



Understanding Equities – The A B & C of it

CA Nitin Daga
B. Com (Hons.), FCA, CS (Lic), DISA (ICAI)

THE POWER OF COMPOUNDING

		Earnings	ROI 8%	Final Amt			ROI 18%	Final Amt
Year 1	9	1000000	1.999	1999005		620000	4.435	2749981
Year 2	8	1000000	1.851	1850930		620000	3.759	2330493
Year 3	7	1000000	1.714	1713824		620000	3.185	1974994
Year 4	6	1000000	1.587	1586874		620000	2.700	1673724
Year 5	5	1000000	1.469	1469328		620000	2.288	1418410
Year 6	4	1000000	1.360	1360489		620000	1.939	1202042
Year 7	4	1000000	1.360	1360489		620000	1.939	1202042
Year 8	2	1000000	1.166	1166400		620000	1.392	863288
Year 9	1	1000000	1.080	1080000		620000	1.180	731600
Year 10	0	1000000	1.000	1000000		620000	1.000	620000

TOTAL		1000000		14587339		620000		14766574
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Available avenues for Investment

- Real Estate (Residential house / Commercial property / Plots of land)
- Jewellery / Bullion / Gold Bonds
- PPF / Sukanya Samriddhi / NSC/KVP/RBI Bonds
- Bank FDR / Unsecured Co FD
- Personal Loans to friends / Acquaintances
- Debt / Balanced / Equity MF
- Direct investment in Equity Shares

Why Equities ?

- ✓ Gives you a slice of ownership across various sectors. Flexibility to switch gears
- ✓ Utmost Liquidity – Can be encashed and money credited in bank account in less than 72 hrs.
- ✓ Transparent buy / sell price without need of estimation / guess work
- ✓ Most Tax efficient – 0% tax for LTCG & 15% tax for STCG. Tax free dividends
- ✓ Invest according to pocket size – Rs 100 to Rs 100 Billion
- ✓ Investments can be timed as per investor's convenience & understanding of market cycles
- ✓ Low Transaction cost
- ✓ Ease of transfer to nominees after death – no procedural hassle
- ✓ No storage risk – Demat holdings – No risk of theft / encroachment / obsolescence
- ✓ Fire proof / other natural calamity proof. There is nothing like title deed / certificate. DP holdings statement is the proof of ownership.

Why Big time Equities ?

- ✓ Portfolio Management – New area of fee earning. People are awash with liquidity and in search of seeking higher alpha
- ✓ Who can understand financial ratios, annual reports, sectoral analysis, industry outlook, macro data better than us – CHARTERED ACCOUNTANTS
- ✓ No Excise / Sales Tax / Service Tax / Income Tax (* LTCG)/ Labour laws / any departmental registration /Inspector raaj / Compulsion to grease and please
- ✓ If you want to beat inflation and secure higher returns, you have to try your hand at Equities
- ✓ No infrastructure reqd to set up. Just a laptop / Phone / Small office and there you go
- ✓ If you believe in earning money exclusively through hard research and conviction without adopting any unfair means, Equities is just the right prescription.
- ✓ Mr.Rakesh Jhunjunwala CA is worth Rs 15475 crores (USD 2.4 Billion) today as per Forbes. He started with Rs 500 in 1985.

Appendix 1: MOSL 100: Biggest Wealth Creators (2010-2015)

Rank	Company	Wealth Created		CAGR (2010-15, %)			RoE (%)		P/E (x)	
		INR b	Share (%)	Price	PAT	Sales	2015	2010	2015	2010
1	TCS	3,458	10.1	27	23	26	39	38	25	22
2	ITC	1,565	4.6	20	18	15	31	29	27	24
3	HDFC Bank	1,540	4.5	21	29	26	17	14	24	29
4	Sun Pharma	1,405	4.1	42	27	47	17	17	47	27
5	Hindustan Unilever	1,374	4.0	30	15	13	109	81	43	24
6	H D F C	1,241	3.6	19	22	14	19	18	24	24
7	HCL Technologies	1,130	3.3	41	42	25	30	20	19	19
8	Tata Motors	1,071	3.1	29	40	23	25	32	11	15
9	Infosys	1,048	3.1	11	15	19	24	27	21	24
10	Axis Bank	774	2.3	19	25	25	17	15	18	19
11	Lupin	757	2.2	44	29	22	27	27	38	21
12	ICICI Bank	730	2.1	11	21	13	14	9	15	23
13	Maruti Suzuki	691	2.0	21	8	11	16	22	29	16
14	Bosch	646	1.9	40	18	20	18	17	60	26
15	Kotak Mahindra Bank	628	1.8	29	18	24	14	16	33	20
16	Asian Paints	580	1.7	32	11	17	29	49	56	23
17	UltraTech Cement	505	1.5	20	14	28	11	24	38	13
18	Eicher Motors	413	1.2	90	49	24	24	8	70	21
19	Nestle India	411	1.2	21	13	14	42	113	56	39
20	M & M	411	1.2	17	5	20	12	24	24	13
21	Motherson Sumi	404	1.2	56	29	39	26	21	52	19
22	Idea Cellular	403	1.2	23	27	21	14	8	21	23
23	B P C L	396	1.2	26	24	15	21	12	12	11
24	Dr Reddy's Labs	377	1.1	22	46	16	24	9	25	61
25	Tech Mahindra	365	1.1	24	30	37	21	24	23	15
26	IndusInd Bank	364	1.1	39	39	29	17	16	26	20
27	United Spirits	338	1.0	23	Loss	8	-256	-1	-32	-731
28	Dabur India	327	1.0	27	16	18	32	54	44	27
29	Adani Ports	312	0.9	14	28	33	21	20	28	47
30	Aurobindo Pharma	301	0.9	45	23	28	31	31	23	9
31	Cipla	300	0.9	16	2	16	11	18	48	25
32	Shree Cement	295	0.9	36	-9	12	8	37	88	12
33	Bajaj Auto	293	0.9	15	14	13	27	59	19	18
34	Titan Company	266	0.8	34	27	20	26	34	43	33
35	Godrej Consumer	263	0.8	32	22	32	21	36	39	24
36	Pidilite Industries	250	0.7	39	13	17	23	31	60	21
37	Cadila Healthcare	244	0.7	26	18	19	27	31	31	22
38	Bharat Forge	239	0.7	38	LP	18	22	-4	39	-89
39	Siemens	234	0.7	13	-3	3	14	25	82	35
40	Yes Bank	222	0.6	26	33	37	17	15	17	18
41	Britannia Industries	221	0.6	46	46	16	55	36	38	37
42	Grasim Industries	212	0.6	5	-11	10	8	25	19	8
43	Zee Entertainment	211	0.6	21	9	17	28	17	34	18
44	Ambuja Cements	210	0.6	16	4	7	15	19	27	15
45	United Breweries	208	0.6	39	24	16	14	11	102	51
46	GSK Consumer	202	0.6	33	20	18	28	26	45	27
47	Wockhardt	190	0.6	68	LP	0	12	-	51	-2
48	Bajaj Finance	182	0.5	68	59	44	19	8	23	13
49	Colgate-Palmolive	182	0.5	24	5	15	73	131	49	21
50	Emami	181	0.5	37	23	17	39	27	47	28

Appendix 1: MOSL 100: Biggest Wealth Creators (2010-2015) ... continued

Rank	Company	Wealth Created		CAGR (2010-15, %)			RoE (%)		P/E (x)	
		INR b	Share (%)	Price	PAT	Sales	2015	2010	2015	2010
51	Marico	181	0.5	29	20	17	31	35	44	29
52	P & G Hygiene	169	0.5	29	14	21	28	34	68	36
53	Bajaj Finserv	163	0.5	33	-26	-27	5	21	176	9
54	Blue Dart Express	156	0.5	59	16	20	42	14	133	28
55	Havells India	153	0.4	38	41	11	21	17	49	52
56	Castrol India	152	0.4	22	4	7	96	77	49	22
57	Torrent Pharma	151	0.4	34	27	20	30	28	26	20
58	Sundaram Finance	148	0.4	52	16	16	15	18	29	8
59	Divi's Labs	148	0.4	21	20	27	24	22	28	26
60	Page Industries	144	0.4	77	38	35	51	40	78	22
61	Cummins India	142	0.4	19	12	9	27	28	31	23
62	Glenmark Pharma	141	0.4	24	8	22	16	14	45	22
63	Container Corpn	139	0.4	13	6	11	14	18	29	22
64	Apollo Hospitals	138	0.4	30	20	21	11	8	56	33
65	GSK Pharma	138	0.4	14	-1	11	25	28	61	30
66	MRF	136	0.4	42	29	19	20	18	18	12
67	Shriram Transport	134	0.4	16	3	15	11	23	25	14
68	UPL	131	0.4	24	17	18	20	18	17	12
69	Ashok Leyland	130	0.4	21	-21	16	4	18	156	18
70	LIC Housing Finance	130	0.4	20	15	26	18	20	16	12
71	Amara Raja Batteries	128	0.4	59	20	24	24	31	35	8
72	Berger Paints	124	0.4	48	17	18	21	20	55	17
73	ACC	115	0.3	10	-6	7	14	27	25	11
74	H P C L	112	0.3	15	0	14	11	12	15	7
75	Gillette India	111	0.3	28	3	17	21	24	99	34
76	CRISIL	107	0.3	31	11	18	32	37	54	24
77	TVS Motor	106	0.3	45	58	18	27	5	38	58
78	Ajanta Pharma	106	0.3	119	56	29	37	18	35	6
79	Aditya Birla Nuvo	102	0.3	13	56	11	11	3	15	61
80	Bayer Crop Science	101	0.3	39	25	18	19	23	32	20
81	Mahindra Finance	95	0.3	28	21	31	15	20	16	10
82	WABCO India	95	0.3	52	9	18	14	29	89	17
83	Shriram City Union	94	0.3	35	24	27	14	19	23	11
84	SPARC	94	0.3	38	Loss	35	-40	-153	-295	-96
85	Symphony	89	0.3	108	26	25	38	43	78	6
86	Piramal Enterprises	86	0.3	15	43	7	24	29	5	18
87	Mindtree	86	0.2	35	20	22	27	32	20	11
88	Hexaware Tech	84	0.2	56	19	20	25	16	29	7
89	Kansai Nerolac	82	0.2	27	11	16	17	21	43	21
90	GRUH Finance	80	0.2	62	24	28	29	26	43	11
91	AIA Engineering	80	0.2	26	20	18	21	19	27	22
92	Supreme Industries	79	0.2	50	16	16	27	38	28	8
93	P I Industries	78	0.2	85	42	29	27	32	34	7
94	Bajaj Holdings	78	0.2	16	-9	6	15	25	17	5
95	Jubilant Foodworks	77	0.2	36	27	34	17	28	87	61
96	Alstom T&D India	73	0.2	14	-9	1	9	22	123	38
97	Whirlpool India	73	0.2	36	8	9	23	73	44	14
98	Petronet LNG	72	0.2	18	17	30	16	18	15	14
99	Info Edge (India)	70	0.2	31	-14	25	2	14	419	46
100	Godrej Industries	68	0.2	20	15	22	12	12	29	22
	TOTAL	34,233	100	25	19	18	20	20	27	21
Rank	Company	Wealth Created		CAGR (2010-15, %)			RoE (%)		P/E (x)	
		INR b	Share (%)	Price	PAT	Sales	2015	2010	2015	2010

Appendix 2: MOSL 100: Fastest Wealth Creators (2010-2015)

Rank	Company	2010-15 Price		CAGR 10-15 (%)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR b	Share (%)	2015	2010	2015	2010
1	Ajanta Pharma	119	50.5	56	29	106	0	37	18	35	6
2	Symphony	108	39.0	26	25	89	0	38	43	78	6
3	Eicher Motors	90	24.6	49	24	413	1	24	8	70	21
4	P I Industries	85	21.7	42	29	78	0	27	32	34	7
5	Page Industries	77	17.2	38	35	144	0	51	40	78	22
6	Wockhardt	68	13.4	LP	0	190	1	12	-	51	-2
7	Bajaj Finance	68	13.2	59	44	182	1	19	8	23	13
8	GRUH Finance	62	11.1	24	28	80	0	29	26	43	11
9	Blue Dart Express	59	10.2	16	20	156	0	42	14	133	28
10	Amara Raja Batteries	59	10.2	20	24	128	0	24	31	35	8
11	Motherson Sumi	56	9.3	29	39	404	1	26	21	52	19
12	Hexaware Tech	56	9.2	19	20	84	0	25	16	29	7
13	WABCO India	52	8.2	9	18	95	0	14	29	89	17
14	Sundaram Finance	52	8.1	16	16	148	0	15	18	29	8
15	Supreme Industries	50	7.7	16	16	79	0	27	38	28	8
16	Berger Paints	48	7.1	17	18	124	0	21	20	55	17
17	Britannia Industries	46	6.7	46	16	221	1	55	36	38	37
18	TVS Motor	45	6.4	58	18	106	0	27	5	38	58
19	Aurobindo Pharma	45	6.4	23	28	301	1	31	31	23	9
20	Lupin	44	6.2	29	22	757	2	27	27	38	21
21	Sun Pharma	42	5.7	27	47	1,405	4	17	17	47	27
22	MRF	42	5.7	29	19	136	0	20	18	18	12
23	HCL Technologies	41	5.5	42	25	1,130	3	30	20	19	19
24	Bosch	40	5.3	18	20	646	2	18	17	60	26
25	Pidilite Industries	39	5.3	13	17	250	1	23	31	60	21
26	United Breweries	39	5.2	24	16	208	1	14	11	102	51
27	IndusInd Bank	39	5.2	39	29	364	1	17	16	26	20
28	Bayer Crop Science	39	5.1	25	18	101	0	19	23	32	20
29	Havells India	38	5.1	41	11	153	0	21	17	49	52
30	Bharat Forge	38	5.0	LP	18	239	1	22	-4	39	-89
31	SPARC	38	5.0	Loss	35	94	0	-40	-153	-295	-96
32	Emami	37	4.9	23	17	181	1	39	27	47	28
33	Jubilant Foodworks	36	4.7	27	34	77	0	17	28	87	61
34	Shree Cement	36	4.7	-9	12	295	1	8	37	88	12
35	Whirlpool India	36	4.6	8	9	73	0	23	73	44	14
36	Mindtree	35	4.4	20	22	86	0	27	32	20	11
37	Shri.City Union.	35	4.4	24	27	94	0	14	19	23	11
38	Torrent Pharma	34	4.3	27	20	151	0	30	28	26	20
39	Titan Company	34	4.3	27	20	266	1	26	34	43	33
40	Bajaj Finserv	33	4.2	-26	-27	163	0	5	21	176	9
41	GSK Consumer	33	4.2	20	18	202	1	28	26	45	27
42	Godrej Consumer	32	4.0	22	32	263	1	21	36	39	24
43	Asian Paints	32	4.0	11	17	580	2	29	49	56	23
44	Info Edge (India)	31	3.9	-14	25	70	0	2	14	419	46
45	CRISIL	31	3.9	11	18	107	0	32	37	54	24
46	Apollo Hospitals	30	3.7	20	21	138	0	11	8	56	33
47	Hindustan Unilever	30	3.7	15	13	1,374	4	109	81	43	24
48	Tata Motors	29	3.6	40	23	1,071	3	25	32	11	15
49	P & G Hygiene	29	3.6	14	21	169	0	28	34	68	36
50	Marico	29	3.6	20	17	181	1	31	35	44	29
Rank	Company	2010-15 Price		CAGR 10-15 (%)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR b	Share (%)	2015	2010	2015	2010

Appendix 2: MOSL 100: Fastest Wealth Creators (2010-2015) ... continued

Rank	Company	2010-15 Price		CAGR (10-15, %)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR b	Share (%)	2015	2010	2015	2010
51	Kotak Mahindra Bank	29	3.5	18	24	628	2	14	16	33	20
52	Mahindra Finance	28	3.4	21	31	95	0	15	20	16	10
53	Gillette India	28	3.4	3	17	111	0	21	24	99	34
54	Dabur India	27	3.3	16	18	327	1	32	54	44	27
55	Kansai Nerolac	27	3.3	11	16	82	0	17	21	43	21
56	TCS	27	3.3	23	26	3,458	10	39	38	25	22
57	Yes Bank	26	3.2	33	37	222	1	17	15	17	18
58	Cadila Healthcare	26	3.2	18	19	244	1	27	31	31	22
59	B P C L	26	3.1	24	15	396	1	21	12	12	11
60	AIA Engineering	26	3.1	20	18	80	0	21	19	27	22
61	Colgate-Palmolive	24	3.0	5	15	182	1	73	131	49	21
62	UPL	24	3.0	17	18	131	0	20	18	17	12
63	Glenmark Pharma	24	3.0	8	22	141	0	16	14	45	22
64	Tech Mahindra	24	2.9	30	37	365	1	21	24	23	15
65	Idea Cellular	23	2.8	27	21	403	1	14	8	21	23
66	United Spirits	23	2.8	Loss	8	338	1	-256	-1	-32	-731
67	Castrol India	22	2.7	4	7	152	0	96	77	49	22
68	Dr Reddy's Labs	22	2.7	46	16	377	1	24	9	25	61
69	HDFC Bank	21	2.6	29	26	1,540	4	17	14	24	29
70	Divi's Labs	21	2.6	20	27	148	0	24	22	28	26
71	Ashok Leyland	21	2.6	-21	16	130	0	4	18	156	18
72	Maruti Suzuki	21	2.6	8	11	691	2	16	22	29	16
73	Nestle India	21	2.6	13	14	411	1	42	113	56	39
74	Zee Entertainment	21	2.5	9	17	211	1	28	17	34	18
75	LIC Housing Finance	20	2.5	15	26	130	0	18	20	16	12
76	UltraTech Cement	20	2.5	14	28	505	1	11	24	38	13
77	ITC	20	2.5	18	15	1,565	5	31	29	27	24
78	Godrej Industries	20	2.5	15	22	68	0	12	12	29	22
79	H D F C	19	2.4	22	14	1,241	4	19	18	24	24
80	Axis Bank	19	2.4	25	25	774	2	17	15	18	19
81	Cummins India	19	2.4	12	9	142	0	27	28	31	23
82	Petronet LNG	18	2.3	17	30	72	0	16	18	15	14
83	M & M	17	2.2	5	20	411	1	12	24	24	13
84	Bajaj Holdings	16	2.1	-9	6	78	0	15	25	17	5
85	Ambuja Cements	16	2.1	4	7	210	1	15	19	27	15
86	Shriram Transport	16	2.1	3	15	134	0	11	23	25	14
87	Cipla	16	2.1	2	16	300	1	11	18	48	25
88	Piramal Enterprises	15	2.1	43	7	86	0	24	29	5	18
89	H P C L	15	2.0	0	14	112	0	11	12	15	7
90	Bajaj Auto	15	2.0	14	13	293	1	27	59	19	18
91	Adani Ports	14	1.9	28	33	312	1	21	20	28	47
92	GSK Pharma	14	1.9	-1	11	138	0	25	28	61	30
93	Alstom T&D India	14	1.9	-9	1	73	0	9	22	123	38
94	Siemens	13	1.9	-3	3	234	1	14	25	82	35
95	Aditya Birla Nuvo	13	1.8	56	11	102	0	11	3	15	61
96	Container Corpn	13	1.8	6	11	139	0	14	18	29	22
97	Grasim Industries	5	1.3	-11	10	212	1	8	25	19	8
98	Infosys	11	1.7	15	19	1,048	3	24	27	21	24
99	ICICI Bank	11	1.7	21	13	730	2	14	9	15	23
100	ACC	10	1.6	-6	7	115	0	14	27	25	11
	TOTAL	25	3.1	19	18	34,233	100	20	20	27	21
Rank	Company	2010-15 Price		CAGR (10-15, %)		Wealth Created		RoE (%)		P/E (x)	
		CAGR (%)	Times (x)	PAT	Sales	INR b	Share (%)	2015	2010	2015	2010

Warrent Buffet Quotes on Investing

- **1) Buffett's Only Two Rules For Investing...**
- “Rule No. 1: Never lose money. Rule No. 2: Never forget rule No.1”
- **2) The Market Can Price Things Wrong**
- “Price is what you pay. Value is what you get.”
- **3) High Returns With Low Risk is the Key**
- “Risk comes from not knowing what you are doing.”
- **4) Get Around the Right People**
- “It's better to hang out with people better than you. Pick out associates whose behaviour is better than yours and you'll drift in that direction.
- **5) It's Easier to Look Back Than to Look Into the Future**
- “In the business world, the rear-view mirror is always clearer than the windshield.”
- **6) Buy Wonderful Companies**
- “It's far better to buy a wonderful company at a fair price, than a fair company at a wonderful price.”

- **7) Seize Great Opportunities and Load Up the Truck**
- “Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble.”
- **8) History Doesn’t Dictate the Future**
- “If past history was all that is needed to play the game of money, the richest people would be librarians.”
- **9) Invest for the Long Term**
- “Only buy something that you’d be perfectly happy to hold if the market shut down for 10 years.”
- **10) Buy It Thinking You Will Hold It Forever**
- “Our favorite holding period is forever.”
- **11) People Make Investing Seem More Difficult Than it Should**
- “The business schools reward difficult complex behavior more than simple behavior, but simple behavior is more effective.”

- 12) “No matter how great the talent or efforts, some things just take time. You can’t produce a baby in one month by getting nine women pregnant.”
- 13) “Whether we’re talking about socks or stocks, I like buying quality merchandise when it is marked down.”
- 14) You don’t need to be a rocket scientist. Investing is not a game where the guy with the 160 IQ beats the guy with 130 IQ
- 15) “The Stock Market is designed to transfer money from the Active to the Patient.”
- 16) “Stop trying to predict the direction of the stock market, the economy, interest rates, or elections.”
- 17) “The stock market is a no-called-strike game. You don’t have to swing at everything – you can wait for your pitch.”
- 18) “Never count on making a good sale. Have the purchase price be so attractive that even a mediocre sale gives good results.”
- 19) “If a business does well, the stock eventually follows.”
- 20) "**Bulls make money, bears make money, pigs get slaughtered**“
- 21) “The **market can stay irrational longer than** you can stay solvent.”.- John M. Keynes

Some DONT's

Never believe in TIPS. They are best for waiters

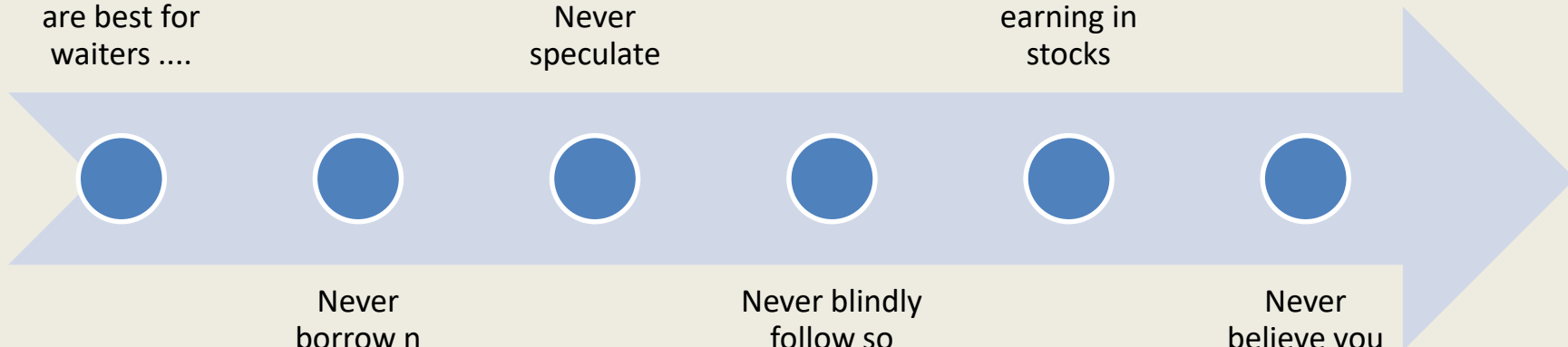
Never speculate

Get inspired but not carried away by what your peer is earning in stocks

Never borrow n invest.

Never blindly follow so called TV experts

Never believe you are smarter than market. Be Humble or be ready to be humbled.



The Art of Stock Picking

- Identifying the right stock (What to buy)
- Margin of safety (What price to buy)
- Timing the markets (When to buy)
- Position sizing (How much to buy)
- Identifying the Sustainable Moat

Tools :

(a) Fundamental Analysis

(b) Technical Analysis

Fundamental Analysis

- Earnings per share (EPS) / Sectoral PE
- PEG
- Price / Book value
- Dividend yield
- Free Cash Flow (FCF)
- Interest coverage (PBIT/Interest)
- Debt Equity Ratio
- Debtors Turnover / Inventory Turnover
- Return on Equity
- Payment of taxes
- Shareholding pattern
- Market Capitalisation & free float
- Increase in Market Cap / Total Retained Earnings

Auditors report qualifications / Contingent Liabilities

Annual report study – Management commentary

Related party transactions

Shares pledged by promoters

Credit Rating

Sales Growth / Profit growth trend

Research Reports by brokerages (concentrate only on figures n news events. Ignore the recommendations)

Google Company news to fill the missing picture

Assessing Management quality – Beware of Crooks !!

Read management interview / Stock exchange filings

Technical Analysis

Japanese Candlestick charting

30 /50/200 day SMA / EMA

Relative Strength Index (RSI) / Stochastics
/ William %R

Bollinger Bands

Volume Analysis (OBV), Money Flow
Index

Moving Average Convergence Divergence
(MACD)


Trend Analysis

Fibonacci Retracements


Elliot Wave theory

Resources to add to your knowledge

Websites – Moneycontrol.com; Researchbytes.com; Screener.in,
Topstockresearch.com



Be a voracious reader – Read as many books / e books on the subject
(The Intelligent Investor – Benjamin Graham is a must read). Howard
Marks, Peter Lynch are among others to be followed



Read Blogs – Alphaideas.in; follow people on Twitter



Read financial newspapers / Transcript of investor concall on co website



Keep track of promoter buying / Block deals (Stockarchitect.com)

THANK YOU