

Wealth Creator portfolio

Objective: To build a balanced and actively managed portfolio of quality companies that will help create meaningful wealth for investors in the multi-year rally expected in the Indian equity market. In addition to some bottom-up picks, the portfolio contains stocks identified based on three key themes:

- **Policy push:** Stocks from sectors benefiting from improvement in the policy environment
- **Early gainers:** Beneficiaries of an economic recovery (stocks from auto, banking & financial, logistic sectors)
- **Evergreen:** Steady performers that provide stable and consistent returns

Portfolio performance review

In the initial three months (the portfolio was rolled out on August 21, 2014), the Wealth Creator portfolio has comprehensively outperformed the benchmark indices by giving weighted average returns of 15% compared with the returns of 6.3% in the Sensex, of 6.1% in the Nifty and of 9.3% in the CNX Mid-cap Index.

- Eight large-cap stocks in the portfolio have appreciated by 13%, doubling the gains as compared with the 6% odd upmove in the benchmark indices (Sensex and Nifty) in the same period.
- Similarly, our basket of mid-cap stocks has moved up by 18.7% as compared with a 9.3% upmove in the CNX Mid-cap Index (which does not include Nifty companies). ■

COMPARATIVE RETURNS			
Particulars	Reco price (Rs)	Current price (Rs)	Gain/Loss (%)
	21-Aug-14	17-Nov-14	CMP-Reco price
Wealth Creator (weighted average returns)			15.0%
Sensex	26360	28025	6.3%
Nifty	7890	8375	6.1%
CNX Mid-cap	11180	12225	9.3%

UPDATE ON WEALTH CREATOR PORTFOLIO						
Sr No	Scrip	Reco price 21-Aug-14	Current price 17-Nov-14	% (up/down) CMP/Reco price	Target price Jun-17	Potential upside From Reco price
Large-caps (64% weightage; 8% each)						
1	ICICI Bank	1544	1675	8.5%	3850	129.9%
2	Larsen & Toubro	1532	1615	5.4%	3800	135.3%
3	Ashok Leyland	37	55	48.7%	90	63.6%
4	Cummins	683	845	23.7%	1708	102.1%
5	State Bank of India	2468	2860	15.9%	5800	102.8%
6	Sun Pharmaceuticals	858	875	2.0%	1550	77.1%
7	Tata Consultancy Services	2432	2615	7.5%	5100	95.0%
8	Tata Motors DVR	358	330	-7.8%	850	157.6%
Average returns (64% weightage)				13.0%		
Mid-caps (36% weightage; 4.5% each)						
9	PTC India Financials	44	54	22.7%	105	94.4%
10	Finolex Cables	203	252	24.1%	650	157.9%
11	Gateway Distripark	259	320	23.6%	745	132.8%
12	IRB Infra	259	264	1.9%	680	157.6%
13	Network 18 Media	48	55	14.6%	150	172.7%
14	Gabriel India	57	92	61.4%	155	68.5%
15	Selan Exploration	543	450	-17.1%	1680	273.3%
16	Dhanuka Agri	436	515	18.1%	1140	121.4%
Average returns (36% weightage)				18.7%		
Wealth Creator (weighted average returns)				15.0%		
	Sensex	26,360	28,025	6.3%		
	Nifty	7,890	8,375	6.1%		
	CNX Mid-cap	11,180	12,225	9.3%		



Auto stocks lead the list of gainers within the portfolio; Selan and TAMO underperform

- Ashok Leyland and Gabriel India were added to the portfolio as a play on the revival of the commercial vehicle (CV) cycle (a surge in CV volume expected in FY2016) and the theme has played out well.

- Selan Exploration Technologies (Selan) and Tata Motors (TAMO) have underperformed due to reasons like soft crude oil prices in case of Selan and weakness in Europe (and in the Jaguar and Land Rover sales) in case of TAMO. However, we believe that our long-term growth prognosis is intact.

REVISED PORTFOLIO

WEALTH CREATOR PORTFOLIO					
Sr No	Scrip	Weights (%)	Reco price 17-Nov-14	Target price Oct-17	Potential upside (%)
Large-caps (64% weightage)					
1	ICICI Bank	8%	1675	3850	129.9%
2	Larsen & Toubro	8%	1615	3800	135.3%
3	Hero MotoCorp	8%	3030	6350	109.6%
4	Cummins India	8%	845	1708	102.1%
5	State Bank of India	8%	2860	5800	102.8%
6	Sun Pharmaceutical Ind.	8%	875	1650	88.6%
7	Tata Consultancy Services	8%	2615	5100	95.0%
8	Tata Motors DVR	8%	330	850	157.6%
Mid-caps (36% weightage; 4% each)					
9	PTC India Financials	4%	54	144	166.7%
10	Finolex Cables	4%	252	650	157.9%
11	Gateway Distripark	4%	320	745	132.8%
12	IRB Infra	4%	264	680	157.6%
13	Network 18 Media	4%	55	150	172.7%
14	Gabriel India	4%	92	200	117.4%
15	Selan Exploration	4%	450	1340	197.8%
16	Triveni Turbine	4%	110	265	140.9%
17	Dhanuka Agri	4%	515	1260	144.7%

PORTFOLIO REVISION

Changes in composition

- First, we introduce **Triveni Turbines** (price target: Rs265) in the folio (weightage 4%). The company has emerged as an Indian multinational in a highly technology-driven capital goods space. Consequently, we reduce the weightage of all the mid-cap stocks to 4% (from 4.5% earlier) to make room for this quality engineering company. The existing clients can either add the stock or rejig their folios accordingly.
- Second, we believe that the run-up of close to 50% in **Ashok Leyland** factors in the positives in the short run and the stock could provide better entry points later. Thus, for new investors, we advise taking exposure in Hero MotoCorp instead of Ashok Leyland. The existing clients could hold on to Ashok Leyland.

Price target revisions

- PTC India Financial Services:** Price target revised to Rs144 based on the price/book value multiple of 2x FY2020 rough estimate.
- Selan:** Price target revised to Rs1,340; largely to account for the change in the assumption of the price of crude oil from an average of \$100/barrel earlier to \$85/barrel now. However, we do not believe that crude oil prices could remain soft on a multi-year basis in spite of the rising production of shale gas globally including a production ramp-up in the USA.
- We have fine-tuned the rest based on certain changes in the assumptions and rolled forward the price targets for each by six months. ■

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