

## 16TH ANNUAL WEALTH CREATION STUDY (2006-2011)

# Blue Chip Investing

## Creating wealth from dividends

### HIGHLIGHTS

- Blue chips are fountains of dividend, and offer as much, if not more, investment growth potential than lesser quality companies, but with far less risk.
- In investing, there is no profitable substitute for quality. Understanding quality of the company doesn't stop at profits and profitability, it must extend to dividend payouts and longevity.
- Most Blue Chips enjoy premium valuation. In deciding when to buy, one should focus not only on P/E, but also consider payout ratio, relative dividend yield, and earnings growth potential.
- In India, over last 20 years, Blue Chips have significantly outperformed benchmark indices with much lower risk.

"The risk of paying too high a price for good-quality stocks — while a real one — is not the chief hazard confronting the average buyer of securities. Observation over many years has taught us that the chief losses to investors come from the purchase of low-quality securities at times of favorable business conditions."

— Benjamin Graham, *The Intelligent Investor*

## TOP 10 WEALTH CREATORS (2006-2011)

THE BIGGEST			THE FASTEST		THE MOST CONSISTENT	
Rank	Company	Wealth Created (INR b)	Company	5-Year Price CAGR (%)	Company	Appeared in WC Study (x) 10-Year Price CAGR (%)
1	Reliance Industries	1,742	Sanwaria Agro	119	Kotak Mahindra Bank	10 47
2	TCS	1,379	Adani Enterprises	86	Sun Pharma	10 33
3	State Bank of India	1,075	Bhushan Steel	64	Asian Paints	10 31
4	Infosys	1,025	Jindal Steel	62	HDFC	10 29
5	NMDC	833	Sterling Intl	59	HDFC Bank	10 29
6	HDFC Bank	678	Shriram Transport	44	Reliance Industries	10 27
7	ITC	658	Coromandel Inter	43	ACC	10 24
8	HDFC	636	LIC Housing Finance	43	Infosys	10 24
9	Larsen & Toubro	623	Exide Industries	41	ONGC	10 23
10	ONGC	616	IndusInd Bank	41	Ambuja Cements	10 21

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## Abbreviations and Terms used in this report

ABBREVIATION / TERM	DESCRIPTION
2006, 2011, etc	Reference to years for India are financial year ending March, unless otherwise stated
Avg	Average
CAGR	Compound Annual Growth Rate; All CAGR calculations are for 2005 to 2010 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
INR b	Indian Rupees in billion
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.

## Wealth Creation Study 2006-2011

### Objective, Concept and 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 compared to the intrinsic value, the higher is the margin of safety. Every year for the past 15 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

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 2006-2011. These companies have the distinction of having added at least INR1b to their market capitalization over this period of five years, after adjusting for dilution. We have termed the group of Wealth Creators as **‘MOSL-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 2012

Our Theme for 2012 is **Blue Chip Investing** (see page 16).

\* Capitaline database has been used for this study

## Wealth Creation

*2006-2011*

The 16<sup>TH</sup> Annual Study

# Findings

## #1 The Biggest Wealth Creators

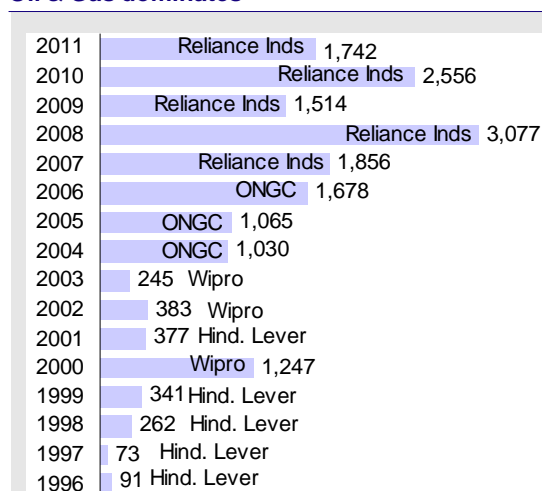
### Reliance Industries is the Biggest Wealth Creator

- **Reliance Industries** has emerged as the biggest wealth creator for the 5th time in a row from 2007. This is a record - the first time that a company has emerged the biggest wealth creator for 5 years in a row. The only other instance has been Hindustan Unilever (HUL) which has also emerged the biggest wealth creator 5 times, of which only 4 were in a row from 1996 to 1999.
- Like HUL in 2001, probably Reliance has also seen its peak performance for the time-being. Tech companies, mainly TCS and Infosys, are hot on its heels, and one of them is likely to claim the top slot going forward.
- Incidentally, Warren Buffet too is positive on the long term prospects of Energy and Technology related businesses, his latest mega investment being 5% stake in IBM for USD10 billion.

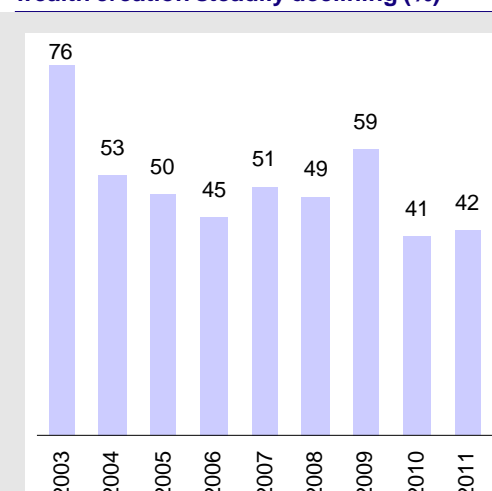
### Top 10 Biggest Wealth Creators

Rank	Company	Net Wealth Created		Price CAGR (%)	PAT CAGR (%)	P/E (x)	
		(INR b)	% Share			FY11	FY06
1	Reliance Inds.	1,742	8	21	15	18	12
2	TCS	1,379	6	20	25	25	31
3	St Bk of India	1,075	5	25	15	16	9
4	Infosys	1,025	5	17	22	27	33
5	NMDC	833	4	31	29	17	16
6	HDFC Bank	678	3	25	36	27	28
7	ITC	658	3	13	17	28	32
8	H D F C	636	3	21	22	28	25
9	Larsen & Toubro	623	3	22	28	23	26
10	O N G C	616	3	6	8	11	12
Total of above		9,265	42	18	16	21	18
Total of top 100		22,096	100	17	20	16	17

### Biggest wealth creators and wealth created (INR b): Oil & Gas dominates



### Share of Top 10 wealth creators in total wealth creation steadily declining (%)



### Key Finding #1

The contribution of the largest wealth creators has been declining steadily from 76% in 2003 to 42% in 2011 indicating a more widespread wealth creation.

## #2 The Fastest Wealth Creators

### Sanwaria Agro is the Fastest Wealth Creator

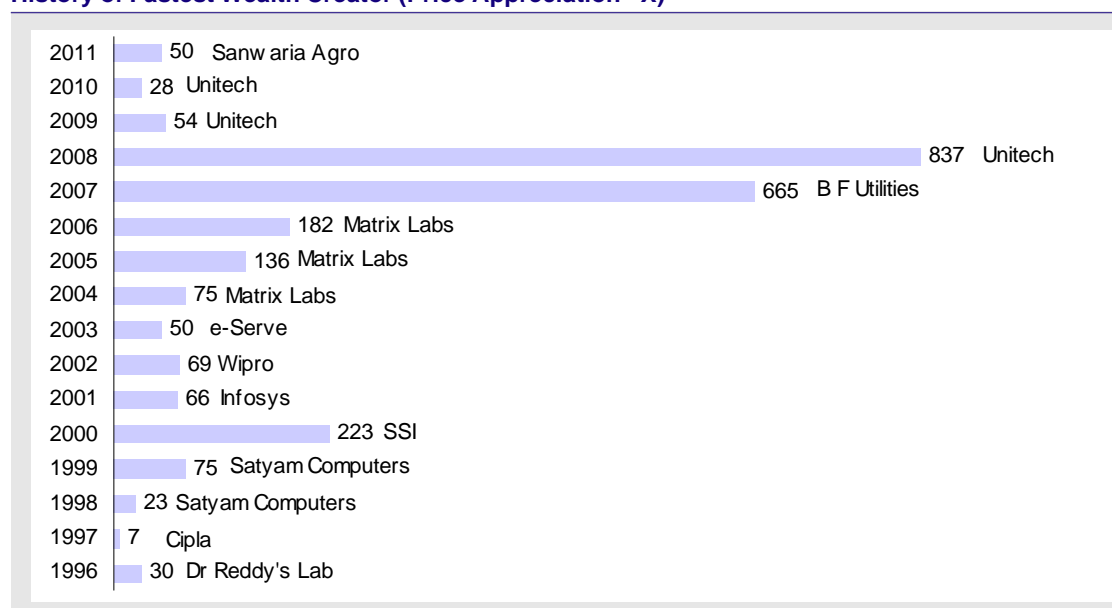
- Between FY06 and FY11, **Sanwaria Agro** emerged as a surprise fastest wealth creator, adding INR43b to its market cap at a CAGR of 119% per annum.
- As in the street, even on the Street, "Speed thrills ... but also kills!" Most of the fastest wealth creating companies have lost anywhere between 30 -98% of their peak value in next 3 years. Among all our fastest wealth creators to date, Cipla is the only exception.
- Some of these stocks are classic "transitory multi-baggers", which are created by the combination of cyclical nature of business and questionable quality of management. If they are not sold on time, investors are left not only with no gains, but most often, a permanent capital loss.

#### Top 10 Fastest Wealth Creators

Rank	Company	Price Appreciation (x)	Price CAGR (%)	PAT CAGR (%)	Mcap (INR b)		P/E (x)	
					FY11	FY06	FY11	FY06
1	Sanwaria Agro	50	119	71	43	1	81	24
2	Adani Enterprises	22	86	84	764	14	27	10
3	Bhushan Steel	12	64	45	93	8	9	5
4	Jindal Steel	11	62	46	653	58	17	10
5	Sterling Intl	10	59	-33	66	5	N.M.	114
6	Shriram Transport	6	44	54	180	20	15	14
7	Coromandel Inter	6	43	49	81	12	12	13
8	LIC Housing Fin.	6	43	36	107	16	11	8
9	Exide Inds.	6	41	45	121	20	18	19
10	IndusInd Bank	6	41	73	123	14	21	37

N.M. - Not meaningful

#### History of Fastest Wealth Creator (Price Appreciation - X)



#### Key Finding #2

Successful investments are those which prove to be enduring (not transitory) multi-baggers, which are an outcome of high quality business and high quality management. Blue Chip Investing is one such sound strategy (see page 17).

### #3 Most Consistent Wealth Creators

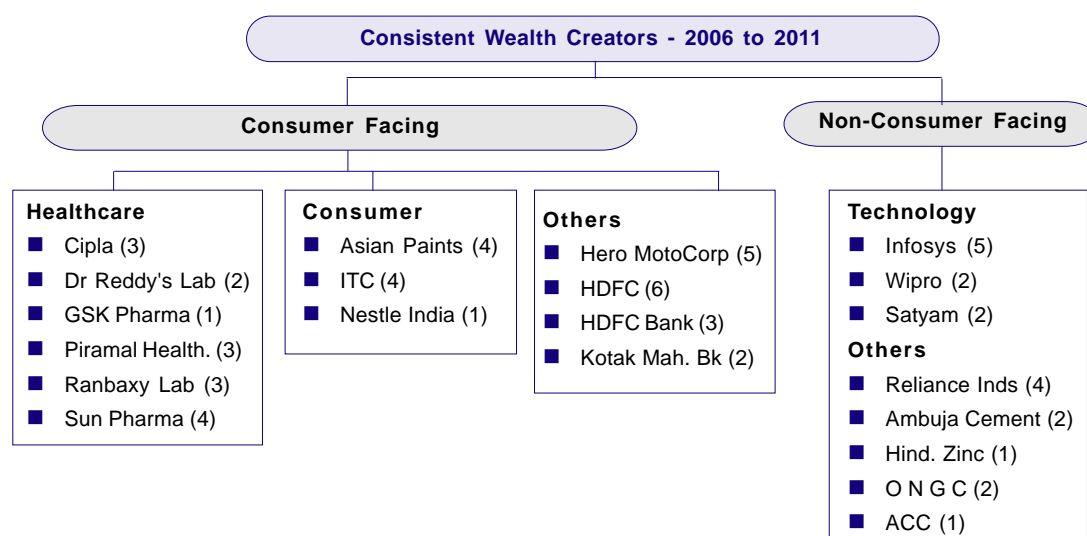
#### Kotak Mahindra Bank is the Most Consistent Wealth Creator

- For the first time more than 10 companies have qualified for the title of Most Consistent Wealth Creators, by featuring among the top 100 wealth creators in 10 consecutive studies.
- In such a case, 10-year price CAGR is used as the tie-breaker, and Kotak Mahindra Bank has emerged the fastest on that count.
- HDFC and HDFC Bank also figure in the list of top 10 Most Consistent Wealth Creators. Clearly, private sector financials are emerging as blue chip stocks with high, and more importantly, consistent growth performance (e.g. HDFC Bank has delivered 30% PAT growth for the last 38 consecutive quarters).

#### Top 10 Consistent Wealth Creators

Rank	Company	Appeared In Last 10 WC Studies (X)	10-yr Price CAGR (%)	5-Yr PAT CAGR (%)	P/E (x)	
					2011	2006
1	Kotak Mahindra Bank	10	47	24	21	16
2	Sun Pharma	10	33	27	24	28
3	Asian Paints	10	31	33	28	29
4	HDFC	10	29	22	28	25
5	HDFC Bank	10	29	36	27	28
6	Reliance Industries	10	27	15	18	12
7	ACC	10	24	16	19	28
8	Infosys	10	24	22	27	33
9	ONGC	10	23	8	11	12
10	Ambuja Cements	10	21	19	18	26

#### Consumer facing companies score high on Consistent Wealth Creation



Number in brackets indicates times appeared within top 10 in last six years, 2006 to 2011

#### Key Finding #3

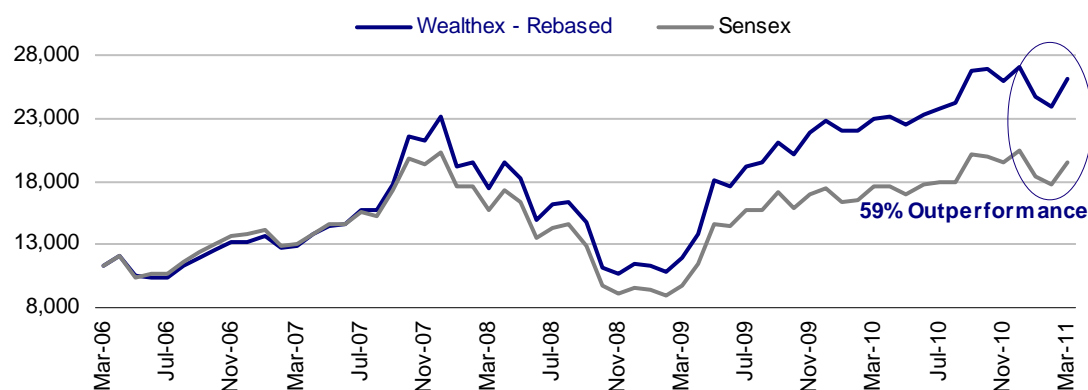
Quality of management is a key factor behind consistent wealth creation. The top 10 list also features two cement majors - ACC and Ambuja (now, both owned by Holcim). Change in management has significantly contributed to their consistent performance.

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

### Superior and more consistent performance over benchmark

- 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.
- **Market performance:** Over the last five years, wealth creating companies have delivered point-to-point return CAGR of 18%, against 12% for the BSE Sensex.
- **Earnings growth:** Over the last five years, wealth creating companies clocked earnings CAGR of 18% compared to benchmark earnings CAGR of 14%.
- **Valuation:** Wealth creating companies' aggregate P/E in March 2006 was at a discount to the Sensex, whereas their P/E in March 2011 is in line with the Sensex at 19x. Superior earnings growth combined with P/E re-rating have led to market outperformance.

#### Wealth Creators' Index v/s BSE Sensex (31.3.06 To 31.3.11)



#### Sensex v/s Wealth Creators: Higher earnings growth, lower valuation

	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	Mar-11	5-year CAGR (%)
BSE Sensex	11,280	13,072	15,644	9,709	17,528	19,445	12
YoY Performance (%)		16	20	-38	81	11	
<b>Wealthex - based to Sensex</b>	<b>11,280</b>	<b>12,825</b>	<b>17,457</b>	<b>11,868</b>	<b>22,964</b>	<b>26,095</b>	<b>18</b>
YoY Performance (%)		14	36	-32	94	14	
Sensex EPS (INR)	523	718	833	820	834	1,024	14
YoY Performance (%)		37	16	-2	2	23	
Sensex P/E (x)	22	18	19	12	21	19	
<b>Wealthex EPS (INR)</b>	<b>596</b>	<b>810</b>	<b>1,004</b>	<b>1,003</b>	<b>1,219</b>	<b>1,370</b>	<b>18</b>
YoY Performance (%)		36	24	0	22	12	
Wealthex PE (x)	19	16	17	12	19	19	

### Key Finding #4

Wealth creating companies' earnings performance is superior to benchmark not only in terms of higher 5-year CAGR but also lower volatility, with standard deviation of annual returns at 13% compared to 16% for the Sensex.



## #5 Wealth Creation Classification by Industry

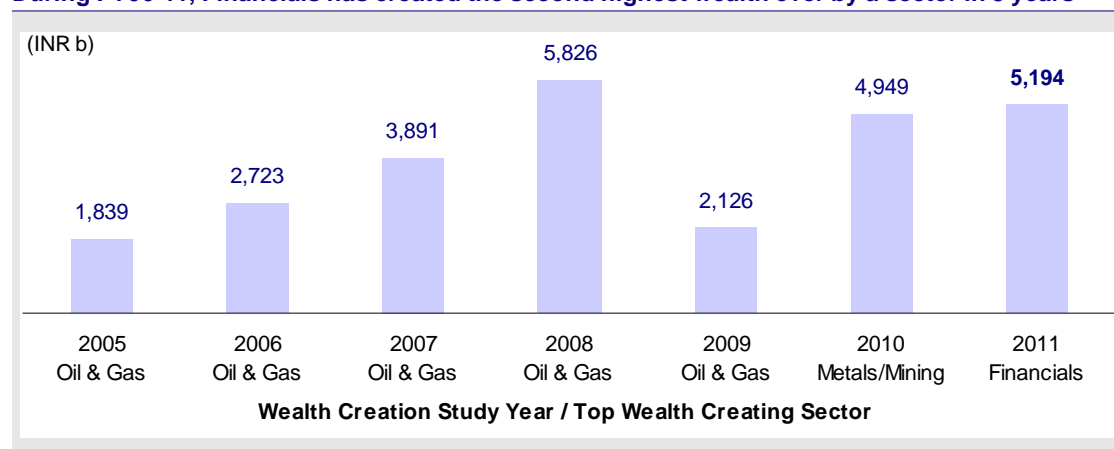
### Financials - the new leader

- For the first time ever, Financials have emerged the largest wealth creating sector. The new leader has steadily increased its share of wealth from 12% in FY06 to 24% in FY11. At INR5,194 billion, this is the second highest ever wealth created by any sector in a span of five years, after Oil & Gas in the peak of commodity boom over 2003-08.
- Importantly, size apart, Financials is also the fastest wealth creating sector with price (i.e. market cap) CAGR of 28%, significantly higher than the average of 18%. This has been made possible by two factors:
  1. 5-year PAT CAGR of 25%, higher than the average of 20%, in turn, leading to
  2. Lowering of valuation discount from 23% in FY06 to just 6% in FY11.
- Going forward, importance of Financials will increase further as insurance companies get listed, and new banking licenses get issued.

#### Wealth Creators: Classification by industry (INR b)

Industry	Wealth Created (INR b)	Share of Wealth Created (%)		Price CAGR (%)	PAT CAGR (%)	P/E (x)	
		2011	2006			2011	2006
Financials (21)	5,194	24	12	28	25	15	13
Metals / Mining (12)	3,254	15	11	23	20	12	11
Oil & Gas (8)	3,043	14	27	13	12	14	13
Technology (7)	3,024	14	10	16	24	24	34
Consumer / Retail (12)	1,709	8	6	19	22	30	33
Capital Goods (8)	1,540	7	11	17	27	22	33
Auto (8)	1,183	5	8	17	26	13	18
Healthcare (8)	902	4	5	19	25	24	31
Utility (3)	706	3	2	9	12	16	19
Telecom (1)	574	3	1	12	23	23	38
Cement (5)	289	1	3	12	23	15	24
Others (7)	680	3	4	39	31	24	17
<b>Total</b>	<b>22,096</b>	<b>100</b>	<b>100</b>	<b>18</b>	<b>20</b>	<b>16</b>	<b>17</b>

#### During FY06-11, Financials has created the second highest wealth ever by a sector in 5 years



### Key Finding #5

Besides Financials, other consumer-facing sectors like Consumer Goods, Retail, Auto and Healthcare are slowly rising up the pecking order, and are likely to regain their prominence in Wealth Creation.

## #6 Wealth Creators by ownership: PSU v/s Private

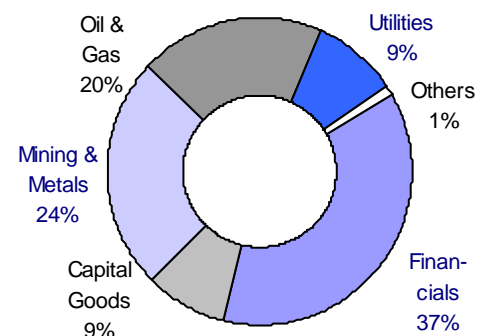
### PSU underperformance continues

- PSUs' (public sector undertakings) share of wealth creation has increased marginally from 22% in our last study to 24% this year, thanks mainly to ONGC, NMDC and SBI.
- However, on fundamental parameters, PSUs continue to underperform their private counterparts: FY06-11 Sales CAGR of 16% (28% for private) and PAT CAGR of 14% (24% for private).
- PSUs' price CAGR is in line with PAT CAGR at 14%, well below 21% for the private sector. The only consolation is that PSU P/E has held up at 13x, unlike the private sector which has seen a de-rating from 22x in FY06 to 19x in FY11.

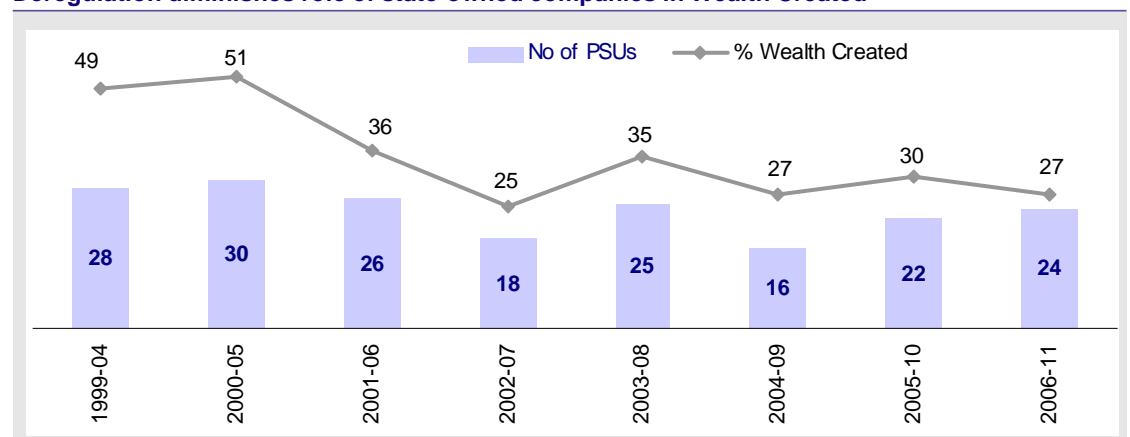
Wealth Creators: PSU v/s Privately-owned

	2006-2011	
	PSU	Private
Number of Wealth Creators	24	76
Share of Wealth Created (%)	27	73
5-year Sales CAGR (%)	16	28
5-year PAT CAGR (%)	14	24
5-year Price CAGR (%)	14	21
P/E - 2006 (x)	13	22
P/E - 2011 (x)	13	19
RoE - 2006 (%)	19	24
RoE - 2011 (%)	17	17

PSU wealth creation by sector



Deregulation diminishes role of state-owned companies in Wealth Created



### Key Finding #6

PSU share of India's market capitalization is set to increase led by further divestments by Government of India, listing of new PSUs (e.g. SJVN, erstwhile Satluj Jal Vidyut Nigam), and re-capitalization of PSU banks.

## #7 Wealth Creators by Age Group and Market Cap

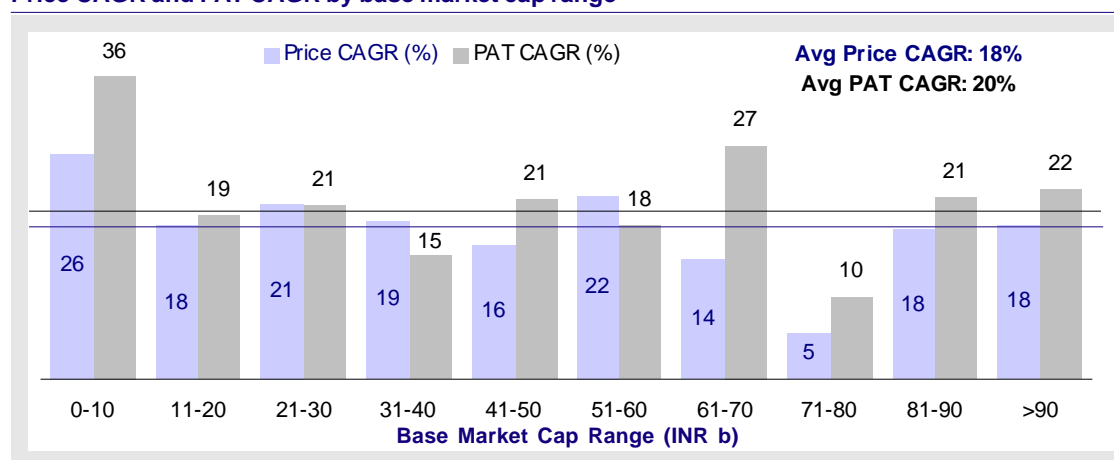
### Age no barrier to wealth creation, but smaller is still beautiful

- At first glance, younger companies (0-10 years) seem to have an edge in wealth creation - highest Price CAGR on the back of highest PAT CAGR. But the size of wealth created will always be small, with 6 companies accounting for only 2% of the wealth created.
- In contrast, 8 companies above 90 years of age generated a substantial 8% of the Wealth Created. And that too with in-line with average Price and PAT CAGR.
- Interestingly, of the 11 companies above 80 years of age, 7 companies are public sector banks. This re-affirms the longevity and earnings power of the Financials sector. The other 4 are GSK Pharma, ITC, Tata Steel and Tata Power, the first three of who feature in our Blue Chip list (see page 23).
- In terms of market cap, companies with base year market cap less than INR10b continue to have the edge in terms of speed of wealth creation but with higher risk, whereas the larger ones create wealth a bit slowly, but with low level of risk.

#### Wealth Creators: Classification by age-group

No. of Years	No. of Cos.	Wealth Created (INR b)	% Share of WC	PAT CAGR (%)	Price CAGR (%)
0-10	6	440	2	36	26
11-20	25	5,934	27	19	18
21-30	19	4,077	18	21	21
31-40	9	3,555	16	15	19
41-50	14	2,530	11	21	16
51-60	7	2,070	9	18	22
61-70	8	1,394	6	27	14
71-80	1	45	0	10	5
81-90	3	339	2	21	18
>90	8	1,711	8	22	18
<b>Total</b>	<b>100</b>	<b>22,096</b>	<b>100</b>	<b>20</b>	<b>18</b>

#### Price CAGR and PAT CAGR by base market cap range



#### Key Finding #7

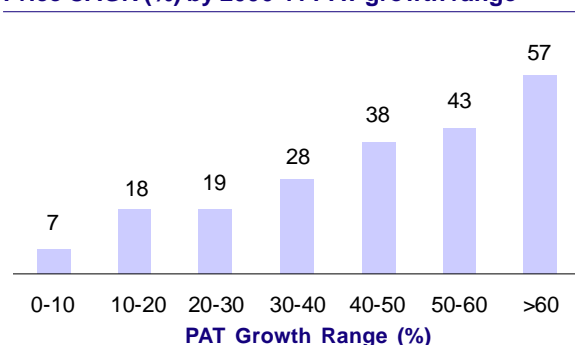
An interesting strategy to balance quality, return and risk is to try and identify Potential Blue Chips, as covered in our theme section on Blue Chip Investing.

## #8 Wealth Creators by Sales and Earnings Growth

### Markets are slaves of earnings power

- Pace of wealth creation is almost singularly decided by quantum of earnings growth, at least in the short- and medium term. Earnings growth, in turn, has a very high correlation with Sales growth, as margin expansion is not sustainable over long periods.
- Consider the table showing classification of Wealth Creators by PAT growth. Interestingly, companies in the higher PAT growth buckets have seen a sharp de-rating in terms of P/E multiples. The main reason is this - super-normal growth rates (say, in excess of 30%), are usually possibly only in the upward phase of cyclical businesses. Thus, the high PAT growth companies include cyclical names like Sesa Goa, Jindal Steel, Bhushan Steel, Tata Motors, UltraTech, Shree Cement, etc, which enjoy low multiples in their upcycle and vice versa.
- Over the longer term, however, it is the quality of earnings which decides their sustenance, translating into premium valuations. Two indicators of earnings quality are RoE and Dividend Payout. This is also discussed in our theme study on Blue Chip Investing.

Price CAGR (%) by 2006-11 PAT growth range



Classification by PAT growth

PAT Gr. Range (%)	No. of Cos	Price CAGR (%)	P/E (x)	
			2011	2006
0-10	10	7	14	14
10-20	19	18	16	14
20-30	36	19	18	23
30-40	16	28	15	21
40-50	10	38	14	19
50-60	3	43	20	30
>60	6	57	26	86
<b>Total</b>	<b>100</b>	<b>18</b>	<b>16</b>	<b>17</b>

Wealth Creators: Classification by Sales Growth

Sales Gr. Range (%)	No. of Cos.	Share of WC (%)	Price CAGR (%)	PAT CAGR (%)	RoE (%)		P/E (x)	
					2011	2006	2011	2006
0-10	7	4	14	5	14	30	19	13
10-20	25	25	13	14	15	19	15	16
20-30	40	48	20	23	20	22	18	20
30-40	19	17	26	35	20	23	16	23
40-50	5	5	21	20	14	25	13	13
>50	4	1	32	82	16	3	19	97
<b>Total</b>	<b>100</b>	<b>100</b>	<b>18</b>	<b>20</b>	<b>17</b>	<b>21</b>	<b>16</b>	<b>17</b>

### Key Finding #8

Markets are unable to appropriately price both, hyper-growth and high quality growth, resulting in huge wealth creation.

## #9 Wealth Creators Classification By RoE

### The first test of "Blue Chip-ness"

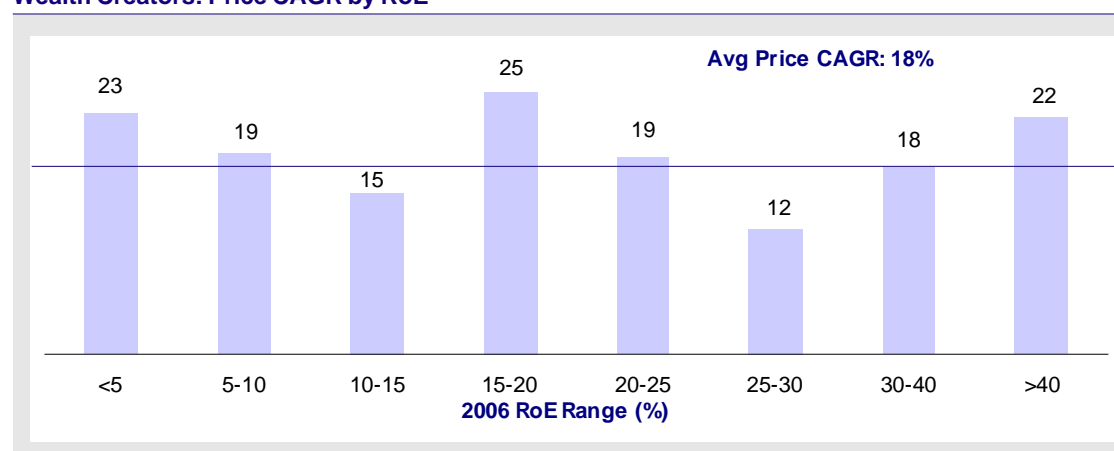
Considering base RoE in FY06, three groups stand out in terms of above-average PAT and Price performance - (1) Base RoE < 10%, (2) 15-20%, and (3) > 40%.

- (1) **Base RoE < 10%:** This is the high-risk-high-return group, and typically includes start-ups (e.g. Yes Bank), turnaround cases (e.g. Essar Oil, IndusInd Bank), and bottom-of-cycle stocks (e.g. Shree Cement). If things turn out to be favorable, these stocks can deliver very high earnings growth and stock price returns. But there is an equal chance, if not more, of things turning adverse, in which case there will most likely be permanent loss of capital.
- (2) **Base RoE of 15-20%:** 13 of the 22 companies in this group are Financials, a business which cannot deliver supernormal RoEs but can deploy almost unlimited capital and earn risk-adjusted returns well above cost of capital.
- (3) **RoE > 40%:** This is the group of Blue Chips, usually associated with modest earnings and price performance. However, in an enabling growth environment such as in India, even large Blue Chips can deliver robust earnings growth (27% CAGR), which gets highly reward by the markets.

#### Wealth Creators: Classification by RoE

2006 RoE Range (%)	No. of Cos.	Share of WC (%)	Price CAGR (%)	PAT CAGR (%)	RoE (%)		P/E (x)	
					2011	2006	2011	2006
<5	3	1	23	36	12	5	18	29
5-10	7	2	19	28	15	8	16	24
10-15	9	8	15	19	11	12	15	18
15-20	22	22	25	21	14	16	15	13
20-25	22	18	19	18	16	22	17	17
25-30	8	14	12	15	21	27	15	17
30-40	15	17	18	20	21	34	16	18
>40	14	17	22	27	33	49	20	24
<b>Total</b>	<b>100</b>	<b>100</b>	<b>18</b>	<b>20</b>	<b>17</b>	<b>21</b>	<b>16</b>	<b>17</b>

#### Wealth Creators: Price CAGR by RoE



#### Key Finding #9

Blue Chips, by virtue of their dominant position in their respective businesses, are able to deliver quality earnings growth (i.e. with high RoE), leading to huge size and high speed of wealth creation.

## #10 Wealth Creators by Valuation Parameters

### Payback ratio of less than 1x continues to guarantee highest returns

- In almost every single of our past Wealth Creation Studies, the key valuation indicators for multi-baggers are -
  1. P/E of less than 10x
  2. Price/Book of less than 1x
  3. Price/Sales of 1x or less
  4. Payback Ratio of less than 1x
 (Payback is a proprietary ratio of Motilal Oswal, defined as current market cap divided by estimated profits over the next five years. We back-test this in 2006, based on the actual profits reported over the next five years.)
- For the FY06-11 period, all of the above indicators worked according to form, but the Payback Ratio continues to deliver the highest level of returns to the largest number of companies (23 companies had Payback ratio of < 1 in 2006).

#### Wealth Creators: Classification by Valuation Parameters (March 2006)

	No. of Cos	% Wealth Created	Price CAGR (%)		No. of Cos	% Wealth Created	Price CAGR (%)
<b>P/E (x)</b>				<b>Price/Sales (x)</b>			
<5	3	1	35	<0.5	7	3	18
5-10	11	13	24	0.5-1.0	4	2	33
10-15	15	22	17	1.0-1.5	16	22	24
15-20	14	12	16	1.5-2.0	7	6	17
20-25	16	12	21	2.0-3.0	18	15	16
25-30	10	10	24	3.0-5.0	21	15	15
>30	31	30	16	5.0-7.0	13	10	16
<b>Total</b>	<b>100</b>	<b>100</b>	<b>18</b>	>7.0	14	27	19
				<b>Total</b>	<b>100</b>	<b>100</b>	<b>18</b>

<b>Price/Book (x)</b>			
<1.5	12	10	27
1.5-2.0	7	4	33
2-3	13	21	17
3-4	10	10	13
4-5	10	10	23
5-10	28	23	19
>10	20	22	16
<b>Total</b>	<b>100</b>	<b>100</b>	<b>18</b>

<b>Payback Ratio(x)</b>			
<0.5	6	6	62
0.5-1.0	17	15	25
1-1.5	19	21	24
1.5-2.0	19	17	15
2.0-2.5	13	14	13
2.5-3.0	10	0	17
>3.0	16	11	13
<b>Total</b>	<b>100</b>	<b>100</b>	<b>18</b>

#### Median valuations (x)

	2006		2011	
	Sensex	Wealth Creators	Sensex	Wealth Creators
Median P/E	15.3	16.9	21.4	22.0
Median P/B	3.2	3.1	3.5	4.1
Media P/S	2.5	1.9	3.2	3.3

## #11 Wealth Destroyers

### Wealth destroyed is 15% of wealth created

- During FY06-11, total wealth destroyed at INR3,254b is about 15% of the total wealth created of ~INR22,000b. This reflects the significant deterioration of the Indian market over FY10. In our last study covering FY05-10, wealth destroyed was a mere 2% of the wealth created. The number of wealth destroying companies has also significantly increased to 1,036 from 650 in the previous study.
- Four sectors - Capital Goods, Telecom, Technology, Construction/Real Estate - account for 56% of the wealth destroyed.
- Most interestingly, just 3 companies - Suzlon, RCom and Satyam Computers - account for a whopping 25% of the total wealth destroyed.

#### Top-10 Wealth Destroyers (2006-2011)

Company	Wealth Destroyed		Price CAGR (%)
	(INR b)	% Share	
Suzlon Energy	336	10	-30
Rel. Comm.	252	8	-19
Satyam Computer	232	7	-31
M T N L	87	3	-24
Bajaj Hindusthan	75	2	-32
H F C L	67	2	-14
Tata Comm	65	2	-13
Videocon Inds.	54	2	-15
Punj Lloyd	52	2	-22
Jet Airways	47	1	-15
<b>Total of Above</b>	<b>1,221</b>	<b>38</b>	
<b>Total Wealth Destroyed</b>	<b>3,254</b>	<b>100</b>	

#### Wealth Destruction by Industry (%)

Sector	No of Cos	Wealth Destroyed	
		(INR b)	% Share
Capital Goods	99	544	17
Telecom	17	517	16
Technology	108	423	13
Construction / Real Estate	47	327	10
Sugar	33	182	6
Textiles	131	178	5
Auto	63	154	5
Media	38	91	3
Metals	54	86	3
Healthcare	52	86	3
Utilities	6	80	2
Financials	65	54	2
Airlines	3	53	2
Chemicals & Fertilizers	66	49	2
Others	254	430	13
<b>Total</b>	<b>1,036</b>	<b>3,254</b>	<b>100</b>

#### Key Finding #11

Markets can severely punish its own erstwhile darlings severely, on various grounds, particularly proven or suspected corporate governance issues. Even Blue Chips - which typically have no management issues - can destroy significant wealth from their peak price levels. Hence, it is important to sell Blue Chips at extreme valuations (see page 33).

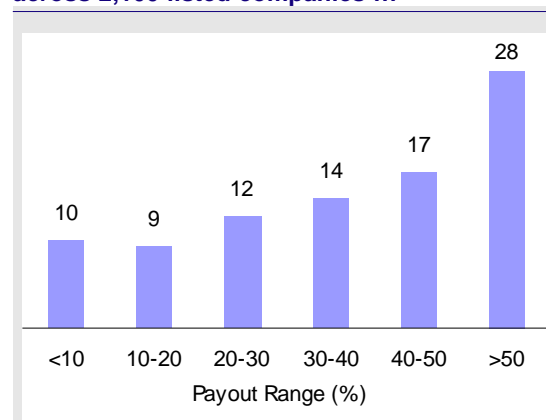
## #12 Wealth Creators & dividends

Our study on Blue Chip Investing has revealed to us the power of dividend in wealth creation, especially over very long periods of time across economic and business cycles. The time horizon of our Wealth Creation Studies is much shorter i.e. 5 years; and yet, a few linkages of dividend are evident e.g.

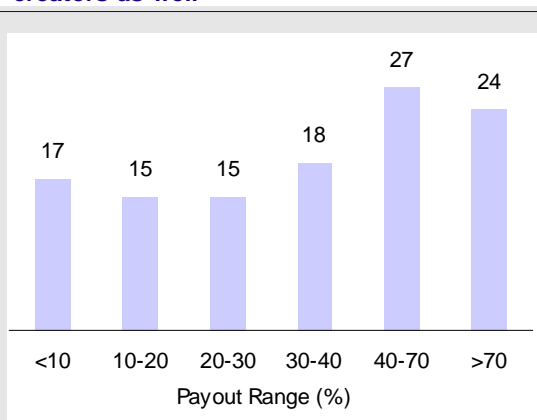
- PEs have a very high and positive correlation with payouts;
- Payouts have a very high and positive correlation with RoEs;
- High payouts coupled with growth is a potent combination for wealth creation as it reflects several things:
  - (1) The company's business is intrinsically highly profitable, and it needs to retain very little of its annual profit to fund future growth;
  - (2) The management has an attitude of sharing economic benefits with minority shareholders;
  - (3) Low risk of misallocation of retained earnings in unrelated diversifications, risky overseas acquisitions, etc.
- Structural rise in payout ratios is a potential source of PE re-rating over the next few years;
- Dividends yields are highly homogenous across companies e.g. 66% of the top 100 wealth creators had a base FY06 dividend yield below 1.5%.

A few key charts on dividends and payouts based on the FY06-11 study are presented below. Expect a lot more on this subject in the studies to come.

**Strong correlation between payout and P/E across 2,100 listed companies ...**



**... partly evident among top 100 wealth creators as well**



**Wealth Creators: Classification by Payout**

Payout Range	No. of Companies	Share of WC (%)	Price CAGR (%)	PAT CAGR (%)	RoE (%)		P/E (x)	
					2011	2006	2011	2006
>70	4	2	19	18	77	52	24	24
>40-70	6	4	15	17	31	27	27	30
>30-40	13	24	14	14	15	21	18	19
>20-30	24	16	14	21	21	20	15	20
>10-20	34	37	25	21	17	20	15	13
<10	19	16	23	27	16	23	17	20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>18</b>	<b>20</b>	<b>17</b>	<b>21</b>	<b>16</b>	<b>17</b>



**#12 Wealth Creators & dividends (contd)****Top 10 dividend paying companies**

<b>FY06 to FY11 INR b</b>	<b>Total Dividend</b>	<b>Avg Payout (%)</b>
O N G C	413	35
NTPC	171	37
ITC	121	58
TCS	112	33
Reliance Inds	108	11
I O C L	107	25
Infosys	100	33
State Bank of India	85	15
S A I L	71	20
ICICI Bank	71	31

**Top 10 dividend payout ratio companies**

<b>FY06 to FY11</b>	<b>Avg Payout (%)</b>	<b>Dividend (INR b)</b>
Castrol India	76	13
Colgate-Palmolive	72	12
Nestle India	71	22
Hero MotoCorp	71	58
ITC	58	121
Engineers India	57	10
GSK Pharma	53	17
Godrej Consumer	45	6
Cummins India	44	10
GSK Consumer	43	5

**Top 10 companies with change in dividend**

<b>FY11 over FY06 INR b</b>	<b>Delta Dividend</b>	<b>Delta Payout (%)</b>
ITC	24	25
Infosys	22	0
TCS	21	8
Hero MotoCorp	17	68
B H E L	12	4
State Bank of India	12	4
O N G C	11	-9
Reliance Inds	10	-2
NMDC	9	0
ICICI Bank	9	-6

**Top 10 companies with change in payout ratio**

<b>FY11 over FY06</b>	<b>Delta Payout (%)</b>	<b>Delta Divd (INR b)</b>
Hero MotoCorp	68	17
A B B	52	0
Hind.Copper	41	1
GSK Consumer	39	2
UCO Bank	32	3
ITC	25	24
ACC	25	4
Petronet LNG	24	2
B P C L	16	4
IndusInd Bank	16	1

**Wealth Creation**

***2006-2011***

**The 16<sup>TH</sup> Annual Study**

**Theme 2012**

# Blue Chip Investing

## Creating wealth from dividends

A stock is worth only what you can get out of it. Even so spoke the old farmer to his son:  
A cow for her milk,  
A hen for her eggs,  
And a stock, by heck,  
For her dividends.

— John Burr Williams in his book, *The Theory Of Investment Value*

### 1. Introduction: Back to basics

When in doubt, get back to basics. Thus, in the current, highly uncertain investment climate, it may be useful to get back to the basics of investment, including its very definition. As far back as 1934, Benjamin Graham and David Dodd wrote in their classic text book, *Security Analysis*, "An investment operation is one which, upon thorough analysis, **promises safety of principal and an adequate return**. Operations not meeting these requirements are speculative."

In 1938, John Burr Williams wrote in *The Theory Of Investment Value*, "**If he does buy stocks, and buy as an investor, he holds for income; if as a speculator, for profit** ... Wise investment requires that only such issues as are selling far below their true worth should be bought; then, as large income payments are received in subsequent years ... a handsome return on the principal can be enjoyed."

Currently, there are several styles of investing which prevail - Value Investing, Growth Investing, Momentum Investing, Common-sense Investing, Distress Investing, even UU Investing (Unknown & Unknowable, *Wealth Creation Study 2010*). However, going strictly by the perspective of Graham & Dodd and Burr Williams, more often than not, it is only Blue Chip Investing which is truly an "investment operation", and only Blue Chips qualify to be called "wise investments".

### 2. What is Blue Chip Investing?

Simply put, **Blue Chip Investing involves buying and selling Blue Chips (i.e. high quality stocks) at the right price**. The term "Blue Chip" comes from poker where the highest and most valued denomination chips are colored blue. Thus, "Blue Chip stocks" is a common term used for highly priced stocks, which typically tend to enjoy premium valuations due to their high quality. They are also sometimes referred to as bellwether stocks.

Blue Chips are described variously (see box on page 18), because the parameters for a blue chip are relatively subjective. Like beauty, "Blue Chip-ness" lies in the eyes of the beholder. Thus, **an appropriate phrase relevant for a Blue Chip may well be, "I can't explain it but I know it when I see it."**

At best, professional investors agree upon a few features common across most Blue Chips -

- **High priced stocks**, both in terms of premium valuation and also absolute ticket price (unlike penny stocks)
- **Frontline stocks**, many of which tend to be constituents of the leading benchmark stock market indices
- **Large-sized companies** in terms of revenue and market capitalization, usually whose products or services offered are well known to the public at large, and not just to the investment community
- **A long record of strong financial performance**, resulting in uninterrupted dividend payments across business cycles
- **Widely tracked and researched stocks**, with a significant holding of institutional investors
- **Ease of entry and exit** due to large floating stock and huge traded volumes.

#### Blue Chips are ...

- "... stocks of well-established and financially sound companies that have demonstrated its ability to pay dividends in both good and bad times."
- "... stocks of companies that are thought to be safe, in excellent financial shape and firmly entrenched as leaders in their field, generally paying high dividends, and favorably regarded by investors."
- "... the crème de la crème of the stock market - solid, dependable stocks that will deliver good returns year after year to investors."

### 3. Why Blue Chip Investing

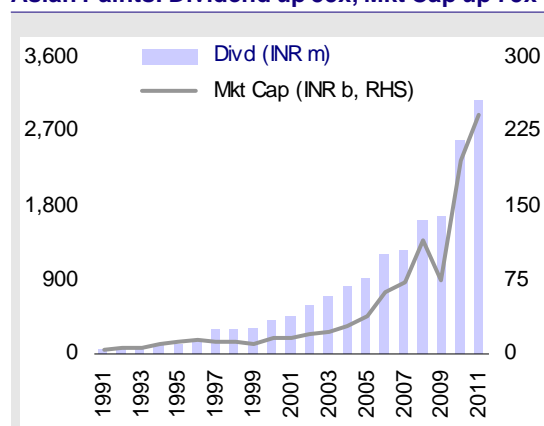
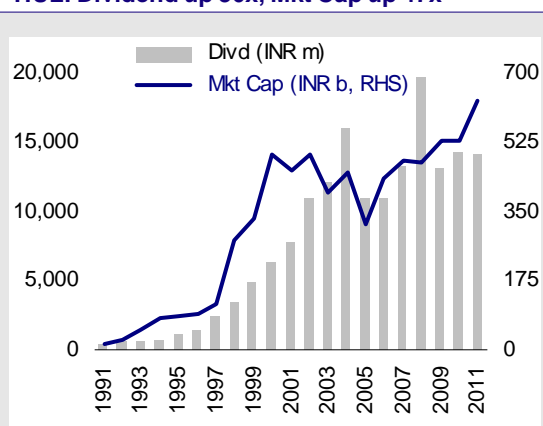
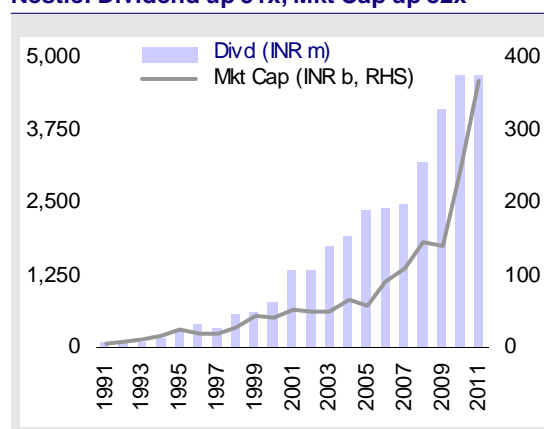
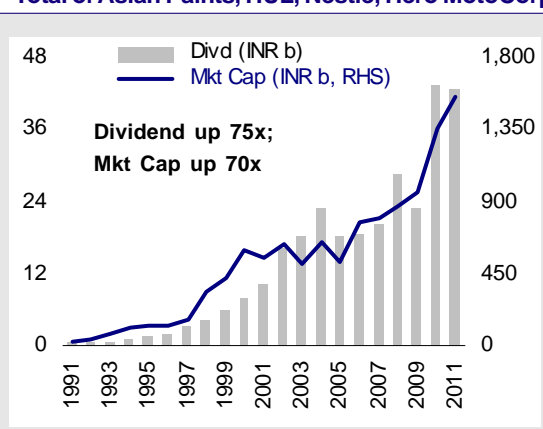
Geraldine Weiss, in her book, *The Dividend Connection*, says, "**good quality companies with strong dividend histories offer as much, if not more, investment growth potential than poor quality companies; and they do so with far less risk.**" Key words here succinctly capture why Blue Chip Investing is an excellent strategy to create wealth in the stock markets -

#### 3.1. "Good quality companies"

The essence of Blue Chip Investing is to invest **only** in high quality companies. This alone plays a huge role in ensuring "safety of principal", as suggested by Graham & Dodd. Or as Warren Buffett famously puts it, "Rule No.1: Never lose money. Rule No.2: Never forget Rule No.1." These two rules can effectively be practiced by investing only in high quality companies. Given their strong business and financial track record, the risk of permanent capital loss is virtually zero. Worst case, investors may suffer quotational loss, if they happen to buy into Blue Chips when they are grossly overvalued.

#### 3.2. "Strong dividend histories"

If good quality companies are the root of Blue Chip Investing, strong dividends are the fruit. Blue Chips manage highly profitable businesses, and in most cases, have attained critical mass of scale. Thus, they generate enough resources not only to fund their own growth, but also distribute surpluses by way of generous dividends. Over time, Blue Chips prove to be fountains of dividend across economic and stock market cycles, which in turn, ensures "handsome return on the principal", to recollect Burr Williams' words.

**Asian Paints: Dividend up 55x, Mkt Cap up 75x****HUL: Dividend up 36x, Mkt Cap up 47x****Nestle: Dividend up 51x, Mkt Cap up 82x****Total of Asian Paints, HUL, Nestle, Hero MotoCorp**

### 3.3. "As much, if not more, investment growth potential than poor quality companies"

The most common investment activity in stock markets, even among seasoned professionals, is the search for the next Blue Chip - "the next Unilever, the next Infosys, the next Bharti, the next HDFC Bank." This is due widespread (mis)perception that Blue Chips are "boring, stodgy and over-researched stocks", unlikely to outperform the broader market and the aggressive upstarts. Whereas actual experience across stock markets - whether US or India - suggests exactly what Geraldine Weiss says i.e. Blue Chips offer "as much, if not more, investment growth potential than poor quality companies."

Consider the following table. Four Blue Chips - Asian Paints, Hero Honda, Hindustan Unilever and Nestle - have together delivered an average return (including dividends) of 24% compounded over the last 20 years, significantly higher than the Sensex CAGR of 15% (16-17% including dividends).

**Blue Chips Total Return: The power of longevity & compounding (INR)**

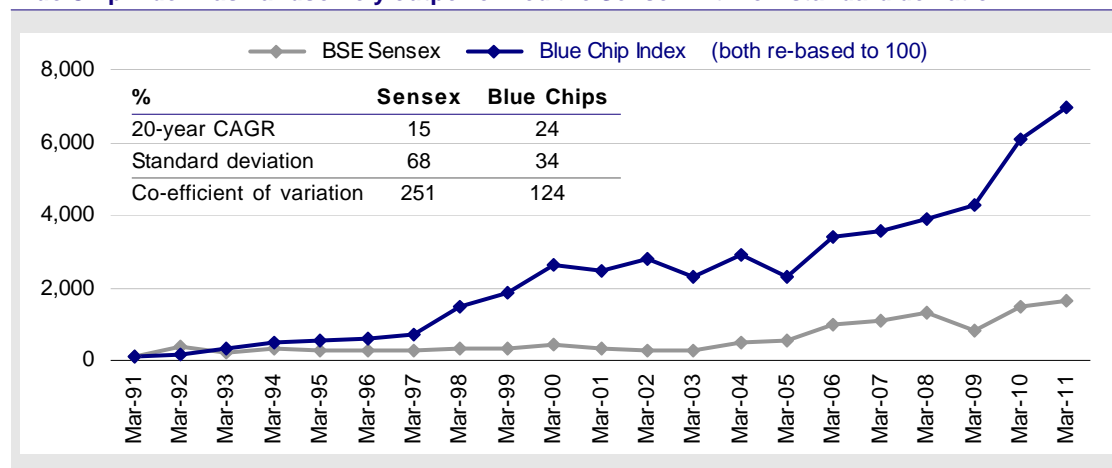
Company	Adj. Price		P/E (x)		Capital Gain	Total Divd	Divd % of PP*	Total Value	Appreciation	
	1991	2011	1991	2011					CAGR, %	Times, x
Asian Paints	34	2,527	20	33	2,493	173	514	2,666	24	79
Hero MotoCorp	7	1,587	7	17	1,579	372	5,041	1,951	32	264
Hind Unilever	10	285	21	32	275	74	765	349	20	36
Nestle India	81	3,795	26	64	3,714	349	432	4,063	22	50
<b>Average of above</b>									<b>24</b>	<b>107</b>
BSE Sensex	1,168	19,445	15	19					15	17

\* PP — Purchase Price

### 3.4. "Far less risk"

Even as it attempts to maximize return, a true investment operation seeks to minimize risk. This is very naturally possible only in Blue Chips, where (1) chances of permanent loss of capital is virtually zero, (2) quotational losses get recouped over time, and (3) at all times, steadily rising dividend cheques get delivered home. Thus, statistically speaking, Blue Chips deliver above-average return, with below-average standard deviation as shown below.

#### Blue Chip Index has handsomely outperformed the Sensex with low standard deviation



## 4. The Process of Blue Chip Investing

There are two key steps in the process of Blue Chip Investing: (1) Understanding quality, and (2) Recognizing value.

### 4.1. Understanding quality

Quality is a subjective concept. But in the case of a company, its quality gets objectively reflected in its performance at three levels -

- 1. Business performance:** Large business opportunity, strong competitive position with distinctly differentiated offerings or low cost relative to peers, excellent track record of R&D and launch of new products & services, and high quality management in terms of competence, character, stakeholder consciousness.
- 2. Financial performance:** Long-term track record of healthy sales and profit growth, uninterrupted and rising dividend payouts, robust return on capital, low debt-equity, and prudent capital allocation.
- 3. Stock performance:** Rewarding total return to investors (dividend + capital appreciation) over a long period, high institutional holding and interest in the stock, inclusion in benchmark indices, etc.

Of the above quality-reflecting criteria, some objective ones can be effectively used as an initial screen to identify Blue Chips (see **Section 5**, page 22).

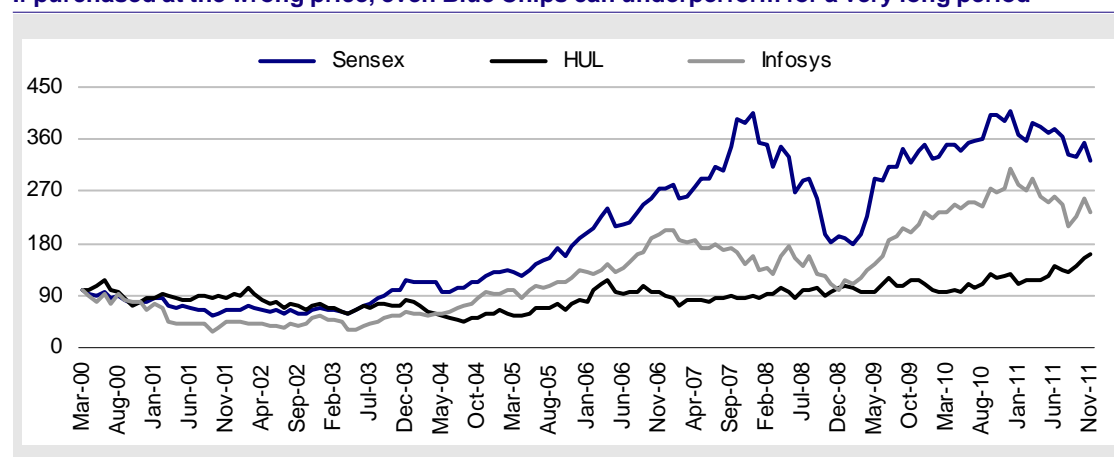
### 4.2. Recognizing value

Precisely because Blue Chips demonstrate sustained high quality of business and financial performance, they enjoy a significant valuation premium over stocks of lower quality. Hence, one cannot buy Blue Chips at any price and still hope for significant total return. In most cases,

their high valuation does not leave very high margin of safety; in other words, there is not much room for investor disappointment in one or more of their bellwether criteria e.g. lower earnings growth, cut in dividend payouts, misallocation of capital, etc.

Consider the classic – yet, extreme – examples of two undisputed Indian Blue Chips, Hindustan Unilever and Infosys. If bought at the peak of dotcom boom in year 2000, both would have significantly underperformed the market from then to date. Over the next 11 years, HUL stock price is up 1.6x and Infosys 2.3x, much lower than the Sensex which is up 3.2x over the same period.

#### If purchased at the wrong price, even Blue Chips can underperform for a very long period



#### Our view

We believe successful Blue Chip Investing involves the following three steps -

- (1) Making sense of Blue Chip valuations by observing their earnings growth, dividend payout ratios and P/Es (see **Section 7**, page 27),
- (2) Buying them based on valuation signals, which have back-tested evidence (**Section 8**, page 30), and
- (3) Following a "buy-and-hold" strategy to enjoy the long-term rewards of dividends and capital gains.

## 5. Understanding quality: The 6-screen filter for Blue Chips

As stated earlier, the somewhat intangible feature of Blue Chip quality gets reflected in select tangible criteria across business, financial and stock market performance. We have applied six Blue Chip screening criteria to the universe of listed stocks in India. These criteria effectively capture longevity of dividend payouts, earnings and dividends growth trend, earnings quality, and stock liquidity and popularity.

**6-screen filter to shortlist Blue Chips**

No.	Criteria	What it captures
#1	20 years of uninterrupted dividend payouts	Longevity
#2	Dividends raised in at least 5 out of last 12 years	Dividends growth trend
#3	Earnings growth in at least 7 out of last 12 years	Earnings growth trend
#4	Average RoE of at least 15% for the last 12 years	Earnings quality across cycles
#5	At least 5 million shares outstanding	Liquidity and trading volume
#6	Should be owned by at least 80 institutional investors	Wide stock market popularity

**Note:** Core criteria as suggested by Geraldine Weiss in *The Dividend Connection*, and also in her newsletter, *Investment Quarterly Trends*, suitably adapted to Indian conditions.

**3,000**  
listed companies

**5.1. How the 6 screens capture "Blue Chip-ness"**

We applied the above 6-screen quality filter on the entire list of 3,000+ listed companies. We briefly describe each of the 6 quality filter screens, and the number of companies that emerged from each filter in our Blue Chip shortlisting process.

**133**  
with 20 years of  
uninterrupted dividend

**Screen #1: 20 years of uninterrupted dividend payouts**

It is said that dividend is the only transaction for which a company necessarily needs to write a cheque. An extreme interpretation of this is that from the minority shareholders' perspective, a company's financial statements are an accounting fiction (e.g. Satyam Computers), while the dividend cheque received (assuming it is cashed!) is the only financial reality.

We believe a company's dividend payouts are a strong reflection of (1) the inherent profitable nature of the company's business, and (2) the management's attitude of sharing profits with minority shareholders. A very long track record of uninterrupted dividends lends very high level of confidence on both these counts.

**106**  
raised dividend in at  
least 5 of last 12 years

**Screen #2: Dividends raised in at least 5 out of last 12 years**

Long dividend track record apart, growth in dividends is also a hallmark of blue chip quality. Thus, though 20 years of dividend payments is a must, what is also important is a company's more recent track record of dividend growth. Dividends raised in at least 5 out of last 12 years acknowledges that dividend step-ups need not necessarily happen every year, given considerations of growth capex, debt repayment, etc.

**76**  
grew earnings in at least  
7 out of last 12 years

**Screen #3: Earnings growth in at least 7 out of last 12 years**

The only source of uninterrupted growing dividends is high quality of underlying earnings and its steady growth. At least 7 years of earnings growth in the last 12 years suggest very few years of earnings de-growth, which actually gets severely punished in the stock markets.

**68**  
had 12-year avg RoE  
of at least 15%

**Screen #4: Average RoE of at least 15% for the last 12 years**

To enjoy steady earnings growth, the company's business needs to be profitable i.e. deliver a reasonable return on capital. 12-year average RoE of at least 15% ensures that the company recovers at least the cost of equity in India across business cycles. (Benchmark stock indices in India have delivered long-period return of 15%, which can be deemed to be cost of equity here.)



68

all qualified with at least  
5m shares**Screen #5: At least 5 million shares**

This is to ensure there is high liquidity in the stock, including entry and exit of large institutional investors with low impact cost.

20

just missed due to lower  
institutional holding**Screen #6: Should be owned by at least 80 institutional investors**

High interest of institutional investors - domestic and foreign mutual funds, insurance companies, etc - is an indicator of the stock's popularity in the markets, an essential Blue Chip trait.

**Blue Chips which missed out only on the institutional holding criteria**

Alfa Laval (22)	Fag Bearings (73)	Kansai Nerolac (31)	Sundram Fasteners (70)
Balkrishna Inds (52)	FDC (41)	Lakshmi Machine (73)	Supreme Inds (64)
Berger Paints (69)	Godfrey Phillips (55)	Navneet Publications (40)	Tata Investment Corp (60)
Carborundum Univ. (63)	Grindwell Norton (40)	State Bank of Travancore (45)	Unichem Labs (62)
Elgi Equipment (43)	GRUH Finance (43)	State Bank of Mysore (12)	Wyeth (45)

48

BLUE CHIPS

**5.2. Our 48 Blue Chips**

Applying the above six screens to all stocks listed on the Mumbai Stock Exchange, we arrived at a list of 48 Blue Chips. This is just 1.5% of the 3,000+ actively traded stocks. The Blue Chips are listed below in their alphabetical order and in descending order of their total return over the last 12 years.

Next, we analyze some key qualitative and quantitative characteristics of blue chips, some of which we later apply for early identification of potential Blue Chips (**Section 10**, page 33).

**Blue Chips (alphabetical order)**

Blue Chip	12-yr Total Return		Blue Chip	12-yr Total Return		Blue Chip	12-yr Total Return	
	(x)	CAGR (%)		(x)	CAGR (%)		(x)	CAGR (%)
A B B	16	29	Cummins India	9	22	IOC	6	19
ACC	8	21	Dabur India	7	20	Ipca Labs	21	32
Adani Enterprises	17	30	Dewan Housing	12	25	ITC	8	21
Ambuja Cements	6	18	Exide Inds	25	34	Larsen & Toubro	24	33
Ashok Leyland	10	23	Federal Bank	32	37	LIC Housing Finance	37	39
Asian Paints	15	28	GAIL (India)	14	27	M & M	9	22
Bajaj Auto	8	21	GE Shipping Co	20	31	Motherson Sumi	63	46
Bharat Electronics	30	36	Grasim Inds	9	22	Nestle India	9	23
Bharat Forge	13	26	GSK Consumer	5	15	Pfizer	3	9
Blue Star	22	32	GSK Pharma	4	12	Pidilite Inds	9	23
Bosch	13	26	Havells India	51	43	Reliance Inds	9	22
Britannia Inds	3	11	HDFC	19	31	Sesa Goa	185	61
Cipla	4	13	Hero MotoCorp	10	23	State Bank of India	15	28
Colgate-Palmolive	6	18	Hind. Unilever	2	4	Tata Steel	10	24
Container Corpn	17	29	Hindalco Inds	4	12	Titan Inds	44	41
CRISIL	16	28	Infosys	3	11	Wipro	1	-1

**Note:** Over the last 12 years, BSE Sensex is up 7x or 13% CAGR

**Blue Chips: In descending order of Total Return (dividend + capital gains) over FY00 to FY11**

Blue Chip	Stock price (INR)*		Return over investment (INR)				Value of Invnt (INR)	Appreciation		EPS CAGR (%)	Divd CAGR (%)
	Mar-00	Mar-11	Cap. Gain	Divd*	% share	% of PP		(x)	CAGR (%)		
Sesa Goa	2	290	289	13	4	816	304	185	61	49	40
Motherson Sumi	4	214	211	8	4	232	223	63	46	36	33
Havells India	7	371	364	7	2	99	379	51	43	44	22
Titan Inds	4	191	186	2	1	55	193	44	41	31	21
LIC Housing Finance	7	225	219	16	7	243	241	37	39	18	16
Federal Bank	14	419	405	27	6	194	446	32	37	49	34
Bharat Electronics	60	1,679	1,619	131	7	219	1,810	30	36	26	22
Exide Inds	6	143	137	4	3	67	147	25	34	23	20
Larsen & Toubro	72	1,653	1,581	59	4	82	1,713	24	33	26	20
Blue Star	19	372	353	37	10	196	409	22	32	18	14
Ipca Labs	15	302	287	14	5	93	316	21	32	22	17
GE Shipping Co	17	263	246	79	24	461	342	20	31	14	12
HDFC	38	699	661	41	6	106	739	19	31	22	28
Adani Enterprises	38	661	623	3	1	8	664	17	30	25	31
Container Corp'n	76	1,212	1,136	91	7	119	1,303	17	29	16	17
A B B	50	792	742	17	2	34	809	16	29	5	6
CRISIL	40	595	555	27	5	68	622	16	28	23	36
State Bank of India	190	2,768	2,578	152	6	80	2,920	15	28	20	19
Asian Paints	177	2,527	2,350	127	5	72	2,654	15	28	23	21
GAIL (India)	38	465	427	58	12	152	523	14	27	12	10
Bosch	500	6,319	5,819	138	2	28	6,457	13	26	26	27
Bharat Forge	29	346	317	20	6	69	366	13	26	17	13
Dewan Housing	24	268	244	24	9	99	292	12	25	18	8
Tata Steel	68	621	552	95	15	139	715	10	24	26	15
Ashok Leyland	3	28	25	5	17	149	34	10	23	45	28
Hero MotoCorp	194	1,587	1,393	266	16	137	1,853	10	23	26	42
Nestle India	430	3,795	3,365	273	8	63	4,068	9	23	19	18
Pidilite Inds	17	149	133	7	5	40	156	9	23	19	21
Cummins India	57	489	432	35	8	62	524	9	22	19	28
M & M	81	699	618	41	6	51	740	9	22	20	19
Grasim Inds	303	2,461	2,158	200	8	66	2,661	9	22	22	19
Reliance Inds	128	1,048	920	42	4	32	1,089	9	22	19	14
ACC	140	1,076	935	108	10	77	1,184	8	21	26	31
Bajaj Auto	192	1,460	1,268	129	37	67	1,589	8	21	13	13
ITC	25	181	157	15	9	60	196	8	21	18	30
Dabur India	14	96	82	6	7	42	102	7	20	24	24
IOC	63	334	271	73	21	116	407	6	19	11	50
Colgate-Palmolive	145	815	670	98	13	67	913	6	18	20	18
Ambuja Cements	26	143	117	16	12	62	159	6	18	17	16
GSK Consumer	518	2,313	1,795	103	5	20	2,416	5	15	12	21
Cipla	90	321	231	14	6	15	335	4	13	19	25
Hindalco Inds	63	209	146	15	9	24	224	4	12	6	9
GSK Pharma	731	2,343	1,612	223	12	30	2,565	4	12	15	9
Britannia Inds	124	371	247	33	12	27	404	3	11	12	20
Infosys	1,113	3,237	2,124	146	6	13	3,382	3	11	38	13
Pfizer	507	1,225	718	122	14	24	1,346	3	9	18	16
Hind. Unilever	225	285	60	60	50	26	344	2	4	7	9
Wipro	549	478	-71	21	-	4	499	1	-1	32	56
<b>Median of above</b>			-	-	<b>7</b>	<b>67</b>	-	<b>10</b>	<b>23</b>	<b>20</b>	<b>20</b>
<b>BSE Sensex</b>	<b>5,001</b>	<b>19,445</b>	-	-	-	-	-	<b>4</b>	<b>13</b>	<b>13</b>	-

\* Stock price and dividends adjusted for bonus issues, stock splits, rights, etc

% share stands for Dividend share in total return; % of PP stands for Dividends as % of Purchase Price

## 6. Characteristics of Blue Chips

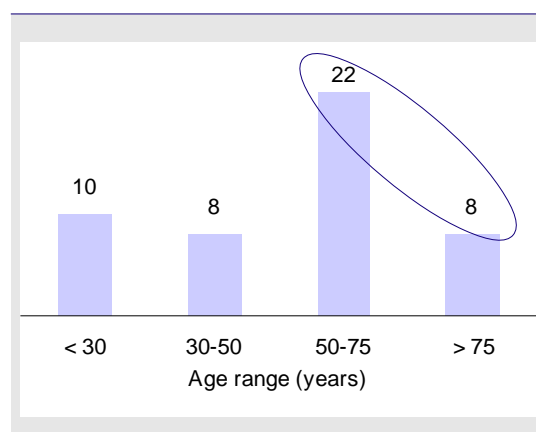
The 6-screen filter used for shortlisting Blue Chips is heavily weighted towards earnings and dividends growth and quality. However, most of the companies which the filter threw up also confirmed several other qualitative and quantitative traits of high quality stocks.

### 6.1. Business performance traits of Blue Chips

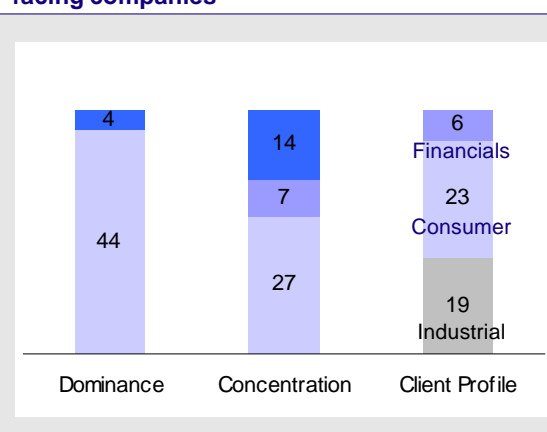
Blue Chips tend to comply with two of Warren Buffett's key stock selection criteria: (1) Favorable long-term economics, and (2) Able and trustworthy management.

- **Longevity:** One of the first findings of the study is the longevity of companies. The median age of our 48 Blue Chips is 57 years. 40 of 48 companies are above 30 years old, and 30 companies are more than 50 years old. Thus, most Blue Chips are built to last i.e. their businesses are relevant almost forever, and the companies have developed some form of sustainable competitive advantage. The rare Blue Chips whose businesses become irrelevant end up as Fading or Faded Blue Chips.
- **Dominant market position:** This seems by far the most necessary condition for a Blue Chip. 44 of the 48 Blue Chips are among the top 3 players in their respective business.
- **Concentrated business:** 34 of the 48 Blue Chips (i.e. 70%) are from industries with high-to-medium market concentration. (Market concentration measures the extent to which top firms in any industry account for a high market share. Thus, high concentration implies the top players account for a major share of the market.)
- **Consumer-facing businesses have an edge:** 29 of 48 Blue Chips (i.e. 60%) are from consumer-facing businesses, including financial services. Still, overall, Blue Chips seem to be fairly industry agnostic considering that there are Blue Chips from several non-consumer facing industries as well - from Oil & Gas (Reliance, IOC, GAIL) to Engineering (L&T, ABB, Cummins, Blue Star) to Cement (ACC, Grasim) to even Shipping/Logistics (Container Corporation, GE Shipping, Adani Enterprises).
- **Character and competence of management:** Management quality is an intangible trait; but we believe two tangible indicators come closest to capturing it: (1) RoE, which shows whether the management has ensured that it has consistently earned returns on shareholders' funds higher than cost of equity, and (2) Dividend payout ratio, which reflects the management's sharing attitude towards minority shareholders. On both these counts, Blue Chips score higher than benchmark indices, and even more so, over benchmarks ex Blue Chips (see table under **Section 6.2**).

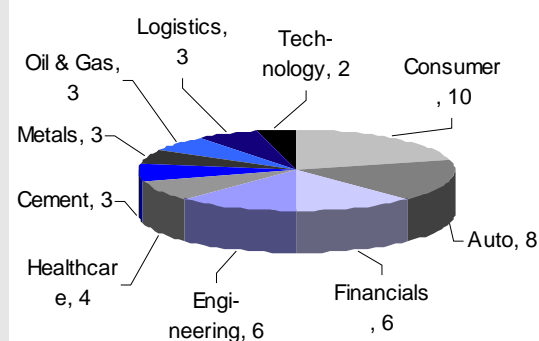
30 of 48 blue chips are over 50 years old



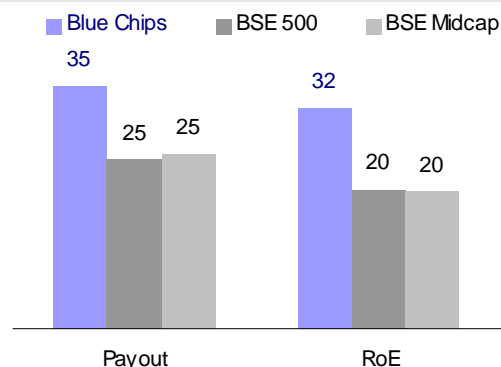
Blue Chips tend to be dominant consumer-facing companies



### Sector mix of Blue Chips: Fairly sector agnostic



### Superior RoE & payout reflect Blue Chips' management quality



## 6.2 Financial & Stock performance traits of Blue Chips

We compared our Blue Chips with major benchmark indices on seven key financial and stock performance criteria as tabled below. Blue Chips' performance on all the counts is distinctively superior.

- FY07-11 PAT CAGR is line with benchmarks, but dividend CAGR is distinctly higher, led by higher payout
- Average RoE is significantly higher than benchmarks.
- Market cap performance and valuation of Blue Chips are also higher. The gap widens as quality of stock group declines.
- Interestingly, Average Dividend Yield is much more homogenous across stock groups, with co-efficient of variation one-third that of P/Es. This clearly establishes that, in the ultimate analysis, medium- and long-term dividends influence stock prices more than just earnings (detailed discussion under **Section 7**, page 27).

### Blue Chips v/s Other Indices

Stock Group / Index	Blue Chips	NSE Nifty	BSE 500	BSE Midcap	Mean	Std Deviation	Co-eff. Of Variation (%)
No. of stocks	48	50	500	270			
<b>FY07-11 CAGR (%)</b>							
PAT	14	12	13	13	13	1	7
Dividend	18	14	15	14	15	2	13
Market Cap	19	18	19	16	18	2	10
<b>FY07-11 Average (%)</b>							
Payout	35	30	25	25	29	5	17
RoE	32	23	20	20	24	6	24
P/E (x)	19	19	17	14	17	2	12
Dividend Yield	1.5	1.5	1.4	1.5	1.5	0.1	4

## 7. Valuation dilemma: Why are Blue Chips always expensive?

A common refrain of many investment practitioners is this - "Identifying a Blue Chip is relatively simple. The tough part is deciding when to buy, because they always are so expensive." This concern has been heightened given several cases of underperformance by Blue Chips even when held for a very long period (e.g. HUL and Infosys discussed earlier).

We believe the approach to resolving this quality-valuation dilemma is two-pronged -

1. Understanding the connection between payout and P/E; and
2. Using the right valuation signals to judiciously buy into Blue Chips (see Section 8, page 30).

### 7.1. The connection between payout and P/E

Here again, we go back to the very basics of valuation for any asset, not just stocks – **The intrinsic value of an asset is the present value of its lifetime cash flows.**

For a long-term buy-and-hold investor, the real cash flow from a stock is dividend income over its lifetime. The value in this can be derived using the dividend discount model (DDM, also called Gordon Growth Model, propagated by one M J Gordon in 1959 -

$$P = \frac{D}{(k-g)}$$

For the academically and mathematically inclined, the derivation of Gordon model is presented on page 37

where P = Price of the stock; D = Next expected dividend;  
g = Dividend growth rate to perpetuity; k = Required rate of return (technically, Cost of equity)  
P and D are absolute in INR; k and g are expressed in decimals (i.e. 10% growth = 0.1)

A small mathematical operation to the DDM is highly insightful -

$$P = \frac{D}{(k-g)} \quad \text{Dividing both sides by E (earnings), we get -}$$

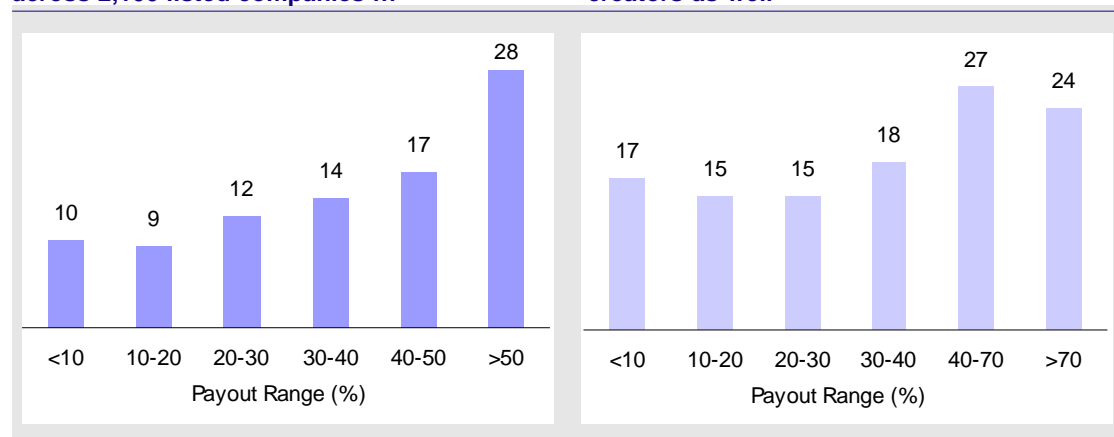
$$P/E = \frac{(D/E)}{(k-g)} \quad \text{i.e.} \quad P/E = \frac{\text{Payout}}{(k-g)} \quad \dots\dots\dots (1)$$

$$\text{In (1), if } k-g = 0.01 \text{ (i.e. 1\%)}, PE = \text{Payout (i.e. Payout in decimals} \times 100) \dots\dots\dots (2)$$

Thus, PE is a positive function of growth and payout. If two stocks have similar growth rates, the one with higher payout ratio merits a higher PE. As Blue Chips, especially asset-light ones, have very high payout ratios, their PEs always tend to remain high.

**Strong correlation between payout and P/E across 2,100 listed companies ...**

**... partly evident among top 100 wealth creators as well**



**The Dividend-Yield angle:** The reason high payout companies enjoy high PEs is because of the dividend yield angle, which can be analyzed as follows -

$$D/P = \frac{D/E}{P/E} \text{ i.e. Dividend Yield} = \frac{\text{Payout}}{P/E} \dots\dots\dots (3)$$

Thus, if the PE for a high payout company drops (i.e. lower denominator equation (3) above), Dividend Yield becomes very attractive. Consider a company with a payout of 80% (such as Hindustan Unilever) i.e. if EPS is INR100, Dividend Per Share is INR80. Now, if the P/E were to be 15x (i.e. stock price of INR1,500), the Dividend Yield works out to an attractive 5.3% ( $80 \div 1,500$ ), compared to the typical yield range of 1-3%.

Thus, even assuming the upper end of the yield band, for an 80% payout company, 27 (i.e.  $80 \div 3$ ) virtually becomes the floor P/E.

$$\text{Again using (1), we get } k-g = \frac{\text{Payout}}{PE} \dots\dots\dots (4)$$

Combining (3) and (4), we have  $k-g = \text{Dividend Yield}$  or  $k = g + \text{Dividend Yield} \dots\dots\dots (5)$   
Thus, return is a positive function of growth and dividend yield.

**The RoE angle:** Finally, there is the RoE angle. It is wide acknowledged that companies with high RoE's merit high PE's, but the mathematical link is relatively less known -

$$\text{Price/Book Value (or MCap/NW)} = \text{MCap/PAT (i.e. PE)} \times \text{PAT/NW (i.e. RoE)} \dots\dots\dots (6)$$

Thus, if two stocks have similar earnings growth, the one with higher RoE should merit a higher PE multiple, else it becomes more attractive on a Price/Book basis.

**Based on (1) to (6), the inferences are -**

- Price and PE are positive functions of growth, dividend payout, and RoE.
- If Required rate of return (k) is less than or more or less equal to Expected actual rate of return (growth + yield), the stock can be bought at prevailing price levels.
- If Required rate of return is meaningfully more than expected rate of return, then the P/E or price paid will need to be much lower than that prevailing.

## 7.2. Case studies: How payouts influence P/Es

We studied 3 cases to examine our hypothesis that higher payouts typically mean higher P/Es. The case studies were done both across sectors and within sectors as follows -

#1 - Infosys v/s Asian Paints and Hindustan Unilever

#2 - ACC v/s Birla Corporation (both from Cement sector)

#3 - HDFC v/s Shriram Transport Finance (both Non-Banking Financials)

The hypothesis holds true in all the three cases.

### 7.2.1 Case Study #1: Infosys v/s Asian Paints and HUL

We compared the last five years' payout ratios and P/Es of Infosys with Asian Paints and Hindustan Unilever to test the hypothesis that higher payouts typically mean higher P/Es. Asian Paints' average payout is 39% v/s 31% for Infosys, and average P/E is 26x v/s 22x for Infosys. However, here, it may be argued that Asian Paints' higher PAT CAGR of 31% v/s 15% for Infosys is the main reason for P/E differential.

But this argument does not hold true in comparison to HUL whose PAT growth rate is almost half that of Infosys. However, with an average payout of 73% v/s 31% for Infosys, HUL manages to maintain over 20% P/E premium to Infosys.

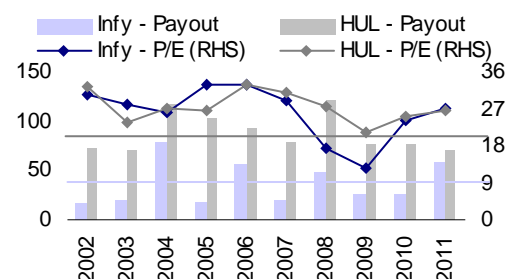
Infosys' payout policy is both low and erratic. This, we believe, hurts the company in more than one way -

1. Low payout in itself drags down P/E.
2. Because of low payout, reported RoE is much lower than intrinsic RoE e.g. in FY11, Infosys has INR15b of cash equivalents, almost 60% of its net worth of INR26b. Thus, while reported RoE is less than 30%, intrinsic RoE is close to 60%. As seen earlier, lower RoE also hurts valuations.
3. High cash equivalents lead to higher share of financial income in earnings, which also pulls down earnings quality and P/E multiples.

#### HUL's earnings growth has been much lower than Infosys' ...

	Asian Paints	Infosys	HUL
<b>FY07-11 CAGR (%)</b>			
EPS	31	15	8
Dividend	25	50	1
Stock Price	35	13	7
<b>FY07-11 Avg (%)</b>			
<b>Payout</b>	<b>45</b>	<b>36</b>	<b>85</b>
RoE	44	35	86
<b>P/E (x)</b>	<b>26</b>	<b>22</b>	<b>27</b>
Dividend Yield	1.5	1.4	2.9

#### ... yet, HUL's P/E has remained consistently higher than Infosys'



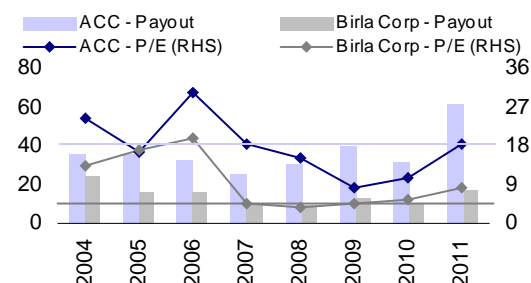
### 7.2.2 Case Study #2: ACC v/s Birla Corporation

In this case, both ACC and Birla Corp's earnings have been flat over the last 5 years. Birla Corp's average RoE at 38% is much higher than that of ACC at 29%. However, its payout at 10% is one-third that of ACC. Not surprisingly, its average P/E multiple at 5x is also one-third that of ACC.

#### Birla Corp's RoE is higher than ACC with same EPS growth ...

	ACC	Birla Corp
<b>FY07-11 CAGR (%)</b>		
EPS	0	-1
Dividend	19	14
Stock Price	0	16
<b>FY07-11 Average (%)</b>		
<b>Payout</b>	<b>38</b>	<b>12</b>
RoE	29	38
<b>P/E (x)</b>	<b>14</b>	<b>5</b>
Dividend Yield	2.4	1.8

#### ... but its P/E is far lower than ACC due to lower payout



### 7.2.3 Case Study #3: HDFC v/s Shriram Transport Finance

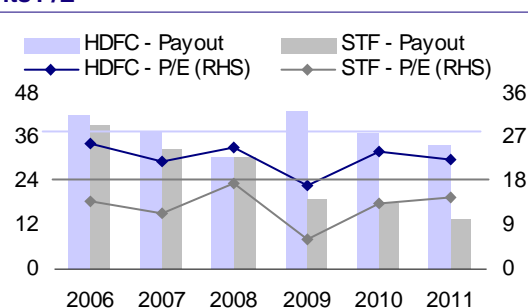
This case is even starker than that of ACC-Birla Corp. Here, Shriram Transport Finance (STF) scores higher than HDFC on almost every parameter - EPS CAGR (51% v/s 19%), Dividend CAGR (21% v/s 20%) and Average RoE (26% v/s 23%). However, STF's average payout at 20% is two-thirds that of HDFC. And as in the previous case, STF's average P/E is also about two-thirds that of HDFC.



**STF scores higher than HDFC on every parameter ...**

	HDFC	STF
<b>FY07-11 CAGR (%)</b>		
EPS	19	51
Dividend	20	21
Stock Price	23	61
<b>FY07-11 Average (%)</b>		
<b>Payout</b>	<b>36</b>	<b>23</b>
RoE	23	26
<b>P/E (x)</b>	<b>22</b>	<b>13</b>
Dividend Yield	1.4	1.3

**... but its payout is 2/3rd that of HDFC, as is its P/E**



## 8. Blue Chips: When to Buy

As stated earlier, recognizing value is a key element of Blue Chip Investing. The two extreme cases of Blue Chip Investing failure are -

1. Buying into Blue Chips at any price, given their overawing quality; and
2. Refraining from ever buying into Blue Chips, given their overwhelming premium valuation.

Seen from another perspective -

- (1) Growth investors are prone to ignore Blue Chips given their perception of being boring, stodgy and over-researched "value stocks", unlikely to outperform the broader market and aggressive upstart stocks; and
- (2) Ironically, traditional value investors are unlikely to buy Blue Chips, as they rarely trade at significant discount to intrinsic value.

Thus, for valuing Blue Chips, Warren Buffett's "modified value investing" principle seems more appropriate - **"We try to invest in outstanding companies at sensible prices rather than in average companies at bargain prices."** Accordingly, we arrived at two signals for considering buying into Blue Chips: (1) Dividend yield higher than 10-year median and PE lower than 10-year median, and (2) Dividend yield greater than 3%.

### 8.1. Buy Signal #1: Above-median dividend yield, below-median PE

**Why above-median yield?** Considering the long track record of Blue Chips over various business cycles, and the notion of mean reversion, we believe Blue Chips valued at mean valuations are priced sensibly. Further, considering that Blue Chips are primarily so because of their impeccable dividend history, their stock prices are more likely to be sensitive to changes in dividend rather than just earnings. Hence, yield above long-period median of 10 years is a good starting point.

**Why below-median PE?** Singularly applied, the signal of above-median yield poses a few risks e.g. one-time step-up in dividends due to specific events (corporate anniversaries, sale of non-operating investments and assets, etc). But above-median yield combined with a below-median normalized PE more often than not suggests there has been a genuine stock price correction due to various factors, including negative sentiment for the broader market and/or the Blue Chip in question. But given the conviction in the Blue Chip's long-term intrinsic strengths, it is expected to bounce-back from the occasional headwind or problem. This would cause valuations to revert back to mean, and even exceed the same, creating significant gains.



## 8.2. Buy Signal #2: Dividend yield greater than 3%

As observed earlier, dividend yields in India across stock groups have hovered around 1.5%. Hence, if a Blue Chip stock offers a dividend yield of over 3%, it implies there has been a sharp correction in prices and/or step-up in dividend, and hence a Buy signal.

## 8.3. Back-testing the Buy Signals

We back-tested the above Buy Signals by applying them on our list of Blue Chips for each of the last five years. The results are re-assuring in several ways. For each of the years -

- The list of Blue Chips as a whole has meaningfully outperformed benchmarks
- The stocks which were flagged off as "Buy" based on the above signals, outperformed the overall Blue Chip portfolio
- And most importantly, in 4 out of 5 cases, the stocks "not bought", underperformed the Buys and the overall portfolio.

### Blue Chip Buy Signals back-tested

Signals tested for prices as on	Nov-06	Nov-07	Nov-08	Nov-09	Nov-10
Return over years	5	4	3	2	1
Sensex (16,123 on 30-Nov-11)	12,962	19,838	9,788	15,896	20,032
<b>Sensex CAGR (%)</b>	<b>4</b>	<b>-5</b>	<b>18</b>	<b>1</b>	<b>-20</b>
Overall Blue Chips CAGR (%)	13	6	30	14	-7
<b>Return CAGR based on Signals (%)</b>					
<b>Stocks bought</b>	<b>14</b>	<b>10</b>	<b>31</b>	<b>11</b>	<b>-4</b>
Stocks not bought	12	7	28	14	-7
<b>Outperformance over Sensex (%)</b>					
Overall Blue Chips	9	13	14	12	7
<b>Stocks bought</b>	<b>9</b>	<b>15</b>	<b>13</b>	<b>11</b>	<b>16</b>
Stocks not bought	8	12	10	13	12

## 8.4. Applying the Buy signals to our Blue Chips

We then proceeded to apply the Buy signals on the list of Blue Chips at current prices. The top Buys are tabled below.

### Top buys arrived by applying the Buy signals at current prices

Stock	CMP (INR)	Dividend Yield (%)			P/E (x)		
		Current	Median	Delta	Current	Median	Delta
Hero MotoCorp	2,003	5.2	3.3	2.0	19	17	1
Blue Star	178	3.9	2.5	1.5	24	17	7
Infosys	2,608	2.3	0.9	1.4	22	28	-6
Wipro	378	1.6	0.9	0.7	19	29	-10
Cummins India	356	3.0	2.4	0.6	18	21	-3
Tata Steel	385	3.1	2.6	0.5	5	7	-2
Motherson Sumi	152	1.8	1.4	0.4	20	20	1
Ashok Leyland	25	4.1	3.6	0.4	11	13	-2
Bharat Forge	259	1.4	1.1	0.3	16	28	-12
Exide Industries	116	1.3	1.0	0.2	20	22	-2

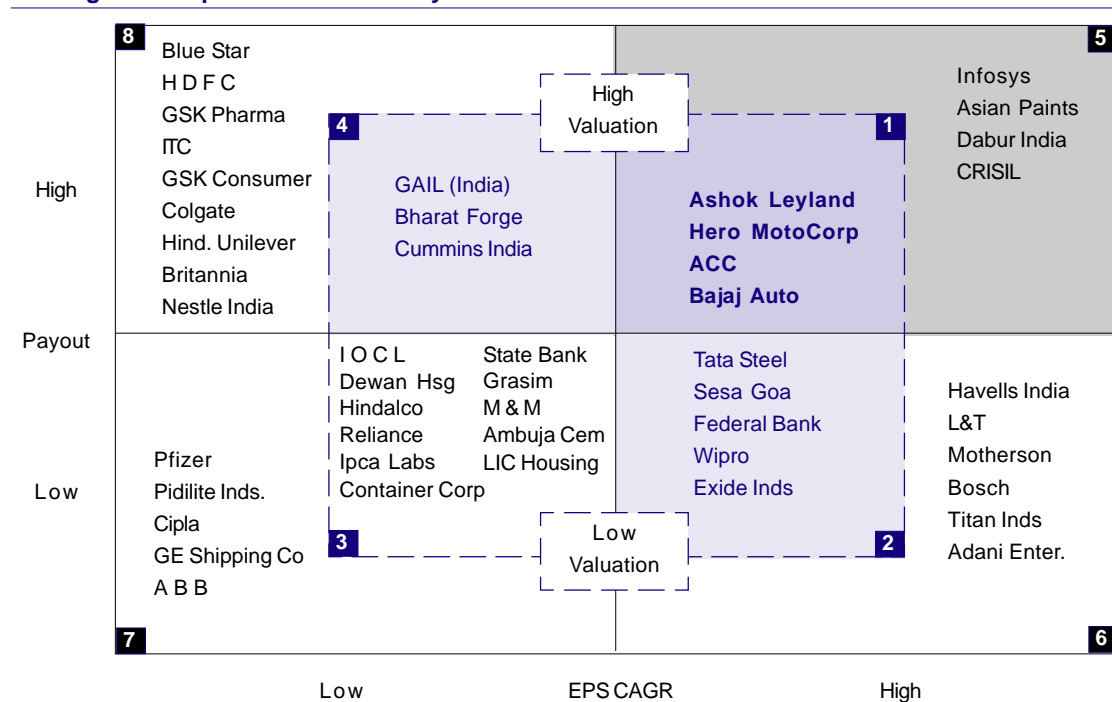
### 8.5. The Growth-Payout-Valuation matrix

We also mapped the Blue Chips on a 3-dimension matrix of (1) EPS growth, (2) Dividend Payout, and (3) Valuation as shown below. The key takeaways are:

- **Quadrant 1:** The most attractive on all three parameters
- **Quadrant 2:** Becomes attractive if management choose to increase payout
- **Quadrant 3:** Low valuation justified due to low earnings growth and payout
- **Quadrant 4:** Becomes attractive if there are signs of earning traction going forward
- **Quadrant 5:** Will always enjoy premium valuation due to high earnings growth and payout
- **Quadrant 6-8:** Rich valuations unjustified due to low earnings growth and/or payout.

Interestingly, 8 of the 10 top Buys listed above are from Quadrants 1, 2, 4 and 5.

#### Plotting Blue Chips on the Growth-Payout-Valuation Matrix



**Portfolio approach:** As is in any investing strategy, a portfolio approach needs to be adopted in Blue Chip investing as well. Thus, for instance, picking on 1 or 2 of the above stocks is ill-advised. However, as a portfolio, all of the stocks together are likely to significantly outperform the market over the medium- and long term.

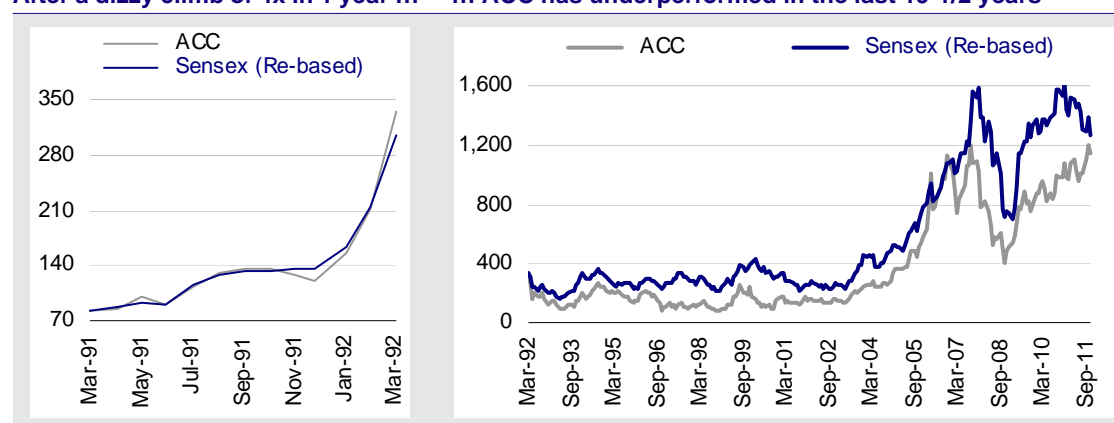
## 9. Blue Chips: When to Sell

**Blue Chip Investing, according to us, is primarily a buy-and-hold strategy.** This is because only Blue Chips have the robust earning power required to sustain growing dividends to virtually forever. The full benefit of this earning power is reaped by holding Blue Chips for the long term, rather than cashing out in the interim during bouts of mild over-valuation. Thus, **in the case of Blue Chips, an appropriate response to "When to sell?" may well be: "When you need the money!"** The whole focus, instead, should be on buying at a reasonable price. As Buffett has said, "Have the purchase price be so attractive that even a mediocre sale gives good results."

And yet, **the rare gross extreme of Blue Chip over-valuation should be used as an opportunity** to sell-out, and re-enter when prices correct to below median valuations. We have already seen the classic cases of overvaluation in Hindustan Unilever and Infosys during the 2002 dotcom boom. An even earlier classic case is that of ACC, which in 1992, rose 4x in a matter of 12 months (partly driven by replacement cost valuation mania), with PE sky-rocketing to 39-40x from 10x levels a year ago, and dividend yields dropping to as low as 0.3%.

This was a perfect situation for selling even the bluest of Blue Chips. From the dizzy heights of March 1992, for the next 19-1/2 years to date, ACC remains a market underperformer.

**After a dizzy climb of 4x in 1 year ... ... ACC has underperformed in the last 19-1/2 years**



## 10. Catch 'em early: Screening for potential Blue Chips

Of the 48 identified Blue Chips, we assessed 13 to be newly emerged Blue Chips i.e. they would not have been acknowledged as Blue Chips, say, 10 years back when they were at the beginning of their growth phase. These newly emerged Blue Chips have delivered a median return of 36% over the last 12 years, much higher than 22% for the acknowledged Blue Chips.

Thus, clearly, **it pays off well to identify Blue Chips early.** Having studied the characteristics of Blue Chips, we applied the following criteria on residual stocks.

### Screening criteria to identify potential Blue Chips

Quantitative criteria	Qualitative criteria
1. Uninterrupted dividends for the last 5 years	1. Dominant player in line of business
2. EPS increase in at least 3 of last 5 years	2. Huge size of opportunity
3. Dividend increase in at least 2 of last 5 years	3. Prima facie competent management
4. RoE not less than 15% in any of the last 5 years	(partly corroborated by high minimum 15% RoE)
5. 5-year PAT CAGR of at least 10%	

## 10.1 Recognized and Potential Blue Chips

Applying the above criteria threw up 48 potential Blue Chips, the number coincidentally the same as our original Blue Chip list of 48. We classify these potential Blue Chips into two categories -

- 1. Recognized Blue Chips:** We deem stocks with market capitalization of over INR100b to be well tracked by the broad market i.e. already recognized as Blue Chips. In other words, it may just be a matter of time before they meet all our original Blue Chip criteria, the most important being 20 years of uninterrupted dividend payments. 20 of the 48 are Recognized Blue Chips.

### Recognized Blue Chips (in alphabetical order)

Axis Bank	Coal India	NMDC	Shriram Transport
BHEL	Godrej Consumer	Oil India	Sun Pharma
Cadila Healthcare	HDFC Bank	Petronet LNG	Sun TV
Canara Bank	Jindal Steel	Punjab National Bank	TCS
Castrol India	Lupin	Rural Elec Corpn	UltraTech Cement

- 2. Potential Blue Chips:** The remaining 28 are what we call Potential Blue Chips. If these companies effectively manage their key business/financial success factors - dominant market position, character and competence of management, prudent capital allocation, and most importantly, healthy dividend payouts - many of them stand a chance to emerge as Blue Chips in the years to come.

### Potential Blue Chips (alphabetical order): Key indicators

	MCap (INR b)	Current P/E (x)	Divd Yield (%)		Last 5-year CAGR (%)			Divd Payout (%)		RoE (%)	
			Current	5-yr Avg	Sales	PAT	Divd	Latest	5-yr Avg	Latest	5-yr Avg
BGR Energy Systems	18	6	4.0	1.5	74	88	140	23	21	39	33
Biocon	62	15	1.4	1.2	16	30	32	20	21	26	18
Coromandel Inter.	81	12	2.4	3.4	38	62	67	30	28	42	35
Crompton Greaves	77	12	1.8	0.7	16	38	32	21	18	34	37
Deepak Fertilisers	13	6	3.3	3.9	17	19	14	25	25	19	17
eClerx Services	21	14	3.1	4.5	41	31	34	71	47	55	76
Emami	60	27	0.9	1.2	24	36	21	24	29	35	35
GRUH Finance	19	19	2.1	3.1	26	33	39	45	36	31	26
Guj Gas Company	47	14	3.3	2.3	22	31	76	66	37	33	28
Hawkins Cookers	8	25	2.7	5.3	18	43	55	75	58	75	76
Indraprastha Gas	55	19	1.3	2.4	30	17	14	28	30	28	30
Info Edge (India)	35	35	0.1	0.1	17	33	19	5	4	20	20
Kansai Nerolac	47	23	1.1	1.4	15	18	15	27	27	24	22
Karur Vysya Bank	40	9	3.2	3.4	26	27	24	33	28	22	20
M & M Financial	64	12	1.6	1.7	24	37	32	23	23	22	19
Mahindra Holiday	25	22	1.4	1.5	20	25	40	35	27	22	50
Manappuram Finance	45	11	1.1	0.9	128	127	124	18	16	22	39
Opto Circuits	40	16	2.1	2.0	32	36	29	36	43	25	37
Page Industries	28	34	1.0	2.2	39	36	56	54	51	53	42
Rupa & Company	12	31	0.4	New Listing	18	38	34	22	21	18	24
Shriram City Union	25	8	1.2	1.2	40	47	30	13	15	22	23
Talwalkar Better Value	3	19	0.7	0.7	41	93	231	16	10	18	29
TD Power Systems	8	18	0.7	New Listing	3	27	65	14	9	28	50
Thermax	53	13	2.0	1.3	23	19	11	29	31	33	34
TTK Prestige	30	28	0.5	1.1	28	63	43	17	20	54	38
Voltas	30	12	2.2	1.2	21	17	19	19	20	31	39
VST Tillers Tractors	4	9	1.9	2.8	27	39	36	17	16	32	31
Zydus Wellness	17	27	0.9	0.8	67	93	130	27	25	49	39

## 11. Conclusions

- Financials have emerged as the largest wealth creating sector for the first time ever. Going forward, expect the sector to maintain its top slot led by existing and new private banks, and eventual listing of insurance companies.
- Very fast growth in stock prices creates transitory multi-baggers. In most cases, what follows is prolonged and painful price and/or time correction.
- Blue chips are fountains of dividend, and offer as much, if not more, investment growth potential than lesser quality companies, but with far less risk.
- In investing, there is no profitable substitute for quality. Understanding quality of the company doesn't stop at profits and profitability, it must extend to dividend payouts and longevity.
- Most Blue Chips enjoy premium valuation. In deciding when to buy, one should focus not only on P/E, but also consider payout ratio, relative dividend yield, and earnings growth potential.
- In India, over last 20 years, Blue Chips have significantly outperformed benchmark indices with much lower risk.

"The risk of paying too high a price for good-quality stocks — while a real one — is not the chief hazard confronting the average buyer of securities. Observation over many years has taught us that the chief losses to investors come from the purchase of low-quality securities at times of favorable business conditions."

— Benjamin Graham, *The Intelligent Investor*

## Annexure 1: Minimum Dividend Obligation (MDO)

### Bringing back small, long-term investors to the equity markets

#### FY11 payout distribution

Payout (%)	No. Of Cos	P/E (x)
<10	942	10
10-20	395	9
20-30	314	12
30-40	189	14
40-50	97	17
>50	167	28
<b>Total</b>	<b>2,104</b>	<b>12</b>

#### Key takeaways:

- The average payout is fairly healthy at 24%, but this is distorted by a handful of companies paying dividends upwards of 40% of profit.
- Out of 2,100 companies, as high as 942 companies have average payout of 5%. Another 400 companies have payout of only 15%. Thus, almost two-thirds of the companies have payout less than 20%.

Investment in stock market is done for dividend income and capital appreciation. It is expected that company managements would distribute fair share of annual post-tax profits with shareholders and re-deploy the balance for growing the business, which will bring capital appreciation.

However, the experience of India's minority shareholders with respect to dividends is highly adverse. We studied the FY11 dividend payout of 2,100 listed, profit-making companies as tabled.

**Minority shareholders unhappy ...:** Most marginal investors holding these companies are not happy with what they are getting from the managements. This is all the more so after they have seen massive misallocation of retained capital by managements, which did not find favor with institutional investors, leading to massive permanent loss of capital.

**... and also legally helpless:** There are even cases when managements have sold virtually the entire core business to foreign players, but use the monies received to diversify and build their own empire, without giving back to shareholders what is rightfully due to them. Legally, minority shareholders are absolutely helpless because company law does not empower minority shareholders to have a say in the distribution of the dividend.

**Impact - Investors out, speculators in:** We believe low payout on the one hand coupled with permanent loss of invested capital on the other, is a key reason why income-seeking long-term investors have lost faith in equity markets. Thus, investing in equity markets has been reduced to speculation. Speculators are merely seeking change in price; they have no time to wait for the next quarter's results, leave alone the annual dividend cheque. To bring back long-term investors, we must somehow bring culture of treating minority shareholders with respect, and rewarding them with their rightfully due dividends.

**India v/s Rest of the world:** India's payout compares poorly even vis-à-vis rest of the world.

1. India is at the bottom of a 17-country list, with only Russia having a lower payout.
2. Brazil is at 40%, China at 26%, and even Pakistan is at 49%.

#### Payouts: India v/s RoW

Country	Payout (%)
Taiwan	76
Malaysia	60
Philippines	49
Pakistan	49
Thailand	45
Germany	40
Brazil	40
UK - FTSE	39
Nikkei	37
Indonesia	36
Singapore	31
Hong Kong	31
Korea	28
Mexico	27
China	26
<b>India - Sensex</b>	<b>23</b>
<b>India - Nifty</b>	<b>22</b>
MSCI India	21
Russia	12

#### Minimum Dividend Obligation: A key solution

One of the solutions to address the apathy towards marginal shareholders is to empower them with statutory minimum dividend obligation (MDO). Brazil corporate law already mandates that unless the Articles of Association says otherwise, companies are obliged to distribute 50% of profits as dividend. We propose the following for India:

- MDO of 33%;
- Companies may opt for lower payout if such a resolution gets voted by the minority shareholders. However, on this resolution, the majority shareholders are not allowed to vote.

#### Expected benefits of MDO

- Return of the long-term, income-seeking equity investor to the stock market;
- Empowerment of small and marginal shareholders, enabling financial inclusion;
- High responsibility on management to justify lower dividend payouts to minority shareholders; hence, lower risk of gross misallocation of capital; and most important,
- Win-win for all - we observe that higher payouts reflect by way of higher valuation multiples, not known even some of the most astute corporate managements. Higher market capitalization benefits all - minority shareholders, employee-shareholders, and the owner-managers themselves, stock market constituents including stock exchanges, brokerage houses, asset management companies, etc.

## Annexure 2: The math behind the Gordon Growth Model

$$P = \frac{D}{(k-g)}$$

The classical Dividend Discount Model (DDM, or Gordon Growth Model, propagated by M J Gordon in 1959) is rooted in fundamental mathematics, viz, sum of an infinite geometric progression. For the academically and mathematically inclined, we discuss this derivation below.

Given -

$D_0$  = Last declared dividend per share of a company in unit currency, say, INR

$g$  = Annual growth rate of dividend to perpetuity

$k$  = Required rate of return (technically also called Cost of equity)

where  $g < k$

Given the above, the stockholder's dividend income in Year 1 will be  $D_0 \times (1+g)$ .

In Year 2, it will be  $D_0 \times (1+g) \times (1+g)$  i.e.  $D_0 \times (1+g)^2$ . In Year 3, it will be  $D_0 \times (1+g)^3$  and so on.

Next, every year's dividend needs to be discounted to the present value (PV). Thus, the mathematical term for PV of Year 1 dividend is

$D_0 \times \frac{(1+g)}{(1+k)}$  Likewise, the PV of Year 2 dividend is given by

$D_0 \times \frac{(1+g)^2}{(1+k)^2}$  and for Year 3, it will be  $D_0 \times \frac{(1+g)^3}{(1+k)^3}$  and so on.

Now, the DDM presumes that a stock is held on forever. Thus, the PV of future dividend flows (i.e. fair stock price) is given by the equation -

$$PV \text{ (or } P) = D_0 \times \frac{(1+g)}{(1+k)} + D_0 \times \frac{(1+g)^2}{(1+k)^2} + D_0 \times \frac{(1+g)^3}{(1+k)^3} + \dots \text{ so on to infinity.}$$

This is the sum of a geometric progression which solves to

$$\frac{a}{(1-r)}, \text{ where } a \text{ is the first term, and } r \text{ is the ratio.}$$

In this case,

$a = D_0 \times \frac{(1+g)}{(1+k)}$  and  $r = \frac{(1+g)}{(1+k)}$  Thus, the sum of the above series is -

$$P = D_0 \times \frac{(1+g) / (1+k)}{[1 - (1+g) / (1+k)]}, \text{ which when solved works out to } P = D_0 \times \frac{(1+g)}{(k-g)}$$

$D_0 \times (1+g)$  is nothing but dividend of Year 1 or  $D_1$ . Thus,  $P = \frac{D_1}{(k-g)}$

For ease of use,  $D$  is used instead of  $D_1$  (next year's dividend) to arrive at the DDM formula.

**Wealth Creation**

***2006-2011***

**The 16<sup>TH</sup> Annual Study**

# Market Outlook

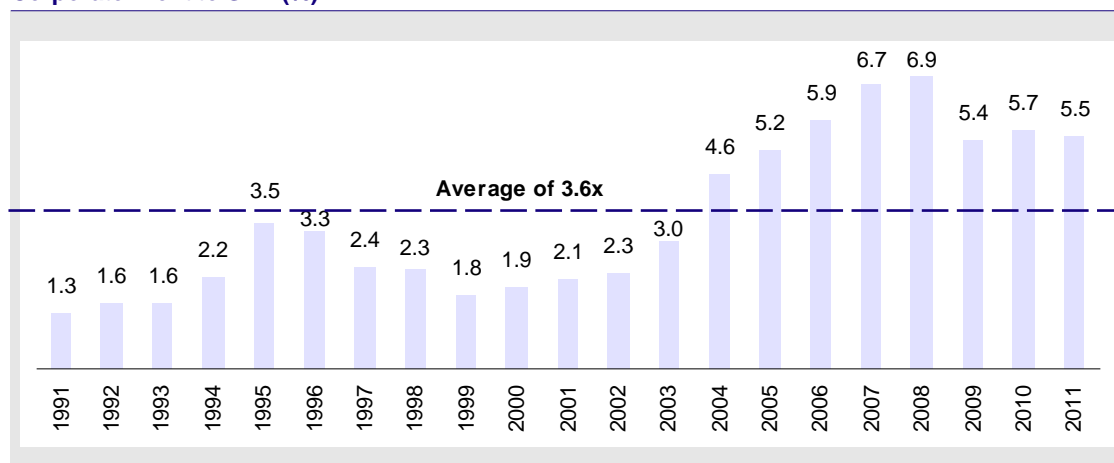


## Market Outlook

### Corporate Profit to GDP

Corporate profits moved up from 3% in 2003 to almost 7% in 2008 in the phase of high growth and rising commodity prices. In the last 3 years, Corporate profits to GDP have moved down to about 5%, which is still above the long-term average of 3.6%. So earnings can grow at best in line with nominal GDP which should be around 13%.

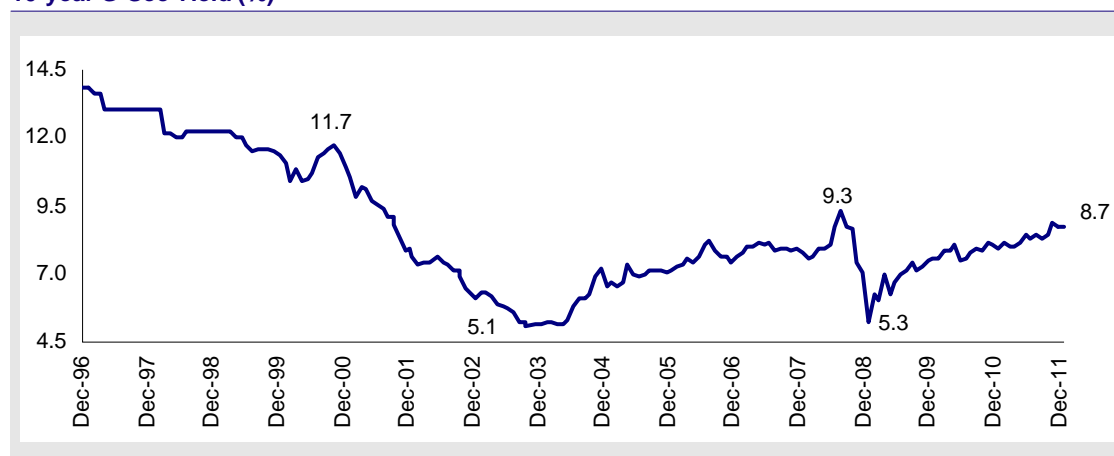
#### Corporate Profit to GDP (%)



### Interest Rate

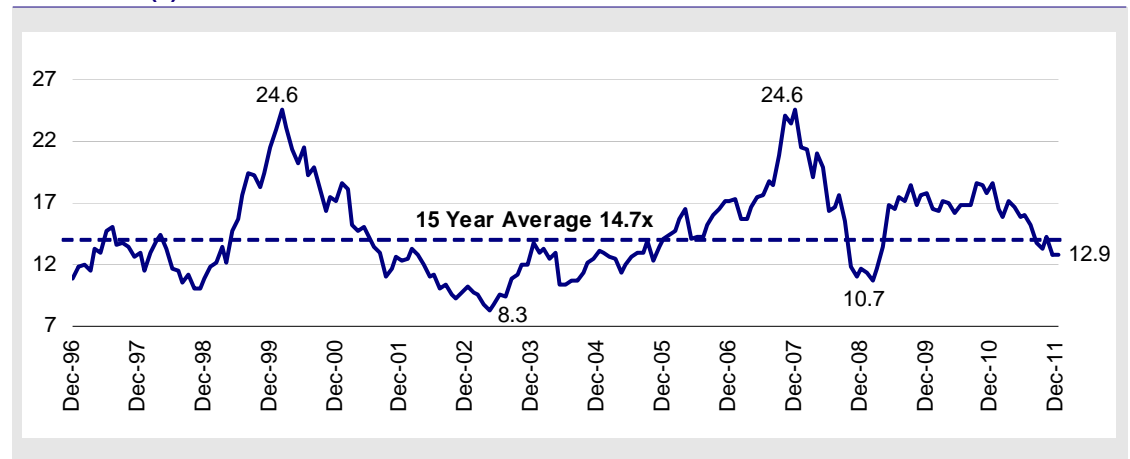
The last 3 years have seen a substantial rise in interest rates with the yield on 10-year G-sec having moved up from 5.3% to the current 8.7% having crossed 9% recently. Presumably, we are at the peak of the interest rate and high inflation cycle.

#### 10-year G-Sec Yield (%)

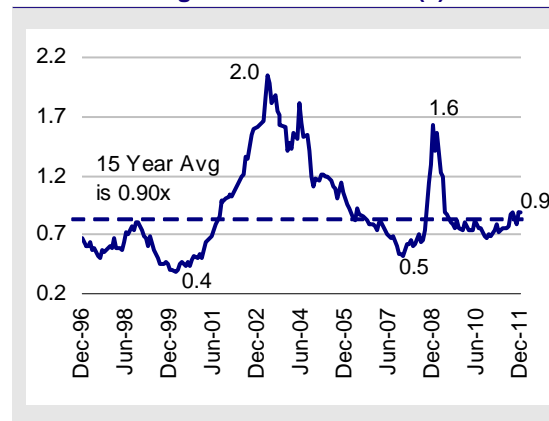
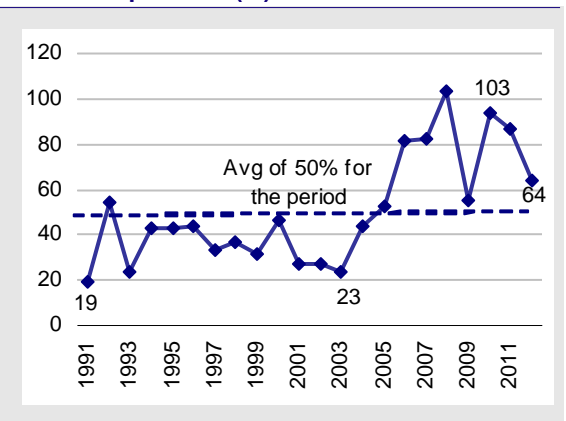
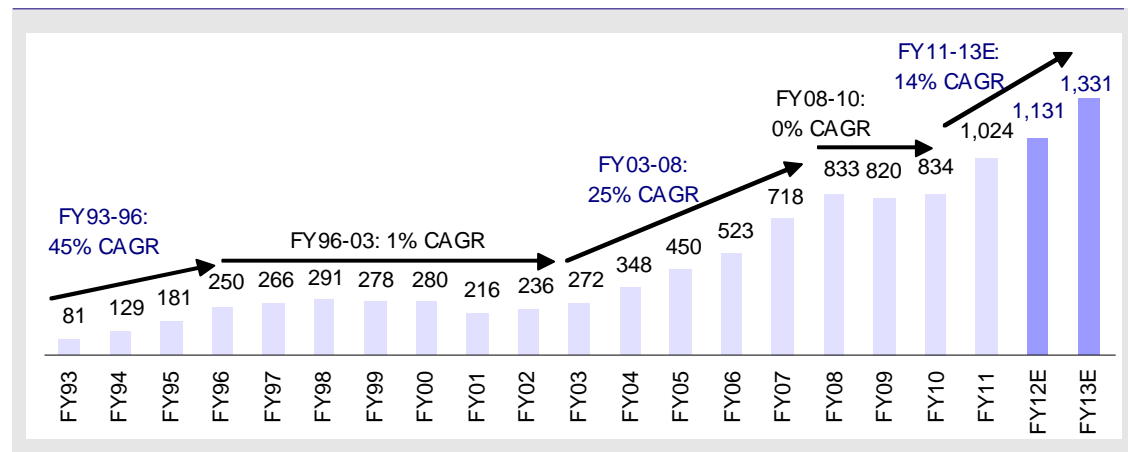


### Sensex P/E

The Sensex forward P/E is currently at about 13x which is below long-term average and looks reasonable.

**Sensex P/E (x)****Earnings Yield to Bond Yield**

The current Earnings Yield to Bond Yield at 0.92x is just below parity, and is reasonable in the backdrop of current high interest rates and expected fall in rates over the next one year.

**Sensex Earning Yield to Bond Yield (x)****Market Cap to GDP (%)****Sensex EPS****Conclusion**

Single digit earnings growth and high interest rate have brought down market valuation to 13x P/E multiple and 0.64x Market Cap to GDP. At these valuations, downside looks limited. Upside will depend on the decline in inflation and the consequent fall in interest rates.

**Over a 4-year period, market has potential to double from the current levels.**

## MOSL 100 – Biggest Wealth Creators

## Appendix I

RANKED ACCORDING TO THE BIGGEST WEALTH CREATORS

RANK NO.	COMPANY NAME	WEALTH CREATED		CAGR (%)			ROE (%)		P/E (X)	
		INR B	% SHARE	PRICE	PAT	SALES	FY11	FY06	FY11	FY06
1	Reliance Inds.	1,742	7.9	21	15	26	13	20	18	12
2	TCS	1,379	6.2	20	25	23	38	50	25	31
3	St Bk of India	1,075	4.9	25	15	18	13	15	16	9
4	Infosys	1,025	4.6	17	22	24	26	36	27	33
5	NMDC	833	3.8	31	29	25	34	46	17	16
6	HDFC Bank	678	3.1	25	36	35	16	16	27	28
7	ITC	658	3.0	13	17	17	31	25	28	32
8	H D F C	636	2.9	21	22	41	8	19	28	25
9	Larsen & Toubro	623	2.8	22	28	26	18	26	23	26
10	O N G C	616	2.8	6	8	11	20	27	11	12
11	Jindal Steel	594	2.7	62	46	39	27	31	17	10
12	Bharti Airtel	574	2.6	12	23	38	13	28	23	38
13	ICICI Bank	526	2.4	14	21	15	5	11	20	22
14	NTPC	486	2.2	8	10	16	14	13	17	19
15	B H E L	459	2.1	13	29	26	30	23	17	33
16	Axis Bank	389	1.8	32	47	39	18	17	17	20
17	Wipro	362	1.6	7	21	24	23	31	22	39
18	Hind.Zinc	360	1.6	21	27	21	22	43	12	15
19	S A I L	357	1.6	15	4	9	13	32	14	8
20	Adani Enterp.	355	1.6	86	84	16	16	16	27	10
21	Tata Motors	337	1.5	7	39	39	48	29	9	20
22	GAIL (India)	321	1.5	17	10	19	19	24	15	11
23	Sun Pharma.Inds.	282	1.3	21	27	28	20	36	24	28
24	Bank of Baroda	271	1.2	33	37	25	20	11	9	9
25	M & M	247	1.1	17	18	22	22	38	13	11
26	Nestle India	243	1.1	26	21	20	96	87	43	36
27	Punjab Natl.Bank	236	1.1	21	25	23	21	15	9	10
28	Sterlite Inds.	234	1.1	15	27	18	18	37	8	9
29	Kotak Mah. Bank	213	1.0	27	24	38	8	16	21	16
30	Hind.Copper	187	0.8	38	16	5	18	75	120	80
31	Sesa Goa	181	0.8	35	49	40	33	50	6	9
32	Asian Paints	181	0.8	31	33	20	40	32	28	29
33	Hindalco Inds.	174	0.8	5	13	43	10	17	14	13
34	Bank of India	173	0.8	29	28	25	15	15	10	9
35	Tata Power Co.	171	0.8	18	28	28	16	12	14	18
36	Dr Reddy's Labs	158	0.7	18	47	26	25	7	28	74
37	Canara Bank	148	0.7	19	23	21	21	19	7	8
38	Shriram Trans.	144	0.6	44	54	44	25	18	15	14
39	Lupin	140	0.6	32	38	28	27	28	21	24
40	Hero Motocorp	139	0.6	12	15	17	65	48	16	18
41	Titan Inds.	131	0.6	35	40	35	42	41	39	46
42	Crompton Greaves	121	0.5	26	31	20	27	30	20	24
43	Tata Steel	120	0.5	6	19	42	25	36	7	8
44	Bosch	119	0.5	18	20	18	21	22	24	27
45	Cadila Health.	119	0.5	29	37	25	34	22	22	28
46	I O C L	116	0.5	3	10	14	14	17	10	13
47	Union Bank (I)	114	0.5	23	25	23	18	16	9	9
48	Maruti Suzuki	112	0.5	8	14	25	16	22	16	21
49	Siemens	109	0.5	9	20	21	23	34	40	62
50	HCL Technologies	107	0.5	8	19	28	22	22	20	31

## MOSL 100 – Biggest Wealth Creators (contd.)

## Appendix I

RANKED ACCORDING TO THE BIGGEST WEALTH CREATORS

RANK NO.	COMPANY NAME	WEALTH CREATED		CAGR (%)			ROE (%)		P/E (X)	
		INR B	% SHARE	PRICE	PAT	SALES	FY11	FY06	FY11	FY06
51	IDFC	106	0.5	18	27	37	12	15	18	19
52	Dabur India	96	0.4	18	22	17	41	43	29	33
53	Exide Inds.	95	0.4	41	45	27	28	21	18	19
54	Essar Oil	91	0.4	25	-247	137	10	-4	27	-50
55	JSW Steel	89	0.4	25	14	31	10	21	12	6
56	IndusInd Bank	89	0.4	41	73	25	15	4	21	37
57	Cummins India	89	0.4	24	27	22	33	22	23	27
58	UltraTech Cem.	86	0.4	11	43	32	13	22	23	38
59	LIC Housing Fin.	84	0.4	43	36	31	23	15	11	8
60	United Breweries	79	0.4	26	54	33	12	7	73	166
61	Castrol India	78	0.4	29	27	14	89	38	22	21
62	B P C L	68	0.3	7	20	15	11	7	13	18
63	Allahabad Bank	68	0.3	24	15	24	16	19	8	5
64	GlaxoSmith C H L	66	0.3	28	23	19	31	23	31	26
65	Bhushan Steel	66	0.3	64	45	21	17	17	9	5
66	Coromandel Inter	65	0.3	43	49	32	35	21	12	13
67	Divi's Lab.	65	0.3	29	44	28	24	20	21	35
68	Yes Bank	65	0.3	25	67	84	19	10	15	49
69	Container Corpn.	64	0.3	11	11	10	18	25	18	18
70	Zee Entertainmen	62	0.3	1	23	13	20	10	19	44
71	Ambuja Cem.	61	0.3	7	19	19	17	22	18	26
72	Oracle Fin.Serv.	59	0.3	8	36	15	21	17	15	42
73	Natl. Aluminium	58	0.3	5	-7	4	10	27	23	12
74	ACC	55	0.2	7	16	20	17	24	19	28
75	Glaxosmit Pharma	55	0.2	8	2	7	29	53	32	24
76	Motherson Sumi	55	0.2	25	32	52	28	37	19	23
77	Engineers India	54	0.2	16	28	29	36	16	19	31
78	Godrej Consumer	54	0.2	15	34	39	30	154	23	34
79	Marico	53	0.2	21	27	22	32	33	29	36
80	Sterling Intl	52	0.2	59	-33	-23	0	14	-	114
81	IDBI Bank	52	0.2	13	24	27	12	8	9	10
82	Colgate-Palm.	52	0.2	14	24	15	105	51	28	43
83	M & M Financial	52	0.2	26	35	28	19	16	16	19
84	Petronet LNG	50	0.2	17	26	28	23	18	15	21
85	Pidilite Inds.	49	0.2	23	29	24	28	21	24	31
86	Neyveli Lignite	48	0.2	7	13	13	12	9	13	18
87	Jain Irrigation	48	0.2	29	36	34	19	27	24	24
88	Emami	46	0.2	36	36	33	33	51	26	22
89	Cipla	45	0.2	4	10	16	15	31	27	33
90	Grasim Inds	45	0.2	4	20	16	20	24	8	16
91	A B B	45	0.2	6	-22	16	3	25	267	57
92	Essar Ports	43	0.2	23	-27	20	4	15	70	4
93	Sanwaria Agro	42	0.2	119	71	48	27	13	81	24
94	Atlas Copco (I)	41	0.2	26	27	24	27	25	36	37
95	Shree Cement	41	0.2	18	63	38	11	6	35	169
96	Mphasis	41	0.2	15	49	40	33	23	8	22
97	UCO Bank	39	0.2	32	36	21	18	10	7	11
98	Opto Circuits	39	0.2	38	57	63	27	49	14	20
99	M R P L	38	0.2	9	26	9	18	16	10	20
100	Corporation Bank	37	0.2	11	26	28	20	13	7	12

## MOSL 100 – Fastest Wealth Creators

## Appendix II

RANKED ACCORDING TO THE FASTEST WEALTH CREATORS

RANK NO.	COMPANY NAME	PRICE CAGR (%)	CAGR (%)		WEALTH CREATED		ROE (%)		P/E (X)	
			PAT	SALES	INR B	% SHARE	FY11	FY06	FY11	FY06
1	Sanwaria Agro	119	71	48	42	0.2	27	13	81	24
2	Adani Enterp.	86	84	16	355	1.6	16	16	27	10
3	Bhushan Steel	64	45	21	66	0.3	17	17	9	5
4	Jindal Steel	62	46	39	594	2.7	27	31	17	10
5	Sterling Intl	59	-33	-23	52	0.2	0	14	-	114
6	Shriram Trans.	44	54	44	144	0.6	25	18	15	14
7	Coromandel Inter	43	49	32	65	0.3	35	21	12	13
8	LIC Housing Fin.	43	36	31	84	0.4	23	15	11	8
9	Exide Inds.	41	45	27	95	0.4	28	21	18	19
10	IndusInd Bank	41	73	25	89	0.4	15	4	21	37
11	Hind.Copper	38	16	5	187	0.8	18	75	120	80
12	Opto Circuits	38	57	63	39	0.2	27	49	14	20
13	Emami	36	36	33	46	0.2	33	51	26	22
14	Titan Inds.	35	40	35	131	0.6	42	41	39	46
15	Sesa Goa	35	49	40	181	0.8	33	50	6	9
16	Bank of Baroda	33	37	25	271	1.2	20	11	9	9
17	Lupin	32	38	28	140	0.6	27	28	21	24
18	UCO Bank	32	36	21	39	0.2	18	10	7	11
19	Axis Bank	32	47	39	389	1.8	18	17	17	20
20	Asian Paints	31	33	20	181	0.8	40	32	28	29
21	NMDC	31	29	25	833	3.8	34	46	17	16
22	Bank of India	29	28	25	173	0.8	15	15	10	9
23	Divi's Lab.	29	44	28	65	0.3	24	20	21	35
24	Jain Irrigation	29	36	34	48	0.2	19	27	24	24
25	Castrol India	29	27	14	78	0.4	89	38	22	21
26	Cadila Health.	29	37	25	119	0.5	34	22	22	28
27	GlaxoSmith C H L	28	23	19	66	0.3	31	23	31	26
28	Kotak Mah. Bank	27	24	38	213	1.0	8	16	21	16
29	M & M Financial	26	35	28	52	0.2	19	16	16	19
30	United Breweries	26	54	33	79	0.4	12	7	73	166
31	Atlas Copco (I)	26	27	24	41	0.2	27	25	36	37
32	Crompton Greaves	26	31	20	121	0.5	27	30	20	24
33	Nestle India	26	21	20	243	1.1	96	87	43	36
34	Yes Bank	25	67	84	65	0.3	19	10	15	49
35	Essar Oil	25	-247	137	91	0.4	10	-4	27	-50
36	St Bk of India	25	15	18	1,075	4.9	13	15	16	9
37	HDFC Bank	25	36	35	678	3.1	16	16	27	28
38	JSW Steel	25	14	31	89	0.4	10	21	12	6
39	Motherson Sumi	25	32	52	55	0.2	28	37	19	23
40	Allahabad Bank	24	15	24	68	0.3	16	19	8	5
41	Cummins India	24	27	22	89	0.4	33	22	23	27
42	Union Bank (I)	23	25	23	114	0.5	18	16	9	9
43	Pidilite Inds.	23	29	24	49	0.2	28	21	24	31
44	Essar Ports	23	-27	20	43	0.2	4	15	70	4
45	Larsen & Toubro	22	28	26	623	2.8	18	26	23	26
46	Reliance Inds.	21	15	26	1,742	7.9	13	20	18	12
47	Hind.Zinc	21	27	21	360	1.6	22	43	12	15
48	H D F C	21	22	41	636	2.9	8	19	28	25
49	Punjab Natl.Bank	21	25	23	236	1.1	21	15	9	10
50	Marico	21	27	22	53	0.2	32	33	29	36

**MOSL 100 – Fastest Wealth Creators (contd.)****Appendix II**

RANKED ACCORDING TO THE FASTEST WEALTH CREATORS

RANK NO.	COMPANY NAME	PRICE CAGR (%)	CAGR (%)		WEALTH CREATED		ROE (%)		P/E (X)	
			PAT	SALES	INR B	% SHARE	FY11	FY06	FY11	FY06
51	Sun Pharma.Inds.	21	27	28	282	1.3	20	36	24	28
52	TCS	20	25	23	1,379	6.2	38	50	25	31
53	Canara Bank	19	23	21	148	0.7	21	19	7	8
54	I D F C	18	27	37	106	0.5	12	15	18	19
55	Dabur India	18	22	17	96	0.4	41	43	29	33
56	Shree Cement	18	63	38	41	0.2	11	6	35	169
57	Dr Reddy's Labs	18	47	26	158	0.7	25	7	28	74
58	Bosch	18	20	18	119	0.5	21	22	24	27
59	Tata Power Co.	18	28	28	171	0.8	16	12	14	18
60	M & M	17	18	22	247	1.1	22	38	13	11
61	Petronet LNG	17	26	28	50	0.2	23	18	15	21
62	GAIL (India)	17	10	19	321	1.5	19	24	15	11
63	Infosys	17	22	24	1,025	4.6	26	36	27	33
64	Engineers India	16	28	29	54	0.2	36	16	19	31
65	Godrej Consumer	15	34	39	54	0.2	30	154	23	34
66	S A I L	15	4	9	357	1.6	13	32	14	8
67	Mphasis	15	49	40	41	0.2	33	23	8	22
68	Sterlite Inds.	15	27	18	234	1.1	18	37	8	9
69	ICICI Bank	14	21	15	526	2.4	5	11	20	22
70	Colgate-Palm.	14	24	15	52	0.2	105	51	28	43
71	ITC	13	17	17	658	3.0	31	25	28	32
72	B H E L	13	29	26	459	2.1	30	23	17	33
73	IDBI Bank	13	24	27	52	0.2	12	8	9	10
74	Hero Motocorp	12	15	17	139	0.6	65	48	16	18
75	Bharti Airtel	12	23	38	574	2.6	13	28	23	38
76	Container Corpn.	11	11	10	64	0.3	18	25	18	18
77	Corporation Bank	11	26	28	37	0.2	20	13	7	12
78	UltraTech Cem.	11	43	32	86	0.4	13	22	23	38
79	Siemens	9	20	21	109	0.5	23	34	40	62
80	M R P L	9	26	9	38	0.2	18	16	10	20
81	Oracle Fin.Serv.	8	36	15	59	0.3	21	17	15	42
82	Maruti Suzuki	8	14	25	112	0.5	16	22	16	21
83	HCL Technologies	8	19	28	107	0.5	22	22	20	31
84	Glaxosmit Pharma	8	2	7	55	0.2	29	53	32	24
85	NTPC	8	10	16	486	2.2	14	13	17	19
86	B P C L	7	20	15	68	0.3	11	7	13	18
87	Wipro	7	21	24	362	1.6	23	31	22	39
88	Ambuja Cem.	7	19	19	61	0.3	17	22	18	26
89	Neyveli Lignite	7	13	13	48	0.2	12	9	13	18
90	Tata Motors	7	39	39	337	1.5	48	29	9	20
91	ACC	7	16	20	55	0.2	17	24	19	28
92	A B B	6	-22	16	45	0.2	3	25	267	57
93	O N G C	6	8	11	616	2.8	20	27	11	12
94	Tata Steel	6	19	42	120	0.5	25	36	7	8
95	Natl. Aluminium	5	-7	4	58	0.3	10	27	23	12
96	Hindalco Inds.	5	13	43	174	0.8	10	17	14	13
97	Cipla	4	10	16	45	0.2	15	31	27	33
98	Grasim Inds	4	20	16	45	0.2	20	24	8	16
99	I O C L	3	10	14	116	0.5	14	17	10	13
100	Zee Entertainment	1	23	13	62	0.3	20	10	19	44

## MOSL 100 – Wealth Creators (alphabetical)

## Appendix III

ALPHABETICALLY ARRANGED

RANK NO.	COMPANY NAME	WEALTH CREATED				CAGR (%)			ROE (%)		P/E (X)	
		BIGGEST RANK	INR B	% FASTEST SHARE	RANK	PRICE	PAT	SALES	FY11	FY06	FY11	FY06
1	A B B	91	45	0.2	92	6	-22	16	3	25	267	57
2	ACC	74	55	0.2	91	7	16	20	17	24	19	28
3	Adani Enterp.	20	355	1.6	2	86	84	16	16	16	27	10
4	Allahabad Bank	63	68	0.3	40	24	15	24	16	19	8	5
5	Ambuja Cem.	71	61	0.3	88	7	19	19	17	22	18	26
6	Asian Paints	32	181	0.8	20	31	33	20	40	32	28	29
7	Atlas Copco (I)	94	41	0.2	31	26	27	24	27	25	36	37
8	Axis Bank	16	389	1.8	19	32	47	39	18	17	17	20
9	B H E L	15	459	2.1	72	13	29	26	30	23	17	33
10	B P C L	62	68	0.3	86	7	20	15	11	7	13	18
11	Bank of Baroda	24	271	1.2	16	33	37	25	20	11	9	9
12	Bank of India	34	173	0.8	22	29	28	25	15	15	10	9
13	Bharti Airtel	12	574	2.6	75	12	23	38	13	28	23	38
14	Bhushan Steel	65	66	0.3	3	64	45	21	17	17	9	5
15	Bosch	44	119	0.5	58	18	20	18	21	22	24	27
16	Cadila Health.	45	119	0.5	26	29	37	25	34	22	22	28
17	Canara Bank	37	148	0.7	53	19	23	21	21	19	7	8
18	Castrol India	61	78	0.4	25	29	27	14	89	38	22	21
19	Cipla	89	45	0.2	97	4	10	16	15	31	27	33
20	Colgate-Palm.	82	52	0.2	70	14	24	15	105	51	28	43
21	Container Corpn.	69	64	0.3	76	11	11	10	18	25	18	18
22	Coromandel Inter	66	65	0.3	7	43	49	32	35	21	12	13
23	Corporation Bank	100	37	0.2	77	11	26	28	20	13	7	12
24	Crompton Greaves	42	121	0.5	32	26	31	20	27	30	20	24
25	Cummins India	57	89	0.4	41	24	27	22	33	22	23	27
26	Dabur India	52	96	0.4	55	18	22	17	41	43	29	33
27	Divi's Lab.	67	65	0.3	23	29	44	28	24	20	21	35
28	Dr Reddy's Labs	36	158	0.7	57	18	47	26	25	7	28	74
29	Emami	88	46	0.2	13	36	36	33	33	51	26	22
30	Engineers India	77	54	0.2	64	16	28	29	36	16	19	31
31	Essar Oil	54	91	0.4	35	25	-247	137	10	-4	27	-50
32	Essar Ports	92	43	0.2	44	23	-27	20	4	15	70	4
33	Exide Inds.	53	95	0.4	9	41	45	27	28	21	18	19
34	GAIL (India)	22	321	1.5	62	17	10	19	19	24	15	11
35	Glaxosmit Pharma	75	55	0.2	84	8	2	7	29	53	32	24
36	GlaxoSmith C H L	64	66	0.3	27	28	23	19	31	23	31	26
37	Godrej Consumer	78	54	0.2	65	15	34	39	30	154	23	34
38	Grasim Inds	90	45	0.2	98	4	20	16	20	24	8	16
39	H D F C	8	636	2.9	48	21	22	41	8	19	28	25
40	HCL Technologies	50	107	0.5	83	8	19	28	22	22	20	31
41	HDFC Bank	6	678	3.1	37	25	36	35	16	16	27	28
42	Hero Motocorp	40	139	0.6	74	12	15	17	65	48	16	18
43	Hind.Copper	30	187	0.8	11	38	16	5	18	75	120	80
44	Hind.Zinc	18	360	1.6	47	21	27	21	22	43	12	15
45	Hindalco Inds.	33	174	0.8	96	5	13	43	10	17	14	13
46	I D F C	51	106	0.5	54	18	27	37	12	15	18	19
47	I O C L	46	116	0.5	99	3	10	14	14	17	10	13
48	ICICI Bank	13	526	2.4	69	14	21	15	5	11	20	22
49	IDBI Bank	81	52	0.2	73	13	24	27	12	8	9	10
50	IndusInd Bank	56	89	0.4	10	41	73	25	15	4	21	37

## MOSL 100 – Wealth Creators (alphabetical, contd.)

## Appendix III

ALPHABETICALLY ARRANGED

RANK NO.	COMPANY NAME	WEALTH CREATED				CAGR (%)			ROE (%)		P/E (X)	
		BIGGEST RANK	INR B	% FASTEST SHARE	RANK	PRICE	PAT	SALES	FY11	FY06	FY11	FY06
51	Infosys	4	1,025	4.6	63	17	22	24	26	36	27	33
52	ITC	7	658	3.0	71	13	17	17	31	25	28	32
53	Jain Irrigation	87	48	0.2	24	29	36	34	19	27	24	24
54	Jindal Steel	11	594	2.7	4	62	46	39	27	31	17	10
55	JSW Steel	55	89	0.4	38	25	14	31	10	21	12	6
56	Kotak Mah. Bank	29	213	1.0	28	27	24	38	8	16	21	16
57	Larsen & Toubro	9	623	2.8	45	22	28	26	18	26	23	26
58	LIC Housing Fin.	59	84	0.4	8	43	36	31	23	15	11	8
59	Lupin	39	140	0.6	17	32	38	28	27	28	21	24
60	M & M	25	247	1.1	60	17	18	22	22	38	13	11
61	M & M Financial	83	52	0.2	29	26	35	28	19	16	16	19
62	M R P L	99	38	0.2	80	9	26	9	18	16	10	20
63	Marico	79	53	0.2	50	21	27	22	32	33	29	36
64	Maruti Suzuki	48	112	0.5	82	8	14	25	16	22	16	21
65	Motherson Sumi	76	55	0.2	39	25	32	52	28	37	19	23
66	Mphasis	96	41	0.2	67	15	49	40	33	23	8	22
67	Natl. Aluminium	73	58	0.3	95	5	-7	4	10	27	23	12
68	Nestle India	26	243	1.1	33	26	21	20	96	87	43	36
69	Neyveli Lignite	86	48	0.2	89	7	13	13	12	9	13	18
70	NMDC	5	833	3.8	21	31	29	25	34	46	17	16
71	NTPC	14	486	2.2	85	8	10	16	14	13	17	19
72	O N G C	10	616	2.8	93	6	8	11	20	27	11	12
73	Opto Circuits	98	39	0.2	12	38	57	63	27	49	14	20
74	Oracle Fin.Serv.	72	59	0.3	81	8	36	15	21	17	15	42
75	Petronet LNG	84	50	0.2	61	17	26	28	23	18	15	21
76	Pidilite Inds.	85	49	0.2	43	23	29	24	28	21	24	31
77	Punjab Natl.Bank	27	236	1.1	49	21	25	23	21	15	9	10
78	Reliance Inds.	1	1,742	7.9	46	21	15	26	13	20	18	12
79	S A I L	19	357	1.6	66	15	4	9	13	32	14	8
80	Sanwaria Agro	93	42	0.2	1	119	71	48	27	13	81	24
81	Sesa Goa	31	181	0.8	15	35	49	40	33	50	6	9
82	Shree Cement	95	41	0.2	56	18	63	38	11	6	35	169
83	Shriram Trans.	38	144	0.6	6	44	54	44	25	18	15	14
84	Siemens	49	109	0.5	79	9	20	21	23	34	40	62
85	St Bk of India	3	1,075	4.9	36	25	15	18	13	15	16	9
86	Sterling Intl	80	52	0.2	5	59	-33	-23	0	14	-	114
87	Sterlite Inds.	28	234	1.1	68	15	27	18	18	37	8	9
88	Sun Pharma.Inds.	23	282	1.3	51	21	27	28	20	36	24	28
89	Tata Motors	21	337	1.5	90	7	39	39	48	29	9	20
90	Tata Power Co.	35	171	0.8	59	18	28	28	16	12	14	18
91	Tata Steel	43	120	0.5	94	6	19	42	25	36	7	8
92	TCS	2	1,379	6.2	52	20	25	23	38	50	25	31
93	Titan Inds.	41	131	0.6	14	35	40	35	42	41	39	46
94	UCO Bank	97	39	0.2	18	32	36	21	18	10	7	11
95	UltraTech Cem.	58	86	0.4	78	11	43	32	13	22	23	38
96	Union Bank (I)	47	114	0.5	42	23	25	23	18	16	9	9
97	United Breweries	60	79	0.4	30	26	54	33	12	7	73	166
98	Wipro	17	362	1.6	87	7	21	24	23	31	22	39
99	Yes Bank	68	65	0.3	34	25	67	84	19	10	15	49
100	Zee Entertainment	70	62	0.3	100	1	23	13	20	10	19	44



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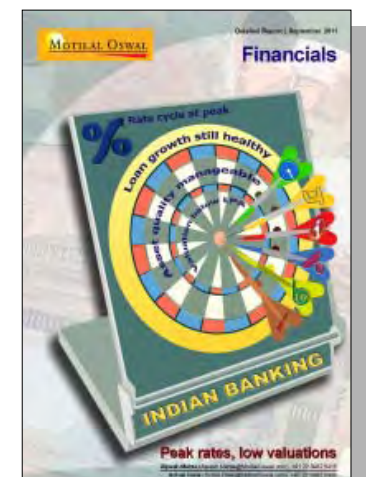
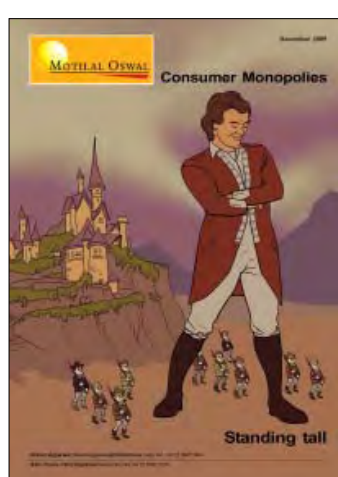
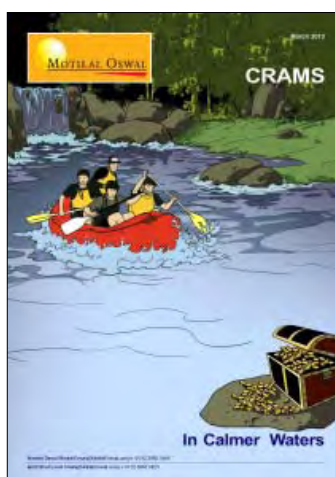


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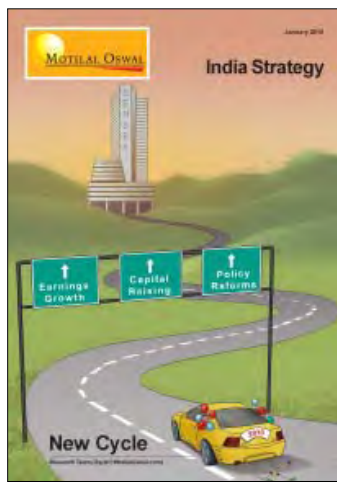
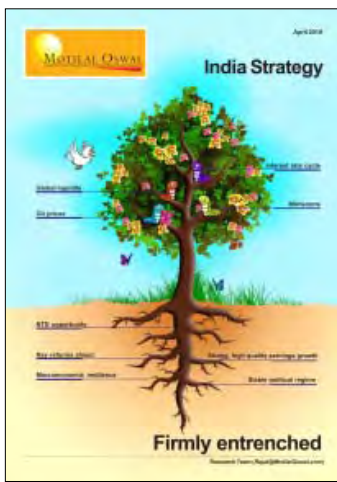
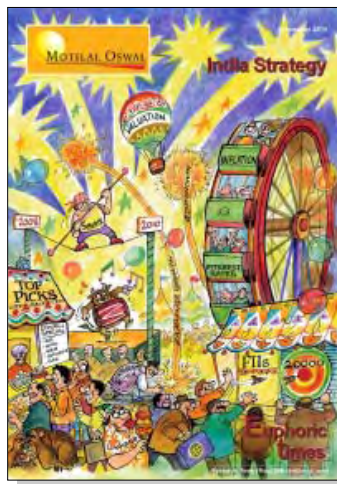
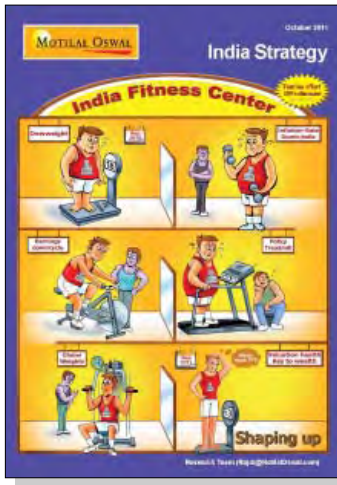
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**MOTILAL OSWAL**  
PROMOTING KNOWLEDGE

Volume 10  
December 2017

## 15TH ANNUAL WEALTH CREATION STUDY (2005-2016)

# UU Investing

Creating wealth from the unknown and unknowable


### HIGHLIGHTS

- UU investors offer asymmetric specific fees that are reduced only for investors with demonstrated skills and investor engagement
- UU investors help increase the overall value of an addition of foreign wealth creation
- TIS – Tax Filter Dollar Savings through 2020 – will rise up many UU investing strategies and make them cost savings

## TOP 10 WEALTH CREATORS 2005 – 2016

THE BIGGEST		THE FASTEST		THE MOST CONSISTENT		
Rank	Company	Period 2005-16	Company	Period 2005-16	Company	Period 2005-16
1	Amazon.com	2,500%	Google	2,000%	Microsoft	1,700%
2	Facebook Inc.	3,500%	Facebook Inc.	2,500%	Facebook Inc.	2,500%
3	Apple Inc.	1,500%	Apple Inc.	1,500%	Apple Inc.	1,500%
4	Alphabet Inc.	1,500%	Alphabet Inc.	1,500%	Alphabet Inc.	1,500%
5	Twitter Inc.	1,500%	Twitter Inc.	1,500%	Twitter Inc.	1,500%
6	LinkedIn Corp.	1,500%	LinkedIn Corp.	1,500%	LinkedIn Corp.	1,500%
7	Paycom Software	1,500%	Paycom Software	1,500%	Paycom Software	1,500%
8	Blackboard Inc.	1,500%	Blackboard Inc.	1,500%	Blackboard Inc.	1,500%
9	Blackboard Inc.	1,500%	Blackboard Inc.	1,500%	Blackboard Inc.	1,500%
10	Blackboard Inc.	1,500%	Blackboard Inc.	1,500%	Blackboard Inc.	1,500%

Published by Global Wealth Management (GWM) Inc. | Website: [www.gwm.com](http://www.gwm.com) | 15th Annual Wealth Creation Study: The Wealthiest 100 Global Wealth Creators by Investment Capital, 2005-2016. The annual



**MetLife Overseas**  
Sustained... Sustained... Sustained...

Financial Year  
31 December 2007

## 2002 - 2007


# 12<sup>TH</sup> ANNUAL WEALTH CREATION STORY

BY RAMMOO AGRAWAL

### TOP 10 WEALTH CREATORS (2002 - 2007)

THE BIGGEST
THE FASTEST
THE MOST CONSISTENT

Rank	Company	Wealth Created (Bn US\$)	Company	5-Year CAGR (%)	Company	Appraisal	
						in US\$	in % CAGR
1	Reliance Inds	1,058	Oil India	257	Hera Foods	57	24
2	ITC Ltd	848	Oil India	260	Swadesh Labs	52	44
3	Steel India	1,266	Arcelor Mittal	232	Shree Renuka	51	42
4	Polyplex Inds	400	Polyplex	481	Clays	52	30
5	ICICI Bank	505	Axis Finance	1,501	Shree Renuka	51	25
6	Ja BLS	112	Axis Finance	1,600	ICICI Ltd	51	20
7	ICICI Bank	412	Axis Finance	1,500	Axis Bank	50	70
8	Shree Renuka	412	New Cos	1,000	Axis Bank	50	70
9	Shree Renuka	412	Axis Bank	1,000	Axis Bank	50	70
10	Shree Renuka	412	Axis Bank	1,000	Axis Bank	50	70



### RIGHTS

- As Bangalore was found where markets were linked to large business opportunity, positive changes in sustained growth, success was guaranteed when one grows up together.
- India's first and only company will use delivery based corporate profits, and losses in income & investment.
- As market volatility, margin of safety in the market is low. However, very high liquidity can still make a loss. However, high liquidity can make some loss.

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**MORTAL OVERWINTER**  
Build wealth while alive

Thematic Study  
18 January 2016

## 9TH ANNUAL WEALTH CREATION STUDY

BY DANIELA GAGNAN

### TOP 10 WEALTH CREATORS (1936 - 2004)

#### THE FASTEST

RANK	COMPANY	ACQUIRED MFC CM	EMPE- CUMUL. P/B
1	MetLife Insurance	13.4	36.4
2	Shelby Bancorp	11.0	44.9
3	Ameri Banc	10.1	46.5
4	Lupt	10.7	38.7
5	MetLife and Equities Bank	70.9	11.1
6	Bank of America	26.2	11.0
7	MetLife Group	70.0	9.9
8	Bank of America and Life Company	40.0	9.3
9	Ameri Banc Corp	10.7	12.0
10	MetLife Banc Life System	62.1	7.0

#### THE BIGGEST

RANK	COMPANY	WEALTH CREATED (\$-BIL)	EMPE- CUMUL. P/B
1	Chubb	1,009.7	7.7
2	MetLife	1,050.1	8.1
3	MetLife US Corporation	490.2	3.1
4	MetLife Insurance	2,809.4	1.4
5	MetLife Life Insurance	2,845.5	2.0
6	MetLife Bank	186.2	1.0
7	MetLife	112.4	8.7
8	MetLife Bank	1,081.3	2.0
9	MetLife	1,251.1	4.0
10	MetLife Bank	1,860.1	1.5

#### INVESTMENTS


- MetLife had the highest return on capital to increase wealth, with that company's stock for the first 68% of the first wealth creators in the company.
- Chubb is the company that has the highest return on capital to increase wealth, with that company's stock for the first 68% of the first wealth creators in the company.
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**MORTAL OVERWINTER**  
Build wealth while alive

Author: Dr. John Thomas of Mortal Overwinter

[illegible]



**Matthew Stanley**  
Publishing Group

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1/2008/01/08

## 13<sup>TH</sup> ANNUAL WEALTH CREATION STUDY

BY MATTHEW STANLEY, CFP®

### TOP-10 WEALTH CREATORS (2007 - 2006)

#### THE BIGGEST

#### THE BIGGEST

#### THE MOST CONSISTENT

RANK	COMPANY	2007		2006		2005		2004		2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875	
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MUTUAL FUND®

Inquire™

FINRA'S RISKY BUSINESS

A Study on Wealth Creation (1988-2008)

October 2009

13 January 2010

12/20/2009 Annual Report

Top-10 Wealth Creators (1988-2008)

The Fastest

rank	company	calendar year end	initial price per share	year	current price per share
1	Amazon Internet, Inc.	1997	\$2	2008	\$244.17
2	Yahoo! Learning, Inc.	1998	\$8	2008	236.38
3	Google Inc.	2004	\$26	2008	1910.15
4	Microsoft	1986	\$12	2008	40.17
5	Home Depot Inc.	1992	\$17	2008	136.96
6	Netflix Inc.	2002	\$11	2008	62.40
7	Oracle Corp.	1991	\$11	2008	19.27
8	Verizon Communications	1995	\$9	2008	56.92
9	Amazon.com	1997	\$1	2008	169.27
10	IBM	1985	\$17	2008	167.37

The Biggest

rank	company	calendar year end	initial price per share	year	current price per share
1	Amazon Internet, Inc.	1997	\$2	2008	\$244.17
2	Yahoo! Learning, Inc.	1998	\$8	2008	236.38
3	Google Inc.	2004	\$26	2008	1910.15
4	Microsoft	1986	\$12	2008	40.17
5	Home Depot Inc.	1992	\$17	2008	136.96
6	Netflix Inc.	2002	\$11	2008	62.40
7	Oracle Corp.	1991	\$11	2008	19.27
8	Verizon Communications	1995	\$9	2008	56.92
9	Amazon.com	1997	\$1	2008	169.27
10	IBM	1985	\$17	2008	167.37

Highlights:

- High computer capacity growth, low cost-of-capital, and improved valuations at ground-up (as priced) building for the creation of high-quality mortgages
- Mortgages could be sold to banks, insurance and rating. Mortgage mortgages are created by the combination of good assets of income and granting quality of mortgage.
- Only good quality mortgages can achieve industry mortgages
- Market risk (volatility) is necessary to the extent of a good mortgage
- A new language of safety is the result of mortgage is mortgage for the creation of mortgages

[www.inquire-fund.com/inquire-fund/inquire-fund-top-10-wealth-creators-1988-2008](http://www.inquire-fund.com/inquire-fund/inquire-fund-top-10-wealth-creators-1988-2008)

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**METAL OXIDE**

November 2003  
Vol. 10 Number 10

# Great Good Gruesome

13TH ANNUAL WEALTH CREATION STUDY (2003 - 2006)

## DISCOVERIES

- Understanding of Great, Good and Gruesome companies is critical to investment success.
- Clear time to buy Great companies (especially health) at reasonable prices, no interest rate rise likely to impact this for some time.
- Gruesomes companies are best avoided.
- Health is likely to have a better chance of elimination of competitors and probably growing to overt of competition.
- Consistent profits growth of last five years is critical to continue. However, we have probably over the central feature of German levels of 2003.

## TOP 10 HEALTH COMPANIES - 2003

### THE BUDGET

### THE FASTEST

### THE MOST CONSISTENT

Rank	Company	Market Created (Pct %)	Company	5 Year Price CAGR	Company	Appraised to MC Yards	5 Year Price CAGR
1	Johnson & Johnson	3,671	Bristol	289	Intrex	16	15.7
2	ORION	3,281	Amgen	274	Novartis	15	14.9
3	Novartis	1,836	ABBV	267	Roche	15	8.7
4	PHARM	1,056	Roche	260	Schering	14	8.0
5	PHARM	1,045	Amgen	255	Novartis	14	40.3
6	Novartis	952	Amgen	249	Novartis	14	40.2
7	Novartis	933	PHARM	236	Schering	14	31.8
8	Novartis	707	Novartis	190	Novartis	14	17.2
9	Novartis	700	Novartis	150	Novartis	14	15.8
10	Novartis	617	Novartis	130	Novartis	14	13.9

Metals & Minerals - A Special Report on the Metals & Minerals Industry (Metals & Minerals)  
Metals & Minerals - A Special Report on the Metals & Minerals Industry (Metals & Minerals)

**AMERICAN DOWRY**  
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Private Equity  
28 December 2010

## 10TH ANNUAL WEALTH CREATION STUDY

BY AMERICAN DOWRY

### TOP-10 WEALTH CREATORS (2000 - 2009)

#### THE FASTEST

#### THE BIGGEST

#### THE MOST CONSISTENT

Rank	Company	Adjusted Assets		Company	Growth Assets		Company	Adjusted Assets		Price
		2000	2009		2000	2009		2000	2009	
		\$Bn	\$Bn		\$Bn	\$Bn		\$Bn	\$Bn	
1	Microsoft	117.1	193.1	Google	1,045.0	8.3	Facebook Inc.	0.1	40.8	
2	Waste World China	196.2	90.4	IBM	288.0	2.3	Banking Labs	0.1	29.7	
3	Logistics World Labs	158.2	89.8	Business Internet	288.0	1.1	Shopee	0.1	20.7	
4	Shopee	120.0	8.1	Bank of India	288.0	0.1	Debtly Labs	0.1	43.9	
5	Amazon (Private)	115.0	25.0	IBM	227.0	0.1	PHIC	0.1	41.8	
6	Performance Bank	95.4	20.0	Bank One	120.0	0.1	Chubb	0.1	20.0	
7	Bank One	90.4	20.0	ABC	127.0	0.1	Worldwide Finance	0.1	23.7	
8	Bank One	88.7	22.4	ABC	110.0	0.1	PHIC	0.1	20.0	
9	Henderson Cove	88.0	21.1	ABC Bank	121.0	0.1	USA Finance	0.1	21.4	
10	Bank of America	77.1	30.0	ABC Bank	126.0	0.1	Bank of America	0.1	21.4	

#### HIGHLIGHTS

- Fastest growing in 2009 (not ranked in prior year) was the single biggest wealth creator this year.
- Consistency companies have gained better recognition as a source of wealth creation.
- As family financials (Bank One) are the fastest growing financial services, it's likely that the top 10 companies will continue to be a good source of wealth creation.
- Consistent wealth creators can create significant wealth at reasonable price, with limited risk to the capital, if purchased price long-term average increases.

american.dowry.com/AMERICAN\_DOWRY/2010/10th\_Annual\_Wealth\_Creation\_Study



**Inquire**  
FINANCIAL EQUITY RESOURCE

Thanks, David!  
16 January 2012

## A Study on Wealth Creation (1997-2002)

1/10 (about 20%)

### Top 10 Wealth Creators (1997-2002)

The fastest		The biggest			
rank	company	percentage 1997-2002 100 = 100%	rank	company	percentage 1997-2002 100 = 100%
1	Walters	432	1	Walters	294.7%
2	Sublight International Services	102	2	Stratagical Corp.	174.9%
3	Energy Information Systems	100	3	Advanced Technologies	114.8%
4	Software Technologies	97	4	East & Midwest Tech Group	93.8%
5	Global Econ. (India)	85	5	Industries & Technology	8.5%
6	East Technology	80	6	ITC	8.29%
7	Visual Capital	79	7	Computer Graphics Technology	7.23%
8	Global Services	74	8	Business Technology	6.73%
9	ONE	72	9	For Software Technology	6.50%
10	Security Corp.	70	10	Home Science Industry	6.26%

### Leading ahead ...

"At all times, in all markets in all parts of the world, the most rapid to increase those things the value of any financial asset."

*... through the 1990s*

- *Corporate services are likely to be primarily rewarded by the continued drop in interest rates – not only, particularly from interest rate indicators but also through capital's interest rate reduction.*
- *Value is, however, not necessarily affected in market price as "Discounts are relatively paid by more aggressive and speculative than risk rate factors."*
- *It moved in a stepped trend, the RIT Score, the 1990s (compactly increased) that the 1990s Government Asset.*

Source: [www.inquire.com](http://www.inquire.com) (1997-2002) Email: [info@inquire.com](mailto:info@inquire.com)

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