Value Research
Wealth Insight
December 2021 ₹125

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

Value Research
Wealth Insight

December 2021
Volume XV, Number 6

EDITORIAL POLICY

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

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

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

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

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

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

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Circulation
Hira Lal 9958058407

Total pages 64, including cover

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- The fund aims to generate capital gains primarily through dynamic management of equity allocation as per varying market conditions.

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

People and stocks

Ideas and business models matter far less; actual execution and business competence matter much more

DHIRENDRA KUMAR

Equity analysis is not about numbers but about people. Surprised? If equity analysis is not about numbers, then what about our cover story of the month 'India's most consistent wealth creators'. This is a major annual feature that we do and, in many ways, it's a showcase of our approach to equity analysis. You will find other publications doing the 'largest/biggest' type features, whether on sales or profits or market capitalisation. However, you will not find the idea of consistency in such analyses. For Value Research, consistency is central to evaluating companies. But why is it so? Why are we bothered about consistency and what does it have to do with the 'numbers, not people' idea?

To explain that, let me switch tracks and go to the wave of digital IPOs that we have seen in recent weeks. Specifically, let's talk about Paytm. I happen to think that the Paytm IPO was a roaring success. What was the purpose of these IPOs? To get some money into the businesses as well as a lot of money into the pockets of the founders and the funders. Who accomplished that goal the best? Clearly, Paytm. Zomato and Nykaa managed to clean out (very) roughly half the money they could have, while the Paytm lot licked the plates and bowls clean, leaving nothing on the table. Remember, I said above that it's all about the people. This is a clue to evaluating the people.

For some weeks now, I have been pointing out that the digital IPO emperors have no clothes. Not only have these companies never had a profitable year, many of them are in businesses where no one in the world has ever made any profits, leaving it open to questions whether these activities can be called businesses at all. Therefore, all those who are spending time on social media and chat groups trying to find someone to blame, look in the mirror. Losing money on overpriced and overhyped IPOs is a sort of a rite of passage that every generation of Indian equity investors goes through; it's just that some smart ones learn from other people's experiences.

However, that's not the most important thing to understand from the story so far. The real takeaway is that ideas and business models matter far less; actual execution and business competence matter much more. Investors and the media are far too obsessed with the validity of the business models that the various digital startups have. Let's look at the issue from a different angle. Think of any great stocks that you may have invested in over the last few years or decades. Were any of them in a unique business where the very nature of the business model played a decisive role in their success? Hardly.

Think of great companies like HDFC Bank, Asian Paints, Infosys, TCS and so many others. Each one of them is in a business where there are a dozen or more other companies. There is nothing unique about their businesses. What sets them apart is management quality. It's not about the line of business but what the management of the company will make of it, how they will fine-tune it and how they will execute it. Almost all successful stock analysis is essentially a search for quality management. You may think that you are looking at financial numbers, but those are just clues to how well the company will be run in the future. That is what will decide the future stock price, which is what will bring the gains to us investors.

This is the real reason why we are focused on consistency as a crucial factor. A business can have one or two years of great numbers by a fluke or because of some short-term event. However, over time, there are always crises that throw up novel challenges for the management. Only if the business leaders handle these well do investors get consistent performance, and that's why it's a great way to judge the people.

MARKET MOVES

MARKET REPORTER

Newsmakers of the month

Key business, economic and market events that you must be aware of

PM and RBI governor caution against the crypto risk

RBI governor Shaktikanta Das expressed serious concerns over the threat posed to macroeconomic stability by cryptocurrencies. Doubting the accuracy of estimates regarding the number of cryptocurrency trading accounts, he said that investors are being lured by freebies. Echoing the governor's views, PM Modi warned that cryptocurrencies pose a risk to the youth and that they should not end up in the wrong hands.

Paytm shares plunge on debut

India's largest IPO, One97 Communications (Paytm), made a disappointing debut on the stock exchanges, with its shares closing 27 per cent below the issue price on the listing day. The company had come out with a ₹18,300 crore IPO, which saw the quotas for qualified institutional investors, non-institutional investors and retail investors being subscribed by 2.79 times, 0.24 times and 1.66 times respectively.

Zomato, Nykaa post dismal numbers

After Nykaa's stellar debut on stock exchanges (listing premium of about 80 per cent), the company reported a 96 per cent decline in the second quarter. On the other hand, Zomato, which listed at a premium of 53 per cent, reported a near doubling of its losses in the September quarter on the back of increased delivery costs and marketing expenses.

SEBI tightens listing rules amid IPO boom

The market regulator SEBI has tightened rules on how companies can spend the money raised through IPOs.

Some of the proposed changes include limiting spending on inorganic growth initiatives to 35 per cent of proceeds, capping the sale of shares by significant shareholders in companies with no promoters at 50 per cent of their pre-issue holding, and requiring 50 per cent of anchor investors to remain invested for a minimum of 90 days.

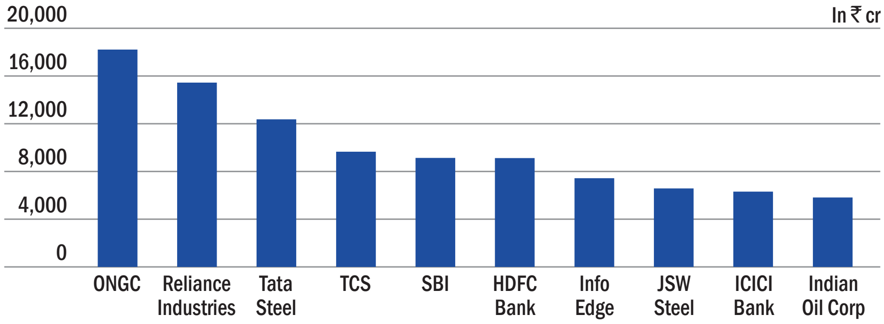
IndusInd Bank admits to technical glitch

IndusInd Bank admitted that around 84,000 loans have been distributed to customers without their consent on May 21, 2021, due to a technical glitch. The bank initially denied the allegations posted by the whistleblower group when it sent various emails to RBI and IndusInd Bank's board in October about ever-greened loans, inflated revenue and under-reported bad loans.

Cyclicals post record profits in Q2

The second quarter saw some of the cyclical and commodity names posting mega numbers on the profit front, as seen in the chart 'Top 10 companies by Q2 FY22 profit'. Also see our special coverage of SBI in the 'Stock Story' sub-section of 'Market Moves'.

Top 10 companies by Q2 FY22 profit



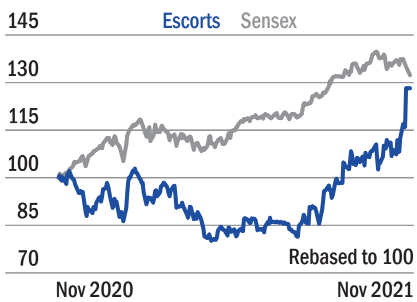
Hindalco to buy Polycab's copper-wire-rod business

Aditya Birla group owned Hindalco industries is set to acquire Ryker Base, a fully owned subsidiary of Polycab India and a manufacturer of copper-wire rods, for approximately ₹323 crore. Ryker's 2,25,000 tonne manufacturing facility will give a boost to Hindalco's manufacturing capacity of 3,45,000 tonnes.

Japan's Kubota aims to become majority shareholder in Escorts

Kubota is set to increase its stake in Escorts from 9.09 per cent to 53.50 per cent with an investment

Escorts vs Sensex



of ₹9,370 crore. The deal will unfold in three phases – issue of preference shares, open offer by Kubota and capital reduction by extinguishing treasury shares – and will continue to have the Nanda family as the promoters.

T+1 implementation to start in a phased manner

Stock exchanges and other market-infrastructure institutions came out with a road map for the implementation of T+1 settlement from February 2022 after SEBI's approval to it in September. The T+1 system, which would settle trades within one day from the date of the transaction, will be implemented for the bottom 100 companies from February 25. After that, it will be expanded to the bottom 500 from March 2022.

Inox Group reaches settlement regarding the division of business

Inox Group has come to an arrangement regarding the division of businesses among the promoters. As per their filings, the older brother Pavan Jain would get Inox Leisure and the unlisted company Inox Air Products, while the younger brother Vivek Jain would get Gujarat Fluorochemicals, Inox Wind and Inox Wind Energy.

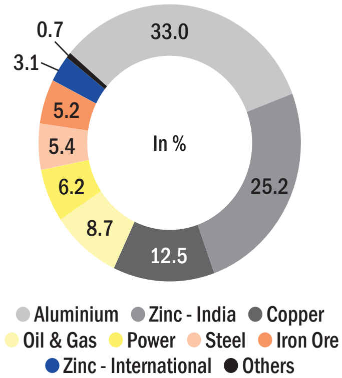
Moody's upgrades YES Bank's credit rating

Rating agency Moody's has upgraded YES Bank's credit ratings from B3 to B2, citing improved liquidity and funding. The outlook too has been upgraded from stable to positive, thus increasing the credit confidence in the bank. The long-term foreign and local currency deposit ratings were also upgraded from B3 to B2.

Vedanta reviews its corporate structure

Vedanta's board of directors has decided to undertake a comprehensive review to evaluate the full range of options, including demergers, spin-offs and strategic partnerships, in order to unlock value in its businesses. The company plans to create standalone entities for its aluminium, iron & steel, and oil & gas businesses. It has appointed advisors and intends to complete the exercise as practically as possible.

Vedanta: Segmentation of FY21 revenue of ₹86,863 crore



TVS' Ki Mobility to enter EV segment

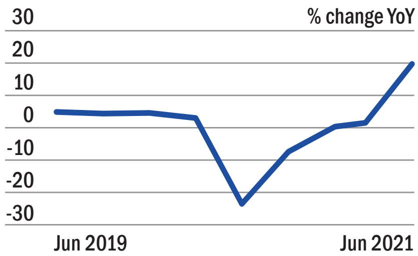
Ki Mobility Solutions, a part of TVS Automobile Solutions, announced the launch of a digital mobility service platform for electric vehicles, thus marking its entry into the EV segment. It has tied up with eight EV manufacturing startups and OEMs. The digital platform would provide manufacturers with a wide range of service networks, including charging station facilities.

Akasa Air prepares to take off

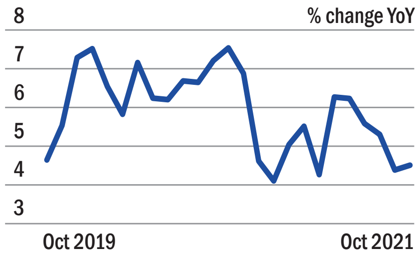
Akasa Air, the airline backed by marquee investor Rakesh Jhunjhunwala, has signed an agreement to purchase 72 Boeing 737 MAX jets (valued at $9 billion) and CFM LEAP-1B engines (valued at $4.5 billion). Akasa Airlines plans to offer its services from the summer of 2022 at affordable prices. **WI**

ECONOMIC METRICS

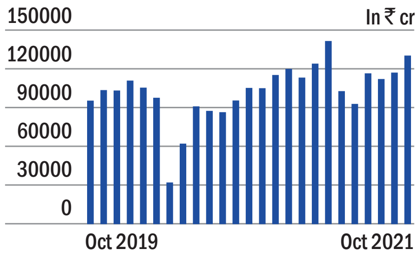
GDP growth



Inflation: Consumer Price Index

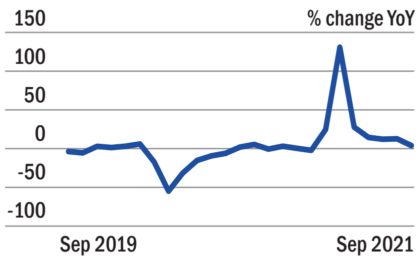


GST collection



INR vs USD

Industrial activity: Index of Industrial Production



MARKET MOVES

STOCK STORY **STATE BANK OF INDIA**

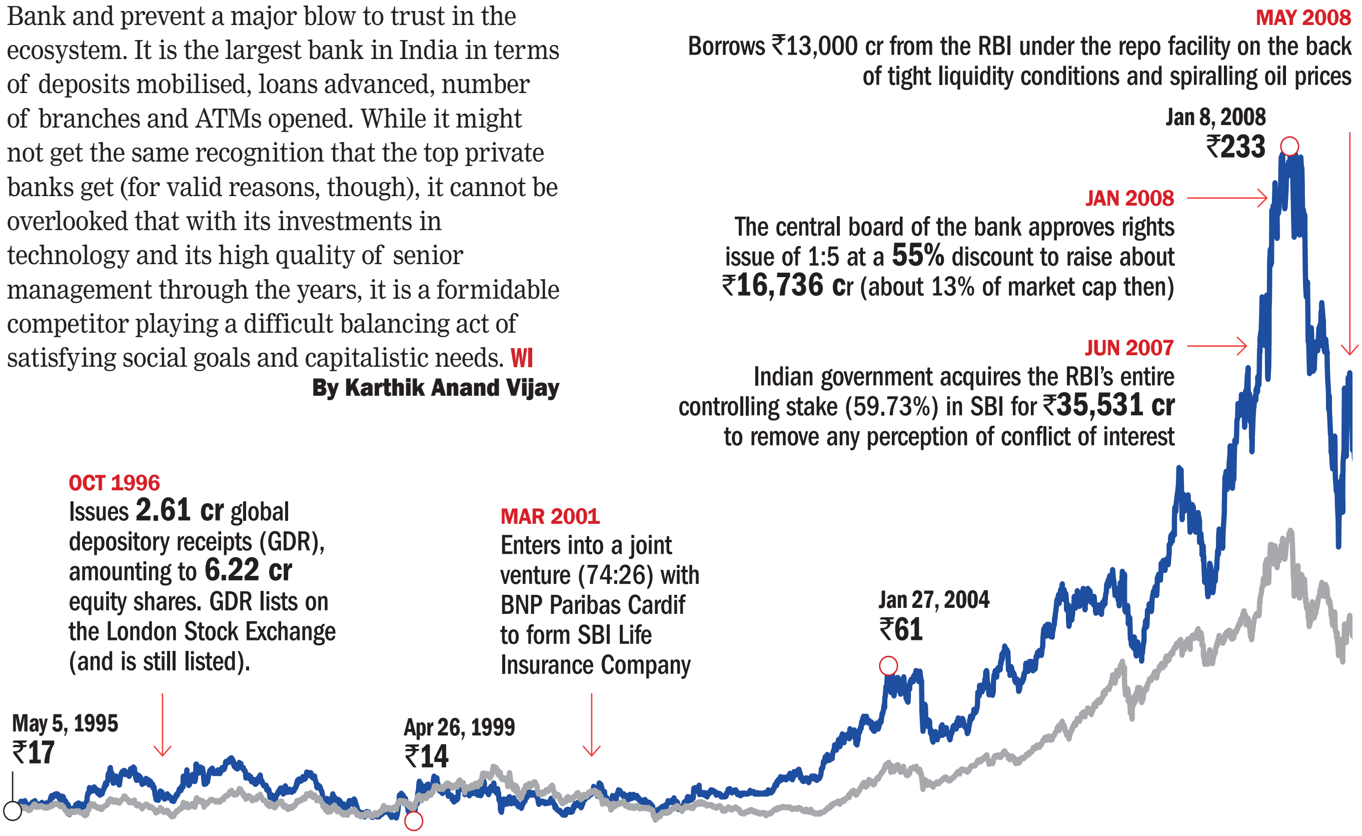
The guardian bank

Having scripted a turnaround in its fortunes over the last few years, SBI is back on investors' radar. Here is its stock trajectory, along with key milestones.

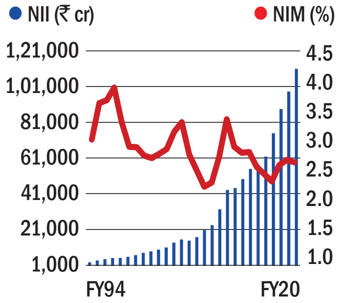
The banker to every Indian, State Bank of India (SBI) has a rich history spanning over 200 years. Established in 1806 as the Bank of Calcutta, it was one of three presidency banks incorporated as a result of royal charters. In 1921, the three presidency banks were amalgamated and renamed Imperial Bank of India. It was only after independence and the passing of the State Bank of India Act in 1955 that the name was changed to State Bank of India. In addition to the change in name, the Reserve Bank of India (RBI) acquired a controlling stake of about 60 per cent in the bank.

Between 1955 and 1996, SBI acquired and/or merged six sick banks. Thus, a precedent was set with regards to its role as the guardian bank. Fast forward to 2020, it was there to rescue YES Bank and prevent a major blow to trust in the ecosystem. It is the largest bank in India in terms of deposits mobilised, loans advanced, number of branches and ATMs opened. While it might not get the same recognition that the top private banks get (for valid reasons, though), it cannot be overlooked that with its investments in technology and its high quality of senior management through the years, it is a formidable competitor playing a difficult balancing act of satisfying social goals and capitalistic needs. **WI**

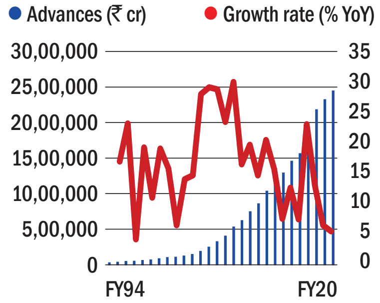
By Karthik Anand Vijay



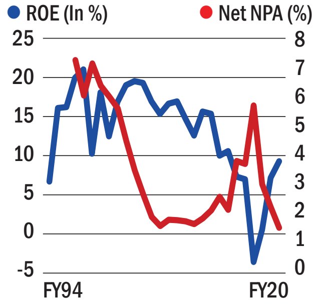
Net interest income and net interest margin



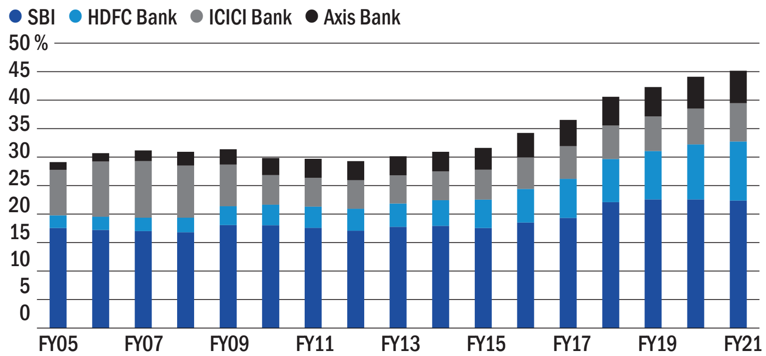
Advances (loans) and their growth

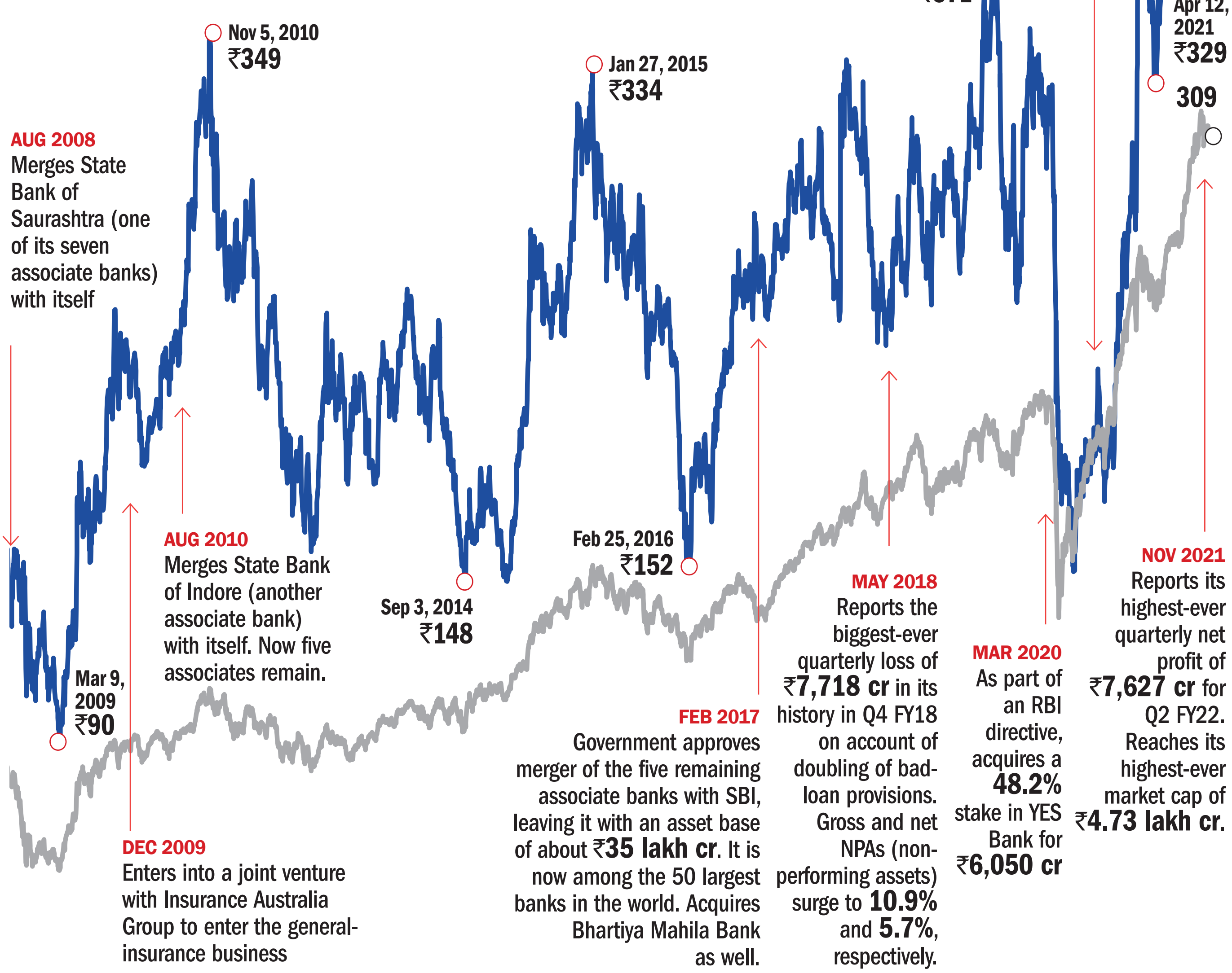


Return on equity and net non-performing assets

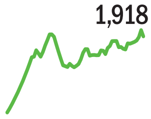
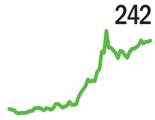
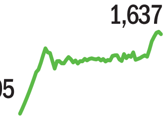
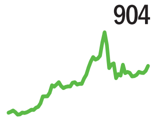
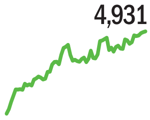
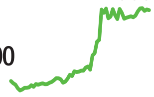
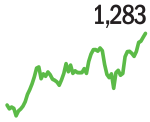
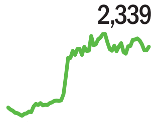
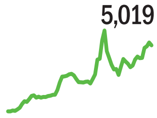
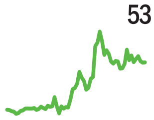


Market share in total bank credit





Large caps

Company	3M returns (%)	Price to earnings	3Y avg RoE (%)	Net profit (₹ crore)	3Y earnings growth (%)	3M price (₹) movement
Adani Transmission Q2FY22 revenue and net profit grew 17.9 per cent and 34.9 per cent YoY, respectively.	97.4	161	16.6	1,413	4.9	 1,918 972
Tata Power In Q2FY22, it won its highest-ever orders of ₹750 crore.	85.3	53	4.3	286	-52.2	 242 130
Adani Total Gas Q2FY22 revenue and profit after tax rose 55.7 per cent and 17.7 per cent YoY, respectively.	80.9	305	27.5	587	46.3	 1,637 905
IRCTC Profit after tax increased by about five times YoY and two times QoQ in Q2FY22.	73.3	171	29.1	423	-4.7	 904 522
MindTree Q2FY22 revenue and profits increased by 34 per cent and 57 per cent YoY, respectively.	70.6	59	24.8	1,386	26.3	 4,931 2,891
Tata Motors The company plans to invest ₹15,000 crore in its electric-vehicle business over the next four years.	68.6	—	-25.8	-13,086	-325.5	 505 300
Macrotech Developers The company completed a qualified institutional placement of ₹4,000 crore to fund its growth and reduce debt.	53.5	—	20.4	-64	-60.8	 1,283 836
Godrej Properties In Q2FY22, sales bookings grew by 140 per cent on a YoY basis to ₹2,574 crore.	49.2	—	7.3	23	-37.8	 2,339 1,568
Avenue Supermarts Q2FY22 revenue increased by 46.8 per cent and EBITDA more than doubled to ₹669 crore YoY.	40.3	237	14.3	1,374	11.8	 5,019 3,577
IDBI Bank In Q2FY22, PAT rose 65.6 per cent YoY and the NNPA ratio improved 105 bps to 1.62 per cent.	38.9	2*	-33.3	2,132	14.7	 53 38

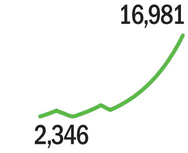
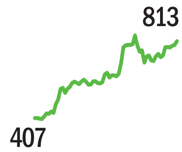
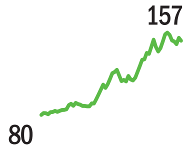
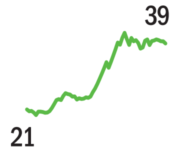
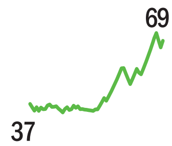
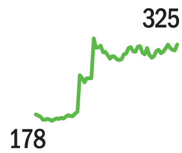
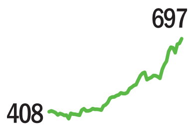
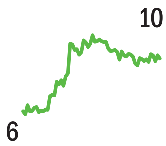
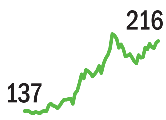
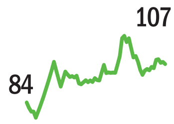
Our large-cap universe has 102 large companies, making the top 70 per cent of the total market capitalisation. The list mentions the stocks that have fluctuated most wildly in the last three months.

*Price-to-book value. Data as on November 15, 2021.

MARKET MOVES

BIG MOVES

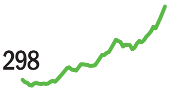
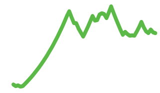
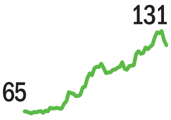
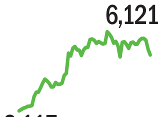
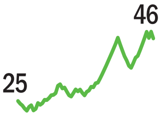
Mid caps

	3M returns (%)	Price to earnings 3Y avg RoE (%)	Net profit (₹ crore) 3Y earnings growth (%)	3M price (₹) movement
National Standard Share price surged after stellar Q2FY22 results, with revenue and profits up 2,861 per cent and 825 per cent YoY, respectively.	624.0	1,710 3.7	20 37.0	
IEX In Q2FY22, electricity volume grew 57.6 per cent YoY and PAT up by 74.6 per cent.	99.6	94 48.7	258 17.5	
CG Power & Industrial Solutions Sales doubled YoY to ₹1,454 crore and PAT rose by 72 per cent in Q2FY22.	96.0	— -85.4	-4 25.7	
Trident While its PAT more than doubled in Q2FY22 YoY, it announced a capex plan of ₹1,377 crore.	84.6	32 11.4	630 4.6	
Tata Teleservices (Mah) The company opted for deferment of the AGR dues under the government's relief package.	84.4	— —*	-1,218 11.6	
Zee Entertainment PAT up nearly three times YoY, while the due diligence process to decide the merger ratio is on track.	82.2	27 11.0	1,145 -4.5	
Century Plyboards The company achieved its best quarterly (Q2) sales of ₹814 crore, which lifted the stock.	70.7	55 14.9	283 4.8	
Vodafone Idea The stock rose as the company opted for deferment of both the spectrum and AGR dues under the government's relief package.	61.9	— -87.0	-26,064 -217.2	
The Indian Hotels Company A three-time increase in revenue YoY and the proposed ₹5,000 crore capital raise (rights issue + QIP) are positives.	58.0	— -1.2	-596 -274.5	
Adani Power Got NCLT's approval to acquire Essar Power's thermal power project of 1,200 MW for around ₹3,000 crore.	27.1	— -109.1	-228 23.9	

Our mid-cap universe has 214 mid-sized companies, making the next 20 per cent of the total market capitalisation. The list mentions the stocks that have fluctuated most wildly in the last three months.
*Net loss and negative equity. Data as on November 15, 2021. Data as on November 15, 2021.

BIG MOVES

Small caps

	3M returns (%)	Price to earnings / 3Y avg RoE (%)	Net profit (₹ crore) / 3Y earnings growth (%)	3M price (₹) movement
Brightcom Group Revenue increased by 73 per cent YoY and PAT doubled, owing to a rise in digital-media consumption.	200.4	17 / 15.3	596 / 0.9	 94 / 31
Olectra Greentech The stock zoomed as the company bagged a ₹250 crore order for 100 electric buses.	164.9	387 / -0.2	17 / -3.3	 789 / 298
Zen Technologies The company bagged orders worth ₹218 crore in Q2 and decided to raise ₹100 crore for R&D.	150.5	671 / 16.3	1 / -84.2	 212 / 85
Jindal Worldwide The stock rallied as sales and PAT rose 52.4 per cent and 67.2 per cent YoY, respectively, in Q2FY22.	132.0	38 / 9.4	85 / 22.8	 160 / 69
Shivalik Bimetal Controls Q2FY22 revenue and PAT increased by 54.6 per cent and 156.5 per cent YoY, respectively.	127.8	35 / 18.2	41 / 14.7	 378 / 166
Optiemus Infracom Its group company (GDN Enterprises) got the approval for manufacturing telecom and networking products under PLI.	115.6	26 / -4.3	10 / 84.1	 304 / 141
Man Infraconstruction Strong growth in the real estate (up five times YoY) and EPC (up six times YoY) segments lifted the stock.	99.6	19 / 2.1	250 / 41.9	 131 / 65
HLE Glascoat The stock rallied following the company's acquisition of Thaletec GmbH for about ₹100 crore.	96.4	136 / 54.0	62 / 113.8	 6,121 / 3,117
Yasho Industries The stock zoomed as the company reported its highest-ever quarterly performance in terms of volume, sales and profitability.	95.4	33 / 28.2	43 / 39.2	 1,298 / 665
DB Realty The company, along with JV partner Prestige Group, will launch two Marriott-branded hotels in New Delhi by 2025.	89.1	— / -14.2	-394 / 14.1	 46 / 25

Our small-cap universe (minimum market capitalisation ₹1,000 crore) has 631 small-cap companies, making the last 10 per cent of the total market capitalisation. The list mentions the stocks that have fluctuated most wildly in the last three months. Data as on November 15, 2021.

What's the logic?

In times of crisis, revisiting the investing thesis can be reassuring. What if there is none?

Dhirendra Kumar

A few days ago, we witnessed the latest cryptocurrency crash when the government announced its plan to legislate a 'prohibition of private cryptocurrencies' in the winter session of parliament. The ensuing panic was a sight to behold.

Of course, panic among investors is not an unusual thing. On social media, less than one week earlier, the listing of the Paytm IPO had produced a panic amongst those who had been allotted any significant amount of stock. Even as I write this page, the Indian equity markets have had a fairly volatile month. Coming on the heels of a relentless bull run that started soon after the initial virus crash had settled, investors are a little nervous. Moreover, since this period has seen a large influx of new investors, the nervousness is a little more palpable.

Even so, what do equity investors do when their investments get shaky? At least, what *should* they do? During this month, a number of stocks in which I have personally invested have had this high volatility, obviously. What I did was simple. I went back and examined the original investment thesis that I had, on the basis of which I invested in the stock and am hold-

ing it. In each case, it has been pretty obvious to me that the original logic for buying that stock still held. In fact, in most cases, the occasionally lower price meant that it made sense to acquire some more of the stock.

Incidentally, going back to the Bitcoin panic of November 23, why don't the crypto people do the same? When the prices fall, why don't they go back and re-examine the thesis, the logic on the basis of which they bought? The answer is pretty obvious. There is no thesis. There is no logic. Or rather, the thesis is that prices are going up, so they'll continue to go up. Even in the case of Paytm, no matter how panicky, investors have some logic, even though it might be faulty.

What this means is that in equity investing, since volatility is a way of life, the investment thesis and the confidence in it is of the utmost importance. Without that, an investor will be prone to cut and run every time something happens. This will eventually result in repeated buy-high-sell-low episodes and result in negative returns.

This is exactly what Value Research Stock Advisor does. It supplies not just a list of stocks to buy but the investment thesis as well. Not just that, our team keeps re-examining the thesis and keeps it updated and fresh, so to speak. Members get not just the 'what', but the 'why'. Since I practise what I preach, my stock portfolio has a near-complete overlap with what Value Research Stock Advisor recommends and I personally experience this every time that these stocks have some ups and downs.

This is a long game and one in which you need all the help that you can get. That's the role of Value Research Stock Advisor. We don't pretend to take all the decisions for you – we are your research-assistant team but our goal is to make you the investor.

Let me just recap what you get when you become a member:

- Access to all our (currently 49) stock picks
- Best Buy Stocks: 17 stocks selected from our recommendations. Use this set to start building your portfolio right away!
- The complete investment thesis for all recommended stocks so that you understand why you are investing
- New recommendations as soon as they are released
- Continuous updates and analysis on all recommended stocks straight from our dedicated analyst team
- Tools and data to research and analyse any other stock

To emphasise, what you get out of all this is what you make of it, the most important parts being empowerment and confidence. Many investors make good choices but in the ups and downs of the markets, they lose confidence and bail out too early. What we do is to give you all the inputs you need for you to maintain the strength of your convictions. A major part of our job is to keep in touch and support you during the times when things are looking shaky.

Finally, recommendations are just that – something that we recommend you do. The real achievement of Value Research Stock Advisor is that all those members are becoming real investors themselves and not just consumers of investment information. It's time for you to join their ranks. **WI**

Value Research Stock Advisor supplies not just a list of stocks to buy but the investment thesis as well. Not just that, our team keeps re-examining the thesis and keeps it updated and fresh.

Institutional moves

Top five companies across market caps in which mutual funds and foreign institutions have significantly changed their holdings (in terms of per cent of equity) between June 2021 and September 2021

Increase in stake

Mutual funds

Large caps

Company name	Sector	Sep '21	Jun '21	Change (% pt)
SBI Life Insurance	Insurance	10.9	8.6	2.3
Godrej Consumer	FMCG	2.4	0.2	2.2
SBI Cards and Payment	Finance	6.7	5.4	1.3
Mahindra & Mahindra	Automobile	11.1	9.9	1.2
Bajaj Auto	Automobile	4.9	3.7	1.2

Mid caps

Company name	Sector	Sep '21	Jun '21	Change (% pt)
Clean Science and Tech	Chemicals	4.2	0.4	3.8
Coforge	IT	14.4	11.5	2.9
Indraprastha Gas	Inds. Gases & Fuels	9.6	6.8	2.8
Apollo Tyres	Automobile	14.0	11.2	2.8
Birlasoft	IT	18.7	16.1	2.6

Small caps

Company name	Sector	Sep '21	Jun '21	Change (% pt)
Rolex Rings	Automobile	17.4	7.0	10.4
Gokaldas Exports	Textile	10.1	3.7	6.4
Equitas Holdings	Finance	35.1	29.8	5.3
Can Fin Homes	Finance	19.2	14.1	5.1
Greenpanel Industries	Const Materials	21.1	17.2	3.9

FIIs

Company name	Sector	Sep '21	Jun '21	Change (% pt)
HDFC AMC	Finance	14.6	9.1	5.5
HDFC Life	Insurance	30.1	26.1	4.0
Havells	Capital Goods	26.8	24.0	2.8
Hindustan Zinc	Non-Ferrous Metals	3.3	1.0	2.3
Axis Bank	Bank	54.5	52.5	2.0

Company name	Sector	Sep '21	Jun '21	Change (% pt)
Aavas Financiers	Finance	39.8	32.1	7.7
NALCO	Non-Ferrous Metals	15.2	8.6	6.6
Adani Power	Power	16.7	11.5	5.2
Voltas	Consumer Durables	22.3	17.2	5.1
Quess Corp	Miscellaneous	22.1	17.3	4.8

Company name	Sector	Sep '21	Jun '21	Change (% pt)
Karda Constructions	Realty	12.1	6.2	5.9
Olectra Greentech	Electricals	8.7	3.1	5.6
Suzlon Energy	Capital Goods	9.1	4.1	5.0
Kiri Industries	Chemicals	35.1	30.4	4.7
Dhanuka Agritech	Chemicals	4.7	0.0	4.7

Decrease in stake

Mutual funds

Large caps

Company name	Sector	Sep '21	Jun '21	Change (% pt)
IRCTC	Hospitality	4.8	7.3	-2.5
Bharti Airtel	Telecom	11.4	12.9	-1.5
SRF	Diversified	10.2	11.7	-1.5
Tata Consumer Products	Agri	7.3	8.5	-1.2
ICICI Lombard	Insurance	8.5	9.6	-1.1

Mid caps

Company name	Sector	Sep '21	Jun '21	Change (% pt)
Metropolis Healthcare	Healthcare	9.7	12.5	-2.8
Persistent Systems	IT	24.0	26.3	-2.3
CAMS	IT	8.9	11.1	-2.2
Amara Raja Batteries	Automobile	5.8	7.8	-2.0
Happiest Minds	IT	1.5	3.3	-1.8

Small caps

Company name	Sector	Sep '21	Jun '21	Change (% pt)
Just Dial	Miscellaneous	7.9	13.3	-5.4
Orient Cement	Const Materials	12.0	16.4	-4.4
ITD Cementation	Infrastructure	15.3	19.6	-4.3
Matrimony.com	IT	9.8	13.4	-3.6
Sagar Cements	Const Materials	8.2	11.5	-3.3

FIIs

Company name	Sector	Sep '21	Jun '21	Change (% pt)
UPL	Chemicals	35.1	37.9	-2.8
SBI Life	Insurance	24.5	27.2	-2.7
Hero MotoCorp	Automobile	32.3	35.0	-2.7
Adani Green Energy	Power	17.8	20.3	-2.5
ICICI Lombard	Insurance	27.7	29.8	-2.1

Company name	Sector	Sep '21	Jun '21	Change (% pt)
Shriram Transport	Finance	53.7	59.6	-5.9
LIC Housing	Finance	24.1	28.8	-4.7
Tata Motors DVR	Automobile	19.5	24.1	-4.6
Sona BLW	Automobile	10.4	13.9	-3.5
Lupin	Healthcare	15.7	18.6	-2.9

Company name	Sector	Sep '21	Jun '21	Change (% pt)
Just Dial	Miscellaneous	16.6	28.7	-12.1
Kirloskar Industries	Capital Goods	0.4	9.9	-9.5
Jubilant Ingrevia	Healthcare	11.1	18.7	-7.6
Indiabulls Housing	Finance	27.1	33.6	-6.5
Tejas Networks	Telecom	14.5	20.3	-5.8

Top 10 holdings of mutual funds

Company name	Sector	Market cap (₹ cr)	% of equity held	Amount invested (₹ cr)
Equitas Holdings	Finance	4,214	35.1	1,478
Federal Bank	Bank	20,923	32.7	6,846
KNR Constructions	Infrastructure	7,893	32.0	2,524
City Union Bank	Bank	11,963	31.4	3,753
CG Consumer Electricals	Cons Durables	29,841	30.8	9,182
Greenply Industries	Const Materials	2,771	29.0	803
Techno Electric & Engg	Infrastructure	2,735	28.8	788
Ahluwalia Contracts	Realty	3,023	28.5	862
DCB Bank	Bank	3,169	27.4	867
ICICI Bank	Bank	5,36,650	27.2	1,46,023

M-cap as on Nov 15, 2021. Other data as of September 2021.

Top 10 holdings of FIIs

Company name	Sector	Market cap (₹ cr)	% of equity held	Amount invested (₹ cr)
HDFC	Finance	5,42,953	72.0	3,90,655
Zee Entertainment	Media & Ent	31,188	57.2	17,833
Axis Bank	Bank	2,24,890	54.5	1,22,633
Shriram Transport	Finance	43,468	53.7	23,329
Apollo Hospitals	Healthcare	73,049	51.5	37,649
IndusInd Bank	Bank	80,582	51.4	41,452
ICICI Bank	Bank	5,36,650	47.3	2,53,889
Sansera Engineering	Automobile	4,211	43.4	1,826
Kotak Mahindra Bank	Bank	4,15,493	42.6	1,76,917
CG Consumer Electricals	Cons Durables	29,841	41.5	12,375

Change in promoter stake

Companies that have seen a rise or decline in promoter stake in Q2 FY22

Many investors track the change in promoter holding. A significant rise in promoter holding may mean that the promoter is bullish about his company. On the other hand, a significant fall in promoter stake is taken as a negative development. However, while tracking the change in promoter stake, one should also be mindful that promoter holdings can be impacted by corporate actions also. For instance, a rights issue, a merger, a reclassification of promoter can all cause the reported promoter holding to change. Hence, dig deeper into the following companies to make sense of the change in promoter stake. **WI**

Rise in promoter stake

Companies where the promoter stake in Q1 FY22 was at least 25 per cent and has risen by at least 3 percentage points in Q2 FY22.

Company name	Sector	M-cap (₹ cr)	Promoters' stake (%) Sep-21	Promoters' stake (%) Jun-21	Increase in promoter holdings (% pt)	3M return (%)
Lloyds Metals & Energy	Iron & Steel	3,105	69.4	45.0	24.4	70.9
Just Dial	Miscellaneous	6,466	51.7	35.3	16.4	0.3
Gufic Biosciences	Healthcare	1,841	75.5	65.1	10.4	5.8
Thyrocare Technologies	Healthcare	6,258	71.2	66.1	5.1	-11.5
LIC Housing Finance	Finance	23,411	45.2	40.3	4.9	-9.2
Saregama	Media & Entertainment	8,309	63.8	59.1	4.7	14.0
Wardwizard Innov & Mobility	Infrastructure	1,687	71.6	66.9	4.7	2.6
RPSG Ventures	IT	1,919	54.4	49.9	4.5	65.9

M-cap more than ₹1,000 crore and as on November 15, 2021. Returns as of September 2021.

Fall in promoter stake

Companies where the promoter stake in Q1 FY22 was at least 25 per cent and has fallen by at least 3 percentage points in Q2 FY22.

Company name	Sector	M-cap (₹ cr)	Promoters' stake (%) Sep-21	Promoters' stake (%) Jun-21	Decrease in promoter holdings (% pt)	3M return (%)
Brightcom Group	IT	9,833	22.4	36.8	-14.4	206.6
Aavas Financiers	Finance	22,458	39.2	50.1	-10.9	-4.8
Karda Constructions	Realty	1,073	48.0	58.2	-10.2	-6.0
Max Healthcare Institute	Healthcare	35,252	60.9	70.5	-9.6	36.5
Bank Of India	Bank	25,175	81.4	90.3	-8.9	-28.6
HUDCO	Finance	8,478	81.8	89.8	-8.0	-16.8
NMDC	Mining	41,102	60.8	68.3	-7.5	-22.5
Hindustan Copper	Non - Ferrous Metals	12,097	66.1	72.8	-6.7	-23.1
Inox Wind	Capital Goods	2,821	66.8	73.4	-6.6	18.0
Mastek	IT	8,579	37.8	44.3	-6.5	39.8
Canara Bank	Bank	41,271	62.9	69.3	-6.4	12.8
Coforge	IT	33,323	50.2	55.7	-5.5	24.9
Indostar Capital Finance	Finance	3,292	88.2	93.3	-5.1	-19.0
Globus Spirits	Alcohol	3,317	50.9	56.0	-5.1	86.3
HDFC AMC	Finance	57,132	68.9	73.9	-5.0	0.5
Shaily Engineering Plastics	Plastic Products	1,652	46.3	51.1	-4.9	20.8
HEG	Capital Goods	8,166	55.1	59.6	-4.5	1.5
PSP Projects	Realty	1,852	69.9	74.2	-4.3	7.3
Dynamatic Technologies	Capital Goods	1,452	44.8	48.8	-4.0	107.7
PG Electroplast	Consumer Durables	1,087	65.8	69.8	-4.0	-2.5

Company name	Sector	M-cap (₹ cr)	Promoters' stake (%) Sep-21	Promoters' stake (%) Jun-21	Decrease in promoter holdings (% pt)	3M return (%)
Manorama Industries	Agri	1,655	57.3	61.3	-4.0	3.7
Sudarshan Chemical	Chemicals	3,996	35.7	39.6	-3.9	-11.3
Olectra Greentech	Electricals	6,480	51.7	55.6	-3.9	86.4
ICICI Lombard	Insurance	75,524	48.1	51.9	-3.8	1.8
JTL Infra	Iron & Steel	1,208	62.5	66.0	-3.5	86.6
Quess Corp	Miscellaneous	13,779	51.8	55.2	-3.4	12.2
Arvind Fashions	Retailing	4,333	37.0	40.4	-3.4	99.5
Action Construction Equip.	Capital Goods	3,012	66.8	70.1	-3.3	15.8
VIP Industries	FMCG	8,439	50.3	53.5	-3.2	29.1
Kiri Industries	Chemicals	1,937	35.0	38.0	-3.0	-13.2

M-cap more than ₹1,000 crore and as on November 15, 2021. Returns as of September 2021.

Pledging tracker

Companies that have seen a rise or decline in promoter pledging in Q2 FY22

When promoters pledge shares, they keep them as collateral with a financial institution to raise money. It's just like mortgaging something for money. Pledging is not always bad. Many times promoters pledge their stake for genuine business reasons and later release their pledged shares. But pledging takes an ugly turn when the pledged stake is high and the promoter is unable to pay back the dues. This may force the financing institution to sell the pledged stake, which can result in a sudden fall in the stock price and the dilution of promoter stake in the company. A high pledged stake also indicates a bad management. Investors should stay away from companies that have high levels of pledging. **WI**

Increase in pledging

Companies in which promoter pledging has gone up by 10 percentage points and the minimum promoter stake is 25 per cent

Company name	Sector	M-cap (₹ crore)	Pledged stake (%) Sep-21	Pledged stake (%) Jun-21	Increase in pledging (% pt)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt to equity
Thyrocare Technologies	Healthcare	6,258	100.0	0.0	100.0	71.2	-11.5	60.3	7.0	0.0
JSW Ispat Special Products	Iron & Steel	1,406	81.1	34.1	47.0	53.2	-15.9	1.6	9.0	1.8
Just Dial	Miscellaneous	6,466	20.6	1.0	19.6	51.7	0.3	15.0	6.0	0.0
KIMS	Healthcare	9,597	13.5	0.0	13.5	38.8	23.1	22.4	8.0	0.1
NRB Bearings	Automobile & Ancillaries	1,306	11.3	0.0	11.3	49.8	-3.0	2.7	8.0	0.4

Min M-cap ₹1,000 crore. For explanation of Z-Score and F-Score, see the key terms in the 'Stock Screen' section of this magazine. M-cap as on November 15, 2021. Returns as of September 2021.

Decrease in pledging

Companies in which promoter pledging has come down by 10 percentage points and the minimum promoter stake is 25 per cent

Company name	Sector	M-cap (₹ crore)	Pledged stake (%) Sep-21	Pledged stake (%) Jun-21	Decrease in pledging (% pt)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt to equity
Ruchi Soya	FMCG	28,985	0.0	100.0	-100.0	98.9	-5.1	6.7	6.0	0.9
HFCL	Telecom	9,599	11.2	44.7	-33.5	41.9	7.4	6.3	3.0	0.4
Dynamatic Technologies	Capital Goods	1,452	0.0	15.4	-15.4	44.8	107.7	2.3	5.0	1.4
Orient Cement	Construction Materials	3,493	0.0	14.0	-14.0	37.4	16.3	3.4	8.0	0.6
Godawari Power and Ispat	Iron & Steel	3,972	22.0	32.5	-10.5	67.5	-3.2	5.1	9.0	0.3
GMR Infrastructure	Infrastructure	24,415	64.8	74.9	-10.1	60.5	20.4	0.4	5.0	0.5

Min M-cap ₹1,000 crore. For explanation of Z-score and F-score, see the key terms in the 'Stock Screen' section of this magazine. M-cap as on November 15, 2021. Returns as of September 2021.

MARKET COMPASS

Tracking IPOs

Here is how the S&P BSE IPO index has performed over the last one year and how the biggest IPOs have fared

HIGHEST LISTING-DAY GAIN
Paras Defence
171.4%

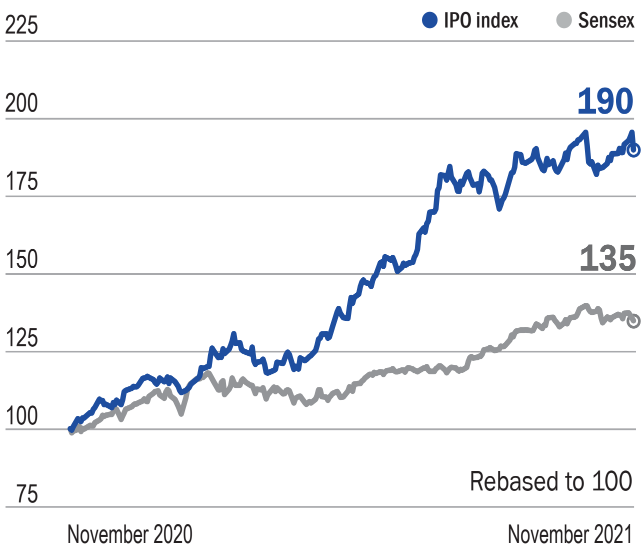
HIGHEST LISTING-DAY LOSS
Nuvoco Vistas
-17.4%

HIGHEST POST-LISTING GAIN
Macrotech developers
214.0%

HIGHEST POST-LISTING LOSS
Suryoday Small Finance
-46.0%

IPO Index vs the Sensex

The IPO index has outperformed the Sensex over the last one year.



HIGHEST SUBSCRIBED IPO
Paras Defence
304.3 TIMES

LOWEST SUBSCRIBED IPO
Macrotech Developers
1.4 TIMES

BIGGEST IPO
One97 Communications
₹18,300 cr

TOTAL SUM RAISED
₹97,733 cr

Top IPOs by issue size

Company name	Listing date	Subscription ratio (times)	Issue size (₹ cr)	Issue price (₹)	Listing price (₹)	Current price (₹)	Listing gain (%)	Change post listing (%)	Sensex change (%)	Current P/E
One97 Communications (Paytm)	18-11-2021	1.9	18,300	2,150	1,955	1,564	-9.1	-20.0	0.0	-
Zomato	23-07-2021	38.3	9,375	76	115	155	51.3	34.5	12.6	-
PB Fintech (Policybazaar)	15-11-2021	16.6	5,952	980	1,150	1,331	17.3	15.7	-1.8	-
Sona BLW	24-06-2021	2.3	5,550	291	302	711	3.9	135.2	13.2	193.1
Nuvoco Vistas	23-08-2021	1.7	5,000	570	471	515	-17.4	9.2	7.3	-
IRFC	29-01-2021	3.5	4,633	26	25	24	-3.8	-5.6	28.8	0.8*
Chemplast Sanmar	24-08-2021	2.2	3,850	541	525	609	-3.0	16.0	6.6	23.6
CarTrade Tech	20-08-2021	20.3	2,999	1,618	1,600	1,050	-1.1	-34.4	7.8	53.6
FSN E-Commerce Ventures (Nykaa)	10-11-2021	81.8	2,980	1,125	2,001	2,118	77.9	5.8	-1.2	-
Aptus Value Housing Finance	24-08-2021	17.2	2,780	353	330	350	-6.5	6.0	6.6	6.4*
Aditya Birla Sun Life AMC	11-10-2021	5.2	2,768	712	712	586	0.0	-17.8	-0.8	32.1
Macrotech Developers	19-04-2021	1.4	2,500	486	439	1,378	-9.7	214.0	24.4	-
Sapphire Foods	18-11-2021	6.6	2,073	1,180	1,311	1,216	11.1	-7.2	0.0	-
Vijaya Diagnostic Centre	14-09-2021	4.5	1,895	531	542	572	2.1	5.5	2.4	69.7
Devyani International	16-08-2021	116.7	1,838	90	141	150	56.7	6.3	7.3	-

Price data as on November 18, 2021. *P/B value.

Introduction to debt ETFs

Debt ETFs are a convenient way to add the debt component to your portfolio. Here is what you need to know about them.

Equity and debt are two primary asset classes. While equity is volatile and holds high growth potential, debt tends to be steadier and offers predictability. Arriving at an appropriate asset allocation is about deciding the optimum mix of equity and debt in your portfolio.

Unlike the stock market, the current structure of the Indian bond market makes it very difficult for Indian retail investors to buy/sell bonds directly. Thus, several investors resort to debt funds for adding bonds to their portfolio. Another cost-effective way of adding bonds to one's portfolio is debt ETFs (exchange-traded funds).

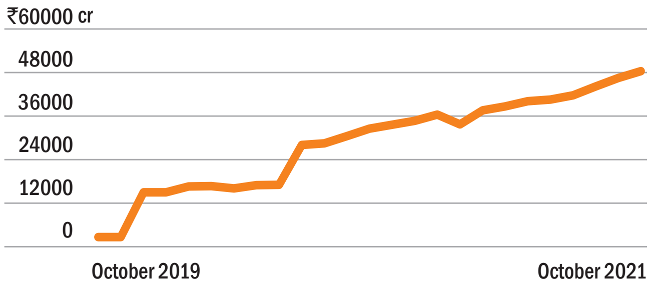
Similar to equity ETFs that comprise stocks of the underlying index, debt ETFs invest in fixed-income securities in the same proportion as the underlying index. Being an ETF, they are traded on the stock exchange.

The Indian mutual fund industry currently hosts 15 debt ETFs across categories such as liquid, medium-duration, long-duration, gilt, and gilt with 10-year constant duration. While the first debt ETF was launched in 2003, it was only after late 2019, that these funds saw a surge in popularity. The assets managed by these ETFs have grown at an annual rate of over 340 per cent in the past two years from over ₹2,400 crore (as on October 31, 2019) to over ₹48,500 crore (as on October 31, 2021). Long-duration debt ETFs manage largest assets currently.

While the majority of investments made in debt ETFs is by institutional investors, these have started becoming popular with retail investors as well owing to the several advantages they offer.

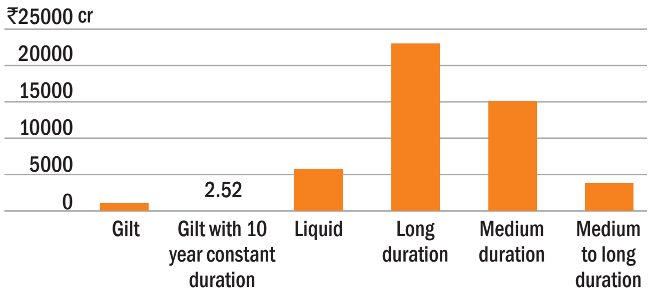
Surging popularity

The assets managed by debt ETFs have surged over the last two years.



Skewed asset distribution

Long-duration and medium-duration ETFs manage majority of the assets of debt ETFs.



Data as on October 31, 2021

Why invest in debt ETFs

- **Low-cost:** Since debt ETFs aim to simply replicate the underlying index, they are a cost-effective method of investing in debt securities as compared to their actively managed counterparts. For instance, as against the median expense ratio of 0.83 per cent for actively managed long-duration debt funds (direct plan), the ETFs in this space cost only 0.001 per cent.
- **Liquidity:** Debt ETFs are convenient to buy and sell and hence provide ease of trading. Authorised participants (APs), also known as the market makers, purchase or sell units on the exchange based on the supply and demand and hence ensure that the ETF trades at a price close to its fair value.
- **Transparency:** When you invest in an ETF, you know it well in advance what securities you would be exposed to. Moreover, the portfolio of debt ETFs is disclosed on a daily basis. Also, as debt ETFs trade on an exchange, they provide real-time prices to investors. **WI**

A digital push

The advent of tech-driven discount brokers has disrupted the industry. Here is a promising stock to profit from this trend.

> Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.
>
> – Archimedes

Digital transformation or disruption, whatever you call it, is that lever and a grossly underpenetrated domestic market, practically in any segment, is that fulcrum. A case in point is the broking industry.

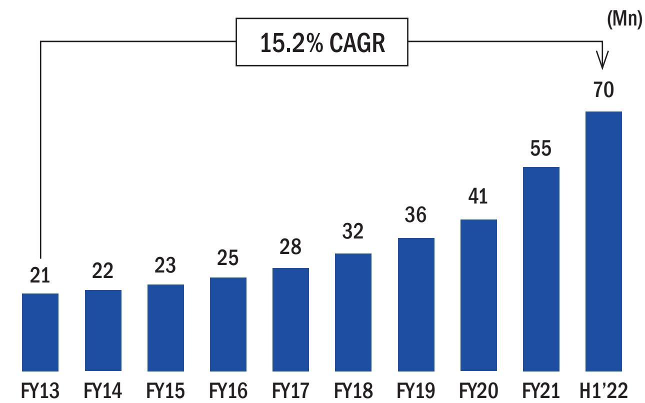
In the early part of the last decade, the sector looked ripe for disruption, given the abysmally low coverage of demat accounts. While traditional brokers who charge a percentage fee on the transaction value have existed for years, the advent of tech-driven discount brokers who charge a flat transaction-based fee, irrespective of the volume and the trade size, has disrupted the space. Their lever is the asset-light, scalable, technology-driven digital medium, which provides a seamless, superfast and hassle-free customer experience. The benefits of cost savings, in turn, are passed over in the form of zero transaction fee (delivery trades), as well as a flat fee (intra-day).

The results of these disruptions have started gaining prominence since FY2020 following a spate of sweeping developments in the financial-services space. These include demonetisation, tax reforms, a rise of fintech, falling internet tariff, the deeper penetration of financial products and services in tier II and tier III cities, and a rise in millennials. Digital brokers started outpacing the competition by a wide gap.

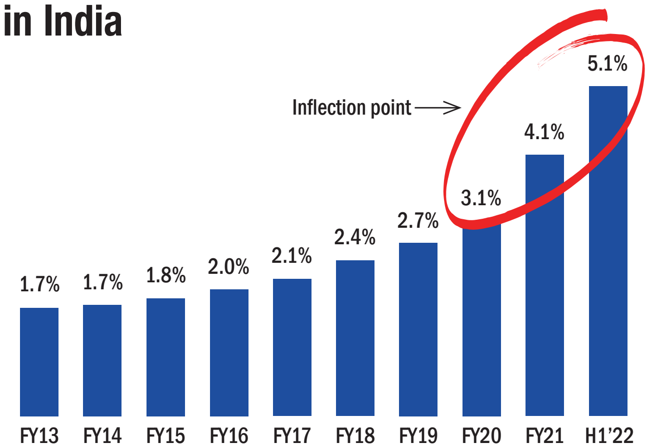
Angel Broking: Profiting from the digital shift

Angel Broking bears testimony to how a traditional

Steady growth in demat accounts in India



Rising penetration of demat accounts in India



broker, founded in 1996, was early to catch the whiff of digitalisation in 2015 before going digital the whole hog in April 2019. In other words, it did not opt for expanding its branches but rather opted for 100 per cent customer acquisition, onboarding, trade execution and advisory through the digital route. It was supplemented with a flat-fee structure. To add pace to this transformation and enhance customer experience, the company started using artificial intelligence (AI) and machine learning at an extensive scale. Following a data-science-driven approach and micro-targeting various segments of diverse audiences have become the practice. A digitally focused talent pool has been beefed up.

A host of its digital platforms available on the mobile app, web, advisory and partner tie-ups provide a seamless experience at extremely competitive rates (₹0 for equity delivery; ₹20 per order for intraday, F&O, currencies and commodities) and supported by actionable intelligence. For instance, its robo-advisory product claims to have outperformed the key indices by 2.3 times in the last 24 months.

As a result of these transformational initiatives, Angel's NSE active client base and rank have significantly improved in the last two years.

In terms of the retail ADTO (average daily turnover), Angel's overall equity market share has increased from 4.7 per cent in Q2 FY20 to 21.2 per cent in Q2 FY22. Its futures and options market share has jumped from 4.4 to 21.3 per cent during the same period.

This has been driven by strong growth in client activities across cash and future & options segments. In the former, the ADTO has jumped from ₹2,700 crore in Q2 FY20 to 5,000 crore in Q2 FY22. The number of trades has increased from 4.6 crore to 11.3 crore. In the latter, the ADTO has increased from ₹29,000 crore to 5,64,200 crore and number of trades from 1.1 crore to 16.9 crore during the same period.

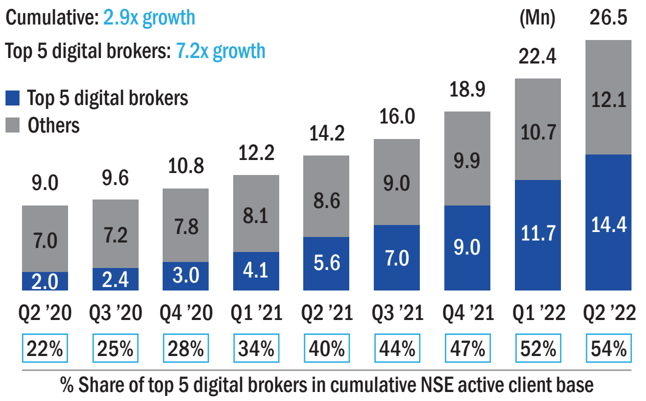
Its app installs have grown at a staggering pace during this interval.

All these transformational initiatives resulted in a trebling of revenue, a 5.4 times growth in its operating profits, a 17 percentage-point improvement in operating margins and a 6.6 times increase in PAT in Q2 FY2022 on a quarterly run-rate basis as compared to two years ago.

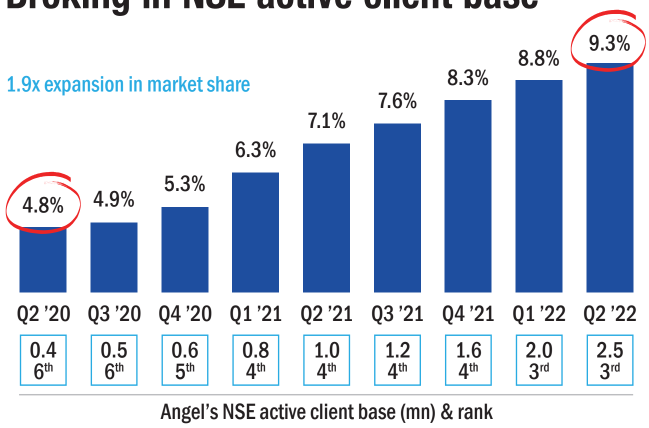
Going forward, Angel has set its eyes on becoming the largest retail-broking house in India. Working in line with this objective, it has recently recruited 11 members, including the chief technology officer, principal architect, etc., for its digital team. Most of these new recruits have rich international experience in US technology majors. It is also looking at opening up additional revenue sources and has applied to SEBI for setting up an AMC.

This transformational digital broker appears to be a promising investment. But don't forget to research it thoroughly before investing in it. **WI**

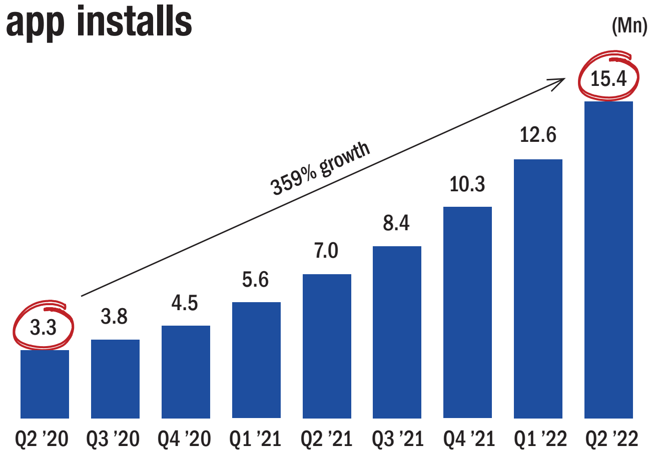
Top 5 digital brokers constitute 54% in cumulative NSE active client base



Expanding market share of Angel Broking in NSE active client base



Angel Broking: Growing trend of app installs



Source of all graphs in the article: Angel Broking investor presentation

Wealth 100

India’s most consistent wealth creators

By Danish Khanna, Arul Selvan, Karthik Anand and Udhayaprakash

While stocks fluctuate on a day-to-day basis, real wealth is created in the market when you hold a good company for the long term. Our Wealth 100 coverage is meant to bring out winners of the last decade. When you see some of the top names of the list, you will probably be surprised. These are not some hot stocks, about which you have heard a lot in the media. This suggests that chasing short-term performers and hot themes may not work in the long run. A company that creates most wealth is one that keeps doing good business year after year. That's the simple secret of wealth creators.

While creating this list, we applied the following filters:

- In order to ensure consistency of wealth creation, we removed those stocks that delivered more than 50 per cent of their total gains over 10 years within a specific year.
- In order to ensure quality, we ensured that the return on equity (ROE) should be more than 12 per cent in at least eight out of the last 10 years; or it should be rising in at least eight out of 10 years.

Do note that the returns of our Wealth 100 also include their dividends over the last 10 years. That's only sensible as dividends become substantial as your holding period goes up – another benefit of holding a long-term winner. The median value of the sum of dividends received in 10 years as a proportion of initial share price is 80 per cent. That means for every ₹100 invested, you would have got ₹80 through dividends alone over the last 10 years. Hence, never underestimate your dividends.

Benefit of hindsight

Many investors think that if they simply pick the winners of yesterday, they can ride the momentum tomorrow as well. That may or may not be true. When you compare the rank of companies in this year's Wealth 100 list with the one prepared in 2019, you will realise that many of the companies that now feature in the list weren't there in the previous list. This suggests that there is quite some churn. So, at best, use this list as a research list and then do due diligence to pick the final stocks for your portfolio.

In this story, we have also discussed the top 10 wealth creators. You can use this analysis to understand what these companies did over the long term that made them a winner. You can then apply that understanding to pick tomorrow's winners.

So, let's wait no further. Here we go.

Wealth 100

INDIA'S MOST CONSISTENT

RANK		COMPANY	SECTOR	MARKET CAP	TOTAL RETURNS (% PER ANNUM)			
2021	2019			(₹ cr)	1Y	3Y	5Y	10Y
1	4	Caplin Point Laboratories	Healthcare	6,523	93.1	25.7	18.4	72.3
2	-	HLE Glascoat	Capital Goods	9,510	405.2	242.8	117.8	72.2
3	19	Paushak	Chemicals	3,419	226.4	67.7	78.9	69.8
4	43	Alkyl Amines Chemicals	Chemicals	16,968	153.9	119.9	91.4	69.2
5	-	NGL Fine-Chem	Healthcare	1,789	175.3	78.2	54.8	69.2
6	-	GRM Overseas	FMCG	1,561	1,123.3	150.2	130.1	66.9
7	-	Deepak Nitrite	Chemicals	32,205	202.0	105.6	86.5	66.4
8	-	Tasty Bite Eatables	FMCG	4,072	53.8	21.5	33.2	62.0
9	-	Stylam Industries	Construction Materials	1,842	164.6	46.9	31.1	61.7
10	2	Bajaj Finance	Finance	4,57,232	80.5	47.5	52.5	60.7
11	-	Bharat Rasayan	Chemicals	4,938	28.3	27.0	43.6	60.0
12	6	Astral	Plastic Products	46,273	142.0	58.2	55.3	59.1
13	-	Vaibhav Global	Retailing	9,246	42.9	59.4	57.6	59.1
14	28	Aarti Industries	Chemicals	34,730	77.9	40.9	40.0	58.8
15	-	MPS	Media & Entertainment	1,306	91.8	16.8	4.5	58.0
16	45	Balaji Amines	Chemicals	10,407	268.1	93.5	57.4	57.2
17	-	Avanti Feeds	FMCG	7,806	15.5	11.9	29.3	56.5
18	-	Vidhi Specialty Food	Chemicals	1,790	171.7	65.1	44.0	55.7
19	3	Relaxo Footwears	FMCG	34,489	101.0	52.2	46.7	54.9
20	7	Accelya Solutions	IT	1,757	44.8	10.1	-1.8	53.5

WEALTH CREATORS

ROE (%)			SALES GROWTH (% PER ANNUM)			EPS GROWTH (% PER ANNUM)			DIVIDENDS	DIVIDENDS (as times of stock price 10Y ago)	WORTH OF ₹10000 (invested 10Y ago, ₹ lakh)	Z-SCORE	C-SCORE
TTM	5Y avg	10Y avg	TTM	5Y	10Y	TTM	5Y	10Y	10Y total (₹)				
23.7	39.4	41.9	21.6	34.8	29.4	26.4	39.5	44.1	34.6	7.1	23.1	27.8	2
40.7	42.5	30.2	24.6	39.3	24.8	50.0	36.9	22.1	25.0	0.7	22.9	23.3	4
15.1	19.1	19.5	10.1	12.6	16.8	23.7	25.6	26.5	37.0	0.6	19.9	34.7	4
40.5	31.2	28.4	40.7	20.8	18.1	216.6	42.6	35.7	87.0	4.6	19.2	21.2	1
41.8	24.7	22.4	62.7	21.8	22.0	147.2	37.8	37.1	6.0	0.4	19.2	23.2	2
47.1	28.3	20.5	62.3	17.6	16.7	31.4	83.2	38.7	45.3	25.6	16.8	6.9	3
45.6	25.8	20.7	53.9	26.0	20.6	77.8	60.2	36.9	31.7	2.0	16.3	19.0	1
18.1	27.8	24.2	17.1	13.1	16.8	4.8	19.5	35.5	14.0	0.1	12.4	11.0	3
25.5	20.4	20.0	42.2	13.8	19.1	572.6	31.5	28.9	2.5	0.3	12.2	10.2	1
13.6	19.4	20.3	0.5	29.6	34.4	10.5	25.2	27.3	119.6	1.8	11.5	–	–
22.9	31.2	27.9	-7.5	19.1	27.8	5.5	37.1	39.5	13.0	0.1	11.0	17.9	4
28.1	19.9	21.4	58.7	13.6	22.7	128.0	31.8	27.6	10.5	0.5	10.4	39.7	0
30.2	24.9	24.5	22.5	14.8	17.1	25.5	46.8	19.9	68.8	11.4	10.4	17.6	1
15.8	21.9	21.0	23.3	8.4	12.0	30.7	14.3	18.9	47.5	4.0	10.2	6.8	1
18.1	17.6	25.5	30.1	10.4	12.7	52.0	-3.2	23.4	162.0	4.7	9.7	4.9	2
39.5	24.5	22.6	79.9	15.3	14.2	147.9	32.8	24.5	23.0	0.6	9.2	19.0	3
16.0	36.2	38.7	14.9	15.2	34.8	-31.0	18.0	56.8	94.4	11.2	8.8	20.0	3
31.0	26.1	23.4	95.8	7.6	10.4	56.8	19.9	25.8	0.0	0.0	8.4	16.2	3
19.6	20.9	24.1	26.5	6.6	13.1	42.1	18.6	26.5	11.9	0.7	8.0	36.8	2
22.5	45.7	54.0	-7.4	-3.2	2.8	-3.4	-12.7	7.9	375.0	3.3	7.3	12.7	2

Data as on November 10, 2021. TTM: Trailing 12 months as per the latest numbers. For explanations of Z-Score and C-Score (not applicable for finance companies), see the key terms in the 'Stock Screen' section.

RANK		COMPANY	SECTOR	MARKET CAP	TOTAL RETURNS (% PER ANNUM)			
2021	2019			(₹ cr)	1Y	3Y	5Y	10Y
21	10	Vinati Organics	Chemicals	20,610	82.2	39.0	48.0	52.5
22	-	Bhageria Industries	Chemicals	1,200	118.8	22.8	7.2	51.7
23	54	APL Apollo Tubes	Iron & Steel	22,690	180.7	93.3	57.4	51.4
24	71	Tata Elxsi	IT	39,899	344.1	85.4	61.6	51.3
25	-	Aarti Drugs	Healthcare	5,200	-10.6	58.0	29.3	50.6
26	-	Ajanta Pharma	Healthcare	18,515	41.6	26.6	2.6	49.9
27	39	JBM Auto	Automobile & Ancillaries	3,448	213.2	32.6	22.3	49.8
28	-	Expleo Solutions	IT	1,235	160.1	40.3	11.8	49.7
29	-	GMM Pfaudler	Capital Goods	7,114	42.4	62.7	56.3	49.7
30	-	Mindtree	IT	79,640	271.5	80.5	63.6	49.6
31	-	Granules India	Healthcare	8,023	-12.6	46.2	23.9	49.4
32	20	K.P.R. Mill	Textile	18,336	244.8	65.4	36.3	49.0
33	14	Atul	Chemicals	26,260	42.7	38.6	31.8	48.6
34	-	Nitin Spinners	Textile	1,526	485.1	47.0	31.0	47.9
35	-	Sonata Software	IT	8,969	169.3	41.3	44.7	47.7
36	-	Privi Speciality Chemicals	Chemicals	6,740	238.6	73.1	28.1	46.2
37	36	SRF	Diversified	63,618	116.4	73.3	44.2	44.3
38	13	Sundaram-Clayton	Automobile & Ancillaries	8,488	155.0	5.2	8.0	43.3
39	17	Hatsun Agro Product	FMCG	29,681	126.0	44.4	41.0	43.2
40	-	Bajaj Finserv	Finance	2,91,462	174.3	47.6	42.8	42.7
41	50	Hester Biosciences	Healthcare	2,084	43.6	29.7	27.0	42.3
42	8	La Opala RG	Construction Materials	3,842	66.4	16.2	5.0	42.0
43	-	Can Fin Homes	Finance	8,612	35.0	32.6	14.1	41.9
44	16	Apcotex Industries	Agri	2,121	181.0	24.6	26.5	41.6
45	-	Gufic Biosciences	Healthcare	2,016	73.7	25.8	33.0	41.3
46	-	Persistent Systems	IT	31,761	275.0	97.1	46.8	40.4
47	131	KNR Constructions	Infrastructure	8,357	133.1	45.2	32.8	40.3
48	-	Technocraft Industries	Iron & Steel	2,329	191.7	14.2	20.4	40.2
49	33	Balkrishna Industries	Automobile & Ancillaries	48,619	72.6	40.7	38.4	40.0
50	-	CCL Products	Agri	5,144	59.6	13.8	10.2	40.0
51	11	Cera Sanitaryware	Construction Materials	7,075	102.6	32.0	18.3	39.9
52	-	PI Industries	Chemicals	42,462	24.4	49.1	26.5	39.7
53	-	Kama Holdings	Finance	6,687	106.9	24.3	34.2	39.4
54	-	Mold-Tek Packaging	Plastic Products	2,078	166.0	42.2	27.3	39.2
55	-	Coforge	IT	32,463	143.1	67.1	68.7	39.1
56	-	Poly Medicure	Healthcare	8,683	90.2	62.6	36.5	38.9
57	-	DCM Shriram	Diversified	15,929	223.9	36.0	36.9	38.8
58	64	Maithan Alloys	Ferro Manganese	3,201	116.4	26.3	34.7	37.5
59	47	Zensar Technologies	IT	10,857	163.6	26.1	21.3	37.5
60	34	Kajaria Ceramics	Construction Materials	19,488	111.4	42.4	19.2	37.4

ROE (%)			SALES GROWTH (% PER ANNUM)			EPS GROWTH (% PER ANNUM)			DIVIDENDS	DIVIDENDS (as times of stock price 10Y ago)	WORTH OF ₹10000	Z-SCORE	C-SCORE
TTM	5Y avg	10Y avg	TTM	5Y	10Y	TTM	5Y	10Y	10Y total (₹)		(invested 10Y ago, ₹ lakh)		
19.5	23.6	27.3	35.2	8.6	11.5	7.8	15.5	17.4	41.5	1.3	6.8	67.0	6
15.7	18.7	24.2	37.1	11.0	20.6	28.7	24.4	36.2	34.3	5.9	6.5	7.2	4
35.1	22.1	19.9	47.7	15.1	25.1	120.4	27.4	21.1	56.0	3.7	6.3	10.9	2
37.9	32.8	31.5	26.9	11.2	15.9	50.4	18.9	27.5	151.0	1.4	6.3	127.0	1
24.2	23.7	23.5	7.1	13.6	15.7	243.5	33.5	28.5	56.5	4.7	6.0	6.4	4
22.5	24.7	31.7	15.5	10.8	19.2	28.3	9.9	29.3	92.6	2.0	5.7	12.9	2
13.0	14.3	20.3	65.9	5.5	10.5	245.3	-3.8	7.2	20.8	1.4	5.7	2.9	4
23.4	25.7	25.4	14.8	2.6	13.8	-7.2	7.2	38.7	112.0	2.5	5.7	31.7	1
9.1	19.8	15.7	195.9	27.9	17.8	-18.0	29.5	19.7	45.0	0.5	5.7	3.1	5
30.9	22.6	25.3	14.8	11.3	18.1	59.2	15.4	26.6	165.0	1.7	5.6	49.0	1
22.3	17.7	18.5	16.7	19.0	21.2	10.1	31.3	35.8	15.3	2.3	5.5	5.5	2
31.4	21.9	19.1	33.8	6.3	12.3	116.2	21.8	22.9	50.0	4.8	5.4	14.9	2
17.2	18.0	20.5	19.9	7.5	9.1	12.5	19.2	22.0	123.0	0.7	5.3	15.3	3
35.6	14.4	16.8	53.8	16.2	14.7	1314.9	4.9	23.6	9.0	1.4	5.0	2.6	1
35.3	33.1	24.3	19.9	16.9	11.6	28.6	9.3	11.2	96.0	3.5	4.9	13.8	0
17.2	15.5	23.6	8.3	53.1	36.4	15.7	31.2	23.3	20.0	0.5	4.5	6.7	4
22.8	18.1	16.7	41.8	12.8	9.2	40.9	22.0	9.7	140.0	2.3	3.9	8.2	1
26.4	28.7	27.8	46.2	10.2	10.6	895.1	2.1	18.4	240.0	1.5	3.7	1.6	0
27.4	26.1	29.4	17.9	10.1	15.2	67.9	31.2	28.7	40.0	1.0	3.6	10.6	3
20.3	22.8	25.9	8.5	24.2	37.9	19.9	20.6	14.0	25.0	0.0	3.5	–	–
20.0	19.2	17.5	30.0	16.3	17.7	69.4	12.4	15.3	51.0	0.7	3.4	9.0	2
12.3	14.5	22.5	44.1	-3.3	8.2	87.3	-3.3	17.6	21.2	1.8	3.3	31.8	5
18.0	20.6	18.2	-9.8	13.3	24.2	11.4	23.7	24.7	16.0	0.8	3.3	–	–
27.0	14.7	17.6	88.3	12.8	10.3	1161.7	2.8	15.2	58.0	3.6	3.2	11.2	0
47.9	29.3	22.8	92.8	19.3	21.2	189.0	37.0	37.5	0.0	0.0	3.2	6.6	1
20.2	16.2	18.2	24.0	12.6	18.4	57.2	11.2	12.9	113.0	0.7	3.0	46.7	0
17.9	19.5	15.9	34.3	19.5	10.7	15.6	29.4	21.5	6.7	0.6	3.0	6.4	3
20.3	15.2	14.2	25.2	7.0	8.5	90.5	6.9	17.5	17.0	0.4	2.9	3.3	3
23.9	20.2	22.4	41.4	12.3	10.5	48.5	21.4	19.7	75.0	0.8	2.9	14.9	2
17.4	20.4	20.7	9.5	5.9	13.1	8.2	8.3	21.3	32.8	2.0	2.9	6.9	1
15.7	17.0	20.8	26.8	5.9	17.6	44.4	3.8	14.0	90.0	0.4	2.9	11.1	0
14.7	22.1	26.5	25.1	16.9	19.2	33.1	16.4	23.6	34.0	0.3	2.8	12.5	2
40.9	31.8	25.3	39.9	12.8	93.4	40.4	18.8	10.6	272.0	0.7	2.8	–	–
24.9	18.6	18.7	50.1	11.7	12.3	89.7	14.7	13.1	42.5	1.2	2.7	8.7	3
23.9	19.5	19.1	24.8	11.6	14.2	20.1	11.2	9.4	131.0	0.6	2.7	24.4	2
19.3	20.9	24.2	18.0	13.8	16.4	26.2	21.0	19.1	25.0	0.7	2.7	37.2	3
17.5	22.0	16.8	6.1	7.5	7.2	41.9	18.4	48.5	52.0	1.2	2.7	4.8	1
26.2	27.5	22.0	40.4	7.1	10.3	91.1	24.0	12.3	33.5	0.7	2.4	7.9	4
18.3	15.8	21.5	-5.3	5.1	12.6	130.0	0.5	8.1	83.2	3.3	2.4	16.5	1
21.7	18.1	24.4	39.5	2.9	11.3	133.7	5.9	16.7	49.0	0.9	2.4	22.0	0

Data as on November 10, 2021. TTM: Trailing 12 months as per the latest numbers. For explanations of Z-Score and C-Score (not applicable for finance companies), see the key terms in the 'Stock Screen' section.

Wealth 100

RANK		COMPANY	SECTOR	MARKET CAP	TOTAL RETURNS (% PER ANNUM)			
2021	2019			(₹ cr)	1Y	3Y	5Y	10Y
61	69	Ratnamani Metals & Tubes	Iron & Steel	10,086	74.5	36.4	30.2	37.4
62	49	Cholamandalam Investment & Fin	Finance	53,121	108.4	35.7	27.4	37.0
63	-	GM Breweries	Alcohol	1,448	94.5	11.0	15.1	36.9
64	-	Sasken Technologies	IT	1,966	104.1	29.0	29.8	36.8
65	59	Berger Paints India	Chemicals	75,261	21.3	36.4	28.2	35.5
66	21	Suprajit Engineering	Automobile & Ancillaries	5,043	89.4	16.6	13.0	35.5
67	-	Natco Pharma	Healthcare	15,631	-2.9	5.0	7.8	35.3
68	120	Ion Exchange	Capital Goods	3,303	193.3	83.9	48.0	35.0
69	53	MM Forgings	Automobile & Ancillaries	2,146	152.7	15.1	33.9	34.6
70	132	Honeywell Automation	Consumer Durables	37,674	47.9	28.0	37.5	34.4
71	-	V-Guard Industries	Capital Goods	10,934	55.3	9.7	12.2	34.4
72	76	Britannia Industries	FMCG	89,051	7.6	11.0	20.1	33.6
73	26	Havells India	Capital Goods	84,304	61.5	28.5	29.8	33.6
74	9	Eicher Motors	Automobile & Ancillaries	75,094	23.7	7.5	4.1	33.3
75	23	Page Industries	Textile	44,352	82.3	10.4	22.5	32.7
76	-	Igarashi Motors	Capital Goods	1,656	86.4	-4.9	-6.6	32.5
77	140	LT Foods	FMCG	2,266	43.5	16.3	23.6	32.4
78	70	Solar Industries	Chemicals	22,693	146.5	35.7	29.9	32.2
79	-	GHCL	Chemicals	4,005	186.8	26.0	13.5	31.6
80	-	Shree Cement	Construction Materials	1,05,908	29.3	24.4	13.7	31.6
81	50	Sundram Fasteners	Trading	17,992	87.9	16.8	22.2	31.6
82	58	Pidilite Industries	Chemicals	1,20,214	51.0	32.0	29.5	31.2
83	91	Kovai Medical Center	Healthcare	1,836	133.7	27.0	15.7	31.0
84	80	Grindwell Norton	Abrasives	19,587	227.5	54.7	41.3	30.9
85	32	Supreme Industries	Plastic Products	30,864	70.5	35.8	23.0	30.9
86	52	Ambika Cotton Mills	Textile	1,240	219.8	24.0	17.5	30.6
87	73	Abbott India	Healthcare	42,617	31.3	40.5	34.8	30.5
88	-	Ultramarine & Pigments	Chemicals	1,192	80.8	17.9	19.0	30.5
89	-	Divi's Laboratories	Healthcare	1,30,280	51.0	47.7	31.9	30.1
90	-	EPL	Plastic Products	6,978	-9.7	39.4	13.7	30.1
91	-	Manali Petrochemicals	Chemicals	2,136	285.5	55.0	28.6	30.1
92	63	HCL Technologies	IT	3,17,648	49.7	33.8	26.1	29.9
93	-	Morepen Laboratories	Healthcare	2,287	85.7	27.5	16.4	29.9
94	-	Bombay Burmah Trading Corp	Agri	7,888	-7.6	-6.4	15.6	29.7
95	24	KRBL	FMCG	6,327	6.3	-6.4	3.3	29.4
96	144	Voltas	Consumer Durables	41,273	63.9	32.9	29.8	29.4
97	-	Aurobindo Pharma	Healthcare	41,019	-7.5	-4.4	-2.0	29.3
98	-	Vishnu Chemicals	Chemicals	1,089	422.7	74.1	24.4	29.2
99	46	TVS Motor Company	Automobile & Ancillaries	35,788	58.4	11.1	15.3	29.0
100	-	Amrutanjan Health Care	Healthcare	2,687	117.1	55.2	26.3	28.7

Wealth 100

ROE (%)			SALES GROWTH (% PER ANNUM)			EPS GROWTH (% PER ANNUM)			DIVIDENDS	DIVIDENDS (as times of stock price 10Y ago)	WORTH OF ₹10000	Z-SCORE	C-SCORE
TTM	5Y avg	10Y avg	TTM	5Y	10Y	TTM	5Y	10Y	10Y total (₹)		(invested 10Y ago, ₹ lakh)		
15.1	15.4	17.9	-6.7	6.0	10.9	6.1	10.8	12.7	65.0	0.6	2.4	12.7	2
16.4	18.1	17.6	10.4	17.9	23.0	22.7	20.4	29.4	42.4	1.4	2.3	–	–
20.6	21.8	21.6	34.6	-13.2	-0.2	120.2	6.6	14.4	31.0	0.8	2.3	14.5	4
23.4	15.8	18.6	-2.0	-1.6	-2.0	59.0	-8.2	10.5	228.0	2.1	2.3	24.9	2
26.7	24.1	24.3	42.7	10.1	11.3	61.3	14.2	16.9	19.0	0.5	2.1	13.1	3
21.3	18.8	23.4	31.9	11.5	16.8	201.3	13.2	14.1	13.0	0.7	2.1	7.8	1
6.2	21.3	18.1	-36.0	12.5	16.1	-51.3	21.8	20.3	53.6	1.1	2.1	15.9	2
31.4	26.1	17.1	5.8	10.7	9.1	51.8	56.3	31.8	42.0	0.4	2.0	4.4	0
20.6	16.0	17.3	79.0	9.3	11.1	637.0	-1.4	4.6	48.0	0.9	2.0	3.1	3
17.2	20.4	17.3	-4.3	6.8	8.4	-6.8	26.6	15.9	300.0	0.1	1.9	18.7	2
20.1	20.9	22.9	43.5	7.9	14.1	75.4	12.0	16.4	30.4	2.1	1.9	13.2	1
70.6	35.9	46.3	4.5	9.4	11.0	-11.1	17.6	30.0	320.5	1.3	1.8	15.3	1
23.3	18.8	29.3	46.6	6.6	6.4	54.9	-4.3	13.1	64.8	0.8	1.8	17.0	4
14.6	24.4	28.5	32.7	7.2	7.1	52.9	0.0	21.5	693.0	4.1	1.8	16.7	5
46.5	44.4	51.3	43.8	9.5	19.1	132.7	8.0	19.3	1297.0	0.5	1.7	37.3	2
7.7	15.0	18.4	39.9	3.7	10.5	95.3	-17.1	8.1	34.0	0.8	1.7	5.6	4
16.5	16.2	15.8	1.4	9.3	13.9	8.2	25.9	25.7	10.6	2.3	1.7	3.1	1
22.6	22.1	23.3	39.3	11.7	14.0	55.3	11.0	13.3	103.0	0.6	1.6	13.5	2
18.0	21.9	20.6	22.1	2.8	6.2	57.5	5.9	43.8	37.0	1.1	1.6	3.5	2
17.3	15.1	19.7	19.7	18.8	8.4	54.0	14.1	26.5	530.0	0.3	1.6	12.3	1
23.0	23.9	19.6	62.5	2.3	4.8	124.1	23.3	12.3	31.0	0.5	1.6	8.9	2
25.2	25.6	26.5	46.0	6.3	10.6	52.1	7.3	13.8	50.0	0.3	1.5	27.1	2
23.7	22.3	24.7	18.6	8.2	14.7	-16.1	13.8	20.4	25.0	0.2	1.5	4.9	3
21.8	16.4	17.5	32.6	7.3	7.5	56.7	17.8	11.1	67.0	0.5	1.5	28.2	2
35.2	23.8	26.3	37.6	16.5	9.9	154.6	34.6	17.4	119.0	0.6	1.5	19.1	0
22.5	13.6	14.8	43.2	5.2	6.8	195.0	9.4	5.1	162.0	0.8	1.4	11.7	2
30.7	25.5	25.8	11.4	10.5	15.3	9.0	22.0	22.0	808.0	0.5	1.4	23.9	0
8.8	14.7	16.6	78.9	7.0	10.1	47.2	15.3	12.6	38.0	1.0	1.4	9.3	2
23.4	20.3	23.8	18.7	13.0	18.1	21.4	12.0	16.5	140.0	0.4	1.4	39.3	0
14.8	15.8	14.7	11.4	7.8	8.2	7.2	7.0	17.5	20.0	1.1	1.4	5.6	0
54.7	18.3	18.5	108.2	12.0	8.5	726.2	33.2	23.1	11.0	1.0	1.4	9.8	1
19.7	24.7	28.4	8.9	19.3	17.0	-5.4	15.6	21.3	170.0	1.6	1.4	18.1	0
28.8	16.1	6.6	33.5	19.6	17.9	73.1	50.0	15.1	0.0	0.0	1.4	5.5	1
25.6	26.4	31.6	4.9	8.9	10.0	-25.0	-0.9	12.1	18.4	0.2	1.3	3.5	0
15.4	19.9	20.2	-2.9	3.5	10.0	-4.1	13.8	17.0	18.0	0.8	1.3	7.0	4
14.4	14.9	14.9	25.1	5.7	3.8	45.9	6.3	3.9	32.0	0.3	1.3	9.0	2
25.2	23.1	22.7	-0.6	12.4	18.9	65.0	21.3	25.1	29.5	0.5	1.3	4.8	2
21.1	14.6	16.9	21.1	7.2	9.0	42.3	10.2	11.7	7.0	0.1	1.3	2.6	1
22.5	23.0	23.4	45.7	11.3	11.5	266.5	6.7	16.6	23.0	0.3	1.3	2.6	0
29.5	20.4	17.6	36.3	12.3	12.2	33.3	24.4	20.0	41.8	0.5	1.2	31.9	0

Data as on November 10, 2021. TTM: Trailing 12 months as per the latest numbers. For explanations of Z-Score and C-Score (not applicable for finance companies), see the key terms in the 'Stock Screen' section.

CAPLIN POINT LAB

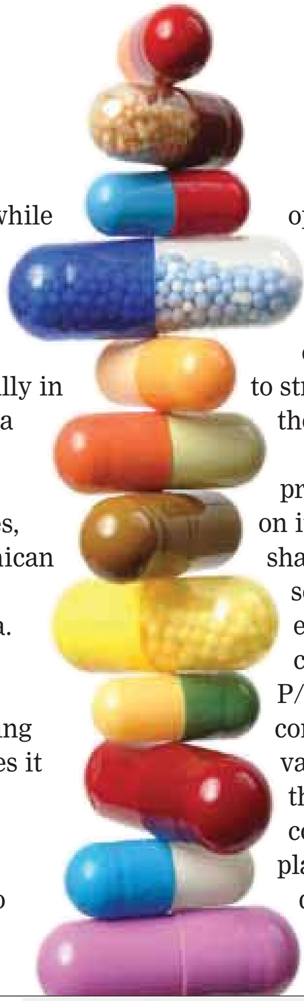
On a healthy trajectory

Involved in manufacturing APIs (active pharmaceutical ingredients – medicine raw materials) and finished formulations, Caplin Point Laboratories markets its products in emerging markets, with almost 87 per cent of revenues coming from Latin America. At present, it has more than 400 pharmaceutical products in 36 therapeutic segments. While 40 per cent of its products are manufactured at its own facilities, the remaining products are outsourced.

22,960
10Y absolute return (%)

23.6
P/E

Over the last five years, its revenues and profits have grown at a CAGR of 34.8 per cent and 40.6 per cent, respectively, while its operating margin has been a minimum of 31 per cent. Its strong presence in the global markets, especially in Latin America, acts as a growth driver. In Latin America, it has a presence in 10 countries, including Chile, Dominican Republic, El Salvador, Ecuador and Venezuela. Also, the company outsources up to 60 per cent of its manufacturing activities, which enables it to follow an asset-light model and maintain healthy operating margins. By catering to the injectables and ophthalmics segment, the company has made a foray into the US market and entered into contract manufacturing to strengthen its presence in the US.



However, its future prospect very much hinges on its ability to capture a share in the injectables segment, which is expected to grow at 16 per cent CAGR by 2025. With a P/E of 23.6 right now, the company is trading at a valuation that is lower than its competitors. With consistent expansion plans in place, the company doesn't seem to slow down anytime soon.

HLE GLASCOAT

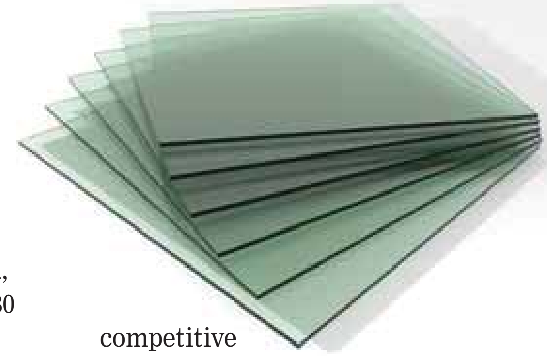
A relentless innovator

HLE Glascoat is a leading manufacturer of process equipment used in the chemical and pharmaceutical industries. Its products cater to various requirements related to storage, reaction, heat transfer, distillation and solid-liquid separation. Prior to 2019, the company was listed as 'Swiss Glascoat Equipments'. In 2017, HLE Engineers, a leading manufacturer of filtration and drying equipment, acquired a controlling interest in the company. Later in 2019, HLE Engineers and Swiss Glascoat were integrated through a scheme of arrangement and the company was renamed HLE Glascoat.

A market leader in the filtration and drying-equipment segment in India, the company holds a market share of more than 60 per cent. It is also the second-largest manufacturer of glass-lined equipment (GLE) in India, with a market share of nearly 30 per cent. Its large sales and distribution network comprising 13 sales offices across the globe adds heft to its marketing activities. Its philosophy of providing the best quality at a competitive price, innovating continuously and introducing new technologies (automation and process improvement) gives the company a competitive edge.

22,826
10Y absolute return (%)

153.6
P/E



HLE Glascoat operates in a competitive industry, especially in terms of price sensitivity. The industry is characterised by numerous and continuous advances in technology and innovation. Therefore, it is important for the company to innovate continuously to stay competitive in the industry. Moreover, at a trailing-twelve months P/E of 153.6 times, fresh investors would be subject to a higher degree of risk since the future prospects seem to be fully priced in.

PAUSHAK

The power of process

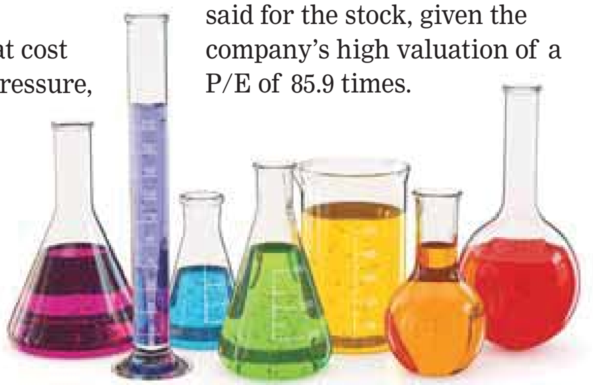
A part of the Alembic Group of Companies, it is India's largest phosgene-based speciality-chemicals manufacturer and caters to the pharmaceutical, agrochemical and other industries. It also manufactures organic intermediates like isocyanates, chloroformates and carbonyl chlorides. Phosgene-derived intermediates are used to manufacture active pharmaceutical ingredients, speciality plastics, coatings and agricultural-protection chemicals.

19,824
10Y absolute return (%)

85.9
P/E

With over 35 years of experience in managing phosgene, it is one of the few companies in the country to have a licence to manufacture phosgene gas (which is highly poisonous). The company added chloroformates (FY13) and isocyanates (FY15) to its product portfolio. In FY17, it ventured into the agrochemical-intermediates business, thereby adding pace to its growth. Its incessant emphasis on safety and environment protection, aided by an expansion in its R&D team, has enabled it to adopt automation and solvent-free processes. Its backwards integration helps it combat cost competition and pricing pressure, mainly from China.

In FY21, it received the government's approval to expand the phosgene capacity from 4,800 MT per year to 14,400 MT per year. As a result, it has planned a capex programme of ₹120 crore to accelerate its growth. Besides capacity addition, the 'China plus one' trend and its indigenously developed technology for manufacturing phosgene will augur well for the company, enabling it to become a global supplier and enjoy cost competitiveness. While the outlook for this company remains bright, the same cannot be said for the stock, given the company's high valuation of a P/E of 85.9 times.



ALKYL AMINES CHEMICALS

A diversified portfolio

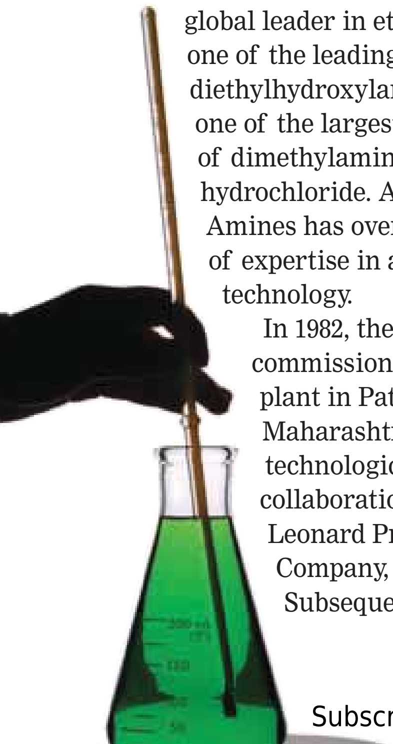
A leading manufacturer of aliphatic amines, amine derivatives and speciality amines, Alkyl Amines is the global leader in ethylamine, one of the leading players in diethylhydroxylamine and one of the largest producers of dimethylamine hydrochloride. Alkyl Amines has over 41 years of expertise in amine technology.

In 1982, the company commissioned its first plant in Patalganga, Maharashtra, in technological collaboration with Leonard Process Company, USA. Subsequently, the plant's capacity was expanded to manufacture other amines, leveraging the technical know-how of Acid Amines Technologies, USA. Thereafter, the company has continuously expanded its capacity in aliphatic amines, as well as targeted new products, particularly in amine derivatives and speciality chemicals. Owing to the presence of technocrats in senior management and an established R&D team, the company is able to offer a wide palette of products (over 100 stock-keeping units). In 2012, the company added acetonitrile to its product offerings, which provided a fillip to its growth. Acetonitrile is mainly used in rubber chemicals, rigid PU foams and fuel additives. Besides, it is used as a solvent by pharmaceutical manufacturers.

The aliphatic-amine industry in India is dominated by Alkyl Amines and Balaji Amines. The industry has high entry barriers, owing to complex manufacturing processes, high lead time in customer approval, high fixed costs, stringent government regulations (environmental clearances) and R&D activities. However, the run-up in the stock markets over the last one and a half years has pushed its valuation (P/E of 54.7) way ahead of its major competitor (P/E of 31.6).

19,131
10Y absolute return (%)

54.7
P/E



NGL FINE-CHEM

Strong global footprint

Established in 1981, NGL Fine-Chem manufactures APIs (active pharmaceutical ingredients — medicine raw materials) and intermediates predominantly for animals. Its product portfolio in the veterinary segment includes APIs and formulations, while that for human health includes APIs and intermediaries. This backward-integrated company has three manufacturing facilities in Maharashtra, with nearly 95 per cent of its manufacturing activities done in-house.

NGL Fine-Chem has a strong global presence in more than 50 countries in Europe, Asia Pacific, the Middle East and Latin America, with 78 per cent of its revenue coming from exports. In the last five years, its revenues have grown by 21.8 per cent and its profits by 38 per cent. Over the past decade, its net profit margin improved from 2.8 per cent to 21.48 per cent on the back of the company's strong global presence and its high-margin products. In FY20, the company's acquisition of Macrotech Polychem paved the way for it to venture into the intermediaries manufacturing business.

With the reopening of the economy, the company was able to bounce back with the help of high capacity utilisation and its clientele comprising around 400 clients. This operational efficiency, coupled with its ability to commence productions immediately, has resulted in a sudden spurt in its growth rate in FY21. Its capacity-expansion plan is expected to continue in the future as well, with the company looking at a 50 per cent capacity expansion in the next two years by spending ₹100 crore. It is currently trading at a reasonable P/E of 27.7 and a P/B of 9.6.

19,131
10Y absolute return (%)

27.7
P/E

GRM OVERSEAS

A bowl full of prospects

A market leader in the basmati-rice segment, GRM Overseas is involved in milling, processing and marketing basmati rice (accounting for 90–95 per cent of its revenue). This third-largest exporter of rice in India and the fifth-largest in the world exports its products to over 38 countries, with 88 per cent of its revenues coming from exports. At present, the company has three rice-milling plants with a capacity of 550 MT per day.

16,671
10Y absolute return (%)

23.2
P/E

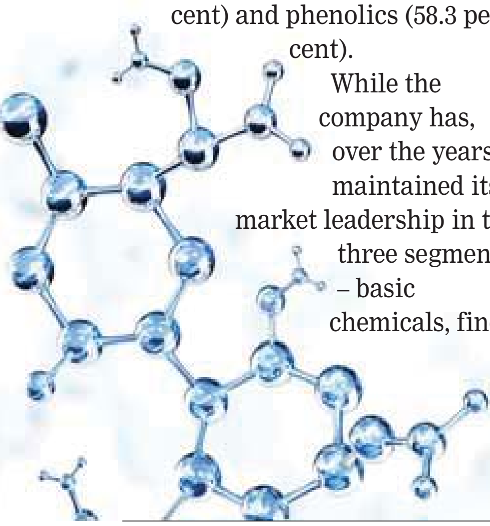
Over the last five years, its revenue and profits have grown at a CAGR of 17.6 per cent and 85.8 per cent, respectively. The company's experience, as well as its relationship with clients, has helped it achieve growth over the years. Since 2019, the company has been aggressively promoting its own brands in both the domestic and international markets, which resulted in an increase in its profit margins. At present, the company is formulating a detailed strategy to increase its revenue share from its own brand sales.

Under the initiative called 'GRM 2.0', it plans to focus on selling in the domestic market through its own brands. Under this plan, the company would operate through two segments. While the first segment will be involved in doing contract research and production of basmati rice, the second one will focus on the food-staple business and venture into the FMCG market. Although the company trades at a reasonable valuation of a P/E of 23.2 times and a P/B of 9.0 times, its future prospects would be dependent on the execution of its growth plans.

DEEPAK NITRITE

Rapid growth

This manufacturer of chemical intermediates operates through four business segments — basic chemicals (17.3 per cent of FY21 revenue), fine and speciality chemicals (17.5 per cent), performance products (6.9 per cent) and phenolics (58.3 per cent).



While the company has, over the years, maintained its market leadership in the three segments – basic chemicals, fine and speciality chemicals, and performance products – it witnessed significant growth after FY18 when its phenolics plant commenced operations in 2018. The Chinese government's crackdown on pollution-causing industries worked in favour of the company, as it took advantage of the demand-supply mismatch caused by the move. Moreover, an additional impetus came from companies looking to de-risk their supply chains, which ultimately acted as a catalyst for the company's phenolics division. The phenolics segment offers phenol, acetone, cumene and isopropyl alcohol manufactured completely by its subsidiary Deepak Phenolics. It has already established itself as the most trusted player in the domestic market for phenol and acetone, with a market share of over 50 per cent.

Given its success in the phenolics segment and the resulting strong cash flows, Deepak Nitrite prepaid a major chunk of its debt, lowering the debt-to-equity ratio to 0.25 in FY21 from 1.11 in FY19.

16,176
10Y absolute return (%)

30.3
P/E

Interestingly, while the market capitalisation has surged 106 per cent over 2018–2021, the profit after tax has increased by 127 per cent, bringing down the P/E from 46.4 times to 30.3 times and making it a lot more attractive from an investment perspective.

TASTY BITE EATABLES

A tough landscape

Tasty Bite is a leading brand in the natural, organic and ready-to-eat food category in North America. The company's export-driven B2C segment has a range of ready-to-eat Indian and Asian entrées, ready-to-cook sauces, ready-to-eat organic rice and grains. It also has a B2B business comprising a range of customised speciality-formed frozen products, sauces and gravies. Its holding company is Preferred Brands International (PBI), which is 100 per cent owned by Mars Inc., USA.

Following its incorporation in 1985, the company had a tumultuous journey (declared a sick unit in 1997, acquired by Hindustan Unilever and then buyout by PBI). However, it has gradually emerged as the largest brand of prepared (both ready-to-eat and ready-to-cook) Indian food in the US. Tasty Bite's consumer business has been growing on the back of several factors, including healthy food choices made by consumers, the ongoing trend of eating at home and the growth of speciality food (international cuisines like Indian and Asian food). The marketing and distribution of its products are taken care of by PBI (for USA) and Mars Inc. (globally). For the B2B business, the company is a trusted partner to marquee quick-service restaurants and cloud-kitchen brands across India and South East Asia.

12,349
10Y absolute return (%)

113.6
P/E

The company operates in a highly competitive industry and is subject to ever-changing consumer trends and consumption habits. While the demand for ready-to-eat food is on the rise across the globe, several new brands are entering the market. Additionally, at a P/E of 113.6 times, the valuations seem quite stretched as well.

STYLAM INDUSTRIES

The laminates leader

A manufacturer of decorative laminates used in residential and industrial applications, the company operates under the brand name of 'Stylam'. Its two manufacturing facilities are located in Haryana, with its Manaktabra facility being the largest laminate plant in Asia. Having a presence in more than 65 countries, the company derives 69 per cent of its revenue from exports.

12,121
10Y absolute return (%)

28.7
P/E

Despite being in an industry dominated by unorganised players, the company managed to build its brand name and become a market leader in the segment. Over the last five years, its revenue and profits have grown at a CAGR of 13.8 per cent and 35.4 per cent, respectively. It also managed to increase its operating margin from 15 per cent in 2017 to 21 per cent in 2021 on the back of several initiatives. With the full operation of its Manaktabra plant, the company's production capacity increased to 11 million sheets per annum in FY17 and as of FY21, it stood at 14.3 million sheets per annum.

In a bid to expand its portfolio, the company has planned to enter the plywood segment by setting up a separate subsidiary named 'Stylam Panels' with an initial expenditure of ₹60 crore. Aiming at doubling its revenues by 2025, it has undertaken various expansion plans. Also, over the last three years, it has undertaken various initiatives to reduce its debt and is planning to become debt-free by FY22. At a valuation of 28.7 P/E and 6.5 P/B, the company aggressively pursues growth plans.

BAJAJ FINANCE

Early-mover advantage

One of the largest consumer-finance companies in the country, this non-banking financial company (NBFC) provides lending services in six broad categories, including consumer, small and medium enterprises, commercial, rural, mortgage loans and margin trade. With a customer base of 52.8 million and assets under management of ₹1,66,937 crore as on September 30, 2021, the company targets affluent customers in the mass market and follows a cross-selling strategy for other financial products.

In a bid to take advantage of variable purchasing patterns of consumers, the company emerged as a full-service NBFC post FY08, with its dedicated risk-analytics unit being the cornerstone of its operations. During the period, only a handful of companies were willing to invest in technology and processes and therefore, the consumer-durable financing business was less competitive. Against this backdrop, Bajaj Finance was able to capture a dominant market share, generate valuable customer data and take data-driven lending decisions. Moreover, its wide geographical presence (3,329 locations and 1,19,900 distribution points), quick turnaround time and ability to approve a large number of loans gave the company a competitive edge.

11,386
10Y absolute return (%)

12.1
P/B

At present, the company is rolling out its business-transformation strategy to build an 'omnichannel' model, thereby reducing its operating costs and improving its customer experience significantly. Although its prospects look bright, an expensive valuation – as indicated by a P/E of 91.9 times and a P/B of 12.1 times – suggests that the market has already discounted all the positives, leaving very little upside for fresh investors. WI

INTERVIEW

Market Outlook NOW

As the market touches newer highs, most investors want to know if the market has turned overvalued, how far this bull run will go and when a correction is due. To get an answer, we spoke with three balanced advantage fund managers about the market outlook. These funds together manage upwards of ₹50,000 crore in assets.

By SEBI's mandate, balanced advantage funds can dynamically manage their equity–debt allocation. Hence, their asset allocation is a gauge of market valuations. When markets are heated, they tend to increase their debt allocation. In bear runs, they increase their equity allocation.

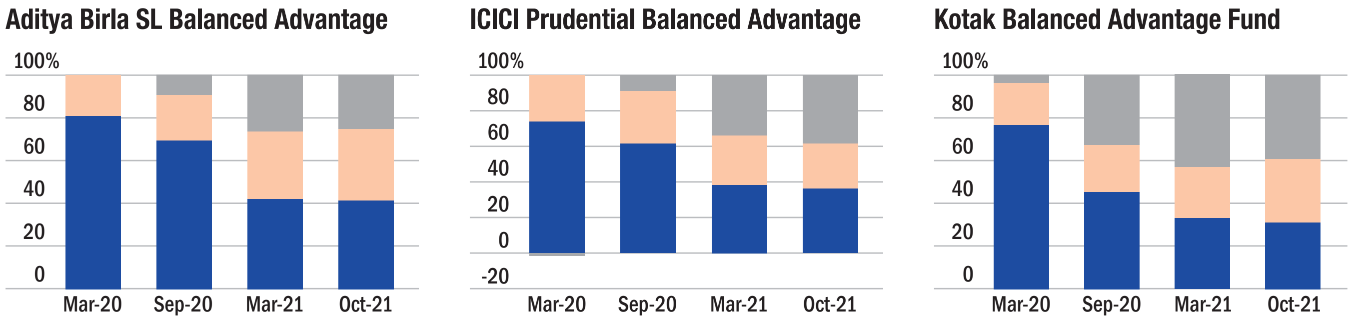
Here are the questions that we asked:

- What's your view on the market valuations currently? What's your outlook for the market over the next one year? (See answers under **'Market outlook'**)
- What changes have you made in your equity portfolio over the last few months as the bull run gained momentum? Which pockets are you bullish on? Which would you avoid? (See answers under **'Changes in equity portfolio'**)
- What are your stock-selection and asset-allocation criteria? (See answers under **'Stock selection & asset allocation'**)

So, let's find out where the markets are headed.

Change in asset allocation

● Equity ● Debt ● Cash



VINEET MALOO
Fund Manager, Aditya Birla Sun Life Mutual Fund

'View remains constructive over the next one year'

Market outlook

Globally, equity markets have climbed a wall of worry and are at record highs, driven by strong earnings growth. Headline valuations are at a 15–35 per cent premium to their long-term averages in the US, Eurozone and emerging markets. Even in India, one-year forward P/E multiples are at a 20 per cent premium to their long-term average. However, the economic growth and earnings trajectory have not normalised yet. And hence the valuation multiples could look elevated.

Given the elevated headline valuations and with Fed tapering, rising yields and a stronger dollar, FII flows to emerging markets, including India, can be impacted. So, volatility should be the base-case assumption in the near term.

India has been late in the recovery process versus developed markets but has the potential now to catch up. Consequently, a recovery in earnings growth is also expected and view remains constructive on the Indian market for the next one year to three years. Overall, the market may offer moderate returns over medium to long term.

Changes in equity portfolio

Our Balanced Advantage Fund portfolio has not changed substantially over the last three months. The fund has added some exposure to banking, industrials and cement. If you take a three-year view, cyclicals like industrials, capital goods, etc., are good because they can bounce back after a long time. India can get into the capex mode and it can drive order inflow for the industrials and capital-goods sector.

To capture the overall recovery, one can also take the route of banking and financial services. Since the bank balance sheets are in pretty good shape now, they should benefit from the pick-up in credit growth.

Real estate and allied or dependent sectors like building materials, home improvement, etc., are interesting areas. Some recovery is visible in housing demand. Lower interest rate and flat property prices have resulted in faster absorption of the housing inventory.

On the other side, there has been reduction in exposure to the IT and metal sectors. The cyclical upturn in the IT sector has possibly been played out. However, the secular tailwind can be better captured by stock-specific exposure, rather than allocating extra capital to the sector. As metal names have delivered strong returns, fund has taken some profits and reduced exposure in that space.

Stock selection & asset allocation

ABSL Balanced Advantage Fund follows a set of simple rules based on the measure of market valuation. The trailing four-quarter P/E ratio of the BSE 100 index is used as a barometer for overall market valuation. There are certain adjustments made to underlying earnings to make them more representative. Based the adjusted P/E ratio, there is an equity-allocation matrix which is followed religiously. The fund manager has to maintain equity exposure within the pre-defined band and is free to choose the exact exposure inside that range.

For choosing stocks, the fund follows a conservative strategy and relies on bottom-up analysis. The focus is to understand the gap between fair value and market price and the margin of safety available. **WI**

INTERVIEW

SANKARAN NAREN
ED & CIO, ICICI Prudential AMC

'The medium-term view has turned cautious'

Market outlook

The liquidity support unleashed by global central banks, coupled with very low cost of capital in most parts of the world, has played a big role in ensuring that equity markets remain resilient. As a result, the medium-term view has turned cautious due to valuations moving higher, while the long-term view on equity remains positive.

The four legs of economic growth, i.e., private consumption, government consumption, private investment and net exports are preparing to catch up, each at a different pace. Exports and government consumption will need to lead the pack and create a growth bridge till private investment and consumption recover from the impact of the pandemic. The economy is on the verge of capex recovery led by government policy and expenditure push, which will give impetus to private capex and consumption demand by creating employment. Owing to these factors, we expect business cycle to improve further.

In terms of trigger, we would continue to monitor US 10-year treasury yield and US Fed roadmap for withdrawal of stimulus, which are likely to be the biggest risks for domestic market over the next two years. Markets could turn volatile as and when it plays out. Hence, we have been recommending investors to opt for dynamic-asset-allocation strategies which are designed with aim to benefit out of volatility.

Changes in equity portfolio

We believe there are pockets of opportunities across several sectors which are still reasonably valued. In our Balanced Advantage Fund, currently, we are overweight auto, telecom and retail sectors due to reasonably attractive valuations. We are underweight cement, pharma, metals and software.

Stock selection & asset allocation

At ICICI Prudential, we believe the balanced advantage category should be apt for benefiting out of market volatility and can be a part of every investor's core portfolio. When it comes to asset allocation, ICICI Prudential Balanced Advantage Fund alters its equity allocation between 30 and 80 per cent based on an over-a-decade-old in-house model which is largely based on the price-to-book. The approach is counter-cyclical in nature, i.e., to increase equity exposure when valuations are attractive and reduce equity exposure as the valuation turns expensive, in effect buying low and selling high while keeping human emotions of 'greed and fear' aside. The fund is one of the few names which have withstood the test of a complete market cycle. Be it the Eurozone crisis (2011), taper tantrum (2013), NBFC crisis (2018) or the pandemic times (2020), the fund's counter-cyclical approach has aided in delivering a positive investment experience by aiding investors to benefit from market volatility.

Fund-management team: **Sankaran Naren** seated in centre; left to right: **Ihab Dalwai**, **Manish Banthia** and **Kayzad Englim**

The average net equity level of ICICI Prudential's Balanced Advantage Fund over past 10 years has been 53.7 per cent. As on October 31, 2021, the net equity allocation stood at 35.3 per cent. For yield enhancement, the fund can take covered call option or invest in REITs and InvITs.

In terms of stock selection, the portfolio largely consists of large-cap names and is benchmark-neutral. However, on relative basis, if mid and small caps present an attractive opportunity, we will consider taking an exposure to such pockets. **WI**

HARISH KRISHNAN
EVP & Fund Manager-Equity, Kotak Mahindra AMC Ltd

'Temper down expectations in the near term'

Market outlook

Corporate India is exiting from COVID-19 pandemic stronger than it entered into it. However, the key question is how much of this is already priced in. Over the last 18 months, Indian markets have had a dream run, outperforming most global markets significantly. We plotted the number of doublers in any five-year period over the last 20+ years, and thanks to this dream run, almost 70 per cent of NSE 500 stocks have doubled in the last five years – one of the highest readings in the last 20+ years. Similarly, when we look at BSE SME IPO index, which is up five times in last six months or the fact that many companies which have poor-quality balance sheets have significantly outperformed in the last six months, all point to the fact that one is better advised to temper down expectations from the market in the near term. Of course, the fact that fundamentals are strong implies that we will advise investors to use such opportunities to allocate to equities in the event of intermittent volatility.

Changes in equity portfolio

If we plot themes that have improved their relative competitive positioning in a post-COVID world over pre-COVID times, we find exporter and investment cycle to be best placed, as they have benefitted both from strong global growth, weak currency, improving balance sheet of India Inc driving investments, and improving real-estate cycle. Consumer discretionary is also likely to do well, as we think top 10–15 per cent of household have higher savings, which will be spent as economy opens up post COVID. Bottom-of-pyramid consumption is where we think India is worse off post COVID compared to before, as incomes have impacted the lower end of households. Given this broader top-down assessment, our preference is to play investment cycle via capital goods, cement, real estate and home building, and stronger financials. We are playing the export theme via IT services, select pharma and chemicals, and engineering export companies. In Kotak Balanced Advantage Fund, we have large weights in consumer discretionary via auto, retailers, aviation, eating out, etc., as well.

Over the last few months, at the margin, we have booked profits in mid and small caps, selectively participated in IPOs, as well as increased allocation to compounding plays over deep cyclical plays.

Stock selection & asset allocation

In our asset-allocation funds like Kotak Balanced Advantage Fund, we use a two-factor model of valuation and sentiment to arrive at net equity levels. This fund which has flexibility to move from 20 to 80 per cent is currently at 31 per cent in equities (we were fully invested in March-April 2020, taking benefit of depressed valuations and sentiments at that point of time).

In terms of stock-selection framework, our preference is to buy 'Best of Breed' companies across various sectors, and backing them up especially when the sector faces some transient headwinds. We look at business through lens of scalability and sustainability and management track record (alignment with minority investors, capital allocation, etc.) and valuations (we prefer growth and quality at a reasonable price) to evaluate companies. **WI**

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What drives free cash flows

...and how to use this understanding to pick winning stocks

SAURABH MUKHERJEA

The valuation of any business is the net present value of all expected free cash flows in future. As a result, for every business, an investor needs to build their expectation of the *quantum* of growth and the *longevity* of growth in free cash flows. This is a universal concept that applies to every business. However, what is *not* common across businesses is the *primary driver* of free cash flows (which particularly affects the *quantum* of growth in free cash flows). Consider the following examples.

Type 1 – Book value as the primary driver of free cash flows: Let's assume that there is a business which has a unique manufacturing process in a factory. The factory produces a product which meets an essential demand of a large customer base. Furthermore, let's assume that no competitor can produce a substitute product to meet this customer demand. As the business reinvests capital to expand its manufacturing capacity (plant and machinery), it delivers growth in free cash flows. To invest in such a business, investors must focus on growth in its asset base as the primary driver of its moat and hence free cash flows in the long term. Until half a century ago, investment in many great businesses was carried out on this basis (when the P/B multiple was a commonly followed metric).

> **Due to in-house manufacturing and distribution of small-ticket, high-volume products and services, our portfolio companies have a massive opportunity for deriving operating efficiencies around working-capital cycles and asset turns**

Type 2 – Profits as the primary driver of free cash flows: Let's say there is a business which has an exceptionally strong brand recall that cannot be replicated by a competitor. Since there is nothing differentiated about its product quality, the business outsources the entire manufacturing process, and hence it is an 'asset-light' business. The primary moat of such a business is its 'brand'. At the simplest level, the more this business advertises its brand across various media channels, the more it delivers volume growth, revenue growth and hence profit growth. Investing in such a business requires focus on only the 'profit and loss' statement – how much of profits from a given year get reinvested in advertising next year. Over the last 40 years, as penetration of mass media increased across countries, there were several such great businesses. It is not worth considering the P/B multiple for such a business – *its P/B multiple will keep rising as the business grows* (because the business is outsourcing its 'B'). Instead, the P/E multiple is more relevant for such a business.

Here is an interesting comparison of two different businesses from the same industry on P/B multiples – Procter & Gamble and Colgate Palmolive (the parents of both are listed in the US). P&G has grown its business through numerous acquisitions. These acquisitions have brought significant goodwill on to its balance sheet. On the other hand, Colgate-Palmolive has a negative accounting book value because its most valuable assets are the brands it has developed in-house over its hundred plus years of existence. Hence, P&G

looks cheaper based on the P/B multiple compared to Colgate (because the denominator is much bigger in the case of P&G). The two companies are in the same industry, but given the differences in their capital-allocation approach, one looks significantly cheaper than the other on the P/B multiple and that highlights the irrelevance of P/B.

Let's now move forward another step to see *businesses have which evolved even further and thus made the P/E multiple irrelevant.* Let's understand this more through a third type of business.

Type 3 – Operating efficiencies as a key driver of free cash flows: What if a business significantly reduces its working-capital cycle and increases its asset turnover through a variety of initiatives, consistently over the next 20 years? Let's assume that such a business also sustains high pricing power (and hence profitability on the income statement) and a healthy rate of capital reinvestment. In such a case, the rate of growth in free cash flows will far exceed both the rate of growth in its profits as well as the rate of increase in its net assets due to the reduction in working-capital cycles and increase in asset turnover. Investing in such a business requires focus on free cash flows (rather than just growth in net assets or growth in profits). *If the rate of growth in free cash flows of such a business remains higher than the rate of growth in earnings, then comparison of this business with a Type 2 competitor (as described above) on P/E multiple is flawed. In other words, the P/E of such a business will keep rising as long as the free-cash-flow growth of the business remains above earnings growth.*

If competitors cannot match the quantum of incremental operating efficiencies, they get suffocated because of lack of price hikes from the market-leading player

Hence, in equity investing, it is worth understanding the source of free-cash-flow growth of your investee company (metrics on balance sheet vs income statement vs cash-flow statement) in order to focus on the most relevant financial metric and hence a valuation approach.

Why focus only on free cash flows in the case of Consistent Compounders

In Marcellus' Consistent Compounders Portfolio (CCP), there are several companies whose growth in free cash flows tends to be far greater than the growth in their

Free-cash-flow growth vs earnings growth of non-financial companies in Marcellus' CCP PMS

	FCFF CAGR (%)			Earnings CAGR (%)		
Stock name	FY16-21	FY11-21	FY06-21	FY16-21	FY11-21	FY06-21
Abbott India	24	34	22	22	27	18
Asian Paints	19	19	27	12	14	20
Berger Paints India	2	36	15	15	17	16
Divis Laboratories	10	20	28^	12	17	25
Dr Lal Pathlabs	21	46**	82*	17	26	31*
Nestle India	7	13**	14	30	10	14
Page Industries	28	55**	35	8	19	25
Pidilite Industries	42^^	10^^	27^^	7	14	19
Titan company	66	15	29	8	8	16
TCS	15	22	25	6	13	17
Weighted avg	25	27	32	14	16	20

Source: Marcellus Investment Managers; Ace Equity. FCFF = Operating cash flow less capex less investment in subsidiaries/strategic investments /acquisitions. ^In case of Divis Labs, FCFF for FY06 was negative; hence, CAGR is for the period FY07-21. *In case of Dr Lal, earnings & FCFF is for the period FY08-21 as data prior was not available. **In case of Dr Lal, Nestle & Page, FCFF for FY11 was negative; hence, CAGR is for the period FY10-20. ^^In case of Pidiite, FCFF for FY21 is negative; hence, CAGR is for the period FY15-20, FY10-20 and FY05-20.

> **Titan worked with *karigars* to train them around efficient practices like theory of constraints and lean manufacturing, resulting in significant improvements in manufacturing efficiency**

profits. As shown in the table 'Free-cash-flow growth vs earnings growth...', FCFF (free cash flow to the firm) CAGR of our portfolio companies (ex-financials) has been 11-12 percentage points higher than the earnings CAGR consistently over the past five, 10, 15 years. *As a result, investors focusing on only the income statement or profits of these companies often get an incomplete understanding of their competitive advantages and hence valuations.*

A combination of the following three reasons makes most companies in Marcellus' Consistent Compounders portfolio akin to Type 3 companies defined above.

1. Focus on in-house manufacturing and distribution of products and services which are of day-to-day essentials: Our portfolio companies sell essential products and services such as pathology diagnostics, infant milk powder, undergarments for daily wear, OTC medication for daily consumption, etc. The small ticket sizes of these essential offerings orient their businesses towards large volumes of sales. Distribution of small-ticket, high-volume products to every nook and corner of India gives rise to complexities around management of inventory, receivables as well as payables in the supply chain.

Additionally, even though these companies have the option to outsource manufacturing at the back end and distribution at the front end, most of them have chosen to keep these functions in-house. For example, Nestle manufactures most of its product at its own factories. Page Industries is the only apparel manufacturer which employs its entire labour workforce on their payrolls, does not rely on wholesale-oriented distribution and also owns all fixed assets related to its manufacturing plants. Asian Paints directly sells its products to paint dealers on the high street, without any involvement of distributors or wholesalers and also manufactures all its products at its own manufacturing plants.

Due to in-house manufacturing and distribution of small-ticket, high-volume products and services, our portfolio companies have a massive opportunity for deriving operating efficiencies around working-capital cycles and asset turns.

2. Lack of price hikes to suffocate competition: In our June 1, 2020, newsletter (https://bit.ly/3nAW0Ix), we had highlighted that firms in Marcellus' CCP Portfolio – like Asian Paints, Abbott India, Dr Lal PathLabs – have historically avoided hiking product prices meaningfully. This is because by focusing more on volume of sales (rather than value), these companies do not intend to leave any room for their competitors to start any price wars to gain market share. Such firms consistently derive incremental operating efficiencies through investments in technology, systems and processes. These operating efficiencies help offset the adverse effect of inflation in raw material and operating cost, and hence negate the basic need to hike product prices. If competitors cannot match the quantum of such incremental operating efficiencies, they get suffocated because of lack of price hikes from the market-leading player.

3. Investments in technology to derive operating efficiencies which further strengthen their moats: There are several technology-based ingredients of competitive advantages of our portfolio companies which drive a greater rate of free-cash-flow growth compared to profit growth. For example, superior understanding of the end consumers' demand and preferences helps the manufacturer reduce dead inventory in its supply chain/distribution channel and convert working capital into cash much quicker compared to the competition. A faster cash-conversion cycle then helps the manufacturer to carry out activities such as making quicker payments to raw-material vendors and avoiding price hikes despite generating high returns on capital employed. Moreover, there exists immense scope for deriving operating efficiencies through initiatives such as the use of technology to automate manufacturing processes, reduce cycle times, derive raw-material procurement efficiencies to sweat the fixed assets harder.

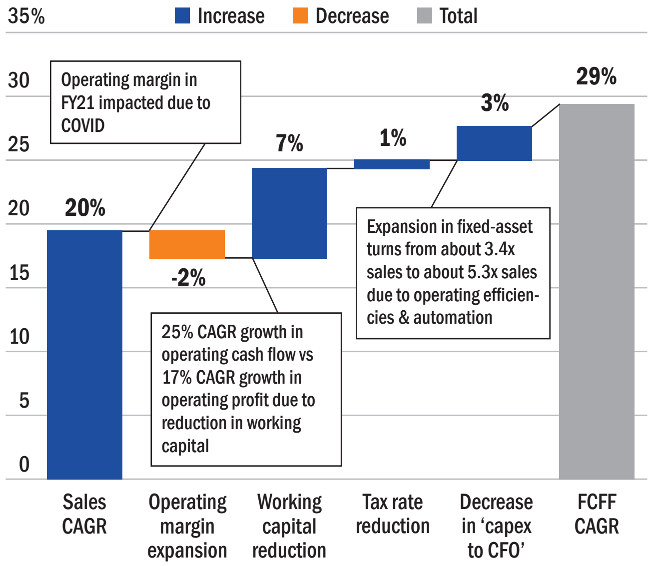
Most of the tech-investment-related competitive advantages are difficult for competitors to replicate, either because they are based on proprietary data, or because they were done over a period of time as part of the DNA of the organisation, rather than investments that were done at a single point of time in the past.

Here is an example of a Consistent Compounder which has focused on free-cash-flows-oriented initiatives.

Titan: A case study

In India, all jewellers outsource manufacturing of gold jewellery to the *karigar* (goldsmith) community which is highly unorganised and marked with outdated practices/technologies of manufacturing, along with poor work conditions. The resulting challenge is inefficient supply chain in form of higher wastage, high manufacturing lead times, leading to high investment in RM/WIP (raw material/work-in-process) inventory of a high-value commodity like gold. Titan radically disrupted the status quo, starting with the basics by engaging with *karigars* to upgrade their working conditions by providing health benefits, financing procurement of modern equipment, and investing in land and building for four '*karigar* centres' designed to improve lifestyle of *karigars*. Moreover, once the basics were addressed, Titan worked with *karigars* to train them around efficient practices like theory of constraints and lean manufacturing, resulting in significant improvements in manufacturing efficiency. As a result, over the period FY05–FY11, manufacturing lead time at vendors reduced from about 35 days to about six days, effectively reducing WIP inventory at vendors by one-sixth and improved Titan's ability to offer faster turnaround times and improved stock availability to its customers. While most of the plain gold jewellery manufacturing is outsourced to *karigars*, bulk of Titan's diamond jewellery products are manufactured in-house, where Titan used robotics to automate manual processes. This has improved capacity by 10 times over FY05–11 and has freed up hundreds of man-days of its workers.

Free-cash-flow growth break-up of Titan (FY06-21)



Source: Marcellus Investment Managers; Ace Equity. FCFF (free fash flow to firm) = Operating cash flow less capital expenditure.

Investment implications

There are four possible drivers of free cash flows of a firm:

1. Volume growth or revenue growth
2. Operating margins or profit growth
3. Reduction in working-capital cycles or operating-cash-flow growth
4. Increase in asset turnover or free-cash-flow growth

When it comes to high-quality companies, investors who have focused only on volume growth and profit growth (or only P/E multiples) and have ignored the other two factors have only partially been able to understand the long-term compounding ability of these companies. Having said that, building an understanding around working-capital cycles and asset-turnover prospects is far harder than understanding a company's earnings growth prospect for two key reasons. Firstly, it requires greater depth of research around the business's operating efficiencies. And secondly, it requires a greater degree of patience from an investor, because free cash flows can be far more volatile in the short term compared to profits or book value per share.

Note: All the firms named in table/chart are part of Marcellus Investment Managers' portfolios. **WI**

Saurabh Mukherjea is part of the Investments team at Marcellus Investment Managers (www.marcellus.in). He is the author of 'Diamonds in the Dust: Consistent Compounding for Extraordinary Wealth Creation'.

EVERYDAY ECONOMICS

Economic policy sans economics

Sound economic policymaking demands healthy regard for technical expertise

PUJA MEHRA

November 8 was the fifth anniversary of demonetisation. Prime Minister Narendra Modi had announced it in 2018 as an assault on the black economy, going against the official advice of the economists in the Reserve Bank of India (RBI). The government has not produced any evidence of corruption having reduced even five years after the controversial decision was taken. New research (https://bit.ly/3kYxL4Z) out in October 2021, though, gives fresh insights in the rent-seeking behaviours of the bureaucracy.

Amit Chaudhary and Song Yuan of the University of Warwick looked at the economic returns for bureaucrats, specifically the Indian Administrative Service (IAS) – the elite civil service in India – after their reassignment to important ministries. They found that the increase in individual officials' assets is higher after reassignment to important ministries that are more prone to corruption. Positions in some economic ministries or departments such as Finance and Urban Development are known to provide opportunities to make influential policy decisions. Other such departments include those in charge of excise and sales tax, food and civil supplies, health, home, industries, irrigation and public works. Chaudhary and Yuan found that the increases in assets were higher in more corruption-prone states. The researchers found that bureaucrats working in their home states, as against in the central government, accumulated more immovable assets after such transfers. Previous experience in important ministries continued to contribute to the asset accumulation of bureaucrats in these state postings.

The results suggest that after bureaucrats are transferred to an important ministry with the power to make influential policies, there is an increase in the reported value of immovable properties by 53 per cent, and the number of properties owned by 19 per cent. In contrast, when no such powers accrue from transfers, bureaucrats report annual growth rate of 10 per cent in the value of assets and the number of assets is 4.4 per cent higher. These findings are important because private returns due to rent-seeking can reduce the quality of governance.

The average number of immovable properties worked out to 2.4 in the researchers' sample. The mean and median value of immovable properties (the total value of immovable properties for the family of an officer) are ₹1,15,19,000 and ₹52,00,000, respectively. In comparison, the average wealth per adult in India was ₹5,44,000 in 2015. The value is large considering the average family size of 4.8 in India and average annual salary of ₹9,00,794 in the IAS. The median house price for metros in India is ₹15,00,000. In underdeveloped rural areas, it was ₹2,00,000 in 2016. According to the Reserve Bank of India's 'Indian Household Finance Report' in 2017, real estate consists of more than 77 per cent of the total household assets in India.

Bureaucrats are required to make financial disclosures every year about their and their family members' assets such as immovable properties

After bureaucrats are transferred to an important ministry with the power to make influential policies, there is an increase in the reported value of immovable properties by 53 per cent, and the number of properties owned by 19 per cent

acquired over time, including houses and land. The Department of Personnel and Training (DoPT) checks the reports and compares the submitted value with the market price of the immovable properties to scrutinise for the accuracy of disclosures. The Income Tax Department also examines them for under- or misreporting of assets by comparing with the tax records of officers. The two researchers used this data – covering 31,000 reports of immovable properties of more than 5,100 IAS officers in all states from 2012 to 2020 – for each individual official, along with their respective career histories from official records of executive record sheet, to track the dynamics of assets before and after transfer to an important ministry and estimate the flow of private returns to public servants after bureaucratic reassignments. The executive record sheet contains comprehensive resume information of IAS officers from 1947 onwards, including the details on the date of birth, allotment year, education, domicile, language spoken, posting history (designation, ministry/department, period, work location, and level of seniority) and training.

Besides broadening and deepening the debate on the merits and demerits of ideas such as demonetisation, the findings also challenge a commonly held myth that is often offered as explanation for poor performance by government. It is said that the set remuneration structures, with no incentives for competence or performance, result in poorly motivated bureaucrats and poor delivery of governance. The researchers' findings add new insights to the conventional view on the incentives in bureaucracies by showing that the private returns of being a bureaucrat are high, and bureaucrats do not face low-powered incentives. Performance-linked incentives are built into non-government salaries. The pay and promotion norms for bureaucrats are quite different than those in the private sector. Compensation paid in government, both perks and salary, does not take into account competence or performance – partly because it is difficult to measure output and apply performance incentives in policy work but mainly because the bureaucracy, being the permanent structure in government, has multi-dimensional objectives, even as the political bosses, and their objectives change depending on electoral outcomes. Bureaucrats play a crucial role in state capacity and public-service delivery, the two permanent functions of government, regardless of the preferences of the political party in office. IAS officers perform the vital functions of civil administration and policymaking.

IAS officers are transferred between posts at the will and discretion of political executives. Sometimes senior bureaucrats push for pliable or agreeable subordinates. A reform being tried out for solving the problem of low quality of governance and policymaking in India is to recruit laterally from the private sector for senior government positions, on par with career bureaucrats.

But this doesn't eliminate the potential for private returns of holding a senior position in an important ministry. It doesn't matter where the appointee comes from – IAS, other cadres such the Indian Revenue Service or the private sector. What matters is that once appointed, anyone can milk the system for private returns. Fixing corruption and the black-economy problems is serious business. Whimsical decisions like demonetisation may turn out well for electoral politics but sound economic policymaking demands healthy regard for technical expertise. **WI**

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

Will inflation sustain higher for longer?

Some data points to help you estimate the inflation trajectory

ANAND TANDON

The last several quarters have seen the RBI maintain an 'accommodative' monetary-policy stance, with inflation forecasts that remain within the mandated band – even as realised inflation and consumer expectations have risen considerably, and remain at elevated levels. India is not the only country witnessing inflation. After years of low or negligible inflation, developed markets are feeling the heat of rising prices, though economists continue to forecast a cooling-off as prices stabilise (see charts 'RBI household inflation expectations' and 'Strong global inflation now but receding next year').

Return to normal?

Two assumptions anchor the lower forecasts: (a) much of the price increase is on account of supply-chain disruptions caused by COVID and (b) commodity prices will stabilise or fall from current levels. Taken together, it makes the case for moderation going forward. But this may turn out to be a simplistic assumption.

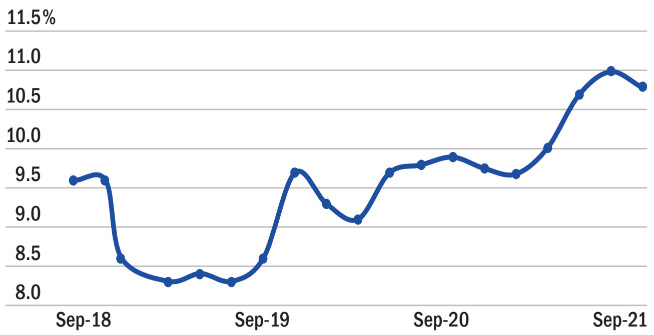
Per forecast of Morgan Stanley, the G10 economies will likely close their output gap by 2022-2023. Consumer demand even now far outstrips the supply in the US, even as China's exports grow rapidly (see charts 'US consumer goods' and 'China exports').

This demand spike has led to an increase in the price of fuel and metals, both of which have witnessed reduced investment over years. Production increase is going to take a while as investments need to increase. These are also constrained by ESG concerns, leading to a scenario where high prices may sustain longer than anticipated. Port capacities are constrained and lead times are long for clearing cargo (see charts 'Harpex Container Shipping Rate Index' and 'US ISM Supplier Delivery Times Index').

It is not possible to simply increase production of commodities without significant investment in production facilities and this cannot be achieved overnight. Inventory levels of fuel and metals are low and even if production does increase to sustain the increased demand, it will be a while before supply catches up or outstrips demand.

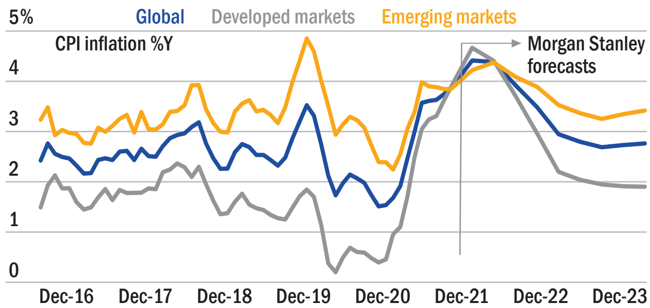
Take the case of steel. Prices have moderated over the past few weeks, but that can also be attributed to

RBI household inflation expectations: One year ahead



Source: CEIC, YES Sec – Research

Strong global inflation now but receding next year



Source: Haver Analytics, Morgan Stanley Research forecasts. Note: The global aggregate is a weighted average using PPP weights.

slower demand from sectors like automobiles, which have been impacted by the lack of semiconductor supply. Latest commentary from semiconductor manufacturers suggests that supply is now back to normal levels. This could lead to an increase in auto production, putting upward pressure on steel prices all over again.

Employee activism has picked up

In many countries, payments to citizens on account of COVID has improved household finances to the extent that workers are unwilling to return to the workforce. In the US, in particular, relatively high unemployment is coupled with jobs going unfilled. Workers are demanding more wages for their services, and this at a time when services demand has yet to pick up since many economies continue to suffer from COVID-related lockdowns. A pick-up in services will occur as these restrictions are lifted.

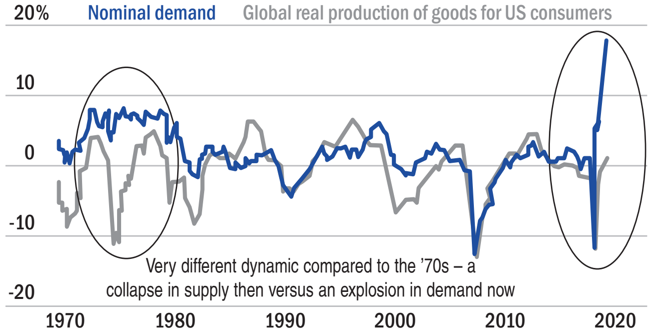
Labour-union activity has picked up, with organised labour demanding – and in cases receiving – benefits that may not have been conceivable even a few years ago. In Australia, Hutchison Ports Australia agreed on a settlement after three years of negotiation (https://bit.ly/3l0hdcX). Some of the clauses agreed to are:

- Workers have the right to appoint up to 40 per cent of the workforce and the union can appoint another 30 per cent. Only 30 per cent is at the discretion of the management.
- Workers will receive five wage increases of 2.5 per cent each over the next four years.
- Operational rosters will drop from 35 hours per week to 30–32 hours per week and workers will be entitled to paid leave of 20 days for domestic violence!
- The agreement caps casual employees, prevents redundancies (workers cannot be fired during the term of the agreement) and has clauses against automation.

United Auto Workers (UAW) in the USA has reported several successful strikes in the recent months. The latest was the agreement at Deere & Co., where it received a 10 per cent immediate raise and $8,500 “ratification bonus” along with other benefits. Earlier in the year, UAW workers struck work at Volvo and secured better benefits. In November, Kellogg continues to face a month-long strike at four of its cereal plants in the US.

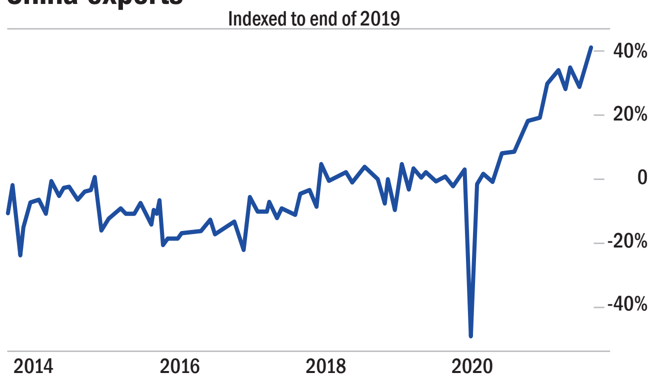
High liquidity and loose monetary policies have helped keep interest rates low while fuelling demand. Central banks are unwilling to tighten even as indications of inflation over-reaching their targets abound. With labour markets turning tight, an overshoot on inflation cannot be ruled out.

US consumer goods (de-trended level)



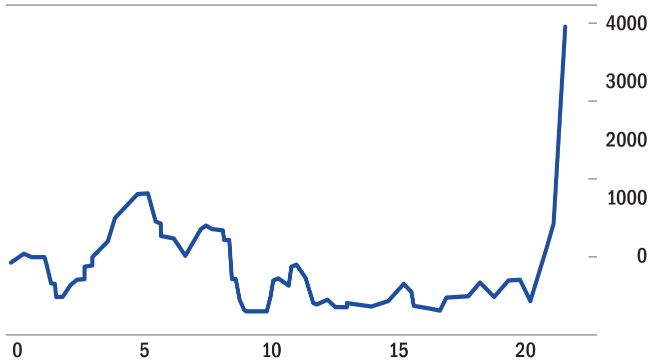
Source: CLSA

China exports



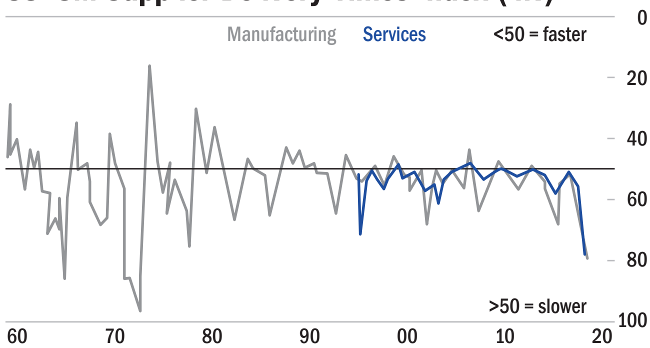
Source: CLSA

Harpex Container Shipping Rate Index



Source: CLSA

US ISM Supplier Delivery Times Index (Inv)



Source: CLSA

Are earnings forecasts overly optimistic?

While consumer prices are rising, producer prices have galloped. In India, the gap is an unprecedented 640 basis points. This indicates a manufacturing sector struggling to pass on price increases to customers. This is not restricted to India alone (see charts 'India net profit margin vs PPI (WPI) less CPI' and 'Global net profit margin vs PPI less CPI').

Despite this, analysts continue to forecast increasing margins and earnings increase. Over the past decade, analyst estimates have had to be toned down meaningfully every year as initial bullish forecasts meet the reality of performance. The current year may see strong earnings growth on the back of performance of metal stocks and banks (as the NPA write-offs ease). However, to expect a repeat would require sustained increase in metal prices (which does not then square with benign inflation projections) and rapid increase in credit growth, which continues to remain tepid. It is likely that estimates for FY23 and beyond will again need to be tempered down.

Despite unprecedented bullish predictions, the Indian market continues to trade at a premium to its history as well as in comparison to other emerging markets (see charts 'India cyclically adjusted P/E' and 'India ROE and P/B relative to emerging markets').

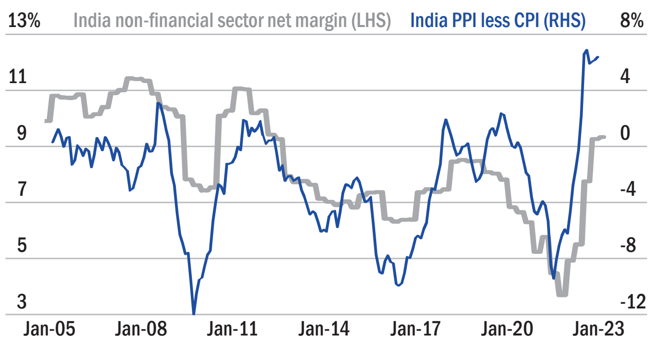
At over 31x cyclically adjusted P/E, the Indian market trades at significantly over one standard deviation of its 18-year average. Emerging markets trade at a discount to their 24-year average. Using ROE and P/B as metrics reveals a greater dissonance. While Indian corporate ROE has consistently fallen over the past two decades compared to emerging markets, the price-to-book ratio has remained largely constant. India trades at thrice China's P/B, and over twice its EV/EBITDA, EV/sales and P/E ('EV' means enterprise value).

Overall, the set-up of high earnings estimates, high relative valuations and cyclically high margins leaves open the potential for multiple negative shocks. The RBI has started to reduce excess liquidity in the system – thus far by suspending its G-SAP (Government Securities Acquisition Programme).

Though negative for equities in the near term, this in itself is not enough to spook the market. A global event is more likely to prick the rally than anything that occurs in India. That said, prudence demands a lower allocation to risky assets – particularly those where free cash flows are way out in the future on assumptions of rapid and sustained growth in the near term. **WI**

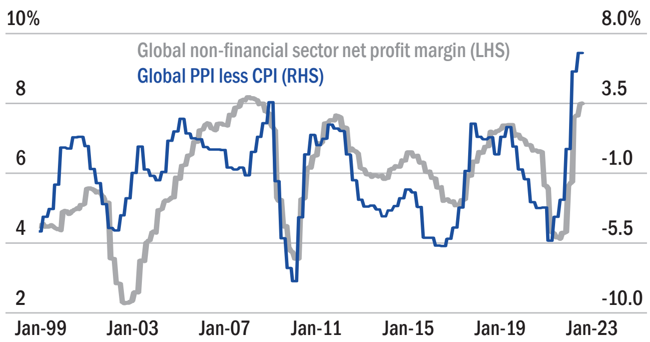
Anand Tandon is an independent analyst.

India net profit margin vs PPI (WPI) less CPI



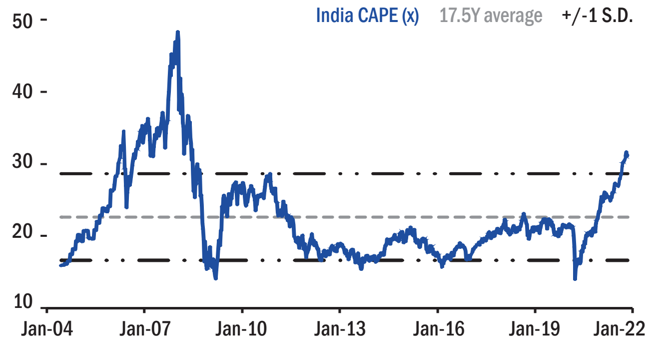
Source: CLSA, Refinitiv - Datastream

Global net profit margin versus PPI less CPI



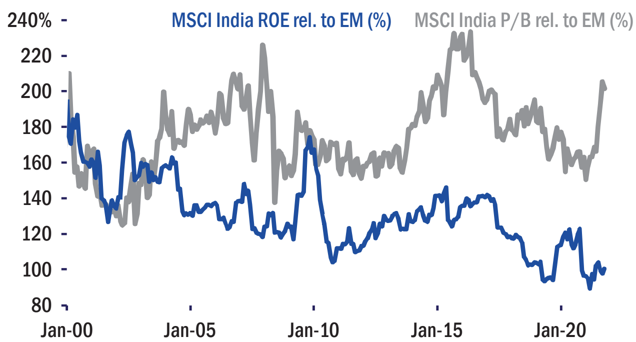
Source: CLSA, Refinitiv - Datastream

India cyclically adjusted P/E (CAPE)



Source: CLSA, IBES, Refinitiv

India ROE and P/B relative to emerging markets



Source: CLSA, MSCI

Ideas to delve deeper

Sound investment methods outlast cycles and fads and generate profits over the long run. Value Research presents stock screens based on time-tested principles. What are stock screens? These are a listing of attractive stocks based on the objective principles of sound investment. We apply stock filters carefully crafted by Value Research analysts on the universe of Indian stocks to identify these attractive stocks. The filters are devised to identify stocks of the following kinds:

- Quality stocks available cheap
- Discount to book value
- Attractive blue chips

We believe that stocks listed in this section are a good starting point to start a close scrutiny before adding them to your portfolio. However, please *note that they are not our recommendations.*

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

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

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

Key terms

Universe companies In order to arrive at our universe of companies, we checked if the companies traded on all the days for the last two quarters. We considered the companies with a market capitalisation of more than ₹500 crore.

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

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

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

EPS growth Growth of the EPS over a specified time period – trailing 12 months (TTM), a quarter or five years. Quarterly comparisons are on a year-on-year basis. For five years, the figures are annualised.

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

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

Dividend per share Total dividend declared during the year divided by the total number of outstanding shares.

Net sales This is simply the income that a company derives by selling the goods and services that it produces. The downside of taking sales as an indicator of growth is that it may not be matched by a similarly scintillating bottom-line (net profit) performance. A company may be earning revenue at a high rate. But if it is doing so by incurring a very high cost, the bottom line may not grow in proportion to the growth in the top line (sales).

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

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

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

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

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

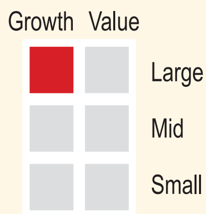
Dividend-payout ratio This is the total dividend paid to the shareholders as a percentage of net profit.

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 bankruptcy within two years. A Z-Score of more than three is desirable.

Modified C-Score It tells the probability of financial manipulations. In order to develop it, we have modified James Montier's C-Score. A C-Score of less than four 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 to the current outperformer in terms of profitability and financial improvement. An F-Score of seven or above is good.

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



Quality stocks available cheap

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

REASONS TO INVEST

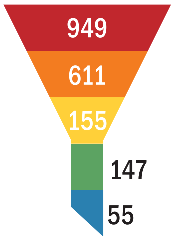
- Safety
- Soundness
- Good performance
- Reasonable valuations

THE FILTERS

- Market cap greater than ₹1,000 cr
- Z-Score greater than 2.99
- F-Score greater than or equal to 7
- C-Score less than 4
- PEG less than 1
- P/E to median P/E less than 1.5
- Earnings yield greater than 5%

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

No. of companies that cleared the filters



Safe bets

Company Industry	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Action Const Equipment Construction		8.1	8	2	6.2	23.3	0.42	2,598	220	292-92
Ambika Cotton Mills Cotton & Blended Yarn		10.9	9	2	16.1	8.6	0.40	1,128	1,972	2349-712
Andhra Petrochemicals Organic Chemicals		7.8	8	1	35.1	4.8	0.08	1,053	125	197-36
BASF India Misc.Chem.		4.9	8	2	6.8	24.0	0.37	11,977	2,768	3930-1486
Butterfly Gandhimathi App Domestic Electrical Applns.		6.5	9	0	5.7	29.3	0.52	1,583	890	1070-370
Cadila Healthcare Drugs & Pharma		5.0	9	0	5.5	9.7	0.43	46,928	464	674-408
Chambal Fert and Chem Nitrogenous Fertilizer.		4.7	9	1	11.7	8.3	0.11	15,252	365	451-185
Coromandel International Other Fertilisers		7.1	8	1	8.7	16.5	0.60	22,421	764	956-711
Cosmo Films Plastic Films		3.6	8	1	15.4	8.1	0.29	2,634	1,444	1679-416
Deepak Nitrite Organic Chemicals		17.8	8	1	5.0	27.3	0.42	29,121	2,112	3020-786
Everest Kanto Cylinder Metal Tanks & Fabrications		4.7	8	3	15.5	7.6	0.22	1,565	139	162-41
Finolex Industries Plastic Tubes & Pipes		9.5	9	3	10.2	13.8	0.58	12,990	209	268-114
Garware Hi-Tech Films Plastic Films		5.9	8	3	13.5	12.2	0.24	1,858	800	1225-307
Gravita India Non-Ferrous Metal		4.9	8	1	8.8	13.9	0.30	1,359	200	234-49

STOCK SCREEN

Company Industry	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Greenpanel Industries Wood		5.6	9	1	5.6	25.5	0.01	4,661	377	422-79
Gufic Biosciences Drugs & Pharma		6.3	9	1	6.2	22.7	0.43	1,827	187	232-99
Gujarat Narmada Valley Nitrogenous Fertilizer.		3.9	8	0	32.8	5.6	0.18	6,316	408	518-194
Gulshan Polyols Organic Chemicals		9.0	9	1	11.8	12.6	0.46	1,191	259	331-64
Hathway Cable & Datacom Telecom Services		11.7	8	1	7.1	17.6	0.77	3,602	21	37-20
HIL Cement & Asbestos prod.		4.5	8	0	9.7	13.5	0.37	3,308	4,394	6758-1950
INEOS Styrolution Thermoplastics		7.2	8	3	25.6	5.8	0.11	2,545	1,431	1887-666
Insecticides Pesticides		3.6	8	2	11.1	11.9	0.63	1,249	639	847-405
Jindal Poly Films Misc.Chem.		3.8	9	2	28.0	4.6	0.23	4,306	988	1169-411
JK Cement Cement		4.3	8	1	5.1	33.4	0.50	26,348	3,404	3838-1850
JK Lakshmi Cement Cement		3.3	9	1	10.5	15.2	0.10	7,326	624	816-308
Jubilant Pharmova Drugs & Pharma		4.0	8	1	10.7	11.5	0.85	9,557	601	1047-585
K.P.R. Mill Cotton & Blended Yarn		14.6	9	2	6.0	22.8	0.93	17,003	495	548-150
KCP Cement		3.2	8	2	22.2	7.1	0.71	1,677	129	169-65
Kirloskar Brothers Pumps & Compressors		3.1	8	3	8.4	16.7	0.23	2,785	348	505-117
LG Balakrishnan & Bros Auto Ancillaries		4.7	8	3	18.3	6.9	0.45	1,583	503	591-243
LT Foods Other Agriculture Products		3.0	9	1	13.8	7.7	0.25	2,132	67	91-49
Manali Petrochemicals Organic Chemicals		9.4	9	1	29.4	5.3	0.16	2,046	119	139-30
Morepen Laboratories Drugs & Pharma		5.4	8	1	6.1	18.0	0.36	2,164	48	75-26
NACL Industries Pesticides		3.8	8	2	7.7	20.5	0.49	1,385	69	89-36
National Aluminium Co Aluminium		4.6	8	2	16.1	7.8	0.74	18,247	99	128-35

Company Industry	Stock style	Altman Z-Score	Piotroski F-Score	Modified C-Score	Earnings yield (%)	P/E	PEG	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
NCL Industries Cement		3.4	9	0	18.4	7.4	0.32	1,016	223	305-115
NGL Fine-Chem Drugs & Pharma		22.8	8	2	5.6	25.8	0.69	1,637	2,605	3789-1016
NMDC Minerals		4.4	8	1	38.8	3.8	0.21	41,248	142	213-92
Orient Cement Cement & Asbestos prod.		3.2	8	0	13.5	10.9	0.17	3,279	160	186-69
PDS Multinational Fashions Textile Processing		4.8	8	2	7.9	19.0	0.49	3,753	1,436	1700-391
Pix Transmissions Rubber & Rubber Prod.		7.2	8	3	10.1	13.2	0.23	1,022	752	930-190
Punjab Chemicals Organic Chemicals		5.6	8	2	5.6	26.2	0.88	1,786	1,447	1934-630
Ramco Industries Cement & Asbestos prod.		4.3	9	0	9.2	6.2	0.41	2,264	262	367-206
Redington Trading		5.0	8	0	19.3	10.7	0.58	11,189	144	179-62
Rupa & Company Readymade Garments		8.1	9	1	7.6	18.1	0.84	3,462	443	550-208
SH Kelkar and Co Personal Care		3.4	8	1	6.9	12.1	0.95	2,206	158	207-106
Shakti Pumps Pumps & Compressors		5.0	9	1	11.6	12.7	0.09	1,080	585	910-221
Somany Home Innovation Construction		7.5	9	1	5.4	15.3	0.01	2,948	407	486-108
Stylam Industries Wood		9.9	9	1	5.0	26.8	0.76	1,795	1,115	1420-927
Sunflag Iron and Steel Co Finished Steel		3.0	8	2	23.8	5.1	0.25	1,344	75	97-49
Surya Roshni Diversified		4.3	9	0	8.2	16.6	0.82	3,259	596	868-255
Thirumalai Chemicals Organic Chemicals		4.9	8	2	15.2	9.7	0.33	2,343	230	357-81
TV18 Broadcast Media & Entertainment		6.3	8	3	12.6	11.3	0.18	7,166	42	53-26
Vardhman Special Steels Stainless Steel		4.1	8	2	14.6	10.2	0.25	1,024	253	309-91
Welspun Corp Steel Tubes & Pipes		3.4	8	3	22.7	6.5	0.15	3,930	151	166-106

Data as on November 23, 2021. New entrants.

Discount to book value

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

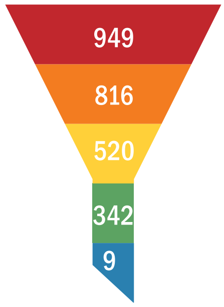
REASONS TO INVEST

- Really cheap
- Relatively undervalued
- Companies with assets

THE FILTERS

- Market cap greater than ₹1,000 cr
- Debt-equity ratio of less than 1.5 times
- Return on net worth of more than 10% in the most recent year
- Companies must have a five-year earnings growth of more than 10%
- Price-to-book should be between 0.01 and 1

No. of companies that cleared the filters



Bargain hunt

Company Industry	Stock style	P/E	P/B	5Y EPS growth (%)	Dividend yield (%)	Debt-equity ratio	RoE (%)	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Authum Investment & Infra Infrastructure		4.8	0.8	189	0.0	1.4	45.7	2,689	158	206-14
Bengal & Assam Company Diversified		3.0	0.5	10	0.4	1.3	10.6	2,288	2,030	2505-1300
Gujarat Narmada Valley Nitrogenous Fertilizer.		5.6	0.9	31	1.9	0.0	12.1	6,378	411	518-194
Indian Oil Corporation Oil Refineries & Marketing		4.6	0.9	13	9.5	1.0	19.8	1,18,713	126	142-84
Kirloskar Industries Industrial Machinery		5.1	0.6	18	0.7	0.2	22.8	1,406	1,455	1975-690
Nava Bharat Ventures Diversified		5.0	0.4	13	2.2	0.8	12.8	1,659	114	133-47
Oil India Oil & Gas Exploration		5.2	0.8	13	2.5	0.8	15.4	21,357	197	268-94
Tata Steel BSL Finished Steel		1.3	0.4	17	0.0	0.5	12.8	9,354	85	110-28
UFLEX Packaging & Containers		4.1	0.6	21	0.5	0.7	16.5	3,584	500	658-338

Data as on November 23, 2021. EPS growth rates are annualised. New entrants.

Attractive blue chips

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

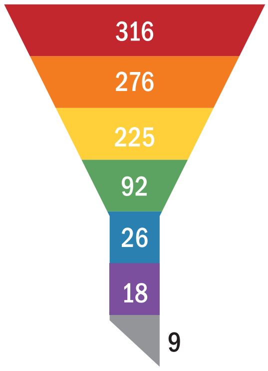
REASONS TO INVEST

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

THE FILTERS

- Market cap more than Rs 10,923 cr
- Debt-to-equity ratio between 0 and 2
- Interest-coverage ratio more than 2
- 5Y average ROE more than 20%
- 5Y EPS growth more than 20%
- PEG (5Y) 0 to 1.5
- 5Y ROE consistency without losing 20% year on year

No. of companies that cleared the filters



Solid foundation

Company Industry	Stock style	P/E	PEG	Debt-equity ratio	Interest coverage ratio	5Y avg RoE (%)	5Y EPS growth (%)	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Alkyl Amines Chemicals Organic Chemicals		53.4	1.19	0.1	64.3	33	45	16,541	3,222	4749-1389
APL Apollo Tubes Steel Tubes & Pipes		42.3	1.20	0.3	9.3	22	30	22,803	914	1050-316
Balkrishna Industries Tyres & Tubes		30.4	1.42	0.2	133.2	20	21	44,278	2,297	2724-1516
Chambal Fert and Chem Nitrogenous Fertilizer.		8.3	0.11	0.7	9.1	26	50	15,123	366	451-185
Coromandel International Other Fertilisers		16.5	0.60	0.0	17.9	24	28	22,443	761	956-711
K.P.R. Mill Cotton & Blended Yarn		22.8	0.93	0.3	22.0	22	27	17,037	487	548-150
Lux Industries Readymade Garments		40.5	1.02	0.1	29.5	29	35	13,031	4,284	4644-1515
Petronet LNG Natural Gas Utilities		11.1	0.42	0.0	12.7	24	26	33,660	223	275-211
Supreme Industries Other Plastic Products		23.8	0.95	0.0	49.2	24	25	27,311	2,150	2694-1544

Data as on November 23, 2021. New entrants.

It is important that all democratic nations work together on cryptocurrency or Bitcoin and ensure it does not end up in the wrong hands, which can spoil our youth.

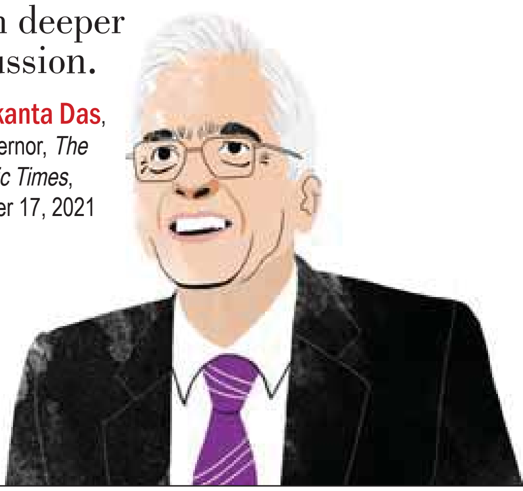
Narendra Modi, Prime Minister, *Business Standard*, November 19, 2021

I appeal to industry not to further delay increasing capacity, not to further delay looking at areas to partner in technology... At a time when India is looking at healthy growth, I want India Inc to be a lot more risk-taking, build capacity and understand what India is looking for...We want the Indian industry to come forward and expand.

Nirmala Sitharaman, Finance minister, *The Economic Times,* November 18, 2021

The technology (blockchain) is more than 10 years old – it did not come yesterday. The technology will grow and can grow without cryptos... RBI, as the central bank, entrusted with the responsibility of maintaining financial stability, after due internal deliberations, says there are serious concerns [with cryptos] over macroeconomic and financial stability. There are deeper issues, which need much deeper discussion.

Shaktikanta Das, RBI Governor, *The Economic Times*, November 17, 2021



India is better positioned currently, as its macroeconomic fundamentals have improved significantly, and external sector indicators point to the availability of enough cushions to manage external shocks.

Michael Debabrata Patra, Deputy Governor, RBI, *Mint*, November 16, 2021

Indian two-wheeler makers are not as lightweight as some startups would like to think they are... I would like to 'bet on BET' — Bajaj, Enfield, and TVS. They are the champions with a proven track record…Two things are very clear. If we launch a motorcycle in October, you will get it in November. It's not that if we launch it in 2021, you will get it in 2022. That's the start-up way, not the legacy way. From a company point of view, Ola's business model is a cash-burn one. Ours is a cash-flow model.

Rajiv Bajaj, MD, Bajaj Auto, *Business Standard*, October 28, 2021