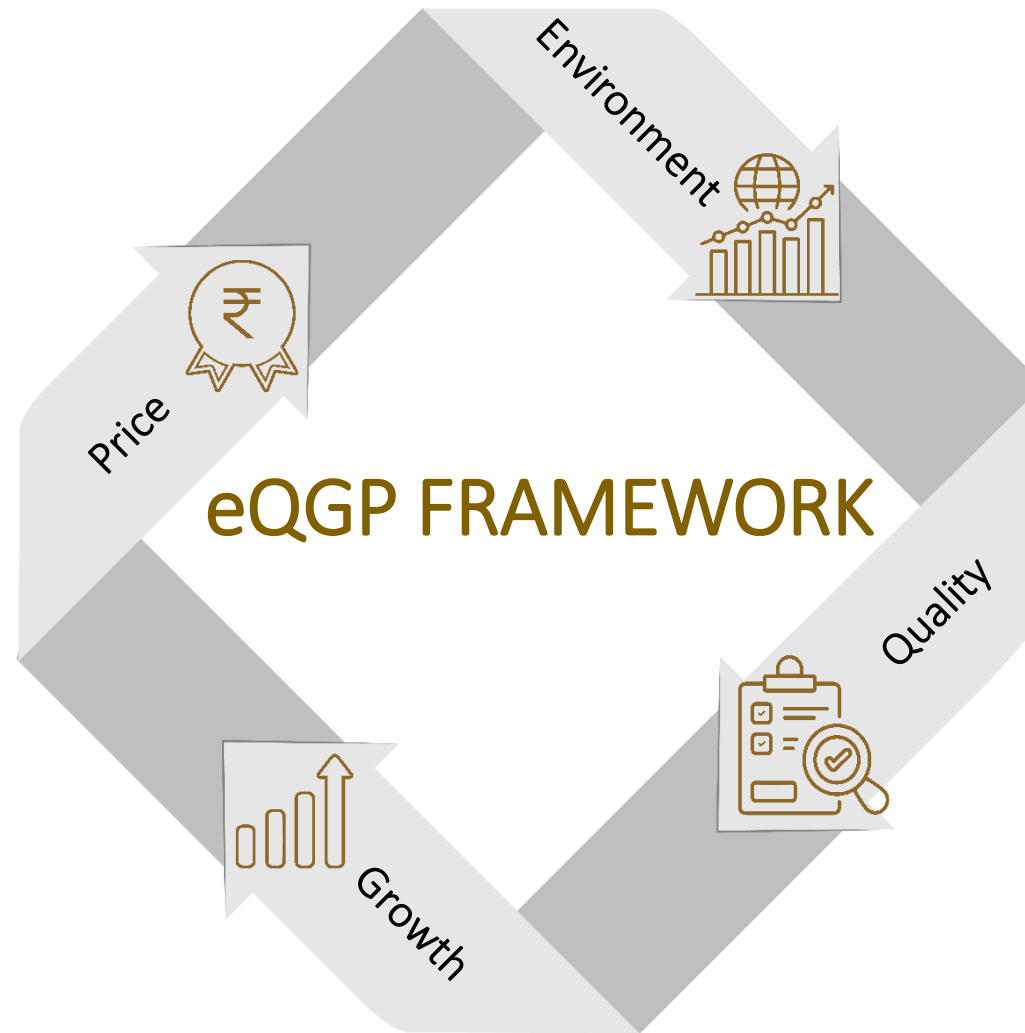


**Diversification:** We believe in a well-diversified portfolio strategy to mitigate risk and capture growth opportunities across various sectors.

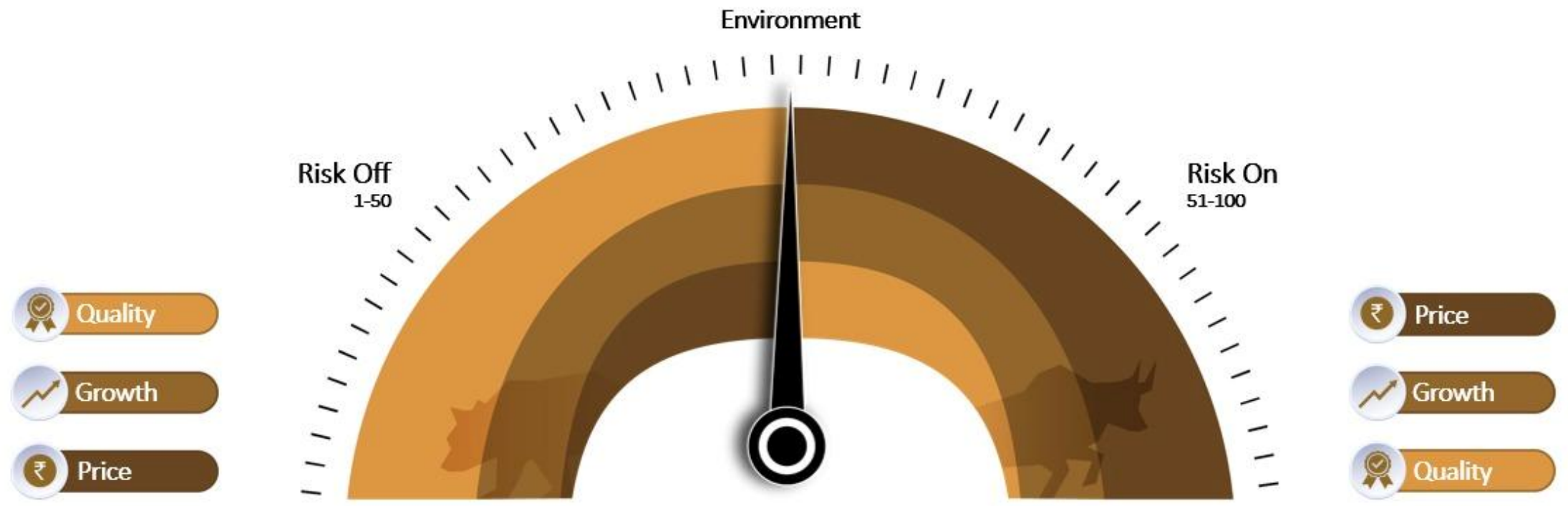


**Active Management:** We actively monitor and manage our portfolio to capitalize on emerging trends and swiftly adapt to market dynamics.

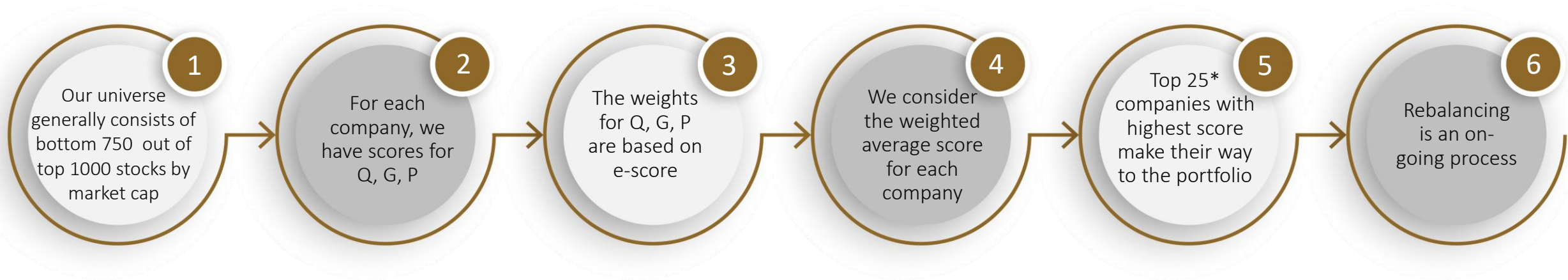
# UNIQUE METHOD – EQGP FRAMEWORK



# ENVIRONMENT METER



# PORTFOLIO CONSTRUCTION PROCESS



\*Usually portfolio consists of 25 stocks but it may go upto 50.



## eQGP - Environment

The philosophy of the product is to get aggressive in a risk-on environment and defensive in a risk-off environment. *Our rating band on the environment is based of multiple factors. Few of them are:*

- Liquidity conditions in the market
- Interest rate conditions in the market
- Improving or deteriorating macro growth
- Improving or deteriorating macro balance sheet
- Price action parameters in multiple sections of the market
- Trends in corporate profits
- Currency situation
- Policy level support



## eQGP - Quality

The quality of a business comes from multiple attributes. The higher the number of these attributes in favour, the higher the quality. *Our quality rating band is based of multiple factors. Few of them are :*

- Capital efficiency - absolute & relative
- Leverage ratios - absolute & relative
- EVA generation track record
- OCF generation track record
- Consistency in profit generation
- FCF track record
- Credit rating
- Management quality



## eQGP - Growth

All good things in the company need to culminate into business growth. *Our growth rating band is based of multiple factors. Few of them are :*

- Profit growth - absolute and relative
- Operating efficiency - absolute and relative
- Business growth
- Market share gains
- Consistency of growth



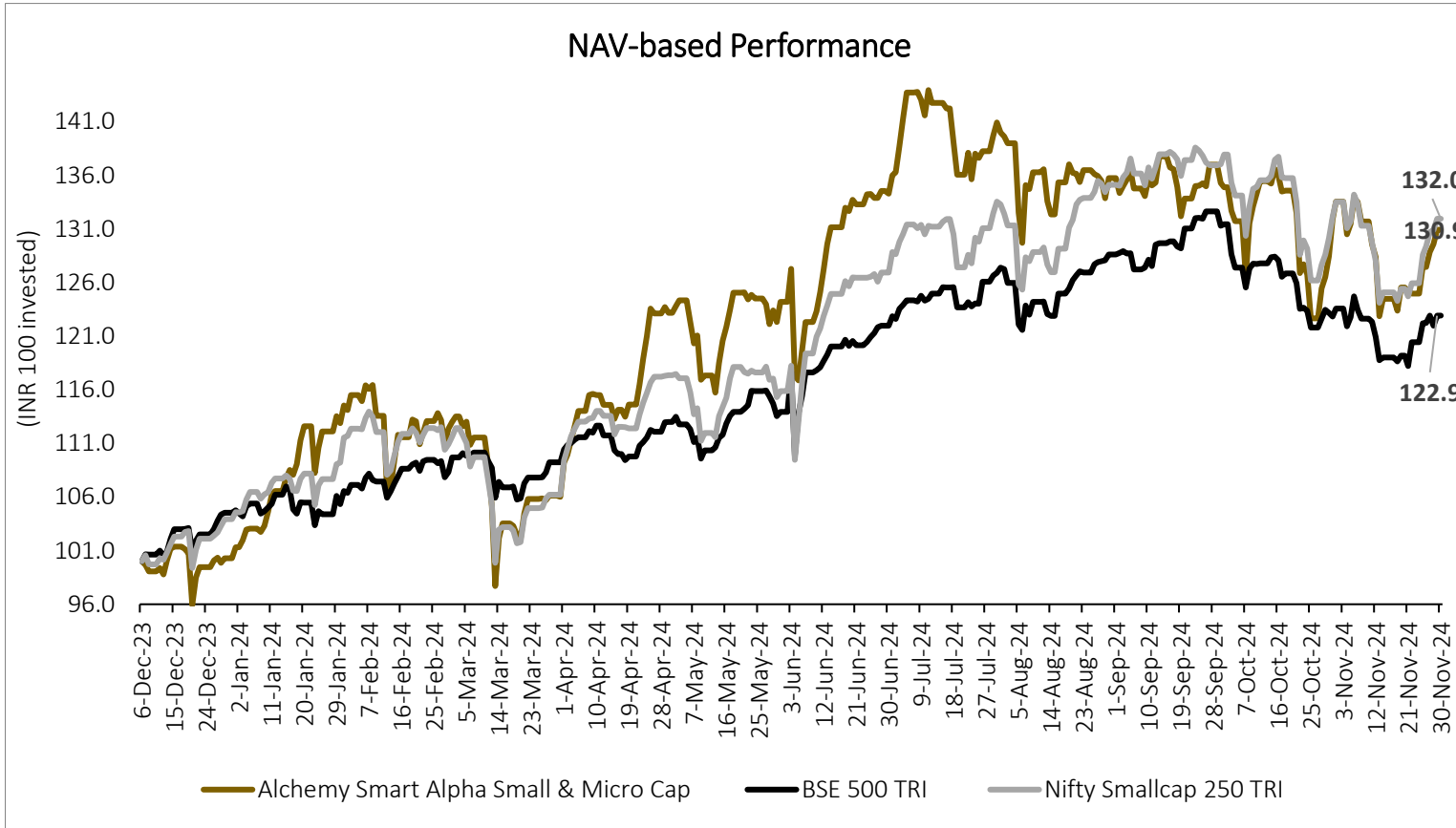


## eQGP - Price Action

**Returns come from price action and movement.** *Our price action rating band is based of multiple factors. Few of them are:*

- Tailwinds in the price behaviour - absolute and relative
- Ownership trends
- Consistency of outperformance
- Liquidity
- Risk reward potential

# LIVE PERFORMANCE



Period	Alchemy Smart Alpha Small & Micro Cap <sup>^</sup>	BSE 500 TRI	Nifty Smallcap 250 - TRI	Alpha over relevant benchmark <sup>*</sup>
1 Month	-0.7%	0.1%	-0.1%	-0.6%
3 Months	-3.6%	-4.4%	-2.3%	-1.2%
6 Months	5.4%	7.9%	13.9%	-8.5%
Since Inception <sup>^^</sup>	30.9%	22.9%	32.0%	-1.0%

Data as of November 30, 2024.

<sup>\*</sup>Nifty Smallcap 250 TRI is more relevant benchmark for the strategy as the investable universe is bottom 750 out of 1000 stocks by market capitalisation.

<sup>^</sup>Performance related information provided herein is not verified by SEBI.

<sup>^</sup>Returns are net of fees, expenses & taxes (if applicable).

<sup>^</sup>Returns less than 365 days: Absolute, greater than 365 days: CAGR (Computed using TWRR method).

<sup>^</sup>Past Performance is not indicative of future performance.

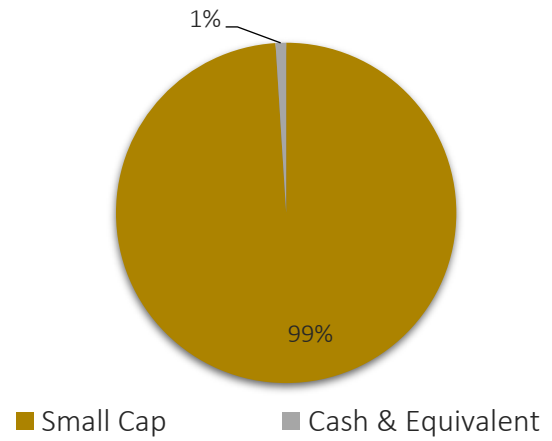
<sup>^</sup>The above performance figures are aggregate of all discretionary clients; the investor's actual portfolio may differ.

<sup>^</sup>Please follow the given link for viewing Performance relative to other portfolio managers: <https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu>

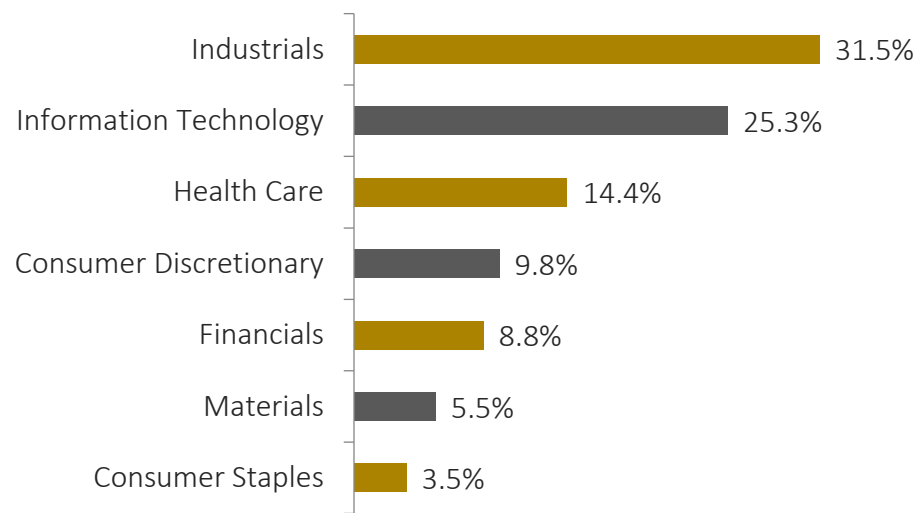
<sup>^^</sup> Inception date: December 6, 2023

# PORTFOLIO COMPOSITION

Market Cap Allocation<sup>^</sup>



GICS Sector Allocation (%) †



Top Holdings

Top 10 Stocks by Weight	% Weight
GE Vernova T&D India Ltd	9.5%
Refex Industries Ltd	6.4%
Multi Commodity Exchange of India Ltd	5.6%
PG Electroplast Ltd	5.3%
Newgen Software Technologies Ltd	5.3%
Aurionpro Solutions Ltd	4.7%
Orchid Pharma Ltd	4.1%
Suven Pharmaceuticals Ltd	4.0%
Balu Forge Industries Ltd	4.0%
Avalon Technologies Ltd	3.8%

Ratio Analysis

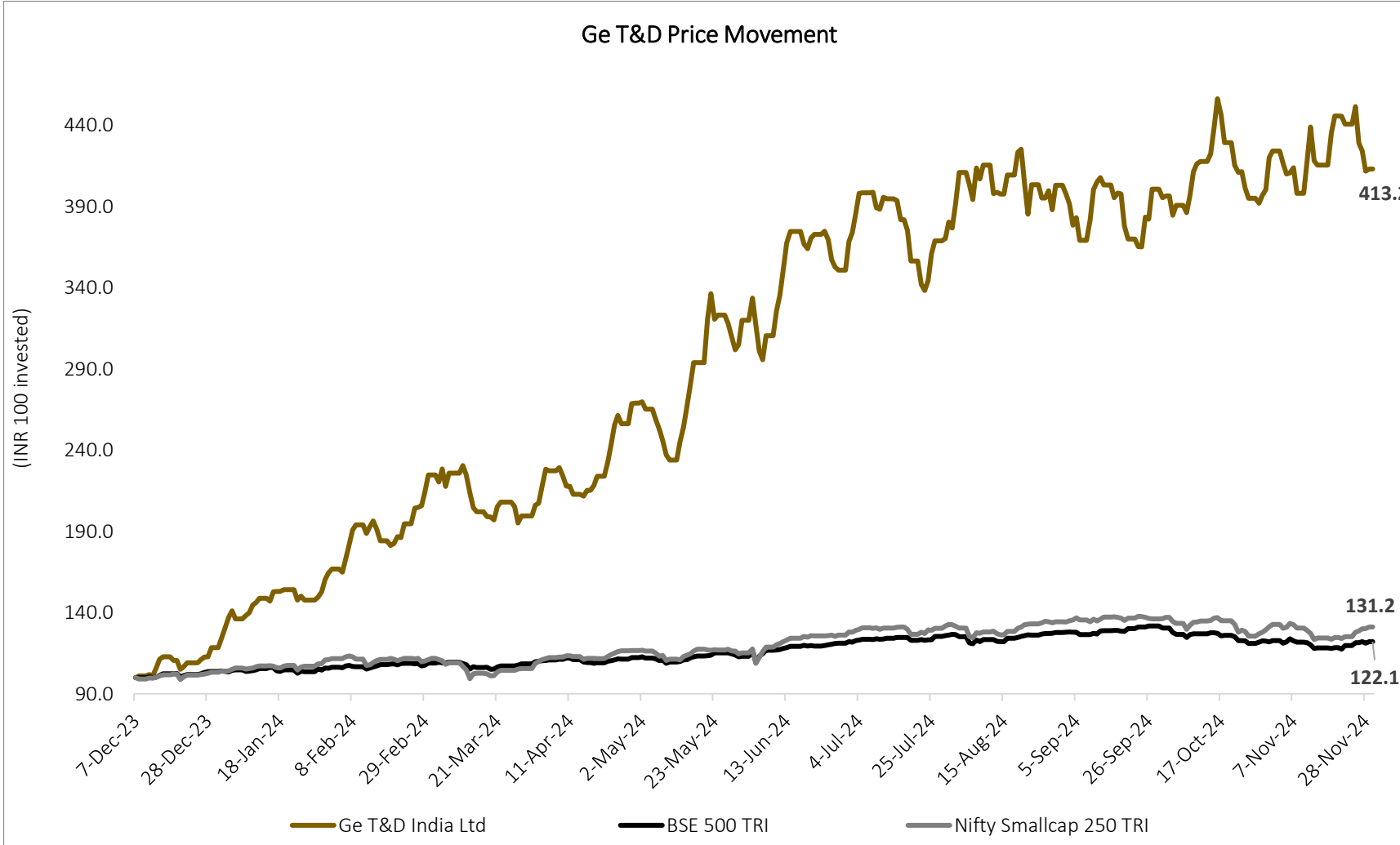
Ratio	Alchemy Smart Alpha Small & Micro Cap <sup>^^</sup>
Upside Capture Ratio <sup>##</sup>	101%
Downside Capture Ratio <sup>##</sup>	112%
Capture Ratio <sup>##</sup>	90%

All data as on November 30, 2024, |<sup>^</sup> Source - AMFI | † Source : Bloomberg | <sup>^^</sup> Inception date: December 6,2023 | <sup>##</sup>Calculated using Geometric Mean of monthly returns.

# CASE STUDIES



Ge T&D Price Movement



Entry date	7-Dec-23
Entry price	INR 425
Exit date	NA( in portfolio)
Current Price	INR 1756
Absolute Gain	313%
BSE 500 TRI	22%
Nifty Smallcap 250 - TRI	31%

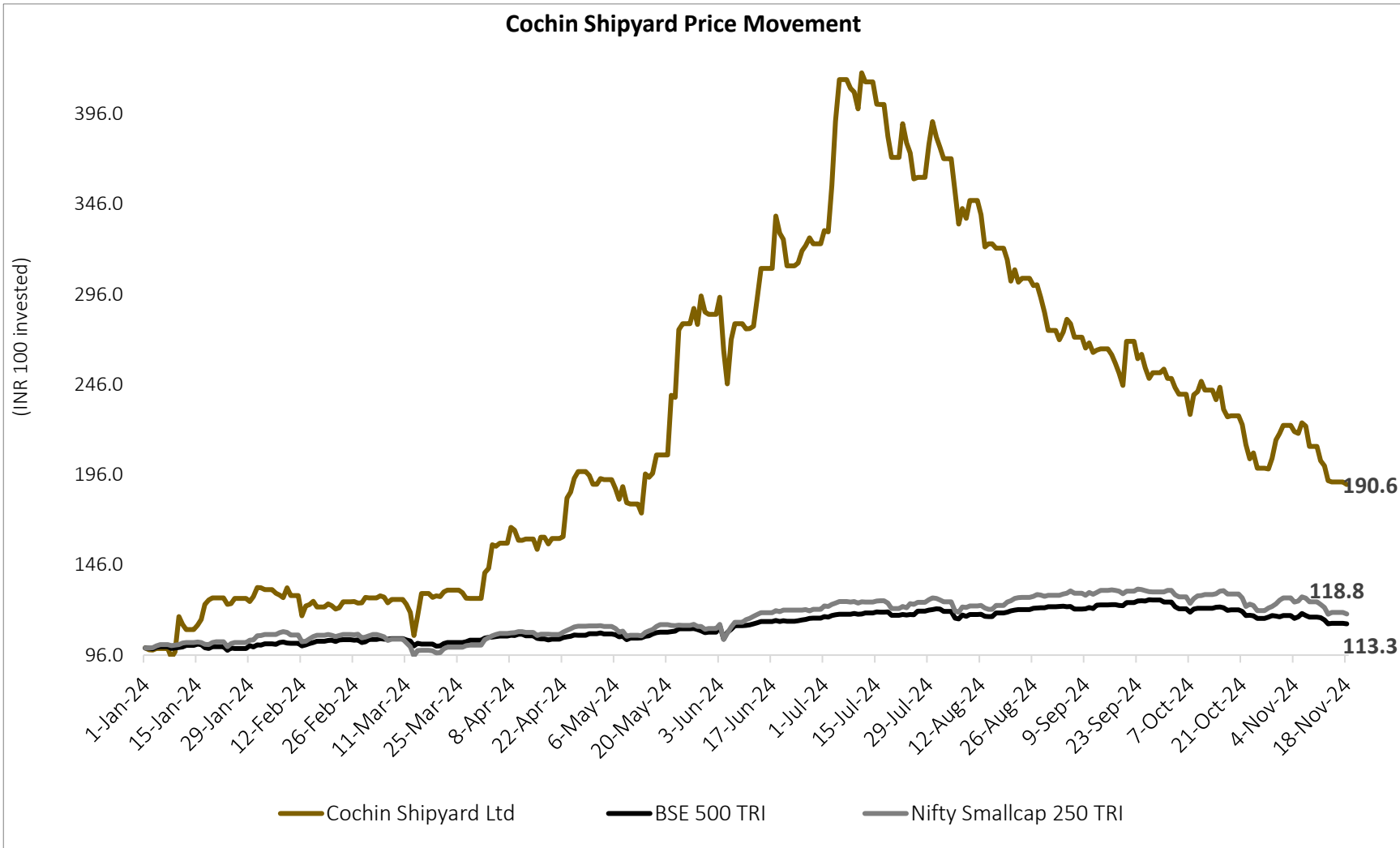
Source: Bloomberg

Disclaimer - The case study presented here is for illustration purposes only. It may or may not form part of Client's portfolio. Past performance is no assurance of future performance.

Data as on 30 November 2024.

# CASE STUDIES

**Cochin Shipyard Price Movement**



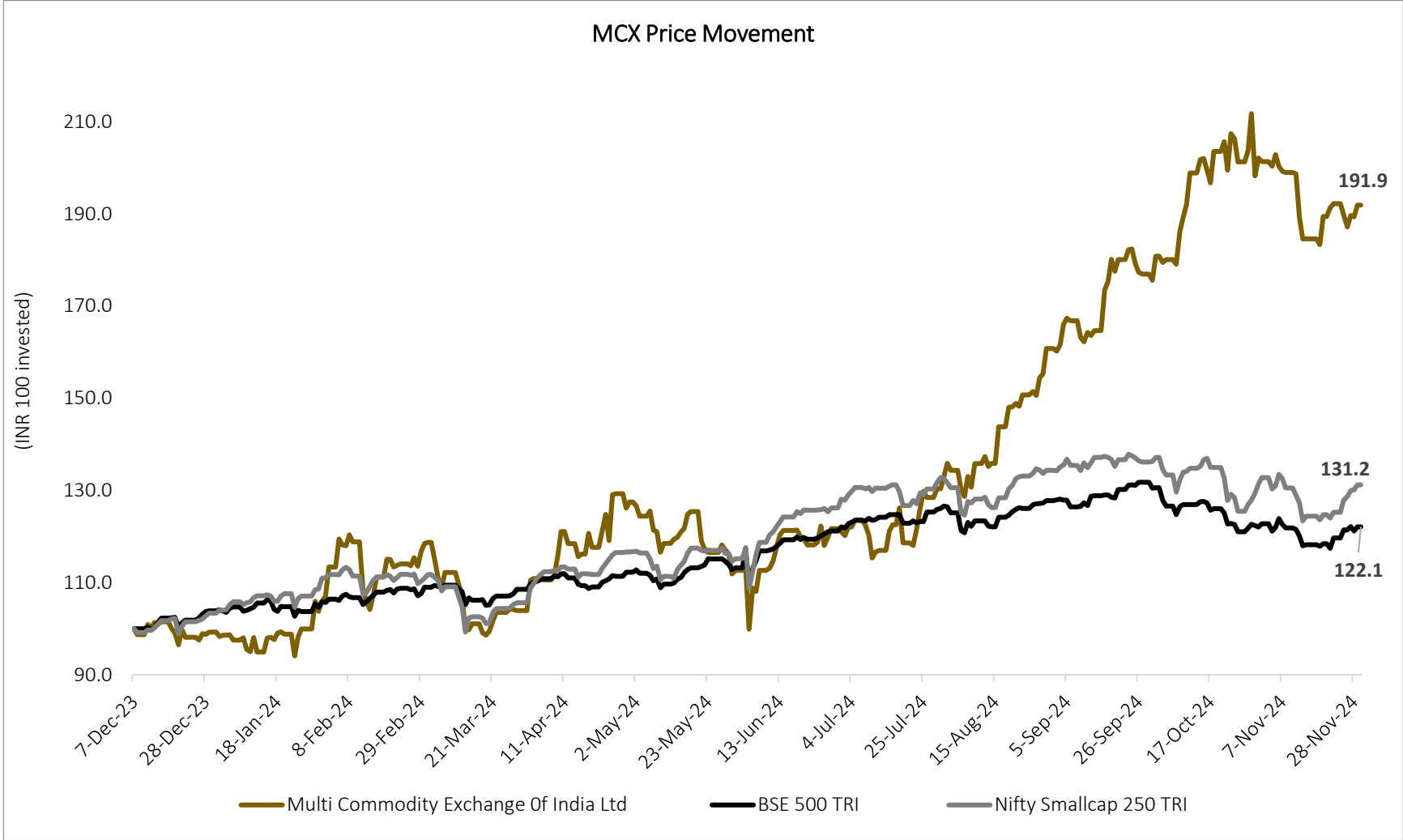
Entry date	1-Jan-24
Entry price	INR 684
Exit date	18-Nov-24
Current Price	INR 1303
Absolute Gain	91%
BSE 500 TRI	13%
Nifty Smallcap 250 - TRI	19%

Source: Bloomberg

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Data as on 30 November 2024.

# CASE STUDIES



Entry date	7-Dec-23
Entry price	INR 3223
Exit date	NA( in portfolio)
Current Price	INR 6185
Absolute Gain	92%
BSE 500 TRI	22%
Nifty Smallcap 250 - TRI	31%

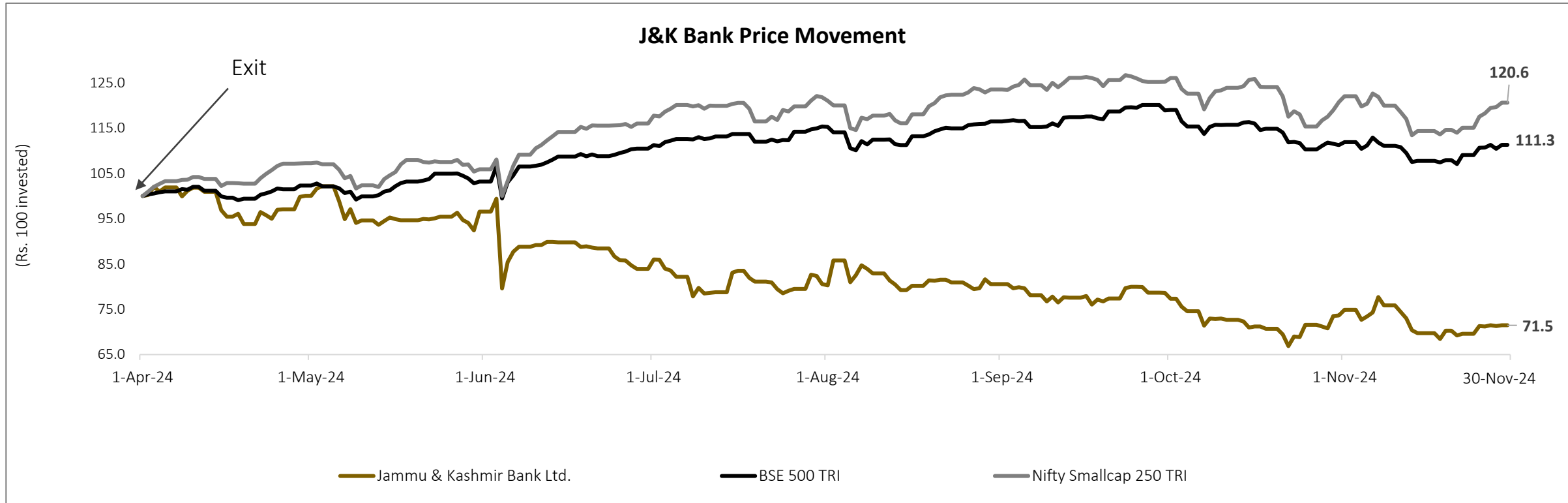
Source: Bloomberg

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Data as on 30 November 2024.

# EXITS ARE AS IMPORTANT AS ENTRIES

About 47% of the stocks that we exited since inception^^ have underperformed Nifty Smallcap 250 TRI index post our exit. Below is one of the example of Jammu & Kashmir Bank Ltd.



Source: Bloomberg

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Data as on 30 November 2024.

^^ Inception date: December 6, 2023

## PRODUCT HIGHLIGHTS

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**Objective:** To generate long term risk adjusted returns.

**Philosophy & Strategy\*\*:** A High-Risk High Return oriented strategy which aims at generating long term alpha consistently by investing predominantly in small cap & microcap companies. The investment philosophy follows Growth at Reasonable Price/ Premium (GARP) approach with a blend of quant and active management.

**Fund Manager:** Alok Agarwal

**Description of types of securities:** Equity

**Basis of selection of types of Securities as part of the Product/ Investment Approach:** Equity stocks are chosen for investment on the basis of following factors: 1.The company fundamentals, as reflected in reported numbers. 2.Investment strategy research regarding various market cycles 3.Risk & Reward ratios

**Allocation of Portfolio across types of Securities:** Upto 100% in equity (cash portion may be deployed in liquid funds/ debt securities).

**Portfolio Construct:** A typical Portfolio may generally consist maximum of 50 stocks across sectors.

**Benchmark:** BSE 500 TRI

**Basis for choice of benchmark:** As per APMI Circular APMI/2022-23/02 dated March 23, 2023.

**Indicative Tenure or Investment horizon:** 3 to 5 Years

**Risk associated with Product/Investment approach^^:** High Risk

*\*\*The investment objectives, strategy and allocation are indicative and there are no assurances that it will be achieved. Investors are advised to take independent tax, legal, risk, financial and other professional advice.*

*^^ All product/ investment approach attract various kinds of risks. Please read the relevant Disclosure Document/ Client Agreement carefully before investing.*





STANDING TALL  
ALCHEMY CAPITAL MANAGEMENT

## ALCHEMY CAPITAL MANAGEMENT

Alchemy Capital Management is one of the pioneers in providing bespoke Portfolio Management Services in India. The company is registered with the Securities and Exchange Board of India (SEBI) as a Portfolio Manager and based out of Mumbai.



One of the few Portfolio Managers in India to have been in existence since 2002



Pioneers in bottom-up stock picking skills with a long-term investing approach



With an experienced team of investment professionals at the helm, there is a strong emphasis on Compliance and Risk Management



Managing/advising AUM of USD 1.2 billion\*, we have earned the trust of institutional investors, sovereign funds, ultra HNIs and family offices.

## OUR INVESTMENT PHILOSOPHY

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- We believe that consistent and superior long term absolute returns can be made across market cycles by investing in growth companies with good management teams.
- We like businesses which address large and growing external opportunities, have a competitive advantage in effectively exploiting those opportunities and have a scalable business model with higher-than-average Return on Capital Employed (ROCE) over the investment horizon.
- We believe that management teams are key to business success. We look for managements which have aggression, are aligned to business outcomes while simultaneously having respect for governance and capital allocation.
- While growth companies form the core of our portfolio, we also tactically invest in deep value opportunities and special situations that may appear due to and during market cycles.

# INVESTMENT TEAM



**Hiren Ved**  
 Director & CIO  
 Experience: 30+ Y

## INVESTMENT



**Alok Agarwal**  
 Head - Quant & Fund Manager  
 Experience: 22 Y



**Himani Shah**  
 Co-Fund Manager  
 Experience: 20 Y



**Mythili Balakrishnan**  
 Co-Fund Manager  
 Experience: 22 Y



**Deven Ved**  
 Co-Fund Manager, Quant  
 Experience: 17 Y



**Jagpreet Chhabra**  
 VP – Quant Research Analyst  
 Experience: 22 Y



**Rishabha Doshi**  
 Quant Analyst  
 Experience: 3 Y



**Gayathree T V**  
 Quant Research Analyst  
 Experience: Fresher

## RESEARCH



**Amaresh Mishra**  
 SVP - Research Analyst  
 Experience: 19 Y



**Vimal Gohil**  
 Research Analyst  
 Experience: 13 Y



**Hareesh Kapoor**  
 Research Analyst  
 Experience: 12 Y



**Ruchika Bhatia**  
 Research Analyst  
 Experience: 9 Y



**Hrushikesh Shah**  
 Research Analyst  
 Experience: 1 Y

Note: Total experience in industry is provided herein above

# DISCLAIMER

## General Risk Factors:

- All products / investment approach attract various kinds of risks. Please read the relevant Disclosure Document/ Client Agreement/ Offer Documents (includes Private Placement Memorandum and Contribution Agreement) carefully before investing.

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