

Wealth Insight

SUBSCRIBER COPY NOT FOR RESALE

50

All You See in One
Allusione SWEN World
Voice of India
www.allusione.org

LONG-TERM WEALTH BUILDERS

How they fell and bounced back



Words Worth Wisdom p. 10

Takeaways from Berkshire Hathaway's annual meeting

downloaded from www.allusione.org/swenworld



SERIOUS BUSINESS CAN ALSO BE SERIOUS



www.allusione.org

Presenting HDFC MF FinIQ mobile app -
learn about mutual funds in a fun way.



Byte-sized information



Infographics



Quizzes



Easy to use



Videos



DOWNLOAD NOW



Ab market ke utar-chadhav ka darr kaisa?



A mutual fund that can keep you smiling through market ups and downs.

- Invests in both equity and debt
- Avail the Systematic Withdrawal Plan for regular cash flows[#]

To invest, consult your Financial Advisor



Download
IPRUTOUCH App | www.iciciprumpf.com

#Systematic Withdrawal Plan (SWP) feature will allow investors to redeem a fixed sum of money periodically at the prevailing Net Asset Value (NAV) depending on the option chosen by the investor. For more details, visit our website.

ICICI Prudential Balanced Advantage Fund

An Open Ended Dynamic
Asset Allocation Fund



ICICI Prudential Balanced Advantage Fund is suitable for investors who are seeking*:

- Long term wealth creation solution
- An equity fund that aims for growth by investing in equity and derivatives

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



RISKOMETER
Investors understand that their principal will be at moderately high risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Value Research

Wealth Insight

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 unwaveringly 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.

Editor
Dhirendra Kumar**Associate Editor**
Vibhu Vats**Special Correspondents**
Amey Dandawate,
Kumar Shankar Roy**Data Support**
Prasobh Nair**Design**
Mukul Ojha, Kiran Sindhwal**Production**
Hira Lal**Data source for stocks**
AceEquity

© 2018 Value Research India Pvt. Ltd.
Wealth Insight is owned by Value Research India Pvt. Ltd., 5, Commercial Complex, Chitra Vihar, Delhi 110 092.

Editor: Dhirendra Kumar.
Printed and published by Dhirendra Kumar on behalf of Value Research India Pvt. Ltd. Published at 5, Commercial Complex, Chitra Vihar, Delhi 110 092.
Printed at Option Printofast, 46, Patparganj Industrial Area, Delhi-110092

Advertising Contact:

Mumbai: 22838665 / 22838198
Delhi: 22457916 / 22457918
Venkat K Naidu +91-9664048666
Biswa Ranjan Palo +91-9664075875

Total pages 64, including cover



50 long-term wealth builders

How they fell and bounced back

8 **MONTHLY AGENDA**

Macros vs market

**10** **WORDS WORTH WISDOM**

Takeaways from Berkshire Hathaway's AGM



Columns



7

EDIT

by DHIRENDRA KUMAR

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.

28 INTERVIEW



'We are still underweight on IT'

Rohit SinghaniaCo-Head, Equities,
DSP BlackRock Mutual Fund

45

STRAIGHT TALK

by ANAND TANDON

Growth at any price

What motivated Walmart to buy Flipkart



48

OFFBEAT

by SANJEEV PANDIYA

Oil: The last hurrah

Why the rally in crude oil may not last long

12 MARKET COMPASS

- Index watch
- Big moves
- What the market sumo is doing
- Big capitalisation shifts
- Probable turnarounds
- Institutional moves
- The pledging tracker
- The bullish promoter

53 STOCK SCREEN

- Quality stocks available cheap
- Attractive blue chips
- High dividend-yield stocks
- Reasonably priced growth stocks
- Discount to book value

62 WORDS WORTH NOW

31 ANALYST'S DIARY

- Exposed!
- Assessing employee cost
- The better paymaster
- Is that a 'business'?
- Foreign-currency woes

50 STOCK ANALYST'S CHOICE

Our scorecard

DISCLAIMER

The contents of Wealth Insight published by Value Research India Private Limited (the 'Magazine') are not intended to serve as professional advice or guidance and the Magazine takes no responsibility or liability, express or implied, whatsoever for any investment decisions made or taken by the readers of this Magazine based on its contents thereof. You are strongly advised to verify the contents before taking any investment or other decision based on the contents of this Magazine. The Magazine is meant for general reading purposes only and is not meant to serve as a professional guide for investors. The readers of this Magazine should exercise due caution and/or seek independent professional advice before entering into any commercial or business relationship or making any investment decision or entering into any financial obligation based on any information, statement or opinion which is contained, provided or expressed in this Magazine.

The Magazine contains information, statements, opinions, statistics and materials that have been obtained from sources believed to be reliable and the publishers of the Magazine have made best efforts to avoid any errors and omissions, however the publishers of this Magazine make no guarantees and warranties whatsoever, express or implied, regarding the timeliness, completeness, accuracy, adequacy, fullness, functionality and/or reliability of the information, statistics, statements, opinions and materials contained and/or expressed in this Magazine or of the results obtained, direct or consequential, from the use of such information, statistics, statements, opinions and materials. The publishers of this Magazine do not certify and/or endorse any opinions contained, provided, published or expressed in this Magazine. Reproduction of this publication in any form or by any means whatsoever without prior written permission of the publishers of this Magazine is strictly prohibited. All disputes shall be subject to the jurisdiction of Delhi courts only.

ALL RIGHTS RESERVED

3

DAILY Good Habits



Reading the newspaper.



Exercising.



www.allusione.org

Cultivate another.

Invest through **DAILY SIP**

(Systematic Investment Plan)

Start investing early, regularly and stay invested.

Mutual funds offer you the convenience of the Systematic Investment Plan(SIP).

It's the affordable way to create wealth over the long term.



An investor education initiative by

http://licmf.com/knowledge_center/investor_education

Connect with us on

[f /LICMutual](#)

[t /LICMutual](#)

[in /company/LICMutual](#)

[c 1800-258-5678](#)

downloaded from www.allusione.org/swenworld

Mutual Fund investments are subject to market risks, read all scheme related documents carefully

EDIT

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.

MONTHLY
AGENDA

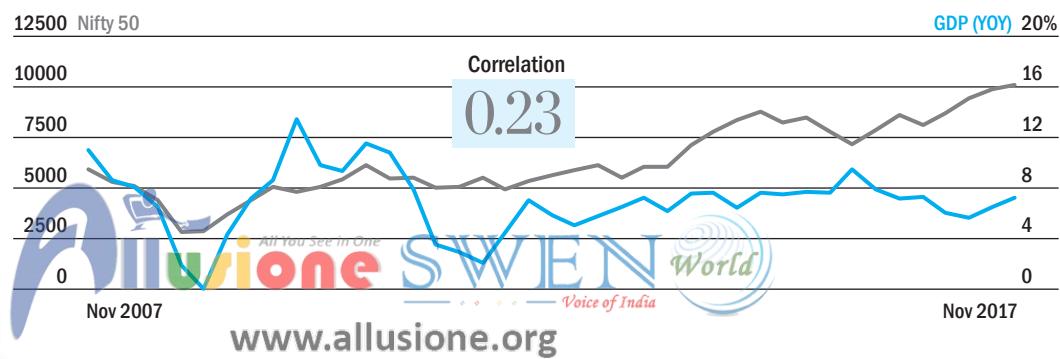


Macros vs market

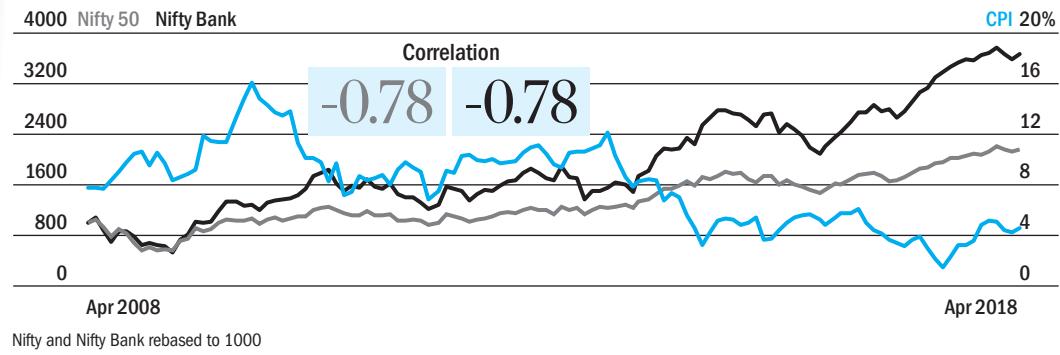
The recent depreciation in the Indian rupee is one of the contributing factors in the ongoing market fall.

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.

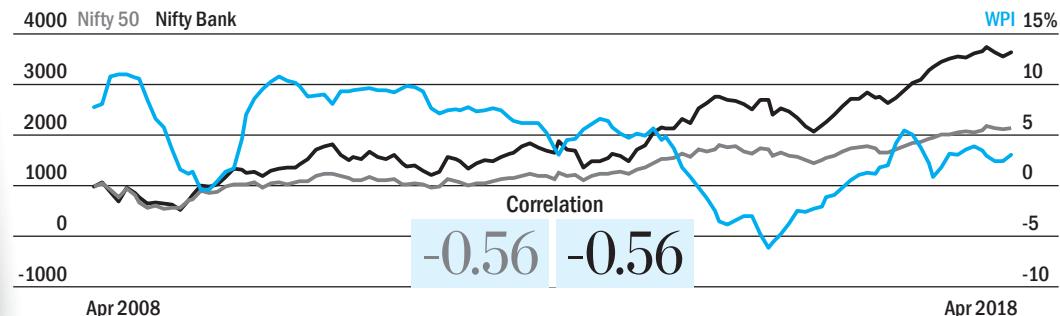
Gross domestic product (GDP)



Consumer-price index (CPI)

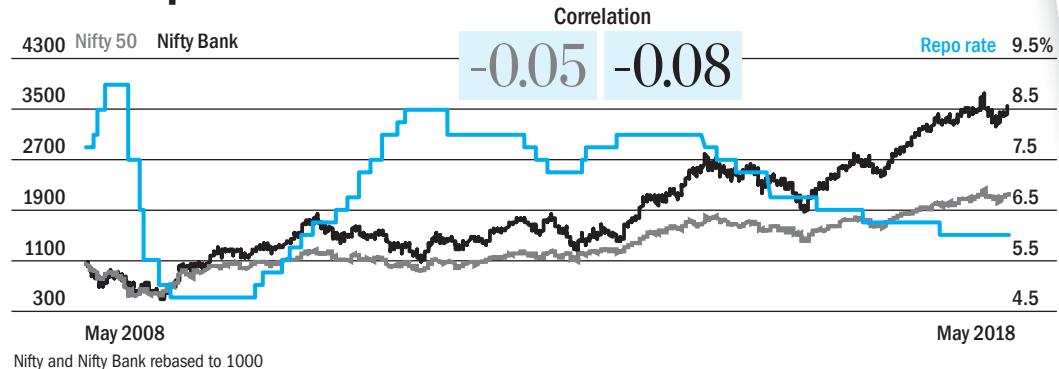


Wholesale price index (WPI)



MONTHLY
AGENDA

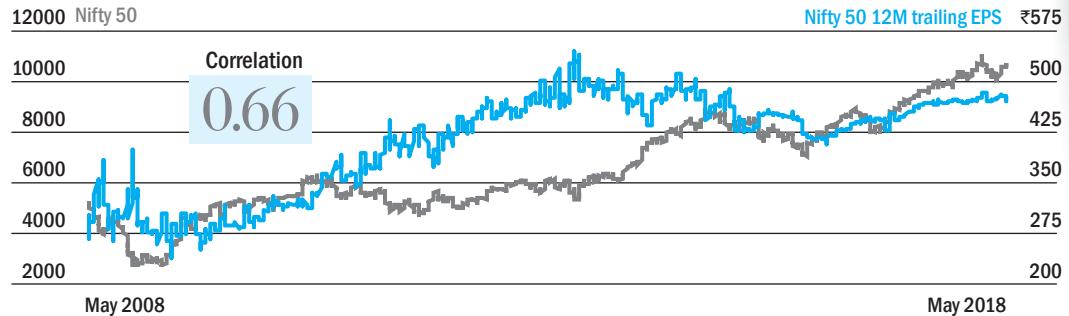
RBI's repo rate



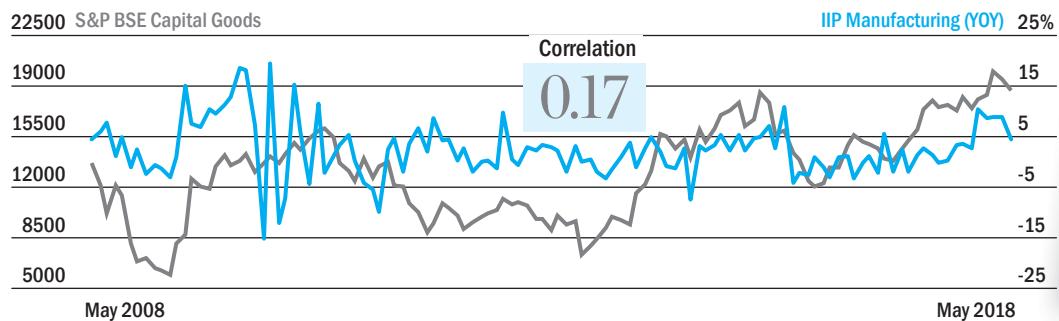
Rupee



Corporate earnings



Index of industrial production (IIP)



WORDS WORTH
WISDOM

Takeaways from Berkshire Hathaway's AGM

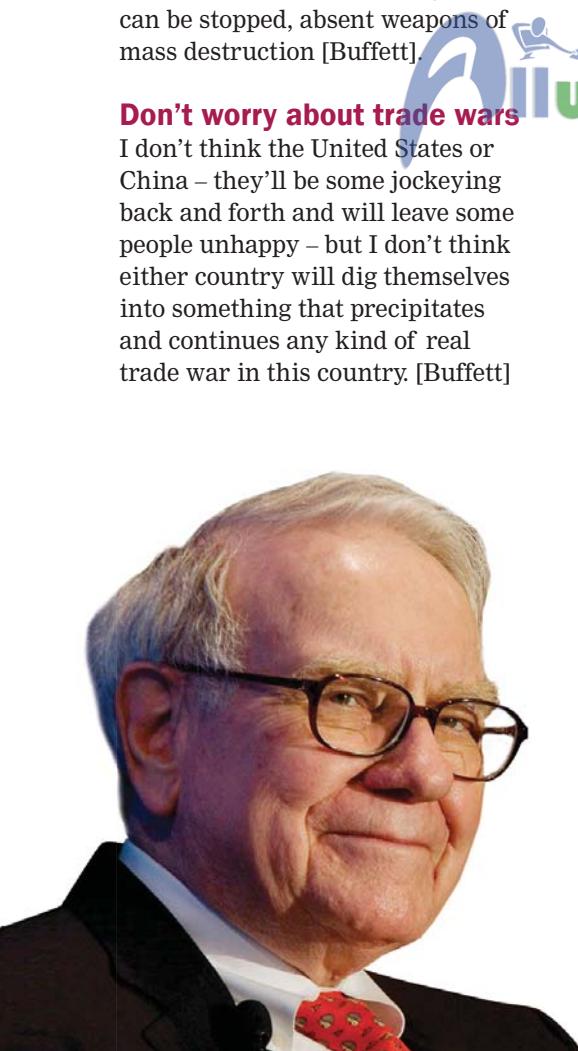
Here are the most notable things that Warren Buffett and Charlie Munger said at the Berkshire Hathaway's annual general meeting of 2018

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

WORDS WORTH
WISDOM

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

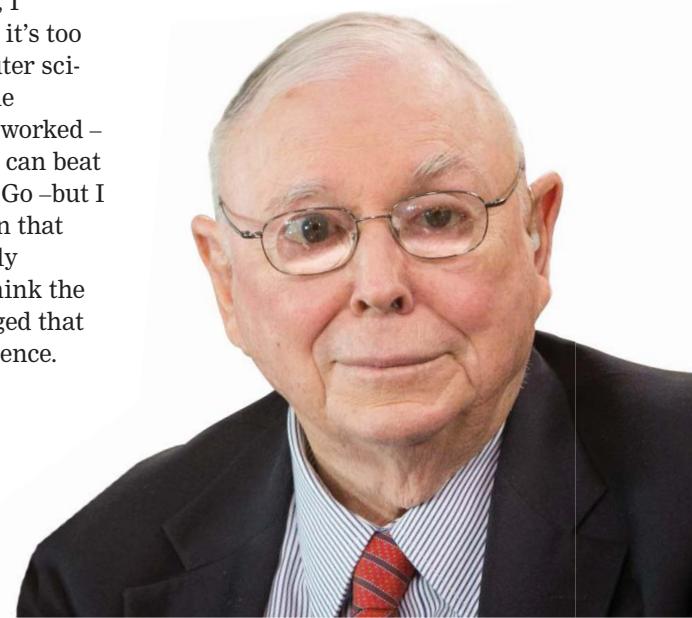
you don't learn to constantly revise your earlier conclusions, and get better ones, you are – I always use the same metaphor – you're like a one-legged man in an ass-kicking contest. [Munger]

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

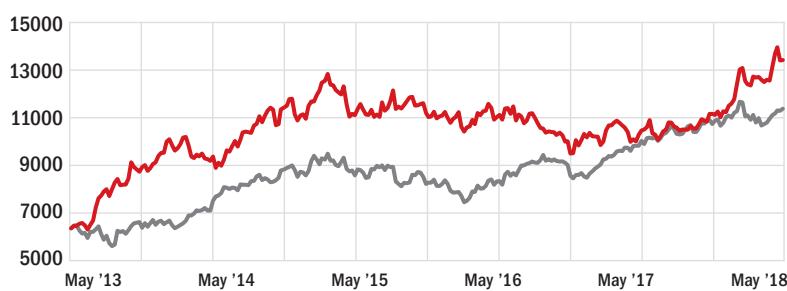
1.91

Dividend yield (%)

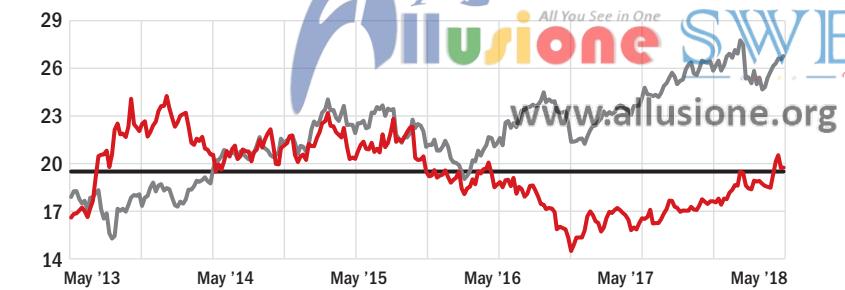
13.1

Market cap
(₹ lakh cr)

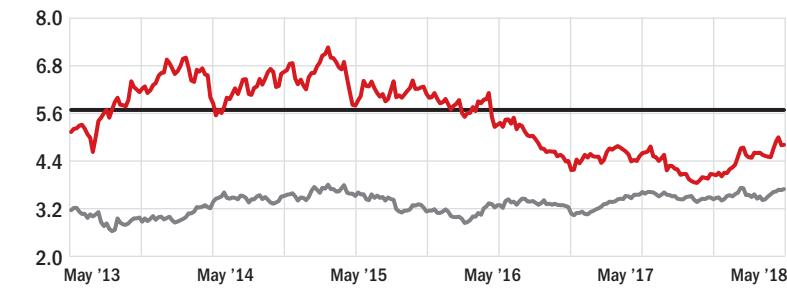
Nifty IT has outperformed Nifty 50 over five years.



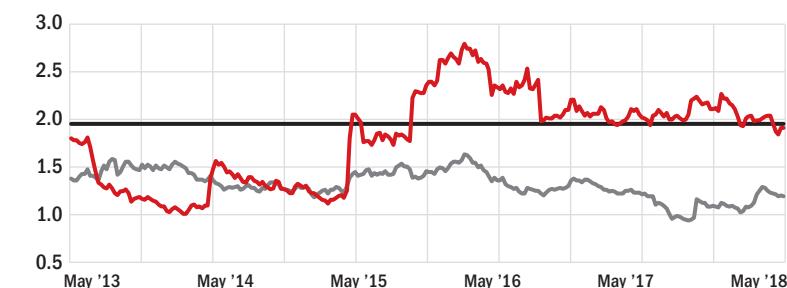
► Price/earnings is at 1.3% premium to its five year median of 19.5.



► 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 |

Data as on May 14, 2018

FEWER THAN 1 IN 5 CANDIDATES BECOME CFA® CHARTERHOLDERS. DOES YOUR INVESTMENT ADVISER MEASURE UP?

Your investment adviser holds your financial future in their hands. Who do you trust with that responsibility? Demand an investment adviser who has dedicated on average 1,000 hours of intense study to pass one of the most rigorous series of exams in the financial industry and who adheres to a strict ethical code.

Demand the best. Demand a CFA charterholder.

Find one at letsmeasureup.org



CFA Institute
LET'S MEASURE UP™

© 2018 CFA Institute. All rights reserved.

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 | 1673 2144 |
| 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 | 1010 1136 |
| 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 — | 516 560 |
| 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 | 1317 1411 |
| L&T Infotech Renewed interest in mid-cap IT stocks lifted the company's shares. | 4 | 24.4 40.6 | 1077.5 — | 1469 1532 |
| 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 |

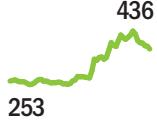
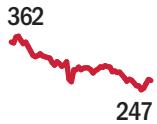
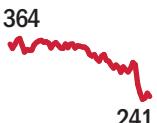
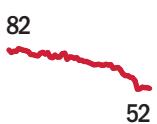
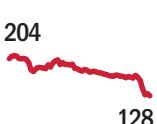
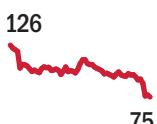
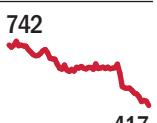
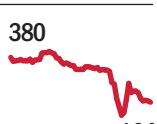
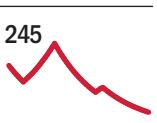
Data as on May 18, 2018

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.

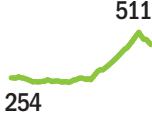
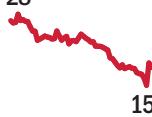
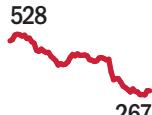
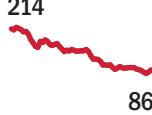
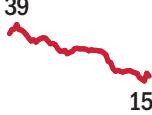
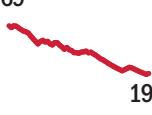
| | 3M returns (%) | Price to earnings 3Y avg RoE (%) | Net profit (₹ crore) 3Y earnings growth (%) | 3M price (₹) movement |
|--|----------------|-------------------------------------|--|---|
| Indiabulls Ventures The company raised ₹2,000 crore through a preferential issue to expand its credit business. | 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



All You See in One

www.allusione.org



Investing Perspective (₹1,195)

Name (Mr/Ms) _____

Address _____

Pin Code _____ State _____

Phone _____

E-mail _____

Cheque Number _____ Date _____

Bank & Branch _____

Payable to Value Research India Pvt. Ltd., New Delhi



www.valueresearchonline.com



011-22457916/18
+91-9868891830



+91-9868891830



5, Commercial Complex,
Chitra Vihar, Delhi-110092

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

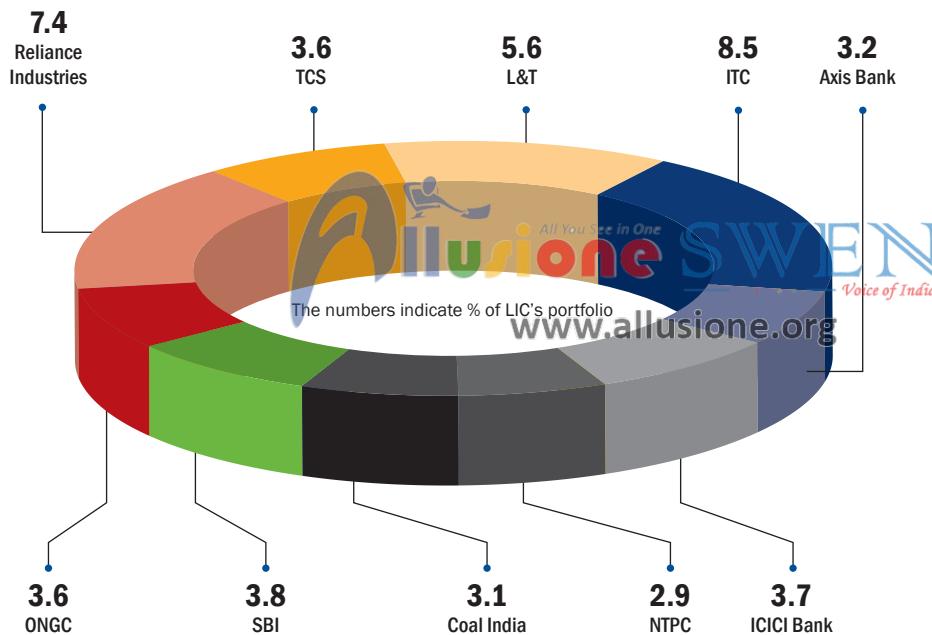
Total market cap of LIC's holdings

8.7 %

LIC's share of free-float market cap

Data as of March 2018

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 Polyplast | 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 |
| Rubfila 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.



The authoritative guide

- Expert analysis and detailed data on handpicked funds by Value Research analysts
- Learn how to build a winning portfolio and track its performance
- Performance data on every Indian mutual fund scheme

Available on www.valueresearchonline.com

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 | 2594 | 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



ANNIVERSARY ISSUE

On stands from 1st July
www.wealthinsight.in

INTERVIEW

ROHIT SINGHANIA

Co-Head, Equities, DSP BlackRock Mutual Fund

'We are still under- weight on IT'



DSP BlackRock's **Rohit Singhania** has www.allusione.org 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.

All You See in One
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

INTERVIEW



“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

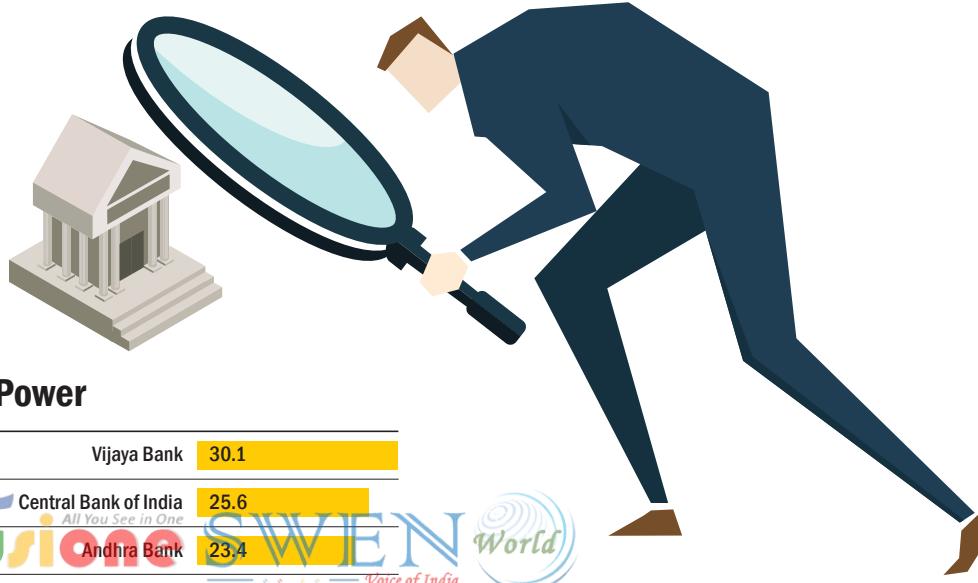
| | |
|-----------------------|------|
| Vijaya Bank | 27.3 |
| United Bank of India | 22.9 |
| Punjab & Sind Bank | 22.0 |
| Central Bank of India | 21.9 |
| Canara Bank | 21.2 |
| Dena Bank | 15.8 |
| Syndicate Bank | 15.8 |
| UCO Bank | 15.1 |
| J&K Bank | 15.1 |
| Indian Overseas Bank | 14.3 |
| 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

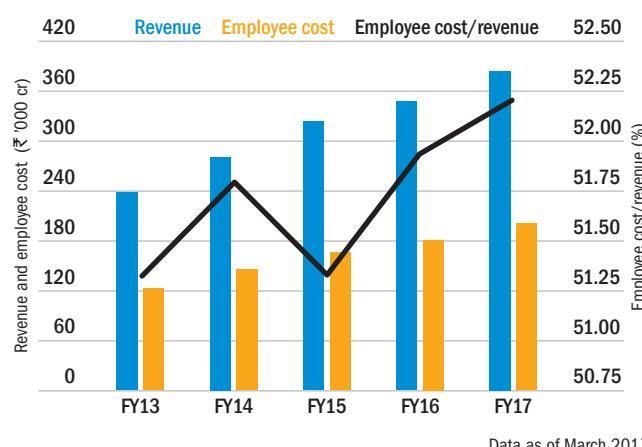


employees. In the five-year period from 2013 to 2017, hospitality companies paid an average of 31 per cent of revenue in salaries and benefits to employees.

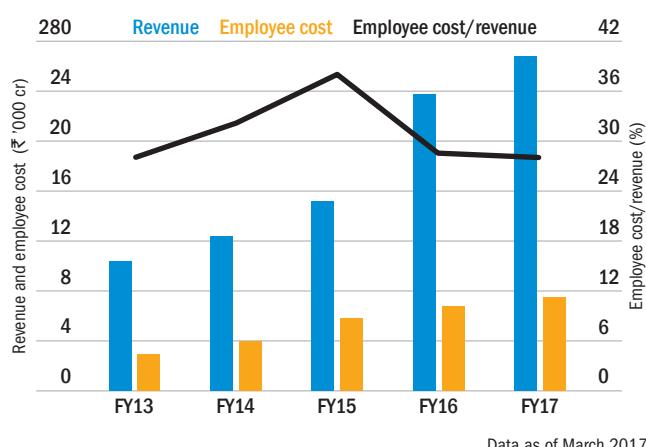
On the other hand of the spectrum, companies dealing with industrial and natural gas like Petronet LNG and GAIL India pay the lowest employee costs. What other companies spend on retaining employees, these companies spend on building and improving infrastructure. In the five-year period from 2013 to 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

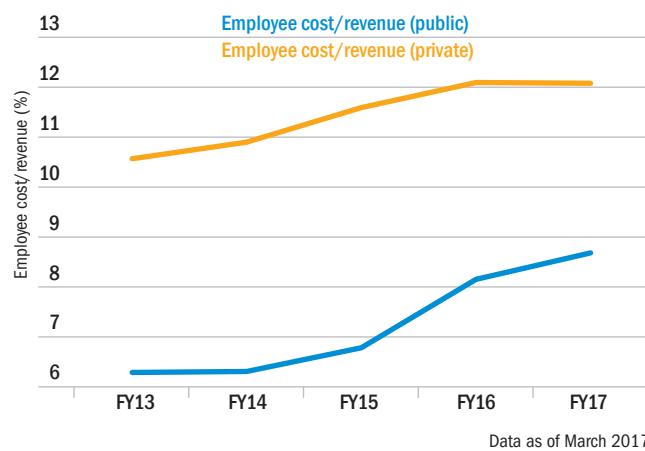
increase compensation over time.

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.

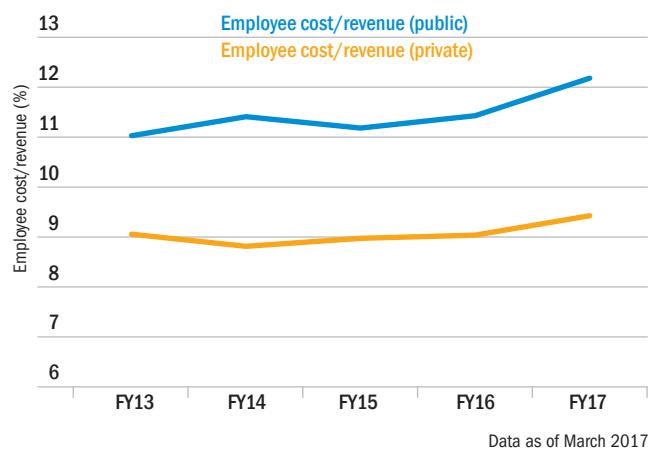
In the five-year period from 2013 to 2017, government-owned finance companies, like LIC Housing Finance and Syndicate Bank, paid an average of 11 per cent of revenues in salaries and benefits to employees. During the same period, corporate-financial companies HDFC Bank and JM Financial paid an average 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



All sectors: Public vs private



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 <small>Voice of Rupees</small> | 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-Oct-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

Get money smart

Know the risks,
suitability, return
potential, tax
benefits and how to
invest in various
investment options



NOW AVAILABLE



Your Guide to Best Investments 2018-19 (₹395)

Name (Mr/Ms) _____

Phone _____

Address _____

E-mail _____

Cheque Number _____ Date _____

Bank & Branch _____

Pin Code _____ State _____

Payable to Value Research India Pvt. Ltd., New Delhi



www.valueresearchonline.com



011-22457916/18

+91-9868891830



[+91-9868891830](https://wa.me/919868891830)



5, Commercial Complex,
Chitra Vihar, Delhi-110092



Long-term wealth builders

How they fell and bounced back

COVER STORY

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 | Maket 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

COVER STORY

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 (%)

COVER STORY

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 (%)

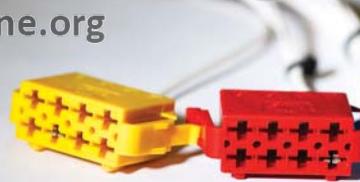
third. Amara would recover over time with tight cost controls and product price hikes. The stock is still to recover from the fall, yet long-term investors still remain in the green.

MOTHERSON SUMI

The industry giant



www.allusione.org



-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**



Subscribe Now

Insights into Indian mutual funds

BUY A NEW SUBSCRIPTION**DIGITAL** 3 months for ₹270**Save 40%** 1 year for ₹1,026**Save 43%****DIGITAL+
PRINT** 3 months for ₹382**Save 15%** 1 year for ₹1,494**Save 17%****RENEW EXISTING SUBSCRIPTION****DIGITAL** 1 year for ₹936**Save 48%** 3 years for ₹2,484**Save 54%****DIGITAL+
PRINT** 1 year for ₹1,404**Save 22%** 3 years for ₹3,510**Save 35%**www.allusione.org
*Delivery by courier**Delivery by courier***Start my subscription from**

Name (Mr/Mrs/Ms)

Address

Pin Code

State

Phone

E-mail

Cheque Number

Date

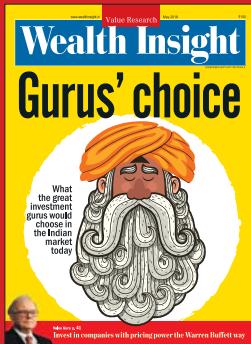
Bank & Branch

Payable to Value Research India Pvt. Ltd., New Delhi

**GO ONLINE**www.valueresearchonline.com**CALL**011-22457916/18
+91-9868891830**WHATSAPP**

+91-9868891830

**MAIL**5, Commercial Complex,
Chitra Vihar, Delhi-110092
mfi@valueresearch.in



Subscribe Now

Insights into the Indian stock market and companies

BUY A NEW SUBSCRIPTION**DIGITAL** 3 months for ₹240**Save 20%** 1 year for ₹840**Save 30%****DIGITAL+
PRINT** 3 months for ₹285**Save 5%**
1 year for ₹1,116
Save 7%**RENEW EXISTING SUBSCRIPTION****DIGITAL** 1 year for ₹780**Save 35%**
3 years for ₹1,800
Save 50%**DIGITAL+
PRINT** 1 year for ₹1,056**Save 12%**
3 years for ₹2,700
Save 25%**Start my subscription from**

Name (Mr/Mrs/Ms)

Address

Pin Code

State

Phone

E-mail

Cheque Number

Date

Bank & Branch

Payable to Value Research India Pvt. Ltd., New Delhi

**GO ONLINE**www.valueresearchonline.com**CALL**011-22457916/18
+91-9868891830**WHATSAPP**

+91-9868891830

**MAIL**5, Commercial Complex,
Chitra Vihar, Delhi-110092
mfi@valueresearch.in

STRAIGHT TALK

Growth at any price

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.

STRAIGHT TALK

**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.

Organised and unorganised retail in India

| | 2012 (\$ bn) | 2017 (\$ bn) | 2020 (\$ bn) | 2017-20 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.

Who else could have bought Flipkart?

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

STRAIGHT TALK

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.

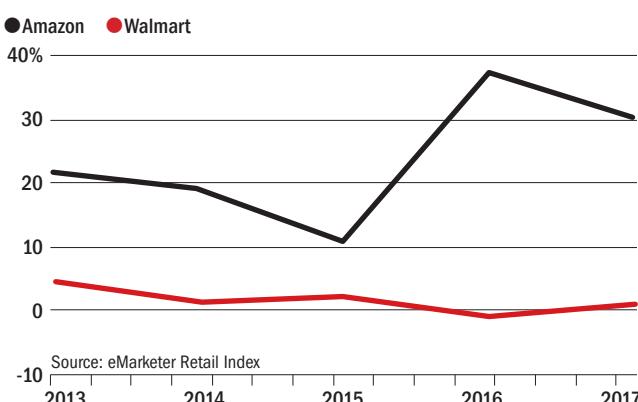
To fully replicate its global strategy, Walmart will need to invest in brick-and-mortar (B&M) stores in India. Since FDI is limited to 51 per cent in such stores, it is possible that Walmart may pick up stake in some B&M companies, especially those in food and grocery.

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

Anand Tandon is an independent analyst.

Revenue growth: Amazon vs. Walmart



OFFBEAT

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

All You See in One
SWEN
Voice of India

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

OFFBEAT

(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 |  |
| Aug-11 | NMDC | 258 | 114 | 4,434 | -7.18 |  |
| | Pidilite Industries | 159 | 1,104 | 69,274 | 33.29 |  |
| | Titan Company | 229 | 921 | 40,234 | 22.51 |  |
| | Lupin | 461 | 732 | 15,892 | 7.94 |  |
| Sep-11 | Opto Circuits | 213 | 11 | 493 | -35.19 |  |
| | Bank of Baroda | 152 | 129 | 8,531 | -1.62 |  |
| | Castrol India | 127 | 168 | 13,172 | 6.60 |  |
| Oct-11 | 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.

Get fresh recommendations
Value Research Stock Advisor
www.valueresearchstocks.com

| 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 | |

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.

Get fresh recommendations
Value Research Stock Advisor
www.valueresearchstocks.com

STOCK ANALYST'S CHOICE

| 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 | |
| Nov-13 | Nesco | 146 | 555 | 38,037 | 32.41 | |
| | 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 | |
| May-14 | Godrej Consumer Products | 382 | 1,080 | 28,287 | 29.25 | |
| | 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 | |
| | NBCC | 20 | 92 | 46,540 | 48.37 | |
| | Gateway Distriparks | 232 | 169 | 7,296 | -4.92 | |
| Aug-14 | GMDC | 154 | 118 | 7,654 | -4.54 | |
| | V-Guard Industries | 47 | 226 | 48,155 | 51.16 | |
| | Finolex Industries | 297 | 634 | 21,363 | 24.77 | |
| Sep-14 | Hindustan Media Ventures | 155 | 213 | 13,744 | 9.62 | |
| | Mahindra Holidays & Resorts | 199 | 319 | 16,035 | 14.83 | |
| | Tata Coffee | 93 | 110 | 11,747 | 5.67 | |
| Oct-14 | Infosys | 966 | 1,186 | 12,272 | 8.01 | |
| | Tata Motors | 482 | 298 | 6,460 | -12.56 | |
| | Apollo Tyres | 208 | 275 | 13,237 | 9.45 | |
| Nov-14 | Ipca Laboratories | 681 | 669 | 9,822 | -0.46 | |
| | Volta | 256 | 549 | 21,414 | 27.10 | |
| | Astral Poly Technik | 449 | 917 | 20,426 | 25.26 | |
| Jan-15 | VST Tillers Tractors | 1,380 | 2,766 | 20,045 | 25.43 | |
| | 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.

Get fresh recommendations
Value Research Stock Advisor
www.valueresearchstocks.com

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.



www.allusione.org

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.

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.



www.allusione.org

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 |
|--------|-------|
| | Large |
| | Mid |
| | Small |

STOCK SCREEN

Quality stocks available cheap

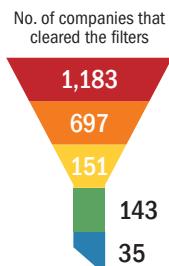
The stocks listed below clear essential checks on solvency, accounting, recent financial performance and valuations

REASONS TO INVEST

- Safety
- Soundness
- Good performance
- Reasonable valuations

THE FILTERS

- Market cap greater than ₹400 cr
- Z-Score greater than 2.99
- F-Score greater than or equal to 7
- C-Score less than 4
- PEG less than 1
- 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

| Company | Stock style | For updated numbers, visit: www.ValueResearchOnline.com | | | | | | | | |
|--|-------------|--|-------------------|-------------------------------------|--------------------|------|------|-------------------|-----------------|----------------------|
| | | Altman Z-Score | Piotroski F-Score | All You See in One 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 |

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

STOCK SCREEN

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 | [Grey, Blue] | 5.6 | 8 | 3 | 16.5 | 9.4 | 0.30 | 1,606 | 1,564 | 2440-811 |
| Vardhman Textiles Cotton & Blended Yarn | [Grey, Green] | 3.8 | 9 | 0 | 10.4 | 12.0 | 0.29 | 6,962 | 1,200 | 1560-1128 |
| VenkyS (India) Food Processing | [Grey, Green] | 6.5 | 9 | 1 | 7.8 | 22.0 | 0.44 | 4,391 | 3,002 | 4725-1135 |
| West Coast Paper Mills Paper | [Grey, Blue] | 3.4 | 9 | 2 | 9.8 | 10.0 | 0.14 | 1,944 | 284 | 348-171 |
| Zee Learn Education | [Grey, Blue] | 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



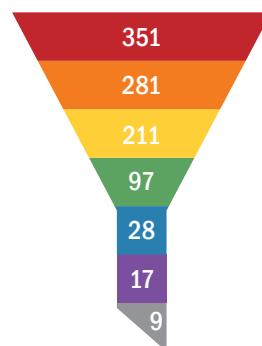
REASONS TO INVEST

- 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%

No. of companies that cleared the filters



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 | [Grey, Green] | 30.1 | 1.32 | 1.1 | 4.5 | 22.0 | 22.8 | 10,008 | 1,222 | 1360-810 |
| Adani Ports Shipping | [Grey, Red] | 22.0 | 1.27 | 1.3 | 4.0 | 24.8 | 30.8 | 80,746 | 387 | 452-325 |
| Ajanta Pharma Drugs & Pharma | [Grey, Green] | 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

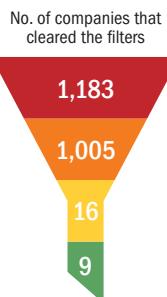
Good dividends are not just a bonus in addition to stock returns, they also accumulate to become sizeable in the long run

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 payout 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

www.allusione.org

- 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

No. of companies that cleared the filters

1,183

168

39

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 | 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 | Grey | 8.6 | 9.7 | 0.22 | 124 | 1,426 | 38 | 842 | 961 | 1470-541 |
| Sanwaria Consumer Soyabean Prod. | Grey | 10.5 | 11.7 | 0.45 | 133 | 123 | 23 | 1,053 | 14 | 34-7 |
| SMS Pharmaceuticals Drugs & Pharma | Grey | 13.0 | 16.0 | 0.48 | 26 | 25 | 28 | 587 | 65 | 121-63 |
| Sunflag Iron & Steel Co Finished Steel | Grey | 12.7 | 12.0 | 0.27 | 215 | 78 | 46 | 1,333 | 73 | 100-34 |
| SVP Global Ventures Trading | Grey | 6.7 | 12.0 | 0.02 | 114 | 293 | 42 | 426 | 338 | 620-250 |
| Tata Chemicals Soda Ash | Green | 7.7 | 16.4 | 0.23 | 276 | 145 | 43 | 18,784 | 738 | 788-560 |
| Tata Metaliks Pig Iron | Grey | 12.1 | 6.7 | 0.33 | 35 | 37 | 68 | 1,936 | 772 | 976-585 |
| Tata Power Company Electricity Generation | Green | 8.7 | 22.5 | 0.14 | 679 | 175 | 94 | 21,625 | 80 | 102-76 |
| Tata Steel Finished Steel | Red | 5.2 | - | 0.15 | 874 | 390 | 30 | 70,086 | 583 | 756-454 |
| Thirumalai Chemicals Organic Chemicals | Grey | 9.4 | 9.8 | 0.30 | 215 | 151 | 31 | 1,606 | 1,553 | 2440-811 |
| Vakrangee Computer Software | Green | 6.9 | 31.6 | 0.14 | 87 | 55 | 134 | 5,183 | 49 | 776-49 |
| Vardhman Holdings Cotton & Blended Yarn | Grey | 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.**

For real-time, customisable stock screens, subscribe to
Value Research Stock Advisor

www.valueresearchstocks.com

Discount to book value

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

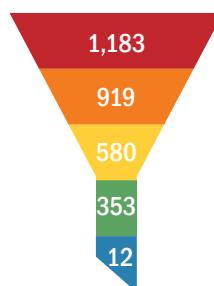
REASONS TO INVEST

- 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

No. of companies that cleared the filters



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

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

WORDS WORTH
NOW



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



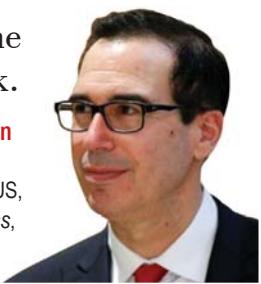
India is one of the most attractive retail markets in the world, given its size and growth rate, and our investment [buying of 77% stake in Flipkart] is an opportunity to partner with the company that is leading the transformation of e-commerce in the market. We are also excited to be doing this with 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



Sundaram

Select Focus

An open ended equity scheme investing in a maximum of 30 stocks with a focus on large cap companies

Focus is always on the select few



A large cap fund to meet a variety of wealth creation goals, be it a vacation, children's education or retirement corpus.

Talk to your investment advisor or Call: 1860-425-7237 SMS: SFUND to 56767

/SundaramAMC @SundaramMF /sundarammutualofficial

Visit: www.sundarammutual.com



SUNDARAM MUTUAL
UNEARTHING OPPORTUNITIES



Investors understand that their principal will be at **Moderately High Risk**

This product is suitable for investors who are seeking*

- Long term capital growth
- Investment predominantly in equity & equity related instruments of select large cap stocks

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

downloaded from www.allusione.org/swenworld

FRANKLIN TEMPLETON
INVESTMENTS

NOT TAKING A RISK IS A RISK IN ITSELF

Invest in **Equity Mutual Funds** and give your portfolio the potential for growth. Choose from our wide range of equity funds based on your investment tenure, risk profile or life goals.

To know more, call your Mutual Fund Distributor or visit

www.franklintempletonindia.com
Voice of India

www.allusione.org