Value Research

Wealth Insight

June 2024 ₹125

Beat it

9 growth stocks to beat the market

₹1 Lakh invested since inception* in HDFC Top 100 Fund has grown over 100x into ₹ 1.27 Cr.$$

SOUND INVESTMENT + TIME + PATIENCE = WEALTH CREATION

SCAN TO INVEST

A. HDFC TOP 100 Fund - SIP Performance^ - Regular Plan - Growth Option

	Since Inception*	15 year SIP	10 year SIP	5 year SIP	3 year SIP	1 year SIP
Total Amount Invested (₹ in lacs)	33.10	18.00	12.00	6.00	3.60	1.20
Market Value as on April 30, 2024 (₹ in lacs)$$	827.09	60.47	27.28	10.48	5.07	1.42
Returns (%)$$	**18.93**	**14.77**	**15.69**	**22.51**	**23.53**	**34.94**
Benchmark Returns (%)#	**N.A.**	**14.43**	**15.26**	**19.60**	**18.70**	**32.64**
Additional Benchmark Returns (%)##	**14.70**	**13.96**	**14.78**	**17.72**	**15.71**	**21.79**

Assuming ₹ 10,000 invested systematically on the first Business Day of every month since October 11, 1996 (Scheme Inception Date). CAGR returns are computed after accounting for the cash flow by using XIRR method (investment internal rate of return) for Regular Plan - Growth Option. The above investment simulation is for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital. SIP - Systematic Investment Plan. HDFC AMC/HDFC MF is not guaranteeing or assuring any returns on investments in the Scheme.

B. HDFC Top 100 Fund - Performance^ - Regular Plan - Growth Option

NAV as at April 30, 2024 ₹ 1045.768 (per unit)

Period	Scheme Returns (%)$$	Scheme Benchmark Returns (%)#	Additional Benchmark Returns (%)##	Value of investment of (₹) 10,000		
				Scheme (₹)$$	Benchmark (₹)#	Additional Benchmark (₹)##
Last 1 Year	36.11	31.95	23.23	13,646	13,225	12,344
Last 3 Years	22.33	17.85	16.52	18,318	16,374	15,827
Last 5 Years	15.74	15.84	15.13	20,785	20,873	20,245
Since Inception*	19.23	N.A.	13.90	12,75,113	N.A.	3,61,357

Common notes for the above table A & B: Past performance may or may not be sustained in future and is not a guarantee of any future returns. *Inception Date: October 11, 1996. The scheme is managed by Mr. Rahul Baijal since July 29, 2022. # NIFTY 100 (Total Returns Index). ## S&P BSE SENSEX (Total Returns Index). $$ All Distributions declared prior to the splitting of the Scheme into IDCW & Growth Options are assumed to be reinvested in the units of the Scheme at the then prevailing NAV (ex-distribution NAV). N.A. Not Available. ^Above returns are as on April 30, 2024.

C. Performance of Other Funds Managed by Mr. Rahul Baijal, Fund Manager of HDFC Top 100 Fund (who manages total 3 schemes)

Scheme	Managing Scheme since	Returns (%) as on April 30, 2024		
		Last 1 year (%)	Last 3 years (%)	Last 5 years (%)
HDFC Business Cycle Fund	November 30, 2022	31.99	N.A.	N.A.
Benchmark - NIFTY 500 (Total Returns Index)		38.89	N.A.	N.A.
HDFC MNC Fund	March 09, 2023	26.86	N.A.	N.A.
Benchmark - NIFTY MNC (Total Returns Index)		37.40	N.A.	N.A.

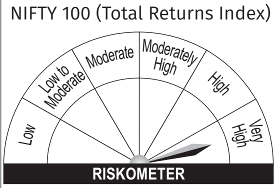
Past performance may or may not be sustained in future and is not a guarantee of any future returns. Returns greater than 1 year period are Compounded Annualised (CAGR). Load is not taken into consideration for computation of above performance(s). Different plans viz. Regular Plan and Direct Plan have different expense structure. The expenses of the Direct Plan under the scheme will be lower to the extent of the distribution expenses/commission charged in the Regular Plan. The above returns are of Regular Plan - Growth Option. Returns as on April 30, 2024. N.A. Not Available.

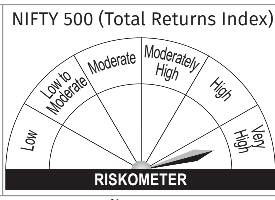
HDFC TOP 100 FUND (An open ended equity scheme predominantly investing in large cap stocks) is suitable for investors who are seeking~:

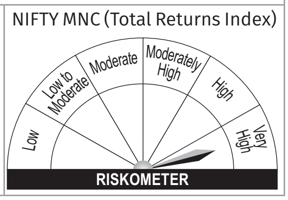
- To generate long-term capital appreciation / income
- Investment predominantly in Large-Cap companies

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

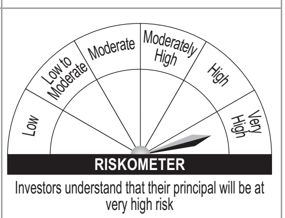
Name of scheme		
HDFC Top 100 Fund	HDFC Business Cycle Fund	HDFC MNC Fund
Name and Riskometer^^ of Benchmark		
NIFTY 100 (Total Returns Index)	NIFTY 500 (Total Returns Index)	NIFTY MNC (Total Returns Index)







Name of scheme	Riskometer^^ of the Scheme
• HDFC Top 100 Fund • HDFC Business Cycle Fund • HDFC MNC Fund	



Benchmark and Scheme Riskometer as on April 30, 2024.
^^For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. **www.hdfcfund.com**

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

To invest, Visit: www.iciciprumf.com | Download IPRUTOUCH App   Contact your Mutual Fund Distributor

*Inception date is 18 Jan 2021

ICICI Prudential Business Cycle Fund (An open ended equity scheme following business cycles based investing theme) is suitable for investors who are seeking*:	SCHEME RISKOMETER low, low to moderate, moderate, moderately high, high, very high Investors understand that their principal will be at Very High risk
• Long term wealth creation • An equity scheme that invests in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles.	
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.	

The Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis.
Please refer www.icicipruamc.com/news-and-updates/all-news for more details on scheme riskometers.

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

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VOLUME XVII, NUMBER 12

Footsteps to failure

Prashant Desai
Author, 'The Biography of a Failed Venture'

"Growth and the quality of growth come much before valuations"

Ashutosh Bhargava
Fund Manager & Head – Equity Research, Nippon India Mutual Fund

EDITORIAL POLICY

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

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

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

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

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by Dhirendra Kumar

What and how

Growth investing requires patience, diligence and the right outlook

Investors quickly learn that the fundamental rule of success in any investment is to ‘buy low, sell high’. There’s an old Wall Street joke that might be a cliché if it didn’t hold so much truth. A newcomer asks a seasoned veteran, “How do you make money in the market?” The wise man replies, “Nothing could be simpler: buy low, sell high.” The beginner asks, “How can I learn to do that?” The veteran responds, “Ahhhh... that takes a lifetime.” This perfectly illustrates the central problem of equity investing. **What** you need to do is obvious. **How** it is to be done is the problem.

When you read what is generally available about investing, you can see that growth investing is a particular type of investing. In fact, our cover story may also give you the same idea. But that’s not true. In reality, ALL equity investing is growth investing. The only goal of an equity investor is to sell a stock at as high a price as possible – the higher, the better. The rest is just an over-intellectualisation of what is a simple goal.

Understanding this fundamental truth can help investors navigate the often complex and jargon-filled stock markets. It is easy to get caught up in the latest trends, buzzwords and investment strategies that promise quick gains. But at its core, successful investing boils down to identifying companies with a strong potential for growth, buying them at a reasonable price and holding on to them until the stocks reach their full potential. This process requires patience, discipline and a keen eye for spotting true value amidst the noise.

Often, the primary danger for equity investors is over-optimism. While having an optimistic nature is beneficial in investing, as it is in many aspects of life, the very act of equity investment is inherently hopeful. Those who lack a positive outlook on the future are more likely to keep their money in a safe deposit instead. No one becomes an equity investor to lose less or gain moderately. This is a vocation that always attracts those who are chronic optimists. However, optimism can quickly become overconfidence for investors, leading to unrealistic expectations. Striking the right balance between excessive and insufficient optimism often proves challenging.

It’s tempting to extrapolate in a straight line when companies are growing well. That’s not realistic. No company can grow indefinitely – all kinds of things can happen to derail the story. Market saturation could eventually occur, slowing growth and potentially causing stock downgrades. As businesses mature, maintaining high growth rates becomes challenging.

Moreover, managing a large business is complex, and past success doesn’t guarantee future performance on a larger scale. On top of that, the problem is often caused by the first half of the phrase ‘buy low, sell high’. High valuations constitute a significant risk for growth stocks. Stocks with high P/E ratios can lead to losses despite strong earnings growth, even if everything goes well.

What is the antidote to this? Why, you’re holding it in your hand. The antidote is this magazine, Value Research and our entire approach to investing. By focusing on thorough research, sound investment principles and a disciplined approach, we help investors make informed decisions that temper optimism with realism. With the right knowledge and tools, investors can achieve the growth they seek while avoiding the pitfalls of overconfidence.

This month’s cover story perfectly encapsulates this approach I’m discussing. Diving deep into the principles of growth investing and showcasing practical examples, it aims to equip our readers with the knowledge and strategies necessary to succeed in the equity market.

It’s often said that investing is a marathon, not a sprint. As markets and values shift, it keeps switching between the two. With patience, diligence and a realistic outlook, you can navigate the ups and downs of the market and achieve your financial goals.

TWITTER

The scientific investor

Kumar Saurabh
@suru27

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Why Follow

Kumar Saurabh is unlike most investors we have covered so far. Not only does he focus on fundamental investing, he has also dipped his hands into trading. He also boasts over a decade of experience in data science and finance. Further, he has been recognised as one of the top 40 under 40 data scientists by the Analytics India Magazine. Apart from discussing the ongoing trends in industries and markets, Saurabh also writes detailed threads on various company concalls.

Studying a topic does not mean we must use it as an investment idea. On many occasions, what I studied when I acted over that study, there was a gap of 1 to 4 years. Urgency to act quickly n significantly on anything we study only highlights desperation.

Despite gold giving hardly any CAGR from 1992-1999, 2011-2023 vs equity (perception wise works better in long run). Further, equity index of only few countries in top 50 universe beaten gold significantly even in long run. Asset allocation timings matter even in long run.

Be cautious of all auto ancillaries with high exposure to CV trading at rich valuations. Sure not a time for a fresh position given last 2-3 month numbers peaking out in next few quarters not looking great if rating agency reports to be trusted.

In the long run, markets bottom n top out only because of two things - Real earnings (not P&L) n real valuations (not necessarily PE ratio).
Election, war, rainfall etc etc are all intermediate mediums which may have temporary effect n reasons where we try to establish causality without any scientific evidence n despite many such hiccups, the entrepreneurial India has delivered for last 30 years whoever political party be there (of course , sectors have their own level of dependency on such things)
Cut the noise and focus on - real earnings n real valuations. Will help to stay out of perma bears, perma bulls n think realistic
Unfortunately where we need to focus more, we focus less and vice versa. Current social media is a great example of that

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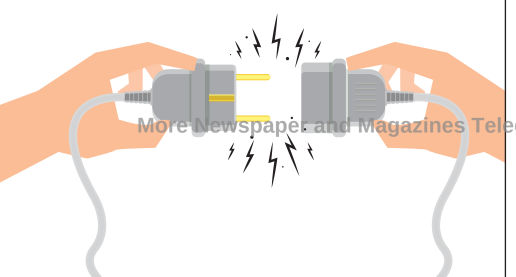
ER&D Outsourcing is lower than services for own reasons n if addressed , remains an opportunity.
Let me throw something worth exploring - Look at the global market size of services vs ER&D, many might get a pleasant shock looking at sales of Indian big services n big R&D :)

Siemens to demerge its energy business arm

Siemens, the Indian subsidiary of Siemens AG, will demerge its energy business into a separate listed entity 'Siemens Energy India.' Existing shareholders will receive one share each in the new company. The spin-off is aimed to improve capital allocation and increase focus on the energy business that accounted for 34 per cent of Siemens' revenue in FY23. This segment has grown by 4 per cent annually in the last five years.



PVR Inox and Devyani to form a joint venture

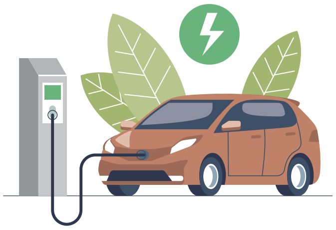
PVR Inox will create a joint venture (JV) with Devyani International, the domestic operator of brands like KFC and Pizza Hut, to develop and operate food courts within shopping malls. Devyani will hold a 51 per cent stake in the JV, with PVR Inox holding the rest. The JV will enable Devyani to expand its food court presence and PVR Inox to diversify into the pre-ticketed food and beverage business.

Nestle shareholders reject higher royalty payout to parent

Nearly 57 per cent of Nestle India's shareholders voted against its board-approved proposal to hike its royalty payout to Swiss parent, Nestle S.A. The FMCG giant had proposed to raise the royalty payout to its parent by around 0.15 per cent of net sales for five years. The company said this would lead to cost savings and assured of no reduction in R&D support from the parent.

₹26,000 crore

capex announced by Mahindra & Mahindra for its auto segment over the next three years. Of this, 46 per cent will be allocated to electric vehicles.



Vedanta to raise ₹8,500 crore via debt & equity

Vedanta will raise up to ₹8,500 crore through debt and equity. It will also pay an interim dividend of ₹11 per share amounting to a payout of ₹4,089 crore. Chairman Anil Agarwal said the company would invest around ₹1.6 lakh crore in the next four years across all segments. Its board also approved setting up a continuous cast copper rod plant in Saudi Arabia.

RBI bars Kotak Mahindra Bank from adding new customers online

RBI has barred Kotak Mahindra Bank from onboarding new customers via online channels and issuing new credit cards. The ban was imposed due to deficiencies in the bank's IT infrastructure. RBI said the bank failed "to build IT systems and controls commensurate with its growth". Separately, the bank's Joint Managing Director, KVS Manian, stepped down after being redesignated to this position in February 2024 from whole time director.

Dow Jones marches past 40,000 for the first time

The US benchmark index Dow Jones Industrial Average closed above the 40,000 mark for the first time in its 139-year history. This was primarily driven by an overall bullish sentiment across global financial markets in anticipation of rate cuts due to easing inflation. The S&P 500 and Nasdaq indices, too, hit their all-time highs in March and May 2024, respectively.

Godrej Group seals deal to split the conglomerate

After years of negotiations, the 127-year-old Godrej Group finally reached an agreement to split up its businesses. Adi and Nadir Godrej will take over the five listed entities – Godrej Industries, Godrej Consumer Products, Godrej Properties, Godrej Agrovet and Astec Lifesciences. Cousins Jamshyd and Smita will get the unlisted Godrej & Boyce and its affiliates with a land bank, including a prime property in Mumbai.

₹36,000 crore

planned capex that Bharat Petroleum has laid out till FY26 to enhance its refinery and petrochemical operations. Of this, it plans to spend around ₹16,000 crore in FY25.

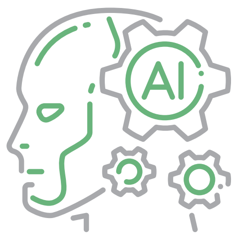
Results recap

- **Reliance Industries** has become the first Indian company to cross ₹1 lakh crore in annual pre-tax profit. Its revenue and pre-tax profit grew 11 and 16 per cent YoY, respectively in Q4 FY24, supported by growth across all major segments.
- With a 2.3 times jump in its standalone profit after tax, **State Bank of India** posted its highest ever profit in FY24. This was led by higher growth in its total income over expenses.
- **Trent's** dream run is unstoppable. It's profit after tax jumped 16 times YoY in Q4 FY24. This is the third straight quarter of triple-digit growth. Its profit after tax in FY24 jumped 234 per cent on adding 193 stores in Zudio.
- **Zomato** posted a profit after tax of ₹175 crore in Q4 FY24, marking its fourth consecutive profitable quarter. This was against a loss of ₹184 crore reported in Q4 FY23. The growth was driven by increasing gross order values and addition of more vendors.
- **PB Fintech** posted a ₹60 crore profit after tax in Q4 FY24 as compared to a net loss of ₹9 crore in Q3 FY23. This was helped by a rise in its insurance premiums and lower expenditure on advertising.

IndiGo places largest-ever aviation order

India's largest airline IndiGo has placed an order for 30 Airbus A350-900 aircrafts, the largest ever by any airline in the world. With this, IndiGo will join the wide-body player category, which so far included Air India and Vistara. Last year in June 2023, it placed an order for 500 Airbus aircrafts at the Paris Air Show. With a total orderbook of about 1,000 aircrafts, it operates a fleet of over 360 planes.

Bharti Airtel and Google tie-up to offer GenAI solutions



The two companies have inked a deal to jointly deliver cloud and generative-AI solutions to Indian businesses. The duo is targeting India's large and growing public cloud services market, which is expected to be worth $ 17.8 billion by 2027, according to market intelligence firm International Data Corporation. Airtel will leverage Google Cloud's gen AI capabilities to transform its customer experiences and streamline its internal processes and operations.

Warburg Pincus adds Shriram Housing Finance to its portfolio

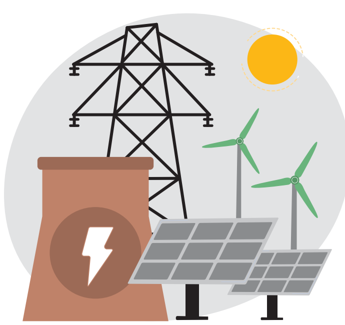
In its biggest-ever deal in India, Warburg Pincus has acquired Shriram Group's housing finance subsidiary for ₹4,630 crore. Of its stake, it bought 85 per cent from Shriram Finance for a base amount of ₹3,909 crore. Warburg will invest an additional ₹1,000 crore to grow the loan book post the completion of the sale.

Coforge to acquire a 54% stake in Cigniti Technologies

Coforge will acquire a 54 per cent stake in IT major Cigniti at a price of ₹1,415 per share. The deal is expected to be completed by Q2 FY25. With this, Coforge will create three new verticals – retail, technology and healthcare, and scale up its presence across South West, Midwest and Western US markets. It expects the buyout to improve its operating margins by 150-200 basis points by FY27.

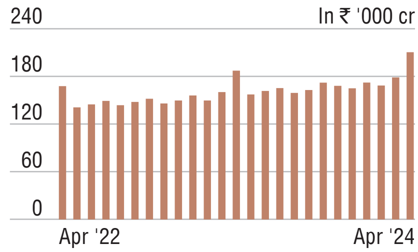
₹80,000crore

has been earmarked by the Adani Group as capex for FY25 across all of its businesses. Around ₹50,000 crore will be invested in the new energy and airport businesses.

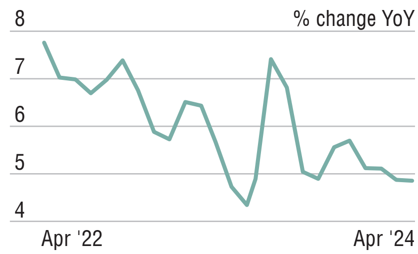


ECONOMIC METRICS

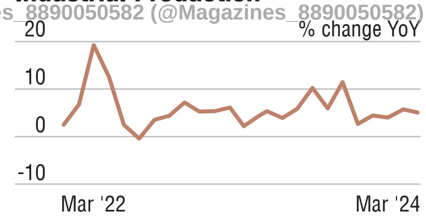
GST collection



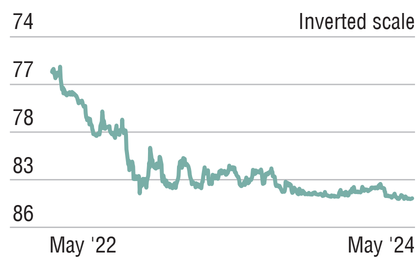
Inflation: Consumer Price Index



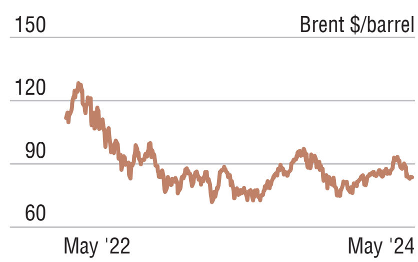
Industrial activity: Index of Industrial Production



₹ vs $



Crude oil



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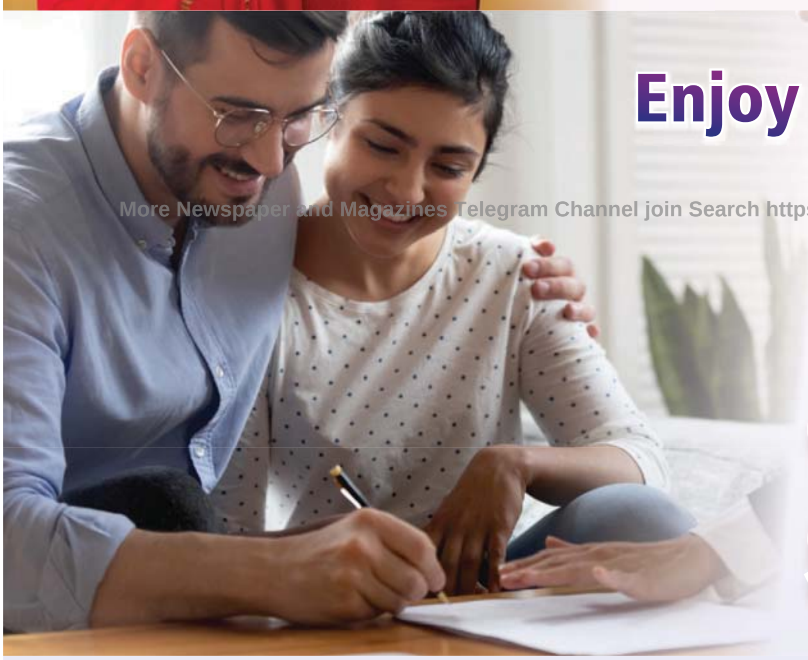

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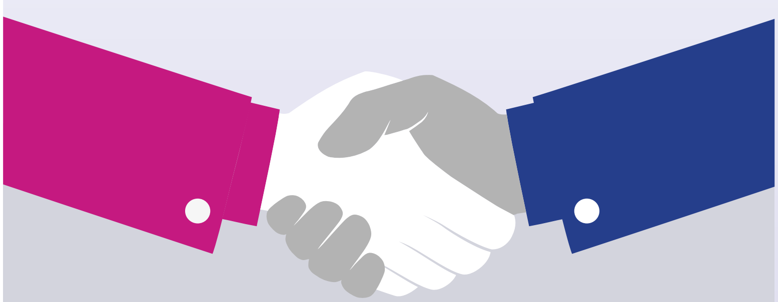

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Running on full charge

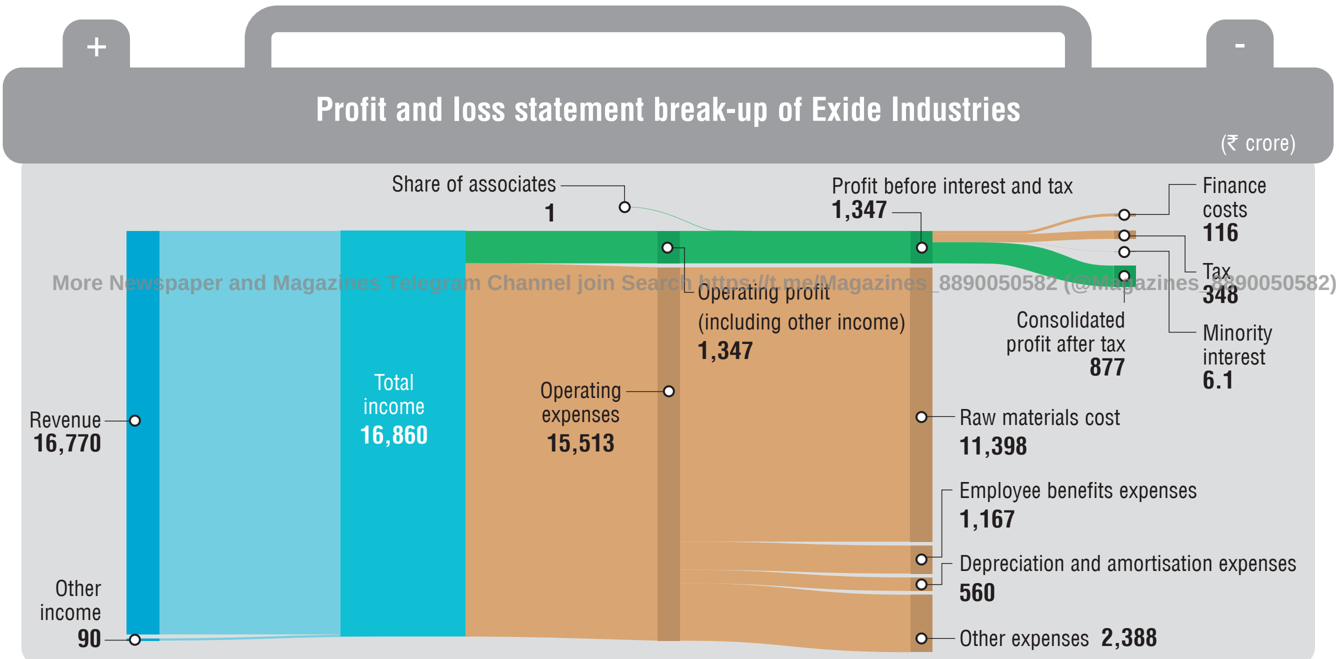
The coming of age of India's largest auto battery manufacturer

Exide Industries is India's largest storage battery manufacturer, with the highest market share and revenue. It is also the largest battery maker listed on bourses, with a market cap of ₹39,800 crore. In the last six months, its stock went up 80 per cent and has more than doubled in the last one year. This surge has been attributed to the company's record-high revenues and recent partnerships with Hyundai and Kia to develop EV (electric vehicle) batteries.

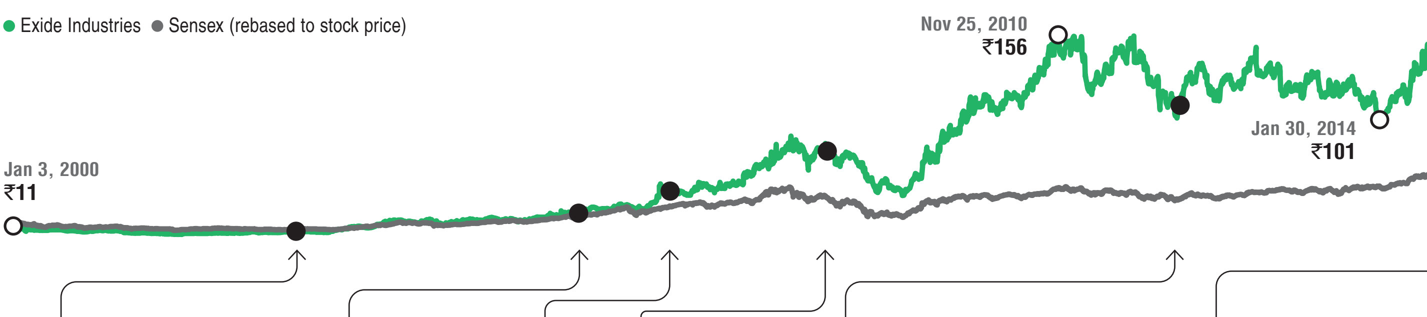
The journey of Exide Industries

With its first battery plant in Shamnagar, West Bengal, Exide was founded in 1946 as Associated Battery Makers Eastern. It used to produce Exide and Dagenite batteries from this plant.

As India became an automotive hub in the next few decades, the company expanded its operations and established more factories.



Data for FY24



2003 Formed a new JV with UK-based Espex with a 51 per cent holding

Oct 28, 2005 Acquired a 50 per cent stake in ING Vysya Life Insurance

Oct 18, 2006 Set up a new factory in Haldia, West Bengal for the export of industrial batteries

Jun 18, 2008 Acquired a 51 per cent stake in Leadage Alloys India

Jan 12, 2012 Technical collaboration and assistant agreement with East Penn Manufacturing Inc, USA

Jun 25, 2018 Signed asset purchase agreement with Tudor India towards acquisitions of its immovable assets and movable assets of its factory

In 1972, its name was changed to Chloride India and finally to Exide Industries in 1995. Exide also became the first domestic equipment provider for the OG car, the Maruti 800.

What followed was a consistent organic and inorganic expansion spree. As automotive giants were establishing their presence in India, Exide set up new factories nearby. It acquired Standard Batteries and partnered with Japanese battery maker Shin Kobe for technological advancements. By 1998, Exide's revenues surpassed ₹800 crore.

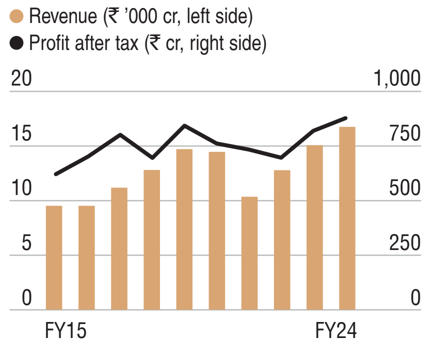
Rocky performance

The recent surge in Exide's share price follows years of muted performance. Its annual revenue and profit after tax growth between FY02-13 was 20 and 26 per cent, respectively, which fell to 7 and 5 per cent respectively during FY14-24. Exide's focus diluted to secondary businesses like life insurance and it lost out to Amara Raja's aggressive expansion and marketing. Thus, its share in the industry's combined revenue slumped from 74 per cent in FY14 to 59 per cent in FY23.

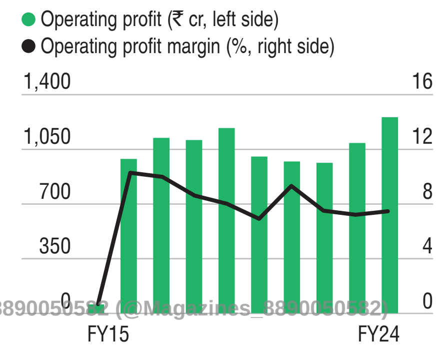
That said, Exide's revenue has been on the mend in the last few years. It grew by 17 per cent annually between FY21-24 due to higher automobile sales post-Covid. Looking ahead, its recent partnership with Hyundai Motors and Kia to develop EV batteries and a planned capex of ₹4,000 crore for FY25 to set up a lithium-ion cell manufacturing plant are expected to drive further growth. ☑

By Vishal Goyal

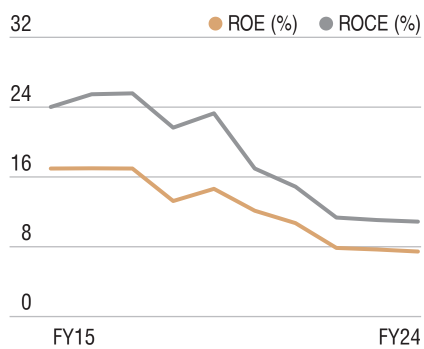
Revenue and profit after tax



Operating profit and margin

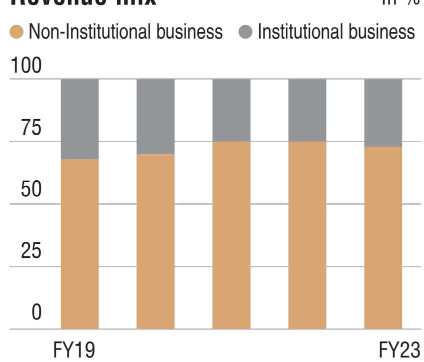


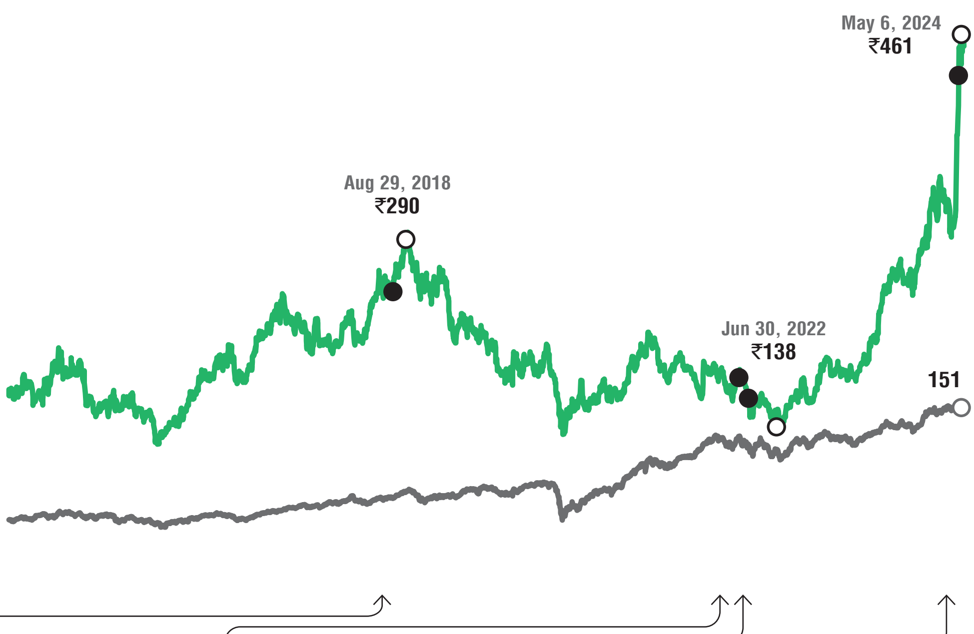
ROE and ROCE



Revenue mix

In %





Jan 1, 2022
Divested its entire stake in Exide Life Insurance to HDFC Life Insurance

Mar 25, 2022
Incorporated a wholly owned subsidiary – Exide Energy Solutions, to set up a greenfield multi-gigawatt lithium-ion cell manufacturing facility in India

Apr 8, 2024
MoU with Hyundai Motors and Kia for strategic cooperation in India's EV market

Large caps

	Stock Rating	3M returns (%)	Price to earnings	3Y avg RoE (%)	3Y earnings growth (% pa)
Hindustan Zinc A record output and potential OFS from government led to a rise in the share price.	★★★	79.1	30.5	31.8	15.6
ABB India Profit after tax during Q1 CY24 rose 87 per cent YoY.	★★★★	78.7	117.1	19.9	70.1
Vedanta Announced investments of $6 billion across segments.	★★★	63.9	38.4	30.3	-20.6
Siemens Signed an agreement to acquire the IDT business of ebm-papst.	★★★	61.9	108.6	12.6	34.7
Indus Towers American Tower decided to convert its VI OCS into equity.	★★★★	54.7	15.3	22.9	27.5
Linde India Stock rose after management announced investments in the semiconductor sector.	★★★	51.8	175.0	15.2	41.2
CG Power Announced a JV between Renesas Microelectronics and Stars Microelectronics.	★★★★	49.0	68.6	67.9	4.1
Polycab Profit after tax for Q4 FY24 grew 27 per cent YoY.	★★★★	38.6	54.5	19.1	26.7
Supreme Industries FY24 profit after tax was up 24 per cent YoY.	★★★★	36.1	64.0	28.2	5.0
Hindustan Aeronautics Government approved a proposal for producing 34 new advanced light helicopters.	★★★★	35.9	45.5	26.4	27.6
SAIL Stock price increased due to a rally in steel prices.	★★	30.5	22.2	12.7	-5.5
JIO Financial Services Share price surged due to general market conditions.	Unrated	30.1	1.6*	-	-48.6
Bharat Heavy Electricals Bagged an order worth ₹4,000 crore from Adani Power.	★	28.9	-	-2.1	24.8
Solar Industries Won export order worth ₹445 crore for supply of product over next two years.	★★★★	24.7	93.7	27.1	51.5
JSW Energy Raised ₹5,000 crore through QIP issue.	★★	24.5	60.7	8.5	28.5

*Price-to-book ratio. Our large-cap universe has 135 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. Data as of May 15, 2024.

NSE

Soch kar
Samajh kar
Invest kar

You do a lot of research before buying a phone.

So why invest relying on tips without proper research?

Do not rely on any stock tips, market related tips, rumours or media articles. Do your own research before investing. Investors should also look for announcements from the company on the exchange/company website.

For more details,
visit: **nseindia.com**
or scan the QR code.

FOLLOW US ON

Mid caps

	Stock Rating	3M returns (%)	Price to earnings	3Y avg RoE (%)	3Y earnings growth (% pa)
Waaree Renewable Tech Bagged a 300 MW solar project worth ₹1,401 crore.	★★★	188.0	170.8	40.4	301.1
Kirloskar Brothers Profit after tax in Q4 FY24 grew 57 per cent YoY.	★★★	88.1	38.7	13.2	30.2
Hitachi Energy Parent will invest additional $1.5 billion to ramp up global transformer production.	Unrated	81.2	451.5	13.0	0.4
Force Motors Planned an investment of ₹2,000 crore to enhance manufacturing capacity and R&D.	★★★	75.2	31.1	-1.4	77.6
Tejas Networks Signed an MoU with Telecom Egypt.	★	59.7	324.3	-0.9	18.8
Cochin Shipyard Secured a large order from European clients.	★★★	58.7	62.0	12.0	3.4
Hindustan Copper Stock price was up due to a rally in commodity prices.	★★	48.6	122.5	16.8	41.4
Data Patterns Sovereign wealth fund GIC acquired over 6 per cent stake for ₹650 crore.	Unrated	42.0	96.7	23.0	80.6
Jupiter Wagons Bagged an order worth ₹957 crore for manufacturing and supply of BOSM wagons.	★★★	39.0	63.7	13.0	865.3
Aegis Logistics Acquired specialised storage terminals for ₹75 crore.	★★★	35.2	40.5	17.0	38.1
Newgen Software Bagged multiple orders, including an international order worth $1.1 million.	★★★★	24.6	54.8	21.1	25.8
Motilal Oswal Financial Profit after tax in Q4 FY24 grew 339 per cent YoY.	★★	24.5	14.0	24.8	26.6
Tata Investment Corp Stock price soared due to buzz over Tata Sons IPO.	★★	17.5	1.4*	1.3	44.3
Authum Inv & Infra Reliance Power settled its debt of ₹1,023 crore.	★★★★	2.7	1.8*	29.2	160.6
The Fert. And Chemicals Travancore Tied up with Oil India for production of green hydrogen.	★★★	-11.2	120.5	69.0	11.5

*Price-to-book ratio. Our mid-cap universe has 300 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. Data as of May 15, 2024.


UTI Mutual Fund
Haq, ek behtar zindagi ka.
SIGN UP EARLY TO FULFIL YOUR RESPONSIBILITIES
Riya
Early investor in Mutual Funds
Be it buying your own dream home, planning a holiday with your parents or starting your own venture, mutual funds play an important role to achieve your dreams. Moreover, starting investments early help you to achieve your goals faster through the power of compounding.

Small caps

	Stock Rating	3M returns (%)	Price to earnings	3Y avg RoE (%)	3Y earnings growth (% pa)
Tinna Trade Acquired Fratelli Wines.	★	207.2	-	-5.7	23.7
Dolphin Offshore Secured a $154 million drilling contract from Oil India.	★	202.8	533.7	9.5	34.4
Eraaya Lifespaces Made acquisitions worth ₹50 crore.	Unrated	201.8	2,986.1	-	86.6
Swadeshi Polytex Stock price rose owing to general market conditions.	★★★★★	197.0	16.2	129.6	311.9
Kisan Mouldings Apollo Pipes acquired a 53.6 per cent stake in the company.	Unrated	186.3	-	-101.5	47.9
Alphalogic Techsys Signed a supplier agreement with Mojj Engineering Systems Limited.	Unrated	184.9	278.9	8.9	-2.0
Marsons Won orders worth ₹40 crore for the first phase of West Bengal's ROSS scheme.	★★★	176.2	289.6	-44.7	53.1
Wonder Electricals Its Q3 FY24 profit after tax was up 187 per cent YoY.	Unrated	162.8	118.1	12.0	12.3
The Hi-Tech Gears Its Q3 FY24 profit after tax was up 480 per cent YoY.	★★	143.5	18.0	5.4	189.1
Bondada Engineering Bagged an order worth ₹81 crore from NLC India.	Unrated	130.8	94.4	21.7	-
Ruttonsha International Stock price rose due to general market conditions.	★	102.1	253.6	13.4	67.5
Piccadily Agro Q4 FY24 profit after tax grew 818 per cent YoY.	★★★	96.3	60.9	11.9	84.2
Hindustan Motors Its profit after tax was ₹11 crore in Q3 FY24, compared to a loss last year.	Unrated	87.3	83.5	-	74.8
TRIL Its Q4 FY24 profit after tax increased by 333 per cent YoY.	★	86.3	199.2	8.4	83.2
Dolat Algotech Its Q4 FY24 profit after tax was up more than 10 times YoY.	★★★★★	84.1	16.1	36.0	2.4

Our small-cap universe (minimum market capitalisation of ₹650 crore) has 1,090 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 of May 15, 2024.

INDEX WATCH

S&P BSE IT

With a 12 per cent slump, the BSE IT index has been among the worst-performing indices in the past three months. 77 per cent of its constituents have yielded negative returns in the last one year. As a result, the index's P/E, P/B and dividend yield have slipped, but it still appears expensive against its five-year median.

Key numbers

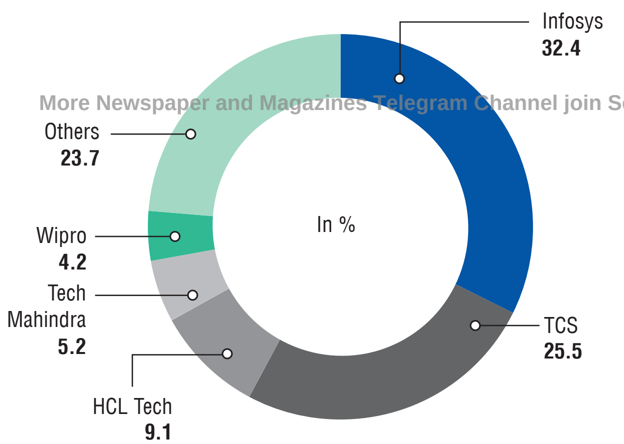
28.5
Price to earnings

7.0
Price to book

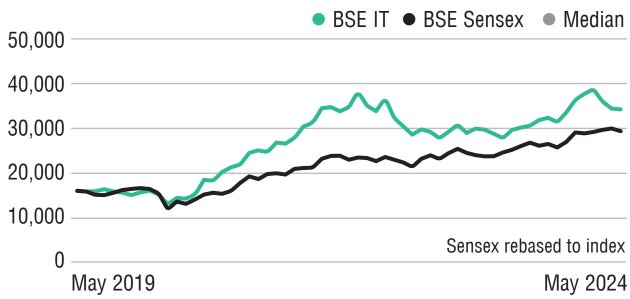
2.16
Dividend yield (%)

35.0
Market cap (₹ lakh cr)

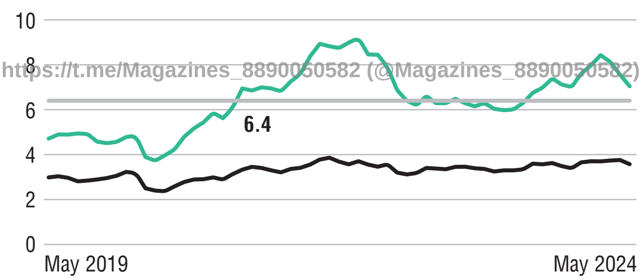
Index weights



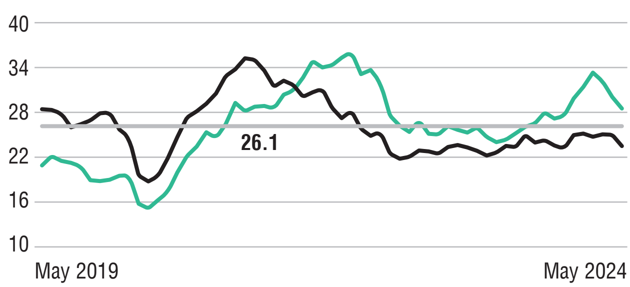
Index movement



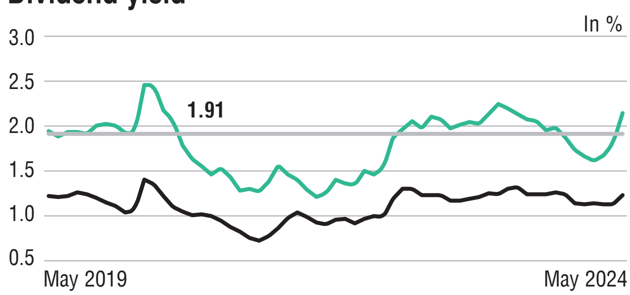
Price-to-book value (P/B)



Price-to-earnings ratio (P/E)



Dividend yield



Valuations, dividends and returns

Company	Stock Rating	P/E	P/B	Dividend yield (%)	1Y return (%)
eMudhra	Unrated	83.1	9.5	0.2	58.6
Netweb Tech	Unrated	168.2	30.2	0.1	58.0
Moschip Tech	★	268.9	9.9	0.0	49.8
D-Link	★★★	16.8	3.6	3.0	49.0
Cigniti Tech	★★★★	21.5	4.8	0.4	29.6
Newgen Software	★★★★	54.8	11.3	0.4	27.2
Aurionpro Solutions	★★	51.1	5.5	0.1	20.8
Ramco Systems	★★	-	3.9	0.0	17.2
Zensar Tech	★★★★★	21.2	4.0	1.4	17.1
Zaggle Prepaid	Unrated	154.0	6.5	0.0	13.4

Data as of May 15, 2024

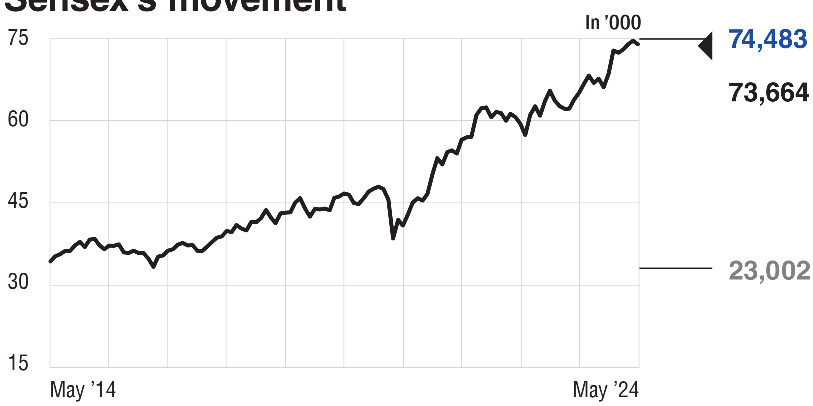
MARKET BAROMETER

Trends and trails

Here are some charts that will help you make sense of the current market in terms of valuations and return potential

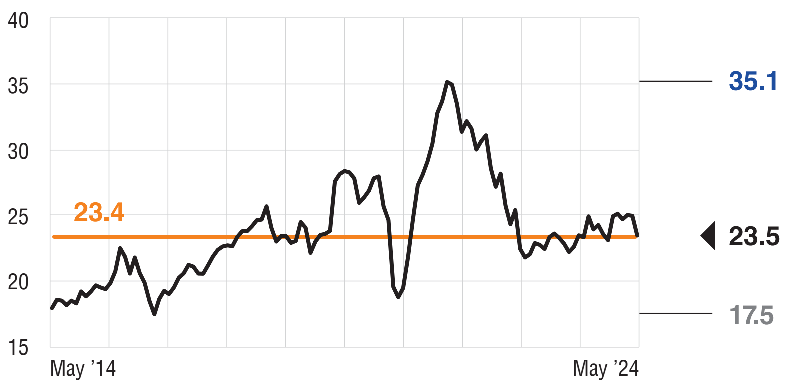
● Max ◀Current ● Median ● Min

Sensex's movement

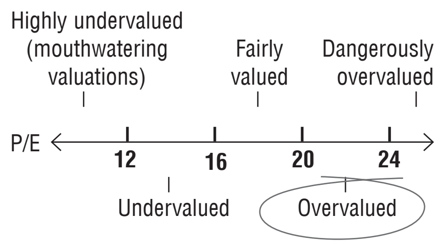


- The Sensex is the most convenient indicator to tell the current state of the Indian market.
- The 10-year graph presented alongside shows the secular run in the markets. However, this rally was punctuated by several bearish phases.
- The most prominent ones include the following: Chinese growth concerns in 2015, demonetisation blues in 2016, the sell-off in 2018 due to US-China trade war and the March 2020 Covid-19 shock.
- After staging a remarkable recovery from the lows of March 2020, the markets yielded to the Russian invasion of Ukraine and rising interest rates.
- With recessionary fears easing and interest rates peaking, the Sensex has been climbing new all-time highs.

Sensex's price-to-earnings ratio

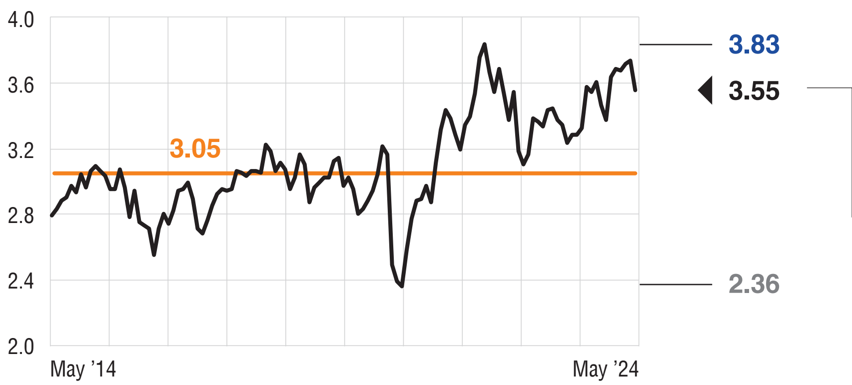


The **price-to-earnings ratio** of the Sensex is a simple market-valuation ratio. A general guideline to help understand the valuation is:



This graph is based on standalone data of Sensex companies. If one takes the consolidated data, the P/E will likely be lower.

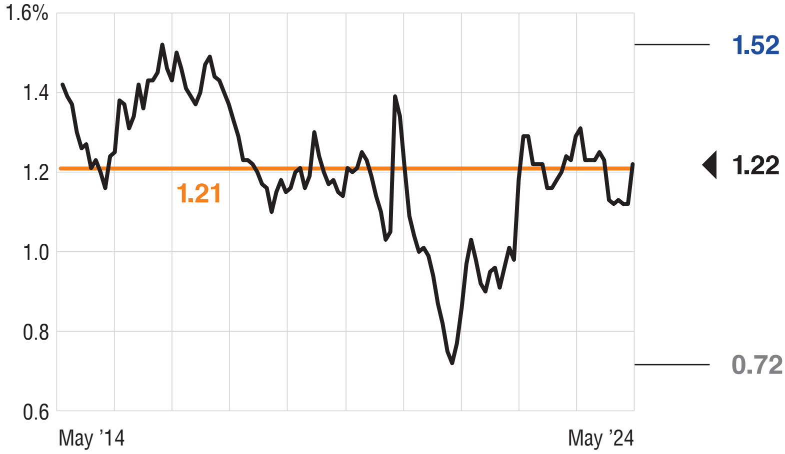
Sensex's price-to-book ratio



The **price-to-book ratio** tells us how many times an investor is ready to pay for a rupee of net assets. Since book value is stable and less volatile than earnings, some consider it better than the P/E as a measure of valuation.

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

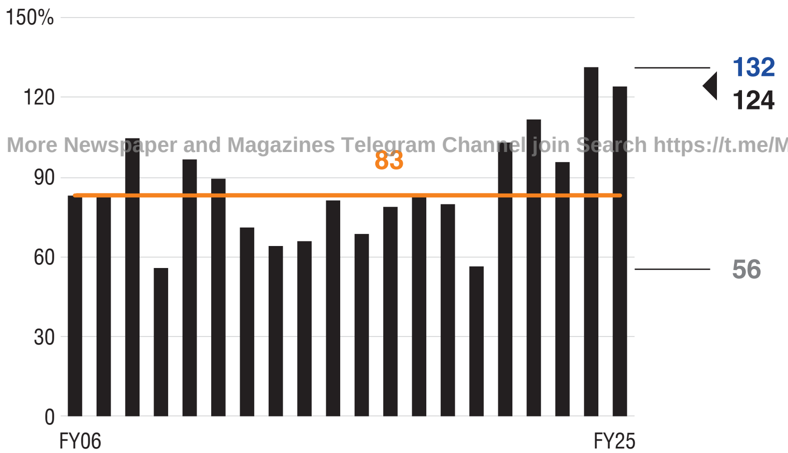
Sensex's dividend yield



Dividend yield is nothing but the return an investor gets in the form of a dividend on their investment. It is measured as dividend per share divided by price per share. Generally speaking, when stocks are cheap, dividend yields are high.

If:
Dividend yield > Median dividend yield
= Undervalued
Dividend yield < Median dividend yield
= Overvalued

Market cap to GDP



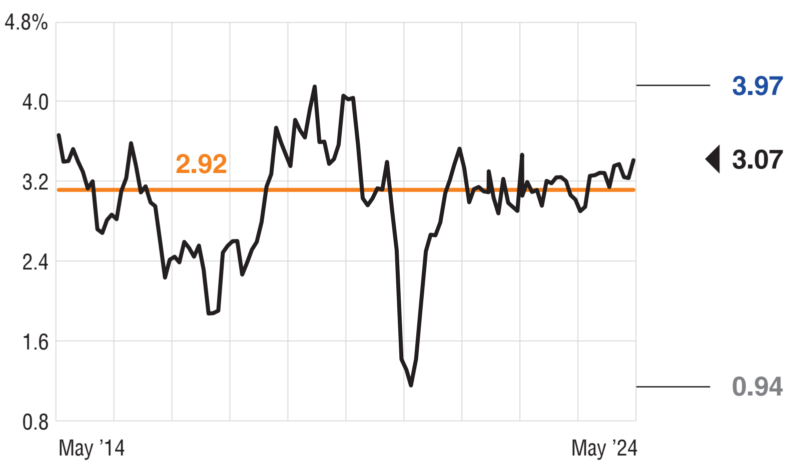
Here, we have considered the **market capitalisation** of all the listed companies on the BSE.

This measure is Buffett's personal favourite. According to him, "It is probably the single best measure of where valuations stand at any given moment."

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

Considering the market cap of all the listed companies on the BSE, second revised estimate of FY22 nominal GDP, first revised estimate of FY23 nominal GDP and second advance estimate of FY24 nominal GDP.

10Y G-sec yield vs Sensex's earnings yield



The spread between G-sec yield and Sensex's earnings yield is another important valuation measure. G-sec yield is the yield of the 10-year government bond. Sensex's earnings yield is the inverse of its P/E ratio. The greater the deviation from the median in either direction, the greater the degree of overvaluation or the undervaluation of the Sensex.

If:
Spread > Median = Overvalued
Spread < Median = Undervalued

All data as of May 16, 2024

D-Street debutants

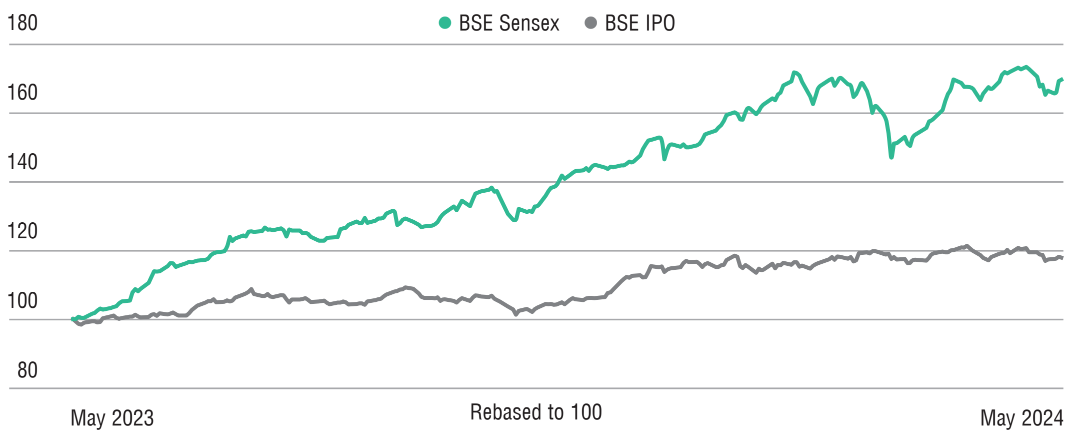
Here is how the S&P BSE IPO Index has performed over the last one year and how the biggest IPOs have fared

Highest listing-day gain
Tata Tech
140.0%

Highest listing-day loss
Gopal Snacks
-12.7%

Highest post-listing gain
IREDA
243.9%

BSE IPO vs BSE Sensex



Highest post-listing loss
Ideaforge Tech
-47.7%

Most subscribed IPO
BLS E-Services
162.5 times

Least subscribed IPO
Popular Vehicles & serv.
1.2 times

Biggest IPO
Mankind Pharma
₹4,326 cr

Total issue size
₹62,339 cr

Top 15 IPOs by issue size

Company	Listing date	Subscription ratio (times)	Issue size (₹ cr)	Issue price (₹)	List price (₹)	Current price (₹)	Listing gain (%)	Change post listing (%)	Sensex change (%)	Current P/E
Mankind Pharma	May 9, 2023	15.3	4,326	1,080	1,300	2,191	20.4	68.5	18.2	50.8
Bharti Hexacom	Apr 12, 2024	29.9	4,275	570	755	955	32.5	26.4	-1.7	94.6
JSW Infrastructure	Oct 3, 2023	37.4	2,800	119	143	257	20.2	80.0	11.4	46.8
Tata Technologies	Nov 30, 2023	69.4	2,251	500	1,200	1,051	140.0	-12.4	9.0	62.7
RR Kabel	Sep 20, 2023	18.7	1,965	1,035	1,179	1,705	13.9	44.6	9.3	101.3
Indegene	May 13, 2024	69.9	1,843	452	660	567	46.0	-14.1	0.3	51.0
Juniper Hotels	Feb 28, 2024	2.1	1,800	360	361	462	0.3	28.0	0.9	-
Honasa Consumer	Nov 7, 2023	7.6	1,702	324	324	416	0.0	28.5	12.4	-
Concord Biotech	Aug 18, 2023	24.9	1,551	741	900	1,484	21.5	64.9	12.4	64.7
IREDA	Nov 29, 2023	38.8	1,501	32	50	172	56.3	243.9	9.1	5.4*
Inox India	Dec 21, 2023	61.3	1,459	660	933	1,316	41.4	41.1	3.0	61.0
Cello World	Nov 6, 2023	38.9	1,430	648	831	942	28.2	13.3	12.4	75.1
Samhi Hotels	Sep 22, 2023	5.3	1,370	126	131	197	3.6	50.7	10.6	-
Sai Silks	Sep 27, 2023	4.4	1,201	222	230	183	3.6	-20.5	10.4	28.7
DOMS Industries	Dec 20, 2023	93.5	1,201	790	1,400	1,806	77.2	29.0	3.5	114.4

*Price-to-book value. Data as of May 15, 2024.

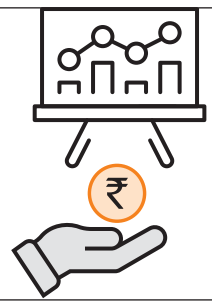
MIRAE ASSET
Mutual Fund

Passive funds for employees

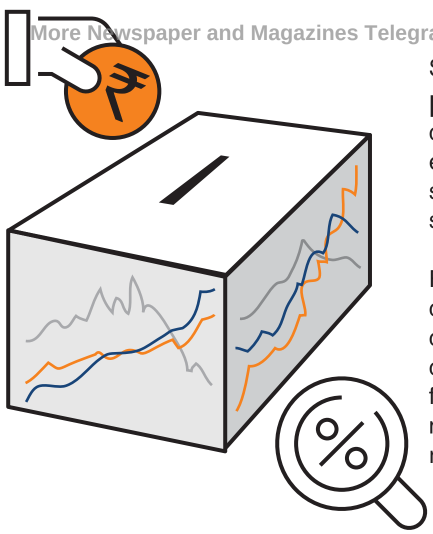
A mutual fund can be a convenient investment option, **pooling money** from many investors to invest in stocks, debt and other financial instruments.

And this pooled structure acts as an equaliser. Whether someone invests ₹500 or ₹1 crore, they are **treated the same**!

So, regardless of your income, **employees** can look at mutual funds for investments. However…



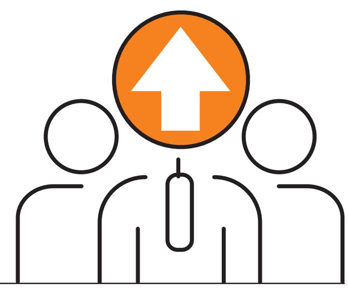
There are **too many types of funds**. And chances are your job doesn't give you the time to pick the right mutual funds to invest in as per your investment objective and risk appetite. What do you do then?



Start your investing journey with **passive funds.** These funds, comprising index funds and exchange-traded funds/fund of funds, simply track an underlying index and seek to generate returns as per that.

For instance, the **Nifty 50 Index** consists of India's top 50 listed companies in terms of market capitalisation. By investing in passive funds tracking such an index, you may seek to get underlying index returns.

Apart from being a straightforward and accessible investment option, passive funds also offer the benefits of relatively **low-cost** asset management. They typically have lower expense ratios than actively managed funds.



The views expressed here constitute only the opinions and do not constitute any guidelines or recommendation on any course of action to be followed by the reader. The data/information/opinions are meant for general reading purposes only and are not meant to serve as a professional guide/investment advice for the readers. Readers are advised to seek independent professional advice and arrive at an informed investment decision before making any investments. **An investor education and awareness initiative by Mirae Asset Mutual Fund.** All Mutual Fund investors have to go through a one-time KYC (Know Your Customer) process. Investors should deal only with Registered Mutual Funds (RMF). For further information on KYC, RMFs and procedure to lodge a complaint in case of any grievance, you may refer the Knowledge Center section available on the website of Mirae Asset Mutual Fund.

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

Institutional moves

The top five companies across market caps in which **mutual funds** have significantly changed their holdings (in terms of per cent of equity) between December 2023 and March 2024.

Increase in position

Large caps

Company	Sector	Mar '24	Dec '23	Change (% pt)
HDFC Bank	Bank	23.2	19.5	3.7
Aurobindo Pharma	Healthcare	17.8	14.7	3.1
Samvardhana Motherson	Automobile & Anc.	15.1	12.2	2.9
Indus Towers	Telecom	6.6	4.0	2.6
IndusInd Bank	Bank	17.8	15.6	2.2

Mid caps

Company	Sector	Mar '24	Dec '23	Change (% pt)
Whirlpool Of India	Consumer Durables	31.1	11.1	20.0
Aavas Financiers	Finance	21.1	12.1	9.0
Aster DM Healthcare	Healthcare	13.6	7.1	6.5
Aditya Birla Sun Life AMC	Finance	7.1	1.1	6.0
Voltas	Consumer Durables	24.2	18.8	5.4

Small caps

Company	Sector	Mar '24	Dec '23	Change (% pt)
Innova Captab	Healthcare	12.4	3.4	9.0
Shakti Pumps	Capital Goods	8.3	0.0	8.3
Tips Industries	Media & Ent.	7.9	0.7	7.2
E.I.D. - Parry	Agri	11.0	4.1	6.9
Pricol	Automobile & Anc.	10.0	3.7	6.3

Decrease in position

Large caps

Company	Sector	Mar '24	Dec '23	Change (% pt)
NMDC	Mining	6.3	8.7	-2.4
NHPC	Power	6.0	8.2	-2.2
Lupin	Healthcare	16.8	18.9	-2.1
ICICI Lombard	Insurance	13.4	15.2	-1.8
Punjab National Bank	Bank	3.4	4.8	-1.4

Mid caps

Company	Sector	Mar '24	Dec '23	Change (% pt)
Zee Entertainment	Media & Ent.	28.5	32.5	-4.0
Sundaram Finance	Finance	9.2	13.2	-4.0
Navin Fluorine	Chemicals	15.6	19.5	-3.9
Bata India	FMCG	15.4	19.1	-3.7
Engineers India	Capital Goods	6.0	9.6	-3.6

Small caps

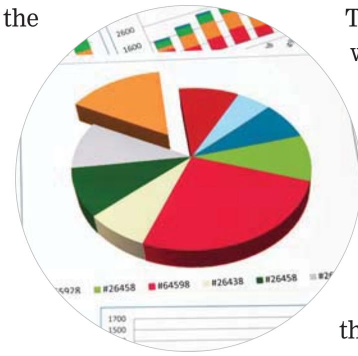
Company	Sector	Mar '24	Dec '23	Change (% pt)
Tracxn Technologies	IT	4.3	12.0	-7.7
Wheels India	Automobile	11.5	16.7	-5.2
Shaily Engineering Plastics	Plastic Products	5.5	10.4	-4.9
DCB Bank	Bank	20.9	25.3	-4.4
GHCL Textiles	Textile	4.5	8.1	-3.6

Change in promoter stake

Companies that have seen a rise or decline in promoter stake in Q4 FY24

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

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



The tables below list the companies in which the promoter stake has changed notably over the last quarter. We took companies where the promoter stake in the previous quarter was at least 25 per cent. In the case of an increase in promoter stake, we set a threshold of 5 percentage points. In the case of a decrease in promoter stake, we set a threshold of 7 percentage points.

Increase in promoter stake

Companies where the promoter stake in the previous quarter was at least 25 per cent and has risen by at least 5 percentage points

Company	Sector	M-cap (₹ cr)	Promoters' stake (%) Mar '24	Promoters' stake (%) Dec '23	Increase in promoter holdings (% pt)	3M return (%)
Shalimar Paints	Chemicals	1,339	75.7	31.9	43.8	-6.3
TIL	Capital Goods	1,331	75.0	56.3	18.7	77.6
Sanghi Industries	Cons. Materials	2,266	78.5	72.6	5.9	-28.6
Himadri Speciality	Chemicals	17,073	50.3	44.8	5.5	-2.5

Fall in promoter stake

Companies where the promoter stake in the previous quarter was at least 25 per cent and has fallen by at least 7 percentage points

Company	Sector	M-cap (₹ cr)	Promoters' stake (%) Mar '24	Promoters' stake (%) Dec '23	Decrease in promoter holdings (% pt)	3M return (%)
CMS Info Systems	IT	6,378	0.0	26.7	-26.7	2.2
Whirlpool Of India	Consumer Durables	18,127	51.0	75.0	-24.0	-11.2
Last Mile Enterprises	Infrastructure	1,755	47.4	60.8	-13.4	178.8
Aavas Financiers	Finance	12,662	26.5	39.1	-12.6	-14.1
Vertoz Advertising	Media & Entertainment	3,104	37.5	49.0	-11.5	52.3
EFC (I)	Trading	1,857	45.6	56.8	-11.2	-11.3
Aditya Birla Sun Life AMC	Finance	15,497	75.3	86.5	-11.2	-3.1
Swan Energy	Textile	16,594	54.0	64.1	-10.1	31.2
Eureka Forbes	Consumer Durables	8,693	62.6	72.6	-10.0	-10.3
Suven Pharmaceuticals	Healthcare	16,377	50.1	60.0	-9.9	-6.8
DCX Systems	Electricals	3,377	62.3	71.7	-9.4	-13.8
Aditya Vision	Retailing	4,548	53.4	61.2	-7.8	-1.2
Genus Power Infra	Capital Goods	8,327	42.7	50.3	-7.6	-0.7
Shyam Metalics & Energy	Iron & Steel	16,292	74.6	81.6	-7.0	-5.8
SpiceJet	Aviation	4,353	48.3	55.3	-7.0	-0.1

Minimum m-cap ₹1,000 crore as of May 15, 2024. Returns as of March 2024.

Pledging tracker

Companies that have seen a rise or decline in promoter pledging in Q4 FY24

Promoter pledging is an important analytical parameter. When promoters pledge shares, they keep shares as collateral with a financial institution, such as a bank, to raise money. It's just like mortgaging something for money.

Pledging is not always bad. Many times, promoters pledged their stake for sound business reasons and later released their pledged shares. 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.

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

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	Sector	M-cap (₹ cr)	Pledged stake (%) Mar '24	Pledged stake (%) Dec '23	Increase (% pt)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt-to-equity
Veranda Learning	Edu & Training	1,218	98.3	0.0	98.3	53.6	-37.9	2.7	6	0.9
Shalimar Paints	Chemicals	1,339	28.5	0.0	28.5	75.7	-6.3	4.5	5	0.4
Sigachi Industries	Chemicals	2,132	21.7	0.0	21.7	45.4	8.7	14.7	3	0.2
Kilburn Engineering	Capital Goods	1,481	20.7	0.0	20.7	49.9	20.8	7.0	7	0.5
Gensol Engineering	Infrastructure	3,392	63.1	42.8	20.3	62.6	4.4	7.6	5	2.8
Camlin Fine Sciences	Chemicals	1,687	12.4	0.0	12.4	48.0	-34.3	2.6	4	0.7

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	Sector	M-cap (₹ cr)	Pledged stake (%) Mar '24	Pledged stake (%) Dec '23	Decrease (% pt)	Promoter stake (%)	3M stock return (%)	Z-Score	F-Score	Debt-to-equity
Tide Water Oil	Automobile & Anc.	3,092	0.0	54.2	-54.2	62.3	-1.2	4.8	6	0.0
Dr Agarwals Eye Hospital	Healthcare	1,621	0.0	40.0	-40.0	71.9	11.1	4.3	6	0.3
Mangalore Chemicals	Chemicals	1,267	48.1	75.9	-27.8	60.6	-16.7	2.6	9	1.1
Nalwa Sons Investments	Finance	1,778	0.0	24.4	-24.4	55.6	2.7	0.0	0	0.0
Wockhardt	Healthcare	8,163	52.9	74.5	-21.6	51.6	37.7	1.8	3	0.6
Cupid	FMCG	2,667	39.2	56.2	-17.0	44.8	116.7	77.3	9	0.0
JSW Holdings	Finance	7,055	4.5	19.0	-14.5	66.3	40.0	0.0	0	0.0
Xpro India	Plastic Products	2,257	0.0	14.2	-14.2	42.5	6.8	15.8	7	0.1
Jain Irrigation Systems	Plastic Products	4,581	47.1	58.9	-11.8	26.1	-22.8	1.9	5	0.7
Paisalo Digital	Finance	5,448	18.5	30.2	-11.7	50.4	31.3	0.0	0	1.5
Kalpataru Projects	Infrastructure	18,945	31.5	42.5	-11.0	40.6	50.3	2.3	5	0.8
Centrum Capital	Finance	1,662	32.3	42.7	-10.4	38.5	1.1	0.0	0	5.6

Minimum m-cap ₹1,000 crore as of May 15, 2024. Returns as of March 2024.
Z-Score: Predicts a company's financial distress or the possibility of its going bankrupt within two years. A Z-score of more than three is desirable.
F-Score: Highlights financial performance as compared to that in the previous year. An F-Score of seven or above is good.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Onwards and upwards, quite literally!

Find out how this small-cap company changed its business DNA for growth

If we were to pick stocks that lived up to their names literally and figuratively, Onward Technologies would be at the top of the pile. The coveted small-cap IT bet has drawn up a differentiated path thanks to its complete shift towards becoming an engineering research and development (E&RD) player. How did it do this? Let's find out.

Changing lanes

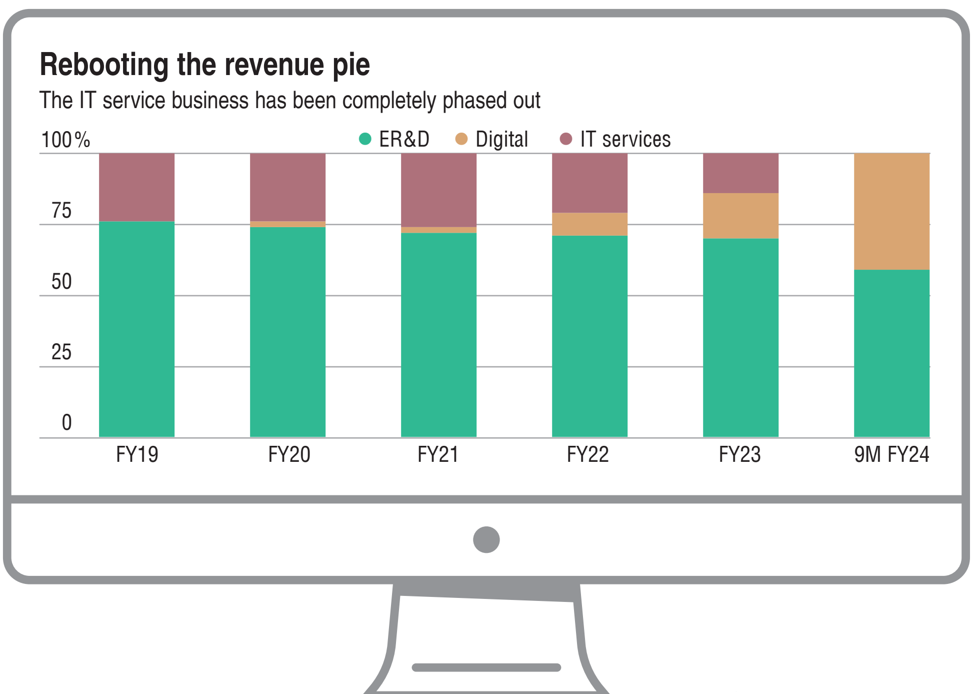
What many IT companies fail to do, Onward Technologies was able to achieve. It successfully broke away from the highly crowded and generic software and cloud computing segments by pivoting deeper into the ER&D space. ER&D involves contract-based work to enhance operational efficiency in various stages of software and hardware product development.

Back in FY17, the company operated in two major segments – product design and IT services, which contributed 77 and 23 per cent to its revenue, respectively. Under the product design segment, the company catered to multiple international clients in the US while the IT services business constituted only domestic clients. With intense price competition in the IT services segment, it was struggling to expand operations. So, it capitalised on its existing presence in the product design space by expanding its digital services across the entire product development value chain. It did so by heavily investing in digital infrastructure, which helped it turn into a fully integrated ER&D service provider. Moreover, the company halted its expansion in the IT services business in FY19 and completely phased out of the segment in FY24.

Growth acceleration

Since this shift in FY19, the company has recorded impressive annual revenue and operating profit growth of 49 and 63 per cent, respectively. What made this growth possible was its strategic presence in the North American and European markets and its existing rapport with global giants in the industrial equipment and automobile industry. The company's digital expansion into R&D and its healthy financial performance have not gone unnoticed in the stock market. Its stock rallied nearly 43 per cent last year and is currently trading at a P/E of 33 times, as of May 6, 2024. Institutional investors that were hitherto absent have picked up fresh stakes of a little over 9 per cent in the stock, as of March 2024.

Onward Technologies further stands out on another parameter. It has pursued a rather unique client retention strategy. On realising that acquiring new clients and retaining existing ones is challenging in the ER&D space, it reduced the number of its clients to limit attention to a handful, with whom it can build and maintain long-standing relationships. As a result, its client count fell from over 200 in FY19 to 88 as of December 2023. To foster long-term

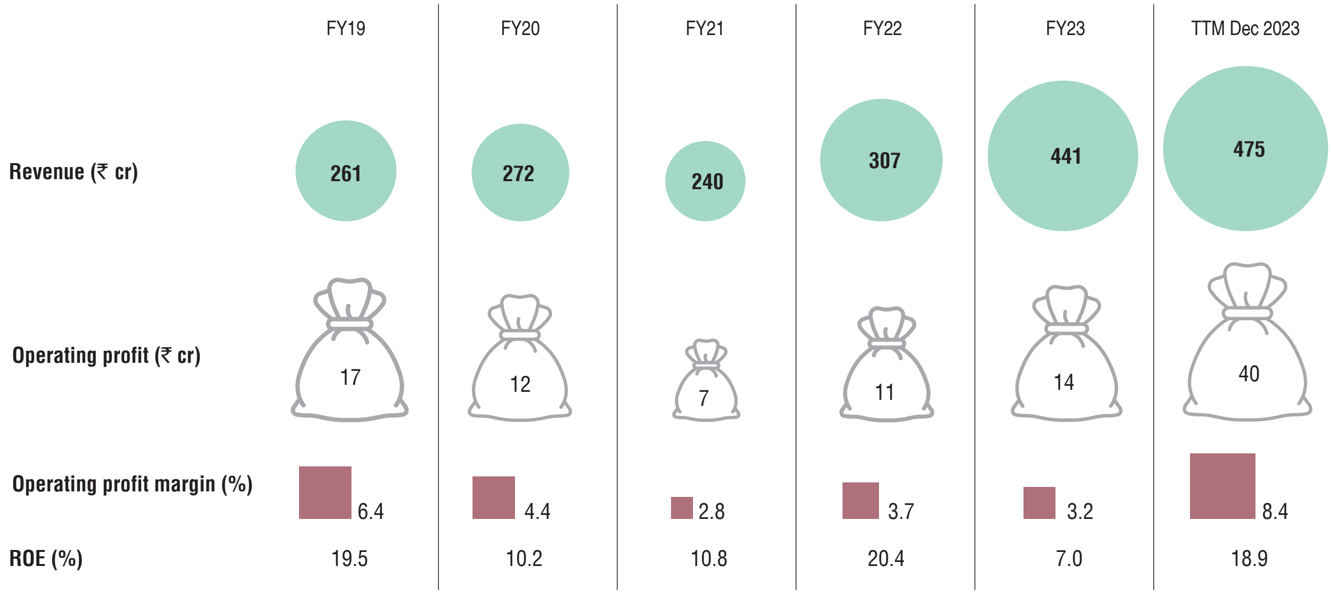


Rebooting the revenue pie

The IT service business has been completely phased out

Stacking-up profits

Onward Tech's operating margins and ROE have seen a strong improvement over the last year



relationships with them, the company initially starts out with $50,000 to $100,000 contracts and gradually increases contract size on getting more projects from the same client. The strategy has worked as 13 of its clients generated more than $1 million each in revenue and the top 25 clients led to nearly 81 per cent of revenue generation until 9M FY24.

Can it sustain the growth trajectory?

In FY21, the management set an ambitious target of generating $100 million in revenue by the end of FY26. The company is currently 45 per cent short of achieving this number (on a TTM basis till December 2023). So, what is it doing to reach this target? The management has taken two major steps in pursuit of this goal. First, they have identified and increased the focus to deliver ER&D services across three sectors – industrial equipment, automobile and healthcare – to drive growth. Rather than acquiring new clients in these segments, the company is focusing more on expanding operations with existing customers to address their complex requirements better. It aims to increase revenue generation from its top clients to $5 million and beyond from the existing $1 million. Moreover, the management recognises growth potential in the healthcare and auto segments, given these categories are getting traction from even new clients based on orders received in the last few quarters.

Secondly, the company is actively looking for potential acquisition opportunities in the domestic and international markets. It is confident in achieving growth through inorganic opportunities, given its presence in key markets (US and Europe), an acclaimed list of clients and a healthy debt-free balance sheet (₹83 crore as of December 2023).

What should you watch out for

Among the biggest challenges for the company is the competition it faces from larger peers like Tata Elxsi, LTTS, KPIT Technologies and many other international players. This makes adding new clients even more difficult, something the management has acknowledged in the past. Additionally, a shortage of talent is another major concern for the ER&D sector. Notably, the company spends a significant chunk on employee costs. These expenses constituted over 80 per cent of its total revenue in FY23. The competitive heat and high employee costs leave little headroom for Onward Technologies to undertake high-priced contracts like its peers. Hence, it often takes low-margin projects at higher costs, which explains why its operating profit margins significantly lag behind the industry. It remains to be seen whether the company can sustain its present growth rates through its scale-up and expansion strategy. ☑

By Hemkesh Khattar

There's more to the eye

Should you bet on this NBFC with zero NPAs and high growth?

Non-banking financial companies (NBFCs) in India are synonymous with high non-performing assets (NPAs). As per the Reserve Bank of India (RBI), their GNPA (gross non-performing assets) stood at 4.6 per cent as of September 2023.

However, there is one NBFC that has no red in its books – IRFC (Indian Railway Finance Corporation). Founded in 1986, the company lends funds to the Indian Railways to manage its extra-budgetary needs. Simply put, if the funds provided by the government to the Ministry of Railways fall short, the IRFC will raise money from the market to meet its requirements.

Since IRFC supports a government entity, akin to getting a sovereign guarantee (a promise by the government to pay a company's debt in case of a default), its NPA remains zero. Further, it boasts strong financials, as its AUM and net profit grew at an annual rate of 25 and 26 per cent, respectively, between FY18-23. No wonder that since April 2023, IRFC's share price has surged fourfold, causing its P/B value to jump from a discount to 4.2 times (see the graph 'Stark improvement in stock performance').

Given the company's financial upswing, is it a worthwhile investment? Let's find out.

How IRFC fares versus its peers

A quick glance at the table 'A comparison with major NBFCs' shows that the New Delhi-based entity is on par with other private players in the market when it comes to P/B, ROE, growth in interest income and profit after tax. However, it lags far behind in terms of NIM and ROA. Below are a few reasons for the same.

A comparison with major NBFCs

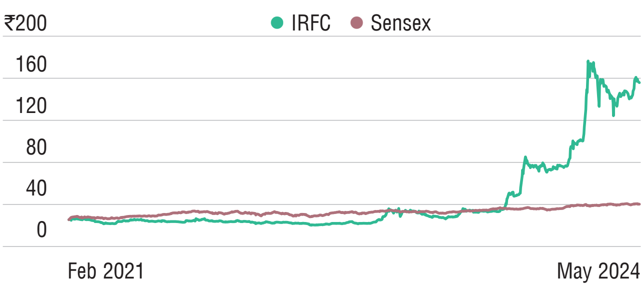
How IRFC fares versus some of the leading NBFC players

Metric	Bajaj Finance	IRFC	Cholamandalam Investment	Shriram Finance
5Y growth in interest income (% pa)	26.5	16.7	18.3	17.7
5Y growth in profit after tax (% pa)	35.7	25.9	23.9	18.7
5Y average NIM (%)	11.0	1.3	7.3	7.2
5Y average ROE (%)	19.5	13.8	18.9	15.6
5Y average ROA (%)	3.7	1.3	2.4	2.4
Current P/B*	5.6	4.3	5.1	2.0

*P/B as of May 6, 2024

Stark improvement in stock performance

As a result of a recent rally, it has delivered 75 per cent annual returns since listing



Data as of May 6, 2024. Sensex rebased to the share price.

Client monopoly

The fact that IRFC only caters to the Indian Railways casts enormous doubts on its future growth prospects. For instance, if the Railways reduce their expenditure or the number of projects they undertake, it could negatively impact IRFC's financials.

Moreover, IRFC reported a five-year average NIM of a meagre 1.3 per cent, one of the lowest in the banking and NBFC sectors. This is because the spread that IRFC can charge is fixed and can only be changed if and when the government wants to.

Slowdown in growth

Typically, IRFC capitalises on advances given against railway infrastructure projects that are yet to be leased. Hence, it posts a growth or rise in AUM even before the loan has been disbursed. This is done with the help of a capitalisation rate determined by the company based on the cost for projects that are yet to be leased.

With a recent slowdown in capitalisation, no loan disbursements have been made by IRFC during the last two quarters of FY24. From a peak of ₹1.04 lakh crore in FY21, loan disbursement has seen a steady slump, falling to zero in Q3 FY24 (see the graph 'Halt in AUM and disbursements'). Thus, IRFC's AUM also declined in the same period after reporting a steady rise during FY18-23.

AI generated image

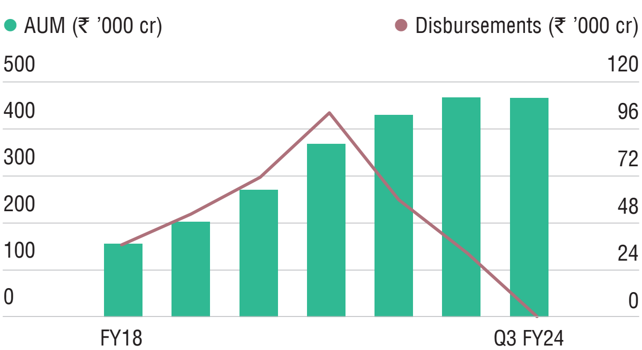
However, the problem doesn't end here. Since the Indian Railways is allotted money through the government, the number of projects that will be financed through IRFC has fallen, putting the latter in a difficult position. Earlier in FY24, IRFC's management announced that the Ministry of Railways had neither communicated nor provided information regarding financing any future projects, potentially causing trouble for the company.

A significant contrast in numbers

Although the company's key financial metrics portray a positive image, a closer look shows the wide disparity between the growth in EPS and profit after tax. While profit after tax showed an impressive yearly growth rate of 26 per cent, EPS grew only at 9 per cent per annum.

Halt in AUM and disbursements

The recent slowdown in growth posts a threat to IRFC's growth potential



The slow growth in EPS numbers can be attributed to a consistent dilution of shares, which the company did to maintain its debt-to-equity ratio up to 10 times. In FY18, when it almost touched this number, it issued more shares to bring down the debt-to-equity ratio. While no share dilution has occurred in the last two years, this may happen in the future.

Management-related concerns

Management-related issues have plagued IRFC in the past. For instance, in 2022, its then-managing director, Amitabh Banerjee, was fired, and the CBI filed a case against him for alleged embezzlement of company funds during his tenure. Further, the company stated in its FY23 annual report that it did not have the prescribed number of directors mandated by SEBI.

So, is it still worth betting on IRFC?

Despite the company's strong financials, the picture is not as rosy as it seems. Yet, given that IRFC caters to the Indian Railways, its loans are secured. Lack of strong growth prospects and managment issues makes us question the hefty valuation.

Further, there's no guarantee that IRFC will remain the sole funding source for Railways. A rise in the number of railway projects or expenditures may not necessarily correlate with a jump in business for IRFC. Its management has also not indicated anything regarding growth in loan disbursements, further fueling worry among existing and potential investors. ☑

By Satyajit Sen

This coffee chain is brewing a comeback

Coffee Day's stock is up-and-running as a turnaround is in the works

Coffee Day Enterprises, the owner of the restaurant chain Cafe Coffee Day or CCD, was once at the forefront of India's soaring coffee culture. However, in recent years, the company has experienced a rollercoaster of challenges. The company's debt soared from around ₹4,000 crore in FY15 to more than ₹7,000 crore in FY19. Reason? Mismanagement. The untimely death of its founder, VG Siddhartha, added to the distress. All these events led to the company's share price to plummet about 90 per cent between 2018-2021.

While things are not going well for the company, its share price has rebounded 82 per cent in the last year. Here's what has changed.

Turnaround in the works

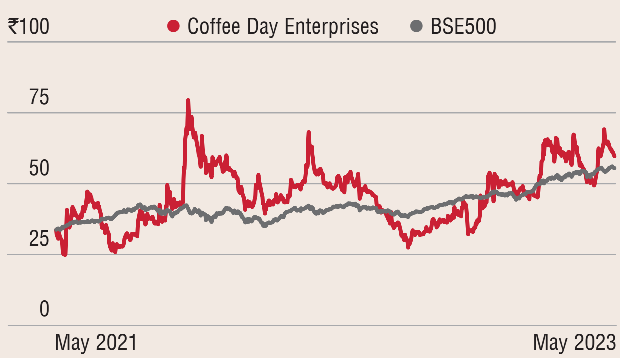
Post Siddhartha's death, his wife Malvika Hegde, took over the business. One of the first major steps she took was to narrow down the company's focus. It managed to pay off a significant portion of its ₹7,000 crore debt by selling most of its non-core assets, such as Tech Park and shares in MindTree, an IT company. It also significantly scaled down its cafe business. Several debt restructuring measures also helped. The number of stores has also fallen from a peak of 1,752 in FY19 to just 454 as of Q3 FY24.

On paper, it appears that the company may not survive given the scaling down of its core business. But surprisingly, it has remained profitable at the operating profit level. It clocked a ₹47 crore operating profit on a TTM basis till December 2023. Moreover, despite minimal spending on marketing and advertising, it has maintained stable same-store sales growth. At ₹6.3 crore in FY23, its marketing spend accounted for 0.6 per cent of the revenue. Other QSR (quick-service restaurant) players incur much higher on marketing (5 per cent of revenue on average) to maintain similar same-store growth rates.

Additionally, its vending machine business has been performing well, with the number of machines increasing from a Covid low of 36,000 to 52,000 as of Q3 FY24. This also bodes well for its coffee beans segment, which sees repeat business from each vending machine.

Making a comeback

Coffee Day outpaces BSE500 on a three year-basis



Data as of May 6, 2024. BSE500 index rebased to the share price.

A potential opportunity?

Despite scaling down, the company has shown stability in a space where many global players like Starbucks, Costa Coffee and even QSR players like McDonald's and Burger King are vying to make a mark. Moreover, the strong commercial real estate market fares well for the vending machine business as office spaces are its major customers.

There are also rumours of either a fundraiser or a potential takeover. However, no official bids have been made yet. The management is actively seeking opportunities to bring a strategic investor on board.

The company's valuation appears attractive, too. It currently trades at an EV/EBITDA of 15 times, compared to the QSR industry's median of 32 times. It is even more attractive on a price-to-book basis, trading at 0.4 times its book value.

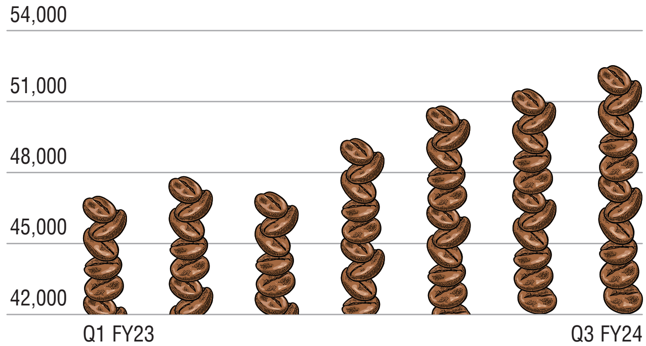
Given that only ₹1,600 crore debt remains to be paid off, with stabilised growth and attractive valuation, should you bet on this potential turnaround?

A word of caution

While the debt level has come down, it may still take a long time to pay it off completely. The growth, while stable, may not see any significant

Vending out victory

Amid increasing demand, vending machines are being rented out more, incentivising Coffee Day to sell its packaged coffee beans



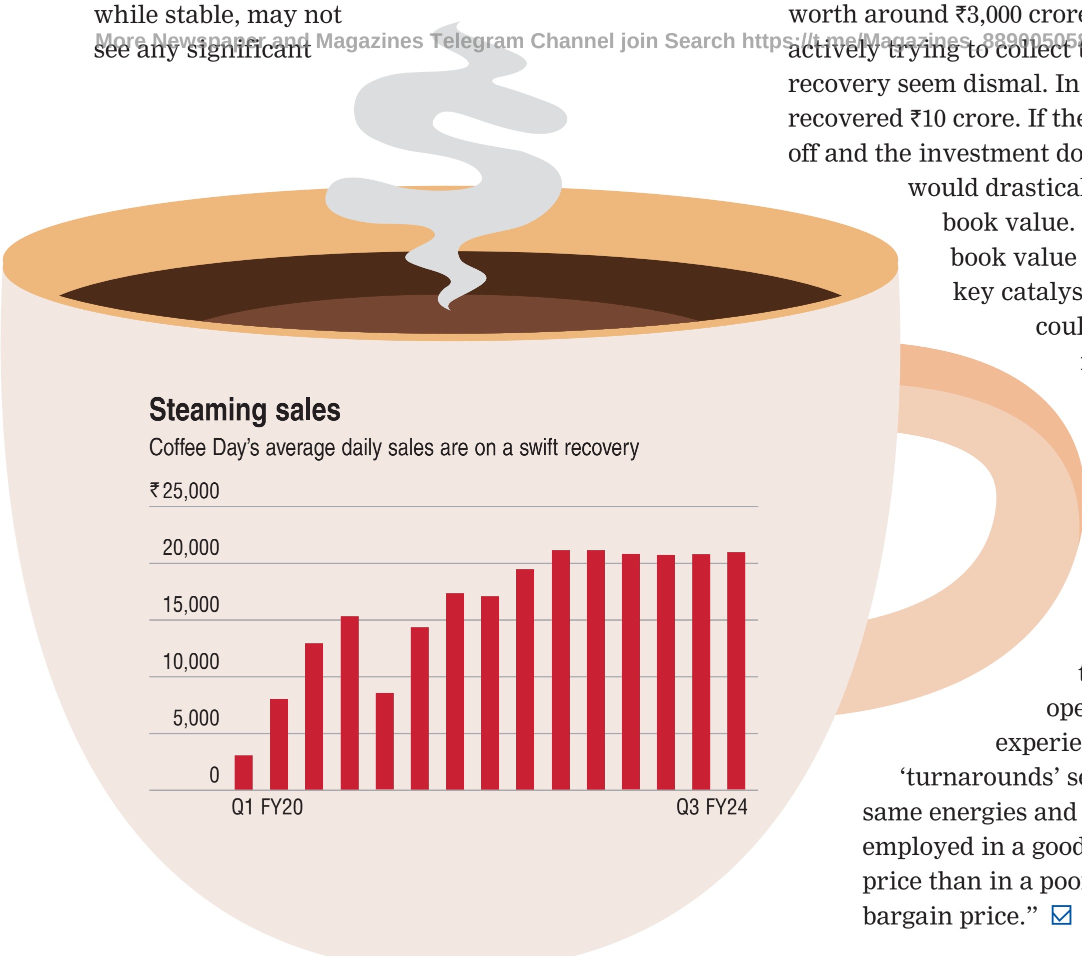
spikes in the next few years due to restrictive clauses on capital expenditure. The company also recently defaulted on a ₹400 crore loan.

Although Coffee Day looks attractive since it trades at a discount to its book value, this comes with a contingency. A significant part of its book value includes investments and loans to related parties worth around ₹3,000 crore. While the company is actively trying to collect this sum, the chances of recovery seem dismal. In the entire FY23, it only recovered ₹10 crore. If these receivables are written off and the investment does not amount to anything, it would drastically impact the company's book value. Thus, its discount to the book value will also decline. That said, a key catalyst for Coffee Day Enterprises could be a potential takeover or fundraiser. Its long-term outlook depends on such a strategic development.

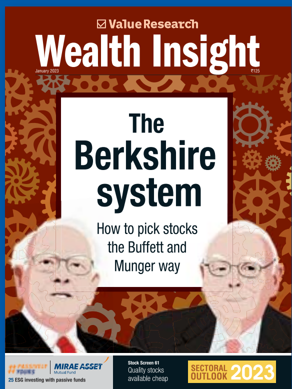
As appealing as it may seem, there are many other contingencies to consider. Investors should heed Warren Buffett's advice on turnarounds: "Both our operating and investment experience cause us to conclude that 'turnarounds' seldom turn, and that the same energies and talent are much better employed in a good business purchased at a fair price than in a poor business purchased at a bargain price." ☑

Steaming sales

Coffee Day's average daily sales are on a swift recovery



By Kunal Bansal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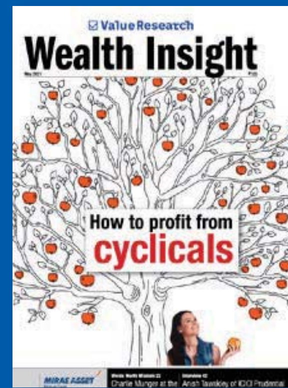
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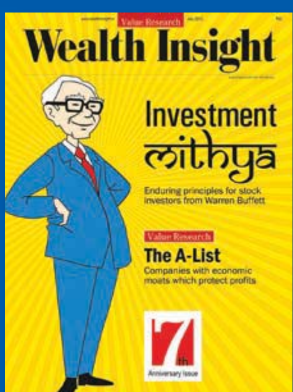
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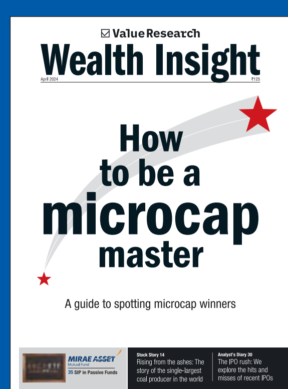
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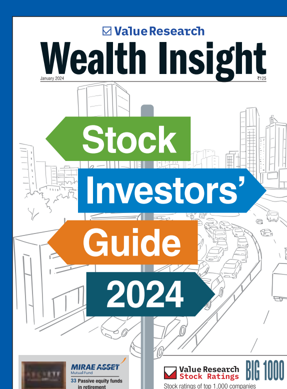
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July 2024

The writing is on the wall

Will Linc be able to sustain its recent strong performance?

Almost all of us have used Linc pens during our school and college days. The writing instrument manufacturing company has a presence in over 40 countries today. Its products are sold under various brands (owned and others) including Linc, Pentonic, Uniball, Deli and Markline.

But the company had its bad days before the good ones. It stagnated for years with little to no growth between FY12 and FY21. This was primarily due to its negligible brand recognition in a market dominated by many other renowned competitors. The poor brand recall, in part, was because of the absence of a robust marketing and distribution strategy and having a crowded product portfolio.

However, its fortunes changed after FY21. In the last three years, it almost doubled its revenue and sharply improved profit margins thanks to the launch of its Pentonic brand in FY19. How did this sudden improvement come about, and is it sustainable? Let's find out.

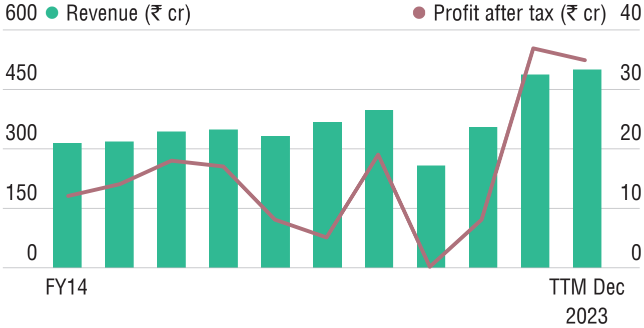
Birth of a brand

The company's launch of Pentonic pens proved to be a game changer. This was because it managed to price them competitively despite remarkably improving their feel and design over the older products. Further, the company reduced the large number of its earlier models to focus its resources on the star product Pentonic. With this, it was able to put in place a sturdy marketing strategy. The company then increased its advertising spending as well. Its ad expenses, as a percentage of its revenue, jumped from 1.5 per cent in FY19 to making up 2.8 per cent of the revenue in FY23. The company doubled down on Pentonic by using it as a sales funnel for other products introduced under the same name. All these factors helped it achieve a strong brand recall for the first time in several years. The brand recognition further enabled the company in scaling up its distribution. Its retail touchpoints grew sharply to 2.5 lakh outlets selling its products at the end of Q3 FY24 from just 65,000 in FY20.

Moreover, compared to its previous cheaply priced products, the company's revamped brand led to a

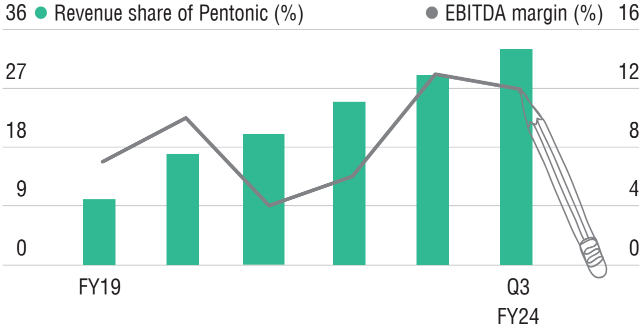
Linc's revenue surge

The launch of Pentonic in FY19 helped the company improve its revenue and profit after tax after FY21



The Pentonic boost

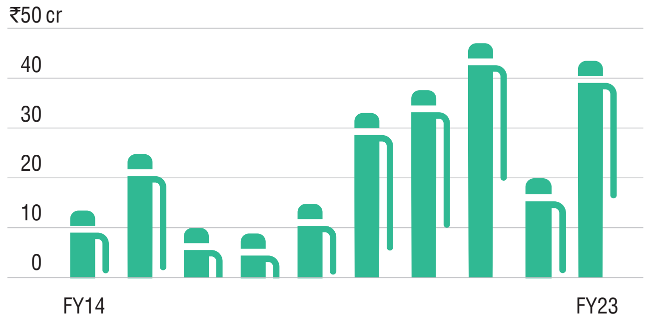
Pentonic now accounts for one-third of Linc's revenue compared to a negligible share in FY19



higher average selling price of its portfolio. This lifted its profit margins. The brand name also resulted in faster sales at high volumes, improving the company's inventory, debtor turnover and cash flows.

Rising CFO

Higher inventory and debtor turnover have resulted in improved cash flow from operations



A potential bargain?

On the valuation front, Linc presents a unique case. The company trades at a P/E of 27 times, close to its 10-year median of 25 times. While this appears to be an attractive opportunity, it's crucial to note that the writing instruments and stationery industry lacks headroom for further growth. According to a CRISIL report, the industry is expected to clock single-digit growth (around 8 per cent per annum) until 2028 due to lower demand. There is also a looming threat from advancing technologies. These factors must be considered before taking an investment call.

What's in store ahead

At a time when the industry is exhibiting signs of fatigue, Linc has set ambitious targets. It plans to increase its manufacturing capacity in Gujarat from 10 lakh to 15 lakh pens per day by FY25. It also aims to increase the number of its retail touchpoints to 5 lakh and allocate 3 per cent of revenue to advertising spending. It is further eyeing a revenue of ₹750 crore, about 50 per cent higher than its latest TTM earnings, and an EBITDA margin of 15 per cent.

The company's goals are bold but the slowing industry growth and the persistently high competition remain key deterrents. Hence, whether the stationery manufacturer can outpace the industry's single-digit growth while sustaining the pace of its recent turnaround remains doubtful.

By Shubham Dilawari

Shifting paradigms

Our analysis shows how the broader market's ROE has been evolving

Return on equity (ROE) is a metric that measures how efficiently a company uses its shareholders' money. A consistently high ROE indicates efficient capital deployment, which is precisely what investors chase. While it is easier to track a company with a consistently high ROE, we were curious to see how the broader market has evolved on this metric in the last decade.

We pooled 1,707 companies into different categories and uncovered a few interesting trends. Most companies still earn less than 15 per cent ROE, but there's been a gradual migration towards higher ROE brackets. Notably, the number of companies with an ROE exceeding 15 per cent has surged after the Covid pandemic.

We spotted yet another interesting trend. The three-year median ROE of cyclical industries has improved significantly, while that of non-cyclical has deteriorated.

But how many companies have managed to maintain a healthy ROE every year without fail? Only 36 of them. They have maintained an ROE of over 15 per cent each year since FY14. This number falls to six if we look at those with a consistent ROE of more than 30 per cent during the 10-year period. ☑

By Samridh Rela

Change in ROE across top industries

Sector	3Y median ROE (%) FY16	3Y median ROE (%) TTM
Automobile & ancillaries	18.2	14.3
Capital goods	10.9	15.2
Chemicals	17.3	16.0
FMCG	26.0	16.8
Healthcare	16.4	13.5
IT	19.5	18.0
Power	5.4	10.4
Realty	6.6	5.7
Iron & steel	6.4	15.2
Banking and finance	11.4	12.6
Crude, gas and fuels	10.9	18.4

Industry ROE calculation based on median ROE of all companies.

Turning up the heat

Since FY21, the share of companies with over 30 per cent ROE has been on a rise

In %

Year	<0	0-15	15-30	>30
FY14	11	48	30	11
FY15	12	48	30	10
FY16	13	44	33	10
FY17	11	46	35	9
FY18	10	45	36	8
FY19	9	47	37	7
FY20	10	50	33	7
FY21	12	48	30	9
FY22	9	43	35	13
FY23	7	47	35	11
TTM*	10	44	34	12

ROE for companies with a market cap of more than ₹500 crore. *Data for trailing twelve months ending December 2023.

VIS-A-VIS

Battle of the bags

Putting two luggage leaders head to head

VIP Industries

Established in 1968, VIP Industries is India's largest player in the organised luggage space, with a market share of 37 per cent as of December 2023. Alongside its VIP label, it offers other popular brands like Skybags, Aristocrat and Caprese. The upright luggage category accounts for 76 per cent of its revenue, while backpacks, duffels and handbags make up the remaining 24 per cent as of 9M FY24.

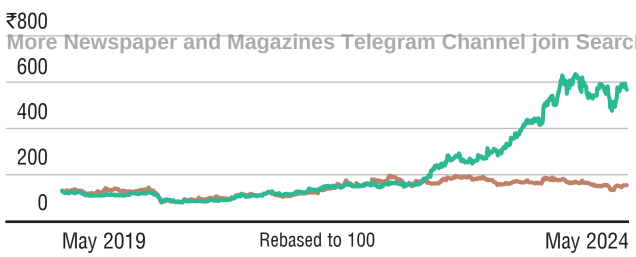
Safari Industries

Established in 1974, Safari Industries specialises in manufacturing and trading luggage and accessories. Its products include hard case travel bags, which contribute 54 per cent to the revenue, while soft luggage and backpacks contribute 46 per cent. Safari sells its products through offline and online platforms, with e-commerce being the leading growth channel. The company has a manufacturing facility in Halol, Gujarat, and is setting up a new unit in Jaipur, Rajasthan.

Financials (₹ cr)

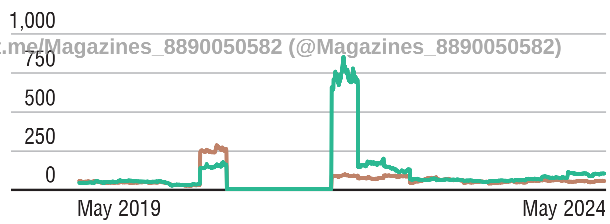
Revenue	Operating profit	Net profit	Net worth	Total debt	Cash from operations	Market cap
2,179	159	74	716	258	131	7,851
1,488	222	171	514	34	160	9,774

Price chart



Rebased to 100

P/E chart

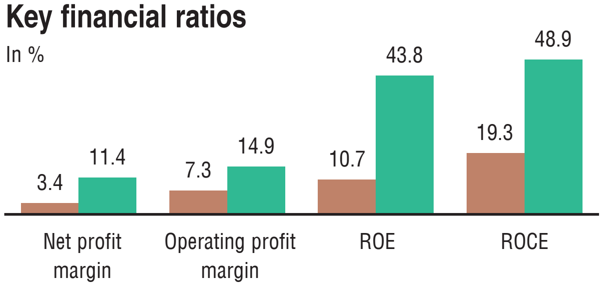


A P/E ratio of zero indicates a loss.

Price to earnings	Price to book	Dividend yield (%)	Debt to equity
106.2 57.3	10.9 12.4	0.8 0.2	0.36 0.07

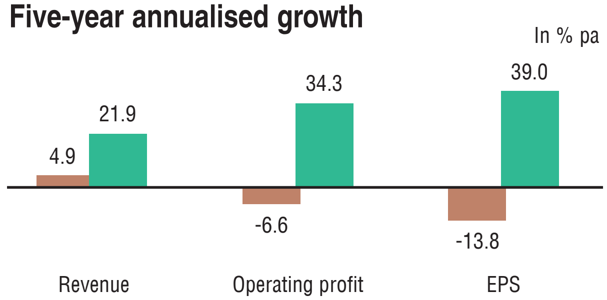
Key financial ratios

In %



Five-year annualised growth

In % pa



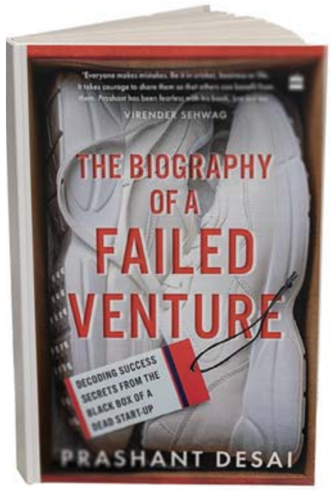
Price data as of May 6, 2024. P&L and ratios as of TTM December 2023. Balance sheet numbers are as of September 2023.

Post-pandemic, the Indian luggage industry has witnessed a revival due to a surge in travel and events, even in tier-2 and 3 cities. This trend is expected to continue, with organised players gaining market share. According to VIP Industries, the luggage industry is projected to grow by 12 per cent annually in FY23-28. During this period, the market share of branded players is expected to rise from 52 per cent to 60 per cent. However, competition, cost of raw materials and the presence of unorganised players cannot be ignored. ☑

Footsteps to failure

Lessons from the downfall of a footwear startup

It's wise to learn from our mistakes, but it's even wiser to learn from the mistakes of others. This principle has guided our exploration into the collapse of an ambitious sportswear venture. We delved into **Prashant Desai's** book, 'The Biography of a Failed Venture', to uncover lessons from his failed footwear startup, D:FY.



Desai, a CA and CWA turned equity researcher, was the head of research at RARE, the late Rakesh Jhunjhunwala's partnership firm. He also led the investor relations team at Future Group India and was the CEO of 63 Moons Technologies. In his book, Desai shares his experience of founding D:FY, an Indian competitor to giants like Adidas and Nike, which ultimately failed.

Here are some key excerpts from the book to help you understand the retail sector better and learn from his missteps.

Pursuit of a dream

From the best manufacturing factories to the exorbitant marketing costs, Desai left no stone unturned in his pursuit of creating a truly Indian sports brand. Looking back, he says, "If there was anything that we could not be accused of, it was conservatism."

The company chose tier-2 factories in China to achieve large-scale production, aiming to sell "34,000 pairs of footwear and 100,000 pieces of apparel in the first season. That worked out to selling one pair per hour per store." It partnered with various sports celebrities to boost the brand's visibility, with the clear goal of making D:FY the next big name in sportswear.

Reality check on aspirations

After all these major steps, Desai sought validation for his business model to make sure he had not missed out on anything. He approached Utpal Seth, an associate of Rakesh Jhunjhunwala, with experience in consumer-facing businesses such as Titan, VIP and Future Group.

Seth warned Desai, "You are setting up a high capex, high opex, and high working capital execution plan. This represents a high risk. You need to de-risk the model. In the overall scheme of things, your conviction may be rewarded… but before that, your patience will be tested."

Seth advised, "Start small, experiment, make affordable mistakes, keep adapting, keep strengthening the business and then – when you are absolutely sure that the business is in a sweet spot – step on the accelerator." As Rakesh Jhunjhunwala once said, "Make a mistake you can afford so that you live to make another one."

He further suggested, "Why not test the market by selling products through modern retail format brands like Metro Shoes, Central, Shoppers Stop and Lifestyle. That way you would get precious consumer feedback for free..; the retailer would be aggregating that feedback for us. Thereafter, one can always scale with

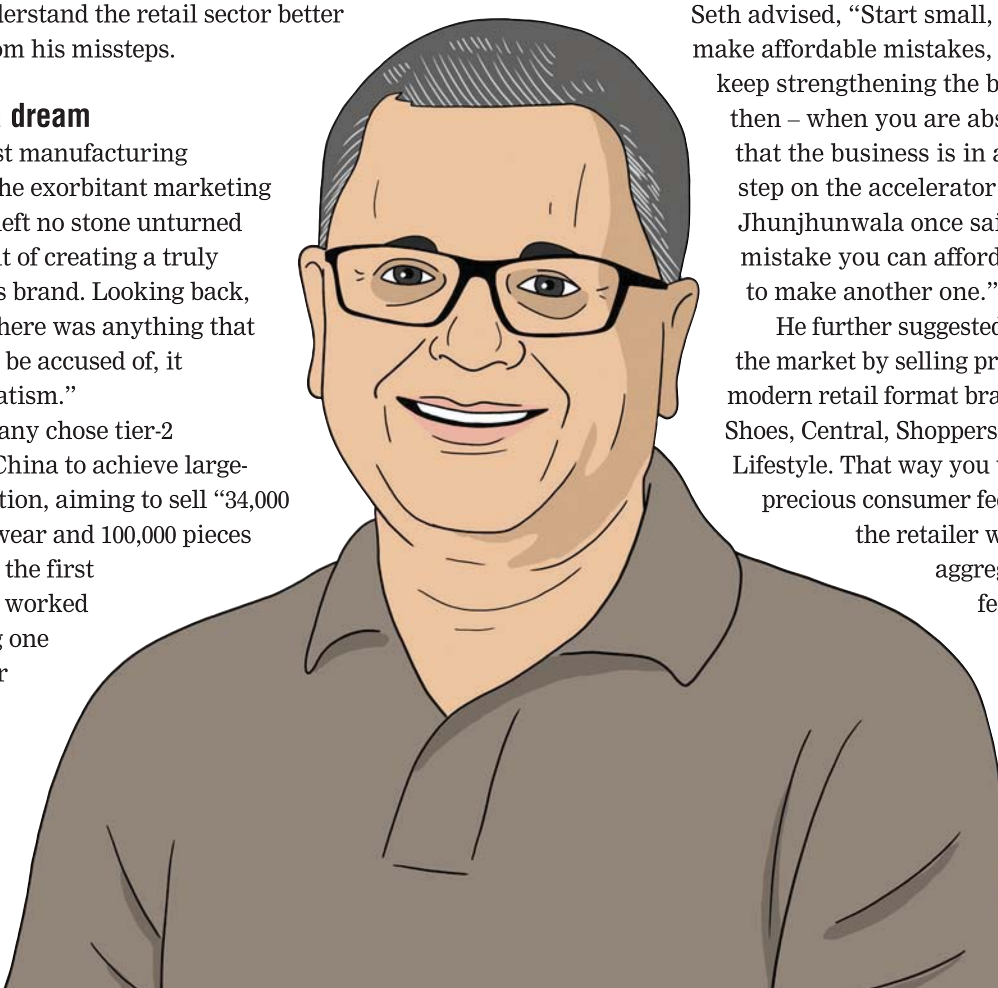
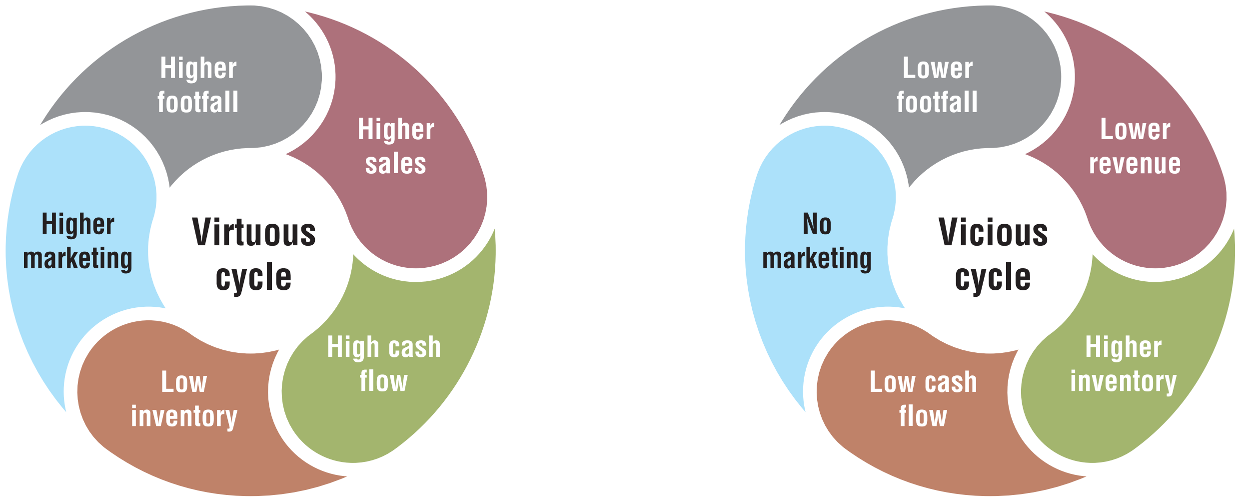


Illustration: ANAND

Extreme ends of working capital



Source: The Biography of a Failed Venture

fursat (patience) with cash in the kitty. If you did it this way, you would be avoiding the trap of a high capex, high opex and high working capital retail business model."

Seeing Desai unconvinced, Seth again tried to explain the potential working capital trap that he was observing. He said, "You can start your own stores, but that will stretch your fixed capital requirement. Besides, when you buy shoes from China by paying cash down, you would have already consumed your working capital. I have seen a number of good businesses destroyed – completely destroyed – because they had high fixed capex coupled with high opex and high working capital intensity. Why I am worried for you is that you are loading too much pressure on the need to succeed early. If you don't deliver on the sales front immediately as you launch the business – and there is no saying when the brand may click, sometimes later rather than sooner – then… you might not get another chance."

Ignoring sage advice

Despite Seth's warnings, Desai protested, "World-class *joota koi paani ke bhaav mein bechega*?" Defending his business and brand value, he said, "When sales take off, we would place a second order and negotiate better credit terms from our Chinese suppliers. Several economies could moderate our break-even point. The fixed cost part of our business would get apportioned across higher sales. When operating leverage kicked in, profitability would rise. This initial squeeze was only a phase. Once revenues kicked in, it would be a virtuous cycle."

However, Seth cautioned, "If the revenues don't match? The virtuous cycle could become a vicious cycle."

Even after all this, Desai still went ahead with his venture. His passion even persuaded Seth to take a 5 per cent stake in the company. But later, as we all know, D:FY eventually succumbed to the harsh reality of retail and vanished from the market.

Lessons learnt

Desai admits, "The high-risk, high-reward game got me, and I couldn't see the risk in the business." The focus on building a brand ahead of understanding customer needs led to D:FY's downfall. He says, "I thought the consumer would buy into the concept of Indian brand with pride. I was wrong. When our revenue did not match and drained our cash flows, we almost stopped our brand spending, which kickstarted our vicious cycle. What I thought would be a virtuous cycle (excess of revenue over fixed cost) became a vicious cycle that pulled us deeper into the vortex."

Ultimately, D:FY had to shut down. Among multiple other factors, the lack of proper working capital management was the primary reason for the quick cash drain. This highlights the importance of working capital in a retail company and why it must be a primary focus.

Prashant Desai's journey with D:FY serves as a cautionary tale for aspiring entrepreneurs in the retail sector. By learning from his mistakes, others can avoid similar pitfalls and increase their chances of success.

Beat it

9 growth stocks to beat the market

By Udhayaprakash, Hemkesh Khattar, Shubham Dilawari, Mithilesh Bhaumik and Harshita Singh

"The whole thing is that *ke bhaiya sabse bada rupaiya*", sang Mehmood in the cult classic, '*Sabse Bada Rupaiya*'. But, the markets would beg to differ. When it comes to wealth creation, there is no *rupaiya* without *bada* growth.

Perhaps you are an investor with an eye for value, always on the hunt for companies that are momentarily undervalued due to short-term difficulties. You might pour over financial statements looking for firms with strong balance sheets and robust business models. But without growth, all investment philosophies are rendered mute.

So, this edition of Wealth Insight revisits the fundamental importance of growth stocks. These are companies that have shown exceptional increases in their revenue and profits. But remember, investing in the equity market always involves risks. Therefore, this issue not only celebrates the advantages of investing in growth stocks but also candidly discusses its potential pitfalls.

Additionally, we're introducing a framework to help you independently find reasonably priced growth stocks. Plus, as a bonus at the end of this cover story, we spotlight nine promising growth stocks for you to explore.

Let's dive into the world of growth stocks and discover your next big opportunity.

Chasing growth

We explore the rewards of investing in growth stocks

Investing in stocks is simple. You buy low and you sell high. But the critical question remains – what propels a stock's price upward? Now, this has ignited fierce debates among investors. We won't pick any sides either. But, one truth seems absolute: A stock needs to woo investors to go places in terms of value.

So, how does a company make investors swipe right? It could hog the headlines, sparking a fling of widespread interest. It may benefit from a regulatory or geopolitical windfall favouring its sector. But, when the novelty wears off, only one thing keeps the love alive – growth.

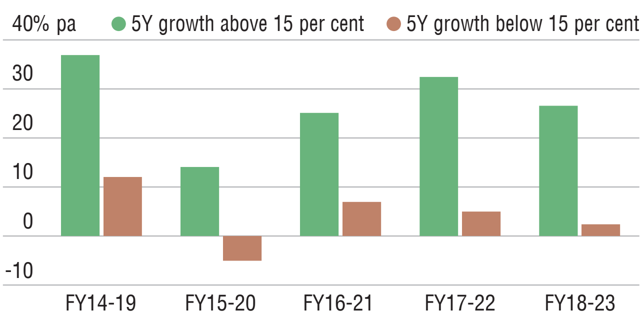
If a company consistently grows its revenue and earnings, it looks like a better and better catch. The longer it can strut its stuff with impressive growth rates, the more serious investors get about committing, boosting the stock's appeal and its price.

Dixon Technologies is a case in point. The electronic manufacturer grew its revenue by 43 per cent and profit after tax 39 per cent annually in the last five years (as of TTM December 2023). And Mr Market was surely impressed. In the same period, its share price skyrocketed 16 times!

Dixon's meteoric rise is no solitary tale, either. Historically, the market has favoured stocks with high growth rates. Notably, companies with a five-year annual revenue and profit after tax growth of higher than 15 per cent have outperformed those with lower growth rates (check graph 'High growth = High returns').

High growth = High returns

Fast growers have outperformed by at least 15 percentage points in each period



So, here's where we stand:

- Growth rates are the primary drivers of a stock's price in the long term.
- Investing in stocks with higher growth rates can fetch you high returns.

But here's the head-scratcher: why don't all investors just chase after growth stocks? The answer is that blindly chasing growth has its costs.

The cost that growth exacts

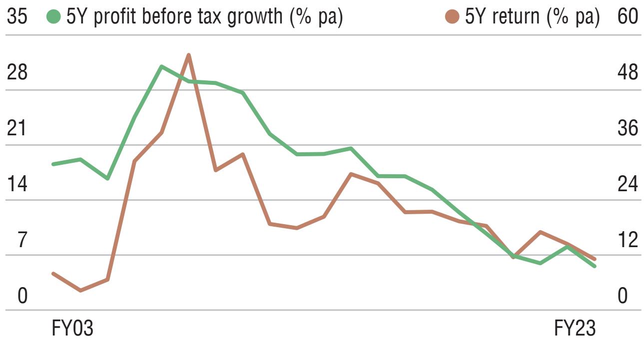
Are you familiar with the Norse myth of Siegfried? A great warrior, Siegfried bathed in the blood of a dragon, Fafnir, and became invulnerable wherever the blood touched his skin. However, a single leaf stuck to his back during this bath, leaving just that spot unprotected. Eventually, Siegfried was killed when a treacherous friend, Hagen, struck him in this unprotected spot with a spear.

The market, much like Hagen, can be equally treacherous. Blindly chasing growth might leave your portfolio as exposed as Siegfried's leaf-covered back. Here's why.

Nothing lasts forever. You cannot accelerate a car indefinitely. Growth stocks are no different. A company may start out with ample room to expand and zoom ahead at breakneck speeds, but eventually, every nook and cranny gets explored, every market saturated. And remember, the taller you are, the harder you fall. The markets are quick to downgrade stocks once the growth rates slow down.

The tale of Dabur

How market saturation led to lower returns



The tale of Dabur exemplifies that a slowdown is inevitable. Between FY04 and FY09, the fast-moving consumer goods major experienced exponential growth in revenue and earnings. This led to its share price skyrocketing, as shown in the graph 'The tale of Dabur'. In fact, the rising consumption of the Indian middle class led to a bull run in the FMCG sector. But eventually, consumption became saturated, while growth rates and returns slowed down.

The last mile is the toughest. If you've ever run a marathon, you know those final metres feel like running through molasses. Similarly, as a business matures, the growth spurt needed to keep up the pace can require herculean efforts. For example, Ultratech Cement managed to double its capacity in six years (FY14-19), which is no small feat. Yet, aiming for the next milestone feels like trying to summit the Everest without oxygen.

Also, a larger business is difficult to manage. A management might have shown excellence on a smaller scale. But there's no guarantee that it can replicate its success at a larger scale. The nosedive of Network18 Investments shows how quickly grandioseness can turn from a boon to a bane. In the early 2000s, a partnership with CNBC helped Network18 launch several new channels. But, over time, managing such a wide array of channels became a burden, and its finances started declining. Consequently, the stock fell 86 per cent between 2007 to 2012.

The curse of fame. Say you spot a company with exponential growth in the past few years. Its balance sheet is robust, and there's considerable growth opportunities. Sounds like the perfect investment. But would you buy the stock at a P/E ratio of 100 times?

High valuations often turn out to be the Achilles' heel of growth stocks, turning a seemingly perfect investment into a potential pitfall. Our graph 'Valuations: The Achilles Heel' shows how even the most promising stocks can leave investors with more tears than profits when the valuations are sky-high. In fact, stocks with annual earnings growth of as high as 20 per cent have left investors with single-digit returns due to P/E corrections. If you consider the opportunity cost, these investments are actually loss-making.

Valuations: The Achilles heel

How investing at high valuations leads to losses

Five-year expected EPS growth (% pa)	Five-year forward P/E	Possible returns in next five years (% pa)
40	80	33.9
	60	26.4
	40	16.6
30	80	24.3
	60	17.4
	40	8.2
20	80	14.8
	60	8.3
	40	-0.1

So, to conclude, here's what you should keep in mind when dabbling in growth investing:

- Past growth is not a guarantee for future returns. If a company is near the end of its growth cycle, it may not be able to replicate its past success.
- Even if you spot growth stocks with promising future outlooks, high valuations can lead to losses.

But don't lose hope yet. Every investment strategy has its kryptonite. Yet, the wiser investor skips over the pitfalls and finds success. We have developed a checklist for you that can help you minimise the above risks.

Foolproofing against pitfalls

Parameters to keep in mind when looking for growth stocks

We have highlighted how the quest for growth stocks is riddled with pitfalls. But the rewards they offer are too valuable to ignore. To help you navigate the risks smartly, we have devised a checklist to ensure that your growth stock picks have the following traits:

- **Reasonable valuations:** You must not overlook the value component of the growth equation. Pick companies that not only boast high growth but also trade at a reasonable valuation. Since P/E multiples alone are insufficient, combine them with other valuation metrics, such as the PEG (price/earnings to growth) ratio, to judge the attractiveness of the investment.
- **Sustainable growth:** Ensure that the company can sustain its growth. Is it only riding short-term tailwinds? Are the factors driving its growth outside its control? If so, it's highly likely such growth may not last long. Further, do note if the respective industry is still fertile enough with growth opportunities or not.
- **High capital efficiency:** Besides growth, a consistent and healthy return on capital is just as important. If a company's return on capital is lower than its cost of capital, the higher it grows, the more its value erodes. Hence, pick a company with above average growth and a good return on capital over one with exceptional growth but poor returns on capital.

These factors alone do not make growth investing fail-safe, but they will help you minimise the margin of error. But note that the checklist is just the prequel. We have developed a robust framework for a more definitive approach to growth investing.

Our methodology

Finding a balance between high growth and fair valuation through GARP

In case we didn't make it clear enough yet, let investing sage Warren Buffett drive the point home through his words: "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price." Our stock-picking methodology, thus, employs the best of both worlds – growth and value, infamously known as the GARP (growth at a reasonable price) strategy. It effectively covers both aspects we aspire for in a stock. Note that we have not included banking, financial services and insurance companies due to the unique nature of their business. The following filters define our methodology:

- Market cap above ₹650 crore.
- Over 15 per cent five-year annual growth in revenue, operating profit and profit before tax & exceptional items.
- Double-digit growth in revenue, operating profit and profit before tax & exceptional items in at least four of the last five years. This is to ensure that growth is not concentrated in just one or two years.
- A five-year median ROCE of over 15 per cent and ROCE of at least 15 per cent in each of the last four of the five years.
- CFO to EBITDA of more than 65 per cent to ensure adequate cash conversion.
- Finally, a PEG ratio of less than 1.5 times to get reasonably valued fast-growing companies.

Only 10 companies sifted through our filters. We rejected one due to its litigation issues. As we take a deep-dive into these businesses, note that these are not stock recommendations. You must do your own due diligence before investing.

AGARWAL INDUSTRIAL CORPORATION

Paving a sturdy base

This company holds together the ground under your feet. We mean what we said. Did you know what substance goes into constructing roads and highways? That thick, sticky black substance is bitumen, known for its adhesive properties. It creates a durable surface for vehicles to ply on.

Agarwal Industries Corporation, an integrated petrochemical company, imports raw bitumen using its fleet of logistic vessels, stores it in bulk terminals and produces value-added products in its facilities. It also transports the raw bitumen to end producers like BPCL and HPCL (oil companies produce the final product in their refineries) through its fleet of over 650 vehicles. The company has also forayed into ship operating and chartering business through its subsidiary in the UAE.

Numbers in a nutshell

Trailing 12 months as of December (₹ cr)

	2019	2020	2021	2022	2023
Revenue	664	761	1,400	2,007	2,008
Operating profit	34	41	87	107	129
Profit before tax	26	34	77	105	117
	FY19	FY20	FY21	FY22	FY23
ROCE (%)	13.8	17.5	20.4	23.4	24.8

Profit before tax excludes exceptional items. Price data as of April 30, 2024.

Its growth story

India's rapid spending on roads and infrastructure projects is driving demand for bitumen and allied products. So much so that demand has outpaced domestic production, creating the need to increase imports, which increased from 234 thousand metric tonnes or TMT in FY14 to 2,885 TMT in FY23. This trend has benefited the company in scaling up its business as it is India's leading fully integrated bitumen importer.

The strength of the company lies in its assets. It had 10 vessels as of December 2023, with a total capacity of around 1.02 lakh MT. These are used to import raw bitumen from oil-producing countries and strategic storage terminals. Its fleet size of 650 vehicles is used to transport bitumen to end consumers. The company's powerful logistical assets and infrastructure allow it to handle and move the imported bitumen quickly and cheaply to its customers. This helped the company capture almost 20-30 per cent of the private sector's bulk market share in bitumen.

1,324
Market cap (₹ cr)

★★★★
Stock Rating

13.3
P/E

0.24
PEG ratio

The road ahead

The infra push and bitumen's supply deficit remain key catalysts for the business. In FY24, the company added two vessels in line with its strategy to import bitumen via self-owned vessels to enhance scale and improve margins. It plans to acquire more vessels to increase its international presence in bitumen logistics. Note that the company does not intend to establish itself as a shipping business. The purpose of its shipping operations is limited to supporting the domestic bitumen business and reducing third-party dependence to save costs. That said, its focus on increasing scale and efficiency could provide a competitive advantage against peers. Additionally, considering its past growth, future prospects and return ratios, its P/E ratio appears reasonable. However, valuing the business is challenging due to the absence of comparable competitors.

Further, its operations are highly cyclical and closely tied to India's infrastructure growth. It also faces the risk of fluctuations in bitumen prices, which can impact its profitability. The inability to entirely pass on price increases or with a delay has led to a volatility in the operating profit margin the past, which has hovered between 4.7 and 6.4 per cent over the last five years.

GUJARAT THEMIS BIOSYN

Bulking up on bulk drugs

This small-cap pharma company uses fermentation to manufacture key ingredients used in making active pharmaceutical ingredients (APIs). It produces only two molecules, Rifamycin S and Rifamycin O, which have significant applications in treating tuberculosis and diarrhoea.

Its journey so far

Initially working as a contract manufacturer for a single client with a fixed profit margin, the company's fortunes changed when the management decided not to renew its contract arrangement and operate independently from FY20. This was done to capitalise on the opportunity arising from a gap in the domestic supply chain. The changed business model reflected in the numbers quickly with the company's operating profit margin jumping almost 21 percentage points in FY20 from FY19. It has also recorded impressive growth in revenue and profit after tax in the last five years, all while maintaining a five-year median ROCE of 68 per cent. Moreover, the company's balance sheet has been debt-free since FY21. The exceptional financial performance has not gone unnoticed in the stock market, as the share price has rallied more than eight times in the last three years.

What lies ahead

The management announced a capex of ₹200 crore in FY21, financed through internal accruals, to expand operations. The company is moving up the supply chain, as it has set up a new API manufacturing unit that will commence operations from H2 FY25. It has also undertaken capacity expansion in its core business. It is developing a new R&D facility and working on new molecules with chemistry similar to the existing ones.

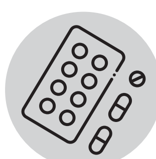
The company's revenue concentration is a key risk as it produces only two products. Moreover, more than 56 per cent of its revenue came from just two clients in FY23. The decision to manufacture APIs can lead to competition from customers. Given the company's dependence on them, this can dent the business. That said, it has been running at the highest capacity utilisation since FY23 with little scope for growth. This has also begun reflecting in its financials, with the revenue flattening and profit after tax slipping marginally last year (as of TTM December 2023). Though the API manufacturing unit will start commercial operations in FY25, reaching optimum capacity usage will take another four to six quarters. Once it reaches this capacity, the business is expected to generate ₹40-50 crore revenue per quarter, as per the guidance given by the management. Additionally, the R&D initiatives and new product launches will also take at least a couple more years to come to fruition.

Topping it all is the company's heightened valuation. The share price return of the last three years has left the company with a bloated P/E of 54 times. That's a sharp jump given it was trading at a P/E of just 18 times in April 2023. There are early signs of a profit slowdown due to the gestation period. This could deteriorate the valuation, resulting in below-average returns for new investors.

Numbers in a nutshell

	Trailing 12 months as of December (₹ cr)				
	2019	2020	2021	2022	2023
Revenue	69	94	109	150	156
Operating profit	19	44	51	70	70
Profit before tax	22	46	53	76	74
	FY19	FY20	FY21	FY22	FY23
ROCE (%)	44.9	86.0	67.9	67.9	61.5

Profit before tax excludes exceptional items. Price data as of April 30, 2024.



2,982
Market cap (₹ cr)

★★★★
Stock Rating

54.3
P/E

0.87
PEG ratio

Chugging the growth engine

It's not an exaggeration to call India's rail network its lifeline. With lakhs of daily passengers, the Indian Railways, quite literally, keeps the show running. IRCTC, a '*miniratna*' PSU, is the sole entity authorised by the Railways to offer catering and online ticketing services. It also supplies packaged drinking water (Rail Neer) across railway stations and trains. Its four business operations constitute catering (41 per cent of FY23 revenue), internet ticketing (33 per cent), travel and tourism (11 per cent), Rail Neer (8 per cent) and state *teertha* (4 per cent).

Rising to dominance

Post-Covid, the Indian travel and tourism industry has revived significantly. The number of originating passengers surpassed 418 crore in FY23, a growth of over four times since FY21. With this, IRCTC has primarily benefited from the growing adoption of online ticket booking over the last decade, driven by rising internet penetration (81 per cent of the total reserved tickets were booked online in FY23 against 51 per cent in FY14). The internet booking segment has been the fastest growing and highest-margin in nature for IRCTC. This segment's revenue grew over five times from FY19 to ₹1,207 crore in FY23. The company has a monopoly in this business and earns a service charge regardless of which online booking platform (or agency) a user chooses. This dominance has helped it grow its revenue and earnings impressively over the last few years while maintaining a steady return on equity of more than 30 per cent (excluding the Covid-impacted FY21). The company has also been consistent when it comes to cash conversion. It also has a high cash conversion with 93 per cent of profit after tax converted to cash flow from operations in last five years.

Its outlook

In the Union Budget 2023-24, a capital outlay of ₹2.4 lakh crore has been carved out for the Indian Railways, the highest ever. This highlights the government's focus on improving the Railways and its infrastructure. With passenger traffic expected to increase ahead, further improvement in internet penetration and online ticket bookings will likely help IRCTC sustain its earnings growth. Moreover, passenger traffic has risen sharply from Covid-lows, but it is still below pre-pandemic levels, which leaves much room for further growth. Besides, the company is expanding its business beyond managing catering services only for trains. It has begun extending catering services to multiple government departments, ministries, autonomous bodies including in the judiciary and universities.

That said, any possibility of the government opening up the online ticketing or catering market for private players can challenge IRCTC's monopoly. Intense competition could adversely impact the company's operation and profitability. On the valuation front, the company is trading slightly above its three-year median P/E of 70 times since listing. At 75 times, its current valuation is quite alarming for a PSU stock. Moreover, the sharp growth in recent years is partly due to the base effect, as its profitability was inconsistent before the Covid-19 pandemic.

Numbers in a nutshell

	Trailing 12 months as of December (₹ cr)				
	2019	2020	2021	2022	2023
Revenue	2,186	1,020	1,527	3,267	4,080
Operating profit	540	196	694	1,173	1,375
Profit before tax	634	272	748	1,265	1,529
	FY19	FY20	FY21	FY22	FY23
ROCE (%)	47.7	62.0	19.2	53.9	63.0

Profit before tax excludes exceptional items. Price data as of April 30, 2024.

83,080
Market cap (₹ cr)

Unrated
Stock Rating

75.1
P/E

1.06
PEG ratio

CAPLIN POINT LABORATORIES

In the pink of health

Caplin Point Laboratories is the largest Indian pharmaceutical company in Central America. The company manufactures over 650 generic and branded generic medicines in 36 therapeutic areas. It derives all of its revenue from exports. Latin America is its largest market with a revenue share of 81 per cent, followed by North America with a share of 17 per cent, as of nine months ending December 2023.

Numbers in a nutshell

	Trailing 12 months as of December (₹ cr)				
	2019	2020	2021	2022	2023
Revenue	835	998	1,209	1,417	1,630
Operating profit	241	261	335	372	482
Profit before tax	265	294	371	427	542
	FY19	FY20	FY21	FY22	FY23
ROCE (%)	45.6	33.4	28.8	28.8	26.9

Profit before tax excludes exceptional items. Price data as of April 30, 2024.

What worked for the company

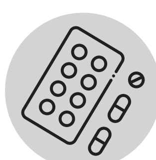
The management of Caplin Point decided not to venture into the largest pharma markets of the world (North America and Europe) to avoid intense competition with larger organisations. Instead, in 2006, it focused primarily on the non- and semi-regulated Central American market. The management also decided to work on an asset-light model and outsourced a significant portion of its production to third-party facilities in India and China. It strategically entered the North American market only in 2017.

The strategy to prioritise Central America worked like a charm, as the company has enjoyed double-digit growth in revenue and operating profits over the last decade. It has also maintained a consistent operating profit margin of above 20 per cent since FY15. To this day, Latin America remains its largest market. Additionally, its third-party production facilities continue to make up nearly 45 per cent of its total production. The company's consistent, healthy performance also turned its stock into a multibagger, as it vaulted more than 30 times over the last decade.

Eyes on regulated markets

Having conquered the non-regulated markets, the company now has its eyes set on the regulated markets. In the US, it is seeing strong momentum through new product launches in its injectables and ophthalmic segments. Its expansion of the distribution network to new geographies in the country is aiding this. With multiple products in the pipeline, it expects the final approval for three to four products in FY25. The company is also eyeing regulated markets of Mexico and Brazil, with the launch of a few generic products. Moreover, it has incurred a capex of ₹289 crore since the onset of FY23 to develop new production facilities for formulations and key APIs. This is to primarily expand its product portfolio by entering the rapidly growing oncology segment, achieve backward integration, and improve profit margins. It plans to complete setting up the new units between Q1 FY25 and Q1 FY26.

While the company's partnership with China has fared well in the past, it is now a roadblock to growth in the regulated markets. This is because regulated markets, especially the US and Europe, require strict quality standards, which is difficult to achieve in a third-party arrangement. Thus, this can delay the company's growth plans given developing new production capabilities in these markets and getting them approved would take much longer. Besides, it will have to face tough competition from larger, established companies in these regions, making it difficult to gain market share.



10,299
Market cap (₹ cr)

★★★★★
Stock Rating

23.5
P/E

1.06
PEG ratio

ROTO PUMPS

Pumping progress globally

Established in 1968, Roto Pumps boasts over 50 years of expertise as a fluid engineering solution provider worldwide. The company manufactures various types of positive displacement pumps with applications in multiple industries, including oil and gas, paints, mining, wastewater treatment, and marine. Present in 55 countries, Roto Pumps caters to over 25 industries globally and derives 66 per cent of its revenue from the international market (FY23).

Driving the global presence

Roto Pumps operates from one R&D centre and a manufacturing facility in India. Pumping solutions are a major component of multiple industrial activities and encompass a wide range of products. The management of Roto Pumps understood the need to modify their products to provide solutions tailored to the unique requirements of their global customers. Subsequently, the company established offices in Australia and the UK in the early 2000s. The management also explored other geographies and established its first international subsidiary in the US in 2015. Since then, the company has established three more subsidiaries in South Africa, Germany and Malaysia. The management's strategy to invest in international markets paid off as the revenue from the export business grew 14 per cent per annum between FY18 and FY23. The domestic business, on the other hand, grew at a meagre 7 per cent. Meanwhile, improving operational efficiency and high-margin products have improved its operating profit margins. As of FY23, the five-year median operating profit margin was 17.2 per cent compared to just 12.6 per cent in FY18.

The Oil & Gas bet

The company incurred its highest-ever capex in FY23 and developed downhole pumps and mud motors, integral parts of an oil drilling process, and a solar pumping system. The management is betting on the fast-growing oil and natural gas industries of the UK, Australia and India for its future growth. Additionally, the company entered the major oil drilling markets of Dubai and UAE in FY23 as it eventually plans to cater to the entire Middle East and North Africa region.

Numbers in a nutshell

	Trailing 12 months as of December (₹ cr)				
	2019	2020	2021	2022	2023
Revenue	148	118	162	203	265
Operating profit	26	16	32	38	51
Profit before tax	26	20	36	40	51
	FY19	FY20	FY21	FY22	FY23
ROCE (%)	25.0	17.6	24.4	32.8	28.5

Profit before tax excludes exceptional items. Price data as of April 30, 2024.

Roto Pumps recorded its highest-ever revenue and profit after tax last year (as of TTM December 2023), suggesting that the management's strategy for growth has fared well so far. However, the stock's valuation warrants caution. It is currently trading at a P/E of 35 times, a premium of nearly 60 per cent compared to its five-year median. This may appear unjustifiable given the niche segment where the company operates, its dependence on commodity prices, and infrastructure spending. Investors must also consider the company's small scale of operations compared to its much larger competitors in developed markets. This can make it difficult for Roto Pumps to corner a substantial market share in the major oil and drilling markets of the US and the Middle East. Further, its working capital days have marginally increased over the last three years. Debtors as a per cent of revenue remained above 20 per cent during this period.

1,310
Market cap (₹ cr)

★★★★
Stock Rating

34.9
P/E

1.10
PEG ratio

KPIT TECHNOLOGIES

In the fourth gear

If this stock is not in your portfolio, what we tell you next will leave you feeling dispirited. KPIT Tech has compounded investor wealth over 14 times since its listing in April 2019. Hence, you might have missed the bus. But there is no harm in knowing if it has more firepower left. The automotive technology player develops integrated software solutions, such as autonomous driving solutions (ADAS), infotainment systems, etc., for auto companies. Its largest market is Europe, where it earns 52 per cent of its revenue, followed by the US with a 31 per cent revenue share.

Revving it up

Originally an IT company, KPIT pivoted towards the engineering research and development (ER&D) business, particularly the automotive segment, in 2017. It was demerged from Birlasoft in 2019 and has carved a stellar growth trajectory ever since. Over the years, the auto industry has been through a shift from music players and parking sensors to advanced techs such as infotainment systems and ADAS in vehicles. What worked for the company was its management's ability to sense this shift in the early stages and attract multiple top-tier OEM clients towards its products. The rise in demand for tech-oriented vehicles also helped make the company's solutions popular. The KPIT software has been incorporated in over one crore vehicles globally. The company has recorded consistent revenue and EBITDA growth over the last 15 quarters. Its operating profit margin has doubled to 16.2 per cent in FY24 versus FY19.

The way forward

The company is keeping its focus on the core business as hi-tech software penetration remains low globally. It bagged new orders worth $796 million in FY24 with key deals won in the Asian market as it looks to expand its operations in the Asian-Pacific region. Besides the core products, it is registering strong traction in its tech-related middleware and cloud segment, which recorded 72 and 41 per cent year-on-year growth, respectively in FY24. Meanwhile, another segment the management is beginning to bet on is the young and thriving electric vehicle (EV) space in the global auto market. As per a 2023 report by HSBC, EVs will hold nearly 60 per cent market share in Europe and 41 per cent in the US by the end of 2030.

While KPIT's long-term investors have earned exponential returns, there are some risks that could challenge this trend. The company's high dependence on the automobile industry is one such risk. The global automobile industry has recovered strongly from the economic lows of the pandemic, but the global economy is still feeling the jitters. Moreover, a slower-than-expected EV penetration can also bring KPIT's growth parade to a halt.

Last but not least, its valuation is concerning. The monumental growth in the share price over the years has led the P/E ratio to increase to 69 times. Any wrinkle in performance could dent investor returns.

Numbers in a nutshell

	Trailing 12 months as of December (₹ cr)				
	2019	2020	2021	2022	2023
Revenue	2,101	2,052	2,321	2,999	4,571
Operating profit	173	160	285	425	709
Profit before tax	210	167	307	455	712
	FY19	FY20	FY21	FY22	FY23
ROCE (%)	13.6	18.2	16.8	28.9	35.1

Profit before tax excludes exceptional items. Price data as of April 30, 2024.

40,920
Market cap (₹ cr)

★★★★
Stock Rating

68.8
P/E

1.12
PEG ratio

PI INDUSTRIES

Yielding the growth spurt

Agrochemical manufacturer PI Industries has been among the most consistent wealth compounders of the last decade. The company operates 15 manufacturing facilities across four locations in India. It earned nearly 81 per cent of its revenue from exports, with North America being its largest market, and the remaining from its domestic business in the nine months ending December 2023.

Its business

With PI Industries, the management set out to create a recognisable brand in the highly fragmented Indian crop protection segment. It began by investing in distribution and brand recognition, which led to multiple ₹50 crore-plus revenue-generating brands in its product portfolio. It also emerged as a market leader in the rice crop protection segment. It currently boasts a wide distribution network with over 80,000 retail outlets that serve over three million farmers in the country.

While the company's domestic crop protection business grew steadily, the export-driven custom synthesis business (CSM) was the real game-changer. PI Industries shifted its focus to developing regulatory-compliant R&D facilities and manufacturing plants for its custom synthesis business. This was done to leverage its expertise in the crop protection domain and attract clients with patented portfolios. Besides, the company also inked multiple strategic partnerships and acquisition pacts to enhance efficiency and overall capacity utilisation. This allowed it to gain new technologies and integrate production facilities, driving synergy benefits. All this helped the CSM business grow by over 20 per cent per annum in the last five years, with the commercialisation of six new molecules every year.

The next catalyst

Besides the growing crop-protection business, PI Industries has identified the pharma space as its next catalyst for growth. Announcing its interest in the pharma business back in 2020, the company raised ₹2,000 crore through a QIP. It looks to capitalise on operational synergies and enter the custom synthesis business in pharma for similar chemistries. It spent nearly ₹925 crore to acquire two pharma companies across the US and European markets in April 2023. It has begun building a new R&D centre and a manufacturing unit in Hyderabad with an aim to invest ₹80-120 crore per annum in the next three to four years in the pharma business.

That said, its outlook is uncertain given the pharma industry operates under intense competition. While the pharma segment is currently a loss-making venture for the company, the management is confident of scaling the business and achieving an EBITDA margin of 14-15 per cent in FY25. However, it will take the right resources, expertise, and talent pool to grow the business. Additionally, the company is facing competition from China in the core crop protection business as one of its essential patents is set to expire soon.

Numbers in a nutshell

Trailing 12 months as of December (₹ cr)	2019	2020	2021	2022	2023
Revenue	3,316	4,235	5,101	6,322	7,490
Operating profit	587	798	872	1,275	1,630
Profit before tax	642	853	983	1,375	1,807
	FY19	FY20	FY21	FY22	FY23
ROCE (%)	25.1	23.1	22.1	17.4	21.8

Profit before tax excludes exceptional items. Price data as of April 30, 2024.

55,407
Market cap (₹ cr)

★★★★★
Stock Rating

34.8
P/E

1.27
PEG ratio

AFFLE INDIA

Add to cart the digital Ad boom?

Online advertising has changed the face of internet usage as we know it. It's pretty unlikely to use any internet application or website without running into ads. New technologies like AI are only revolutionising this space further. Affle India is capitalising on the opportunity with its consumer intelligence-driven online marketing solutions. It primarily earns revenue from its consumer platform on a cost-per-converted user (CPCU) basis. CPCU is the cost paid by the advertiser. Simply put, it earns from advertisers only when a user downloads their app or completes a purchase transaction.

The growth drivers

Revenue growth in this business depends on increasing either CPCU or the number of converted users. Affle has grown both. It saw a robust increase in its CPCU (from ₹41 in FY20 to ₹57 in Q3 FY24) over the last few years, majorly due to the growth in its international revenue (from 51 per cent in FY20 to 74 per cent in Q3 FY24).

The company's converted user numbers also jumped from 3.7 crore in FY18 to 8.3 crore as of Q3 FY24. This was achieved by centering effective targeting in its growth strategy. In this regard, Affle prioritises consumer interests by displaying relevant ads on mobile devices through accurate profiling with the help of its proprietary technology platform (self-developed application). As of FY23, it had 21 patents, which helps it strengthen its AI-driven intelligence. The management also mentioned that they avoid pop-up ads for user targeting, considering them less preferred for consumer interest. All this, coupled with their focus on growing segments (such as e-commerce, FMCG, gaming, etc.,) has helped boost the converted user numbers. The company also made a few acquisitions in the past to boost its service offerings, which included players like Revx (US mobile ad firm), Mediasmart (European proximity marketing company) and Jampp (Latin American mobile marketing company).

Google & Meta in the fray

Going forward, the company aims to continue exploring both organic and inorganic opportunities to increase penetration into emerging markets. Its focus remains on achieving deeper user conversions across various industry verticals. Besides, the share of digital advertising in India's ad industry has significantly increased from 17 per cent in FY18 to 40 per cent in FY23. It is expected to grow to 45 per cent in FY24, according to a Dentsu Report. This pace of growth in digital advertising presents ample headroom for growth.

Nonetheless, intense competition due to low-entry barriers in this business is a significant risk factor. Scaling up might become difficult for the company given the growing presence of large players like Google and Meta in the online advertising industry. These giants also hold more robust databases than Affle. That said, the company's past acquisitions have weighed on its margins significantly over the last few years. In particular, Jampp's acquisition (consolidated in FY22) involved higher data costs.

Numbers in a nutshell

	Trailing 12 months as of December (₹ cr)				
	2019	2020	2021	2022	2023
Revenue	314	455	908	1,393	1,692
Operating profit	77	96	161	233	266
Profit before tax	78	102	233	289	296
	FY19	FY20	FY21	FY22	FY23
ROCE (%)	74.5	43.1	39.4	28.0	20.2

Profit before tax excludes exceptional items. Price data as of April 30, 2024.

15,698
Market cap (₹ cr)

Unrated
Stock Rating

57.7
P/E

1.32
PEG ratio

APL APOLLO TUBES

Scaling up the growth promise

Incorporated in 1986, APL Apollo is among India's largest ERW (electrical resistance welding) pipe/ structural steel tube manufacturers. The company operates 11 domestic manufacturing facilities with a total installed capacity of 3.6 million tonnes per annum (MTPA). Its steel tubes have broad applications in urban infrastructure, real estate, rural housing, commercial construction, greenhouse structures and engineering. It has a sizable pan-India distribution network of more than 800 dealer distributors and over 50,000 retailers.

What makes the business tick

Historically, steel tubes were primarily used to transport fuel and gas, and concrete would be prioritised for infrastructure due to a lack of high-skilled labour. However, this trend gradually changed with ERW pipes finding applications at airports, malls, metro stations, and pre-engineered buildings, among others. This translated into high acceptance of the company's products. Its rapid increase in capacity (from 1 MTPA in FY14 to 3.6 MTPA as of Q3 FY24) further helped it scale the business.

The industry margins are low (but fixed) with high volumes, which makes scaling up a critical competitive advantage. APL Apollo benefits from such economies of scale. It accounts for around 2 per cent of Indian steel consumption, giving it an edge over competitors. Procuring raw materials in higher volumes allows it to negotiate lower rates, which are then passed on to clients, solidifying its position in the market. Moreover, it was the first company in India to introduce Direct Forming Technology (DFT), which enabled it to cater to high-margin small orders and improve overall cost efficiency and scale.

Keeping the edge

The industry is in for solid long-term tailwinds backed by growing infrastructure development and increasing application of ERW tubes. The company has created a competitive advantage by leveraging its asset utilisation, economies of scale and cost efficiency while focusing on expanding capacity. It is aiming to increase its capacity to 5 MTPA by FY25 and expects over 20 per cent volume growth in coming years. Additionally, it anticipates an increase in its ROCE due to higher capacity utilisation in the future. The company is also focusing on building a strong brand recall in the steel tube industry. It spent ₹28 crore on advertisement in FY23 against ₹9 crore in FY19. Further, it has roped in celebrities like Amitabh Bachchan and Tiger Shroff as its brand ambassadors.

As a result of its healthy growth, APL Apollo has reached a hefty valuation premium, trading at a P/E of 57 times. At first glance, this appears expensive. However, the premium can be justified given the company's competitive advantage and superior ROCE compared to peers such as Surya Roshni and Hi-Tech Pipes. Moreover, it is important to note the company is prone to cyclicality, which depends on the pace of infrastructure spending. Any decline on this front would drag the company's growth.

Numbers in a nutshell

Trailing 12 months as of December (₹ cr)

	2019	2020	2021	2022	2023
Revenue	7,929	7,801	11,436	15,950	17,784
Operating profit	409	491	777	845	1,059
Profit before tax	313	447	770	833	1,026

	FY19	FY20	FY21	FY22	FY23
ROCE (%)	19.8	20.1	27.8	33.3	26.9

Profit before tax excludes exceptional items. Price data as of April 30, 2024.

43,230	Market cap (₹ cr)
★★★★	Stock Rating
56.6	P/E
1.33	PEG ratio

STOCK ADVISOR

The right set of tools

While the Value Research Stock Advisor is simple to use, make sure you don't oversimplify it for your investment decisions

by
Dhirendra Kumar

In its seven years, Value Research Stock Advisor has gained a reputation for getting the job done simply and straightforwardly. The tens of thousands of members who have used our service to construct their investment portfolios have come to appreciate this simplicity. Our role is to recommend stocks, so members get a set of recommended stocks. They invest in some (or all) of them and start building their wealth, and that is that. What could be simpler?

Even so, it's important to remember that it's not simple for us. While simplicity is key, it doesn't mean compromising on quality. Each stock recommendation is the result of rigorous analysis and in-depth research. We strive to ensure that our users find the process straightforward and feel confident that they are making informed decisions. After all, investing is not just about following recommendations blindly; it's about understanding the rationale behind them and trusting the process.

However, there's yet another important way you might need to simplify things: not structuring your investments in the best possible way and using all the facilities that are part of the service. Often, investors are unsure how to invest a certain regular or large lump sum amount. Our list of 50-odd stocks can be a little overwhelming.

Let's say you're wondering how to invest ₹10,000 or ₹25,000 every month using Value Research Stock Advisor's recommendations. The process is relatively straightforward – for those investing for five years or more, our Investment Calculator is an invaluable tool. Simply input the amount you plan to invest, and it will calculate the amount to allocate to each of the 10 recommended stocks. By buying these stocks in the suggested quantities each month, you will gradually build a diversified portfolio. Over a year, you might end up with 20-40 stocks, with prompts to sell if any company transitions to a sell status. These are rare, but they do happen.

Similarly, if you find yourself with a lump sum amount of ₹5, 10 or 25 lakh, our approach remains straightforward and highly effective. Let's say you have a significant sum you want to invest – maybe you received a bonus, an inheritance or profits from selling some other investments. If you plan to invest this amount for five years or more, representing 15 per cent or less of your total stock investments, you can invest it immediately. This is particularly relevant in situations like a market crash, similar to what we saw in March 2020 due to the Covid-19 pandemic, where investing a lump sum can be an excellent opportunity to capitalise on lower stock prices.

On the other hand, if your lump sum exceeds 15 per cent of your total stock investments, it's wise to take a more measured approach. Instead of investing the entire amount at once, consider spreading it over several months. You could also spread it over a period that's half the time it took you to accumulate that amount, with a maximum period of three years. This strategy helps to mitigate the risks associated with market volatility and allows for a more balanced entry into the market.

By following these guidelines, you can ensure that

At Value Research Stock Advisor, while simplicity is key, it doesn't mean compromising on quality. Each stock recommendation is the result of rigorous analysis and in-depth research.

AI generated image

your lump sum investments are handled in a way that maximises potential returns while managing risk effectively.

These are just a few examples of using the Stock Advisor service more effectively. When you become a member (or if you are already a member but haven't found time to explore the service thoroughly), you will see a host of features that will not only help you invest but also analyse and track your investments.

So, what exactly does Value Research Stock Advisor get you? You get:

Access to all our stock picks: Subscribers receive comprehensive access to all the stocks we recommend, ensuring you have a wide range of curated investment opportunities at your fingertips.

A set of starter stocks from our recommendations: To help you hit the ground running, we've chosen a set of starter stocks from our top recommendations. You can use this set to start building your portfolio right away, even if you're new to investing.

The complete investment thesis for all recommended stocks: We provide a detailed investment thesis for each stock we recommend. This helps you understand the reasoning behind the recommendation, giving you confidence in your investment decisions.

New recommendations as soon as they are released: You will receive new stock recommendations as soon as they are released, keeping your portfolio updated and aligned with the latest market trends.

Continuous updates and analysis on all recommended stocks straight from our dedicated analyst team: Our dedicated analyst team provides constant updates and in-depth analysis on all recommended stocks, ensuring you stay informed about any developments that might impact your investments.

Tools and data to research and analyse any other stock: In addition to our recommendations, you will have access to a suite of tools and data that allow you to study and analyse any other stocks. This empowers you to make well-informed decisions across your entire portfolio.

Our approach is designed to empower you. By offering clear, actionable advice without the clutter of unnecessary jargon and providing robust research tools at your fingertips, we enable you to take control of your financial future. Remember, we don't manage your portfolio for you; instead, we equip you with the tools and knowledge you need to manage it yourself effectively. ☑

INTERVIEW

"Growth and the quality of growth come much before valuations"

Insights on GARP investing from an industry veteran

If you are a growth investor, one of the fundamental principles to focus on is the GARP (growth at a reasonable price) philosophy. And who better to learn about it than from Ashutosh Bhargava, Fund Manager and Head of Equity Research at Nippon India Mutual Fund?

Bhargava is a well-known GARP investor who has perfected his skills over the last 17 years. In this interview, he discusses the fundamentals of building a GARP-based portfolio, long-term trends to bet on and how Gen Z can develop their portfolios.

As a GARP investor, how do you balance growth and valuation?
Valuations are essential, but for us, growth and the quality of growth come much before valuations. In some ways, valuation multiples are beta to

ASHUTOSH BHARGAVA, Fund Manager & Head – Equity Research, Nippon India Mutual Fund

In a GARP portfolio, one takes a balanced view of growth and value factors. Essentially, we are looking for a combination of strong and rising profitability with a safe balance sheet while avoiding stocks with extreme valuations.

earnings. Whenever earnings change trajectory, it compels consensus to change their earnings estimates. That's where multi-rating/derating happens.

The trick is identifying the right sectors with strong macro tailwinds and a favourable industry microstructure. That's where the pricing power comes from and where the sweet spot lies. How much to pay for such opportunities is a far trickier part because that depends on overall investors' sentiment, flows and the valuations other market segments are trading at.

Valuations help us identify overreaction to either side, but basing the judgement solely on historical valuation ranges doesn't always help. Having said that, we should not lose sight of what long-term growth is being priced in to ascertain whether valuations are becoming unjustifiable.

Where do you draw the line between good and bad growth?

I focus a lot on quantitative factors to judge the quality of growth. Factors include a view on leverage, cash flows and changes in operating efficiencies, which have a bearing on profitability. The idea is to identify pockets of sustainable growth versus a flash in the pan. Ideal candidates are those where growth happens to sectors poised for strong and durable growth and where the company is gaining market share.

As such, I prefer growth coming from higher volumes/asset turnover and improved operating efficiencies versus those that are overly dependent on gross margin improvements.

Growth at the expense of the balance sheet becomes important, which is where return ratios come into the picture. In cyclical sectors like commodities, this becomes challenging. There, we need to have a strong view of the cycle and identify the turns where people often extrapolate recent trades long into the future. Identifying the growth cycle turns in cyclical segments is essential in active money management.

For smaller companies, we also place a greater emphasis on management quality along with growth. It goes without saying that you can never undermine the role of price we pay for any growth. It is always about price value gaps and not either or.

Do you sell when the growth fizzles out or the valuation is too high?

Selling great stocks and winners early is a mistake, and that needs to be avoided. Just because a stock has run up, we don't necessarily exit. We would keep holding on to good stocks in the right sectors with excellent management as long as we have understood the thesis behind them and there was a constant improvement in growth.

They should be broadly within the range of what we pay for those kinds of businesses and not necessarily driven by past historical valuation integers. Growth is far more important to me, and if I have doubts about growth, I would look to exit even if valuations are reasonable, but not the other way around. Valuations are often a state of mind of the masses, so they're not as scientific as one would want to believe.

Selling is also a function of a few other things in a diversified portfolio. For example, if the stock we bought is cyclical and we believe the cycle may turn adverse, we consider exiting those stocks. If we find something that crosses the boundary of suspicion regarding management, quality governance, etc., the potential sale idea comes in irrespective of valuations.

Lastly, research is essential for us, and if our research team has better opportunities than our existing portfolio holdings, that also becomes a point of discussion for churn.

If someone were to create a GARP portfolio, what are the three essential characteristics one needs to keep in mind?

In a GARP portfolio, one takes a balanced view of growth and value factors. Instead of looking for great businesses or cheap bargains, the mantra remains to identify the right price value gaps. Essentially, we are looking for a combination of strong and rising profitability with a safe balance sheet while avoiding stocks with extreme valuations.

Having said that, three things are paramount:

1. It's not just a stock's headline

growth or earnings, but the quality of earnings should also be improving.
2. Even while making a GARP portfolio, the orientation should be on long-term and good governance companies.
3. There is no particular multiple that is adequate, but the PEG ratio is important to be taken into consideration.

What do you make of the current market? Are its valuations justified?
Valuations are not inexpensive but should be taken with a pinch of salt. Corporate profit to GDP is on the rise, the leverage of Indian companies is very low and declining, ROEs are increasing with improved earnings visibility, the cyclicality of index constituents has declined and overall governance standards of companies have improved. This, along with increased allocation of domestic savings into equities would mean that valuations can be justifiably higher than the historical average.

Going into the elections, the market is discounting the continuity of the current policy regime and is not adequately prepared for an alternative scenario. This is on the enthusiasm of domestic investors as FIIs have been net sellers and perhaps underweight on the Indian market on worries, including valuation worries.

If consensus expectation turns out to be correct and event risk is behind, then one should expect the return of FII flows. The focus of the market, and rightly so, has been on earnings and as long as the earnings recovery is on expected lines, the market may not have a meaningful downside.

What are some of the long-term trends that you and your team are betting on? What are the underlying risks?
The domestic corporate balance sheet and high-income segment consumer balance sheet remain in a sweet spot. Therefore, we think capex-related plays will continue to demonstrate leadership along with high-end consumer discretionary plays.

We prefer power as a broad theme, which includes utilities, specific related lenders and equipment providers like transmission-related plays. We are also positive about large banks with cheap valuations and earnings, which are unlikely to be worse than the market-wide earnings growth.

Risks to the India story, in general, and the capex story, in particular, are political instability in India, a sharp rise in crude oil prices and any other geo-political risk that obviously can't be known in advance.

What has been your most significant investing mistake? What lessons did you learn from it?
Making mistakes is part and parcel of our business as we are in the business of probabilities and judgment and I have also made my share of mistakes. The key that we instil in our team is to keep learning and refining our processes to evolve and minimise future mistakes.

I would say focusing too much on top-down has led to judgement errors in the past. With time, I have realised that micro or industry structure is equally important, if not more important, than macro tailwind for any segment to deliver the desired profitability. The marriage of micro and macro is important for superior returns.

What advise would you give GenZ (those born in the 2000s) who have started working? How should they start building their portfolios?
The market has been on an upswing without many drawdowns in the last four years. This might give a false sense of risk-reward to young investors who entered the market post-Covid. Some new participants might also be resorting to the gamification of the market, as evident in options volumes and the frenzy of SME stocks.

The most important thing to remember is that markets are always cyclical. So, the risk-taking in that sense has to be measured, and orientation has to be for the long term. Long-term returns in equities mirror the earnings; therefore, elevated return expectations based on recent trend extrapolation need a reset. With GenZ, there are decades ahead of them, so they are bound to reap the magical benefits of compounding. ☑

The underdog ascends: The rise of a new Indian elite

How economic integration fuels prosperity for the disadvantaged

By **Saurabh Mukherjea**

"...India was, in the simplest way, on the move, that all over the vast country men and women had moved out of the cramped ways and expectations of their parents and grandparents and were expecting more." – VS Naipaul in 'India: A Million Mutinies Now' (1989).

The joining up of India is an obvious spectacle. With the national highway network surging from 79,000 kilometres in 2012 to 1.4 lakh kilometres in 2022, domestic air travel passengers doubling from around 58 million in 2012-13 to 136 million in 2022-23, individuals having access to the internet surging from 14 per cent in 2014 to 51 per cent in 2023 and the number of bank accounts growing from one billion in 2015 to three billion in 2023, the last decade has seen a dramatic improvement in the country's physical and digital infrastructure. This economic integration is altering the composition of the Indian elite by creating opportunity and prosperity for hitherto disadvantaged and marginalised groups.

So, who are the new Indian elites? And what are the investment implications of their economic ascent?

Systematic build up of basic infrastructure

After decades of Licence Raj, in 1991, the then prime minister PV Narasimha Rao and finance minister Dr Manmohan Singh took steps to liberalise the economy. They allowed foreign and domestic firms to set up their units without seeking hundreds of licenses. What followed was a decade of new private players entering the fray and starting to build their businesses.

This was further fueled by the global economic boom of 2003-07. The 2000s in India were thus, marked by stellar economic performance, with animal spirits working in full force.

However, this stopped in 2010, when the then Comptroller and Auditor General of India, Vinod Rai, published detailed accounts of how the exchequer had been defrauded. This resulted in a loss of face for the then-ruling UPA-II government, which helped the NDA triumph in the 2014 General Elections. However, even before the NDA's victory, the seeds of transformational change had been sown, thanks to the creation of UIDAI (Unique Identification Authority of India), helmed by Nandan Nilekani.

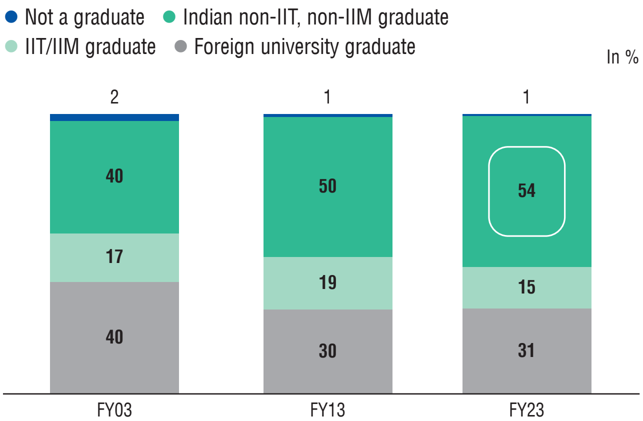
UIDAI, or Aadhaar as it is better known, marked the beginning of a new era of social, financial and physical infrastructure buildup.

The three sets of new elites that have risen to prominence

Since the country's integration through physical and digital infrastructure, economic opportunities that were once available only to the elites are now more

AI generated image

Today, most executive directors and promoters of Nifty50 companies come from 'non-elite' nstitutions



Source: Marcellus Investment Managers, company annual reports, Bloomberg; totals may not seem to be 100 per cent due to rounding.

widely accessible. As Nandan Nilekani noted:

- Indians who had no officially verifiable identity until now have one, thanks to Aadhaar.
- Those without access to information can now access it, courtesy of Jio's low-cost data.
- Indians who lacked access to bank financing can now get affordable funding via Jan Dhan bank accounts.

1. Non-elite entrepreneurs and executives

For the first time in the last 20 years, a majority of the promoters and executive directors of the Nifty 50 companies are neither from an IIT/IIM nor from any foreign university. As seen in the graph above, in FY03, this figure was just 40 per cent, rising to 50 per cent in FY13. Until now, due to a dearth of opportunities, this section's demand has never come through, and the premier institutions have kept going at their own pace. Today, due to economic integration, access to opportunities has risen disproportionately, leading to quality talent springing up from all over the country.

2. Small-town India

The financialisation of small-town India is even more dramatic than that in the megacities. Thanks to Aadhaar and Jan Dhan accounts, a sizable population entered the formal banking system for the first time since independence. This opened up multiple opportunities for them in organised financial services. Every geography type has witnessed rapid growth in credit offtake (around 11 per cent per annum), especially in the last seven years. However, as per RBI data, credit growth data for banks in urban and semi-urban areas has far outpaced credit growth across major cities.

In small-town India, owners of SME businesses have realised that their land, property and gold will be insufficient to fund them through retirement. RBI's August 2017 Household Financial Committee report stated that 95 per cent of Indian households' stock of wealth lies in physical assets. However, physical assets struggle to keep up with the inflation rate, and therefore, cannot create wealth in real terms.

The implication is that the smaller the town, the quicker an SME owner responds to our offering. For instance, in Tamil Nadu, a pitch that takes an hour in Chennai takes 45 minutes in Coimbatore, 40 minutes in Tirupur and around 30 minutes in Erode. There are several reasons behind this pattern:

- The financialisation of savings has happened to a certain extent in big cities like Mumbai, Delhi, Bengaluru and Chennai. In smaller cities, most SME owners have only a smattering of financial assets.
- Residential properties and land markets still have liquidity in big cities. In smaller cities, the real estate market is completely frozen. There have been no deals all year long in several smaller cities.
- The audience meeting us in the bigger cities tends to consist of a greater proportion of white-collar workers with a steady income and, hence, a greater sense of security. In the smaller towns, the audience is overwhelmingly SME owners who have to live by their wits, e.g., textile traders, spice traders, car dealers and local real estate developers.

3. Non-upper caste talent

Historically, oppressed castes in India have been given a raw deal – social, financial, workplace and political ostracisation have existed for centuries. Caste-based discrimination robbed a large swathe of Indian people of economic opportunities, preventing them from breaking free of the shackles of poverty.

Whilst affirmative action has helped, the democratisation of opportunities over the past decade has supercharged the economic emergence of non-upper castes. For example, the data on workforce participation shows that the most disadvantaged castes have closed the gap with the rest of the population. The workforce participation for scheduled tribes is higher than that for the rest of the country, at 559 per 1,000 people versus 492 per 1,000 people, respectively, in 2022. This suggests that given an increasingly level playing field, some of the society's most historically disadvantaged segments are rising faster than their more privileged counterparts (see the graph 'An increasing number of the disadvantaged sections are entering the workforce').

Investment implications

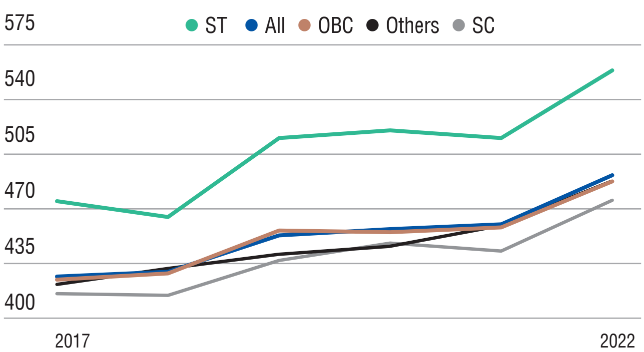
As new groups of entrepreneurs and professionals rise, they will likely ramp up the intensity of competition for incumbent businesses run by the entrenched elites. You can already see this increase in churn in India Inc.

The dramatic upsurge in the profits of smaller companies also implies that in our small- and mid-cap portfolios, we can now access several companies which are forging new paths to profitability in the Indian economy. Below are a few such names.

Fine Organics: Headquartered in Ghatkopar, Mumbai, Fine Organics supplies additives with a very low molecular weight in the final products manufactured by its clients. Its clients are willing to pay a premium due to the high quality of products and Fine's endeavours to keep pushing the envelope. For example, the company introduced oleo-based packaging additives, replacing additives derived from animal fats. As a result, those using Fine's additives can now produce packaging for vegetarian food items, thus increasing their addressable market size.

Prudent Corporate Advisory Services: India's monthly SIP inflows have surged over the past eight years, reaching $2.5 billion monthly. In this context, Prudent Corporate is India's second largest non-bank mutual fund distributor. Its AUM grew at 31 per cent CAGR over the last five years versus the industry CAGR of 23 per cent for the same period. Whilst the company stands to benefit from the rising demand for equities as a savings medium, Prudent is also solving for the supply side by bringing more professionals into the financial products distribution ecosystem. Today, Prudent commands sustainable competitive advantages to onboard more IFAs under its technology-enabled, comprehensive investment and financial services platform. In a way, the company exemplifies the widespread access to financial markets for ordinary Indians. It is a beneficiary of the democratisation of opportunity in India, where, in the space of 20 years, working-class professionals have built a giant financial services franchise.

An increasing number of the disadvantaged sections are entering the workforce



Source: Marcellus Investment Managers, RBI Database on Indian Economy; Workforce participation per 1,000 people; Here credit growth means growth in gross bank credit outstanding in ₹ crore of SCBs according to BSR 1 returns; Data normalized to 2017=100 to assess growth.

As new groups of entrepreneurs and professionals rise, it is likely that the intensity of competition will rise for incumbent businesses run by the entrenched elite class

Tarsons Products: A leading supplier of plastic labware products in India with a growing exports business, Tarsons enjoys an industry-leading operating margin (FY19-23 average EBITDA margin nearly 2.5 times the second-best player's) and a significantly superior ROCE (30 per cent average over FY19-23 versus the second best's 21 per cent). The key success factors for Tarsons have been the difficulty in replicating its in-house manufacturing set-up (versus peers who rely primarily on imports/outsourcing), long-standing relationships with distributors and a focus on the plastic labware market. Tarsons is another fine example of a small yet quality company that can take on labware giants and MNCs with its high-quality products. ☑

Amongst the companies mentioned in this note Fine Organics, Prudent Corporate Advisory Services and Tarsons Products are part of Marcellus' portfolios. Saurabh may have invested in these companies and his immediate relatives may also have stakes in the described securities. The described stocks/securities are for educational/illustration purposes only and not recommendatory.

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'.

Eurozone – the giant awakens

After years of steady decline, European markets see glimmers of growth

By
Anand Tandon

In 2023, Lawrence Summers, former Treasury Secretary of the US, famously remarked in a conference, "Europe is a museum, Japan is a nursing home, China is a jail and Bitcoin is an experiment." His quip came even as he warned against elevated expectations built into US equity markets. Previously, I wrote about how Japan is staging a stock market revival and restoring investor interest. It seems that the 'museum' is also attracting investors now.

Euro stocks show signs of recovery

The EURO STOXX 50 is an index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. The index is composed of 50 stocks from 11 countries in the Eurozone. EURO STOXX 50 represents Eurozone blue-chip companies considered leaders in their respective sectors.

FEZ (SPDR Euro Stoxx 50 ETF) is a market capitalisation-weighted index designed to represent the performance of some of the largest companies across components of the 20 EURO STOXX Supersector Indexes. The EURO STOXX Supersector indices are subsets of the EURO STOXX Index. FEZ offers a method to invest in the Eurozone's largest and most liquid companies.

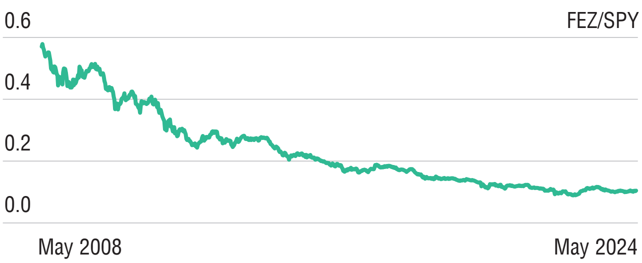
SPY (SPDR S&P 500 ETF Trust) mimics the performance of the S&P 500 index of US markets. We will use these ETFs as investment proxy for the Eurozone and the US, respectively.

The first graph shows that there has been little reason for investors to choose Eurozone over the US for the past 15 years or more. But is the worm turning? An expanded part of the graph (see 'European markets witnessed an upswing in the last two years') for the past five years seems to suggest that the fall has been arrested and the past 24 months have registered a mild outperformance for the FEZ. Is this sustainable?

The most recent IMF forecasts can explain some of the bullishness around the Eurozone. As expectations rise over the next 18 months, growth in the region is expected to slow post-elections in the current year, while that in the Eurozone rises. Further, growth expectations have narrowed to within 0.5 per cent between the two regions.

FEZ currently trades at a significant discount to SPY on a P/E basis. It could be argued that this is because of the superior growth numbers anticipated in the US. However, if the US slows down as the top-down estimates suggest and the Eurozone picks up

Euro stock indices reported a consistent decline versus US indices



Source: Yahoo Finance

European markets witnessed an upswing in the last two years

Source: Yahoo Finance

Illustration: ANAND

momentum, the earnings estimates may move in favour of the Eurozone. In any case, the US market is trading at a valuation higher than historic averages even as expectations of near-term interest rate cuts are toned down. On the other hand, the ECB is ready to start cutting – which could also act as a catalyst for the market.

Quarterly earnings in Eurozone: A beat

A recent report by Morgan Stanley on EU earnings states, "The median stock's earnings have come in 2.2 per cent above consensus. On a free-float market cap weighted basis, European earnings have so far beat consensus estimates by 6.2 per cent, demonstrating a continued skew to large-cap beats." The report further goes on to say, "Our earnings model points to 8 per cent earnings growth by year-end well above consensus at 3.6 per cent."

Healthcare (led by pharmaceuticals), Financials (led by banks) and Staples had the highest positive sales revisions, signalling better consumer confidence in spending. The consensus earnings revisions have been the highest in the last two years. A leading indicator of performance has been the management sentiment score. More than half of transportation and chemical companies reported increased scores. Other sectors where the sentiment improved meaningfully included Food Retail, Banks and Pharma. Software and Autos reported the worst falls. On the other hand, industries that reported a drop in sentiment included Energy, Metals & Mining and surprisingly, Travel.

Not everything is hunky-dory

However, this should not give the impression that Europe is booming. Before the results, earnings were forecast to decline 11.4 per cent in the quarter, with sales falling by over 4 per cent. The actual earnings will likely decline by less than 5 per cent, though sales have disappointed on aggregate.

Unlike Indian analysts, who start with bullish estimates that are then reduced throughout the year, European analysts typically have a less bullish outlook that is then raised over time. The current trend of reported earnings seems to confirm this. Perhaps 'museums' can also offer some exciting investment opportunities! ☑

Growth forecasts seem to be improving for the Eurozone

In %

	2023	2024	2025
World output	3.2	3.2	3.2
USA	2.5	2.7	1.9
Euro Area	0.4	0.8	1.5

Source: IMF, Real GDP, annual per cent change

Investors are bullish on Eurozone, backed by positive financials

	Expected EPS growth P/E (% pa)	One-year forward P/E	PEG
FEZ	9.4	13.8	1.47
SPY	14.4	21.7	1.51

EPS growth for 3-5 years
Source: State Street Global Advisors

UPA versus NDA: What can the numbers tell us?

How a change at the Centre has an impact on the economy

By **Puja Mehra**

Elections are a good occasion to test popular narratives against verifiable facts. Let us pick a few and try to verify them. By the time you read this column, voting will have been completed nationwide. This is deliberate, as the purpose is not to contrast prime ministers, governments or political parties. But to drive home the point that narratives tend to be motivated, and thus, we must be careful before buying into them.

Is the NDA less populist than the UPA?

According to data from RBI, the fiscal deficit was 4.91 per cent of GDP when Atal Bihari Vajpayee first became prime minister in May 1996. In less than a month, H.D. Deve Gowda took over the office. Eight months later, I.K. Gujral was elected prime minister and remained until March 1998. Then, Vajpayee returned as prime minister in October 1999 for a full tenure till May 2004. During his term, the fiscal deficit remained above the 5 per cent mark. In his last year (2003-04), it fell to 4.34 per cent of GDP. This is when India's GDP growth increased in tandem with a global economic boom and coincided with Manmohan Singh becoming prime minister. The tax-GDP ratio improved naturally, reducing the fiscal deficit.

By the time the Global Financial Crisis hit in 2008, the fiscal deficit had reduced to 2.54 per cent of the GDP – the only year since 1991 when it was below the 3 per cent mark. The Singh government then administered a fiscal stimulus to help the economy recoup from this shock. As a result, India's fiscal deficit rose, peaking at 6.46 per cent of the GDP in 2009-10, after which the Singh government brought it down sharply by cutting spending. This, in turn, led to a slowing down of the GDP growth. When the Modi-led NDA came to power in May 2014, the fiscal deficit was at 4.48 per cent of the GDP.

The Modi government further brought down the fiscal deficit to 3.44 per cent by 2018-19 by increasing tax rates on fuel. However, the deficit started rising again after that, going up to 9.17 per cent of GDP in 2020-21, as Covid-induced lockdowns reduced tax collections. In April 2024, on the eve of a new government getting elected, it was at 5.8 per cent.

What about spending taxpayer money for the poor?

The food subsidy bill during Singh's last year (2013-14), was ₹92,000 crore. In Modi's tenth year, 2023-24, it ballooned to ₹2.12 lakh crore.

The UPA government launched the Mahatma Gandhi Rural Jobs Guarantee scheme in 2006, allotting ₹11,300 crore that year. This rose to ₹21,700 crore for 2013-14 when Modi came to power. In its tenth year (2023-2024), his government spent ₹86,000 crore on the scheme.

Is the Modi government more friendly towards tax payers?

When Singh was elected prime minister in 2004, no income tax had to be paid on annual income up to ₹50,000. His government increased this threshold four-fold. It was, thus, ₹2.2 lakh by the time Modi was elected to office in 2014. At the end of Modi's tenure, this threshold jumped to ₹7 lakh.

The twin balance sheet problem, along with demonetisation and slow private investments made businesses wary of Modi's approach to the economy

Illustration: ANAND

Did the GDP grow faster during Modi's 10 years?

India's GDP in constant rupees was ₹50.78 crore in 2004. It nearly doubled to ₹98 lakh crore during Singh's tenure. In Modi's 10 years, it grew to around ₹172.90 lakh crore (at the time of writing, the latest available full-year estimate from the government is for 2022-23; for 2023-24, only advance estimates have been released), not quite doubling. That's because GDP grew at a compound annual rate of 6.8 per cent over Singh's 10 years versus only 5.8 per cent per annum during Modi's 10 years.

Do the stock markets favour the NDA government more than UPA?

During Modi's rule, the Sensex surged from about 22,340 to 74,000 points over 10 years, an increase of around 231 per cent. Over Singh's 10 years, the Sensex went up from roughly 4,300 to 22,340, a whopping rise of 420 per cent.

Have businesses showered the Modi government with more love?

When the UPA was in rule, gross fixed capital formation and investments in the government's national income accounts went up to nearly 35 per cent of the GDP, never slipping below 30 per cent. However, when the NDA government came to power, these numbers went past the 30 per cent mark in just one year.

In Modi's early tenure, investments were hobbled by the twin balance sheet problem inherited from the Singh government. The NDA further fueled it by not taking into consideration its seriousness from the top brass of the finance ministry and the RBI. This resulted in the failed experiment of demonetisation in 2016. But even after the balance sheet problem was resolved, the private investment cycle didn't restart. Businesses remained wary of the Modi government's approach to the economy.

Did India become a 'Vishwaguru' under Modi?

When UPA came to power in 2004, the exports-GDP ratio was 15 per cent. The share of exports in GDP had shot up to 25 per cent by the time it was voted out in 2014. At the end of Modi's 10 years, the exports-GDP ratio reduced to less than 22 per cent of GDP. Since international trade hasn't grown at the same pace as during Singh's time, Indian exports have suffered, losing out to Bangladesh and Vietnam, which are capturing our market share, undeterred by the slowdown in global trade. ☑

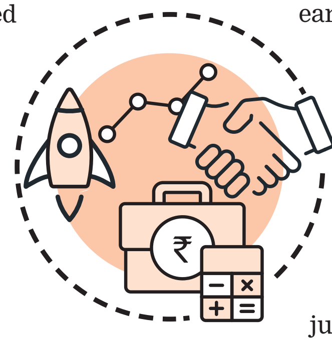
Puja Mehra is a Delhi-based journalist and the author of 'The Lost Decade (2008-18): How the India Growth Story Devolved into Growth Without a Story'

Small-cap growth stocks

Investing in small caps that go on to become mid and even large caps is any stock investor's dream. Here is a list of some promising small caps to explore.

A stock screen filters out companies based on certain criteria. The main advantage of using a stock screen is that it helps you generate stock ideas with a few clicks. It does away with the time-consuming process of 'finding' companies.

Value Research applies carefully selected stock filters to the universe of Indian stocks to identify and present you with attractive companies. In this issue, we will be covering the 'Small-cap growth companies' screen in detail. We have also given a concise list from the other screens. If you want to view all the companies, then you can find them at: https://www.valueresearchonline.com/stocks/selector/



Small-cap growth companies

The greatest joy of compounding, for any investor, is unarguably the journey of a small-cap company transforming into a large-cap company. However, the small-cap arena is like the Roman-era Colosseum – many participated in the gladiatorial games but only a few survived to tell their tale.

Thus, in order to remove poor-quality small caps, we have applied the filters for solvency (debt), quality of business (i.e., ROE) and revenue growth. To refine the list further and incorporate valuation as well, we have selected companies with a PEG (P/E to earnings growth) of less than one.

Small-cap investing requires you to do a lot of groundwork. Pick companies that you understand and research them in detail. This is not for the fainthearted or amateurs. In their journey to become a larger company, small caps will undoubtedly encounter multiple headwinds. You should have the skillset to judge whether these are transient or not. You will also need perseverance to deal with the frequent drawdowns in your portfolio.

A word of caution

These are not stock recommendations. Please do your due diligence before investing. If you are interested in a list of stocks to invest in, subscribe to Value Research Stock Advisor.

Key terms

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

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

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

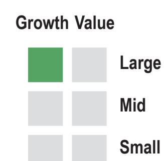
Growth Score
It evaluates a business's historical growth and scale, using metrics such as revenue growth, operating cash flow growth, Piotroski F-score, etc. The score is based on absolute ranges and is driven by current performance and historical consistency of growth. Per share data is considered for each parameter to calculate growth. The score is out of 10, and the higher the score, the higher the historical growth.

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

3Y revenue growth (% pa)
The three-year annualised growth rate of a company's revenue.

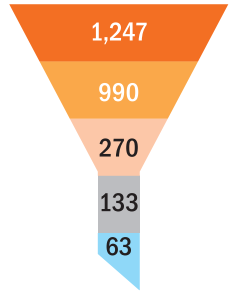
3Y EPS growth (% pa)
The three-year annualised growth rate of a company's earnings per share (EPS).

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



Small cap growth companies

No. of companies that cleared the filters



Reasons to invest

- Fast-growing companies
- Chances of high wealth creation
- Fundamentally sound
- Reasonable valuations

The filters

- M-cap between ₹500 and ₹11,298 crore
- Debt-to-equity ratio between 0 and 1
- 3Y average ROE of more than 20 per cent
- 3Y revenue growth of more than 20 per cent
- PEG (5Y) ratio between 0 and 1

Company Industry	Stock style	Stock Rating	Growth Score	PEG	5Y revenue growth (% pa)	5Y EPS growth (% pa)	5Y avg. ROE (%)	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Sarda Energy & Minerals Ferro Alloys		★★★★	5	0.1	27.9	40.4	22.8	9,440	267	284 - 107
H.G. Infra Engineering Construction & Engineering		★★★★	7	0.5	27.3	31.5	28.3	9,087	1,389	1,418 - 805
Route Mobile Telecom Services		Unrated	Unrated	0.7	42.0	35.7	21.0	9,077	1,447	1,760 - 1,355
Kama Holdings Commodity Chemicals		★★★★★	8	0.1	47.8	51.4	41.5	8,071	2,509	3,500 - 2,400
Easy Trip Planners Travel & Tourism		Unrated	Unrated	0.5	82.6	63.5	48.8	7,840	44	54 - 37
Man InfraConstruction Construction & Engineering		★★★	7	0.6	43.5	110.9	24.5	7,325	197	249 - 90
Magellanic Cloud Software & Services		★★★	6	0.9	38.3	215.5	29.3	7,097	607	672 - 187
Gravita India Ferro Alloys		★★★	8	0.4	30.9	65.8	36.7	6,662	961	1,166 - 536
JK Paper Paper & Paper Products		★★★★★	7	0.3	28.8	41.2	21.3	6,386	377	452 - 306
Share India Securities Brokerage Services		★★★★★	6	0.2	43.0	61.7	47.6	6,295	1,620	2,026 - 1,170
Tips Industries Music Production & Dist.		★★★★	5	0.4	38.7	43.5	58.5	5,689	443	531 - 164
IIFL Securities Wealth Management		Unrated	Unrated	0.6	35.8	34.3	24.1	5,137	167	181 - 57
Sharda Motor Inds. Auto Ancillaries		★★★★	6	0.8	26.8	70.4	26.9	4,409	1,484	1,642 - 731
West Coast Paper Mills Paper & Paper Products		★★★★★	7	0.4	28.9	1398.5	24.4	4,228	637	815 - 465
Shilchar Technologies Transformers & Transmi. Equip.		★★★	8	0.8	49.9	155.3	23.6	4,069	5,310	6,770 - 856
JTL Industries Steel Tubes & Pipes		★★★	5	0.3	67.3	51.3	36.4	3,801	215	278 - 153

STOCK SCREEN

Company Industry	Stock style	Stock Rating	Growth Score	PEG	5Y revenue growth (% pa)	5Y EPS growth (% pa)	5Y avg. ROE (%)	Market cap (₹ cr)	Share price (₹)	52-week high/low (₹)
Savita Oil Technologies Lubricants & Grease		★★	2	0.8	25.1	-2.4	25.0	3,613	521	615 - 270
Balu Forge Industries Castings & Forgings		★★★	7	0.4	65.1	152.8	21.5	3,212	313	318 - 268
Shivalik Bimetal Controls Welding Machinery		★★★	7	0.9	40.2	63.6	29.3	3,018	523	750 - 460
KP Energy Construction & Engineering		★★★	5	0.7	86.0	111.8	24.8	2,983	445	514 - 65
Gujarat Themis Biosyn Branded Medicines		★★★★	6	0.2	23.4	25.2	50.0	2,935	404	435 - 146
Saksoft IT Services & Consulting		★★★★	5	0.8	25.2	31.4	21.5	2,915	276	402 - 208
Jeena Sikho Lifecare Alternative Medicine		Unrated	Unrated	0.2	29.3	57.2	44.5	2,909	1,185	1,227 - 175
Avantel Network Equipment & Tools		★	3	0.7	42.3	53.3	30.7	2,851	117	140 - 32
Stylam Industries Other Building Products		★★★★	8	1.0	30.0	131.0	23.8	2,686	1,592	1,971 - 1,440
Globus Spirits Distilleries		★★★★	6	0.4	27.7	6.3	23.1	2,222	764	1,328 - 661
Expleo Solutions IT Services & Consulting		★★★★	6	0.4	46.8	8.7	26.7	2,044	1,321	1,777 - 1,198
Vishnu Chemicals Commodity Chemicals		★★★	5	0.2	26.8	72.8	31.1	2,025	310	386 - 247
Madhya Bharat Agro Diversified Chemicals		★★★	6	0.1	63.9	7.1	31.1	2,021	231	348 - 210
Panama Petrochem Petrochemical		★★★★★	6	0.3	23.2	31.3	29.7	2,017	333	387 - 276
Nitin Spinners Yarn		★★★	6	0.8	21.4	24.1	25.2	1,921	343	395 - 227
Monarch Networth Financial Services		★★★★	5	1.0	45.2	91.9	29.3	1,896	561	690 - 199
Hariom Pipe Inds Steel Tubes & Pipes		Unrated	Unrated	0.8	58.8	40.9	27.8	1,802	623	740 - 440
Cantabil Retail India Readymade Garment		★★★★★	7	0.1	34.7	85.6	23.3	1,749	209	279 - 181
Jubilant Industries Fertilisers		★★	6	0.3	33.2	15.5	23.5	1,669	1,120	1,460 - 423
Jyoti Resins Adhesives		★★★★	6	0.2	43.4	76.3	59.8	1,584	1,322	1,780 - 1,181
Dynacons Systems IT Services & Consulting		★★★	8	0.7	39.1	73.4	29.3	1,566	1,235	1,469 - 363

Stock Rating and price data as of May 17, 2024. For the full list, scan the QR code on the right.

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5-star Stocks

Gives you a list of companies that have received a five-star Stock Rating

	P/E		P/E
Coal India	7.7	ITC	26.6
HDFC Bank	17.4	Bajaj Finance	28.9
Kotak Mahindra Bank	18.5	Maruti Suzuki	29.4
Infosys	22.9	LTIMindtree	30.8
HCL Technologies	23.0	Nestle	73.8

High Growth Large Caps

Gives you large caps that are still consistently growing at a brisk rate

	P/E		P/E
Dr. Reddy's Laboratories	17.4	The Indian Hotels	64.5
Bajaj Finance	28.9	Titan	85.4
Cholamandalam Inv. and Finance	31.5	Adani Enterprises	107.6
Polycab India	54.6	Siemens	109.6
Tube Investments	61.1	Trent	110.8

Top Value Mid Caps

Gives mid-cap companies that come at an attractive valuation

	P/E		P/E
Chennai Petroleum Corp	4.8	Gujarat State Petronet	10.0
The Great Eastern Shipping Co.	5.6	The Federal Bank	10.3
LIC Housing Finance	7.5	Indiabulls Housing	10.4
Manappuram Finance	7.6	Petronet LNG	13.3
Bandhan Bank	9.8	Sun TV Network	14.0

High Dividend Yield

Filters out companies that pay handsome dividends consistently

	Div. Yield (%)		Div. Yield (%)
Kama Holdings	6.6	ONGC	4.1
Allcargo Logistics	4.5	Rashtriya Chemicals	3.6
Gujarat Narmada Fertilizers	4.5	The Great Eastern Shipping	3.5
Gujarat State Fertilizer	4.2	Oil India	3.1

Book Value Discount

Gives you potential bargains that are trading below their book values

	P/B		P/B
Jindal Poly Inv. and Finance	0.3	Zuari Agro Chemicals	0.5
Dhunseri Investments	0.3	The Sandesh	0.8
Zuari Industries	0.3	Karnataka Bank	0.8
GFL	0.3	DCB Bank	0.9
Dhunseri Ventures	0.4	South Indian Bank	0.9

Warren's wisdom

Tidbits from Berkshire Hathaway's 2024 shareholder meeting

On why Buffett invested such a huge amount in Apple:

We've learned more about consumer behaviour as we go along. And that sort of background, in a very general way, led up to the study of consumer behaviour in terms of Apple's products… And I think I know enough about consumer behaviour to know that it's (iPhone) one of the great products, maybe the greatest product of all time… And Tim was the perfect partner to serve sequentially with him (Steve Jobs). So it's, you sort of know it when you see it.

On how Coca-Cola is one of the few truly global brands:

And no company hardly does business around the world like Cola. I mean, they are the preferred soft drink. You know, something maybe like 170 or 180 out of 200 countries. Those are rough approximations from a few years back, probably, but that degree of acceptance worldwide is, I think it's almost unmatched.

On US's role in climate change:

All of climate change, it's got a terrible problem just in the fact that the United States particularly has been the one that's caused the problem the most. And then we're asking poorer societies to say, well, you've got to change the way you live, because we lived the way we did. But that really hasn't been settled yet.

On how AI's potential can be misused:

Last year I said that we let a genie out of the bottle when we, when we developed nuclear weapons, and that genie has been doing some terrible things lately. And the power of that genie is what, you know, scares the hell out of me. And then I don't know any way to get the genie back in the bottle. And AI is somewhat similar…If I was interested in investing in scamming. It's going to be the growth industry of all time, and it's enabled in a way. Obviously, AI has potential for good things, too, but I don't know.

MUTUAL FUNDS Sahi Hai

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Systematic Transfer Plan is a facility wherein an investor can opt to transfer a fixed amount at regular intervals from one scheme to another, at a predefined frequency.

SWP

Systematic Withdrawal Plan is a facility that allows you to withdraw a fixed amount from an existing mutual fund at a predetermined interval.

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