

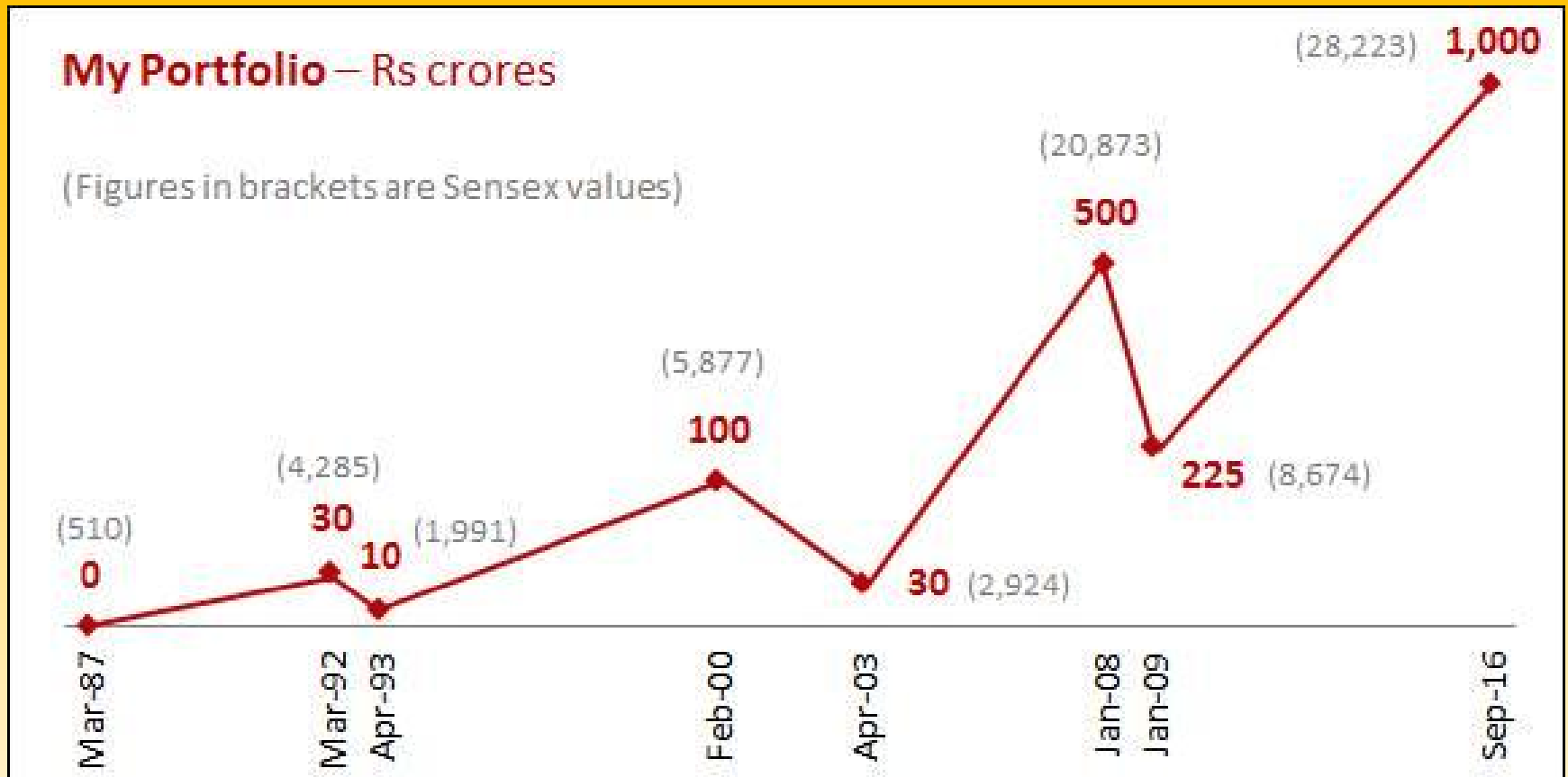
0 to 1,000 crores

You too can do it !!

Raamdeo Agrawal

6 October 2016

0 to 1,000 crores – How it happened for me



How it all started ...

1980-90 ... CA student to stock market buff



What was I doing?



Only mantra !

Price =

EPS

x

P/E

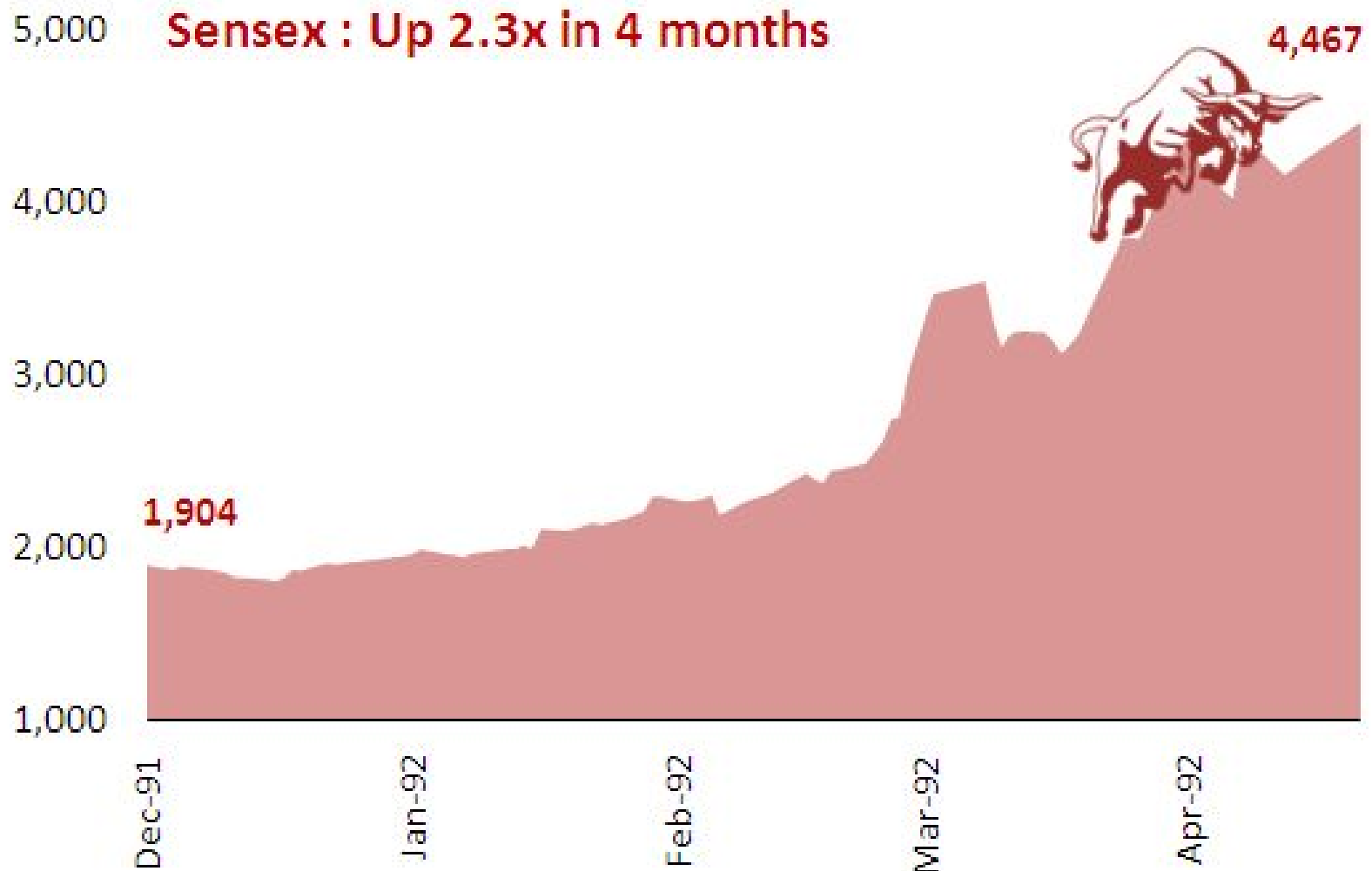
Starting small ...

- **A business partnership for life !**
- **Ignorance of ignorance !**
- **Only passion !**
- **Sub-broker to BSE member**



1987-94: Only luck, no skill

91-92 Big Bull-run ... *uparwala meherbaan!*



1994 ... Found the guru



Search for the investment philosophy leading to Wealth Creation Studies

1996 to 2016 : 20 Wealth Creation Studies

Inquire
INDIAN EQUITY RESEARCH

A Study on Wealth Creation

Draft Copy

Rank	FATTEST	CAGR % of adjusted track (P1 to P5)	Rank based on size	BIGGEST	Amount of Wealth Created
1	Dr Reddy's Labs	95.0	1	Hind Lovers	5192.2
2	Vipul Bros	93.2	2	SBI	7828.4
3	TUV SCS	89.7	3	Tata	7974.0
4	United Phosphates	89.0	4	ITC	5758.0
5	Central Foods	85.7	5	Reliance	4622.0
6	Handbagging Sides	79.9	6	Reliance Auto	4935.0
7	Indian Hotels	79.8	7	Safaricom Holdings	2144.4
8	H O F C	76.9	8	Tata Chemicals	3112.4
9	Tongue House	72.6	9	Reliance L&E	2702.2
10	East Packaging	71.6	10	Cadila	2394.0

Conclusions:
 • Wealth Creating companies have a substantially high ROE and ROCE.
 • A high correlation is seen between ROE and P/E for the Wealth Creation group - Inquis.
 • Mid cap stocks have a propensity to create wealth faster as compared to the benchmark blue chips.
 • Companies located in the core business from IT, of the group.
 • Division of capital goes to the core business from Wealth Creation.

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MOTILAL OSWAL
INDIAN EQUITY RESEARCH

A Study on Wealth Creation 1995 - 2000

Thematic Study | 17 December 2011

The Biggest...
 1. ITC
 2. Infosys Technologies
 3. Hindustan Zinc
 4. New India Assurance
 5. Reliance Consumer Services
 6. Hindustan Petroleum
 7. Information Technologies
 8. ITC
 9. Hindustan Petroleum
 10. Hindustan Zinc

The Fastest...
 1. ITC
 2. Infosys Technologies
 3. Hindustan Zinc
 4. Reliance Consumer Services
 5. Information Technologies
 6. Hindustan Petroleum
 7. ITC
 8. Hindustan Petroleum
 9. ITC
 10. New India Assurance

Accelerated growth in New Economy companies combined with faster recognition of history by stock markets have led to disproportionate returns in a short period.
 In an equidistant case, investors focus on price of the share rather than price of the company.
 80% of the wealth created by multi-baggers has been due to P/E expansion.
 High growth business, which is run by an outstanding management and purchased with a 5-6 year pre-book order, etc., has a good chance of being a big winner.



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2002 - 2007
12th ANNUAL WEALTH CREATION STUDY
 BY RAMDIEO AGRAWAL

Thematic Study | 15 November 2011

TOP 10 WEALTH CREATORS (2002 - 2007)
 THE BIGGEST THE FASTEST THE MOST CONSISTENT

1. Reliance Inds
 2. ONGC
 3. Hindustan Zinc
 4. Infosys Tech
 5. ITC
 6. SBI
 7. ITC
 8. ITC
 9. ITC
 10. ITC

HIGHLIGHTS
 • Bargains are found when markets are tilted to large business opportunity, positive changes or isolated growth, stocks are guaranteed when one grows overnight.
 • Stock market reaction during periods will be strongly budget corporate profits, and boom in savings and investment.
 • At current valuations, margin of safety in the market is low. However, very high liquidity can lead to market to rich levels of valuation for capital some time.
 • Highlights are found when markets are tilted to large business opportunity, positive changes or isolated growth, stocks are guaranteed when one grows overnight.
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Great Good Guesome
 13th ANNUAL WEALTH CREATION STUDY (2003 - 2008)

Thematic Study | 17 November 2008

TOP 10 WEALTH CREATORS (2003 - 2008)
 THE BIGGEST THE FASTEST THE MOST CONSISTENT

1. Reliance Inds
 2. ONGC
 3. Hindustan Zinc
 4. Infosys Tech
 5. ITC
 6. SBI
 7. ITC
 8. ITC
 9. ITC
 10. ITC

HIGHLIGHTS
 • Understanding of Great Good Guesome companies is critical to investment success.
 • Check time to buy Great companies (preferably bonds) at reasonable prices, as interest rates are likely to remain low for quite some time.
 • Guesome companies are best portfolio.
 • Market is likely to see a sector shift - dominance of commodities will probably give way to users of commodities.
 • Corporate profit books of last five years unlikely to continue. However, we have probably seen the market bottom at seven levels of 7.00.

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15th ANNUAL WEALTH CREATION STUDY (2005-2010)
UU Investing
 Creating Wealth from the unknown and unknowable

Thematic Study | 16 November 2010

TOP 10 WEALTH CREATORS (2005 - 2010)
 THE BIGGEST THE FASTEST THE MOST CONSISTENT

1. Reliance Inds
 2. ONGC
 3. Hindustan Zinc
 4. Infosys Tech
 5. ITC
 6. SBI
 7. ITC
 8. ITC
 9. ITC
 10. ITC

HIGHLIGHTS
 • UU investment after appropriate scrutiny, has been an important study for investors with investment and investment goals.
 • New portfolio will continue to see relative outperformance relative to other wealth creation.
 • TIS - Sun Sellen Culture Strategy through 2010 - 2011 will show up many UU investing opportunities in the Indian market.

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14th ANNUAL WEALTH CREATION STUDY (2004-2009)
Winner Categories
 Category Winner brought reasonable return over significant wealth over the long term.

Thematic Study | 17 December 2009

HIGHLIGHTS
 • Blue chips are backbone of dividend, and offer no much of real return.
 • High growth potential from lower quality companies, but with low risk.
 • In investing, there is no substitute for quality. Understanding quality of the business and its growth rate, and profitability, is most useful to dividend programs and longevity.
 • Most Blue Chip enjoy strong momentum, in trading they are buy and hold stocks and only in P/E, but also consider growth rate, relative dividend yield, and earnings growth potential.
 • In India, only top 100 firms, Blue Chip have significantly outperformed benchmark indices with lower risk.

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16th ANNUAL WEALTH CREATION STUDY (2006-2011)
Blue Chip Investing
 Creating wealth from dividends

Thematic Study | 8 December 2011

HIGHLIGHTS
 • Economic Moat protects profits and profitability of companies from competitors.
 • Extended CAP (competitive advantage) of Economic Moat Companies (EMOC) leads to superior levels of profits and stock returns.
 • Over 2003-2011, EMOC in India have outperformed benchmark indices.
 • Break of Economic Moat causes wealth destruction.
 • Markets seem poised to break new highs in the next 12 months.
 • "Over the long term, it's hard for a stock to seem a much better value than the intrinsic value unless it earns 10% or more. If the business earns 10% or more and you buy it for 10% or more, you've got to make your own effort." - Warren Buffett

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MOTILAL OSWAL

17th ANNUAL WEALTH CREATION STUDY (2007-2012)
Economic Moat
 Fountainhead of Wealth Creation

Thematic Study | 12 December 2012

HIGHLIGHTS
 • Economic Moat protects profits and profitability of companies from competitors.
 • Extended CAP (competitive advantage) of Economic Moat Companies (EMOC) leads to superior levels of profits and stock returns.
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18th ANNUAL WEALTH CREATION STUDY (2008-2013)
Uncommon Profits
 Emergence & Endurance

Thematic Study | December 2013

HIGHLIGHTS
 • Uncommon Profits in companies - Uncommon Wealth Creation in stock markets.
 • Successful Emergence of Value Creation is very rare, a strong corporate culture is a pre-requisite business significantly better the probability.
 • Endurance of Value Creation is mainly determined by discipline, innovation, adaptability, major regulatory changes, and capital allocation.
 • State-owned companies have become marginalized in Wealth Creation with their share collapsing from 55% in 2003 to 19% in 2013.
 • The secret is not to believe anything, the old-fashioned equation is favorable for long term investing.
 • "Over the long term, it's hard for a stock to seem a much better value than the intrinsic value unless it earns 10% or more. If the business earns 10% or more and you buy it for 10% or more, you've got to make your own effort." - Warren Buffett




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19th ANNUAL WEALTH CREATION STUDY (2009-2014)
100x
 The power of growth in Wealth Creation

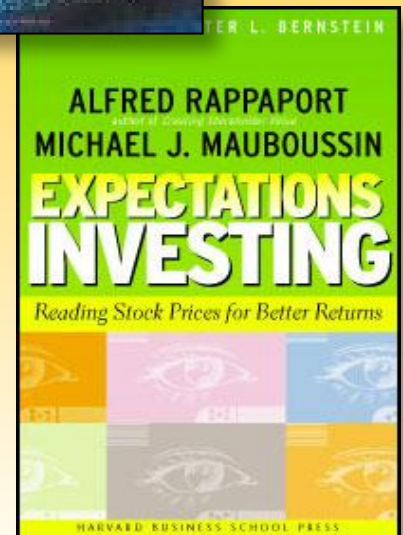
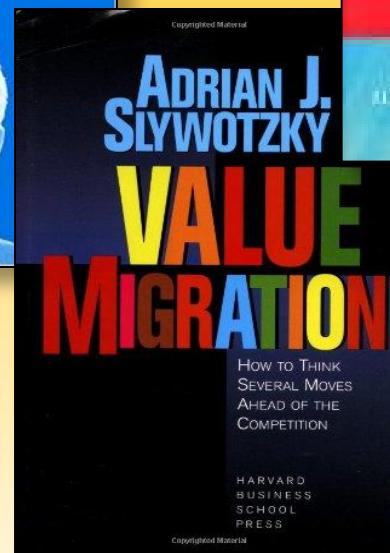
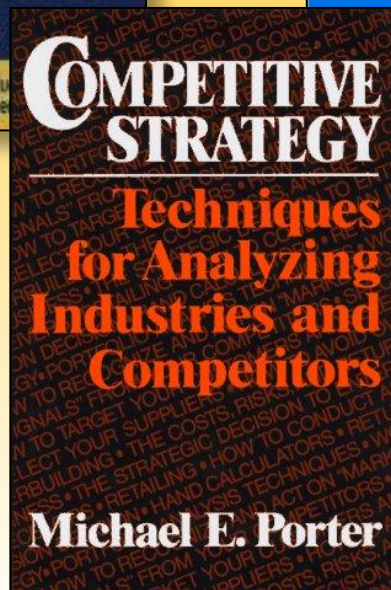
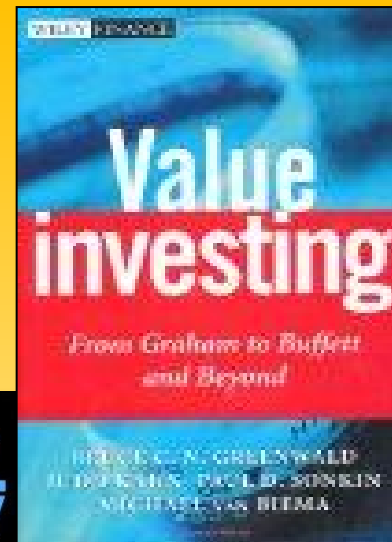
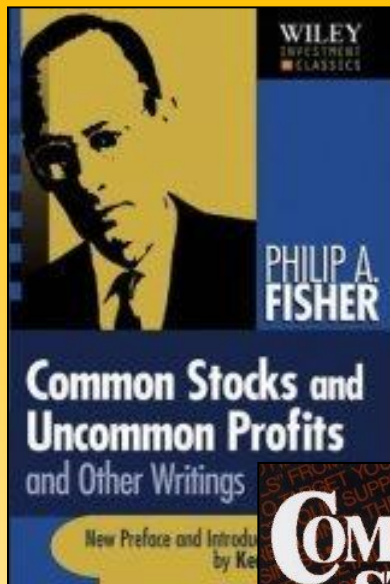
Thematic Study | December 2014

HIGHLIGHTS
 • 100x stocks are few finding them requires "willing to lose, emerge to live, and the patience to hold."
 • Make investments only in the most probable business opportunities.
 • The 100x portfolio is captured in 100P - Size, Quality, Growth, Longevity and Risk.
 • The underlying assumption that, the investment is 100%, volatility is 10%, and all other factors 10% (100:10:10).
 • Quality does not guarantee growth, and in turn, rapid loss from Wealth Creation.
 • "The real money in stocks you must make the return to you them, the way you get to the stock and the patterns to hold them. Trading is the result of the flow."
 • - Thomas H. Davenport in 100 to 1 in the Stock Market



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Back then & even now ... Knowledge First !!



Landmark studies & frameworks

Mathematics of Buffett-ology

Growth Value

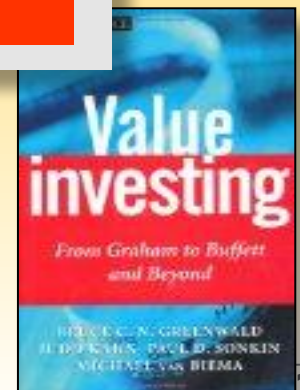
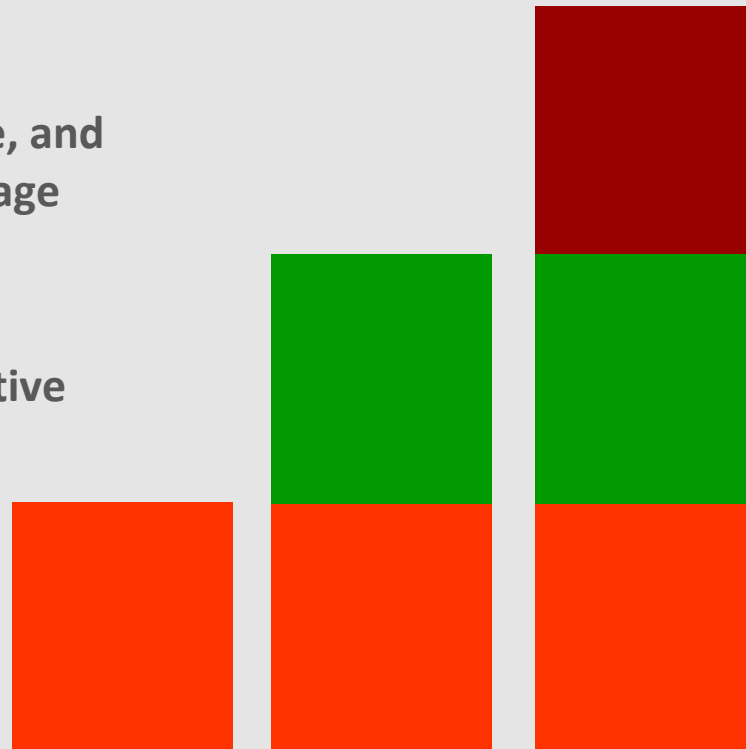
Only if growth is in the same franchise, and benefits from the competitive advantage

Earning Power Value

Franchise value from current competitive advantage

Asset Replacement Value

When entry is free, and there is no competitive advantage



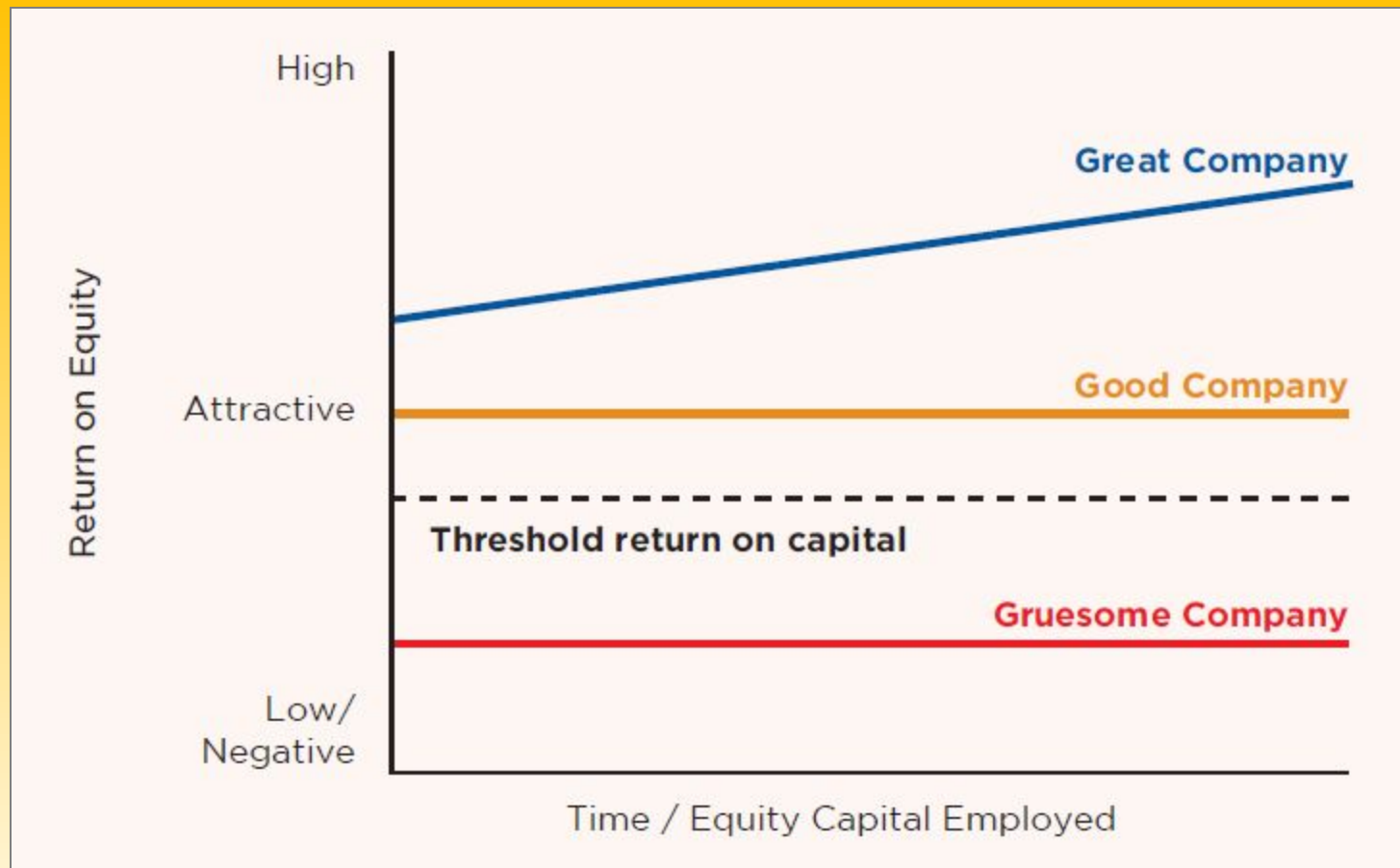
Importance of interest rates



“At all times, in all markets in all parts of the world, the tiniest change in interest rates changes the value of every financial asset.”

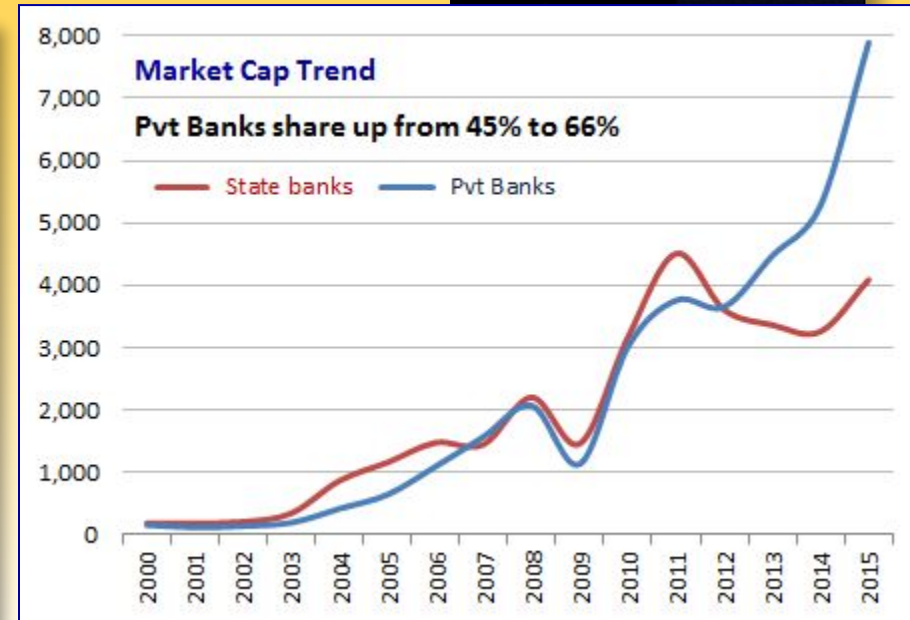
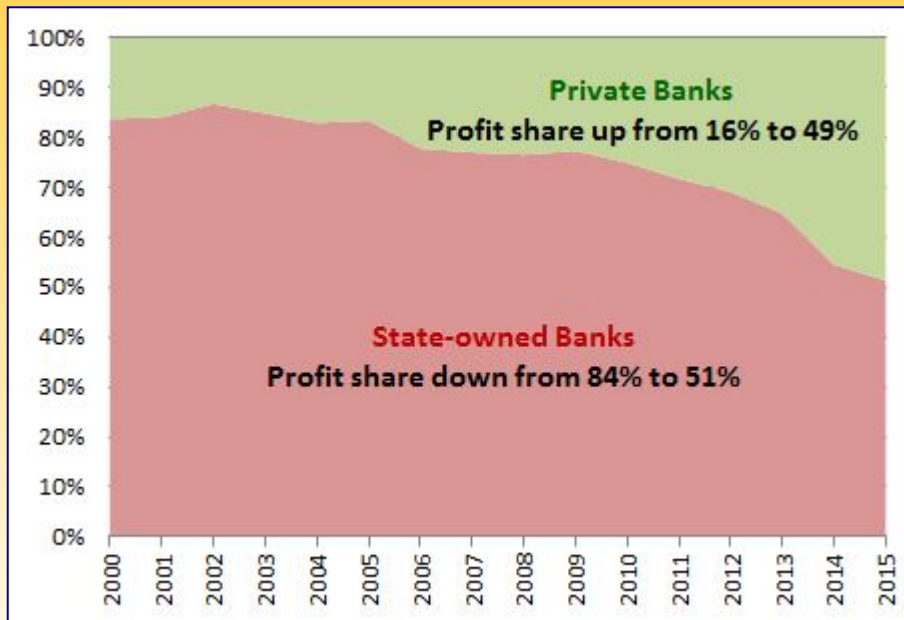
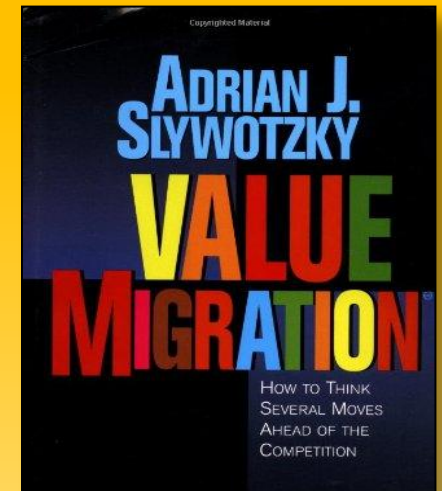
– Warren Buffett

Great, Good, Gruesome



Value Migration

“Value migrates from outmoded business design to superior business design.” — Adrian Slywotzky



Terms of Trade

$$\text{Terms of Trade} = \frac{\text{Debtors}}{\text{Creditors}}$$



Favourable if ratio < 1

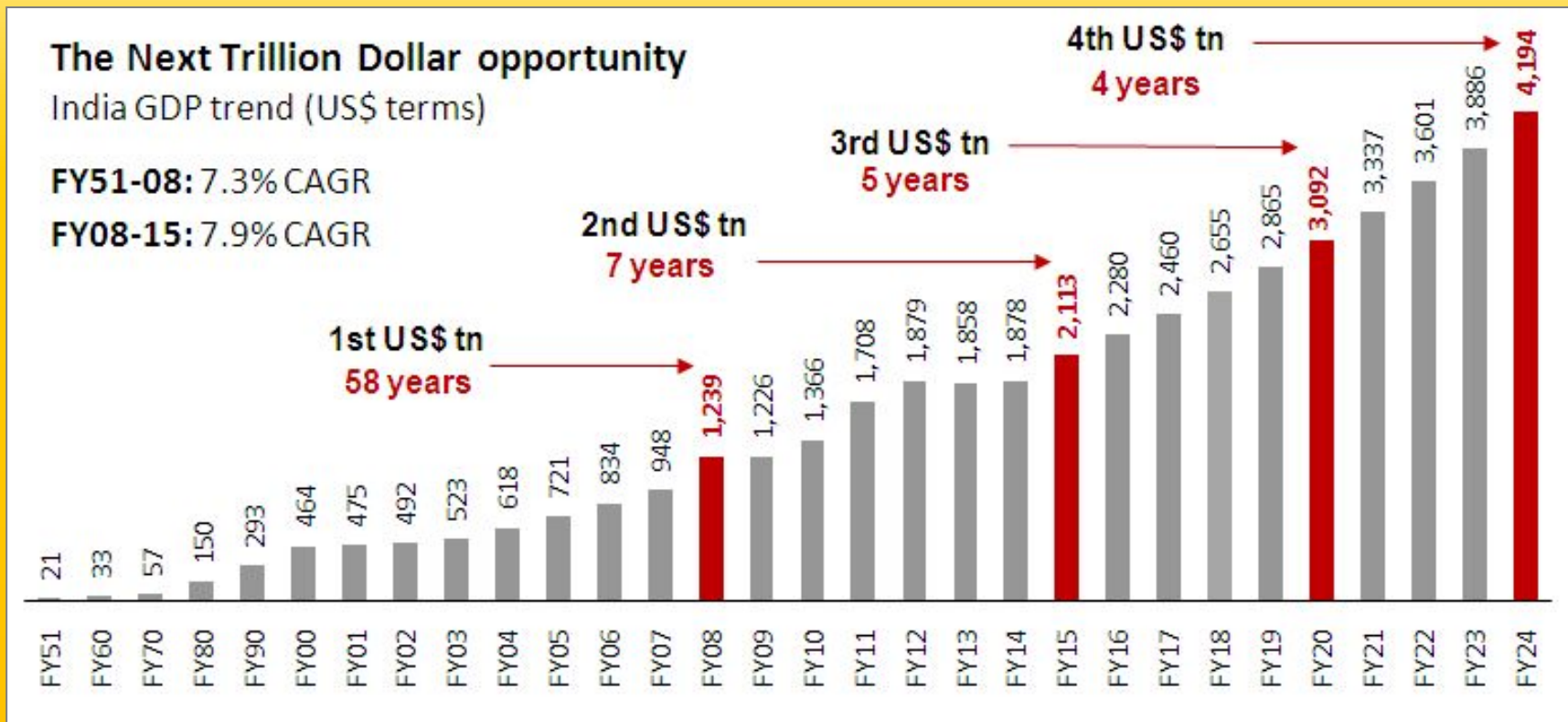


Unfavourable if ratio > 1

India's NTD (Next Trillion Dollar GDP)

Linear growth ...

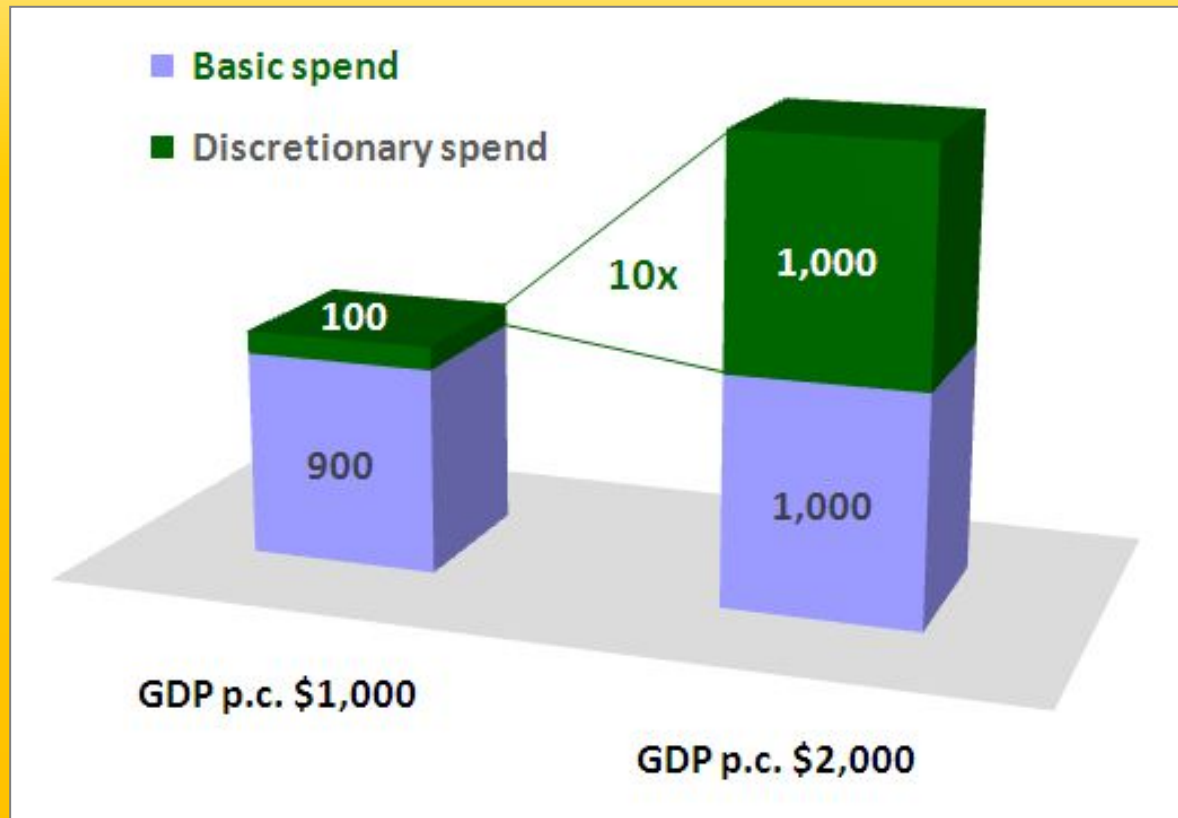
Every successive NTD of GDP takes fewer years



India's NTD (Next Trillion Dollar GDP)

... Exponential opportunity

When per capita GDP doubles, discretionary spend becomes 10x



Winner Categories, Category Winners

- **Winner Categories** = Consolidated sector + Scalability
- **Category Winners** = Winning Categories
+ Entry Barriers
+ Great Management
- **Great Investments** = Category Winners
+ Reasonable Valuation

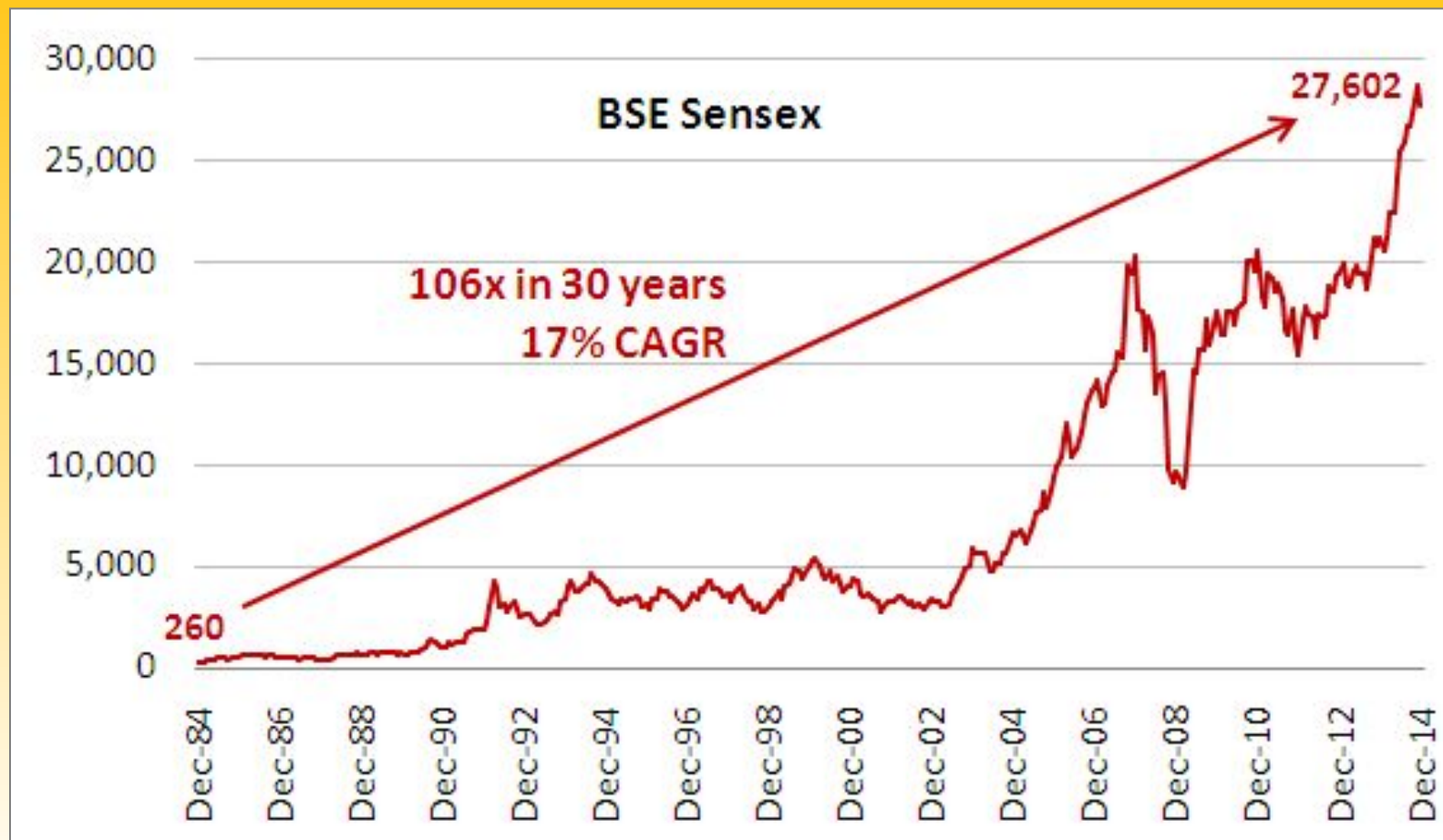
Uncommon Profits ... Emergence & Endurance

Uncommon Profits in companies
=
Uncommon Wealth Creation in
markets



100x

Indian benchmark indices rise 100x in 30 years



100x

47 enduring 100x stocks over 1994-2014

Company	Price Mult. (x)	Year of purchase
Infosys	2,902	1994
Lupin	1,170	2002
Wipro	875	1994
Motherson Sumi	775	1999
Shree Cement	644	1998
Kotak Mahindra	608	2000
Emami	544	1996
Vakrangee	525	2000
Eicher Motors	452	2000
Aurobindo Pharma	452	1997
Blue Dart Express	417	1999
Havells India	372	2000
Amara Raja	368	1995
Sun Pharma	347	1997
P I Inds	343	2005
Balkrishna Inds	310	1994

Company	Price Mult. (x)	Year of purchase
Glenmark Pharma	299	2000
Hindustan Zinc	298	1997
CMC	277	1997
KPIT Tech	247	2002
Symphony	245	2009
TTK Prestige	233	2005
Titan Company	232	2002
Cipla	222	1994
Hero MotoCorp	216	1994
GRUH Finance	203	2002
Mphasis	199	1995
Sesa Sterlite	196	2001
Godrej Inds	164	2002
Jindal Steel	158	2002
HDFC Bank	156	1996
Supreme Inds	155	2002

Company	Price Mult. (x)	Year of purchase
Ipca Labs	150	2002
NMDC	145	2003
Gujarat Fluorochem	145	1994
Ajanta Pharma	142	2004
Dr Reddy's Labs	140	1994
Coromandel Inter	139	1997
Berger Paints	137	1997
Shriram Transport	135	2002
CRISIL	127	1996
United Breweries	125	2003
Axis Bank	119	2000
Crompton Greaves	118	1998
Pidilite Inds	109	1994
Alstom T&D India	107	2002
Asian Paints	106	1994

Note: Price multiples are based on stocks being bought at the low price in the respective year of purchase, and held on to Mar-2014.

Stock stories along the way ...

HITS

- **Vysya Bank (1991)**
- **Hero Honda (1996)**
- **HDFC Bank (1996)**
- **Infosys (1997)**
- **Bharti Airtel (2003)**
- **Eicher Motors (2012)**
- **Ajanta Pharma (2013)**
- **Au Financiers (2007 – Private equity)**

MISSES

- **Mastek (2000)**
- **Financial Technologies (2014)**

30-year Manthan, 1 Mantra ... QGLP

QGLP in a nutshell

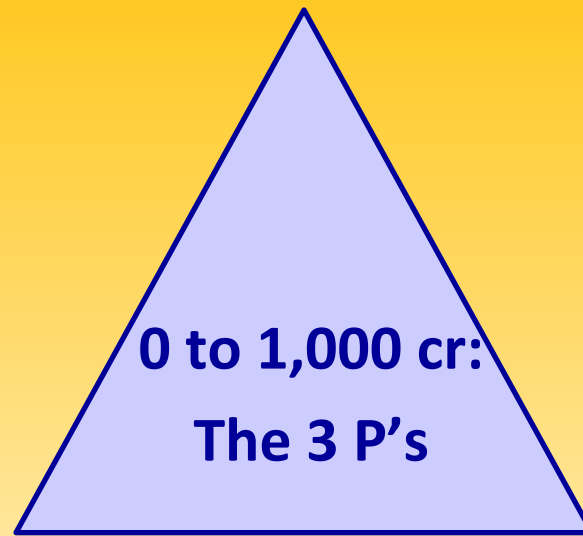
- **Q – Quality** (of business & management)
- **G – Growth** (in earnings)
- **L – Longevity** (of both Q & G)
- **P – Price** (favourable Price)

0 to 1,000 crores

You too can do it !!

0 to 1,000 crores: The 3 P's

1. Power of Compounding



2. Pre-requisites

3. Practice

P #1: Power of Compounding

Longer the period, exponentially higher the multiple

Years \ Rate	5	10	15	20	25	26.5
8	1.5	2.2	3.2	4.7	6.8	7.7
10	1.6	2.6	4.2	6.7	10.8	12.5
15	2.0	4.0	8	16	33	41
17	2.2	4.8	11	23	51	64
20	2.5	6.2	15	38	95	125
25	3.1	9.3	28	87	265	370
30	3.7	14	51	190	706	1,046
50	7.6	58	438	3,325	25,251	46,389

P #2: Pre-requisites

Positive thinking

+

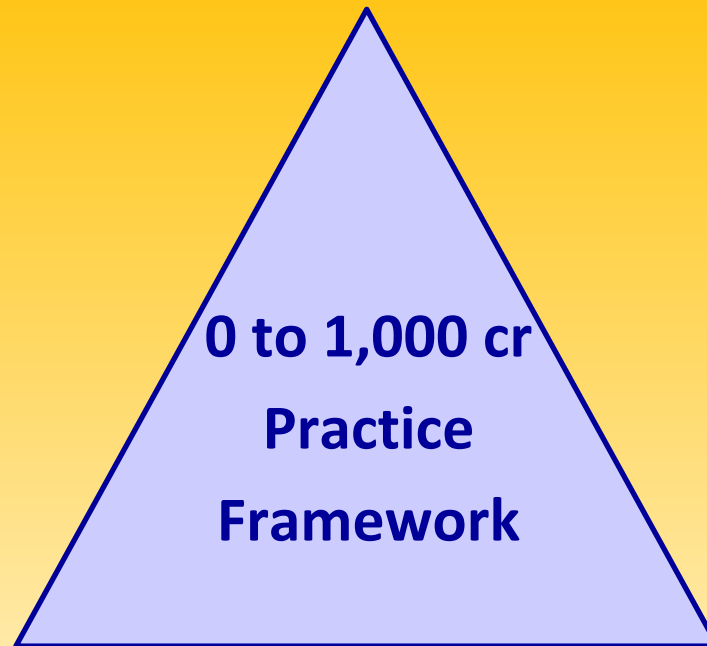
Time-tested Investment Philosophy

+

Inquisitive Mind

P #3: Practice

1. Vision to see



2. Courage to Buy

3. Patience to hold

You too can do it !

- **Think big, think positive**
- **Understand power of compounding**
- **Don't bother about the market**
- **Pre-requisites – Philosophy, Inquisitive Mind**
- **Practice – Vision, Courage, Patience**
- **Monitor portfolio performance**
- **Continuously improve**

**Wish you a successful
1,000 crore journey !**