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The 250-Bagger Story



One meeting which really convinced me about the power of long-term investing, how difficult it is, and the benefits that lie on the other side of the trade!

In 2005, working as a research analyst, I had an opportunity to meet the promoters of a south Indian sugar company. It was one of the most efficient sugar companies in the country with an excellent track record and return ratios.

Here is an interesting story which the promoter told me, which left me gaping with my mouth wide open.

He told me that his largest investor owned ~5% of the company and me being the smart analyst, I quickly figured out that stake was worth ~₹ 500 mn.

The investor had acquired the stake in the company through IPO in 1985 at ₹ 10 (those were the days when IPOs came at par!)

The promoter also very candidly told me that the gentleman investor met him regularly only once a year and that he hardly ever discussed the business with him. (No quarterly concalls/updates)

What's happened since then is even more inspiring

After the sugar bull market peaked in 2006, the stock barely gave any returns for the next 14 years and was in March 2020 down 66% from its all-time peak. That's probably a ~90% decline adjusted for the time value of money.



What did our investor do? Well, he probably continued meeting the management once a year and sat tight on his investment. The stock has since quadrupled from the bottom and Mr. Truly Long-term is now sitting on a >250-bagger (it's now only 4x away from being a 1000-bagger and we know what he is going to do after it becomes 1000x, sit tight!).

Who is the long-term investor?

The long-term investor is none other than Nemish Shah of Enam group and the company is Bannari Amman Sugar. He truly is our version of Warren Buffett and he has outperformed the BSE Sensex and NIFTY over the years.

This isn't the only company where they have long-term investments. They have similar 100-bagger holdings in a lot of other blue chips.

Lessons in there

and a large portion of the returns come in a very short time.

You can't make a 100-bagger if you aren't prepared to hold it till it becomes one (which will involve multiple 30%+ drawdowns).

To make 100-baggers you have to be prepared to go through years of underperformance on a particular stock, but a diversified portfolio will ensure that overall you will do well!

Multibagger stocks aren't the hottest stocks in the hottest sector. They are usually well-run companies in dull and boring industries.

Time in the markets > timing the markets.

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