19th ANNUAL WEALTH CREATION STUDY (2009-2014)

100x

The power of growth in Wealth Creation

HIGHLIGHTS

- 100x stocks are few. Finding them requires "vision to see, courage to buy, and the patience to hold."
- Value migration offers the most predictable 100x opportunities.
- The 100x process is captured in SQGLP – Size, Quality, Growth, Longevity and Price.
- "In evaluating a common stock, the management is 90%, industry is 9%, and all other factors 1%." (Phil Fisher)
- Quality does not guarantee growth, and in turn, rapid long-term Wealth Creation.

"To make money in stocks you must have the vision to see them, the courage to buy them and the patience to hold them. Patience is the rarest of the three."

— **Thomas Phelps in *100 to 1 In The Stock Market***

TOP 10 WEALTH CREATORS (2009-2014)

	THE BIGGEST		THE FASTEST		THE MOST CONSISTENT		
Rank	Company	Wealth Created (INR b)	Company	5-Year Price CAGR (%)	Company	Appeared in WC Study (x)	2004-14 Price CAGR (%)
1	TCS	3,638	Eicher Motors	94	Kotak Mahindra	10	34
2	ITC	2,073	Bajaj Finance	93	Asian Paints	10	34
3	HDFC Bank	1,307	Supreme Inds	88	Sun Pharma	10	33
4	Infosys	1,123	Amara Raja Batteries	84	Hindustan Zinc	10	29
5	ICICI Bank	1,035	Page Industries	78	ITC	10	26
6	Wipro	993	IndusInd Bank	73	Axis Bank	10	26
7	Sun Pharma	958	HCL Technologies	69	HDFC Bank	10	26
8	Tata Motors	945	Aurobindo Pharma	68	M & M	10	24
9	H D F C	934	Havells India	67	Bosch	10	23
10	HCL Technologies	898	Ipca Labs	67	Nestle India	10	23

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Motilal Oswal 19th Annual Wealth Creation Study

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Abbreviations and Terms used in this report

Abbreviation / Term	Description
2009, 2014, etc	Reference to years for India are financial year ending March, unless otherwise stated
Avg	Average
CAGR	Compound Annual Growth Rate
L to P / P to L	Loss to Profit / Profit to Loss. In such cases, calculation of PAT CAGR is not possible
INR b	Indian Rupees in billion
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 events such as fresh equity issuance, mergers, demergers, share buybacks, etc.

Note: Capitaline database has been used for this study. Source of all exhibits is MOSL 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 for the past 19 years, we 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 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, after adjusting for equity dilution.

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 (the BSE Sensex in our case). These top 100 Wealth Creators are also ranked according to speed (i.e. price CAGR during the period under study). The biggest Wealth Creators are listed in Appendix I (pages 39-40) and the fastest in Appendix II (pages 41-42).

Exhibit 1

Market Outperformance Filter (Sensex CAGR over 2009-14 was 18.2%)

Who missed the Wealth Creators list …

Company	WC (INR b)	Price CAGR (%)	Normal Rank*
O N G C	1,059	10.3	5
Reliance Inds	610	4.1	14
State Bank of India	546	12.5	15
Cairn India	386	12.6	22
Hero MotoCorp	240	16.3	34
I O C	213	7.6	38
GAIL (India)	167	9.0	50
Cipla	131	11.8	58
Tata Steel	112	13.8	67
Punjab National Bank	98	12.6	72
Container Corpn	96	15.3	74
A B B	89	14.7	78
Jindal Steel	88	7.8	79
Ranbaxy Labs	88	17.1	80
I D F C	83	17.7	84
Sesa Sterlite	72	13.3	95

* If the stock had outperformed the Sensex

… and who made it

Company	WC (INR b)	Price CAGR (%)	Rank
Britannia Inds	67	24.5	85
Berger Paints	67	45.8	86
Bata India	66	61.5	87
Exide Inds	64	23.9	88
Sundaram Finance	64	52.0	89
Amara Raja Batteries	64	84.4	90
Supreme Inds	61	88.3	91
J & K Bank	59	37.7	92
Federal Bank	58	28.2	93
Tata Global	58	20.7	94
Info Edge (India)	56	42.0	95
Biocon	56	24.0	96
Bhushan Steel	55	42.0	97
Kansai Nerolac	51	39.2	98
Coromandel Inter.	50	37.4	99
Bayer Crop Science	50	43.3	100

Wealth Creation 2009-2014

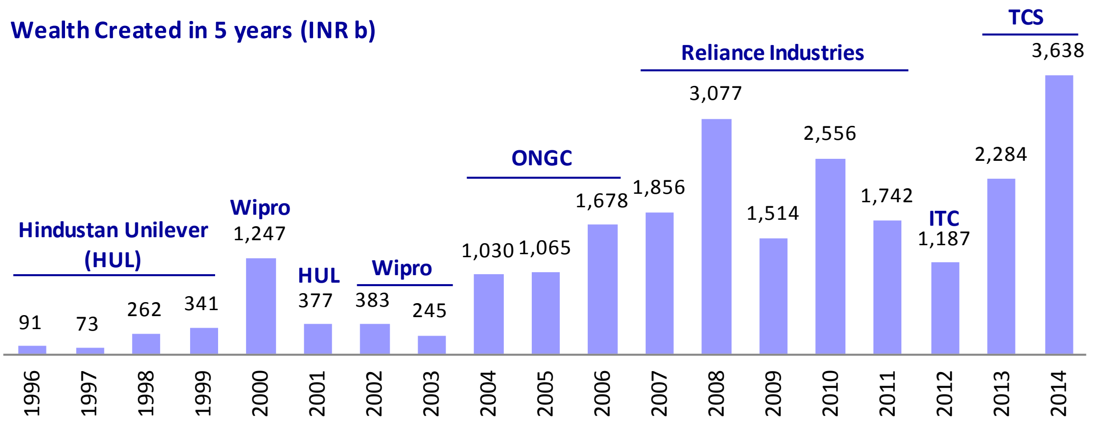
Findings Summary

TCS is the Biggest Wealth Creator again

- **TCS** has emerged the biggest Wealth Creator for the period 2009-14, retaining the top spot it held even for the period 2008-13.
- The performance in the latest period is better than the previous one with Wealth Created at INR3.6 trillion v/s INR2.3 trillion over 2008-13. This is the highest ever wealth created in any 5-year period in India's stock market history.
- On the back of 29% PAT CAGR over 2009-14, TCS stock has delivered 51% price CAGR for the same period, and is currently India's largest company by market cap.

Exhibit 2

TCS' Wealth Creation of INR3.6 trillion between 2009-14 is the highest ever in Indian stock markets



Eicher Motors is the Fastest Wealth Creator

- **Eicher Motors** has emerged the Fastest Wealth Creator during 2009-14, with Price CAGR of 94%, marginally higher than 93% for **Bajaj Finance**.
- **Eicher**, **Supreme Industries** and **Page Industries** are among the 10 Fastest Wealth Creators for the last 3 studies in a row.
- **HCL Technologies** enjoys the unique distinction of being in the top 10 of both the Biggest and the Fastest Wealth Creators.
- 7 of the top 10 Fastest Wealth Creators had single-digit INR billion market cap in 2009 and/or were quoting at single-digit P/Es.

Exhibit 3

Top 10 Fastest Wealth Creators

Rank	Company	Price Appn.	CAGR (%)		Mkt Cap (INR b)		P/E (x)	
		(x)	Price	PAT	2014	2009	2014	2009
1	Eicher Motors	27	94	51	161	6	31	9
2	Bajaj Finance	27	93	84	90	3	12	7
3	Supreme Inds	24	88	24	63	3	23	3
4	Amara Raja Batteries	21	84	35	67	3	18	4
5	Page Industries	18	78	37	72	4	47	13
6	IndusInd Bank	16	73	57	263	11	19	8
7	HCL Technologies	14	69	38	973	68	15	5
8	Aurobindo Pharma	13	68	63	149	10	13	10
9	Havells India	13	67	L to P	116	9	26	NA
10	Ipca Labs	13	67	38	107	8	22	9

Kotak Mahindra Bank is the Most Consistent Wealth Creator

- **Kotak Mahindra Bank** is the Most Consistent Wealth Creator over 2004-14, by virtue of: (1) Appearing among top 100 Wealth Creators in each of the last 10 studies; and (2) Highest 10-year Price CAGR, marginally ahead of **Asian Paints** and **Sun Pharma**.

Technology re-emerges as the largest ever Wealth Creating sector

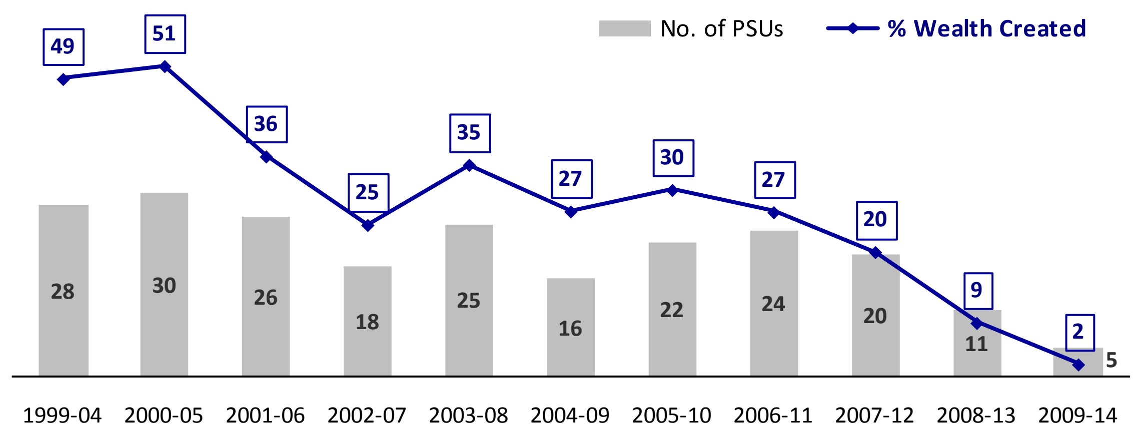
- After a 9-year holiday post 2004, Technology has re-emerged as India's largest Wealth Creating sector. (It was the largest Wealth Creator for 4 consecutive years 2000 to 2004.)
- Ironically, Oil & Gas is one of the lowest Wealth Creating sectors over 2009-14, with its share of Wealth Created collapsing to 1% v/s 22% in 2009.

PSUs' decade of decline: Wealth Creation hits rock bottom

- The number of PSUs in the top 100 Wealth Creators is at an all-time low of only 5.
- The Wealth Created by these 5 PSUs is also at an all-time low of just 2% of total, from as high as 51% over 2000-05, signaling total value migration to the private sector.

Exhibit 4

PSUs' decade of decline in Wealth Creation

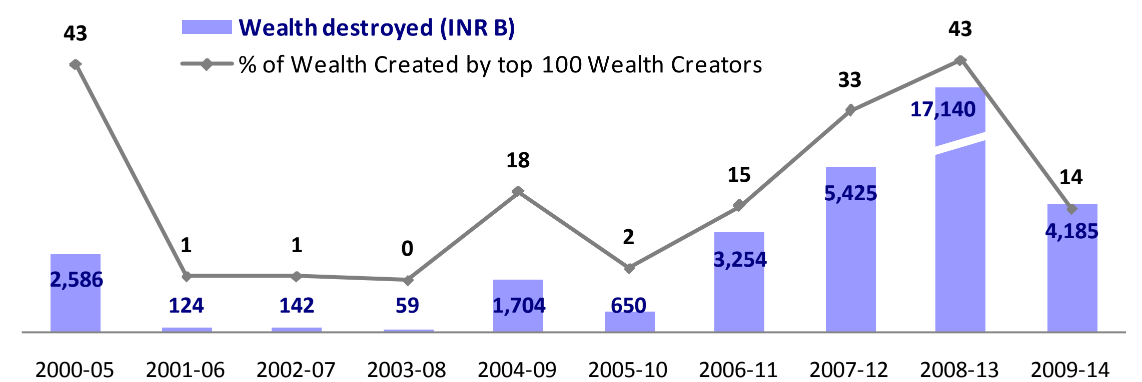


Overall level of Wealth Destruction eases; will the tide turn?

Most of the Wealth Destroying companies and sectors are deeply cyclical and/or those affected by policy paralysis during UPA-2 regime. With a new government at the helm, major policy reforms coupled with economic recovery, could be hugely positive for many of them.

Exhibit 5

Level of Wealth Destruction significantly eased during 2009-14

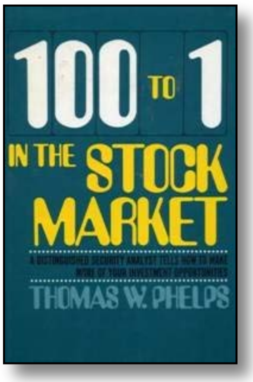


For detailed findings, please see page 28-38.

Theme 2015

100x

The power of growth in Wealth Creation



Acknowledgment

This report would most likely have been titled "Demystifying growth" … and then we came across this book "**100 To 1 In The Stock Market**" by Thomas W Phelps who is described as having been a private investor, columnist, analyst, author and financial advisor.

Written in 1972, the book makes a strong case for investors to "**Buy right and hold on**". It offers examples of how in the US, over 365 stocks appreciated 100x or more over the 40 years ending 1971. We believe "100 to 1" is an excellent concept to apply our understanding of growth.

The "**100 To 1**" book is common sensical, conversational, and chucklesome (Sample this: "Unlike dogs, not every stock has its day. In fact, in Wall Street, a stock that does not have its day is called a dog!" And this: "Most deception is bad but self-deception is worse because it is done to such a nice guy!")

We dedicate "**100x**" as a contemporary complement to this classic, and as our commemorative compliment to the late author (who passed away in November 1992 at the age of 90.)

1. What is 100x?

Opening the mind to the magic of long-term growth investing

> ***To make money in stocks you must have the vision to see them, the courage to buy them and the patience to hold them. Patience is the rarest of the three.***
>
> *– Thomas Phelps in 100 to 1 In The Stock Market*

For the purposes of this report, **"100x" refers to stock prices rising 100-fold over time** i.e. "100-baggers" in stock market jargon. Both the short words here are important – "100-fold" and "over time".

1.1 "100-fold": Accumulating massive purchasing power

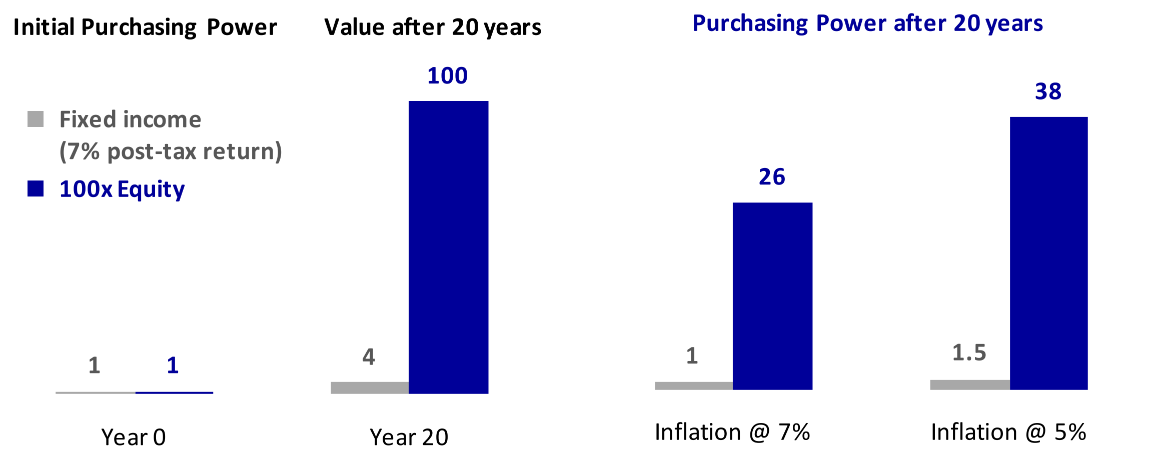
The precise number of "100" is not as important as the fact that 100x opens the mind to the concept of long-term power of compounding in equity investing. Warren Buffett describes investing as the process of gaining higher purchasing power over time (i.e. net of inflation and taxes). In fixed income investing, the average annual post-tax return works out to about 7%. If the same is reinvested, over 20 years, the security would be worth about 4x its original value.

Now, if inflation also turns out to be 7%, then at the end of 20 years, there is zero increase in purchasing power. Even if inflation is somewhat lower at 5%, it erodes 2.7x of the 4x final value, leaving a net purchasing power of only 1.5x (i.e. 50% higher over 20 years or 2% per annum).

In contrast, an equity stock rises 100x, say, in 20 years (in select cases, it takes much less time). Now, at 7% inflation, this 100x is tantamount to purchasing power of 26x (i.e. 100÷3.9), and at 5% inflation, 38x (i.e. 100÷2.7). Thus, the 100x approach in equity investing is an excellent way to accumulate massive purchasing power for a very long period of time.

Exhibit 1

100x equity investing: Excellent way to accumulate massive purchasing power



1.2 "Over time": Earlier the better

Very few investors even conceptualize their equity investment multiplying 100 times. Even fewer actually experience a 100-fold rise in the price of their stock(s). This is because such 100-fold rise may take longer than 3, 5, or even 10 years' time. And holding on to stocks beyond that period requires patience which, as the quote above aptly puts it, "is the rarest of the three" qualities, the other two being vision and courage.

Irrespective of whether investors think of it or not, stock price rising 100-fold has very little meaning without bringing in the context of time. This is because equity investors are keen that they make absolute gain (i.e. "how much") in the shortest possible time (i.e. "how soon"). The charts below make this point amply clear.

Exhibit 2

100x: Rate of return for various years

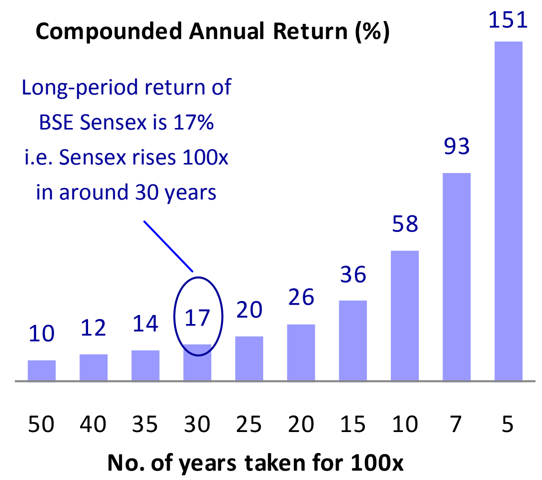
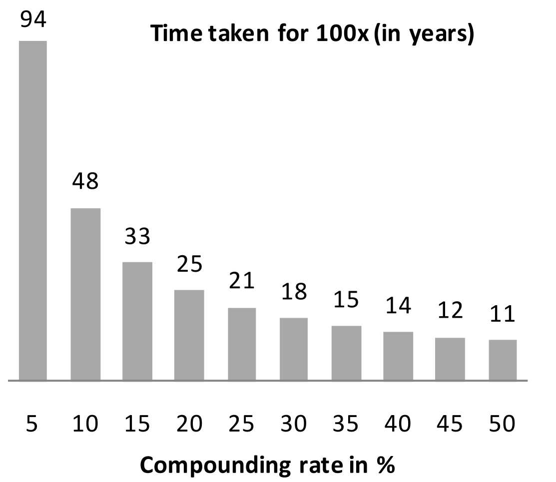


Exhibit 3

Years it takes for 100x at different rates



Going by Exhibit 1, if 100x takes 50 years, the effective annual return is only 10%, if 40 years 12%, and so on. In the Indian context, the long-period return of the benchmark indices is ~17%. Thus, if a stock takes more than 30 years to rise 100-fold, it would most likely end up underperforming the market. Given this, even those investors with long-term outlook and patience should reject such slow-growth 100x ideas.

We postulate (and later even prove arithmetically) that the single-most important time determinant of stock market return is **GROWTH** in all its dimensions – sales, margin and valuation. And once having gained insightful understanding of growth, especially long-term growth, 100x is arguably its best application.

As in the US, real-life experience in India also suggests that the task of finding 100x stocks is indeed difficult but not impossible. Once sensitized to such a possibility and armed with the right framework, investors may find the challenge of unearthing the next 100-bagger more joyous than arduous.

2. 100x: The Indian experience

47 enduring 100-baggers during the last 20 years

Transitory multi-baggers attract a lot of crowd and media attention, but they always give nasty end-results. Deep cyclicals and fad companies broadly fit into this category. The tragedy with this class of companies is that if you cannot sell in time, you are left with no gains, and most often, with a permanent capital loss.
Enduring multi-baggers are those companies, whose wealth creation is long-lasting.
Great businesses run by good managements purchased at huge 'margin of safety' will create enduring multi-baggers.

– Motilal Oswal 8th Wealth Creation Study, January 2004

In effect, this 100x study in year 2014 may well be a decadal dusting, digitizing, and detailing of our own 8th Wealth Creation Study in 2004 which discussed multi-baggers! The digit is the number 100, while the detail is the S-QGLP framework discussed later.

2.1 Indian market benchmarks rise 100x in 30 years

The BSE Sensex has a base of 100 for the year 1979. The Sensex first touched 10,000 in February 2006 i.e. 100x in 27 years (almost 19% CAGR). As of March 2014, the Sensex stood at 22,400 levels. It was at 224-levels in 1984 i.e. 100x in 30 years (CAGR of 17%). Given such strong performance of the benchmark indices itself, smart investors should target to beat the benchmark and achieve 100x in 20 years at most (i.e. CAGR of 26%). As shown later, data suggests that 100x stocks take on average 12 years to rise 100-fold.

2.2 Transitory and enduring 100x stocks in India

Our analysis in this study spans a 20-year time window ending March 2014. During this period, the Indian stock markets have seen at least two distinct "fad" and "cyclical" phases – (1) The ICE Age (IT, Communication, Entertainment) in the early 2000s, and (2) The 2003-08 global liquidity-led boom in commodities and cyclicals. These two phases have created two kinds of 100x stories here:

1. **Transitory 100x:** These are stocks which did indeed rise 100-fold sometime during 1994-2014, only to fizzle out, "most often, with a permanent capital loss". The ones remembered to-date by many investors would include several IT companies (Satyam Computer, Pentafour Software, SSI, NIIT, etc), Unitech, Mercator, Jai Corp, and so on. Our calculations suggest just over a 100 such transitory 100-baggers.
2. **Enduring 100x:** These are companies which – (1) had some meaningful size and operations during 1994 and 2014, (2) saw their stock prices multiply 100 times or more, and most importantly (3) managed to retain their 100x status even on March-2014 price levels.

We identified 47 such enduring 100x stocks listed below.

Exhibit 4

India Inc's enduring 100x stocks between 1994 and 2014

Company	Price Mult. (x)	Year of purchase	Company	Price Mult. (x)	Year of purchase	Company	Price Mult. (x)	Year of purchase
Infosys	2,902	1994	Glenmark Pharma	299	2000	Ipca Labs	150	2002
Lupin	1,170	2002	Hindustan Zinc	298	1997	NMDC	145	2003
Wipro	875	1994	CMC	277	1997	Gujarat Fluorochem	145	1994
Motherson Sumi	775	1999	KPIT Tech	247	2002	Ajanta Pharma	142	2004
Shree Cement	644	1998	Symphony	245	2009	Dr Reddy's Labs	140	1994
Kotak Mahindra	608	2000	TTK Prestige	233	2005	Coromandel Inter	139	1997
Emami	544	1996	Titan Company	232	2002	Berger Paints	137	1997
Vakrangee	525	2000	Cipla	222	1994	Shriram Transport	135	2002
Eicher Motors	452	2000	Hero MotoCorp	216	1994	CRISIL	127	1996
Aurobindo Pharma	452	1997	GRUH Finance	203	2002	United Breweries	125	2003
Blue Dart Express	417	1999	MphasiS	199	1995	Axis Bank	119	2000
Havells India	372	2000	Sesa Sterlite	196	2001	Crompton Greaves	118	1998
Amara Raja	368	1995	Godrej Inds	164	2002	Pidilite Inds	109	1994
Sun Pharma	347	1997	Jindal Steel	158	2002	Alstom T&D India	107	2002
P I Inds	343	2005	HDFC Bank	156	1996	Asian Paints	106	1994
Balkrishna Inds	310	1994	Supreme Inds	155	2002			

Note: The multiples are based on stocks being purchased at the lowest prices for the respective year, and held on to Mar-2014.

There are 2 interesting observations here –

1. The average 100x period in India is about 12 years i.e. 47% return CAGR; interim period returns too are very attractive.
2. In a given time-frame, 100x investment opportunities are more than 100x investment ideas.

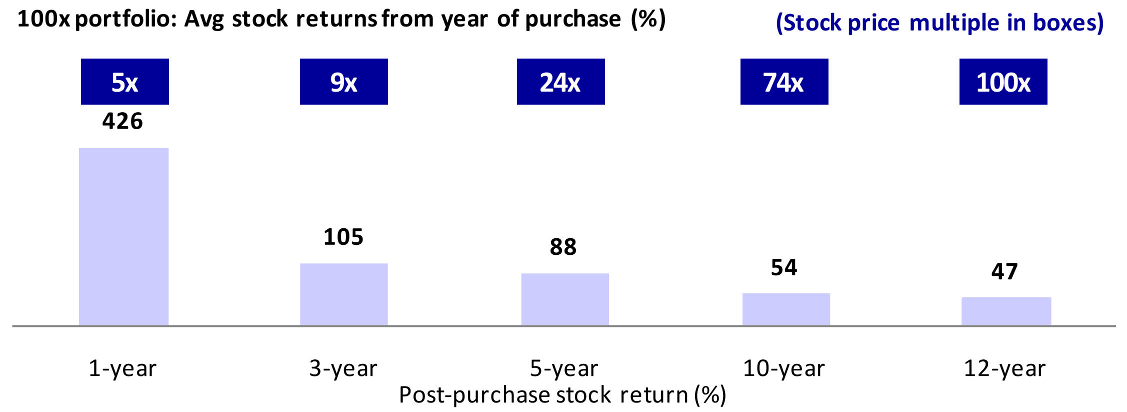
2.2.1 The average 100x period in India is 12 years

As can be seen from the above table, from the time of purchase to March 2014, each of the 47 100x stocks has delivered different return multiples over different periods of time. The average multiple is 332x and the average period is 15 years, which implies return CAGR of 47%. At this rate of compounding, a stock goes 100x in about 12 years.

Further, the even as terminal returns are a high 47% compounded, there is no compromise on the interim-period returns. The 47-stock 100x portfolio delivered robust post-purchase annual return of 426% in Year 1, 105% over 3 years, 88% over 5 years and 54% over 10 years.

Exhibit 5

In India, average 100x period is 12 years; stocks deliver handsome interim-period returns as well

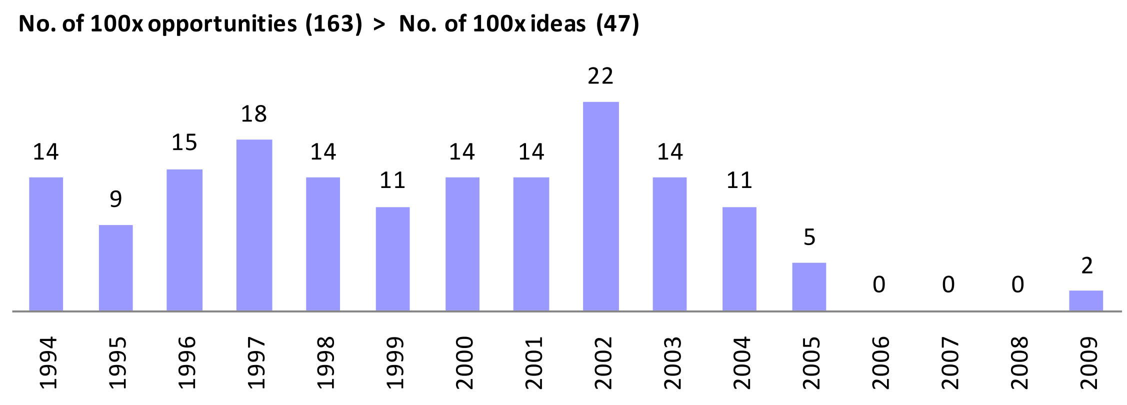


2.2.2 100x opportunities > 100x stocks

Of the total 3,500 listed stocks, the prospect of finding only 47 100x stocks that too over a span of 15-20 years may sound like finding a needle in a haystack. However, what is interesting is that over the 16-year period 1994-2009, the number of 100x opportunities was much higher at 163. This is because most 100x stocks offer multi-year windows to buy into them, and still rise 100 times from that level. In fact, the average number of opportunities in the first 11 years is a high 14. A decent strike rate from this will work wonders for any portfolio.

Exhibit 6

100x investment opportunities: Initial 11-year average is a reasonably high 14 per annum



For instance, **Motherson Sumi** and **Shree Cement** offered the highest number of opportunity-years (11 each). Both these stocks could have been bought anytime from 1994 to 2004, and the stock prices would have risen 100-fold even thereafter. Likewise, **Lupin** offered a 9-year buying window from 1995 to 2003.

Even **Infosys**, by far the highest multi-bagger, could have been bought any time over the 5 years 1994 to 1998 for a 100x experience. The only – albeit major – difference would be in the price appreciation multiple: 2,900x if bought in 1994 and 209x if bought in 1998 (in both cases, held through to March 2014).

Exhibit 7

100x stocks present multi-year window of opportunity to buy and own them

Time window (years)	Stocks	Time window (years)	Stocks
11	Motherson Sumi, Shree Cement	6	Sun Pharma, Amara Raja
9	Lupin	5	Infosys, Wipro, Sesa, Havells
8	Kotak Mahindra	4	Aurobindo, Hero MotoCorp, Eicher Motors
7	Godrej Inds, Hind Zinc, Titan	3	CRISIL, Gujarat Fluorochem, Balkrishna Inds, Jindal Steel, United Breweries, GRUH, Ipca, Glenmark, Vakrangee

As investors, the key takeaway from this is that we need not worry even if we have missed a multi-fold price rise in a potential 100x by not buying into it 1, 2 or even 5 years ago. In other words, when it comes to 100x stocks "**it is dawn when you wake up!**" Or more accurately, "**when the 100x idea dawns on you, simply wake up and buy the stock!**"

Unlike the worm which goes only to the early bird, the 100x stock is likely to feed handsome returns even to late risers! Only one check is needed before it is finally pecked (read picked!): **Does the stock still carry the essence of 100x?** The next section provides a SQGLP checklist to help answer this question.

3. The essence of 100x

Alchemy of SQGLP (Size, Quality, Growth, Longevity, Price)

Alchemy — the medieval forerunner of chemistry, concerned with the transmutation of base metals like lead and copper into gold.

Our analysis of the 100x stocks suggests that their essence lies in the **alchemy of 5 elements forming the acronym SQGLP – Size** (of company), **Quality** (of business and management), **Growth** (in earnings), **Longevity** (of both quality & growth) and **Price** (favorable valuation). We discuss each of these 100x essential elements in the following sections.

Exhibit 8

SQGLP: At a glance

Element	100x Feature	Checklist criteria
S – Size	Company should be small and relatively unknown	• Small size, ideally both in terms of sales & market cap • Low analyst coverage & institutional holding • Low traded volumes
Q – Quality	Quality of business	• Large existing or potential profit pool • Favorable competitive landscape • Potential for above cost-of-capital returns
	Quality of management	• Unquestionable integrity • Demonstrable competence • Growth mindset
G – Growth	Growth in earnings	• Multiplicative interplay of growth in (1) Sales volume and/or (2) Selling Price and/or (3) Margin.
L – Longevity	Longevity of quality & growth	• Assess the company's CAP (competitive advantage period) • Check whether growth is reverting to mean or not
P – Price	Favorable valuation	• Ideally, enough room for valuation re-rating

4. 100x Element #1: S – Size

"The company should be small and relatively unknown"

A fast-growing company must be small. Sheer size militates against great growth.
– Thomas Phelps in 100 to 1 In The Stock Market

You've got to think about big things while you're doing small things, so that all the small things go in the right direction. *– Alvin Toffler, American writer and futurist*

4.1 Size is a key driver of the low-base effect

The focus on size is the first and foremost differentiator of the 100x investing approach over any other. In effect, this approach attempts to take full advantage of what is known in economics as the "**low-base effect**" i.e. the tendency of a small absolute change from a low initial amount to be translated into a large percentage change. As can be seen from the examples below, the low-base effect plays out both in investing and in business.

Low-base effect: Elementary examples

In investing: Stock A priced at INR100 rising to INR140 (absolute gain INR40) is nowhere close to Stock B priced at INR20 rising to INR40 (absolute gain only INR20). The percentage gain in the former is 40%, which is much lower than the latter's 100%. If indeed the objective is to earn INR40, all that investors need to do is buy TWO stocks of B. This would earn INR40 by investing only INR40 compared to the INR100 invested in Stock B.

In business: If company SmallCo with INR1 million sales wants to grow 100-fold, it needs additional sales of INR99 million. But for even a high-growth company like Infosys to now grow 100-fold would require additional sales which is 99 times its FY14 sales of INR500 billion i.e. INR49,500 billion! Of course, this too may happen but is likely to take much longer time than for SmallCo to reach INR100m.

4.2 Two dimensions of size: Revenue and Market Cap

In common parlance, size of a company is usually associated with the revenue it generates. However, from the perspective of equity investment, even market cap size is important as the same low-base effect works here too.

Also, at times, it is possible that a fast-growing company may be smaller than average in terms of revenue, but may have a bigger-than-average market cap due to widespread investor attention. This is where the characteristic of "relatively unknown" becomes relevant. The more unknown the stock the lower the chances of its prospects already being priced in by way of high market cap, hampering the full play of low-base effect. Size apart, the other key indicators to determine "relative unknown-ness" include – (1) Low institutional holding, (2) Low number of brokerage analysts covering the stock, and (3) Relatively low traded volumes.

4.3 "Small & unknown": 100x stocks findings & takeaway therefrom

- The average revenue of 100x companies in the year of purchase was about INR3 billion; only 3 of the 47 companies (Crompton, Godrej Industries, NMDC) had revenue in double-digit billion.

- Average market cap was INR2.5 billion; only one company (NMDC) had double-digit billion market cap.
- Average P/E was 6x, confirming no major investor fancy.

➢ **KEY TAKEAWAY:** Consider growth in the economy, inflation, stock market levels, etc, the hunting ground for potential 100x stocks should be companies with market cap not significantly exceeding USD0.5 billion or INR30 billion.

The relatively small & unknown Infosys grows big in just 5 years!

In 1994, Infosys' revenue was INR290m, 0.1% of the then largest turnover company, IOC. Even five years later, Infosys was barely 0.5% the size of IOC. And yet, in the meanwhile, it clocked revenue CAGR of 73% whereas IOC could manage 25% CAGR.

Likewise, in market cap terms, Infosys in 1994 was 11% of then largest company SAIL. In 5 years, its market cap had expanded to 74% of the then leader (ONGC). In effect, India's highest market cap just about doubled in 5 years, while Infosys' market cap rose 13-fold.

Exhibit 9

For 100x investing, small is beautiful!

INR m	1994	1995	1996	1997	1998	1994-98	
						Mult. (x)	CAGR (%)
Sales							
Largest company	214,616	353,923	428,960	554,826	523,508	**2.4**	**25**
Infosys	290	554	886	1,392	2,577	**8.9**	**73**
% to largest co.	**0.1**	**0.2**	**0.2**	**0.3**	**0.5**		
Market Cap							
Largest company	19,929	13,552	30,230	29,410	39,684	**2.0**	**19**
Infosys	2,178	3,449	3,594	7,309	29,281	**13.4**	**91**
% to largest co.	**11**	**25**	**12**	**25**	**74**		

5. 100x Element #2: Q – Quality

"Quality of business + Quality of management"

The quality of an organization can never exceed the quality of the minds that make it up.

– Harold R McAlindon, American author, writer, management speaker

Bet on men and organizations fired by zeal to meet human wants and needs, imbued with enthusiasm over solving mankind's problems. Good intentions are not enough, but when combined with energy and intelligence the results make it unnecessary to seek profits. They come as a serendipity dividend on a well-managed quest for a better world.

– Thomas Phelps in 100 to 1 In The Stock Market

There are two aspects to Q in SQGLP – (1) Quality of business and (2) Quality of management.

5.1 Quality of business

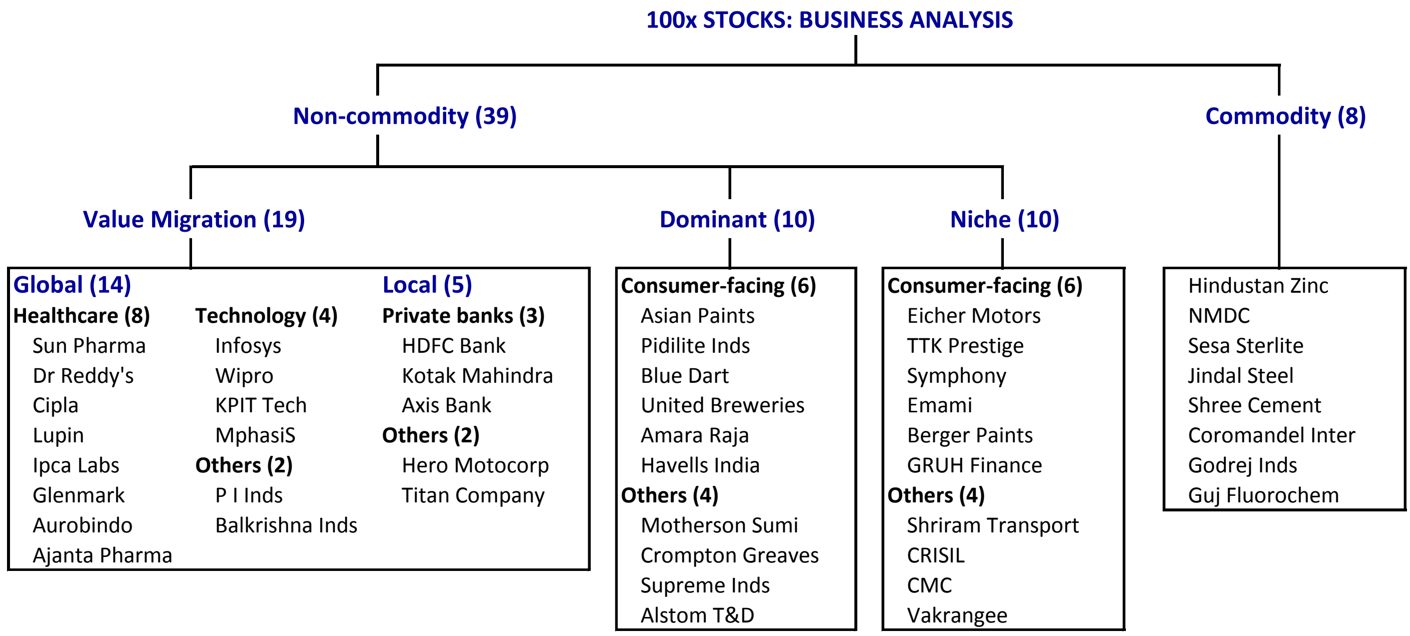
Quality of business needs to be assessed for factors like existing or potential size of profit pool for the industry (and hence the company), competitive landscape, potential for sustained above cost-of-capital return on investment, etc.

We analyzed the businesses of the past 100x companies and observed as follows –

- All the players are from sectors which enjoy large Profit Pool.
- 8 of the 47 companies are commodity plays, where typically the key driver of earnings and valuation growth is a surge in product prices.
- The balance 39 non-commodity companies can be classified under 3 buckets -
  1. Value migration beneficiaries (19 companies)
  2. Dominant players i.e. with leading market shares (10 companies)
  3. Niche players i.e. in unique, profitable business segments (10 companies).

Exhibit 10

Value migration is the dominant business theme of 100x stocks



With the above backdrop, we briefly cover the following determinants of quality of business:

1. Profit Pool
2. Value Migration
3. Dominant market shares
4. Niche opportunity
5. Low competitive intensity
6. Competitive advantage / Economic Moat
7. Favorable demand-supply dynamics.

5.1.1 Profit Pool

Profit Pool is the aggregate level of absolute profit earned by all players in a sector. The tables here presented in this section suggest that 10 sectors alone accounted for 94% of India Inc's aggregate corporate profits in FY14. Juxtaposing these with the 100x stocks, it is evident that almost all of them emerge from high Profit Pools.

➢ **KEY TAKEAWAY:** Barring the odd sunrise business, most 100x stocks going forward too are likely to emerge from these very high Profit Pool sectors.

Exhibit 11

India Inc Profit Pool FY14: Top 10 profit sectors

Sector	FY14 PAT	
	INR b	% of total
Financials	1,117	28
Oil & Gas	785	20
Technology - Software	454	11
Metals & Mining	435	11
Automobiles	263	7
Utilities - Power	217	5
Consumer - Non-durables	209	5
Healthcare	155	4
Cement	45	1
Auto Ancillaries	45	1
Total of above	**3,726**	**94**
GRAND TOTAL	**3,947**	

Top 10 loss sectors

Sector	FY14 PAT
	INR b
Airlines	-52
Alcoholic Beverages	-41
Sugar	-27
Telecom Equipment	-14
Trading	-9
Ship-building	-7
Computer Education	-5
Hotels & Restaurants	-5
Technology - Hardware	-3
Glass & Glass Products	-2
Total of above	**-166**
GRAND TOTAL	**3,947**

5.1.2 Value Migration

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 Migration results in a gradual yet major shift in how the current and future Profit Pool in an industry is shared.

Value Migration is one of the most potent catalysts of the 100x alchemy as it creates a sizable and sustained business opportunity for its beneficiaries. It has two broad varieties –

1. **Global Value Migration** e.g. global manufacturing value migrating to China; value in IT and healthcare sectors migrating to India, etc
2. **Local Value Migration** e.g. value in telephony migrating from wired networks to wireless networks; value in Indian banking migrating from public sector banks to private banks.

Exhibit 12

Examples of Value Migration

Sector/Company	Value migration from	Value migration to
IT Services	Developed world	Low labor-cost countries
Healthcare – Pharma	Developed world	Low-cost chemistry countries
Banking	State-owned banks	Private banks
Telecom	Fixed line networks	Wireless networks
e-tailing	Brick-and-mortar retailing	Online retailing
Titan Industries	Unorganized jewelry market	Organized jewelry retailing
Hero MotoCorp	Scooters	Motorcycles

- **KEY TAKEAWAY:** Rare exceptions excluded, the above-listed cases of Value Migration are likely to continue into the foreseeable future, and will form the bedrock for a new set of 100x stocks to emerge.

5.1.3 Niche opportunity

A “niche” may be defined as a small and unique or specialized business segment. Small size favors high growth not only in companies but also in business segments. Once-in-a-while, such niches and strategic business opportunities emerge, which start small but gain size rapidly (e.g. Y2K, gold loans, home-delivered pizzas, etc).

Pioneers or market leaders in these niche opportunities are potential candidates for 100x. The table below briefly explains some of the niche companies among the past 100x stocks.

Exhibit 13

Buy niche, get rich!

Company	Niche in brief
Eicher Motors	Near monopoly in "leisure motorcycles" in India (Royal Enfield brand)
TTK Prestige	Market leader in pressure cookers; brand extension to other home appliances
Symphony	Pioneer in branded air-coolers
Emami	Niche consumer products like cooling hair-oil, men's fairness cream, etc
Shriram Transport	Pioneer in second-hand truck financing
GRUH Finance	Leading mortgages player in small cities and towns
CRISIL	Pioneer of credit rating in India
Vakrangee	Select domestic IT services e.g. e-Governance projects for government of India

- **KEY TAKEAWAY:** Most of the niche companies seem to go through several rounds of trial and error (e.g. TTK Prestige is established in 1955, but has been a mediocre company till as recent as FY09). Hence, it may be prudent to buy into such companies only after they have secured their business model.

5.1.4 Dominant market shares

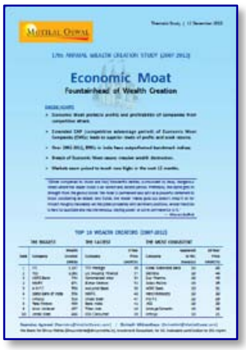
Dominant market share (typically No.1 or No.2) in a consolidated business with medium-to-high growth is a potential source for 100x. Two things work out favorably in such situations –

1. Even in a consolidated market, the leader tends to gradually gain market share, ensuring that it grows faster than the market; and
2. The dominant player tends to enjoy pricing power which ensures profitability.

The dominant-market-share theme is more likely to play out in consumer-facing businesses e.g. **Asian Paints** in paints, **Pidilite Industries** ("Fevicol" brand) in adhesives, etc. However, it has worked in select industrials as well e.g. **Motherson Sumi** in auto ancillaries, **Supreme Industries** in plastic products, etc.

5.1.5 Low competitive intensity

Businesses with low competitive intensity are more favorable for 100x stocks. Competitive intensity is not solely a function of the number of rival players in a business. Thus, in the Cement sector, competitive intensity is relatively low despite a large number of players. On the other hand, competitive intensity is high in sectors like wireless telecom and tyres, despite a handful of players.



5.1.6 Economic Moat / Competitive advantage

Whether competitive intensity is low or high, the 100x alchemy will occur only in companies which enjoy Economic Moat i.e. sustained competitive advantage over its rivals. As discussed in our Wealth Creation Study of 2011, **the sure-fire test of whether a company has Economic Moat or not is whether it enjoys return on capital higher than industry average**.

(Please refer our Wealth Creation Study of 2011 for a detailed discussion on Economic Moat.)

5.1.7 Favorable demand-supply dynamics

Favorable demand-supply dynamics is a key enabler of 100x, especially in commodity businesses like metals, cement and chemicals. This factor plays out at two levels –

1. **Macro/sector level:** When aggregate demand in any sector exceeds aggregate capacity, it creates a "supply squeeze", causing end-product prices to soar. This drives up company profits which, in turn, causes stock price to rise 100-fold (see Hindustan Zinc and NMDC charts below).
2. **Company level:** In this case, a specific company's capacity (i.e. ability to supply) increases significantly faster than the sector, driving up sales volumes, profits and stock prices (see Jindal Steei and Shree Cement charts below).

Exhibit 14

Product price led stock price: Hindustan Zinc …

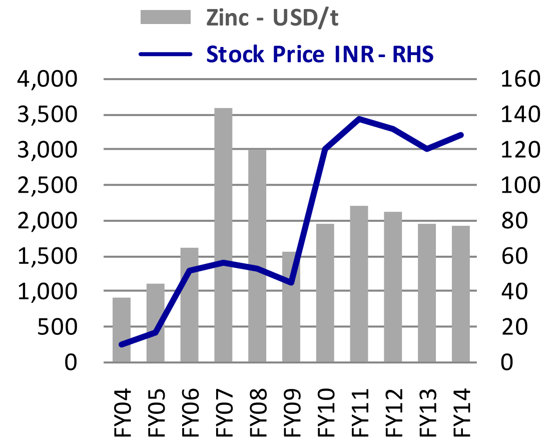


Exhibit 15

… and NMDC

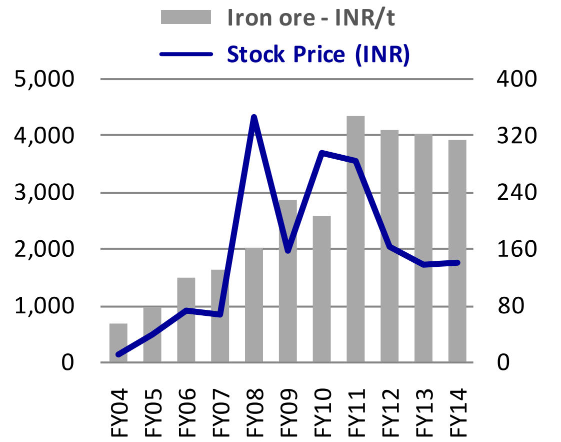


Exhibit 16

Volume led stock price: Shree Cement …

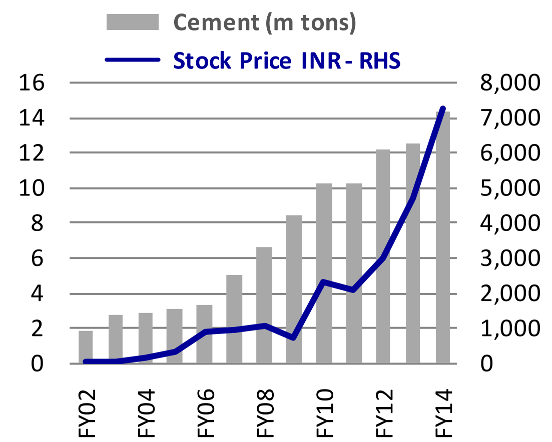
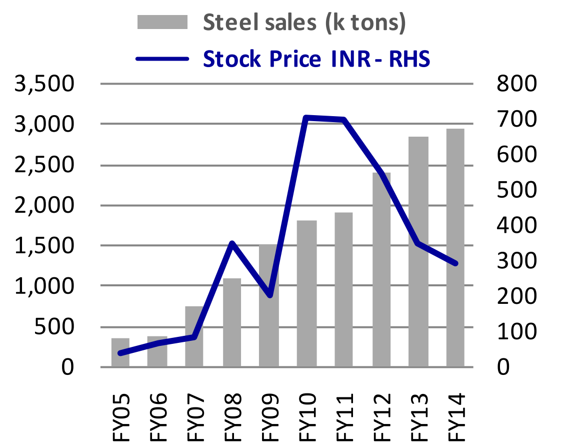


Exhibit 17

… and Jindal Steel



No matter how good the quality of business, the magic of 100x in stock markets happens only when the same is crossed with a high-quality management, the second aspect of Q.

5.2 Quality of management

We believe there are 3 key aspects to quality of management: (1) Unquestionable integrity, (2) Demonstrable competence and (3) Growth mindset. But even these are subjective and non-quantifiable issues. Thus, assessing quality of management is a true art rather than science. We list below some indicators which can serve as a broad checklist for this process.

Exhibit 18

Broad indicators to judge quality of management

Management Quality aspect	Indicators
1. Unquestionable integrity	• Impeccable track record of corporate governance, fully respecting the law of the land
	• Concern for all stakeholders (and not only the majority shareholders). Other stakeholders include customers, employees, debt-holders, government, community, and minority shareholders
	• Paying full tax and a well-articulated dividend policy are key favorable indicators of management integrity. Corporate empire-building to the detriment of minority shareholders is a negative indicator.
2. Demonstrable competence	• Excellence in strategic planning and execution
	• The above should mainly reflect in the company enjoying a sustainable competitive advantage over its peers, reflecting by way of above-average return on capital (RoE, RoCE)
	• "Keeping the growth going" is yet another key indicator of management competence
3. Growth mindset	• Long-range profit outlook i.e. ensuring sufficient resources go into long-term issues like product development, brand building, capacity creation/expansion, succession planning, etc
	• Efficient capital allocation including decisions like organic or inorganic growth, same-franchise or diversified growth, domestic or overseas growth, etc.

6. 100x Element #3: G – Growth

"Growth in earnings via multiplicative interplay of volume, price, margin"

Growth is never by mere chance; it is the result of forces working together.

– James Cash Penney, Founder of JCPenney

6.1 Role of growth in 100x

We draw an analogy of 100x with a 100-storey building. The somewhat invisible yet most important part of the building is its foundation. It is only upon a strong foundation that a 100-storey superstructure can be built. Likewise, for 100x, small size and quality of business and management are the foundation. Upon this foundation comes the superstructure in the form of 100-fold growth in stock price.

6.2 Two dimensions of growth – Earnings and Valuation

The end result of 100x is a 100-fold growth in stock price. The two primary dimensions of this growth are (1) Earnings growth and (2) Valuation growth. The G of SQGLP addresses earnings growth, whereas the P(rice) takes care of the Valuation growth (covered in Section 8).

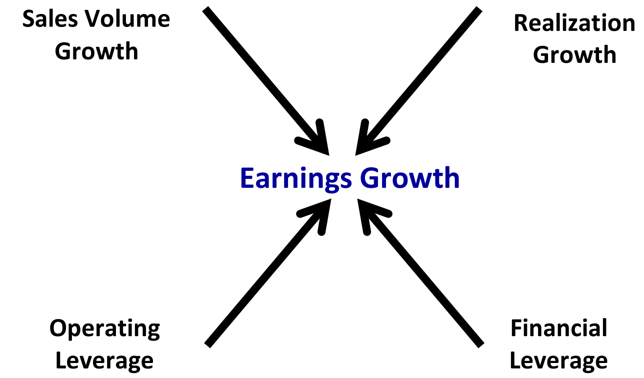
6.3 Four dimensions of earnings growth – Volume, Price, Operating & Financial Lever

In the final analysis, G (i.e. earnings growth in a company) is a quantitative reflection of Q (i.e. its quality of business and management). G has four dimensions (also see picture below):

1. **Volume growth** – a function of demand growth matched by company's capacity to supply;
2. **Price growth –** a function of company's pricing power, which in turn is a function of the competitive landscape
3. **Operating leverage –** a function of the company's operating cost structure; higher the fixed cost, lower the unit cost incidence and higher the operating leverage
4. **Financial Leverage –** a function of the company's capital structure; higher the debt-equity, higher the financial leverage and vice versa.

Exhibit 19

Multiplicative perspective of earnings growth



Earnings Growth: For the arithmetically inclined

$$\mathbf{\Delta EPS} = \Delta\text{Sales volume} \times \frac{\Delta\text{Sales}}{\Delta\text{Sales volume}} \times \frac{\Delta\text{EBIT}}{\Delta\text{Sales}} \times \frac{\Delta\text{EPS}}{\Delta\text{EBIT}}$$

$$= \textbf{Volume growth} \times \textbf{Price Lever} \times \textbf{Operating Lever} \times \textbf{Financial Lever}$$

Note: Δ (read as delta) denotes % change. For more on levers, please refer our IF (Investment Framework) series report dated 29-Sep-2014.

Quality v/s Growth

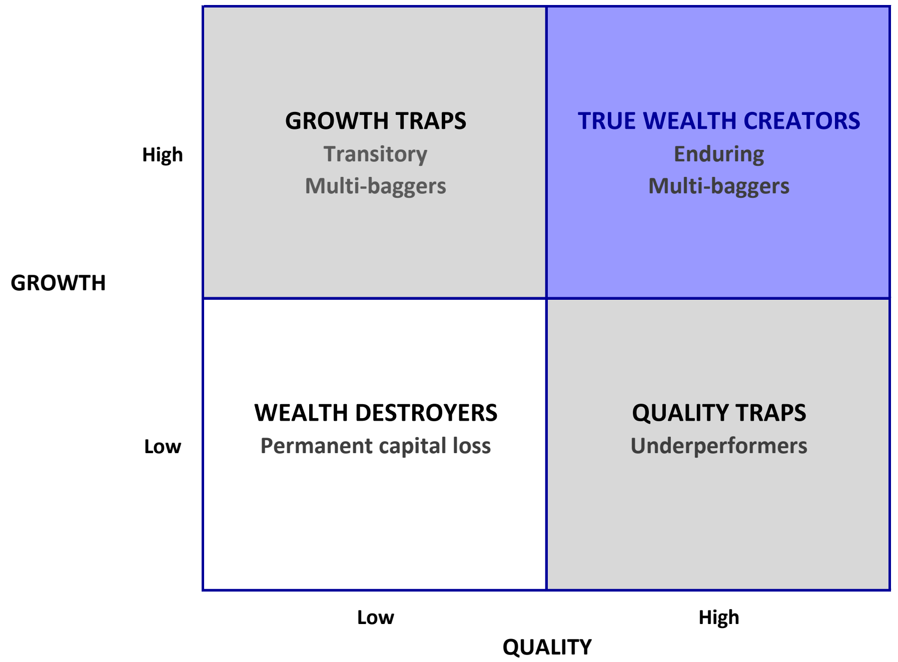
We believe it is important to clearly distinguish between quality of a company and its growth prospects.

- **Quality:** As discussed in section 5, quality of a company is a function of (1) Quality of its management, and (2) Quality of business (mainly in terms of profitability measured in terms of return on capital i.e. RoCE and RoE).
- **Growth:** Growth is not a function of Quality alone, but several other factors discussed earlier – value migration, demand-supply dynamics, competitive landscape, etc.

In binary terms, for any given company, Quality can be High or Low and Growth can be High or Low. Accordingly, it is possible to draw up a 2x2 Quality-Growth matrix as under –

Exhibit 20

The Quality-Growth Matrix



1. **Low-Quality-Low-Growth:** Such companies and their stocks are clearly avoidable.
2. **Low-Quality-High-Growth:** Such companies may prove to be **Growth Traps**. The high growth in these companies is most likely due to cyclical upturns, but gets mistaken for secular high quality. If bought very cheap, such stocks may still end up as multi-baggers, but at best transitory.
3. **High-Quality-Low-Growth:** Such companies may prove to be **Quality Traps**. The high quality in these companies blinds investors to the possibility that these companies may not be able to grow their earnings at a healthy pace due to low underlying base rate (e.g. **Castrol** in lubricants, **Colgate** in oral care, **Hindustan Unilever** in soaps & detergents, etc). High RoE, high free cash flow and high dividend payouts ensure that these stocks enjoy (and indeed merit) rich valuations. So, they can be bought only when they trade at significant discount to their long-period valuations (e.g. during extreme pessimism in the broader market or in the specific stock).
4. **High-Quality-High-Growth:** These are the **Enduring Multi-baggers**, especially if bought at favorable valuations. Further, the companies here which also happen to be small in terms of market cap (typically under USD0.5 billion) are potential 100x candidates.

7. 100x Element #4: L – Longevity

"Sustaining quality and growth over long term"

There are no great limits to growth because there are no limits of human intelligence, imagination, and wonder. *– Ronald Reagan, former US President*

Having established the quality of the company and the rate of growth, the next challenge in identifying a 100x stock is assessing how long the company can keep the growing going. In the context of longevity, competence of management is tested at two levels –

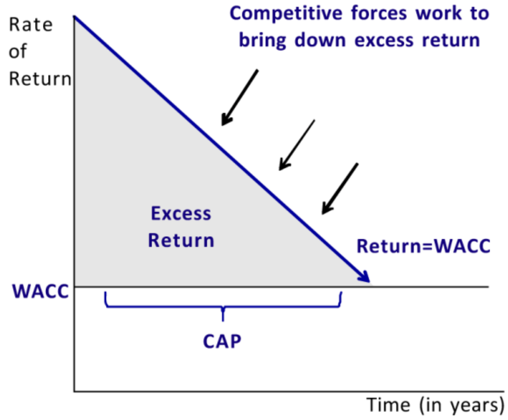
1. Extending CAP (i.e. Competitive Advantage Period); and
2. Delaying mean reversion of growth rate.

7.1 Extending CAP

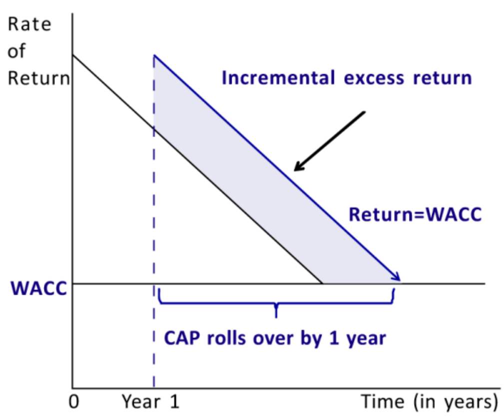
Competitive advantage period (CAP) is the time during which a company generates returns on investment that significantly exceed its cost of capital. Economic laws suggest that if a company earns supernormal return on its invested capital, it will attract competitors who will accept lower returns, eventually driving down overall industry returns to economic cost of capital, and sometimes even below it. However, a company with a great business and great management sustains its superior rates of return and keeps extending its CAP. This creates incremental excess return both for the company and in turn for its equity investors. (The idea of CAP and its extension is depicted below.)

Exhibit 21

Companies usually enjoy a certain CAP …



… but 100x companies tend to extend it



7.2 Delaying mean reversion of growth rate

The other aspect of longevity is about delaying the mean reversion of growth rates. After the initial hyper- and high growth phases, rates tend to taper off to the mean rate (which is usually the nominal GDP growth rate). This is due to both competition and also the company's own high-base effect. This is when competent managements can delay the reversion to mean either by (1) new streams of organic growth, and/or (2) inorganic growth via judicious, earnings-accretive and value-enhancing acquisitions.

Thus, **longevity of quality and growth is the key difference between transitory multi-baggers and 100x stocks**.

8. 100x Element #5: P – Price

"Favorable valuation"

There is absolutely no substitute for paying right price.
In the Bible, it says that love covers a multitude of sins. Well, in the investing field, price covers a multitude of mistakes. For human beings, there is no substitute for love.
For investing there is no substitute for paying right price – absolutely none.

— Van Den Berg, Outstanding Investor Digest, April 2004

8.1 Favorable valuation must for valuation growth to kick in

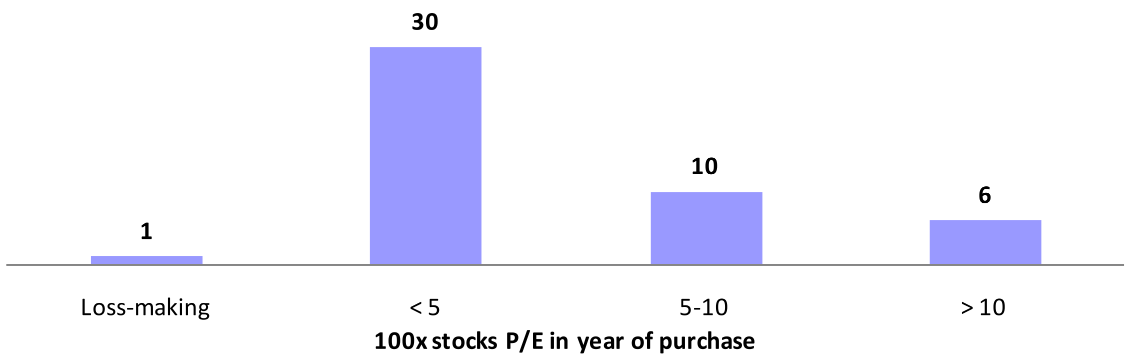
As stated earlier, growth in stock price is a multiplicative function of growth in earnings and growth in valuation. The 100x phenomenon ideally needs both the legs of growth to kick in. If valuation remains unchanged, earnings will need to grow 100-fold. On the other hand, if valuation were to actually halve, earnings would need to (1) double for the stock to stay at the same price, and (2) grow 200-fold for the stock price to grow 100-fold.

The simplest way to improve the odds of valuation growth is by ensuring favorable valuation at the time of purchase. A further simple rule of favorable valuation is single-digit P/E.
(Note: In certain situations, low P/E may not be the sole determinant of favorable valuation e.g. during bottom-of-cycle, earnings of cyclical stocks are depressed leading to high P/Es; likewise, where companies are expected to turn from loss to profit, current P/E cannot be calculated.)

8.2 "Favorable valuation": 100x stocks findings & takeaway therefrom

In case of the 100x stocks which we studied, the average P/E at the time of purchase was about 6x, which rose to about 24x in 12 years (4-fold i.e. CAGR of 12%). Given this, earnings would need to expand 25-fold in 12 years, which is a plausible CAGR of 31%.

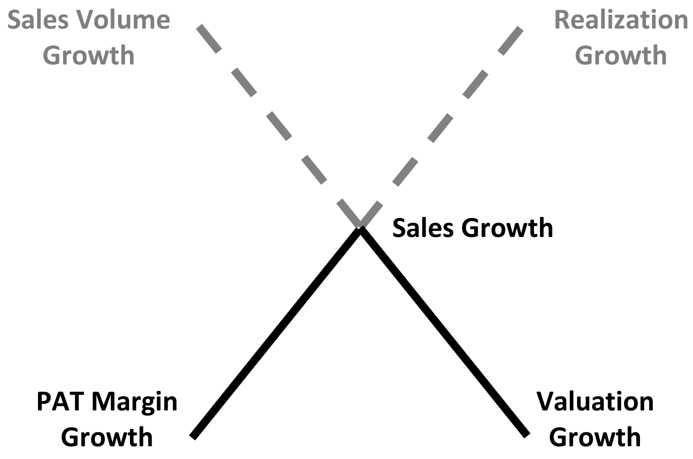
Exhibit 22
Purchase P/E distribution of 47 100x stocks: Almost two-thirds were under 5x P/E



The math of 100x: Integrating earnings growth & valuation growth

This section is strictly for the mathematically inclined. The end result of 100x is a 100-fold growth in stock price. There are 4 dimensions to this growth, which we diagrammatically represent as a multiplicative sign, and follow it up with explanation and derivation.

Exhibit 23
4-dimensional multiplicative perspective of growth



Barring exceptional situations, the stock price is a multiplicative function of earnings and its valuation. This may be reduced to a simple equation as under –

Stock Price = Earnings Per Share x P/E ... Equation 1
Or, Market Cap = Profit After Tax (PAT) x P/E ... Equation 2

Given the above, 100-fold growth in stock price can arise by any of the following means –

1. A 100-fold growth in earnings, or
2. A 100-fold growth in valuation, or as is typically a case
3. A combination of earnings growth and valuation growth
   (e.g. 25-fold earnings growth with 4-fold valuation growth).

Now, earnings itself is a multiplicative function of Sales and Profit margin. Further, Sales in most cases is a multiplicative function of Sales volume and Price realization. Thus –

PAT = Sales x PAT margin ... Equation 3
i.e. PAT = Sales volume x Realization x PAT margin ... Equation 4

Substituting Equation 4 in Equation 2, we get –

Market Cap = Sales volume x Realization x PAT margin x P/E

It can be proved further that change in market cap (and also stock price, if there is no change in equity) is given by the formula –

$$\Delta\text{Mkt Cap} = (1+\Delta\text{Sales volume}) \times (1+\Delta\text{Price}) \times (1+\Delta\text{PAT margin}) \times (1+\Delta\text{PE}) - 1$$

Note: Δ (read as delta) denotes % change

9. Shortlisting potential 100x ideas

Much of SQGLP covered except quality of management

I have but one lamp by which my feet are guided, and that is the lamp of experience.
I know of no way of judging the future but by the past.
– Thomas Phelps in 100 to 1 In The Stock Market

Having understood how the 100x process has worked in the past, we proceed to apply the same to try and shortlist potential 100x ideas. Before that, we recap the SQGLP conditions favorable for 100x alchemy to occur –

1. **S – Size:** The company is small and relatively unknown
2. **Q – Quality:** The company has a high-quality business run by a high-quality management (i.e. one with integrity, competence and growth mindset)
3. **G – Growth:** There is healthy growth in the company via a combination of sales volume and/or price and/or margins
4. **L – Longevity:** The company is likely to sustain its quality and growth for a long time
5. **P – Price:** The stock is favorably valued.

In our analysis thus far, we have made most of these elements fairly objective, except for quality of management. We table below companies which meet the following 100x criteria –

- Market cap less than INR30b
- Businesses which offer play on Value migration or Niche opportunity
- P/E not over 25x trailing 12-month earnings.

IMPORTANT NOTE: The companies mentioned here should not be construed as our investment recommendations. Assessing integrity, competence and growth mindset of the management in company is an exercise which is subjective, requires a high level of due diligence, and not included in the scope of this study.

Exhibit 24

Companies which meet key 100x criteria, subject to management assessment

Company	Small & unknown (Mkt Cap, INR b)	Value Migration / Niche opportunity	Favorable valuation (TTM P/E, x)*
Aarti Drugs	10	Pharma exports	13
Suven Lifescience	22	Pharma exports	17
Granules India	16	Pharma exports	17
DCB Bank	29	Private banking	18
Tata Elxsi	19	Specialized software exports	21
Shilpa Medicare	20	Oncology drugs research	24
Atul Auto	10	Niche 3-wheeler player	25

* Valuation based on price of 25 November 2014

In his book *Path To Wealth Through Common Stocks*, Phil Fisher says, "**in evaluating a common stock, the management is 90%, industry is 9% and all other factors are 1%**." In the ultimate analysis, it is the management alone which is the 100x alchemist. And it is to those who have mastered the art of evaluating the alchemist that the stock market rewards with gold … by way of 100x Wealth Creation!

Market Outlook

Market Outlook

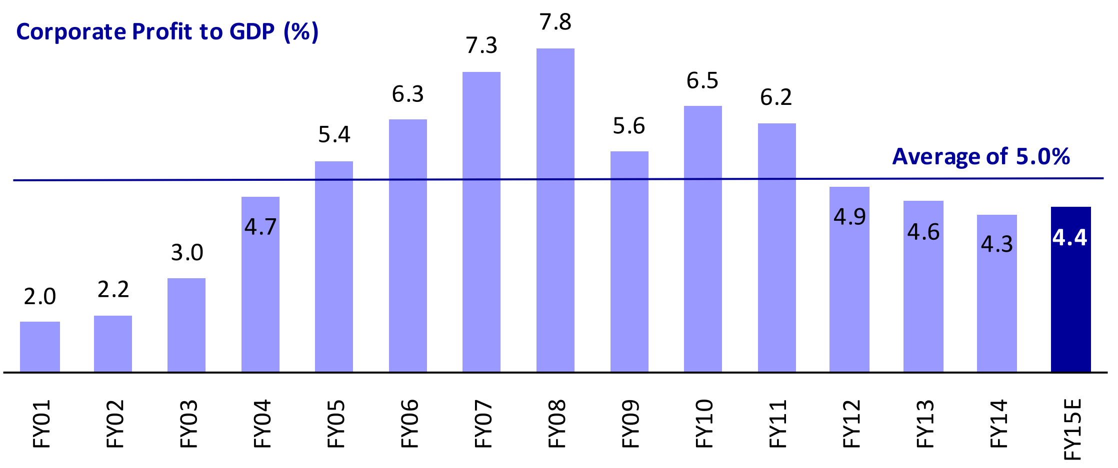
A macro perspective

Corporate Profit to GDP

For FY15, Corporate Profit to GDP is likely to stabilize at 4.4%. Only in FY16, is corporate profit growth likely to accelerate beyond nominal GDP growth rate.

Exhibit 1

Corporate Profit to GDP is bottoming out

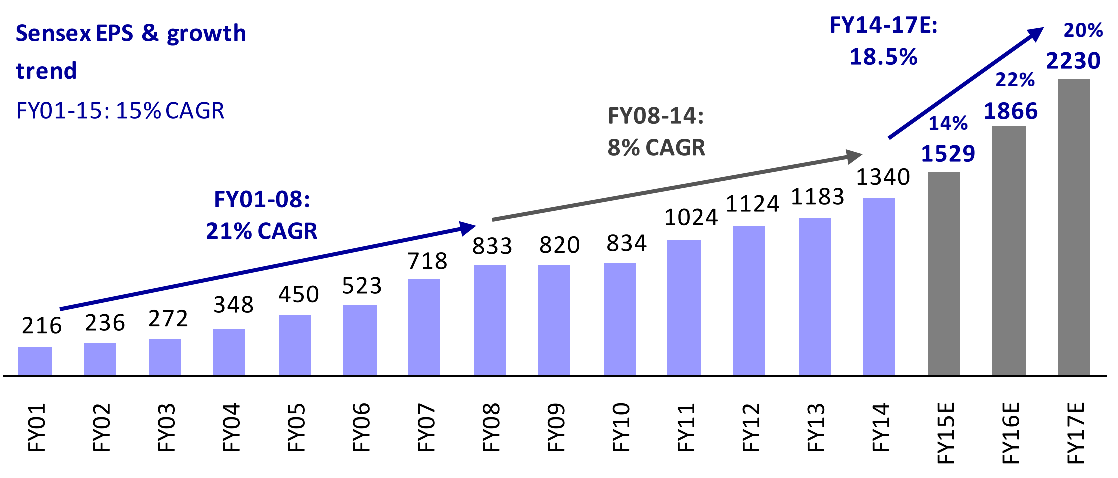


Sensex Earnings

Expect FY15 earnings growth to be subdued at 14%. The ongoing upmove in the market can sustain only if earnings growth momentum picks up from FY16.

Exhibit 2

Sensex earnings growth still muted; expect pickup only from FY16

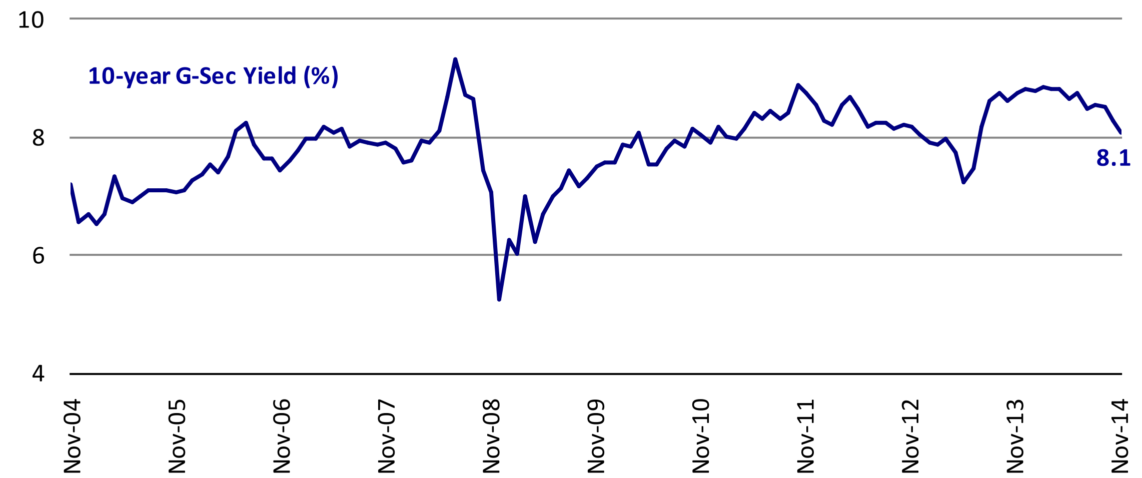


Interest Rates

10-year G-Sec yield is still high. RBI held rates in its recent credit policy. But yields have already started to ease on the back of a sharp fall in oil prices and inflation, and interest rates are surely headed further south.

Exhibit 3

Interest rates are still high, and are surely headed south



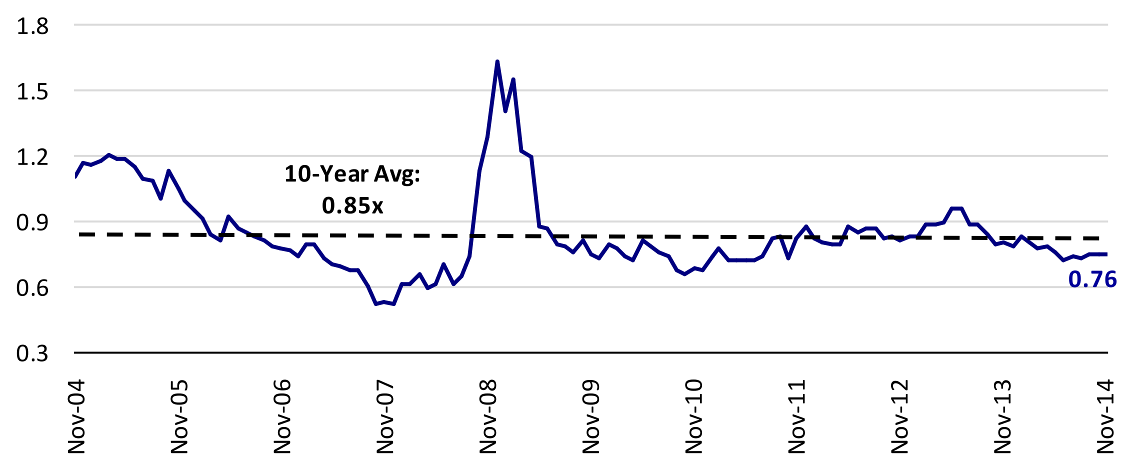
Sensex Earnings Yield to Bond Yield

Prevailing high interest rates, muted earnings growth and buoyant market sentiment has kept earnings to bond yield at 0.76x, marginally below the 10-year average of 0.85x.

Thus, a significant reduction in interest rate is a key trigger to fuel further rally in equities.

Exhibit 4

Sensex Earnings Yield to Bond Yield marginally below LPA



Market Valuation

Market Cap/FY15E GDP is at 77% (v/s 10-year average 73%) and Sensex 1-year forward P/E is at 16.4x (v/s 10-year average of 15.6x).

Considering the far-reaching political change at the Center, the sharp fall in oil price, and its likely positive impact on inflation and interest rates, valuations are reasonable.

Exhibit 5

Market Cap to FY15E GDP at 77% is marginally higher than LPA but still well below peak levels

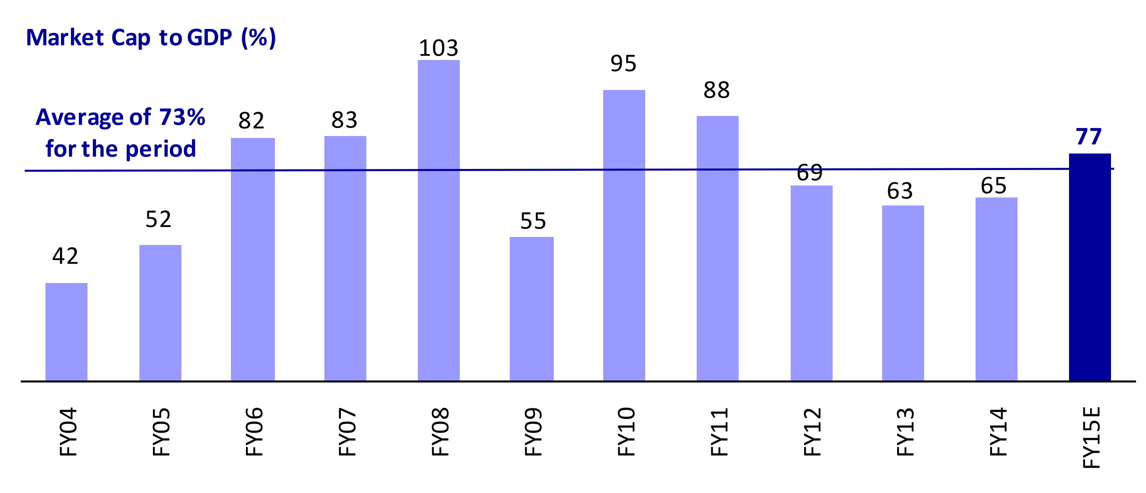
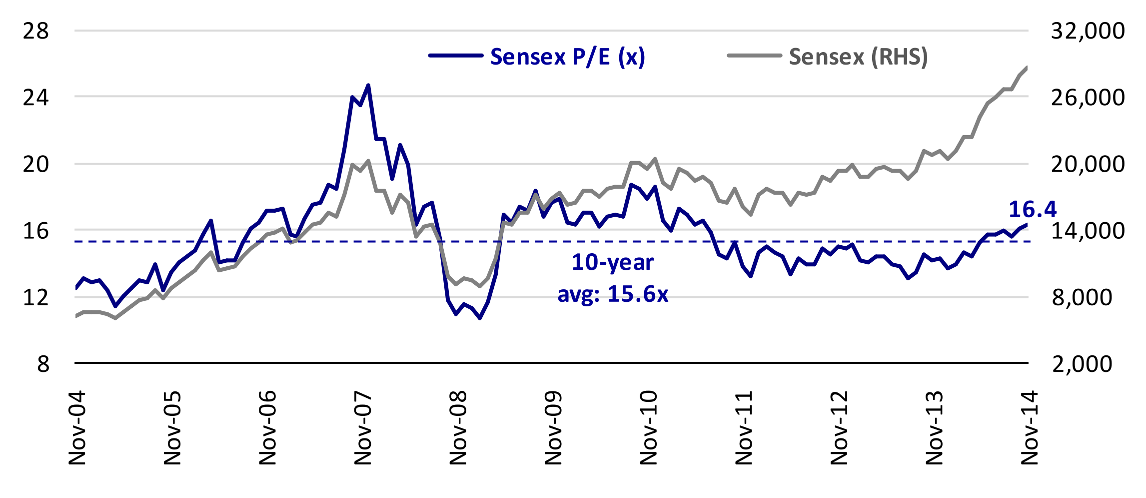


Exhibit 6

Sensex P/E at 16.4x is also closer to LPA, suggesting reasonable valuations



Conclusions

- Corporate profit is bottoming out at 4.3%.
- Interest rates are definitely headed south.
- Acceleration in earnings growth is elusive so far, but is a must from FY16 if the current market upmove is to sustain.
- Market Cap/GDP of 77% leaves room for about 50% upside over the next 2 years as market cap heads towards parity with GDP.
- Market performance over this period will also be meaningfully impacted by global factors.

2009-14 Wealth Creation Study: Detailed findings

#1 The Biggest Wealth Creators

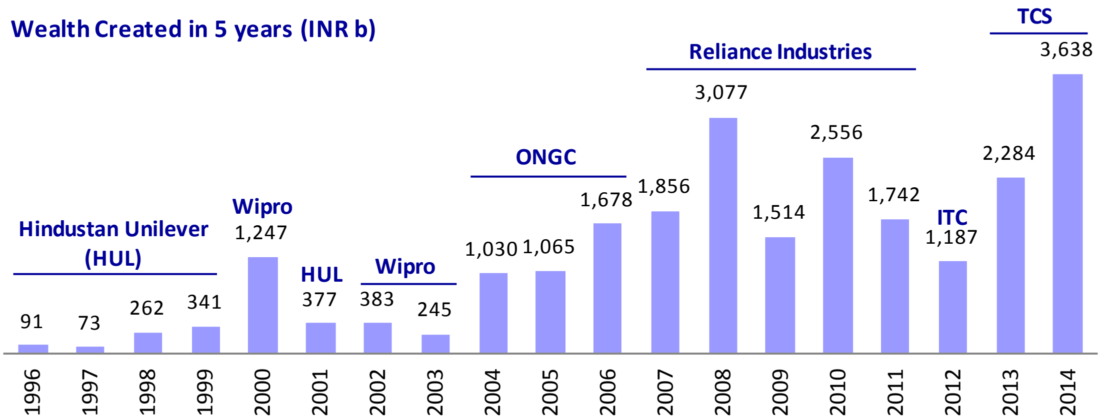
TCS is the Biggest Wealth Creator again

- **TCS** has emerged the biggest Wealth Creator for the period 2009-14, retaining the top spot it held even for the period 2008-13.
- The performance in the latest period is better than the previous one with Wealth Created at INR3.6 trillion v/s INR2.3 trillion over 2008-13. This is the highest ever wealth created in any 5-year period in India's stock market history, topping the INR3.1 trillion created by Reliance during 2003-08.
- On the back of 29% PAT CAGR over 2009-14, TCS stock has delivered 51% price CAGR for the same period, and is currently India's largest company by market cap.
- **ITC**, **HDFC Bank** and **Infosys** have retained their previous year ranks of 2-4. 8 of the top 10 are the same as last year; **ONGC** (6th last year) and **Hindustan Unilever** (9th last year) have made way for **ICICI Bank** and **HCL Technologies**.

Exhibit 1 **Top 10 Biggest Wealth Creators**

Rank	Company	Wealth Created		CAGR (%)		P/E (x)		RoE (%)	
		INR B	% Share	Price	PAT	2014	2009	2014	2009
1	TCS	3,638	12	51	29	22	10	39	34
2	ITC	2,073	7	31	22	31	21	33	24
3	HDFC Bank	1,307	4	31	31	20	18	20	15
4	Infosys	1,123	4	20	12	18	13	24	33
5	ICICI Bank	1,035	4	30	28	12	11	15	7
6	Wipro	993	3	30	16	17	9	25	28
7	Sun Pharma	958	3	39	16	31	12	21	27
8	Tata Motors	945	3	62	L to P	8	NA	22	-42
9	H D F C	934	3	26	29	21	22	17	12
10	HCL Technologies	898	3	69	38	15	5	33	27
	Total Top 10	**13,905**	**47**	**36**	**30**	**18**	**15**	**24**	**17**
	Total of Top 100	**29,381**	**100**	**34**	**24**	**19**	**13**	**19**	**17**

Exhibit 2 **TCS' Wealth Creation of INR3.6 trillion between 2009-14 is the highest ever in India**



Key Takeaway

Market folly is one of the biggest sources of multi-baggers

In end-2008, global stock markets crashed given the US sub-prime crisis. In India, businesses like IT and Healthcare (where India enjoys competitive advantage) were also hammered – a great opportunity to pick up stocks like TCS, Wipro and HCL Tech at P/Es of 10x or less.

#2 The Fastest Wealth Creators

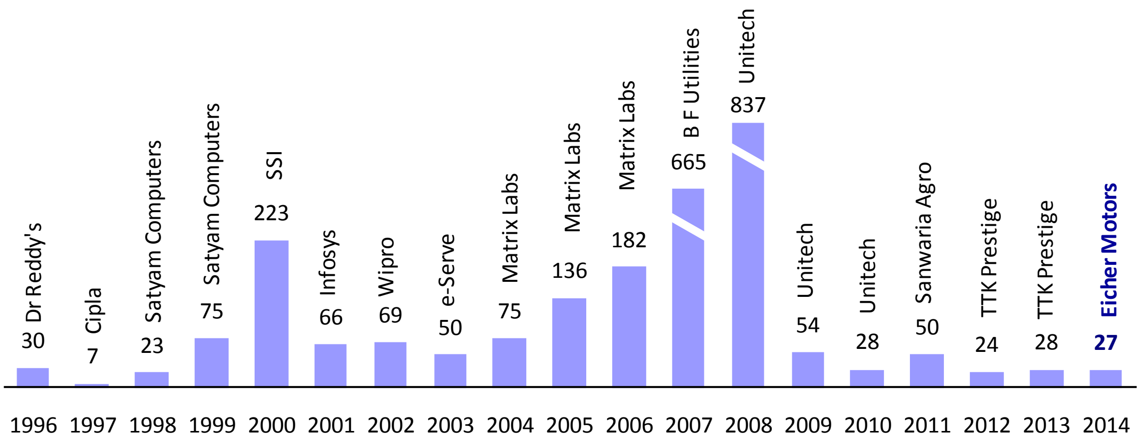
Eicher Motors is the Fastest Wealth Creator

- **Eicher Motors** has emerged the Fastest Wealth Creator during 2009-14, with Price CAGR of 94%, marginally higher than 93% for **Bajaj Finance**. Eicher's PAT CAGR at 51% is much lower than Bajaj Finance's 84%, but its P/E re-rated much sharper from 9x to 31x, whereas Bajaj Finance P/E expanded from 7x to only 12x.
- **Eicher**, **Supreme Industries** and **Page Industries** are among the 10 Fastest Wealth Creators for the last 3 studies in a row.
- **HCL Technologies** enjoys the unique distinction of being in the top 10 of both the Biggest and the Fastest Wealth Creators.
- 7 of the top 10 Fastest Wealth Creators had single-digit INR billion market cap in 2009 and/or were quoting at single-digit P/Es.

Exhibit 3 **Top 10 Fastest Wealth Creators**

Rank	Company	Price Appn.	CAGR (%)		Mkt Cap (INR b)		P/E (x)	
		(x)	Price	PAT	2014	2009	2014	2009
1	Eicher Motors	27	94	51	161	6	31	9
2	Bajaj Finance	27	93	84	90	3	12	7
3	Supreme Inds	24	88	24	63	3	23	3
4	Amara Raja Batteries	21	84	35	67	3	18	4
5	Page Industries	18	78	37	72	4	47	13
6	IndusInd Bank	16	73	57	263	11	19	8
7	HCL Technologies	14	69	38	973	68	15	5
8	Aurobindo Pharma	13	68	63	149	10	13	10
9	Havells India	13	67	L to P	116	9	26	NA
10	Ipca Labs	13	67	38	107	8	22	9

Exhibit 4 **History of Fastest Wealth Creators (5-year Price multiplier, x)**



Key Takeaway

High-quality midcaps bought at low valuations are potential multibaggers

Despite their small size, many midcap companies enjoy competitive advantage in their respective business, a key factor for high earnings growth (e.g. Eicher is a market leader in leisure motorcycles, and has Volvo as a partner for its commercial vehicles franchise).

Combination of high earnings growth, low valuation and small market cap, leads to high Wealth Creation at a rapid pace.

#3 The Most Consistent Wealth Creators

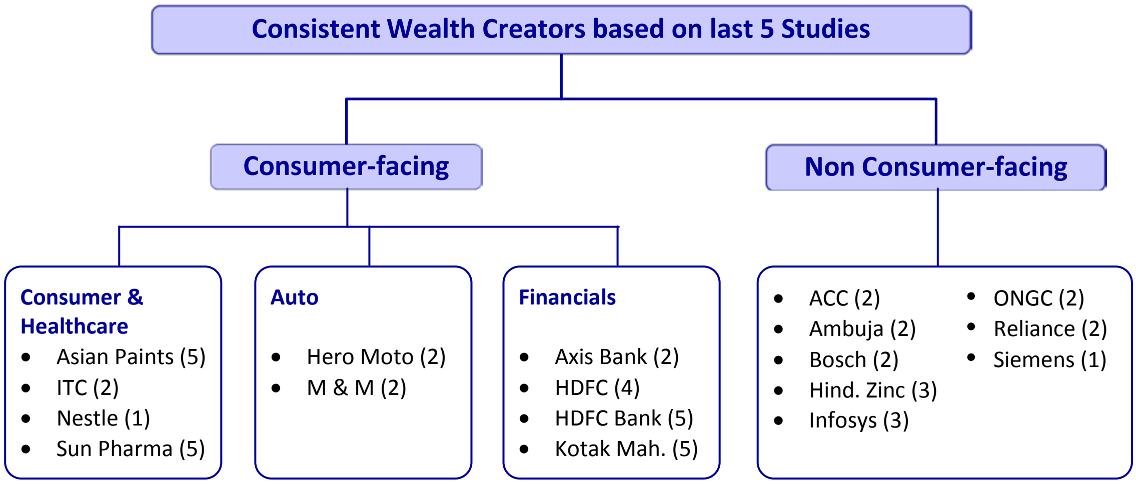
Kotak Mahindra Bank is the Most Consistent Wealth Creator

- **Kotak Mahindra Bank** is the Most Consistent Wealth Creator over the last 10-year period 2004-14, by virtue of –
  1. Appearing among top 100 Wealth Creators in each of the last 10 studies; and
  2. Highest 10-year Price CAGR, marginally ahead of **Asian Paints** and **Sun Pharma**.
- 8 of the top 10 Most Consistent Wealth Creators are consumer-facing companies, with **Hindustan Zinc** and **Bosch** the only exceptions.
- Interestingly, the list of top 10 is the same as last year except **Nestle** replacing **HDFC**. In fact, HDFC has appeared among the top 10 Consistent Wealth Creators 9 of last 10 times, followed by **Asian Paints** which has appeared 8 times.

Exhibit 5 **Top 10 Most Consistent Wealth Creators**

Rank	Company	Appeared in WC Study (x)	10-yr Price CAGR (%)	10-yr PAT CAGR (%)	P/E (x) 2014	P/E (x) 2004	RoE (%) 2014	RoE (%) 2004
1	Kotak Mahindra	10	34	30	24	15	13	14
2	Asian Paints	10	34	24	42	18	31	26
3	Sun Pharma	10	33	32	31	12	21	48
4	Hindustan Zinc	10	29	28	8	7	18	39
5	ITC	10	26	18	31	21	33	27
6	Axis Bank	10	26	37	11	8	16	27
7	HDFC Bank	10	26	33	20	18	20	21
8	M & M	10	24	27	14	6	19	21
9	Bosch	10	23	14	39	15	14	29
10	Nestle India	10	23	16	43	28	47	84

Exhibit 6 **Consumer-facing companies more likely to be Consistent Wealth Creators**



NOTE: Bracket indicates number of times appeared within top 10 in last 5 Wealth Creation Studies

Key Takeaway

Consistent Wealth Creation = Sustainable & Profitable Growth in companies

Sustainable and Profitable growth in companies is a function of (1) Quality of business, and (2) Quality of management. Our theme section covers this and various other aspects of growth, and its role in Wealth Creation (see page 5 onwards).

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

Superior earnings and price performance over benchmark

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

- **Market performance:** Over the 5 years 2009-14, Wealth Creating companies have delivered point-to-point return CAGR of 34% v/s 18% for the BSE Sensex. March 2014 over March 2009, Sensex is up 131% whereas the Wealthex is up 335% i.e. 204% outperformance over 5 years.
- **Earnings growth:** Wealthex clocked 5-year earnings CAGR of 24% v/s 10% for BSE Sensex. Further, YoY earnings growth for Wealthex is higher for every year except 2012.
- **Valuation:** Wealthex P/E has broadly tracked the Sensex. Thus, the 16pp outperformance of Wealthex is almost fully explained by the 14pp higher earnings growth performance.

Exhibit 7 **Wealthex invariably outperforms benchmark indices handsomely**

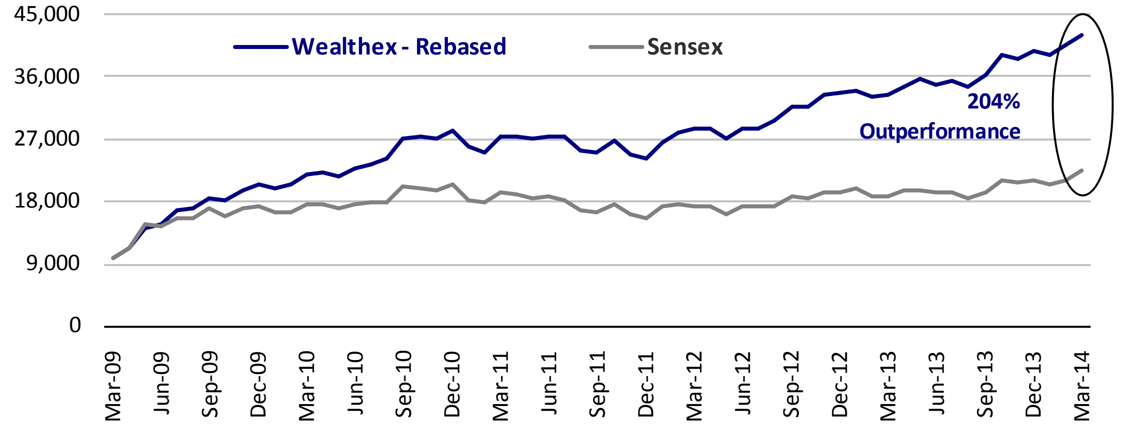


Exhibit 8 **Wealthex v/s Sensex: Superior market performance on the back of higher earnings growth**

	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	5-year CAGR (%)
BSE Sensex	**9,709**	**17,528**	**19,445**	**17,404**	**18,836**	**22,386**	**18**
YoY (%)		81	11	(10)	8	19	
Wealthex - based to Sensex	**9,709**	**21,849**	**27,322**	**28,430**	**33,434**	**42,226**	**34**
YoY (%)		125	25	4	18	26	
Sensex EPS (INR)	**820**	**834**	**1,024**	**1,124**	**1,183**	**1,340**	**10**
YoY (%)		2	23	10	5	13	
Wealthex EPS (INR)	**753**	**1,144**	**1,574**	**1,655**	**1,923**	**2,197**	**24**
YoY (%)		52	38	5	16	14	
Sensex PE (x)	**12**	**21**	**19**	**15**	**16**	**17**	**7**
Wealthex PE (x)	**13**	**19**	**17**	**17**	**17**	**19**	**8**

Key Takeaway

Superior earnings growth = Superior Wealth Creation

Major change in valuations is rare and even unsustainable (e.g. global IT sector valuations during dotcom era in early 2000s). Hence, in the ultimate analysis, it is superior earnings growth which drives superior Wealth Creation.

#5 Wealth Creation: Sectoral analysis

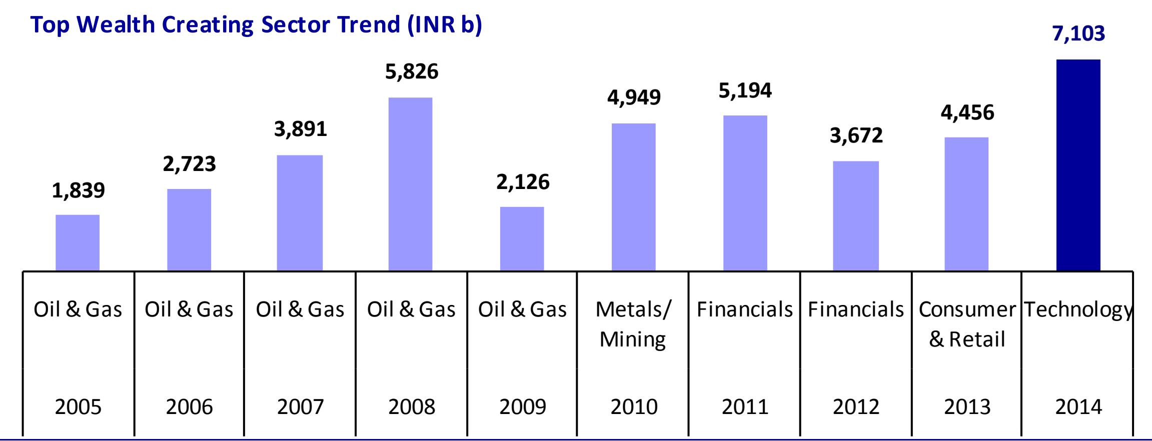
Technology re-emerges as the largest ever Wealth Creating sector

- After a 9-year holiday post 2004, **Technology** has re-emerged as India's largest Wealth Creating sector. (It was the largest Wealth Creator for 4 consecutive years 2000 to 2004.)
- **Technology** sector created INR7.1 trillion Wealth between 2009 and 214, the highest ever by any sector – 22% higher than INR5.8 trillion by **Oil & Gas** sector during the peak of global equity boom of 2003-08.
- Ironically, **Oil & Gas** is one of the lowest Wealth Creating sectors over 2009-14, with its share of Wealth Created collapsing to 1% v/s 22% in 2009.
- **Auto**, **Technology** and **Healthcare** were the only 3 sectors whose Price CAGR was higher than average of 34%.

Exhibit 9 **Technology is the leading Wealth Creating sector by a wide margin**

Industry	WC	Share of WC %		CAGR 09-14 %		PE (x)		ROE (%)	
(No. of companies)	(INR b)	2014	2009	Price	PAT	2014	2009	2014	2009
Technology (6)	7,103	24	5	38	22	18	10	30	32
Consumer & Retail (23)	5,961	20	11	32	17	41	23	24	23
Banking & Finance (20)	5,679	19	9	34	28	14	11	16	12
Auto (13)	3,364	11	4	41	60	14	26	21	8
Healthcare (13)	2,738	9	4	37	27	27	19	19	16
Capital Goods (5)	1,226	4	12	27	5	29	11	13	25
Cement (5)	1,183	4	2	29	4	20	7	14	25
Metals / Mining (4)	707	2	15	29	20	13	9	9	9
Telecom & Media (3)	608	2	11	27	16	24	15	16	9
Oil & Gas (2)	268	1	22	21	31	9	13	20	8
Others (6)	544	2	4	33	17	25	13	19	23
Total	**29,381**	**100**	**100**	**34**	**24**	**19**	**13**	**19**	**17**

Exhibit 10 **Technology: All-time high in Wealth Creation**



Key Takeaway

Auto – Highest Price CAGR on the back of highest PAT CAGR

Over 2009-14, Auto sector clocked the highest Price CAGR of 41% on the back of robust PAT CAGR of 60%, led by major profit turnaround in Tata Motors' overseas subsidiary, JLR. Thus, the phenomenon of earnings growth driving Wealth Creation holds true both at the individual company and at the aggregate sector level.

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

PSUs' decade of decline: Wealth Creation hits rock bottom

- PSUs' (public sector undertakings) Wealth Creation performance during 2009-14 hits the final nail on Indian PSUs' inglorious decade of decline:
  - The number of PSUs in the top 100 Wealth Creators is at an all-time low of only 5.
  - The Wealth Created by these 5 PSUs is also at an all-time low of just 2% of total, from as high as 51% over 2000-05, signaling total value migration to the private sector.
- As in last year's study, PSUs from only two sectors featured in the top Wealth Creators list – Oil & Gas (**BPCL**, **Petronet LNG**) and Financials (**Bank of Baroda**, **REC**, **J&K Bank**).
- Even these 5 companies managed to make it to the list mainly because they matched their private sector counterparts on key metrics – 5-year Sales CAGR 17% (v/s 18% for private), 5-year PAT CAGR 24% (same as private) and 2014 exit RoE at 18% (v/s 19% for private).

Exhibit 11 **PSUs' decade of decline in Wealth Creation**

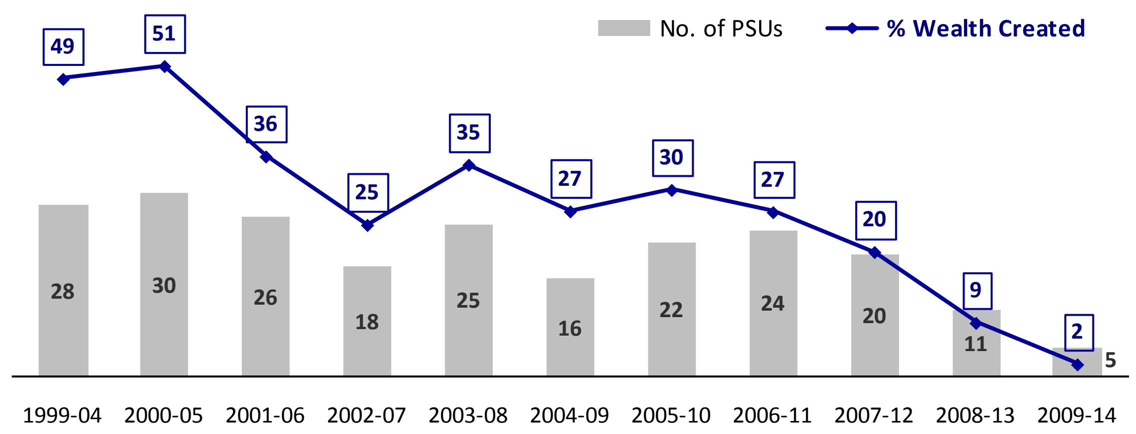
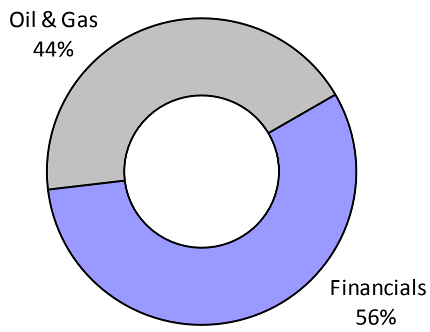


Exhibit 12 **Only 5 PSUs which matched private sector performance are among Wealth Creators**

	2009-2014	
	PSU	Private
No. of Wealth Creators in Top 100	5	95
Share of Wealth Created (%)	2	98
5-year Sales CAGR (%)	17	18
5-year PAT CAGR (%)	24	24
5-year Price CAGR (%)	25	35
P/E - 2009 (x)	7	13
P/E - 2014 (x)	7	20
RoE - 2009 (%)	14	17
RoE - 2014 (%)	18	19

Exhibit 13 **PSUs not creating wealth in erstwhile dominant sectors (Utilities, Mining, Cap Goods)**



Key Takeaway

PSUs today – The classic dilemma: Value buys or value traps?

Many PSUs are market leaders (some even monopolies) in their sector – SBI (banking), Coal India (coal mining), NTPC (power generation), Power Grid (power distribution), BHEL (power equipment), ONGC (crude extraction), IOC (refining & marketing), Concor (container freight), etc. Business is under stress but valuations are beaten down. How the new government manages PSUs holds the key to whether they prove to be Value buys or mere Value traps.

#7 Wealth Creation: Age & Size (market cap)

Catch 'em young! …

- 52 of the top 100 Wealth Creators are not more than 30 years old.
- These companies account for a high 59% of the Wealth Created, at a pace faster than the average of 34%. This is on the back of healthy PAT growth, accompanied with rising or at least stable RoE, triggering re-rating.

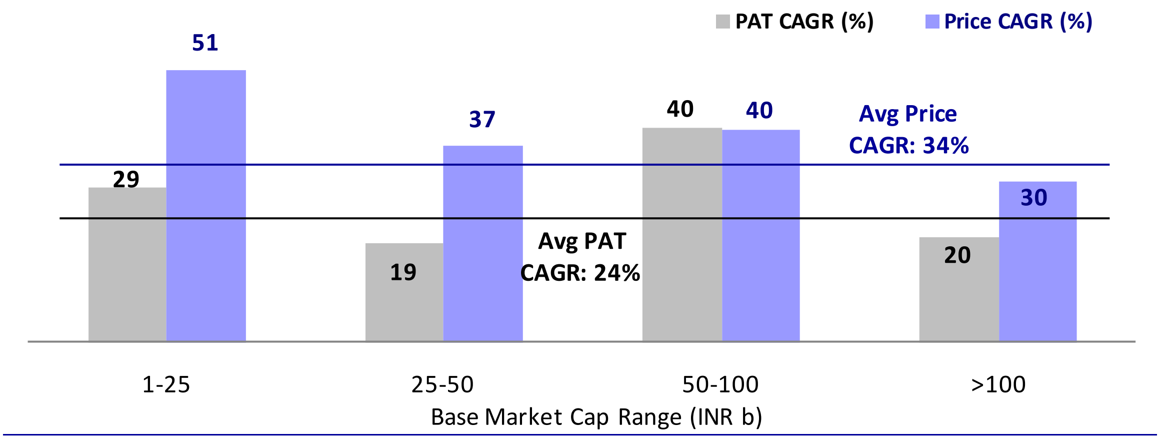
Exhibit 14 **Younger companies have created more wealth and at a faster pace**

2009 Age Range	No. of Cos.	WC (INR b)	% Share of WC	CAGR (%)		PE (x)		RoE (%)	
				Price	PAT	2014	2009	2014	2009
1-15	18	9,062	31	41	28	22	13	18	13
16-30	34	8,185	28	35	22	19	12	20	21
31-45	10	2,159	7	28	26	14	13	20	17
46-60	15	1,934	7	29	25	19	16	13	9
Above 61	23	8,041	27	30	21	19	13	19	21
Total	**100**	**29,381**	**100**	**34**	**24**	**19**	**13**	**19**	**17**

… and small!

- Small/mid-caps continue to outperform large-caps in terms of speed of Wealth Creation. (Of course, large caps dominate absolute quantum of Wealth Created – 21 companies greater than INR 100 billion market cap in 2009 account for 58% of total Wealth Created.)
- In terms of earnings growth, there may not be much to choose from between small-caps and large-caps. Thus, for instance, PAT growth of companies with INR50-100 billion market cap (40% CAGR) is actually higher than their smaller counterparts.
- However, the small-caps' relative "unknown-ness" leaves room for significant P/E re-rating, driving their Price CAGR much higher than the well-known large-caps.

Exhibit 15 **Small caps continue to create big wealth!**



Key Takeaway

Small is big in Wealth Creation!

Two broad themes of above-average Wealth Creation in stock markets are: (1) Large but unpopular, and (2) Small but high-growth. The former is rare, and typically found in a prolonged bear market, or due to temporary downturn in earnings. However, the latter is more common and hence a happy hunting ground for growth investors.

#8 Wealth Creation: Earnings growth & RoE

Earnings growth is non-negotiable for Wealth Creation

- The analysis of Wealth Creation by earnings growth re-confirms its near-direct correlation with earnings growth.
- Over 2009-14, Price CAGR was lowest in companies where PAT de-grew, whereas it was the highest in the case of turnaround (e.g. Tata Motors/JLR).

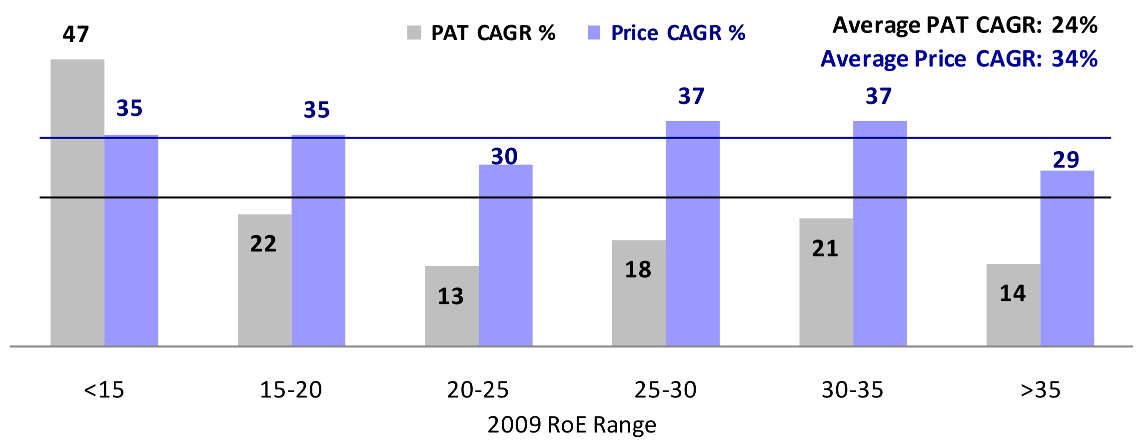
Exhibit 16 **Higher the earnings growth, higher the Price CAGR**

2009-14	No. of	WC	% Share	CAGR (%)		PE (x)		RoE (%)	
PAT CAGR %	Cos.	(INR b)	of WC	Price	PAT	2014	2009	2014	2009
<10	21	4,010	14	25	-3	40	11	9	23
10-20	21	6,162	21	28	15	20	12	19	23
20-30	26	11,376	39	38	26	19	12	22	17
30-40	17	4,584	16	42	33	18	13	22	17
>40	15	3,249	11	46	L to P	11	N.A.	18	-3
Total	**100**	**29,381**	**100**	**34**	**24**	**19**	**13**	**19**	**17**

Mere high RoE does not guarantee high Wealth Creation

- Over 2009-14, companies with RoE > 35% in base year 2009 include Hindustan Unilever, Nestle, Colgate, Castrol and GSK Pharma.
- These companies have undeniable competitive strength (i.e. earning power, reflected in significantly above-average RoE); yet, given the high market penetration of their products, earnings CAGR at 14% was below the average of 24%. Hence, their Price CAGR at 29% was also below the average of 34%.
- In contrast, companies with base RoE < 15% grew earnings at a robust 47%; so, despite some P/E de-rating, Price CAGR was higher than the average 34%.

Exhibit 17 **Low RoE companies also perform well on the markets if they sustain earnings growth**



Key Takeaway

The quality v/s growth conundrum

Should one buy companies with high earnings growth or high RoE? This is the typical quality v/s growth conundrum which investors face (see our Theme Study, page 19). The short answer here: Quality alone does not guarantee growth and, in turn, Wealth Creation. But quality accompanied by growth gets very handsomely rewarded in the markets.

#9 Wealth Creation: Valuation parameters analysis

Purchase price – a key driver of Wealth Creation

- Barring very rare periods of extreme flight to safety (e.g. as in 2013), the key purchase price criteria for superior Wealth Creation continue to be time-tested – (1) P/E of less than 10x, (2) Price/Book of less than 2x, (3) Price/Sales < 1x, and (4) Payback < 1x.
  (Payback is a proprietary ratio of Motilal Oswal, defined as current market cap divided by estimated profits over the next five years. For 2009, we calculate this ratio based on the actual profits reported over the next five years).
- Barring the above 4 tests, there is one stray group of stocks with Price/Book of 3-4x which has delivered above-average Price CAGR, almost single-handedly led by TCS.

Exhibit 18 **Higher the earnings growth, higher the Price CAGR**

Range	No. of	WC	% Share	CAGR (%)		PE (x)		RoE (%)	
in 2009	Cos.	(INR b)	of WC	Price	PAT	2014	2009	2014	2009
P/E									
<10	45	12,776	43	**42**	27	15	9	19	18
10-15	20	5,606	19	30	17	20	12	18	18
15-20	18	5,177	18	32	25	23	17	17	12
20-25	9	4,581	16	28	21	29	21	29	25
>25	8	1,241	4	30	39	21	30	12	6
Total	**100**	**29,381**	**100**	**34**	**24**	**19**	**13**	**19**	**17**
P/B									
<1	22	3,126	11	**39**	30	12	9	12	8
1-2	28	6,768	23	**38**	30	13	9	19	15
2-3	17	6,036	21	31	18	26	15	16	17
3-4	11	5,790	20	**44**	24	25	12	28	29
>4	22	7,660	26	28	17	27	17	30	34
Total	**100**	**29,381**	**100**	**34**	**24**	**19**	**13**	**19**	**17**
Price/Sales									
<1	43	6,690	23	**43**	33	13	9	16	12
1-2	33	12,152	41	36	22	21	12	19	17
2-3	7	3,452	12	31	21	25	17	22	22
>3	17	7,087	24	27	19	22	16	22	23
Total	**100**	**29,381**	**100**	**34**	**24**	**19**	**13**	**19**	**17**
Payback ratio									
<1	46	12,851	44	**45**	32	15	9	18	14
1-2	40	11,627	40	30	18	21	13	19	18
>2	14	4,904	17	27	16	33	21	29	25
Total	**100**	**29,381**	**100**	**34**	**24**	**19**	**13**	**19**	**17**

Key Takeaway

Low price alone is no guarantee for Wealth Creation; earnings growth a must

An interesting observation is that in each of the above-average price outperformance categories, earnings growth has also been above average. In fact, more often than not, it is sustained, high earnings growth which triggers valuation re-rating, creating a multiplier effect for Wealth Creation.

#10 Wealth Destruction: Companies & Sectors

Overall level of Wealth Destruction eases

- Over 2009-14, Wealth Destroyed was about INR 4.2 trillion. This is significantly lower than the figure for the past two years, both in term of absolute Wealth Destroyed and as percentage of Wealth Created by top 100 companies.
- Among individual companies, 5 of the top 10 Wealth Destroyers are PSUs – MMTC, NTPC, BHEL, SAIL and NMDC. These along with Reliance Communications and Reliance Power feature among the top 10 list for the second time running. In fact, Reliance Communications is in the top 10 Wealth Destroyers list for the fourth study in succession.

Exhibit 19

7 companies out of 10 for the second time running

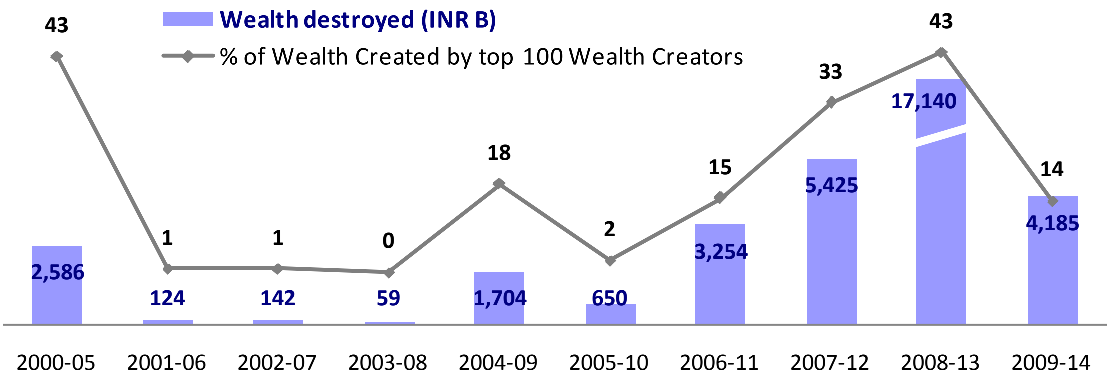
Company	Wealth Destroyed		Price
	INR b	% Share	CAGR (%)
MMTC	654	16	-40
NTPC	497	12	-8
BHEL	255	6	-8
JP Power Ventures	126	3	-13
Reliance Power	121	3	-7
SAIL	103	2	-6
GMR Infrastructure	100	2	-14
Reliance Communication	79	2	-6
Unitech	75	2	-17
NMDC	68	2	-2
Total of above	**2,078**	**50**	
Total Wealth Destroyed	**4,185**	**100**	

Exhibit 20

The usual suspects at the sector level too!

Sector	Wealth Dest. (INR b)	% Share
Utilities	893	21
Capital Goods	471	11
Constn. / Real Estate	346	8
Metals / Mining	343	8
Telecom	312	7
Technology	214	5
Banking & Finance	162	4
Textiles	132	3
Chem. & Fert.	87	2
Sugar	64	2
Oil & Gas	52	1
Airlines	42	1
Media	39	1
Healthcare	34	1
Consumer	31	1
Others	963	23
Total	**4,185**	**100**

Exhibit 21 **Level of Wealth Destruction significantly eased during 2009-14**



Key Takeaway

Will the tide turn for some of them?

As can be seen from the above exhibits, most of the Wealth Destroying companies and sectors are deeply cyclical and/or those affected by policy paralysis during UPA-2 regime. With a new government at the helm, major policy reforms coupled with economic recovery, could be hugely positive for many of these Wealth Destroyers.

Appendix 1: MOSL 100: Biggest Wealth Creators (2009-2014)

Rank	Company	Wealth Created		CAGR (2009-14, %)			RoE (%)		P/E (x)	
		INR b	Share (%)	Price	PAT	Sales	2014	2009	2014	2009
1	TCS	3,638	12.4	51	29	24	39	34	22	10
2	ITC	2,073	7.1	31	22	16	33	24	31	21
3	HDFC Bank	1,307	4.4	31	31	21	20	15	20	18
4	Infosys	1,123	3.8	20	12	18	24	33	18	13
5	ICICI Bank	1,035	3.5	30	28	6	15	7	12	11
6	Wipro	993	3.4	30	16	11	25	28	17	9
7	Sun Pharma	958	3.3	39	16	30	21	27	31	12
8	Tata Motors	945	3.2	62	LP	27	22	-42	8	-3
9	H D F C	934	3.2	26	29	28	17	12	21	22
10	HCL Technologies	898	3.1	69	38	26	33	27	15	5
11	Hind. Unilever	792	2.7	20	10	7	112	117	33	21
12	Larsen & Toubro	750	2.6	23	6	16	13	27	24	11
13	Bajaj Auto	512	1.7	46	43	19	32	30	19	17
14	M & M	479	1.6	39	20	25	19	24	14	6
15	Kotak Mahindra Bank	467	1.6	41	31	22	13	10	24	15
16	Asian Paints	449	1.5	47	25	19	31	35	42	18
17	Axis Bank	422	1.4	29	28	23	16	18	11	8
18	UltraTech Cement	392	1.3	32	18	27	13	27	27	7
19	Lupin	359	1.2	47	30	24	27	36	22	11
20	Maruti Suzuki	355	1.2	21	18	17	13	13	21	18
21	Hindustan Zinc	353	1.2	23	20	19	18	19	8	7
22	Dr Reddy's Labs	352	1.2	39	LP	14	25	-26	22	-9
23	Nestle India	333	1.1	26	16	16	47	113	43	28
24	Idea Cellular	303	1.0	22	17	21	12	7	23	18
25	United Spirits	268	0.9	32	Loss	14	-148	-17	-9	-16
26	Grasim Inds	266	0.9	13	2	10	13	23	9	6
27	Tech Mahindra	254	0.9	47	25	33	33	52	14	3
28	Adani Ports	249	0.8	24	32	32	20	15	22	30
29	Bosch	246	0.8	29	7	14	14	20	39	15
30	Godrej Consumer	230	0.8	45	36	40	22	30	35	20
31	Dabur India	227	0.8	29	19	20	35	48	34	22
32	IndusInd Bank	215	0.7	73	57	29	16	10	19	8
33	Zee Entertainment	213	0.7	39	11	15	33	15	29	9
34	Ambuja Cements	200	0.7	23	-2	8	14	25	24	8
35	Titan Company	198	0.7	46	35	23	29	29	32	21
36	Motherson Sumi	198	0.7	54	38	64	37	28	21	11
37	Oracle Fin.Services	197	0.7	33	13	5	15	21	19	8
38	B P C L	194	0.7	20	41	14	21	5	8	19
39	United Breweries	184	0.6	56	38	17	14	6	96	47
40	Cadila Healthcare	173	0.6	41	22	20	25	25	25	12
41	Shree Cement	172	0.6	51	6	17	17	48	25	4
42	Bank of Baroda	171	0.6	25	16	21	13	18	6	4
43	Siemens	170	0.6	23	-20	3	5	26	142	15
44	Eicher Motors	156	0.5	94	51	32	26	6	31	9
45	Hindalco Inds	155	0.5	22	44	6	5	2	14	25
46	ACC	153	0.5	19	0	8	14	23	24	10
47	GSK Consumer	152	0.5	44	29	26	37	25	27	16
48	JSW Steel	144	0.5	35	10	26	2	3	65	18
49	Aurobindo Pharma	136	0.5	68	63	22	31	8	13	10
50	Pidilite Inds	135	0.5	49	32	17	23	16	35	19

Appendix 1: MOSL 100: Biggest Wealth Creators (2009-2014) … continued

Rank	Company	Wealth Created		CAGR (2009-14, %)			RoE (%)		P/E (x)	
		INR b	Share (%)	Price	PAT	Sales	2014	2009	2014	2009
51	Cummins India	128	0.4	35	6	2	23	30	28	8
52	Shriram Transport	127	0.4	33	17	18	16	26	13	6
53	GSK Pharma	126	0.4	19	-4	9	24	38	45	16
54	Colgate-Palmolive	123	0.4	24	13	16	90	134	35	22
55	Yes Bank	121	0.4	53	40	38	23	19	9	5
56	Divi's Labs	120	0.4	23	13	16	26	34	23	15
57	Rural Elec. Corpn.	117	0.4	19	30	29	23	21	5	6
58	Castrol India	113	0.4	31	14	7	68	55	30	15
59	M & M Financial	110	0.4	43	34	31	18	15	15	9
60	Havells India	110	0.4	67	LP	10	27	-26	26	-5
61	Glenmark Pharma	110	0.4	29	23	24	18	12	28	20
62	Ipca Labs	98	0.3	67	38	20	24	15	22	9
63	Marico	96	0.3	28	22	14	37	42	27	19
64	Apollo Hospitals	95	0.3	35	29	22	10	6	42	29
65	Sun TV Network	93	0.3	19	17	16	24	20	21	19
66	Bajaj Finserv	92	0.3	37	103	91	24	2	6	38
67	Godrej Industries	86	0.3	43	25	19	11	7	36	17
68	LIC Housing Finance	85	0.3	39	20	26	17	23	9	4
69	MRF	85	0.3	65	41	19	22	13	11	5
70	Emami	82	0.3	45	34	19	43	31	25	14
71	P & G Hygiene	79	0.3	34	11	22	30	41	34	14
72	Blue Dart Express	78	0.3	55	9	15	19	20	73	13
73	Bajaj Holdings	78	0.3	28	1	24	3	7	35	10
74	Piramal Enterprises	78	0.3	23	PL	7	-5	24	-19	13
75	Torrent Pharma	77	0.3	51	29	21	35	28	13	6
76	Bharat Forge	76	0.3	34	64	7	18	2	20	53
77	Bajaj Finance	76	0.3	93	84	47	18	3	12	7
78	Aditya Birla Nuvo	75	0.3	20	LP	14	11	-11	12	-7
79	Petronet LNG	74	0.3	29	7	35	14	26	14	6
80	Apollo Tyres	71	0.2	54	49	22	22	10	8	7
81	ING Vysya Bank	70	0.2	37	28	18	9	12	18	7
82	CRISIL	69	0.2	35	16	17	44	39	29	14
83	Page Industries	68	0.2	78	37	36	53	36	47	13
84	Thermax	68	0.2	33	-5	9	11	29	41	7
85	Britannia Inds	67	0.2	25	23	15	50	20	26	24
86	Berger Paints	67	0.2	46	25	19	22	21	32	13
87	Bata India	66	0.2	61	26	16	24	23	38	11
88	Exide Inds	64	0.2	24	13	17	16	31	19	11
89	Sundaram Finance	64	0.2	52	27	19	19	14	13	5
90	Amara Raja Batteries	64	0.2	84	35	21	27	20	18	4
91	Supreme Inds	61	0.2	88	24	19	26	31	23	3
92	J & K Bank	59	0.2	38	24	18	21	16	6	4
93	Federal Bank	58	0.2	28	12	16	12	11	10	5
94	Tata Global	58	0.2	21	-9	10	9	23	18	4
95	Info Edge (India)	56	0.2	42	1	18	9	18	111	20
96	Biocon	56	0.2	24	34	12	14	7	20	29
97	Bhushan Steel	55	0.2	42	-33	14	1	21	176	4
98	Kansai Nerolac	51	0.2	39	16	18	15	15	30	12
99	Coromandel Inter	50	0.2	37	-8	1	16	46	17	2
100	Bayer Crop Science	50	0.2	43	25	18	17	21	19	10
	TOTAL	**29,381**	**100**	**34**	**24**	**18**	**19**	**17**	**19**	**13**

Appendix 2: MOSL 100: Fastest Wealth Creators (2009-2014)

Rank	Company	2009-14 Price		CAGR 09-14 (%)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR b	Share (%)	2014	2009	2014	2009
1	Eicher Motors	94	27	51	32	156	0.5	26	6	31	9
2	Bajaj Finance	93	27	84	47	76	0.3	18	3	12	7
3	Supreme Inds	88	24	24	19	61	0.2	26	31	23	3
4	Amara Raja Batt.	84	21	35	21	64	0.2	27	20	18	4
5	Page Industries	78	18	37	36	68	0.2	53	36	47	13
6	IndusInd Bank	73	16	57	29	215	0.7	16	10	19	8
7	HCL Technologies	69	14	38	26	898	3.1	33	27	15	5
8	Aurobindo Pharma	68	13	63	22	136	0.5	31	8	13	10
9	Havells India	67	13	LP	10	110	0.4	27	-26	26	-5
10	Ipca Labs	67	13	38	20	98	0.3	24	15	22	9
11	MRF	65	12	41	19	85	0.3	22	13	11	5
12	Tata Motors	62	11	LP	27	945	3.2	22	-42	8	-3
13	Bata India	61	11	26	16	66	0.2	24	23	38	11
14	United Breweries	56	9	38	17	184	0.6	14	6	96	47
15	Blue Dart Exp.	55	9	9	15	78	0.3	19	20	73	13
16	Apollo Tyres	54	9	49	22	71	0.2	22	10	8	7
17	Motherson Sumi	54	9	38	64	198	0.7	37	28	21	11
18	Yes Bank	53	8	40	38	121	0.4	23	19	9	5
19	Sundaram Finance	52	8	27	19	64	0.2	19	14	13	5
20	Shree Cement	51	8	6	17	172	0.6	17	48	25	4
21	TCS	51	8	29	24	3,638	12.4	39	34	22	10
22	Torrent Pharma	51	8	29	21	77	0.3	35	28	13	6
23	Pidilite Inds	49	7	32	17	135	0.5	23	16	35	19
24	Asian Paints	47	7	25	19	449	1.5	31	35	42	18
25	Lupin	47	7	30	24	359	1.2	27	36	22	11
26	Tech Mahindra	47	7	25	33	254	0.9	33	52	14	3
27	Titan Company	46	7	35	23	198	0.7	29	29	32	21
28	Bajaj Auto	46	7	43	19	512	1.7	32	30	19	17
29	Berger Paints	46	7	25	19	67	0.2	22	21	32	13
30	Godrej Consumer	45	6	36	40	230	0.8	22	30	35	20
31	Emami	45	6	34	19	82	0.3	43	31	25	14
32	GlaxoSmith C H L	44	6	29	26	152	0.5	37	25	27	16
33	Bayer Crop Science	43	6	25	18	50	0.2	17	21	19	10
34	M & M Financial	43	6	34	31	110	0.4	18	15	15	9
35	Godrej Industries	43	6	25	19	86	0.3	11	7	36	17
36	Bhushan Steel	42	6	-33	14	55	0.2	1	21	176	4
37	Info Edge (India)	42	6	1	18	56	0.2	9	18	111	20
38	Cadila Healthcare	41	6	22	20	173	0.6	25	25	25	12
39	Kotak Mahindra	41	5	31	22	467	1.6	13	10	24	15
40	LIC Housing Finance	39	5	20	26	85	0.3	17	23	9	4
41	Dr Reddy's Labs	39	5	LP	14	352	1.2	25	-26	22	-9
42	Kansai Nerolac	39	5	16	18	51	0.2	15	15	30	12
43	Sun Pharma	39	5	16	30	958	3.3	21	27	31	12
44	M & M	39	5	20	25	479	1.6	19	24	14	6
45	Zee Entertainment	39	5	11	15	213	0.7	33	15	29	9
46	J & K Bank	38	5	24	18	59	0.2	21	16	6	4
47	Coromandel Inter	37	5	-8	1	50	0.2	16	46	17	2
48	ING Vysya Bank	37	5	28	18	70	0.2	9	12	18	7
49	Bajaj Finserv	37	5	103	91	92	0.3	24	2	6	38
50	CRISIL	35	5	16	17	69	0.2	44	39	29	14

Appendix 2: MOSL 100: Fastest Wealth Creators (2009-2014) … continued

Rank	Company	2009-14 Price		CAGR (09-14, %)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR b	Share (%)	2014	2009	2014	2009
51	Cummins India	35	4	6	2	128	0.4	23	30	28	8
52	Apollo Hospitals	35	4	29	22	95	0.3	10	6	42	29
53	JSW Steel	35	4	10	26	144	0.5	2	3	65	18
54	Bharat Forge	34	4	64	7	76	0.3	18	2	20	53
55	P & G Hygiene	34	4	11	22	79	0.3	30	41	34	14
56	Shriram Transport	33	4	17	18	127	0.4	16	26	13	6
57	Oracle Fin.Serv.	33	4	13	5	197	0.7	15	21	19	8
58	Thermax	33	4	-5	9	68	0.2	11	29	41	7
59	United Spirits	32	4	Loss	14	268	0.9	-148	-17	-9	-16
60	UltraTech Cement	32	4	18	27	392	1.3	13	27	27	7
61	HDFC Bank	31	4	31	21	1,307	4.4	20	15	20	18
62	ITC	31	4	22	16	2,073	7.1	33	24	31	21
63	Castrol India	31	4	14	7	113	0.4	68	55	30	15
64	ICICI Bank	30	4	28	6	1,035	3.5	15	7	12	11
65	Wipro	30	4	16	11	993	3.4	25	28	17	9
66	Dabur India	29	4	19	20	227	0.8	35	48	34	22
67	Glenmark Pharma	29	4	23	24	110	0.4	18	12	28	20
68	Bosch	29	4	7	14	246	0.8	14	20	39	15
69	Petronet LNG	29	4	7	35	74	0.3	14	26	14	6
70	Axis Bank	29	4	28	23	422	1.4	16	18	11	8
71	Marico	28	3	22	14	96	0.3	37	42	27	19
72	Federal Bank	28	3	12	16	58	0.2	12	11	10	5
73	Bajaj Holdings	28	3	1	24	78	0.3	3	7	35	10
74	Nestle India	26	3	16	16	333	1.1	47	113	43	28
75	H D F C	26	3	29	28	934	3.2	17	12	21	22
76	Bank of Baroda	25	3	16	21	171	0.6	13	18	6	4
77	Britannia Inds	25	3	23	15	67	0.2	50	20	26	24
78	Biocon	24	3	34	12	56	0.2	14	7	20	29
79	Exide Inds	24	3	13	17	64	0.2	16	31	19	11
80	Colgate-Palmolive	24	3	13	16	123	0.4	90	134	35	22
81	Adani Ports	24	3	32	32	249	0.8	20	15	22	30
82	Divi's Labs	23	3	13	16	120	0.4	26	34	23	15
83	Hind.Zinc	23	3	20	19	353	1.2	18	19	8	7
84	Siemens	23	3	-20	3	170	0.6	5	26	142	15
85	Grasim Inds	13	2	2	10	266	0.9	13	23	9	6
86	Larsen & Toubro	23	3	6	16	750	2.6	13	27	24	11
87	Ambuja Cements	23	3	-2	8	200	0.7	14	25	24	8
88	Piramal Enterprises	23	3	PL	7	78	0.3	-5	24	-19	13
89	Idea Cellular	22	3	17	21	303	1.0	12	7	23	18
90	Hindalco Inds	22	3	44	6	155	0.5	5	2	14	25
91	Tata Global	21	3	-9	10	58	0.2	9	23	18	4
92	Maruti Suzuki	21	3	18	17	355	1.2	13	13	21	18
93	Hind. Unilever	20	3	10	7	792	2.7	112	117	33	21
94	Infosys	20	2	12	18	1,123	3.8	24	33	18	13
95	Aditya Bir.la Nuvo	20	2	LP	14	75	0.3	11	-11	12	-7
96	B P C L	20	2	41	14	194	0.7	21	5	8	19
97	Sun TV Network	19	2	17	16	93	0.3	24	20	21	19
98	ACC	19	2	0	8	153	0.5	14	23	24	10
99	Rural Elec. Corpn.	19	2	30	29	117	0.4	23	21	5	6
100	GSK Pharma	19	2	-4	9	126	0.4	24	38	45	16
	TOTAL	**34**	**4**	**24**	**18**	**29,381**	**100.0**	**19**	**17**	**19**	**13**

Appendix 3: MOSL 100: Alphabetical order

Company	WC Rank		Wealth Created			Company	WC Rank		Wealth Created		
	Biggest	Fastest	INR b	Price CAGR %	Price Mult. (x)		Biggest	Fastest	INR b	Price CAGR %	Price Mult. (x)
ACC	46	98	153	19	2	Hindalco Inds	45	90	155	22	3
Adani Ports	28	81	249	24	3	ICICI Bank	5	64	1,035	30	4
Aditya Birla Nuvo	78	95	75	20	2	Idea Cellular	24	89	303	22	3
Amara Raja Batteries	90	4	64	84	21	IndusInd Bank	32	6	215	73	16
Ambuja Cements	34	87	200	23	3	Info Edge (India)	95	37	56	42	6
Apollo Hospitals	64	52	95	35	4	Infosys	4	94	1,123	20	2
Apollo Tyres	80	16	71	54	9	ING Vysya Bank	81	48	70	37	5
Asian Paints	16	24	449	47	7	Ipca Labs	62	10	98	67	13
Aurobindo Pharma	49	8	136	68	13	ITC	2	62	2,073	31	4
Axis Bank	17	70	422	29	4	J & K Bank	92	46	59	38	5
B P C L	38	96	194	20	2	JSW Steel	48	53	144	35	4
Bajaj Auto	13	28	512	46	7	Kansai Nerolac	98	42	51	39	5
Bajaj Finance	77	2	76	93	27	Kotak Mahindra	15	39	467	41	5
Bajaj Finserv	66	49	92	37	5	Larsen & Toubro	12	86	750	23	3
Bajaj Holdings	73	73	78	28	3	LIC Housing Fin.	68	40	85	39	5
Bank of Baroda	42	76	171	25	3	Lupin	19	25	359	47	7
Bata India	87	13	66	61	11	M & M	14	44	479	39	5
Bayer Crop Science	100	33	50	43	6	M & M Financial	59	34	110	43	6
Berger Paints	86	29	67	46	7	Marico	63	71	96	28	3
Bharat Forge	76	54	76	34	4	Maruti Suzuki	20	92	355	21	3
Bhushan Steel	97	36	55	42	6	Motherson Sumi	36	17	198	54	9
Biocon	96	78	56	24	3	MRF	69	11	85	65	12
Blue Dart Express	72	15	78	55	9	Nestle India	23	74	333	26	3
Bosch	29	68	246	29	4	Oracle Fin.Serv.	37	57	197	33	4
Britannia Inds	85	77	67	25	3	P & G Hygiene	71	55	79	34	4
Cadila Healthcare	40	38	173	41	6	Page Industries	83	5	68	78	18
Castrol India	58	63	113	31	4	Petronet LNG	79	69	74	29	4
Colgate-Palmolive	54	80	123	24	3	Pidilite Inds	50	23	135	49	7
Coromandel Inter	99	47	50	37	5	Piramal Enterprises	74	88	78	23	3
CRISIL	82	50	69	35	5	Rural Elec. Corpn.	57	99	117	19	2
Cummins India	51	51	128	35	4	Shree Cement	41	20	172	51	8
Dabur India	31	66	227	29	4	Shriram Transport	52	56	127	33	4
Divi's Labs	56	82	120	23	3	Siemens	43	84	170	23	3
Dr Reddy's Labs	22	41	352	39	5	Sun Pharma	7	43	958	39	5
Eicher Motors	44	1	156	94	27	Sun TV Network	65	97	93	19	2
Emami	70	31	82	45	6	Sundaram Finance	89	19	64	52	8
Exide Inds	88	79	64	24	3	Supreme Inds	91	3	61	88	24
Federal Bank	93	72	58	28	3	Tata Global	94	91	58	21	3
GSK Pharma	53	100	126	19	2	Tata Motors	8	12	945	62	11
GlaxoSmith C H L	47	32	152	44	6	TCS	1	21	3,638	51	8
Glenmark Pharma	61	67	110	29	4	Tech Mahindra	27	26	254	47	7
Godrej Consumer	30	30	230	45	6	Thermax	84	58	68	33	4
Godrej Industries	67	35	86	43	6	Titan Company	35	27	198	46	7
Grasim Inds	26	85	266	13	2	Torrent Pharma	75	22	77	51	8
H D F C	9	75	934	26	3	UltraTech Cement	18	60	392	32	4
Havells India	60	9	110	67	13	United Breweries	39	14	184	56	9
HCL Technologies	10	7	898	69	14	United Spirits	25	59	268	32	4
HDFC Bank	3	61	1,307	31	4	Wipro	6	65	993	30	4
Hind. Unilever	11	93	792	20	3	Yes Bank	55	18	121	53	8
Hindustan Zinc	21	83	353	23	3	Zee Entertainment	33	45	213	39	5

NOTES

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