Twitter Thread by Sahil Sharma



Sahil Sharma
@sahil_vi

A lot of people ask: how do you find companies to invest in? very good question.

How did you find RACL, Pix?

Creating this ad-hoc thread to share my process.

if you like it, please RT to benefit maximum investors. ■

1. https://t.co/2bvvRSBScr
Imagine what you want in a company, codify it in the form of filters, create a screen. Example below:

"Market Capitalization > 50
AND

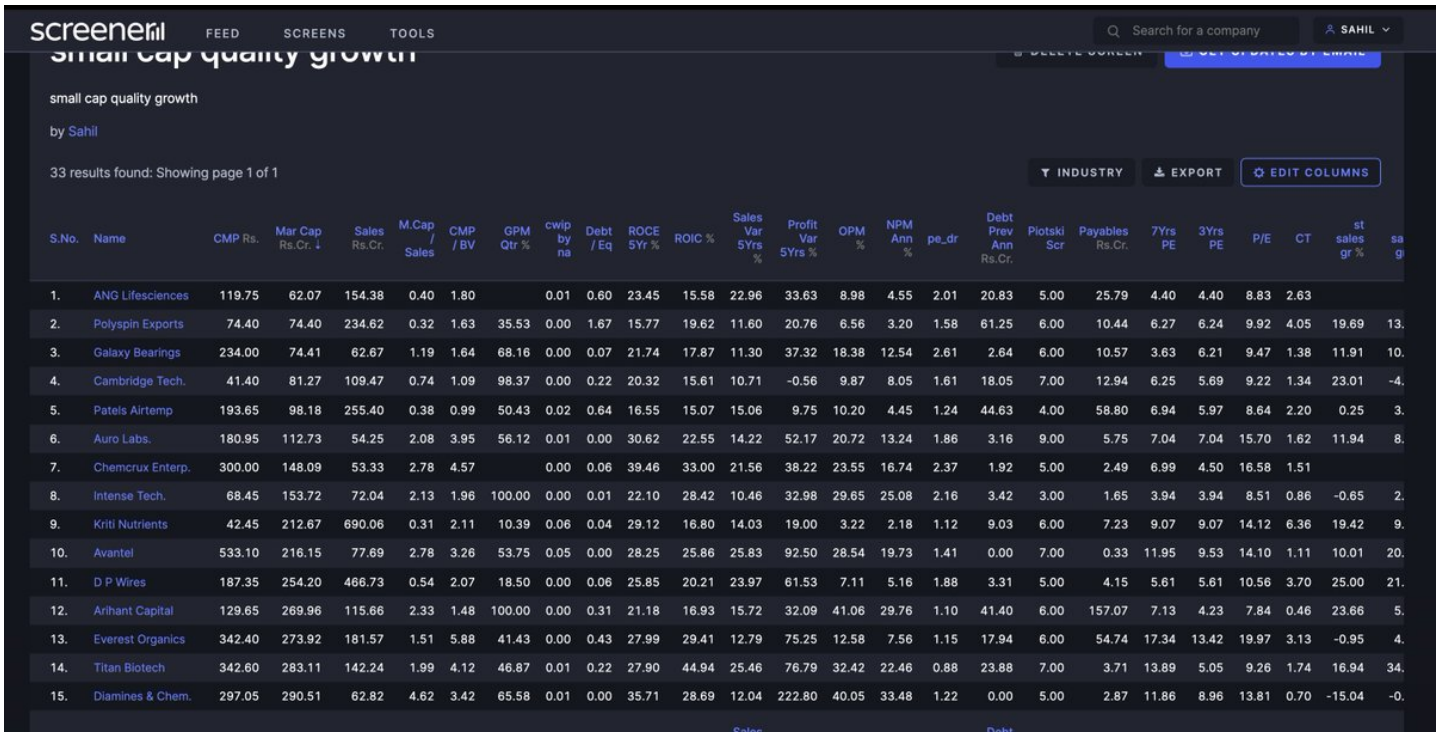
Market Capitalization < 3000
AND

((Average return on capital employed 5Years > 25 AND
Price to Earning < 20) OR
(Average return on capital employed 5Years > 15 AND
Price to Earning < 10))
AND
Sales growth 5Years > 10
AND
...

...
Operating cash flow 5years /5 < Operating cash flow 3years /3
AND
Operating cash flow 7years /7 < Operating cash flow 3years /3"

In this screener, i am looking for
smallcaps with a min mcap,
which have a bare minimum average ROCE & valuation accordance to the unit economics
which are also growing topline
and where operating cash flows are also increasing, on an average basis

List looks something like this as of today:



S.No.	Name	CMP Rs.	Mar Cap Rs.Cr.	Sales Rs.Cr.	M.Cap / Sales	CMP / BV	GPM Qtr %	cwip by na	Debt / Eq	ROCE 5Yr %	ROIC %	Sales Var 5Yrs %	Profit Var 5Yrs %	OPM %	NPM Ann %	pe_dr	Debt Prev Ann Rs.Cr.	Piotski Scr	Payables Rs.Cr.	7Yrs PE	3Yrs PE	P/E	CT	st sales gr %	sa g
1.	ANG Lifesciences	119.75	62.07	154.38	0.40	1.80		0.01	0.60	23.45	15.58	22.96	33.63	8.98	4.55	2.01	20.83	5.00	25.79	4.40	4.40	8.83	2.63		
2.	Polyspin Exports	74.40	74.40	234.62	0.32	1.63	35.53	0.00	1.67	15.77	19.62	11.60	20.76	6.56	3.20	1.58	61.25	6.00	10.44	6.27	6.24	9.92	4.05	19.69	13.
3.	Galaxy Bearings	234.00	74.41	62.67	1.19	1.64	68.16	0.00	0.07	21.74	17.87	11.30	37.32	18.38	12.54	2.61	2.64	6.00	10.57	3.63	6.21	9.47	1.38	11.91	10.
4.	Cambridge Tech.	41.40	81.27	109.47	0.74	1.09	98.37	0.00	0.22	20.32	15.61	10.71	-0.56	9.87	8.05	1.61	18.05	7.00	12.94	6.25	5.69	9.22	1.34	23.01	-4.
5.	Patels Airtemp	193.65	98.18	255.40	0.38	0.99	50.43	0.02	0.64	16.55	15.07	15.06	9.75	10.20	4.45	1.24	44.63	4.00	58.80	6.94	5.97	8.64	2.20	0.25	3.
6.	Auro Labs.	180.95	112.73	54.25	2.08	3.95	56.12	0.01	0.00	30.62	22.55	14.22	52.17	20.72	13.24	1.86	3.16	9.00	5.75	7.04	7.04	15.70	1.62	11.94	8.
7.	Chemcrux Enterp.	300.00	148.09	53.33	2.78	4.57		0.00	0.06	39.46	33.00	21.56	38.22	23.55	16.74	2.37	1.92	5.00	2.49	6.99	4.50	16.58	1.51		
8.	Intense Tech.	68.45	153.72	72.04	2.13	1.96	100.00	0.00	0.01	22.10	28.42	10.46	32.98	29.65	25.08	2.16	3.42	3.00	1.65	3.94	3.94	8.51	0.86	-0.65	2.
9.	Kriti Nutrients	42.45	212.67	690.06	0.31	2.11	10.39	0.06	0.04	29.12	16.80	14.03	19.00	3.22	2.18	1.12	9.03	6.00	7.23	9.07	9.07	14.12	6.36	19.42	9.
10.	Avantel	533.10	216.15	77.69	2.78	3.26	53.75	0.05	0.00	28.25	25.86	25.83	92.50	28.54	19.73	1.41	0.00	7.00	0.33	11.95	9.53	14.10	1.11	10.01	20.
11.	D P Wires	187.35	254.20	466.73	0.54	2.07	18.50	0.00	0.06	25.85	20.21	23.97	61.53	7.11	5.16	1.88	3.31	5.00	4.15	5.61	5.61	10.56	3.70	25.00	21.
12.	Arihant Capital	129.65	269.96	115.66	2.33	1.48	100.00	0.00	0.31	21.18	16.93	15.72	32.09	41.06	29.76	1.10	41.40	6.00	157.07	7.13	4.23	7.84	0.46	23.66	5.
13.	Everest Organics	342.40	273.92	181.57	1.51	5.88	41.43	0.00	0.43	27.99	29.41	12.79	75.25	12.58	7.56	1.15	17.94	6.00	54.74	17.34	13.42	19.97	3.13	-0.95	4.
14.	Titan Biotech	342.60	283.11	142.24	1.99	4.12	46.87	0.01	0.22	27.90	44.94	25.46	76.79	32.42	22.46	0.88	23.88	7.00	3.71	13.89	5.05	9.26	1.74	16.94	34.
15.	Diamines & Chem.	297.05	290.51	62.82	4.62	3.42	65.58	0.01	0.00	35.71	28.69	12.04	222.80	40.05	33.48	1.22	0.00	5.00	2.87	11.86	8.96	13.81	0.70	-15.04	-0.

This is of course not the end of the research, only the beginning. But now, an idea has been generated. We will come to the research part later on.

Note that in this screener i was looking for consistent growing, profitable undervalued smallcaps.

One first needs to have a thought about what one is looking for, then one can codify it in screener. Another type of cos i look for are turn-arounds.

(short term roce growth > 4 OR medium term roce growth > 4)
AND
(short term sales growth > 7 OR medium term sales growth > 7)
AND
(short term opm growth > 10 OR medium term opm growth > 10)
AND
Market Capitalization < 2000
AND
medium term ocf profit ratio > 0.3
AND
ROIC > 12

That's one 'quant' way to generate ideas.
2. looking through PF of & tracking super-investors.

For funds/people with sizable PF sizes like @LuckyInvest_AK sir & @SunilBSinghania sir
I track trendlyne portfolios to generate ideas.

@LuckyInvest_AK @SunilBSinghania 3. Some amazing upcoming super investors are not yet visible in AUM size but active on (https://t.co/3jeqlXO0QH). Since VP is completely open, one can easily track what cos anyone (including me) are writing about & considering. This creates another place to generate ideas

@LuckyInvest_AK @SunilBSinghania Once ideas have been generated, its the standard hard work of:
1. Study https://t.co/3jeqlXO0QH thread for the company
2. Study company's conference calls, investor presentations
3. Study industry structure through industry reports, webinars on YT
4. Study company's annual report

@LuckyInvest_AK @SunilBSinghania 5. Do channel checks/scuttlebutt by talking to people about the company's products
6. Estimate future growth rates for industry and company's competitive positioning
7. Assign a fair value range for the company

@LuckyInvest_AK @SunilBSinghania 8. Buy if:
(i) there is significant discount to fair value
& (ii) significant sales & profit growth visibility & triggers
& (iii) Sources of durable competitive advantages which act as the 'moat' around the profit growth and market shares.

@LuckyInvest_AK @SunilBSinghania if you find this thread useful, RT so that maximum investors can benefit.

