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Thematic Study
14 December 2007

# 2002 - 2007

# 12TH ANNUAL WEALTH CREATION STUDY

BY RAAMDEO AGRAWAL

## TOP 10 WEALTH CREATORS (2002 - 2007)

| | THE BIGGEST | | THE FASTEST | | THE MOST CONSISTENT | | |
|---|---|---|---|---|---|---|---|
| Rank | Company | Wealth Created (Rs b) | Company | 5-Year Price CAGR (%) | Company | Appeared in WC Study (x) | 15-Year Price CAGR (%) |
| 1 | Reliance Inds | 1,856 | BF Utilities | 267 | Hero Honda | 12 | 24 |
| 2 | O N G C | 1,490 | Unitech | 246 | Ranbaxy Labs | 12 | 14 |
| 3 | Bharti Airtel | 1,366 | Anant Raj Inds | 232 | Wipro | 11 | 47 |
| 4 | Infosys Tech | 855 | Praj Inds | 207 | Cipla | 11 | 36 |
| 5 | ICICI Bank | 566 | Aban Offshore | 170 | Dr Reddy's Labs | 11 | 23 |
| 6 | B H E L | 512 | Kirl Brothers | 156 | H D F C | 11 | 20 |
| 7 | S A I L | 451 | Guj Flourochem | 138 | Asian Paints | 10 | 19 |
| 8 | Larsen & Toubro | 433 | Sesa Goa | 134 | ITC | 10 | 12 |
| 9 | State Bank of India | 407 | Areva T&D | 124 | Nicholas Piramal | 10 | 10 |
| 10 | Wipro | 394 | Pantaloon Retail | 120 | GlaxoSmithKline | 10 | 8 |

## HIGHLIGHTS

- Bargains are found when markets are blind to large business opportunity, positive changes or sustained growth; losses are guaranteed when one grossly overpays.
- India's next trillion dollar journey will see distinctly buoyant corporate profits, and boom in savings & investment.
- At current valuations, margin of safety in the market is low. However, very high liquidity can lift the market to rich levels of valuation for quite some time.

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# Contents



## Abbreviations and Terms used in this report

| ABBREVIATION / TERM | DESCRIPTION |
|---|---|
| 2002, 2007, etc | Reference to years for India are financial year ending March, unless otherwise stated |
| Avg | Average |
| Contbn | Contribution |
| CAGR | Compound Annual Growth Rate; All CAGR calculations are for 2002 to 2007 unless otherwise stated |
| 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 |
| RS B | Indian Rupees in Billions |
| WC | Wealth Creation / Wealth Created |
| Wealth Created | Increase in Market Capitalization over the last 5 years, duly adjusted for corporate events such as fresh equity issuance, mergers, demergers, share buybacks, etc. |

# Objective, Concept & Methodology

## Objective

The foundation of Wealth Creation is in buying businesses at a price substantially lower than their "intrinsic value" or "expected value". The lower the market value is compared to the intrinsic value, the higher is the margin of safety. In this year's study, we continue our endeavor to cull out the characteristics of businesses, which 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 How to Value a Business.

## Concept

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. Wealth Creation is achieved by the rational actions of a company in a sustained manner.

## Methodology

For the purpose of our study*, we have identified the top 100 Wealth Creators in the Indian stock market for the period 2002-2007. These companies have the distinction of having added at least Rs1b to their market capitalization over this period of five years, after adjusting for dilution. We have termed the group of Wealth Creators as the '*MOSt - 100*'. The biggest and fastest Wealth Creators have been listed in Appendix I and II on page 41 and 43, respectively. Ranks have been accorded on the basis of Size and Speed of Wealth Creation (speed is price CAGR during the period under study).

On the cover page, we have presented the top 10 companies in terms of Size of Wealth Creation (called THE BIGGEST), the top 10 companies in terms of Speed of Wealth Creation (called THE FASTEST), and the top 10 companies in terms of their frequency of appearance as wealth creators in our Wealth Creation studies (called THE MOST CONSISTENT).

### Theme 2008

Our Theme for 2008 is **India - The Next Trillion Dollar Opportunity**, discussion on which starts from page 20.

** Capitaline database has been used for this study*

**Wealth Creation**

***2002-2007***

**The 12TH Annual Study**

# Findings

# Wealth Creation

*2002-2007*

## The Biggest Wealth Creators

### The award goes to Reliance

For the last four years, Reliance has steadily climbed its way up the list of Biggest Wealth Creators. It was ranked 4th in 2004, 3rd in 2005, 2nd last year (behind ONGC) and tops the list this year.

For Reliance, price CAGR is significantly ahead of PAT CAGR due to embedded value of oil and gas reserves, and potential unlocking of value in its retail business.

### Distribution of wealth created by rank

The top 100 wealth creators created Rs7,065 billion of wealth between 2002 and 2007. As in the past, the top 10 account for about 50% of this.

### Key Finding

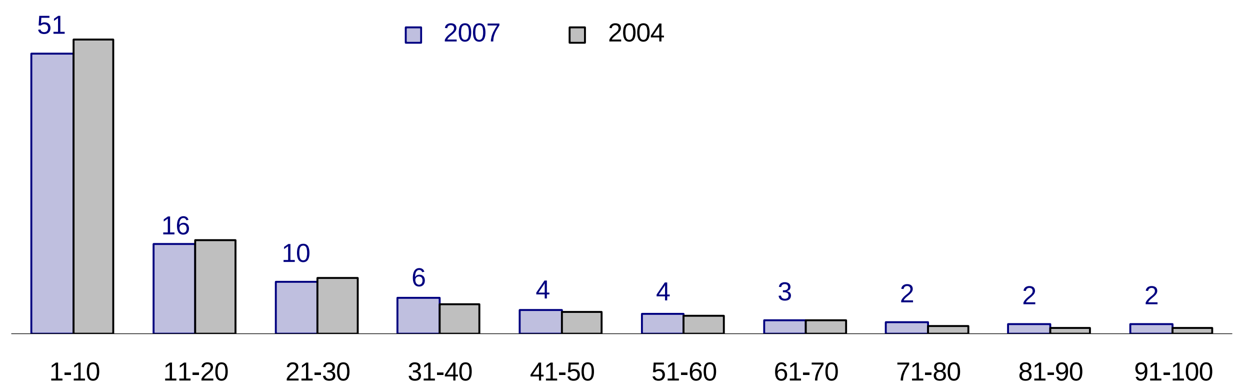
Large, unpopular (even loss-making) companies are potential multi-baggers with high margin of safety.

**Example:** Bharti and SAIL are large companies, but were unpopular in 2002 due to lack of profits. Low visibility of profits laid the foundation for huge wealth creation at rapid pace.

TOP 10 BIGGEST WEALTH CREATORS

| RANK | COMPANY | NET WEALTH CREATED | | PRICE | PAT | P/E (X) | |
|---|---|---|---|---|---|---|---|
| | | RS B | % SHARE | CAGR (%) | CAGR (%) | FY07 | FY02 |
| 1 | Reliance Inds. | 1,856 | 11.4 | 50 | 30 | 16 | 10 |
| 2 | O N G C | 1,490 | 9.1 | 37 | 20 | 12 | 6 |
| 3 | Bharti Airtel | 1,366 | 8.4 | 82 | L to P | 36 | N.A. |
| 4 | Infosys Tech. | 855 | 5.2 | 34 | 36 | 30 | 31 |
| 5 | ICICI Bank | 566 | 3.5 | 47 | 64 | 25 | 11 |
| 6 | B H E L | 512 | 3.1 | 68 | 39 | 23 | 9 |
| 7 | S A I L | 451 | 2.8 | 88 | L to P | 8 | N.A. |
| 8 | Larsen & Toubro | 433 | 2.7 | 78 | 32 | 33 | 13 |
| 9 | State Bank of India | 407 | 2.5 | 35 | 13 | 12 | 5 |
| 10 | Wipro | 394 | 2.4 | 15 | 27 | 28 | 46 |

DISTRIBUTION OF WEALTH CREATION BY RANK (%)



# Wealth Creation

## *2002-2007*

## The Fastest Wealth Creators

**The award goes to BF Utilities**

BF Utilities has bagged the Fastest Wealth Creator for 2007, with a whopping 5-year stock price CAGR of 267%. This is the highest ever in the 12-year history of our Wealth Creation studies.

In fact, the four fastest wealth creators – BF Utilities, Unitech, Anant Raj Industries and Praj Industries – have all registered over 200% price CAGR, higher than the hitherto highest ever of 195% recorded by SSI way back in 2000.

In most cases, stock price CAGR has a strong correlation with PAT CAGR. In BF Utilities, the embedded value of land has driven stock price rather than earnings.

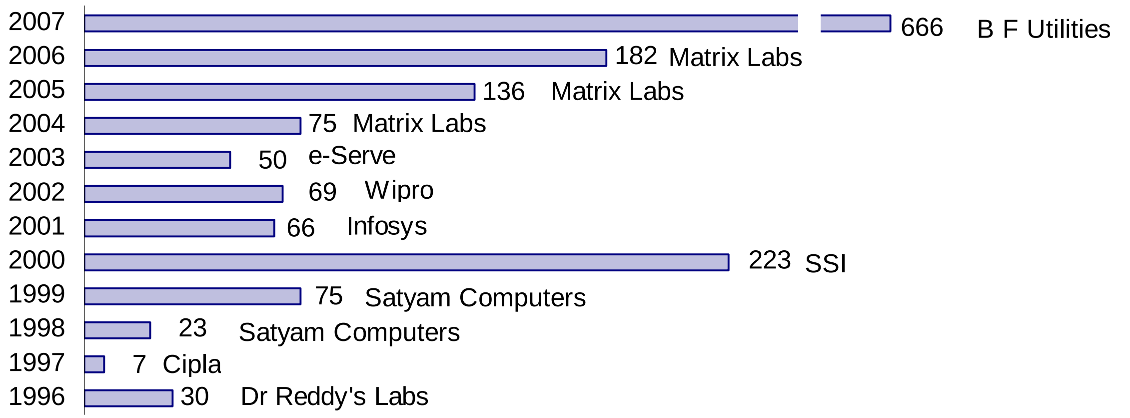
### Key Finding

Real estate sector as a wealth creator in the stock market is the latest phenomenon. The future will see this sector growing bigger and faster than many others.

TOP 10 FASTEST WEALTH CREATORS

| RANK | COMPANY | PRICE APPREN. (X) | PRICE CAGR (%) | PAT CAGR (%) | MCAP (RS B) FY07 | MCAP (RS B) FY02 |
|---|---|---|---|---|---|---|
| 1 | BF Utilities | 665 | 267 | P to L | 88 | 0.1 |
| 2 | Unitech | 497 | 246 | 173 | 314 | 0.6 |
| 3 | Anant Raj Inds. | 401 | 232 | 164 | 39 | 0.0 |
| 4 | Praj Inds. | 274 | 207 | 227 | 32 | 0.1 |
| 5 | Aban Offshore | 144 | 170 | 50 | 75 | 0.4 |
| 6 | Kirl. Brothers | 110 | 156 | 94 | 38 | 0.3 |
| 7 | Guj. Flourochem. | 76 | 138 | 51 | 33 | 0.4 |
| 8 | Sesa Goa | 70 | 134 | 108 | 67 | 1.0 |
| 9 | Areva T&D | 57 | 124 | L to P | 43 | 0.8 |
| 10 | Pantaloon Retail | 51 | 120 | 76 | 56 | 0.6 |

2002-07 PRICE APPRECIATION (X): BF UTILITIES - FASTEST EVER WEALTH CREATOR



# Wealth Creation

*2002-2007*

## Most Consistent Wealth Creators

**The award goes to Wipro**

Instituted in 2005, the Most Consistent Wealth Creator Award is akin to a lifetime achievement award. The top two on the list have already won it once – Hero Honda in 2005 and Ranbaxy in 2006. Thus, in 2007, the award goes to Wipro, ahead of contenders Cipla, Dr Reddy's and HDFC on the tie-breaker of 15-year price CAGR.

**Consumer Companies = Consistency**

Analysis of the consistent wealth creators over the last three years indicate that except for Infosys, Wipro and Satyam, all other companies are consumer-facing – auto, financial services, FMCG and pharma.

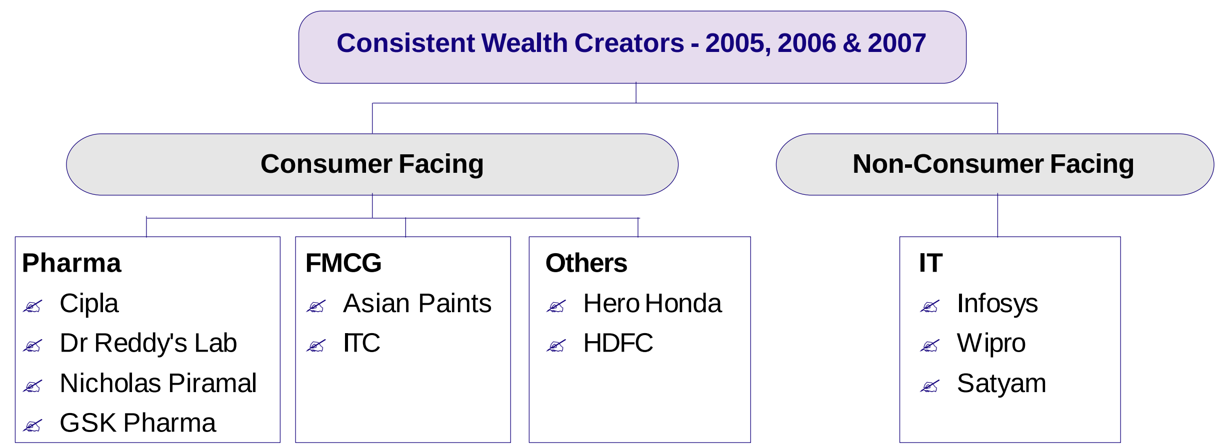
### Key Finding

Non-cyclicality of business is a key driver of consistent wealth creation. FMCG stocks have underperformed the market over the last few years, and are worth exploring.

TOP 10 FASTEST WEALTH CREATORS

| RANK | COMPANY | APPEARED IN WC STUDY (X) | 15-YR PRICE CAGR (%) | PAT CAGR (%) | P/E (X) | |
|---|---|---|---|---|---|---|
| | | | | | 2007 | 2002 |
| 1 | Hero Honda Motor | 12 | 24 | 13 | 16 | 14 |
| 2 | Ranbaxy Labs. | 12 | 14 | 9 | 35 | 40 |
| 3 | Wipro | 11 | 47 | 27 | 28 | 46 |
| 4 | Cipla | 11 | 36 | 23 | 27 | 26 |
| 5 | Dr Reddy's Labs. | 11 | 23 | 21 | 10 | 18 |
| 6 | H D F C | 11 | 20 | 22 | 24 | 14 |
| 7 | Asian Paints | 10 | 19 | 19 | 27 | 18 |
| 8 | ITC | 10 | 12 | 18 | 21 | 14 |
| 9 | Nicholas Piramal | 10 | 10 | 31 | 27 | 21 |
| 10 | Glaxosmithkline | 10 | 8 | 65 | 17 | 58 |

CONSUMER COMPANIES SCORE HIGH ON CONSISTENT WEALTH CREATION



# Wealth Creators (Wealthex)

## *Comparative Performance v/s BSE Sensex*

**Superior performance on all fronts**

We have compared the performance of Wealthex (top 100 wealth creators index) with the BSE Sensex on three parameters – (1) market performance, (2) earnings growth and (3) valuation. The Wealthex is superior to the Sensex in all the three.

**Market performance:** Wealthex beat the Sensex in four of the last five years, and matched it in FY07. Thus, over the five-year period, the Wealthex outperformed the Sensex by 178%.

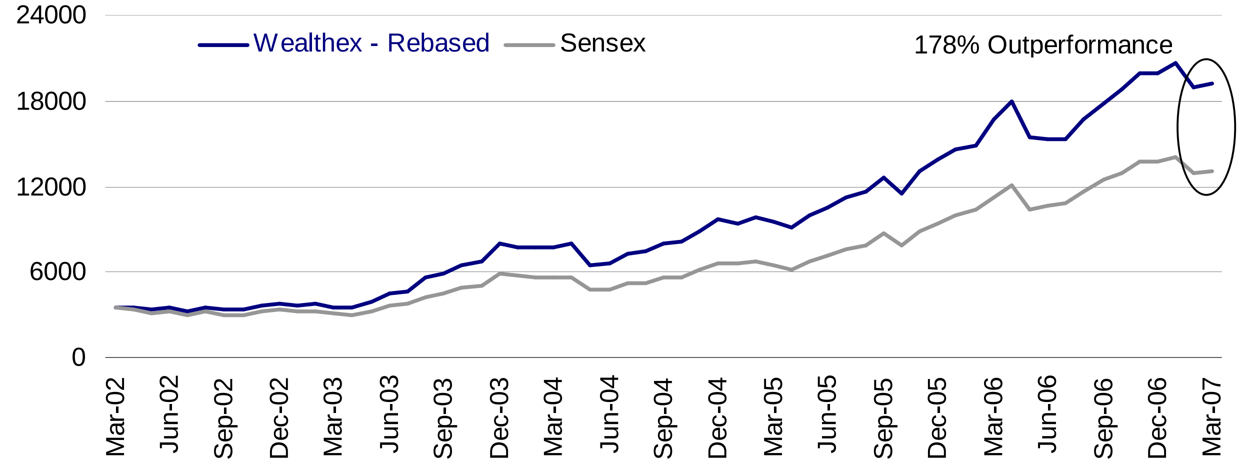
**Earnings growth:** Every year for the last five years, Wealthex PAT growth is higher than that of the Sensex. Overall, five-year PAT CAGR for the Wealthex is 33%, compared to 29% for the Sensex.

**Valuation:** Due to earnings performance, Wealthex companies saw a higher expansion in PEs (33% vs 6% for Sensex). Still, the Wealthex traded cheaper than the Sensex in each of the last six years.

### Key Finding

Sustained earnings growth leads to higher rate of P/E expansion, and stocks are able to outperform even if their PE is not yet at the market level.

WEALTH CREATORS' INDEX V/S BSE SENSEX (31.3.02 TO 31.3.07)




SENSEX V/S WEALTH CREATORS: HIGHER EARNINGS GROWTH, LOWER VALUATION

| | MAR-02 | MAR-03 | MAR-04 | MAR-05 | MAR-06 | MAR-07 | 5-YEAR CAGR (%) |
|---|---|---|---|---|---|---|---|
| BSE Sensex | 3,469 | 3,049 | 5,591 | 6,493 | 11,280 | 13,072 | 30.4 |
| *YoY Performance (%)* | | *-12.1* | *83.4* | *16.1* | *73.7* | *15.9* | |
| Wealth Creators - based to Sensex | 3,469 | 3,529 | 7,706 | 9,590 | 16,671 | 19,261 | 40.9 |
| *YoY Performance (%)* | | *1.7* | *118.4* | *24.5* | *73.8* | *15.5* | |
| Sensex EPS | 201 | 272 | 348 | 450 | 523 | 718 | 29.0 |
| *YoY Performance (%)* | | *5.3* | *27.9* | *29.3* | *16.2* | *37.3* | |
| Sensex P/E (x) | 17 | 11 | 16 | 14 | 22 | 18 | |
| Wealth Creators EPS | 284 | 442 | 564 | 761 | 860 | 1,174 | 32.8 |
| *YoY Performance (%)* | | *55.5* | *27.7* | *34.8* | *13.0* | *36.6* | |
| Wealth Creators P/E (x) | 12 | 8 | 14 | 13 | 19 | 16 | |

# Wealth Creators

## *Classification By*

## New Economy v/s Old Economy

**Engineering, Telecom have size with speed**

Led by Reliance and ONGC, Oil & Gas dominates in terms of total wealth created, followed by Banking, Engineering and IT.

In terms of speed, the emerging sectors, Real Estate and Retail lead the pack, confirmed by the fact that all three real estate companies (BF Utilities, Anant Raj and Unitech) and Pantaloon Retail feature in our list of fastest wealth creators.

Engineering and Telecom seem to enjoy the best combination of size and speed.

**New Economy beginning to assert itself**

Wealth Creators in old economy businesses continue to outnumber those in new economy businesses, viz, IT, Telecom, and Media. New economy companies are beginning to assert themselves, with share of wealth rising every year.

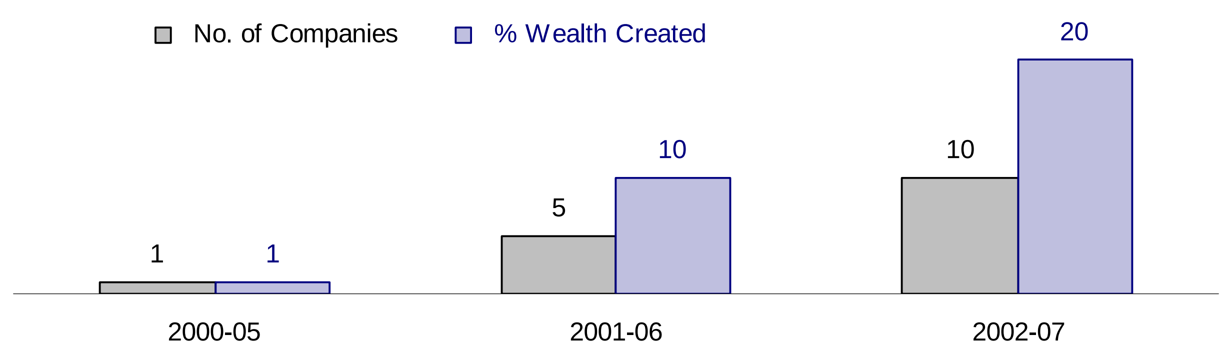
### Key Finding

Telecom, Real Estate and Engineering are the sectors to watch out for in terms of huge wealth creation at a rapid pace, as earnings growth will continue to exceed market expectations.

**WEALTH CREATORS: CLASSIFICATION BY INDUSTRY** (RS B)

| INDUSTRY | WEALTH CREATED (RS B) | SHARE OF WC (%) | AVG. WC PER CO. (RS B) | PRICE CAGR (%) | PAT CAGR (%) | P/E (X) 2007 | P/E (X) 2002 |
|---|---|---|---|---|---|---|---|
| Oil & Gas (7) | 3,981 | 24 | 569 | 38 | 24 | 12 | 7 |
| Banking & Finance (11) | 2,083 | 13 | 189 | 50 | 23 | 17 | 6 |
| Engineering (13) | 1,711 | 10 | 132 | 68 | 39 | 27 | 10 |
| IT (6) | 1,687 | 10 | 281 | 26 | 30 | 27 | 32 |
| Metals (10) | 1,485 | 9 | 148 | 55 | L to P | 8 | N.A. |
| Telecom (2) | 1,427 | 9 | 713 | 66 | 30 | 34 | 10 |
| Auto (10) | 961 | 6 | 96 | 45 | 39 | 18 | 15 |
| FMCG (7) | 654 | 4 | 93 | 29 | 21 | 22 | 16 |
| Pharma (10) | 601 | 4 | 60 | 24 | 26 | 22 | 24 |
| Cement (5) | 454 | 3 | 91 | 46 | 49 | 12 | 13 |
| Others (8) | 422 | 3 | 53 | 53 | 30 | 17 | 7 |
| Constn./Real Estate (3) | 377 | 2 | 126 | 230 | 127 | 32 | 5 |
| Ultility (4) | 253 | 2 | 63 | 35 | 5 | 19 | 5 |
| Media (2) | 147 | 1 | 73 | 15 | 13 | 78 | 70 |
| Retail (2) | 81 | 0 | 41 | 102 | 60 | 44 | 14 |
| **Total** | **16,323** | **100** | **163** | **41** | **33** | **16** | **12** |

NEW ECONOMY PERFORMANCE IN THE TOP 100 WEALTH CREATORS



# Wealth Creators

## *Classification By* MNCs v/s Indian Companies

**MNCs have underperformed Indian peers**

During the study period, MNCs – mainly led by FMCG and Pharma stocks – underperformed the Indian companies both in terms of earnings CAGR and price CAGR. However, Indian markets still believe in the long-term potential of MNCs as indicated by their significantly higher P/Es.

**MNC dominance on the wane:** Over the last 10 years, MNCs have lost significant share both in terms of number of companies and amount of wealth created. Within MNCs, there is a sharp change in composition with Engineering and Capital Goods companies like ABB, Siemens, Cummins and MICO replacing FMCG companies like Hindustan Unilever and Colgate. Given India's capex boom, the financial and stock market performance of MNCs is still in line with Indian companies.

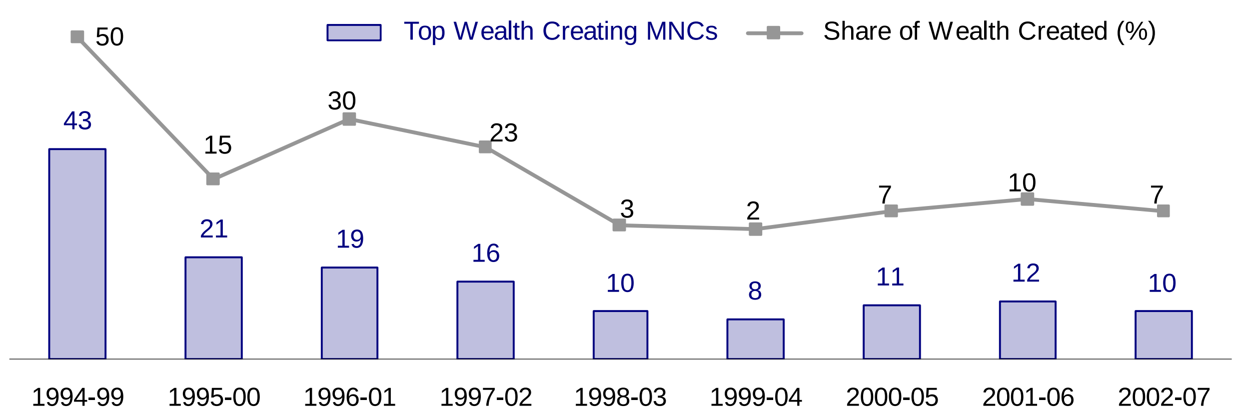
### Key Finding

New businesses and entrepreneurs have eclipsed old MNC clout in wealth creation. New MNCs like Nokia and Samsung do not seem keen on listing themselves in India.

WEALTH CREATORS: MNCs V/S INDIAN COMPANIES

| | 2002-2007 | |
|---|---|---|
| | MNC | INDIAN |
| Number of Wealth Creators | 10 | 90 |
| % Wealth Created | 7 | 93 |
| 5-year Earnings CAGR (%) | 27 | 33 |
| 5-year Price CAGR (%) | 37 | 41 |
| P/E (x) at the Beginning of Study Period | 17 | 12 |
| P/E (x) at the End of Study Period | 24 | 16 |

MNCs ARE WANING IN WEALTH CREATION



# Wealth Creators

## *Classification By* Ownership: State v/s Private

**State-owned companies have underperformed private companies**

During the study period, PSUs in aggregate underperformed the Indian companies both in terms of earnings CAGR and price CAGR. The PSU laggards in price growth are Neyveli Lignite, Shipping Corporation, Indian Oil, Nalco and GAIL.

Thanks to deregulation in most industries, private companies continue to overwhelm PSUs (public sector undertakings) in the number of top wealth creators and the share of wealth created.

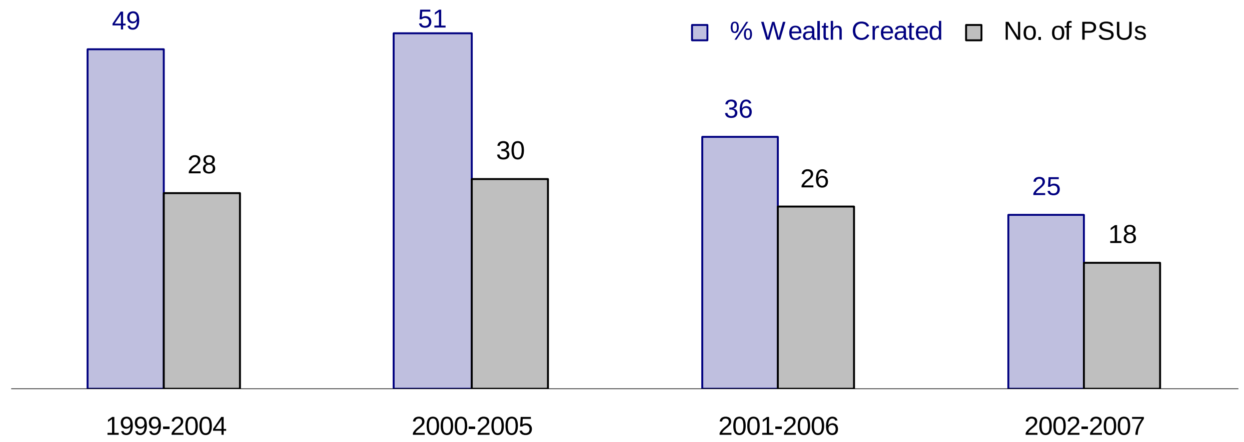
### Key Finding

This is a classic case of value migration. Going forward, it is advisable to have a large weight for the private sector in any portfolio. However, select PSUs like SBI, BHEL, SAIL and ONGC which are dominant in their respective sectors cannot be ignored.

WEALTH CREATORS: STATE-OWNED V/S PRIVATELY-OWNED

| | 2002-2007 | |
|---|---|---|
| | STATE-OWNED | PRIVATE |
| No. of Wealth Creators in Top 100 | 18 | 82 |
| Share of Wealth Created (%) | 25 | 75 |
| 5-year Earnings CAGR (%) | 27 | 37 |
| 5-year Price CAGR (%) | 39 | 42 |
| P/E (x) at the Beginning of Study Period | 7 | 17 |
| P/E (x) at the End of Study Period | 10 | 20 |

DEREGULATION DIMINISHES ROLE OF STATE-OWNED COMPANIES IN WEALTH CREATED



# Wealth Creators

## *Classification By* Age Group

**Old companies for size, young for speed**

The older companies tend to contribute higher share of wealth created, while the newer companies have speed in their favor, given their low base.

During 2002-07, companies in the age range of 21-50 have contributed to 44% of the wealth created, while companies less than 10 years old have recorded a price CAGR of 100% over five years.

(The age group of 31-40 seems to be the only exception, mainly due to sharp turnaround in SAIL and Essar Steel, and the presence of Unitech.)

### Key Finding

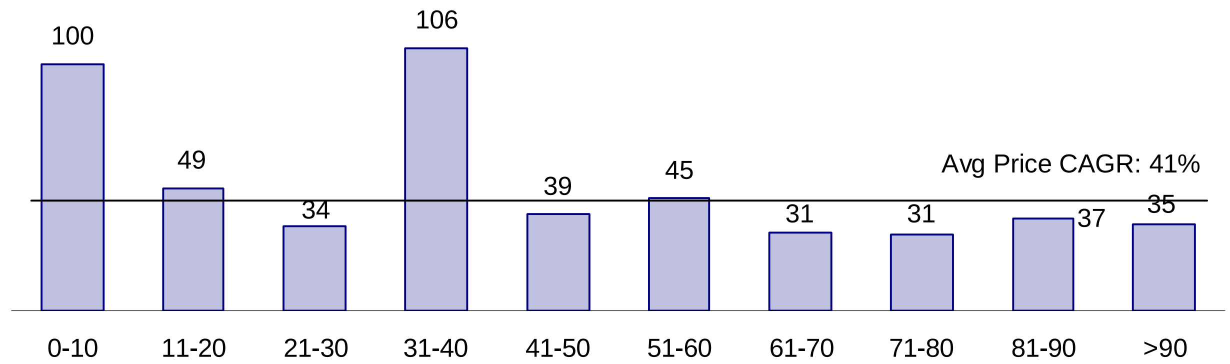
Catch them young. Companies less than 10 years old tend to report higher PAT growth, given their low base. High earnings growth leads to high P/Es, which explains their outperformance to older peers.

**Example:** The 0-10 year-old high fliers in our study are BF Utilities, Godrej Consumer, Jindal Steel and United Spirits.

WEALTH CREATORS: CLASSIFICATION BY AGE-GROUP

| NO. OF YEARS | NO. OF COS. | WEALTH CREATED (RS B) | % SHARE OF WC | PAT CAGR (%) |
|---|---|---|---|---|
| 0-10 | 4 | 230 | 1 | 52 |
| 11-20 | 21 | 4,715 | 29 | 31 |
| 21-30 | 22 | 2,643 | 16 | 23 |
| 31-40 | 4 | 1,030 | 6 | L to P |
| 41-50 | 15 | 3,497 | 21 | 30 |
| 51-60 | 12 | 1,241 | 8 | 19 |
| 61-70 | 9 | 1,635 | 10 | 36 |
| 71-80 | 4 | 324 | 2 | 33 |
| 81-90 | 3 | 175 | 1 | 23 |
| >90 | 6 | 834 | 5 | 30 |
| **Total** | **100** | **16,323** | **100** | **33** |

WEALTH CREATORS: PRICE CAGR BY AGE RANGE



# Wealth Creators

## *Classification By* Size

**Indian entrepreneurs are thinking big**

Data indicates an inverse relationship between MCap and speed of returns i.e. smaller the market cap, larger the returns. Stocks which had less than Rs2b MCap in 2002 have enjoyed a price CAGR of 136%. On the other hand, large caps offered lower 25-35% returns.

Half of the top wealth creating companies had a market cap of less than Rs10b in 2002. In five years, these companies had expanded their market cap by an average 20 times! This is a clear reflection of many Indian entrepreneurs coming of age.

### Key Finding

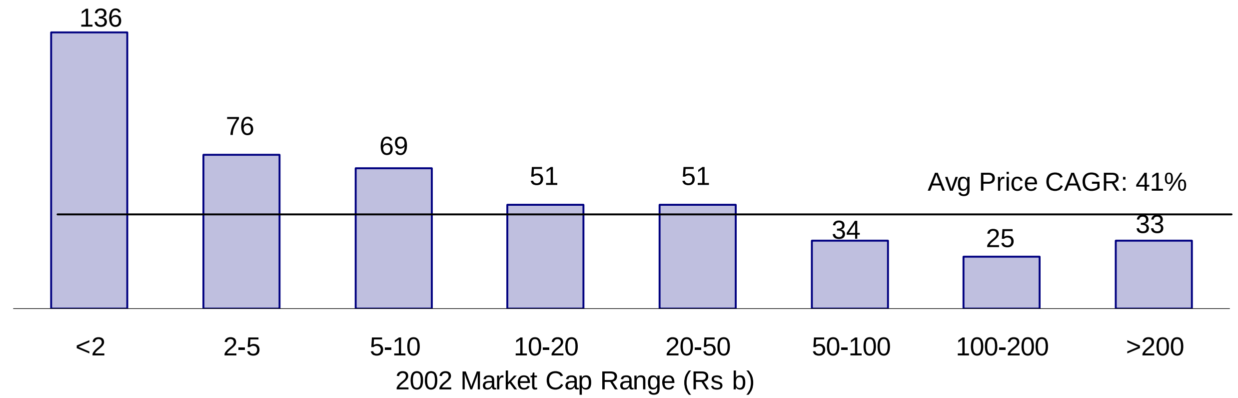
Small and mid-size companies with a large business opportunity and ambitious, aggressive management can be kickers for superior returns in any portfolio.

**Example:** Some of the smaller companies in our study include Anant Raj Industries, TV 18 India, Praj Industries and Kotak Mahindra Bank.

WEALTH CREATORS: BASE YEAR MARKET CAP

| 2002 MARKET CAP RANGE (RS B) | NO. OF COMPANIES | WEALTH CREATED (RS B) | SHARE OF WC (%) | MCAP (RS B) 2007 | MCAP (RS B) 2002 |
|---|---|---|---|---|---|
| <2 | 20 | 1,143 | 7 | 1,200 | 16 |
| 2-5 | 17 | 758 | 5 | 910 | 54 |
| 5-10 | 13 | 1,220 | 7 | 1,417 | 103 |
| 10-20 | 12 | 1,080 | 7 | 1,276 | 163 |
| 20-50 | 17 | 3,460 | 21 | 4,288 | 545 |
| 50-100 | 13 | 2,932 | 18 | 3,829 | 887 |
| 100-200 | 4 | 1,136 | 7 | 1,687 | 544 |
| >200 | 4 | 4,594 | 28 | 5,719 | 1,349 |
| **Total** | **100** | **16,323** | **100** | **20,327** | **3,661** |

WEALTH CREATORS: PRICE CAGR BY MARKET CAP RANGE IN 2002



# Wealth Creators

## *Classification By* Sales and Earnings Growth

**Sales & earnings growth - higher the better**
This is saying the obvious, but still saying it is important. Hyper growth leads to significant improvement in fundamentals (earnings growth and RoE) ensuring that even if there is no major P/E re-rating, stock returns are high.

In the adjacent table, 40-50% sales growth companies include mainly cyclicals such as Sterlite, Jindal Steel, Hindustan Zinc and Sesa Goa. The >50% range includes sunrise companies like Bharti, Financial Technologies, Praj and Pantaloon Retail.

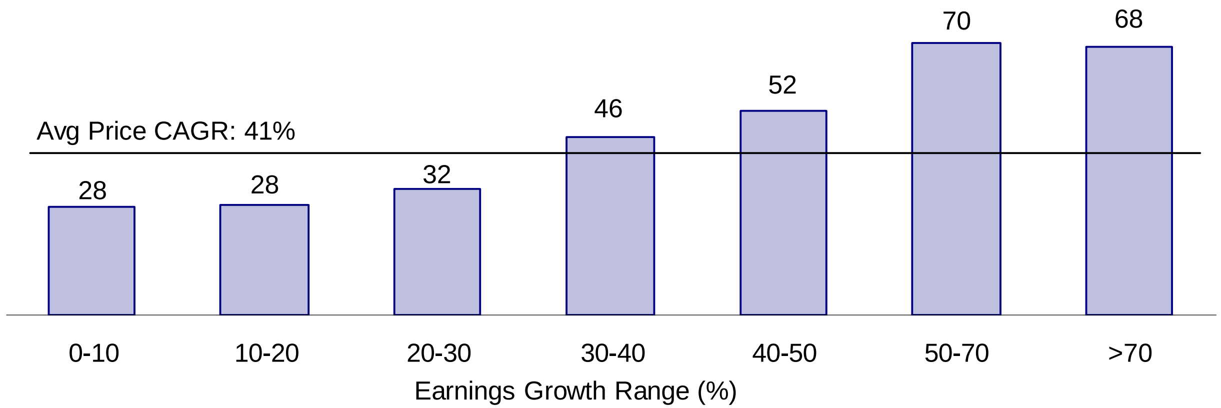
### Key Finding

Sunrise businesses will continue to do well in the foreseeable future. At the same time, the growing Indian economy has resulted in a new dawn for many traditional businesses such as Engineering, Construction, Financial Services, Cement and Steel.

WEALTH CREATORS: CLASSIFICATION BY SALES GROWTH

| SALES GR. RANGE (%) | NO. OF COS. | SHARE OF WC (%) | PRICE CAGR (%) | PAT CAGR (%) | ROE (%) | | P/E (X) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 2007 | 2002 | 2007 | 2002 |
| 0-10 | 15 | 7.8 | 32.3 | 10.9 | 14.5 | 15.5 | 13.3 | 5.5 |
| 10-20 | 25 | 26.3 | 34.5 | 22.2 | 23.4 | 18.5 | 14.3 | 8.8 |
| 20-30 | 27 | 30.3 | 45.0 | 57.8 | 24.2 | 6.9 | 14.5 | 22.1 |
| 30-40 | 17 | 15.1 | 32.2 | 41.1 | 28.3 | 18.2 | 24.9 | 34.4 |
| 40-50 | 7 | 4.2 | 84.2 | 81.3 | 37.0 | 8.2 | 11.1 | 10.3 |
| >50 | 9 | 16.2 | 77.2 | 68.8 | 21.1 | 5.2 | 27.0 | 21.2 |
| **Total** | **100** | **100.0** | **40.9** | **32.8** | **22.8** | **13.6** | **16.4** | **12.2** |

WEALTH CREATORS: PRICE CAGR BY 2002-07 EARNINGS GROWTH RANGE



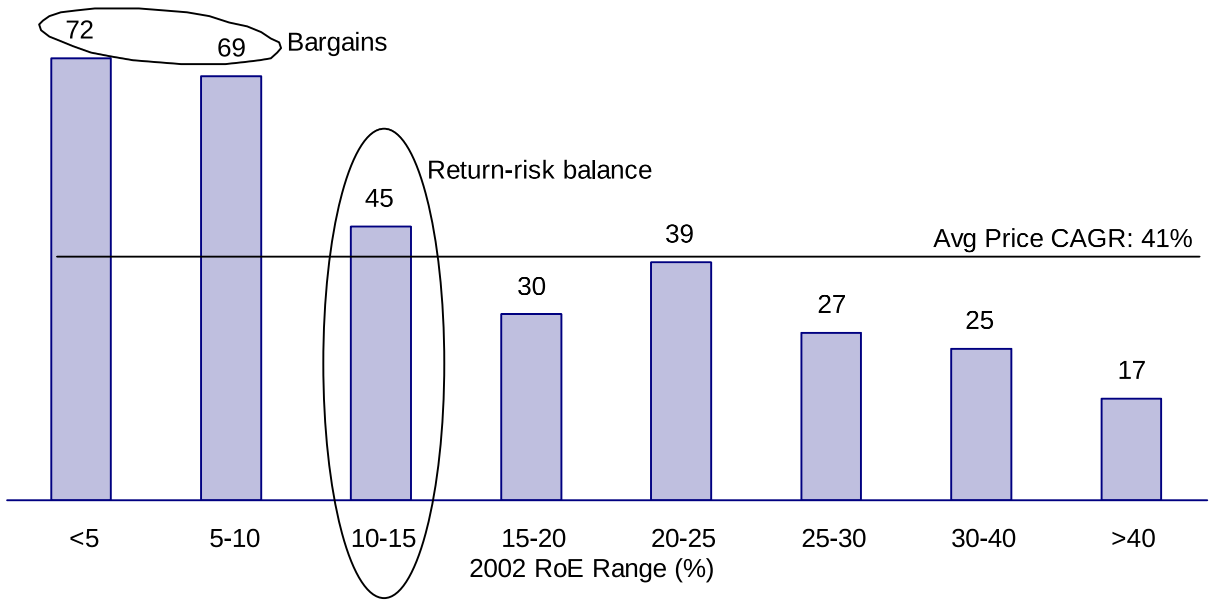
# Wealth Creators

## *Classification By* RoE

**Bargains are found when markets are blind to change**

When profitability of companies is good (i.e. high RoE), it is tough to find them cheap. Bargains are available when changing dynamics of a company's business is not known to the market.

WEALTH CREATORS: PRICE CAGR BY ROE




### Key Finding

Consumer-facing companies – FMCG, banks, Passenger Vehicles – have modest earnings growth of 10-20% but offer disproportionately high market returns (28%) for relatively low level of risk (high RoE and low valuation).

# Wealth Creators

## *Classification By* Export Performance

**Exports are driving sales growth...**

For the 90 top wealth generators (10 Banks excluded), last 5-year CAGR of exports was 37%, much higher than sales CAGR of 21%. Export to sales is showing a secular rising trend – 12% of sales in 2002 to 19% in 2007.

**… but high exporters have underperformed**

Of the 90 top wealth generators, 65 companies had exports to sales of less than 25%, but accounted for over 80% of the wealth generated.

Companies with exports/sales higher than 50% (mainly Pharma and IT companies) have tended to underperform, implying vulnerability to global risks.

### Key Finding

Going forward too, investors need to be cautious of businesses and companies with high export/sales, due to risks of US slowdown and expectations of secular strengthening of the rupee.

Predominantly domestic businesses such as Banking, Real Estate, Engineering and Construction are likely to enjoy higher share of wealth created.

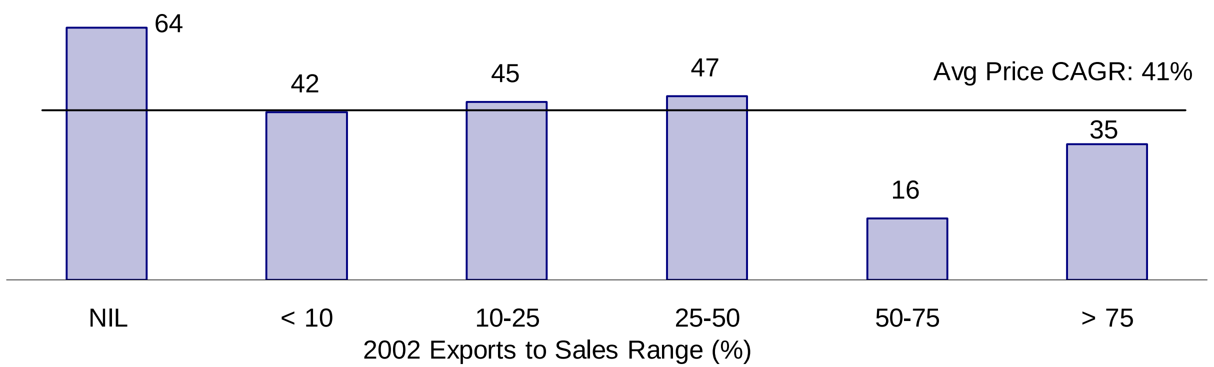
WEALTH CREATORS: CLASSIFICATION BY EXPORT PERFORMANCE (EXCLUDING BANKS)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | CAGR (%) |
|---|---|---|---|---|---|---|---|
| Sales | 3,348 | 3,849 | 4,391 | 5,637 | 6,710 | 8,656 | 20.9 |
| *YoY Growth (%)* | | *15.0* | *14.1* | *28.4* | *19.0* | *29.0* | |
| Exports | 393 | 461 | 620 | 970 | 1,201 | 1,868 | 36.6 |
| *YoY Growth (%)* | | *17.5* | *34.5* | *56.3* | *23.9* | *55.5* | |
| *Exports to Sales (%)* | *12.3* | *10.2* | *12.3* | *15.4* | *15.9* | *19.2* | |

WEALTH CREATORS: BY BASE YEAR EXPORT PERFORMANCE (EXCLUDING BANKS)

| 2002 EXPORT % TO SALES | NO. OF COMPANIES | WEALTH CREATED (RS B) | SHARE OF WEALTH CREATED (%) |
|---|---|---|---|
| NIL | 11 | 1,844 | 13 |
| < 10 | 33 | 5,545 | 38 |
| 10-25 | 21 | 4,412 | 30 |
| 25-50 | 9 | 511 | 4 |
| 50-75 | 9 | 852 | 6 |
| > 75 | 7 | 1,375 | 9 |
| **Total** | **90** | **14,539** | **100** |

PRICE CAGR BY EXPORT PERFORMANCE



# Wealth Creators

## *Classification By* Valuation Parameters

**To create wealth, be ahead of the crowd**
Bulk of the wealth created (61%) is by stocks bought at a PE of less than 10x. The price CAGR in these stocks is also much higher than average. To create wealth, focus on growth but be ahead of the crowd.

**Price/Book of less than 1x still works!**
45 out of the top 100 wealth creators were available in 2002 at Price/Book of less than 1x. Needless to add, their price CAGR is also significantly high.

**Watch for Price/Sales of 1x or less**
57 of the top 100 wealth creators had Price/Sales of 1x or less in 2002.

WEALTH CREATORS: CLASSIFICATION BY VALUATION PARAMETERS (MARCH 2002)

| | NO. OF COS | % WEALTH CREATED | PRICE CAGR % |
|---|---|---|---|
| **P/E (x)** | | | |
| < 5 | 23 | 21 | 56 |
| 5-10 | 29 | 40 | 44 |
| 10-15 | 14 | 15 | 43 |
| 15-20 | 14 | 8 | 37 |
| > 20 | 20 | 16 | 28 |
| **Total** | **100** | **100** | **41** |
| **Price to Book (x)** | | | |
| < 1 | 45 | 28 | 65 |
| 1-2 | 29 | 48 | 43 |
| > 2 | 26 | 24 | 28 |
| **Total** | **100** | **100** | **41** |
| **Price/Sales (x)** | | | |
| < 0.25 | 20 | 9 | 52 |
| 0.25 - 0.5 | 18 | 12 | 60 |
| 0.5 - 1 | 19 | 26 | 47 |
| 1 - 2 | 20 | 21 | 44 |
| > 2 | 23 | 31 | 31 |
| **Total** | **100** | **100** | **41** |

# Wealth Creators

## *Classification By* Valuation Parameters

**Payback of <1x guarantees high returns**

Payback is the ratio of current market cap divided by expected profits of the next five years.

When companies are in high growth phase, it is difficult to value them using conventional measures. Payback is based on empirical wisdom that markets try and seek visibility of five years.

67% of the top wealth creators presented a payback opportunity of less than 1x.

### Key Finding

The median valuations in 2002 clearly spell out the sure shot formulas for multi-baggers –

- P/E of less than 10x
- Price/Book of less than 1x
- Price/Sales of 1x or less
- Payback ratio of 1x or less

WEALTH CREATORS: CLASSIFICATION BY VALUATION PARAMETERS (MARCH 2002)

| | NO. OF COS | % WEALTH CREATED | PRICE CAGR % |
|---|---|---|---|
| **Payback Ratio (x)** | | | |
| < 0.25 | 16 | 10 | 103 |
| 0.25 - 0.5 | 25 | 16 | 56 |
| 0.5 - 1 | 26 | 48 | 45 |
| 1 - 2 | 19 | 14 | 34 |
| > 2 | 14 | 12 | 23 |
| **Total** | **100** | **100** | **41** |

MEDIAN VALUATIONS

| | 2002 | | 2007 | |
|---|---|---|---|---|
| | SENSEX | WEALTH CREATORS | SENSEX | WEALTH CREATORS |
| Median P/Book Value | 1.8 | 1.1 | 4.5 | 4.8 |
| Median P/Sales | 2.1 | 0.7 | 3.2 | 2.8 |
| Median P/E | 16.7 | 9.8 | 20.4 | 20.2 |

# Wealth Destroyers

**Hindustan Unilever – biggest wealth destroyer**

Hindustan Unilever's (HUL) stock is down less than 10% from its 2002 levels. However, considering its large base market cap of Rs492b, it is the largest wealth destroyer in this study. HUL was the third largest wealth destroyer in our 2005 study. Clearly, the company is going through tough times in terms of sales and profit growth, leading to a PE erosion from 30x in 2002 to 25x in 2007.

**Wealth destroyed is only 2% of wealth created**

The stock market boom in 2002-07 is so total that only Rs142b of wealth was destroyed, just 2% of the Rs7,065b wealth created by the top 100 companies alone.

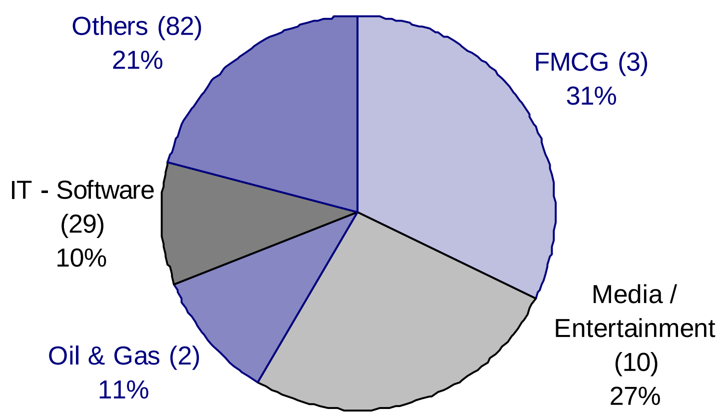
## Key Finding

Even blue chips like HUL and HPCL occasionally end up as wealth destroyers. So, it is important to get the earnings direction right, and more importantly, pay the right purchase price.

TOP-10 WEALTH DESTROYERS (2002-2007)

| COMPANY | WEALTH DESTROYED | | PRICE |
|---|---|---|---|
| | RS B | % SHARE | CAGR (%) |
| Hindustan Unilever | 44 | 31 | -2 |
| Pentamedia Graphics | 33 | 23 | -47 |
| H P C L | 15 | 11 | -3 |
| Silverline Technologies | 3 | 2 | -4 |
| Uniphos Enterprises | 3 | 2 | -31 |
| Mascon Global | 3 | 2 | 18 |
| Morepen Labs. | 2 | 2 | -4 |
| LML | 2 | 2 | -14 |
| Rashel Agrotech | 2 | 2 | -61 |
| Baffin Engg. | 2 | 1 | -50 |
| **Total of above** | **110** | **78** | **-3** |
| **Total Wealth Destroyed** | **142** | **100** | **-4** |

WEALTH DESTRUCTION BY INDUSTRY



Wealth Creation

*2002-2007*

The 12TH Annual Study

# Theme 2008

# India – The Next Trillion Dollar Opportunity

In the following pages, we present a very likely scenario for India's journey from US$1 trillion in 2007 to US$2 trillion by 2012, and its impact on a few businesses and the stock market.

## The big picture

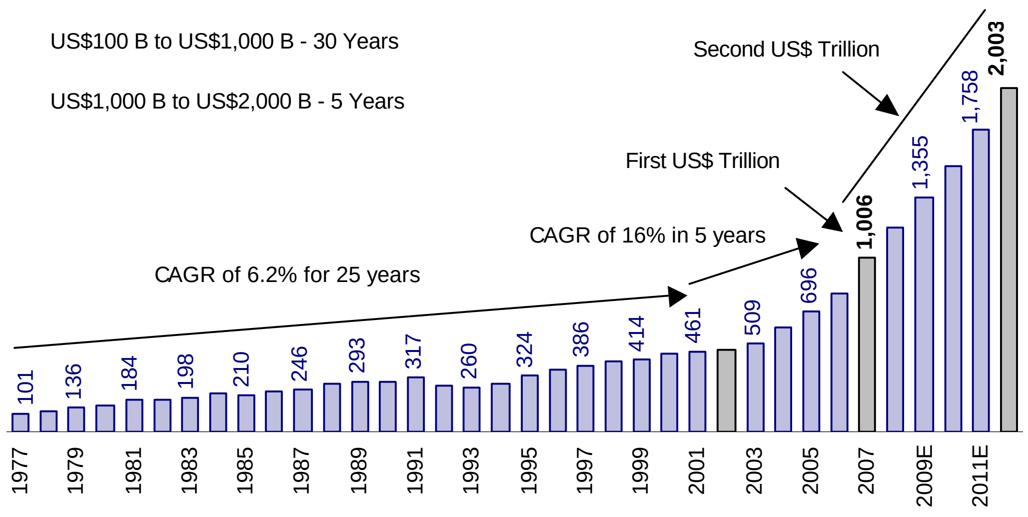
### India's first trillion dollars: 1977 to 2007

Recently, India achieved the landmark of US$1 trillion GDP. What has been the country's journey so far? To answer this question, we go back 30 years. The first 25 years of the journey saw India's nominal GDP growing at 6.2% per annum to just under US$0.5 trillion in 2002. In the last 5 years, India's GDP more than doubled to US$1 trillion at a CAGR of 16%. Higher GDP growth rate combined with lower population growth rate has led to accelerated growth in per capita GDP.

### The next trillion dollar (NTD) era: 2007 to 2012

In the next five years, India will hit US$2 trillion GDP (assuming current Re/US$ parity). The growth rate in the NTD era will be almost the same as that of the last 5 years. However, given the high base, the GDP added in the next 5 years will be more than what got added in the last 30 years, and twice that of the last 5 years.

30 YEARS FOR THE FIRST US$1 TRILLION; 5 YEARS TO THE NEXT TRILLION

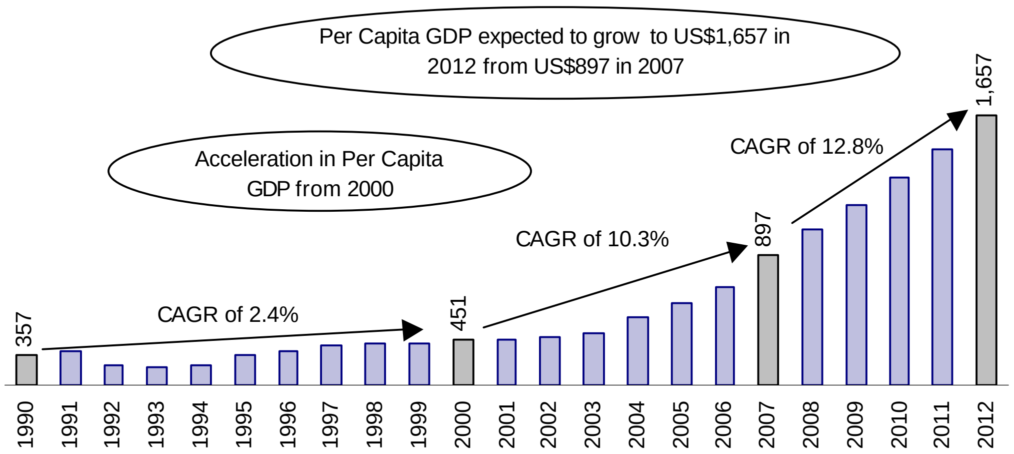



*Source: Motilal Oswal Securities*

**Acknowledgement**

We thank Mr Dhruv Mehta, Investment Consultant, and Dr Avadhoot Nadkarni, Economics Professor with Mumbai University, for their invaluable contribution to this report.

ACCELERATED GROWTH IN PER CAPITA GDP (US$)

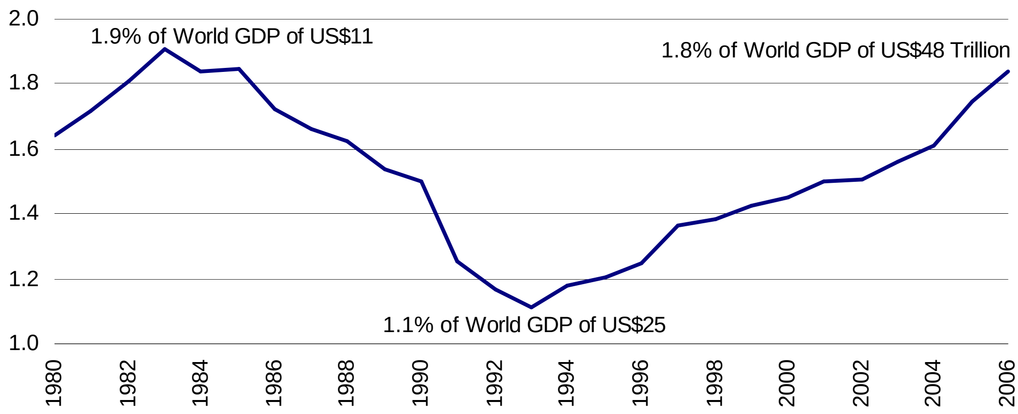



*Source: Motilal Oswal Securities*

## India bounces back to world reckoning

India's resurgence in the global economy started in 1993. It has been going from strength to strength ever since, including the dotcom era. The pace of growth has only accentuated from 2004, with India rapidly integrating with the global financial markets.

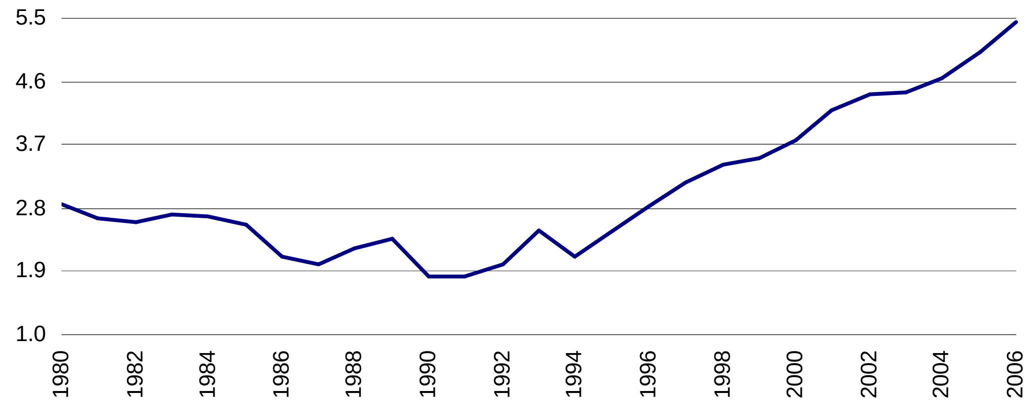
INDIA'S SHARE OF WORLD GDP – MARKET PRICES




*Source: IMF / Motilal Oswal Securities*

Today, India is among the world's fastest growing trillion dollar plus economies. Its share of world market capitalization at 2% mirrors its share of world GDP. India continues to grow much faster than the developed world. As a large, well-populated economy, India can strive to significantly improve its global standing along the lines of China, which has rapidly increased its share of world GDP to the current 5.5%.

CHINA'S SHARE OF WORLD GDP – MARKET PRICES




*Source: IMF / Motilal Oswal Securities*

## Exponentiality in the NTD era

A steady GDP growth rate of 16% between 2002 and 2007 has already led to exponential growth in businesses such as telecom and cement. We believe the next five years will accentuate this exponentiality, which will also spread to several more sectors of the economy.

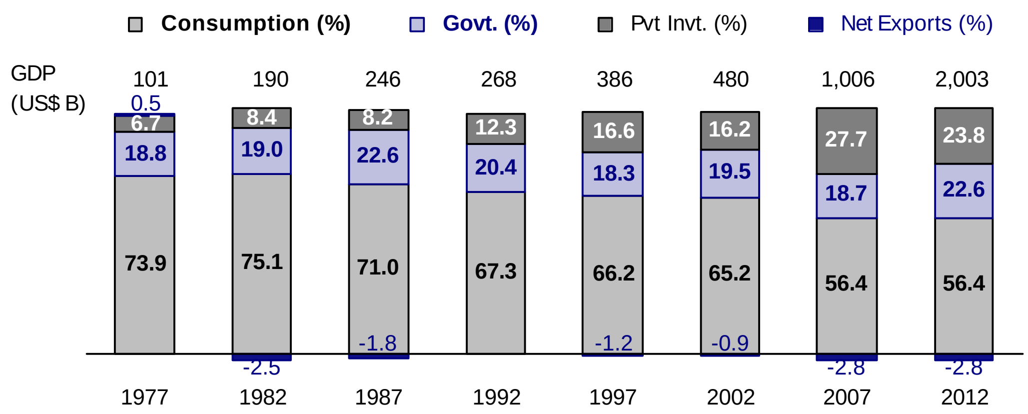
We have analyzed major exponentialities/discontinuities in the following three areas:

1. Macro economy
2. Key industries
3. Corporate sector profits

## Macro economic exponentialities

We have analyzed the components of India's GDP: C + I + G + X, i.e. private **C**onsumption expenditure, private **I**nvestment, **G**overnment expenditure, and net e**X**ports (or e**X**ternal sector).

BREAKDOWN OF INDIA'S GDP BY COMPONENTS




*Source: CSO / Motilal Oswal Securities*

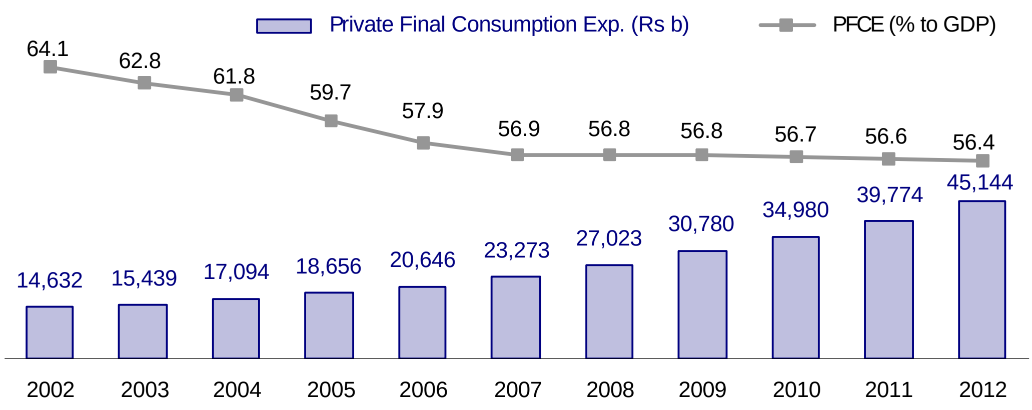
We see the following macroeconomic exponentialities in the NTD era:

- **Consumption (C):** Rising affluence levels will result in sustained growth for luxuries like cars, ACs and travel
- **Government expenditure (G):** Quantum improvement in government finances; first time ever zero revenue deficit for the Center
- **Private capex (I):** Mega thrust on infrastructure – accentuating India's capex-led growth story
- **External sector (X):** Forex capital flows consistently higher than current account deficit – helping to keep interest rates benign

**Consumption: sustained demand for luxury goods**

Like most emerging economies, India's private final consumption expenditure is lagging GDP growth. The main reason is that given India's low per capita GDP of US$1,000, much of private consumption goes into necessities – food, clothing and home utilities (rent, fuel, power) – which do not rise in the same proportion as income levels. Also, middle income households tend to curtail current consumption in favor of saving for assets such as a house and jewelry.

PRIVATE FINAL CONSUMPTION EXPENDITURE LAGGING GDP GROWTH … LIKELY TO STABILIZE




*Source: Motilal Oswal Securities*

**Rising affluence to drive demand for comforts and luxuries:** The top 40% of India's population accounts for about 70% of income, and 67% of consumption expenditure. In this segment, the propensity to consume is much lower than the bottom 60%, which also explains the fall in final consumption expenditure.

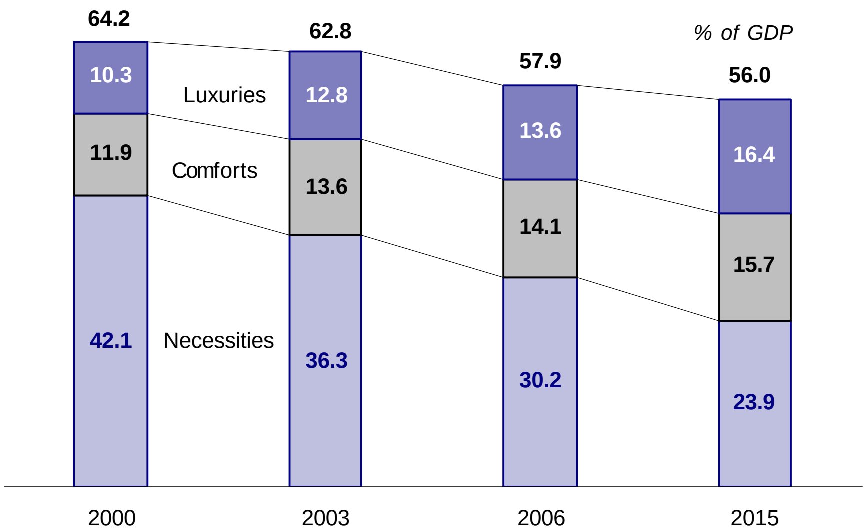
INCOME AND CONSUMPTION DISTRIBUTION (2003-04)

| % OF POPULATION BY INCOME PERCENTILE | POPULATION (MILLION) | PER CAPITA GDP (US$) | SHARE OF INCOME (%) | SHARE OF CONS. EXP. (%) |
|---|---|---|---|---|
| Top 10% | 109 | 1,878 | 34.1 | 30.0 |
| Next 30% | 326 | 662 | 36.1 | 36.6 |
| Bottom 60% | 653 | 265 | 29.7 | 33.4 |

*Source: Rama Bijapurkar's book "We Are Like That Only"*

The consumption pie of the top 40% is marked by a higher share of comforts and luxuries. The NTD era will see affluence levels rising. As a result, there will continue to be a sustained rise in demand for luxury goods and services such as cars, ACs and travel. Comforts such as low-end household appliances (TVs, refrigerators), cellphones, healthcare and education will also grow much faster than necessities.

LUXURIES WILL REMAIN THE FASTEST GROWING CONSUMER GOODS CATEGORY




| | CAGR (%) | |
|---|---|---|
| | 2000-06 | 2006-15 |
| Nominal GDP | 10.6 | 14.2 |
| Consumption Expenditure | 8.7 | 13.8 |
| Luxuries | 15.9 | 16.6 |
| Comforts | 13.8 | 15.6 |
| Necessities | 4.6 | 11.3 |
| **High-growth Categories** | | |
| Beverages | 25.3 | 19.5 |
| Communication | 18.4 | 19.5 |
| Education & Recreation | 12.3 | 18.6 |
| Personal Transport | 17.5 | 18.1 |
| Hotels & Restaurants | 13.0 | 17.2 |
| Healthcare | 16.3 | 17.2 |

*Source: CMIE / McKinsey's Bird of Gold Report / Motilal Oswal Securities*

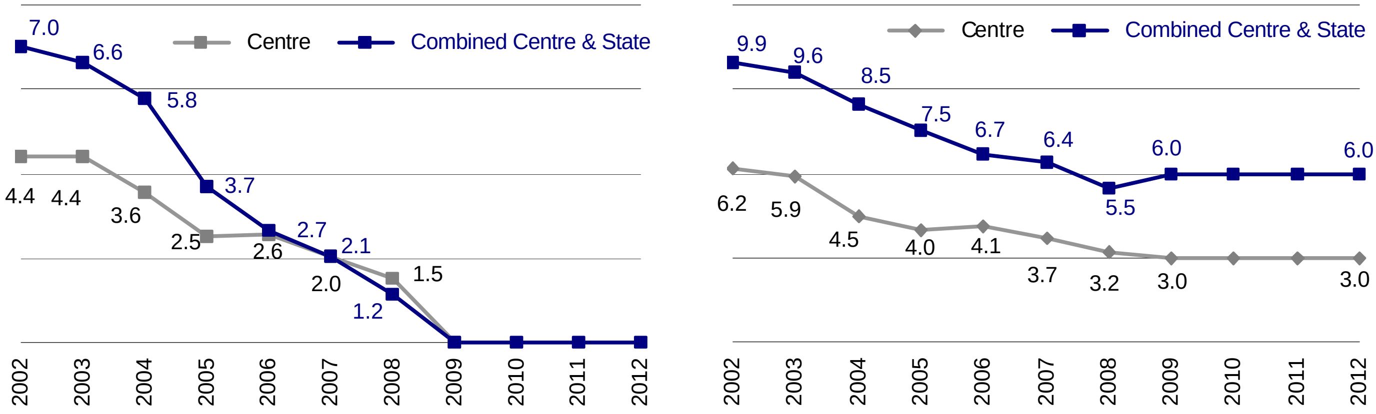
**Government: quantum improvement in finances**

For two decades beginning 1982, government finances steadily worsened, marked by high revenue and fiscal deficits, both at the Center and at the combined Center and State levels. The situation turned into a crisis in 2002, with combined revenue deficit hitting a new high of 7% of GDP and fiscal deficit almost at 10% of GDP.

To address this crisis, in 2003, the government passed the FRBM Act (Fiscal Responsibility and Budgetary Management Act). The FRBM provides, inter alia, for zero revenue deficit and 3% fiscal deficit by financial year 2007-08. Since then, there has been a marked improvement in government finances. However, there is a slippage of at least one year in achieving FRBM targets. Thus, the government is likely to achieve zero combined revenue deficit for the first time ever in 2008-09, the first year of the NTD era. Going forward, we have assumed that revenue deficit will remain zero, whereas the FRBM actually provides for revenue surpluses.

IMPROVING GOVERNMENT FINANCES

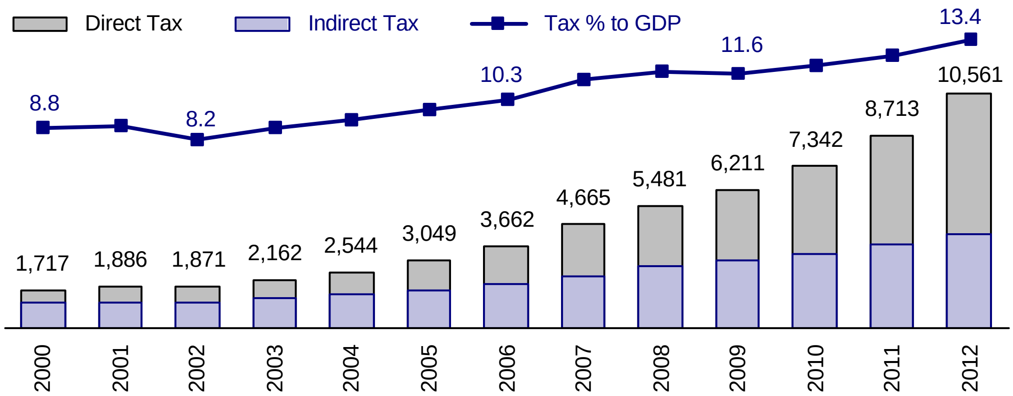
REVENUE DEFICIT AS % OF GDP / FISCAL DEFICIT AS % OF GDP




*Source: India Union Budget Documents / FRBM Act / Motilal Oswal Securities*

This quantum improvement in government finances has been possible – and seems sustainable – due to a surge in tax collections. Corporate tax in particular is witnessing significant buoyancy due to high 30% compounded growth in corporate profits in the last five years. For the first time in 2009, direct tax collections are expected to exceed indirect taxes (customs and excise). Government's dependence on buoyant tax collections to manage its finances is significantly higher than in the past.

BUOYANT TAX COLLECTIONS HELP IMPROVE GOVERNMENT FINANCES




*Source: India Union Budget Documents / Planning Commission / Motilal Oswal Securities*

The government's fiscal discipline has huge positive implications in the NTD era:

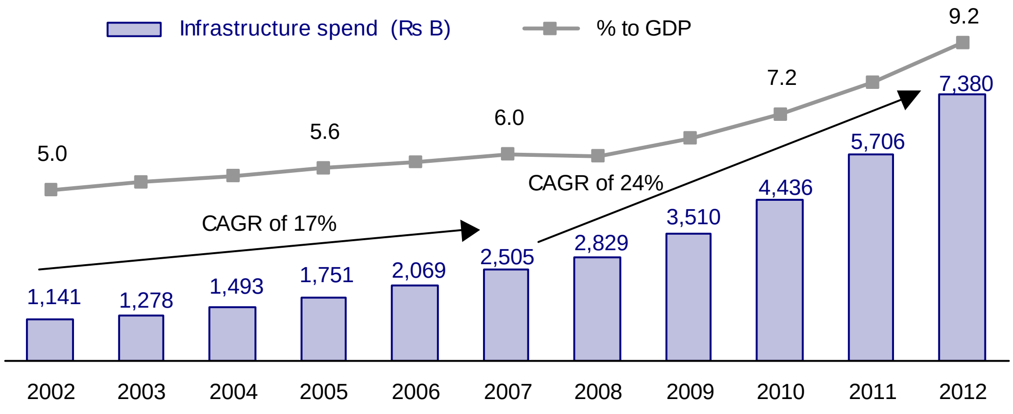
- End to government dis-savings, freeing resources (6% of GDP) for developmental expenditure, mainly infrastructure
- Significantly lower crowding out of private sector debt, helping to keep interest rates in check

**Investment: major thrust on infrastructure**

The NTD era coincides with India's XI^th^ Five-Year Plan (2008-12), which is about two main issues – (1) high, inclusive real GDP growth rate of 9%, with inflation not exceeding 4.5%; and (2) massive infrastructure growth.

The X^th^ Plan infrastructure spend is estimated at Rs8.8 trillion (US$220 billion), an average 5.5% of GDP. The XI^th^ Plan projection for infrastructure spend is 2.3x at Rs20 trillion (US$500 billion) – average 7.5% of GDP, with terminal year spend as high as 9.2% of GDP.

INFRASTRUCTURE SPEND TO RISE FROM 6% OF GDP IN 2007 TO 9.2% OF GDP BY 2012

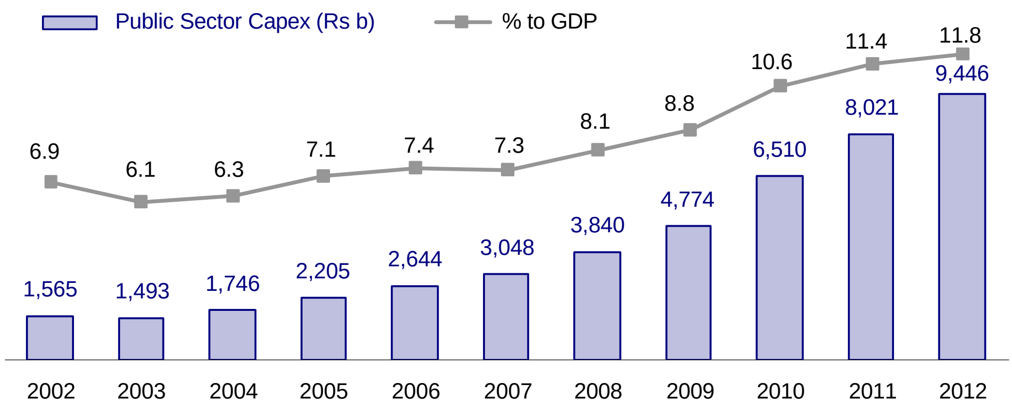



*Source: Planning Commission / Motilal Oswal Securities*

The government's track record of slippages in previous plans puts a question mark on the above targets. However, this time around, the environment is far more enabling by way of:

- Improved finances of the government, allowing it to lead infrastructure capex; and
- Rising private sector participation in infrastructure spend (public-private mix of 70:30 in the XI^th^ Plan, compared to 88:12 in the X^th^ Plan).

IMPROVED GOVERNMENT FINANCES TO PROPEL PUBLIC SECTOR CAPEX

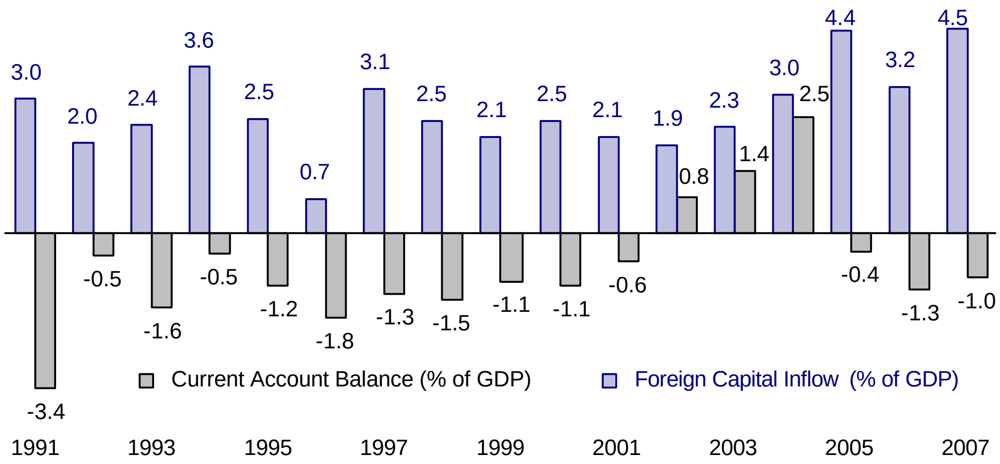



*Source: Planning Commission / Motilal Oswal Securities*

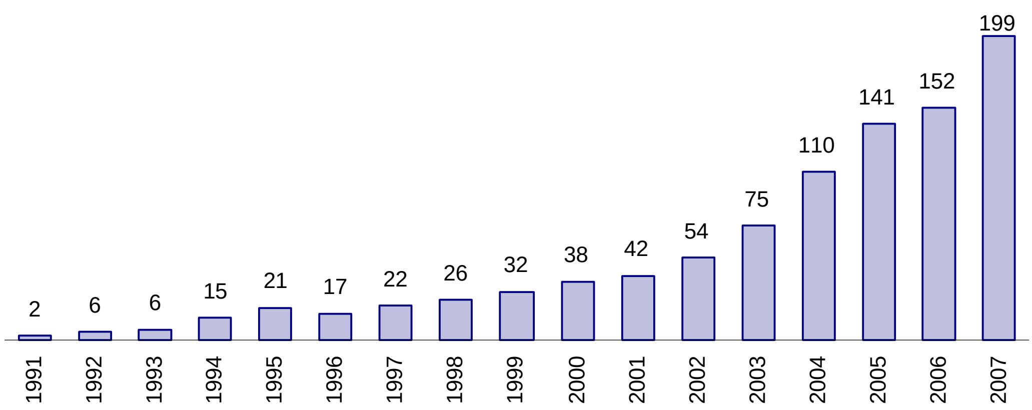
**External sector: huge forex capital flows rein in interest rates**

Ever since India opened up its economy in 1992, its forex capital flows have consistently been higher than its current account deficit. As a result, forex reserves have bulged from close to zero in 1991 to a healthy US$200 billion in 2007.

CAPITAL INFLOWS CONSISTENTLY HIGHER THAN CURRENT ACCOUNT DEFICIT




INDIA'S FOREX RESERVES ARE BULGING (US$ BILLION)




*Source: RBI / Motilal Oswal Securities*

Huge forex capital flows do pose problems for the RBI (India's central bank), to manage the triad of exchange rate, interest rate and inflation. However, the overall impact of such flows has been positive for India. The industry now has access to almost unlimited capital at very low cost. The trend of forex capital flows is likely to continue, suggesting a benign-to-favorable interest rate scenario.

## Exponentiality in key industries

In the NTD era, we clearly see exponential opportunity some key industries based on:

(1) Emerging trends in India, and

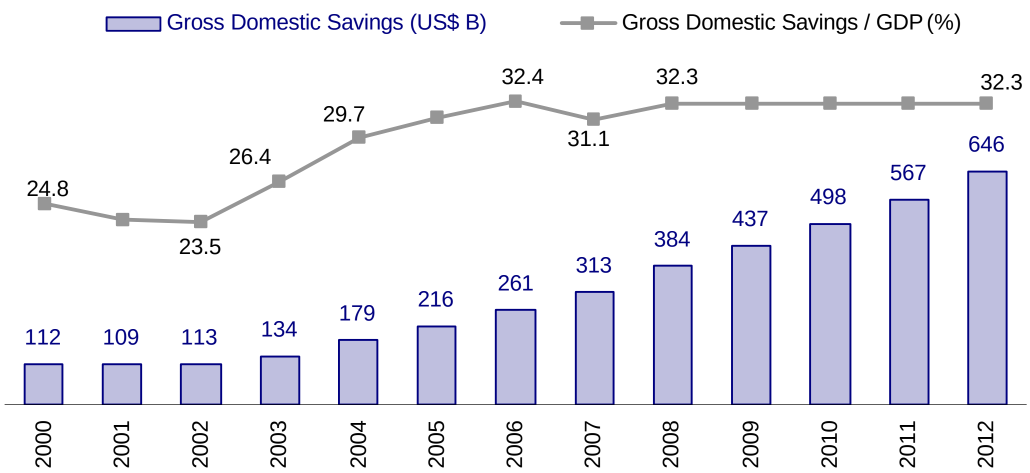
(2) The experience in China during its journey from US$1 trillion in 1998 to US$2 trillion in 2003.

We discuss below the key drivers for some of the clear winners in the NTD era – Financial Services, Wireless Telecom, Cars, Engineering & Construction, Cement, and Steel.

### Financial Services

- Domestic savings rate has risen exponentially in the last 5 years from 23.5% of GDP to 32.4% of GDP. Total savings in last five years was ~US$1.1 trillion. In the NTD era, this is going to be US$2.5 trillion at least. This large savings base implies huge opportunity for financial intermediation.

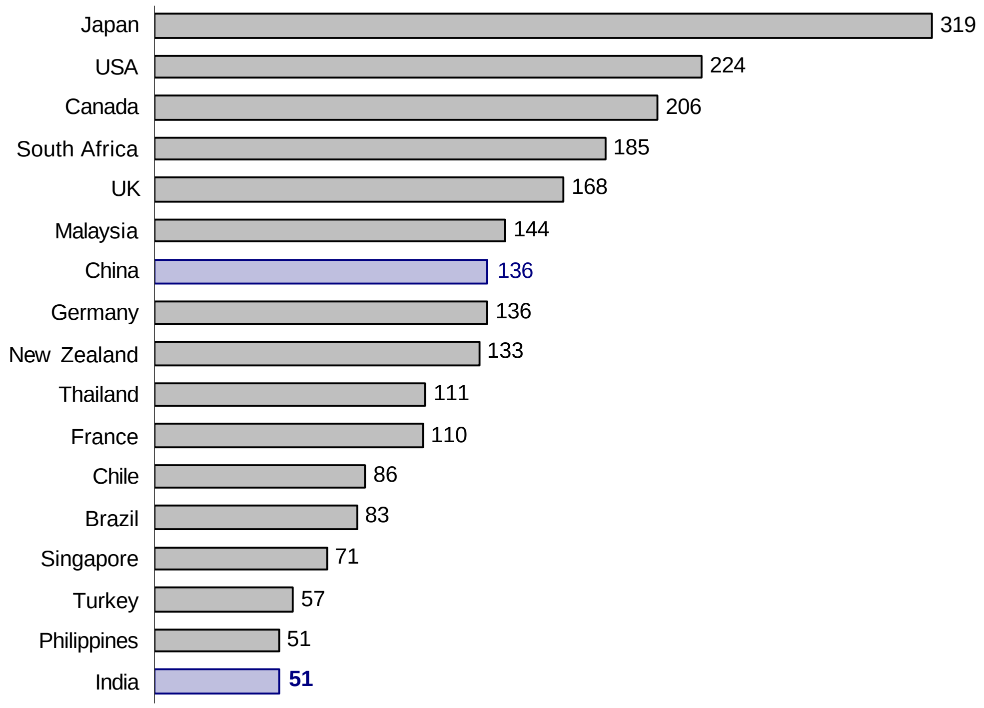
INDIA'S DOMESTIC SAVINGS ARE CONTINUOUSLY RISING




*Source: CMIE / Motilal Oswal Securities*

- Rising foreign capital flows further expand financial intermediation opportunity.
- Bank credit has grown at 24% compounded in the last five years. India's low credit-GDP ratio compared to many other countries implies higher growth potential for banks and NBFCs.
- Penetration of financial services such as brokerage and insurance in India remains low.

CREDIT TO GDP RATIO (%) - INDIA IS LOWER THAN MANY COUNTRIES

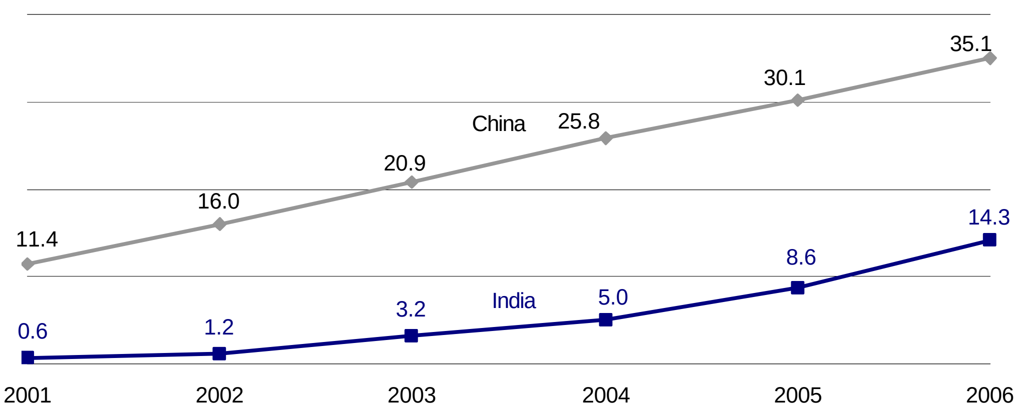



*Source: RBI Annual Report, 2006-07*

## Wireless Telecom

- Current penetration of mobile phone services in India at 14% (in 2006) is much lower than China's 35%, which itself is rising at an exponential rate. India is expected to catch up with China over time, implying a sustained phase of high growth.
- Over time, the "network effect" and rising income levels will lead to higher minutes of usage and expand ARPU (average revenue per user) despite declining rates per minute.
- Value-added services such as GPRS and special SMSes will also help expand ARPU.

MOBILE PENETRATION (% OF POPULATION) – INDIA VS CHINA

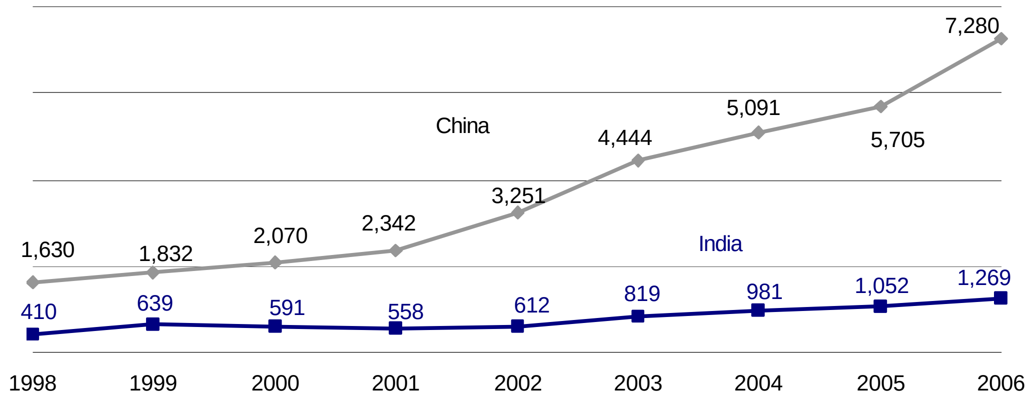



*Source: China National Bureau of Statistics / Motilal Oswal Securities*

**Cars**

- Current number of cars sold in India at 1.3 million is 20% lower than that of China in 1998, when it was a US$1 trillion economy. Growth rate in China has significantly accelerated since then.
- Unequal distribution of incremental GDP will lead to a rise in higher income groups, who also have access to higher credit, driving demand for cars.
- Construction of new roads and improvement in existing roads, including in rural India, will drive demand.
- Contrary to popular belief, hike in fuel prices does not affect demand for cars, which is a status symbol. At best, it affects usage on the margin.

CARS ('000S) – INDIA V/S CHINA




*Source: China National Bureau of Statistics / Motilal Oswal Securities*

**Engineering & Construction**

- The NTD era coincides with the XIth Five-Year Plan, which proposes a major thrust on infrastructure – 7.5% of GDP against 5.5% of GDP in the Xth Plan, implying a 5-year CAGR of 26% through 2012.
- Private sector participation in infrastructure is rising – expected 30% in the NTD era against 12% in 2002-07.
- Much of engineering and construction activity – especially services – is non-tradable i.e. local players will continue to enjoy lion's share of the opportunity pie.
- Bulging order books allow engineering and construction companies to cherry pick orders with healthy margins and other terms of trade, mainly payments.
- Higher spend on infrastructure and rise in residential and commercial real estate activity are positive for both cement and steel.

INFRASTRUCTURE INVESTMENT BY SECTOR

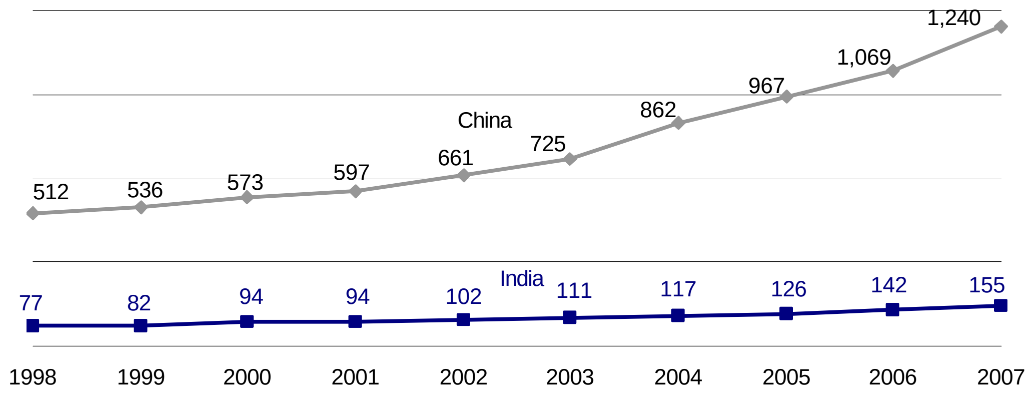
| SECTOR | TENTH PLAN | | ELEVENTH PLAN | | GROWTH |
|---|---|---|---|---|---|
| | RS B | % SHARE | RS B | % SHARE | (X) |
| Electricity | 2,982 | 33.6 | 6,165 | 30.4 | 2.1 |
| Roads & Bridges | 1,449 | 16.3 | 3,118 | 15.4 | 2.2 |
| Telecom | 1,234 | 13.9 | 2,670 | 13.2 | 2.2 |
| Railways | 1,197 | 13.5 | 2,580 | 12.7 | 2.2 |
| Irrigation | 1,115 | 12.6 | 2,231 | 11.0 | 2.0 |
| Water Supply, Sanitation | 648 | 7.3 | 1,991 | 9.8 | 3.1 |
| Ports | 41 | 0.5 | 739 | 3.6 | 18.1 |
| Airports | 68 | 0.8 | 347 | 1.7 | 5.1 |
| Storage | 48 | 0.5 | 224 | 1.1 | 4.6 |
| Gas | 87 | 1.0 | 205 | 1.0 | 2.4 |
| **Total** | **8,868** | **100.0** | **20,272** | **100.0** | **2.3** |

*Source: Planning Commission*

## Cement

- In 1998, when China was a trillion dollar economy, it consumed 3.3 times the cement that India consumes today. The main reason was China's huge spend on infrastructure. Acceleration of India's infrastructure spend in the NTD era should drive cement demand at higher than the past track record of 1.3-1.5x real GDP growth.
- Cement companies are currently operating at 100% capacity, constraining supplies. About 130 million tonnes of fresh cement capacity addition is expected in the NTD era. However, if cement demand grows at 14-15% per annum (against the past 10-12%), there will not be any oversupply situation and current high prices could sustain.

CEMENT PRODUCTION (MILLION TONNES) – INDIA VS CHINA

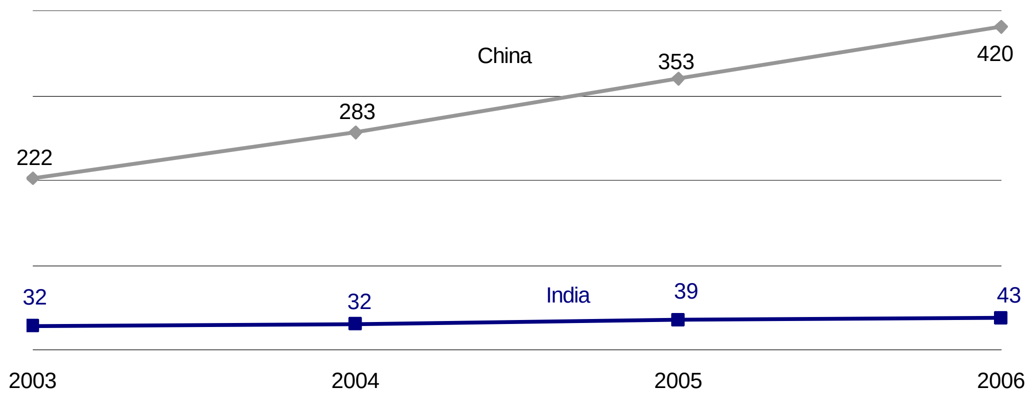



*Source: China National Bureau of Statistics / Motilal Oswal Securities*

## Steel

- Current steel production level gap between India and China is 10x.
- India has significant global competitive advantage in terms of captive iron ore and coal. Rising oil prices and freight costs have further strengthened this competitive advantage.
- Global consolidation in the steel industry will also lead to higher control on pricing.

CRUDE STEEL PRODUCTION (MILLION TONNES) – INDIA VS CHINA




*Source: China National Bureau of Statistics / Motilal Oswal Securities*

## Exponentiality in corporate sector profits

Rising private sector participation in the Indian economy and easy access to capital (both domestic and foreign) are the two key drivers of exponentiality in India's corporate sector sales and profits. We present below a more structured analysis of the same.

ANALYSIS OF EXPONENTIALITY IN CORPORATE SECTOR PROFITS

| AREA OF PROFITABILITY | MAJOR REASONS FOR EXPONENTIALITY |
|---|---|
| Across-the-board | ✍ Privatization and corporatization of businesses<br>✍ Increasing shift from unorganized to organized sector<br>✍ Easy access to capital, both debt and equity, and both domestic and foreign<br>✍ Global market opportunity for certain products and services (e.g. textiles, IT)<br>✍ Technology advancement and product innovations (e.g. laptops, cellphones, etc) |
| Engineering, Construction | ✍ Exponential capex spend in the public sector due to (1) improving government finances, and (2) PSU and Capital goods sector divestment, leading to greater autonomy and easier access to capital<br>✍ Exponential capex in the private sector to meet demand from both, consumers as well as government |
| Specific consumer goods sectors | ✍ Natural shift in consumer spend pie from necessities to comforts and luxuries<br>✍ Exponentially higher purchasing power of the affluent class due to unequal distribution of incomes<br>✍ Rising affordability of many products and services due to (1) rising per capita GDP, (2) availability of credit and (3) economies of scale, driving down product prices<br>✍ Low penetration of several products and services (e.g. cellphones, air travel, etc)<br>✍ Demand for newer products and services with higher exposure to global trends via various media |

*Source: Motilal Oswal Securities*

TAX BUOYANCY

| FINANCIAL YEAR | CORP. TAX | PERSONAL TAX |
|---|---|---|
| 1995-96 | 2.19 | 1.75 |
| 1996-97 | 2.21 | 1.77 |
| 1997-98 | 2.18 | 1.78 |
| 1998-99 | 2.22 | 1.79 |
| 1999-00 | 2.25 | 1.81 |
| 2000-01 | 2.26 | 1.80 |
| 2001-02 | 2.29 | 1.78 |
| 2002-03 | 2.29 | 1.82 |
| 2003-04 | 2.33 | 1.84 |
| 2004-05 | 2.29 | 1.83 |
| 2005-06 | 2.31 | 1.84 |

*Source: Report of Working Group on Centre's Resources for XI Plan*

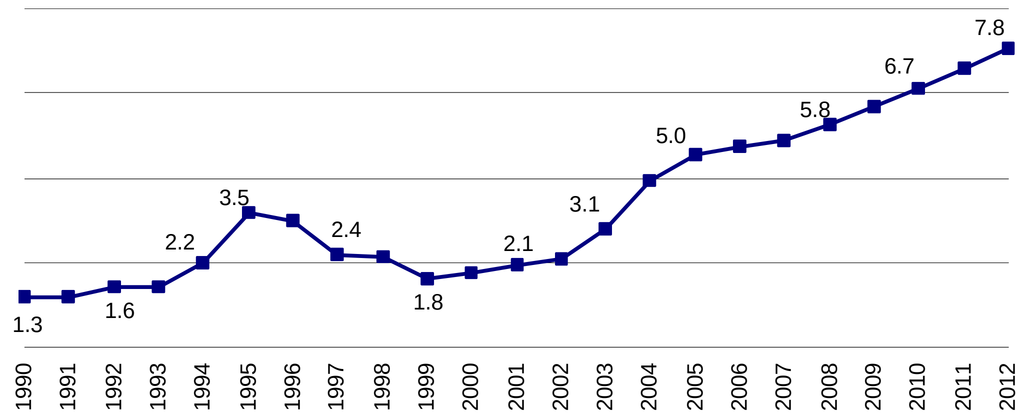
**Corporate profitability in the NTD era**

Projecting corporate sector profits going forward is a challenging task. We have relied on the concept of corporate tax buoyancy used by Indian economic planners to forecast corporate taxes in the XI$^{th}$ Five Year Plan.

Tax buoyancy is the factor or multiple at which taxes grow for a given growth in nominal GDP. The observed tax buoyancy in India for the last 10 years is tabled alongside.

In the XI$^{th}$ Plan, which coincides with the NTD era, India's Planning Commission has factored in gross corporate tax buoyancy of 2.1x. Adjusting for loss of taxes due to SEZs, the net corporate tax buoyancy over the XI$^{th}$ Plan period works out to 1.62x i.e. a 5-year corporate profit CAGR of 22.5% (1.62 x nominal GDP growth rate of 13.9%). Assuming this holds true, corporate profits to GDP should rise from 5% of GDP in 2007 to 7.8% in the NTD era.

CORPORATE PROFITS TO GDP (%)




*Source: Motilal Oswal Securities*

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Wealth Creation

*2002-2007*

The 12TH Annual Study

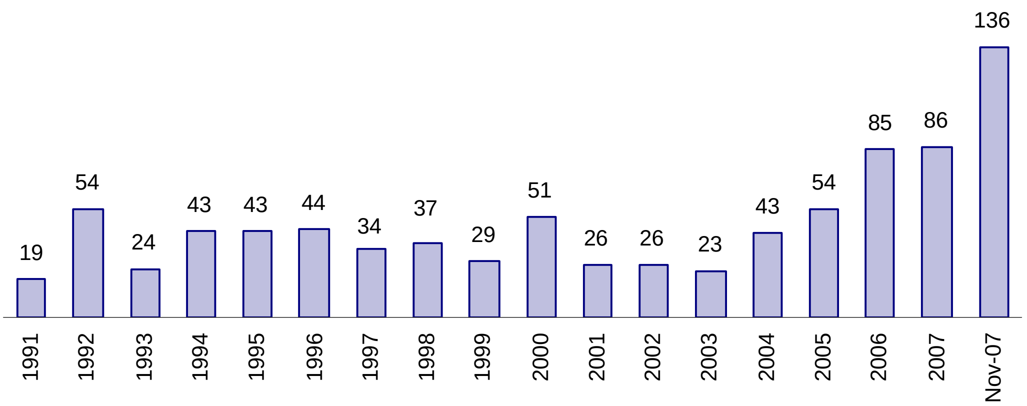
# Market Outlook

# Market outlook

### India's Market Cap to GDP

India's market cap to GDP at 136% is at its all-time high. This is higher than the world average of about 110% and at the same level as that of China and USA.

INDIA MARKET CAP TO GDP (%)



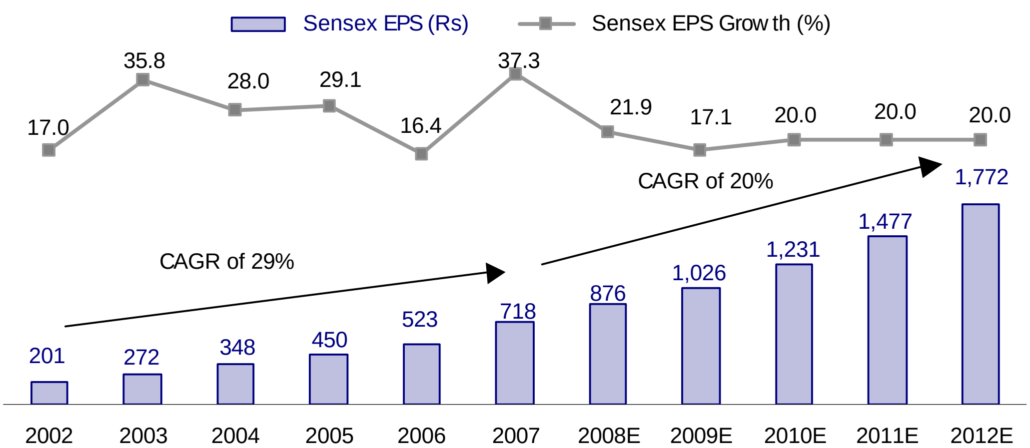

*Source: Motilal Oswal Securities*

### Sensex EPS & EPS Growth

We expect Sensex earnings growth in the NTD era (FY07-12) to be 20%, which is significantly lower than 29% recorded in the previous 5 years.

On PEs, the Sensex is currently trading at about 20x, which is slightly higher than the 15-year average of 18x.

SENSEX EPS (RS) & GROWTH (%)




*Source: Motilal Oswal Securities*

## Sensex Earnings Yield to Bond Yield

Sensex Earnings Yield to Bond Yield at 0.6x is lower than the 15-year average of 0.74x. This implies that the market is heavily relying on healthy earnings growth and also lower interest rates.

SENSEX SCENARIOS FOR 2012 BASED ON EARNINGS YIELD TO BOND YIELD OF 0.7

| GSEC YIELD (%) | 9.0 | 8.5 | 8.0 | 7.5 | 7.0 | 6.0 | 2012 |
|---|---|---|---|---|---|---|---|
| P/E (X) | 16 | 17 | 18 | 19 | 20 | 24 | EPS (RS) |
| EPS GROWTH (%) | | | | | | | |
| 15 | 23,800 | 25,300 | 26,800 | 28,200 | 29,700 | 35,700 | 1,487 |
| 20 | 28,200 | 30,000 | 31,700 | 33,500 | 35,300 | 42,300 | 1,763 |
| 25 | 29,400 | 31,200 | 33,000 | 34,900 | 36,700 | 44,100 | 1,836 |
| 30 | 30,600 | 32,500 | 34,400 | 36,300 | 38,200 | 45,800 | 1,909 |

*Source: Motilal Oswal Securities*

## Outlook

Currently, markets appear a little overvalued. Purchase price is high and margin of safety is low.

But given positive outlook on corporate earnings growth and lower interest rate, the market has limited downside. Also, there is relentless build-up in domestic savings and flow of global savings into India. This high liquidity could lift the market to rich levels of valuation for quite some time.

Still, returns in the next five years may not match the compounded 30% delivered in the last five years.

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Wealth Creation

*2002-2007*

The 12TH Annual Study

# Appendix

# '*MOSt 100*' ~ Biggest Wealth Creators

# Appendix I

RANKED ACCORDING TO THE BIGGEST WEALTH CREATORS

| RANK | COMPANY | WEALTH CREATED | | CAGR (%) | | | ROE (%) | | P/E (X) | |
|---|---|---|---|---|---|---|---|---|---|---|
| NO. | NAME | RS B | % SHARE | PRICE | PAT | SALES | FY07 | FY02 | FY07 | FY02 |
| 1 | Reliance Inds. | 1,856 | 11.4 | 50 | 30 | 22 | 19 | 13 | 16 | 10 |
| 2 | O N G C | 1,490 | 9.1 | 37 | 20 | 20 | 25 | 21 | 12 | 6 |
| 3 | Bharti Airtel | 1,366 | 8.4 | 82 | L to P | 65 | 35 | -4 | 36 | N.A. |
| 4 | Infosys Tech. | 855 | 5.2 | 34 | 36 | 38 | 34 | 39 | 30 | 31 |
| 5 | ICICI Bank | 566 | 3.5 | 47 | 64 | 61 | 13 | 4 | 25 | 11 |
| 6 | B H E L | 512 | 3.1 | 68 | 39 | 21 | 27 | 10 | 23 | 9 |
| 7 | S A I L | 451 | 2.8 | 88 | L to P | 20 | 36 | -60 | 8 | N.A. |
| 8 | Larsen & Toubro | 433 | 2.7 | 78 | 32 | 18 | 24 | 10 | 33 | 13 |
| 9 | St Bk of India | 407 | 2.5 | 35 | 13 | 6 | 15 | 16 | 12 | 5 |
| 10 | Wipro | 394 | 2.4 | 15 | 27 | 32 | 31 | 34 | 28 | 46 |
| 11 | ITC | 390 | 2.4 | 26 | 18 | 20 | 26 | 27 | 21 | 14 |
| 12 | Unitech | 312 | 1.9 | 246 | 173 | 64 | 85 | 5 | 32 | 10 |
| 13 | Indian Oil | 310 | 1.9 | 25 | 21 | 16 | 22 | 19 | 6 | 5 |
| 14 | H D F C | 299 | 1.8 | 35 | 22 | 17 | 28 | 21 | 24 | 14 |
| 15 | Sterlite Inds. | 234 | 1.4 | 103 | 54 | 49 | 18 | 6 | 33 | 8 |
| 16 | Tata Motors | 231 | 1.4 | 42 | L to P | 30 | 28 | -2 | 15 | N.A. |
| 17 | Satyam Computer | 223 | 1.4 | 29 | 26 | 29 | 25 | 23 | 22 | 19 |
| 18 | Hind.Zinc | 223 | 1.4 | 73 | 131 | 47 | 58 | 6 | 5 | 22 |
| 19 | HDFC Bank | 220 | 1.3 | 32 | 31 | 32 | 18 | 15 | 27 | 22 |
| 20 | Tata Steel | 211 | 1.3 | 47 | 83 | 21 | 30 | 6 | 6 | 18 |
| 21 | Bajaj Auto | 198 | 1.2 | 39 | 19 | 21 | 22 | 18 | 20 | 9 |
| 22 | M & M | 173 | 1.1 | 69 | 60 | 24 | 30 | 7 | 18 | 13 |
| 23 | Siemens | 173 | 1.1 | 85 | 39 | 31 | 33 | 21 | 51 | 12 |
| 24 | Sun Pharma. | 167 | 1.0 | 44 | 30 | 26 | 26 | 32 | 32 | 18 |
| 25 | Grasim Inds. | 165 | 1.0 | 49 | 38 | 15 | 25 | 11 | 12 | 9 |
| 26 | GAIL (India) | 159 | 1.0 | 28 | 15 | 9 | 21 | 22 | 9 | 5 |
| 27 | Kotak Mah. Bank | 142 | 0.9 | 76 | 21 | 62 | 9 | 11 | 111 | 15 |
| 28 | A B B | 139 | 0.9 | 68 | 39 | 33 | 29 | 15 | 44 | 17 |
| 29 | Reliance Capital | 130 | 0.8 | 66 | 45 | 10 | 13 | 8 | 25 | 7 |
| 30 | Axis Bank | 117 | 0.7 | 65 | 37 | 31 | 19 | 22 | 21 | 6 |
| 31 | Cipla | 115 | 0.7 | 24 | 23 | 22 | 21 | 27 | 27 | 26 |
| 32 | Zee Entertainment | 115 | 0.7 | 8 | 11 | 16 | 9 | 2 | 65 | 71 |
| 33 | Bharat Electronics | 110 | 0.7 | 64 | 29 | 15 | 28 | 24 | 17 | 5 |
| 34 | HCL Technologies | 110 | 0.7 | 18 | 22 | 39 | 32 | 19 | 17 | 18 |
| 35 | Container Corpn. | 108 | 0.7 | 50 | 23 | 19 | 26 | 27 | 18 | 6 |
| 36 | ACC | 107 | 0.7 | 37 | 57 | 15 | 39 | 13 | 11 | 20 |
| 37 | Ambuja Cem. | 103 | 0.6 | 32 | 52 | 37 | 43 | 12 | 11 | 16 |
| 38 | M I C O | 98 | 0.6 | 68 | 46 | 21 | 27 | 13 | 19 | 9 |
| 39 | Natl. Aluminium | 97 | 0.6 | 23 | 42 | 22 | 31 | 13 | 6 | 13 |
| 40 | BF Utilities | 88 | 0.5 | 267 | P to L | 16 | -1 | 0 | N.A. | 659 |
| 41 | Tata Power Co. | 78 | 0.5 | 35 | 7 | 5 | 12 | 12 | 14 | 4 |
| 42 | Aban Offshore | 74 | 0.5 | 170 | 50 | 20 | 28 | 10 | 75 | 3 |
| 43 | Crompton Greaves | 72 | 0.4 | 98 | 116 | 18 | 29 | 1 | 38 | 58 |
| 44 | Jindal Steel | 71 | 0.4 | 100 | 46 | 47 | 28 | 23 | 10 | 2 |
| 45 | Financial Tech. | 71 | 0.4 | 93 | L to P | 73 | 51 | -28 | 80 | N.A. |
| 46 | Indian Hotels | 71 | 0.4 | 53 | 32 | 22 | 18 | 9 | 26 | 10 |
| 47 | Hero Honda Motor | 70 | 0.4 | 15 | 13 | 17 | 35 | 68 | 16 | 14 |
| 48 | Glenmark Pharma | 70 | 0.4 | 90 | 43 | 28 | 30 | 19 | 54 | 11 |
| 49 | Aditya Birla Nuvo | 69 | 0.4 | 73 | 39 | 20 | 7 | 4 | 44 | 10 |
| 50 | Hindalco Inds. | 68 | 0.4 | 12 | 30 | 51 | 21 | 15 | 6 | 8 |

## '*MOSt 100*' ~ Biggest Wealth Creators (contd.) Appendix I

RANKED ACCORDING TO THE BIGGEST WEALTH CREATORS

| RANK | COMPANY | WEALTH CREATED | | CAGR (%) | | | ROE (%) | | P/E (X) | |
|---|---|---|---|---|---|---|---|---|---|---|
| NO. | NAME | RS B | % SHARE | PRICE | PAT | SALES | FY07 | FY02 | FY07 | FY02 |
| 51 | Dabur India | 66 | 0.4 | 39 | 31 | 10 | 63 | 16 | 33 | 24 |
| 52 | Sesa Goa | 66 | 0.4 | 134 | 108 | 47 | 40 | 7 | 11 | 6 |
| 53 | Bank of India | 66 | 0.4 | 46 | 17 | 10 | 20 | 19 | 7 | 3 |
| 54 | V S N L | 61 | 0.4 | 17 | -20 | -9 | 7 | 28 | 24 | 4 |
| 55 | Bharat Forge | 59 | 0.4 | 72 | 62 | 35 | 18 | 14 | 29 | 19 |
| 56 | Glaxosmithkline | 59 | 0.4 | 27 | 65 | 9 | 46 | 8 | 17 | 58 |
| 57 | Asian Paints | 52 | 0.3 | 28 | 19 | 15 | 37 | 28 | 27 | 18 |
| 58 | Neyveli Lignite | 51 | 0.3 | 20 | -7 | -1 | 7 | 16 | 15 | 4 |
| 59 | Indian Overseas | 50 | 0.3 | 63 | 34 | 13 | 26 | 24 | 6 | 2 |
| 60 | Bank of Baroda | 49 | 0.3 | 35 | 13 | 9 | 12 | 14 | 8 | 3 |
| 61 | Adani Enterprise | 48 | 0.3 | 67 | 18 | 29 | 14 | 13 | 34 | 5 |
| 62 | Century Textiles | 48 | 0.3 | 75 | 59 | 7 | 26 | 4 | 19 | 11 |
| 63 | Essar Oil | 47 | 0.3 | 54 | P to L | 10 | -2 | 2 | N.A. | 10 |
| 64 | Pantaloon Retail | 47 | 0.3 | 120 | 76 | 65 | 11 | 4 | 47 | 8 |
| 65 | Mangalore Ref. | 44 | 0.3 | 38 | L to P | 40 | 19 | -106 | 11 | N.A. |
| 66 | Thermax | 44 | 0.3 | 90 | 51 | 36 | 32 | 7 | 24 | 8 |
| 67 | Areva T&D | 43 | 0.3 | 124 | L to P | 33 | 37 | -1 | 32 | N.A. |
| 68 | Cummins India | 42 | 0.3 | 38 | 23 | 20 | 26 | 14 | 22 | 12 |
| 69 | United Spirits | 42 | 0.3 | 74 | 99 | 26 | 37 | 6 | 16 | 17 |
| 70 | Nestle India | 41 | 0.2 | 13 | 13 | 9 | 81 | 65 | 29 | 29 |
| 71 | BEML Ltd | 38 | 0.2 | 87 | 107 | 12 | 20 | 1 | 19 | 32 |
| 72 | Kirl. Brothers | 38 | 0.2 | 156 | 94 | 29 | 56 | 9 | 11 | 3 |
| 73 | I D B I | 38 | 0.2 | 37 | 8 | -1 | 10 | 6 | 9 | 3 |
| 74 | Ashok Leyland | 37 | 0.2 | 37 | 37 | 26 | 24 | 9 | 12 | 10 |
| 75 | Nicholas Piramal | 37 | 0.2 | 38 | 31 | 13 | 18 | 17 | 27 | 21 |
| 76 | Anant Raj Inds. | 36 | 0.2 | 232 | 164 | 61 | 12 | 5 | 39 | 5 |
| 77 | Lak. Mach. Works | 36 | 0.2 | 114 | 71 | 34 | 36 | 5 | 18 | 6 |
| 78 | Reliance Energy | 36 | 0.2 | 17 | 23 | 17 | 9 | 10 | 14 | 11 |
| 79 | Cadila Health | 35 | 0.2 | 39 | 25 | 22 | 23 | 12 | 21 | 11 |
| 80 | MphasiS Ltd | 35 | 0.2 | 33 | 22 | 44 | 17 | 5 | 35 | 19 |
| 81 | Titan Inds. | 34 | 0.2 | 76 | 48 | 26 | 29 | 10 | 40 | 17 |
| 82 | Amtek Auto | 33 | 0.2 | 54 | 69 | 38 | 12 | 12 | 20 | 17 |
| 83 | Marico | 33 | 0.2 | 56 | 19 | 15 | 63 | 25 | 32 | 8 |
| 84 | Max India | 33 | 0.2 | 53 | 8 | 1 | 1 | 2 | 263 | 30 |
| 85 | Jubilant Organ. | 32 | 0.2 | 110 | 58 | 22 | 24 | 20 | 16 | 3 |
| 86 | Tata Chemicals | 32 | 0.2 | 37 | 28 | 25 | 19 | 8 | 10 | 6 |
| 87 | Guj. Flourochem. | 32 | 0.2 | 138 | 51 | 37 | 34 | 12 | 14 | 1 |
| 88 | HMT | 32 | 0.2 | 64 | 40 | -2 | 31 | 10 | 65 | 27 |
| 89 | Essar Steel | 32 | 0.2 | 63 | L to P | 23 | 10 | 562 | 10 | N.A. |
| 90 | TV 18 India | 32 | 0.2 | 76 | 39 | 46 | 6 | 4 | 197 | 23 |
| 91 | Mah. Seamless | 31 | 0.2 | 89 | 36 | 35 | 25 | 33 | 15 | 2 |
| 92 | Praj Inds. | 31 | 0.2 | 207 | 227 | 59 | 58 | 1 | 37 | 39 |
| 93 | Shree Cement | 31 | 0.2 | 86 | 161 | 33 | 39 | 1 | 18 | 99 |
| 94 | Ship. Corp. (I) | 30 | 0.2 | 21 | 33 | 6 | 20 | 11 | 5 | 8 |
| 95 | Godrej Consumer | 30 | 0.2 | 56 | 26 | 10 | 119 | 79 | 25 | 9 |
| 96 | Aurobindo Pharma | 29 | 0.2 | 45 | 27 | 15 | 25 | 19 | 16 | 6 |
| 97 | Ranbaxy Labs. | 29 | 0.2 | 5 | 9 | 15 | 16 | 16 | 35 | 40 |
| 98 | Exide Inds. | 29 | 0.2 | 67 | 38 | 21 | 25 | 12 | 21 | 7 |
| 99 | Dr Reddy's Labs. | 28 | 0.2 | 6 | 21 | 22 | 27 | 32 | 10 | 18 |
| 100 | IVRCL Infrastructure | 28 | 0.2 | 115 | 61 | 43 | 11 | 15 | 27 | 3 |

# 'MOSt 100' ~ Fastest Wealth Creators

# Appendix II

RANKED ACCORDING TO THE FASTEST WEALTH CREATORS

| RANK | COMPANY | PRICE | CAGR (%) | | | ROE (%) | | P/E (X) | |
|---|---|---|---|---|---|---|---|---|---|
| NO. | NAME | APPRN. (X) | PRICE | PAT | SALES | FY07 | FY02 | FY07 | FY02 |
| 1 | BF Utilities | 665 | 267 | P to L | 16 | -1 | 0 | N.A. | 659 |
| 2 | Unitech | 497 | 246 | 173 | 64 | 85 | 5 | 32 | 10 |
| 3 | Anant Raj Inds. | 401 | 232 | 164 | 61 | 12 | 5 | 39 | 5 |
| 4 | Praj Inds. | 274 | 207 | 227 | 59 | 58 | 1 | 37 | 39 |
| 5 | Aban Offshore | 144 | 170 | 50 | 20 | 28 | 10 | 75 | 3 |
| 6 | Kirl. Brothers | 110 | 156 | 94 | 29 | 56 | 9 | 11 | 3 |
| 7 | Guj. Flourochem. | 76 | 138 | 51 | 37 | 34 | 12 | 14 | 1 |
| 8 | Sesa Goa | 70 | 134 | 108 | 47 | 40 | 7 | 11 | 6 |
| 9 | Areva T&D | 57 | 124 | L to P | 33 | 37 | -1 | 32 | N.A. |
| 10 | Pantaloon Retail | 51 | 120 | 76 | 65 | 11 | 4 | 47 | 8 |
| 11 | IVRCL Infrastructure | 46 | 115 | 61 | 43 | 11 | 15 | 27 | 3 |
| 12 | Lak. Mach. Works | 45 | 114 | 71 | 34 | 36 | 5 | 18 | 6 |
| 13 | Jubilant Organ. | 40 | 110 | 58 | 22 | 24 | 20 | 16 | 3 |
| 14 | Sterlite Inds. | 35 | 103 | 54 | 49 | 18 | 6 | 33 | 8 |
| 15 | Jindal Steel | 32 | 100 | 46 | 47 | 28 | 23 | 10 | 2 |
| 16 | Crompton Greaves | 30 | 98 | 116 | 18 | 29 | 1 | 38 | 58 |
| 17 | Financial Tech. | 27 | 93 | L to P | 73 | 51 | -28 | 80 | N.A. |
| 18 | Glenmark Pharma | 25 | 90 | 43 | 28 | 30 | 19 | 54 | 11 |
| 19 | Thermax | 25 | 90 | 51 | 36 | 32 | 7 | 24 | 8 |
| 20 | Mah. Seamless | 24 | 89 | 36 | 35 | 25 | 33 | 15 | 2 |
| 21 | S A I L | 23 | 88 | L to P | 20 | 36 | -60 | 8 | N.A. |
| 22 | BEML Ltd | 23 | 87 | 107 | 12 | 20 | 1 | 19 | 32 |
| 23 | Shree Cement | 22 | 86 | 161 | 33 | 39 | 1 | 18 | 99 |
| 24 | Siemens | 21 | 85 | 39 | 31 | 33 | 21 | 51 | 12 |
| 25 | Bharti Airtel | 20 | 82 | L to P | 65 | 35 | -4 | 36 | N.A. |
| 26 | Larsen & Toubro | 18 | 78 | 32 | 18 | 24 | 10 | 33 | 13 |
| 27 | Titan Inds. | 17 | 76 | 48 | 26 | 29 | 10 | 40 | 17 |
| 28 | Kotak Mah. Bank | 17 | 76 | 21 | 62 | 9 | 11 | 111 | 15 |
| 29 | TV 18 India | 17 | 76 | 39 | 46 | 6 | 4 | 197 | 23 |
| 30 | Century Textiles | 16 | 75 | 59 | 7 | 26 | 4 | 19 | 11 |
| 31 | United Spirits | 16 | 74 | 99 | 26 | 37 | 6 | 16 | 17 |
| 32 | Hind.Zinc | 16 | 73 | 131 | 47 | 58 | 6 | 5 | 22 |
| 33 | Aditya Birla Nuvo | 15 | 73 | 39 | 20 | 7 | 4 | 44 | 10 |
| 34 | Bharat Forge | 15 | 72 | 62 | 35 | 18 | 14 | 29 | 19 |
| 35 | M & M | 14 | 69 | 60 | 24 | 30 | 7 | 18 | 13 |
| 36 | M I C O | 14 | 68 | 46 | 21 | 27 | 13 | 19 | 9 |
| 37 | B H E L | 13 | 68 | 39 | 21 | 27 | 10 | 23 | 9 |
| 38 | A B B | 13 | 68 | 39 | 33 | 29 | 15 | 44 | 17 |
| 39 | Exide Inds. | 13 | 67 | 38 | 21 | 25 | 12 | 21 | 7 |
| 40 | Adani Enterprise | 13 | 67 | 18 | 29 | 14 | 13 | 34 | 5 |
| 41 | Reliance Capital | 13 | 66 | 45 | 10 | 13 | 8 | 25 | 7 |
| 42 | Axis Bank | 12 | 65 | 37 | 31 | 19 | 22 | 21 | 6 |
| 43 | HMT | 12 | 64 | 40 | -2 | 31 | 10 | 65 | 27 |
| 44 | Bharat Electronics | 12 | 64 | 29 | 15 | 28 | 24 | 17 | 5 |
| 45 | Essar Steel | 12 | 63 | L to P | 23 | 10 | 562 | 10 | N.A. |
| 46 | Indian Overseas | 11 | 63 | 34 | 13 | 26 | 24 | 6 | 2 |
| 47 | Godrej Consumer | 9 | 56 | 26 | 10 | 119 | 79 | 25 | 9 |
| 48 | Marico | 9 | 56 | 19 | 15 | 63 | 25 | 32 | 8 |
| 49 | Essar Oil | 9 | 54 | P to L | 10 | -2 | 2 | N.A. | 10 |
| 50 | Amtek Auto | 9 | 54 | 69 | 38 | 12 | 12 | 20 | 17 |

# '*MOSt 100*' ~ Fastest Wealth Creators (contd.)

# Appendix II

RANKED ACCORDING TO THE FASTEST WEALTH CREATORS

| RANK | COMPANY | PRICE | CAGR (%) | | | ROE (%) | | P/E (X) | |
|---|---|---|---|---|---|---|---|---|---|
| NO. | NAME | APPRN. (X) | PRICE | PAT | SALES | FY07 | FY02 | FY07 | FY02 |
| 51 | Max India | 8 | 53 | 8 | 1 | 1 | 2 | 263 | 30 |
| 52 | Indian Hotels | 8 | 53 | 32 | 22 | 18 | 9 | 26 | 10 |
| 53 | Reliance Inds. | 8 | 50 | 30 | 22 | 19 | 13 | 16 | 10 |
| 54 | Container Corpn. | 8 | 50 | 23 | 19 | 26 | 27 | 18 | 6 |
| 55 | Grasim Inds. | 7 | 49 | 38 | 15 | 25 | 11 | 12 | 9 |
| 56 | Tata Steel | 7 | 47 | 83 | 21 | 30 | 6 | 6 | 18 |
| 57 | ICICI Bank | 7 | 47 | 64 | 61 | 13 | 4 | 25 | 11 |
| 58 | Bank of India | 7 | 46 | 17 | 10 | 20 | 19 | 7 | 3 |
| 59 | Aurobindo Pharma | 6 | 45 | 27 | 15 | 25 | 19 | 16 | 6 |
| 60 | Sun Pharma. | 6 | 44 | 30 | 26 | 26 | 32 | 32 | 18 |
| 61 | Tata Motors | 6 | 42 | L to P | 30 | 28 | -2 | 15 | N.A. |
| 62 | Cadila Health | 5 | 39 | 25 | 22 | 23 | 12 | 21 | 11 |
| 63 | Bajaj Auto | 5 | 39 | 19 | 21 | 22 | 18 | 20 | 9 |
| 64 | Dabur India | 5 | 39 | 31 | 10 | 63 | 16 | 33 | 24 |
| 65 | Cummins India | 5 | 38 | 23 | 20 | 26 | 14 | 22 | 12 |
| 66 | Nicholas Piramal | 5 | 38 | 31 | 13 | 18 | 17 | 27 | 21 |
| 67 | Mangalore Ref. | 5 | 38 | L to P | 40 | 19 | -106 | 11 | N.A. |
| 68 | O N G C | 5 | 37 | 20 | 20 | 25 | 21 | 12 | 6 |
| 69 | Ashok Leyland | 5 | 37 | 37 | 26 | 24 | 9 | 12 | 10 |
| 70 | ACC | 5 | 37 | 57 | 15 | 39 | 13 | 11 | 20 |
| 71 | I D B I | 5 | 37 | 8 | -1 | 10 | 6 | 9 | 3 |
| 72 | Tata Chemicals | 5 | 37 | 28 | 25 | 19 | 8 | 10 | 6 |
| 73 | St Bk of India | 5 | 35 | 13 | 6 | 15 | 16 | 12 | 5 |
| 74 | Bank of Baroda | 4 | 35 | 13 | 9 | 12 | 14 | 8 | 3 |
| 75 | Tata Power Co. | 4 | 35 | 7 | 5 | 12 | 12 | 14 | 4 |
| 76 | H D F C | 4 | 35 | 22 | 17 | 28 | 21 | 24 | 14 |
| 77 | Infosys Tech. | 4 | 34 | 36 | 38 | 34 | 39 | 30 | 31 |
| 78 | MphasiS Ltd | 4 | 33 | 22 | 44 | 17 | 5 | 35 | 19 |
| 79 | HDFC Bank | 4 | 32 | 31 | 32 | 18 | 15 | 27 | 22 |
| 80 | Ambuja Cem. | 4 | 32 | 52 | 37 | 43 | 12 | 11 | 16 |
| 81 | Satyam Computer | 4 | 29 | 26 | 29 | 25 | 23 | 22 | 19 |
| 82 | Asian Paints | 3 | 28 | 19 | 15 | 37 | 28 | 27 | 18 |
| 83 | GAIL (India) | 3 | 28 | 15 | 9 | 21 | 22 | 9 | 5 |
| 84 | Glaxosmithkline | 3 | 27 | 65 | 9 | 46 | 8 | 17 | 58 |
| 85 | ITC | 3 | 26 | 18 | 20 | 26 | 27 | 21 | 14 |
| 86 | Indian Oil | 3 | 25 | 21 | 16 | 22 | 19 | 6 | 5 |
| 87 | Cipla | 3 | 24 | 23 | 22 | 21 | 27 | 27 | 26 |
| 88 | Natl. Aluminium | 3 | 23 | 42 | 22 | 31 | 13 | 6 | 13 |
| 89 | Ship. Corp. (I) | 3 | 21 | 33 | 6 | 20 | 11 | 5 | 8 |
| 90 | Neyveli Lignite | 3 | 20 | -7 | -1 | 7 | 16 | 15 | 4 |
| 91 | HCL Technologies | 2 | 18 | 22 | 39 | 32 | 19 | 17 | 18 |
| 92 | Reliance Energy | 2 | 17 | 23 | 17 | 9 | 10 | 14 | 11 |
| 93 | V S N L | 2 | 17 | -20 | -9 | 7 | 28 | 24 | 4 |
| 94 | Hero Honda Motor | 2 | 15 | 13 | 17 | 35 | 68 | 16 | 14 |
| 95 | Wipro | 2 | 15 | 27 | 32 | 31 | 34 | 28 | 46 |
| 96 | Nestle India | 2 | 13 | 13 | 9 | 81 | 65 | 29 | 29 |
| 97 | Hindalco Inds. | 2 | 12 | 30 | 51 | 21 | 15 | 6 | 8 |
| 98 | Zee Entertainment | 1 | 8 | 11 | 16 | 9 | 2 | 65 | 71 |
| 99 | Dr Reddy's Labs. | 1 | 6 | 21 | 22 | 27 | 32 | 10 | 18 |
| 100 | Ranbaxy Labs. | 1 | 5 | 9 | 15 | 16 | 16 | 35 | 40 |

# '*MOSt 100*' ~ Wealth Creators (alphabetical)

# Appendix III

ALPHABETICALLY ARRANGED

| SR. | COMPANY | BIGGEST | | FASTEST | | CAGR (%) | | ROE (%) | | P/E (X) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NO. | NAME | RANK | RS B | RANK | PR. CAGR (%) | PAT | SALES | FY07 | FY02 | FY07 | FY02 |
| 1 | A B B | 28 | 139 | 38 | 68 | 39 | 33 | 29 | 15 | 44 | 17 |
| 2 | Aban Offshore | 42 | 74 | 5 | 170 | 50 | 20 | 28 | 10 | 75 | 3 |
| 3 | ACC | 36 | 107 | 70 | 37 | 57 | 15 | 39 | 13 | 11 | 20 |
| 4 | Adani Enterprise | 61 | 48 | 40 | 67 | 18 | 29 | 14 | 13 | 34 | 5 |
| 5 | Aditya Birla Nuvo | 49 | 69 | 33 | 73 | 39 | 20 | 7 | 4 | 44 | 10 |
| 6 | Ambuja Cem. | 37 | 103 | 80 | 32 | 52 | 37 | 43 | 12 | 11 | 16 |
| 7 | Amtek Auto | 82 | 33 | 50 | 54 | 69 | 38 | 12 | 12 | 20 | 17 |
| 8 | Anant Raj Inds. | 76 | 36 | 3 | 232 | 164 | 61 | 12 | 5 | 39 | 5 |
| 9 | Areva T&D | 67 | 43 | 9 | 124 | L to P | 33 | 37 | -1 | 32 | N.A. |
| 10 | Ashok Leyland | 74 | 37 | 69 | 37 | 37 | 26 | 24 | 9 | 12 | 10 |
| 11 | Asian Paints | 57 | 52 | 82 | 28 | 19 | 15 | 37 | 28 | 27 | 18 |
| 12 | Aurobindo Pharma | 96 | 29 | 59 | 45 | 27 | 15 | 25 | 19 | 16 | 6 |
| 13 | Axis Bank | 30 | 117 | 42 | 65 | 37 | 31 | 19 | 22 | 21 | 6 |
| 14 | B H E L | 6 | 512 | 37 | 68 | 39 | 21 | 27 | 10 | 23 | 9 |
| 15 | Bajaj Auto | 21 | 198 | 63 | 39 | 19 | 21 | 22 | 18 | 20 | 9 |
| 16 | Bank of Baroda | 60 | 49 | 74 | 35 | 13 | 9 | 12 | 14 | 8 | 3 |
| 17 | Bank of India | 53 | 66 | 58 | 46 | 17 | 10 | 20 | 19 | 7 | 3 |
| 18 | BEML Ltd | 71 | 38 | 22 | 87 | 107 | 12 | 20 | 1 | 19 | 32 |
| 19 | BF Utilities | 40 | 88 | 1 | 267 | P to L | 16 | -1 | 0 | N.A. | 659 |
| 20 | Bharat Electronics | 33 | 110 | 44 | 64 | 29 | 15 | 28 | 24 | 17 | 5 |
| 21 | Bharat Forge | 55 | 59 | 34 | 72 | 62 | 35 | 18 | 14 | 29 | 19 |
| 22 | Bharti Airtel | 3 | 1,366 | 25 | 82 | -286 | 65 | 35 | -4 | 36 | -39 |
| 23 | Cadila Health | 79 | 35 | 62 | 39 | 25 | 22 | 23 | 12 | 21 | 11 |
| 24 | Century Textiles | 62 | 48 | 30 | 75 | 59 | 7 | 26 | 4 | 19 | 11 |
| 25 | Cipla | 31 | 115 | 87 | 24 | 23 | 22 | 21 | 27 | 27 | 26 |
| 26 | Container Corpn. | 35 | 108 | 54 | 50 | 23 | 19 | 26 | 27 | 18 | 6 |
| 27 | Crompton Greaves | 43 | 72 | 16 | 98 | 116 | 18 | 29 | 1 | 38 | 58 |
| 28 | Cummins India | 68 | 42 | 65 | 38 | 23 | 20 | 26 | 14 | 22 | 12 |
| 29 | Dabur India | 51 | 66 | 64 | 39 | 31 | 10 | 63 | 16 | 33 | 24 |
| 30 | Dr Reddy's Labs. | 99 | 28 | 99 | 6 | 21 | 22 | 27 | 32 | 10 | 18 |
| 31 | Essar Oil | 63 | 47 | 49 | 54 | P to L | 10 | -2 | 2 | N.A. | 10 |
| 32 | Essar Steel | 89 | 32 | 45 | 63 | -182 | 23 | 10 | 562 | 10 | 0 |
| 33 | Exide Inds. | 98 | 29 | 39 | 67 | 38 | 21 | 25 | 12 | 21 | 7 |
| 34 | Financial Tech. | 45 | 71 | 17 | 93 | L to P | 73 | 51 | -28 | 80 | N.A. |
| 35 | GAIL (India) | 26 | 159 | 83 | 28 | 15 | 9 | 21 | 22 | 9 | 5 |
| 36 | Glaxosmithkline | 56 | 59 | 84 | 27 | 65 | 9 | 46 | 8 | 17 | 58 |
| 37 | Glenmark Pharma | 48 | 70 | 18 | 90 | 43 | 28 | 30 | 19 | 54 | 11 |
| 38 | Godrej Consumer | 95 | 30 | 47 | 56 | 26 | 10 | 119 | 79 | 25 | 9 |
| 39 | Grasim Inds. | 25 | 165 | 55 | 49 | 38 | 15 | 25 | 11 | 12 | 9 |
| 40 | Guj. Flourochem. | 87 | 32 | 7 | 138 | 51 | 37 | 34 | 12 | 14 | 1 |
| 41 | H D F C | 14 | 299 | 76 | 35 | 22 | 17 | 28 | 21 | 24 | 14 |
| 42 | HCL Technologies | 34 | 110 | 91 | 18 | 22 | 39 | 32 | 19 | 17 | 18 |
| 43 | HDFC Bank | 19 | 220 | 79 | 32 | 31 | 32 | 18 | 15 | 27 | 22 |
| 44 | Hero Honda Motor | 47 | 70 | 94 | 15 | 13 | 17 | 35 | 68 | 16 | 14 |
| 45 | Hind.Zinc | 18 | 223 | 32 | 73 | 131 | 47 | 58 | 6 | 5 | 22 |
| 46 | Hindalco Inds. | 50 | 68 | 97 | 12 | 30 | 51 | 21 | 15 | 6 | 8 |
| 47 | HMT | 88 | 32 | 43 | 64 | 40 | -2 | 31 | 10 | 65 | 27 |
| 48 | I D B I | 73 | 38 | 71 | 37 | 8 | -1 | 10 | 6 | 9 | 3 |
| 49 | ICICI Bank | 5 | 566 | 57 | 47 | 64 | 61 | 13 | 4 | 25 | 11 |
| 50 | Indian Hotels | 46 | 71 | 52 | 53 | 32 | 22 | 18 | 9 | 26 | 10 |

## '*MOSt 100*' ~ Wealth Creators (alphabetical, contd.)

## Appendix III

ALPHABETICALLY ARRANGED

| SR. | COMPANY | BIGGEST | | FASTEST | | CAGR (%) | | ROE (%) | | P/E (X) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NO. | NAME | RANK | RS B | RANK | PR. CAGR (%) | PAT | SALES | FY07 | FY02 | FY07 | FY02 |
| 51 | Indian Oil | 13 | 310 | 86 | 25 | 21 | 16 | 22 | 19 | 6 | 5 |
| 52 | Indian Overseas | 59 | 50 | 46 | 63 | 34 | 13 | 26 | 24 | 6 | 2 |
| 53 | Infosys Tech. | 4 | 855 | 77 | 34 | 36 | 38 | 34 | 39 | 30 | 31 |
| 54 | ITC | 11 | 390 | 85 | 26 | 18 | 20 | 26 | 27 | 21 | 14 |
| 55 | IVRCL Infrastructure | 100 | 28 | 11 | 115 | 61 | 43 | 11 | 15 | 27 | 3 |
| 56 | Jindal Steel | 44 | 71 | 15 | 100 | 46 | 47 | 28 | 23 | 10 | 2 |
| 57 | Jubilant Organ. | 85 | 32 | 13 | 110 | 58 | 22 | 24 | 20 | 16 | 3 |
| 58 | Kirl. Brothers | 72 | 38 | 6 | 156 | 94 | 29 | 56 | 9 | 11 | 3 |
| 59 | Kotak Mah. Bank | 27 | 142 | 28 | 76 | 21 | 62 | 9 | 11 | 111 | 15 |
| 60 | Lak. Mach. Works | 77 | 36 | 12 | 114 | 71 | 34 | 36 | 5 | 18 | 6 |
| 61 | Larsen & Toubro | 8 | 433 | 26 | 78 | 32 | 18 | 24 | 10 | 33 | 13 |
| 62 | M & M | 22 | 173 | 35 | 69 | 60 | 24 | 30 | 7 | 18 | 13 |
| 63 | M I C O | 38 | 98 | 36 | 68 | 46 | 21 | 27 | 13 | 19 | 9 |
| 64 | Mah. Seamless | 91 | 31 | 20 | 89 | 36 | 35 | 25 | 33 | 15 | 2 |
| 65 | Mangalore Ref. | 65 | 44 | 67 | 38 | L to P | 40 | 19 | -106 | 11 | N.A. |
| 66 | Marico | 83 | 33 | 48 | 56 | 19 | 15 | 63 | 25 | 32 | 8 |
| 67 | Max India | 84 | 33 | 51 | 53 | 8 | 1 | 1 | 2 | 263 | 30 |
| 68 | MphasiS Ltd | 80 | 35 | 78 | 33 | 22 | 44 | 17 | 5 | 35 | 19 |
| 69 | Natl. Aluminium | 39 | 97 | 88 | 23 | 42 | 22 | 31 | 13 | 6 | 13 |
| 70 | Nestle India | 70 | 41 | 96 | 13 | 13 | 9 | 81 | 65 | 29 | 29 |
| 71 | Neyveli Lignite | 58 | 51 | 90 | 20 | -7 | -1 | 7 | 16 | 15 | 4 |
| 72 | Nicholas Piramal | 75 | 37 | 66 | 38 | 31 | 13 | 18 | 17 | 27 | 21 |
| 73 | O N G C | 2 | 1,490 | 68 | 37 | 20 | 20 | 25 | 21 | 12 | 6 |
| 74 | Pantaloon Retail | 64 | 47 | 10 | 120 | 76 | 65 | 11 | 4 | 47 | 8 |
| 75 | Praj Inds. | 92 | 31 | 4 | 207 | 227 | 59 | 58 | 1 | 37 | 39 |
| 76 | Ranbaxy Labs. | 97 | 29 | 100 | 5 | 9 | 15 | 16 | 16 | 35 | 40 |
| 77 | Reliance Capital | 29 | 130 | 41 | 66 | 45 | 10 | 13 | 8 | 25 | 7 |
| 78 | Reliance Energy | 78 | 36 | 92 | 17 | 23 | 17 | 9 | 10 | 14 | 11 |
| 79 | Reliance Inds. | 1 | 1,856 | 53 | 50 | 30 | 22 | 19 | 13 | 16 | 10 |
| 80 | S A I L | 7 | 451 | 21 | 88 | L to P | 20 | 36 | -60 | 8 | N.A. |
| 81 | Satyam Computer | 17 | 223 | 81 | 29 | 26 | 29 | 25 | 23 | 22 | 19 |
| 82 | Sesa Goa | 52 | 66 | 8 | 134 | 108 | 47 | 40 | 7 | 11 | 6 |
| 83 | Ship. Corp. (I) | 94 | 30 | 89 | 21 | 33 | 6 | 20 | 11 | 5 | 8 |
| 84 | Shree Cement | 93 | 31 | 23 | 86 | 161 | 33 | 39 | 1 | 18 | 99 |
| 85 | Siemens | 23 | 173 | 24 | 85 | 39 | 31 | 33 | 21 | 51 | 12 |
| 86 | St Bk of India | 9 | 407 | 73 | 35 | 13 | 6 | 15 | 16 | 12 | 5 |
| 87 | Sterlite Inds. | 15 | 234 | 14 | 103 | 54 | 49 | 18 | 6 | 33 | 8 |
| 88 | Sun Pharma. | 24 | 167 | 60 | 44 | 30 | 26 | 26 | 32 | 32 | 18 |
| 89 | Tata Chemicals | 86 | 32 | 72 | 37 | 28 | 25 | 19 | 8 | 10 | 6 |
| 90 | Tata Motors | 16 | 231 | 61 | 42 | L to P | 30 | 28 | -2 | 15 | N.A. |
| 91 | Tata Power Co. | 41 | 78 | 75 | 35 | 7 | 5 | 12 | 12 | 14 | 4 |
| 92 | Tata Steel | 20 | 211 | 56 | 47 | 83 | 21 | 30 | 6 | 6 | 18 |
| 93 | Thermax | 66 | 44 | 19 | 90 | 51 | 36 | 32 | 7 | 24 | 8 |
| 94 | Titan Inds. | 81 | 34 | 27 | 76 | 48 | 26 | 29 | 10 | 40 | 17 |
| 95 | TV 18 India | 90 | 32 | 29 | 76 | 39 | 46 | 6 | 4 | 197 | 23 |
| 96 | Unitech | 12 | 312 | 2 | 246 | 173 | 64 | 85 | 5 | 32 | 10 |
| 97 | United Spirits | 69 | 42 | 31 | 74 | 99 | 26 | 37 | 6 | 16 | 17 |
| 98 | V S N L | 54 | 61 | 93 | 17 | -20 | -9 | 7 | 28 | 24 | 4 |
| 99 | Wipro | 10 | 394 | 95 | 15 | 27 | 32 | 31 | 34 | 28 | 46 |
| 100 | Zee Entertainment | 32 | 115 | 98 | 8 | 11 | 16 | 9 | 2 | 65 | 71 |

# N O T E S

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