Value Research

Wealth Insight

June 2025 ₹125

The Smart Investor's Stock Guide

Enterprise Value = Market Cap + Debt - Cash

The Multibagger Formula

9 high-growth stocks for lasting wealth

Cash from Operations

EBITDA

Free Cash Flow = Operating Cash Flow - Capital Expenditure

A. HDFC Flexi Cap Fund - SIP Performance^ - Regular Plan - Growth Option

	Since Inception*	15 year SIP	10 year SIP	5 year SIP	3 year SIP	1 year SIP
Total Amount Invested (₹ in lacs)	36.40	18.00	12.00	6.00	3.60	1.20
Market Value as on April 30, 2025 (₹ in lacs)	2106.43	71.77	32.37	11.27	5.08	1.26
Returns (%)	**21.11**	**16.74**	**18.86**	**25.55**	**23.74**	**10.05**
Benchmark Returns (%)#	**15.06**	**14.51**	**15.49**	**17.49**	**15.64**	**-0.99**
Additional Benchmark Returns (%)##	**13.87**	**13.51**	**14.48**	**15.55**	**14.07**	**4.53**

Assuming ₹10,000 invested systematically on the first Business Day of every month since January 01, 1995 (Scheme Inception Date). CAGR returns are computed after accounting for the cash flow by using XIRR method (investment internal rate of return). The above investment simulation is for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital. SIP - Systematic Investment Plan.

B. HDFC Flexi Cap Fund - Performance^ - Regular Plan - Growth Option **NAV as at April 30, 2025 ₹ 1920.937 (per unit)**

Period	Scheme Returns (%)	Scheme Benchmark Returns (%)#	Additional Benchmark Returns (%)##	Value of investment of (₹) 10,000		
				Scheme (₹)	Benchmark (₹)#	Additional Benchmark (₹)##
Last 1 Year	15.85	5.95	9.01	11,585	10,595	10,901
Last 3 Years	23.47	15.33	13.78	18,846	15,351	14,742
Last 5 Years	29.85	23.63	21.16	36,948	28,897	26,127
Last 10 Years	15.35	13.80	12.88	41,744	36,475	33,606
Since Inception*	18.92	12.42	11.74	19,20,937	3,48,861	2,90,049

Common notes for table A & B. *Inception Date: January 01,1995. The Scheme is managed by Ms. Roshi Jain since July 29, 2022. #NIFTY 500 (Total Returns Index). ##NIFTY 50 (Total Returns Index). As NIFTY 50 TRI data is not available since inception of the scheme, additional benchmark performance is calculated using composite CAGR of NIFTY 50 PRI values from January 1, 1995 to June 29, 1999 and TRI values since June 30, 1999. ^Returns as on April 30, 2025.

C. Performance of Other Funds Managed by Ms. Roshi Jain, Fund Manager of HDFC Flexi Cap Fund (who manages total 3 schemes which have completed one year)

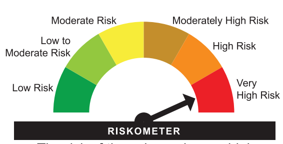
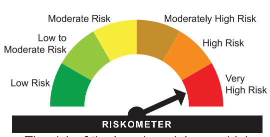
Scheme	Managing Scheme since	Returns (%) as on April 30, 2025		
		Last 1 year (%)	Last 3 years (%)	Last 5 years (%)
HDFC Focused 30 Fund	January 13, 2022	15.59	23.58	29.70
Benchmark - NIFTY 500 (Total Returns Index)		5.95	15.33	23.63
HDFC ELSS Tax saver	January 13, 2022	13.41	22.80	27.35
Benchmark - NIFTY 500 (Total Returns Index)		5.95	15.33	23.63

On account of difference in type of scheme, asset allocation, investment strategy, inception dates, the performance of these schemes is strictly not comparable

Notes common to all tables: Past performance may or may not be sustained in future and is not a guarantee of any future returns. The above returns are for Regular Plan - Growth Option. Load is not taken into consideration for computation of performance. Returns greater than 1 year period are compounded annualized (CAGR). Different plans viz. Regular Plan and Direct Plan have a different expense structure. The expenses of the Direct Plan under the Scheme will be lower to the extent of the distribution expenses / commission charged in the Regular Plan. Returns as on April 30, 2025.

This product is suitable for investors who are seeking~:
- To generate long-term capital appreciation / income
- Investment predominantly in equity & equity related instruments

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

Riskometer# of the Scheme(s)	Name of scheme(s)	Name and Riskometer of Benchmark
 The risk of the scheme is very high	• **HDFC Flexi Cap Fund** • **HDFC Focused 30 Fund** • **HDFC ELSS Tax saver**	NIFTY 500 (Total Returns Index)  The risk of the benchmark is very high

To know more speak to us today

Benchmark and Scheme Riskometer as on April 30, 2025
#For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. **www.hdfcfund.com**

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

Mission: To be the wealth creator for every Indian

Vision: To be the most respected asset manager in the world

Value Research
Wealth Insight
June 2025 Volume XVIII, Number 12

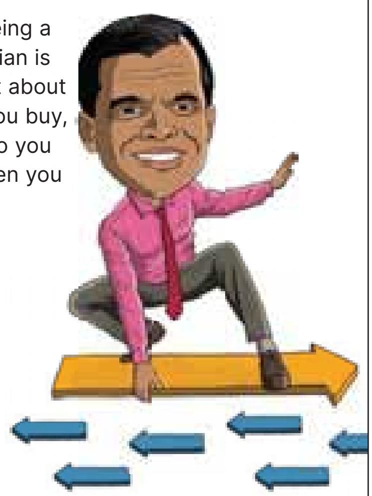
EDITORIAL POLICY

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.

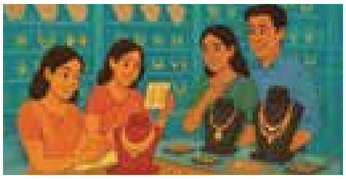
All our stories are backed by quantitative data. To this, we add rigorous qualitative research obtained by speaking to a wide variety of stakeholders. We firmly stick to our belief of fundamental research and value-oriented approach as the best way to earn wealth in the stock market. Equally important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

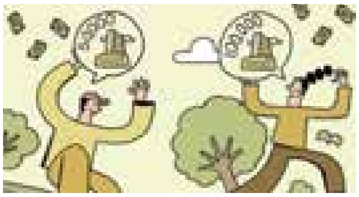
Simplicity is the hallmark of our style. Our writing style is simple and so is the presentation of ideas, but that should not be construed to mean that we over-simplify.

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



Contents





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

Editor-In-Chief: 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

Total pages 68, including cover


Scan Here To Invest Now
LIC MUTUAL FUND
Investing in the Future
Nurturing Dreams
Invest in
LIC MF
VALUE FUND#
An open ended equity scheme following value investment strategy
(Erstwhile LIC MF Long Term Value Fund)
Moderate Risk
Moderately High Risk
Low to Moderate Risk
High Risk
Low Risk
Very High Risk
RISKOMETER
The risk of the scheme is Very High
This product is suitable for investors who are seeking*:
• Long term capital appreciation
• Investment in equity and equity related instruments by following value investment strategy.
• Risk - Very High
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them. The change in Risk-o-meter will be evaluated on a monthly basis. For Scheme related details, including updation in Riskometer (if any) may please be referred on our website: www.licmf.com
Start Managing Your Investments Efficiently With LIC Mutual Fund!
LIC Mutual Fund's Investor App
Fast, Simple & Paperless Investment Experience
LIC MF Investor APP
Mutual Fund
Systematic Investment Plan (SIP)
Easy Investment
Make various types of Mutual Fund Transaction with LICMF Investor App
Scan Here To Download App
GET IT ON Google Play
Download on the App Store
To know more, please consult your Financial Adviser OR Call Toll Free 1800-258-5678
Mutual fund investments are subject to market risks, read all scheme related documents carefully.

by Dhirendra Kumar

The hidden compounding engine

Exploring the factors that influence the P/E multiple

At its core, investing is about solving a deceptively simple puzzle: finding businesses that can grow consistently for years while ensuring you don't overpay for that growth. Yet for all the complex models and valuation frameworks that populate investment textbooks, surprisingly few connect these two essential elements elegantly.

This month's cover story delves into the most illuminating equation in investing – one that combines both ROCE and reinvestment rate into one. After all, in the long run, these two are at the core of any compounding machine

The beauty of this equation is its clarity: just like a Formula 1 car needs both engine power and aerodynamics, great investments need high returns and smart reinvestment. Without both, growth stalls. The best wealth creators strike this balance perfectly – generating high returns on their capital while finding substantial opportunities to reinvest at those attractive rates.

Many investors focus on just one side of the equation – value seekers chase high returns, while growth fans applaud reinvestment, often ignoring the other half. Both miss the fundamental insight: it's the product of these factors, not either one alone, that drives wealth creation. One is the soil, the other is the tree.

This framework is particularly valuable in today's market because it cuts through narrative-driven investing. Rather than being seduced by stories about addressable markets or disruption potential, this approach grounds valuation in mathematics. It forces us to ask the essential questions: How efficiently does this business convert capital into earnings? How much of those earnings can be productively redeployed? And most critically, what price makes sense given the answers?

It also resolves the eternal debate about whether high P/E ratios necessarily indicate overvaluation. The matrix in our cover story shows why not all high P/Es are equal—a firm earning 25 per cent ROCE and reinvesting 90 per cent rightly commands a premium that average businesses can't justify.

Critics might argue this approach demands too much crystal-ball gazing – projecting returns and reinvestment rates a decade forward seems ambitious. Yet that's precisely what makes it valuable. By forcing investors to articulate their assumptions explicitly, it brings discipline to what would otherwise be purely sentiment-driven decisions. The method doesn't eliminate uncertainty but makes it transparent and quantifiable. When we make these projections, we're not merely guessing – we're examining competitive advantages, management capability and industry structures that determine whether a company can sustain superior returns while finding meaningful places to deploy capital. This demands a depth of business analysis that superficial metrics like P/E ratios alone never require.

For thoughtful investors, our cover story offers more than just a valuation tool – it's a way to judge how wisely leaders deploy capital. The best business leaders avoid return-diluting bets and double down where returns stay high. Aligning with this mindset helps us back businesses that truly compound wealth over time—not just drift with the market.

Before chasing a story or fearing a high multiple, look under the hood. Sometimes, a bargain appears expensive when viewed through the right analytical framework. Other times, value traps become obvious when you recognise the mismatch between their returns and reinvestment opportunities. True value lies in how well a company balances returns and reinvestment – not just in the price tag.

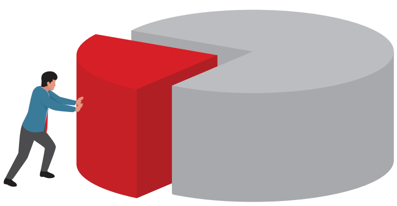
MARKET REPORTER

Gold hits ₹1 lakh-mark for the first time ever

Gold prices made a new record, hitting ₹1 lakh per 10 grams in late April amid global economic uncertainty, a weaker US dollar and geopolitical tensions. Central bank buying and the *Akshaya Tritiya* festival also boosted demand. By mid-May, prices corrected about 7 per cent to ₹97,000 as international tensions eased and investor demand stabilised. The milestone has sparked renewed retail interest in gold.

Tata Motors gets shareholders' nod to spin off CV business

Tata Motors secured 99.9 per cent of shareholder approval to demerge its commercial vehicle business into a separate listed company TML Commercial Vehicles, while passenger vehicles, EVs and Jaguar Land Rover will remain with Tata Motors. Shareholders will get one share in each company for every share held in Tata Motors. The demerger is expected to be completed by October 1, 2025.

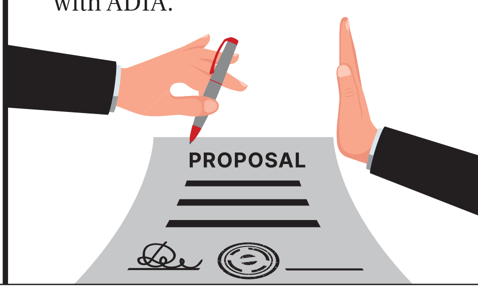


Japan's SMBC to acquire 20 per cent stake in Yes Bank for $1.58 billion

Japan's Sumitomo Mitsui Banking Corporation (SMBC) will buy a 20 per cent stake in Yes Bank for ₹13,483 crore ($1.58 billion). The deal involves buying State Bank of India's 13.19 per cent stake in Yes Bank and 6.81 per cent from other lenders. This marks the largest cross-border investment in India's banking sector. SMBC aims to boost Yes Bank's corporate and digital banking growth. Regulatory approvals are expected by September 2025.

IDFC First Bank shareholders reject Warburg Pincus board nomination proposal

IDFC First Bank shareholders rejected a proposal to grant board nomination rights to Currant Sea Investments BV, an affiliate of Warburg Pincus. The resolution received 64 per cent approval, below the 75 per cent needed. Institutional investors largely opposed the move while retail investors supported it. This follows Warburg Pincus's ₹4,876 crore investment for a 9.48 per cent stake in the bank as part of a ₹7,500 crore joint deal with ADIA.



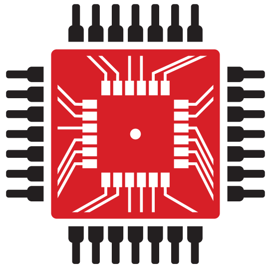
US-China agree on 90-day tariff reduction truce

The US and China agreed to a 90-day truce last month in Geneva, cutting US tariffs on Chinese goods from 145 to 30 per cent and China's tariffs on US imports from 125 to 10 per cent. China also lifted its Boeing ban and suspended non-tariff measures. However, tensions rose after the US targeted Huawei's Ascend chips, with Beijing accusing Washington of violating the agreement's spirit.

Supreme Court rejects Vodafone Idea's plea to waive AGR dues

The Supreme Court dismissed Vodafone Idea's plea to waive over ₹45,000 crore in AGR dues, calling it 'misconceived' The telecom giant warned it may not survive beyond FY26 without relief. Despite multiple fundraises, including the government increasing its stake to 49 per cent via equity conversion, Vodafone Idea continues to struggle financially. Former chairman Kumar Mangalam Birla resigned in 2021, offering his stake to the government.

Adani Group, Zoho halt major semiconductor projects



India's semiconductor goals have faced setbacks as the Adani Group paused its $10 billion joint venture with Israel's Tower Semiconductor over weak domestic demand and funding issues. Zoho Corporation, a Chennai-based SaaS leader, also suspended its $700 million chipmaking plan due to trouble finding a technology partner. These cancellations underscore the difficulties India faces in establishing a competitive semiconductor manufacturing ecosystem and attracting necessary investments.

Singtel cuts stake in Bharti Airtel; Airtel-Tata Play DTH merger called off

Singtel divested a 1.2 per cent stake in Bharti Airtel for ₹13,180 crore ($1.54 billion), reducing its holding to 28.3 per cent. The shares were bought by Indian and global institutional investors, including mutual funds. In a separate development, Bharti Airtel and the Tata Group called off merger talks between their DTH businesses, Airtel Digital TV and Tata Play, after failing to agree on terms.

Supreme Court scraps JSW Steel's Bhushan Power acquisition

The Supreme Court annulled JSW Steel's ₹19,350 crore acquisition of Bhushan Power and Steel, citing procedural lapses under the Insolvency and Bankruptcy Code. It ordered Bhushan Power's liquidation and mandated JSW Steel to return payments to creditors within two months. The ruling raises concerns over India's insolvency process and investor confidence. The government is reviewing the decision to decide further action.

Defence stocks skyrocket after *Operation Sindoor*

After India's *Operation Sindoor* in May 2025, defence stocks rallied sharply, adding ₹1.8 lakh crore in market capitalisation. Firms like IdeaForge, Cochin Shipyard and Garden Reach Shipbuilders rallied up to 56 per cent. The Nifty India Defence index rose nearly 13 per cent, outpacing the broader market. The surge reflects investor confidence in India's indigenous defence strength and expectations of increased domestic and export orders.

IndusInd Bank reports fresh accounting error amid SEBI insider trading probe

IndusInd Bank revealed a misstatement in its microfinance division where ₹674 crore was incorrectly recorded as interest income over three quarters of FY25. This follows a prior ₹1,960 crore derivatives accounting error that led to top executive resignations. Meanwhile, SEBI is investigating six bank officials for possible insider trading related to undisclosed lapses. The probe focuses on whether they sold stock options while being aware about the accounting irregularities.

Ather Energy makes muted D-Street debut

Two-wheeler EV player Ather Energy made a muted debut on exchanges on May 6, 2025, listing at ₹328 on the NSE, just 2.18 per cent above its issue price. Its ₹2,981 crore IPO was subscribed 1.43 times. Its Q4 FY25 revenue rose 29 per cent to ₹676 crore, while net losses narrowed 17 per cent to ₹234 crore. Adjusted gross margin improved to 18 per cent.

Asian Paints reports worst quarterly profit drop in 20 years

In Q4 FY25, Asian Paints' consolidated net profit fell 45 per cent YoY, its steepest quarterly drop in over 20 years. Revenue declined 4.3 per cent due to weak urban demand and strong competition from Grasim's Birla Opus. A one-time ₹183 crore loss from selling Indonesian operations added to the pressure. Despite an 1.8 per cent volume growth in decorative paints, margins suffered from an adverse product mix.

Lumax Auto to buy remaining stake in IAC India for ₹221 crore

Lumax Auto Technologies will acquire the remaining 25 per cent stake in IAC International Automotive India for ₹221 crore from the IAC Group, making the latter its wholly-owned subsidiary. The deal is expected to close by May 31, 2025. IAC India supplies plastic interiors to OEMs like Mahindra and Maruti Suzuki. Lumax plans to merge IAC India to boost synergies and strengthen its EV interior market presence.

India-UK sign landmark FTA to boost bilateral trade

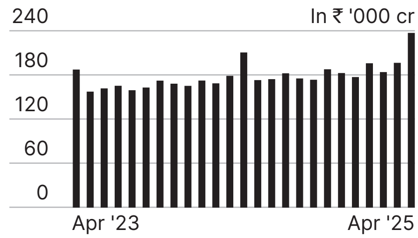
On May 6, 2025, India and the UK signed a Free Trade Agreement (FTA) ending tariffs on 99 per cent of Indian exports to the UK and reducing duties on 90 per cent of UK goods entering India. Key sectors like textiles, gems, whisky and automobiles are set to benefit. Bilateral trade is expected to grow 15 per cent annually, potentially doubling to $120 billion by 2030.

Buffett ends six-decade reign at Berkshire, passes baton to Greg Abel

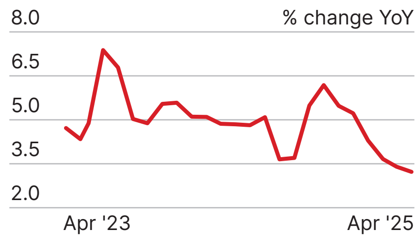
Investing legend Warren Buffett, 94, will step down as CEO of Berkshire Hathaway at the end of 2025, closing a six-decade reign that built the company into a $1.1 trillion giant. Citing waning energy, Buffett praised his successor, Greg Abel, 62, for greater operational vigour. Abel, Berkshire's vice chairman since 2018, takes over on January 1, 2026, with Buffett staying on as chairman to oversee the transition.

ECONOMIC METRICS

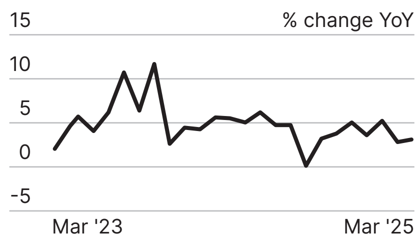
GST collection



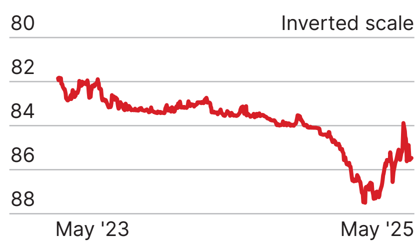
Inflation: Consumer Price



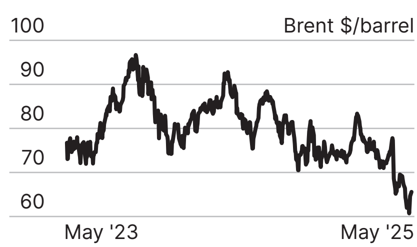
Index of Industrial Production



₹ vs $



Crude oil



Breaking the airline curse

How IndiGo emerged as a rare success story in a tough industry

The airline business is notorious for destroying shareholder value. High fixed costs, volatile fuel prices, intense competition and regulatory pressures leave most airlines perpetually struggling to stay afloat. Yet, amid this challenging landscape, one Indian carrier has defied the odds and built a consistently profitable franchise: InterGlobe Aviation, parent of low-cost airline IndiGo.

The beginnings

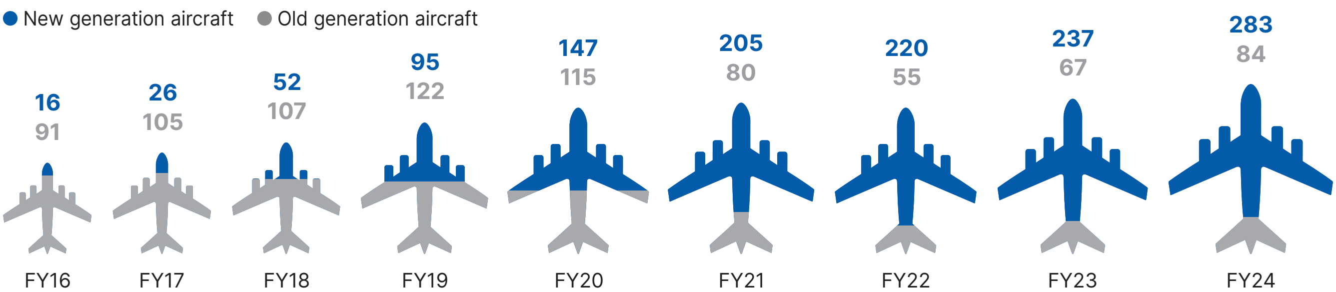
Rahul Bhatia joined his father's air travel business in 1984. He later transformed it into a new venture called InterGlobe Enterprises, which established numerous global partnerships with airlines and hotels. In 2004, he launched InterGlobe Aviation, which secured an airline license and thus, the brand 'IndiGo' was born.

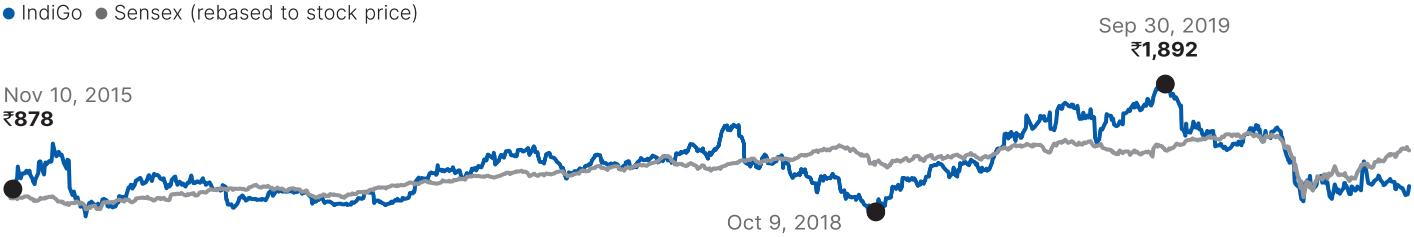
Within a year, the company placed an order for 100 Airbus A320 aircrafts, a move considered unusually bold for a startup airline. But this scale came with benefits. IndiGo could negotiate better pricing with Airbus and secure favourable lease terms through a sale-and- leaseback model, enabling it to free up capital, optimise its operations and achieve faster expansion.

The competitive advantage

Airline companies typically incur significant fixed costs per flight. IndiGo has consistently operated as a low-cost carrier, maintaining a sharp focus on cost control

Winds of change





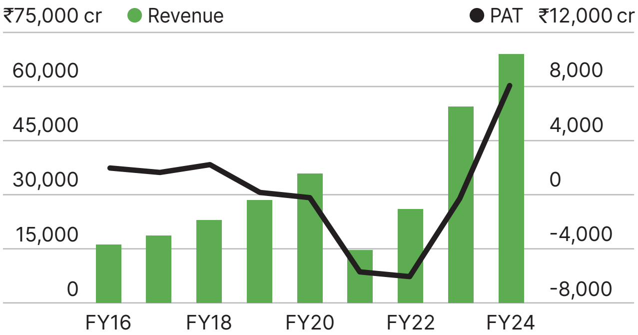
Mar 2016
Becomes the first airline in Asia to operate the new Airbus A320neo aircraft

Dec 2018
Becomes the first Indian airline to operate a fleet of 200 planes

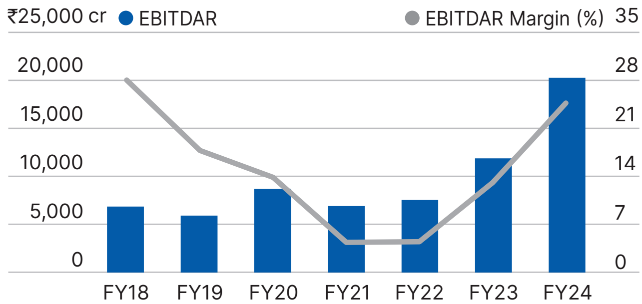
Sep 2019
Enters the Chinese market by launching daily flights from Delhi to Chengdu

Dec 2019
Becomes India's first airline to operate over 1,500 flights in a single day

Revenue and profit after tax



EBITDAR and EBITDAR margin



*Earnings before interest, tax, depreciation, amortisation and engine rental

despite the volatility in fuel prices. A key factor in IndiGo's cost efficiency is its reliance on a single aircraft type—the Airbus A320. This strategy simplifies maintenance and operational processes, leading to further cost savings. In 2016, Indigo became one of the first airlines in the world to operate the Airbus A320neo, a fuel-efficient aircraft.

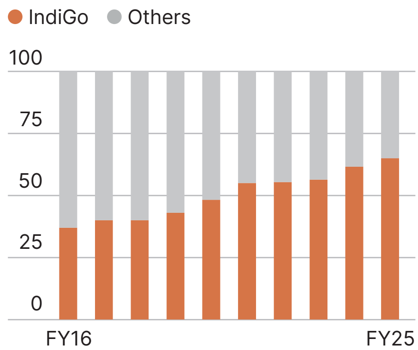
These cost advantages translated into consistently competitive fares. And lower fares meant higher passenger loads. Over time, this created a self-reinforcing loop: Lower costs led to lower prices, which drove higher occupancy, which, in turn, improved margins. This discipline paid off. In FY15, while Jet Airways and SpiceJet were posting steep losses of ₹2,097 crore and ₹687 crore respectively, IndiGo reported a profit of ₹1,300 crore.

The road ahead

Today, IndiGo is dominating Indian skies with over 65 per cent domestic market share. But it isn't stopping there. The airline has placed orders for 925 aircrafts, scheduled for delivery by 2035. It's also gearing up for international expansion with aircrafts like the Airbus A321XLR and A350, which will enable mid-and long-haul operations. ☑

By Abhinav Goel

Domestic market share (%)



Jan 2023
Becomes India's first carrier to reach a fleet size of over 300 active aircrafts

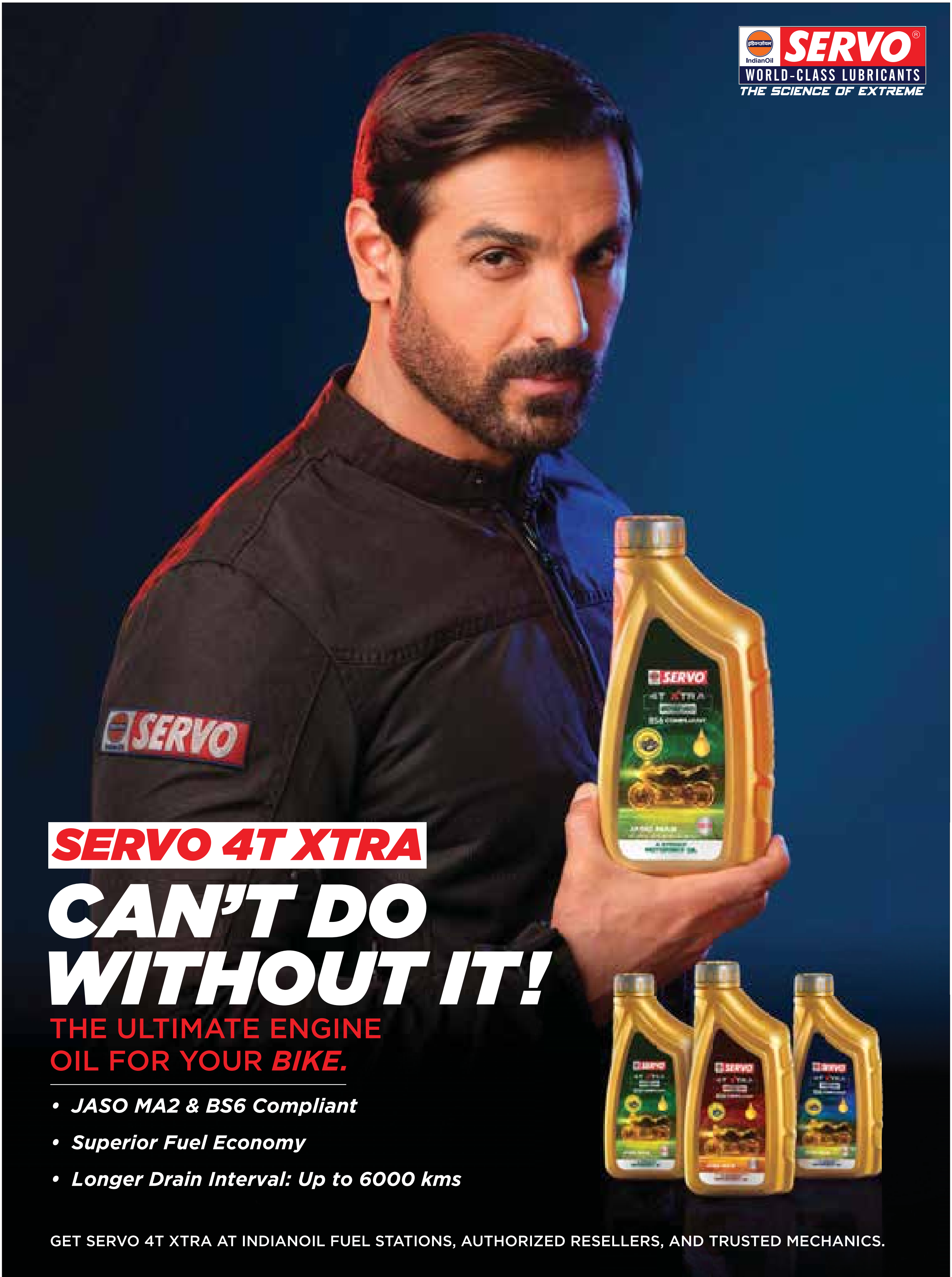
Jun 2023
Places Airbus' largest ever purchase order of 500 A320 Family aircrafts

Dec 2023
Becomes the first Indian airline to carry over 100 million passengers in a calendar year

Large caps

	Industry	Stock Rating	3M returns (%)	P/E	TTM Rev. growth (% YoY)	TTM PAT growth (% YoY)	3Y EPS growth (% pa)	3Y avg. ROE (%)
Top 10 by returns								
Solar Industries	Explosives	★★★★	54.9	110.7	9.5	37.2	45.5	30.5
Hitachi Energy	Electrical Machinery	★★	48.4	194.4	21.9	134.4	31.7	-
BSE	Exchange Serv.	★★★★★	43.5	75.0	114.6	199.3	73.3	15.2
Mazagon Dock	Shipbuilding	★★★★	42.2	45.2	34.6	76.7	57.0	28.4
Bharat Electronics	Defence & Aerospace	★★★★	37.7	50.4	27.5	40.5	24.1	23.7
Coromandel	Fertilisers	★★★★★	37.6	34.3	9.2	11.9	10.4	24.4
Hindustan Aero	Defence & Aerospace	★★★★	35.8	38.1	2.0	9.5	18.1	28.5
Waaree Energies	Renewable Energy Equip.	Unrated	33.9	43.3	172.2	322.1	171.0	31.9
Interglobe Aviation	Air Transport	★★★	29.2	34.6	17.2	-15.4	45.5	-
Adani Ports	Marine Port Serv.	★★★★	29.0	26.7	16.4	25.4	28.8	1.6
Bottom 10 by returns								
Siemens	Div. Manufacturing	★★★	-39.7	41.1	5.2	-3.7	35.3	15.3
Indian Overseas Bank	Banks - Div.	★★	-18.6	2.6*	16.9	27.4	24.7	10.2
Wipro	Software & Serv. - Div.	★★★	-17.9	20.2	-0.7	18.5	4.0	18.6
Vodafone Idea	Telecom Serv. - Div.	Unrated	-15.0	-	1.4	8.5	15.8	-
Infosys	Software & Serv. - Div.	★★★★	-14.2	24.8	6.1	1.9	7.0	34.0
Tata Consultancy Services	Software & Serv. - Div.	★★★	-9.8	26.5	6.0	4.3	8.9	50.4
Dabur India	Household & Personal - Div.	★★★	-9.8	47.0	1.3	-4.0	0.5	24.1
Swiggy	Online Serv.	Unrated	-9.7	-	158.9	-147.5	25.9	-
LTIMindtree	IT Serv. & Consulting	★★★★	-8.6	32.5	7.0	0.4	-0.7	25.7
Oracle Financial	Financial Tech.	★★★	-5.0	31.1	7.4	7.2	7.8	32.5

*Price-to-book ratio. Our large-cap universe has 144 large companies, making the top 70 per cent of the total market cap. The above list mentions stocks that fluctuated the most in the last three months. Profit after tax (PAT) adjusted for exceptional items and discontinued operations. Data as of May 14, 2025.


IndianOil SERVO
WORLD-CLASS LUBRICANTS
THE SCIENCE OF EXTREME
SERVO
SERVO
SERVO 4T XTRA
CAN'T DO WITHOUT IT!
THE ULTIMATE ENGINE OIL FOR YOUR BIKE.
• JASO MA2 & BS6 Compliant
• Superior Fuel Economy
• Longer Drain Interval: Up to 6000 kms
GET SERVO 4T XTRA AT INDIANOIL FUEL STATIONS, AUTHORIZED RESELLERS, AND TRUSTED MECHANICS.

Mid caps

	Industry	Stock Rating	3M returns (%)	P/E	TTM Rev. growth (% YoY)	TTM PAT growth (% YoY)	3Y EPS growth (% pa)	3Y avg. ROE (%)
Top 10 by returns ▲								
Garden Reach Shipbuilders	Shipbuilding	★★★	62.2	47.6	41.3	47.6	40.7	18.7
Force Motors	Commercial Vehicles	★★★★	60.4	17.1	15.4	30.4	121.0	7.7
Bharat Dynamics	Defence & Aerospace Div.	★★★★	60.3	114.4	4.7	18.7	-5.3	15.7
JSW Holdings	NBFC - Div.	★★	59.0	122.1	47.1	50.2	10.0	1.0
Data Patterns (India)	Defence & Aerospace Div.	★★★★	58.2	79.6	-5.4	7.8	60.3	17.6
Kaynes Technology India	IT Serv. & Consulting	★★★	57.9	156.6	55.0	80.4	35.8	16.0
Paradeep Phosphates	Fertilisers	★★★	50.5	22.7	19.4	456.7	-0.7	11.0
Ceat	Tyres & Tubes	★★★	50.1	33.4	10.7	-28.2	87.9	8.7
Godfrey Phillips India	Tobacco Products	★★★★	49.9	46.3	21.7	26.1	32.8	20.8
Godrej Industries	Div. Manufacturing	★★	45.9	81.0	9.2	143.0	5.8	-0.3
Bottom 10 by returns ▼								
Punjab & Sind Bank	Corporate Banks	★★	-30.6	21.0	18.4	70.6	-12.7	8.0
TBO Tek	Travel & Tourism	★★★	-26.4	59.4	27.2	14.8	99.3	38.0
Embassy Developments	Real Estate Dev.	★	-23.9	-	86.2	55.9	-337.9	-20.5
IndusInd Bank	Banks - Div.	★★★★	-23.7	0.9*	15.3	-16.4	18.5	13.4
Central Bank Of India	Banks - Div.	★★	-22.8	1.0*	9.6	48.2	53.5	7.1
Blue Star	Heating & Cooling Systems	★★★	-20.7	54.2	23.6	41.1	48.9	21.6
UCO Bank	Corporate Banks	★	-20.3	1.4*	14.7	47.8	37.4	6.8
Anant Raj	Real Estate Dev.	★★	-17.2	37.1	38.9	59.3	86.5	3.5
Vedant Fashions	Apparel & Acc. Retail	★★★	-16.9	45.8	1.4	-6.2	8.0	30.2
Brainbees Solutions	Apparels & Footwear - Div.	Unrated	-16.3	-	161.8	16.1	-203.8	-9.7

*Price-to-book ratio. Our mid-cap universe has 315 mid-cap companies, making the next 20 per cent of the total market cap. The above list mentions stocks that fluctuated the most in the last three months. Profit after tax (PAT) adjusted for exceptional items and discontinued operations. Data as of May 14, 2025.

Small caps

	Industry	Stock Rating	3M returns (%)	P/E	TTM Rev. growth (% YoY)	TTM PAT growth (% YoY)	3Y EPS growth (% pa)	3Y avg. ROE (%)
Top 10 by returns								
NACL Industries	Pesticides	★★	225.8	-	-22.4	-196.6	-189.5	9.3
Kothari Industrial Corp	Div. Others	★★★	168.4	-	345.7	547.0	-469.8	-
Colab Platforms	Inv. Management - Div.	★★★	157.6	680.2	2347.7	11.5	214.6	6.5
Vadilal Industries	Dairy Products	★★★★★	96.1	33.8	7.5	6.0	58.0	28.1
Elitecon International	Div. Trading	Unrated	96.0	222.5	1268.5	156.8	204.5	4.1
Krishana Phoschem	Div. Chemicals	★★★	95.2	25.4	47.0	113.8	39.8	14.0
Vadilal Enterprises	Dairy Products	★★★	74.5	207.8	8.3	-27.1	8.2	58.8
Faze Three	Home Furnishing	★★★	70.6	46.3	18.7	-38.8	-9.9	20.8
Baazar Style Retail	Apparel & Acc. Retail	Unrated	69.5	163.0	38.1	1.2	45.0	2.3
Panacea Biotec	Branded Medicines	★★★	67.9	-	2.1	66.5	25.2	-14.3
Bottom 10 by returns								
Suratwwala Business Group	Real Estate Dev.	★★★	-62.5	67.3	-42.8	-52.3	-23.4	-
Raymond	Miscellaneous Textiles	★★★★	-59.9	0.5	85.1	-447.5	208.4	6.7
Ashika Credit Capital	NBFC - Div.	★★	-46.1	-	39.5	-580.7	-243.1	11.6
Polo Queen Industrial	Div. Trading	★★	-42.5	689.0	43.9	101.8	50.6	1.0
Eraaya Lifespaces	Bicycles	Unrated	-40.1	-	142.9	2039.6	-367.8	1.8
Vakrangee	Software	★	-40.0	163.2	20.0	60.9	-56.9	1.5
Quess Corp	Business Serv. - Div.	★★★	-39.7	14.8	10.6	73.7	52.1	10.2
Blue Cloud Softech Solutions	Software	Unrated	-36.4	20.1	160.1	389.1	229.0	7.2
Veritas (India)	Div. Trading	★	-34.3	7.6	28.9	-27.5	6.7	5.7
Tembo Global Industries	Aluminium Products	★★★	-31.9	18.4	45.5	217.1	165.9	20.7

Our small-cap universe (minimum m-cap of ₹650 crore) has 1,168 small-cap companies, making the bottom 10 per cent of the total market cap. The above list mentions stocks that fluctuated the most in the last three months. PAT adjusted for exceptional items and discontinued operations. Data as of May 14, 2025.

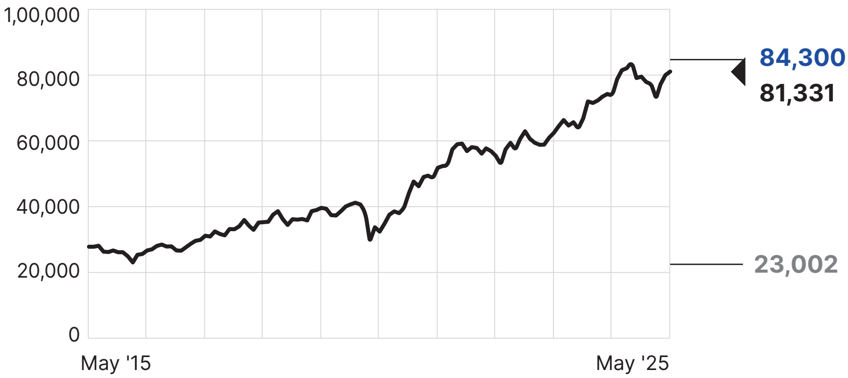
MARKET BAROMETER

Trends and trails

Charts to help you make sense of the current market in terms of valuations and return potential

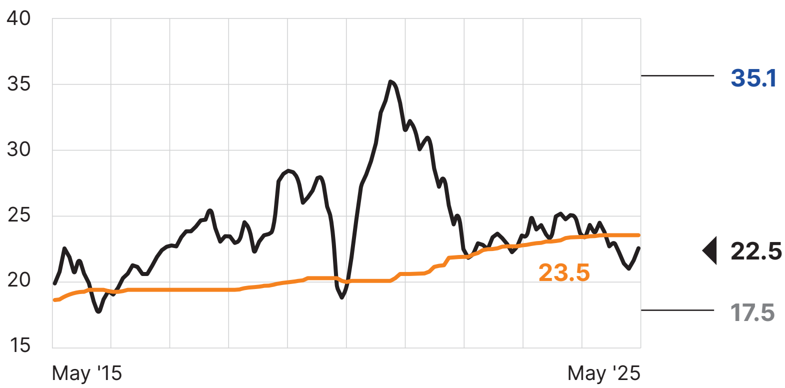
● Max ◀ Current ● Median ● Min

Sensex's 10-year journey

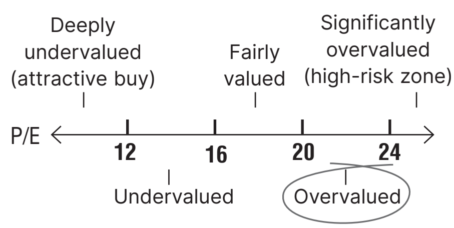


- The Sensex is a reliable gauge of the Indian market's overall performance.
- The 10-year graph shows a secular market rally, interrupted by several bearish phases.
- Key setbacks include: Chinese growth concerns (2015), demonetisation (2016), US–China trade tensions (2018) and the Covid-19 crash (March 2020).
- After a strong recovery post-March 2020, the markets dipped due to the Russian-Ukraine conflict and rising interest rates.
- After touching new lifetime highs in 2024, Sensex is now stuck in a consolidation phase.

Sensex price-to-earnings ratio

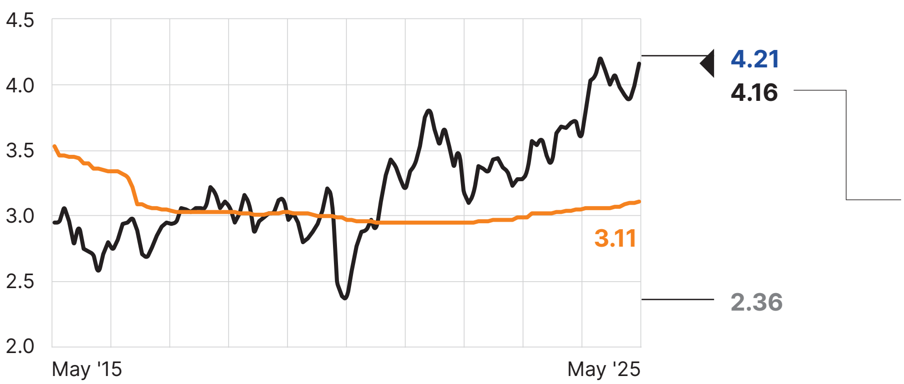


The **price-to-earnings (P/E)** ratio of the Sensex is a straightforward indicator of market valuation. Here's a general valuation guide:



This chart uses standalone data for Sensex companies. If consolidated figures are considered, the P/E ratio would likely be lower.

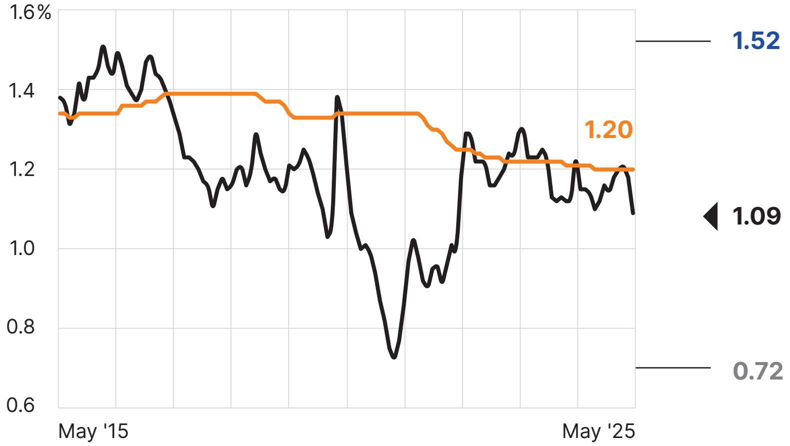
Sensex price-to-book ratio



The **price-to-book (P/B)** ratio reflects what investors are willing to pay for each rupee of net assets. With book value being more stable than earnings, it's often considered a better valuation measure than P/E.

If:
P/B > Median P/B = Overvalued
P/B < Median P/B = Undervalued

Sensex dividend yield

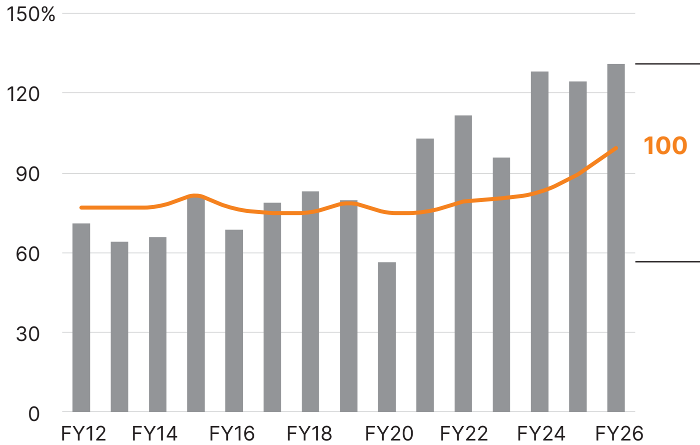


Dividend yield represents the return an investor earns through dividends. It's calculated as dividend per share divided by price per share. Typically, higher dividend yields indicate cheaper stock prices.

If:
Dividend yield < Median dividend yield = Overvalued

Dividend yield > Median dividend yield = Undervalued

Market cap-to-GDP

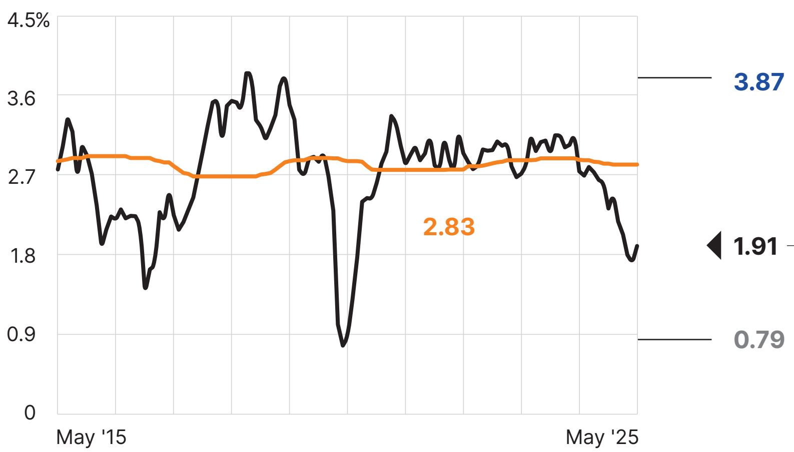


The **market cap-to-GDP ratio** is Warren Buffett's favourite valuation metric, calling it 'the best measure of market valuations at any given moment.'

If:
Market cap > GDP = Overvalued
Market cap < GDP = Undervalued

Considering the cumulative market cap of BSE-listed companies and the nominal GDP estimates: final for FY23, first revised for FY24 and second advanced for FY25.

10Y G-sec yield gap to Sensex earnings yield

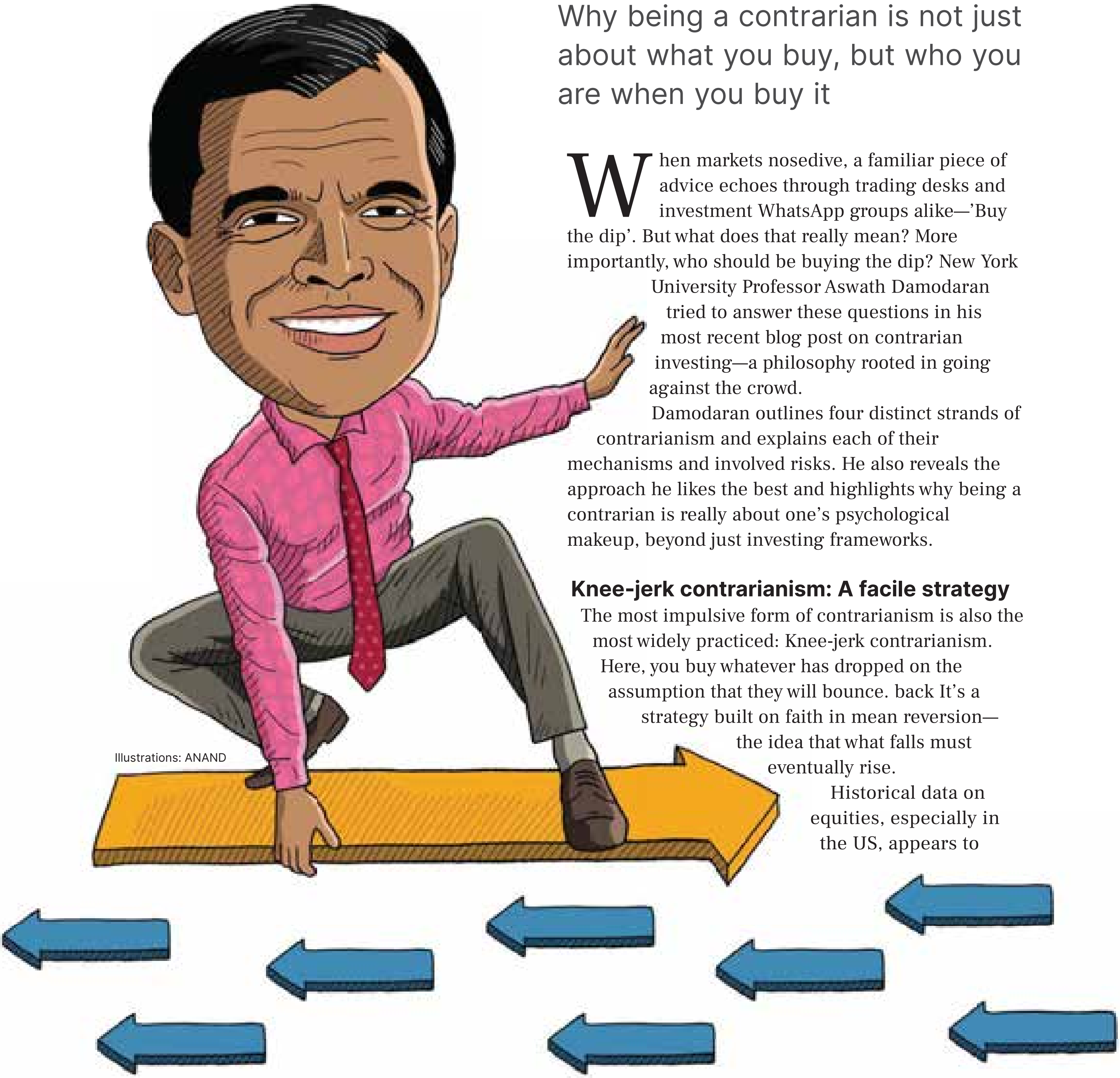


The **spread** between the 10-year government bond yield and Sensex earnings yield (inverse of P/E) is a key valuation metric.
A significant deviation from the median indicates the degree of the Sensex's overvaluation or undervaluation.
If:
Spread > Median = Overvalued
Spread < Median = Undervalued

All data as of May 14, 2025

The courage to be contrarian

Why being a contrarian is not just about what you buy, but who you are when you buy it



Illustrations: ANAND

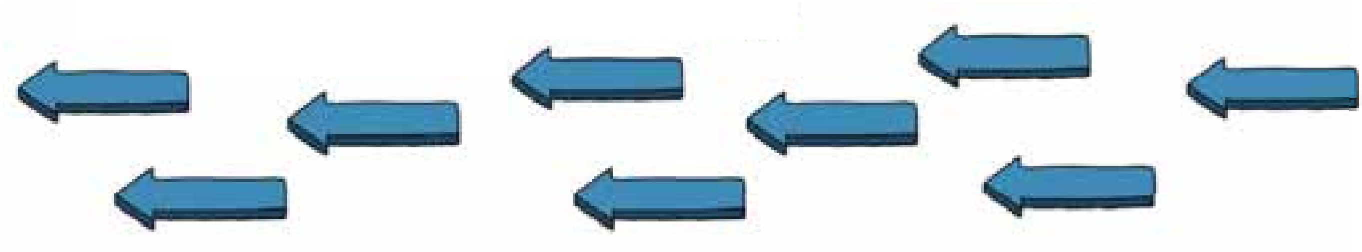
When markets nosedive, a familiar piece of advice echoes through trading desks and investment WhatsApp groups alike—'Buy the dip'. But what does that really mean? More importantly, who should be buying the dip? New York University Professor Aswath Damodaran tried to answer these questions in his most recent blog post on contrarian investing—a philosophy rooted in going against the crowd.

Damodaran outlines four distinct strands of contrarianism and explains each of their mechanisms and involved risks. He also reveals the approach he likes the best and highlights why being a contrarian is really about one's psychological makeup, beyond just investing frameworks.

Knee-jerk contrarianism: A facile strategy

The most impulsive form of contrarianism is also the most widely practiced: Knee-jerk contrarianism. Here, you buy whatever has dropped on the assumption that they will bounce. back It's a strategy built on faith in mean reversion—the idea that what falls must eventually rise.

Historical data on equities, especially in the US, appears to



support this. As Damodaran notes, "stocks deliver the highest returns of all asset classes" particularly when purchased after a fall. A 1985 study by DeBondt and Thaler found that so-called 'loser' portfolios—stocks that had dropped most in the previous three years—outperformed 'winners' in the years that followed.

But there's a catch. Later research by Jegadeesh and Titman showed that winner stocks actually continued to outperform losers in the short term. Momentum often overpowers reversion—at least for a while. And when downturns are driven by real economic or structural damage, buying the dip is like trying to catch a falling knife. "With individual stocks, the danger gets multiplied," warns Damodaran. "Investors buy into companies being sold off for legitimate reasons—like broken business models or financial distress—and wait for a correction (price increase) that never comes."

Technical contrarianism: When charts call the shots

Another approach is technical contrarianism where investors use price charts and technical indicators to determine when a downturn has bottomed out. Rather than blindly buying what's fallen, they wait for a signal—moving averages, RSI levels or spikes in volatility—that sentiment is turning.

Damodaran is cautiously receptive to this approach. "Charting patterns and technical indicators can provide signals of shifts in mood and momentum," he says, especially in the short term. Academic research has shown that patterns like double tops and head-and-shoulders do recur, albeit with "marginal incremental returns."

But he also notes the difficulty in relying on such tools. There's no universal agreement among technical analysts on which signals work best, and even when they do, the gains are often too small to survive transaction costs. "Useful," he concedes, "but not reliable."

Constrained contrarianism: Filtering the fall

Constrained contrarians are value investors at heart. They begin with stocks that have fallen—but only buy those that also meet rigorous quality criteria. The goal is simple: avoid value traps, where cheap stocks continue to slide because they deserved to be cheap in the first place.

To test this approach, Damodaran uses a three-pronged screen:

- A P/E ratio below 15 times
- A dividend yield above 1 per cent
- A net debt-to-EBITDA ratio below 2 times

Damodaran acknowledges that adding quality filters improves returns, especially for stocks that look cheap based on traditional value measures like low price-to-book. But he offers a critical caveat: "the evidence is underwhelming in terms of payoff, at least on an annual return basis, though the payoff is greater if you factor in volatility and estimate Sharpe ratios (excess return per unit of risk taken)."

In other words, quality screens may not dramatically boost yearly gains, but they can improve the risk-adjusted return—a more meaningful metric for long-term investors trying to minimise drawdowns and avoid capital destruction.

Still, this method is not foolproof. "The problem with these screens," Damodaran warns, "is that they are based upon historical data and do not capture structural changes in the economy or disruption in the industry."

A company might pass all the screens but still be operating in a business model facing long-term decline or technological obsolescence. That's why constrained contrarianism should be seen not as a guarantee of success but as a defense mechanism—a way to reduce the odds of error, not eliminate them.

Opportunistic contrarianism: Patience with purpose

The most deliberate and high-conviction approach is opportunistic contrarianism. Here, downturns aren't just tolerated—they're looked forward to. The investor builds a watchlist of great companies they'd love to own but that are too expensive in ordinary times.

When fear grips the market and prices fall across the board, they revisit this list, revalue these businesses under crisis assumptions and strike if the updated value exceeds the price.

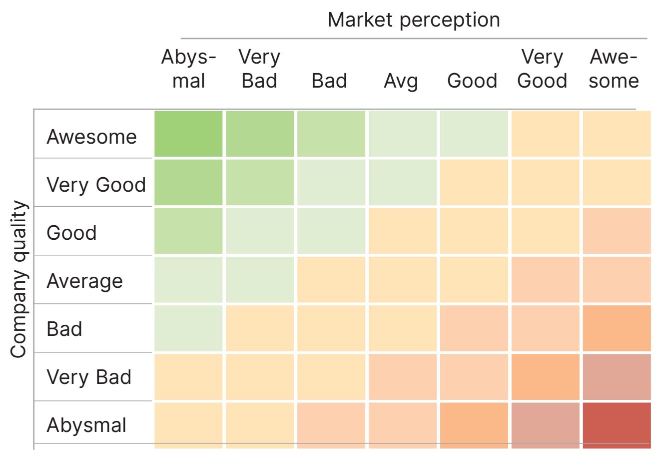
This is how Damodaran himself invests. "You may be tempted to play with the numbers to make these companies look undervalued," he writes. "But a better path is to put them on your list... and leave them there."

Recently, he placed limit buy orders on BYD, Mercado Libre and Palantir—companies he's long admired but waited to buy. "The crisis is young," he writes, "and the order is good until cancelled."

Central to this approach is a crucial distinction Damodaran made years ago—great companies are not always great investments. Why? Because markets often price them for perfection.

The figure on the top right, simple yet profound, shows that great businesses are often bad buys due to high prices. The true opportunity comes when fear causes markets to irrationally mark them down, even below intrinsic value.

Opportunistic contrarianism isn't just about bargains. It's about preparation. It demands clarity on what you want to own before a downturn hits—and the courage to act when it does.



Green indicates most favourable for investor while red indicates least favourable. Other shades fall in the middle.

The final filter? You, the investor

In the end, Damodaran reminds us that no strategy, no matter how elegant, can succeed if it's misaligned with the investor's temperament. "Buying when the rest of the market is selling takes a mindset, a time horizon and a stronger stomach that most of us do not have," he writes. He breaks it down into three essentials:

Mindset: Resistance to peer pressure and public opinion.

Time horizon: Willingness to wait out volatility without flinching.

Stomach: Capacity to endure short-term losses with long-term conviction.

Contrarian strategies, he puts it, may not work if one is not psychologically attuned to their stresses and demands. So before buying any dip, Damodaran asks investors to reflect, not just on the company or the chart, but on themselves. Because in the end, being a contrarian is not just a financial choice. It's a personal one. ☑

Value Research

Wealth Insight

19th ANNIVERSARY ISSUE

July 2025

Promoter stake shake-up

Companies where promoter stake changed substantially in Q4 FY25

Higher promoter holding shows that the promoters are bullish about a company. In contrast, a fall in the promoter stake is usually seen as a negative development.

However, corporate actions, such as rights issues, mergers and promoter reclassification, can also impact promoter holdings. Hence, one needs to dig deeper while tracking promoter stakes.

The tables below list the companies where the promoter stake has noticeably changed over the last quarter. We took companies whose promoter stake in the previous quarter was at least 25 per cent. In the case of an increase in promoter stake, we set a threshold of 4 percentage points. In the case of a decrease in promoter stake, we set a threshold of 5 percentage points.

Increase in promoter stake

Companies where promoter stake rose by at least 4 percentage points

Company	Sector	M-cap (₹ cr)	Promoters' stake (%) Mar '25	Promoters' stake (%) Dec '24	Increase in promoter holdings (% pts)	3M return (%)
The India Cements	Const. Materials	10,010	81.5	55.5	26.0	-26.6
Oswal Agro Mills	Trading	1,095	46.9	41.9	5.0	2.6
SpiceJet	Aviation	6,373	33.5	29.1	4.3	-20.0
Astec Lifesciences	Chemicals	1,342	70.9	66.8	4.1	-32.4
Zaggle Prepaid	IT	5,324	44.2	40.1	4.1	-30.7

Fall in promoter stake

Companies where promoter stake declined by at least 5 percentage points

Company	Sector	M-cap (₹ cr)	Promoters' stake (%) Mar '25	Promoters' stake (%) Dec '24	Decrease in promoter holdings (% pts)	3M return (%)
BN Holdings	Agri	1,519	5.9	55.2	-49.3	-29.4
Nitco	Const. Materials	2,963	16.2	46.8	-30.6	-7.8
Rajesh Power Services	Trading	2,350	73.4	100.0	-26.6	-15.9
Sundrop Brands	FMCG	3,077	33.9	51.8	-17.9	-18.5
AWL Agri Business	FMCG	34,656	74.4	87.9	-13.5	-16.2
Fischer Medical	Chemicals	5,526	62.8	74.9	-12.1	27.5
Indo Thai Securities	Finance	2,139	61.7	72.2	-10.5	47.0
Windsor Machines	Capital Goods	2,996	44.5	53.9	-9.4	-9.8
Simplex Infrastructures	Infrastructure	1,895	42.4	49.8	-7.5	7.9
Centum Electronics	Electricals	2,901	51.5	58.8	-7.2	-23.4
JB Chemicals & Pharma	Healthcare	25,082	47.8	53.7	-5.8	-12.1
Kothari Industrial	Chemicals	3,156	47.8	53.4	-5.6	124.1
Azad Engineering	Capital Goods	11,343	60.3	65.9	-5.6	-21.0
Prataap Snacks	FMCG	2,801	54.9	59.5	-4.6	-5.3

Only those companies with an m-cap of min. ₹1,000 crore (as of May 14, 2025). Returns as of March 2025. Promoter stake in previous quarter at least 25 per cent.

Pledging tracker

Companies where promoter pledging noticeably changed in Q4 FY25

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.

Pledging is not always bad. Many times, promoters pledged their stake for sound business reasons and later released their pledged shares. However, 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 and the dilution of promoter stake in the company.

Generally speaking, a high pledged stake also indicates bad management. Thus, investors should avoid companies that have high levels of pledging. ☑

Increase in pledging

Companies where promoter pledging rose by at least 16 percentage points

Company	Sector	M-cap (₹ cr)	Pledged stake (%)		Increase (% pt)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt-to-equity
			Mar '25	Dec '24						
Marathon Nextgen	Realty	2,696	91.5	0.0	**91.5**	73.6	-12.0	2.9	4	0.6
NRB Bearings	Auto & Ancillaries	2,357	91.4	0.0	**91.4**	51.2	-28.0	4.4	6	0.2
Aadhar Housing Finance	Finance	19,425	67.5	0.0	**67.5**	75.6	0.3	0.0	0	2.0
GMR Power	Power	8,403	75.4	41.6	**33.8**	50.5	-5.5	0.1	5	12.7
Sigachi Industries	Chemicals	1,689	44.0	23.4	**20.7**	44.1	-29.7	5.8	2	0.3
Prime Focus	Media & Ent.	2,934	20.4	0.0	**20.4**	69.9	-34.1	1.1	1	9.5
SMS Pharmaceuticals	Healthcare	2,281	37.6	19.4	**18.2**	66.3	-11.3	4.5	7	0.5
Raymond Lifestyle	Textile	5,971	26.2	9.4	**16.8**	54.7	-50.4	31.8	5	0.1

Decrease in pledging

Companies where promoter pledging declined by at least 7 percentage points

Company	Sector	M-cap (₹ cr)	Pledged stake (%)		Decrease (% pt)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt-to-equity
			Mar '25	Dec '24						
Aster DM Healthcare	Healthcare	29,717	40.7	98.9	**-58.2**	41.9	-5.6	2.0	8	0.2
Hubtown	Realty	2,568	26.8	54.1	**-27.2**	32.1	-29.1	0.9	3	0.4
Ashapura Minechem	Mining	3,548	0.0	14.8	**-14.8**	47.8	-7.9	2.4	7	1.1
Ceinsys Tech	IT	2,797	0.0	14.7	**-14.7**	51.9	-28.0	37.8	8	0.1
GMR Airports	Infrastructure	92,507	17.8	29.5	**-11.7**	66.2	-3.7	2.1	7	-20.8
Walchandnagar Inds.	Capital Goods	1,434	49.2	60.3	**-11.1**	31.8	-46.5	2.6	5	0.8
Jain Irrigation Systems	Plastic Products	3,782	48.8	58.9	**-10.1**	26.0	-15.5	1.9	8	0.7
Pitti Engineering	Capital Goods	3,637	0.0	9.5	**-9.5**	54.2	-20.7	4.1	6	0.6
Vakrangee	IT	1,086	0.0	7.8	**-7.8**	40.1	-72.4	5.8	9	0.0

Min. m-cap of ₹1,000 crore as on May 14, 2025. Returns as of March 2025. Z-Score: Predicts a company's financial distress or the possibility of its going bankrupt within two years. A Z-score of more than three is desirable. F-Score: Highlights financial performance as compared to that in the previous year. An F-Score of seven or above is good. A negative value for debt-to-equity implies negative net worth.

Institutional moves

Top five companies across each market-cap category where mutual funds significantly changed their holdings (per cent of equity) between December 2024 and March 2025.

Increase in position

Large caps

Company	Sector	Mar 2025	Dec 2024	Change (% pt)
Axis Bank	Bank	32.0	29.0	3.0
Eternal	Retailing	19.4	16.4	3.0
Apollo Hospitals	Healthcare	15.4	12.8	2.7
Dr. Reddy's Lab	Healthcare	12.9	11.1	1.8
HPCL	Crude Oil	18.7	17.0	1.7

Mid caps

Company	Sector	Mar 2025	Dec 2024	Change (% pt)
Hexaware Tech	IT	8.7	0.0	8.7
AWL Agri Business	FMCG	8.5	0.0	8.4
TBO Tek	Hospitality	14.6	8.6	6.0
Max Financial	Finance	39.9	35.0	4.9
Cyient	IT	28.1	23.8	4.3

Small caps

Company	Sector	Mar 2025	Dec 2024	Change (% pt)
Ather Energy	Auto & ANC	11.5	0.0	11.5
TeamLease Services	Biz Services	45.4	34.6	10.9
Awfis Space Solutions	Biz Services	24.3	19.2	5.1
Happiest Minds	IT	8.4	3.7	4.7
The South Indian Bank	Bank	8.3	3.8	4.5

Decrease in position

Company	Sector	Mar 2025	Dec 2024	Change (% pt)
Coromandel	Chemicals	15.0	16.5	-1.5
Muthoot Finance	Finance	10.0	11.3	-1.3
Bharat Electronics	Capital Goods	15.0	16.2	-1.2
ICICI Prudential Life	Insurance	6.5	7.5	-1.0
Cholamandalam Invest	Finance	12.5	13.4	-0.9

Company	Sector	Mar 2025	Dec 2024	Change (% pt)
Aavas Financiers	Finance	7.9	22.3	-14.4
CDSL	Business Ser	7.2	11.2	-4.0
IndusInd Bank	Bank	27.6	30.3	-2.8
Whirlpool Of India	Cons Durables	25.5	28.2	-2.7
NALCO	NFM	9.4	12.0	-2.6

Company	Sector	Mar 2025	Dec 2024	Change (% pt)
Can Fin Homes	Finance	15.1	20.1	-5.0
Samhi Hotels	Hospitality	10.2	15.1	-4.9
Barbeque-Nation	Hospitality	16.9	21.3	-4.5
Dreamfolks Services	Infrastructure	3.1	7.1	-4.0
Avalon Technologies	Electricals	16.9	20.7	-3.7

MIRAE ASSET
Mutual Fund

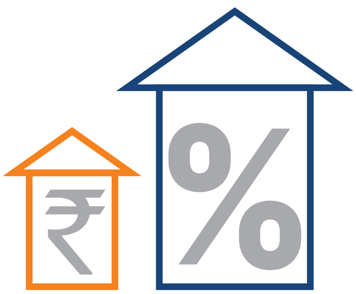
Go glbal without the hassle

In today's world, your opportunities shouldn't stop at India's borders. While the Indian market offers immense potential, some of the **world's biggest** innovations and wealth-builders are abroad, and tapping into them doesn't have to be complicated.

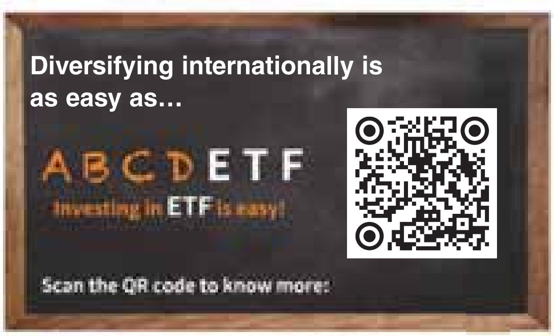
International passive funds offer a simple, cost-effective way to diversify across global markets. By tracking international indices, these funds give you access to giants like Apple, Microsoft, Nestlè, or Toyota, all without the need to open a foreign trading account or navigate complex overseas tax rules.

With a single investment, you gain exposure to developed and emerging markets alike, reducing your dependence on local market conditions. This **global diversification** helps balance your portfolio and positions you to capture growth from the world's top companies.

And because **passive funds** come with lower fees than actively managed global funds, you keep more of your returns over time. That cost efficiency, combined with easy access, makes international passive funds a smart addition to any investor's toolkit.



Expanding your portfolio across the world has never been simpler. With passive funds, unlock the global markets **hassle-free.**

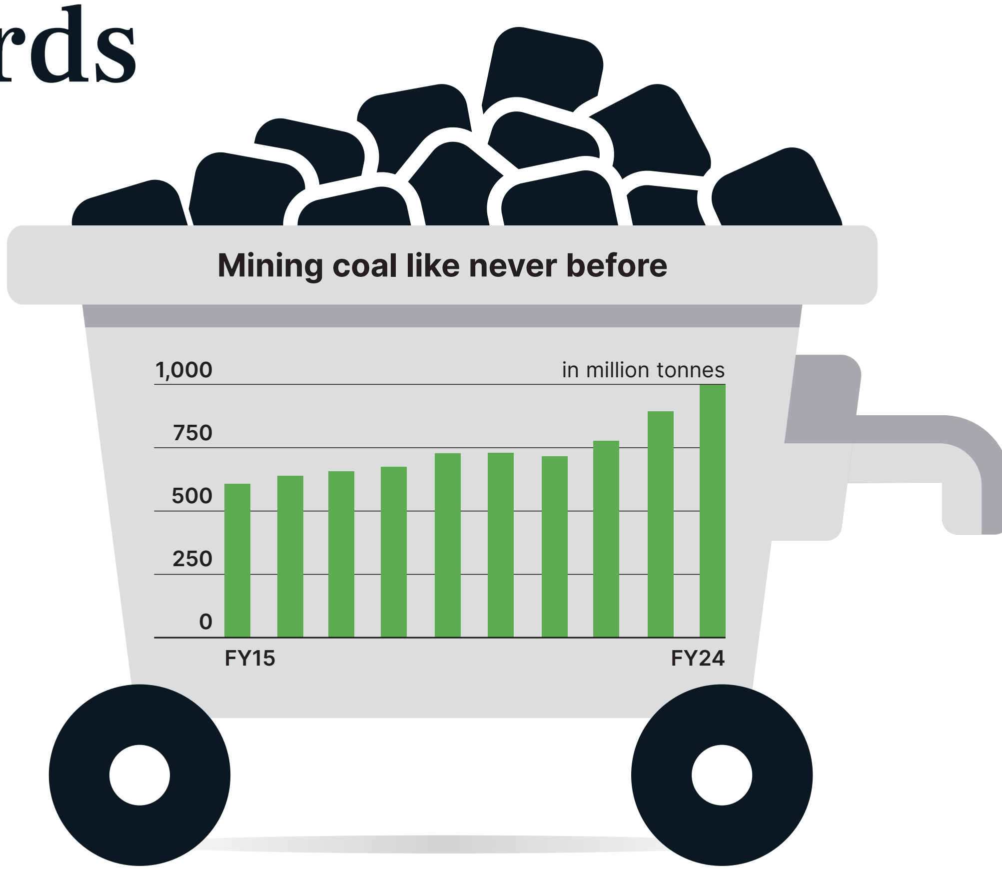


Views expressed here cannot be construed to be a decision to invest. The statements contained herein are based on current views and involve known and unknown risks and uncertainties. Whilst Mirae Asset Investment Managers (India) Private Limited (the AMC) shall have no responsibility/liability whatsoever for the accuracy or any use or reliance thereof of such information. The AMC, its associate or sponsors or group companies, its Directors or employees accepts no liability for any loss or damage of any kind resulting out of the use of this content. The recipient(s) before acting on any information herein should make his/her/their own investigation and seek appropriate professional advice and shall alone be fully responsible / liable for any decision taken on the basis of information contained herein. Any reliance on the accuracy or use of such information shall be done only after consultation to the financial consultant to understand the specific legal, tax or financial implications. **An investor education and awareness initiative by Mirae Asset Mutual Fund.** All Mutual Fund investors have to go through a one-time KYC (Know Your Customer) including the process for change in address, Phone number, bank details, etc. Investors should deal only with registered Mutual Funds details of which can be verified on SEBI website (https://www.sebi.gov.in) under 'Intermediaries /Market Infrastructure Institutions'. For further information on KYC, RMFs and procedure to lodge a complaint in case of any grievance, you may refer the Knowledge Centre section available on the website of Mirae Asset Mutual Fund. Investors may lodge complaints on https://www.scores.gov.in against registered intermediaries if they are unsatisfied with the responses. SCORES facilitate you to lodge your complaint online with SEBI and subsequently view its status.

Mutual fund investments are subject to market risks, read all scheme related documents carefully. You may consult your Financial Advisor or Mutual Fund Distributor before taking investment decisions.

A boring investment with big rewards

Why Coal India might deserve a spot in your portfolio, especially now



Equity markets might be dragging their feet right now but you don't have to. When volatility is high, smart investors don't flee equities; they reposition. They seek out companies that preserve capital, generate steady cash flows and quietly compound wealth. That's where dividend aristocrats pass muster. These mature, well-established giants ensure fewer wild swings and more steady, reliable payouts that offer downside protection. One such name in the Indian market is Coal India—a lumbering PSU for years, long written off by growth-focused investors that now stands out for an entirely different reason: Certainty.

The dividend case

At current prices, Coal India offers a dividend yield of around 7 per cent, equal to what a bank fixed deposit pays. Not just that, unlike a fixed deposit, Coal India offers liquidity and potential for capital appreciation. Its dividends are running on a solid cash pile, that has rocketed since since FY22. The higher and consistent free cash flow has enabled it to fund both dividends and minor expansions without relying on heavy debt.

What further makes the dividends rewarding are their near-certainty. Coal India's massive cash buffer means investors can continue earning the current yield in the medium-to-long term even if the company's growth or stock price stagnates. In other words, Coal India essentially pays you to wait—through rough patches, sideways markets or broader corrections. What happens if the company sees additional growth and share price increase? On paper, price increase reduces yield. However, that won't be the case at Coal India's current levels. The stock's yield-to-cost (actual return on the original investment) would still be the same 7 per cent, or can even improve in case the company increases its payouts. The question then is what can help it increase payouts in the future?

Growth tailwinds

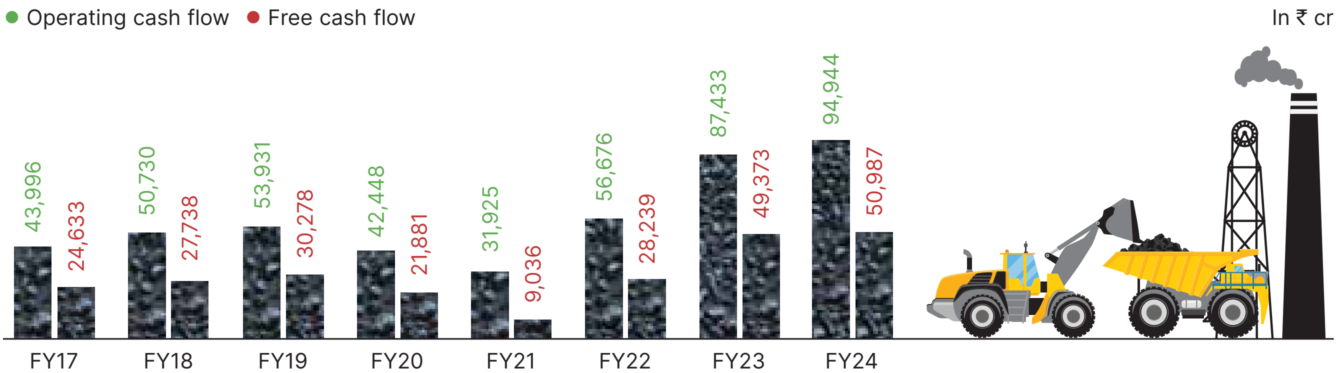
It's the convergence of many tailwinds that could help it raise its payouts. Coal India enjoys a near-

Stock Rating	Quality Score	Growth Score	Valuation Score	Momentum Score
★★★★	10/10	5/10	8/10	2/10

Data as of April 30, 2025

A cash generating machine

The company has generated ₹97,000 crore in free cash flow over the last decade



On a three-year cumulative basis as of each financial year

monopoly status, supplying almost 70 to 80 per cent of India's domestic coal. And despite the country's ambitious green energy goals, coal still fuels over 70 per cent of India's electricity generation. That dependence won't vanish overnight. In fact, as India's infrastructure and industrial base expand, the government projects coal demand to rise 8 per cent annually (in terms of volume) from around one billion tonnes in FY24 to 1.5 billion tonnes by FY30.

Coal India is readying to meet this demand. It plans to cross one billion tonnes of production by FY26, with fresh capacity from mechanised mines and new projects coming online. This volume growth could help it make its dividend payouts fatter. Not just that, the company could see its earnings increase by 5 to 8 per cent per annum over the next five years. Add that to the existing 7 per cent dividend yield and you are already looking at potential annual returns of 12 to 15 per cent from a company trading at just 6.5 to 7 times trailing earnings!

Also keep in mind that this is not the Coal India of the last decade, which struggled with red tape, poor execution and capped prices. Post-2020 reforms have shifted the narrative. Mining clearances have been fast-tracked. Pricing flexibility has improved, especially for e-auction coal. Logistics costs are falling due to first mile connectivity projects and most importantly, power demand is continually surging. What was once a sluggish PSU is now a vital cog in India's growth engine with the policy wind finally at its back.

What about risks?

The growing cash flows are fueling the dividend engine. The biggest growth driver, therefore, also carries the biggest risk. Anything happens to the cash stream and the payouts could disappear. Stagnant cash generation will still allow Coal India to maintain the current yield. But if this were to decline, it will take the dividend stream down with it, eroding our investment thesis. And what could diminish cash flows? A fast and sudden pivot away from coal to renewable sources. The chances are slim but not zero, given India's bold targets of 500 GW of non-fossil capacity by 2030. Over time, this will eat into coal's dominance, potentially impacting the company's volumes in the long run. There's also the question of execution. As a government-owned entity, Coal India still carries the baggage of bureaucracy. Project delays and operational inefficiencies can't be ruled out entirely.

A boring investment, thankfully

Coal India won't win any laurels in innovation. It's not exciting. It's not 'new economy'. But in turbulent markets, boring can be brilliant. As a near-monopoly in a critical sector, the company offers predictability. Whether or not its share price takes off, the current dividend will keep coming as long as the cash keeps flowing in, giving investors consistent, inflation-beating income. And if the coal demand story plays out, patient investors could even be rewarded with additional capital appreciation.

By Satyajit Sen

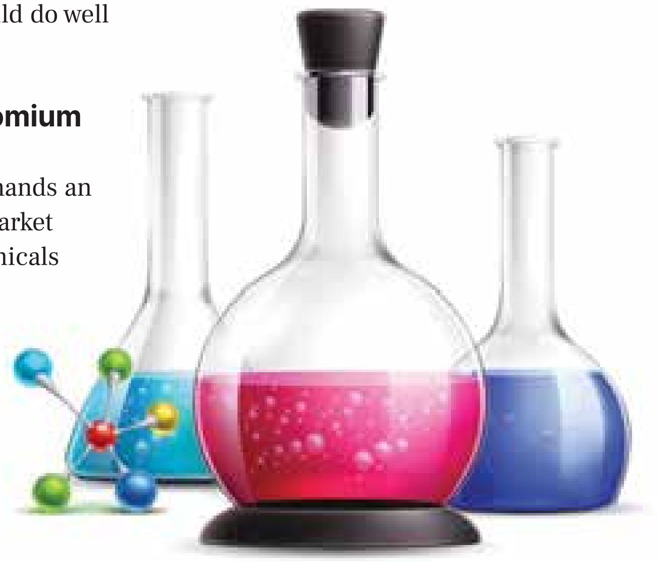
ANALYST'S DIARY

Building moats that matter

How a unique chemistry, control over critical inputs and import substitution are powering Vishnu Chemicals' growth story

In the booming specialty chemicals industry, Vishnu Chemicals has carved out a rare position: a niche dominator that isn't trying to be everywhere but aims to be indispensable where it matters. From aerospace coatings to ceramic glazes, its core chemistry—chromium and barium—forms the backbone of some of the most demanding industries. And unlike many mid-cap industrial stories, Vishnu has been betting not on aggressive expansion but shrewd vertical integration, strategic import substitution and capital discipline for its growth.

That strategy appears to be working. Over the past five years, Vishnu Chemicals has compounded its revenue and profit after tax at 13 per cent and 37 per cent respectively. Margins have expanded from 9 per cent in FY20 to 14 per cent in FY24, thanks largely to backward integration moves that reduced input dependence and improved cost control. Today, with the core chromium business operating at around 80 per cent capacity utilisation and global supply chains shifting away from China, the company appears poised for its next leg of growth. We assess its growth levers along with risks that long-term investors would do well to consider.



A deep moat in chromium and barium

Vishnu Chemicals commands an estimated 60 per cent market share in chromium chemicals and 40 per cent in barium chemicals in India. Chromium chemistry—valued for its corrosion resistance and heat stability—is deeply embedded in high-performance sectors like pharma, aerospace, automotive and luxury construction. In this space, Vishnu faces little to no domestic competition. Globally too, the competitive intensity has declined, with key European players like Elementis and Lanxess exiting the segment due to regulatory and cost pressures. Even China, typically the elephant in every industrial room, remains a net importer in chromium chemicals.

Vishnu's barium portfolio, while smaller in revenue share (about 16 per cent), is strategically important. It feeds into sectors such as batteries, ceramics and construction materials. Here too, Vishnu has established a foothold through the acquisition and subsequent turnaround of Belgium-based Solvay's Indian barium business and the commissioning of India's only plant for precipitated barium sulphate (PBS).

Backward integration as a strategic lever

What truly differentiates Vishnu Chemicals is not just what it makes but how it sources and scales. The company has methodically pursued backward integration to de-risk input dependencies. In 2022, it commissioned a soda ash plant, a key raw material for chromium manufacturing. In 2023, it acquired Ramadas Minerals for captive barite sourcing, used in its barium portfolio. These moves helped it withstand commodity price volatility and maintain stable margins.

The latest in this integration playbook is a ₹84 crore-chrome ore mine and beneficiation plant

Stock Rating	7/10	5/10	6/10	8/10
★★★★	Quality Score	Growth Score	Valuation Score	Momentum Score

Data as of April 29, 2025

acquisition in South Africa. The mine holds reserves of around 10 million tonnes—enough to meet Vishnu's raw material sourcing (for chromium products) for the next three decades. If finalised without delays, this acquisition could significantly insulate the company from global ore price fluctuations, cushion margins and enhance profitability.

Betting on import substitution

A clear strategic theme running through Vishnu's plans is import substitution—targeting specialty chemicals with consistent demand and no domestic producers. Having already executed this with PBS, the company now plans to enter strontium carbonate (used in electric motors and ceramics) to meet its entire annual domestic demand of 5,000 tonnes with similar capacity expected by Q1 FY26. It also plans to foray into chrome metal production, a specialty material used in aerospace, oil and gas and nuclear sectors. India currently imports 2,000 million tonnes of chrome metal annually. Vishnu aims to commission its chrome metal capacity of 10,000 million tonnes by the second half of FY26, which is expected to contribute another 10 per cent volume growth to its chromium division.

Export opportunities and accompanying risk

Nearly half of Vishnu's revenue comes from exports. With global customers looking for alternatives to Chinese suppliers, Vishnu is positioned well to gain share. But this also makes the business vulnerable to trade frictions, tariff changes and currency volatility—factors outside the company's control.

On the positive side, the customer base is well-diversified, with no single buyer contributing more than 5 per cent of total revenue. This reduces concentration risk and adds to business resilience.

The power of niche operations

	FY20	FY21	FY22	FY23	FY24
Revenue (₹ cr)	674	679	1,069	1,391	1,213
Operating profit (₹ cr)	62	59	135	205	169
Op. margin (%)	9.2	8.6	12.6	14.7	13.9
Cash flow from operations (₹ cr)	49	67	94	134	68
PAT (₹ cr)	22	34	81	137	101
ROCE (%)	14.2	12.1	23.9	30.7	20.0

PAT stands for profit afer tax. ROCE stands for return on capital employed.

Valuation and investor lens

At around 25 times trailing earnings, Vishnu Chemicals may appear inexpensive. But not necessarily when considering whether execution can match the narrative. Can it scale chrome metal production profitably? Will the South African ore mine deliver as promised? Will strontium carbonate add meaningful volume and margins?

These are not trivial unknowns. While these initiatives open new revenue streams and deepen Vishnu's specialty credentials, they also come with gestation risks. New capacities, especially in unfamiliar segments, take time to scale and stabilise. Execution missteps or market delays could impact returns and derail the company's raw material security plans. Moreover, a slowdown in end-user sectors like construction, automotive etc., will certainly have a ripple effect on Vishnu Chemicals' volumes.

Bottom line

Vishnu Chemicals' strategy of owning the value chain, finding unsolved domestic demand and positioning for global supply shifts makes it a compelling business to track. But the next leg of returns will depend less on story and more on execution. For long-term investors willing to stay patient, Vishnu offers a differentiated play in India's specialty chemicals universe. But this chemistry needs to pass the test of execution and time before it can create lasting value. ☑

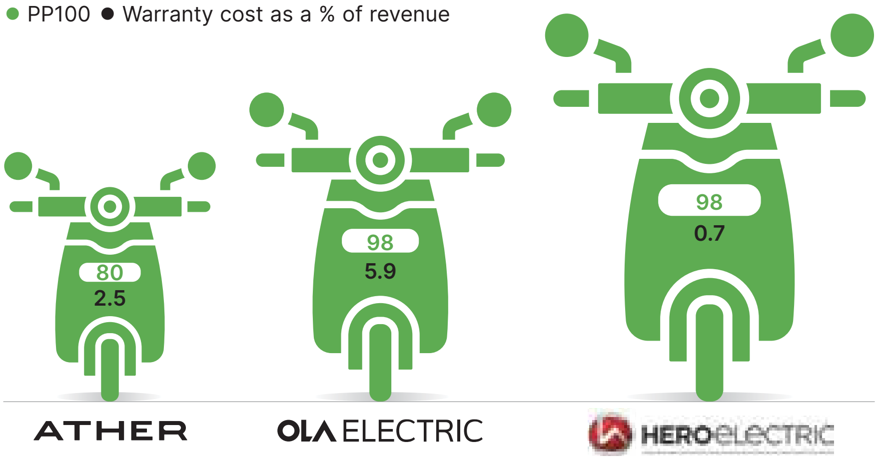
By Abhinav Goel

Is Ather the better EV poster child?

Ather is built better than Ola but that may not be enough

India's two-wheeker electric revolution has two poster children: Ola Electric and Ather Energy. Both burst onto the scene with the same promise—to reinvent urban mobility. However, Ola Electric's spectacular post listing losses on D-Street might be working in favour of Ather. It's certainly helping with the latter's image, one which is increasingly being perceived for being engineering-led, capital-aware and quality-focused. After Ola's post-IPO debacle, can Ather deliver where its flashier rival faltered? Let's find out.

Ather pips pure-play EV players on quality



PP100: Problems per 100 vehicles

What Ather gets right

On quality, Ather comfortably outpaces Ola. Its JD Power ratings, which track customer-reported issues with a lower rating signalling better quality, show 80 problems per 100 vehicles. While not great, it is better than Ola's 90. Its warranty costs, 2.5 per cent of revenue, are materially lower than Ola's 5.9 per cent.

Operationally, Ather runs a leaner ship. It outsources most components, has stayed out of the capital-heavy battery cell game and avoids owning showrooms. What's more, its EV tech is home-grown and not bought off the shelf.

So far, so impressive. But investing goes beyond design decisions. Scratch the surface and you'll realise that the picture isn't so glossy. Here's why.

Weak fundamentals

Since FY19, Ather has burnt ₹3,400 crore and remains loss-making, with an operating loss of ₹811 crore and a net loss of ₹861 crore for 12 months ending December 2024.

Ather also claims it is more capital-efficient than Ola, citing a lower cash burn rate—0.6 compared to Ola's 0.7. But that's not the case. The cash burn rate, calculated as total losses divided by total revenue since commercial operations began, should reflect the full financial journey. Ather, however, calculates its burn rate only from 2019, when revenues started coming in— leaving out the significant R&D spend in the earlier years post-incorporation. That omission paints a rosier picture than reality.

The bigger problem is capacity utilisation, which is stuck at 39 per cent. Yet, the company plans to double its production capability—a brave move when utilisation is this poor. Gross margins (ex-subsidies) have just turned positive at 12 per cent,

Rizta drags down unit revenue

Despite premium branding, Ather's revenue per unit has slipped, reflecting its push into mass-market segments

	Volumes	Revenue per unit (₹)	Cost of good sold per unit (₹)	Gross margin excl. subsidies (%)
FY22	23,402	1,58,192	1,64,003	-17
FY23	92,093	1,55,571	1,73,238	NA
FY24	1,09,577	1,43,333	1,48,918	-6
9M FY25	1,07,983	1,29,001	1,21,584	12

helped by a cheaper model mix (Rizta). But without scale, that edge may not last.

The break-even mirage

Can Ather break even? On paper, yes, but it's a stretch.

To do so at a 20 per cent gross margin, it must sell 6.5 lakh units annually— five times its current run rate. That means growing 37 per cent a year for five years, double its current pace in a subsidy-rich environment. Not impossible, but far from easy in an increasingly crowding market.

The brand goes mass-market, but can it stick?

Rizta, Ather's budget EV, now drives 50 per cent of its sales. But scaling it raises questions. Ather's urban-premium image may not click with mass-market buyers who prioritise price and trust. Plus, with sales largely concentrated in South India, national expansion demands heavy spending on infra, marketing and support.

What's in the IPO war chest?

From its recent ₹2,626 crore IPO proceeds, Ather plans to spend ₹927 crore on capex, ₹750 crore on R&D and ₹300 crore on marketing over the next three years. However, this may not be sufficient. The company's ₹150 crore annual marketing budget looks modest in a market where incumbents spend over ₹1,000 crore yearly. Similarly, its annual R&D run rate has been inching above ₹300 crore and will likely increase in a segment where differentiation will come from design, battery chemistry and software smarts. Thus, the ₹750 crore marked for this may not be enough. Ather will likely need another funding round. And when it comes, expect shareholder dilution.

The missing moat

Besides unsteady financials, Ather's biggest weakness is the lack of a strong moat. Its tech is solid but replicable, the brand may dilute as it taps into the mass market and its reach remains regional. In a crowded, fast-moving sector, where competition from domestic and foreign rivals looms large, that's a strategic gap.

Valuation: An expensive leap of faith

At current levels, Ather is valued at nearly ₹12,000 crore, despite no profits and a steep P/B of 4.4 times. With no earnings, there's no P/E to speak of. To justify this valuation, Ather would need ₹400 crore in annual operating profit at a lofty 30 times multiple—an ambitious ask given its current losses and unproven margins. Investors are essentially betting on potential, with no certainty that it will translate into performance.

Smarter than Ola, but not investment-ready

To its credit, Ather looks more mature than Ola Electric. It's measured in its growth, better at quality control and more thoughtful in capital allocation. However, margins remain thin. Losses are persistent. Breakeven is distant. And the road to scale is paved with uncertainty. Until Ather proves it can scale profitably without repeat equity dilutions, it is best seen as Ola's near cousin that warrants a similarly cautious, wait-and-watch approach. ☑

By Kunal Bansal

INTERVIEW

CHIRAG DAGLI
Fund Manager at DSP Mutual Fund

Why CDMOs, hospitals excite this fund manager

Dagli also explains why Indian pharma companies can easily absorb the US tariff blow

With nearly two decades of equity investing experience and a deep expertise in the pharmaceutical sector, Chirag Dagli, Fund Manager at DSP Mutual Fund, brings a clear-eyed view of the Indian healthcare space. At a time when most investors are on the edge regarding the impact of US President Trump's tariffs on Indian pharmaceutical companies, Dagli remains unfazed, calling them "straightforward problems to solve."

Currently, Dagli manages two schemes at the fund house – DSP Healthcare Fund and the DSP Multicap Fund. Of these, the former is rated four stars by Value Research.

In this interview, Dagli lays out which pharma segments he finds ripe for growth and those that are overpriced, explains why the CDMO space offers big opportunities for Indian companies and highlights the key factors poised to shape the future of Indian healthcare over the coming decade.

The hot topic right now is US tariffs. To what extent can it have an impact on Indian healthcare companies? Do you think that if continued, these can have

long-term growth effects on the industry?
First, let's look at the numbers. The US is a large $900 billion medicines market at patient or consumer prices. Of that, $100 billion is essentially generics. So, we are 10 per cent of the overall medicine bill in terms of value. In terms of volume, it's precisely the reverse. Of the 10 pills consumers consume, nine are generic medicines and one is the innovator's medicine. So, we are small in the context of medicine prices. That's the point I want to make: Large in the context of volume, but substantially small in the context of value. When Trump wants to cut prices on medicines, do you think he wants to attack the 10 per cent pool in terms of value, or the 90 per cent pool in terms of value? That's the first point.

The second point is that when you look at the $100 billion, give or take, worth of price at which the consumer is paying for generic medicines, the manufacturer makes only $40 billion or 40 per cent. A large part of the value for generic drugs is sitting in the US. These are pharmacy benefit managers, wholesalers and retailers who make that part of the profits.

Having discussed these basics, when you think about tariffs, say a 10 per cent tariff, just give or take. Today, India does charge, and we import from the US about $400 million worth of medicines at a 10 per cent import duty. So, if there is a 10 per cent tariff, it will be at manufacturer prices or on the $40 billion. That's $4 billion at consumer prices, which is substantially lower than the entire medical bill for the consumer. So, it's 10 per cent on $40 billion in a market worth $900 billion. With these two things in mind, we are very clear that tariffs will be passed on, the impact may not be very high and they are straightforward problems to solve. For example, India can say that it will import drugs from the US at zero tax. Because we are earning only $40 million on a $400 million medicine import, today we export $9 billion worth of medicines to the US. So, it's a very easy problem to fix as far as pharma tariffs are concerned. Of course, what eventually happens is also something we don't know. Because there may be some announcement today, then a retracing back, and so on. But how I'm thinking about this structurally is exactly the numbers I just told you.

The US is a market where a few companies make a lot of money in a couple of products

In the current de-rating phase, which pharma sub-segments offer a margin of safety, and where do you still see frothy multiples?
From a segment standpoint, CDMO (Contract Development and Manufacturing Organisation) is a space that we are excited about. China+1 is a very important trend that we are seeing. It all started post-Covid and has picked up steam recently. That's a segment where I think there's a lot of visibility. China makes up more than 80 per cent of the CDMO industry globally, and we want to take market share there and have the capability to do so. So, that trend is very important. Valuations are a little high in the entire space, but I think growth is also there and the momentum is very strong.

The other piece that we like is the challengers in the US, which are companies that are small in the US generic market today and are trying to build up a presence there. In the US, if you look at the market, there are these large companies, all the big names, that have large businesses in India and the US.

However, there are also smaller companies that are now trying to build a presence. There, we see an opportunity because the US market is becoming increasingly unattractive for newer players, and pricing for many commodity generic products has now flatlined and stabilised. So, the environment in the US will allow the margin to keep improving. The only caveat is that the US is a market where a few companies make a lot of money in a couple of products. Hence, product concentration and very high valuation multiples are a no-no for us, and we are avoiding some of those names. However, from a structural two to three-year-year point of view, small companies that are trying to build a presence in the US are something we are excited about. The third space where we think business is good but valuations are a little punchy is the hospital space, where, say, post-Covid, much valuation rerating has happened because the capital efficiency has improved.

We've seen a big trend of smaller hospitals trying to corporatise and sell themselves to these corporate chains. Hospitals are a very stable, nice business. Regulatory action is the only thing we worry about in this one. But that said, the sector is doing fine. The last bit is on the diagnostics, where I think there was double-digit growth post-pre-Covid. These companies were growing in the 15-16 per cent zone. Then Covid came, normalised and growth fell post that. We are now seeing growth come back, nowhere near the 15 per cent they used to earlier, but broadly in the 10-11 per cent zone. Valuation multiples have also corrected from the good old Covid days. So, today, valuations are much better than we've seen in the past.

With the China+1 trend gaining significant traction in recent years, the API segment has become a crowded space given the opportunity size. Could this result in intense competition and thus, a contraction in returns, or is there enough room for growth for all players?

When we talk about CDMOs, we talk about CDMOs for innovators. Our largest company will probably have a 2 per cent market share, maybe even less than that, a 1 per cent market share. We are not competing with each other. We are competing with the Chinese because they are huge. So yes, it is becoming, at the margin, a little more competitive. But am I worried that it hurts pricing? That isn't a concern, at least today. Today, it is more relevant for Indian companies to actually up their game, improve their chemistry capabilities and deliver products to complex chemistries rather than worry about pricing. This is on the innovator side. On the generic API side, the market has always been very competitive, and it continues to remain so. That shouldn't change anytime soon.

Remember, Indians are competitive with the Chinese at a fraction of their scale. That is the most important piece I want to highlight. The Chinese may be multiple times India's scale for a specific product, yet Indians are competitive. That, I think, is the real opportunity. It comes gradually. The market remains competitive, but the China+1 element of customers trying to shift away from China is equally prevalent in generic API as well, albeit in a very cost-sensitive environment versus innovator, which is not as cost-sensitive.

What is an emerging segment in the pharma industry that investors should pay attention to? Also, are there any areas that one should stay away from?

For retail investors, I strongly recommend that they not directly invest in healthcare, specifically in pharma, because when you buy a

healthcare fund, it can be an index or an active fund. But if you think about wanting to have exposure to healthcare, having that through a direct stock is far more risky. All the big, great companies in India have undergone a bad FDA inspection cycle. The question to ask yourself is, if I buy a stock that goes up and is 2 per cent of my portfolio and assuming it does well, it will increase to 4 per cent of my portfolio. What happens when it goes through a bad FDA inspection, and the stock goes down 10-20 per cent on that day? How will you react? That's the question. So in my mind, I'm very clear, retail investors have to avoid direct investing, especially in pharma. In other sectors, such as hospitals, the process is a little more linear. There, too, you can go wrong with valuation, fraud, etc. That's a different point. However, this is highly prevalent in pharma because FDA inspection is a considerable risk. We've seen companies go through those cycles and come out as winners. Some companies never come out as winners, and so on. So it's easier for a retail investor to buy or participate in the healthcare sector through a mutual fund or an index fund.

Intense competition and aggressive consolidation are the new trends in the Indian diagnostics space. How has it changed the dynamics of the industry? What do you think is the endgame for this trend?

At the margin, competition is coming off a little bit. The diagnostic business has no entry barriers. The only barrier is scale. Building a ₹50-100 crore business in diagnostics is easy. It doesn't take much, as the equipment comes with financing. The big equipment suppliers give that equipment to you, and you can just consolidate volumes and start doing business. The question is to make money and scale the business. If you look at the listed space, the five or six names are companies that have actually scaled up. Hence, they are successful and are making the kind of margins they are making. At a lower scale, that margin is not available. One thing that is very evident now, after five or six years of history, is that just by discounting, you can't scale this business beyond a point. You will get initial success because you're cutting prices, some B2B businesses will move to you, and so on. However, sustaining that business level and growing thereafter is very difficult. So that is very clear.

On the M&A side, what has happened is that initially, there were a lot of deals, and now you see deals are not as easy to come by, simply because we now have six listed companies in the diagnostic space. So, why would any seller want to sell? This is because they can see the multiple listed companies very easily. Earlier, deals happened at six, seven or even 10 times EBITDA. Today, those deals are not available because these companies are trading at much larger valuations on the public side, and those valuations are evident. So, I think the M&A opportunity is certainly overstated, and that trend will actually slow down a bit, but organic competition will also come off slightly. It's a little bit mixed, I would say. It's not easy to say whether these are positive or negative trends.

Hospitals are typically capital-intensive. How do you evaluate whether a company is deploying capital prudently, especially when expanding bed capacity or entering new geographies?

I think business has always remained very good for hospitals. When you look at reported capital efficiency and return on capital pre-Covid, these companies had very low capital efficiency. Now, that does not mean that the business inherently was capital inefficient. So, if I add 4,000 beds to a base of 4,000 beds, I will suffer a lot because it typically takes two to three years for a hospital to come up. It takes me another two to three years to start running the hospital and making money on that. So there's a five- to six-year period. It's a long gestation and capital-intensive service. When you add 4,000 operating beds, along with another 4,000, it hurts your P&L (profit and loss) for a while to come.

This is what these companies went through. Fast forward to today, what is happening is that companies of a certain size are now adding 10-20 per cent capacity to their existing beds. So, the burn of new beds on the older ones is much lower; hence, you see improved capital efficiency. Inherently, the business was always capital efficient. But this cost of growth was actually hurting overall capital intensity. So, the company remains capital-efficient and attractive, and I think that view is changing. However, what is changing is the trend of more

While developed world moves to biologics, India can focus on mass-market medicines

standalone hospitals trying to corporatise or attach themselves to larger corporate hospitals, which is helping the overall growth potential for some unlisted hospitals.

What do you think will be the three key growth factors for Indian healthcare companies in the next decade?

I think healthcare is one space that is not a singular segment. There are six or seven sub-segments we talked about, each with very different drivers. The Indian formulation market continues to grow, in line with GDP, maybe slightly lower. The drivers are straightforward: India has a median age of 29 today. As we age, we consume more medicines, better medicines, higher-quality medicines and so forth. Even increasing medical insurance is a structural driver for the Indian healthcare market. It layers around multiple of these sub-segments. It helps with higher diagnostics, more hospital revenue and medicines. So, that is a younger India, ageing over time and increasing medical insurance, helping seek better, higher-quality services. This is a major driver which layers across most of these sub-segments. On the export side, the drivers we've seen in the last decade are equally crucial for the next decade. India is the pharmacy bowl for the world and will remain, much more so because, for the most part, the developed world has moved away to biologics, complex medicines, autoimmune diseases, oncology and so forth. So, they are not focused on these large, mass-market medicines or cheaper drugs. That is the sweet spot where India comes in. We can export to the whole world, including the US. Non-US is also an equally significant opportunity. It's a fragmented, diverse opportunity, like Russia, multiple markets. Again, these countries have few options outside India for procuring medicines. So that's another significant driver for the export business.

Finally, I think of some of these new frontiers of innovation in medicine. For example, if you look at the next 12 months, weight-loss drugs will be generic next year and widely available in India from then on. We'll see how that evolves, but it will undoubtedly change the healthcare dynamics and challenge our current status quo. We'll see how some of these new medicine innovations are changing. However, a lot of innovation is happening, which is a significant driver for healthcare as a sector. ☑

Enterprise Value = Market Cap + Debt - Cash

The Multibagger Formula

Cash from Operations / EBITDA

9 high-growth stocks for lasting wealth

Free Cash Flow = Operating Cash Flow - Capital Expenditure

By Udhayaprakash, Kunal Bansal and Harshita Singh

In Formula 1, it's not the sleek design or the paint job that wins races. It's the precision engineering of the engine and the aerodynamic brilliance of the chassis that does. The two work together to propel the car to the finish line.

Stocks aren't any different. Think of each stock as a high-performance vehicle. Its engine is capital efficiency and the chassis is the capital that's put back into the business to sustain growth. This duo together pushes earnings forward and essentially compounds your wealth.

But an equally important third factor to win the race is the driver. Even the fastest car can lose with the wrong person at the wheel. And in investing, that driver is 'valuation'. A great business bought at a foolish price can disappoint. But when you pair a powerful engine with a skilled driver, magic happens.

This month's cover story dives into these three levers of long-term wealth creation. We tell you how the twin engines drive stock returns and how valuation, often overlooked, makes the difference between a winner and a wreck. We have also unearthed nine stocks that offer excellence on all three and can keep lapping the field. Strap in! We're heading to the track.

The engines that make your stock a Ferrari

The traditional method of looking at historical growth to spot fast growers might be reliable but it lacks a forward-looking lens. That's where this elegant formula fills the gaps:

Operating earnings growth =
Return on capital employed (ROCE)
×
Reinvestment rate

These two variables, ROCE and reinvestment, tell you how companies compound earnings by generating higher returns over their cost of capital (investments) and putting a part of the profits back into the business to keep growing.

Here's how this works: a 20 per cent ROCE on ₹100 crore of capital means ₹20 crore in operating profit. If the company reinvests half of this profit, its capital base expands to ₹110 crore. Maintain the same ROCE and next year's profits rise to ₹22 crore, pushing earnings forward by 10 per cent.

However, as it is with an F1 car, both of these engines must fire together. A high ROCE without reinvestment goes nowhere. A high reinvestment rate with poor ROCE is like burning fuel but gaining no speed. True acceleration comes from balance.

As figure 1 shows, a combination of high ROCE with high reinvestment delivers the highest growth. An 80 per cent ROCE but only 10 per cent reinvestment grows no faster than one with the reverse setup. Both land at 8 per cent growth, crucial to remember for those that might get enamoured by exceptional numbers on just one side of the equation.

The capital markets are littered with such mismatches. GMR Airports reinvests heavily, but has a five-year median ROCE of just 4 per cent, yielding a low expected growth. While Abbott India boasts an impressive 41 per cent ROCE, it reinvests just 27 per cent, limiting expected earnings growth to 11 per cent.

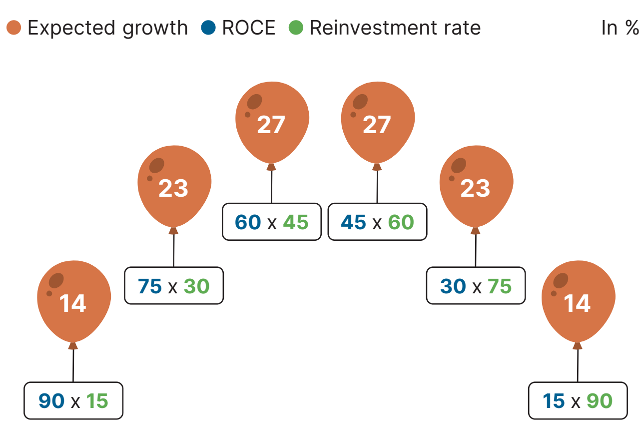
Long-term wealth creation requires both levers working in tandem at the highest rate possible. Most importantly, this exercise crucially depends on your judgement. Can the business sustain its ROCE and will it have the opportunity (and discipline) to reinvest? Answering this will require assessing its industry and business model.

This brings us to a deeper layer of analysis, where this framework meets the one variable that can amplify or

Figure 1

Where high ROCE and reinvestment meet, find me there

The combination that leads to the highest earnings growth



The star driver

Valuation to investing is what a star driver is to racing. Had Lewis Hamilton not joined Mercedes in 2013, the team would not have surged to the dominance it did in the following years. Similarly, a company may have excellent fundamentals—high ROCE and robust reinvestment—but unless it's paired with the right valuation, it may not deliver great returns or may even erode them.

So, how does one find the right price to pay? This is a two-pronged approach. You have to estimate the expected earnings growth of a business, using the earlier formula by estimating the ROCE and reinvestment it can sustain in the long run, and its likely exit P/E—the multiple the market might assign to the company, let's say, a decade from now.

Predicting an exit P/E requires understanding mean reversion. It simply means that a company's valuation tends to drift back toward its industry average over time. So, if a stock trades at a lofty P/E of 50 today, it's possible it can compress to the broader market average of 20 to 25 times in the next decade. Why? High P/Es reflect high growth expectations. But as companies mature, growth naturally tapers off and so do valuations. For most businesses, some degree of valuation reset is inevitable. However, the magnitude is not uniform. A weak business with no moat sees sharp compression. A strong one, with durable competitive advantages like brand power or scale, may see a more graceful decline. Assessing business quality thus, can help you predict the possible extent of valuation compression in the long term.

Once you have reasonably estimated a business' earnings growth and exit P/E, you can reverse engineer the maximum multiple at which you should pay today for a desired investment return. Our guide (see figure 2) shows how to conservatively project the three variables. The QR code below will further take you to a customisable tool where you can input your own data, including your desired return, to get the right entry multiple.

To illustrate better, we backtested this exercise on Astral. In FY15, the company had a five-year median ROCE of 31 per cent and reinvestment rate of 94 per cent at a P/E of 69 times. To stay conservative, we estimated it would maintain its ROCE at 25 per cent and reinvestment at around 90 per cent based on its capex plans at the time. We assumed its multiple would contract 40 per cent over 10 years, arriving at an exit P/E of 40 times. By calculating the expected earnings growth and using the exit

Figure 2

Aiming for conservatism, not prescience

How to estimate P/E contraction

- **10-year horizon:** Discount current P/E by 30-40 per cent
- **20-year horizon:** Halve current P/E (e.g., from 40x to 20x)
- Strong businesses may see less contraction, weak businesses will deserve steeper cuts

How to estimate ROCE

- Use the company's five-year median ROCE
- Apply a 10-20 per cent discount to account for future risk

How to estimate reinvestment rate

- **High planned capex/ expansion:** Assume existing rate
- **High dividends/less expansion:** Assume lower reinvestment; apply 20 per cent discount

These estimates can vary based on the company's business model, industry dynamics and expansion strategies.

Figure 3

The right price tag for 15% returns

Higher the ROCE and reinvestment, higher the justified valuation

Starting P/E

Sustainable RoCE (%) ↓ / Reinvestment rate (%) →	15	30	45	60	75	90
15	9	12	14	18	22	26
30	12	18	26	39	56	81
45	14	26	47	81	136	222
60	18	39	81	161	305	556
75	22	56	136	305	643	1,289
90	26	81	222	556	1,289	2,799

Assuming an exit P/E of 25 times and a desired return of 15 per cent after 10 years. This combination was considered only for demonstration.

P/E, we worked backward and arrived at an entry P/E of 78 times for a 15 per cent annual return over 10 years. This means even 78 times, seemingly high at first blush, would have been justified in 2015. The stock in fact clocked 21 per cent annual returns in the last decade.

Why not just look at P/E?

The point of this exercise was to figure out the right price to pay today for returns you hope to get in the future. Simply looking at the P/E alone or comparing it with the long-term average will not tell you if today's price is fair—something that this framework does. As shown in figure 3, combinations of high ROCE and reinvestment justifiably command higher entry P/Es. This is to say that a high P/E may not be necessarily bad and a low P/E may not always be good. In cases where you reasonably expect the business to grow handsomely, a high multiple may be justified. This method thus, shifts the valuation question from "Is this P/E low?" to a more concrete "Is this P/E fair for the return I expect?"

The framework isn't without limitations

- The method requires homework. You can't rely on screeners or historical averages alone. Reading annual reports, studying reinvestment plans and assessing whether the business has pricing power or competitive insulation or not are key prerequisites.
- It requires judgement under uncertainty. The forecasts will not always be precise but they don't need to be. Remaining conservative in your estimates is key.
- It's less useful for cyclical businesses where ROCE sharply fluctuates with the economic cycles. For steady compounders, however, it is invaluable.
- It's often too strict for momentum-driven markets. But that's not a flaw. It's a filter. This prevents you from chasing hype and focuses attention on quality.

How we zeroed in on the top contenders

Next up, we have discussed potential compounders handpicked using our framework. But first, here's how we spotted them using the below filters:

- Non-BFSI companies with a market capitalisation of over ₹600 crore while excluding micro caps.
- A five-year annualised revenue and profit after growth of over 10 per cent adjusted for exceptional items and discontinued operations.
- A five-year median ROCE above 15 per cent and a reinvestment rate of over 70 per cent. To remain conservative, we then applied a 20 per cent haircut to both. For instance, an ROCE of 30 per cent was adjusted to 24 per cent and a reinvestment rate of 90 per cent to 72 per cent.
- A five-year cumulative CFO to EBITDA ratio above 70 per cent to ensure effective cash conversion.
- For exit P/E, we applied a 30 per cent haircut, expecting a company with a current P/E of 50, for instance, to trade at 35 in 10 years.

27 companies made the cut with estimated entry P/Es closer to their current levels. We further narrowed the list to nine stocks based on qualitative factors. However, given the conservative approach of this exercise, we suggest readers conduct their own due diligence and do not take this list for our recommendation.

DEEPAK NITRITE

Capacity as competitive moat

Deepak Nitrite is a powerhouse in India's chemical sector, operating through two major divisions: Advanced intermediates, primarily basic chemicals (30 per cent of revenue in 9M FY25) and phenolics (70 per cent of revenue). The company's greatest asset is its scale. While the chemistries it operates in don't have significant entry barriers, Deepak Nitrite's capacity is so vast that replicating it is a daunting task for new entrants.

The key driver behind its impressive ROCE is its well-curated product portfolio. What was once a slightly above-average ROCE story began to soar when phenolics—a chemical India had long relied on for imports—became the company's core focus in 2018. This shift caused a surge in revenue, reducing reliance on low-margin advanced intermediaries, which include basic commodity chemicals, specialty chemicals and performance chemicals. This pivot also marked the beginning of its high-ROCE era.

But the big question now is whether this momentum will persist. The company's next move is a bold ₹14,000 crore investment in polycarbonates and phenolic derivatives, slated to be completed by FY28. While the new capacity will temporarily weigh on ROCE, due to the mismatch between increased assets and delayed revenue, the long-term potential is significant. India remains entirely import-dependent for these chemicals, giving Deepak Nitrite a significant edge if it successfully ramps up.

However, the flip side of this bet is the financing. With ₹900 crore in operating cash, the company faces the necessity of taking on substantial debt to fund the expansion. The wager is clear: It's a high-risk, high-reward proposition. If the company pulls this off, growth could be extraordinary and its reliance on basic chemicals—subject to global price swings—would become increasingly irrelevant. The question remains: Will this gamble pay off or will it backfire? Only time will tell.

★★★
Stock Rating

36.8
Current P/E

45.0
Justified P/E

37.6
5Y median ROCE (%)

TANLA PLATFORMS

The messaging muscle

Tanla is riding the digital customer engagement tailwinds, providing businesses with tools to reach out to their users. It operates in two main segments: Enterprise division, contributing a hefty 91 per cent of revenue and the Digital platform business contributing a smaller 9 per cent.

Tanla, as part of the Enterprise segment, enables companies to communicate with customers via SMS. A select few customers, however, tap into the Digital segment, where the focus shifts to delivering secure, fast messages that are protected from phishing attempts. While the Enterprise segment is low-margin, the Digital platform, though small in revenue share, delivers a stunning 33 per cent of operating profit. It's a low-capital business with high margins, a sweet spot for Tanla.

But Tanla's path isn't without obstacles. The first challenge lies in the intense competition within its SMS protection and Digital platform segments. With most large companies already onboarded, growth in this area is stagnating. To combat this, Tanla is rolling out its Wisely platform, expanding from SMS to WhatsApp API services. Wisely not only ensures secure communication but also introduces interactive messaging, adding more value and offering a stronger product. The company is also eyeing expansion into international markets, hoping to capitalise on global demand for secure communication.

Despite its solid fundamentals, Tanla is still trading at a relatively low P/E ratio of about 13 times. This suggests the stock doesn't require explosive growth to deliver solid returns. With moderate growth in its Digital or Wisely business, Tanla could significantly improve its ROCE, potentially delivering much stronger gains than the market currently expects.

★★★★★
Stock Rating

13.2
Current P/E

19.1
Justified P/E

40.0
5Y median ROCE (%)

SUPRIYA LIFESCIENCES

The API ace

Supriya Lifesciences is a key player in the API (active pharmaceutical ingredients) market for therapeutic areas like anaesthetics, antihistamines and anti-asthma. As one of India's largest API exporters, it has carved a niche in a crowded market.

The company's key strength lies in its backward integration, which has resulted in higher margins and enviable ROCE. The company's capital efficiency has enabled it to consistently outperform its competitors. Long-standing customer relationships have further bolstered its revenue consistency, giving it an edge in an otherwise fragmented industry.The company's next leg of growth is expected to come by expanding into regulated markets and forward integration into formulations in areas where it already manufactures the APIs. Supriya has also diversified into contract manufacturing. It has spent ₹375 crore on capital expenditure since FY23. However, scaling these businesses will require overcoming intense competition—especially in regulated markets where price wars are relentless.

On the back of these plans, Supriya has set ambitious revenue targets: ₹1,000 crore by FY27, rising to ₹1,600 crore by FY30. With the pharmaceutical sector booming and clients adopting the China-plus-one strategy, these figures seem within reach.

However, there are key risks. First, Supriya's reliance on a limited number of molecules means its revenue is concentrated—any decline in demand for these could hurt its business. Second, the generic API market, particularly in regulated territories, is highly competitive. To maintain its high ROCE, Supriya will need more than just scale—it needs to specialise or differentiate in an increasingly competitive landscape. In essence, Supriya must manage its concentration risk while carving out a more sustainable path to growth or it risks being overtaken by more agile competitors.

★★★★★
Stock Rating

30.4
Current P/E

54.1
Justified P/E

43.3
5Y median ROCE (%)

CLEAN SCIENCE AND TECHNOLOGY

Niche with a punch

Clean Science operates in the chemicals manufacturing space, with exports contributing 65 per cent of revenue (9M FY25) and India accounting for the remainder. Its largest segment is performance chemicals, making up 69 per cent of revenue (9M FY25), followed by pharma and agrochemicals at 18 per cent, with FMCG rounding out the portfolio.

The company's biggest advantage lies in its sharply curated product portfolio. While specialty chemicals generally offer higher margins, Clean Science zeroes in on chemicals that satisfy two tough criteria: High complexity that are relatively difficult to replicate and limited competition both domestically and globally. In most of the products it manufactures, the company commands a leadership position either in India or worldwide.

This approach has helped it earn some of the highest operating margins in the Chemicals sector. On top of this, its environmentally friendly manufacturing process based on catalytic chemistry continues to attract a broad client base.

Clean Science's next major growth driver is hindered amine light stabilisers (HALS), a segment with a global market exceeding $1 billion and projected to grow at 10 per cent annually. HALS chemicals serve diverse end-user industries and with India being import-dependent, the company aims to become the largest domestic player in this segment. Production has been commercialised and revenues are expected to scale up in the coming years. This growth could not only help sustain its high ROCE but even improve it.

The company's main weakness, however, is its concentrated portfolio. A decline in demand for even a single product can significantly dent its financial performance as seen in FY24. While current valuations appear expensive, a positive outcome from its HALS strategy would go a long way in justifying them.

★★★
Stock Rating

48.4
Current P/E

80.1
Justified P/E

46.7
5Y median ROCE (%)

MANKIND PHARMA

Domestic dynamo

Mankind Pharma has built a formidable franchise in India's domestic pharmaceutical market by adhering to a focused playbook: Affordable medicines, mass-market appeal and deep retail penetration. The company stayed away from volatile export markets and focused on tier-2 and tier-3 cities in India, resulting in over 95 per cent of revenue from this geography.

Its strength lies in acute therapies like anti-infectives and gastroenterology, complemented by high-margin consumer health brands such as Manforce and Prega News. This combination has helped it sustain strong profitability. During FY19-24, the company delivered a median ROE (return on equity) of 26.7 per cent, driven by its asset-light operations and disciplined capital allocation. Crucially, Mankind reinvests nearly 100 per cent of its profits, further fuelling its rapid expansion across therapy areas.

To build long-term depth and reduce dependence on acute care, Mankind is moving into chronic and specialty therapies. The acquisition of Panacea Biotec's domestic formulations business for ₹1,872 crore in 2022 provided a foothold in transplant and lifestyle drugs. The subsequent ₹13,630 crore takeover of Bharat Serums and Vaccines (BSV) in 2024 added exposure to niche, high-barrier segments like women's health and critical care.

The question is whether Mankind can sustain this momentum. These new segments introduce complexity, requiring greater R&D investment, and clinical expertise. Moreover, integrating large acquisitions like BSV brings execution risks and could impact near-term performance.

Still, with its expansive domestic reach, operational discipline and early investments in fast-growing therapy areas, Mankind is well placed to maintain growth. While challenges lie ahead, if it can preserve its return ratios and capital discipline, it should continue generating long-term shareholder value.

★★★★
Stock Rating

48.8
Current P/E

60.4
Justified P/E

34.0
5Y median ROCE (%)

BASF INDIA

Efficiency meets expansion

BASF India, the listed arm of German chemical titan BASF SE, has operations spanning diverse sectors—nutrition and care (25 per cent), materials (23 per cent), chemicals (18 per cent), agricultural solutions (15 per cent), industrial solutions (15 per cent)—serving industries from automotive to pharma to construction and agriculture. The company has carved out a reputation as one of India's most efficient chemical players, thanks to its ability to grow without capital burnout.

Over the last five years, it has delivered a median ROE of nearly 28 per cent. This performance stems not from using debt or one-off gains but from savvy operating leverage, asset-light expansions, tight inventory and cost control. The company leverages its parent's global technology and expertise to stay competitive without having to invest in large, capital-heavy facilities. Its Dahej facility, launched in 2014, remains a benchmark for scale and efficiency.

Looking ahead, BASF India is positioning itself to seize growth in key pockets. It recently inaugurated an advanced R&D and application lab in Chennai to cater to stricter automotive emission norms—a move that strengthens its relevance in the mobility space. In agriculture, the company is broadening its portfolio beyond crop protection, tapping into sustainable farming and climate-resilient products. Industrial and construction solutions are also expanding, riding India's infrastructure wave.

Yet challenges persist. Raw material price volatility, import reliance and regulatory uncertainties pose risks. Still, if BASF India maintains its capital discipline while capitalising on rising demand in agri-tech, mobility and manufacturing, it can continue compounding value without chasing reckless capacity growth. Its proven formula steady growth and prudent spending—remains its strongest weapon in a competitive market.

★★★
Stock Rating

30.9
Current P/E

37.0
Justified P/E

36.5
5Y median ROCE (%)

CANTABIL RETAIL INDIA

Conquering small-city fashion

Cantabil Retail India has established itself as a prominent player in India's value fashion segment, offering a comprehensive range of apparel and accessories for men, women and children. Men's segment accounts for around 85 per cent of its revenue. With a network of over 580 exclusive brand outlets (EBOs) across 220 cities, the company has demonstrated consistent growth through a vertically integrated model encompassing design, manufacturing and retail.

In FY24, Cantabil reported revenues of ₹616 crore, marking an 11.5 per cent YoY increase. This growth was underpinned by a robust ROE of around 23 per cent (similar to its five-year median), reflecting efficient capital utilisation and profitability. Cantabil's focus on tier-2 and tier-3 cities has allowed it to tap into underpenetrated markets, driving store expansion and revenue growth.

Looking ahead, Cantabil aims to achieve ₹1,000 crore in revenue by FY27, representing a 62 per cent increase from current levels. To realise this goal, the company plans to open 70-80 new stores in 2025, enhancing its presence in emerging markets. Additionally, Cantabil is investing in product diversification, including accessories and innerwear, to increase wallet share and customer retention.

However, the company faces challenges such as rising raw material costs, competitive pressures from both organised and unorganised players and the need to maintain operational efficiencies amid rapid expansion. Sustaining its growth trajectory will require careful management of these factors to preserve profitability and shareholder value. In summary, Cantabil's disciplined focus on value fashion, efficient capital use and aggressive push into underserved markets set it up well for future growth. But success will hinge on its ability to navigate cost pressures and competitive dynamics without sacrificing profitability.

★★★★★
Stock Rating

27.2
Current P/E

32.3
Justified P/E

37.3
5Y median ROCE (%)

SHIVALIK BIMETAL CONTROLS

Small parts, big impact

Shivalik Bimetal Controls is a specialised engineering company that manufactures thermostatic bimetal strips, shunt resistors and other precision metal-joining products. These small but critical parts find use across sectors such as automotive, consumer electronics, smart metering and renewable energy systems. The company's strategy has been focused on offering highly engineered products for applications where quality is non-negotiable.

Over the years, Shivalik has demonstrated an impressive track record of capital-efficient growth. Over the last five years, it has delivered a median ROE of nearly 28 per cent, a reflection of its pricing power, operational efficiency and low capital intensity. It has historically reinvested most of its earnings to support capacity expansions and technology upgrades, yet has maintained a conservative balance sheet with minimal debt.

A key driver of its recent growth has been shunt resistors, used in current sensing applications in electric vehicles, energy meters and battery management systems. This segment has scaled up rapidly since its launch in FY15 and is now one of the largest contributors to revenue. Meanwhile, Shivalik remains a dominant supplier of thermostatic bimetal strips to major switchgear and circuit breaker makers. Looking ahead, Shivalik is expanding its global footprint, especially in Europe, through its subsidiary in Italy. It is also working on building new capabilities in alloy processing and component design to meet demand from sectors like EVs, solar and industrial automation.

That said, the company faces risks such as dependence on a few large clients, raw material price volatility and competition from global peers. Yet, backed by engineering prowess, prudent capital management and a growing export pipeline, Shivalik seems poised for steady, compounded growth in the coming years.

★★★
Stock Rating

30.6
Current P/E

30.9
Justified P/E

33.0
5Y median ROCE (%)

DR AGARWAL'S EYE HOSPITAL

Eyes on the prize

Dr Agarwal's Eye Hospital, a Chennai-based ophthalmology chain, has built a reputation for delivering high-quality, specialised eye care across India. With a network of over 100 hospitals, the company offers a full range of services—from cataract and glaucoma surgeries to retina, cornea and LASIK procedures. Surgeries contribute roughly 65 per cent of revenue, followed by diagnostics and consultations (20.6 per cent) and pharmacy and optical sales (14.3 per cent).

What makes Dr Agarwal's story remarkable is its ability to scale a capital-intensive business while maintaining healthy return ratios. Its five-year median ROE was an impressive 34.3 per cent for FY19-24. This has been achieved through a cluster-based expansion model, where each region has a flagship hospital supported by satellite centres—reducing infrastructure duplication and enabling better utilisation of surgical talent and equipment. The company also follows a lease-and-operate model for many of its centres, limiting upfront capex. These measures, along with short payback periods of 18 to 24 months for new centres, have helped maintain capital efficiency even as the footprint expanded.

Looking ahead, the company plans to double its network to 420 centres by FY28, with a target of 500 by FY30. Backed by more than ₹1,000 crore funding from TPG and Temasek, the company is investing in technology, talent and deeper penetration in tier-2 and tier-3 cities.

That said, rapid expansion brings challenges, especially in maintaining clinical quality, optimising staff costs and ensuring returns don't dilute. The high promoter pledge of 55.4 per cent remains a point of concern that deserves to be watched out. Still, Dr Agarwal's stands out as a rare healthcare success story, compounding steadily through clinical excellence, operational discipline and strategic expansion.

★★★★
Stock Rating

38.6
Current P/E

59.9
Justified P/E

39.9
5Y median ROCE (%)

How Trump is reviving Nixon's 1971 shock therapy

What Nixon did with gold, Trump may do with trade. The global world order might be in for a reset again.

By Anand Tandon

In August 1971, a secretive meeting at Camp David, led by President Richard Nixon, reshaped the global economy in ways that still echo today. Chronicled in Jeffrey E Garten's *'Three Days at Camp David: How a Secret Meeting in 1971 Transformed the Global Economy'*, the decisions made over that weekend – known as the Nixon Shock – ended the Bretton Woods system, severed the US dollar's link to gold and introduced floating exchange rates. Fast forward to 2025, and the US is once again stirring global markets with President Trump's aggressive tariff policies and proposed tax reforms. Mark Twain once said, "History doesn't repeat itself, but it often rhymes." Let's examine how closely it does.

A historical turning point

In his book, Garten, a former Yale School of Management dean and seasoned policymaker, recounts the economic and political pressures that drove Nixon's bold moves in 1971. The US was grappling with a weakening dollar, soaring trade deficits and rising inflation, exacerbated by the Vietnam War and the economic resurgence of Japan and Western Europe. The Bretton Woods system, which pegged global currencies to the dollar (convertible to gold at $35 per ounce), was crumbling. US gold reserves had plummeted to $10 billion against $40 billion in liabilities, as foreign nations demanded gold for their dollar holdings. Nixon, facing re-election in 1972, sought a dramatic solution to avoid a recession and restore US economic dominance.

At Camp David, Nixon and advisors like Treasury Secretary John Connally, Federal Reserve Chairman Arthur Burns and Paul Volcker debated fiercely. The outcome, announced on August 15, 1971, was the New Economic Policy: The US suspended dollar convertibility to gold, imposed a 10 per cent import tax and enacted a 90-day wage and price freeze to curb inflation. These measures, dubbed the 'Nixon Shock', effectively dismantled Bretton Woods, ushering in an era of floating exchange rates. Domestically, the policy was a political triumph – Wall Street surged 3 per cent, its biggest daily gain at the time. Internationally, however, allies like Japan and Europe were furious at the unilateral move, which disrupted their economies and forced currency revaluations.

The Nixon Shock had profound long-term effects. While it boosted US exports by devaluing the dollar, it triggered global market volatility, contributed to 1970s stagflation and set the stage for the fiat currency system we know today. Garten argues that the shift marked the US's recognition that it could no longer single-handedly sustain the global economy, necessitating cooperation with allies – a lesson that resonates in today's interconnected markets.

The 2025 US economic backdrop and Trump's policies

In 2025, the US economy faces challenges that echo 1971, though with distinct modern twists. Inflation, while moderated from its post-Covid peaks, remains a

The Nixon Shock had profound long-term effects. While it boosted US exports by devaluing the dollar, it triggered global market volatility.

Illustration: ANAND

concern. Trade deficits persist, particularly with China and the US dollar's dominance as the world's reserve currency is under scrutiny amid rising global debt and geopolitical tensions. The political landscape is also charged, with Trump's second term prioritising 'America First' policies to bolster domestic manufacturing and reduce reliance on imports.

Trump's economic agenda, announced in early 2025, includes steep tariffs – 145 per cent on Chinese goods, 26 per cent on Indian exports and broad levies on other trading partners. These measures, likened to the Nixon Shock for their unilateral boldness, aim to address trade imbalances and stimulate US production. The Budget Lab at Yale estimates these tariffs will raise US inflation by 3 per cent in the short term, reduce GDP growth by 1.1 percentage points in 2025, and increase apparel prices by 65 per cent (25 per cent in the long term) (https://bit.ly/42PrIpZ). Like Nixon, Trump is betting on domestic political gains, but the global fallout could be significant, with trading partners like China and the EU already signalling retaliatory measures.

The Nixon Shock and Trump's tariff policies share striking similarities. Both were unilateral, catching allies off guard and prioritising domestic political optics.

1971 vs 2025: Parallels and divergences

The Nixon Shock and Trump's tariff policies share striking similarities. Both were unilateral, catching allies off guard and prioritising domestic political optics over international consensus. Nixon's import tax and Trump's tariffs both aim to protect US industries and reduce trade deficits. Both policies also risk inflation: Nixon's wage and price controls temporarily curbed prices but fuelled stagflation, while Trump's tariffs are projected to drive consumer price hikes. Additionally, both moments reflect a US grappling with its role in a multipolar economic world, as rising powers (Japan and Germany in 1971, China and India today) challenge its dominance.

However, key differences exist. Nixon's policies targeted the monetary system, fundamentally altering global finance by ending the gold standard. Trump's tariffs, while disruptive, focus on trade and fiscal policy, leaving the dollar's reserve status intact for now. The 1971 US faced a gold reserve crisis, whereas today's concerns centre on supply chain resilience and geopolitical rivalries. Nixon's era lacked the globalised supply chains and digital economies that amplify the impact of 2025's trade disruptions. Moreover, Nixon's policies unfolded in a relatively cooperative post-war

If negotiations fail and the US imposes the full 26 per cent tariff, it could lead to a broader trade war, disrupting global supply chains and raising input costs.

order, while Trump operates in a fragmented world marked by trade wars and regional conflicts.

Potential scenarios and their impact on the Indian stock market

The interplay of Trump's tariffs and India's economic trajectory could unfold in several ways, each with distinct implications for the Indian stock market, which has shown resilience but remains sensitive to global shocks.

Scenario 1: Successful US-India trade negotiations

If India negotiates effectively, convincing the US to maintain or reduce tariffs on Indian exports (e.g., keeping the effective rate at 12.2 per cent rather than 26 per cent), the impact could be positive. Deloitte's India Economic Outlook (May 2025) (https://bit.ly/4k937lI) suggests that such a deal could boost Indian exports in textiles and electronics, especially if competitors like China face steeper tariffs. Increased consumer spending from India's 2025 Union Budget tax exemptions could drive GDP growth by 0.6-0.7 per cent. The Nifty 50 and Sensex could see sustained gains in this scenario, particularly in export-oriented sectors like IT, Pharmaceuticals and Textiles. Domestic sectors like Banking would also benefit.

Scenario 2: Escalating the trade war

If negotiations fail and the US imposes the full 26 per cent tariff on Indian exports, it could lead to a broader trade war, disrupting global supply chains and raising input costs. The IMF's April 2025 World Economic Outlook projects a 0.8 per cent global growth downgrade due to tariffs, with India's growth revised down to 6.3-6.5 per cent. The Indian stock market could face a correction, especially in export-heavy sectors like Auto and Chemicals. A stronger dollar and rupee volatility could further pressure valuations. Investors should hedge with gold (up 400 per cent post-Nixon Shock) and focus on domestic-focused stocks.

Scenario 3: Global recession triggered by US policies

In a worst-case scenario, US tariffs and fiscal uncertainty (the Senate's $5.8 trillion deficit-expanding tax plan) could tip the US and Europe into recession, as ICG's April 2025 outlook warned. India, with only 3 per cent of its GDP exposed to US goods exports, is less vulnerable than peers like Vietnam but not immune (https://bit.ly/4325RdB). A US market crash could drag the Nifty 50 down by 10-15 per cent, hitting the mid- and small-cap stocks hardest. Sectors like IT, reliant on US clients, could suffer. Investors should diversify into bonds (Indian government bonds join FTSE indices in September 2025, boosting inflows) and defensive assets like gold and utilities.

The takeaway

The Nixon Shock of 1971 and Trump's tariff policies of 2025 underscore the US's outsized influence on global markets. While Nixon's policies birthed the modern financial system, Trump's protectionism could reshape trade and inflation dynamics. For Indian investors, the key is to balance caution with opportunity. By learning from history and aligning portfolios with India's structural strengths, investors can navigate the turbulence and position themselves for long-term gains in a rapidly changing world. ☑

Stay the course

Markets rise and fall, but disciplined, low-cost investors stay calm

Value Research

THE INDEX INVESTOR

Gold and silver ETFs surge: What investors must know

Akshaya Tritiya saw a rise in their volumes. But should you invest?

Akshaya Tritiya, one of India's most auspicious days for buying gold, has long been a magnet for jewellers. But this festive day is increasingly making its presence felt in financial markets, too. More Indian investors are now turning to exchange-traded funds (ETFs), particularly gold and silver, as a modern alternative to owning the physical metals.

The latest numbers underscore this shift: total turnover in gold and silver ETFs on *Akshaya Tritiya* (April 30, 2025) hit ₹644 crore, almost three times last year's level of ₹224 crore. Gold ETFs saw their turnover rise to ₹331 crore (from ₹130 crore last year), while silver ETFs surged to ₹313 crore (from ₹95 crore), marking an even higher jump.

These numbers tell a broader story about changing investor habits and the growing role of ETFs in the portfolios of Indian investors.

What's driving this surge?

Several key trends are fuelling this rise in ETF activity:

Convenience over tradition: While gold jewellery still holds cultural value, many investors now want price exposure without the baggage of storage, insurance or purity concerns. Gold and silver ETFs offer precisely that, allowing you to invest through your demat account.

Cost efficiency: Physical gold typically carries making charges of 5-10 per cent, storage costs and potential resale discounts. By contrast, ETFs have relatively low expense ratios, often below 1 per cent and are much easier to trade on the exchange.

Growing awareness: Investors are increasingly aware of ETFs' advantages, particularly their liquidity, which ensures better trade execution and lower hidden costs. For context, back in FY25, the average daily combined industry volume (gold plus silver ETFs) hovered around 60 per cent of the total ETF turnover, reflecting the growing footprint of these products in the Indian market.

Why liquidity matters

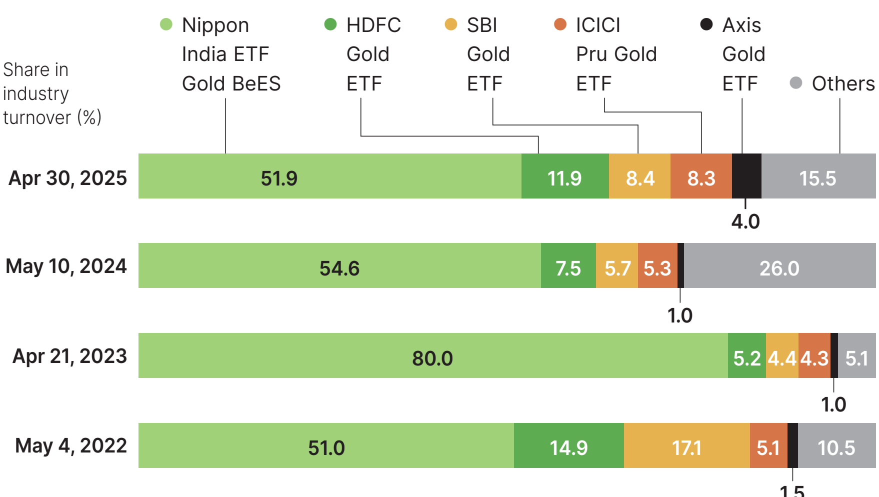
Many investors may assume that all ETFs are equal. However, liquidity plays a huge role in determining how efficiently you can trade an ETF. Here's why.

Lower impact costs: In less liquid ETFs, large trades can move the market, meaning you end up paying a hidden cost called 'impact cost'. On *Akshaya Tritiya* 2025, gold ETFs in India showed an average impact cost of 20 basis points (bps), while the most liquid ones brought this down to just 2 bps. For silver ETFs, the industry average was 32 bps, but the best performers kept it as low as 3 bps.

Reduced tracking error: High liquidity helps keep ETF prices closely aligned with the underlying gold or silver price, ensuring your investment behaves as expected.

A look at past *Akshaya Tritiya*

Gold ETFs' turnover share on *Akshaya Tritiya*



Source: NSE

AI-generated image

data shows that liquidity patterns are fairly consistent. For example, on May 10, 2024, gold ETFs saw a turnover of ₹130 crore, and by April 30, 2025, this had climbed to ₹331 crore. Yet the most liquid products maintained low impact costs even at higher trade volumes.

Should you invest in gold or silver ETFs?

The growing popularity of gold and silver ETFs shouldn't be mistaken for a sign to hoard them blindly. Instead, investors should ask: what role do these assets play in my portfolio?

Historically, precious metals have served as:

Diversifiers: Gold and silver historically show low correlation to equities, making them useful for reducing portfolio risk.

Hedges: Precious metals perform better during inflationary periods or when geopolitical risks rise.

However, they are not primary wealth creators. Over long periods, equities have outperformed precious metals. For instance, over the past decade, gold has delivered annualised returns of around 7-8 per cent, while Indian equity markets (such as the Nifty 50) returned closer to 12-14 per cent.

Key considerations for investors

If you're considering adding gold or silver ETFs to your portfolio, keep these points in mind:

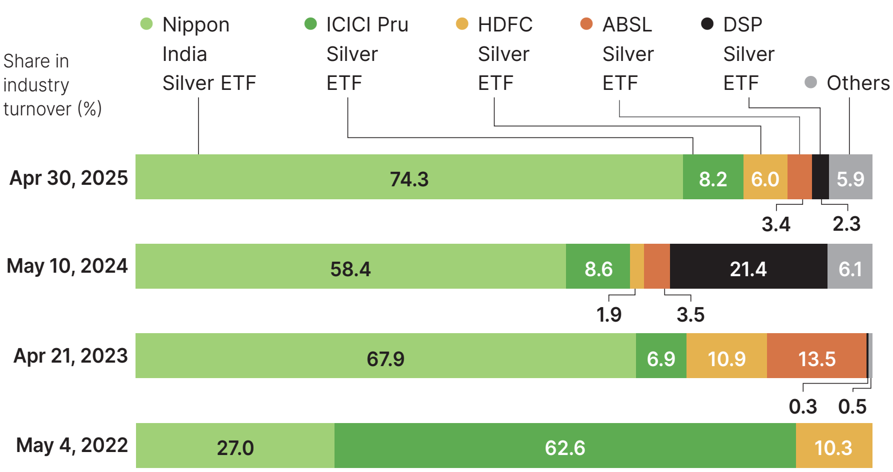
Match your allocation to your goals: Most investors don't need more than 5-10 per cent of their portfolio in precious metals. Their main role is to provide stability, not growth.

Compare costs and liquidity: Look beyond brand names. Examine the ETF's liquidity, impact costs, expense ratios and tracking errors before investing.

Thin klong-term: Don't make decisions based solely on festive hype or short-term market momentum. Gold and silver work best in a carefully planned, diversified portfolio.

As always, disciplined, well-researched investing beats short-term enthusiasm on *Akshaya Tritiya* or any other day.

Silver ETFs' turnover share on *Akshaya Tritiya*



Source: NSE

STOCK ADVISOR

Round numbers, rough roads

Big round numbers make for exciting headlines, but real investors know the real game is played quietly, steadily and over time

By **Dhirendra Kumar**

A few days ago, I was at a casual dinner when someone brought up a Morgan Stanley report. "They're saying Sensex can touch one lakh in two years," he said, with a glint of excitement in his eyes. "What a time to be in the market!"

Another friend, clearly less impressed, argued, "That's only 33 per cent from here. My mid-cap fund did that last year."

That small exchange captures two types of investors perfectly. One is thrilled by the number. The other is focused on returns. Both are right in their own way, but only one of them is asking the right questions.

The magic of round numbers

There's something special about round numbers. One lakh on the Sensex isn't just another level, it's a milestone. It makes headlines, triggers celebrations and inspires bold predictions.

In fact, every 10,000-point mark on the Sensex has done this. I still remember the breathless enthusiasm when the index crossed 10,000. Then 30,000. Then 50,000. And now, at 80,000, the conversation has shifted to: When do we see six figures?

But here's the thing—if you have been investing for long enough, you realise that these milestones, while emotionally satisfying, are just waypoints. What really matters is what you did on the way to each of them. Did you stay invested? Did you invest regularly? Did you own good companies? Did you ignore the noise? If yes, then you have already benefitted. If not, then waiting for the next milestone won't help.

The danger of anchoring to numbers

Milestones can be helpful markers of long-term progress. But they can also be dangerous anchors. Investors often treat a round number like a finish line: "I'll sell when it hits one lakh" Or worse: "I'll wait to invest until the market dips again."

Here's the truth: The market doesn't care about your round numbers. It may inch up to 99,000 and drop. Or it may shoot past one lakh and keep going.

And then drop. And then rise again. That's how markets work. If you are treating investing like a game of predicting milestones, you'll spend most of your time waiting, second-guessing and stressing. And the more you try to outsmart the market, the less you gain from it.

What you should focus on instead
There's a better way. Instead of obsessing over whether the Sensex will touch one lakh in 2026 or 2027, focus on building a portfolio that will do well when the market gets there, whenever that may be.

What does that mean?

- Own high-quality businesses with strong fundamentals
- Diversify across sectors
- Keep investing regularly, regardless of where the index stands
- Ignore short-term noise
- Don't wait for perfect timing; focus on consistency

Illustration: ANAND

Instead of obsessing over whether the Sensex will touch one lakh in 2026 or 2027, focus on building a portfolio that will do well when the market gets there

That's it. That's the real formula. And it's not flashy. It won't make you sound like a market genius at dinner parties. But it works.

How Stock Advisor keeps you on course
At **Value Research Stock Advisor,** we have seen milestones come and go. We don't get distracted by them. Our focus is on curating portfolios that deliver over the long haul.

Whether Sensex is at 80,000 or one lakh, our **Long-term Growth, Aggressive Growth** and **Dividend Growth portfolios** are built with one purpose: To help you own businesses that will create wealth across market cycles.

We don't time the market, we analyse businesses. We don't chase highs, we look for durability. And we don't ask "Will Sensex hit one lakh?" We ask, "Will this company thrive in the next 5-10 years?"

That question, consistently asked and thoughtfully answered, matters far more than the milestone.

Every month, we revisit our recommendations, tweak portfolios if needed and ensure that the businesses we back are still worthy of your money and your trust.

The finish line is an illusion
If the Sensex hits one lakh in 2026, it'll be a nice headline. But the real question is: What's next?

Because there is no finish line in investing. Every milestone is followed by a journey. And unless you have a process that helps you walk that journey—calmly, regularly and confidently—you'll always be chasing numbers instead of creating wealth.

So, whether we are at 80,000 or 95,000, your job remains the same: keep investing wisely, avoid distractions and let time do its magic. Because the real magic of the Sensex is not that it may reach one lakh, it's that it started at 100 in 1979. Everything since has been a reward for those who stayed the course. ☑

The digital shift powering small business recovery

Technology is empowering small firms but policy barriers limit the gains

By **Puja Mehra**

The general perception is that small businesses are in distress, more so after the blow of the Covid-19 lockdowns, from which their recovery has been slow. However, the findings from a new survey of such firms, led by my colleague, Dr Tanu Goyal, at ICRIER, have challenged these notions (https://bit.ly/4diX9N1).

This survey shows that firms that started selling online through e-commerce websites have significantly improved their performance. Their sales and profit margins have increased, and they are hiring more than those businesses that aren't selling to online shoppers as yet.

This is the third round of the survey, first done in 2021, to help assess the fallout of the Covid-19 lockdowns on small businesses. More or less, the same firms are tracked in the survey every year, which makes their findings all the more valuable and insightful for understanding their growth and development.

The first edition had shown that by selling online, firms tried to keep afloat amid restrictions on the physical movement of goods and people. At that time, getting onto e-commerce platforms was a survival strategy to beat the stoppage of usual business by accessing new markets and consumers.

The second round of the survey, conducted in 2022, also included those firms that had still not done this. The idea was to draw comparisons between the two sets, those selling online – 1,005 of the enterprises surveyed – and those that still weren't, the remaining 1,002. The sample covered small businesses from six broad product categories: sports goods, toys, processed and preserved food products, apparel, furniture and handicraft products. They were picked from Ahmedabad, Bhubaneshwar, Delhi, Jaipur, Lucknow, Ludhiana, Jalandhar, Agra, Meerut, Saharanpur and Chennai.

Small firms dominate India's enterprise landscape. Of these, a vast majority – 63.4 million, as per government data – is unincorporated and in the informal sector. A small proportion – 17.6 million roughly – is registered on the *Udyam* portal, a government facility that provides them with a permanent registration and basic identification number, which helps them borrow from banks under the stipulated priority-sector lending quota. It also helps them avail of credit guarantees, be eligible for public procurement policy and seek protection against delayed payments under various government schemes and programmes on offer.

Given this vast universe, the sample size is, of course, small – just about 2,365 small businesses that are registered on the government portal, *Udyam*, were covered this year in the survey's third round. However, the findings are hard to take lightly: More than 85 per cent of the firms that have gotten onto e-commerce platforms report an increase in their total sales and profit margins post-integration. Typically, these are up 30 per cent.

This year's survey has evaluated some of the second-order effects digitalisation has had on small businesses;

Staying offline may not be an option for long. Technology may represent a survival threat rather than an opportunity. Raising finance would get easier by hopping online.

Improvements in access to finance and international export markets emerge as clear gains. Broadly speaking, the survey has shown that upgrades in investments, soft skills, complex infrastructure and innovation are taking place in small businesses that have diversified into online sales. Some are also hiring more, creating employment.

The firms told the survey that they invest in employee training and new equipment, machinery and software. They have launched new products, improved product design and adopted new business practices and organisational methods after joining e-commerce platforms.

Unsurprisingly, most of the surveyed firms' most frequently used modes of payment for doing business are digital wallets and mobile payments, since they help with productivity gains and growth opportunities. Their digital footprint acts as collateral when obtaining loans, as it establishes borrowers' creditworthiness.

The firms transacting on e-commerce platforms report that they are taking more loans, and say that obtaining the loans has become easier. Borrowing from fintech companies or non-banking financial corporations is made relatively easier for them as they can directly link their earnings to their loan accounts, which then serves as guarantees, precluding the need for collateral.

Staying offline may not be an option for long. Technology may represent a survival threat rather than an opportunity. Raising finance would get easier by hopping online, said those small businesses that haven't yet. Technology-savvy competitors may make inroads into markets irreversibly.

Since the 1991 reforms, developing markets have disproportionately benefited large firms and consumers. Small producers have been slow to tap the gains due to the structural and legacy market access barriers, such as obtaining bank credit at market rates. The big promise of digitalisation was breakthroughs against these and similar other bottlenecks. Digitalisation seems to have begun delivering on that promise.

The bulk of small firms – termed 'dwarf firms' by the Economic Survey – tends to remain chronically small over time because of the inherent biases and weaknesses in the operational and policy ecosystem. Firms can barely take advantage of the various government schemes and programmes available because a small proportion of the universe of small businesses is registered on the *Udyam* portal.

Economies of scale of the sort firms in China enjoy are hardly possible in India. The playing field isn't level between the small- and large-sized businesses. Small businesses tend to feel the compliance burden of rules and regulations disproportionately. In many ways, the policy system encourages firms to remain small.

Crucially for policymakers, the other message of the survey is that while small businesses can exploit their growth potential more fully by digitalising, that alone isn't sufficient. Several bottlenecks can't be overcome even by going online, like power tariffs, which tend to rise with firm size in many states.

Lastly, for all its advantages, digitalisation itself poses challenges. Many of the firms surveyed said that their decision not to join platforms is primarily due to insufficient knowledge and information about digital technologies and e-commerce platforms. ☑

Puja Mehra is a Delhi-based journalist and the author of 'The Lost Decade (2008-18): How the India Growth Story Devolved into Growth Without a Story'

A bend in the road

The nature of markets: Predictably unpredictable

By
Aashish P Somaiyaa

Over the last 25 years that I have been in asset management, one truth has never changed: Markets are full of surprises. You think they'll rise, they fall. You fear they'll crash; they rally. Many investors try to 'figure it out', hoping for some formula or certainty. But the truth is that markets are not machines with defined inputs and outputs. They are living ecosystems, influenced not just by earnings and interest rates but by human behaviour – full of emotion, psychology and reactions to the unknown.

When I say, "a bend in the road is not the end of the road," I don't say it for dramatic effect. I say it because it is a deeply profound way to look at investing. A bend doesn't signal the journey's over; it signals a change in direction, a moment to stay alert and not panic. It's during these moments of uncertainty that true resilience and adaptability are tested and often rewarded.

Bends are features, not flaws

Let's be honest: If there were no bends, there would be no roads. A road that's perfectly straight and unchanging doesn't exist, and if it did, we would give up on such a journey out of sheer boredom or the feeling of being directionless and getting nowhere at the end of what seems like an endless journey. Just like in life, in the markets too, change is constant. The problem is that we often see bends as something to fear rather than something to navigate and possibly find key milestones around the corner.

Just imagine if an ECG showed a flat line – it would be a cause for alarm. Similarly, a market without volatility, without ups and downs, is either dead or manipulated. Volatility, like the curves in a road or the waves in an ocean, is a sign of vitality.

Stop seeking absolutes; learn to think in probabilities

We live in a world where people demand clarity: "Will the market go up or down?", "Which fund is the best?" Unfortunately, there are no certainties in the investing world – only probabilities.

I often joke that human beings are deterministic – they want clean, binary answers. But the world operates in shades of grey. We want black-or-white answers to questions that don't have them. In reality, the successful investor is not the one with absolute clarity but the one who is open-minded and probabilistic. The one who knows there will be bends and negotiating them needs agility, not forecasting the precise nature of the next bend.

You don't need perfect timing, you need participation

Here's something from my early days in Mumbai: If you want to go from Goregaon to Churchgate at 7:30 am, you won't get the perfect train to get fast to Churchgate; most fast trains don't stop there, and any that do are overcrowded. Sometimes, you board the train that goes in the opposite direction first, get a seat at Borivali and then continue to head in the right direction more comfortably and be assured of safe arrival at the final destination.

In investing, too, the perfect entry point doesn't exist. Markets don't toot a horn before going up. If you're waiting for the 'right moment,' you might just miss the train altogether.

The successful investor is open-minded and probabilistic. The one who knows there will be bends and negotiating them needs agility, not forecasting the precise nature of the next bend.

AI-generated image

The escalator metaphor: Wealth creation is frictionless if you stay on

If you simply step onto an escalator, you rise. Our economy is like that. Over the long term, GDP grows, earnings grow and markets follow. If you had done nothing and stayed invested since liberalisation, your wealth would've doubled every 5-6 years on average.

Yet, how many people actually double their money every five years? Why don't more people benefit from this upward movement? Because they jump off. They overthink. They fear. They wait. Or worse, they try to come down the escalator that is moving up. When markets don't move or move down for a bit, people think they will get off and get back later. When markets rise, people show the urge to rise faster.

The wiper effect: Chasing what worked yesterday

Many investors behave like windshield wipers. They swing from one side to the other – buying what's worked recently, only to abandon it when it stops working.

Last year, pharma was hot. Before that, it was PSU banks. This year, it might be autos or defence. Every time you chase the latest winner, you risk arriving late. The best-performing sector or fund of the past often underperforms going forward.

What you should seek is consistency, not peak performance. Find managers, funds and strategies that steadily do well – not the ones who are only occasionally at the top. Investing and asset allocation is about optimising, it is not maximising. Often, Mr Market minimises people who try to maximise. So, optimise; that's how to stay in the game and reach your goals.

Final thoughts: Don't seek clarity; seek preparation

Many investors ask their advisors for clarity: "Tell me what will happen." But no one can. What a good advisor can give you is preparation, not prediction.

Markets will always surprise us – sometimes for the better, sometimes for the worse. The right lesson to learn from surprise is not "Next time, I'll be ready." Instead, it is, "The world is inherently surprising, and I will remain prepared for whatever comes."

To the long-term investor

Markets move like a rising sine wave. Each dip feels like doom, but it's part of the ascent. In hindsight, every past correction looks like a missed opportunity. Remember March 2020? Missed opportunity in 2022? Perhaps April 2025 will be one too.

Don't be the one watching from the sidelines. Don't overthink the bend. Don't chase, don't fear. Just stay on the road. Stay invested.

Because a bend in the road is not the end of the road – unless you are inflexible, you made a forecast ready to steer accordingly, but it turned the other way, or you are sleeping at the wheel and fail to turn. ☑

Aashish P Somaiyaa spearheads WhiteOak Capital Asset Management Limited as their CEO.

Blue chips and quality stocks at bargain

Stock screens to filter attractive large caps and fairly priced quality stocks

A stock screen filters out companies based on certain criteria. Its main advantage is that it helps you generate stock ideas with just a few clicks. Once you have the list of 'deserving' stocks, you can research them further to find the ones worth investing in. The **Value Research** website provides you many ready-made stock screens. This month, we will be covering two such screens: 'Attractive blue chips' and 'Discount-to-book value'. We have also given a concise stock list from the other screens. To get the full list in real time, visit **www.valueresearchonline.com/stocks/selector.**

What do these screens offer?

The first screen gives blue-chip companies at attractive valuations, while the second screen offers companies that pass the basic quality parameters and are available at cheap valuations.

Attractive blue chips: Blue-chip stocks are the largest and the most consistently profitable companies. Owing to their strong balance sheet and high market share, they are less risky than their smaller counterparts. However, these stocks have already been 'discovered' (i.e., known to most investors). For this reason, they generally trade at a premium.

Quality stocks for cheap: A core principle that we follow when looking for stocks is that quality cannot be compromised for reasonable prices. What we mean by quality is not just solid financial metrics but also business fundamentals related to management transparency, accounting practices, among others. So, we look for companies that fulfil the quality criteria while being fairly priced.

Key terms

M-cap
Stands for market capitalisation. Obtained by multiplying the stock price by the total number of shares. Shows a company's market value or size.

Price to earnings (P/E)
The price-to-earnings 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. High growth companies are assumed to have higher P/Es while low-growth companies have relatively lower P/E.

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

Altman Z-score
Developed by Edward Altman of New York University, the Z-Score predicts a company's financial distress or the possibility of its going bankrupt within two years. A Z-Score of more than three is desirable.

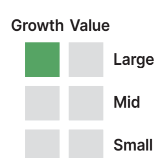
Piotroski F-score
Developed by Joseph Piotroski, the F-Score highlights financial performance as compared to that in the previous year. It thus, points out the current outperformer in terms of profitability and financial improvement. An F-Score of seven or above is good.

Stock rating
Value Research Stock Rating combines the three scores (quality, growth and valuation) based on assigned weights to arrive at a holistic stock rating. We have created a five-star rating system. The higher the stock rating, the better.

Return on equity (ROE)
Measured by taking profit after tax as a percentage of the net worth of the company. Indicates how efficiently the company has been able to utilise investors' money.

EPS growth (%)
The three-year annualised growth rate of a company's earnings per share (EPS).

Stock Style
Derived from a combination of the stock's valuation – growth or value – and its market capitalisation – large, mid and small. For example, here is the stock style of a large-cap growth stock.



Attractive blue chips

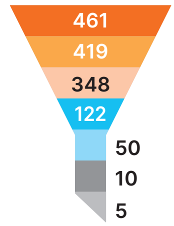
Reasons to invest

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

The filters

- Market cap greater than ₹12,572 crore
- D/E 0 to 2
- Interest coverage ratio more than 2
- ROE 5Y avg more than 20 per cent
- EPS 5Y growth more than 20 per cent
- PEG (5Y) 0 to 1.5
- 5Y ROE consistency without losing 20 per cent YoY

No. of companies that cleared the filters



Company Industry	Stock Style	Stock Rating	P/E	PEG	Debt-equity ratio	5Y avg RoE (%)	5Y EPS growth (%)	M-cap (₹ cr)	Share price (₹)	52-week high/low (₹)
BEL Defence & Aerospace Div.		★★★★	49.9	1.49	0.0	21.4	23.9	2,65,747	365	374-230
BLS International IT Services & Consulting		★★★★★	32.3	0.52	0.0	21.6	57.4	16,398	401	522-278
CAMS Clearing & Settlement		★★★★	41.5	1.26	0.0	42.2	21.1	19,526	3,926	5,368-3,031
KPIT Technologies Software		★★★★★	43.9	1.07	0.0	21.7	41.5	36,890	1,349	1,929-1,021
Waaree Energies Renewable Energy Equip.		Unrated	45.4	0.37	0.2	27.4	62.3	84,690	2,934	3,743-1,863

Quality stocks available cheap

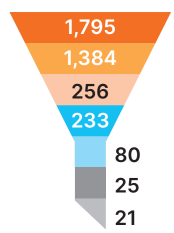
Reasons to invest

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

The filters

- Market cap more than ₹500 crore
- Z-score greater than 2.99
- F-score greater than 7
- C-score less than 4
- Earnings yield more than 5 per cent
- PEG ratio between 0 to 1
- P/E to median P/E less than 1.5 times

No. of companies that cleared the filters



Company Industry	Stock Style	Stock Rating	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E to median P/E	M-cap (₹ cr)	Share price (₹)	52-week high/low (₹)
ADC India IT Services & Consulting		★★★★	19.6	8	2	7.0	0.7	586	1,242	2,310-901
AGI Greenpac Containers & Packaging - Div		★★★★	4.2	8	1	8.8	1.0	5,555	871	1,308-599

STOCK SCREEN

Company Industry	Stock Style	Stock Rating	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E to median P/E	M-cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Andhra Petrochemicals Petrochemical		★★★★★	5.3	8	2	105.3	1.2	521	61	127-48
Bombay Burmah Trading Tea & Coffee		★★★★★	4.4	8	3	23.4	0.7	13,651	2,023	2,975-1,318
Cipla Branded Medicines		★★★★	15.6	8	0	6.0	0.8	1,20,476	1,474	1,702-1,335
DMCC Speciality Speciality Chemicals - Div		★★★	4.0	8	3	5.9	0.6	626	250	453-246
Eveready Industries Storage Batteries		★★★	4.6	9	1	5.4	0.6	2,362	329	505-272
Heritage Foods Dairy Products		★★★★★	9.2	8	1	7.8	0.8	3,811	410	727-352
Hindustan Composites Auto Ancillaries		★★★★★	5.5	8	0	5.8	0.9	661	452	670-382
Indian Metals & Ferro Diversified Mining		★★★★★	6.1	9	1	15.5	1.0	3,552	657	999-550
Insecticides (India) Pesticides		★★★★	4.4	9	3	7.6	1.1	2,213	761	1,084-476
Kamdhenu Iron & Steel		★★★★	15.8	8	1	10.3	0.6	851	30	67-25
Kiran Vyapar Investment Holding		★★★★★	6.0	9	3	11.7	1.1	630	232	307-157
MOIL Other Minerals		★★★★	12.6	8	2	5.9	1.0	7,439	373	588-274
Pearl Global Industries Readymade Garment		★★★	5.6	8	1	6.1	1.5	5,417	1,195	1,717-549
Pix Transmissions Industrial Services - Div		★★★★★	23.7	8	1	6.8	1.2	2,376	1,754	2,800-1,185
Premier Polyfilm Home Furnishing & Decor		★★★★★	11.7	8	3	6.1	1.2	580	55	85-36
Quess Corp Business Services - Div		★★★	4.4	8	0	9.7	0.5	5,565	341	875-272
Rupa & Company Integrated Textiles		★★★	4.5	9	1	12.6	1.0	1,682	209	362-174
Seamec Marine Logistics		★★★	7.9	8	3	5.6	0.8	2,123	858	1,670-781

Stock Rating and price data as of May 20, 2025. For the full list, scan the QR code on the right.

Want more? Here you go

Other screens available on the **Value Research** website, along with their themes and some of their stocks

High momentum large caps

Gives a list of large caps that are in vogue right now

	P/E		P/E
GIC	**10.1**	Marico	**57.2**
Ashok Leyland	**25.2**	Persistent Systems	**63.4**
Coromandel	**34.7**	SRF	**71.0**
Lloyds Metals	**48.0**	Bharat Dynamics	**115.1**
Bharti Hexacom	**56.5**	Hitachi Energy	**186.6**

High momentum mid caps

Gives a list of mid caps that are in the vogue right now

	P/E		P/E
Nava	**12.0**	Transformers & Rectifiers	**73.4**
LT Foods	**21.8**	DOMS Industries	**79.2**
Force Motors	**17.5**	Sarda Energy	**24.4**
Blue Jet Healthcare	**46.3**	Zen Technologies	**60.9**
Maharashtra Scooters	**73.1**	E.I.D. - Parry	**21.6**

High momentum small caps

Gives a list of small caps that are in the vogue right now

	P/E		P/E
Iris Business Services	**42.5**	Kwality Pharma	**25.2**
Premier Polyfilm	**21.9**	Benares Hotels	**29.7**
Shukra Pharma	**78.5**	ICE Make Refrigeration	**57.9**
Amal	**22.2**	Jagsonpal Pharma	**25.5**
Frontier Springs	**35.3**	Bajaj Steel Industries	**15.9**

High dividend yield

High dividend paying stocks yielding well

	Dividend yield (%)		Dividend yield (%)
Bank Of Baroda	**3.5**	Indraprastha Gas	**3.3**
Bank Of India	**3.5**	ONGC	**4.9**
Canara Bank	**3.7**	Shipping Corporation	**3.6**
Great Eastern Shipping	**3.2**	Union Bank	**3.4**

Book value discount

Stocks that are trading at a discount to their respective book values

	P/B		P/B
VLS Finance	**0.3**	Jindal Photo	**0.4**
Zuari Industries	**0.2**	Jindal Poly Investment	**0.4**
Zuari Agro Chemicals	**0.5**	The Yamuna Syndicate	**1.0**
The Sandesh	**0.7**	Capital SFB	**1.0**
IST	**0.7**	Suryoday SFB	**0.7**

For all the screens and to customise them as per your requirements, visit

- Stock Rating
- Value Guru screens
- Easy peer comparison

www.valueresearchonline.com/stocks-screener/

WORDS WORTH NOW

Sumant Sinha, CEO, ReNew Power

On the cost disparity between Indian and Chinese solar modules

Indian manufacturers are efficient in terms of conversion of inputs to outputs. However, costs of inputs like land, electricity, logistics and even finance are much lower in China due to systemic reasons. An ecosystem of ancillary suppliers also helps them procure inputs in a cost-effective way. Chinese manufacturers have a longer operational history and operate at much larger scale.

Outlook Business, April 2025

Tuhin Kanta Pandey, Chairman, SEBI

On whether T+0 days favours only traders

Reducing settlement time minimises risk; [it does] not promote trading. It's not about traders versus investors. Taxation, like STT, already discourages frequent trading by imposing costs each time, unlike long-term capital gains tax, which incentivises holding investments for over a year. Trading, however, is vital for market liquidity—if everyone only invested long-term without trading, exits would be challenging.

Fortune India, May 2025

Warren Buffett, Chairperson, Berkshire Hathaway

On emotional discipline required during market downturns

There have been three times since we acquired Berkshire that Berkshire has gone down 50 per cent in a fairly short period. Nothing was fundamentally wrong with the company at any time...If it makes a difference to you whether your stocks are down 15 per cent or not, you need to get a somewhat different investment philosophy because the world is not going to adapt to you.

Berkshire Hathaway AGM, May 3, 2025

Pieter Elbers, CEO, InterGlobe Aviation

On scaling up to face global airline competition

The opportunity to connect in India is massive. And there's quite a few flows from Africa to Southeast Asia; the quickest way is via India. If we want to compete with the big aviation giants in China, Europe, the US, we should have a certain size and scale. What's happening in India is very much in line with what happened in other parts of the world. It will create airlines that are able in size and skill to face that competition.

Business Today, May 11, 2025