

India Strategy: Do we make money for our clients?

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Stockbroking is seen as an anti-intellectual profession. Moreover, in this cesspit, brokers who try to be intelligent, or worse still, ethical, are seen as less commercial than their less idealistic competitors. Hence it is with some pride that we lay claim to a suit of market beating portfolios which we have bought to our clients over the past year: (a) The 25 ten baggers highlighted on 19th Jan; (b) The ongoing Good & Clean portfolio; and (c) The 10 high quality cyclicals highlighted on 19th Jan. Now, you aren't subscribing to that MCX IPO are you?

(a) The 25 ten baggers highlighted on 19th Jan

These 25 stocks are meant to be long term ideas which should ideally give investors 10x returns over 10 years. Since publication, this portfolio has given an equal weighted return of **13.5%**. Over this period the BSE 100 has delivered 13.9% and the BSE500 has delivered 14.5%.

Out of these stocks 25, the 13 stocks that we said were trading at attractive valuations have delivered **17.9%** whilst the 6 stocks that we said were trading at rich valuations have delivered a more modest 3%.

Company	Bloomberg Code	Price (INR)		Performance (%)		Company	Bloomberg Code	Price (INR)		Performance (%)	
		18-Jan-12	21-Feb-12					18-Jan-12	21-Feb-12		
Attractive Valuations List						Attractive Valuations List					
Volta	VOLT IN Equity	82	115	39.3		Volta	VOLT IN Equity	82	115	39.3	
Mahindra Life.	MLIFE IN Equity	255	348	36.4		Mahindra Life.	MLIFE IN Equity	255	348	36.4	
Sadbhav Engg.	SADE IN Equity	113	146	28.6		Sadbhav Engg.	SADE IN Equity	113	146	28.6	
ICRA	ICRA IN Equity	857	1,068	24.6		ICRA	ICRA IN Equity	857	1,068	24.6	
Cummins India	KKC IN Equity	392	467	19.3		Cummins India	KKC IN Equity	392	467	19.3	
Tata Power Co.	TPWR IN Equity	98	116	18.0		Tata Power Co.	TPWR IN Equity	98	116	18.0	
B H E L	BHEL IN Equity	273	318	16.4		B H E L	BHEL IN Equity	273	318	16.4	
Castrol India	CSTRL IN Equity	424	483	13.9		Castrol India	CSTRL IN Equity	424	483	13.9	
Exide Inds.	EXID IN Equity	121	136	12.9		Exide Inds.	EXID IN Equity	121	136	12.9	
Cadila Health.	CDH IN Equity	650	710	9.3		Cadila Health.	CDH IN Equity	650	710	9.3	
Bajaj Electrical	BJE IN Equity	167	178	7.1		Bajaj Electrical	BJE IN Equity	167	178	7.1	
G S F C	GSFC IN Equity	396	419	5.8		G S F C	GSFC IN Equity	396	419	5.8	
Torrent Pharma.	TRP IN Equity	559	567	1.5	17.93	Torrent Pharma.	TRP IN Equity	559	567	1.5	17.93
Moderate Valuations List						Moderate Valuations List					
Titan Inds.	TTAN IN Equity	184	244	32.6		Titan Inds.	TTAN IN Equity	184	244	32.6	
Elgi Equipment	ELEQ IN Equity	67	78	15.4		Elgi Equipment	ELEQ IN Equity	67	78	15.4	
Asian Paints	APNT IN Equity	2,724	3,045	11.8		Asian Paints	APNT IN Equity	2,724	3,045	11.8	
Lupin	LPC IN Equity	433	474	9.4		Lupin	LPC IN Equity	433	474	9.4	
Nestle India	NEST IN Equity	4,038	4,384	8.6		Nestle India	NEST IN Equity	4,038	4,384	8.6	
CMC	CMC IN Equity	901	975	8.2	14.33	CMC	CMC IN Equity	901	975	8.2	14.33
Rich Valuations List						Rich Valuations List					
Supreme Inds.	SI IN Equity	183	201	9.7		Supreme Inds.	SI IN Equity	183	201	9.7	
GlaxoSmith C H L	SKB IN Equity	2,475	2,613	5.6		GlaxoSmith C H L	SKB IN Equity	2,475	2,613	5.6	
EID Parry	EID IN Equity	195	202	3.6		EID Parry	EID IN Equity	195	202	3.6	
CRISIL	CRISIL IN Equity	923	940	1.8		CRISIL	CRISIL IN Equity	923	940	1.8	
ITC	ITC IN Equity	210	207	-1.1		ITC	ITC IN Equity	210	207	-1.1	
Coromandel Inter	CRIN IN Equity	273	268	-1.8	2.96	Coromandel Inter	CRIN IN Equity	273	268	-1.8	2.96
Free float weighted Performance				7.0		Free float weighted Performance				7.0	
Equal Weighted Performance				13.5		Equal Weighted Performance				13.5	
Sensex Index	Sensex Index	16,451	18,429	12.0		Sensex Index	Sensex Index	16,451	18,429	12.0	
BSE500 Index	BSE500 Index	6,228	7,130	14.5		BSE500 Index	BSE500 Index	6,228	7,130	14.5	
BSE100 Index	BSE100 Index	8,524	9,709	13.9		BSE100 Index	BSE100 Index	8,524	9,709	13.9	

(b) The ongoing Good & Clean portfolio - still outperforming

As most of you know by now, our Good & Clean ("Good" in terms of dealing with the economic climate, "Clean" in terms of accounting and governance) has now outperformed the market benchmark comfortably for a year (by 915 bps to be precise). The latest avatar (launched on 19th October) has outperformed the BSE500 by 35bps on a free float market cap weighted basis.

We are adding two stocks to this portfolio today: Federal Bank and City Union Bank.

Bloomberg code	Company	Prices (Rs)		Performance (%)	FF Mkt cap (US\$ mn)
		18-Oct-11	21-Feb-12		
TTMT IN Equity	Tata Motors	181	271	49.7	6,229
SOBHA IN Equity	Sobha Developer.	230	301	30.7	120
FAG IN Equity	Fag Bearings	1,245	1,529	22.8	190
JUBI IN Equity	Jubilant Food.	886	1,006	13.5	576
ONGC IN Equity	O N G C	264	298	13.0	7,217
PWGR IN Equity	Power Grid Corpn	98	111	12.6	2,527
SKB IN Equity	GlaxoSmith C H L	2,325	2,613	12.4	1,093
IH IN Equity	Indian Hotels	68	76	12.0	514
TTAN IN Equity	Titan Inds.	221	244	10.3	1,919
BDE IN Equity	Blue Dart Exp.	1,588	1,751	10.3	103
TTKPT IN Equity	TTK Prestige	2,727	3,003	10.1	157
BOS IN Equity	Bosch	7,008	7,707	10.0	1,234
BOB IN Equity #	Bank of Baroda	800	868	8.5	2,098
OFSS IN Equity	Oracle Fin.Serv.	2,062	2,205	6.9	628
VTEX IN Equity	Vardhman Textile	202	215	6.5	184
EIM IN Equity	Eicher Motors	1,648	1,727	4.8	325
CSTRL IN Equity	Castrol India	474	483	1.9	688
GDPL IN Equity	Gateway Distr.	145	147	1.6	153
ITC IN Equity	ITC	204	207	1.5	19,429
SIEM IN Equity	Siemens	816	827	1.4	1,156
PSYS IN Equity	Persistent Sys	315	319	1.2	72
SRF IN Equity	SRF	299	302	0.8	189
GSFC IN Equity	G S F C	427	419	(2.1)	396
ENIL IN Equity	Ent.Network	249	243	(2.3)	64
VST IN Equity	VST Inds.	1,342	1,299	(3.2)	239
BPCL IN Equity	B P C L	642	614	(4.4)	1,401
CDH IN Equity	Cadila Health.	755	710	(5.9)	788
PIDI IN Equity	Pidilite Inds.	160	149	(6.7)	485
ARVND IN Equity	Arvind Ltd	105	97	(7.5)	284
SJVN IN Equity	SJVN	22	20	(8.8)	160
AKZO IN Equity	Akzo Nobel	911	818	(10.2)	233
RBXY IN Equity	Ranbaxy Labs.	503	449	(10.6)	1,563
CRIN IN Equity	Coromandel Inter	308	268	(12.7)	547
HCBA IN Equity	Novartis India	818	710	(13.2)	119
BIOS IN Equity	Biocon	345	294	(14.9)	420
GPPV IN Equity	Guj Pipavav Port	70	58	(16.6)	310
MGFL IN Equity #	Manappuram Finance Ltd	55	45	(17.9)	572
NMDC IN Equity	NMDC	240	197	(18.2)	967
FB IN Equity **	Federal Bank		451		1,246
CUBK IN Equity **	City Union Bank		48		323

G&C 3.0 Battleships Portfolio	Free Float Mkt cap weighted returns			10.8	
	Equal Weight Returns			2.7	
BSE500	Returns			10.4	
G&C 3.0 Battleships Alpha	Free Float Mkt cap weighted basis			0.35	

G&C 2.0 Alpha				5.0	
G&C 1.0 Alpha				3.8	

Cumulative Alpha				9.15	

Source: Bloomberg, Ambit Capital Research

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Added effective 24th Jan close

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New additions effective today

(c) The 10 high quality cyclicals highlighted on 19 January 2012

These 10 stocks have delivered **14.1%** on an equal weighted basis and **19.9%** on a free float market cap weighted basis since 19th Jan. Over this period the BSE 100 has delivered 13.9% and the BSE500 has delivered 14.5%.

Manappuram is the only stock in our list of 10 cyclicals which has delivered negative returns since 19th Jan - down 16% on the back of the RBI warning. The RBI has highlighted significant corporate governance deficits in this firm and we have to admit that we did not see this coming. We have put on our stance "under review" on Mannapuram and are speaking to a range of industry contacts to assess whether there is more dirt under the carpet.

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Tata Motors	TTMT IN Equity	214	271	26.9	Tata Motors	TTMT IN Equity	214	271	26.9
Cummins India	KKC IN Equity	392	467	19.3	Cummins India	KKC IN Equity	392	467	19.3
Tata Power	TPWR IN Equity	98	116	18.0	Tata Power	TPWR IN Equity	98	116	18.0
Bank Baroda	BOB IN Equity	744	868	16.7	Bank Baroda	BOB IN Equity	744	868	16.7
Engineers India	ENGR IN Equity	229	267	16.2	Engineers India	ENGR IN Equity	229	267	16.2
Exide	EXID In Equity	121	136	12.9	Exide	EXID In Equity	121	136	12.9
Eicher Motors	EIM IN Equity	1,585	1,727	8.9	Eicher Motors	EIM IN Equity	1,585	1,727	8.9
Torrent Power	TPW IN Equity	218	237	8.3	Torrent Power	TPW IN Equity	218	237	8.3
Manappuram	MGFL IN Equity	54	45	(16.1)	Manappuram	MGFL IN Equity	54	45	(16.1)
Fee float weighted performance				19.9	Equal Weighted Performance				14.1
Equal Weighted Performance				14.1					
	SENSEX INDEX	16,451	18,429	12.0		SENSEX INDEX	16,451	18,429	12.0
	BSE500 Index	6,228	7,130	14.5		BSE500 Index	6,228	7,130	14.5
	BSE100 Index	8,524	9,709	13.9		BSE100 Index	8,524	9,709	13.9

Spreadsheets giving the composition of these portfolios and their performance details are attached to this email.

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Explanation of Investment Rating

Investment Rating	Expected return (over 12-month period from date of initial rating)
Buy	>5%
Sell	≤5%

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