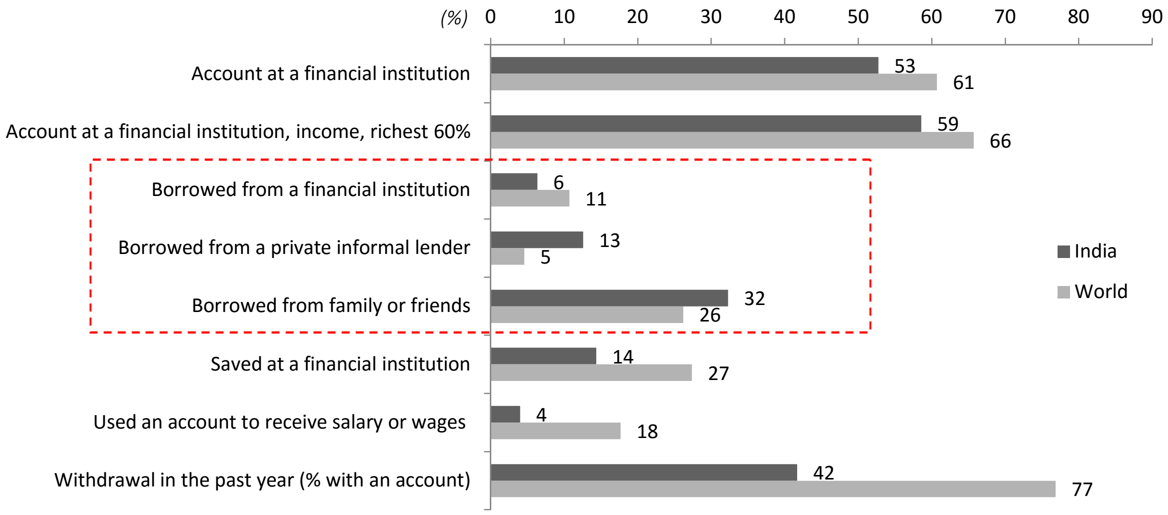
In 2008, a political action thriller called Vantage Point was released. The movie recounts an experience from multiple perspectives; one particular scene, depicting an assassination attempt, is re-run multiple times, each time from the viewpoint of a different observer, to reveal a truthful account of what happened. While the movie received mixed reviews from critics, it nevertheless provided an important lesson for us investors – that of using multiple perspectives in analyzing a situation. Often, we are so focused on a singular aspect of a story, that we miss many important observations, leading to sub-optimal decisions. Overcoming this bias is a painful process, but indeed a very rewarding one. Let us explain.

As per RBI's latest press release, there are about 90 scheduled commercial banks in India which cover around 53% of India's population. This may seem like a large number, and one may think that banking is an overcrowded sector, with not very bright growth prospects. However, consider the following chart:

Banking Penetration: India vs. World

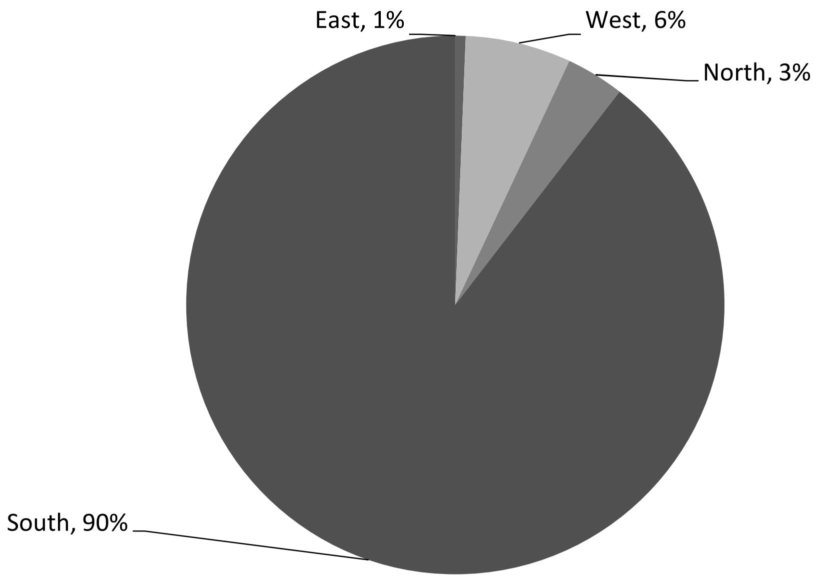


Source: Global Findex (Global Financial Inclusion Database), Tamohara
Note: Above data is for individuals aged 15years+ as at December 2014. Data is for activity in the last 12 months.

Any misconceptions about India being over-banked will be corrected after seeing the above chart. Banking in India surely has a long way to go, as India remains below averages on most parameters. Needless to say, averages are influenced by figures that are very high and very low. Thus, if India is to be compared to nations that are above average on most parameters, the road for the banking sector is a really long one. Further, India accounted for nearly half of the dormant bank accounts in the world - 195 million out of the total of 460 million, as per the Global Findex data. Thus, the actual percentages of active bank accounts are lower than what the figures above indicate. On an absolute basis also, a large part of the population still uses informal channels of borrowing like private lenders and family or friends as compared to banks. Thus, even if these are migrated into the formal lending channels, credit growth will remain high. Tellingly, then, India's banking sector has strong growth prospects both on a relative basis (compared to global peers) and on an absolute basis.

The same applies at a micro level. Consider, for instance, a bank that is more than 100 years old, and which for the last at least 18-20 years has been growing at a CAGR of around 22% (29% CAGR from 2003 - 2013). Prima Facie, it would seem to be a large bank with a network that must have been spread across the country. Intuitively, expected growth rate would be lower than that achieved historically, given its size and market share. However, despite its pedigree, this is a relatively small bank, with a network predominantly spread only in the Southern part of India. With a good management, and a supportive macroeconomic environment, this bank could very well continue to grow as its historical pace (this is an assumption and not a forecast!).

Region-wise Share of Branches



Source: Company, Tamohara

A similar case could be made for the housing finance sector, where, despite presence of specialized players and increasing competition from banks, the untapped potential is very large compared to what has been tapped so far.

In each of the above case, rather than deep diving in to micro-details, a holistic/global perspective is a better suited analytical tool. Sometimes, it's much better to take a step back and look at the situation from a distance, rather than be at the centre of the action. Like the old saying goes, 'You cannot miss the forest for the trees'. This is not to say that details are not important; after all, even the best of the sectors will have winners and losers, and only when you delve in to detail, can you separate one from the other. Details, in fact, can sometimes take precedence over the big picture.

Consider the footwear market. For the sake of simplicity, let's break the market in to four segments based on pricing: Low, Low-Medium, Medium-High, High. Tellingly, the latter two segments are where most branded players are. Most large companies sell products that fit into these price segments and the competition is intense. At the low and low-medium segments too, competition is intense, however there is very little branding. In fact, most players compete locally and very few are present on a national level; around 60% of the market is unorganized. However, a few companies saw value in this segment, and started branding and building a national footprint. Given the large size of the market (bottom/middle of the pyramid), slowly these companies developed economies of scale. The companies invested in building brands, and as they grew bigger, these spends also rose. Over time, their scale and brands become their biggest 'moat' or defense against competition. Finding such companies is akin to walking through a forest of large tress and coming across a small plant with beautiful flowers – you could never see it from the outside.

No one method is better than the other. Different situations call for different measures; if all you have is a hammer, everything will look like nail. As investors, it is very important that we have multiple approaches – mental tools – to tackle multiple problems. A number of successful investors have proposed such approach, albeit in different forms – from *multi-disciplinary mental models* to *second level thinking*, to *dialogical thinking*, to *dialectical thinking*. Whatever, the name, the essence is to have different vantage points.

Until next month,

Team Tamohara

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