

# Wiz Of Dalal Street

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**F E C C L U B , I I T G**

**CAPSTONE PROJECT**

**-Samiksha Mitra**

# INTRODUCTION

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## Effective Portfolio Diversification: A Fundamental Analysis Approach

### Sector Selection

- FMCG
- Banking
- Healthcare
- Infrastructure
- Energy
- IT



### Financial Metrics

- Price to Earnings (P/E) Ratio
- Earnings Per Share (EPS)
- Debt to Equity (D/E) Ratio
- Return on Equity (ROE)
- Revenue Growth
- Net Profit Margin

“Creating a diversified investment portfolio requires selecting stocks based on fundamental analysis, examining key financial metrics, and analyzing past performance through data and graphs.”

# SECTOR ALLOCATION

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## FMCG Sector (22%)

- Expected CAGR of 9-10% from 2023-2028, reaching a \$200 billion market size.
- Rising incomes, changing consumer preferences, organized retail penetration.
- Stable margins and dividends, ideal for long-term investment.

## Energy Sector (21%)

- Transition towards renewable energy (solar, wind) to meet energy demands sustainably.
- Focus on technology advancements (energy storage, smart grids).
- Key in energy security and climate goals, growth in renewables.

## Infrastructure Sector (12%)

- Expected CAGR of 8-10% from 2023-2028, supported by government initiatives and urban infrastructure demand.
- Public-private investments and ease of business improvements.
- Essential for economic growth, and potential for long-term returns.

## Healthcare Sector(22%)

- Expected CAGR of 15-17% from 2023-2028, driven by preventive healthcare and chronic disease management.
- Investments in infrastructure and digital technologies.
- Addresses critical healthcare needs, and strong growth prospects.

## Banking Sector (12%)

- Expected CAGR of 6-7% from 2023-2028, driven by digital banking and retail lending.
- Focus on asset quality, capital strength, and revenue diversification.
- Crucial for the economy, suitable for portfolio stability.

## IT Sector (11%)

- Expected CAGR of 12-14% from 2023-2028, driven by digital adoption and cloud computing.
- Major exporter, pivotal in economic growth.
- Strong growth potential, integral to diversified portfolios.

# PORTFOLIO ALLOCATION

Stock	Sector	Allocation (Rs.)	Allocation (%)
Hindustan Foods	FMCG	1,20,000	12%
Equitas Small Finance Bank Ltd	Banking	1,20,000	12%
Sun Pharma	Healthcare	1,20,000	12%
REC Limited	Infrastructure	1,20,000	12%
NTPC	Energy	1,10,000	11%
Infosys	IT	1,10,000	11%
KRBL	FMCG	1,00,000	10%
Cipla	Healthcare	1,00,000	10%
TATA Power	Energy	1,00,000	10%

Hindustan Foods

The company's net sales increased by **10.8%** year-over-year to Rs **730.96 crore** in March 2024, with a net profit of **Rs 78.28 crore** and a 12% allocation, indicating growth potential and confidence in the FMCG sector.



KRBL

KRBL Ltd. showed strong financial performance in 2021, with a revenue growth of 27.38% and a net profit of Rs 595.86 crore. Experts recommend allocating 10% to this stock in the FMCG sector due to its PE ratio of 10.83, ROE of 12.26%, and overall financial health and stability.



COMPANY	PRICE Rs.	MCAP Cr.	P/B	P/E	EPS Rs.	ROE %	ROCE %	P/S	EV/EBITDA
KRBL	307.70	7,042.94	1.45	11.83	26.01	16.02	21.15	1.31	8.34
Hindustan Foods	595.50	6,822.84	10.86	87.16	6.83	18.97	19.11	2.86	42.04

KRBL, with an interest coverage ratio of 64.88%, a current ratio of 6.35, a PEG ratio of 0.23, and 60.17% promoter holding, shows revenue growth of 27.38% and profit growth of 52.31%. While Hindustan Foods is efficient in asset employment and maintains a healthy current ratio, KRBL's financial metrics and fundamentals indicate stronger performance in the food industry.

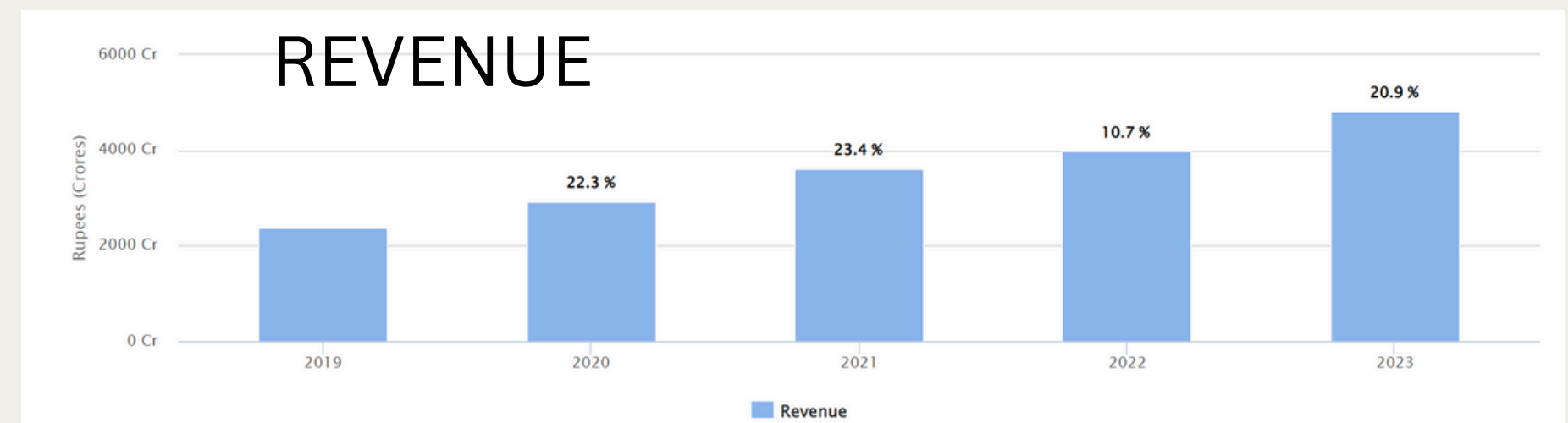
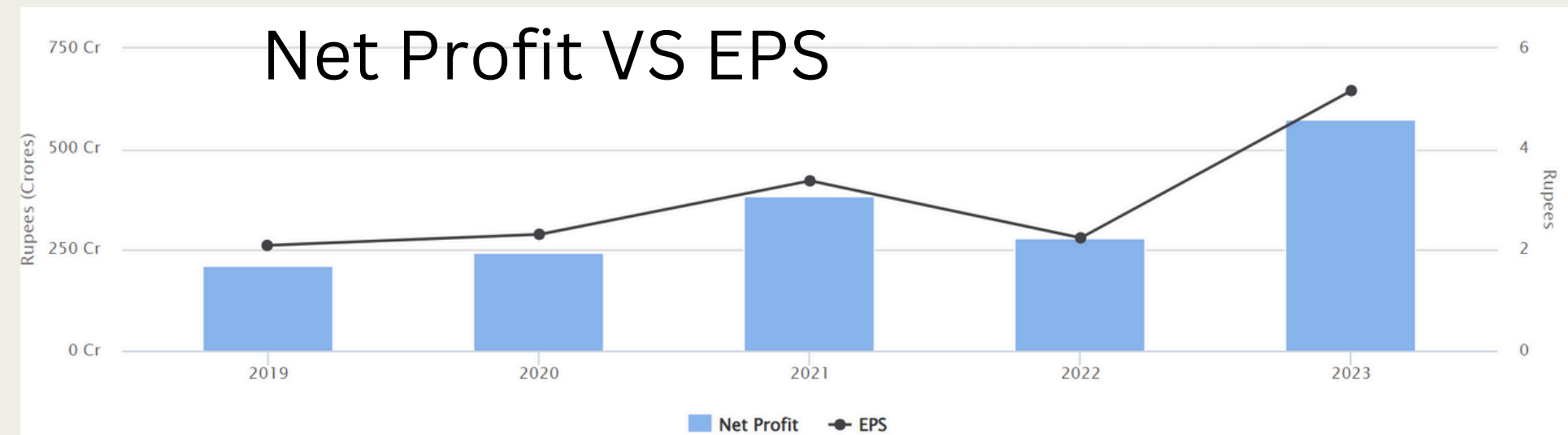
# BANKING STOCK

## Equitas Small Finance Bank Ltd.

Equitas Small Finance Bank demonstrates strong growth with a 27.7% annual earnings growth rate. Forecasts predict around 18.9% earnings and 18.2% revenue growth annually. This justifies a 12% allocation in the banking sector, leveraging the bank's positive trajectory and strong financial sector position.



"Bade Changes Mein Aasani"



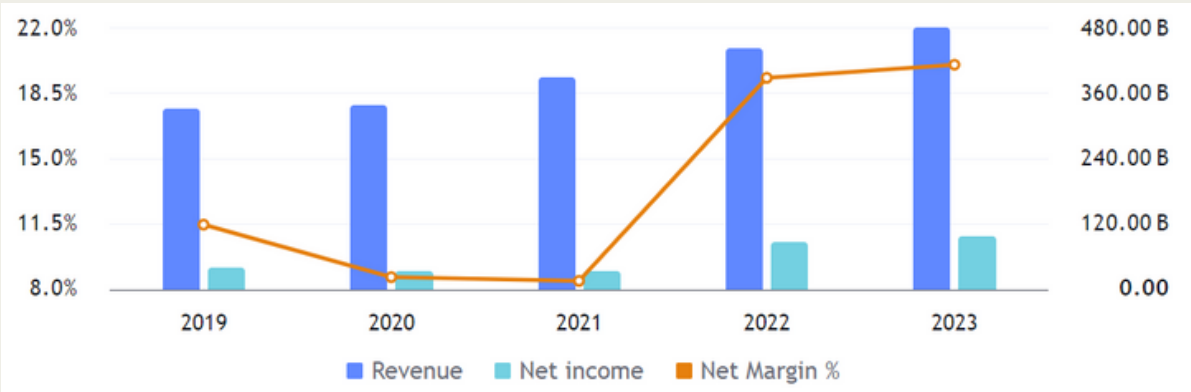
Equitas Small Finance Bank, headquartered in Chennai, India, was founded in 2007 as a non-banking financial company (NBFC) and received a small finance bank license from the RBI in 2016.



# HEALTHCARE STOCKS

## Sun Pharma

Sun Pharmaceuticals has shown substantial stock growth with a 1-year return of 45.63% and a 5-year growth of 279.48%. The company's return on equity for FY 2024 was 15.04%, significantly higher than its historical average. This supports a 12% allocation to Sun Pharma due to its consistent profitability and strong market position in the healthcare sector.

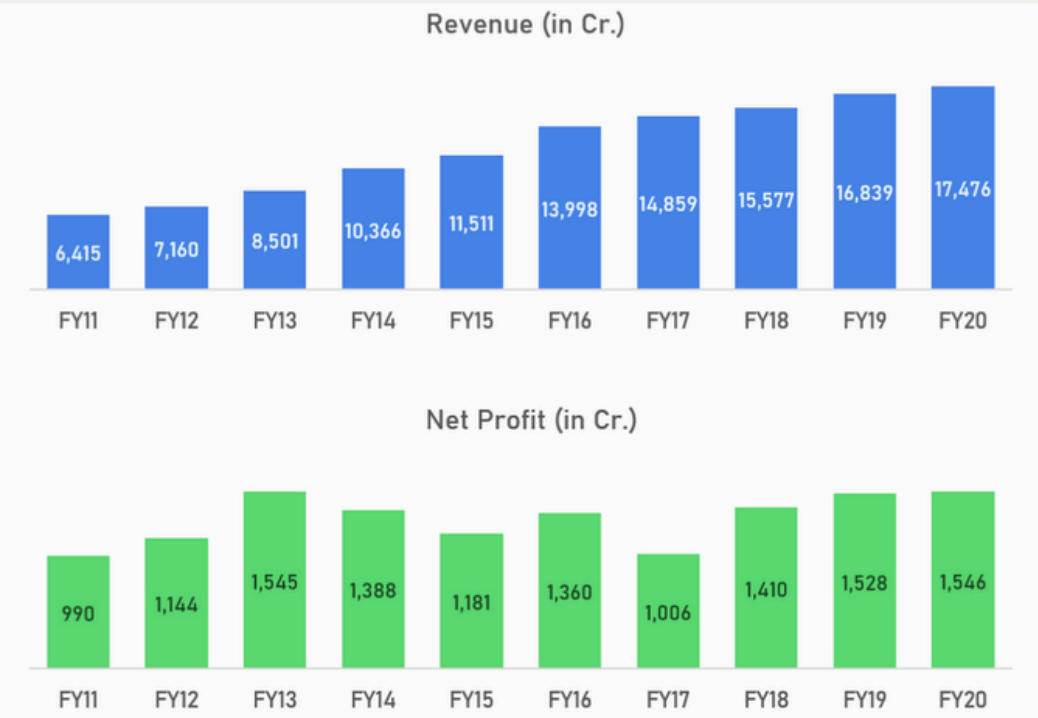


The Union Budget 2024 enhances the financial scope for the healthcare sector, making Sun Pharma and Cipla attractive investments. Increased funding for healthcare infrastructure, tax incentives for pharmaceutical manufacturing, and expanded financing for R&D initiatives boost the potential for growth and profitability. These financial measures support production, innovation, and market expansion, benefiting major players like Sun Pharma and Cipla.



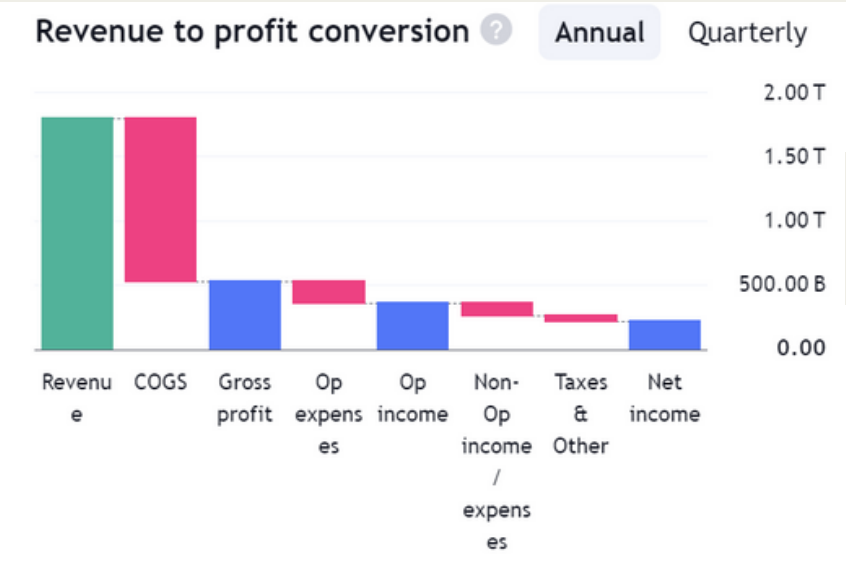
## Cipla

Cipla's financial metrics show strong growth, with total income rising from Rs 12,659.15 crore in FY2020 to Rs 16,574.34 crore in FY2024. Net profit increased to Rs 4,077.25 crore, indicating a 10% allocation and potential for sustained performance in the healthcare sector.



NTPC

NTPC has shown significant growth of 97.20% in the last year and 221.59% over three years, supporting its 11% allocation in the stable and expanding energy sector important for India's power requirements.



The Union Budget 2024's initiatives, including the PLI Scheme for solar and wind manufacturing and the expanded Rooftop Solar Scheme, aim to boost domestic production and increase renewable energy financing. These measures are set to create jobs, cut energy imports, and support a clean energy transition, making energy stocks a promising investment.

Tata Power

TATA Power has demonstrated strong performance with a 3-year stock return of 238.85%. A 10% portfolio allocation is advised due to sustainable energy progress and growth, showing confidence in future success amidst evolving energy needs.





# Infosys

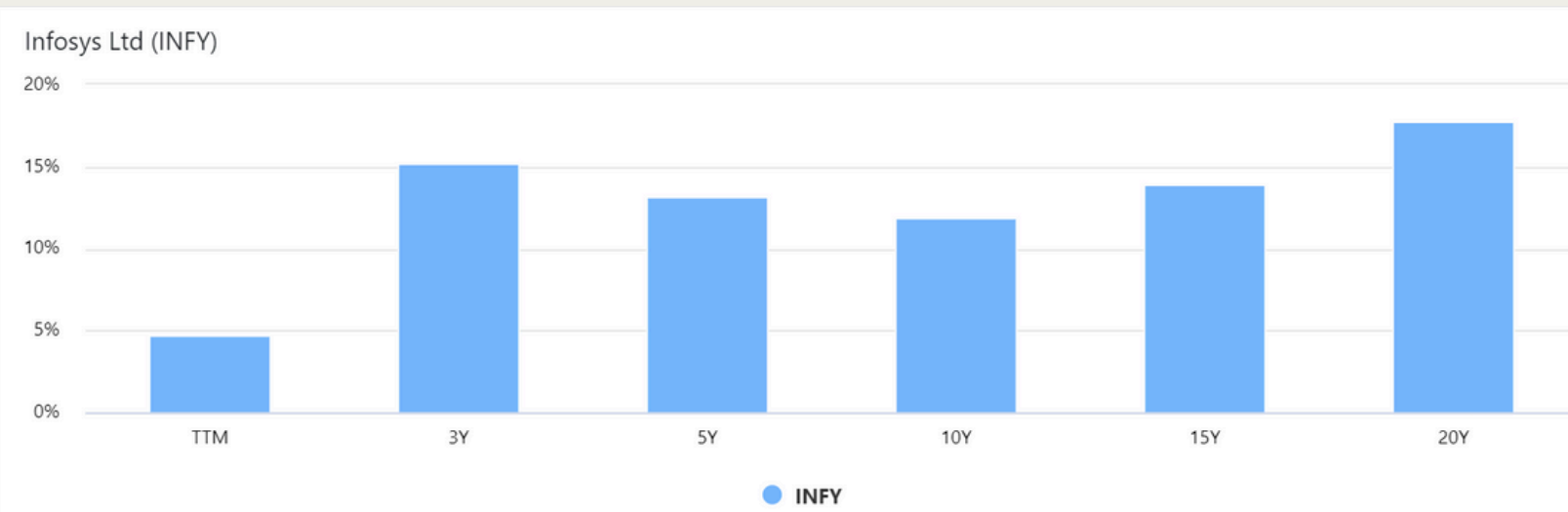
Infosys has demonstrated strong growth in the IT sector with a 1-year increase of 35.96% and a 5-year change of 131.08%. In FY 2024, total equity growth was 19.83%, supporting an 11% allocation due to solid fundamentals and growth potential in technology.

## Compounded Profit Growth

10 Years:	9%
5 Years:	11%
3 Years:	10%
TTM:	8%

## Stock Price CAGR

10 Years:	16%
5 Years:	18%
3 Years:	4%
1 Year:	35%



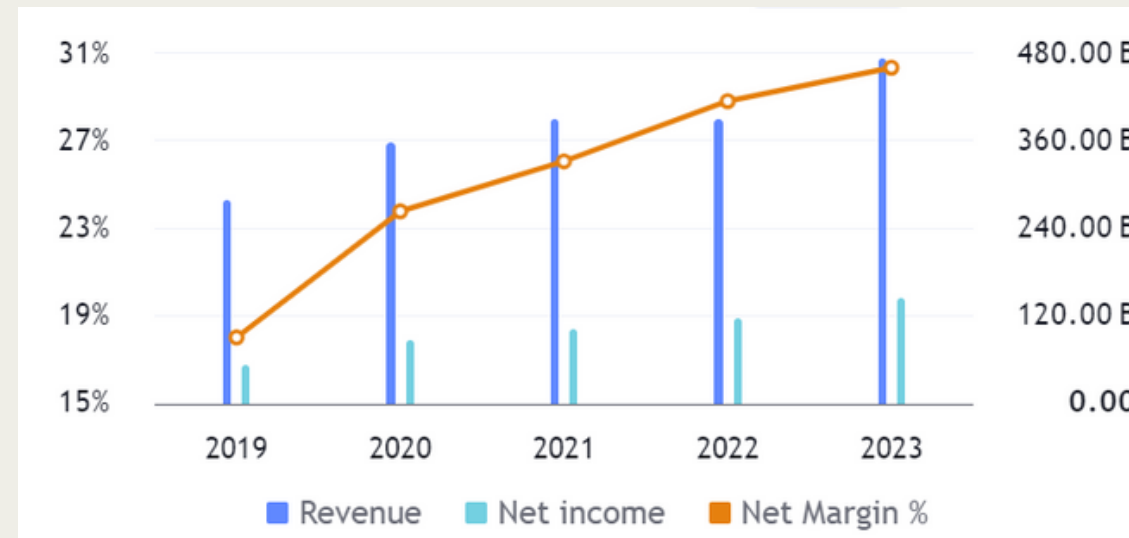
“Company has a good return on equity (ROE) track record: 3 Years ROE 30.9%”

“Company has been maintaining a healthy dividend payout of 63.3%”

## REC Limited

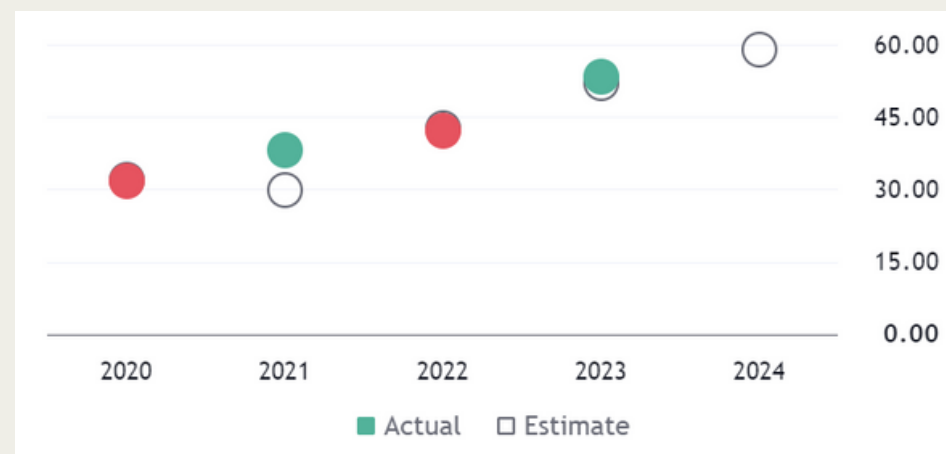
REC Limited has shown impressive stock performance with a 1-year change of 245.77% and a 5-year increase of 468.7%.

A 12% portfolio allocation indicates confidence in the company's ability to generate high returns, particularly in the expanding infrastructure sector.



## Investor Outlook

- REC Limited has a strong financial position indicated by its "AAA" national ratings and "BBB-" international ratings, which implies stability and lower credit risk as an investment option.
- The company's diverse business operations, ranging from financing power projects to supporting infrastructure development, offer potential stability against sector-specific risks and opportunities for growth.
- Recent achievements, such as availing a green loan facility and various collaborations and initiatives, demonstrate the company's forward momentum and potential for continued growth.



# BALANCING PORTFOLIO

## *Risk-Return Balance*

Include a mix of stocks with varying risk levels (e.g., aggressive growth and conservative options) to manage overall risk while aiming for growth.



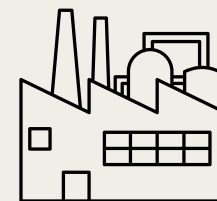
## *Sector Diversification*

Spread investments across different sectors to reduce sector-specific risks and potential losses in one area.



## *Market Cap Variation*

Balance investments across large-cap, mid-cap, and small-cap stocks to blend stability with growth potential.



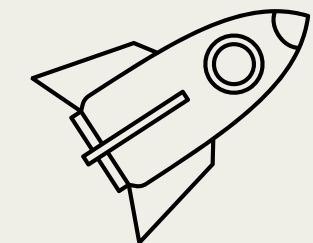
## *Dividend vs. Growth Stocks*

Incorporate both dividend-paying stocks (for income) and growth stocks (for potential capital appreciation) to meet varied investment goals.



## *Correlation Assessment*

Select stocks with diverse correlation patterns to lower overall portfolio risk and enhance returns through complementary movements.



“Ensure to periodically review and modify your portfolio to match changing market conditions and maintain your desired risk-return profile.”

# Thank you!

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## **References:**

Ticker Finology  
Moneycontrol  
Screener