

29th ANNUAL WEALTH CREATION STUDY (2019-2024)

Creating Wealth Through Bruised Blue Chips

HIGHLIGHTS

- Blue Chips are aspirational investments, but mostly richly valued
- Bruised Blue Chips bought at close to lows offer handsome returns
- Probability of permanent loss of capital is low for Bruised Blue Chips
- The main elements of the process to invest in Bruised Blue Chips are:
 - (1) Create a watchlist
 - (2) Await buying triggers, mainly sector tailwind and change of management
 - (3) Buy at attractive valuations, typically Price/Book less than 2x
- Wealth Creation in the last 5 years is the highest ever; Wealth Destruction is among the lowest
- PSUs are regaining prominence in Wealth Creation

TOP 10 WEALTH CREATORS (2019-2024)

BIGGEST			FASTEST		CONSISTENT		
Rank	Company	Wealth Created (INR b)	Company	5-year Price CAGR (%)	Company	No. of years outperformed	5-year Price CAGR (%)
1	Reliance Industries	11,178	Adani Green	118	Linde India	5	68
2	TCS	8,312	Adani Enterprises	85	Varun Beverages	5	61
3	Bharti Airtel	5,449	Jindal Stainless	77	Hind. Aeronautics	5	58
4	ICICI Bank	5,109	Dixon Technologies	74	Bharat Electronics	5	46
5	State Bank of India	4,176	Linde India	68	Thermax	5	34
6	Infosys	3,893	Persistent Systems	67	NMDC	5	26
7	Larsen & Toubro	3,530	CG Power	66	Adani Green	4	118
8	Adani Enterprises	3,408	Adani Power	62	Adani Enterprises	4	85
9	Tata Motors	3,164	Trent	62	Jindal Stainless	4	77
10	HCL Technologies	3,150	Varun Beverages	61	Persistent Systems	4	67

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Motilal Oswal 29th Annual Wealth Creation Study

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Abbreviations and Terms used in this report

Abbreviation / Term	Description
2014, 2019, 2024, etc	Reference to years for India are financial year ending March, unless otherwise stated
Avg	Average
CAGR	Compound Annual Growth Rate
INR bn	Indian Rupees in billion
L to P / P to L	Loss to Profit / Profit to Loss. In such cases, calculation of PAT CAGR is not possible
Price CAGR	In the case of aggregates, Price CAGR refers to Market Cap CAGR
WC	Wealth Created
Wealth Created	Increase in Market Capitalization over the last 5 years, duly adjusted for corporate actions such as fresh equity issuance, mergers, demergers, share buybacks, etc.

Note: Capitaline database has been used for this study. Source of all exhibits is MOFSL analysis, unless otherwise stated

Wealth Creation Study

Objective, Concept & Methodology

Objective

The foundation of Wealth Creation is to buy businesses at a price substantially lower than their “intrinsic value” or “expected value”. The lower the market value compared to the intrinsic value, the higher is the margin of safety. Every year, as in the past 28 years, we endeavor to cull out the characteristics of businesses that create value for their shareholders.

As Phil Fisher says, *“It seems logical that even before thinking of buying any common stock, the first step is to see how money has been most successfully made in the past.”* Our Wealth Creation Studies are attempts to study the past as a guide to the future, and gain insights into the various dynamics of stock market investing.

Concept & Methodology

Wealth Creation is the process by which a company enhances the market value of the capital entrusted to it by its shareholders. It is a basic measure of success for any commercial venture. For listed companies, we define Wealth Created as the difference in market capitalization over a period of last five years, duly adjusted for corporate events such as fresh equity issuance, dividends, share buybacks, mergers, etc.

We rank the top 100 companies in descending order of absolute Wealth Created, **subject to the company’s stock price at least outperforming the benchmark index (Nifty 50 Total Return Index in our case)**. These top 100 Wealth Creators are also ranked according to speed (i.e. price CAGR during the period under study).

We define **Consistent Wealth Creators** based on the number of years the stock has outperformed in each of the last 5 years. Where the number of years is the same, the stock price CAGR decides the rank.

We define **All-round Wealth Creators** based on the summation of ranks, under each of the 3 categories – Biggest, Fastest and Consistent. Where the scores are tied, the stock price CAGR decides the All-round rank.

Report structure

We present the 2019-2024 Wealth Creation Study highlights in pages 2-3. The detailed findings are presented in pages 46-60. Appendix 1 (pages 62-63) ranks the top 100 Wealth Creators by size. Appendix 2 (pages 64-65) ranks the same 100 Wealth Creators by speed. Appendix 3 (pages 66-67) lists the Consistent Wealth Creators. Appendix 4 (pages 68-69) presents the All-round Wealth Creators. Appendix 5 (pages 70-71) provides an alphabetical listing of the Wealth Creators. Appendix 6 (page 72) carries the list of top 20 Fastest Wealth Creators under various market cap categories, namely, large, mid, small and mini.

This year’s theme study titled **“Creating Wealth Through Bruised Blue Chips”** is featured in pages 4-45.

Wealth Creation 2019-2024: Highlights

Reliance emerges as the biggest Wealth Creator for the 6th time in a row

- For the sixth time in succession, **Reliance Industries** has emerged the biggest Wealth Creator over 2019-24.
- This takes Reliance's overall No.1 tally to 11 in the last 17 five-year study periods.

Exhibit 1 **Top 10 Biggest Wealth Creators (2019-24)**

Rank	Company	Wealth Created		CAGR (%)		P/E (x)		RoE (%)	
		INR bn	% share	Price	PAT	2024	2019	2024	2019
1	Reliance Inds	11,178	8.1	20	12	29	22	9	10
2	TCS	8,312	6.0	16	8	30	24	52	35
3	Bharti Airtel	5,449	3.9	33	L to P	58	-	15	-1
4	ICICI Bank	5,109	3.7	23	60	17	60	17	4
5	State Bank of India	4,176	3.0	20	100	10	136	17	1
6	Infosys	3,893	2.8	17	11	24	21	34	24
7	Larsen & Toubro	3,530	2.6	23	8	40	22	15	14
8	Adani Enterprises	3,408	2.5	85	34	103	20	9	5
9	Tata Motors	3,164	2.3	42	L to P	11	-	38	-2
10	HCL Technologies	3,150	2.3	26	9	27	15	23	24
Total of Top 10		51,369	37	21	25	24	27	17	10
Total of Top 100		1,38,034	100	25	23	26	23	17	11

Adani Green has emerged the Fastest Wealth Creator

- **Adani Green** has emerged the Fastest Wealth Creator with 2019-24 Price CAGR of 118%.
- Two more Adani group companies have made it to the list of top 10 Fastest Wealth Creators - **Adani Enterprises** and **Adani Power**.
- INR 1 million invested in 2019 in these top 10 companies would be worth INR 17.5 million in 2024, a return CAGR of 77% vi/s 14% for Nifty 50.

Exhibit 2 **Top 10 Fastest Wealth Creators (2019-24)**

Rank	Company	Price Appn.	Price	PAT	Mkt Cap (INR bn)		P/E (x)	
		(x)	CAGR %	CAGR %	2024	2019	2024	2019
1	Adani Green	49	118	L to P	2,905	58	226	-
2	Adani Enterprises	22	85	34	3,641	162	103	20
3	Jindal Stainless	17	77	79	572	19	22	14
4	Dixon Technologies	16	74	42	448	27	121	42
5	Linde India	13	68	76	547	42	127	163
6	Persistent Systems	13	67	27	615	51	57	16
7	CG Power	13	66	L to P	825	27	59	-
8	Adani Power	11	62	L to P	2,058	186	10	-
9	Trent	11	62	56	1,404	120	154	121
10	Varun Beverages	11	61	47	1,817	158	86	52

Linde India is the Most Consistent Wealth Creator

- We define Consistent Wealth Creators based on the number of years the stock has outperformed in each of the last 5 years. Where the number of years is the same, the stock price CAGR decides the rank.
- Based on this, over 2019-24, **Linde India** has emerged as the Most Consistent Wealth Creator. It has outperformed the Nifty Total Return Index in all the last 5 years, and has the highest price CAGR of 68%.
- Consistent Wealth Creation is a challenge – only 6 out of 100 have outperformed in each of the 5 years.

Exhibit 3 **Top 10 Most Consistent Wealth Creators (2019-24)**

Rank	Company	No. of years of outperformance	2019-24 Total Ret. CAGR (%)	2019-24 PAT CAGR (%)	RoE (%)		P/E (x)	
					2024	2019	2024	2019
1	Linde India	5	68	76	12	2	127	163
2	Varun Beverages	5	61	47	31	15	86	52
3	Hind. Aeronautics	5	58	27	26	19	29	10
4	Bharat Electronics	5	46	16	24	20	37	12
5	Thermax	5	34	10	13	12	85	31
6	NMDC	5	26	5	23	18	10	7
7	Adani Green	4	118	L to P	13	-24	226	-
8	Adani Enterprises	4	85	34	9	5	103	20
9	Jindal Stainless	4	77	79	18	6	22	14
10	Persistent Systems	4	67	27	22	14	57	16

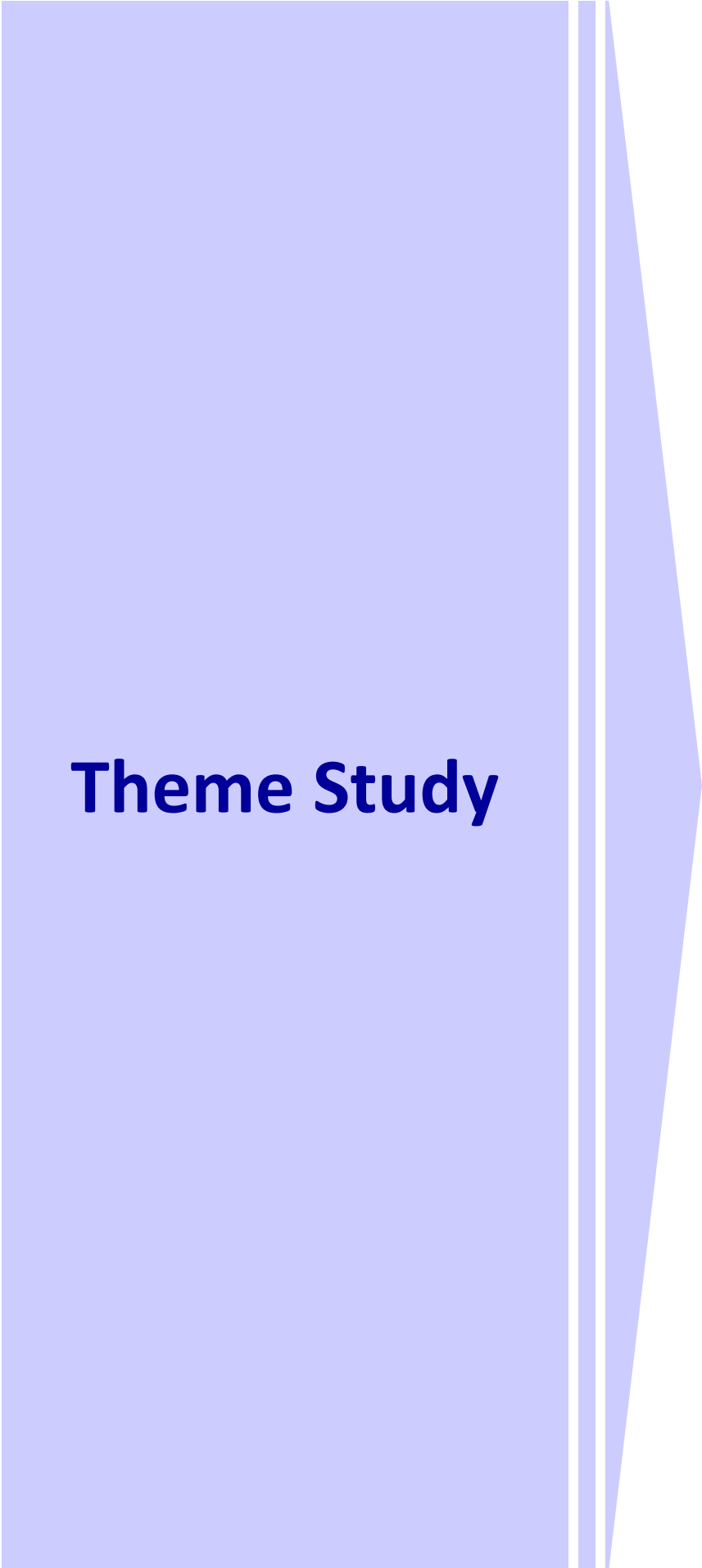
Adani Enterprises is the Best All-round Wealth Creator for the third time in a row

- We define All-round Wealth Creators based on the summation of ranks, under each of the 3 categories – Biggest, Fastest and Consistent. Where the scores are tied, the stock price CAGR decides the All-round rank.
- Based on the above criteria, **Adani Enterprises** has emerged as the Best All-round Wealth Creator.
- Two other Adani group companies – **Adani Green** and **Adani Power** – also feature in the top 10 All-round Wealth Creators.

Exhibit 4 **Top 10 All-round Wealth Creators (2019-24)**

All-round Rank	Company	Rank			Total of Ranks	2019-24 Price CAGR (%)
		Biggest	Fastest	Consistent		
1	Adani Enterprises	8	2	8	18	85
2	Adani Green	12	1	7	20	118
3	Hind. Aeronautics	17	12	3	32	58
4	Varun Beverages	25	10	2	37	61
5	Adani Power	21	8	12	41	62
6	Bharat Electronics	32	18	4	54	46
7	Trent	33	9	13	55	62
8	Tata Motors	9	19	41	69	42
9	CG Power	53	7	11	71	66
10	Siemens	28	27	19	74	37

Detailed findings page 46 onwards.



Theme Study

Creating Wealth Through Bruised Blue Chips

Spotting and exploiting this high-return opportunity

Warren Buffett has popularly said, “Turnarounds seldom turn around!” Bruised Blue Chips come across as an exception to this maxim. When bought at the right time and right price, Bruised Blue Chips generate handsome returns.

1. Backdrop

Bruised Blue Chips – the best way to make turnarounds work

Conventional investing is all about buying into healthy companies. Investing in troubled companies – or potential turnarounds – is a contrarian approach. The biggest risk in this approach is mortality of the companies invested in i.e. permanent capital loss. As Warren Buffett says, “Turnarounds seldom turn around”.

The best – if not the only – way to make turnarounds work is by investing in “**Bruised Blue Chips**” – large companies with a very strong track record, currently going through troubled times i.e. bruised. As stated later, the returns in this approach are handsome, and probability of mortality is near-zero.

The Study is structured as follows –

- Defining Bruised Blue Chips and making a case for investing in them
- What causes Blue Chips to get bruised
- What causes Bruised Blue Chips to heal
- The process of investing in Bruised Blue Chips
- Current watchlist of Bruised Blue Chips
- Conclusions and
- Case Studies.

2. Defining Bruised Blue Chips

Blue Chips which have fallen more than 50% from their 5-year high

2.1 What are Blue Chips?

There is no textbook definition of Blue Chips. Wikipedia defines Blue Chips as stocks with a reputation for quality, reliability, and the ability to operate profitably in both good and bad times. The typical characteristics of Blue Chips are –

1. **Track record:** Blue Chips have a fairly long track record of financial performance and stock market listing.
2. **Size:** Blue Chips are large companies in terms of market capitalization, sales, profits, etc.
3. **Market leadership:** Most Blue Chips are market leaders in their respective businesses.

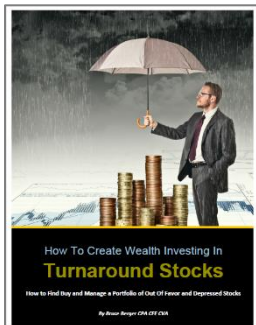
4. **Profitability:** Blue Chips not only generate huge profits, they also tend to be profitable i.e. high return on capital invested in the business.

Considering all of the above, for the purpose of this Study, we define Blue Chips are under –

1. **Track record:** Listing history of minimum 10 years.
2. **Size:** Top 50 companies by market cap.
3. **Profitability:** If not among the top 50 companies by market cap, companies need to fulfill two criteria to qualify as Blue Chips –
 - (a) They must be within the top 250 stocks by market cap and
 - (b) They must have 10-year average RoE (Return on Equity) of at least 20%.

By these criteria, the list of 68 Blue Chips for financial year 2023-24 is tabled in Exhibit 1 (pages 7 and 8). Glancing through the names makes it evident that most of them are leaders in their respective marketplaces. What is also evident is that most of the Blue Chips are richly valued. The average FY24 P/E of these 68 Blue Chips is as high as 40x, 60% higher than the Nifty 50 P/E of around 25x.

This makes it amply clear that under normal or elevated market conditions, given their several positive attributes, Blue Chips are unlikely to be available at reasonable price. Hence the need for Blue Chips to be “bruised”, as a golden entry point.



2.2 What are Bruised Blue Chips?

We have borrowed the phrase “Bruised Blue Chips” from a booklet titled, “*How To Create Wealth Investing In Turnaround Stocks*”. However, even the booklet does not specifically define the term “bruised”.

For the purpose of this Study, we have defined a Bruised Blue Chip as one whose stock price, at any time over the next 10 years, has fallen by 50% or more from its 5-year high. For instance, the universe of Bruised Blue Chips during FY15-24 is the number of stocks whose price at any point in time during these 10 years was lower by 50% or more from the FY10-14 (5-year) high. For the sake of simplicity we have taken the low price during FY15-24 and checked whether the same is lower by 50% or more than the FY10-14 high. If yes, it’s a Bruised Blue Chip else no.

2.3 Why Bruised Blue Chips?

There are 3 main reasons for strongly considering investing in Bruised Blue Chips –

1. Golden opportunity to build large positions in Blue Chips
2. Attractive returns and
3. Asymmetric payoff
4. Very low mortality.

2.3.1 Golden opportunity to build large positions in Blue Chips

By definition Bruised Blue Chips are down at least 50% from their 5-year high prices. This implies a significant correction in their otherwise rich valuations. Assuming there is no structural decline in the companies’ fundamentals, such bruising offers a golden opportunity to build large positions in these aspirational Blue Chips.

Exhibit 1 **Blue Chips as of March 2024**

	Mkt Cap Rank	RoE	FY14-24		P/E
Company	(Mar-2024)	FY24	PAT CAGR	Price CAGR	FY24/CY23
Among top 50 by Mkt Cap					
Adani Enterprises	16	7%	5%	30%	103
Adani Ports	25	16%	18%	22%	33
Adani Power	39	22%	L to P	27%	10
Asian Paints	27	26%	16%	18%	50
Axis Bank	22	10%	15%	14%	12
Bajaj Auto	31	22%	9%	16%	33
Bajaj Finance	12	18%	35%	45%	31
Bajaj Finserv	29	13%	18%	35%	32
Bharat Electronics	48	19%	15%	33%	37
Bharti Airtel	5	8%	17%	16%	58
Coal India	28	44%	9%	4%	7
DLF	38	3%	18%	18%	83
Grasim Inds	46	8%	12%	17%	26
HCL Technologies	13	23%	9%	15%	27
HDFC Bank	3	15%	22%	14%	17
Hind. Unilever	10	28%	11%	14%	52
I O C L	35	16%	21%	14%	6
ICICI Bank	4	12%	15%	17%	17
Infosys	7	26%	9%	14%	24
ITC	9	24%	9%	6%	26
JSW Steel	40	16%	36%	23%	24
iKotak Mahindra Bank	18	13%	22%	16%	19
Larsen & Toubro	11	13%	11%	16%	40
M & M	34	12%	10%	15%	21
Maruti Suzuki	14	12%	18%	20%	29
Nestle India	32	64%	11%	17%	81
NTPC	21	12%	6%	13%	16
O N G C	20	12%	7%	2%	7
Pidilite Inds	45	22%	15%	26%	86
Power Grid Corp	30	16%	13%	17%	16
Reliance Inds	1	9%	13%	22%	29
SBI	6	9%	17%	15%	10
Sun Pharma	15	13%	7%	11%	39
Tata Motors	17	9%	8%	10%	11
Tata Steel	41	10%	8%	15%	26
TCS	2	39%	9%	14%	30
Titan Company	19	24%	17%	31%	97
Trent	50	8%	L to P	44%	154
UltraTech Cement	26	11%	13%	16%	40
Wipro	33	17%	3%	9%	23

Exhibit 1 (continued) **Blue Chips as of March 2024**

Company	Mkt Cap Rank (Mar-2024)	RoE FY24	FY14-24		P/E FY24/CY23
			PAT CAGR	Price CAGR	
Among top 250 by mkt cap with 10-year Avg RoE >= 20%					
Abbott India	139	27%	23%	31%	48
Ajanta Pharma	237	23%	13%	24%	35
APL Apollo Tubes	176	21%	29%	54%	57
B P C L	57	23%	21%	15%	5
Berger Paints	120	21%	17%	24%	57
Britannia Inds	68	42%	19%	28%	55
Colgate-Palmolive	114	60%	11%	15%	55
Coromandel Inter.	216	22%	16%	17%	19
CRISIL	213	29%	10%	14%	49
Dabur India	86	23%	7%	11%	50
Deepak Nitrite	233	23%	34%	48%	40
Eicher Motors	73	20%	27%	23%	27
Glaxosmith. Pharma	209	28%	4%	3%	50
Hero Motocorp	84	23%	7%	8%	25
Hindustan Zinc	62	26%	2%	9%	16
K P R Mill	235	21%	19%	53%	36
Lloyds Metals	224	42%	L to P	65%	25
Marico	126	35%	12%	17%	44
Oracle Financial	111	27%	5%	11%	34
P & G Hygiene	145	53%	8%	15%	79
Page Industries	185	42%	14%	18%	67
Petronet LNG	182	22%	18%	14%	11
Solar Industries	107	24%	22%	48%	87
Supreme Inds	147	23%	14%	23%	52
Tata Comm	138	75%	30%	21%	53
Tata Elxsi	161	32%	27%	40%	61
Torrent Pharma	94	22%	9%	26%	56
TVS Motor	77	22%	25%	36%	63

Exhibit 2 demonstrates how bruising transforms the investment-attractiveness of Blue Chips. For instance, Cummins India was trading at a P/E of 26x at its high price, which collapsed to 13x at its low price. Likewise, its Price/Book contracted from 6.1x to 2.1x. For all the stocks tabled, median P/E was 23x at the high price and 8x at the low. Median Price/Book was 5.5x at the high price and 0.8x at the low price.

Such attractive valuations limit the downside and offer significant upside opportunity.

Exhibit 2 **Bruising makes valuations of Blue Chips exceptionally attractive**

Blue Chip Stock	High Price	Low Price	Price fall	Return CAGR from	P/E (x) at		Price/Book (x) at	
	2010-14 (INR)	2015-24 (INR)	High to Low	low to Mar-2024	High	Low	High	Low
Cummins India	602	282	-53%	81%	26	13	6.1	2.1
Bank of Baroda	210	36	-83%	67%	11	Loss	2.1	0.2
M & M	527	246	-53%	67%	21	15	3.8	0.8
Glenmark Pharma	612	168	-73%	54%	26	8	5.9	1.0
Shriram Finance	880	430	-51%	53%	23	3	5.2	0.6
Sun Pharma	653	315	-52%	50%	27	19	8.0	1.8
NTPC	201	74	-63%	46%	24	5	3.4	0.7
Jindal Steel	778	48	-94%	42%	19	Loss	7.6	0.3
GAIL (India)	100	44	-56%	42%	20	5	3.7	0.7
Engineers India	269	50	-81%	42%	39	9	14.5	1.4
MEDIAN			-60%	51%	23	8	5.5	0.8

2.3.2 Attractive returns

Exhibit 2 also captures the attractive return that Bruised Blue Chips generate. Further, Exhibit 3 suggests that such returns are high across time periods. Also, returns of Bruised Blue Chips are significantly higher than that of non-Bruised Blue Chips.

Exhibit 3 **Bruised Blue Chips offer attractive returns across time periods**

10-year period ending	2018	2019	2020	2021	2022	2023	2024	Avg
10 years ago								
No. of Blue Chips	62	83	79	79	83	80	82	78
No. of Bruised Blue Chips	54	61	40	39	36	25	28	40
No. of Non-Bruised Blue Chips	8	22	39	40	47	55	54	38
Avg fall from 5-year high to 10-year low								
Bruised Blue Chips	-77%	-73%	-78%	-74%	-76%	-76%	-71%	-75%
Non-Bruised Blue Chips	-41%	-33%	-22%	-28%	-22%	-29%	-22%	-28%
Avg Return from 10-yr low								
Bruised Blue Chips	30%	73%	24%	131%	38%	36%	52%	55%
Non-Bruised Blue Chips	28%	20%	14%	27%	23%	23%	24%	23%

2.3.3 Asymmetric payoff

Bruised Blue Chips offer an asymmetric payoff i.e. upside is multiple times the limited downside. As Exhibit 3 suggests, Bruised Blue Chips are on average lower by 75% over their 5-year high. Hypothetically, if the high is INR 100 and the low is INR 25, further downside from this level is likely to be low. However, if the Blue Chip were to go back at least to its previous high, the upside is INR 75 i.e. 300%. Likewise, if the fall is 50%, the upside is a minimum 100% if at least the previous high is restored.

2.3.4 Near-zero mortality

There were 99 Bruised Blue Chips in our study of seven rolling 10-year periods ending 2018 to 2024. Of these, every single company continues to exist today. Thus, by investing in Bruised Blue Chips, mortality is near-zero and risk of permanent loss of capital is low.

3. What causes Blue Chips to get bruised

A combination of internal and external factors

By definition, Blue Chips are large companies with healthy profitability during both good and bad times. What then causes them to be bruised? There are a variety of factors which can be categorized as follows –

1. Stock market-related
2. Company related –
 - i. External to the company
 - ii. Internal to the company

3.1 Stock market-related bruising

Very rarely, there occur major collapses in the stock market as a whole, causing Blue Chips also to get bruised i.e. their prices fall by 50% or more from their 5-year high. Such major stock market collapses occur mainly due to sudden and usually unforeseeable events such as the dotcom bust of 2000-01, the global financial crisis of 2008-09, India's demonetization announcement in November 2016, and the more recent Covid-led lockdown in 2020.

These market-related bruises are the best opportunity to load up on Blue Chips. More often than not, the stock price fall is disproportionately higher than the impact on their fundamentals and financials. Further, given inherent strengths, Blue Chips are likely to quickly regain their financials, leading to a sharp recovery in stock prices.

Exhibit 4 **Bruised Blue Chips' return CAGR from Covid lows is much higher than in other periods**

	Total	Low Price in	
		Year 2020	Others
No. of 2015-24 Bruised Blue Chips	28	18	10
Fall from 2010-14 high	-71%	-70%	-73%
Return CAGR from low to Mar-2024	52%	58%	41%

3.2 Company-related bruising

Company-related causes of bruising can be further categorized into 2 –

1. External to the company and
2. Internal to the company.

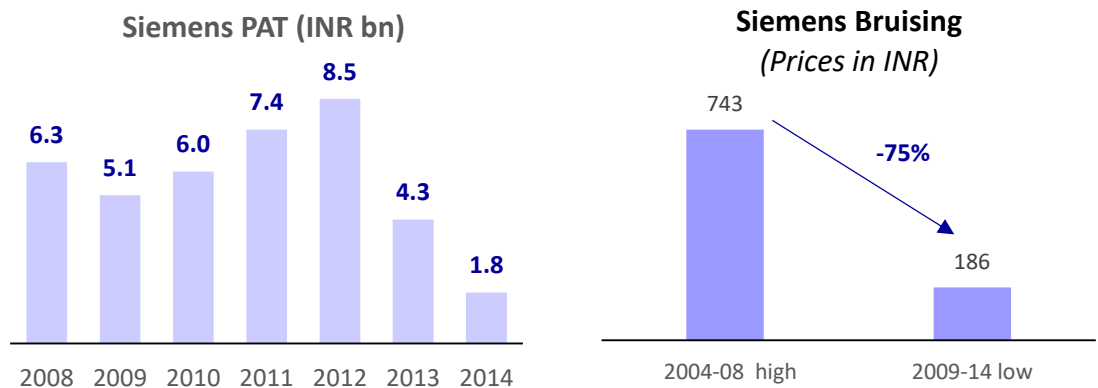
3.2.1 External causes of bruising

The most common external causes of bruising include –

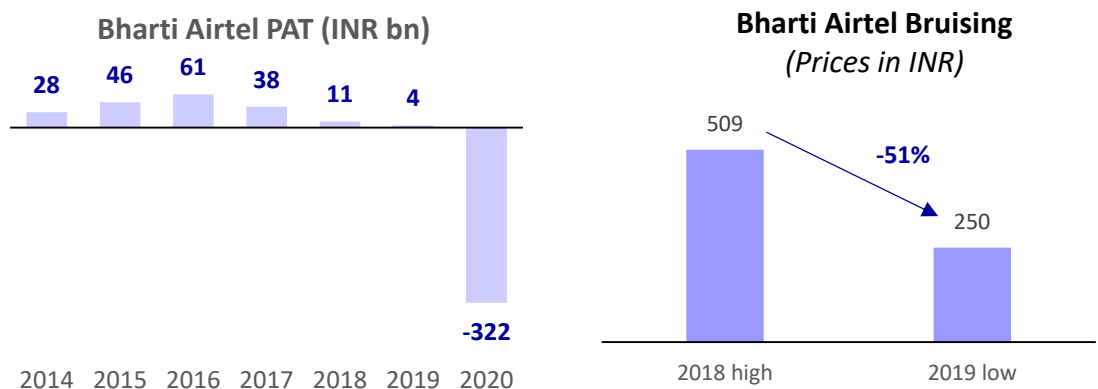
- Economic recession / Sector slowdown
- Adverse change in competitive landscape
- Adverse change in government regulation
- Value outflow and
- Global events.

3.2.1.1 Economic Recession / Sector slowdown

Economic recession is marked by fall in consumption expenditure and/or fall in private and government investment. This leads to a demand slowdown in several sectors, causing Blue Chips in such sectors to get bruised.

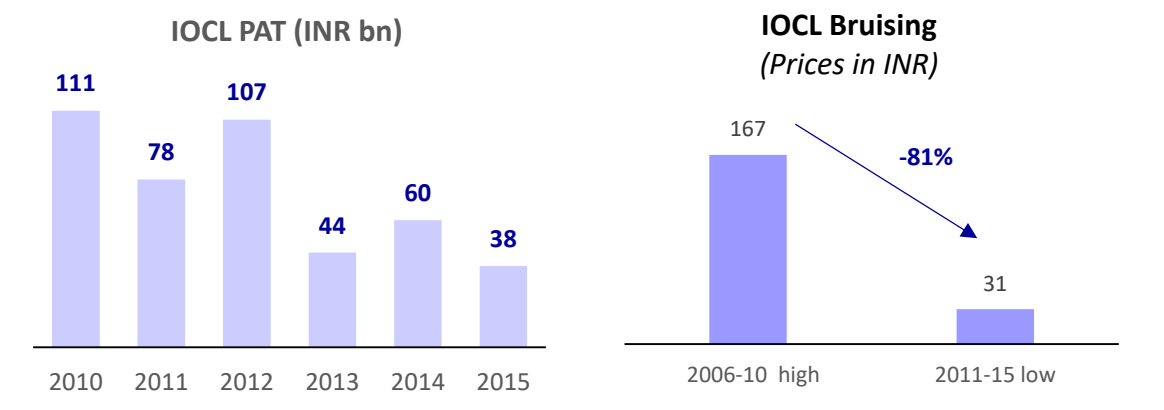
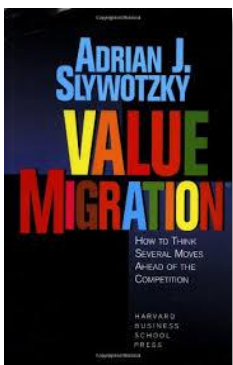
Exhibit 5 **Economic Recession / Sector slowdown causes Blue Chips to get bruised****3.2.1.2 Adverse change in competitive landscape**

A sector's competitive landscape changes adversely when new players enter the arena, especially those with deep pockets. This impacts financial performance of incumbents, driving down profits and profitability, in turn, causing even Blue Chips to get bruised.

Exhibit 6 **Reliance Jio's entry into telecom caused Bharti Airtel to get bruised****3.2.1.3 Adverse change in government regulation**

Change in government regulation can adversely affect financial performance and prospects of some Blue Chips, causing them to get bruised.

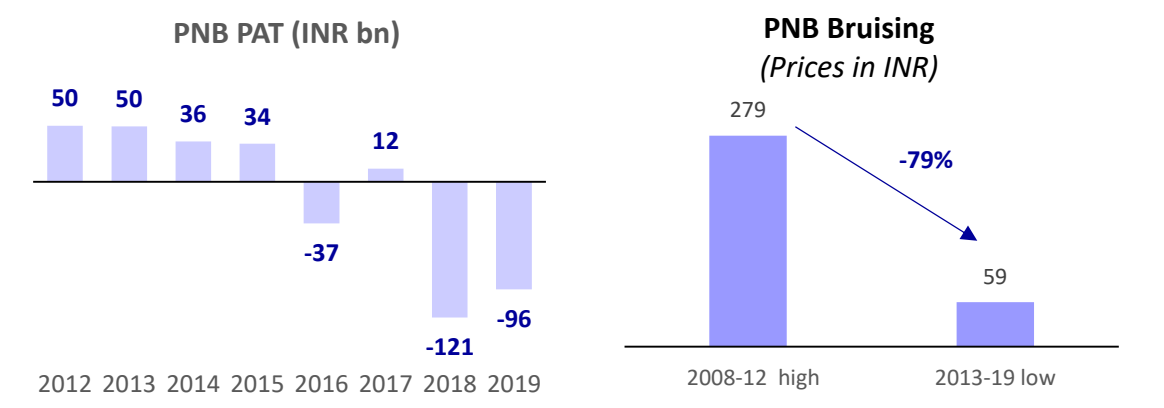
Example: Indian oil marketing companies are vulnerable to government whims on pricing of petrol and diesel. At times, when crude prices rise, they are unable to pass on the same to consumers, causing their profits to fall and the stock to get bruised.

Exhibit 7 **IOC's vulnerability to government pricing whims causes it to get bruised****3.2.1.4 Value outflow**

In his book Value Migration, author Adrian J Slywotzky says, “Value migrates from outmoded business designs to new ones that are better able to satisfy customers' most important priorities.” Value here stands for profits and market cap.

Value Migration results in a gradual yet major shift in how the current and future Profit Pool in an industry gets shared. It creates a sizable and sustained business opportunity for its beneficiaries (where there is value inflow), and adversity for the affected (where there is value outflow). Such value outflow causes Blue Chips to get bruised.

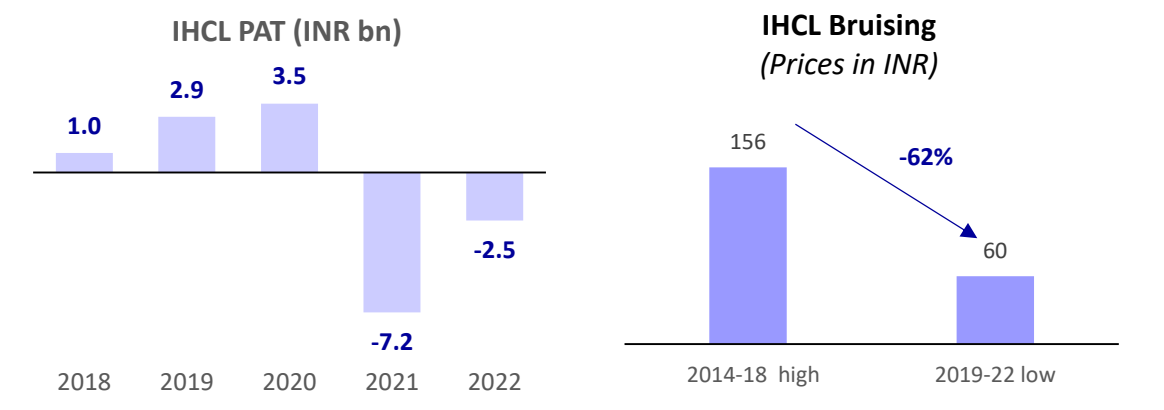
Example: In India's banking sector, much of the value has migrated from state-owned banks to private banks, thanks to the latter's superior value proposition. In other words, many state-owned banks are facing value outflow and getting bruised.

Exhibit 8 **Punjab National Bank is a victim of value outflow, causing it to get bruised****3.2.1.5 Global events**

Global events like wars, geopolitical instability, trade wars, pandemics, etc, can negatively impact international businesses, particularly for Blue Chips that rely on global markets and supply chains.

Example: During the Covid pandemic, tourism came to a standstill worldwide, causing large hotel chains to get bruised.

Exhibit 9 Covid caused Indian Hotels (IHCL) to get bruised



3.2.2 Internal causes of bruising

The most common internal causes of bruising include –

- Capital misallocation, mainly in the form of unsuccessful mega mergers & acquisitions
- Weak or outdated management strategy
- Poor corporate governance
- Debt pile-up and
- Deterioration in financial performance.

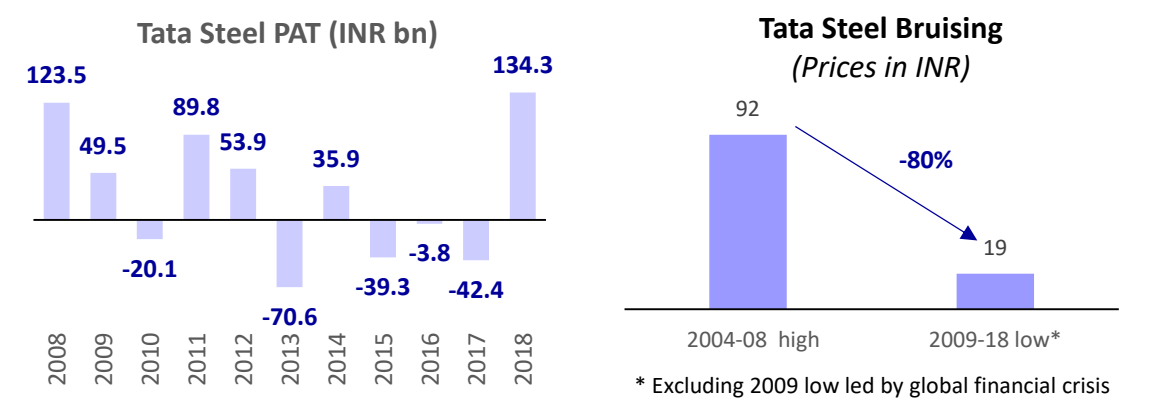
3.2.2.1 Capital misallocation

While a company's capital misallocation may take many forms, the most bruising one comes in the form of unsuccessful mega mergers & acquisitions (M&As), especially if they are global. Due to reasons such as culture clash, such M&As don't get fully integrated, and end up as a major drain of financial and managerial resources of the acquiring company.

Sooner rather than later, such capital misallocation starts affecting profits and profitability, causing the Blue Chips to get bruised in the process.

Example: Tata Steel made a USD 12 billion acquisition of Corus, UK in fiscal 2008. In the 10 subsequent years, it reported a financial loss in 5 years, causing it to be bruised.

Exhibit 10 Corus acquisition causes Tata Steel to get bruised

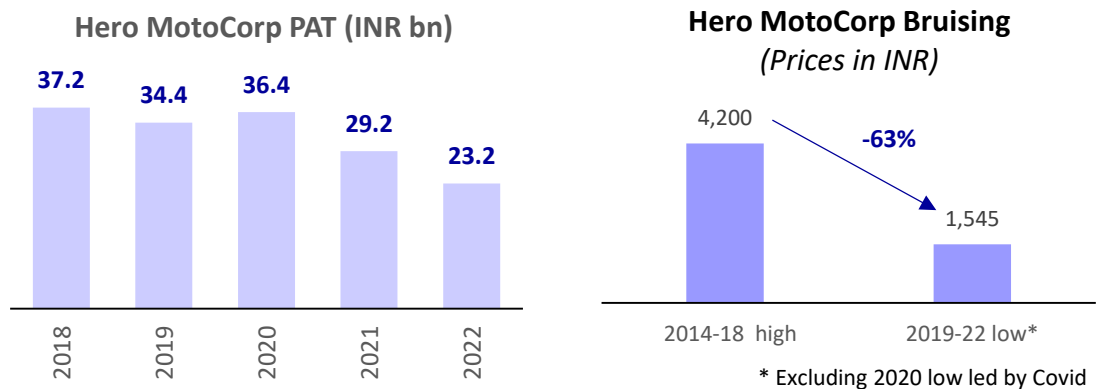


3.2.2.2 Weak or outdated business strategy

At times – e.g. after a succession – the management tends to rest on its laurels, causing business strategy to get weak or outdated. In such a situation, externally, competition tends to get stronger, and internally, cost pressures tend to mount. Both factors combined adversely impact profits and profitability, causing the Blue Chip to gradually get bruised.

Example: Despite being a Blue Chip in 2-wheelers, between 2018 and 2022, Hero MotoCorp seemed to have rested on its laurels. Profit drifted down from INR 37 bn to INR 23 bn, and the stock got bruised.

Exhibit 11 **Hero MotoCorp drifted from 2018 to 2022 and got bruised**

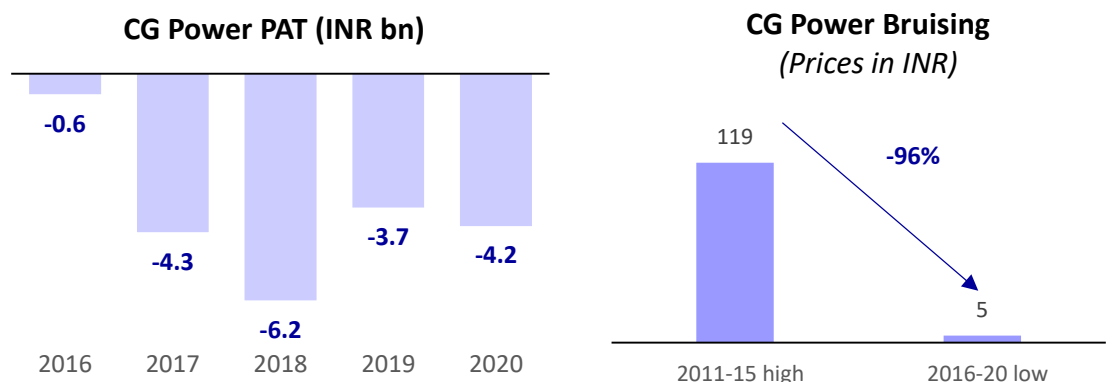


3.2.2.3 Poor corporate governance

Needless to say, this is a recipe for disaster. The “Blue Chip” in question will most likely lose its Blue Chip status, ending up as insolvent and a takeover candidate. Again, needless to say, the stock will not only get bruised but battered.

Example: A Blue Chip till 2012, CG Power (part of erstwhile Crompton Greaves of the Gautam Thapar group) got embroiled in a financial scam. It became a penny stock before finally being taken over by the Murugappa Group (also see full Case Study, page 28).

Exhibit 12 **A Blue Chip till 2012, CG Power becomes a penny stock on poor corporate governance**



3.2.2.4 Debt pile-up

Debt pile-up is a common factor across many Bruised Blue Chips. The mega acquisitions and aggressive capacity build-ups are all mostly backed by debt. When the acquisitions and capacities

fail to meet expectations, the debt pile-up leads to rising interest cost, dragging down profits, and bruising the stock.

Exhibit 13 **Debt pile-up is a common factor across many Bruised Blue Chips**

INR bn	Year end	Debt		Interest cost		Stock price as on		Fall in stock price
		Peak	5 yrs ago	Peak	5 yrs ago	Peak debt	5 yrs ago	
Jindal Steel	Mar-16	464	135	33	4	60	697	-91%
Suzlon	Mar-15	178	127	21	14	25	67	-63%
CG Power	Mar-19	33	22	4	1	43	55	-22%

3.2.2.5 Deterioration in financial performance

One or more of the above factors will end up in deterioration of the Blue Chip's financial performance, culminating in the stock getting bruised.

4. What causes Bruised Blue Chips to heal

Rectification of the things that went wrong

In principle, Bruised Blue Chips heal when the things that went wrong in the first place get rectified. Like the Bruising, the common triggers for healing can also be categorized as follows –

1. Stock market-related
2. Company related –
 - i. External to the company
 - ii. Internal to the company.

4.1 Stock market-related healing trigger

When the stock market recovers from its sharp falls, so do prices of Blue Chips, delivering healthy returns in the process, as shown earlier in Exhibit 4 (page 10).

4.2 Company-related healing triggers

Company-related healing triggers can be further categorized into 2 –

1. External to the company and
2. Internal to the company.

4.2.1 External healing triggers

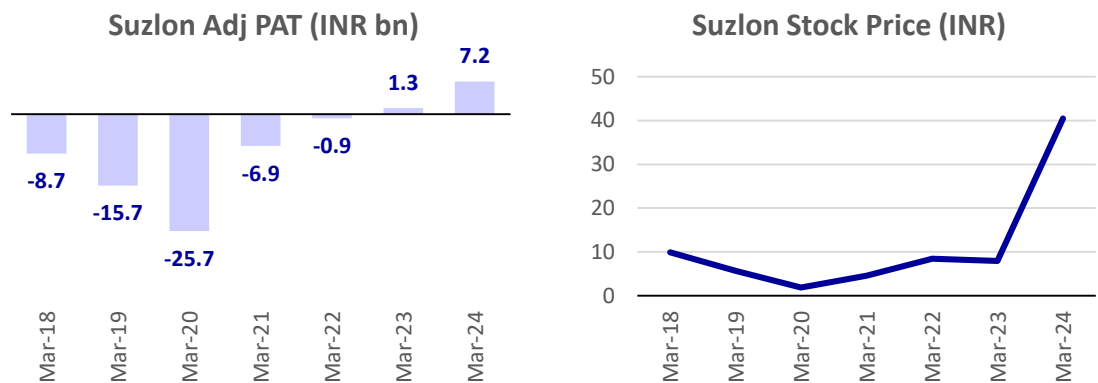
The most common external healing triggers include –

- Economic recovery / Sector tailwind
- Improvement in competitive landscape
- Favorable change in government regulation.

4.2.1.1 Economic recovery / Sector tailwind

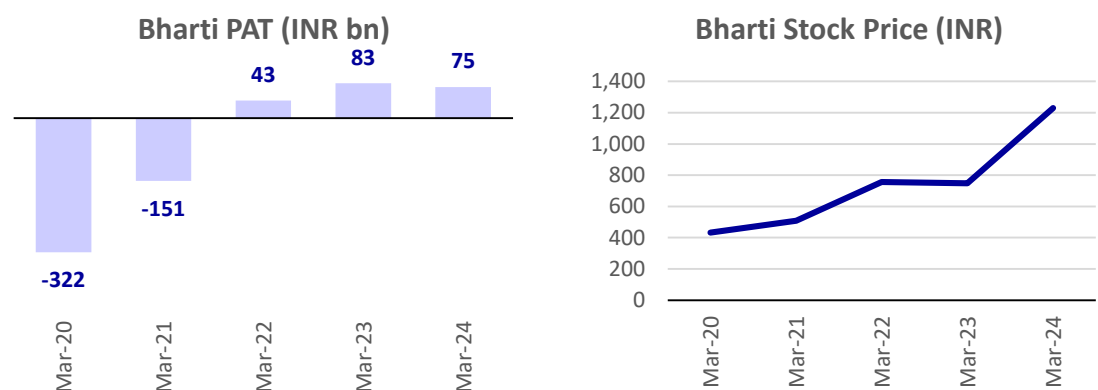
This is the opposite of 3.2.1.1. A recovering economy or favorable economic conditions such as lower interest rates, higher consumer spending and rising investment, can benefit companies across the board. Even Bruised Blue Chips can see a rebound when the broader market improves.

Further, some sectors go through cyclical downturns (e.g. commodities, capital goods). If a Blue Chip is in a cyclical sector, an upturn in that specific sector can heal the Bruised Blue Chip.

Exhibit 14 **Suzlon is a huge beneficiary of a tailwind in the wind energy sector****4.2.1.2 Improvement in competitive landscape**

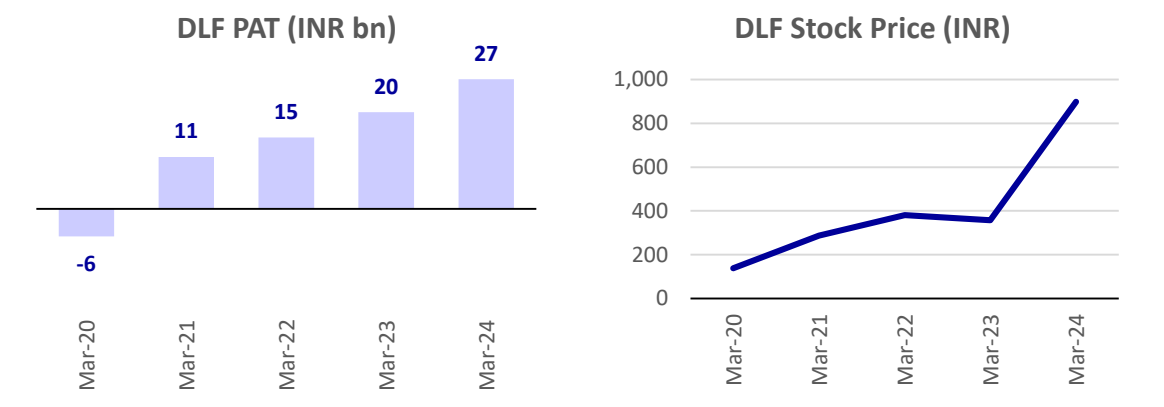
This is the opposite of 3.2.1.2. As stated there, a new, powerful entrant into the marketplace can adversely affect the competitive landscape causing incumbent Blue Chips to lose market share, hurting revenue and profits. However, in time, the new entrant settles down as an incumbent itself, and the competitive landscape gets stabilized.

At other times, a strong incumbent may also get weakened, improving the competitive landscape for the remaining players.

Exhibit 15 **Bharti's competitive landscape improved with Jio turning incumbent and Vodafone going weak****4.2.1.3 Favorable change in government regulation**

This is the exact opposite of 3.2.1.3. Favorable change in government regulation can boost the prospects of sectors and Blue Chips therein.

Example: In India, the RERA (Real Estate Regulatory Authority) was formed in 2017. This has significantly enhanced credibility of the real estate sector, benefiting the larger players vis-à-vis smaller ones. DLF is one such beneficiary.

Exhibit 16 **DLF is a beneficiary of a favorable government regulation**

4.2.2 Internal healing triggers

The most common internal healing triggers include –

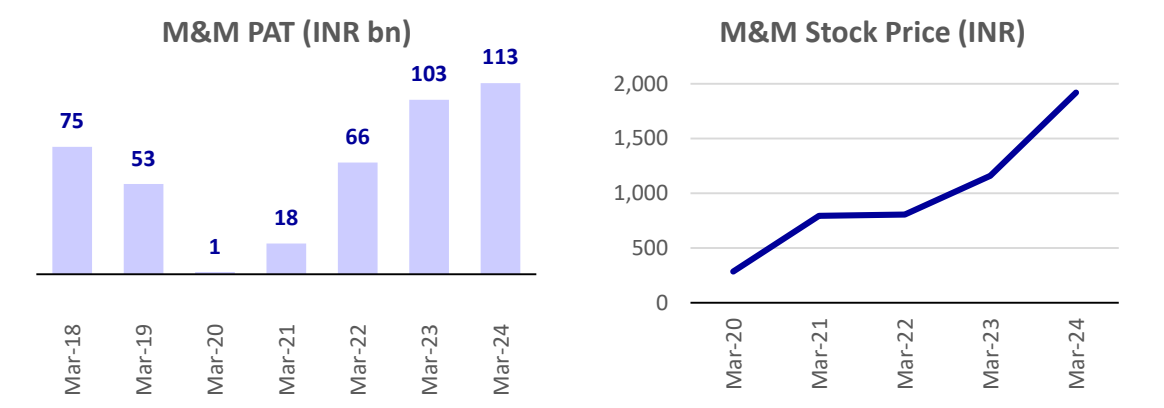
- Corporate restructuring
- Change in management team and strategy
- New product launches
- Cost control & Operational efficiency
- Debt reduction/restructuring and/or equity infusion
- Recovery in financial performance.

4.2.2.1 Corporate restructuring

This is rectification of 3.2.2.1 Capital misallocation. At times, Blue Chips get into a structural and financial mess with mega acquisitions and unrelated diversifications. The need of the hour is a major corporate restructuring. However, typically, the incumbent management team which made all those strategic decisions is unlikely to be able to undo them.

So, most corporate restructuring cases are accompanied by a fresh management team which dispassionately assesses the situation and takes corrective action, causing the Bruised Blue Chip to heal.

Example: Mahindra & Mahindra has undertaken a sweeping corporate restructuring – from divesting overseas subsidiaries to exiting many unrelated and unprofitable businesses (also see detailed Case Study on page 24).

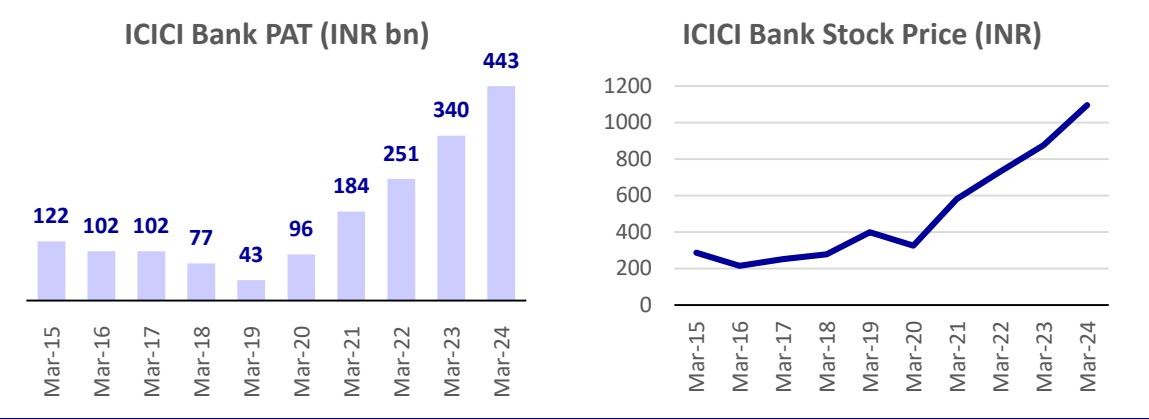
Exhibit 17 **M&M's restructuring has had the healing effect**

4.2.2.2 Change in management team and strategy

This is rectification of 3.2.2.2 Weak or outdated business strategy. Like in the previous point, this merits a change in management team to take a fresh view of the situation and heal the Bruised Blue Chip.

Example: A new management team at ICICI Bank has reinvigorated its business strategy, healing the bruise.

Exhibit 18 ICICI Bank’s new management team has healed the bruise

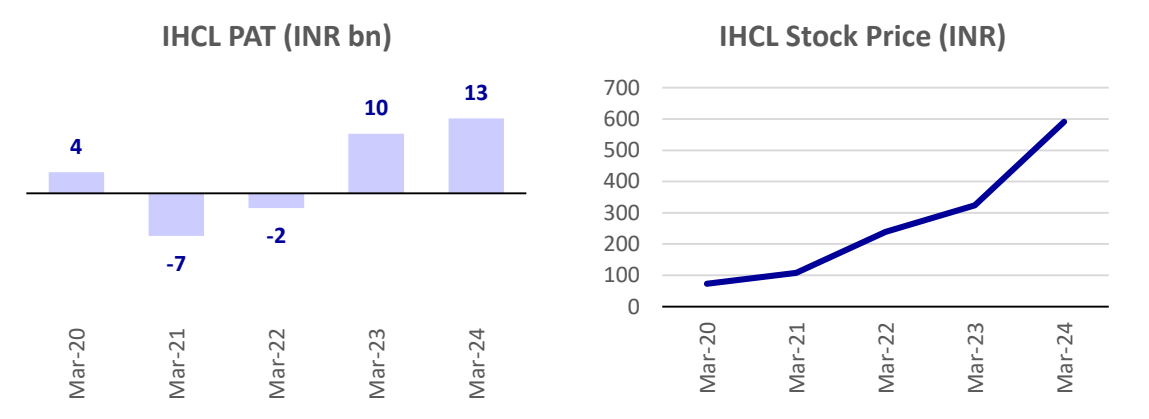


4.2.2.3 New product launches

Successful new product launches can change the financial trajectory of a Bruised Blue Chip, causing it to heal.

Example: Indian Hotels has transitioned from a “branded house” to a “house of brands”. New brands include Qmin and Amã Stays & Trails while existing brands like Ginger, TajSATS and The Chambers have been revitalized and repositioned to meet market demands. This helped it to quickly recover from the Covid setback.

Exhibit 19 Indian Hotels’ product initiatives helped it heal faster from the Covid bruise

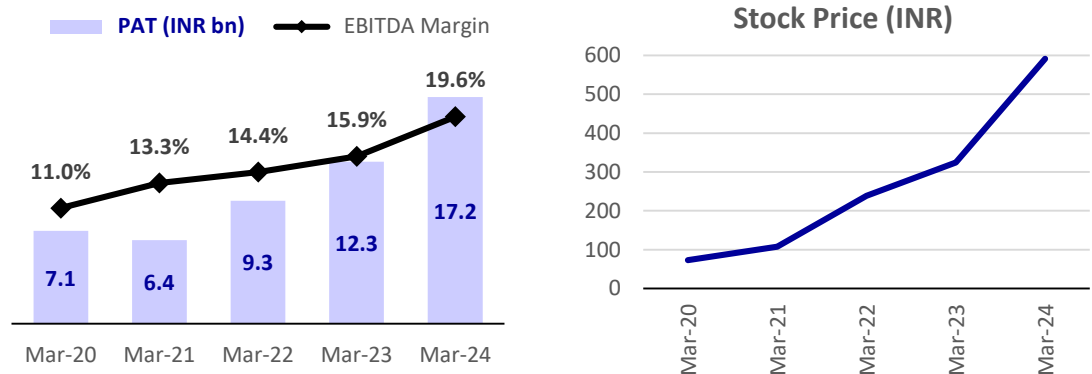


4.2.2.4 Cost control & Operational efficiency

This is usually a low-hanging fruit. Financially troubled Blue Chips many times resort to specific cost control and operational efficiency frameworks like Kaizen and Six Sigma. If successfully executed, this restores the profitability of the Bruised Blue Chip, causing it to heal.

Example: Cummins India runs multiple cost control programs which leverage the Six Sigma approach – Accelerated Cost Efficiency (ACE), Accelerated Move towards Zero Defects (AMaZE), and Accelerated Supply Chain Excellence and Transformation (ASCENT). This boosted its EBITDA margins and PAT, helping it heal from the Covid-led bruise.

Exhibit 20 Cummins India's cost control programs have helped it heal faster from the Covid bruise



4.2.2.5 Debt reduction/restructuring and/or equity infusion

This is rectification of 3.2.2.4 Debt pile-up. A key healing factor is repayment or restructuring of debt. Also, in many cases, Bruised Blue Chips need conversion of debt into equity or fresh equity infusion itself. This eases interest burden, reviving profits and boosting the stock price.

Exhibit 21 Debt reduction is a key healing factor

INR bn	Debt		Interest cost		Stock price as on		Rise in stock price
	Peak	Latest	Peak	Latest	Peak debt	Current	
Jindal Steel	464	173	33	13	60	897	1395%
Suzlon	178	3	21	2	25	64	154%
CG Power	33	0	4	0	43	754	1665%

4.2.2.6 Recovery in financial performance

This is rectification of 3.2.2.4 Deterioration in financial performance. One or more of the above factors will revive the financial performance of the Bruised Blue Chip. Soon, the stock market will take notice of the same, causing it to heal.

Having understood each of the above Bruising and Healing factors with isolated examples, we have provided a few comprehensive case studies of Bruised Blue Chips and their subsequent healing (see Annexure, page 24 onwards).

5. Process of investing in Bruised Blue Chips

Create a watchlist, await healing triggers, buy at attractive valuations

The key to profit from Bruised Blue Chips is to buy them close to the lows, post the bruise. This necessitates the following steps –

1. Create a watchlist of Bruised Blue Chips
2. Clearly understand the reasons for the bruising
3. Await healing triggers

4. Buy only if the company's future prospects are bright, and valuation is attractive, typically Price/Book around 2x.

5.1 Create a watchlist of Bruised Blue Chips

At any given point in time, there will be Blue Chips which are bruised i.e. significantly down from their recent highs. We need to create a watchlist of such Bruised Blue Chips for investigation and further action at the appropriate time.

5.2 Clearly understand the reasons for the bruising

As discussed earlier, there are a wide variety of reasons for Blue Chips to get bruised. We need to clearly understand the reasons for the bruising. This is because, as also discussed earlier, Bruised Blue Chips heal only when what went wrong gets rectified.

5.3 Await healing triggers

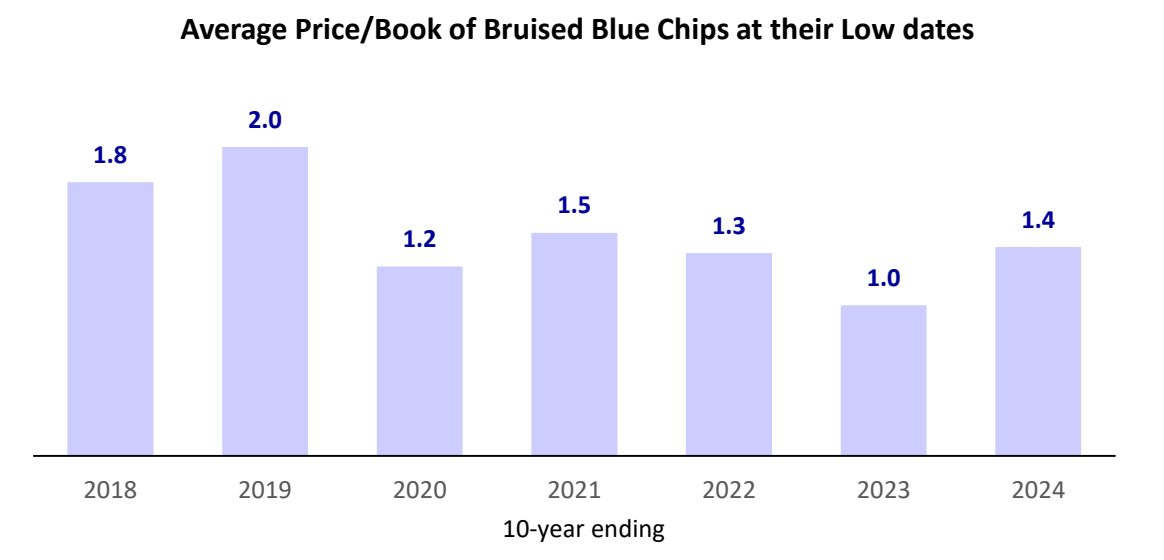
Having understood the reasons for the bruising, we next need to await healing triggers. The most important ones to look for are sector tailwind (external) and change of management (internal).

5.4 Buy only if the company's prospects are bright and valuation is attractive

Bruising alone cannot be the sole reason for buying into a Blue Chip. Its prospects of profit and profitability need to be bright. Else, the Bruised Blue Chip will end up as a value trap.

When it comes to valuation, over the last seven 10-year periods, at the low price, the average Price/Book of Bruised Blue Chips is 1.5x (Exhibit 22). Hence, on average, Bruised Blue Chips should be bought only if valuation is attractive i.e. Price/Book around 2x at best.

Exhibit 22 **Bruised Blue Chips trade at attractive valuations on their low dates**



5.5 A short note on Technical Analysis

The key to deriving maximum returns from Bruised Blue Chips is to buy them close to the turnaround. Though not our forte, a basic understanding of Technical Analysis may help to better time the buying of Bruised Blue Chips. Some popular buy patterns are –

- Double-bottom
- Reverse head and shoulders
- Rounding bottom and
- Flat base.

Strong fundamentals coupled with a favorable price chart should help investors to buy close to the point of maximum pessimism, and maximize returns from that level.

Exhibit 23 **Double Bottom pattern**



Exhibit 24 **Reverse Head & Shoulders pattern**

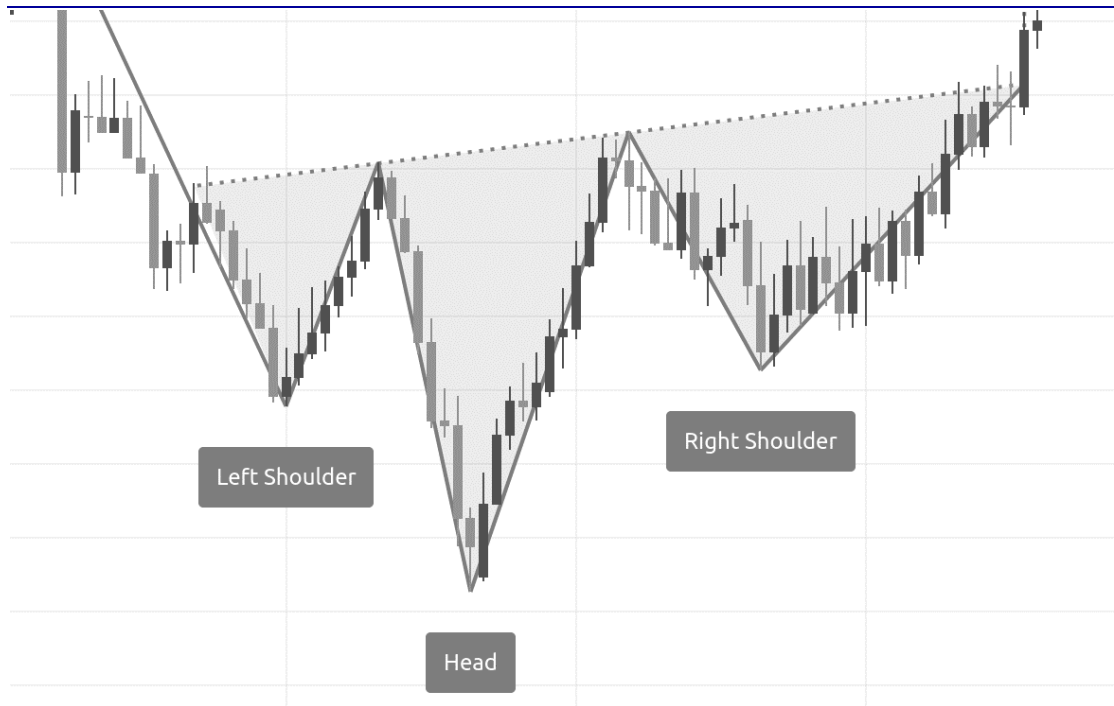


Exhibit 25 **Rounding bottom pattern**

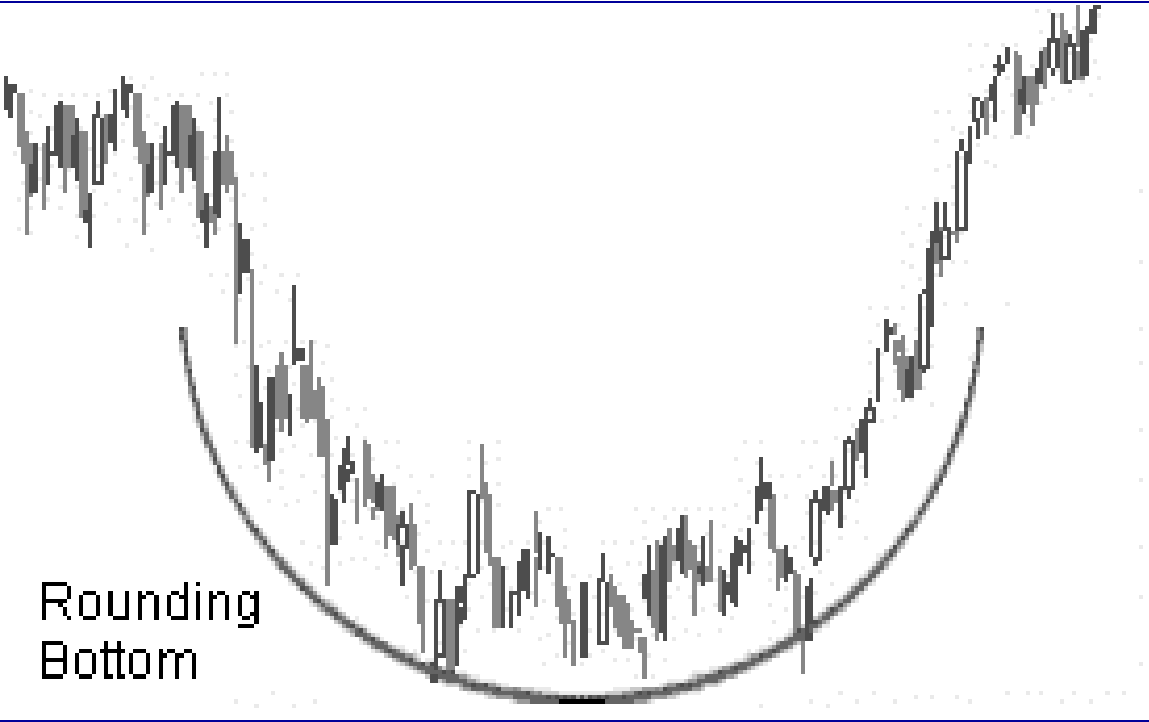
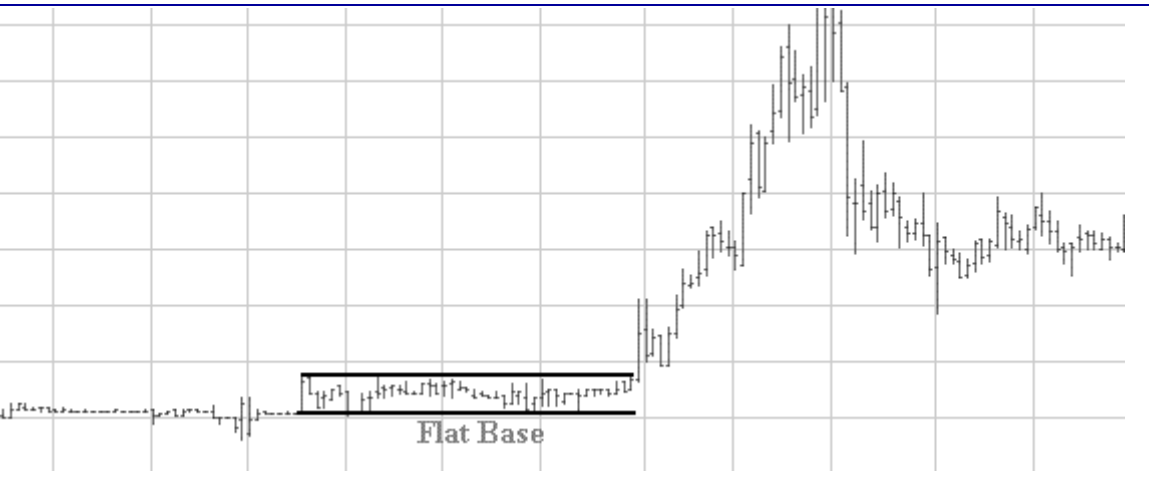


Exhibit 26 **Flat Base pattern**



6. Current Bruised Blue Chips watchlist

Elevated market gives limited options

Bruised Blue Chips are more visible during market downturns. Current Indian markets are in an extremely elevated state, giving limited options of Bruised Blue Chips. We present below a basic watchlist of 2024 Blue Chips which are lower by 30% or more from their 5-year highs.

Exhibit 27 **Bruised Blue Chips watchlist**

Company	2020-24 High Price	Current Price (28-Nov-24)	Drawdown
Adani Total Gas	3,998	803	-80%
Adani Green	3,048	1,088	-64%
Adani Enterprises	4,190	2,437	-42%
Gujarat Gas	787	472	-40%
SBI Cards	1,165	714	-39%
Tata Elxsi	10,760	6,755	-37%
Avenue Supermarts	5,900	3,712	-37%
I R C T C	1,279	814	-36%
Berger Paints	727	489	-33%
Asian Paints	3,590	2,459	-32%
I O C L	197	138	-30%

7. Conclusions

Bruised Blue Chips bought at close to lows offer handsome returns

- Blue Chips are aspirational investments, but mostly richly valued
- Bruised Blue Chips bought at close to lows offer handsome returns
- Probability of permanent loss of capital is low for Bruised Blue Chips
- The main elements of the process to invest in Bruised Blue Chips are:
 - (1) Create a watchlist
 - (2) Await buying triggers, mainly sector tailwind and change of management and
 - (3) Buy at attractive valuations, typically Price/Book less than 2x.

Annexure: Case Studies of some Bruised Blue Chips

M&M, CG Power, Suzlon, Jindal Steel, Bharti Airtel

Mahindra & Mahindra

Brief about the company

- Mahindra & Mahindra (M&M), a flagship company of the Mahindra Group, is a leading Indian multinational conglomerate, holding a dominant position in India's UV (Utility Vehicles) and tractor markets.
- The company's automotive division manufactures SUVs (Sports Utility Vehicles), commercial vehicles, and electric vehicles (EVs), with popular models like the Scorpio, Bolero, XUV series, and Thar contributing significantly to its success. M&M has also made strides in electrification, introducing EV models under the Mahindra Electric brand.
- In the farm equipment sector, M&M is a market leader in India and a significant global player, producing a wide range of tractors and agricultural machinery under the Mahindra Tractors brand.
- M&M's diverse portfolio also spans two-wheelers, IT, finance, real estate, and hospitality.

What went wrong (over 3-5 years ending FY20)

EXTERNAL TO THE COMPANY

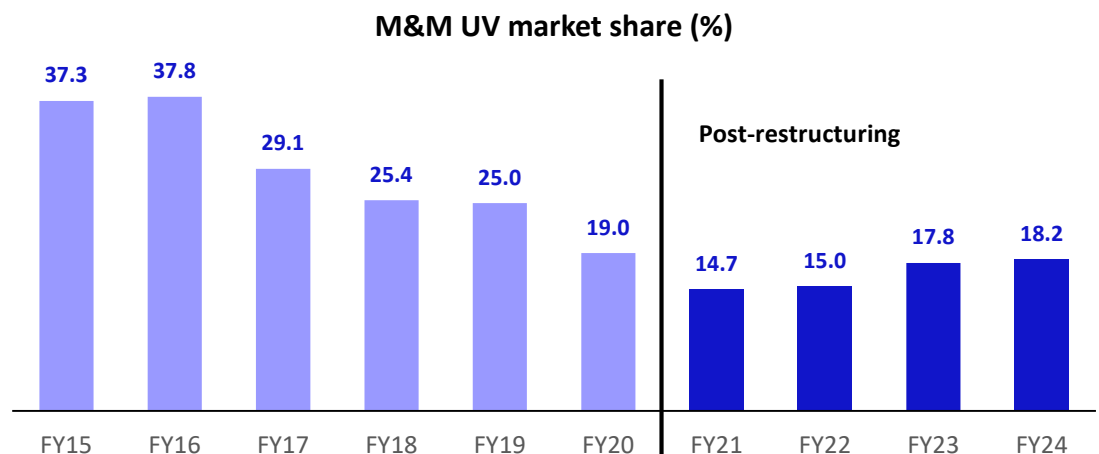
Macroeconomic and regulatory challenges

- The rural economy faced multiple setbacks, including weak monsoons in certain years, low crop prices, and uneven implementation of government schemes, which directly impacted tractor and entry-level vehicle sales.
- Liquidity constraints in non-banking financial companies (NBFCs), which were major financiers for rural customers, further dampened demand. This compounded the challenges for M&M's automotive and tractor segments.
- The transition to BS6 emission norms in FY20 required significant R&D investments and led to higher vehicle prices, affecting affordability and demand across segments.

Slowdown in core businesses

- **Automotive Segment:** M&M's dominance in the UV (utility vehicle) segment weakened due to intense competition from new and existing players. Launches from competitors Maruti Suzuki (Vitara Brezza), Hyundai (Creta), and Kia (Seltos) were well-received, and outperformed M&M's offerings in design, features, and value proposition. This led to erosion in market share from 37% in FY15 to 19% in FY20.
- **Tractor Segment:** While M&M remained a market leader in tractors, demand fluctuations due to weak monsoons in some years, slower rural income growth, and economic challenges in the agricultural sector impacted overall tractor sales. The company also faced pricing pressures and increased competition from regional players. The tractor industry retails witnessed a flattish FY15-20; however M&M still managed to outperform the industry.

Competition from existing and new players weakened M&M's dominance in the UV market



INTERNAL TO THE COMPANY

Weak product portfolio and execution

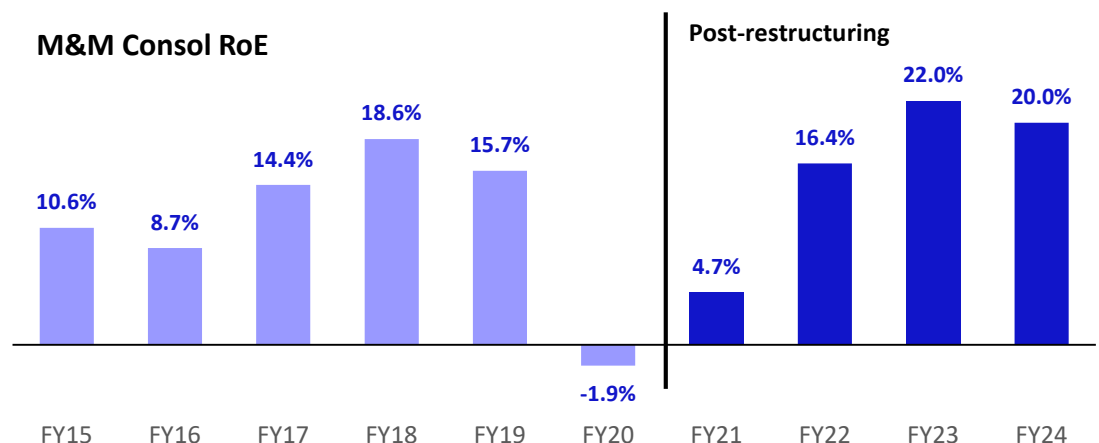
- M&M's SUV portfolio struggled to keep pace with evolving market expectations. Despite being a strong player in the larger SUV segment, M&M was slow to effectively assess and respond to the rapid growth of the compact SUV market. M&M's attempts to compete in this space with models like the TUV300 and KUV100 were not as successful, primarily due to their design shortcomings and limited feature sets.
- M&M's attempts to diversify into electric vehicles (EVs) through models like the e2o also underperformed due to low adoption rates, high costs, and inadequate infrastructure support.

Suboptimal Capital Allocation

- M&M's global investments, including the acquisition of SsangYong, the launch of GenZe (an electric scooter venture), and investments in other foreign subsidiaries failed to generate the expected returns.
- SsangYong, in particular, proved to be a financial burden with recurring losses, liquidity issues, and poor market performance in South Korea and other regions. This strained M&M's consolidated financials and diverted management focus from core domestic operations.
- The company also invested in businesses like aerospace (Mahindra Aerospace) and two-wheelers (Mahindra Two Wheelers), which failed to scale up and were eventually scaled down or exited.
- This began to get reflected in its return ratios – for instance, Consolidated RoE actually went negative in FY20.

High Operating Costs

- Rising raw material prices put pressure on margins, especially as M&M struggled to pass on cost increases due to competitive pressures in the market. EBITDA margin between FY10-14 averaged at 14.4%, which declined to 13.7% over FY15-20.
- Increased R&D spending to develop BS6-compliant engines, electrification technologies, and other regulatory requirements also strained the company's profitability. Despite these investments, the return on capital employed (ROCE) remained low due to underwhelming product success.

M&M's suboptimal capital allocation and subsequent rectification

- These factors, individually and collectively, weakened M&M's growth trajectory and profitability. Poor execution, market share loss in core segments, inefficient capital deployment, and external challenges forced the company to re-evaluate its strategies, streamline operations, and focus on core businesses in the years following FY20.

Dependence on Diesel

- M&M had historically built its dominance in SUVs and tractors on diesel powertrains. However, regulatory changes such as BS6 emission norms, restrictions on diesel vehicle sales in certain regions (e.g., Delhi-NCR), and rising customer preference for petrol engines eroded its competitiveness.
- The company was slow to transition to alternate powertrains like petrol, leaving a gap in its offerings, especially in urban markets where diesel demand declined more sharply.

What went right (FY20-24)**INTERNAL TO THE COMPANY****Strategic shift in leadership approach**

- M&M underwent significant management changes in recent years, marking a strategic shift in its leadership approach and business focus. In FY20, Anand Mahindra transitioned to the role of Non-Executive Chairman. Dr Pawan Goenka retired as Managing Director and CEO in FY21, handing over the reins to Dr Anish Shah as the new Managing Director and CEO. These changes brought a renewed emphasis on profitability, capital efficiency, and strategic clarity.
- The new leadership prioritized optimizing the business portfolio by exiting or restructuring underperforming international ventures like SsangYong and other loss-making subsidiaries. This capital allocation strategy helped M&M focus on its core strengths, such as SUVs, tractors, and EVs, driving improved financial performance.
- The management also accelerated product innovation and electrification efforts, aligning the company with market trends and regulatory shifts. The fresh leadership perspective reinvigorated M&M's focus on customer-centricity, operational efficiency, and shareholder value, leading to a more streamlined and profitable organization.

Initiated strategic turnaround to improve profitability

- The company began by evaluating all its subsidiaries, particularly loss-making ones, and categorized them into three buckets: (1) Those capable of achieving 18% RoE within 3-5 years. (2) Those with significant strategic contributions to the group, and (3) Those with no clear path to profitability.
- For the third category, M&M planned to divest such businesses either fully or partially, though identifying suitable partners for such divestments could take time. The initial focus was on international subsidiaries, as rationalizing these could deliver significant impact.
- The 18% RoE target was communicated to all the group companies, with clarity that the new management would be focused on value creation. Also, evaluation parameters for the senior management were then seen inclusion of RoE/RoCE targets (constitutes 15-20% weight), over and above topline & bottomline targets.

Revitalized portfolio

- Between FY21-FY24, M&M's new model launches played a pivotal role in driving market share gains, particularly in the SUV segment. The introduction of the Thar (2020) marked a major success, combining off-road capability with modern features, making it a hit among younger buyers and adventure enthusiasts. The XUV700, launched in 2021, further boosted M&M's presence in the mid-size SUV segment, offering advanced features like ADAS, premium styling, and competitive pricing, setting new benchmarks in the category.
- Additionally, refreshed versions of the Scorpio, including the Scorpio-N, continued to attract a loyal customer base while expanding its reach to urban markets. In the compact SUV space, the XUV300 strengthened its position with safety-first features and an electric variant to cater to evolving customer needs.
- These launches, backed by strong customer demand, not only enhanced M&M's product portfolio but also enabled it to capture significant market share, positioning the company as a leader in the growing SUV market. As a result, its market share in SUV increased from ~15% in FY21 to 18% in FY24.

Appointment of new R&D and design heads

- During FY21-FY24, M&M made strategic leadership appointments in its R&D and design teams, significantly bolstering its innovation and product development capabilities. R Velusamy, a seasoned automotive expert, was appointed as the head of R&D, bringing a strong focus on developing cutting-edge technologies, including electrification and advanced powertrains.
- His leadership played a critical role in creating BS6-compliant engines, ADAS technologies, and EV platforms, which became key differentiators for M&M's product line-up.
- Similarly, M&M appointed Pratap Bose, a renowned automotive designer, as the Executive Vice President and Chief Design Officer in 2021. Bose's expertise in creating modern and aspirational vehicle designs revitalized M&M's styling philosophy.
- His influence was evident in the design success of models like the XUV700, Scorpio-N, and Thar, which gained immense popularity for their bold, contemporary aesthetics along with the new brand logo.
- These appointments underscored M&M's commitment to innovation, enhancing its competitive edge in a dynamic market.

Impact

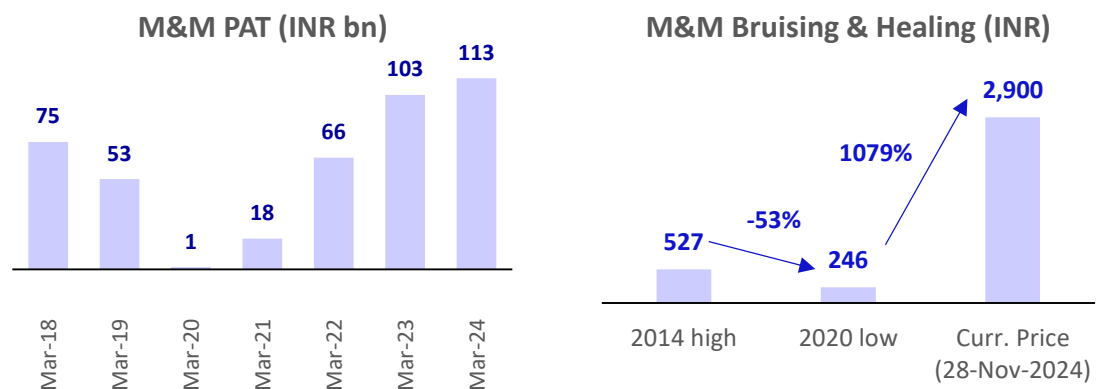
(A) On Financials

- Revenue CAGR over FY20-24 was 22%.
- EBITDA CAGR was 20% led by operational efficiencies, despite significant increase in commodity prices.
- PAT CAGR was 31% over the same period.
- Lower business from loss-making subsidiaries coupled with a prudent capital allocation policy expanded RoE/RoCE from 10%/9% in FY20 to 22%/20% by FY24.

(B) On stock price

- M&M's share price declined by over 50% between FY14 and FY20 led by the operational inefficiencies in the business, weak capital allocation plans and some impact of COVID.
- Since then, the stock is almost 12x its Covid low.

Turnaround in M&M's financials heals the bruise



CG Power & Industrial Solutions

Brief about the company

- CG Power and Industrial Solutions is a prominent player in the electrical engineering sector. Established in 1937, the company has grown to become a key provider of a wide range of products and services in the power and industrial equipment domain.
- CG Power was acquired by the Murugappa Group in 2020, after the previous promoters were embroiled in controversies and allegation of misappropriation of company funds.
- The company operates in two businesses – (1) Industrial Systems (67% of total revenue) and (2) Power Systems (32% of total revenue).
- The company has 17 manufacturing facilities across India in 9 different locations and one facility in Sweden, which caters to key markets such as Nordic countries, Germany, Netherlands, Middle East and Africa.

What went wrong (pre-FY20)

Erstwhile management siphoned off company funds

- In 2019, the company announced on the stock exchanges that its then-promoter, Avantha Holdings (led by Mr Gautam Thapar) connived with past and then-present key management

personnel, non-executive directors and certain employees of CG Power to engage in fraudulent transactions resulting in the company being defrauded of a considerable sum of money and understatement of liabilities. The risk and audit committee pegged the extent of understatement at INR 10.5 bn at the company level and INR 16 bn at the group level, as of FY18.

- The company was illegally made party to unauthorized transactions, such as sale of leased and owned property in Nashik and Kanjurmarg, raising of debt which was then siphoned off, making advance payments to vendors which were related parties of international subsidiaries and other such irregularities. As a result, the new management decided to disclose all malpractices and restate the company's financials to account for the fraudulent practices.

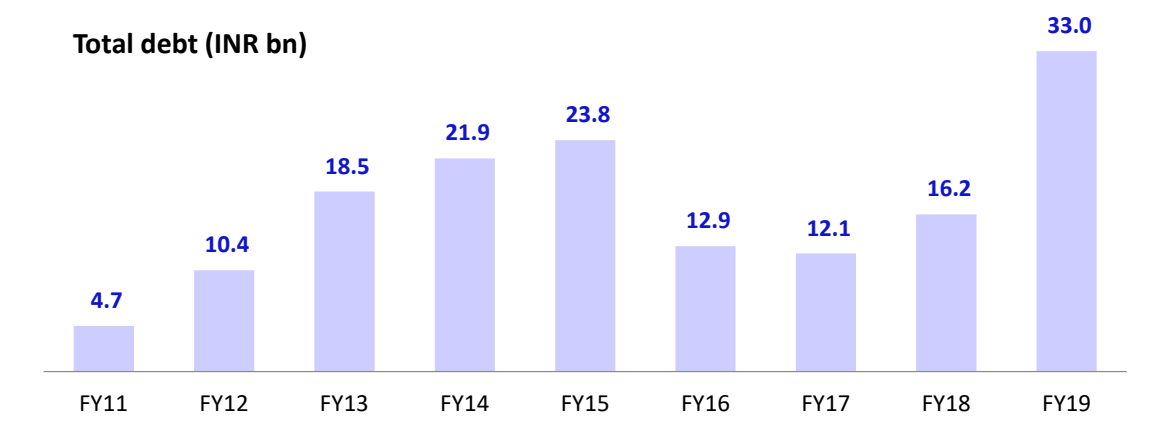
Global acquisitions became a drag

- With a view to expand its geographical footprint, capitalize on global opportunities and become a “full service provider”, the company made a flurry of acquisitions in Belgium, Hungary, Ireland, US, UK, Brazil, Sweden, etc. Most of the acquisitions did well till FY11, owing to global tailwinds in the power T&D space. However, things went downhill in the aftermath of the global financial crisis, which caused a sharp demand slowdown particularly in developed markets.
- Additionally, the integration of the new entities did not pan out on expected lines. While the company did take corrective measures, they did not have the desired effect and the entities continued to incur losses. Ultimately, CG Power took a call to sell/wind up these businesses and become a domestic-oriented company. Accordingly, its various entities in Canada, UK, Brazil, Indonesia, Belgium, Hungary, Ireland, etc were disposed of. However, it still retained its Swedish operations.

Mounting debt on the balance sheet

- In order to fund the sustained losses in its international subsidiaries, the company took on additional debt, which doubled from INR 16 bn in FY18 to INR 33 bn in FY19. This resulted in widening losses at the consolidated level, as the interest cost jumped from INR 800m in FY16 to INR 3.8 bn in FY19. The company's inability to dispose of the loss-making entities in time further compounded matters.

CG Power's debt peaked to INR 33 bn in FY19, currently brought down to zero



Loss of market share

- The company was a prominent player in the domestic market, as it was the market leader in domestic EHV transformers and many product categories in the Industrial products division. However, the erstwhile promoter's fraudulent activities caused a cash crunch, which had the cascading effect of a working capital squeeze and market share losses. Accordingly, it ceded its market leadership as it could not keep up with competition and pay its channel partners on time.

When went right (FY20 onwards)**Takeover by Tube Investments**

- As the details and scale of the fraud emerged, stakeholder confidence in the company took a hit. The Murugappa Group decided to come to the rescue of CG Power, through Tube Investments of India (TI) in August 2020, with a clear roadmap to clean up the books, streamline operations, divest the lossmaking entities and strengthen the core business of the company. Murugappa Group has a successful track record of acquiring sick entities and turning them around.
- Accordingly, TI infused INR 8 bn to acquire a majority stake in CG Power and replaced the erstwhile promoters. It also facilitated a payout of INR 10 bn to its lenders in order to fully settle its liabilities. As a result, the lenders took a haircut of INR 11 bn and the company was classified as a standard asset from its status of a non-performing asset.
- The process to rationalize costs and streamline operations was set in motion, along with the divestment of most international subsidiaries. This resulted in a sharp reduction in the employee headcount, which stood at 2,794 at the end of FY21 v/s 9,433 as of FY15.

Product and geography realignment

- In FY16, CG Power decided to demerge its consumer products business, Crompton Greaves Consumer Electricals Ltd (CGCEL) as management was of the opinion that its B2C nature did not fit in the overall scheme of things, as the key competencies were B2B in the form of power transformers and industrial systems. Management believed that separating the two businesses would result in better value unlocking. As a result, the new entity was listed separately and ceased to be a subsidiary of CG Power. However, post the expiry of the non-compete clause with CGCEL, CG Power re-launched its FMEG product range in CY19. Currently, while this business is housed under the Industrial Products segment, it is still a minor part of the overall business which continues to be B2B-heavy.
- Notwithstanding the controversial chain of events that unfolded, the company has constantly developed new products in both the Power Systems and Industrial Systems portfolios in keeping with its focus to strengthen its B2B presence. Accordingly, it has launched various types of transformers and switchgears on the Power Systems side and Motors, Drives, Automation, Railways products on the Industrial Systems side over the past 4-5 years.
- As highlighted above, the international subsidiaries continued to post losses with no sign of improvement on the horizon. The decision to exit the international subsidiaries was taken during the previous management's tenure, and the process culminated after the company changed hands. CG Power is now a largely domestic-oriented company, while still retaining a presence in Sweden where it has a facility to manufacture equipment for control and protection of industrial processes. It serves as a hub for its key regions, viz. Nordic countries,

Germany, Netherlands, Middle East and Africa. This recalibration aided the company to focus on its core competencies, free up management bandwidth, de-risk it from the vagaries of global macroeconomic conditions and geopolitical events.

Market share gains

- At its peak, CG Power used to compete with global majors such as Siemens and ABB and emerged as the market leader in the motors market and domestic EHV transformer market. With the aforementioned misappropriation of funds, the company lost its market share as working capital build-up impacted the channel partners. However, with the new promoters at the helm, the company managed to regain the lost market share which has led to impressive performance on the revenue front.

Foray into semiconductors

- In order to diversify its operations and move up the value chain, CG Power entered into a JV with Renesas Electronics America Inc. and Stars Microelectronics (Thailand). In November 2023, CG Power filed an application with the Government of India to seek approval to set up an Outsourced Semiconductor Assembly and Test (OSAT) facility in Sanand, Gujarat. The proposed facility will cater to industries such as automotive, consumer, industrial, 5G, etc with a capacity to ramp up product to 15 mn units/day. The company has estimated a cumulative investment of INR 76 bn over 5 years, which will be funded by a combination of government subsidy, JV partners' equity and debt. CG Power will hold 92.34% of the equity in the JV.

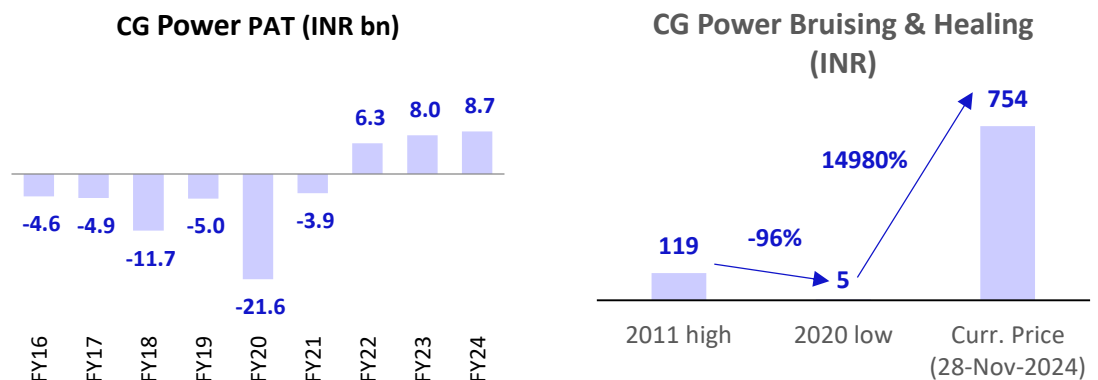
Impact

(A) On Financials

- Revenue clocked in a 39% CAGR over FY21-24 post the TI takeover.
- EBITDA CAGR was 113% over FY21-24 despite a decline in gross margins. The growth was driven by cost rationalization and operational efficiencies, as the company managed to exit unprofitable businesses and bring down the bloated employee headcount. Accordingly, margin saw a jump from 3.9% in FY21 to 14% in FY24.
- The company swung back into profit of INR 8.7 bn v/s a loss of INR 3.9 bn in FY21.
- As highlighted above, the company attained debt free status in FY23 v/s FY19 debt levels of INR 33 bn owing to a restructuring of the entire business.
- All this culminated in RoCE turning positive 29.7% in FY24 v/s a negative 4.7% in FY20.

(B) On Stock Price

- CG Power's share price declined by over 96% between FY15 end to FY20 primarily on the back of corporate governance issues and associated losses.
- However, the stock price has witnessed steep upside from FY20 to-date as the new management successfully turned around the company.

Turnaround in CG Power's financials heals the bruise**Suzlon Energy****Brief about the company**

- The Suzlon Group, a global leader in renewable energy, has installed 21 GW of wind energy capacity across 17 countries. It holds a 32% market share of all India installed wind energy capacity in the country. Suzlon operates with a vertically integrated structure, boasting in-house R&D centers and world-class manufacturing facilities in India.
- As of FY24, Suzlon operates 14 manufacturing locations across India. As of Sep-2024, Suzlon has successfully installed 15 GW of wind energy capacity, comprising more than 13,000 wind turbines.
- With over 27 years of experience and 2.5 million cumulative service hours, they ensure optimal performance of their diverse portfolio, from 225 kW to 3,000 kW plants, supported by over 3,500 dedicated service professionals.
- Suzlon has collaborated with over 1,900 customers, including large corporates, and PSUs like ONGC and GAIL. The company promotes wind energy adoption through partnerships with industry bodies and municipal corporations, driving integration across sectors.
- SE Forge, a subsidiary of Suzlon, is one of the largest manufacturers of engineering components, supplying fully finished castings and forgings to some of the world's leading OEMs across various industries, including Wind Turbines, Power Generation, Oil & Gas, Transportation, Construction, Aerospace, and Heavy Machinery.

What went wrong

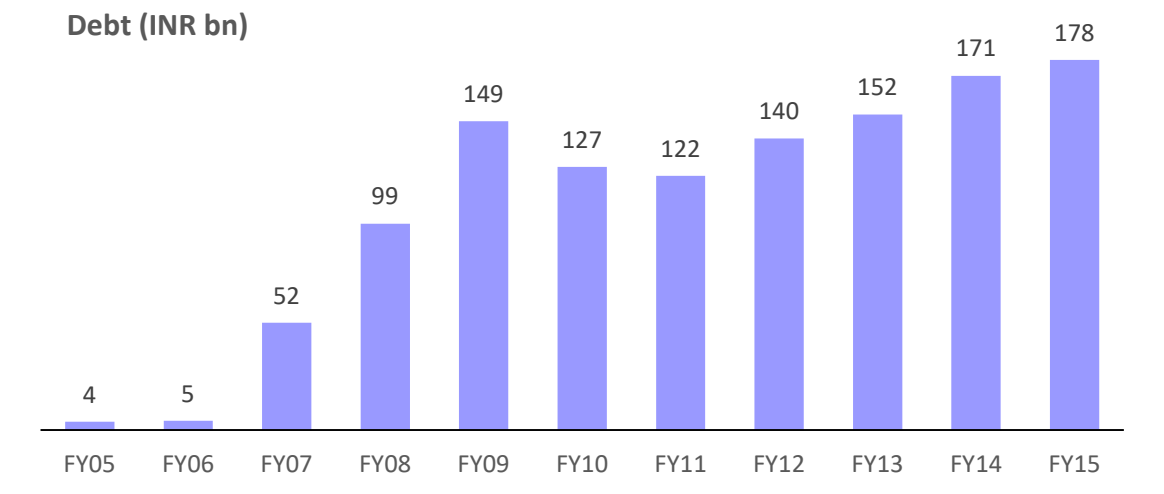
By the early 2000s, Suzlon had established itself as a dominant force in the global wind energy market, celebrated for its advanced wind turbine generator technology. The company's impressive growth trajectory culminated in a highly oversubscribed IPO in 2005. But the 2008 global financial crisis had a devastating impact on Suzlon. The subsequent credit crunch hindered the company's ability to fund its growth initiatives and maintain its momentum.

Debt crisis

In an effort to expand its global footprint, Suzlon embarked on a series of acquisitions, including Hanson Transmissions in 2006 for EUR 431 mn and RE Power Systems for EUR 1.4 bn. These deals, while ambitious, significantly increased the company's debt burden. As a result, Suzlon's debt

soared from a mere INR 4 bn in FY05 to nearly INR 180 bn in FY15. This heavy debt load made it increasingly difficult for the company to service its interest payments, despite generating revenue.

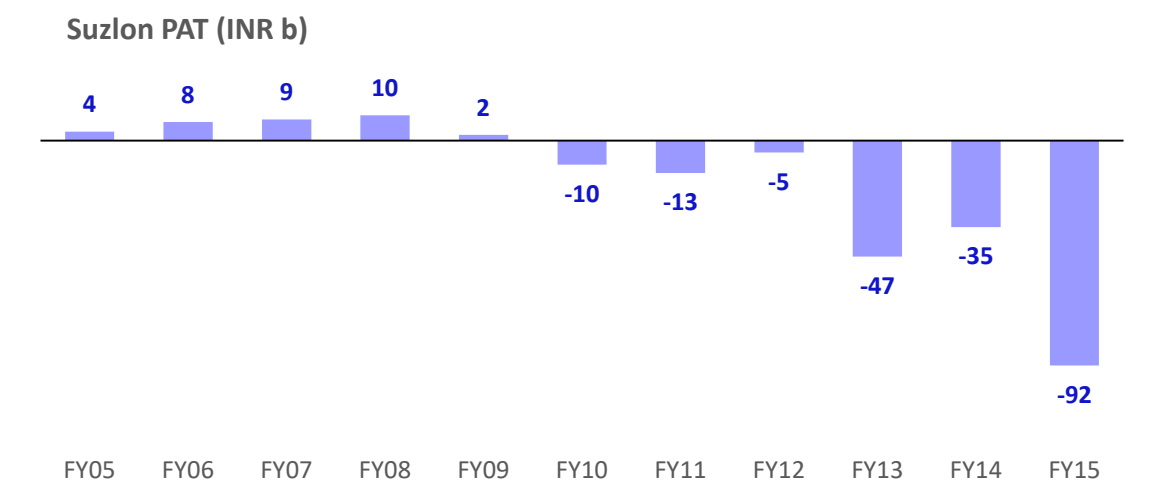
Suzlon's debt peaked to INR 178 bn in FY15, currently brought down to near-zero



Operational Challenges:

- Suzlon faced a major quality control issue when Edison International reported blade failures at multiple sites. This manufacturing defect tarnished the company's reputation and resulted in a substantial financial burden. Suzlon was forced to implement a comprehensive retrofit program, costing over USD 100 mn, to replace the defective blades and mitigate customer dissatisfaction.
- The sudden removal of accelerated depreciation and generation-based incentives in 2012 dealt a major blow to India's wind power industry. The absence of these crucial benefits eroded the investment appeal of the sector, leading to a sharp decline in wind turbine orders. As a consequence, annual capacity additions fell from 3,000 MW to a mere 1,500 MW. This adverse impact was particularly severe for Suzlon, as the company went from INR 4 bn profit in FY05 to INR 92 bn loss in FY15.

Suzlon went from INR 4 bn profit in FY05 to INR 92 bn loss in FY15



Global economic slowdown

A liquidity crunch in the global financial system meant that orders for wind turbines from international clients disappeared. The global economic slowdown, particularly in key markets like Europe and the US, reduced demand for wind energy solutions. This decline in demand affected Suzlon's revenue and profitability.

Corporate Governance concerns

Allegations of significant lapses in corporate governance and financial irregularities severely eroded investor confidence and tarnished the company's reputation. This led to a dramatic decline in the stock price, which plummeted from INR 387 in 2007 to a mere INR 9 in 2013.

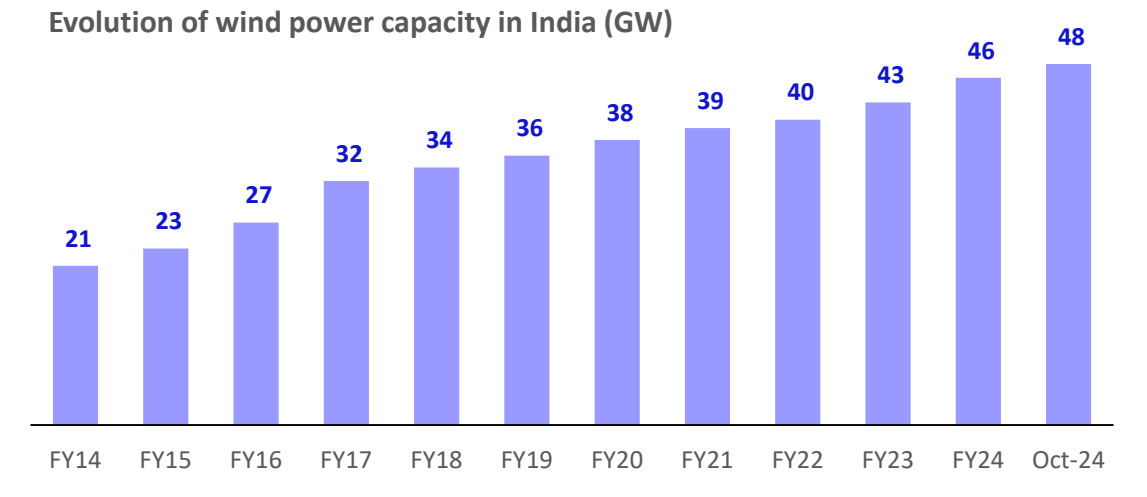
What turned right

EXTERNAL TO THE COMPANY

Improving outlook for wind energy

- India’s wind energy sector is riding a tailwind, driven by strong policy support, ambitious targets, and increasing installation momentum. As of October 2024, India’s cumulative installed wind capacity stands at 48 GW, representing 10.45% of the country’s total installed capacity of 428 GW at the end of 2023. This places India as the fourth-largest global player in wind energy, with all capacity derived from onshore projects. In comparison, global leaders like China and the United States boast wind capacities of 440 GW and 150 GW, respectively, demonstrating the scale of opportunity for India to expand its wind energy footprint.
- In 2023, India added 2.8 GW of onshore wind capacity, a 56% increase over the 1.8 GW installed in 2022. The country’s wind market is expected to grow further, with onshore installations projected to reach 4.8 GW annually by 2025, supported by government approvals of Viability Gap Funding (VGF) for offshore wind energy projects along Gujarat and Tamil Nadu coasts, and the Inter-State Transmission System (ISTS) waiver extended until December 2032.

India’s wind energy sector is riding a tailwind



- Globally, the wind sector achieved a milestone of 1 TW installed capacity in 2023, with ambitions to double this capacity within seven years. India's renewable energy ambitions align with this trajectory, targeting 500 GW of non-fossil fuel capacity by 2030, including 140 GW from wind energy. The government's Make in India initiative under the *Aatmanirbhar Bharat* program further supports domestic manufacturing capabilities, enabling local value addition and reduced import dependency.
- The approval of Standard Bidding Guidelines for tariff-based procurement of wind and hybrid projects, coupled with India's vast wind resource potential, provides a conducive environment for investments. Strategic policy initiatives are instrumental in positioning India to meet its wind energy targets of 100 GW by 2030 and contribute to the nation's broader goals of achieving net-zero emissions by 2070. These developments underscore a bright and improving outlook for India's wind energy sector.

INTERNAL TO THE COMPANY

While Suzlon has faced significant challenges, it's important to acknowledge the positive steps it has taken to recover and strengthen its position.

Debt Restructuring

On 27th Jun 2020, Suzlon allotted 445,301 fully paid-up compulsorily convertible preference shares, each with a face value of INR 1,00,000, totalling INR 44.5b, as part of the resolution plan's implementation. Prior to this, on 5 Jun 2020, the borrowers entered into a Forbearance and Restructuring Agreement to facilitate the resolution process. On 30 Jun 2020, Suzlon successfully executed the resolution plan to restructure its debt, as formulated under the RBI guidelines.

Selling of the crown jewel

As part of the debt restructuring agreement, lenders required Suzlon to monetize its assets. This led to the sale of Senvion to US private equity firm Centerbridge in April 2015, generating EUR 1 bn. These funds were utilized to substantially reduce Suzlon's debt, halving it to INR 70 bn. With minimal debt repayment obligations in the near future, Suzlon's interest costs have decreased significantly.

Impact

(A) On Financials

- Suzlon became the only Indian company with 20 GW of global wind installations in the beginning of fiscal year 2024. As of Oct-2024, the Suzlon Group has secured a strong order book of 5 GW and is actively working to execute a robust pipeline of orders across multiple customer segments, including the Commercial and Industrial (C&I) sector.
- Suzlon's total income exhibited significant volatility over the analyzed period, peaking in FY17 at INR 127 bn, followed by a sharp decline in FY18 and FY19. From FY20 onwards, the revenue stabilized within the range of INR 30 bn to INR 66 bn, reaching INR 65 bn in FY24, reflecting consistent growth post-FY21.
- EBITDA displayed a downward trajectory from FY16 to FY19, with a notable loss of INR 87.5 mn in FY19 and further deterioration to INR 8.5 bn in FY20. The turnaround commenced in

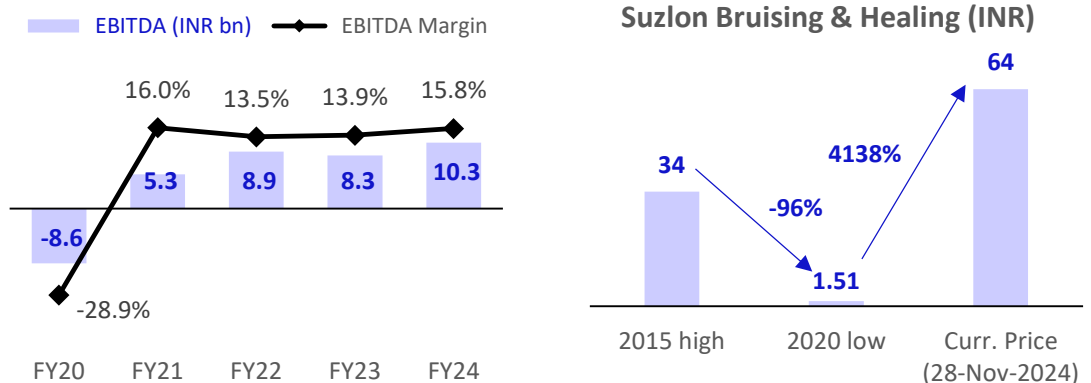
FY21 as EBITDA turned positive, climbing to INR 10 bn in FY24. This recovery underscores operational efficiency improvements and better cost management.

- Margins declined sharply from 30.8% in FY16 to a negative 28.9% in FY20, highlighting profitability challenges. Post-FY20, margins improved steadily, achieving 15.8% in FY24.

(B) On Stock Price

- Suzlon's stock fell 96% in a span of just 5 years ending 2020.
- Since then, the stock is up 42x on the back of a turnaround in its financials.

Turnaround in Suzlon's financials heals the bruise



Jindal Steel & Power

Brief about the company

- Jindal Steel and Power Limited (JSPL) is one of India's leading steel company, known for its integrated operations spanning across steel production and mining. The company was established in 1952. In 2021, JSPL divested its power business to focus on its core steel operations.
- JSPL's business portfolio includes producing steel products such as rails, plates, and coils, as well as manufacturing value-added products for construction and engineering applications.
- Globally, JSPL has a significant presence, with manufacturing units in India and other countries but its primary focus remains on supporting India's growth. This international footprint with a focus on backward integration, enhances supply chain resilience for JSPL and positions it as a competitive global steel player.
- In recent years, JSPL has focused on reducing debt, optimizing resources, and expanding its production capacity, contributing to its strong performance in domestic and international markets.

What went wrong (FY13 to FY20)

EXTERNAL TO THE COMPANY

Regulatory Issues

The Government of India allocated coal blocks (1993 to 2010) to public/private sector through a process which lacked transparency. It was alleged that coal blocks were allocated without a

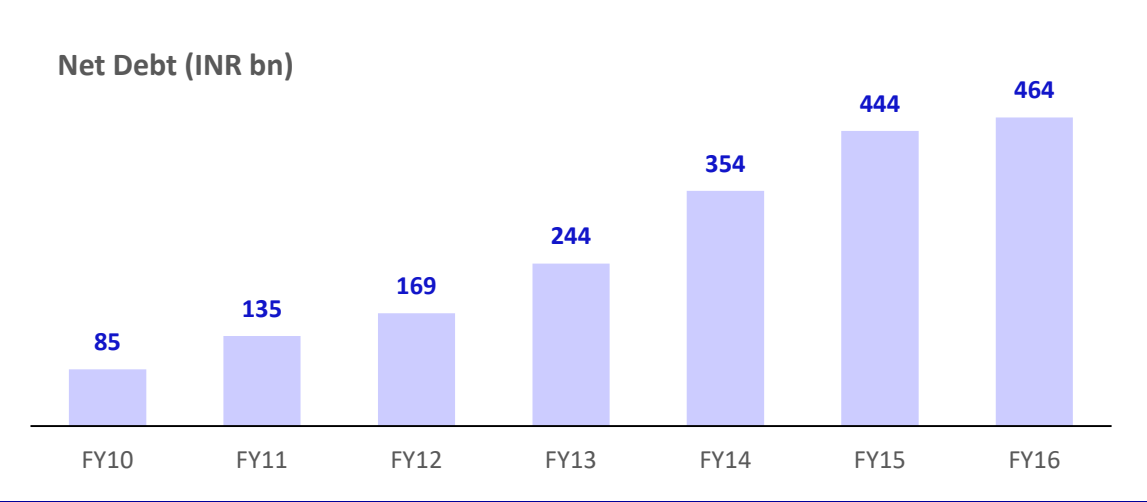
competitive bidding process and the Supreme Court in 2014 ruled that the allocation was illegal and all these allocations were cancelled (incl. those allocated to JSPL and its affiliates). JSPL lost several critical coal blocks, from which captive coal was to be supplied for its steel and power capacity (especially Angul unit).

INTERNAL TO THE COMPANY

Piled-up Debt Burden

JSPL had a capacity of 3mtpa in FY12 and installed an additional capacity of 6mtpa in end of FY15. This aggressive capex of INR 280-300 bn, for setting up large-scale plants and acquiring assets overseas, led to a significant debt burden. At the peak the net debt hit INR 464 bn during FY16.

Jindal Steel's net debt peaked to INR 464 bn in FY16



Industry slowdown dragged margins

A slump in global commodity prices from 2014 to 2016, reduced profit margins and impacted revenues for the steel industry. Additionally, the loss of captive coal blocks forced JSPL to shift to imported/auctioned coal. This resulting into rise in cost of production and disruption in operations, causing liquidity crunch. Investments in overseas assets (acquisition of coal mines in Australia & Mozambique) did not yield expected returns due to operational inefficiencies and weak market conditions.

Cash flow remained under pressure

With mounting debt and subdued earnings (EBITDA margin down to 19% in FY16 v/s 30% in FY14) the company started facing liquidity challenges, making difficult to service its debt obligations.

Underperformance of Power business

Overcapacity and low tariffs in India's power sector led to lower utilization of JSPL's power assets, further straining the group's financials. The power division's inability to deliver consistent returns made it a drag on the consolidated performance.

Rising overseas debt servicing costs

JSPL's overseas debt stood at USD 1.8bn at the peak of the financial distress during FY15-16. This debt was spread across the subsidiaries in locations like Mauritius and Australia. The heavy

overseas borrowings added significant strain due to unfavorable currency movements and operational inefficiencies in international projects.

What turned right (FY20 to date)

EXTERNAL TO THE COMPANY

Surge in steel prices

Pandemic led supply disruption resulted in unprecedented rally in steel prices for both global and domestic market. In March 2021, the domestic flat/long steel prices were +40% and +30% higher since April 2020, this was the highest level seen since 2008 financial crisis.

Robust domestic demand

Government push for Infrastructure was a significant driver for the robust domestic demand. The budget allocations for roads, railways, and affordable housing saw massive hikes. The government's focus on expanding infrastructure, including rural roads, highways, and public transport, directly contributed to higher steel demand. Also, the government initiatives like Make in India, *Atmanirbhar Bharat*, and significant investments in infrastructure projects fueled demand from key sectors like construction, automotive, and capital goods. The government also increased its support for renewable energy and mining, which further drove steel consumption.

Low global supply

Pandemic led operation restriction in China/other countries resulted in supply shortages globally. On the contrary, in India the government allowed steel mills to run as essential services, resulted India to be a net exporter of finished steel and cater the demand from both domestic and international markets. This favorable environment aided JSPL in booking orders and start exporting to China and Chinese customers.

Supporting policy from government

Government of India's steps towards National Steel Policy, MMDR Bill, and privatization were in the right direction and will augur well for the country's steel sector. With this, JSPL was able to secure Utkal B1/B2 Coal Blocks in Odisha and Taregaon Coal Block in Chhattisgarh.

INTERNAL TO THE COMPANY

Strategic asset monetization

In 2021, JSPL sold its remaining 51% stake in Jindal Shadeed I&S (JSIS) in Oman to Vulcan Steel for USD1b, this was the critical step in reducing its high debt burden. JSPL also sold 96.42% stake in its power subsidiary (Jindal Power) to Worldone Pvt Ltd (promoter group) at INR30.15b in FY21. The divestment was aligned with its strategy of debt reduction and to focus on core steel operations.

Debt restructuring & capital infusion

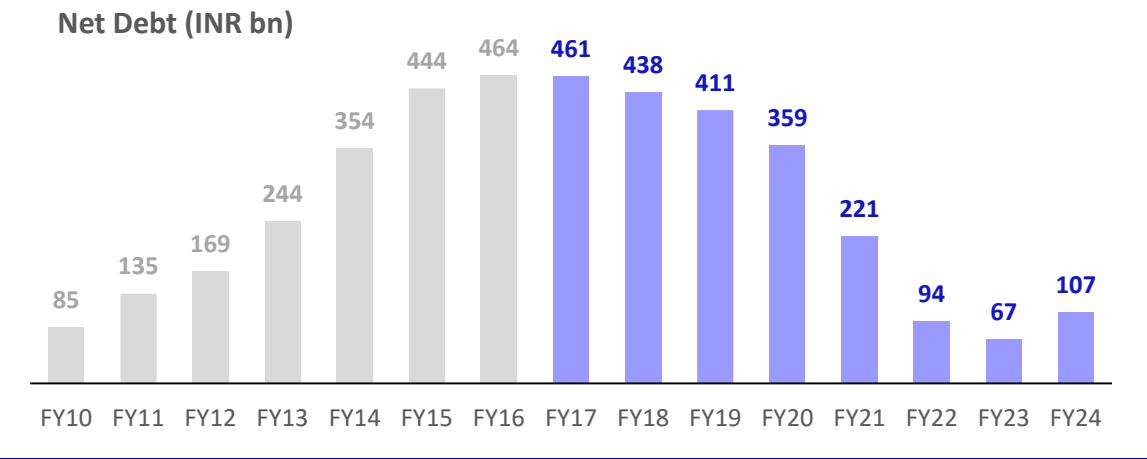
In 2015-16, JSPL entered into discussions with banks and financial institutions to restructure its debt. This included renegotiating repayment terms to extend the loan tenure, easing the immediate cash flow burden. The company aimed to shift from short-term loans to long-term

financing to provide more financial stability. Board had approved the plan to convert the debt from power subsidiary to equity. During the restructuring phase, JSPL raised capital through rights issues and other financing avenues, providing fresh funds to support operations and pay down existing liabilities.

Aggressive debt repayment

JSPL reduced its net debt from INR465b at its peak to under INR67b in FY23 through sales of non-core asset, improved operational cash flows, and cost optimization.

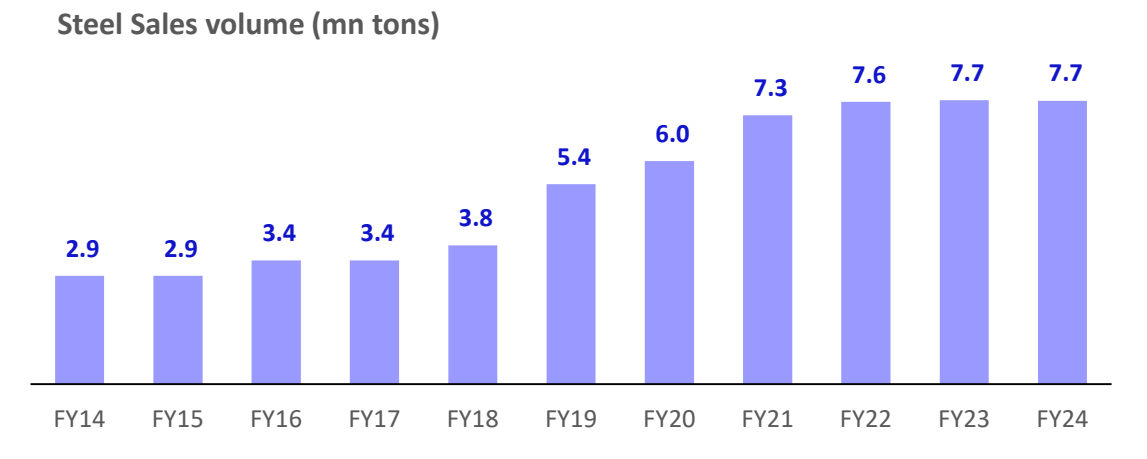
Jindal Steel cut debt aggressively including through sale of non-core assets



Focus on capacity optimization

JSPL primary focus was to ramp-up the newly added Angul capacity in Odisha. These improvements aided JSPL with incremental volume and reduce fixed operational costs.

Jindal Steel’s production ramp-up helped reduce fixed operational costs



Shift in product-mix and export strategy

JSPL shifted its focus from bulk product to high-margin steel products catering to sectors like infrastructure, railways, and defence, ensuring better profitability. During the pandemic, company strategically focus on higher export to China and Chinese customers (SEA, Europe & MEA region) to fulfil the global supply deficits with Indian steel.

Impact

(A) On Financials

Period from FY14-16

- From FY14-16, JSPL revenue remain muted led by regulatory issues related to coal block cancellations and weak steel prices.
- EBITDA margin slid to 19% in FY16 (30% in FY14) from 53% in FY10 was caused by regulatory issue led high raw material costs and weak steel prices.
- The significant debt burden led the finance cost to increase from INR3.6b in FY12 to INR15b in FY14 and INR33b in FY16.
- Given the weak operating performance and higher finance cost outgo, JSPL net profit declined to INR19b (-45% YoY) in FY14 and to a net loss of INR19b in FY16.
- RoCE during the period declined from 12% in FY13 to 1% in FY16.

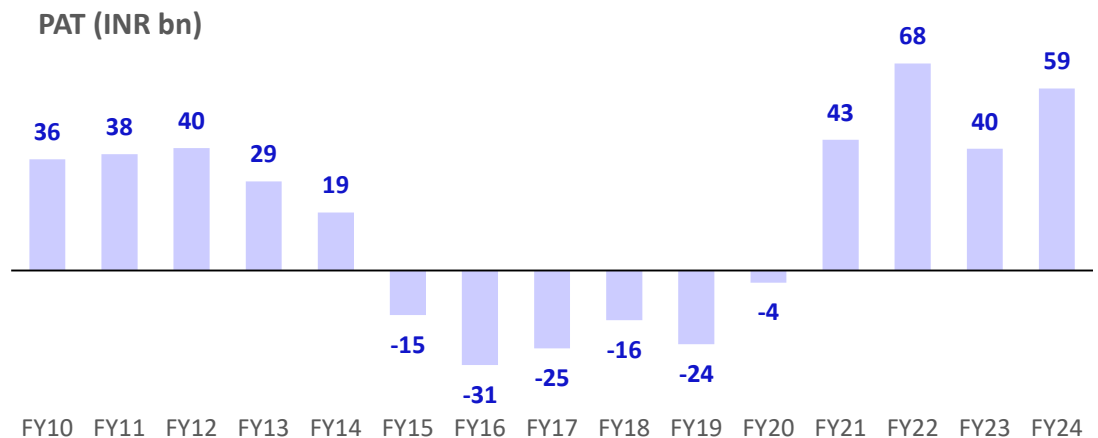
Period from FY17-20

- From FY17-20 company focused on improving utilization of the existing facilities and streamline its product-mix. These measures coupled with better steel prices supported JSPL to report higher double-digit revenue growth (FY17 +14%, FY18 +31% and FY19 +42%).
- With a focus on higher value-added steel products and optimizing production costs with better steel prices, the EBITDA margin improve to +21% and remained steady throughout the period. EBITDA grew from INR46.6b in FY17 to INR84b in FY19.
- With the improving operating profit, the company started to lower down its net losses from INR22.8b in FY17 to IN3.6b in FY20. RoCE during the period improved from 1% in FY17 to 5% in FY20.

Period from FY21 onwards

- JSPL clocked INR 500+ bn from FY22 onwards in-line with its turnaround strategy. The growth was primarily fueled by robust domestic demand with favorable pricing scenarios attributed to infrastructure push by GOI.
- EBITDA margin improved to 38% in FY21, but steadily moderated to 20% by FY24 led by input cost inflation caused by global uncertainties. JSPL reported EBITDA of +INR150b during FY21-22 aligned with its turnaround strategy and +INR100b during FY23-24.
- JSPL started deleveraging from FY21 onwards with the sale of its non-core assets. JSPL posted net profit of INR52b in FY21 to INR60b in FY24 with the strong operating profit and declining interest cost outflow.
- RoCE during the period rise from 17% in FY21 to 22% in FY22, while hovers between 12% in FY23-24.

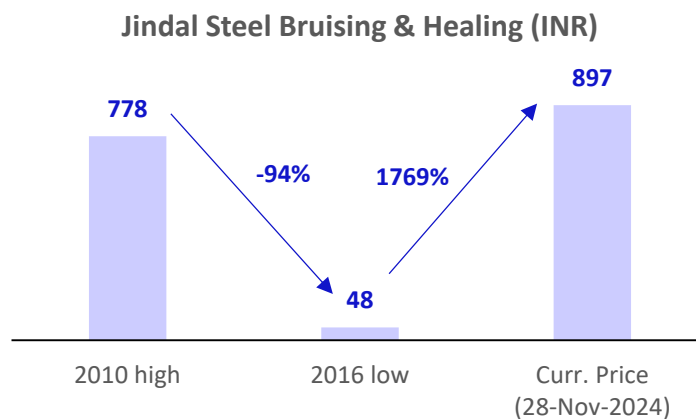
The financial story of Jindal Steel's bruising and healing



(B) On stock price

- During FY13-16, the stock prices corrected from the peak of INR 690/share in Sep-2010 to INR 60/share in Mar-2016 due to coal block regulatory issue and debt burden.
- The stock price continued to remain volatile from FY17-20 as the company struggled due to overcapacity in the steel industry and high debt.
- From FY21 onwards, the stock began to recover supported by robust infrastructure spending and higher steel prices, and sale of non-core asset led deleveraging.
- Currently, the stock is hovering around its all-time high of INR 1,097.

The stock price story of Jindal Steel's bruising and healing



Bharti Airtel

Brief about the company

- Bharti Airtel (Airtel) is a leading global communications solutions provider with operations in 17 countries across Asia and Africa. Headquartered in New Delhi, India, the company ranks among the top 3 mobile service providers globally in terms of subscribers and its networks cover over two billion people.
- Airtel is India's largest integrated communications solutions provider and second largest mobile operator in Africa. The company's retail product offerings include 2G, 3G, 4G and 5G

wireless services, high speed home broadband, DTH, music and video streaming services, mobile commerce, fixed line services. For Enterprise customers, Airtel offers solutions such as secure connectivity, cloud, datacenter services, cyber security, IoT, Ad Tech and Cloud based communications etc.

What went wrong (FY16-21)

RJio's disruptive entry

The entry of Reliance Jio (RJio) disrupted the telecom space and changed the rules of the game.

- **Free services in promotional period:** RJio initially offered free services for almost one year. This helped RJio gain 100m+ subscribers in the promotional period and led to subscriber churn for the incumbent telcos.
- **Free voice calling:** Indian telecom sector moved away from voice (~70% of telcos' revenue before RJio launch) to effectively free voice calls.
- **Change in tariff construct:** In addition to free voice calls, RJio provided superior data offerings at discounted prices (1-1.5GB/day at less than INR 10/GB vs 1GB/month at INR 250/GB earlier). This forced the incumbent telcos to invest in boosting their own network capacity, while significantly impacting revenue and margins.
- **4G only launch:** RJio launched its services on 4G, while other telcos had to incur high spectrum and network costs to maintain 2G, 3G and 4G networks simultaneously. Given, expensive spectrum acquisitions over 2012-16, telcos' balance sheet had become levered.
- **Zero IUC:** Telcos offered lifetime incoming free plans as Inter-Usage Connect charges (IUC) used to be a key source of revenue from incoming calls on their network. However, IUC was initially reduced from 14p/min to 6p/min and ultimately brought down to zero.
- **Jiophone launch:** RJio launched 4G feature phone to attract incumbents' voice only 2G subscriber base by providing data and popular apps (YouTube, WhatsApp etc.) at effectively no cost to consumer (Rs1,500 upfront, but could be reimbursed on returning the phone).

Industry consolidation

- Given the shrinking revenue streams (free voice, SMS, roaming, sharp decline in data cost per GB), industry revenue declined by over 45% in Sep-2018 from its peak in Jun-2016 (pre RJio launch).
- Further, with the exponential rise in usage (voice minutes, data usage per customer) and rising interest costs and amortization on high cost spectrum acquisitions over 2012-16, profitability took a severe hit for larger telcos, while making smaller telcos unviable. As a result, industry consolidated from ~12+ operators at the time of RJio's launch to 3 private operators and 2 public sector operators.

Consolidation in India's telecom sector

Telecom operator	Status
Vodafone India, Idea Cellular	Merged to form Vodafone Idea
Reliance Communications	Closed most operations
Aircel	Filed for bankruptcy
Telenor, Tata Teleservices	Sold spectrum and merged with Bharti Airtel
Shyam Sistema	Merged with Reliance Communications
Videocon	Sold spectrum to Bharti Airtel and shut operations

- RJio's disruptive entry also impacted Bharti Airtel with its wireless revenue declining by ~25% and wireless EBITDA declining by sharper ~57% over FY16-19. With severe strain on profitability in the India wireless business, Bharti turned into a loss making company over FY19-21.

What turned right (FY22-to date)

Bharti was not only able to withstand the RJio storm, but also emerge stronger, driven by several key strategic calls. We highlight some of these below:

EXTERNAL TO THE COMPANY

Industry-wide tariff hikes

With the consolidation of Indian telecom sector to 3 private operators, industry started taking tariff hikes to improve returns on investments. Since FY19, there have been 3 rounds of smartphone tariff hikes and Bharti, with its focus on premiumization, has been the biggest beneficiary.

Change in Gol's stance towards telcos

Given the crucial role played by telcos in keeping the nation connected during COVID-19 and severe stress in the industry, Government of India (Gol) changed its stance towards telcos from "revenue maximization" to ensuring "adequate returns" to fund network investments. Gol introduced several reform measures such as moratorium on Gol dues, rationalization of spectrum usage charges (SUC), etc, which benefitted the industry at large.

INTERNAL TO THE COMPANY

Increased network investments to cater to exponential data surge

As highlighted above, with severely strained profitability, most telcos chose not to invest on network coverage/capacity ramp-up, post RJio launch. While, on the other hand, Bharti Airtel launched Project Leap in FY16 and announced INR600b investments to bolster network over the next three years. Bharti's Mobile Broadband (MBB) tower base was up 4x over FY15-21, which enabled Bharti not just to retain its premium subscribers, but also benefit from the exit of smaller operators.

Bolstered spectrum/subscriber footprint through smart acquisitions

Bharti took a strategic call to acquire spectrum from exiting telcos (Videocon, Aircel, Tikona) and acquired subscribers as well as spectrum from telcos such as Telenor and Tata Teleservices, to boost its spectrum footprint at relatively lower cost. Further, Airtel shut down its 3G network and re-farmed the existing 3G spectrum to 4G to boost its 4G coverage and capacity.

War on waste initiative

Further, with profitability severely dented, Bharti implemented a company-wide "War on Waste" initiative, with a focus on eliminating costs and becoming a leaner organization. Bharti simplified its tariff plans to uniform nationwide plans (from circle specific plans earlier), reduced SG&A spends over FY16-21 and optimized capex through various initiatives such as tower/fiber sharing, inter-circle roaming arrangements.

Timely capital raise and asset monetization

Bharti tapped both debt and equity capital markets along with asset monetization to raise nearly USD20b (or ~INR1.5t) over FY16-22, to fund elevated network investments and also keep the group's leverage in check.

Focus on premiumization

Bharti shifted its focus from overall subscriber market share to gaining its fair share of premium subscribers. Bharti brought in minimum recharge plans (at INR 35/cycle initially) and raised it over time to INR200/cycle to premiumize its subscriber mix. Further, Bharti initiated tiered tariff structure with a focus on subscriber mix premiumization from Non Data -> Data, Prepaid -> Postpaid and Postpaid -> Converged homes through Airtel Black. This strategy led to significant improvement in Bharti's data subs mix and also led to industry leading ARPU.

Impact

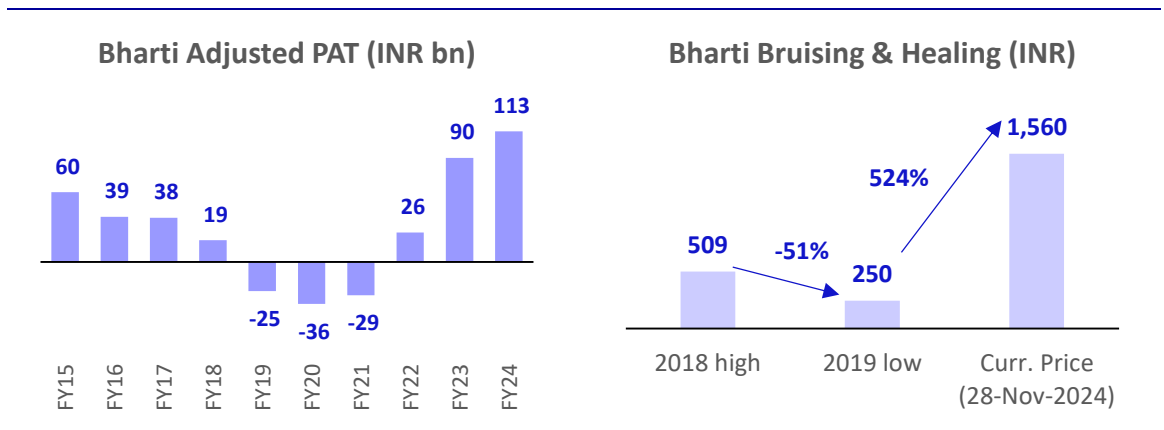
(A) On Financials

- Bharti's superior execution and premiumization strategy has led to highest ever revenue and subscriber market shares.
- With the tariff repair in the Indian wireless segment, rapid uptake in the Home broadband, robust growth in Enterprise and Africa businesses, Bharti Airtel recorded 13%/25% consolidated revenue and EBITDA CAGR over FY19-24.
- Bharti's FY24 EBITDA was almost equal to the company's revenue in FY19. Given significant operating and financial leverage, from losses in FY19-21, Bharti's RoCE improved to ~10%.
- Further, despite significant investments on spectrum and 5G rollouts, Bharti's annualized FCF (post interest and leases) improved to about INR 400b. With improvement in FCF, Bharti started to repay high cost spectrum debt, which lead to significant reduction in leverage ratio.

(A) On Stock Price

- The improvement in Bharti's operating and financial performance, has also been handsomely rewarded by the stock markets. Its stock price CAGR from its 2009 low to-date is 40%.

Turnaround in Bharti's financials heals the bruise



SPACE FOR NOTES



2019-24 Wealth Creation Study: Detailed findings

#1 Trend in Wealth Creation

2019-24 Wealth Created at all-time high of INR 138 trillion

- During 2019-24, the top 100 Wealth Creators of India Inc created all-time high wealth of INR 138 trillion.
- Pace of Wealth Creation at 26% CAGR is the second highest in the last 10 study periods, also significantly higher than the BSE Sensex return of 14%.

Exhibit 1 2019-24 Wealth Created at an all-time high of INR 138 trillion

Wealth Creation trend
(INR trillion)

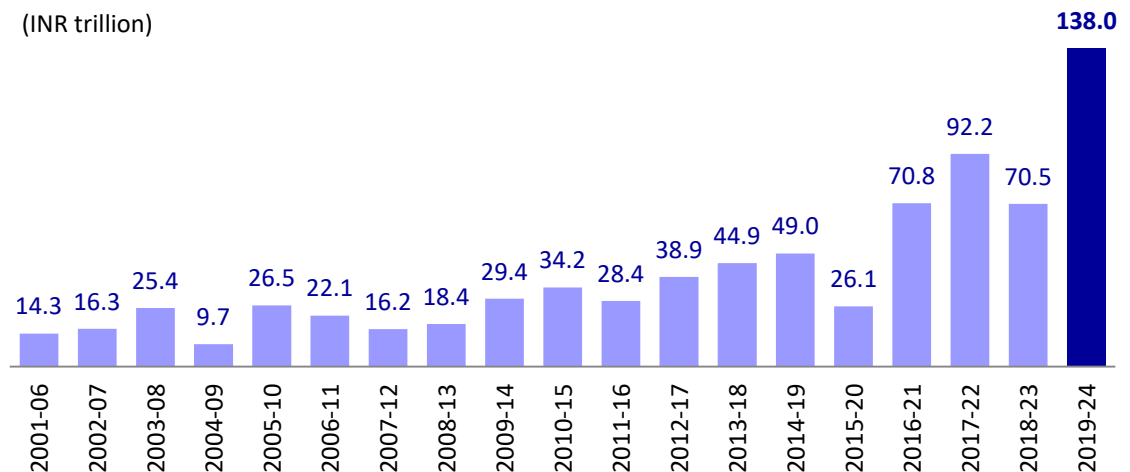
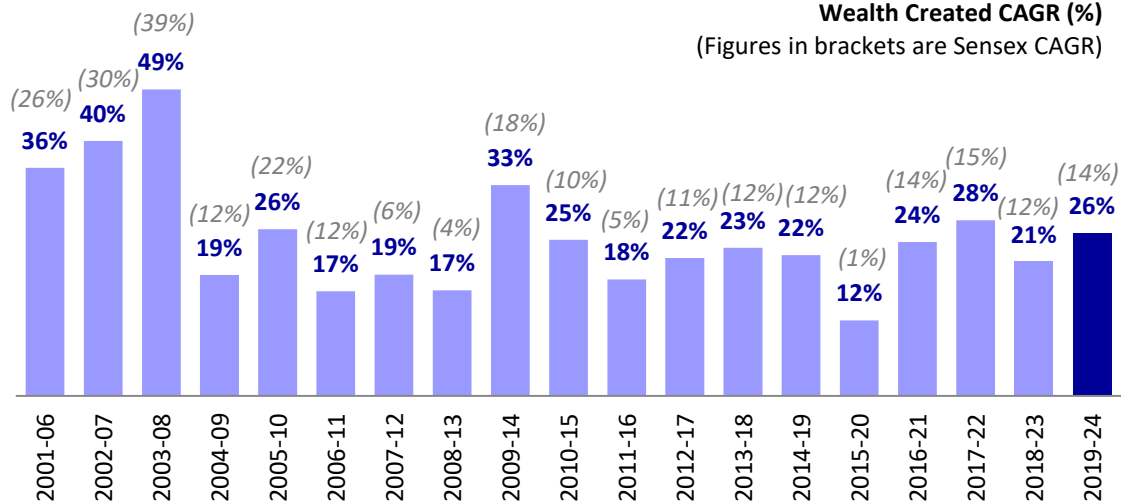


Exhibit 2 2019-24 pace of Wealth Creation is 26% CAGR vis-à-vis Sensex's 14% CAGR

Wealth Created CAGR (%)
(Figures in brackets are Sensex CAGR)



Key Takeaway

Forget markets, think stocks

For the past 10 successive study periods, market benchmark indices have delivered muted returns ranging from 5% to 15%. Still, the top Wealth Creators have maintained their track record of 10-15% outperformance over the benchmark. This reinforces our pet take on market strategy, "Forget markets, think stocks."

#2 The Biggest Wealth Creators

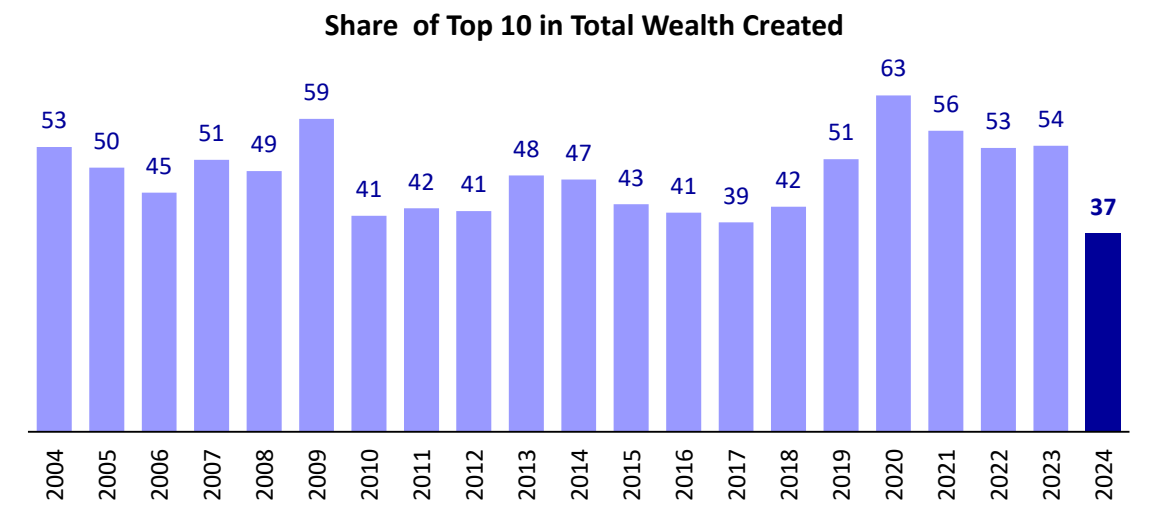
Reliance emerges as the biggest Wealth Creator for the 6th time in a row

- For the sixth time in succession, **Reliance Industries** has emerged the biggest Wealth Creator over 2019-24.
- This takes Reliance's overall No.1 tally to 11 in the last 17 five-year study periods.
- **TCS** and **Infosys** continuously remain among the top 10 Wealth Creators.

Exhibit 3 **Top 10 Biggest Wealth Creators (2019-24)**

Rank	Company	Wealth Created		CAGR (%)		P/E (x)		RoE (%)	
		INR bn	% share	Price	PAT	2024	2019	2024	2019
1	Reliance Inds	11,178	8.1	20	12	29	22	9	10
2	TCS	8,312	6.0	16	8	30	24	52	35
3	Bharti Airtel	5,449	3.9	33	L to P	58	-	15	-1
4	ICICI Bank	5,109	3.7	23	60	17	60	17	4
5	State Bank of India	4,176	3.0	20	100	10	136	17	1
6	Infosys	3,893	2.8	17	11	24	21	34	24
7	Larsen & Toubro	3,530	2.6	23	8	40	22	15	14
8	Adani Enterprises	3,408	2.5	85	34	103	20	9	5
9	Tata Motors	3,164	2.3	42	L to P	11	-	38	-2
10	HCL Technologies	3,150	2.3	26	9	27	15	23	24
Total of Top 10		51,369	37	21	25	24	27	17	10
Total of Top 100		1,38,034	100	25	23	26	23	17	11

Exhibit 4 **Share of Top 10 in Total Wealth Created is the lowest in the last 20 years**



Key Takeaway

Wealth Creation during 2019-24 is widespread

During 2019-24, share of Top 10 in Total Wealth Created is 37%, the lowest in the last 20 years. This clearly suggests that Wealth Creation during 2019-24 is widespread. Further evidence of this is the strong performance by mid and small cap indices and stocks. During 2019-24, Nifty Midcap 100 CAGR is a robust 21% and Nifty Small Cap 100 CAGR is a high 18%.

#3 The Fastest Wealth Creators

Adani Green has emerged the Fastest Wealth Creator

- **Adani Green** has emerged the Fastest Wealth Creator with 2019-24 Price CAGR of 118%.
- Two more Adani group companies have made it to the list of top 10 Fastest Wealth Creators - **Adani Enterprises** and **Adani Power**.
- INR 1 million invested in 2019 in these top 10 companies would be worth INR 17.5 million in 2024, a return CAGR of 77% vi/s 14% for Nifty 50.

Exhibit 5 **Top 10 Fastest Wealth Creators (2019-24)**

Rank	Company	Price Appn.	Price	PAT CAGR %	Mkt Cap (INR bn)		P/E (x)	
		(x)	CAGR %		2024	2019	2024	2019
1	Adani Green	49	118	L to P	2,905	58	226	-
2	Adani Enterprises	22	85	34	3,641	162	103	20
3	Jindal Stainless	17	77	79	572	19	22	14
4	Dixon Technologies	16	74	42	448	27	121	42
5	Linde India	13	68	76	547	42	127	163
6	Persistent Systems	13	67	27	615	51	57	16
7	CG Power	13	66	L to P	825	27	59	-
8	Adani Power	11	62	L to P	2,058	186	10	-
9	Trent	11	62	56	1,404	120	154	121
10	Varun Beverages	11	61	47	1,817	158	86	52

Exhibit 6 **History of Fastest Wealth Creators**

Year	Company	5-yr Price	5-yr Price	Year	Company	5-yr Price	5-yr Price
		Multiple (x)	CAGR %			Multiple (x)	CAGR %
1996	Dr Reddy's Labs	30	97	2011	Sanwaria Agro	50	119
1997	Cipla	7	48	2012	TTK Prestige	24	89
1998	Satyam Computers	23	87	2013	TTK Prestige	28	95
1999	Satyam Computers	75	137	2014	Eicher Motors	27	94
2000	SSI	223	195	2015	Ajanta Pharma	50	119
2001	Infosys	66	131	2016	Ajanta Pharma	53	121
2002	Wipro	69	133	2017	Ajanta Pharma	29	96
2003	e-Serve	50	119	2018	Indiabulls Ventures	30	97
2004	Matrix Labs	75	137	2019	Indiabulls Ventures	18	78
2005	Matrix Labs	136	167	2020	Tasty Bite Eatables	15	72
2006	Matrix Labs	182	183	2021	Adani Transmission	26	93
2007	B F Utilities	665	267	2022	Adani Transmission	37	106
2008	Unitech	837	284	2023	Lloyds Metals	19	79
2009	Unitech	54	122	2024	Adani Green	49	118
2010	Unitech	28	95				

Key Takeaway

Mid and small cap stocks clearly overheated

Nine of the top 10 Fastest Wealth Creators have seen massive P/E re-rating. Further, 5 of the top 10 had P/E in excess of 100x. Though partly justified by robust earnings growth, this is still a case of too much money chasing too few stocks. The current P/E of Nifty Midcap 100 is 44x whereas that of the Nifty Small Cap 100 is 36x. This clearly merits caution.

#4 The Most Consistent Wealth Creators

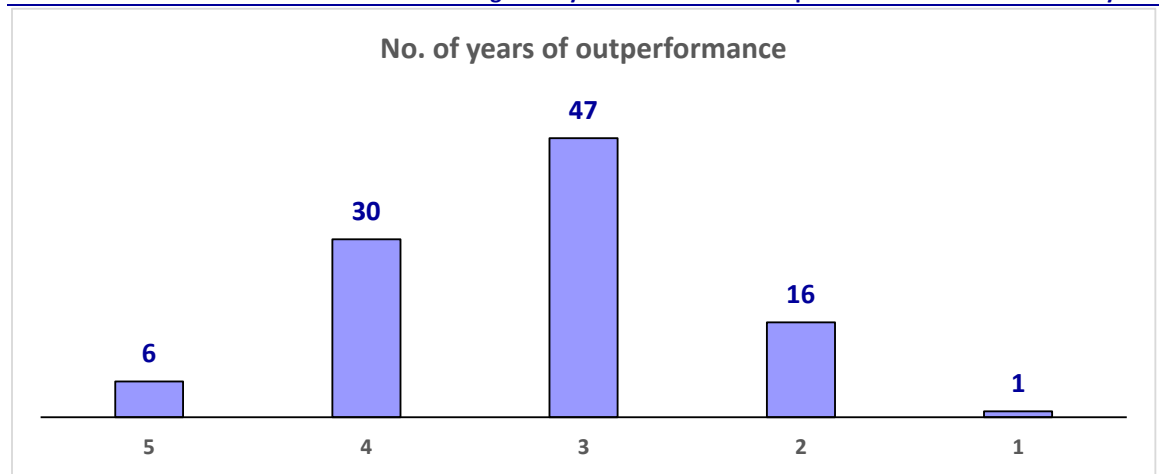
Linde India is the Most Consistent Wealth Creator

- We define Consistent Wealth Creators based on the number of years the stock has outperformed in each of the last 5 years. Where the number of years is the same, the stock price CAGR decides the rank.
- Based on this, over 2019-24, **Linde India** has emerged as the Most Consistent Wealth Creator. It has outperformed the Nifty Total Return Index in all the last 5 years, and has the highest price CAGR of 68%.
- Consistent Wealth Creation is a challenge – only 6 out of 100 have outperformed in each of the 5 years.

Exhibit 7 **Top 10 Most Consistent Wealth Creators (2019-24)**

Rank	Company	No. of years of outperformance	2019-24 Total Ret. CAGR (%)	2019-24 PAT CAGR (%)	RoE (%)		P/E (x)	
					2024	2019	2024	2019
1	Linde India	5	68	76	12	2	127	163
2	Varun Beverages	5	61	47	31	15	86	52
3	Hind. Aeronautics	5	58	27	26	19	29	10
4	Bharat Electronics	5	46	16	24	20	37	12
5	Thermax	5	34	10	13	12	85	31
6	NMDC	5	26	5	23	18	10	7
7	Adani Green	4	118	L to P	13	-24	226	-
8	Adani Enterprises	4	85	34	9	5	103	20
9	Jindal Stainless	4	77	79	18	6	22	14
10	Persistent Systems	4	67	27	22	14	57	16

Exhibit 8 **Consistent Wealth Creation is a challenge – only 6 out of 100 have outperformed in each of the last 5 years**



Key Takeaway

Investors' nirvana – Speed with Consistency

One key characteristic of mid- and small cap stocks is high volatility of returns. Such stocks may outperform over 5 years, but in the interim, they may cause investors quite a few anxious moments. This is where consistency comes in. Investors' nirvana is in identifying stocks which not only outperform point-to-point but in the interim as well.

#5 All-round Wealth Creators

Adani Enterprises is the Best All-round Wealth Creator for the third time in a row

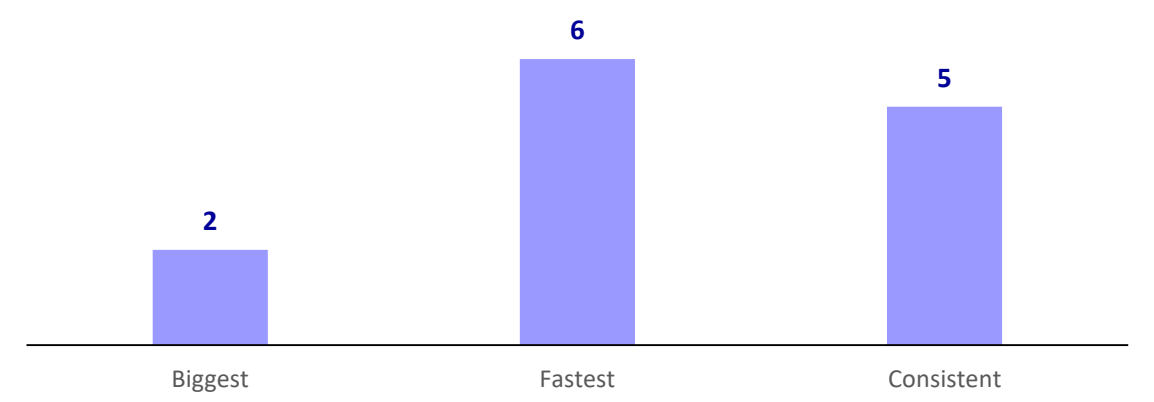
- We define All-round Wealth Creators based on the summation of ranks, under each of the 3 categories – Biggest, Fastest and Consistent. Where the scores are tied, the stock price CAGR decides the All-round rank.
- Based on the above criteria, **Adani Enterprises** has emerged as the Best All-round Wealth Creator.
- Two other Adani group companies – **Adani Green** and **Adani Power** – also feature in the top 10 All-round Wealth Creators.

Exhibit 9 **Top 10 All-round Wealth Creators (2019-24)**

All-round Rank	Company	Rank			Total of Ranks	2019-24 Price CAGR (%)
		Biggest	Fastest	Consistent		
1	Adani Enterprises	8	2	8	18	85
2	Adani Green	12	1	7	20	118
3	Hind. Aeronautics	17	12	3	32	58
4	Varun Beverages	25	10	2	37	61
5	Adani Power	21	8	12	41	62
6	Bharat Electronics	32	18	4	54	46
7	Trent	33	9	13	55	62
8	Tata Motors	9	19	41	69	42
9	CG Power	53	7	11	71	66
10	Siemens	28	27	19	74	37

Exhibit 10 **Speed and Consistency decide All-round Wealth Creation**

No. of Top 10 All-round Wealth Creators in Top 10 of other categories



Key Takeaway

Speed and Consistency decide All-round Wealth Creation

Six out of top 10 All-round Wealth Creators are also among the top 10 Fastest Wealth Creators. Five out of top 10 All-round Wealth Creators are also among the top 10 Consistent Wealth Creators. Thus, Speed and Consistency are the key determinants of All-round Wealth Creation rather than Size.

#6 Wealth Creators Index (Wealthex) v/s BSE Sensex

Wealthex outperformance led by superior earnings growth

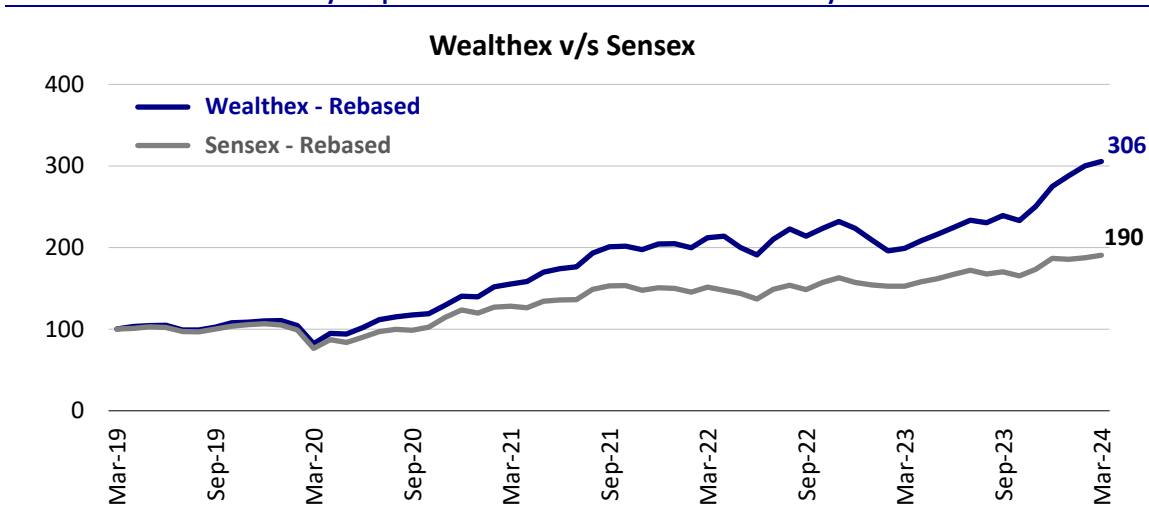
We compare Wealthex (top 100 Wealth Creators Market Cap index) with the BSE Sensex on 3 parameters - (1) market performance, (2) earnings growth and (3) valuation.

- **Market performance:** Over 2019-24, Wealth Creating companies have delivered return CAGR of 25% v/s 14% for the BSE Sensex. March 2024 over March 2019, Wealthex is up 206% whereas the Sensex is up 90% i.e. 116% outperformance over 5 years.
- **Earnings growth:** Wealthex clocked FY18-23 earnings CAGR of 25% v/s 16% for BSE Sensex.
- **Valuation:** Valuation for both Wealthex and Sensex has broadly remained the same over 5 years. Thus, Wealthex outperformance is driven by its superior earnings growth.

Exhibit 11 **Wealthex v/s Sensex: Outperformance led by superior earnings growth**

	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	5 Year CAGR (%)
BSE Sensex	38,673	29,468	49,509	58,569	58,992	73,651	14
YoY (%)		-24	68	18	1	25	
Wealthex - based to Sensex	38,673	31,743	60,125	81,996	76,943	1,18,194	25
YoY (%)		-18	89	36	-6	54	
Sensex EPS (INR)	1,501	1,507	1,708	2,312	2,634	3,161	16
YoY (%)		0	13	35	14	20	
Wealthex EPS (INR)	1,477	1,347	2,048	3,359	3,690	4,461	25
YoY (%)		-9	52	64	10	21	
Sensex PE (x)	26	20	29	25	22	23	
Wealthex PE (x)	26	24	29	24	21	26	

Exhibit 12 **Wealthex invariably outperforms benchmark indices handsomely**



Key Takeaway

Sensex a weak earnings machine

For the past several years, Sensex earnings growth has been muted. In the markets, especially over the long term, $G = R$ i.e. Growth in earnings = Return on the stock. Given this, a portfolio of stocks with even a slightly superior earnings profile vis-à-vis the Sensex should consistently outperform it.

#7 Wealth Creation: Sector analysis

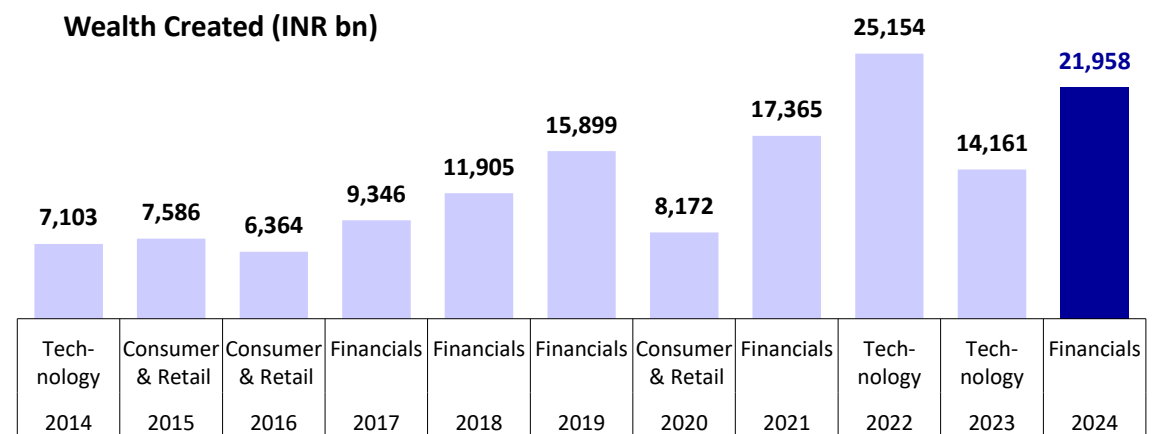
Financials back as the largest Wealth Creating sector

- **Financials** has emerged as the largest Wealth Creating sector.
- However, the sector has lost significant share of Wealth Created – 16% v/s 34% 5 years ago.
- The new kids on the block are **Utilities, Capital Goods, Pharma/Healthcare** and **Telecom**.
- **Financials, Technology** and **Consumer & Retail** continue their Russian roulette for the top spot.

Exhibit 13 **Financials is the top Wealth Creating sector**

Sector (No of companies)	WC Share of WC %			CAGR 19-24 (%)		P/E (x)		RoE (%)	
	(INR bn)	2024	2019	Price	PAT	2024	2019	2024	2019
Financials (15)	21,958	15.9	33.5	24	56	15	46	17	4
Technology (9)	18,514	13.4	12.0	17	10	29	22	32	29
Utilities (10)	13,343	9.7	1.0	35	19	22	12	17	11
Capital Goods (10)	12,406	9.0	1.8	33	17	49	26	17	11
Consumer & Retail (10)	11,961	8.7	18.6	28	22	87	67	25	20
Oil & Gas (2)	11,698	8.5	16.4	19	12	27	20	9	10
Auto (6)	8,731	6.3	6.8	30	35	19	24	28	9
Metals / Mining (9)	8,439	6.1	2.3	20	9	14	9	16	15
Pharma / Healthcare (10)	8,022	5.8	–	24	21	36	31	17	11
Telecom (2)	5,869	4.3	0.2	39	L to P	58	–	16	-1
Cement (3)	3,545	2.6	2.3	22	16	35	28	9	7
Chemicals & Fertilizers (4)	2,265	1.6	–	45	27	62	31	16	15
Realty (2)	2,205	1.6	–	38	18	86	40	7	4
Others (8)	9,077	6.6	5.1	39	40	51	53	20	8
Total	1,38,034	100	100	25	23	26	23	17	11

Exhibit 14 **Financials, Technology and Consumer & Retail continue their Russian roulette**



Key Takeaway

Utilities – the surprise pack

Typically considered as a laggard sector, Utilities has posted a strong performance to emerge the third largest Wealth Creating sector. The performance has been boosted by: (1) Three Adani Group companies – Adani Green, Adani Power, Adani Energy Solution, and (2) The PSU pack including NTPC, NHPC, SJVN and Power Grid.

#8 Wealth Creation: Ownership – Private v/s PSU

PSUs on the comeback trail

- PSUs' (public sector undertakings) Wealth Creation performance during 2019-24 is a significant improvement over the last 3 studies: 20 PSUs account for 17% of Wealth Created.
- The key factors driving PSU Wealth Creation are:
 - Profit of 9 Financial companies rising 19x over 5 years; and
 - Profit of Coal India rising 4x over 5 years.
- Two sectors – Financials and Utilities – account for 70% of Wealth Created by PSUs.

Exhibit 15 **PSUs: Significant improvement compared to the recent previous studies**

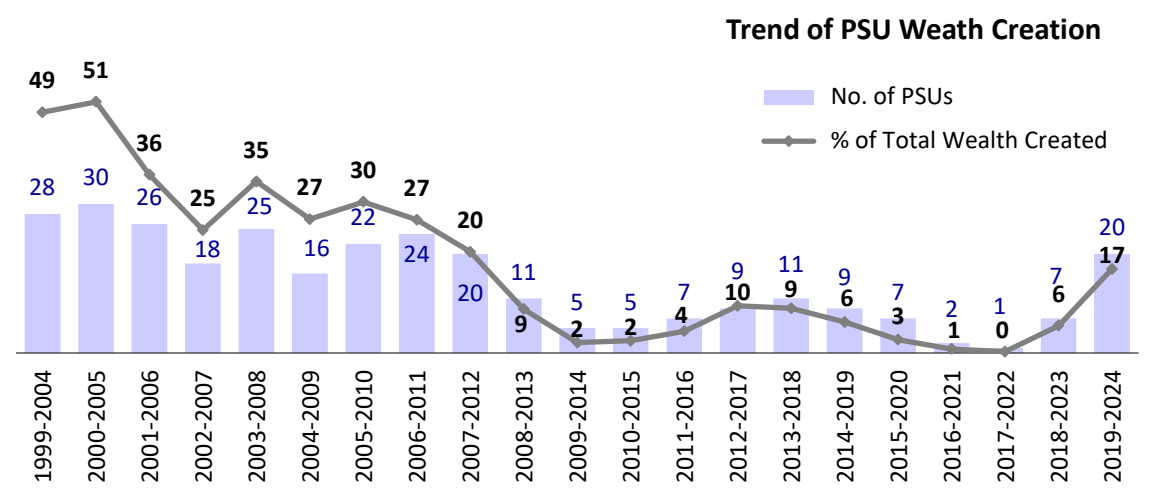
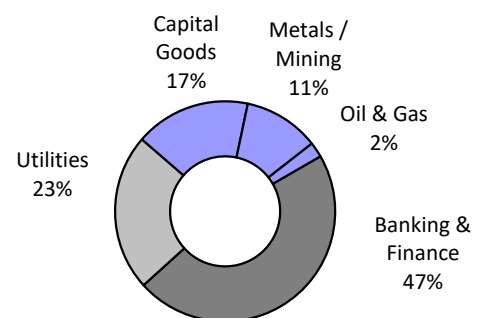


Exhibit 16
Key figures

	2019-2024	
	PSU	Private
No. of Wealth Creators in Top 100	20	80
Share of Wealth Created (%)	17	83
5-year Sales CAGR (%)	12	11
5-year PAT CAGR (%)	29	20
5-year Price CAGR (%)	25	25
P/E - 2019 (x)	15	26
P/E - 2024 (x)	12	33
RoE - 2019 (%)	9	12
RoE - 2024 (%)	18	16

Exhibit 17
PSU banks' growth drives Wealth Creation



Key Takeaway

Privatization – the pressing need of the hour

The improvement in PSU performance notwithstanding, the oft-quoted words still hold true – “The government has no business to be in business.” Following the Air India model, the government is better off privatizing as many PSUs as it can. This has a dual positive – (1) The divested companies are likely to become more efficient, and (2) The resources raised from such privatization can be used for socio-economic development.

#9 Wealth Creation: Market Cap Rank Analysis

- We call large, mid and small cap stocks as **Mega**, **Mid** and **Mini**, respectively, defined as under:
- **Mega** – Top 100 stocks by market cap rank for any given year
 - **Mid** – Next 150 stocks by market cap rank
 - **Mini** – All stocks below the top 250 ranks.

Market cap ranks of companies change constantly. Over time, companies also cross over from one category to another. For the period 2019-24, the market cap ranks crossover matrix stands as under –

Exhibit 18 2019-24: Market cap rank crossovers: Number of companies and average returns

Nifty 50 Return CAGR during the period is 14%				
TO	Mega	118% (1)	40% (23)	17% (70)
	Mid	52% (27)	21% (70)	5% (26)
	Mini	22% (2,824)	2% (57)	-22% (3)
		Mini	Mid	Mega
		FROM		
Total stocks		2,852	150	99

How to read the table

- In 2019, there were 2,852 Mini companies (i.e. ranked beyond 250). Of these, only 1 moved to the Mega category by 2024, clocking 5-year return CAGR of 118%. 27 Minis moved to Mid category by 2024, delivering a return CAGR of 52% in the process. Next, 2,824 Mini companies stayed as Mini and delivered return CAGR of 22%.
- Of the 150 Mid companies in 2019, 23 moved to Mega by 2024, delivering an average 40% return CAGR in the process. 70 Mid companies stayed as Mid (21% return CAGR) and 57 slipped to the Mini category (2% return CAGR).
- Finally, of the 99 Mega companies in 2019 (excluding Piramal Enterprises which underwent a demerger), 70 stayed as Mega (17% return CAGR), 26 slipped to Mid (5% return CAGR), and 3 slipped to the Mini category (-22% return CAGR).
- Note: During the 2019-24 period, benchmark Nifty 50 return is 14%.

We specifically analyze the 3 positive crossovers – Mini-to-Mega, Mini-to-Mid and Mid-to-Mega.

8.1 Mini-to-Mega: 1 company, 118% CAGR

- During 2019-24, only Adani Green, moved from Mini to Mega.
- Needless to add, it is the Fastest Wealth Creator in this Study with Price CAGR of 118%.

Exhibit 19 **Mini-to-Mega (2019-24): 1 company which features among the top 10 Fastest Wealth Creators**

Company	Market Cap Rank		WC Rank *		Price	PAT	P/E	
	Mar-24	Mar-19	Biggest	Fastest	CAGR %	CAGR %	2024	2019
Adani Green	24	304	12	1	118	L to P	226	-

* 2019-24 Wealth Creation Rank

8.2 Mini-to-Mid: 27 companies, 52% average Price CAGR

- During 2019-24, 27 companies crossed over from Mini to Mid category, generating an average return CAGR of 52%.
- Of these 27 Mini-to-Mid stocks, 9 feature in our list of top 100 Wealth Creators, delivering average return CAGR of 60% v/s 14% for the Nifty 50.

Exhibit 20 **Mini-to-Mid (2019-24): 9 of 27 companies feature among top 100 Wealth Creators**

Company	Market Cap Rank		WC Rank *		Price	PAT	P/E	
	2024	2019	Biggest	Fastest	CAGR %	CAGR %	2024	2019
Jindal Stainless	140	522	95	3	76	79	22	14
Dixon Technologies	171	461	91	4	74	42	121	42
Linde India	144	351	77	5	67	76	127	163
CG Power	104	460	53	7	66	L to P	59	-
Persistent Systems	131	321	70	6	66	27	57	16
Tube Investments	117	271	63	11	58	38	60	30
Tata Elxsi	160	300	84	13	52	22	61	21
Suzlon Energy	145	410	80	17	48	L to P	76	-
Bank of Maha.	172	391	88	28	35	L to P	11	-

* 2019-24 Wealth Creation Rank

8.3 Mid-to-Mega: 23 companies, 40% average Price CAGR

- During 2019-24, 23 companies crossed over from Mid to Mega.
- As many as 21 made it to this year's list of 100 Biggest Wealth Creators (next page), delivering average return CAGR of 43% over 2019-24 v/s 14% for Nifty 50.

Exhibit 21 **Mid-to-Mega (2019-24): 21 of 23 companies feature among top 100 Wealth Creators**

Company	Market Cap Rank		WC Rank *		Price	PAT	P/E	
	2024	2019	Biggest	Fastest	CAGR %	CAGR %	2024	2019
Adani Enterprises	16	166	8	2	85	34	103	20
Adani Power	39	144	21	8	62	L to P	10	-
Trent	51	196	33	9	61	56	154	121
Varun Beverages	44	167	25	10	61	47	86	52
Hind. Aeronautics	37	118	17	12	56	27	29	10
JSW Energy	97	199	54	15	49	19	52	17
Adani Total Gas	79	177	44	16	48	23	153	59
Bharat Electronics	49	119	32	18	45	16	37	12
Tata Consumer	76	189	49	21	40	27	77	31
A B B	56	103	36	23	40	20	108	56
Tata Power	62	133	35	22	40	L to P	37	-
Apollo Hospitals	89	160	55	26	39	30	104	72
Jindal Steel	98	154	59	29	36	L to P	15	-
Adani Energy	71	116	45	30	36	13	110	43
TVS Motor	78	121	51	31	35	18	63	32
I O B	72	186	43	37	33	L to P	43	-
Cholaman.Inv.&Fin.	82	120	57	40	32	23	28	19
Indian Hotels Co	100	148	65	41	32	35	68	66
NHPC	91	111	56	42	29	9	25	11
B H E L	99	109	66	54	27	-23	311	26
Canara Bank	75	125	47	97	15	91	7	36

* 2019-24 Wealth Creation Rank

Key Takeaway

Mid-to-Mega is a potent investment strategy

Every year, our analysis of market cap crossovers lead to the same findings –

- Companies leap-frogging from Mini to Mega is very rare.
- A fair number of companies move from Mini to Mid and deliver supernormal returns. However, they need to be identified from a large base of about 500 companies.
- The most potent and focused hunting ground for high-performing stocks is the Mid category i.e. 150 stocks with market cap rank 101 to 250.
- Over the next five years, 12-25 of these stocks (healthy 8-16% strike rate) will cross over to the Mega category and deliver handsome returns in the process.

#10 Wealth Creation: Valuation parameters analysis

The era of turnarounds; Payback ratio true to form

- Over 2019-24, the highest return across P/E and Price/Book was clocked by turnarounds i.e. stocks who had a loss in 2019 and/or whose net worth was negative.
- Some key names include **Tata Motors, Suzlon, CG Power, Adani Power, Adani Green**, etc.
- Study after study, Payback ratio < 1x delivers super returns.

Exhibit 22 **Payback ratio less than 1x remains a sure shot formula for multi-baggers**

Range in 2019	No. of Cos.	WC (INR b)	% Share of WC	CAGR (%)		RoE (%)	
				Price	PAT	2024	2019
P/E							
<10	13	14,672	11	20	9	16	17
10-15	7	8,810	6	32	16	18	16
15-20	10	10,602	8	27	15	15	13
20-25	11	33,813	24	19	11	15	15
25-30	3	1,664	1	28	9	9	6
>30	42	48,602	35	26	41	16	6
Loss-making	14	19,871	14	46	L to P	25	-9
Total	100	1,38,034	100	25	23	17	11
Price / Book							
<1	18	16,008	12	33	37	15	5
1-2	15	27,217	20	30	27	15	7
2-3	13	29,330	21	23	22	13	10
3-4	13	19,197	14	26	13	18	16
4-5	5	4,963	4	28	22	15	13
>5	33	39,978	29	21	15	32	29
Negative NW	3	1,342	1	38	L to P	32	-
Total	100	1,38,034	100	25	23	17	11
Price / Sales							
<1	24	25,956	19	36	38	16	5
1-2	25	43,181	31	24	22	15	10
2-3	15	19,231	14	26	14	17	15
3-4	12	18,283	13	25	26	20	12
4-5	8	8,242	6	32	22	13	8
> 5	16	23,140	17	19	13	26	26
Total	100	1,38,034	100	25	23	17	11
Payback ratio							
< 1	22	25,462	18	37	48	19	5
1-2	26	36,153	26	26	23	16	10
2-3	19	32,147	23	22	14	13	13
> 3	33	44,271	32	22	15	21	17
Total	100	1,38,034	100	25	23	17	11

(Payback is a proprietary ratio of Motilal Oswal, defined as current market cap divided by estimated profits over the next five years. For 2019, we calculate this ratio based on market cap as on 31-Mar-2019 divided by the actual profits reported over the next five years).

PEG < 1x remains a solid formula for superior returns

- For the purposes of this section, PEG (P/E to Growth ratio) is obtained by dividing trailing 12-month P/E by future 5-year earnings CAGR.
- We have used perfect foresight of 5 years' earnings to calculate PEG. Thus, if a stock's P/E in 2019 was 20x, and its 2019-24 PAT CAGR is 25%, its 2019 PEG works out to 0.8x ($20 \div 25$).
- Clearly, lower the PEG, higher the likely return.
- Stocks with PEG less than 1x tend to significantly outperform the market.
- As tabled below, the story was no different for the 2019-24 Wealth Creators. PEG < 1x is a solid formula for superior returns.

Exhibit 23 **PEG less than 1x is a solid formula for high returns**

PEG Range in 2019 (x)	No. of Cos.	WC (INR b)	% Share of WC	CAGR (%)		RoE (%)	
				Price	PAT	2024	2019s
<1	19	19,229	14	35	23	19	15
1-2	35	60,939	44	22	21	14	10
2-3	13	20,779	15	20	10	26	22
> 3	15	13,695	10	23	9	14	21
Others	18	23,390	17	40	L to P	20	0
Total	100	1,38,034	100	25	23	17	11

Note: PEG here is calculated as P/E of March 2019 divided by 2019-24 PAT CAGR
 "Others" are cases where PAT CAGR cannot be calculated e.g. turnarounds

#11 Wealth Destruction: Companies & Sectors

Financials the largest Wealth Destroyer despite being the largest Wealth Creator

- The total Wealth Destroyed during 2019-24 is just INR 4.3 trillion, 3% of the total Wealth Created by top 100 companies. This is the lowest in the last 14 study periods.
- Five of the top 10 Wealth Destroying companies are from the Financials sector.
- Interestingly, Financials is the top Wealth Destroying sector, and the largest Wealth Creating sector at the same time.

Exhibit 24 Wealth Destroyed at 3% of Wealth Created is the lowest in the last 14 study periods

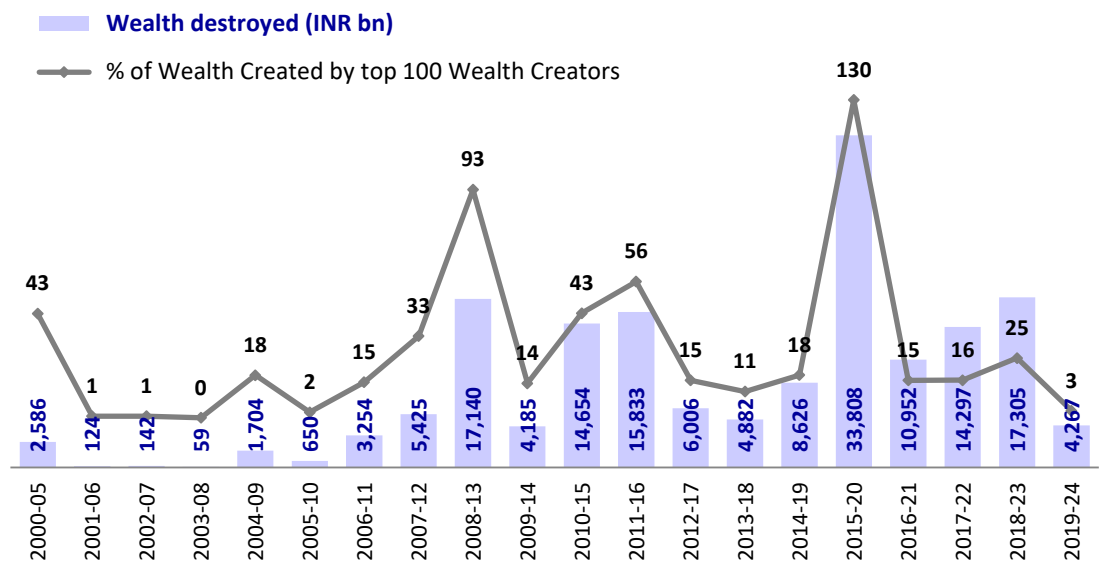


Exhibit 25

5 of top 10 Wealth Destroyers are from the Financials sector

Company	Wealth Destroyed		Price CAGR (%)
	INR bn	% Share	
Bandhan Bank	560	13	-19
Vodafone Idea	351	8	-6
Yes Bank	288	7	-39
Zee Entertainment	284	7	-21
Sammaan Capital	267	6	-26
Dhani Services	189	4	-35
RBL Bank	187	4	-19
Rajesh Exports	118	3	-17
GFL	114	3	-17
UPL	103	2	-6
Total of Above	2,462	58	
Total Wealth Destroyed	4,267	100	

Exhibit 26

Financials among the top Wealth Creators as well as Wealth Destroyers

Sector	Wealth Destroyed	
	(INR bn)	% Share
Financials	1,912	45
Media	434	10
Telecom	367	9
Consumer & Retail	275	6
Constn. / Real Estate	188	4
Capital Goods	161	4
Chemicals & Fertilizers	145	3
Pharma / Healthcare	102	2
Hotels	53	1
Others	631	15
TOTAL	4,267	100



Appendices

Appendix 1: The 100 Biggest Wealth Creators (2019-2024)

Rank	Company	Wealth Created		CAGR (2019-24, %)		Mkt Cap (INR bn)		ROE (%)		P/E (x)	
		INR b	Share (%)	Total Ret.	PAT	2024	2019	2024	2019	2024	2019
1	Reliance Inds	11,178	8.1	20	12	20,140	8,640	9	10	29	22
2	TCS	8,312	6.0	16	8	14,051	7,506	52	35	30	24
3	Bharti Airtel	5,449	3.9	33	L to P	7,273	1,331	15	-1	58	-
4	ICICI Bank	5,109	3.7	23	60	7,695	2,571	17	4	17	60
5	State Bank of India	4,176	3.0	20	100	6,717	2,863	17	1	10	136
6	Infosys	3,893	2.8	17	11	6,221	3,243	34	24	24	21
7	Larsen & Toubro	3,530	2.6	23	8	5,188	1,941	15	14	40	22
8	Adani Enterprises	3,408	2.5	85	34	3,641	162	9	5	103	20
9	Tata Motors	3,164	2.3	42	L to P	3,635	547	38	-2	11	-
10	HCL Technologies	3,150	2.3	26	9	4,188	1,476	23	24	27	15
11	Sun Pharma	2,850	2.1	28	22	3,888	1,150	16	9	39	31
12	Adani Green	2,808	2.0	118	L to P	2,905	58	13	-24	226	-
13	Bajaj Finance	2,615	1.9	19	29	4,482	1,748	19	20	31	44
14	Titan Company	2,400	1.7	28	20	3,378	1,010	37	23	97	72
15	NTPC	2,247	1.6	22	7	3,258	1,339	13	14	16	9
16	Adani Ports	2,092	1.5	29	17	2,898	783	17	17	33	19
17	Hind. Aeronautics	2,063	1.5	58	27	2,225	237	26	19	29	10
18	Avenue Supermarts	1,987	1.4	25	23	2,947	917	13	16	117	103
19	Power Grid Corp	1,983	1.4	24	8	2,577	1,036	19	18	16	10
20	Bajaj Auto	1,951	1.4	27	11	2,553	844	27	20	33	18
21	Adani Power	1,840	1.3	62	L to P	2,058	186	48	-12	10	-
22	DLF	1,810	1.3	35	17	2,224	395	7	4	83	32
23	Coal India	1,798	1.3	17	16	2,673	1,459	45	66	7	8
24	UltraTech Cement	1,711	1.2	20	24	2,813	1,098	12	7	40	46
25	Varun Beverages	1,662	1.2	61	47	1,817	158	31	15	86	52
26	M & M	1,620	1.2	24	17	2,389	835	17	13	21	16
27	Nestle India	1,592	1.2	20	20	2,529	1,060	117	44	64	66
28	Siemens	1,528	1.1	37	17	1,914	402	15	11	99	45
29	Bajaj Finserv	1,505	1.1	19	20	2,622	1,120	14	14	32	35
30	Tata Steel	1,464	1.1	27	-5	1,946	592	8	14	26	6
31	JSW Steel	1,412	1.0	24	2	2,033	708	11	22	24	9
32	Bharat Electronics	1,297	0.9	46	16	1,473	227	24	20	37	12
33	Trent	1,278	0.9	62	56	1,404	120	22	6	154	121
34	Power Finance Corp	1,126	0.8	35	15	1,288	325	20	21	7	3
35	Tata Power	1,112	0.8	40	L to P	1,259	200	11	0	37	-
36	A B B	1,079	0.8	40	20	1,348	280	21	13	108	56
37	REC	1,038	0.8	35	20	1,187	302	20	17	8	5
38	Vedanta	1,031	0.7	20	-14	1,010	683	11	11	31	10
39	Grasim Inds	983	0.7	22	14	1,530	564	7	5	26	19
40	Bank of Baroda	939	0.7	17	77	1,366	341	16	2	7	31
41	SBI Life Insurance	929	0.7	21	6	1,500	580	11	17	90	46
42	Pidilite Inds	928	0.7	20	14	1,533	631	21	23	86	67
43	I O B	879	0.6	33	L to P	1,134	132	11	-28	43	-
44	Adani Total Gas	877	0.6	48	23	1,018	142	19	22	153	59
45	Adani Energy	866	0.6	36	13	1,144	240	8	7	110	43
46	Ambuja Cements	851	0.6	22	8	1,346	467	8	10	41	20
47	Canara Bank	833	0.6	16	91	1,054	220	18	2	7	36
48	Hindalco Inds	830	0.6	23	14	1,259	461	10	9	12	9
49	Tata Consumer	815	0.6	41	27	1,044	128	8	6	77	31
50	Interglobe Aviation	814	0.6	20	L to P	1,368	549	359	-3	19	-
Rank	Company	Wealth Created		CAGR (2019-24, %)		Mkt Cap (INR bn)		ROE (%)		P/E (x)	
		INR b	Share (%)	Total Ret.	PAT	2024	2019	2024	2019	2024	2019

Appendix 1: The 100 Biggest Wealth Creators (2019-2024) ... continued

Rank	Company	Wealth Created		CAGR (2019-24, %)		Mkt Cap (INR bn)		ROE (%)		P/E (x)	
		INR b	Share (%)	Total Ret.	PAT	2024	2019	2024	2019	2024	2019
51	TVS Motor	808	0.6	36	18	1,022	225	24	22	63	32
52	Cipla	808	0.6	24	24	1,207	426	16	9	29	30
53	CG Power & Ind	793	0.6	66	L to P	825	27	46	-17	59	-
54	JSW Energy	765	0.6	49	19	870	119	8	6	52	17
55	Apollo Hospitals	739	0.5	39	30	913	170	13	7	104	72
56	NHPC	739	0.5	32	9	900	249	9	8	25	11
57	Cholaman. Inv. & Fin.	721	0.5	32	23	972	226	17	19	28	19
58	Solar Industries	701	0.5	52	28	795	97	28	21	87	37
59	Jindal Steel	694	0.5	37	L to P	867	174	13	-1	15	-
60	Zydus Lifesciences	689	0.5	24	17	1,012	355	19	17	26	20
61	LTIMindtree	666	0.5	25	25	1,462	292	23	31	32	19
62	Cummins India	658	0.5	33	18	834	207	25	17	50	28
63	Tube Investments	649	0.5	58	38	722	72	23	16	60	30
64	SRF	624	0.5	40	16	758	138	12	16	57	22
65	Indian Hotels Co	623	0.5	32	35	842	184	13	6	68	66
66	B H E L	604	0.4	27	-23	861	261	1	3	311	26
67	Bajaj Holdings	592	0.4	21	19	923	380	13	11	13	12
68	Dr Reddy's Labs	590	0.4	18	24	1,027	461	20	13	19	25
69	Torrent Pharma	586	0.4	23	22	880	330	23	13	56	55
70	Persistent Systems	577	0.4	67	27	615	51	22	14	57	16
71	Torrent Power	563	0.4	41	15	651	124	15	10	37	14
72	Oracle Financial	555	0.4	24	10	760	291	28	28	34	21
73	UCO Bank	547	0.4	23	L to P	624	102	7	-29	37	-
74	Hero Motocorp	538	0.4	15	2	943	510	21	26	25	15
75	HDFC AMC	522	0.4	21	16	801	326	27	30	41	35
76	Oil India	520	0.4	29	15	651	201	16	14	8	5
77	Linde India	509	0.4	68	76	547	42	12	2	127	163
78	Divi's Labs	494	0.4	16	3	912	452	12	19	57	33
79	Info Edge (India)	489	0.4	25	45	724	225	2	3	136	275
80	Suzlon Energy	464	0.3	48	L to P	546	33	18	18	76	-
81	GMR Airports Inf	457	0.3	33	Loss	493	120	31	334	-	-
82	Colgate-Palmolive	450	0.3	18	12	737	342	71	52	55	45
83	Abbott India	450	0.3	31	22	573	155	32	22	48	35
84	Tata Elxsi	439	0.3	53	22	484	60	32	31	61	21
85	L&T Technology	433	0.3	29	11	580	163	24	31	45	21
86	P I Industries	431	0.3	31	33	587	142	19	18	35	35
87	United Spirits	429	0.3	16	15	825	402	19	22	60	59
88	Bank of Maharashtra	428	0.3	37	L to P	441	36	22	-106	11	-
89	SJVN	420	0.3	40	-10	477	95	6	13	58	7
90	Tata Comm	420	0.3	28	L to P	573	175	60	45	53	-
91	Dixon Technologies	419	0.3	74	42	448	27	22	17	121	42
92	Lupin	413	0.3	17	21	737	334	13	5	39	46
93	Supreme Inds	410	0.3	31	21	537	141	20	19	52	35
94	NMDC	409	0.3	26	5	591	319	23	18	10	7
95	Jindal Stainless	406	0.3	77	79	572	19	18	6	22	14
96	Alkem Lab	403	0.3	24	20	591	209	18	14	31	27
97	Astral	396	0.3	31	22	535	139	17	15	100	71
98	Godrej Properties	395	0.3	23	25	639	187	7	9	98	87
99	S A I L	394	0.3	23	6	554	222	6	7	15	8
100	Thermax	389	0.3	34	10	500	116	13	12	85	31
Rank	Company	Wealth Created		CAGR (2019-24, %)		Mkt Cap (INR bn)		ROE (%)		P/E (x)	
		INR b	Share (%)	Total Ret.	PAT	2024	2019	2024	2019	2024	2019

Note: Total Return CAGR considers price of March 2024 + Cumulative Dividends over 5 years (2020 to 2024)

L to P stands for Loss to Profit

Appendix 2: The 100 Biggest Wealth Creators sorted by speed (2019-2024)

Rank	Company	2019-24 Total Ret.		CAGR 19-24 (%)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR b	Share (%)	2024	2019	2024	2019
1	Adani Green	118	49.2	L to P	35	2,808	2.0	13	-24	226	-
2	Adani Enterprises	85	21.7	34	19	3,408	2.5	9	5	103	20
3	Jindal Stainless	77	17.3	79	23	406	0.3	18	6	22	14
4	Dixon Technologies	74	15.9	42	43	419	0.3	22	17	121	42
5	Linde India	68	13.2	76	5	509	0.4	12	2	127	163
6	Persistent Systems	67	12.8	27	24	577	0.4	22	14	57	16
7	CG Power & Ind	66	12.7	L to P	0	793	0.6	46	-17	59	-
8	Adani Power	62	11.1	L to P	16	1,840	1.3	48	-12	10	-
9	Trent	62	11.0	56	36	1,278	0.9	22	6	154	121
10	Varun Beverages	61	10.9	47	22	1,662	1.2	31	15	86	52
11	Tube Investments	58	9.8	38	24	649	0.5	23	16	60	30
12	Hind. Aeronautics	58	9.7	27	9	2,063	1.5	26	19	29	10
13	Tata Elxsi	53	8.3	22	17	439	0.3	32	31	61	21
14	Solar Industries	52	8.2	28	20	701	0.5	28	21	87	37
15	JSW Energy	49	7.4	19	5	765	0.6	8	6	52	17
16	Adani Total Gas	48	7.2	23	21	877	0.6	19	22	153	59
17	Suzlon Energy	48	7.2	L to P	5	464	0.3	18	18	76	-
18	Bharat Electronics	46	6.7	16	11	1,297	0.9	24	20	37	12
19	Tata Motors	42	5.7	L to P	8	3,164	2.3	38	-2	11	-
20	Torrent Power	41	5.6	15	16	563	0.4	15	10	37	14
21	Tata Consumer	41	5.5	27	16	815	0.6	8	6	77	31
22	Tata Power	40	5.5	L to P	16	1,112	0.8	11	0	37	-
23	A B B	40	5.4	20	9	1,079	0.8	21	13	108	56
24	SJVN	40	5.4	-10	0	420	0.3	6	13	58	7
25	SRF	40	5.4	16	13	624	0.5	12	16	57	22
26	Apollo Hospitals	39	5.2	30	15	739	0.5	13	7	104	72
27	Siemens	37	4.8	17	9	1,528	1.1	15	11	99	45
28	Bank of Maharashtra	37	4.8	L to P	14	428	0.3	22	-106	11	-
29	Jindal Steel	37	4.8	L to P	1	694	0.5	13	-1	15	-
30	Adani Energy	36	4.7	13	18	866	0.6	8	7	110	43
31	TVS Motor	36	4.6	18	14	808	0.6	24	22	63	32
32	DLF	35	4.5	17	-5	1,810	1.3	7	4	83	32
33	Power Finance Corp	35	4.5	15	11	1,126	0.8	20	21	7	3
34	REC	35	4.4	20	13	1,038	0.8	20	17	8	5
35	Thermax	34	4.4	10	9	389	0.3	13	12	85	31
36	Cummins India	33	4.2	18	10	658	0.5	25	17	50	28
37	I O B	33	4.2	L to P	6	879	0.6	11	-28	43	-
38	Bharti Airtel	33	4.2	L to P	13	5,449	3.9	15	-1	58	-
39	GMR Airports Inf	33	4.1	Loss	3	457	0.3	31	334	-	-
40	Cholaman. Inv.&Fin.	32	4.0	23	22	721	0.5	17	19	28	19
41	Indian Hotels Co	32	4.0	35	8	623	0.5	13	6	68	66
42	NHPC	32	4.0	9	1	739	0.5	9	8	25	11
43	Abbott India	31	3.9	22	10	450	0.3	32	22	48	35
44	Supreme Inds	31	3.9	21	13	410	0.3	20	19	52	35
45	Astral	31	3.8	22	18	396	0.3	17	15	100	71
46	P I Industries	31	3.8	33	22	431	0.3	19	18	35	35
47	Adani Ports	29	3.6	17	20	2,092	1.5	17	17	33	19
48	L&T Technology	29	3.6	11	14	433	0.3	24	31	45	21
49	Oil India	29	3.6	15	19	520	0.4	16	14	8	5
50	Sun Pharma	28	3.5	22	11	2,850	2.1	16	9	39	31
Rank	Company	2019-24 Total Ret.		CAGR 19-24 (%)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR bn	Share (%)	2024	2019	2024	2019

Appendix 2: The 100 Biggest Wealth Creators sorted by speed (2019-2024) ... continued

Rank	Company	2019-24 Total Ret.		CAGR (19-24, %)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR bn	Share (%)	2024	2019	2024	2019
51	Tata Comm	28	3.4	L to P	5	420	0.3	60	45	53	-
52	Titan Company	28	3.4	20	21	2,400	1.7	37	23	97	72
53	Bajaj Auto	27	3.3	11	8	1,951	1.4	27	20	33	18
54	B H E L	27	3.3	-23	-5	604	0.4	1	3	311	26
55	Tata Steel	27	3.3	-5	8	1,464	1.1	8	14	26	6
56	NMDC	26	3.2	5	12	409	0.3	23	18	10	7
57	HCL Technologies	26	3.1	9	13	3,150	2.3	23	24	27	15
58	Avenue Supermarts	25	3.1	23	20	1,987	1.4	13	16	117	103
59	LTIMindtree	25	3.1	25	30	666	0.5	23	31	32	19
60	Info Edge (India)	25	3.1	45	17	489	0.4	2	3	136	275
61	JSW Steel	24	3.0	2	16	1,412	1.0	11	22	24	9
62	Zydu Lifesciences	24	3.0	17	8	689	0.5	19	17	26	20
63	M & M	24	2.9	17	6	1,620	1.2	17	13	21	16
64	Alkem Lab	24	2.9	20	11	403	0.3	18	14	31	27
65	Power Grid Corp	24	2.9	8	6	1,983	1.4	19	18	16	10
66	Oracle Financial	24	2.9	10	5	555	0.4	28	28	34	21
67	Cipla	24	2.9	24	10	808	0.6	16	9	29	30
68	Larsen & Toubro	23	2.8	8	10	3,530	2.6	15	14	40	22
69	Godrej Properties	23	2.8	25	2	395	0.3	7	9	98	87
70	ICICI Bank	23	2.8	60	17	5,109	3.7	17	4	17	60
71	UCO Bank	23	2.8	L to P	9	547	0.4	7	-29	37	-
72	Hindalco Inds	23	2.8	14	11	830	0.6	10	9	12	9
73	S A I L	23	2.8	6	9	394	0.3	6	7	15	8
74	Torrent Pharma	23	2.8	22	7	586	0.4	23	13	56	55
75	Ambuja Cements	22	2.7	8	5	851	0.6	8	10	41	20
76	Grasim Inds	22	2.7	14	11	983	0.7	7	5	26	19
77	NTPC	22	2.7	7	12	2,247	1.6	13	14	16	9
78	SBI Life Insurance	21	2.6	6	24	929	0.7	11	17	90	46
79	HDFC AMC	21	2.6	16	9	522	0.4	27	30	41	35
80	Bajaj Holdings	21	2.6	19	32	592	0.4	13	11	13	12
81	Vedanta	20	2.5	-14	9	1,031	0.7	11	11	31	10
82	Nestle India	20	2.5	20	17	1,592	1.2	117	44	64	66
83	UltraTech Cement	20	2.5	24	11	1,711	1.2	12	7	40	46
84	Interglobe Aviation	20	2.5	L to P	19	814	0.6	359	-3	19	-
85	Pidilite Inds	20	2.5	14	12	928	0.7	21	23	86	67
86	Reliance Inds	20	2.5	12	10	11,178	8.1	9	10	29	22
87	State Bank of India	20	2.5	100	12	4,176	3.0	17	1	10	136
88	Bajaj Finance	19	2.4	29	24	2,615	1.9	19	20	31	44
89	Bajaj Finserv	19	2.3	20	21	1,505	1.1	14	14	32	35
90	Colgate-Palmolive	18	2.3	12	5	450	0.3	71	52	55	45
91	Dr Reddy's Labs	18	2.3	24	13	590	0.4	20	13	19	25
92	Coal India	17	2.2	16	7	1,798	1.3	45	66	7	8
93	Infosys	17	2.2	11	13	3,893	2.8	34	24	24	21
94	Lupin	17	2.2	21	6	413	0.3	13	5	39	46
95	Bank of Baroda	17	2.2	77	17	939	0.7	16	2	7	31
96	TCS	16	2.1	8	10	8,312	6.0	52	35	30	24
97	Canara Bank	16	2.1	91	18	833	0.6	18	2	7	36
98	Divi's Labs	16	2.1	3	10	494	0.4	12	19	57	33
99	United Spirits	16	2.1	15	4	429	0.3	19	22	60	59
100	Hero Motocorp	15	2.1	2	2	538	0.4	21	26	25	15
Rank	Company	2019-24 Total Ret.		CAGR (19-24, %)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR b	Share (%)	2024	2019	2024	2019

Note: Total Return CAGR considers price of March 2024 + Cumulative Dividends over 5 years (2020 to 2024)
L to P stands for Loss to Profit

Appendix 3: The 100 Biggest Wealth Creators sorted by Consistency (2019-2024)

Rank	Company Name	No. of years of outperformance	2019-24 TR CAGR (%)	2019-24 PAT CAGR (%)	Market Cap (INR bn)		RoE (%)		P/E (x)	
					2024	2019	2024	2019	2024	2019
1	Linde India	5	68	76	547	42	12	2	127	163
2	Varun Beverages	5	61	47	1,817	158	31	15	86	52
3	Hind. Aeronautics	5	58	27	2,225	237	26	19	29	10
4	Bharat Electronics	5	46	16	1,473	227	24	20	37	12
5	Thermax	5	34	10	500	116	13	12	85	31
6	NMDC	5	26	5	591	319	23	18	10	7
7	Adani Green	4	118	L to P	2,905	58	13	-24	226	-
8	Adani Enterprises	4	85	34	3,641	162	9	5	103	20
9	Jindal Stainless	4	77	79	572	19	18	6	22	14
10	Persistent Systems	4	67	27	615	51	22	14	57	16
11	CG Power & Ind	4	66	L to P	825	27	46	-17	59	-
12	Adani Power	4	62	L to P	2,058	186	48	-12	10	-
13	Trent	4	62	56	1,404	120	22	6	154	121
14	Tube Investments	4	58	38	722	72	23	16	60	30
15	Solar Industries	4	52	28	795	97	28	21	87	37
16	Tata Consumer	4	41	27	1,044	128	8	6	77	31
17	A B B	4	40	20	1,348	280	21	13	108	56
18	Apollo Hospitals	4	39	30	913	170	13	7	104	72
19	Siemens	4	37	17	1,914	402	15	11	99	45
20	Jindal Steel	4	37	L to P	867	174	13	-1	15	-
21	Cummins India	4	33	18	834	207	25	17	50	28
22	GMR Airports Inf	4	33	Loss	493	120	31	334	-	-
23	Cholaman. Inv. & Fin.	4	32	23	972	226	17	19	28	19
24	NHPC	4	32	9	900	249	9	8	25	11
25	Supreme Inds	4	31	21	537	141	20	19	52	35
26	Astral	4	31	22	535	139	17	15	100	71
27	P I Industries	4	31	33	587	142	19	18	35	35
28	L&T Technology	4	29	11	580	163	24	31	45	21
29	HCL Technologies	4	26	9	4,188	1,476	23	24	27	15
30	Power Grid Corp	4	24	8	2,577	1,036	19	18	16	10
31	Cipla	4	24	24	1,207	426	16	9	29	30
32	Larsen & Toubro	4	23	8	5,188	1,941	15	14	40	22
33	ICICI Bank	4	23	60	7,695	2,571	17	4	17	60
34	Bajaj Holdings	4	21	19	923	380	13	11	13	12
35	Reliance Inds	4	20	12	20,140	8,640	9	10	29	22
36	State Bank of India	4	20	100	6,717	2,863	17	1	10	136
37	Dixon Technologies	3	74	42	448	27	22	17	121	42
38	Tata Elxsi	3	53	22	484	60	32	31	61	21
39	JSW Energy	3	49	19	870	119	8	6	52	17
40	Suzlon Energy	3	48	L to P	546	33	18	18	76	-
41	Tata Motors	3	42	L to P	3,635	547	38	-2	11	-
42	Torrent Power	3	41	15	651	124	15	10	37	14
43	Tata Power	3	40	L to P	1,259	200	11	0	37	-
44	SJVN	3	40	-10	477	95	6	13	58	7
45	SRF	3	40	16	758	138	12	16	57	22
46	Bank of Maharashtra	3	37	L to P	441	36	22	-106	11	-
47	Adani Energy	3	36	13	1,144	240	8	7	110	43
48	TVS Motor	3	36	18	1,022	225	24	22	63	32
49	DLF	3	35	17	2,224	395	7	4	83	32
50	Power Finance Corp	3	35	15	1,288	325	20	21	7	3
Rank	Company Name	No. of years of outperformance	2019-24 TR CAGR (%)	2019-24 PAT CAGR (%)	Market Cap (INR bn)		RoE (%)		P/E (x)	
					2024	2019	2024	2019	2024	2019

Appendix 3: The 100 Biggest Wealth Creators sorted by Consistency (2019-2024) ... continued

Rank	Company Name	No. of years of outperformance	2019-24 TR CAGR (%)	2019-24 PAT CAGR (%)	Market Cap (INR bn)		RoE (%)		P/E (x)	
					2024	2019	2024	2019	2024	2019
51	I O B	3	33	L to P	1,134	132	11	-28	43	-
52	Bharti Airtel	3	33	L to P	7,273	1,331	15	-1	58	-
53	Indian Hotels Co	3	32	35	842	184	13	6	68	66
54	Oil India	3	29	15	651	201	16	14	8	5
55	Sun Pharma	3	28	22	3,888	1,150	16	9	39	31
56	Tata Comm	3	28	L to P	573	175	60	45	53	-
57	Titan Company	3	28	20	3,378	1,010	37	23	97	72
58	Bajaj Auto	3	27	11	2,553	844	27	20	33	18
59	B H E L	3	27	-23	861	261	1	3	311	26
60	Tata Steel	3	27	-5	1,946	592	8	14	26	6
61	Avenue Supermarts	3	25	23	2,947	917	13	16	117	103
62	LTIMindtree	3	25	25	1,462	292	23	31	32	19
63	Info Edge (India)	3	25	45	724	225	2	3	136	275
64	ZyduS Lifesciences	3	24	17	1,012	355	19	17	26	20
65	M & M	3	24	17	2,389	835	17	13	21	16
66	Alkem Lab	3	24	20	591	209	18	14	31	27
67	Hindalco Inds	3	23	14	1,259	461	10	9	12	9
68	S A I L	3	23	6	554	222	6	7	15	8
69	Torrent Pharma	3	23	22	880	330	23	13	56	55
70	Ambuja Cements	3	22	8	1,346	467	8	10	41	20
71	NTPC	3	22	7	3,258	1,339	13	14	16	9
72	SBI Life Insurance	3	21	6	1,500	580	11	17	90	46
73	Nestle India	3	20	20	2,529	1,060	117	44	64	66
74	UltraTech Cement	3	20	24	2,813	1,098	12	7	40	46
75	Dr Reddy's Labs	3	18	24	1,027	461	20	13	19	25
76	Coal India	3	17	16	2,673	1,459	45	66	7	8
77	Infosys	3	17	11	6,221	3,243	34	24	24	21
78	Lupin	3	17	21	737	334	13	5	39	46
79	Bank of Baroda	3	17	77	1,366	341	16	2	7	31
80	Canara Bank	3	16	91	1,054	220	18	2	7	36
81	Divi's Labs	3	16	3	912	452	12	19	57	33
82	United Spirits	3	16	15	825	402	19	22	60	59
83	Hero Motocorp	3	15	2	943	510	21	26	25	15
84	Adani Total Gas	2	48	23	1,018	142	19	22	153	59
85	REC	2	35	20	1,187	302	20	17	8	5
86	Abbott India	2	31	22	573	155	32	22	48	35
87	Adani Ports	2	29	17	2,898	783	17	17	33	19
88	JSW Steel	2	24	2	2,033	708	11	22	24	9
89	Godrej Properties	2	23	25	639	187	7	9	98	87
90	UCO Bank	2	23	L to P	624	102	7	-29	37	-
91	Grasim Inds	2	22	14	1,530	564	7	5	26	19
92	HDFC AMC	2	21	16	801	326	27	30	41	35
93	Vedanta	2	20	-14	1,010	683	11	11	31	10
94	Interglobe Aviation	2	20	L to P	1,368	549	359	-3	19	-
95	Pidilite Inds	2	20	14	1,533	631	21	23	86	67
96	Bajaj Finance	2	19	29	4,482	1,748	19	20	31	44
97	Bajaj Finserv	2	19	20	2,622	1,120	14	14	32	35
98	Colgate-Palmolive	2	18	12	737	342	71	52	55	45
99	TCS	2	16	8	14,051	7,506	52	35	30	24
100	Oracle Financial	1	24	10	760	291	28	28	34	21
Rank	Company Name	No. of years of outperformance	2019-24 TR CAGR (%)	2019-24 PAT CAGR (%)	Market Cap (INR bn)		RoE (%)		P/E (x)	
					2024	2019	2024	2019	2024	2019

Note: Total Return CAGR considers price of March 2024 + Cumulative Dividends over 5 years (2020 to 2024)

L to P stands for Loss to Profit

Appendix 4: The 100 All-round Wealth Creators (2019-2024)

All-round		Rank			Total of Ranks	2019-24 Total Ret. CAGR (%)
Rank	Company	Biggest	Fastest	Consistent		
1	Adani Enterprises	8	2	8	18	85
2	Adani Green	12	1	7	20	118
3	Hind. Aeronautics	17	12	3	32	58
4	Varun Beverages	25	10	2	37	61
5	Adani Power	21	8	12	41	62
6	Bharat Electronics	32	18	4	54	46
7	Trent	33	9	13	55	62
8	Tata Motors	9	19	41	69	42
9	CG Power & Ind	53	7	11	71	66
10	Siemens	28	27	19	74	37
11	A B B	36	23	17	76	40
12	Linde India	77	5	1	83	68
13	Persistent Systems	70	6	10	86	67
14	Tata Consumer	49	21	16	86	41
15	Solar Industries	58	14	15	87	52
16	Tube Investments	63	11	14	88	58
17	Bharti Airtel	3	38	52	93	33
18	HCL Technologies	10	57	29	96	26
19	Apollo Hospitals	55	26	18	99	39
20	Tata Power	35	22	43	100	40
21	DLF	22	32	49	103	35
22	Jindal Stainless	95	3	9	107	77
23	Larsen & Toubro	7	68	32	107	23
24	ICICI Bank	4	70	33	107	23
25	JSW Energy	54	15	39	108	49
26	Jindal Steel	59	29	20	108	37
27	Power Grid Corp	19	65	30	114	24
28	Sun Pharma	11	50	55	116	28
29	Power Finance Corp	34	33	50	117	35
30	Cummins India	62	36	21	119	33
31	Cholaman. Inv. & Fin.	57	40	23	120	32
32	Adani Energy	45	30	47	122	36
33	NHPC	56	42	24	122	32
34	Reliance Inds	1	86	35	122	20
35	Titan Company	14	52	57	123	28
36	State Bank of India	5	87	36	128	20
37	TVS Motor	51	31	48	130	36
38	I O B	43	37	51	131	33
39	Bajaj Auto	20	53	58	131	27
40	Dixon Technologies	91	4	37	132	74
41	Torrent Power	71	20	42	133	41
42	SRF	64	25	45	134	40
43	Tata Elxsi	84	13	38	135	53
44	Suzlon Energy	80	17	40	137	48
45	Avenue Supermarts	18	58	61	137	25
46	Thermax	100	35	5	140	34
47	GMR Airports Inf	81	39	22	142	33
48	Adani Total Gas	44	16	84	144	48
49	Tata Steel	30	55	60	145	27
50	Adani Ports	16	47	87	150	29
All-round		Rank			Total of Ranks	2019-24 Total Ret. CAGR (%)
Rank	Company	Biggest	Fastest	Consistent		

Appendix 4: The 100 All-round Wealth Creators (2019-2024) ... continued

All-round		Rank			Total of Ranks	2019-24 Total Ret. CAGR (%)
Rank	Company	Biggest	Fastest	Consistent		
51	Cipla	52	67	31	150	24
52	M & M	26	63	65	154	24
53	REC	37	34	85	156	35
54	NMDC	94	56	6	156	26
55	SJVN	89	24	44	157	40
56	Indian Hotels Co	65	41	53	159	32
57	P I Industries	86	46	27	159	31
58	L&T Technology	85	48	28	161	29
59	Bank of Maharashtra	88	28	46	162	37
60	Supreme Inds	93	44	25	162	31
61	NTPC	15	77	71	163	22
62	Astral	97	45	26	168	31
63	Infosys	6	93	77	176	17
64	Oil India	76	49	54	179	29
65	B H E L	66	54	59	179	27
66	JSW Steel	31	61	88	180	24
67	Bajaj Holdings	67	80	34	181	21
68	UltraTech Cement	24	83	74	181	20
69	LTIMindtree	61	59	62	182	25
70	Nestle India	27	82	73	182	20
71	Zydus Lifesciences	60	62	64	186	24
72	Hindalco Inds	48	72	67	187	23
73	Ambuja Cements	46	75	70	191	22
74	SBI Life Insurance	41	78	72	191	21
75	Coal India	23	92	76	191	17
76	Tata Comm	90	51	56	197	28
77	Bajaj Finance	13	88	96	197	19
78	TCS	2	96	99	197	16
79	Info Edge (India)	79	60	63	202	25
80	Grasim Inds	39	76	91	206	22
81	Abbott India	83	43	86	212	31
82	Torrent Pharma	69	74	69	212	23
83	Vedanta	38	81	93	212	20
84	Bank of Baroda	40	95	79	214	17
85	Bajaj Finserv	29	89	97	215	19
86	Pidilite Inds	42	85	95	222	20
87	Canara Bank	47	97	80	224	16
88	Alkem Lab	96	64	66	226	24
89	Interglobe Aviation	50	84	94	228	20
90	UCO Bank	73	71	90	234	23
91	Dr Reddy's Labs	68	91	75	234	18
92	Oracle Financial	72	66	100	238	24
93	S A I L	99	73	68	240	23
94	HDFC AMC	75	79	92	246	21
95	Godrej Properties	98	69	89	256	23
96	Divi's Labs	78	98	81	257	16
97	Hero Motocorp	74	100	83	257	15
98	Lupin	92	94	78	264	17
99	United Spirits	87	99	82	268	16
100	Colgate-Palmolive	82	90	98	270	18
All-round		Rank			Total of Ranks	2019-24 Total Ret. CAGR (%)
Rank	Company	Biggest	Fastest	Consistent		

Appendix 5: The 100 Wealth Creators (2019-24) – Alphabetical order

Company	Wealth Creation Rank				Wealth Created INR bn	Total Return CAGR (%)	Total Return Times (x)
	Biggest	Fastest	Consistent	All-round			
A B B	36	23	17	11	1,079	40	5.4
Abbott India	83	43	86	81	450	31	3.9
Adani Energy	45	30	47	32	866	36	4.7
Adani Enterprises	8	2	8	1	3,408	85	21.7
Adani Green	12	1	7	2	2,808	118	49.2
Adani Ports	16	47	87	50	2,092	29	3.6
Adani Power	21	8	12	5	1,840	62	11.1
Adani Total Gas	44	16	84	48	877	48	7.2
Alkem Lab	96	64	66	88	403	24	2.9
Ambuja Cements	46	75	70	73	851	22	2.7
Apollo Hospitals	55	26	18	19	739	39	5.2
Astral	97	45	26	62	396	31	3.8
Avenue Supermarts	18	58	61	45	1,987	25	3.1
B H E L	66	54	59	65	604	27	3.3
Bajaj Auto	20	53	58	39	1,951	27	3.3
Bajaj Finance	13	88	96	77	2,615	19	2.4
Bajaj Finserv	29	89	97	85	1,505	19	2.3
Bajaj Holdings	67	80	34	67	592	21	2.6
Bank of Baroda	40	95	79	84	939	17	2.2
Bank of Maharashtra	88	28	46	59	428	37	4.8
Bharat Electronics	32	18	4	6	1,297	46	6.7
Bharti Airtel	3	38	52	17	5,449	33	4.2
Canara Bank	47	97	80	87	833	16	2.1
CG Power & Ind	53	7	11	9	793	66	12.7
Cholaman. Inv. & Fin.	57	40	23	31	721	32	4.0
Cipla	52	67	31	51	808	24	2.9
Coal India	23	92	76	75	1,798	17	2.2
Colgate-Palmolive	82	90	98	100	450	18	2.3
Cummins India	62	36	21	30	658	33	4.2
Divi's Labs	78	98	81	96	494	16	2.1
Dixon Technologies	91	4	37	40	419	74	15.9
DLF	22	32	49	21	1,810	35	4.5
Dr Reddy's Labs	68	91	75	91	590	18	2.3
GMR Airports Inf	81	39	22	47	457	33	4.1
Godrej Properties	98	69	89	95	395	23	2.8
Grasim Inds	39	76	91	80	983	22	2.7
HCL Technologies	10	57	29	18	3,150	26	3.1
HDFC AMC	75	79	92	94	522	21	2.6
Hero Motocorp	74	100	83	97	538	15	2.1
Hind. Aeronautics	17	12	3	3	2,063	58	9.7
Hindalco Inds	48	72	67	72	830	23	2.8
I O B	43	37	51	38	879	33	4.2
ICICI Bank	4	70	33	24	5,109	23	2.8
Indian Hotels Co	65	41	53	56	623	32	4.0
Info Edge (India)	79	60	63	79	489	25	3.1
Infosys	6	93	77	63	3,893	17	2.2
Interglobe Aviation	50	84	94	89	814	20	2.5
Jindal Stainless	95	3	9	22	406	77	17.3
Jindal Steel	59	29	20	26	694	37	4.8
JSW Energy	54	15	39	25	765	49	7.4
Company	Wealth Creation Rank				Wealth Created INR bn	Total Return CAGR (%)	Total Return Times (x)
	Biggest	Fastest	Consistent	All-round			

Appendix 5: The 100 Wealth Creators (2019-24) – Alphabetical order ... continued

Company	Wealth Creation Rank				Wealth Created INR bn	Total Return CAGR (%)	Total Return Times (x)
	Biggest	Fastest	Consistent	All-round			
JSW Steel	31	61	88	66	1,412	24	3.0
L&T Technology	85	48	28	58	433	29	3.6
Larsen & Toubro	7	68	32	23	3,530	23	2.8
Linde India	77	5	1	12	509	68	13.2
LTIMindtree	61	59	62	69	666	25	3.1
Lupin	92	94	78	98	413	17	2.2
M & M	26	63	65	52	1,620	24	2.9
Nestle India	27	82	73	70	1,592	20	2.5
NHPC	56	42	24	33	739	32	4.0
NMDC	94	56	6	54	409	26	3.2
NTPC	15	77	71	61	2,247	22	2.7
Oil India	76	49	54	64	520	29	3.6
Oracle Financial	72	66	100	92	555	24	2.9
P I Industries	86	46	27	57	431	31	3.8
Persistent Systems	70	6	10	13	577	67	12.8
Pidilite Inds	42	85	95	86	928	20	2.5
Power Finance Corp	34	33	50	29	1,126	35	4.5
Power Grid Corp	19	65	30	27	1,983	24	2.9
REC	37	34	85	53	1,038	35	4.4
Reliance Inds	1	86	35	34	11,178	20	2.5
S A I L	99	73	68	93	394	23	2.8
SBI Life Insurance	41	78	72	74	929	21	2.6
Siemens	28	27	19	10	1,528	37	4.8
SJVN	89	24	44	55	420	40	5.4
Solar Industries	58	14	15	15	701	52	8.2
SRF	64	25	45	42	624	40	5.4
State Bank of India	5	87	36	36	4,176	20	2.5
Sun Pharma	11	50	55	28	2,850	28	3.5
Supreme Inds	93	44	25	60	410	31	3.9
Suzlon Energy	80	17	40	44	464	48	7.2
Tata Comm	90	51	56	76	420	28	3.4
Tata Consumer	49	21	16	14	815	41	5.5
Tata Elxsi	84	13	38	43	439	53	8.3
Tata Motors	9	19	41	8	3,164	42	5.7
Tata Power	35	22	43	20	1,112	40	5.5
Tata Steel	30	55	60	49	1,464	27	3.3
TCS	2	96	99	78	8,312	16	2.1
Thermax	100	35	5	46	389	34	4.4
Titan Company	14	52	57	35	2,400	28	3.4
Torrent Pharma	69	74	69	82	586	23	2.8
Torrent Power	71	20	42	41	563	41	5.6
Trent	33	9	13	7	1,278	62	11.0
Tube Investments	63	11	14	16	649	58	9.8
TVS Motor	51	31	48	37	808	36	4.6
UCO Bank	73	71	90	90	547	23	2.8
UltraTech Cement	24	83	74	68	1,711	20	2.5
United Spirits	87	99	82	99	429	16	2.1
Varun Beverages	25	10	2	4	1,662	61	10.9
Vedanta	38	81	93	83	1,031	20	2.5
Zydus Lifesciences	60	62	64	71	689	24	3.0
Company	Wealth Creation Rank				Wealth Created INR bn	Total Ret. CAGR (%)	Total Ret. Times (x)
	Biggest	Fastest	Consistent	All-round			

Note: Total Return CAGR considers price of March 2024 + Cumulative Dividends over 5 years (2020 to 2024)

Appendix 6: Top 20 Fastest Wealth Creators (2019-24) by Market Cap Category

Large Cap (Mkt cap rank 1 to 100)

Company	2019-24 Total Return CAGR (%)
Tata Motors	42
Siemens	37
DLF	35
Power Finance Corp	35
REC	35
Bharti Airtel	33
Adani Ports	29
Sun Pharma	28
Titan Company	28
Bajaj Auto	27
Tata Steel	27
NMDC	26
HCL Technologies	26
Avenue Supermarts	25
LTIMindtree	25
JSW Steel	24
Zydus Lifesciences	24
M & M	24
Power Grid Corp	24
Oracle Financial	24

Mid Cap (Mkt cap rank 101 to 250)

Company	2019-24 Total Return CAGR (%)
Adani Enterprises	85
Adani Power	62
Trent	62
Varun Beverages	61
Hind. Aeronautics	58
Solar Industries	52
JSW Energy	49
Adani Total Gas	48
Bharat Electronics	46
Torrent Power	41
Tata Consumer	41
Tata Power	40
A B B	40
SJVN	40
SRF	40
Apollo Hospitals	39
Jindal Steel	37
Adani Energy	36
Prestige Estates	36
TVS Motor	36

Small Cap (Mkt cap rank 251 to 500)

Company	2019-24 Total Return CAGR (%)
Adani Green	118
F A C T	77
Dixon Technologies	74
Linde India	68
Persistent Systems	67
CG Power & Ind	66
BSE	66
Apar Inds	60
APL Apollo Tubes	60
Tube Investments	58
J B Chemicals	57
Tata Elxsi	53
Suven Life Sciences	52
KEI Industries	52
Deepak Nitrite	51
Birlasoft	51
Tata Inv. Corp	50
K P R Mill	49
C D S L	49
Suzlon Energy	48

Micro Cap (Mkt cap rank 501 to 1000)

Company	2019-24 Total Return CAGR (%)
Bombay Super	94
Tata Tele. Maha.	89
Tanla Platforms	87
HBL Power System	78
Jindal Stainless	77
JBM Auto	76
Elecon Engg	72
Godawari Power	68
Titagarh Rail	67
Zen Technologies	67
ION Exchange	67
Action Construction	66
Gravita India	65
Sanghvi Movers	65
BLS International	62
AGI Greenpac	61
One Point One	61
3i Infotech	59
Valor Estate	59
Neuland Labs	56

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28th ANNUAL WEALTH CREATION STUDY (2018-2023)

Hockey-Stick Returns

The power of Economic Profit

HIGHLIGHTS

- Economic Profit is a superior metric to Accounting Profit to understand true profitability of a company
- TEM (Trend, Endowment and Moves) is a sound strategy for companies to move up the Economic Profit Power Curve
- Successful TEM companies bought at reasonable price improve the chances of hockey-stick returns
- Mid and small caps are heavily placed to deliver hockey-stick returns
- After two decades of sustained decline, PSU stocks are on a comeback

TOP 10 WEALTH CREATORS (2018-2023)

RANK	Company	5-year CAGR (%)	5-year Price Appreciation (%)	5-year P/E Ratio
1	Reliance Industries	14.08	20	24
2	ITC	8.74	16	20
3	ICICI Bank	6.08	15	20
4	Infiniti	5.63	14	20
5	Shree Cement	4.88	13	20
6	Wipro	4.78	13	20
7	State Bank of India	4.42	12	20
8	Bank of India	4.35	12	20
9	Adani Enterprises	4.24	12	20
10	ITC	4.08	12	20

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27th ANNUAL WEALTH CREATION STUDY (2017-2022)

Consistents & Volatiles

The two dimensions of Wealth Creation

HIGHLIGHTS

- Technology and Financial sectors will continue to dominate Wealth Creation in the foreseeable future
- There are only two types of companies - Consistents & Volatiles
- Consistency is the source of Outperformance; Volatility is the source of Underperformance
- Execution in execution is non-negotiable for Consistency
- Buying below median valuations like the stock in your portfolio

TOP 10 WEALTH CREATORS (2017-2022)

RANK	Company	5-year CAGR (%)	5-year Price Appreciation (%)	5-year P/E Ratio
1	Reliance Industries	13.02	19	24
2	ITC	8.74	16	20
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5	Shree Cement	4.88	13	20
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Wealth Creation

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26th ANNUAL WEALTH CREATION STUDY (2016-2021)

Atoms to Bits

Wealth Creation in the digital era

HIGHLIGHTS

- Super Financials and Technology sectors to spearhead Wealth Creation for quite some time in the future
- Value migration from Atoms to Bits is inevitable
- Replicability, Actionable delivery and near-zero marginal cost make Bits companies highly scalable
- Successful hyper growth is possible only if there is large opportunity, terrific product-market fit, wide distribution, industry effects and disruptive and economic
- Current accounting standards fail to fully capture intrinsic profitability - and hence value - of Bits companies
- India is at the cusp of harnessing digital potential
- Buy into sure winners in digital, successful digital transformers, and classical Indian IT companies

"Digital Business Design is about business first, design second and digital third."
- Aarti Deshpande & David Weinberger in their book New Digital is Your Business

TOP 10 WEALTH CREATORS (2016-2021)

RANK	Company	5-year CAGR (%)	5-year Price Appreciation (%)	5-year P/E Ratio
1	Reliance Industries	13.02	19	24
2	ITC	8.74	16	20
3	ICICI Bank	6.08	15	20
4	Infiniti	5.63	14	20
5	Shree Cement	4.88	13	20
6	Wipro	4.78	13	20
7	State Bank of India	4.42	12	20
8	Bank of India	4.35	12	20
9	Adani Enterprises	4.24	12	20
10	ITC	4.08	12	20

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25th ANNUAL WEALTH CREATION STUDY (2015-2020)

The QGLP Checklist

A friend of good, 25 frameworks to beat the market

HIGHLIGHTS

- Time is a friend of quality, and enemy of bad companies. In 25 years, successful companies grow to unimagined levels in sales, profits and market cap.
- Of the top 500 companies listed in 1995, only 200 companies have performed the benchmark over the next 25 years.
- Stock returns are always of earnings power. In the very long run, valuations matter less.
- The future always holds a lot more promise. Over 50% of current market cap is made up of intangible assets.
- Equity investing is complex. A checklist is an excellent tool to bring discipline to the process.
- The 25 questions here and the 25 related frameworks are a good starting point for an investor to create their own checklist over time.

"In my nearly 30 years of experience in wealth creation, I've found that it's not how much you know that's going to do it, but how much you know more and more about what investors ought to do, and that's a pretty vital attitude at times."
- Benjamin Graham

TOP 10 WEALTH CREATORS (2015-2020)

RANK	Company	5-year CAGR (%)	5-year Price Appreciation (%)	5-year P/E Ratio
1	Reliance Industries	13.02	19	24
2	ITC	8.74	16	20
3	ICICI Bank	6.08	15	20
4	Infiniti	5.63	14	20
5	Shree Cement	4.88	13	20
6	Wipro	4.78	13	20
7	State Bank of India	4.42	12	20
8	Bank of India	4.35	12	20
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Wealth Creation

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24th ANNUAL WEALTH CREATION STUDY (2014-2019)

Management Integrity

Understanding Sharp Practices

HIGHLIGHTS

- In equity investing, management is 90%, industry 9% and 1% everything else. Hence, getting management integrity right is the critical first step.
- There's only one way of writing honest accounts, and subtle ways of manipulating them.
- Most Sharp Practices are to inflate profits and stuff the "financial trash" in the Balance Sheet (Goodwill, Debt, Share Premium).
- Profit & Loss statements is easier to manipulate; hence, management must be particularly alert to present a crystal clear Cash Flow statement.
- Auditors must be made more accountable to minority shareholders to avoid Sharp Practices by the management.
- As an investor, have a forensic mindset to get management's explanation for all the percentages in a company's management.
- Finally, interact with various stakeholders - customers, employees, suppliers, competitors etc. - till you arrive at a moment of Management Integrity.

"The best defense against fraudsters is to not pay from them at all but to provide at the first hint of sharp practice. With more than 30,000 different stocks available to investors in this country, it is not only unnecessary but downright stupid to buy into a company run by men of doubtful integrity." Thomas H. Davenport, in his book, Don't Buy in the Dark

TOP 10 WEALTH CREATORS (2014-2019)

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23rd ANNUAL WEALTH CREATION STUDY (2013-2018)

Valuation Insights

What works, What doesn't

HIGHLIGHTS

- The two key drivers of intrinsic Value are Return on Equity (ROE) and Earnings growth
- Companies create intrinsic Value when they earn ROE higher than Cost of Equity
- Low ROE companies create Value on increasing ROE, high ROE companies on increasing growth
- Both high ROE and high Earnings growth are difficult to sustain
- PEG (P/E to Growth ratio) less than 1x is a near-perfect formula for healthy outperformance
- Current market valuations imply robust earnings growth, which remains elusive. Hence, expect market to remain soft.

"In the middle of the 20th century, a multitude of firms, well, in the investing field, price were a multitude of mistakes. For human beings, there is no substitute for love. For investing, there is no substitute for paying the right price - absolutely none!"
- Arnold Van Den Berg, Outstanding Investor (Degen, April 2008)

TOP 10 WEALTH CREATORS (2013-2018)

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22nd ANNUAL WEALTH CREATION STUDY (2012-2017)

CAP & GAP

Power of longevity in Wealth Creation

HIGHLIGHTS

- Longer lived high growth companies are few. Understanding of Competitive Advantage Period (CAP) and Growth Advantage Period (GAP) improves the chances of finding them.
- Most without growth will underperform; growth without merit will end soon.
- Longevity and speed of CAP-com-GAP companies are inversely correlated.
- These characteristics of CAP-com-GAP companies are - Clear strategy, High growth mindset, and high-growth industry situations.

"The strategy is to find a good business - and one that I can understand why it's good - with a durable competitive advantage, one to sell and invest people, and available at a price that makes sense. Because we are not going to sell the business, we don't need something with earnings that go up the next month or the next quarter; we need something that will earn more money in 10 and 20 and 30 years from now."
- Warren Buffett, in Fortune Magazine's 500th Anniversary issue

TOP 10 WEALTH CREATORS (2012-2017)

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21st ANNUAL WEALTH CREATION STUDY (2011-2016)

FOCUSED INVESTING

Power of allocation in Wealth Creation

HIGHLIGHTS

- Stock allocation (how much to buy) is a powerful tool for portfolio performance, but is under-researched vis-a-vis stock selection (what to buy)
- Key formula offers 3 insights for equity investing: (1) Look for asymmetric payoff (2) Create edge (3) Bet big
- Opportunities for big bets come seldom; focused investing is a sound strategy to capitalize on them
- Key to successful Focused Investing are: (1) Clear portfolio goal (2) Superior stock selection (3) Rational allocation (4) Exceptional returns rather than acceptable returns
- Disciplined practice should lead to exceptional returns rather than acceptable returns

"Not seldom, and only when the odds are strongly in your favor, but when you do, bet big, hold for the long term, and control your downside risk!"
- From the book Concentrated Investing, by Allen C. Bernstein, Michael V. Berns, T. Collette

TOP 10 WEALTH CREATORS (2011-2016)

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20th ANNUAL WEALTH CREATION STUDY (2010-2015)

Mid-to-Mega

The power of industry leadership in Wealth Creation

HIGHLIGHTS

- Value Migration is increasingly becoming the key driver of rapid wealth creation
- Industry leadership is a necessary pre-requisite to be a megacorp
- Market cap rank is a powerful tool to assess a company's current standing and the roadmap ahead
- Mid-to-Mega markets a big change in reality, driven by the long-term effect of MNCs (Mid-size, Quality, Growth, Longevity and Price)

"The value migration of industries results in the rise of the very strongest in markets that capture the attention. - Ray, by effects, industries effects, in addition that come from large concentrations of factors." - Charles Menger

TOP 10 WEALTH CREATORS (2010-2015)

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