

Wealth Insight

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LONG-TERM
WEALTH BUILDERS

How they fell

and bounced back



Words Worth Wisdom p. 10

Takeaways from Berkshire Hathaway's annual meeting

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June 2018

Volume XI, Number 12

37

COVER STORY

EDITORIAL POLICY

The goal of *Wealth Insight*, as with all publications from Value Research, is not just limited to generating profitable ideas for its readers; but to also help them in generating a few of their own. We aim to bring independent, unbiased and meticulously-researched stories that will help you in taking better-informed investment decisions, encouraging you to indulge in a bit of research on your own as well.

All our stories are backed by quantitative data. To this, we add rigorous qualitative research obtained by speaking to a wide variety of stakeholders. We firmly stick to our belief of fundamental research and value-oriented approach as the best way to earn wealth in the stock market. Equally important to us is our unwavering focus on long term planning.

Simplicity is the hallmark of our style. Our writing style is simple and so is the presentation of ideas, but that should not be construed to mean that we over-simplify.

Read, learn and earn – and let's grow and evolve as we undertake this voyage together.

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DAILY Good Habits



Reading the newspaper.



Exercising.



Drinking eight glasses of water.

Cultivate another.

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Rising and falling

If you own a good-quality stock, don't sell it just because it has fallen.
On the contrary, think of accumulating it.



● DHIRENDRA KUMAR

On May 17th, some of the stocks of the Anil Ambani group went up by some absurd amount. RCom was up over 40 per cent, Reliance Naval 25 per cent and so on. And why did this happen? News reports tell us that the reason was that Ericsson, a telecom-equipment supplier, had eased up on its move to get bankruptcy proceedings started against Reliance Communications. According to reports, Reliance Communications owes ₹1,100-odd crore to Ericsson, which it is unwilling or unable to pay.

To my mind, the stock market's reaction to this news sums up much that is wrong with equity investing in India. Look at what the actual event is. This group is universally known to be in deep financial straits. It's attempting to walk on thin air, carrying a crippling debt and supported by little more than a name. Since the split from the parent group, it has seen a steep downward spiral in almost every business it runs.

Any adjustment with Ericsson amounts to little more than rearranging the chairs on the deck of the Titanic. So who are these investors who think that RCom got 40 per cent more valuable in a few hours, merely because a formal declaration of bankruptcy has been postponed? Does the inherent value of a stock change that fast, and that too in response to a single event? The kind of punters who dominate the Indian equity markets certainly seem to think so.

However, I would not actually care – and no sensible investor should – if this bizarre behaviour was limited to such cases where there is some random positive news and a stock gets severely overvalued for a short period. Some people will make some money and some will lose some money, it's fine. There's a lot of randomness in the markets – there will always be. The problem with knee-jerk behaviour is more on the

opposite side – investors running away from perfectly good stocks merely because the stock has fallen sharply. This is something that has been bothering us at Value Research as we look at many high-quality stocks closely for our new Stock Advisor service. When a quality stock falls, then the basic tenet of investing has to be that one should stay put and not sell out and run. In fact, the principles of value investing, or any type of fundamentally driven investing, would say that this is the time to accumulate.

The cover story of this issue is a detailed study based exactly on this idea. We have selected a set of stocks that have earned investors huge returns over a long period, and then looked at their history. What we find is that in every case, there are times when there were huge drops in the stock price. Investors would have seen the value of their holding in the stock erode by big margins, of half or more. And yet, by concluding that it was time to move out of the stock, they have done even more damage to their own investments.

Of course, like all ideas in investing (and in fact, in any field of study), this idea should not be tried in reverse. Because many stocks that give great gains have big falls in their past, let's not conclude that all stocks that have big drops now will give us great gains in the future. Such simple heuristics do not work. The bottom line is always business and management quality.

The focus of our study is not that stocks that fall big eventually rise big, or even that stocks that have risen big have fallen big in the past. It's not about stock selection at all. Instead, like so many things in investing, it's about managing one's psychology. If you have chosen some stocks and you are confident, then do not let some hiccups bother you.

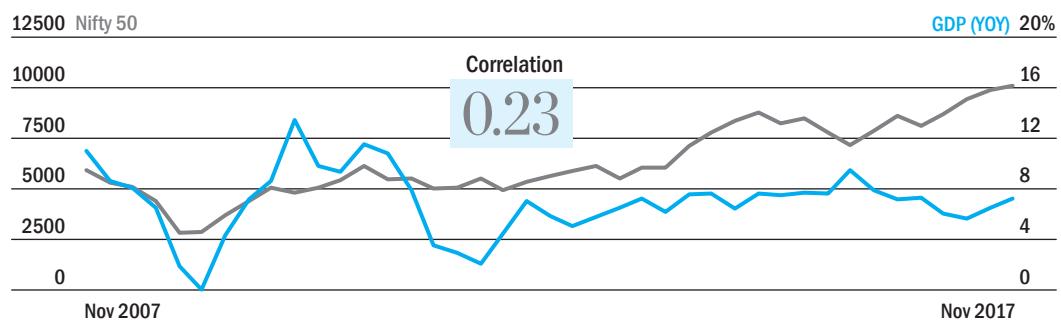


Macros vs market

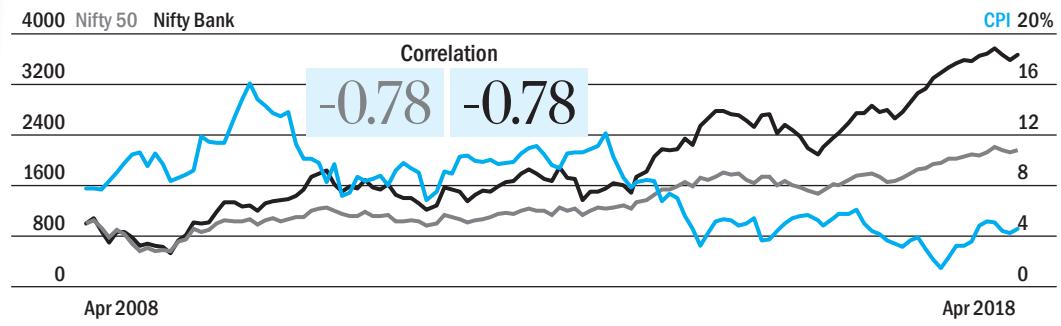
The recent depreciation in the Indian rupee is one of the contributing factors in the ongoing market fall.

Time to time, the market reacts to various macroeconomic indicators, or macros. Here are some macros, along with their long-term charts, and how the market has reacted to them.

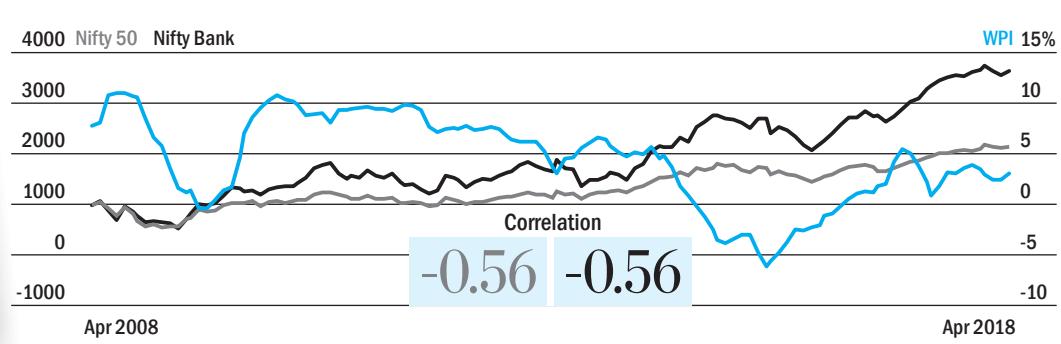
Gross domestic product (GDP)



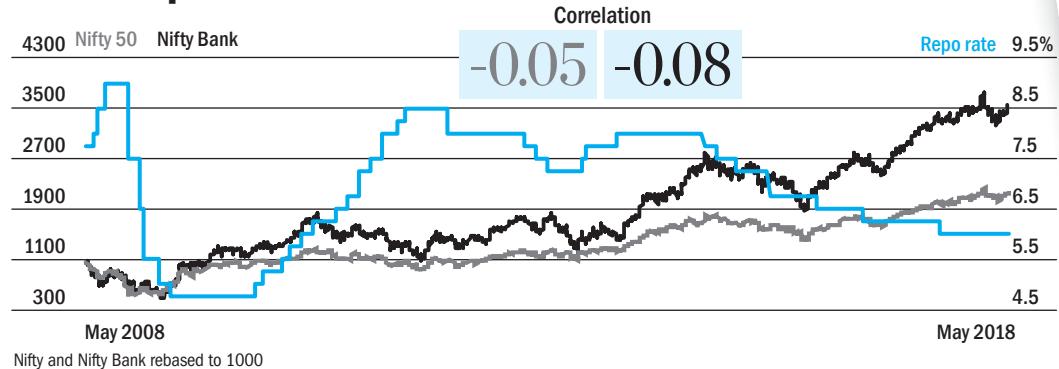
Consumer-price index (CPI)



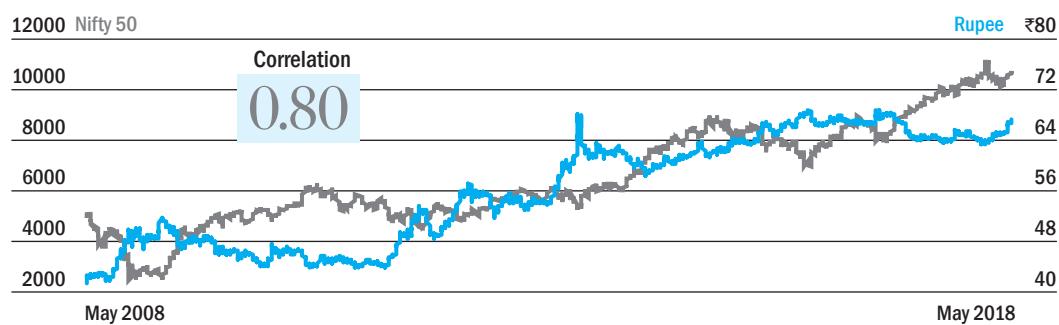
Wholesale price index (WPI)



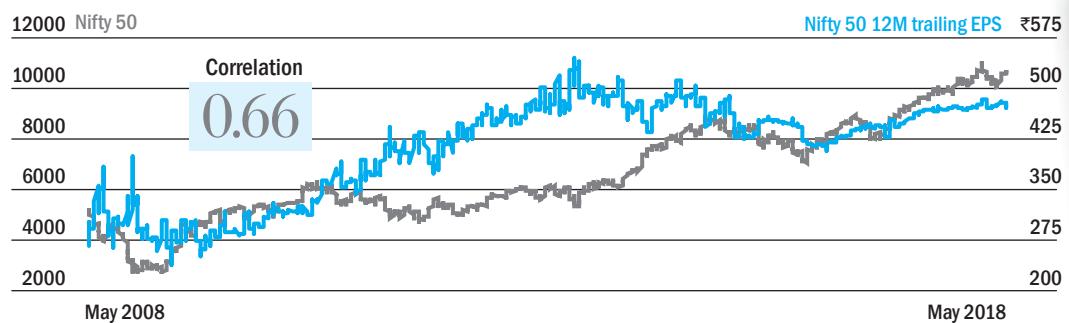
RBI's repo rate



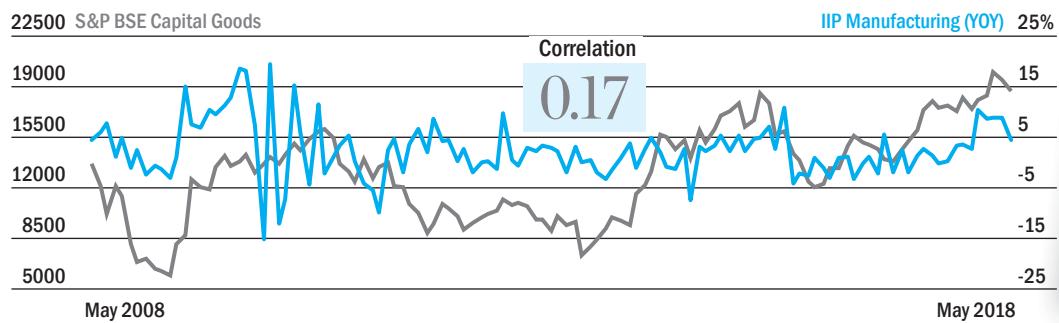
Rupee



Corporate earnings



Index of industrial production (IIP)



Takeaways from Berkshire Hathaway's AGM

Here are the most notable things that Warren Buffett and Charlie Munger said at the Berkshire Hathaway's annual general meeting of 2018

Future of the world is promising

I'm bullish on the future of the United States, but I'm bullish on the future of China, and to a significant extent the rest of the world. People are going to be living better 10, 20, 50 years from now, and I don't think that's something that can be stopped, absent weapons of mass destruction [Buffett].

Don't worry about trade wars

I don't think the United States or China – they'll be some jockeying back and forth and will leave some people unhappy – but I don't think either country will dig themselves into something that precipitates and continues any kind of real trade war in this country. [Buffett]

Stay away from long-term bonds

The one thing we know is we think long-term bonds are a terrible investment at current rates or anything close to current rates. So basically all of our money that is waiting to be placed is in Treasury bills that I think have an average maturity of four months, or something like that, at most. [Buffett]

Beware of cryptocurrencies

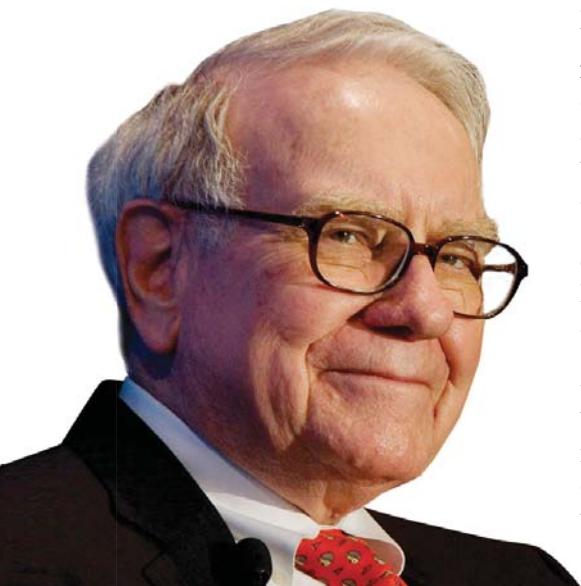
When you buy something because you're hoping tomorrow morning you're going to wake up and the price will be higher, you need more people coming into it than are leaving. And you can get that and it will feed on itself for a while, and sometimes for a long while, and sometimes to extraordinary numbers, but they come to bad endings, and cryptocurrencies will come to bad endings. And along with the fact that there's nothing being produced in the way of value from the asset, you also have the problem that it draws in a lot of charlatans and that sort of thing, who are trying to create various sorts of exchanges or whatever it may be. It's something where people who are of less-than-stellar character see an opportunity to clip people who were trying to get rich because their neighbour's getting rich buying this stuff neither one of them understands. It will come to a bad ending. [Buffett]

Why Buffett invested in Apple

We're betting on the success of Apple products like the iPhone, and I see characteristics in that that make me think it's extraordinary....And I didn't go into Apple because it was a tech stock in the least. I went into Apple because I came to certain conclusions about both the intelligence with the capital they deploy but more important the value of an ecosystem and how permanent that ecosystem could be and what the threats were to it and a whole bunch of things... It's much more the nature of consumer behaviour, and some things strike me as having a lot more permanence than others. [Buffett]

Investing isn't about formulas

I can't give you a formulaic approach, because I don't use one. And I just mix all the factors and if the gap between value and price is not attractive, I go on to something else. And sometimes it's just quantitative. For instance, when Costco was selling for 12 or 13 times earnings, I thought that was a ridiculously low value just because the competitive strength of the business was so great and it was so likely to keep doing better and better. But I can't reduce that to a formula for you. I liked the cheap real estate, I liked the competitive position, I liked the personnel system – I liked everything about it. And I thought even though its three



times book or whatever it was then, that it's worth more. But that's not a formula. If you want a formula, you should go back to graduate school. They'll give you lots of formulas that won't work. [Munger]

Investing is about patience

He sits around reading most of the time and thinking, and every once in a while he talks on the phone. I can't see any difference. When there is nothing to do, Warren is very good at doing nothing.

[Munger]

Disliking cryptocurrencies

I like cryptocurrencies a lot less than you do [Warren]. And so to me it's just dementia. And I think that people who are professional traders that go into trading cryptocurrencies, it's just disgusting. It's like somebody else is trading turds and you decide I can't be left out.

[Munger]

Interest-rate cuts hurt the savers

Well, it really wasn't fair for our monetary authorities to reduce the savings rates mostly to old people with savings accounts as much as they did, but they probably had to do it to fight the recession effectively but it really wasn't fair. And it's only happened once in my lifetime. And it benefited the people in this room enormously because it drove the prices of public securities up including Berkshire Hathaway stock. So we're all a bunch of undeserving people.

[Munger]

Going wrong with the newspaper business

Well, the decline was faster than we thought it was going to be. So it was not our finest bet of economic prediction. And I think it's even worse. To the extent we miscalculated, we may have done it because

we both love newspapers and have considered them so important in our country. These little local newspaper monopolies tended to be owned by people who behaved well and tended to control the politicians. And we're going to miss these newspapers if they disappear. We're going to miss them terribly. And I hope to God it doesn't happen, but the figures are not good. [Munger]

Coping with a little mismanagement

My theory is if it can't stand a little mismanagement, it's no business. [Munger]

Futility of takeovers

I don't envy these people that are in these unfriendly uproots all the time. Imagine doing that after you were already rich. It's insane.

[Munger]

Distrustful of AI and machine learning

I'm afraid the only intelligence I have is being provided by something that's not a machine, and I don't think I'm going to learn machine intelligence. If you ask me how to beat the game of Go with my own intelligence, I couldn't do it, and I think it's too old for me to learn computer science. Generally, I think the machine intelligence has worked – after all the machine now can beat the best human player of Go – but I think there's more hype in that field than there is probably achievement. So I don't think the world is going to be changed that much by machine intelligence. Some, but not hugely."

Be a life-long learner

If you're going to live a long time, you have to keep learning – what you formerly knew is never enough. So if

you don't learn to constantly revise your earlier conclusions, and get better ones, you are – I always use the same metaphor – you're like a one-legged man in an ass-kicking contest. [Munger]

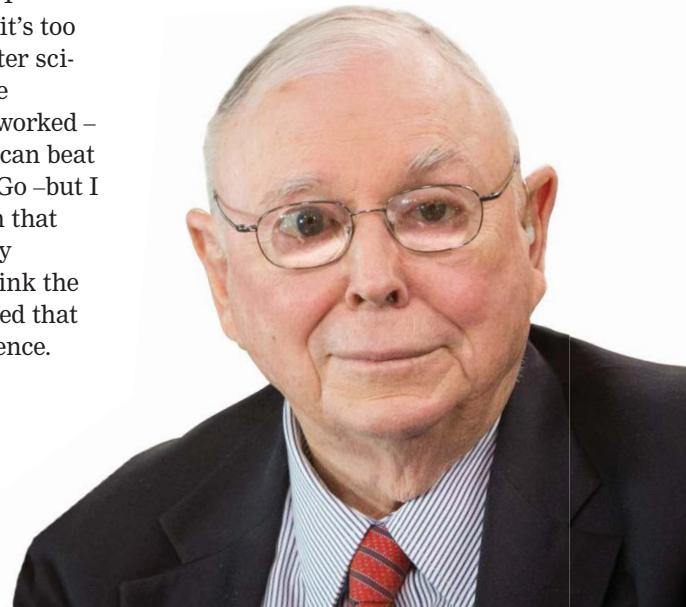
Adapting to time

Shareholders have one thing to be thankful for: Some of the age-related stupidity at headquarters has been ameliorated by Ted and Todd joining us. We are looking at the world with the aid of some younger eyes now. And they've had a contribution, beyond their own investments. And so you're very lucky to have them as shareholders because there's a lot of ignorance in the older generation that needs removal. [Munger]

Hold onto the Berkshire stock

Those of you who after we are gone sell your Berkshire stock and do something else with it, I think are going to do worse. So I would advise you to keep the faith.

[Munger] WI



Nifty IT Index

19.8

Price to earnings

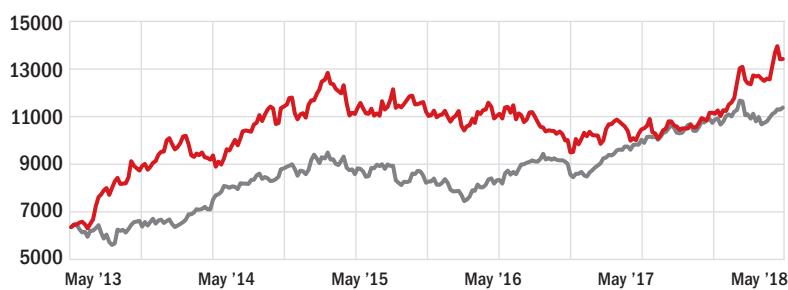
4.8

Price to book

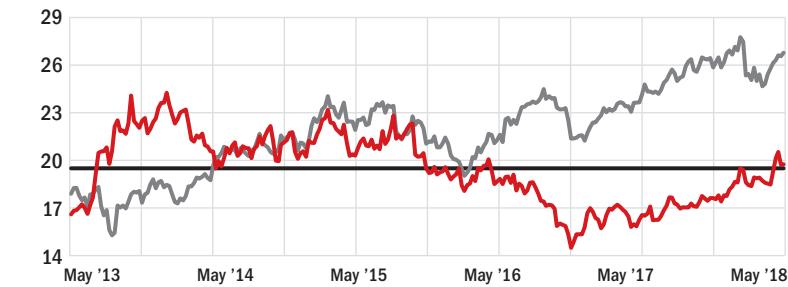
1.91

Dividend yield (%)

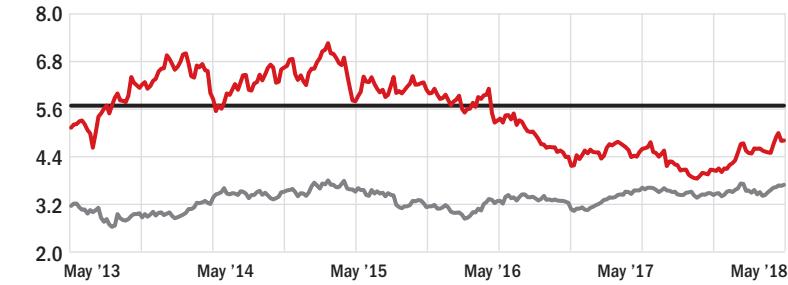
13.1

Market cap
(₹ lakh cr)**Nifty IT** has outperformed Nifty 50 over five years.

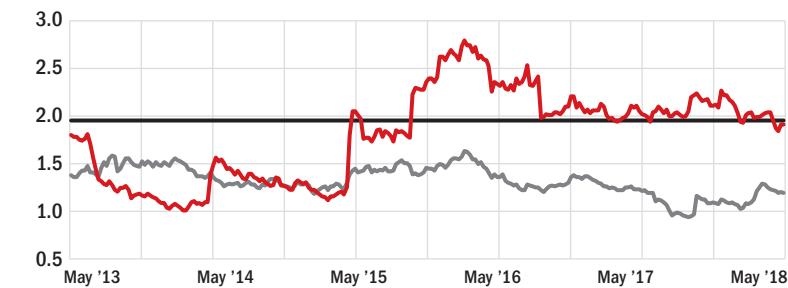
► Price/earnings is at 1.3% premium to its five year median of 19.5.



► Price/book value is at a 15.6% discount to its five year median of 5.7.



► Dividend yield is 5 basis points lower than its five year median 1.96%



Nifty IT Nifty Median

Top gainers/losers

Company name	M-cap (₹ cr)	1Y change (%)
KPIT Technologies	5,082	100.0
Mindtree	16,271	95.5
Infibeam Incorporation	9,037	68.0
Tech Mahindra	65,211	50.4
Tata Elxsi	7,208	48.5
TCS	6,57,893	45.4
Infosys	2,59,824	25.0
Oracle Financial Services	34,984	9.1
HCL Technologies	1,28,866	8.7
Wipro	1,22,825	7.3

Valuations and dividend

Company name	P/E	P/B	Dividend yield (%)
HCL Technologies	14.8	3.5	2.59
Infibeam Incorporation	116.8	10.6	N/A
Infosys	16.2	4.0	3.66
KPIT Technologies	22.0	2.9	0.86
Mindtree	28.5	6.0	0.91
Oracle Financial Services	28.3	7.4	4.15
TCS	25.5	7.7	1.45
Tata Elxsi	30.0	9.8	0.95
Tech Mahindra	20.6	3.7	1.35
Wipro	15.3	2.5	0.37

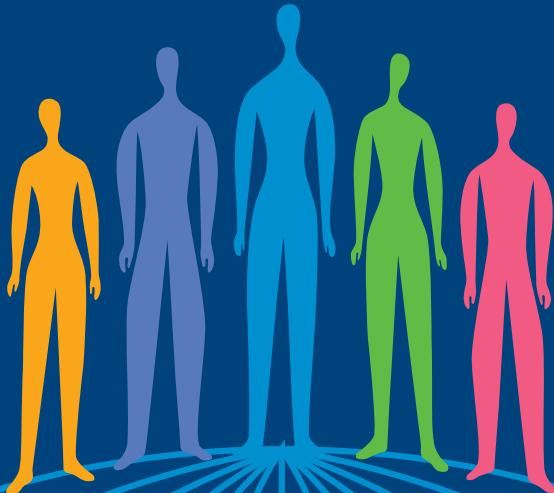
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BIG MOVES: LARGE CAPS



Our large-cap universe has 113 large companies, making the top 70 per cent of the total market capitalisation. The list mentions the stocks that have fluctuated most wildly in the last three months.

	3M returns (%)	Price to earnings 3Y avg RoE (%)	Net profit (₹ crore) 3Y earnings growth (%)	3M price (₹) movement
Bajaj Finance The company's Q4 profit rose 60% YoY. Its net NPAs also declined to 0.29 from 0.44 a year ago.	28	45.3 20.5	2646.7 43.4	2144 1673
United Breweries The company reported an increase in market share in key markets and volume growth of 6% in Q3 YoY.	12	97.5 13.4	309.8 3.5	1136 1010
Future Retail The stock gained on rumours that Walmart may buy into an Indian brick-and-mortar retailer.	9	43.5 6.4	607.2 —	560 516
Shriram Transport Finance The company's Q3 profits rose by 43% YoY. Its Q4 profit, though, slumped by 3% YoY.	7	20.5 11.9	1568.0 8.2	1411 1317
L&T Infotech Renewed interest in mid-cap IT stocks lifted the company's shares.	4	24.4 40.6	1077.5 —	1532 1469
Hindalco Inds. The stock corrected after a run-up in metal stocks.	-6	8.4 0.8	1435.1 15.8	247 232
Interglobe Aviation The company's Q4 profit fell 73% YoY.	-10	19.3 166.3	2242.4 —	1265 1142
SAIL The stock corrected after a run-up in metal stocks.	-17	— -4.4	-2068.6 -197.8	88 74
HPCL The company may not be able to pass on high crude prices due to government's interference.	-19	7.4 22.4	6428.0 7.5	387 312
Bharat Electronics The company reported 19% decline in profits in Q3 YoY.	-22	17.5 15.9	1632.3 13.8	155 122

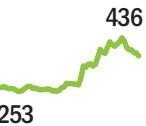
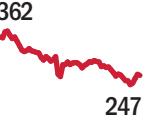
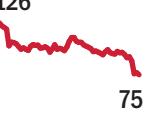
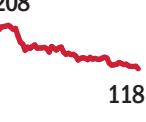
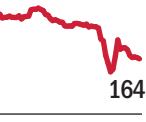
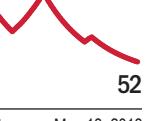
Data as on May 18, 2018

BIG MOVES: MID CAPS

MARKET
COMPASS



Our mid-cap universe has 252 mid-sized companies, making the next 20 per cent of the total market capitalisation. The list mentions the stocks that have fluctuated most wildly in the last three months.

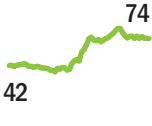
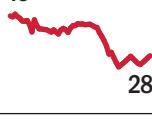
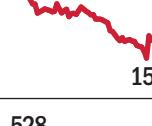
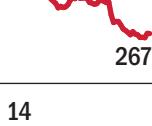
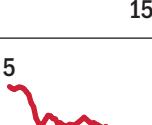
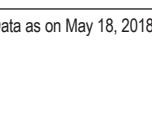
	3M returns (%)	Price to earnings 3Y avg RoE (%)	Net profit (₹ crore) 3Y earnings growth (%)	3M price (₹) movement
Indiabulls Ventures The company raised ₹2,000 crore through a preferential issue to expand its credit business.	72	91.9 35.6	236.8 16.3	
Delta Corp The stock corrected due to an increase in the licensing fees by the Goa government.	-32	40.2 3.3	155.5 96.7	
Rain Industries The company's profit growth in Q4 was below market expectations.	-34	7.9 14.1	992.3 111.9	
Idea Cellular New plans by Reliance Jio intensified the competition in the sector.	-37	— 7.6	-4490.6 -212.0	
Adani Transmission The stock corrected amidst a sell-off in power-sector-related stocks.	-37	11.9 11.1	1142.9 455.4	
Punjab National Bank The company reported a loss of ₹13,400 crore in Q4, which is more than 60% of its market cap.	-41	— 0.6	-12282.8 -258.9	
Adani Enterprises The company's Q4 profit fell by 17% YoY, to ₹181 crore from ₹219 crore.	-43	17.2 6.7	419.3 -43.3	
Jet Airways India The stock corrected due to rising crude-oil prices.	-44	15.0 —	305.2 28.8	
PC Jeweller The company's promoters have relationships with the embattled Vakrangee.	-57	11.5 17.8	559.2 17.8	
Vakrangee The company is under SEBI investigation on account of alleged price manipulation by its promoters.	-79	6.9 33.5	755.9 36.4	

Data as on May 18, 2018

BIG MOVES: SMALL CAPS

Our small-cap universe (minimum market capitalisation ₹400 crore) has 797 small-cap companies, making the last 10 per cent of the total market capitalisation. The list mentions the stocks that have fluctuated most wildly in the last three months.

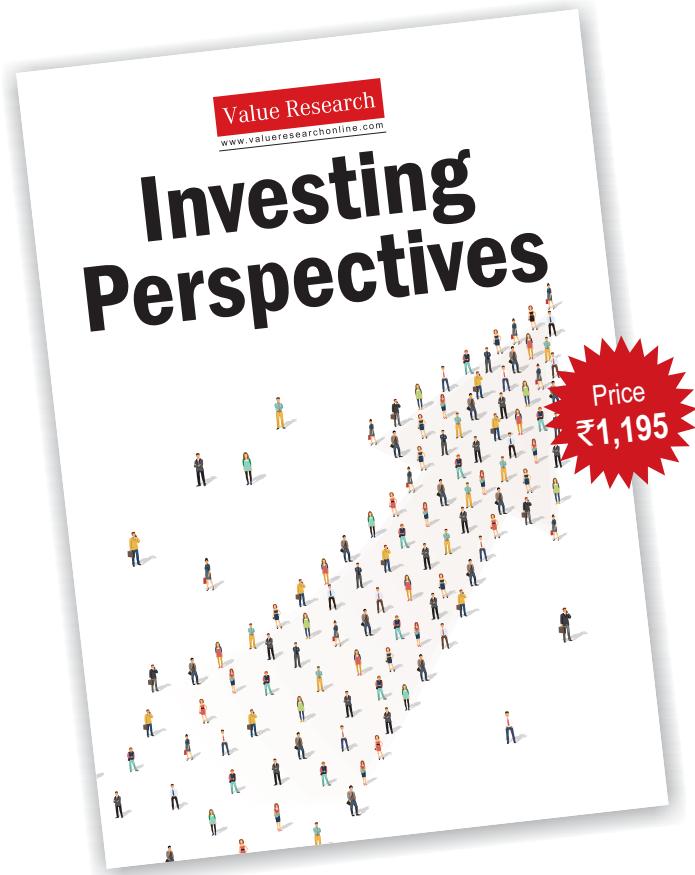


	3M returns (%)	Price to earnings 3Y avg RoE (%)	Net profit (₹ crore) 3Y earnings growth (%)	3M price (₹) movement
Indiabulls Integrated Services Earlier called Soril Holdings, the company reported 670% increase in Q4 profit YoY.	101	774.3 0.1	7.9 -23.9	
Responsive Industries The company plans to invest \$100 million in a vinyl-flooring plant abroad.	75	185.5 1.4	13.1 -26.7	
Bhushan Steel The market expected a higher valuation for the company's acquisition by Tata Steel.	-38	— -388.2	-4317.3 -239.8	
Reliance Communications The company's asset sale plan to Reliance Jio has been halted due to creditors' objections.	-46	— -0.2	-4844.0 -285.6	
DCM Shriram The stock fell among a sector-wide sell-off in sugar stocks.	-49	6.4 17.0	668.7 46.9	
Jaypee Infratech The company has been posting losses for the last many quarters.	-57	— -6.3	-1818.4 -272.4	
Dhampur Sugar Mills The stock fell among a sector-wide sell-off in sugar stocks.	-60	4.1 16.3	151.4 139.9	
Reliance Naval and Engineering The company has been named an NPA by a public-sector bank.	-61	— -24.6	-956.1 -192.9	
GTL Infrastructure The company has been posting losses for the last many quarters.	-66	— N/A	-1880.8 -218.3	
Bombay Rayon Fashions The company has been posting losses for the last many quarters.	-73	— -3.8	-104.2 -235.0	

Data as on May 18, 2018

Invest like pros

Learn the craft of investing by reading about the investment styles of world-class money managers



Investing Perspective (₹1,195)

Name (Mr/Ms) _____

Address _____

Pin Code _____ State _____

Phone _____

E-mail _____

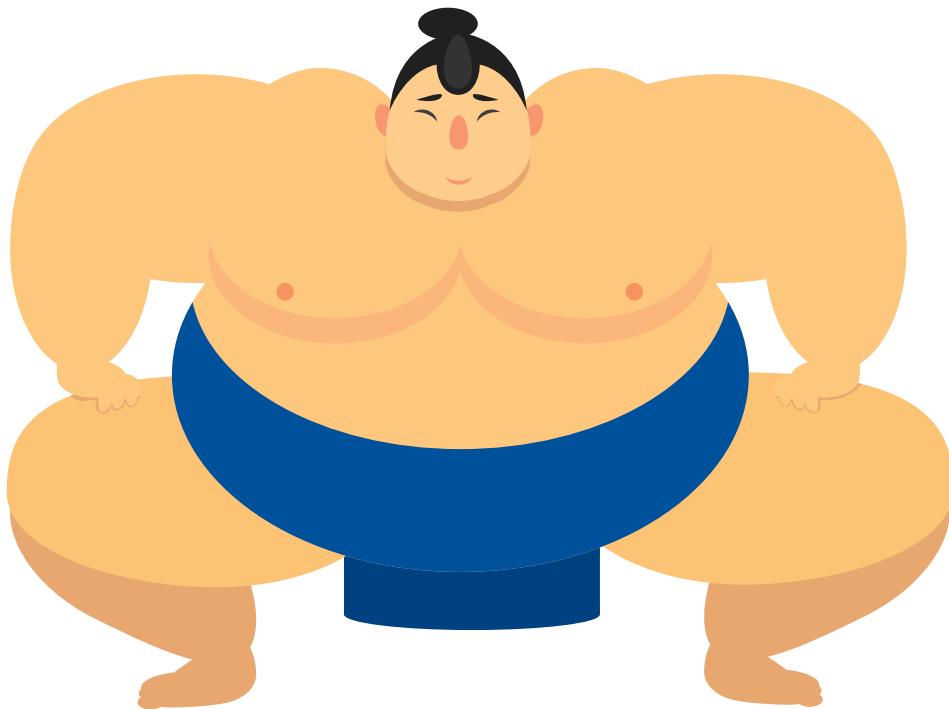
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What the market sumo is doing



LIC is a market heavyweight, whose buying and selling can have a profound impact. Here are the companies in which LIC has bought or sold stake over the last one year, along with some other key data.

Top buys

Company	Mar '18	Mar '17	Difference
Large caps			
Indiabulls Housing Finance	10.0	1.1	8.9
Adani Ports	9.5	4.3	5.2
Power Grid Corp of India	5.9	2.3	3.6
Asian Paints	7.7	4.7	3.0
Colgate-Palmolive (India)	8.2	5.5	2.7
Mid caps			
CRISIL	5.9	2.1	3.8
Castrol India	10.3	7.0	3.4
Rajesh Exports	5.3	2.0	3.3
Indraprastha Gas	5.3	2.8	2.5
Hindustan Copper	12.1	10.7	1.4
Small caps			
OMDC	15.4	1.5	13.9
National Fertilizers	11.3	4.2	7.2
GTL Infrastructure	3.5	1.2	2.3
ICRA	9.0	6.7	2.2
GIC Housing Finance	6.9	4.7	2.2

The numbers denote % of equity of the companies

Top sells

Company	Mar '18	Mar '17	Difference
Large caps			
Bank of Baroda	2.2	10.0	-7.8
GAIL (India)	2.1	8.4	-6.4
Tata Steel	9.0	12.6	-3.6
Bharat Forge	3.6	6.3	-2.7
Cipla	3.3	5.8	-2.5
Mid caps			
Tata Global Beverages	2.9	9.5	-6.6
Oriental Bank of Commerce	7.4	13.1	-5.7
Indian Overseas Bank	5.4	10.7	-5.3
Andhra Bank	6.6	11.6	-5.0
Canara Bank	9.5	13.6	-4.2
Small caps			
Bank of Maharashtra	5.7	12.7	-7.0
Corporation Bank	13.0	18.9	-5.9
Dena Bank	6.9	12.2	-5.4
UCO Bank	9.8	14.5	-4.7
PTC India	6.0	10.1	-4.2

The numbers denote % of equity of the companies

354

Total stocks in LIC's portfolio



4.2 %

LIC's share of the total market cap

5.9

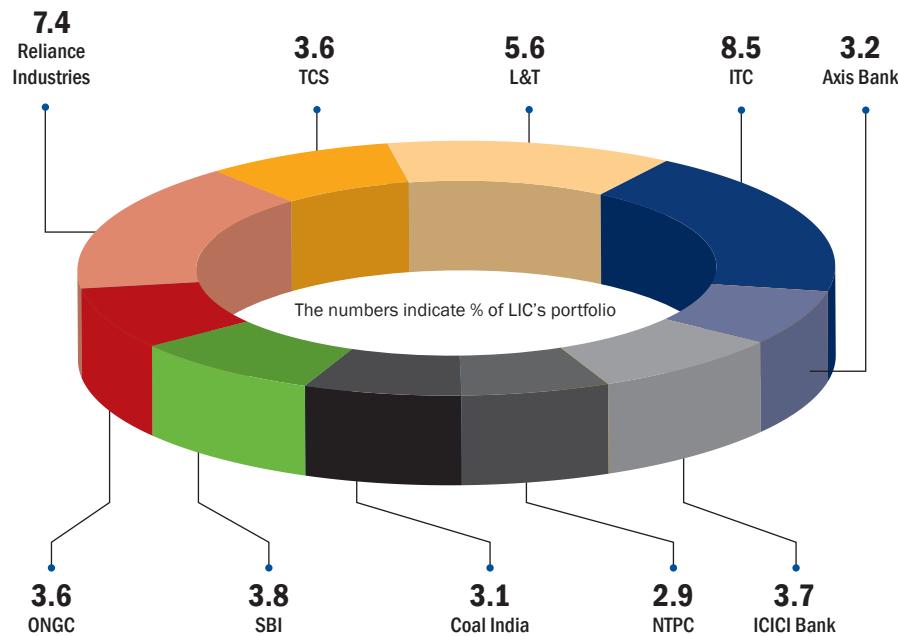
Total market cap of LIC's holdings

8.7 %

LIC's share of free-float market cap



LIC's top 10 holdings



Top 10 holdings and the amounts invested

Company	Market cap (₹ cr)	Amount invested in rupees (₹ cr)	% of equity
Larsen & Toubro	1,83,706	32,994	18.0
ITC	3,11,820	50,577	16.2
Axis Bank	1,31,022	18,684	14.3
ICICI Bank	1,78,918	22,150	12.4
NTPC	1,39,926	17,029	12.2
Coal India	1,75,856	18,113	10.3
State Bank Of India	2,23,025	22,258	10.0
Oil & Natural Gas Corporation	2,28,175	21,175	9.3
Reliance Industries	5,59,160	43,782	7.8
Tata Consultancy Services	5,45,409	21,489	3.9

Data as on March 31, 2018

Top 5 new entrants

Company Mar '17 – Mar '18

Large caps

General Insurance Corp of India	8.4
The New India Assurance Co.	8.7
Zee Entertainment Enterprises	4.9
Hindustan Aeronautics	7.0
Dabur India	3.3

Mid caps

Aditya Birla Fashion and Retail	4.1
Gillette India	1.4
IRB Infrastructure Developers	3.5
Mindtree	2.1
Century Textiles & Industries	2.0

Small caps

Mishra Dhatu Nigam	8.7
Mahanagar Telephone Nigam	19.0
Punjab & Sind Bank	7.4
Central Depository Services	4.2
Gateway Distriparks	6.2

The numbers denote % of equity

Top 5 full exits

Company Mar '17 – Mar '18

Mid caps

Central Bank of India	13.8
Bank of India	12.8
Vijaya Bank	12.9
Adani Enterprises	2.6
Mphasis	1.6

Small caps

Raymond	5.2
Videocon Industries	4.6
Jaiprakash Associates	4.5
Tide Water Oil Company	4.2
Welspun Enterprises	5.9

The numbers denote % of equity

Big capitalisation shifts

Here are some companies that have significantly grown and shrunk in size over the last 10 years

Small cap to large cap

Company	Industry	Current m-cap (₹ cr)	M-cap in 2008 (₹ cr)	Returns (% CAGR)	Worth of ₹10,000
Eicher Motors	Automobiles - Two & Three Wheelers	85,080	768	61	11,41,523
Bajaj Finance	Finance - NBFC	1,10,164	1,173	51	6,12,082
Page Industries	Textile	26,997	565	47	4,78,115
TVS Motor Company	Automobile Two & Three Wheelers	31,724	1,025	41	3,09,502
Aurobindo Pharma	Pharmaceuticals & Drugs	37,560	1,768	35	1,94,907
Berger Paints India	Paints	27,791	1,424	33	1,79,476
MRF	Tyres & Allied	33,879	1,927	33	1,75,837
Cholamandalam Investment & Fin Co	Finance - NBFC	27,194	945	25	96,052

Mid cap to large cap

Note: Only companies with annualised returns of at least 20 per cent are given here.

Company	Industry	Current m-cap (₹ cr)	M-cap in 2008 (₹ cr)	Returns (% CAGR)	Worth of ₹10,000
IndusInd Bank	Bank - Private	1,13,938	3,216	36	2,09,514
Britannia Industries	Consumer Food	66,114	3,248	35	2,02,551
Motherson Sumi Systems	Auto Ancillary	73,717	3,342	34	1,88,578
Godrej Consumer Products	Household & Personal Products	76,091	3,352	33	1,72,014
Shree Cement	Cement & Construction Materials	58,681	3,450	33	1,70,068
Titan Company	Diamond & Jewellery	87,096	5,523	32	1,57,687
Pidilite Industries	Chemicals	55,176	3,836	31	1,43,866
Procter & Gamble Hygiene & Health Care	Household & Personal Products	30,859	2,508	29	1,23,038
Havells India	Electric Equipment	34,183	2,944	27	1,07,574
Cadila Healthcare	Pharmaceuticals & Drugs	42,194	3,626	27	1,07,089
Yes Bank	Bank - Private	83,437	5,042	27	1,06,298
Marico	FMCG	42,966	4,059	26	99,880
Mahindra & Mahindra Financial Services	Finance - NBFC	32,603	2,716	25	94,157
Asian Paints	Paints	1,15,118	12,244	25	94,022
Biocon	Pharmaceuticals & Drugs	40,071	4,903	23	81,728
Ashok Leyland	Automobiles-Trucks/Lcv	48,198	5,474	23	79,927
LIC Housing Finance	Finance - Housing	27,570	3,051	22	76,033
Piramal Enterprises	Pharmaceuticals & Drugs	46,965	7,253	22	75,517
Lupin	Pharmaceuticals & Drugs	36,697	4,648	22	71,667
Dabur India	Household & Personal Products	65,123	9,185	21	69,558

Large cap to small cap

Company	Industry	Current m-cap (₹ cr)	M-cap in 2008 (₹ cr)	Absolute returns (%)	Worth of ₹10,000
Unitech	Construction - Real Estate	1,502	50,390	-97.0	298
Reliance Communications	Telecom - Service Provider	4,217	1,19,662	-96.5	352
Housing Development & Infrastructure	Construction - Real Estate	1,441	16,542	-91.3	871
Jaiprakash Associates	Cement & Construction Materials	4,841	33,501	-85.6	1,445

Large cap to mid cap

Company	Industry	Current m-cap (₹ cr)	M-cap in 2008 (₹ cr)	Absolute returns (%)	Worth of ₹10,000
MMTC	Trading	6,490	1,45,812	-95.5	445
Reliance Power	Power Generation/Distribution	10,379	89,112	-88.4	1,165
Suzlon Energy	Electric Equipment	5,799	42,984	-86.5	1,349
Hindustan Copper	Metal - Non Ferrous	6,782	25,793	-73.7	2,629
Reliance Infrastructure	Power Generation/Distribution	11,862	33,373	-64.5	3,554
GMR Infrastructure	Engineering - Construction	12,434	29,285	-57.5	4,246
NLC India	Power Generation/Distribution	13,490	26,122	-48.4	5,164
National Aluminium Company	Aluminium & Aluminium Products	15,579	28,946	-46.2	5,382
Jindal Steel & Power	Steel/Sponge Iron/Pig Iron	24,344	36,900	-34.0	6,597
Adani Enterprises	Trading	15,408	20,832	-26.0	7,397
Tata Power Company	Power Generation/Distribution	23,843	30,268	-21.2	7,877
Glenmark Pharmaceuticals	Pharmaceuticals & Drugs	16,125	16,559	-2.6	9,737

All data as of April 2018

Probable turnarounds

These companies that have started to show profits after a streak of losses

Spotting a turnaround is not easy. Analysts pore over reams of data to foretell a turnaround. If they are right, the rewards could be substantial. A company that returns to profit from loss tends to see its stock price racing. And why not? The shares of a turnaround have already languished for so long that a whiff of profits propels them.

The table below lists companies which have shown quarterly profits (after adjusting for exceptional items) in the recent two quarters. They had been in loss for many quarters previously. These companies could be probable cases of a turnaround. **WI**



Returning to profit

Company name	Industry	Market cap (₹ cr)	Quarterly EPS (₹)						
			Q1	Q2	Q3	Q4	Q5	Q6	Q7
Shriram EPC	Engineering - Construction	2,448	0.09	0.03	-0.01	-0.70	-3.11	-0.65	-0.36
BF Utilities	Power Generation	1,499	0.31	4.16	-0.06	-0.22	-0.08	-0.08	1.38
Butterfly Gandhimathi	Consumer Durables	924	0.94	6.43	-4.93	-11.68	-14.67	0.31	-5.41
Future Market Networks	Miscellaneous	716	1.09	0.22	-1.42	-1.54	-0.97	-0.47	-1.31
Radha Madhav Corporation	Packaging	244	0.55	0.40	0.00	0.00	-0.14	-0.29	-0.06
Sunshield Chemicals	Chemicals	202	0.45	0.63	-1.28	-3.81	-3.62	-0.48	-0.93
Gillanders Arbuthnot	Diversified	149	2.98	3.49	-0.31	-0.99	-0.53	2.69	-1.93
Nutraplus India	Pharmaceuticals & Drugs	95	0.07	0.03	-0.83	-0.85	-0.28	0.05	-1.19
Cochin Minerals	Chemicals	93	0.41	0.69	-1.64	-1.73	-2.77	-1.28	-1.68

Data as on May 8, 2018

Institutional moves

Here are top 5 companies in which mutual funds and insurance companies have significantly changed their holdings over the last quarter



Mutual funds

Increase in stake

Large caps

Company name	Industry	Mar '18	Dec '17	Difference (%)
M&M Financial Services	Finance - NBFC	11.2	8.1	3.0
Hindalco Industries	Metal - Non Ferrous	11.1	8.8	2.3
Power Grid Corporation	Power Generation	9.3	7.2	2.2
BPCL	Refineries	5.6	4.1	1.5
Bandhan Bank	Bank - Private	1.4	0.0	1.4

Mid caps

Company name	Industry	Mar '18	Dec '17	Difference (%)
ICICI Securities	Finance - Stock Broking	9.9	0.0	9.9
Lemon Tree Hotels	Hotels	8.0	0.0	8.0
Galaxy Surfactants	Household & Personal	7.6	0.0	7.6
NCC	Construction	32.5	27.1	5.4
Welspun India	Textile	5.9	1.3	4.6
Star Cement	Construction Materials	7.2	2.6	4.6

Small caps

Company name	Industry	Mar '18	Dec '17	Difference (%)
HG Infra Engineering	Construction	17.2	0.0	17.2
Majesco	IT - Software	12.9	4.8	8.1
Sundaram Finance	Finance - Investment	7.4	0.0	7.4
Apollo Micro Systems	Components	7.2	0.0	7.2
ITD Cementation India	Construction	29.2	22.0	7.1

Insurers

All data as on May 11, 2018

Company name	Industry	Mar '18	Dec '17	Difference (%)
Hindustan Aeronautics	Airlines	7.4	0.0	7.4
Yes Bank	Bank - Private	14.2	12.3	1.9
Power Grid Corp.	Power Generation	5.2	3.7	1.5
Asian Paints	Paints	8.7	7.5	1.3
Indiabulls Housing Finance	Finance - Housing	10.0	9.1	0.9
Britannia Industries	Consumer Food	6.2	5.3	0.9

Company name	Industry	Mar '18	Dec '17	Difference (%)
Cyient	IT - Software	7.1	0.0	7.1
Bharat Dynamics	Defence	2.6	0.0	2.6
CESC	Power Generation	3.9	1.3	2.6
Indraprastha Gas	Industrial Gases & Fuels	6.2	3.7	2.6
Kalpataru Power	Transmission	2.9	0.5	2.4

Company name	Industry	Mar '18	Dec '17	Difference (%)
Apollo Pipes	Finance - NBFC	2.2	0.0	2.2
GTL Infrastructure	Telecommunication	3.5	1.5	2.0
ICRA	Ratings	14.3	12.7	1.5
Swan Energy	Textile	3.9	2.4	1.5
Ujjivan Financial Services	Finance - Term Lending	5.9	4.5	1.4
Sanghi Industries	Construction Materials	1.4	0.0	1.4

Mutual funds

Decrease in stake

Large caps

Company name	Industry	Mar '18	Dec '17	Difference (%)
Bank of Baroda	Bank - Public	11.3	13.1	-1.9
IndusInd Bank	Bank - Private	10.5	12.3	-1.8
Larsen & Toubro	Construction	14.8	15.9	-1.1
Yes Bank	Bank - Private	10.3	11.3	-1.0
Divis Laboratories	Pharmaceuticals	15.5	16.4	-1.0

Mid caps

Company name	Industry	Mar '18	Dec '17	Difference (%)
Fortis Healthcare	Hospital & Healthcare	4.6	9.3	-4.8
Dish TV India	TV Broadcasting	4.0	8.2	-4.2
The Federal Bank	Bank - Private	24.3	27.9	-3.6
Lakshmi Machine Works	Textile - Machinery	6.1	9.3	-3.2
VIP Industries	Personal Products	9.4	12.6	-3.2

Small caps

Company name	Industry	Mar '18	Dec '17	Difference (%)
TeamLease Services	Miscellaneous	5.8	14.7	-8.9
Arman Financial Services	Finance - NBFC	0.0	6.9	-6.9
Max India	Finance - Investment	17.5	23.0	-5.5
Healthcare Global	Miscellaneous	11.8	17.1	-5.3
Astra Microwave Products	Telecommunication	23.0	28.1	-5.1

Top 10 holdings of mutual funds

Company name	Industry	Market cap (₹ cr)	% of equity held	Amount invested (₹ cr)
ICICI Bank	Bank - Private	1,99,203	22.7	45,139
Larsen & Toubro	Construction	1,93,836	14.8	28,591
HDFC Bank	Bank - Private	5,20,278	12.1	62,850
State Bank Of India	Bank - Public	2,23,115	10.9	24,364
Infosys	IT - Software	2,56,788	10.6	27,220
Kotak Mahindra Bank	Bank - Private	2,40,643	7.1	17,038
ITC	Tobacco	3,45,015	6.3	21,839
HDFC	Finance - Housing	3,21,152	6.0	19,269
Maruti Suzuki India	Automobiles	2,64,501	5.7	14,971
Reliance Industries	Refineries	6,25,311	2.8	17,509

Insurers

Company name	Industry	Mar '18	Dec '17	Difference (%)
Tata Steel	Steel & Iron Products	12.8	15.0	-2.2
Bank Of Baroda	Bank - Public	2.5	4.6	-2.1
Steel Authority Of India	Steel & Iron Products	10.1	11.3	-1.2
Cipla	Pharmaceuticals	3.5	4.6	-1.1
Dabur India	FMCG	3.8	4.7	-0.9

Company name	Industry	Mar '18	Dec '17	Difference (%)
Bank of India	Bank - Public	9.2	13.5	-4.3
Syndicate Bank	Bank - Public	11.0	15.1	-4.1
Union Bank Of India	Bank - Public	10.9	14.8	-4.0
Vijaya Bank	Bank - Public	8.7	11.4	-2.8
Canara Bank	Bank - Public	9.6	11.8	-2.2
Punjab National Bank	Bank - Public	13.9	16.0	-2.2

Company name	Industry	Mar '18	Dec '17	Difference (%)
Shah Alloys	Steel & Iron Products	0.0	8.7	-8.7
Dena Bank	Bank - Public	8.4	16.9	-8.5
Oriental Bank Of Commerce	Bank - Public	8.1	14.9	-6.7
Corporation Bank	Bank - Public	13.6	19.7	-6.1
Bank Of Maharashtra	Bank - Public	6.2	12.2	-5.9

Top 10 holdings of insurance companies

Company name	Industry	Market cap (₹ cr)	% of equity held	Amount invested (₹ cr)
ITC	Cigarettes	3,45,015	22.2	76,593
Larsen & Toubro	Engineering	1,93,836	21.7	42,004
ICICI Bank	Bank - Private	1,99,203	17.7	35,299
State Bank of India	Bank - Public	2,23,115	11.2	24,944
Infosys	IT - Software	2,56,788	10.7	27,502
ONGC	Oil Exploration	2,40,238	9.7	23,303
Coal India	Mining & Minerals	1,68,066	9.1	15,328
Reliance Industries	Refineries	6,25,311	8.4	52,213
HDFC	Finance - Housing	3,21,152	6.4	20,522
TCS	IT - Software	6,61,970	4.7	31,179

The pledging tracker

Here are companies in which promoter pledging has shown a marked rise or fall between December 2017 and March 2018

Promoter pledging is an important analytical parameter. When promoters pledge shares, they keep shares as collateral with a financial institution, such as a bank, to raise money. It's just like mortgaging something for money. Later you pay the loan back and get your thing released.

Pledging is not always bad. Many times promoters pledge their stake for sound business reasons and later release their pledged shares. But pledging takes an ugly turn when the pledged stake is high and the promoter is unable to pay back the dues. This may force the financing institution to sell the pledged stake, which can result in a sudden fall in the stock price.

Generally speaking, a high pledged stake also indicates a bad management. Investors should stay away from companies that have high levels of pledging.

The first table below mentions companies in which pledging has gone up by 10 per cent or more in the last quarter and the pledged stake is now at least 25 per cent. The second table mentions companies in which pledging has gone down by 10 per cent. WI



Increase in pledging

Company name	Industry	M-cap (₹ crore)	Pledged stake (%)		Increase in pledging (%)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt to equity
			Mar-18	Dec-17						
Fortis Malar Hospitals	Hospitals	115	100.0	0.0	100.0	62.9	9.39	9.4	4.0	0.0
Lanco Infratech	Engineering - Construction	249	94.5	0.0	94.5	58.5	-45.65	-0.3	2.0	-22.5
Kamat Hotels (India)	Hotels	248	92.4	77.2	15.2	60.9	-10.00	-1.5	9.0	10.4
Tilaknagar Industries	Breweries & Distilleries	274	91.2	62.1	29.2	55.0	18.11	0.0	6.0	-10.0
SPML Infra	Engineering - Construction	394	89.8	79.2	10.6	38.2	-12.07	0.6	4.0	3.3
Ramky Infrastructure	Engineering - Construction	1047	89.2	46.2	43.0	67.8	-9.13	0.6	7.0	8.8
Bhushan Steel	Steel & Iron Products	620	83.6	71.1	12.5	43.9	-47.86	-0.1	8.0	-32.5
Zee Learn	Educational Institutions	1170	82.9	67.9	15.0	57.6	-17.72	4.6	8.0	0.8
Kwality	Consumer Food	1208	79.0	61.9	17.1	54.8	-45.09	3.8	5.0	1.5
Prakash Industries	Steel & Iron Products	3127	77.1	53.0	24.1	39.7	-3.06	3.5	6.0	0.4
Jai Balaji Industries	Sponge Iron	113	76.0	54.7	21.3	58.4	-22.77	-0.4	4.0	-3.3
Andhra Cements	Cement	307	75.0	7.5	67.5	68.8	-13.06	-0.1	6.0	-14.3
Elecon Engineering	Engineering	847	61.0	37.0	23.9	58.6	-9.96	1.5	5.0	0.8
Zee Media Corporation	TV Broadcasting	1702	51.0	38.1	13.0	69.1	-18.90	4.8	3.0	0.8
Centrum Capital	Finance - Investment	2267	48.4	36.2	12.2	37.1	-21.64	0.0	0.0	1.2
Prabhat Dairy	Consumer Food	1714	46.1	29.7	16.4	50.1	-8.83	4.8	5.0	0.5
Gopala Polypласт	Plastic Products	110	43.5	29.0	14.6	36.7	-22.19	2.8	7.0	3.7
Granules India	Pharmaceuticals	2523	41.7	31.6	10.2	44.9	-16.45	3.5	5.0	0.7

Company name	Industry	Mkt cap (₹ crore)	Pledged stake (%) Mar-18	Pledged stake (%) Dec-17	Increase in pledging (%)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt to equity
Riddhi Siddhi Gluco Biols	Trading	437	40.1	0.0	40.1	74.8	-19.23	1.4	2.0	0.5
Emami	FMCG	23034	39.9	29.1	10.8	72.7	-9.25	18.4	6.0	0.3
HimTeknoforge	Auto Ancillary	209	36.1	0.0	36.1	54.8	-12.61	11.3	7.0	0.3
Rubfilia International	Rubber Products	346	28.5	0.0	28.5	62.1	-1.16	11.1	5.0	0.0
Bharat Wire Ropes	Metal - Non Ferrous	548	27.7	0.0	27.7	40.2	-1.25	1.3	3.0	2.7
CMI	Cable	476	23.3	0.0	23.3	43.6	33.25	3.4	2.0	0.7

Data as on May 8, 2018. For explanations of Z-Score and F-Score, see 'Quality stocks available cheap' in the 'Stock Screen' section.

Decrease in pledging

Company name	Industry	M-cap (₹ crore)	Pledged stake (%)		Decrease in pledging (%)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt to equity
			Mar-18	Dec-17						
MT Educare	Educational Institutions	517	0.0	64.6	-64.6	23.7	18.96	1.6	3.0	0.9
MSP Steel & Power	Steel & Iron Products	651	39.5	99.1	-59.6	41.6	-30.31	1.3	6.0	2.8
Bhansali Engineering	Chemicals	2895	0.0	55.1	-55.1	55.0	-0.37	9.3	9.0	0.0
Uniply Industries	Wood	1251	38.4	83.9	-45.4	33.4	6.76	4.3	5.0	1.4
Scanpoint Geomatics	Photographic Products	115	41.1	75.9	-34.8	33.7	-8.44	3.2	7.0	2.3
Mangalam Drugs	Pharmaceuticals	261	11.7	42.8	-31.1	50.8	-5.74	4.6	6.0	0.8
Rajapalayam Mills	Textile - Spinning	863	0.0	28.1	-28.1	53.2	-0.83	2.9	6.0	0.2
Kerala Ayurveda	Pharmaceuticals	102	61.9	87.9	-26.0	61.5	3.55	1.1	7.0	-22.4
Nath Bio-Genes (India)	Agriculture	1073	58.6	83.7	-25.1	40.7	12.44	6.4	6.0	0.5
Mangalore Chemicals	Fertilizers	728	29.6	53.5	-23.9	75.0	-5.03	1.8	8.0	3.3
Shree Renuka Sugars	Sugar	2942	24.7	47.8	-23.1	52.0	0.65	0.1	6.0	-2.1
Shivalik Rasayan	Agrochemicals	376	0.0	19.2	-19.2	61.7	26.07	4.4	7.0	1.4
Aban Offshore	Oil Exploration	975	4.5	21.6	-17.1	46.0	-11.74	0.2	3.0	5.3
Rajratan Global Wire	Steel & Iron Products	249	0.0	16.4	-16.4	63.5	-2.06	3.4	8.0	1.1
Setco Automotive	Auto Ancillary	772	38.7	54.7	-16.0	63.5	-12.90	2.2	3.0	2.4
Man Industries (India)	Castings/Forgings	734	26.7	41.5	-14.8	44.2	-1.23	2.7	2.0	0.7
Lasa Supergenerics	Pharmaceuticals	166	0.9	14.9	-14.1	38.2	-49.12	2.0	5.0	2.2
Jubilant Life Sciences	Chemicals	13029	5.5	19.2	-13.7	50.7	-15.43	3.3	8.0	1.2
Surya Roshni	Diversified	2286	23.8	35.7	-11.9	62.9	-10.08	3.9	7.0	1.2
Jindal Worldwide	Textile	2386	22.6	34.1	-11.5	61.2	-2.01	5.9	7.0	1.3
Sunil Hitech Engineers	Engineering - Construction	223	24.8	35.4	-10.6	39.9	-61.56	2.1	5.0	1.3
Mcnally Bharat	Engineering - Construction	850	12.4	22.8	-10.3	44.8	-14.40	-0.7	1.0	31.4

Data as on May 8, 2018. For explanations of Z-Score and F-Score, see 'Quality stocks available cheap' in the 'Stock Screen' section.



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The bullish promoter

Here are some companies in which the promoters have raised their stakes in the last one year, indicating their optimism about the company's prospects

Company name	Industry	Market cap (₹ cr)	Mar-18	Mar-17	Increase in promoter holdings (% pt)	1Y return (%)
Shiva Cement	Cement & Construction Materials	533	54.4	0.0*	54.4	22.4
Pritika Auto Industries	Engineering	349	48.3	0.6**	47.7	253.9
Kesar Petroproducts	Chemicals	316	63.9	31.0	32.8	-18.8
Uniply Decor	Wood & Wood Products	684	37.4	7.5	29.9	91.2
Gala Global Products	Printing & Stationery	277	73.9	48.5	25.5	18.2
JTEKT India	Auto Ancillary	2179	76.8	52.3	24.5	33.0
Indian Toners & Developers	Chemicals	317	69.2	49.7	19.5	44.6
RattanIndia Infrastructure	Miscellaneous	740	83.4	64.2	19.2	36.0
Signet Industries	Trading	206	70.1	51.8	18.3	-41.6
Polaris Consulting & Services	IT - Software	4850	92.6	74.5	18.1	126.2
Oriental Aromatics	Chemicals	676	74.2	57.7	16.5	2.3
Amal	Chemicals	134	65.5	53.7	11.8	10.5
TTK Healthcare	Pharmaceuticals & Drugs	1462	74.6	65.4	9.1	33.0
Grasim Industries	Diversified	71991	40.1	31.3	8.8	-7.8
Shervani Industrial Syndicate	Construction - Real Estate	236	63.0	55.2	7.8	358.2
Nucleus Software Exports	IT - Software	1259	67.6	60.6	7.0	33.1
Cimmco	Railways Wagons	219	81.5	74.9	6.6	-6.5
GOCL Corporation	Chemicals	2464	74.9	69.9	5.1	9.8
Yash Papers	Paper & Paper Products	293	45.1	40.1	5.0	128.9
Adani Power	Power Generation/Distribution	9430	73.1	68.1	5.0	-20.2
Kilburn Chemicals	Chemicals	126	66.6	61.6	5.0	119.2
Adani Ports and Special Economic Zone	Port	85168	66.3	61.3	5.0	20.5
BC Power Controls	Metal - Non Ferrous	200	60.8	55.8	5.0	514.2
SORIL Holdings & Ventures	Miscellaneous	2917	38.6	33.6	5.0	1,326.4
Kiri Industries	Dyes & Pigments	1314	42.6	37.7	4.9	49.4
WPIL	Compressors/Pumps	561	66.0	61.1	4.9	25.1
Radha Madhav Corporation	Packaging	244	21.2	16.3	4.9	-17.0
International Conveyors	Engineering - Industrial Equipments	198	42.3	37.4	4.9	5.4
HCL Infosystems	Trading	1602	62.9	58.0	4.9	-8.5
AYM Syntex	Textile	302	70.0	65.2	4.8	-17.6
BCL Industries	Solvent Extraction	239	55.9	51.0	4.8	94.7
Paramount Communications	Cable	211	56.3	51.6	4.7	284.4
Sat Industries	Trading	397	54.0	49.3	4.7	15.7
Sinclairs Hotels	Hotel, Resort & Restaurants	240	57.0	52.3	4.7	3.3
Sunil Hitech Engineers	Engineering - Construction	223	39.9	35.4	4.5	-64.8
Faze Three	Textile	182	45.8	41.3	4.4	-41.3
Vista Pharmaceuticals	Pharmaceuticals & Drugs	116	35.6	31.2	4.4	0.8
Confidence Petroleum India	Industrial Gases & Fuels	1233	53.8	49.5	4.4	439.5
Arvind Smartspace	Construction - Real Estate	594	56.4	52.1	4.3	50.6
Kalyani Steels	Steel & Iron Products	1338	64.7	60.6	4.1	-17.3

Data as on May 8, 2018. *Shiva Cement was acquired by JSW Cement. **Pritika Auto had a change in promoter.

Value Research

Wealth Insight



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'We are still under-weight on IT'

DSP BlackRock's **Rohit Singhania** has been ahead of the curve in spotting trends. Most recently, he spotted commodity stocks. Singhania manages over Rs 11,000 crore across four funds. In an interview with **Kumar Shankar Roy**, he discusses how to find the sustainability of earnings growth, how a high ROE stock can be inferior to a low ROE one, and what makes a management's track record questionable. He also shares his outlook on IT, infrastructure, sugar and energy stocks.



“The key is to identify if a low ROE today can trend higher over the next one-two years because of a change in business environment. On the flip side, for a high-ROE company, one has to check if the levers are still in place for it to sustain at that level.”

From an analyst to a fund manager, how did the evolution happen?

My career started as a sell-side institutional equity-research analyst in 2000 after completing my postgraduation. I actively covered sectors like metals, cement, and sugar during my sell-side stint.

In September 2005, I joined DSP BlackRock Mutual Fund (then DSP Merrill Mutual Fund) as an investment analyst in the Portfolio Management Services division to assist an advisory mandate (for a private life-insurance firm) and manage equity portfolios of high-net-worth individuals. This was a stepping stone for me towards fund management.

Initially, the plan was to shift from being a pure sector specialist to understanding and developing knowledge of other sectors and broader market trends. Here I learned how to choose between, say, a Hindalco and Infosys rather than a Hindalco and a Vedanta.

In June 2010, I was reassigned to the equity-investment team of our mutual fund and started to manage our DSP BlackRock India T.I.G.E.R (The Infrastructure Growth and Economic Reforms) Fund. So, June 2010 was when I actually first got the chance to independently manage a fund as its fund manager.

In July 2012, I was asked to additionally manage DSP BlackRock Natural Resource and New Energy Fund. Till June 2015, I had been managing these two funds and simultaneously tracking the metals, cement, auto and infrastructure sectors for our team.

From June 2015 onwards, I started managing our DSP BlackRock

Equity Opportunities Fund and the DSP BlackRock Tax Saver Fund.

All in all, my journey from a sell-side sector analyst to a buy-side investment analyst to a fund manager of one fund to now managing multiple funds has been a very enriching one.

I sincerely believe that the fantastic people I got to work with across my jobs and the support I got from colleagues and seniors have been a key driver for my professional development.

How do you look at the sustainability of earnings growth? Is it quantifiable?

Before earnings growth or sustainability of it, we think the understanding of the business is the key. The various business cycles and moat (i.e. competitive advantages) of a particular company need to be understood. Once one has a sense of these, then estimating earnings growth becomes easier and the confidence on estimates is higher.

Sustainability would depend on product life cycle, product expansion, market expansion, market trends and competition. Data like market share, penetration levels, and product line-up help in quantifying sustainability to some extent. Certain qualitative aspects such as management quality, brand value and other intangibles, too, can have an impact on earnings over the longer term.

When you study trends like ROE, ROCE, cash flows etc., how do you even out the extremes?

ROCE, ROE, cash flows, etc., are good metrics to analyse and compare companies. However, one can-

not have a standard benchmark for these ratios across all types of businesses. Each business has its own way of functioning and one needs to appreciate that.

For example, it is not necessarily correct to assume that a high-ROE company will always perform better than a low ROE company. It is prudent to go back and try to analyse the reason for a high or low ROE today, what happened to the business cycle, expansions done and utilisation levels.

The key is to identify if a low ROE today can trend higher over the next one-two years because of a change in business environment. On the flip side, for a high-ROE company, one has to check if the levers are still in place for it to sustain at that level.

Also, we avoid investing based on one or two metrics alone and consider a holistic picture.

In terms of the analysis of management quality, what constitutes a questionable track record?

Frequent change in strategy, a history of continued capex with no corresponding growth in profits in future, fund raising without a deserving business plan but taking advantage of market levels, unexplained inter-corporate fund flows, capital misallocation, etc., are a few potential red flags.

How are you approaching sectors or stocks that are out of favour currently?

Markets are very volatile and preferences tend to change rather quickly – both on the way up and the way down. Hence, we try not to look at market trends/preferences



“The way one keeps analysing and updating one’s holdings and overweight rationales, it also helps to know one’s risk in not owning something.”

in isolation and be unduly influenced by them. The key is to spend quality time in one's own large underweight/not owned index stocks and see if they warrant a relook. The way one keeps analysing and updating one's holdings and overweight rationales, it also helps to know one's risk in not owning something.

The Indian rupee's movement has been in news. How have you positioned yourself in the tech sector, which is a major beneficiary of a fall in the rupee?

We missed the rally in December 2017 and January 2018. The reason for our underweight stance on IT is that core long-term business growth or management guidance has not been great. However, what has helped IT stocks is expectation of a near-term acceleration in revenue growth rates. Also, a combination of an improving outlook, rupee depreciation and under-ownership by institutional investors has led to the sharp re-rating in these stocks.

Even as we have added to the sector from a portfolio-risk-management perspective, we are not sure if the underlying business growth can accelerate significantly to justify such a sharp re-rating – this is why we are still underweight on the sector.

Infra stocks have done well for some time now. What is your outlook?

We continue to remain positive on the infra space. Our focus has been to stick to companies which have a combination of a strong order book with cash flows and balance-sheet ratios. We own companies into road, power transmission and distribution, and building construction.

As an analyst, you used to focus on the sugar sector, among other things. That space has struggled for the last one year. If consumption is doing well, why are sugar companies going through a tough phase?

Sugar is a kind of regulated business in India. One can always get it wrong if you project high opera-

tional earnings, excluding inventory gains. In addition, production growth has been volatile. All these factors make it difficult to take a structural call on the business.

In the energy space, especially oil and metal sectors, there has been some weakness in last three months. How do you view the situation?

Concerns of a rising crude, potential global trade wars, sanctions on some Middle Eastern countries, etc., have had negative impact on these sectors. However, fundamentally, nothing has changed in the last three months for these sectors. We are confident of earnings growth and our original investment rationale. We have stayed put with our holdings.

Can you share with us the secret of your biggest stock successes?

We made good returns in commodity stocks by being early into the trade. The view behind buying them was that globally, cost curves would put a floor on end prices. Indian companies were still making profits at low prices and had done huge capex in the last three-four years. Valuations were much below book.

We entered these trades in the first quarter of calendar year 2016. The commodity sector is as such a volatile one, and news flows can cause stock-price volatility. But having taken a strong fundamental view and getting our entry valuation correct, we were able to generate returns.

Another success was in the financial-services space in the first quarter of calendar year 2017. A company we bought into was the market leader in the asset-reconstruction business and had good-size wealth-management and insurance businesses, which were at bottom of the cycle. All these, we felt, could provide strong growth outlook and profitability. **WI**

Exposed!

The following banks have the highest exposure to the most troubled sectors

Infrastructure

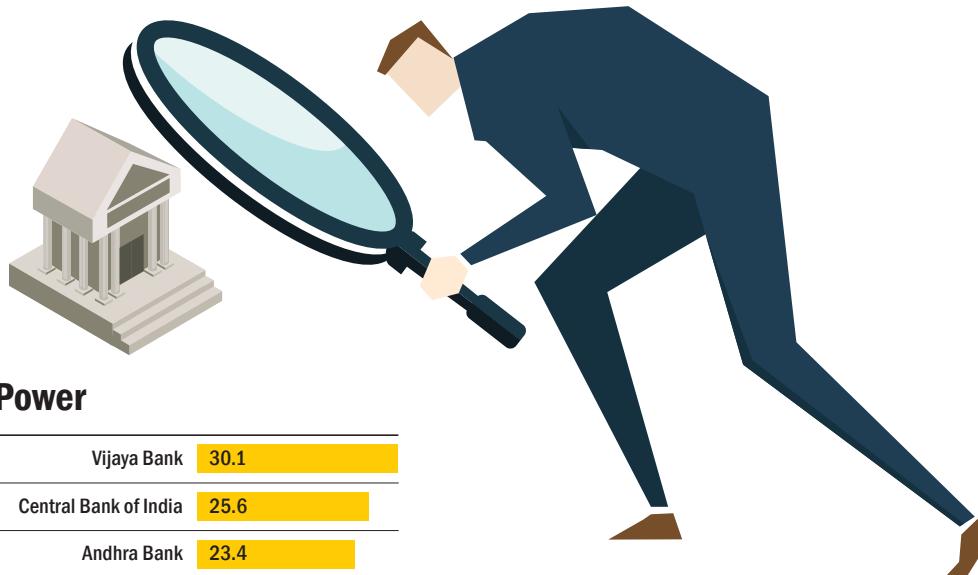
Vijaya Bank	27.3
United Bank of India	22.9
Punjab & Sind Bank	22.0
Central Bank of India	21.9
Canara Bank	21.2
Dena Bank	15.8
Syndicate Bank	15.8
UCO Bank	15.1
J&K Bank	15.1
Indian Overseas Bank	14.3
State Bank of India	13.4
Allahabad Bank	11.5
Bank of India	10.9
Bank of Maharashtra	10.8
Oriental Bank	10.5
ICICI Bank	10.3
South Indian Bank	8.2
Lakshmi Vilas Bank	7.5
RBL Bank	7.2
Karur Vysya Bank	7.2
Federal Bank	7.1
Karnataka Bank	6.7

Exposure > 5% of loan book

Real estate

Andhra Bank	15.4
Yes Bank	6.1
ICICI Bank	5.1
Axis Bank	2.5

Exposure > 2% of loan book



Power

Vijaya Bank	30.1
Central Bank of India	25.6
Andhra Bank	23.4
UCO Bank	18.2
United Bank of India	15.5
RBL Bank	14.1
Canara Bank	12.3
Syndicate Bank	11.6
State Bank of India	9.2
Yes Bank	7.4
Corporation Bank	7.3
Bank of India	7.2
Indian Bank	7.1
South Indian Bank	7.0
J&K Bank	6.8
Indian Overseas Bank	6.7
Dena Bank	6.0

Exposure > 5% of loan book

Telecom

The J&K Bank	2.5
Canara Bank	2.2

Exposure > 2% of loan book

Metals

Indian Overseas Bank	10.7
UCO Bank	9.6
State Bank of India	9.1
Canara Bank	7.6
Oriental Bank	7.2
United Bank of India	6.6
Dena Bank	6.4
J&K Bank	6.3
Central Bank of India	5.5
Andhra Bank	5.4
City Union Bank	5.1

Exposure > 5% of loan book

Gems and jewellery

UCO Bank	5.1
Bank of India	2.3
Andhra Bank	2.1

Exposure > 2% of loan book

Assessing employee cost

The ratio of employee cost to revenue can help assess the labour-market conditions in a sector

All companies have three groups of people that they need to keep happy – customers, investors and employees. These three groups have a stake in the eventual success or failure of a company, which is why they are also known as ‘stakeholders’. However, the needs and demands of each stakeholder are often at odds with each other.

Let's take the case of employees. If a company overpays its staff, it is reducing its profit and taking money away from investors. However, if the company underpays its staff, it may result in a disgruntled staff providing a poor service to customers. Striking the right balance and paying employees just the right amount can be a difficult balancing act. Depending on the size of a company, employee cost can often run into thousands of crores, which means that a slight error can have huge consequences.

The sector that is the focus of this conversation is information technology. No other sector faces higher employee costs than the IT sector. Since people are essentially the ‘raw material’ of software companies like TCS or Infosys, employee costs are the biggest expense for such companies. In the five-year period from 2013 to 2017, IT companies paid an average of 52 per cent of revenue in salaries and benefits to employees.

Ranking below IT, the hospitality sector is another sector that needs to pay close attention to employee costs. Hospitality companies, like Thomas Cook or EIH, spend lavishly on salaries and benefits for

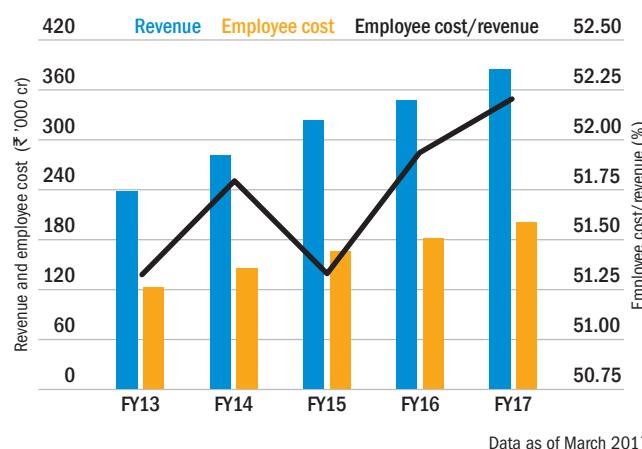


employees. In the five-year period from 2013 to 2017, hospitality companies paid an average of 31 per cent of revenue in salaries and benefits to employees.

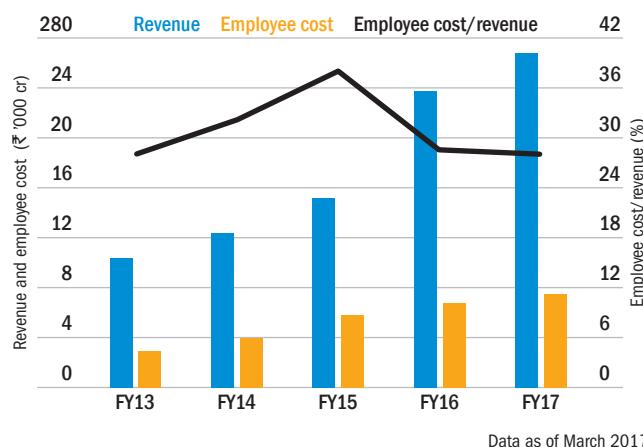
On the other hand of the spectrum, companies dealing with industrial and natural gas like Petronet LNG and GAIL India pay the lowest employee costs. What other companies spend on retaining employees, these companies spend on building and improving infrastructure. In the five-year period from 2013 to 2017, the companies in the industrial-gases sector paid an average of 1 per cent of revenue in salaries and benefits to employees.

Much of what a company pays in employee costs is specific to the sector. As such, the ratio of employee costs to revenue can be a good metric to judge the labour-market conditions faced by a particular sector. **WI**

IT: Cost of labour



Hospitality: Cost of labour



The better paymaster

Public-sector has lower employee cost than the private sector, but finance companies are an exception

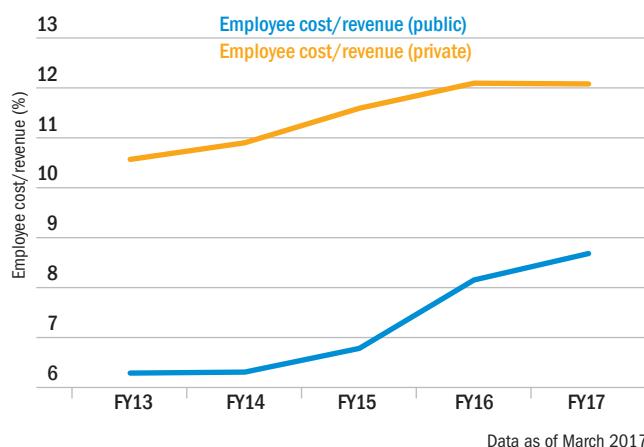
It is often said that employees who work in a government-owned company are paid a lower salary than their peers in the corporate sector. Typically, this is because careers in government-owned companies are seen as less competitive and more secure than those in the corporate sector.

But is this prevailing wisdom backed by any data? A survey of all government companies and corporates in the BSE 500 index seems to back the idea that government employees are paid lower than their counterparts. In the five-year period from 2013 to 2017, government-owned companies, like Indian Oil and NTPC, paid an average of 7 per cent of revenue in salaries and benefits to employees. During the same period, corporates, like Asian Paints or Natco Pharma, paid an average of 11 per cent of revenue in salaries and benefits to employees.

Successive governments have made privatisation of government-owned companies a major priority. Employees of such government-run companies often detest the idea. The prevailing wisdom here is that new corporate owners of the company may cut or stagnate salaries and benefits to cut costs. But if the data are indicative of general trend, privatised companies with a new management may



All sectors: Public vs private

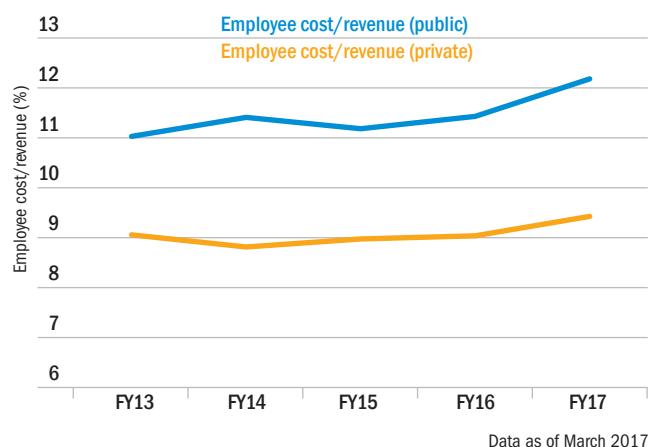


increase compensation over time.

A notable exception in the general trend is the financial sector. Most people interact with government-owned companies frequently if they bank with a government-owned bank, like State Bank of India or Bank of Baroda. Most customers of such banks have plenty of anecdotal evidence of the large and inefficient bureaucracy at government banks. This bureaucracy comes at a huge employee cost to the bank itself. While other government-owned companies pay their employees less than their peers in the corporate sector, the banking and finance sectors have a different tale to tell.

In the five-year period from 2013 to 2017, government-owned finance companies, like LIC Housing Finance and Syndicate Bank, paid an average of 11 per cent of revenues in salaries and benefits to employees. During the same period, corporate-financial companies HDFC Bank and JM Financial paid an average of 9 per cent of revenue in salaries and benefits to employees. A difference of a couple of percentage points doesn't seem large enough at face value, but it results in thousands of crores being saved or spent. **WI**

Finance sector: Public vs private



Is that a 'business'?

Quite a few listed companies have no meaningful business activity and could be entirely operator-driven

A meaningful business generates revenues and profits. It pays dividends to its shareholders. It has certain assets. So on and so forth. What's the point in telling the obvious, you may think. Well, in contrast to what you may call a meaningful businesses, there are quite a few listed companies that will make your head spin.

The companies listed below have negligible revenues and operating profits but still have relatively high worth in terms of market

capitalisation. These companies aren't asset plays either; they have meagre assets on their books. Moreover, the average combined six-month volumes of these companies on the NSE and the BSE suggest that they are still actively traded.

Interestingly, you may have even got SMSes regarding investing in a couple of these companies. In absence of any meaningful business activity, some of these companies could be operator-driven. By all means, stay away from all of them. **WI**

Existential crisis

Company name	Industry	Market cap (₹ cr)	Avg 6M volume ('000)	P/B	P/E	TTM sales (₹ cr)	Operating profit (₹ cr)	TTM Net Profit (₹ cr)	Equity (₹ cr)	Net fixed assets (₹ cr)
Maha Rashtra Apex	Finance - Investment	295	19.8	6.1	82	0.7	-0.9	4.3	-71.4	6.1
Dwitiya Trading	Trading	186	41.7	35.9	0	0.4	0.0	0.0	5.3	0.1
Innovana Thinklabs	IT - Software	180	30.0	14.5	185	15.5	1.5	1.6	1.8	0.7
Vertoz Advertising	Miscellaneous	153	27.9	6.6	137	10.6	2.8	2.6	1.6	2.2
Sharp India	Air Conditioners	128	5.6	-15.4	-	1.5	-7.8	-10.1	-0.7	10.6
Sanghvi Brands	Miscellaneous	124	40.3	3.6	-	25.5	-0.4	0.5	8.2	1.2
Starcom IT	IT - Software	118	0.1	50.8	-	12.8	0.4	0.1	2.2	3.7
Piramal Phytocare	Pharmaceuticals & Drugs	106	8.4	-12.0	-	22.6	-14.5	-14.2	5.1	0.4
Meera Industries	Textile - Machinery	103	7.7	12.8	39	21.1	3.4	2.7	3.9	1.9
Bansal Multiflex	Trading	91	42.0	7.5	238	11.8	0.6	0.6	5.8	0.4
Cals Refineries	Oil Exploration	83	325.2	-3.4	-	0.0	-1.3	-2.0	-20.9	0.0
Jupiter Infimedia	BPO/ITeS	72	5.8	6.2	149	0.5	0.2	0.5	10.3	1.1
TCI Industries	Trading	72	0.1	15.5	-	1.5	-0.4	-0.4	7.3	4.1
Padmanabh Industries	Trading	69	17.5	5.3	333	6.0	-0.1	0.2	4.4	0.1
Victory Paper & Boards	Paper & Paper Products	69	3.6	-12.6	10	0.0	-0.1	7.1	-5.5	3.5
Umiya Tubes	Steel & Iron Products	67	14.9	6.6	44	23.7	2.2	1.5	9.1	7.4
DR Habeerullah Life	Trading	65	0.1	5.6	-	0.4	-0.8	-0.8	7.9	0.5
Scandent Imaging	Packaging	63	2.8	11.8	40	3.8	1.9	1.6	4.1	2.4
Prime Customer Services	Logistics	62	17.6	9.4	191	23.9	0.9	0.7	6.5	0.8
SecUR Credential	Miscellaneous	60	40.1	1.7	33	9.8	2.7	2.7	2.0	0.3
McDowell Holdings	Finance - NBFC	59	233.2	6.2	-	1.0	-10.6	-12.4	10.8	0.0
Gautam Gems	Diamond & Jewellery	58	105.3	3.6	-	0.0	0.0	0.0	0.0	0.6
Madhya Pradesh Today	Printing And Publishing	58	34.3	2.9	25	19.1	4.1	4.0	4.5	4.3
Source Natural Foods	Pharmaceuticals & Drugs	57	0.7	7.3	71	11.0	1.4	0.8	7.0	3.5
Gayatri Bio Organics	Consumer Food	56	3.3	-0.7	0	0.0	0.0	-40.2	-80.4	0.0
Uniinfo Telecom Services	Telecommunication	56	59.9	1.5	51	27.9	4.7	2.5	5.1	2.2
Sharika Enterprises	Engineering	53	86.8	1.7	26	23.1	4.8	4.0	10.1	7.1
Silly Monks Entertainment	Entertainment	51	41.9	2.3	195	12.0	1.8	1.9	5.5	2.7

Data as on May 7, 2018

Foreign-currency woes

Companies that have borrowed in US dollars may face pressure due to the depreciation of the rupee

Question: What's more difficult than repaying a debt?

Answer: Repaying a debt that is denominated in a foreign currency.

Many businesses borrow in foreign currencies, such as the US dollar, to take advantage of ultra-low interest rates in the foreign markets. Such borrowing can be by issuing bonds or by loaning money from a foreign bank.

What looks like a smart move in the short term may come to haunt if the foreign currency



appreciates with respect to the native one or the interest rates in the foreign market rise.

The table below lists some Indian companies that borrowed in US dollars a couple of years ago. Because the rupee has depreciated since then, they now have larger loan amounts outstanding. The repayment is due in the next six months. Keep an eye on how these companies deal with the repayment. The companies with high debt on their books may, especially, face some pressure. WI

Dreading the dollar

Company name	Industry	Market cap (₹ cr)	Dollar amount borrowed (mn)	Borrowed in	USD-INR rate	Amount borrowed in rupees (cr)	Maturity date	Current amount to be paid (₹ cr)	Increase in loan amount (%)	Debt to equity
Radico Khaitan	Breweries	5,467	15.0	29-Jul-11	44.2	66.3	31-Aug-18	101	51.8	0.78
OK Play India	Plastic Products	145	7.6	29-Oct-10	44.4	33.8	31-Oct-18	51	51.0	2.16
Deepak Nitrite	Chemicals	3,450	18.0	31-Oct-11	48.7	87.7	30-Nov-18	121	37.8	0.78
Simplex Infrastructures	Engineering	2,945	10.0	30-Sep-11	49.0	49.0	30-Sep-18	67	37.0	2.17
Asahi India Glass	Glass	9,138	10.0	30-Sep-11	49.0	49.0	31-Oct-18	67	37.0	2.45
TVS Srichakra	Tyres & Allied	2,656	15.0	30-Sep-11	49.0	73.5	31-Oct-18	101	37.0	0.55
Commercial Engineers	Auto Ancillary	91	12.4	30-Jan-12	49.8	61.7	31-Aug-18	83	34.7	-7.45
Nitco	Ceramics	615	8.7	30-Apr-09	50.0	43.7	31-Aug-18	59	34.1	-9.64
Polyplex Corporation	Plastic Products	1,518	9.0	30-Mar-12	50.9	45.9	31-May-18	60	31.7	0.45
Sundram Fasteners	Trading	12,599	15.0	30-Mar-12	50.9	76.4	31-Oct-18	101	31.7	0.48
Motherson Sumi	Auto Ancillary	71,496	18.0	28-Sep-12	52.7	94.9	30-Sep-18	121	27.2	0.22
Welspun Corp	Castings/Forgings	3,900	30.0	31-Oct-12	53.8	161.4	30-Nov-18	201	24.7	0.82
SAIL	Steel & Iron Products	31,351	150.0	30-Oct-12	54.0	810.6	30-Nov-18	1006	24.1	1.15
Wipro	IT - Software	1,23,210	150.0	29-Mar-13	54.4	815.3	31-May-18	1006	23.4	0.14
Steel Strips Wheels	Auto Ancillary	2,061	10.7	30-Aug-12	55.6	59.4	31-Aug-18	72	20.6	1.99
Aarti Industries	Chemicals	10,667	10.0	30-May-13	56.2	56.2	31-May-18	67	19.3	1.18
Heidelberg Cement	Cement	3,442	27.3	30-May-13	56.2	153.4	31-Aug-18	183	19.3	0.73
Datamatics Global	IT - Software	676	10.0	30-Jul-13	60.4	60.4	31-Jul-18	67	11.1	0.10
Godrej Industries	Chemicals	20,075	20.0	31-Jul-13	60.8	121.6	31-Jul-18	134	10.3	1.78
Endurance Technologies	Auto Ancillary	16,809	10.5	30-Jan-15	61.9	65.0	31-Aug-18	70	8.3	0.13
Flexituff International	Textile	137	9.0	30-Dec-13	62.0	55.8	31-Dec-18	60	8.3	1.96
Sadbhav Engineering	Engineering	6,375	10.0	30-Aug-13	66.1	66.1	31-Aug-18	67	1.5	1.07
Solar Industries	Chemicals	9,628	10.0	30-Aug-13	66.1	66.1	31-Aug-18	67	1.5	0.38
Fortis Healthcare	Hospitals	7,915	30.0	30-Aug-13	66.1	198.2	31-Aug-18	201	1.5	0.15
Cadila Healthcare	Pharmaceuticals	40,238	20.0	31-Mar-16	66.2	132.4	30-Jun-18	134	1.3	0.44

Data as on May 8, 2018

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Long-term wealth builders

How they fell and bounced back

When a friend makes a fortune in a long-held stock, our first reaction is how we missed the easy gains. We never pause to think of the trials and tribulations such stocks give to their investors. They always do.

In this issue of *Wealth Insight*, we bring you the top 50 wealth-creating stocks in the last 15 years. There's Ashiana Housing, which compounded shareholder wealth by 50 per cent every year; Titan, which gained 47 per cent; and Motherson Sumi, which gained 40 per cent, again, every year.

This story is not about who gained the most. It is about how they got there, even after falling. Each of the stocks in the list below faced tough times during the last 15 years. There were times

when they had lost half or more of their market value. You will find that it is common for stocks to fall on temporary factors – a slowdown in demand, for instance, a poor monsoon or even internal circumstances. Most stocks pass through such phase and

bounce back when things turn around.

Over the next couple of pages, read about some of the top wealth-creating stocks that have faced tough days in the past or are undergoing a bad phase

today. What's the lesson you should take away? When your stock falls, ask yourself: Is it critical to its survival or is it just a temporary rough patch? If it

is temporary, your stock will most likely pass through the tough phase. As you go about investing, always keep in mind, even good stocks have bad days.



The wealth-creating 50

Industry	Market cap (` crore)	Worst 1Y return (%)*	As on	Best 1Y return (%)*	As on	Returns (%), CAGR	TTM P/E	Current ROE (%)	15Y avg ROE (%)	
Symphony	Domestic Appliances	12,493	-32.1	14-Jul-06	948.1	09-Jul-10	74.2	67	42.6	69.1
Cera Sanitaryware	Sanitaryware	3,879	-41.3	12-Feb-16	490.5	06-Sep-05	56.4	38	20.7	20.6
Balkrishna Industries	Tyres	23,172	-56.6	28-Nov-06	740.4	07-Oct-05	53.5	31	22.7	27.0
Manappuram Finance	Finance - NBFC	10,321	-70.3	11-Jul-13	611.9	28-Dec-07	52.8	15	24.8	26.7
Vinati Organics	Chemicals	4,752	-53.2	14-Jun-06	716.7	19-Jan-10	51.1	33	22.8	26.3
Avanti Feeds	Consumer Food	10,352	-58.9	03-Jan-07	726.6	07-Nov-14	51.0	23	42.9	21.8
Aegis Logistics	Logistics	9,304	-69.0	29-Dec-11	793.0	29-Jul-05	50.9	53	24.2	20.6
Ashiana Housing	Real Estate	1,673	-60.9	23-Feb-16	1,362.4	05-May-06	50.9	27	9.8	25.8
Ratnamani Metals	Castings/Forgings	4,533	-47.0	19-Feb-16	718.9	24-Jun-05	50.7	33	12.9	26.3
Hester Biosciences	Pharmaceuticals	1,381	-57.0	05-Sep-06	1,764.8	30-Jun-05	50.0	54	20.5	23.1
Panama Petrochem	Lubricants	1,197	-47.7	05-Sep-12	648.9	09-Jun-05	49.7	20	14.9	19.2
Poly Medicure	Medical Equipment	2,229	-52.7	03-May-16	521.0	13-Jul-05	49.2	32	21.0	26.8
Relaxo Footwears	Personal Products	8,213	-57.1	12-Sep-06	957.1	12-May-10	49.2	51	22.7	21.0
Bajaj Finance	Finance - NBFC	1,07,415	-29.1	07-Mar-07	573.3	09-Mar-10	49.1	40	21.7	15.1
IFB Industries	Domestic Appliances	5,250	-60.7	20-Aug-04	831.4	17-Aug-05	49.0	80	50.3	11.7
JM Financial	Finance - Investment	11,197	-65.2	05-Oct-11	953.1	07-Oct-05	49.0	18	20.5	19.4

Industry	Maket cap (` crore)	Worst 1Y return (%)*	As on	Best 1Y return (%)*	As on	Returns (%, CAGR)	TTM P/E	Current ROE (%)	15Y avg ROE (%)	
Gruh Finance	Finance - Housing	25,381	-29.9	14-Oct-04	219.8	06-Jan-06	48.9	70	29.1	28.3
Havells India	Electric Equipment	34,174	-22.4	26-Aug-11	421.4	22-Jan-10	48.9	52	15.8	33.5
La Opala RG	Glass	3,085	-45.7	17-May-07	438.8	17-Aug-05	48.0	42	21.7	17.4
Himadri Speciality	Chemicals	5,644	-67.3	28-Mar-13	1,522.1	24-Jan-06	47.1	28	8.6	12.7
VST Tillers Tractors	Tractors	2,552	-45.1	11-Jul-06	476.0	15-Jan-10	46.6	23	15.8	23.5
Titan Company	Diamond & Jewellery	84,886	-26.6	12-Dec-13	392.8	12-Jul-05	46.5	75	18.1	46.5
Bajaj Electricals	Domestic Appliances	6,384	-45.0	05-Oct-11	944.6	27-May-05	46.4	56	13.5	21.4
Eicher Motors	Two & Three Wheelers	84,147	-36.3	22-Feb-06	322.3	06-May-10	45.8	43	34.1	27.6
Shree Cement	Cement	56,631	-23.5	15-Mar-11	366.6	15-Jan-10	45.7	41	18.4	25.1
Rajesh Exports	Diamond & Jewellery	19,074	-49.8	20-Dec-13	475.7	31-May-05	45.5	16	23.3	23.5
Ajanta Pharma	Pharmaceuticals	9,324	-45.8	03-Oct-17	309.0	20-Nov-13	45.4	20	36.8	23.0
Kajaria Ceramics	Ceramics	8,575	-61.7	07-Nov-07	259.2	19-May-04	44.9	36	23.7	21.5
KRBL	Consumer Food	11,462	-65.5	20-Dec-11	454.8	09-Mar-10	44.8	26	23.5	18.3
Kama Holdings	Plastic Products	3,252	-59.7	20-Sep-06	956.2	16-Sep-05	44.2	92	29.2	8.4
Hatsun Agro	Consumer Food	11,508	-36.0	12-Dec-06	284.0	19-Feb-14	43.7	87	46.5	27.1
HIL	Cement	1,718	-69.0	03-Apr-07	1,354.2	04-Jun-05	42.7	21	11.4	15.2
Godrej Industries	Chemicals	19,875	-21.9	05-Oct-11	530.0	29-Apr-06	42.5	74	4.00	12.9
Amara Raja Batteries	Batteries	14,780	-36.0	18-Jun-04	417.2	12-Mar-10	42.5	32	20.3	21.4
Bombay Burmah Trading	Agriculture	10,922	-54.7	17-May-07	449.0	11-Mar-15	41.7	0	40.4	18.4
CCL Products	Tea/Coffee	4,035	-62.2	22-Jan-08	718.5	02-Nov-04	41.2	30	23.4	24.5
IG Petrochemicals	Chemicals	2,003	-62.0	20-Dec-11	455.1	09-Jan-07	41.2	14	29.6	8.7
Sagar Cements	Cement	1,933	-43.9	05-Aug-10	597.0	16-Jan-07	40.8	105	-0.6	14.7
Kotak Mahindra Bank	Bank - Private	2,41,167	-16.9	05-Oct-11	271.2	05-Mar-10	40.6	39	13.8	16.1
Motherson Sumi Systems	Auto Ancillary	71,401	-31.8	23-Feb-16	214.5	11-Sep-14	39.8	46	31.4	36.4
Kirloskar Industries	Industrial Equipments	1,234	-43.8	18-Dec-13	434.7	25-Jun-10	39.7	21	14.1	15.4
Hawkins Cookers	Domestic Appliances	1,594	-42.7	27-Jan-16	519.9	27-Apr-10	39.4	33	54.4	51.3
Rain Industries	Petrochemicals	9,238	-51.4	20-Aug-04	753.4	09-Jan-18	39.2	10	22.3	25.8
Hindustan Zinc	Metal - Non Ferrous	1,26,337	-38.6	27-Apr-07	598.9	03-May-06	39.0	14	24.4	30.9
Steel Strips Wheels	Auto Ancillary	1,991	-59.7	24-Nov-11	604.6	21-Oct-04	38.6	27	15.9	16.2
Geojit Financial Services	Finance - Stock Broking	2,471	-55.6	23-Nov-11	501.2	19-Aug-05	38.4	34	12.2	18.6
Supreme Industries	Plastic Products	16,893	-25.6	07-Mar-07	425.9	12-Mar-10	38.3	39	25.0	24.5
Aarti Industries	Chemicals	10,771	-70.8	30-Mar-07	359.3	04-Sep-14	37.9	32	26.2	20.3
United Breweries	Breweries & Distilleries	29,397	-40.0	19-Mar-08	519.2	05-Aug-05	37.9	95	10.3	9.3
Siyaram Silk Mills	Textile - Weaving	3,071	-63.0	11-May-07	472.4	24-Jan-06	37.8	29	16.4	15.5
Median			-48.8		520.4		45.6		22.0	21.5

Data as on May 11, 2018. *Best and worst one-year returns have been taken for the last 15 years, from May 11, 2003 to May 11, 2018

MANAPPURAM FINANCE

Golden returns**-70.3%**

Worst 1Y return (%)

As on
11-Jul-13**52.8%**

15Y annualised return (%)

Manappuram Finance is a non-banking finance company, today more known for its gold-loan schemes. Its darkest period was in 2012 when it had a run-in with the RBI that capped the loan-to-value ratio to a maximum of 60 per cent. Given the volatility in gold prices and dependence of gold companies on gold, the company's capital requirements were also increased to 15 per cent in comparison with 9 per cent for banks. Manappuram's stock tumbled 70 per cent in a year. The company took corrective measures and constituted an independent committee under the chairmanship of Jagdish Kapoor, former deputy governor of RBI and former chairman of HDFC Bank. It addressed the outstanding issues with the RBI. It took the company five years to report the same profits it had before RBI's censure. Its stock compounded shareholders' wealth by 50 per cent in these five years.

ASHIANA HOUSING

Solid foundation**-60.9%**

Worst 1Y return (%)

As on
23-Feb-16**50.9%**

15Y annualised return (%)

Imagine doubling your money every two years. That's Ashiana's compounding juggernaut in the last 15 years. That does not mean it has not seen bad days. Ashiana's stock fell over 60 per cent in 2016 after the company reported a slump in new bookings. This period corresponded with a slowdown in the sector and fewer launches by Ashiana. Its operational performance remained muted from that time, right up to the last two quarters, when things started turning around. Ashiana has been an underperformer since. Yet, in spite of trailing the market for the last three years, any Ashiana shareholder would still see solid gains if he or she held onto its shares and rode out the tough days. A remarkable feat indeed.

HESTER BIOSCIENCES

Animal spirits**-57.0%**

Worst 1Y return (%)

As on
05-Sep-06**50.0%**

15Y annualised return (%)

The animal-vaccine business is as unsexy as it gets. Its shareholders though would tell a different tale. Hester compounded their wealth by 50 per cent every year. Its market cap has grown on steroids – from ₹3 crore in 2003 to ₹1,250 crore today. Supply constraints in an intermediate of its top-selling vaccine, Marek, saw Hester stumble in 2014. Marek contributed 23 per cent to the company's revenue and due to the constraint, its contribution fell to just 5 per cent. The company responded by manufacturing the intermediate itself. With the problem resolved, the company resumed its growth momentum up.

HIMADRI SPECIALITY CHEMICALS

Special positioning

Few in the market know what Himadri does. It is a coal-tar distiller that produces carbon materials used in various industries. For instance, it manufactures carbon black, which is used in tyres, and naphthalene



-67.3%

Worst 1Y return (%) As on 28-Mar-13

47.1%

15Y annualised return (%)

derivatives, which are used in naphthalene balls. Dealing in commodities as raw materials, Himadri's profits evaporated by 85 per cent when the input prices shot up in 2013. It faced two more bad years before things turned around. Between FY13 and FY17, it expanded its capacity by 60 per cent and brought its debt-to-equity ratio down from 1.44 to 0.75. It has remained profitable since December 2015 and also increased its earnings every quarter. The stock has jumped by 54 per cent every year in the last five years.

VST TILLERS

Farmers' favourite



-45.1%

Worst 1Y return (%) As on 11-Jul-06

46.6%

15Y annualised return (%)

Tiller manufacturer VST saw a rapid rise in market cap – from ₹20 crore in 2003 to ₹2,500 crore today. This is a commendable feat, given that VST's small machine-powered land tillers depend on good monsoons for sales. A year with poor monsoon can derail fortunes of any agri company, as it happened in 2013 with VST. Its sales volume fell in double digits. VST sold fewer tillers that year and its stock was beaten down. Things have improved since, with VST foraying into the higher-margin tractors.

TITAN

For ever



-26.6%

Worst 1Y return (%) As on 12-Dec-13

46.5%

15Y annualised return (%)

Titan was never a hidden gem nor an unknown name. Everyone knew Titan made watches and dabbled in jewellery. Few investors would see that this plain-old jeweller would compound their wealth by close to 47 per cent every year in the last 15 years. Any such investor in Titan though would face a bumpy ride up. The company saw one of its most difficult periods in the recent times in 2013, when the government imposed various restrictions on gold imports under the 80/20 scheme. The scheme made it mandatory that 20 per cent of gold imports by a company must be used to make products that can be sold abroad. Titan had to buy all the gold it needed in cash, something it hadn't done before. This meant it now had to put up more of its capital in gold and inventory. The wary markets pummelled Titan stock. Yet, when those restrictions were lifted a year later, Titan recovered all the lost ground and continued its move higher.

RAJESH EXPORTS

The silent winner



-49.8%

Worst 1Y return (%) As on 20-Dec-13

45.5%

15Y annualised return (%)

More nondescript than Titan, Rajesh Exports is yet another jeweller that has faced difficult days but has still rewarded long-term shareholders big time. Rajesh faced the same government restrictions on gold imports as Titan and other jewellers. During the tough period, the stock took a beating, losing half its value. When those restrictions were lifted, Rajesh recovered all the ceded ground and is today trading higher. The company also acquired Switzerland's Valcambi in 2015, the world's largest integrated precious-metals refiner, which further added to its growth.

AJANTA PHARMA

Recovering fast



-45.8%

Worst 1Y return (%) As on 03-Oct-17

45.4%

15Y annualised return (%)

Until two years ago, Ajanta was the darling of the market. The company's earnings grew by 46 per cent in the last five years. It rewarded its shareholders by compounding their wealth by 45 per cent every year. A slowdown in the global business starting in 2016, pricing pressure in the US and disruption in domestic sales post demonetisation and introduction of the GST pulled down revenue growth as well as its famed margins. The company has yet to recover from the fall, though it has started to see recovery in select international markets.

AMARA RAJA

Charging up

Amara Raja is one-half of a duopoly in the organised battery market in the country. The company, which sells batteries used in cars and in other industrial products, compounded its shareholder return by over 43 per cent every year. The demonetisation scheme hit Amara hard as consumers put discretionary spending on hold. During this time, the price of lead, a primary raw material, climbed up, as did inventory costs and other expenses. At its worst, the stock was down by a



-36.0%

Worst 1Y return (%) As on 18-Jun-04

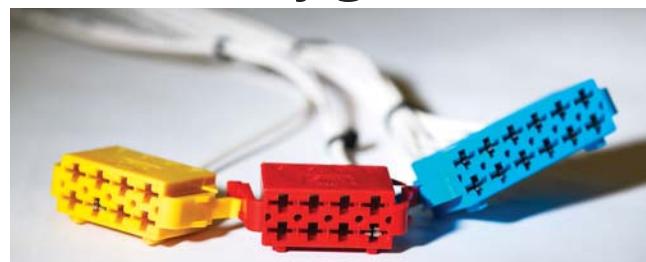
42.5%

15Y annualised return (%)

third. Amara would recover over time with tight cost controls and product price hikes. The stock is still to recover from the fall, yet long-term investors still remain in the green.

MOTHERSON SUMI

The industry giant



-31.8%

Worst 1Y return (%) As on 23-Feb-16

39.8%

15Y annualised return (%)

There are thousands of auto-ancillary companies in India, and then there is Motherson Sumi. The company is a giant in its industry, with a revenue of over ₹52,000 crore. Its market cap is over ₹70,000 crore. Motherson received a body blow in 2015 when Volkswagen, its big customer, was found to have fudged emission norms in the US and was then banned from selling diesel cars there. Volkswagen accounted for 40 per cent of Motherson's revenue at the time. Singed, the company vowed to limit the share of a single customer to 10 per cent by 2020. The company recovered from the Volkswagen shock over time, doubling both revenue and bottom line in the last three years. WI



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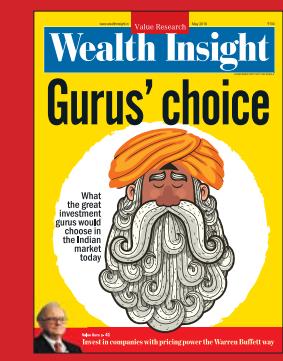


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What motivated Walmart to buy Flipkart



● ANAND TANDON

Many have called Walmart's recent \$16 billion purchase of Flipkart – largest in the e-commerce space – a ratification of India's e-commerce potential. Some derisive comments have been made on how Indian investors (including large industrial groups) just 'don't get it' and that it takes foreign capital and strategic investors to understand the potential of India.

Flipkart claims a gross merchandise value (gross sales) of \$7.5 billion. However, its customers return goods worth 40 per cent of gross sales, netting it \$4.5 billion in sales. On this, Flipkart has accumulated losses of ₹24,000 crore till FY17 – almost half of \$6 billion that investors had put in the company before the current deal. In its deal presentation, Walmart has indicated losses will continue at about \$1.2 billion a year until FY20. Clearly, Flipkart is a money sink and is not being brought for its earning capacity – at least over the near term. The attraction of the Indian market has a part to play. But perhaps the overriding driver is Walmart's own issues in the USA. That may also explain why Indian investors who don't have the same compulsions did well to stay away.

India's potential

The Indian market is a hard one to operate in and forecasters' optimistic size estimates are rarely achieved. In a note titled "The Next India: Internet – Opening Up New Opportunities" published on February 2, 2015, Morgan Stanley (MS) predicted that the Indian internet market would likely grow from \$11 billion in 2013 to \$137 billion in 2020. Of this, e-commerce would make up

Flipkart is a money sink and is not being brought for its earning capacity – at least over the near term. The attraction of the Indian market has a part to play.

\$102 billion, overtaking travel, which was the largest category in 2013. A year later, a report dated February 12, 2016, upped e-commerce estimate for 2020 to \$119 billion. The reality in 2018 is that e-commerce is probably less than \$15 billion. This is despite a huge increase in broadband availability, coupled with a drop in data prices.

A recent report by Kotak quotes the estimates from retail consultancy Technopak. It pegs e-commerce at \$50 billion by 2020 (see the first table). This assumes a 45 per cent compounded growth – no mean achievement. Even if this were achieved, the market would remain barely 40 per cent of MS's estimate made two years ago! Of course, MS's enthusiasm has not been dented; it now forecasts \$200 billion in 2026, with a 'bear' case estimate of \$105 billion.

The second table above breaks up the retail business in India by category. Food and grocery is 66 per cent of the retail market – a segment notoriously

difficult to penetrate by organised retail anywhere in the world, much less by online. Keep in mind that currently, consumer electronics, in particular smartphones, make up about half of online sales in India. Appliances, apparel and groceries are the other large categories. Essentially, standardised, easy-to-brand items are amenable to online sales. In fact, Walmart's own projections for India's online market size would imply \$70 billion by 2023 and \$175 billion by 2026 (assuming no growth slowdown). To put this seemingly large number in perspective, China's online sales today are five times that size! Despite this, India remains potentially a large market.



Walmart: Under threat at home

Having risen through the ranks at Walmart over 20 years, Doug McMillon, 52, took over as CEO at the age of 48 in 2014. His priority was to fix Walmart.com, which made up just over 3 per cent of sales for Walmart. By then Walmart had already conceded an almost unsurmountable lead to Amazon. With an annual growth rate of 24 per cent against Walmart's rather anaemic 1.7 per cent, Amazon would overtake Walmart in size in just over six years!

McMillon needed fresh talent to shake up his online platform. In 2016, Walmart purchased a year-old business Jet.com for \$3.3 billion (sales \$1 billion). In essence, he hooked Marc Lore, founder of Jet, and his team.

Marc Lore had earlier sold his business Quidsi to Amazon for about half billion dollars and worked with Amazon for two years as part of the sale. The acquisition

was a result of an online war between Quidsi and Amazon, where the former lost. Marc is quoted as saying about his sale, "It was a really depressing sort of moment." Clearly, Marc resented the loss and needed to find a way to best Amazon. He set up Jet.com but selling out to Walmart provided him the money to really take on Jeff Bezos.

Taking the fight to the opponent

McMillon has made Marc Lore responsible for growing the online business while working on the traditional brick-and-mortar business of Walmart. To beat Amazon, Walmart is attempting to use its traditional strength – low price and closeness to customer; it claims to have a store within 10 km of 90 per cent of Americans. Walmart is experimenting with a range of options – from free delivery to pick-up from nearby stores, to kerbside delivery (delivery to the nearest access point). Other initiatives include a tie-up with Google Assistant to take on Amazon's Alexa – a voice-based ordering system. A loyalty program like Amazon Prime is in the works.

Another part of the strategy is to keep Amazon busy in international markets – the one area where Amazon has not turned profitable. In China, this has taken the form of investing in JD.com, thereby engaging Amazon in competition. In India, Flipkart fit the bill.

Who else could have bought Flipkart?

Flipkart almost lost its battle to Amazon a year ago. However, fresh equity inflows and some determined

Organised and unorganised retail in India

	2017 2012	2020 (\$ bn)	2017-20 (\$ bn)	CAGR (%)
Unorganised retail	370	632	822	9
Organised B&M retail	28	67	119	21
E-tail	1	16	50	45
Total	398	710	990	12
Organised B&M retail + e-tail as proportion of overall retail (%)	7	12	17	

Source: Technopak, Kotak Institutional Equities. March-end data.

Retail business in India by category

	Retail size (\$ bn)	Proportion of total retail (%)	Size of organised retail (\$ bn)	Penetration of organised retail (%)	Key organised retailers
Food and grocery	474	67	16	3	Big Bazaar, Dmart, Reliance Fresh, More
Apparel and accessories	56	8	14	24	Raymond, Van Huesen, Shoppers' Stop, Lifestyle, W, Aurelia, Biba
Jewellery and watches	55	8	15	28	Tanishq, Malabar, Kalyan
Consumer electronics	42	6	11	27	Samsung, Vijay Sales, Croma, Reliance Digital
Home and living	31	4	3	11	Home Centre, Home Stop
Others	23	3	3	13	Includes books and stationery, toys, eyewear, sports goods, alcoholic beverages and tobacco
Pharmacy and wellness	21	3	2	11	Apollo, MedPlus
Foot apparel	8	1	2	27	Bata India, Metro, Adidas, Clarks
Total	710	100	67	142	

Source: Technopak, Kotak Institutional Equities. March-end data

management efforts brought it back from the brink. Despite having a market share close to half of Indian online market, Flipkart has kept haemorrhaging. Amazon, which has invested only \$5 billion in India, is a close second, and perhaps has greater customer retention. For investors in Flipkart, there were no great options for exit except for an IPO, in which the regular losses made by the company would have proved to be a deterrent. The implied threat of a takeover by Amazon – floated by Softbank (an investor in Flipkart) while negotiating with Walmart – was no more than a red herring. A combined market share of close to 80 per cent would have ensured that Competition Commission frowned at the deal.

Clearly, Walmart did not negotiate hard. Flipkart's acquisition can add 1 per cent to the online sales of Walmart – something more valuable than money at a time when the company is struggling to grow its online business. Also, no doubt, personal objectives trumped corporate goals in taking on Amazon in a fast-growing

market where Amazon was number two. With no other likely suitor and with private-equity funds needing to exit so that they didn't have to fund more losses, there was scope for a lower price for Walmart's purchase.

What does this mean for India?

Walmart has strengths in food, grocery and apparel – areas that Amazon has not been particularly good at. It helps that Flipkart is already a dominant player in the online-fashion space through Myntra and Jabong. Walmart India's 21 cash-and-carry stores will undoubtedly integrate at some stage with Flipkart to provide physical presence, but they need to rapidly expand if they have to offer any significant geographical coverage.

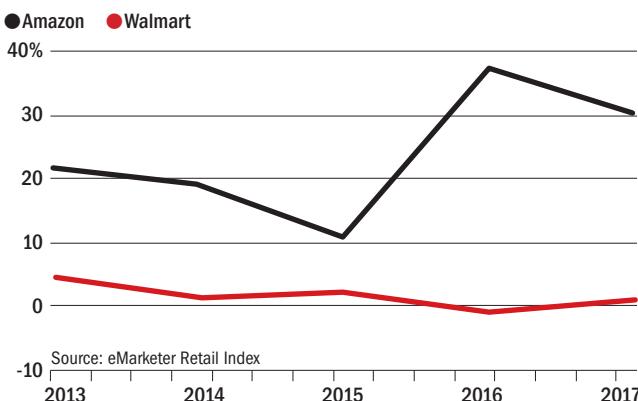
To fully replicate its global strategy, Walmart will need to invest in brick-and-mortar (B&M) stores in India. Since FDI is limited to 51 per cent in such stores, it is possible that Walmart may pick up stake in some B&M companies, especially those in food and grocery.

Some bits of Flipkart's ecosystem, like the payment mechanism of Phone Pe and the technology platform that they have built, may be of significant advantage to Walmart globally. However, Walmart follows a model where its acquiree companies operate on their own – not something that will allow easy adoption of best practices from each other.

It does appear that Walmart's need to put up a fight against Amazon has been the primary driving force behind the acquisition. While this may be justifiable for Walmart, it would have been hard for any other investor, much less an Indian corporate, to take a bet this big with outcomes that are so far in the future. Meanwhile, consumers can look forward to mouth-watering discounts continuing. WI

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Revenue growth: Amazon vs. Walmart



Oil: The last hurrah

Why the rally in crude oil may not last long



● SANJEEV PANDIYA

I still remember the oil shocks of the Iran-Iraq war, and of course, the US-Iraq War (which saw peak oil/Hubbert's peak and \$147/barrel). And I remember the terror as we contemplated a future without oil and how our lives would change if we had to scrape the bottom of the barrel.

There are desperate co-ordinated attempts to create the same kind of panic this time. The spread between Brent and WTI, a kind of 'fear premium' that indicated the state of geopolitics (mostly Middle Eastern politics), is now at historic highs. This spread was supposed to represent how much Asia and Europe would be paying extra over the actual 'economic' price of oil (as represented by the 'strategically comfortable' US).

The obvious motive right now is to recoup the \$1.4 trillion of bank lending that had gone into shale oil during its boom-capex years (2013 to 2017). All this has come good. Now for fresh lending to happen, you need a three-year forward curve (which, right now, is already in backwardation to the extent of 9 per cent in the first year itself). Given that the shale-oil cost curve is now estimated to be under \$48 and is going to \$35, the incremental supply possible is very large (which explains the stubborn refusal to invest in Big Oil capex any more).

So there are many votaries of higher oil prices and they are all very powerful people. But there are two natural forces that will weigh on oil prices, like the proverbial elephant in the room. One is that only 40–60 per cent of the oil market is in the hands of cartels (principally OPEC and Russia), while the rest is now

with 'free-traders'. And there's a huge 10–12 per cent 'swing capacity' now counterbalancing the Saudi clout, which is shale.

Most important, the rising threat of solar starting to influence prices, especially forward prices, at the margin is keeping the upward momentum in check. Most of the panic, therefore, is in the spot market, which is why this is not an oil shock and may not become one.

Far more important is the demand side. Most of the growth in demand comes from China-India and both are rapidly adding solar capacities. It is possible to shift some oil demand to being serviced by off-grid solar. In India, it is possible to buy a cheap electric vehicle for ₹6 lakh and feed it with rooftop solar electricity that costs under ₹3 lakh. That caps your cost of personal transportation. If you're paying beyond that, it's because you don't want the headache of setting up solar rooftops. India is shifting some oil demand to ethanol, a win-win for the sugar industry, which is sitting on historic stocks.

At a particular price point, this will become a big thing, especially if this is seen as a long-term trend. India is right now replacing 3,00,000 barrels of oil per day consumption with just the increase in solar capacity per annum. China is doing about six times that. Remember, a 2 per cent surplus will halve oil prices; we have already seen that.

At some point, as the threat from solar becomes clear, there will be a 'race to the bottom', as marginal producers realise that their oil reserves become useless if they hold onto them. At that tipping point, every drop in oil prices will actually result in an increase in production

As the threat from solar becomes clear, there will be a 'race to the bottom', as marginal producers realise that their oil reserves become useless if they hold onto them

(subject to variable cost getting covered). That would bring it under \$20.

But this is over the very long term. In the short run, the market is reacting to short-term drops in inventory. It had been driven into complacency by the large inventories, which had used up tanker space. Mainly, this violent reaction to the drop in inventories is more than the market is now shaken out of its complacency, rather than any genuine demand-supply imbalance.

The actual problem is the meddling by the cartel (OPEC) in the world's largest commodity. Their production cutbacks and the geopolitics has pushed oil prices to the limits of tolerance. Any sustainable rise above these levels should slow down global economic growth, as importers rush to cut back on short-term sources of demand.

This brings me back to the point I am making, one of those conversions I just mentioned above. The frustrated oil consumer who takes the trouble to set up some rooftop solar capacity and buy that EV is not going to come back to oil, regardless of prices hitting the floor subsequently. Other energy-saving programmes in industry will be spurred by any long-term buoyancy in oil prices. Based on the same pattern illustrated above, anything which can be converted into off-grid solar will be quickly converted because the solar ecosystem is alive and thriving in many of the importing countries.

Trump is trying to kill two birds with one stone in the Iran-Venezuela sanctions game. While he will hit where it hurts (the pocket) by denying them the oil bonanza, he is creating space for US shale oil to grow into that space if there can be a long-term forward rate that is viable. If enough long-term forward contracts can be written, it will set off another shale boom, which will create huge jobs fair in his favoured Midwest, exactly in the middle of Trump-voting territory.

Over the short term, this political motive might or might not work. But the unintended consequence of this will be a spur to conversion to solar, which now has a mature ecosystem to push off-grid installations, including rooftop solar.

The Modi government is doing its bit, although it might have reached the end of its ability to milk taxes out of this milch cow. While this is a tax on the middle class/affluent, the vehicle-owning class, it also creates an incentive to shift to cheaper mixes and public transportation, which has really improved since the last oil shock (2008). I don't see that happening without protests, but any further increases will pinch. Still, it has been a great milch cow for government revenues,



allowing the government to cross-subsidise its many welfare programmes.

A return to the old policy of subsidising oil consumption would send entirely the wrong message to economy watchers. It would be tough, but a concerted push by the government to push conversion to other sources of energy (ethanol, off-grid solar) would send the right message. Besides any sign of an uptick in oil prices, the joker in the pack would be a slowdown in demand, as users who cannot pass on these price hikes drop out of consumption.

While the media keeps talking about the fall in the rupee against the dollar as a reaction to oil prices, remember that is only a trigger, maybe even a catalyst. The actual driver is the reversal of carry-trading flows that are reacting to the rise in US interest rates (which is why this rupee depreciation coincides with the appreciation in the dollar index), and the importer panic, which is a regular occurrence because of the traditionally low hedge ratio prevailing on forex exposures. This always exacerbates the volatility.

It is not yet clear that the merchandise trade deficit has deteriorated significantly, although it will show an effect with a time lapse. Any cooling down in the dollar index could lead to flows, which could reverse some of the rupee depreciation. So don't be surprised if this cools off suddenly. **WI**

The author teaches, trades and writes at spandiya.blogspot.com

Our scorecard

Over the years, we have analysed and recommended several stocks. The table below shows our performance since July 2011. Yes, we have a few failures, but we also have many successful picks. A portfolio comprising the stocks below has delivered an IRR of 23.16 per cent, including dividends, assuming one had invested ₹10,000 in each of the stocks at the time of the recommendation. In all one would have invested ₹10,10,000. The current value comes to ₹31,88,422 (including dividends) on May 22, 2018, whereas investing the same amount in the Nifty 50 would have generated ₹19,75,948 (including dividends), yielding 12.78 per cent. WI

Performance

Total returns* since July 2011

23.2% **12.8%**

Stock Analyst's Choice

Nifty 50 Index

*As on May 22, 2018

Recommendation date		Recommended price (₹)	Current price (₹)	Value of ₹10K invested (₹)	Total return (% per annum)	
Jul-11	Asian Paints	295	1,284	43,493	24.78	
	Bosch	6,917	17,670	25,546	15.42	
	Castrol India	122	168	13,708	7.09	
	Colgate-Palmolive	458	1,210	26,408	16.89	
	CRISIL	693	1,623	32,460	15.20	
	Cummins India	481	740	15,398	9.02	
	Exide Industries	149	246	16,480	8.63	
	ITC	123	281	22,786	14.81	
	Larsen & Toubro	730	1,335	18,283	10.20	
	Nestle India	3,888	9,488	24,404	14.96	
	NMDC	258	114	4,434	-7.18	
	Pidilite Industries	159	1,104	69,274	33.29	
Aug-11	Titan Company	229	921	40,234	22.51	
	Lupin	461	732	15,892	7.94	
	Opto Circuits	213	11	493	-35.19	
Sep-11	Bank of Baroda	152	129	8,531	-1.62	
	Castrol India	127	168	13,172	6.60	
	Power Grid Corporation	103	213	20,735	13.59	
	Rural Electrification	87	109	12,546	10.46	
	Tata Coffee	70	110	15,553	7.52	
	Torrent Power	211	220	10,414	1.81	
	Zee Entertainment Ent.	123	556	45,071	25.83	
	CMC*	858	2,032	23,674	25.67	
	Graphite India	78	818	1,05,580	44.46	
	Zylog Systems	197	2	89	-49.66	

Returns for less than one year are absolute. Total returns include dividend income. Returns as on May 22, 2018. Transactional fees not taken into account.

*CMC merged with TCS with effect from September 29, 2015. Its current price is the last traded price.

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Recommendation date		Recommended price (₹)	Current price (₹)	Value of ₹10K invested (₹)	Total return (% per annum)	
Nov-11	Godrej Consumer Products	198	1,080	54,492	30.39	
	Tata Consultancy Services	1,087	3,510	32,298	22.26	
	Transformers & Rectifiers	20	24	12,106	3.05	
Dec-11	Gujarat State Petronet	92	172	18,638	10.98	
	Noida Toll Bridge	23	10	4,313	-3.00	
	Tata Motors	180	298	18,100	9.13	
Jan-12	GAIL	218	325	14,889	8.59	
	Mahindra Lifespace	245	526	21,450	14.79	
	MRF	6,859	73,849	1,07,598	45.09	
Mar-12	Bajaj Finance	83	2,158	2,89,170	70.31	
	Gabriel India	23	147	64,461	36.36	
	Opto Circuits	221	11	475	-38.38	
Apr-12	Shriram Transport Finance	581	1,441	24,786	16.93	
	TTK Prestige	2,647	5,825	22,007	14.24	
	Bata India	423	744	17,600	10.36	
May-12	GSK Consumer Healthcare	2,770	5,940	21,443	14.58	
	Swaraj Engines	395	1,983	50,217	35.41	
	Ajanta Pharma	75	977	1,29,605	55.22	
Jun-12	Elecon Engineering	53	64	12,019	5.11	
	Kirloskar Pneumatic	470	892	18,980	13.03	
	Hero Motocorp	2,082	3,506	16,837	12.46	
Aug-12	Supreme Industries	237	1,260	53,243	35.66	
	VST Industries	1,695	3,063	18,075	13.57	
	Amara Raja Batteries	195	801	41,031	28.88	
Sep-12	Redington India	71	121	16,942	11.41	
	Lupin	567	732	12,900	5.51	
	MindTree	172	1,015	59,041	39.27	
Oct-12	Solar Industries	197	1,104	56,149	36.45	
	Grindwell Norton	130	503	38,672	29.11	
	KPIT Technologies	120	250	20,783	14.88	
Nov-12	Mcleod Russel	306	141	4,602	-11.70	
	City Union Bank	48	188	42,034	29.23	
	Petronet LNG	79	210	26,603	20.91	
Dec-12	Wockhardt	1,647	649	3,941	-14.96	
	Balkrishna Industries	145	1,132	77,985	47.70	
	KEC International	64	370	58,055	39.84	
Feb-13	Torrent Pharmaceuticals	365	1,330	36,401	30.68	
	Emami	410	1,011	24,653	19.88	
	Gruh Finance	108	660	61,210	42.48	

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Recommendation date		Recommended price (₹)	Current price (₹)	Value of ₹10K invested (₹)	Total return (% per annum)	
Apr-13	Berger Paints India	69	290	42,277	32.96	
	Innoventive Industries#	103	4	407	-62.83	
May-13	Kaveri Seed Company	252	484	19,223	14.48	
	Navneet Education	57	136	23,805	21.66	
Aug-13	V-Guard Industries	35	226	65,215	45.32	
	Cairn India##	296	285	9,650	2.90	
	Indraprastha Gas	62	250	40,464	35.02	
	Nesco	146	555	38,037	32.41	
Nov-13	Bajaj Corp	237	451	19,008	19.11	
	HCL Technologies	581	905	15,588	12.80	
Dec-13	Volta	89	549	61,416	50.97	
Feb-14	J&K Bank	135	51	3,787	-19.12	
Mar-14	Tata Consultancy Services	2,213	3,510	15,856	13.29	
	Cummins India	433	740	17,083	16.55	
	Swaraj Engines	622	1,983	31,903	35.84	
Apr-14	AIA Engineering	560	1,552	27,725	29.11	
	Godrej Consumer Products	382	1,080	28,287	29.25	
May-14	Rallis India	167	205	12,277	6.56	
	Titan Company	256	921	36,029	37.43	
Jun-14	Finolex Cables	164	662	40,356	42.67	
Aug-14	NBCC	20	92	46,540	48.37	
	Gateway Distriparks	232	169	7,296	-4.92	
	GMDC	154	118	7,654	-4.54	
	V-Guard Industries	47	226	48,155	51.16	
Sep-14	Finolex Industries	297	634	21,363	24.77	
	Hindustan Media Ventures	155	213	13,744	9.62	
Oct-14	Mahindra Holidays & Resorts	199	319	16,035	14.83	
	Tata Coffee	93	110	11,747	5.67	
Nov-14	Infosys	966	1,186	12,272	8.01	
	Tata Motors	482	298	6,460	-12.56	
Jan-15	Apollo Tyres	208	275	13,237	9.45	
Mar-15	Ipcia Laboratories	681	669	9,822	-0.46	
Apr-15	Volta	256	549	21,414	27.10	
	Astral Poly Technik	449	917	20,426	25.26	
	VST Tillers Tractors	1,380	2,766	20,045	25.43	
May-15	Just Dial	1,253	431	3,436	-29.07	
	Shriram Transport Finance	1,099	1,441	13,111	10.00	
PORTFOLIO TOTAL				30,69,612	23.2	

#Stopped trading since Jun '13. ##Stopped trading since Apr '17. Returns for less than one year are absolute. Total returns include dividend income. Returns as on May 22, 2018. Transactional fees not taken into account.

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Ideas to delve deeper

Sound investment methods outlast cycles and fads and generate profits over the long run. Value Research presents stock screens based on time-tested principles.

What are stock screens? These are a listing of attractive stocks based on the objective principles of sound investment. We apply stock filters carefully crafted by Value Research analysts on the universe of Indian stocks to identify these attractive stocks. The filters are devised to identify stocks of the following kinds:

- ◆ Quality stocks available cheap
- ◆ Attractive blue chips
- ◆ Stocks available at a steep discount to book value
- ◆ High dividend-yield stocks
- ◆ Growth stocks available at reasonable prices

We believe that stocks listed in this section are a good starting point to start a close scrutiny before adding them to your portfolio.

However, please note that they are not our recommendations.

Each stock screen explains the reason behind picking the stock, which over time will help you develop your own investing rules. As we will be evolving such models and implementing changes to the methodology to be in line with economic and market cycles, the list will be dynamic and updated periodically.

In the following pages of 'Stock Screen', we present five categories that collectively list a number of stocks. With these, you will be well-equipped to select stocks to build your own portfolio after doing further research. If you think that stock picking is a lot of hard work, you can get started with these screens and with time understand the way the ideas are shaping to make your own judgement on stock selection.

Great investments are not easy to find, but practice, patience and sound principles are all that you need.

Key terms

Current ratio It is the ratio of a company's current assets (the most liquid assets, such as cash and cash equivalents, account receivables, etc.) to its current liabilities (liabilities that are closest to maturity and hence need to be paid back first). By comparing the latter with the former, an investor can get an idea of how liquid a company's assets are. However, in certain circumstances, a high current ratio could be due to the fact that the company is facing problems in recovering its receivables. Alternatively, it could be facing a problem in selling its inventory.

Net Current Asset Value (NCAV) A term created by Benjamin Graham. It is calculated by subtracting the total liabilities from a company's current assets.

Universe companies (847) We have revised our universe. We checked if the companies traded on all the days for the last two quarters. We considered the companies with a market capitalisation of more than ₹400 crore.

Price to book value (P/BV) Price to book value is the ratio of the price of a stock to the book value per share of the company. It shows how much premium investors are willing to pay for the underlying net assets of the company.

Price to earnings (P/E) The price-to-earnings ratio, or the P/E ratio, is simply the ratio of the price of a stock to its earnings per share. It shows in multiples how much investors are willing to pay for the earnings. The thumb rule of valuing a stock is that a high-growth stock will have a high P/E ratio, while a value stock will have a relatively lower P/E ratio.

Earnings per share (EPS) Earnings per share, or EPS, is calculated by dividing the company's net profit with the total number of outstanding shares.

Earnings yield EBIT divided by enterprise value. Enterprise value is market cap added to total debt and less cash and equivalents.

Net sales This is simply the income that a company derives by selling the goods and services that it produces.

The downside of taking sales as an indicator of growth is that it may not be matched by a similarly scintillating bottom-line performance. A company may be earning revenue at a high rate. But if it is doing so by incurring a very high cost, the bottom line may not grow in proportion to the growth in the top line.

Interest coverage ratio (ICR) This indicator is generally used to gauge whether a company has the ability to service its debt. The interest coverage ratio is calculated as the ratio of operating profit to interest outgo. A company with ICR of more than two implies that it can service more than twice its current interest charges.

Debt-equity ratio (DE Ratio) The debt-equity ratio is calculated as the ratio of total outstanding borrowings of the company to its total equity capital. The DE ratio essentially tells which companies use excessive leverage to achieve growth. Conventionally, the DE ratio of less than two is considered safe.

Return on equity (RoE) This is measured by taking profit after tax as a percentage of net worth of the company. It indicates how efficiently the company has been able to utilise investors' money.

Net worth Net worth is the net value of the company that shareholders can claim in case of a bankruptcy. It is composed of broadly the equity capital and the reserves held by a company. One risk in using this indicator is that companies could potentially inflate this figure by issuing more equity at regular intervals.

Stock return (stk return) Stock return is calculated by taking the percentage change in the price of the stock adjusted for bonus or split.

Dividend yield (yield) This is defined as the percentage of the dividend paid per share to the current market price of the stock. Since the denominator in this ratio is the market price, a stock's dividend yield changes every day.

Price-earnings to growth (PEG) This ratio demonstrates how high a price we are paying for the growth that we are purchasing. It is the ratio of price to earnings to EPS growth of the stock. In all our analyses, we have taken five-year historic EPS growth.

Dividend payout ratio (DPR) This is the total dividend paid to the shareholders as a percentage of net profit.

Operating profit margin (OPM) OPM is operating profit as a percentage of net sales.

Net profit margin (NPM) NPM is the net profit as a percentage of total income (sales plus other income)

Stock style It indicates the style of the stock. It is derived from a combination of the stock's valuation – growth or value – and its market capitalisation – large, mid and small. For example, on the right we have shown the stock style of a large-cap growth stock.

Growth	Value
Red	Large
Grey	Mid
Grey	Small

Quality stocks available cheap

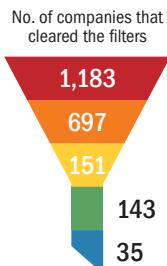
The stocks listed below clear essential checks on solvency, accounting, recent financial performance and valuations

REASONS TO INVEST

- Safety
- Soundness
- Good performance
- Reasonable valuations

THE FILTERS

- | | |
|--------------------------------------|---------------------------------|
| ■ Market cap greater than ₹400 cr | ■ C-Score less than 4 |
| ■ Z-Score greater than 2.99 | ■ PEG less than 1 |
| ■ F-Score greater than or equal to 7 | P/E to median P/E less than 1.5 |
| | Earnings yield greater than 5% |



Banking and finance companies were removed from this analysis as the metrics don't apply to them.

Altman Z-Score: Predicts the likelihood of financial distress.

Modified C-Score: Tells the probability of creative accounting.

Piotroski F-Score: Highlights financial performance as compared to that in the previous year.

Reasonable valuations: Valuation filters (PEG and P/E) are listed in the box 'The Filters'.

Safe bets

For updated numbers, visit: www.ValueResearchOnline.com

Company	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Allsec Technologies BPO Services		28.2	9	0	14.6	9.1	0.24	573	358	535-306
Ambika Cotton Mills Cotton & Blended Yarn		7.0	8	3	10.6	13.1	0.73	772	1,344	1860-1200
Automotive Axles Auto Ancillaries		8.7	8	2	5.9	26.3	0.63	2,208	1,454	1849-704
Bhansali Engg Polymers Thermoplastics		9.1	9	2	5.9	27.5	0.15	2,746	165	225-38
Bharat Seats Auto Ancillaries		5.1	9	1	7.1	21.1	0.54	597	184	274-77
Bodal Chemicals Organic Chemicals		6.4	8	2	11.0	13.3	0.29	1,592	130	194-110
Cheviot Company Jute prod.		13.6	8	0	12.4	11.2	0.87	651	1,516	1735-1070
Datamatics Global Services Computer Software		10.3	8	0	12.5	7.4	0.30	685	117	153-92
Eveready Industries (India) Dry Cells		4.6	8	2	6.1	23.0	0.96	1,872	255	464-253
Federal-Mogul Goetze (I) Auto Ancillaries		6.2	8	2	5.7	29.1	0.61	2,447	429	618-409
Goa Carbon Lubricants, etc.		4.0	8	2	14.2	12.0	0.26	648	700	1215-129

For updated numbers, visit: www.ValueResearchOnline.com

Company	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Himadri Speciality Chem Coal & Lignite		4.3	9	2	5.9	27.1	0.45	5,458	125	197-57
Jubilant Life Sciences Drugs & Pharma		3.2	8	1	6.9	20.0	0.74	12,838	794	1039-600
Kalyani Steels Finished Steel		3.7	8	2	13.2	10.7	0.29	1,242	283	469-262
Kellton Tech Solutions Computer Software		6.4	8	1	15.9	8.9	0.08	536	55	85-40
Kovai Medical Center Health Services		9.7	9	1	7.3	23.0	0.86	1,422	1,300	1480-1024
KPR Mill Cotton & Blended Yarn		5.1	9	1	8.6	15.7	0.67	4,556	619	884-615
Maithan Alloys Ferro Alloys		8.0	8	2	18.7	7.0	0.16	2,057	707	1026-383
Meghmani Organics Pesticides		4.3	8	1	10.3	17.4	0.34	2,519	97	129-36
Navin Fluorine International Organic Chemicals		7.0	8	1	7.7	19.3	0.59	3,461	701	880-566
NR Agarwal Industries Paper		3.3	9	1	13.0	8.2	0.10	737	434	600-244
Orient Bell Ceramic tiles		3.7	8	2	7.2	11.3	0.61	404	279	375-209
Pokarna Granite		3.0	8	2	11.7	11.8	0.35	563	185	306-175
Rane Brake Lining Auto Ancillaries		7.1	9	2	7.9	20.1	0.64	718	896	1450-855
Rico Auto Industries Auto Ancillaries		3.5	8	0	6.4	22.4	0.67	1,023	74	111-48
Sandur Manganese Minerals		6.1	9	1	22.6	8.6	0.22	842	960	1470-541
Seshasayee Paper Paper		3.6	9	1	13.1	9.9	0.25	1,172	925	1225-642
Sharda Motor Industries Auto Ancillaries		5.2	8	1	11.1	14.1	0.86	1,065	1,776	3140-1702
Shree Pushkar Chemicals Dyes & Pigments		8.9	8	3	8.6	18.6	0.73	651	208	337-168
Suven Life Sciences Drugs & Pharma		8.4	9	0	11.2	18.8	0.67	2,330	182	251-155

For updated numbers, visit: www.ValueResearchOnline.com

Company	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Thirumalai Chemicals Organic Chemicals		5.6	8	3	16.5	9.4	0.30	1,606	1,564	2440-811
Vardhman Textiles Cotton & Blended Yarn		3.8	9	0	10.4	12.0	0.29	6,962	1,200	1560-1128
VenkyS (India) Food Processing		6.5	9	1	7.8	22.0	0.44	4,391	3,002	4725-1135
West Coast Paper Mills Paper		3.4	9	2	9.8	10.0	0.14	1,944	284	348-171
Zee Learn Education		4.1	8	2	7.2	22.0	0.82	1,085	33	51-33

Data as on May 21, 2018. Indicates new entrants.

Attractive blue chips

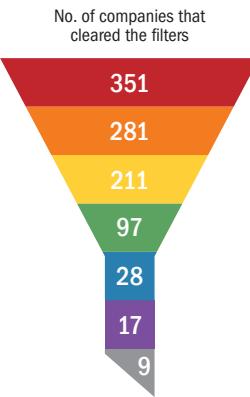
Investing in blue chips at reasonable valuations is one of the simplest methods of wealth creation with limited pain

REASONS TO INVEST

- Liquidity
- Large companies in respective businesses
- Strong balance sheets
- Liked by institutions

THE FILTERS

- Large and mid caps
- Debt-equity ratio of less than two
- Interest coverage ratio should be more than two
- Average ROE should not have fallen more than 20 per cent in any year
- Annualised earnings growth of more than 20% over the past five years
- PEG of less than 1.5
- Five-year average return on equity above 20%



Solid foundation

Company	Stock style	P/E	PEG	Debt-equity ratio	Int coverage ratio	5Y avg RoE (%)	5Y EPS growth (%)	Mkt cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Aarti Industries Organic Chemicals		30.1	1.32	1.1	4.5	22.0	22.8	10,008	1,222	1360-810
Adani Ports Shipping		22.0	1.27	1.3	4.0	24.8	30.8	80,746	387	452-325
Ajanta Pharma Drugs & Pharma		18.6	0.41	0.0	186.7	40.2	45.6	8,731	986	1697-983

Company	Stock style	P/E	PEG	Debt-equity ratio	Int coverage ratio	5Y avg RoE (%)	5Y EPS growth (%)	Mkt cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Aurobindo Pharma Drugs & Pharma	■	13.9	0.26	0.4	46.8	28.8	32.7	33,690	574	809-503
Avanti Feeds Marine Foods	■	20.4	0.39	0.0	70.1	43.0	46.4	9,119	1,965	2940-1250
Bharat Petroleum Corp Crude Oil & Natural Gas	■	11.8	0.38	1.2	19.3	23.7	34.0	83,722	391	552-370
Century Plyboards (India) Wood	■	35.6	1.46	0.9	9.1	29.5	72.3	5,799	261	364-235
PI Industries Pesticides	■	32.6	1.07	0.1	59.1	29.6	35.5	11,998	876	1034-675
UPL Inorganic Chem.	■	17.7	0.75	0.9	3.5	24.0	29.2	35,826	690	903-673

Data as on May 21, 2018. EPS growth rates are annualised.

High dividend-yield stocks

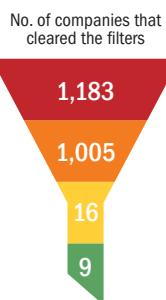
Good dividends are not just a bonus in addition to stock returns, they also accumulate to become sizeable in the long run

REASONS TO INVEST

- Cushion against volatility
- Higher total return
- Generate regular tax-free income

THE FILTERS

- Market cap greater than ₹400 cr
- Dividend payout ratio of less than 40%
- Stocks with a current dividend yield of more than 3%
- Stocks with sustained per share dividend and amount over the past five years



Dear dividend

Company	Stock style	P/E	PEG	Dividend per share (₹)	Dividend yield (%)	Dividend pay-out ratio (%)	Earnings yield (%)	Mkt cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Cosmo Films Plastic Films	■	7.3	0.16	10.0	3.95	21.9	10.8	492	253	450-236
Hindustan Petroleum Corp Crude Oil & Natural Gas	■	7.4	0.19	30.0	6.41	37.0	15.3	47,559	314	493-289
Ingersoll-Rand (India) Pumps & Compressors	■	30.9	11.61	6.0	27.02	24.5	6.3	2,746	865	927-650
PTC India Electricity Distribn.	■	6.5	0.33	3.0	3.82	21.4	4.9	2,325	79	130-78

Company	Stock style	P/E	PEG	Dividend per share (₹)	Dividend yield (%)	Dividend payout ratio (%)	Earnings yield (%)	Mkt cap (₹ cr)	Share price (₹)	52-week high/low (₹)
PTC India Financial Services Misc. Fin.services	[Grey, Blue]	50.4	-1.85	1.5	7.73	27.9	-	1,246	19	48-18
Redington (India) Computer Hardware	[Grey, Green]	10.6	1.48	4.3	3.31	37.0	13.5	5,192	124	210-121
RSWM Cotton & Blended Yarn	[Grey, Blue]	32.3	-1.22	12.5	4.35	28.3	6.5	677	282	452-274
Rural Electrification Corp SIDCs/SFCs	[Grey, Green]	4.3	0.60	9.7	8.60	30.2	-	22,159	110	219-110

Data as on May 21, 2018. EPS growth rates are annualised. Indicates new entrants.

Reasonably priced growth stocks

Growth investing is about picking companies that are fast growing their bottom lines. But make sure that the valuations are not overheated.

REASONS TO INVEST

- All-weather style
- Companies with strong fundamentals
- Greater stability vis-a-vis value or growth

THE FILTERS

- Market cap greater than ₹400 cr
- Earnings growth of:
 - ♦ At least 20% in the past five years
 - ♦ At least 20% in the trailing 12 months YoY
 - ♦ At least 20% in latest quarter YoY
- Stocks with a P/E of less than 15



On fast track

Company	Stock style	P/E	Median P/E	PEG	Quarterly EPS growth (%)	TTM EPS growth (%)	EPS growth 5Y (%)	Mrkt cap (₹ cr)	Share price (₹)	52-week high/low (₹)
8K Miles Soft Services Computer Software	[Grey, Blue]	10.7	29.3	0.11	67	96	89	1,696	550	1030-365
Andhra Petrochemicals Organic Chemicals	[Grey, Blue]	15.0	-	0.17	361	280	90	494	58	78-23
Astra Microwave Products Communication Equip.	[Grey, Blue]	13.0	17.3	0.49	92	51	24	793	90	149-75
Bajaj Holdings & Inv Invest.Services	[Grey, Red]	9.4	7.5	0.37	42	29	22	30,099	2,704	3025-1750
Bharat Bijlee Transformers	[Grey, Blue]	13.1	38.9	0.19	628	323	71	797	1,406	1790-964
Datamatics Global Ser Computer Software	[Grey, Blue]	7.4	8.6	0.30	27	43	27	685	116	153-92

Company	Stock style	P/E	Median P/E	PEG	Quarterly EPS growth (%)	TTM EPS growth (%)	EPS growth 5Y (%)	Mrkt cap (₹ cr)	Share price (₹)	52-week high/low (₹)
DLF Real Estate		7.9	43.3	0.20	4,069	1,128	35	34,513	194	274-153
Everest Kanto Cylinder Metal Tanks & Fabrications		4.4	-	0.14	226	287	31	475	43	78-31
Filatex India Synthetic Yarn		14.1	18.2	0.29	30	37	69	840	194	251-125
Goa Carbon Lubricants, etc.		12.0	9.0	0.26	143	467	47	648	703	1215-129
Graphite India Welding machinery		14.9	23.8	0.36	632	714	50	15,327	784	906-103
Gujarat Narmada Valley Nitrogenous Fertilizer.		9.4	11.9	0.16	38	59	32	7,493	477	549-255
HEG Welding machinery		12.2	7.8	0.21	18,637	2,263	73	13,439	3,330	3700-233
IG Petrochemicals Organic Chemicals		13.3	11.8	0.42	75	65	33	1,878	609	837-341
Indiabulls Housing Fin Housing Finance		12.3	13.8	0.47	22	32	41	47,480	1,118	1440-1013
Indiabulls Real Estate Real Estate		4.6	12.4	0.07	1,796	392	72	9,233	193	270-151
JSW Steel Finished Steel		12.2	18.1	0.32	194	116	43	75,804	314	343-184
Kiran Vyapar Invest.Services		5.8	5.8	1.76	265	52	43	417	161	225-97
Kuantum Papers Paper		8.4	4.0	0.20	24	52	44	606	685	1032-390
National Aluminium Co Aluminium		10.4	14.5	0.61	401	157	23	14,091	73	98-61
NLC India Electricity Generation		3.2	8.1	0.25	55	233	24	12,595	83	119-79
NR Agarwal Industries Paper		8.2	8.1	0.10	6,095	81	81	737	433	600-244
Orient Paper & Industries Paper		14.4	28.4	0.49	23	356	28	709	33	175-33
Rain Industries Cement & Asbestos prod.		8.3	8.8	0.41	324	134	20	7,904	232	475-92
Renaissance Jewellery Gems & Jewellery		8.8	5.0	0.23	30	50	38	556	295	412-143

Company	Stock style	P/E	Median P/E	PEG	Quarterly EPS growth (%)	TTM EPS growth (%)	EPS growth 5Y (%)	Mrkt cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Sandur Manganese Minerals		8.6	9.7	0.22	124	1,426	38	842	961	1470-541
Sanwaria Consumer Soyabean Prod.		10.5	11.7	0.45	133	123	23	1,053	14	34-7
SMS Pharmaceuticals Drugs & Pharma		13.0	16.0	0.48	26	25	28	587	65	121-63
Sunflag Iron & Steel Co Finished Steel		12.7	12.0	0.27	215	78	46	1,333	73	100-34
SVP Global Ventures Trading		6.7	12.0	0.02	114	293	42	426	338	620-250
Tata Chemicals Soda Ash		7.7	16.4	0.23	276	145	43	18,784	738	788-560
Tata Metaliks Pig Iron		12.1	6.7	0.33	35	37	68	1,936	772	976-585
Tata Power Company Electricity Generation		8.7	22.5	0.14	679	175	94	21,625	80	102-76
Tata Steel Finished Steel		5.2	-	0.15	874	390	30	70,086	583	756-454
Thirumalai Chemicals Organic Chemicals		9.4	9.8	0.30	215	151	31	1,606	1,553	2440-811
Vakrangee Computer Software		6.9	31.6	0.14	87	55	134	5,183	49	776-49
Vardhman Holdings Cotton & Blended Yarn		5.6	9.8	0.18	487	493	75	1,216	3,760	6200-2897

Data as on May 21, 2018. EPS growth rates are annualised. Indicates new entrants.

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Discount to book value

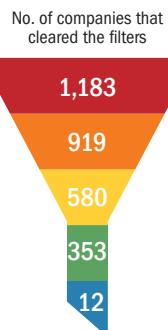
Stocks available at a discount to their book value indicate bargain and inherent value, provided the business fundamentals are sound

REASONS TO INVEST

- Really cheap
- Relatively undervalued
- Companies with assets

THE FILTERS

- Market cap greater than ₹400 cr
- Debt-equity ratio of less than 1.5 times
- Return on net worth of more than 10% in the most recent year
- Companies must have a five-year earnings growth of more than 10%
- Price at least 10 per cent below the book value



Bargain hunt

Company	Stock style	P/B	P/E	PEG	Dividend yield (%)	Debt-equity ratio	RoE (%)	Mkt cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Balasore Alloys		0.7	4.0	0.13	1.56	0.3	18.6	448	46	100-43
Ferro Alloys										
Century Enka		0.8	9.8	0.37	2.24	0.1	11.1	684	311	410-291
Synthetic Yarn										
Cosmo Films		0.8	7.3	0.16	3.95	1.1	17.7	492	253	450-236
Plastic Films										
HT Media		0.7	5.9	0.39	0.52	0.5	11.2	1,800	77	118-77
Books & Newspapers										
Indian Metals & Ferro		1.0	3.3	0.10	4.62	0.9	26.2	1,167	413	799-385
Metal Tanks & Fabrications										
Kiri Industries		1.0	4.6	0.11	0.00	0.2	14.4	1,354	430	675-230
Dyes & Pigments										
NLC India		0.9	3.2	0.25	8.93	0.9	19.7	12,557	83	119-79
Electricity Generation										
Orient Paper & Industries		0.6	14.7	0.49	2.92	0.8	11.1	726	33	175-33
Paper										
Polyplex Corporation		0.6	10.9	0.25	1.50	0.3	14.9	1,490	458	602-417
Plastic Films										
Trident		1.0	11.0	0.28	2.63	1.0	13.0	2,905	56	110-56
Cotton & Blended Yarn										
Vivimed Labs		0.6	3.0	0.20	0.62	1.5	36.8	536	65	154-64
Drugs & Pharma										

Data as on May 21, 2018. Indicates new entrants.



GST collections in April exceeding Rs 1 lakh crore is a landmark achievement and a conformation of increased economic activity as brought out by other reports.

Arun Jaitley Finance Minister, *Mint*, May 2, 2018



We will apply unprecedented financial pressure on the Iranian regime. The leaders in Tehran will have no doubt about our seriousness... Iran will never again have *carte blanche* to dominate the Middle East.

Mike Pompeo US Secretary of State, *Business Standard*, May 22, 2018



Intense competition in India is a euphemism. There was 86% decline in data price on a year-on-year basis. Good news is that we have got 10 million customers in the last quarter but there is price to be paid for this success.

Vittorio Colao CEO, Vodafone Group, *Financial Express*, May 16, 2018

28 April 2018 will be remembered as a historic day in the development journey of India. Yesterday, we fulfilled a commitment due to which the lives of several Indians will be transformed forever! I am delighted that every single village of India now has access to electricity.

Narendra Modi, Prime Minister, *Mint*, April 30, 2018



India is one of the most attractive retail markets in the world, given its size and growth rate, and our investment [buying of 77% stake in Flipkart] is an opportunity to

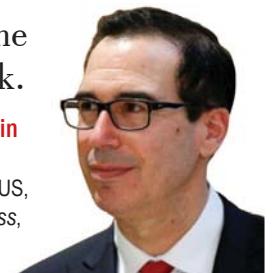
partner with the company that is leading the transformation of e-commerce in the market. We are also excited to be doing this with Tencent, Tiger Global, and Microsoft, which will be key strategic and technology partners.



Doug McMillion President and CEO, Walmart, *Mint*, May 10, 2018

We're putting the trade war on hold right now. We have agreed to put the tariffs on hold while we try to execute the framework.

Steven Mnuchin
Treasury
Secretary of the US,
Financial Express,
May 22,
2018



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