Saamya Advisors LLP

23 June 2026
A Partner's Manual.

The aim of this manual is to explain our principles, goals and investment philosophy to current and potential partners.

1. While the professional definition of our relationship is that of a fund manager and a client, our attitude and actions will be on the lines of a partnership.

   We will not engage in any action we would consider unfair if our roles were reversed.

   A large majority of our own capital (>90%) will be invested in the same way as yours and our incentives will be structured such that we prosper when you prosper.

   We take our fiduciary responsibility seriously and we understand that permanent loss of capital is irreplaceable. We will take due care to do both, protect and grow your capital with as little risk as possible.

2. While there are no guarantees, the objective is to grow our wealth by allocating capital to opportunities which offer an attractive skew, i.e., nil to small downside if wrong and large upside if right. Doing this consistently can give above average returns over time.

   We believe our investment strategy (discussed in the next point) is best evaluated over a rolling 5-year period, and we seek alignment with our partners on this time horizon.

3. We create portfolios for partners based on the best opportunities available at the time of their entry vs. following a model portfolio approach.

   A key pillar of our investment strategy is to prevent situations which can lead to a large capital loss. Thus, we do not:

   - Partner with fraudulent or unethical promoters and management teams.
   - Invest in companies facing technological obsolescence or regulatory risks.
   - Invest in companies with excessive leverage (debt).
   - Invest in companies we don't fully understand.
   - Pay a price which provides inadequate margin of safety in our assessment.

   This discipline may cause us to underperform in euphoric bull markets when such risks are overlooked by the broader market.

   We look at all opportunities in the listed space (equity or otherwise) with predominant exposure to equities in normal situations. Our approach is to invest where we see a skewed return profile – we win big if we are right and lose little to nothing if we are wrong. In case of equities, we usually find such opportunities when one or more of the following conditions exist (refer Appendix for case studies):

   - A fundamentally strong company is facing temporary challenges.

- A sector undergoing a downturn, but longer-term growth drivers are intact.
- A company is not well discovered or is misunderstood.
- Special situations arising from M&A, demergers, corporate restructuring, etc.
- Broader market crashes.

Markets are efficient and rarely offer a good skew. Hence, we take concentrated bets when we see a skew. We may invest >50% of the NAV of the portfolio in a single idea.

Also, our approach of seeking an attractive skew sometimes comes in situations where we look stupid if we are wrong. We are willing to embrace this part of our process as it enables us to capitalize on opportunities which have asymmetric return profiles.

In absence of ideas which fit our investment strategy, we prefer to be patient and remain in cash rather than dilute our investment standards to deploy money faster.

We do not trade unnecessarily. Our bias is to stay invested, irrespective of the weight of the position in the portfolio, if we believe there is no deterioration in the company's competitive position. We sell only if valuations are significantly above our assessment of fair value or if we see a chance to reallocate to other more attractive opportunities.

4. Our key weakness has been making mistakes of omission. Put simply, this means failing to invest or to under-invest even after all our analysis suggested we should have invested or taken a higher weight.

   Historically, we have taken lesser risk than we should have. We have made changes to our process to improve our performance to address this. Partners should quiz us about how we have fared in this regard when we meet.

   We will also make mistakes of commission (being wrong about our assessment of the business). However, our entry price should give us a reasonable margin of safety and largely protect our capital. Mistakes of commission will detract much less from our long-term performance when compared to our mistakes of omission.

5. We will spend as much time as needed upfront to align with partners and help them make an informed decision on whether to allocate to us.

   We will write an annual letter to partners in January and host an annual in-person partners meet in February to answer all questions from our partners.

   We will be candid in our reporting to you, emphasizing the pluses and minuses important in appraising our performance. Our guideline is to tell you the facts that we would want to know if our positions were reversed[1].

   The above will be in addition to all regulatory reporting mandated by SEBI which includes a quarterly MIS reflecting your portfolio holdings.

[1] Quoting from 'An Owner's Manual' by Warren Buffett.

6. Our fee structure[2] will ensure alignment of interests as discussed earlier:

    - Fixed fee of ~0.6% (incl. GST) on average daily NAV, billed and payable quarterly.
    - Profit share of ~20% (incl. GST) charged on gains delivered over and above our hurdle rate, i.e., 9%. The profit share, if applicable, will be charged at 5-year intervals from date of account inception.

      If a partner does a partial / full withdrawal before the date on which profit share is due, applicable profit share will be charged at the time of withdrawal.

    There is an exit load of 3% and 2% in Year 1 and 2 respectively (excl. GST).

    Other expenses such as custody fee, auditor fee, brokerage, etc. will be passed through at actual cost. We do not profit from these.

We believe our willingness (many say this) and ability (few have it) to stretch time horizons and to sometimes look stupid in the short run is an edge we have over others. It allows us to invest in fundamentally strong companies when they are facing a lot of skepticism for unwarranted reasons or to invest in companies where we have developed a unique business insight which we believe will play out over time. We compete with fewer buyers in these cases which results in an attractive skew on our investments. Psychologically, this a tough approach to investing as it requires going against the prevailing market sentiment, and it may not be suited for those who prefer investing in ideas with near term momentum. However, we think this will help us deliver long term outperformance without assuming disproportionate risk.

Our fee structure is designed to reflect this philosophy and aligns closely with the long-term performance we deliver. We charge a modest fixed fee to cover operating and regulatory costs, while our true incentives accrue only when we generate sustained outperformance over a 5-year horizon – the timeframe over which we encourage partners to evaluate our performance. This structure discourages aggressive risk taking to boost short term returns and ensures any unsustainable short term outperformance is averaged out and the profit share accruing to us is driven by long term performance. We want to walk our talk of thinking long term.

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[2] We may make exceptions for friends and family and charge a lower fixed fee and/or profit share.

APPENDIX

In the following pages, we present the investment thesis underlying select past investments to help you relate to our investment strategy outlined in the Partner's Manual (Point 3).

The case studies discussed are provided for illustrative purposes only. They should not be construed as recommendations to buy, hold, or sell any security.

Please read the detailed disclaimer at the end of this document.

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<u>Case Study 1: A sector with long term growth prospects intact but undergoing a temporary downturn – ICICI Bank *(Currently held: No | Holding period: ~10 years)*.</u>

Background

Between 2003-2012, India experienced a capex boom interrupted briefly by the global financial crisis. During this period, gross fixed capital formation rose from 30% to 40% of GDP. There was reckless, debt fuelled expansion in sectors such as power, infrastructure, steel and real estate leading to overcapacity in many sectors.

By 2015, several projects were stalled, delayed or underutilised due to economic slowdown, court judgments affecting allocation of natural resources and severe policy paralysis in the government arising from accusations of multiple scams. As a result, projected cash flows from these projects failed to materialise and debt could not be serviced.

Banks resorted to evergreening or restructuring loans to defer the recognition of these projects as Non-Performing Assets (NPAs). An Asset Quality Review (AQR) by RBI in FY16 revealed the true extent of NPAs and mandated banks to recognise the same.

Following this exercise, gross NPAs in the sector rose sharply from 4.6% in FY15 to 12.5% in FY17. ICICI Bank's, gross NPAs increased from 3.8% to 8.8% in the same period.

Our investment thesis on ICICI Bank (Bank/Company)

We began tracking the Company in FY15 as banks started recognizing NPAs post-AQR. Over the next 3 years, we built an investment thesis which was premised on below arguments:

- <u>Asset quality stress was manageable:</u> Going through sector exposures granularly and assuming conservative provisioning for NPAs for each sector, we realised that the pre-provision operating profits of next 2-3 of years would be sufficient to cover the expected losses. The Insolvency and Bankruptcy Code introduced in 2016 further catalysed quick and meaningful recoveries from some large stressed assets.
- <u>Strong capital adequacy:</u> The Bank's capital adequacy was well above regulatory requirements. In a worst case scenario, they had valuable subsidiaries which could be partially divested to shore up capital.
- <u>Improved liability franchise:</u> Over the 8 preceding years, ICICI Bank's liability franchise had improved significantly, and it had the lowest cost of funds in the industry. The gap between HDFC Bank's and ICICI Bank's cost of funds had reduced from 1.5% in FY10 to ~0% in FY18. This meant that the Bank didn't need to take unnecessary risks to generate a respectable return on equity.
- <u>Governance reset:</u> We believed that the allegations of misconduct against the then-management were unlikely to have a long-term impact on the franchise, as leadership changes would inevitably follow if the allegations were proven. The valuations we paid at the time did not reflect the upside from such a management transition. The subsequent appointment of Mr. Sandeep Bakhshi as the managing director cemented our conviction and we made ICICI Bank a large position in the portfolio.

Thus, our view was that asset quality stress was a temporary issue which would be fixed in 2-3 years without the risk of us getting diluted. And the Bank could emerge structurally stronger given it now had the lowest cost of funds in the industry.

Our average purchase price was at a market capitalization (M Cap) of ~Rs 1.8 lakh crs. Adjusted for subsidiary valuations, we paid ~1.1x trailing Price to Book (PB) valuation for the Bank. The return skew on this investment was very attractive.

- If we were right, we would make 3-4x on our investment:
  - The bank would clock 15-16% return on equity after a 2-3 years of subdued profits and over 5 years would compound book value at ~12%. It could get 2-3x trailing PB and the core bank would be worth ~Rs 3.3-5 lakh crs.
  - Subsidiaries were industry leaders, and we expected them to compound at 12-14% with the Bank's stake in them being worth ~Rs 1.6-2 lakh crs.
  - Overall, the Bank could trade at a M Cap of ~Rs 5 to 7 lakh crs in 5 years.
- If we were wrong, the Bank's strong pre-provision operating profits would protect the book value, and the stock would likely trade at 1x PB.

While there was an unanticipated shock during Covid, the clean-up of the stresses corporate NPAs was largely complete and the Bank used its strong pre-provision operating profits to create contingent buffers for potential fallout from Covid.

Eventually, as the Covid shock receded, we ended up getting a 4-5x return on our investment as the Bank got substantially re-rated after consistently delivering strong results.

<u>Case Study 2: Corporate action in a less understood company whose industry was undergoing a downturn – Max Healthcare *(Currently held: Yes | Holding period: >6 years)*.</u>

Background

In 2018, Max India held ~50% stake in Max Healthcare (MH), a leading super-specialty hospital chain with ~2,400 beds across 14 hospitals in North India, of which 11 were in Delhi-NCR. The balance stake was owned by South Africa's Life Healthcare. In addition, Max India held 51% in Max Bupa Health Insurance and 100% in Antara Senior Living.

In December 2018, Radiant Healthcare (promoted by Mr. Abhay Soi), which operated ~900 beds across Delhi and Mumbai, in partnership with KKR private equity, announced its plan to acquire a majority stake in MH through a series of steps which included merger of Radiant's assets into MH. We saw:

- Pre-acquisition, MH's Avg. Revenue per Operating Bed (ARPOB) was ~Rs 44,000 and occupancy of ~73%. With such healthy operating metrics, MH should have earned higher than reported EBITDA margin of ~7% and negligible ROCE. Radiant's Delhi hospital (650 beds) with similar ARPOB delivered ~12% EBITDA margin despite higher variable costs than MH. Mature hospitals of Apollo (a peer) had ~21% EBITDA margin.
- Industry was in a downturn as a lot of capacity was added between 2012-2016 putting pressure on getting new hospitals to respectable unit economics. As a result, most investors were not keen to invest in this sector and a poorly run, small cap company like Max India was largely ignored by investors.

Our investment thesis on Max Healthcare (MH/Company) post-acquisition announcement

We studied the business after the acquisition announcement and built the following thesis:

- <u>Irreplicable asset:</u> MH was a tough to replicate asset given its strong brand and presence across prominent locations in NCR. Terminal value of entrenched hospitals, especially in areas where land is prohibitively expensive, is very high. Many hospital assets across globe have been around for 50-100 years.
- <u>Strategic alignment with proven leadership:</u> Mr. Soi outlined his long-term strategy of focusing on quaternary care, sticking with larger markets and focusing on ROCE along with scale which made sense to us. He had also turned around poorly performing hospitals like B L Kapur Hospital in Delhi (taking revenues from ~Rs 30 crs to ~Rs 500 crs and EBITDA from loss to ~Rs 60 crs in 8 years), and stabilising Nanavati Mumbai (revenues doubled to ~Rs 300 crs and EBITDA loss stemmed.)
- <u>Key issue was cost side and easier to solve:</u> Since the issue at MH was not on revenue side (industry leading ARPOB and occupancy) but on the cost side, it was a relatively easier problem to solve and improvement in economics could be visible in 3-5 years.
- <u>Many potential margin drivers:</u> Post-acquisition, larger scale (3300 beds; top 3 in India by revenues) would mean better prices to source consumables and equipment. With Mr. Soi driving efficiencies on both ARPOB (better patient and quaternary mix) and all cost line items, MH could be at 17-20% EBITDA margins and ROCE to 25-28% by FY25.

- Growth levers: There was brownfield expansion potential of ~2650 beds which not only gave growth visibility for next 5 years but would further aid margins and ROIC.

In September 2019, prior to MH's demerger from Max India, we took a large position. At that point Max India's M Cap was ~Rs 6,000 crs and the skew was very attractive:

- We were effectively paying ~Rs 5,000 crs for Max Healthcare[3], an asset which was practically impossible to replicate, as ~Rs 1,000 crs of Max India's M Cap was attributable to its stake in health insurance and Antara businesses.
- If our assessment of MH reaching ~Rs 5,300 crores in revenues, 17-20% EBITDA margins and ROCE of 25-28% by FY25 was correct, the asset could get 20-23x FY25 EV/EBITDA and an equity value of ~Rs 16,000 crs to 23,000 crs (3.2-4.6x of our price).
- Max Healthcare would have a net debt of ~Rs 2200 crores post transaction, but we saw this manageable given highly stable revenues and sharp improvement in profitability. Worst case, they could raise primary capital and even with a 10-20% dilution, the end outcome for us would be excellent.
- There was virtually no downside in paying ~Rs 5,000 crs for ~3300 bed hospital chain present in NCR and Mumbai. Even a mediocre execution would sustain this value.
- Given no upside from the transaction was being built into the price we paid, even if the transaction failed for any reason, there was not much downside.

Mr. Soi and his team transformed MH by achieving >25% EBITDA margin and >35% ROCE. In addition to brownfield expansion, they continued to consolidate underperforming hospitals and turning them around successfully. They significantly surpassed our best-case expectations. The market responded by giving it an industry leading valuation and MH's market cap crossed Rs 1 lakh crs.

[3] As per the swap ratio, shareholders of Max India were to get 99 shares of Max Healthcare for every 100 shares they held in Max India.

<u>Case Study 3: A good company facing temporary challenges – Havells India *(Currently held: No | Holding period: ~14 years)*</u>

Background

By end of FY07, Havells was one of India's leading B2C and B2B electrical goods company. It had grown rapidly over the previous 5 years and was a stock market darling.

So, when Havells acquired Sylvania, a global company in the lighting industry for ~Rs 1200 crs enterprise value at start of FY08, not many were worried. This was despite the fact that net debt would go from negligible to >Rs 1000 crs, attributable to debt on Sylvania's balance sheet and that India balance sheet was guaranteeing ~Rs 420 crs of Sylvania's debt.

FY08 progressed well and PAT in India business increased ~40% to ~Rs 144 crs and Sylvania earned a PAT of ~Rs 17 crs. However, the 2008 financial crisis severely impacted Sylvania and it reported a loss of ~Rs 300 crs at PAT level in FY09. India business was healthy and reported a flat PAT of ~Rs 145 crs YoY despite the tough environment in India as well.

The large loss at Sylvania unsettled investors who were already rattled by global financial crisis. The M Cap fell from ~Rs 4400 crs in December 2007 to Rs 700 crs by March 2009.

Our investment thesis on Havells

As these events unfolded, we built the below investment thesis:

- <u>Large industry size:</u> Indian electrical goods industry provided a scalable opportunity.
- <u>Strong domestic franchise:</u> Havells focused on brand building and premiumization to drive differentiation and gain market share while earning a healthy ROCE of >30%.
- <u>Sylvania losses would abate:</u> The demand shock for Sylvania resulting in a large loss was not a permanent issue. Management was restructuring costs to lower breakeven.
- <u>Rational promoters:</u> We believed that the promoters would either divest Sylvania or take it to bankruptcy if their restructuring efforts failed to stem the losses.
- <u>Ringfenced Indian operations:</u> Apart from the Rs 420 crs loan it had guaranteed, India business was ringfenced. And the liability was not more than 3-4 years of India profits.

We started buying at ~Rs 2500 crs M Cap and bought all the way till ~Rs 700 crs M Cap to make it a sizeable position at an avg. M Cap of ~Rs 820 crs. The skew from here was very attractive:

- At ~Rs 820 crs M Cap, we paid ~6x trailing PE for India business, while assigning zero value to Sylvania under the assumption losses would stem or the asset divested.
- Whenever Sylvania issue was resolved, India business would re-rate significantly.
- India business was healthy and could compounded earnings at 13-15% over next decade. In that scenario, M Cap would be ~Rs 9400-12500 crs at 18-20x trailing PE.
- There was little downside from our entry price as India business was ringfenced.

Havells turned Sylvania around by FY10 and divested it in FY16. We exited our position in FY23 at a M Cap of ~75000 crs. By then, India EPS had grown at 15% CAGR was valued at 60x PE.

<u>Case Study 4: Special situation (demerger) driven value creation – Forbes & Co *(Currently held: No | Holding period: <1 year)*.</u>

Background

Forbes & Co Ltd. (FCL) is a part of Shapoorji Pallonji Group. FCL's two main operating businesses were quite valuable given their industry position – water purifiers under Eureka Forbes brand and precision tools under Totem brand.

By November 2024, when we first looked at it, FCL had already divested Eureka Forbes to Advent private equity and it was in the process of demerging and separately listing Totem under Forbes Precision Tools and Machine Parts Limited (FPT).

Post this demerger, FCL would own engineering business (~Rs 30 crores revenues), 50% stake in a JV with MASCA ID engaged in laser marking and traceability solutions, annual rental income to the tune of ~Rs 15 crs. The market value of FCL's non-rent generating real estate assets was ~Rs 550 crs. It also had a residual stake in Eureka Forbes worth ~Rs 100 crs.

Our investment thesis on FCL

We bought FCL in February 2024 after NCLT approved the demerger of the precision tool business based on following thesis:

- The precision tools business was quite valuable:
    - <u>Brand and distribution:</u> Totem was a leading brand in India with strong distribution footprint across the country which was tough to build from scratch.
    - <u>Resilient business:</u> An industrial consumable business with majority sales driven by the replacement market made this business very resilient.
    - <u>Steady growth with potential upside:</u> Growth rates could be in 10-12% range. Recent entry in large overseas customers could drive faster growth.
    - <u>High ROCE:</u> The business strength was reflected in a healthy ROCE of ~25%.

  FY24 revenues and PAT were estimated to Rs 230 crs and Rs 28 crs. The business could get 25x trailing PE and ~Rs 700 crs M Cap.
- The residual businesses (held under FCL) were worth ~Rs 50 crs and the rent generating real estate assets ~Rs 200 crs. Post 20% hold co discount, other real estate assets and stake in Eureka Forbes held by FCL was worth ~Rs 400 crs. The Company would have a net cash balance of ~Rs 50 crs. Overall, FCL was worth ~Rs 700 crs.
- Since Eureka Forbes being divested in 2022, institutional investors were not interested in FCL. With ~98% of FCL shares being pledged by promoters and news around financial stress at promoter level meant not many investors would be interested here.

We bought FCL post regulatory approvals ensuring the value unlocking trigger would play out within next 6 months as shares of FPT got listed[4]. At our entry price, FCL was trading at ~Rs 1100 crs M Cap and offered a good skew:

[4] The demerger was on a mirror shareholding basis so shareholders of FCL would get the same stake in FPT as their stake in FCL.

- If our assessment was correct, post listing of FPT, our combined stake in FCL and FPT would be worth ~Rs 1400 crs (Rs 700 crs each; discussed above). There was a high probability of immediate value unlocking which could lead to 25-30% upside from our entry price within 6 months.
- However, we were more interested in the upside in the longer run. We liked the precision tools business and wanted to continue to own it. In 3 years, if that business could grow at 15%, it could get 30x trailing PE and be worth ~Rs 1300 crs. Hence, over 3 years, combined M Cap of FPT and FCL could be ~Rs 2000 crs.
- We didn't see any downside from our entry price over 3 years. A reasonable judgement was that the promoter was looking to divest precision tools business, which is why they would have demerged the same. The strategic value of this asset was at bare minimum ~Rs 1,000 crores according to us. Everything else was free.

Post listing, the market cap of FPT hit ~Rs 1600 crores as buyers valued it at ~50x trailing PE. We thought this was euphoric and chose to exit our position making 2x on our investment (including sale proceeds from FCL).

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