

11TH ANNUAL WEALTH CREATION STUDY

BY RAAMDEO AGRAWAL

TOP-10 WEALTH CREATORS (2001 - 2006)

| THE FASTEST | | | | THE BIGGEST | | | THE MOST CONSISTENT | | | |
|-------------|------------------|-------------------------|------------------|---------------------|-----------------------|------------------|-----------------------|--------------------------|---|--|
| Rank | Company | Adjusted Price CAGR (%) | Appreciation (x) | Company | Wealth Created (Rs b) | Appreciation (x) | Company | Appeared in WC Study (x) | Price CAGR (%) with Div. Reinvest. for 15 yrs | |
| 1 | Matrix Labs. | 183.0 | 181.7 | ONGC | 1,678 | 9.9 | Hero Honda Motors | 10 | 42.3 | |
| 2 | Kirl. Brothers | 170.0 | 143.4 | Reliance Inds. | 1,078 | 2.5 | Ranbaxy Laboratories | 10 | 30.9 | |
| 3 | Pantaloon Retail | 169.9 | 143.2 | Indian Oil | 555 | 5.4 | Wipro | 9 | 57.7 | |
| 4 | Aban Offshore | 169.0 | 140.7 | Infosys Tech. | 536 | 2.9 | Dr Reddy's Lab. | 9 | 46.3 | |
| 5 | Natl. Mineral | 154.6 | 107.1 | ITC | 528 | 3.6 | Cipla | 9 | 45.5 | |
| 6 | Unitech | 142.6 | 84.0 | BHEL | 515 | 15.8 | HDFC | 9 | 44.4 | |
| 7 | Bajaj Hindustan | 138.5 | 77.2 | Wipro | 478 | 2.5 | Satyam Computer* | 8 | 68.2 | |
| 8 | Bharat EarthMove | 135.6 | 72.6 | State Bank of India | 404 | 4.8 | Infosys Technologies* | 8 | 53.4 | |
| 9 | Hind. Construct. | 126.4 | 59.5 | SAIL | 321 | 14.9 | ITC | 8 | 34.1 | |
| 10 | Financial Tech. | 125.0 | 57.6 | Tata Motors | 320 | 14.3 | Nicholas Piramal | 8 | 32.6 | |

* For Satyam and Infosys Price CAGR is for 13 years and 12 years respectively.

HIGHLIGHTS

- ✍ Only corporate earnings growth is not sufficient for markets to rise to higher levels. Growth expectations and change in risk free interest rate may come in the way of the 4th year of bull run.
- ✍ Favorable 'terms of trade' are an important characteristic of a wealth creating company.
- ✍ 'Terms of trade' are broadly stable and don't change often. But when 'terms of trade' change from adverse to favorable, the impact on speed of wealth creation can be significant.
- ✍ Large unpopular companies have not only been the source of bulk of wealth creation, but also the speed of wealth creation.

Contents

| | |
|---|--------------|
| Objective, Concept & Methodology | 3 |
| Wealth Creation Study 2001-2006: Findings | 4-20 |
| Wealth Creators' Index v/s BSE Sensex | 5 |
| Wealth Creators: classification by industry | 6 |
| Wealth Creators: MNCs v/s Indian companies | 7 |
| Wealth Creators: classification by market cap | 8 |
| Wealth Creators: classification by business activity | 9 |
| Wealth Creators: classification by product attribute | 10 |
| Wealth Creators: classification by business dominance | 11 |
| Wealth Creators: classification by capital allocation | 12 |
| Wealth Creators: classification by sales & earnings growth..... | 13 |
| Wealth Creators: classification by age group | 14 |
| Wealth Creators: state-owned v/s private | 15 |
| Wealth Creators: classification by export performance | 16 |
| Wealth Creators: new economy v/s old economy | 17 |
| Wealth Creators: classification by valuation parameters | 18-19 |
| Wealth Destroyers | 20 |
| Market Outlook: Our Views on the Sensex | 21-24 |
| Theme 2007: Importance of 'Terms of Trade' in Wealth Creation | 25-33 |
| Understanding 'terms of trade' | 26 |
| Determinants of 'terms of trade' | 28 |
| Wealth creators usually enjoy favorable 'terms of trade' ... | 29 |
| ...but there are exceptions to the rule | 30 |
| 'Terms of trade' are usually stable... | 31 |
| ...and a shift is a potent sign of fortune reversal | 31 |
| Picking stocks based on the above learnings | 33 |
| Appendix I: 'MOS<i>t</i> Inquire 100' – Wealth Creators (Alphabetically) | 35-36 |
| Appendix II: 'MOS<i>t</i> Inquire 100' – Wealth Creators (Ranked) | 37-38 |

Objective, Concept & 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 is compared to the intrinsic value, the higher is the margin of safety. In this year's study, we continue our 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 How to Value a Business.

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 for the period 2001-2006 in the Indian stock market. These companies have the distinction of having added at least Rs1b to their market capitalization over this period of five years, after adjusting for dilution. We have termed the group of Wealth Creators as the '*MOST-Inquire 100*'. The Wealth Creators have been listed in Appendix I and II on page 35 and 37, respectively. Ranks have been accorded on the basis of Speed of Wealth Creation, that is, the compounded growth in Wealth Created during the period under study.

On the cover page, we have presented the top-10 ranking companies in terms of Speed of Wealth Creation (called THE FASTEST), the top-10 ranking companies in terms of Size of Wealth Creation (called THE BIGGEST) and the top-10 ranking companies in terms of their frequency of appearance as wealth creators in our Wealth Creation studies (called THE MOST CONSISTENT).

Our Theme for 2007 is "Importance of 'Terms of Trade' in Wealth Creation", discussion on which starts from page 25.

* Capitaline and Trend databases have been used for this study

Wealth Creation
2001-2006
The 11TH Annual Study

Findings

Wealth Creators

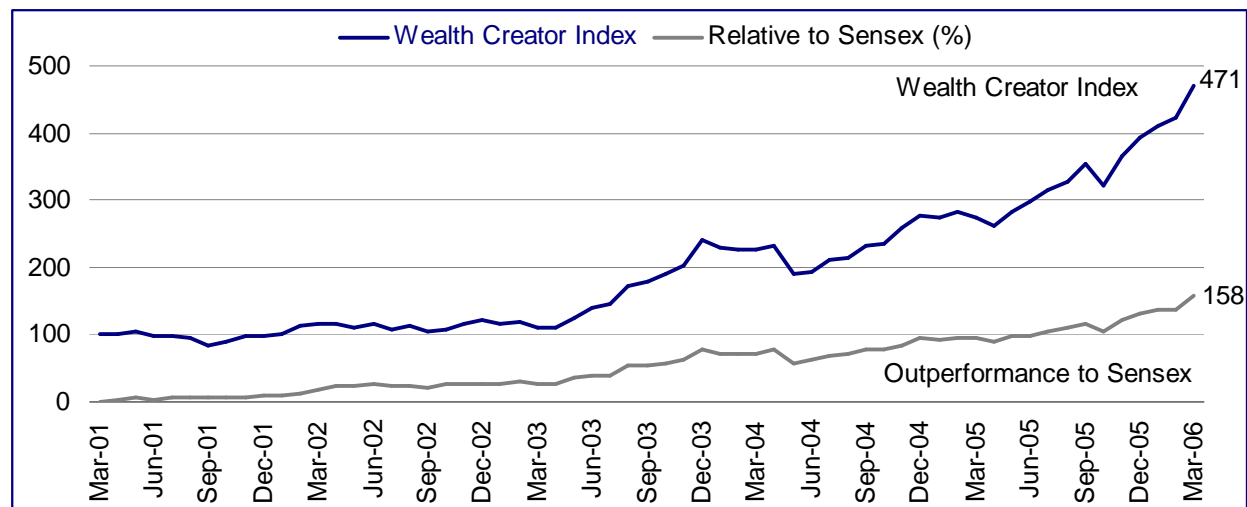
Comparative Performance v/s BSE Sensex

Corporate earnings grew by 58% during the two-year period 2001-2003, but the Sensex fell by almost 15% – stock prices can fall despite strong earnings growth

Though the foundation of valuation is laid on corporate earnings and its growth, the multiple that is accorded to these earnings depends on the mood of the market

In 2006, the Sensex P/E was 21.6x, around the same level as in 2001, indicating that most of the appreciation in the market index has been driven by earnings growth

WEALTH CREATORS' INDEX V/S BSE SENSEX (31.3.01 TO 31.3.06)



GROWTH: SENSEX V/S WEALTH CREATORS

| | MAR-01 | MAR-02 | MAR-03 | MAR-04 | MAR-05 | MAR-06 | 5-YEAR CAGR (%) |
|-----------------------|--------|--------|--------|--------|--------|--------|--------------------|
| BSE Sensex | 3,604 | 3,469 | 3,049 | 5,591 | 6,493 | 11,280 | 25.6 |
| YoY Performance (%) | | -3.7 | -12.1 | 83.4 | 16.1 | 73.7 | |
| Wealth Creators Index | 100 | 115 | 111 | 227 | 274 | 471 | 36.3 |
| YoY Performance (%) | | 15.1 | -3.3 | 104.0 | 21.0 | 71.6 | |
| Sensex EPS | 172 | 201 | 272 | 348 | 450 | 523 | 24.9 |
| Sensex PE | 20.9 | 17.3 | 11.2 | 16.1 | 14.4 | 21.6 | |
| Wealth Creators EPS | 8.9 | 9.6 | 14.0 | 17.5 | 22.4 | 24.8 | 22.6 |
| Wealth Creators PE | 11.2 | 11.9 | 8.0 | 12.9 | 12.3 | 19.0 | |

Wealth Creators

Classification By Nature of Business

Sugar, Autos, Textiles and Engineering, which the markets ignored in 2001, have given stellar performance during the period of study

Oil & Gas, Banks, Metals and Engineering companies account for most of the wealth created during 2001-2006

The capital goods boom has given new life to Engineering companies

Besides Engineering, Telecom and Cement are likely to emerge as bigger contributors to wealth creation in the days to come

WEALTH CREATORS: CLASSIFICATION BY INDUSTRY (RS B)

| INDUSTRY | NET WEALTH CREATED | SPEED CAGR (%) 2001-06 | NO. OF COS. | CONTR. TO WEALTH CREATED (%) | 2006 | | 2001 | |
|--------------|--------------------|------------------------|-------------|------------------------------|--------------|--------------|--------------|--------------|
| | | | | | NP | % OF TOTAL | NP | % OF TOTAL |
| Oil & Gas | 2,723 | 46.5 | 8 | 19.0 | 227.1 | 23.5 | 108.3 | 31.3 |
| Banks | 1,742 | 46.7 | 15 | 12.2 | 148.0 | 15.3 | 47.6 | 13.8 |
| Metals | 1,640 | 59.2 | 9 | 11.5 | 156.6 | 16.2 | 18.1 | 5.2 |
| Engineering | 1,578 | 66.1 | 14 | 11.0 | 48.7 | 5.0 | 11.3 | 3.3 |
| IT | 1,383 | 23.6 | 5 | 9.7 | 63.7 | 6.6 | 22.2 | 6.4 |
| Petrochem | 1,129 | 22.5 | 2 | 7.9 | 102.3 | 10.6 | 28.9 | 8.4 |
| Auto | 1,106 | 64.6 | 8 | 7.7 | 53.5 | 5.5 | 3.6 | 1.0 |
| FMCG | 880 | 16.1 | 7 | 6.2 | 46.5 | 4.8 | 27.8 | 8.0 |
| Pharma | 740 | 31.6 | 11 | 5.2 | 29.7 | 3.1 | 9.6 | 2.8 |
| Cement | 396 | 47.6 | 3 | 2.8 | 18.8 | 1.9 | 6.1 | 1.8 |
| Utility | 272 | 43.5 | 3 | 1.9 | 19.6 | 2.0 | 14.5 | 4.2 |
| Sugar | 108 | 121.3 | 2 | 0.8 | 4.3 | 0.4 | 0.6 | 0.2 |
| Telecom | 84 | 8.5 | 2 | 0.6 | 10.6 | 1.1 | 33.2 | 9.6 |
| Shipping | 83 | 44.4 | 2 | 0.6 | 18.9 | 2.0 | 5.6 | 1.6 |
| Textiles | 78 | 61.5 | 2 | 0.5 | 3.0 | 0.3 | 1.4 | 0.4 |
| Others | 362 | 41.7 | 7 | 2.5 | 14.4 | 1.5 | 6.8 | 2.0 |
| Total | 14,303 | 36.4 | 100 | 100.0 | 965.7 | 100.0 | 345.6 | 100.0 |

INDUSTRIES WITH LARGE NO OF COMPANIES BUT LITTLE REPRESENTATION IN WEALTH CREATORS

| INDUSTRY | NO OF COS | ROCE (%) | PAT (RS B) | P/E (X) | P/S (X) | P/B | NO OF COS IN TOP 100 |
|---------------|-----------|----------|------------|---------|---------|-----|----------------------|
| Chemicals | 48 | 14.5 | 9.8 | 15.3 | 1.2 | 3.2 | |
| Fertilizers | 13 | 15.1 | 13.8 | 9.2 | 0.5 | 1.5 | 1 |
| Paper | 15 | 10.7 | 3.8 | 11.0 | 0.9 | 1.3 | |
| Tyres | 8 | 9.6 | 2.2 | 23.5 | 0.5 | 2.0 | |
| Media | 26 | 8.1 | 2.9 | 55.6 | 8.9 | 3.7 | 1 |
| Hotels | 18 | 15.6 | 6.5 | 30.0 | 5.7 | 4.7 | 1 |
| Agrochemicals | 11 | 14.9 | 4.1 | 24.4 | 2.2 | 3.4 | |
| Chlor-Alkali | 5 | 22.5 | 2.7 | 5.9 | 0.8 | 1.5 | |

Wealth Creators

Classification By Management: MNC v/s Indian

Indian entrepreneurship has come of age – domestic companies account for over 90% of the wealth created for the fourth consecutive year

Either the existing MNCs are unable to find place in the list of wealth creators or the bigger ones are not interested in getting listed

MNCs in newer fields like Oil & Gas and Insurance will, however, see more listings

Overall, the future for MNCs should be better

WEALTH CREATORS: MNCs V/S INDIAN COMPANIES

| WEALTH CREATION STUDY | MNCs | NO. OF COMPANIES | | % WEALTH CREATED | |
|-----------------------|------|------------------|-----------------|------------------|--------|
| | | TOTAL | MNCs % OF TOTAL | MNCs | OTHERS |
| 2001-06 | 12 | 100 | 12.0 | 9.5 | 90.5 |
| 2000-05 | 11 | 100 | 11.0 | 6.8 | 93.2 |
| 1999-04 | 8 | 100 | 8.0 | 2.3 | 97.7 |
| 1998-03 | 10 | 83 | 12.0 | 3.1 | 96.9 |
| 1997-02 | 16 | 85 | 18.8 | 22.8 | 77.2 |
| 1996-01 | 19 | 71 | 26.8 | 29.7 | 70.3 |
| 1995-00 | 21 | 100 | 21.0 | 14.8 | 85.2 |
| 1994-99 | 43 | 100 | 43.0 | 50.2 | 49.8 |
| 1993-98 | 50 | 100 | 50.0 | 47.3 | 52.7 |
| 1992-97 | 19 | 45 | 42.2 | 38.4 | 61.6 |
| 1991-96 | 38 | 100 | 38.0 | 35.7 | 64.3 |

Wealth Creators

Classification By Market Cap: Speed v/s Size

To create wealth fast by investing in large companies, one must buy when they are unpopular

The probability of finding a small but fast growing company that would help create wealth fast is low

| MARKET CAPITALIZATION | MEAN SIZE | NO. OF COS. | MEAN SPEED (%) | WEALTH CREATED (%) |
|-----------------------|-------------|-------------|----------------|--------------------|
| >= 45 | 132.5 | 23 | 27 | 51 |
| 25 < 45 | 31.3 | 10 | 52 | 14 |
| 12.5 < 25 | 17.6 | 17 | 48 | 12 |
| 5 < 12.5 | 8.2 | 21 | 60 | 11 |
| 2.5 < 5 | 3.4 | 10 | 94 | 6 |
| < 2.5 | 0.9 | 19 | 118 | 6 |
| All Companies | 38.8 | 100 | 36.4 | 100 |

| COMPANY | MKT. CAP 2006 | MKT. CAP 2001 | NET WEALTH CREATED | PRICE CAGR (%) | 2001 P/S (X) | 2001 P/B (X) |
|--|------------------|------------------|-----------------------|-------------------|-----------------|-----------------|
| Large companies unpopular in 2001 | | | | | | |
| B H E L | 550.0 | 34.8 | 515.2 | 73.7 | 0.6 | 0.9 |
| S A I L | 344.1 | 23.1 | 320.9 | 71.6 | 0.2 | 0.5 |
| Tata Motors | 357.1 | 16.6 | 320.2 | 70.3 | 0.3 | 0.5 |
| Larsen & Toubro | 334.2 | 55.0 | 298.7 | 61.5 | 0.7 | 1.4 |
| Bajaj Auto | 277.9 | 26.1 | 251.9 | 60.5 | 0.9 | 1.0 |
| M & M | 151.1 | 13.3 | 134.2 | 59.9 | 0.4 | 0.6 |
| O N G C | 1,867.3 | 189.0 | 1,678.2 | 58.1 | 0.8 | 0.6 |
| Neyveli Lignite | 125.9 | 15.5 | 110.5 | 54.2 | 0.6 | 0.3 |
| Large companies popular in 2001 | | | | | | |
| Zee Telefilms | 98.4 | 50.2 | 48.2 | 14.4 | 13.0 | 1.3 |
| HCL Technologies | 213.0 | 104.8 | 98.0 | 12.4 | 14.5 | 6.1 |
| V S N L | 134.5 | 83.2 | 51.3 | 10.1 | 1.1 | 1.3 |
| M T N L | 115.8 | 83.3 | 32.4 | 6.8 | 1.4 | 1.0 |
| Hind. Lever | 599.4 | 481.4 | 116.3 | 4.5 | 4.5 | 19.4 |

Wealth Creators

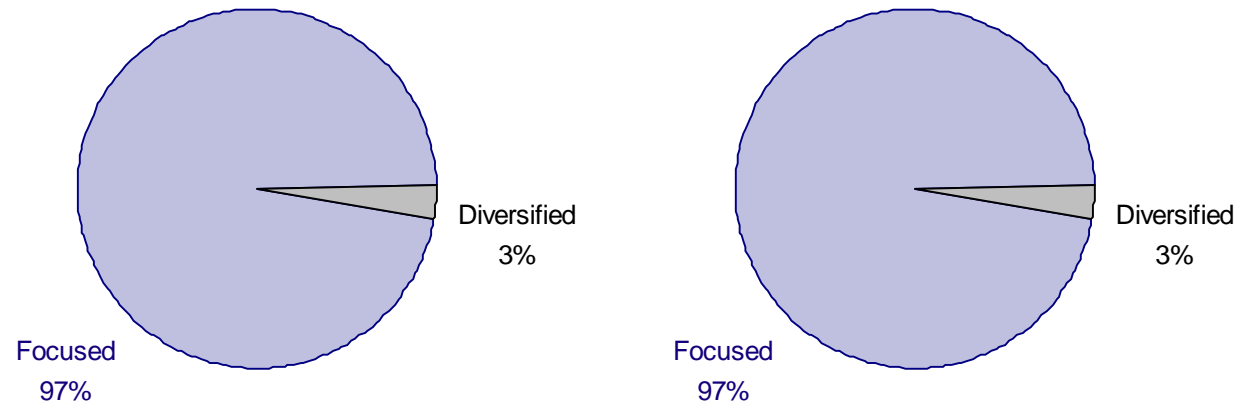
Classification By Business Activity

Three Birla group companies – Century Textiles, Grasim and Aditya Birla Nuvo – are the only diversified wealth creators

Valuations of Grasim and Century Textiles mainly relate to their cement business

In all our studies thus far, focused companies account for over 90% of the wealth creators

WEALTH CREATORS: CLASSIFICATION BY BUSINESS ACTIVITY
2001-2006 2000-2005



| WEALTH CREATION STUDY | FOCUSED (%) | DIVERSIFIED (%) |
|-----------------------|-------------|-----------------|
| 2001-06 | 97 | 3 |
| 2000-05 | 97 | 3 |
| 1999-04 | 96 | 4 |
| 1998-03 | 98 | 2 |
| 1997-02 | 96 | 4 |
| 1996-01 | 100 | 0 |
| 1995-00 | 95 | 5 |
| 1994-99 | 96 | 4 |
| 1993-98 | 93 | 7 |
| 1992-97 | 98 | 2 |

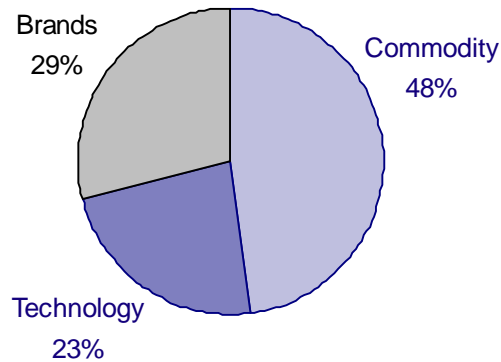
Wealth Creators

Classification By Product Attribute

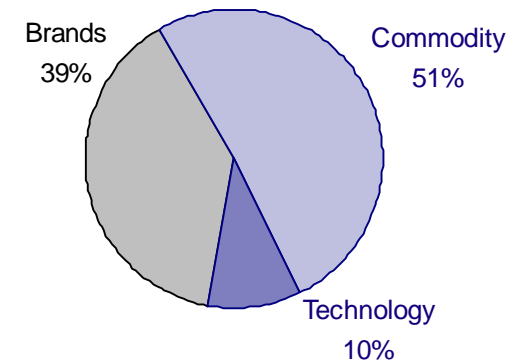
The dominance of commodity businesses continues

WEALTH CREATORS: CLASSIFICATION BY PRODUCT ATTRIBUTE

2001-2006



2000-2005



| WEALTH CREATION STUDY | BRANDS (%) | COMMODITY (%) | TECHNOLOGY (%) |
|-----------------------|------------|---------------|----------------|
| 2001-06 | 29 | 48 | 23 |
| 2000-05 | 39 | 51 | 10 |
| 1999-04 | 38 | 48 | 14 |
| 1998-03 | 40 | 46 | 14 |
| 1997-02 | 49 | 26 | 24 |
| 1996-01 | 57 | 22 | 21 |
| 1995-00 | 47 | 17 | 36 |
| 1994-99 | 27 | 14 | 59 |
| 1993-98 | 26 | 24 | 50 |
| 1992-97 | 43 | 4 | 53 |
| 1991-96 | 27 | 20 | 53 |

| 2001-06 | WEALTH CREATED (RS B) | WEALTH CREATED (%) |
|--------------|-----------------------|--------------------|
| Brands | 3,065 | 21.4 |
| Commodity | 8,084 | 56.5 |
| Technology | 3,153 | 22.0 |
| Total | 14,303 | 100.0 |

Wealth Creators

Classification By Business Dominance

Wealth creators are usually the leaders (No. 1 or No. 2) in their businesses

Even if the leaders are expensive, it pays to be invested in them

WEALTH CREATORS: CLASSIFICATION BY BUSINESS DOMINANCE

| WEALTH CREATION STUDY | MONOPOLISTIC/DOMINANT (%) | OTHERS | TOTAL |
|---------------------------|---------------------------|--------|--------|
| 2001-06 | 62 | 38 | 100 |
| Net Wealth Created (Rs b) | 12,108 | 2,195 | 14,303 |
| % Net Wealth Created | 85 | 15 | 100 |
| Mkt. Cap CAGR (%) | 36.0 | 38.3 | |

Wealth Creators

Classification By Capital Allocation

Reliance Industries' balance sheet as on 31 March 2006 is post de-merger of assets – the effect being a transfer of about Rs191b worth assets to the Anil Ambani faction; effectively, the company's RoCE was about 20% and RoE was about 30%

The increase in its market cap during the last five years has been almost 3x the incremental capital employed; effectively, the stock is currently trading at 5.5x book value

SBI and IOC currently have very low productivity of capital at just about 15%

SBI is most likely to leverage its fixed cost structure far more effectively in the coming years because of free pricing and should create more wealth

IOC's capability to exploit its current fixed cost structure is, however, dependent on unpredictable government policies

WEALTH CREATORS: CLASSIFICATION BY CAPITAL ALLOCATION (RS B)

| | △CE | ROCE (%) | | MARKET CAP. | | △ M.CAP/ | |
|-------------------|-------|----------|------|-------------|--------|----------|-------|
| | | 2001 | 2006 | MAR-01 | MAR-06 | △ M.CAP | △ CE |
| B H E L | 30.0 | 7.0 | 33.4 | 35 | 550 | 515 | 17.2 |
| Tata Motors | 21.9 | -0.1 | 27.8 | 17 | 357 | 340 | 15.5 |
| ITC | 47.9 | 39.3 | 35.6 | 200 | 732 | 532 | 11.1 |
| Wipro | 45.5 | 40.3 | 36.2 | 310 | 796 | 486 | 10.7 |
| Infosys Tech. | 55.1 | 50.5 | 39.7 | 270 | 818 | 548 | 10.0 |
| O N G C | 318.9 | 27.5 | 32.8 | 189 | 1,867 | 1,678 | 5.3 |
| Indian Oil | 191.0 | 12.7 | 13.9 | 127 | 682 | 555 | 2.9 |
| State Bk of India | 141.8 | 11.9 | 15.9 | 105 | 509 | 404 | 2.8 |
| Reliance Inds. | 448.9 | 18.1 | 17.3 | 412 | 1,110 | 698 | 1.6 |
| S A I L | -18.5 | 5.5 | 36.5 | 23 | 344 | 321 | -17.4 |

| WEALTH CREATION STUDY | 2006 ROCE > 2001 ROCE NO. OF COMPANIES | % WEALTH CREATED |
|-----------------------|---|---------------------|
| 2001-2006 | 60/100 | 60 |
| 2000-2005 | 64/100 | 72 |
| 1999-2004 | 66/100 | 75 |
| 1998-2003 | 58/83 | 77 |
| 1997-2002 | 55/85 | 84 |
| 1996-2001 | 41/71 | 91 |
| 1995-2000 | 50/100 | 65 |
| 1994-1999 | 65/100 | 56 |

Wealth Creators

Classification By Sales, Earnings Growth

Faster the earnings growth, faster the pace of wealth creation

Most wealth creators have seen moderate sales growth of 10-20% during 2001-2006 and these account for most of the wealth created during the period

High sales growth coupled with high earnings growth has been rewarded handsomely, but only six wealth creators fall in this category

Growth companies seem to be still fairly valued; hence, market cap growth matches earnings growth

WEALTH CREATORS: CLASSIFICATION BY SALES GROWTH

| SALES GROWTH | NO. OF COMPANIES | WEALTH CREATED (%) | CAGR IN MCAP (%) | EARNINGS GROWTH (%) |
|--------------|------------------|--------------------|------------------|---------------------|
| 0-10 | 27 | 17.5 | 25.4 | 8.4 |
| 10-20 | 35 | 43.2 | 45.4 | 27.2 |
| 20-30 | 22 | 19.0 | 43.5 | 43.8 |
| 30-40 | 10 | 16.5 | 26.2 | 26.0 |
| >40 | 6 | 3.9 | 80.4 | 107.8 |
| Total | 100 | 100.0 | 36.4 | 22.8 |

WEALTH CREATORS: CLASSIFICATION BY EARNINGS GROWTH

| EARNINGS GROWTH | NO. OF COMPANIES | WEALTH CREATED (%) | CAGR IN MCAP (%) | SALES GROWTH (%) |
|-----------------|------------------|--------------------|------------------|------------------|
| 0-10 | 18 | 7.8 | 15.3 | 8.3 |
| 10-20 | 16 | 16.1 | 37.2 | 10.8 |
| 20-30 | 24 | 38.6 | 35.5 | 17.1 |
| 30-40 | 12 | 15.5 | 42.5 | 20.9 |
| >40 | 30 | 22.0 | 72.8 | 23.9 |
| Total | 100 | 100 | 36.4 | 14.2 |

Wealth Creators

Classification By Age Group

The mean and median age of wealth creators is 45 years

Though many young technology companies have made it to the list of wealth creators, age is no bar in wealth creation

WEALTH CREATORS: CLASSIFICATION BY AGE-GROUP

(RS B)

| NO. OF YEARS | NO. OF COS. | WEALTH CREATED | % WEALTH CREATED |
|--------------|-------------|----------------|------------------|
| 0-10 | 1 | 56 | 0.4 |
| 11-20 | 16 | 3,079 | 21.5 |
| 21-30 | 16 | 2,030 | 14.2 |
| 31-40 | 9 | 2,001 | 14.0 |
| 41-50 | 18 | 2,380 | 16.6 |
| 51-60 | 11 | 1,378 | 9.6 |
| 61-70 | 11 | 1,571 | 11.0 |
| 71-80 | 6 | 480 | 3.4 |
| 81-90 | 5 | 304 | 2.1 |
| >90 | 7 | 1,023 | 7.2 |
| Total | 100 | 14,303 | 100.0 |

Wealth Creators

Classification By Ownership: State v/s Private

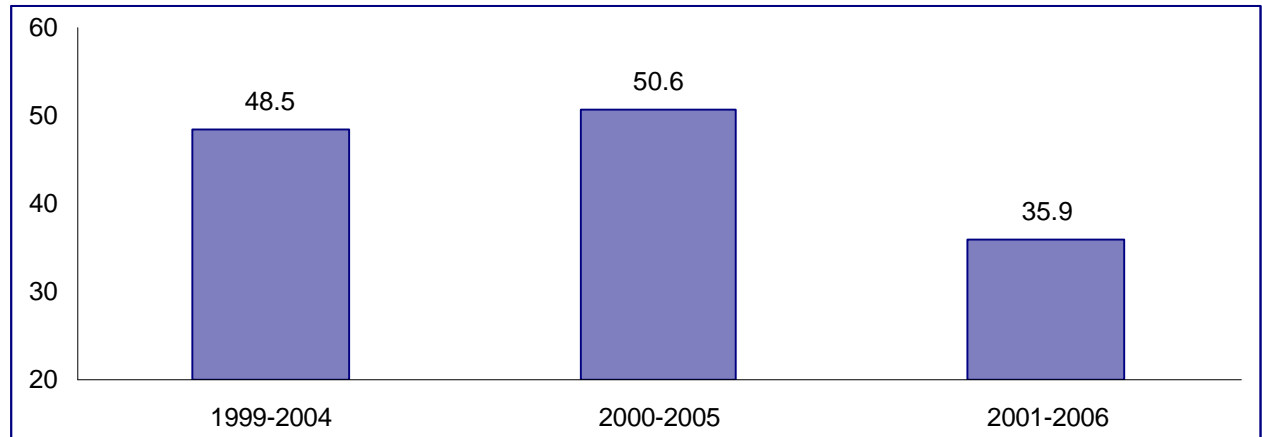
State-owned companies accounted for about 36% of wealth created, down from about 51% in the previous study

While the trend of faster wealth creation by state-owned companies might continue for some time, their contribution to the wealth created could decline in the years to come

WEALTH CREATORS: STATE-OWNED V/S PRIVATELY-OWNED

| | 2001-2006 | |
|--|-------------|---------|
| | STATE-OWNED | PRIVATE |
| Number of Wealth Creators | 26 | 74 |
| 5-year Earnings CAGR (%) | 19.7 | 26.0 |
| 5-year Market Cap CAGR (%) | 47.3 | 32.4 |
| P/E (x) at the beginning of study period | 4.8 | 18.3 |
| P/E (x) at the end of study period | 13.6 | 23.5 |
| % Wealth Created | 35.9 | 64.1 |

% WEALTH CREATED BY STATE-OWNED COMPANIES



Wealth Creators

Classification By Export Performance

While the overall turnover of the 85 non-banking wealth creators has grown by about 15% during 2001-2006, their exports have grown by about 31%

The major contributors to export growth have been Software, Pharmaceuticals, Metals and Refining, demonstrating that India has a global edge in these businesses

The next big export opportunity is shaping up in Autos and Engineering

Most of the wealth-creating companies are catering to domestic demand; the MNCs are particularly India-focused

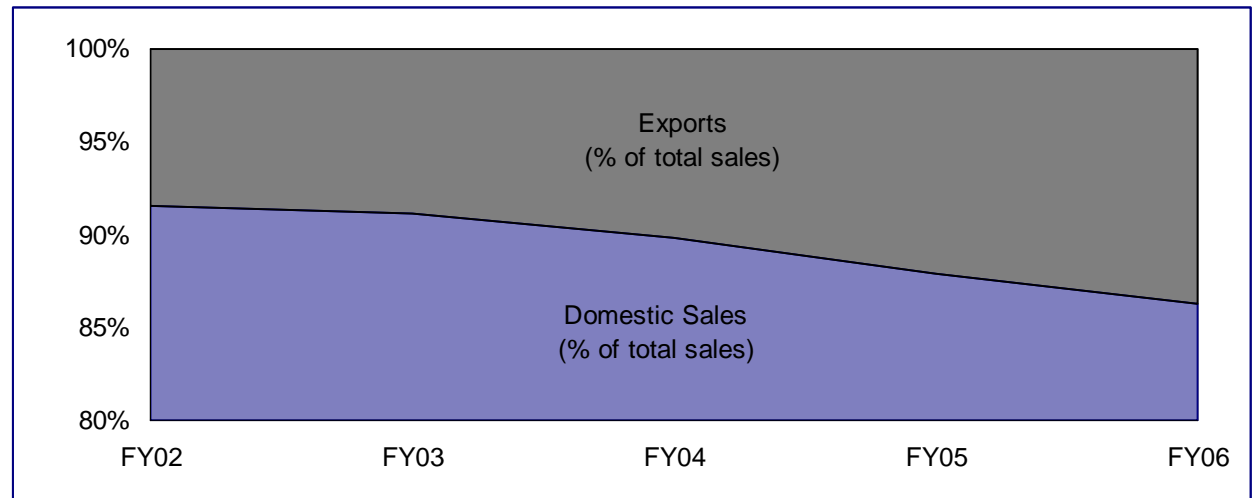
WEALTH CREATORS: CLASSIFICATION BY EXPORT PERFORMANCE

| EXPORT % TO SALES | NO. OF COMPANIES | WEALTH CREATED (%) | CAGR IN MCAP (%) |
|-------------------|------------------|--------------------|------------------|
| <15% | 49 | 56.4 | 40.5 |
| >15% | 36 | 43.6 | 29.9 |

WEALTH CREATORS: EXPORT PERFORMANCE

| | 2006 | 2005 | 2004 | 2003 | 2002 | CAGR (%) |
|-------------------|------|------|------|------|------|----------|
| Sales Growth (%) | 21.2 | 23.8 | 11.9 | 15.5 | 2.6 | 14.8 |
| Export Growth (%) | 38.3 | 43.9 | 27.6 | 20.4 | 24.9 | 30.7 |
| Export % to Sales | 15.4 | 13.5 | 11.6 | 10.2 | 9.8 | |

WEALTH CREATORS: EXPORT PERFORMANCE



Wealth Creators

Classification By New v/s Old Economy

New economy companies are still suffering from high valuations vis-à-vis old economy companies

The superior and consistent growth of IT companies will help them to create wealth in the future, but old economy companies will still beat them in terms of pace of wealth creation

WEALTH CREATORS: NEW ECONOMY V/S OLD ECONOMY

| | 2001-2006 | |
|--|-----------|------|
| | OLD | NEW |
| Number of Wealth Creators | 95 | 5 |
| 5-year Earnings CAGR (%) | 22.8 | 23.5 |
| 5-year Market Cap CAGR (%) | 38.8 | 23.6 |
| P/E (x) at the beginning of study period | 9.7 | 34.0 |
| P/E (x) at the end of study period | 17.9 | 34.2 |
| % Wealth Created | 90.3 | 9.7 |

WEALTH CREATORS: NEW ECONOMY V/S OLD ECONOMY

| | 2000-2005 | |
|--|-----------|-------|
| | OLD | NEW |
| Number of Wealth Creators | 99 | 1 |
| 5-year Earnings CAGR (%) | 29.7 | 45.4 |
| 5-year Market Cap CAGR (%) | 29.7 | 0.7 |
| P/E (x) at the beginning of study period | 10.7 | 200.7 |
| P/E (x) at the end of study period | 10.7 | 32.0 |
| Wealth Created (%) | 99.8 | 0.2 |

Wealth Creators

Classification By Valuation Parameters

If you buy stocks below P/B of 1x, you would be fairly certain to make money

50% of the wealth creators during 2001-2006 had P/B of less than 1 in 2001 and the pace at which these companies have created wealth is also the highest at 57%

Moral of the story – Buy a growth stock, but don't pay for growth

“There is absolutely no substitute for paying right price. In the bible, it says that love covers a multitude of sins. Well, in the investing field, price covers a multitude of mistakes. For human beings, there is no substitute for love. For investing there is no substitute for paying right price - absolutely none.” (Van Dan Bug, OI, April 2004)

WEALTH CREATORS: CLASSIFICATION BY VALUATION PARAMETERS

| | NO. OF COS | % WEALTH CREATED | CAGR IN MCAP % |
|----------------------------|------------|------------------|----------------|
| Price to Book (x) * | | | |
| <1 | 51 | 50.2 | 56.6 |
| 1-2 | 21 | 13.0 | 33.4 |
| >2 | 28 | 36.8 | 25.7 |
| Total | 100 | 100.0 | 36.4 |
| P/E (x) * | | | |
| <5 | 37 | 35.7 | 56.3 |
| 5-10 | 24 | 17.7 | 39.9 |
| >10 | 39 | 46.7 | 28.3 |
| Total | 100 | 100.0 | 36.4 |
| P/Sales (x) * | | | |
| < 0.5 | 40 | 27.6 | 52.5 |
| 0.5-1.0 | 21 | 31.8 | 57.0 |
| >1 | 39 | 40.6 | 25.2 |
| Total | 100 | 100.0 | 36.4 |

* Classified according to valuation parameters as at 31 March 2001

Wealth Creators

Classification By Valuation Parameters

Companies with a payout of over 50% have not fared badly in terms of the speed of wealth creation, if we remove HLL from the count

In fact, such high payout is a sign of extreme confidence, where companies like ACC, Titan, Tata chemicals, M&M, and Ashok Leyland pay out ahead of earnings growth

WEALTH CREATORS: CLASSIFICATION BY VALUATION PARAMETERS

| | NO. OF COS | % WEALTH CREATED | CAGR IN MCAP % |
|--------------------------|------------|------------------|----------------|
| Payout (%) | | | |
| >50 | 13 | 7.9 | 18.8 |
| 25-50 | 40 | 44.3 | 46.7 |
| 0-25 | 47 | 47.9 | 35.0 |
| Total | 100 | 100.0 | 36.4 |
| Payback Ratio (x) | | | |
| 0.0-0.5 | 41 | 44.3 | 59.0 |
| 0.5-1.0 | 21 | 16.1 | 45.6 |
| 1.0-2.0 | 22 | 22.2 | 30.5 |
| >2 | 16 | 17.3 | 20.1 |
| Total | 100 | 100 | 36.4 |

* Classified according to valuation parameters as at 31 March 2001

| | 2001 | | 2006 | |
|---------------------|--------|-----------------|--------|-----------------|
| | SENSEX | WEALTH CREATORS | SENSEX | WEALTH CREATORS |
| Median P/Book Value | 1.8 | 0.9 | 6.4 | 5.6 |
| Median P/Sales | 1.9 | 0.7 | 4.2 | 3.8 |
| Median P/E | 14.5 | 6.9 | 25.9 | 26.6 |
| Median Payback | 1.3 | 0.7 | | |

Wealth Destroyers

Total wealth destroyed during 2001-2006 is nominal

We have observed that a market collapse and bulk of the destruction of capital happen within a two-year period, with the first year accounting for almost 90% of the destruction

After massive destruction of wealth by IT companies witnessed in the previous study, where Rs2,510b was destroyed, wealth destroyed during 2001-2006 is a modest Rs124b

The worst is probably over and larger IT companies led by Infosys have started creating fresh wealth for shareholders

TOP-10 WEALTH DESTROYERS (2001-2006)

| COMPANY NAME | MARCH 2006 | | MARCH 2001 | | NET WEALTH CREATED (RS B) | PRICE CAGR (%) | NO OF TIMES (X) |
|------------------|------------|------------------|------------|------------------|---------------------------|----------------|-----------------|
| | PRICE (RS) | MKT. CAP. (RS B) | PRICE (RS) | MKT. CAP. (RS B) | | | |
| Pentamedia Graph | 5 | 1.1 | 81 | 42.6 | -36.6 | -44 | 0.1 |
| NIIT | 296 | 5.7 | 716 | 27.7 | -21.9 | -16 | 0.4 |
| Sterlite Optical | 97 | 5.7 | 363 | 20.3 | -14.9 | -23 | 0.3 |
| Morepen Labs. | 7 | 1.5 | 98 | 8.9 | -8.8 | -41 | 0.1 |
| Silverline Tech | 5 | 1.2 | 73 | 6.2 | -8.0 | -42 | 0.1 |
| Shirpur Gold Ref | 22 | 0.3 | 316 | 4.9 | -4.6 | -41 | 0.1 |
| Tele Data Infor. | 18 | 2.8 | 17 | 0.1 | -3.0 | 1 | 1.1 |
| Uniphos Enterp. | 31 | 0.8 | 45 | 5.7 | -2.8 | -7 | 0.7 |
| Mascon Global | 13 | 3.3 | 85 | 1.8 | -2.6 | -32 | 0.1 |
| Sh. Rama Multi | 9 | 0.5 | 49 | 2.6 | -2.2 | -30 | 0.2 |

Wealth Creation

2001-2006

The 11TH Annual Study

Market Outlook

To form our opinion on the markets, we have looked at the following parameters:

- 1. Corporate earnings*
- 2. Interest rates*
- 3. Valuations*

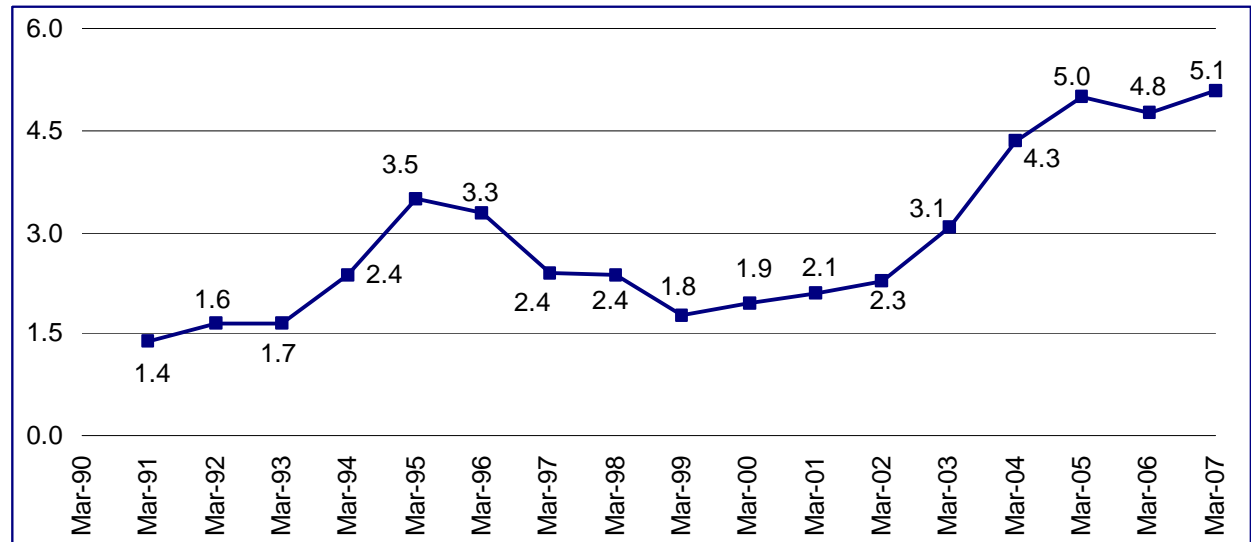
Market Outlook

On the back of robust export growth of over 25%, analysts are predicting higher corporate earnings growth than the nominal GDP growth for the year 2007-2008

Corporate profit to GDP in the US has risen to a new high of 12.5% against the earlier peak of about 8%

Global liquidity is allowing companies to make unusually high amounts of profits; the Indian experience is also on the same lines

INDIA: CORPORATE PROFIT TO GDP (%)



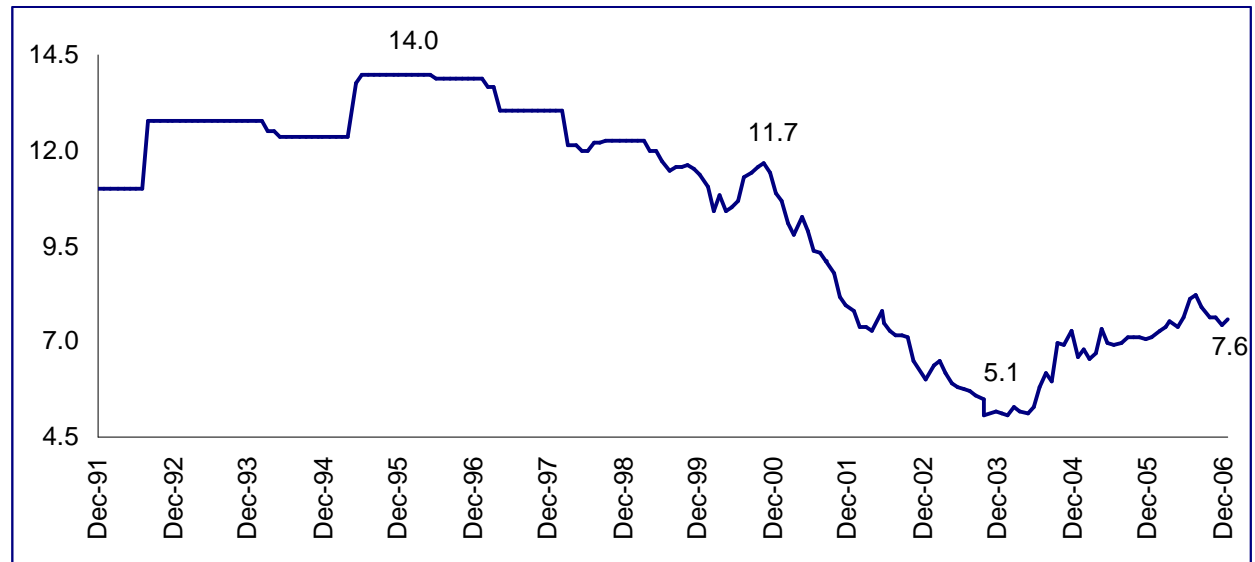
Market Outlook

The biggest challenge to India's growth story is inflation

Interest rates for Government bonds are much better aligned to US interest rates at this juncture, currently at 300bp premium over US interest rates

In our view, the current risk free rate of >7.5% should fluctuate in a 1% band

INDIA: 10-YEAR G-SEC YIELD (%)



Market Outlook

Despite the run-up, Indian equities are still reasonably valued

Earnings to bond yield is currently at 0.7x, after having hit a low of 0.14x in 1992 and a high of 1.8x in 2003

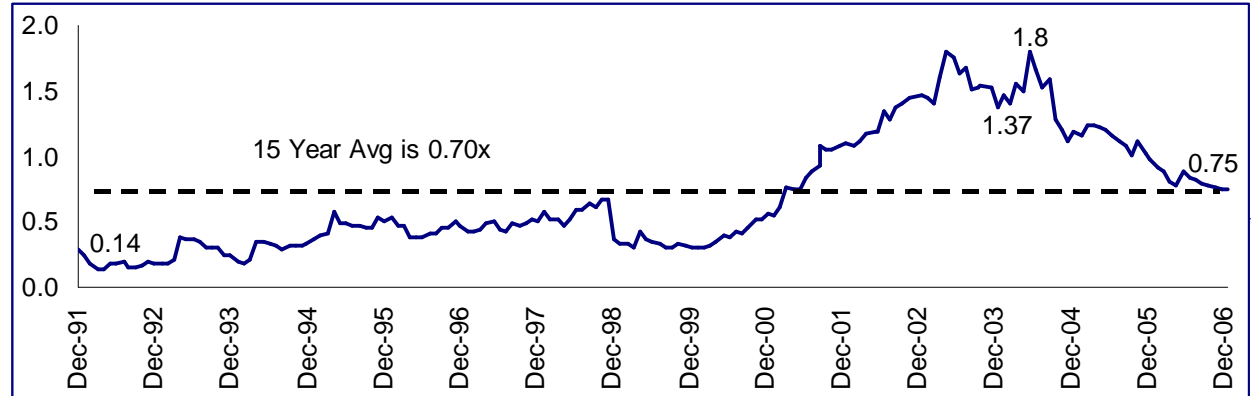
While this appears to be in perfect equilibrium, such a situation never lasts – we are most likely to get into the overvalued zone in the next 1-2 years

Though the P/E multiple is at a 5-year high at about 21x, it is still at the last 15-year average

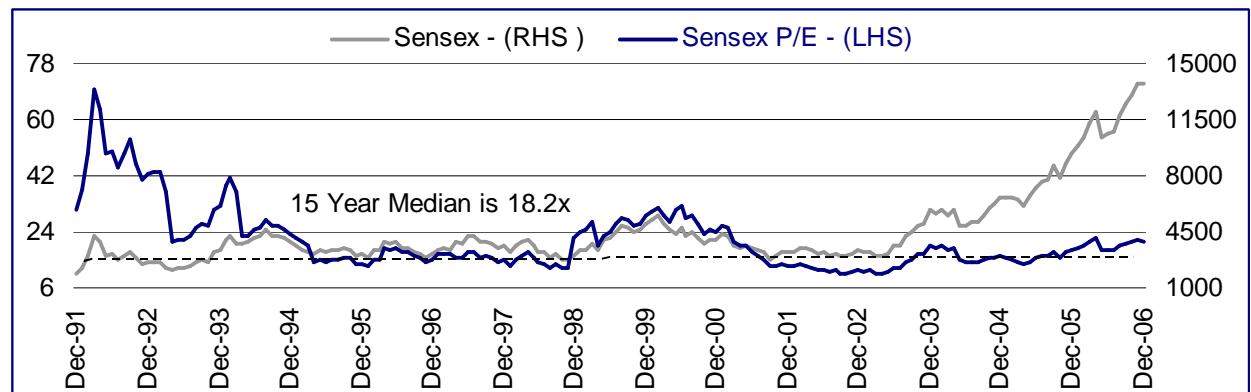
If the risk-free rate remains range-bound and corporate earnings grow at about 20%, current valuations do not pose danger of permanent loss of capital

Pace of wealth creation could, however, be much more muted

EARNINGS YIELD/G-SEC YIELD (X)



SENSEX V/S P/E



Wealth Creation

2001-2006

The 11TH Annual Study

Theme 2007

Importance of 'Terms of Trade' in Wealth Creation

High growth companies account for bulk of the wealth created

In our studies on Wealth Creation, we have observed that high growth companies (those exhibiting above 20% earnings growth) account for bulk of the wealth created. In the current study, 66 of the 100 wealth creators have seen their earnings grow at a CAGR of over 20% during the study period. These 66 companies accounted for 76% of the wealth created by the 'MOS_t-Inquire 100' over 2001-2006.

As such companies require high amounts of cash to fund their growth...

Since such companies require high amounts of cash to fund their growth, we explored the role of cash flow in the wealth creation process. We found that 76 of the 85 non-banking wealth-creating companies have positive operating cash flow. Thus, we conclude that it is not only important to make profit but also to realize it in the form of cash.

...we explored the role of cash flow in the wealth creation process

The value of any stock, bond or business today is determined by the cash inflows and outflows –discounted at an appropriate rate of interest – that can be expected to occur during the remaining life of the asset. – John Burr Williams

Every business primarily deals with two outside forces – suppliers and customers...

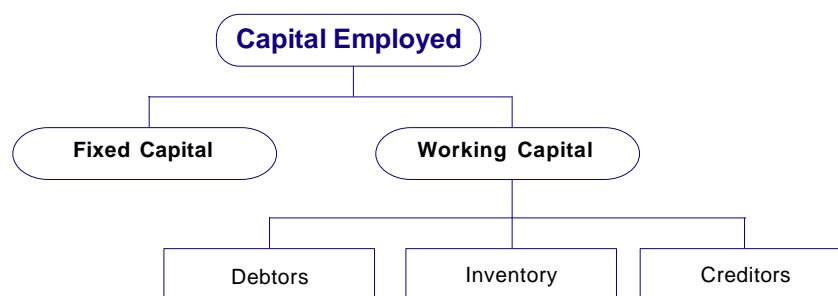
Further, we looked into the sources of operating cash flow (comprising of cash profits and changes in working capital). Any business entity primarily deals with two outside forces – (1) suppliers, dealings with whom reflect in creditors; and (2) customers, dealings with whom reflect in debtors. We term the relationship between debtors and creditors as 'terms of trade'. If debtors are higher than creditors, the business has to put up additional capital. If creditors are higher than debtors, the business gains a significant source of capital.

Understanding 'terms of trade'

...dealings with whom reflect in debtors and creditors

Every company requires capital to run its business. There are basically two types of capital – fixed capital and working capital. In some businesses, the proportion of fixed capital is higher; in others, the proportion of working capital is higher. There is no fixed rule about what the ratio of fixed capital to working capital should be. A typical company has to garner resources for both needs, which together constitute its total capital employed. A business is termed profitable if its return on capital employed (RoCE) is higher than its cost of capital and every company aims to maximize its RoCE.

CONSTITUENTS OF CAPITAL EMPLOYED



Source: Motilal Oswal Securities

To enhance its RoCE, a business entity must do one of the following:

1. Increase profit without a corresponding increase in capital employed
2. Increase / maintain profit together with a decrease in capital employed

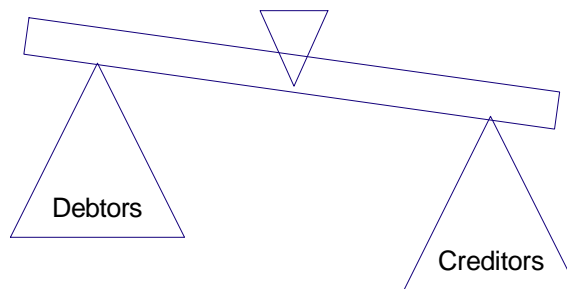
We term the relationship between the two as 'terms of trade'

Now, there is usually very little that a company can do about its fixed capital but better 'terms of trade' could help lower working capital requirements. 'Terms of trade' refers to the ratio of debtors to creditors – the lower the ratio, the better. In our calculation of 'terms of trade', debtors include bills discounted and we have used current liabilities as a proxy for creditors. We have expressed the ratio as a percentage.

We say that a company enjoys favorable 'terms of trade' if its debtors are lower than its creditors. A company's 'terms of trade' determine its working capital requirements. While favorable 'terms of trade' could result in zero or even negative working capital, adverse 'terms of trade' could mean very high working capital requirements, rendering the business unprofitable.

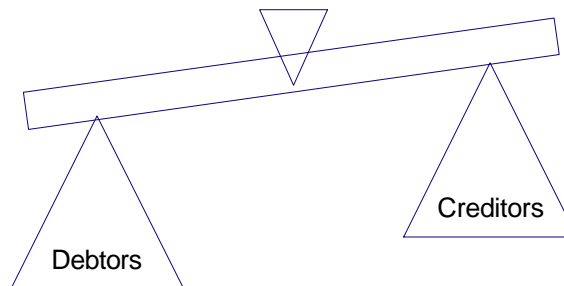
FAVORABLE TERMS OF TRADE

When debtors are less than creditors, we say 'terms of trade' are favorable



ADVERSE TERMS OF TRADE

When debtors are more than creditors, we say 'terms of trade' are adverse



Source: Motilal Oswal Securities

The best business to own is one that over an extended period can employ large amounts of incremental capital at very high rates of return. The worst business to own is one that must, or will, do the opposite – that is consistently employ ever greater amounts of capital at very low rates of return. Unfortunately, the first type of business is very hard to find. Most high return businesses need relatively little capital. – Warren Buffett

Determinants of 'terms of trade'

A company's 'terms of trade' are determined by the extent of its bargaining power...

A company's 'terms of trade' are determined by the extent of bargaining power it enjoys vis-à-vis its suppliers and customers. Typically, a company with a very strong brand or dominant position in its business enjoys high bargaining power. However, in several cases, even large companies like Siemens and ABB have to give long credit cycles to state electricity boards (SEBs), if they want to remain in business.

...vis-à-vis its customers and its suppliers

Some instances where a company might enjoy low debtors are:

- ✘ Consumer businesses, where customers pay across the counter or banks finance their purchases.
- ✘ Commodities are quoted in global markets on spot basis; hence, payments are received accordingly.
- ✘ Monopolistic suppliers of goods and services, e.g. Container Corporation, receive prompt / advance payments.
- ✘ Where goods and services are sold on prepaid basis.
- ✘ Where goods are in short supply.

A business entity's bargaining power vis-à-vis its suppliers is impacted by how dependent the suppliers are on its orders. Companies that enjoy high bargaining power vis-à-vis their suppliers have available to them long credit periods.

Based on the duration of its creditor and debtor cycles, a company could be in one of the following four situations.

| CREDITORS CYCLE | DEBTORS CYCLE | |
|--------------------|---------------------|-------|
| | LONG | SHORT |
| LONG | Bad, but Manageable | Great |
| SHORT | Worst Situation | Good |

While favorable 'terms of trade' aid wealth creation...

Situation of favorable 'terms of trade'

The greatest situation for a company to be in is when customers are prepaid and there is a credit cycle from the suppliers. In such a scenario, the company's working capital is negative, and these funds can be channeled to financing fixed capital requirements. Such a business usually enjoys good profit margins, too. As its capital requirements are largely taken care of, it yields high cash flows and rewards shareholders handsomely. E.g. Hindustan Lever, Hero Honda, Bharti Airtel.

Sometimes, companies with favorable 'terms of trade' could also be loss-making. This is often because the favorable 'terms of trade' are more structural in character than due to the strength of the company. In such cases, the company's fortunes change with the fortunes of the industry. However, when the 'terms of trade' are favorable not due to the industry structure but because of company's competitive position, it is very unlikely that the company would be loss-making.

Situation of adverse 'terms of trade'

The worst situation for a company to be in is where it has a very long debtors cycle but it purchases raw material almost on spot basis. In a situation where both the creditors cycle and the debtors cycle are long, a company may be able to get enough interest-free creditors to meet the requirements of extended debtors. However, such a company would suffer when the business cycle goes against it. At this juncture, the debtors would tend to prolong further, and to some extent even become sticky.

...adverse 'terms of trade' impede a company's ability to create wealth

Adverse 'terms of trade' usually impede a company's ability to create wealth. However, a company with a strong competitive advantage is able to create wealth even though it suffers adverse 'terms of trade'. The significantly higher margins that such a company usually enjoys make up for the adverse 'terms of trade'. Interestingly, IT services companies like Infosys, Wipro and Satyam fall into this category.

Benefits of favorable 'terms of trade'

- 1) **High margins:** Companies with favorable 'terms of trade' usually enjoy higher margins than their competitors in the business. This is because such companies are typically stronger, with better brand equity, better sales organization and greater financial muscle than their peers.
- 2) **Reduction in capital intensity:** Favorable 'terms of trade' not only result in lower working capital requirements, but at times also contribute towards meeting fixed capital requirements of the business. This significantly reduces the capital intensity of the business vis-à-vis its competitors.
- 3) **Strong free cash flows:** The combination of better margin and better asset turnover results in higher RoCE and strong free cash flows. The intrinsic value of a company is the present value of all its future cash flows and the market tends to value visible cash flows far higher. Therefore, such companies also enjoy higher valuations.

Companies with adverse 'terms of trade' often lose control over their destiny

Companies with adverse 'terms of trade' require great gulps of capital to stay alive, even during periods of economic expansion. When operations fail to prime the pump of free cash flow, financial markets supply the capital to run the business. Banks and other short-term lenders control the destiny of a company that has negative cash flow.

Wealth creators usually enjoy favorable 'terms of trade'...

While most wealth creators enjoy favorable 'terms of trade'...

In our opinion, favorable 'terms of trade' is fundamental to winning in business. This is corroborated by our latest Wealth Creation study, where 67 of the 85 non-banking wealth-creating companies enjoy favorable 'terms of trade'. The converse is also true – 70% of the wealth destroyers had adverse 'terms of trade'.

WHILE WEALTH CREATORS USUALLY ENJOY FAVORABLE TERMS OF TRADE...

| | NO OF COMPANIES | WEALTH CREATED (RS B) | % WEALTH CREATED | SPEED CAGR (%) |
|--------------|--------------------|--------------------------|---------------------|-------------------|
| Favorable | 70 | 10,123 | 81 | 33.2 |
| Adverse | 15 | 2,437 | 19 | 29.3 |
| Total | 85 | 12,560 | 100 | 35.2 |

... WEALTH DESTROYERS USUALLY HAVE ADVERSE TERMS OF TRADE

| | NO OF COMPANIES | WEALTH DESTROYED (RS B) | % WEALTH DESTROYED | SPEED CAGR (%) |
|--------------|--------------------|----------------------------|-----------------------|-------------------|
| Adverse | 37 | -105 | 84.8 | -22.6 |
| Favourable | 13 | -19 | 15.2 | -18.9 |
| Total | 50 | -124 | 100.0 | -21.9 |

...but there are exceptions to the rule

...companies that have very high margins are able to create wealth despite adverse 'terms of trade'

Not all companies that feature in our list of wealth creators enjoy favorable 'terms of trade'. Eleven companies with adverse 'terms of trade' have also created wealth. These are all companies that enjoy high RoCE, with the exception of Ranbaxy. Ranbaxy's RoCE was low in the terminal year of study; its pace of wealth creation was depressed at 11% CAGR. Software export companies have adverse 'terms of trade' but are compensated adequately by higher margins, ultimately leading to higher RoCE and strong cash flows. If adverse 'terms of trade' are not accompanied by higher margins, such businesses stop creating wealth.

NOT ALL WEALTH CREATORS ENJOY FAVORABLE 'TERMS OF TRADE'

| COMPANY NAME | DEBTORS | | PRICE CAGR (%) | ROCE | |
|------------------|------------------------------|------------------------------|----------------------|-------------|-------------|
| | AS % OF CREDITORS FY01 | AS % OF CREDITORS FY06 | | 2001 (%) | 2006 (%) |
| | Wockhardt | 113.3 | | 109.7 | 31.6 |
| Ranbaxy Labs. | 113.6 | 107.6 | 19.1 | 14.0 | 6.7 |
| Sesa Goa | 122.1 | 155.1 | 118.0 | 7.4 | 74.1 |
| Wipro | 122.6 | 114.4 | 20.2 | 40.3 | 36.2 |
| Glenmark Pharma | 133.8 | 221.9 | 92.3 | 14.1 | 10.0 |
| Sun Pharma. | 157.0 | 158.4 | 45.0 | 32.5 | 15.6 |
| Satyam Computer | 217.8 | 266.3 | 29.4 | 54.9 | 33.3 |
| Cummins India | 250.2 | 132.9 | 32.6 | 24.8 | 31.1 |
| Infosys Tech. | 258.0 | 172.2 | 23.9 | 50.5 | 39.7 |
| Tata Chemicals | 325.3 | 120.5 | 47.3 | 11.7 | 15.1 |
| HCL Technologies | 408.9 | 126.3 | 12.4 | 26.6 | 25.7 |

Source: Motilal Oswal Securities

'Terms of trade' are usually stable...

'Terms of trade' are broadly stable and don't change often...

We have looked at 429 companies from the BSE-500, comparative data for which was available. We conclude that 'terms of trade' usually remain stable. If they are favorable in the beginning, they remain favorable in the end. Similarly, if they are adverse, they do not turn favorable easily. About 100 of the 429 companies observed did change sides, but these are in a clear minority. The observation is not very different amongst the wealth creating companies.

'TERMS OF TRADE' ARE USUALLY STABLE**BSE 500 COMPANIES**

| | ORIGINAL TERMS | NO OF COMPANIES | | | % OF COMPANIES | | |
|-----------|----------------|-----------------|---------|-------|----------------|---------|-------|
| | | FINAL TERMS | | | FINAL TERMS | | |
| | | FAVORABLE | ADVERSE | TOTAL | FAVORABLE | ADVERSE | TOTAL |
| ADVERSE | | 62 | 124 | 186 | 14 | 29 | 43 |
| FAVORABLE | | 205 | 38 | 243 | 48 | 9 | 57 |
| TOTAL | | 267 | 162 | 429 | 62 | 38 | 100 |

WEALTH CREATORS

| | ORIGINAL TERMS | NO OF COMPANIES | | | % OF COMPANIES | | |
|-----------|----------------|-----------------|---------|-------|----------------|---------|-------|
| | | FINAL TERMS | | | FINAL TERMS | | |
| | | FAVORABLE | ADVERSE | TOTAL | FAVORABLE | ADVERSE | TOTAL |
| ADVERSE | | 18 | 11 | 29 | 21 | 13 | 34 |
| FAVORABLE | | 51 | 5 | 56 | 60 | 6 | 66 |
| TOTAL | | 69 | 16 | 85 | 81 | 19 | 100 |

Source: Motilal Oswal Securities

...and a shift is a potent sign of fortune reversal

...but when 'terms of trade' change from adverse to favorable, the impact on speed of wealth creation can be significant

We examined in greater detail the wealth creators that have seen a change in their terms of trade. While we found 18 wealth creators that saw their 'terms of trade' changing from adverse to favorable, only two companies have been able to create wealth despite a significant deterioration in its 'terms of trade'. Of the 18 companies that saw their 'terms of trade' shifting from adverse to favorable, 12 saw a significant increase in their RoCE and 8 saw their stocks appreciate more than 15x during the period of study.

WEALTH CREATORS THAT HAVE SEEN THEIR 'TERMS OF TRADE' SHIFTING FROM ADVERSE TO FAVORABLE

| COMPANY NAME | DEBTORS | DEBTORS | PRICE CAGR (%) | ROCE 2001 (%) | ROCE 2006 (%) |
|------------------|-------------------|-------------------|----------------------|---------------------|---------------------|
| | AS % OF | AS % OF | | | |
| | CREDITORS FY01 | CREDITORS FY06 | | | |
| Thermax | 105.2 | 44.3 | 93.2 | -1.1 | 41.3 |
| Crompton Greaves | 115.2 | 81.5 | 113.0 | 2.0 | 29.0 |
| Asian Paints | 115.3 | 59.2 | 31.4 | 27.9 | 43.9 |
| Jindal Steel | 117.6 | 35.7 | 82.8 | 19.0 | 18.1 |
| Glaxosmithkline | 117.7 | 31.4 | 27.7 | 28.1 | 70.7 |
| Dabur India | 122.0 | 25.5 | 32.4 | 21.3 | 47.1 |
| Kirl. Brothers | 125.7 | 83.7 | 170.0 | 14.5 | 56.9 |
| B H E L | 130.1 | 81.5 | 73.7 | 7.0 | 33.4 |
| Financial Tech. | 130.9 | 4.5 | 125.0 | 13.4 | 40.7 |
| Engineers India | 136.5 | 61.0 | 54.0 | 27.5 | 21.3 |
| Hindalco Inds. | 143.0 | 47.4 | 23.4 | 20.5 | 16.1 |
| Neyveli Lignite | 147.1 | 28.3 | 54.2 | 16.6 | 11.3 |
| A B B | 148.7 | 75.3 | 65.2 | 19.4 | 39.6 |
| Aditya Birla Nuv | 181.7 | 65.1 | 56.0 | 9.2 | 9.1 |
| Aban Offshore | 197.2 | 83.7 | 169.0 | 11.5 | 20.8 |
| Ashok Leyland | 221.3 | 97.7 | 53.6 | 11.2 | 23.6 |
| Dr Reddy's Labs. | 257.7 | 59.9 | 17.9 | 23.6 | 9.1 |
| Titan Inds. | 265.1 | 26.8 | 83.2 | 13.1 | 25.3 |

Source: Motilal Oswal Securities

WEALTH CREATORS THAT HAVE SEEN THEIR 'TERMS OF TRADE' SHIFTING FROM FAVORABLE TO ADVERSE

| COMPANY NAME | DEBTORS | DEBTORS | PRICE CAGR (%) | ROCE 2001 (%) | ROCE 2006 (%) |
|-----------------|-------------------|-------------------|----------------------|---------------------|---------------------|
| | AS % OF | AS % OF | | | |
| | CREDITORS FY01 | CREDITORS FY06 | | | |
| Hind. Zinc | 30.8 | 165.9 | 90.1 | 24.4 | 57.1 |
| Tata Power Co. | 64.3 | 111.6 | 42.3 | 12.0 | 11.0 |
| Zee Telefilms | 88.7 | 156.2 | 14.4 | 4.2 | 4.2 |
| Cipla | 89.6 | 137.8 | 27.1 | 32.5 | 29.7 |
| Natl. Mineral | 92.6 | 205.2 | 154.6 | 27.5 | 69.0 |

Source: Motilal Oswal Securities

- ✎ Hindustan Zinc and NMDC have actually improved their 'terms of trade' but for the credit cycle extended by them to customers because of huge cash accumulated by them.
- ✎ Cipla has seen a deterioration in its 'terms of trade' because of the change in business mix towards exports, which have higher credit cycle.

Conclusion

- ✍ 'Terms of trade' are broadly stable and do not change often.
- ✍ Favorable 'terms of trade' are an important characteristic of a wealth creating company.
- ✍ Adverse 'terms of trade' per se are not conducive to wealth creation.
- ✍ When 'terms of trade' change from adverse to favorable, RoCE is favorably impacted, in turn enabling significant wealth creation.
- ✍ To sum up, favorable 'terms of trade' is one of the enablers of high RoCE and should be looked for in the search for winners in the stock market.

Picking stocks based on the above learnings

Based on the above learnings, we pick IPCL, HPCL and JSW Steel

We looked at the 'terms of trade' of BSE-500 companies to identify potential winners. We found that JSW Steel, HPCL and IPCL enjoy favorable 'terms of trade' and this is yet to reflect in their stock prices, as they are available at low P/B. We believe that in the next 3-5 years, favorable 'terms of trade' will limit the downside in their stock prices. Further, as and when the favorable 'terms of trade' begin reflecting in higher RoCE and EPS, the stock markets will respond positively. This is truly in the lines of Mr. Warren Buffet's "Rule No. 1: Never Lose Money; Rule No. 2: Never Forget Rule No. 1."

FUTURE THOUGHTS BASED ON TERMS OF TRADE

| COMPANY | BOOK VALUE (RS) | PRICE (RS) | PRICE / BOOK VALUE (X) | TERMS OF TRADE (%) |
|-----------|--------------------|---------------|---------------------------|-----------------------|
| HPCL | 257 | 270 | 1.1 | 20 |
| JSW Steel | 256 | 379 | 1.5 | 28 |
| IPCL | 166 | 286 | 1.7 | 16 |

Source: Motilal Oswal Securities

Wealth Creation

2001-2006

The 11TH Annual Study

Appendix

'MOST-Inquire 100' ~ Wealth Creators

Appendix I

ALPHABETICALLY ARRANGED

| SR. NO. | COMPANY NAME | TERMS OF TRADE (%) | ROE (%) | | P/BV (X) | | WEALTH CREATED | |
|------------|------------------|-----------------------|---------|------|----------|------|----------------|-----|
| | | | 2001 | 2006 | 2001 | 2006 | RS B | % |
| 1 | A B B | 75.3 | 13.6 | 24.6 | 2.5 | 14.0 | 114.0 | 0.8 |
| 2 | Aban Offshore | 87.0 | 8.2 | 29.6 | 0.2 | 14.3 | 40.3 | 0.3 |
| 3 | ACC | 21.8 | 4.1 | 25.5 | 1.9 | 6.8 | 119.7 | 0.8 |
| 4 | Aditya Birla Nuv | 112.5 | 5.9 | 8.6 | 0.4 | 2.0 | 39.7 | 0.3 |
| 5 | Areva T&D | 79.1 | -1.7 | 17.2 | 0.4 | 16.3 | 33.7 | 0.2 |
| 6 | Ashok Leyland | 97.7 | 7.8 | 23.6 | 0.5 | 3.5 | 42.6 | 0.3 |
| 7 | Asian Paints | 42.7 | 25.9 | 30.2 | 3.8 | 9.9 | 46.1 | 0.3 |
| 8 | Aventis Pharma | 60.3 | 12.1 | 28.6 | 5.3 | 8.9 | 34.8 | 0.2 |
| 9 | B H E L | 81.5 | 8.2 | 23.0 | 0.9 | 7.5 | 515.2 | 3.6 |
| 10 | B P C L | 14.8 | 20.4 | 3.2 | 1.4 | 1.4 | 70.6 | 0.5 |
| 11 | Bajaj Auto | 24.7 | 10.0 | 23.1 | 1.0 | 5.8 | 251.9 | 1.8 |
| 12 | Bajaj Hindustan | 32.5 | 6.6 | 22.9 | 0.5 | 11.5 | 66.6 | 0.5 |
| 13 | Balrampur Chini | 30.1 | 19.1 | 32.2 | 0.7 | 5.1 | 41.0 | 0.3 |
| 14 | Bank of Baroda | - | 8.2 | 10.5 | 0.5 | 1.1 | 50.6 | 0.4 |
| 15 | Bank of India | - | 9.4 | 14.5 | 0.3 | 1.3 | 58.8 | 0.4 |
| 16 | Bharat EarthMove | 65.0 | 1.0 | 21.2 | 0.1 | 6.2 | 53.6 | 0.4 |
| 17 | Bharat Electron | 45.2 | 24.1 | 28.5 | 0.6 | 5.2 | 101.8 | 0.7 |
| 18 | Bharat Forge | 96.5 | 23.5 | 17.9 | 2.2 | 8.6 | 88.8 | 0.6 |
| 19 | Cadila Health | 92.6 | 12.1 | 22.4 | 1.4 | 5.8 | 33.8 | 0.2 |
| 20 | Century Textiles | 45.0 | 7.5 | 13.2 | 0.3 | 5.0 | 38.3 | 0.3 |
| 21 | Cipla | 137.8 | 24.7 | 30.8 | 8.3 | 10.1 | 138.6 | 1.0 |
| 22 | Colgate Palmoliv | 9.1 | 26.1 | 50.8 | 8.8 | 21.7 | 37.7 | 0.3 |
| 23 | Container Corpn. | 2.9 | 27.9 | 25.0 | 1.2 | 4.5 | 84.8 | 0.6 |
| 24 | Corporation Bank | - | 19.4 | 13.2 | 1.0 | 1.6 | 37.0 | 0.3 |
| 25 | Crompton Greaves | 100.7 | -22.5 | 31.3 | 0.4 | 10.5 | 53.7 | 0.4 |
| 26 | Cummins India | 144.0 | 18.8 | 22.4 | 2.0 | 6.0 | 35.5 | 0.2 |
| 27 | Dabur India | 13.9 | 21.4 | 42.2 | 4.8 | 15.9 | 53.6 | 0.4 |
| 28 | Dr Reddy's Labs. | 105.1 | 26.1 | 9.3 | 7.1 | 4.8 | 63.6 | 0.4 |
| 29 | DSP Merrill Lyn | - | 21.8 | 30.8 | 2.8 | 8.2 | 39.0 | 0.3 |
| 30 | Engineers India | 59.3 | 17.6 | 14.6 | 0.8 | 5.1 | 42.7 | 0.3 |
| 31 | Essar Oil | 9.0 | 0.6 | -3.7 | 0.1 | 1.9 | 35.7 | 0.2 |
| 32 | Financial Tech. | 35.6 | 12.6 | 30.9 | 6.6 | 49.8 | 71.1 | 0.5 |
| 33 | GAIL (India) | 23.8 | 20.6 | 23.2 | 0.7 | 2.7 | 229.0 | 1.6 |
| 34 | Gammon India | 47.9 | 9.1 | 12.0 | 0.4 | 5.5 | 40.7 | 0.3 |
| 35 | GE Shipping Co | 21.1 | 16.3 | 35.3 | 0.6 | 2.1 | 43.6 | 0.3 |
| 36 | GSK Pharma | 31.2 | 17.9 | 52.9 | 6.5 | 13.0 | 86.7 | 0.6 |
| 37 | Glenmark Pharma | 257.8 | 14.3 | 22.5 | 1.0 | 12.5 | 35.6 | 0.2 |
| 38 | Grasim Inds. | 42.7 | 12.2 | 17.3 | 0.7 | 3.8 | 165.9 | 1.2 |
| 39 | Guj. Ambuja Cem | 15.9 | 12.2 | 21.5 | 1.5 | 6.4 | 109.9 | 0.8 |
| 40 | H D F C | - | 20.0 | 28.1 | 2.7 | 7.5 | 268.0 | 1.9 |
| 41 | H P C L | 18.8 | 16.8 | 4.6 | 0.8 | 1.3 | 55.0 | 0.4 |
| 42 | HCL Technologies | 69.0 | 25.0 | 24.8 | 6.1 | 8.3 | 98.0 | 0.7 |
| 43 | HDFC Bank | - | 23.0 | 16.4 | 6.1 | 4.6 | 163.5 | 1.1 |
| 44 | Hero Honda Motor | 14.8 | 39.2 | 48.3 | 4.5 | 8.8 | 149.4 | 1.0 |
| 45 | Hind. Lever | 17.7 | 52.7 | 61.1 | 19.3 | 26.0 | 116.3 | 0.8 |
| 46 | Hind.Construct. | 0.3 | 28.5 | 14.0 | 0.5 | 5.0 | 38.1 | 0.3 |
| 47 | Hind.Zinc | 165.9 | 14.6 | 42.9 | 0.8 | 6.4 | 212.2 | 1.5 |
| 48 | Hindalco Inds. | 59.6 | 12.0 | 17.2 | 1.0 | 2.2 | 138.5 | 1.0 |
| 49 | HMT | 80.4 | 28.7 | 14.6 | 0.8 | 37.5 | 33.2 | 0.2 |
| 50 | I D B I | - | 7.5 | 8.8 | 0.2 | 0.9 | 32.8 | 0.2 |

'MOST-Inquire 100' ~ Wealth Creators

Appendix I

ALPHABETICALLY ARRANGED

| SR. NO. | COMPANY NAME | TERMS OF TRADE (%) | ROE (%) | | P/BV (X) | | WEALTH CREATED | |
|------------|------------------|-----------------------|---------|------|----------|------|----------------|------|
| | | | 2001 | 2006 | 2001 | 2006 | RS B | % |
| 51 | I P C L | 15.8 | 7.8 | 23.6 | 0.4 | 1.3 | 51.7 | 0.4 |
| 52 | ICICI Bank | - | 12.5 | 11.4 | 2.5 | 2.4 | 315.4 | 2.2 |
| 53 | Indian Hotels | 38.0 | 11.4 | 10.7 | 1.1 | 4.5 | 59.0 | 0.4 |
| 54 | Indian Oil | 28.3 | 17.0 | 16.8 | 0.8 | 2.3 | 555.3 | 3.9 |
| 55 | Indian Overseas | - | 12.4 | 25.6 | 0.4 | 1.7 | 47.0 | 0.3 |
| 56 | Infosys Tech. | 236.4 | 45.2 | 35.1 | 19.4 | 11.9 | 535.9 | 3.7 |
| 57 | ITC | 25.4 | 28.5 | 24.8 | 5.7 | 8.1 | 527.9 | 3.7 |
| 58 | Jindal Steel | 47.5 | 24.4 | 31.2 | 0.6 | 3.2 | 55.7 | 0.4 |
| 59 | Kirl. Brothers | 73.5 | 10.1 | 54.8 | 0.2 | 13.1 | 41.0 | 0.3 |
| 60 | Kotak Mah. Bank | - | 10.1 | 13.9 | 0.5 | 10.1 | 82.2 | 0.6 |
| 61 | Larsen & Toubro | 81.6 | 7.9 | 22.0 | 1.4 | 7.2 | 298.7 | 2.1 |
| 62 | M & M | 47.7 | 5.8 | 29.6 | 0.6 | 5.2 | 134.2 | 0.9 |
| 63 | M I C O | 55.9 | 15.5 | 22.1 | 1.8 | 6.0 | 85.3 | 0.6 |
| 64 | M T N L | 35.2 | 18.4 | 5.1 | 1.0 | 1.0 | 32.4 | 0.2 |
| 65 | Mangalore Ref. | 50.6 | -23.7 | 15.6 | 0.8 | 3.1 | 58.8 | 0.4 |
| 66 | Matrix Labs. | 105.7 | 34.1 | 21.1 | 0.5 | 5.0 | 36.6 | 0.3 |
| 67 | Natl. Aluminium | 4.8 | 18.4 | 26.5 | 1.0 | 3.2 | 153.6 | 1.1 |
| 68 | Natl. Mineral | 205.2 | 20.4 | 45.5 | 0.2 | 7.2 | 288.0 | 2.0 |
| 69 | Nestle India | 9.5 | 46.0 | 87.4 | 18.9 | 31.5 | 62.6 | 0.4 |
| 70 | Neyveli Lignite | 28.3 | 14.6 | 8.8 | 0.3 | 1.6 | 110.5 | 0.8 |
| 71 | Nicholas Piramal | 100.2 | 16.2 | 18.6 | 2.6 | 5.9 | 39.7 | 0.3 |
| 72 | O N G C | 56.8 | 17.3 | 26.7 | 0.6 | 3.5 | 1,678.2 | 11.7 |
| 73 | Oriental Bank | - | 13.1 | 10.8 | 0.5 | 1.1 | 36.9 | 0.3 |
| 74 | Pantaloon Retail | 7.4 | 4.2 | 12.2 | 0.1 | 10.0 | 48.8 | 0.3 |
| 75 | Ranbaxy Labs. | 110.7 | 11.5 | 9.4 | 4.2 | 6.8 | 93.5 | 0.7 |
| 76 | Reliance Capital | - | 4.6 | 13.2 | 0.4 | 2.8 | 86.0 | 0.6 |
| 77 | Reliance Energy | 65.9 | 12.8 | 9.2 | 1.0 | 1.8 | 66.7 | 0.5 |
| 78 | Reliance Inds. | 36.6 | 17.9 | 20.1 | 2.8 | 2.5 | 1,077.5 | 7.5 |
| 79 | S A I L | 36.7 | -16.1 | 31.8 | 0.5 | 2.7 | 320.9 | 2.2 |
| 80 | Satyam Computer | 256.6 | 59.8 | 28.6 | 8.1 | 6.4 | 200.2 | 1.4 |
| 81 | Sesa Goa | 176.6 | 7.3 | 49.8 | 0.4 | 4.7 | 49.5 | 0.3 |
| 82 | Ship. Corp. (I) | 30.7 | 17.3 | 23.9 | 0.4 | 1.1 | 39.2 | 0.3 |
| 83 | Siemens | 58.9 | 29.6 | 32.6 | 3.1 | 24.5 | 180.2 | 1.3 |
| 84 | St Bk of India | - | 11.9 | 15.9 | 0.8 | 1.8 | 404.1 | 2.8 |
| 85 | Sterlite Inds. | 82.0 | 7.7 | 12.5 | 0.3 | 4.8 | 169.7 | 1.2 |
| 86 | Sun Pharma. | 154.3 | 31.2 | 31.5 | 5.8 | 11.0 | 135.7 | 0.9 |
| 87 | Syndicate Bank | - | 19.3 | 20.3 | 0.3 | 1.8 | 39.9 | 0.3 |
| 88 | Tata Chemicals | 129.2 | 8.5 | 16.3 | 0.4 | 2.6 | 45.6 | 0.3 |
| 89 | Tata Motors | 20.4 | -15.4 | 27.7 | 0.5 | 6.5 | 320.2 | 2.2 |
| 90 | Tata Power Co. | 144.6 | 10.3 | 11.0 | 0.5 | 2.1 | 95.1 | 0.7 |
| 91 | Tata Steel | 32.7 | 11.7 | 35.9 | 0.9 | 3.0 | 251.7 | 1.8 |
| 92 | Tata Tea | 36.4 | 11.2 | 16.4 | 1.5 | 4.3 | 35.6 | 0.2 |
| 93 | Thermax | 45.7 | -3.7 | 25.8 | 0.4 | 7.8 | 35.7 | 0.2 |
| 94 | Titan Inds. | 27.1 | 14.0 | 38.2 | 1.0 | 19.2 | 34.6 | 0.2 |
| 95 | Unitech | 3.3 | 6.7 | 31.0 | 0.3 | 15.5 | 34.4 | 0.2 |
| 96 | UTI Bank | - | 28.6 | 16.9 | 1.1 | 3.5 | 81.2 | 0.6 |
| 97 | V S N L | 47.1 | 27.0 | 7.9 | 1.3 | 2.2 | 51.3 | 0.4 |
| 98 | Wipro | 351.6 | 34.0 | 31.5 | 15.8 | 12.4 | 477.8 | 3.3 |
| 99 | Wockhardt | 94.7 | 29.6 | 29.6 | 5.8 | 6.9 | 41.3 | 0.3 |
| 100 | Zee Telefilms | 56.4 | 3.5 | 4.5 | 1.3 | 6.4 | 48.2 | 0.3 |

'MOST-INQUIRE 100' ~ Wealth Creators

Appendix II

RANKED ACCORDING TO SPEED OF WEALTH CREATION

| RANK NO. | COMPANY NAME | P/E (X) | | EPS (RS) | | WEALTH CREATED | | PRICE CAGR (%) |
|----------|------------------|---------|-------|----------|-------|----------------|------|----------------|
| | | 2001 | 2006 | 2001 | 2006 | RS B | % | |
| 1 | Matrix Labs. | 1.4 | 23.7 | 1.1 | 11.9 | 36.6 | 0.3 | 183.0 |
| 2 | Kirl. Brothers | 2.0 | 23.9 | 1.3 | 16.3 | 41.0 | 0.3 | 170.0 |
| 3 | Pantaloon Retail | 3.1 | 82.2 | 4.5 | 23.9 | 48.8 | 0.3 | 169.9 |
| 4 | Aban Offshore | 2.3 | 48.5 | 3.4 | 22.7 | 40.3 | 0.3 | 169.0 |
| 5 | Natl. Mineral | 1.2 | 15.9 | 17.8 | 138.3 | 288.0 | 2.0 | 154.6 |
| 6 | Unitech | 4.8 | 50.0 | 0.1 | 0.9 | 34.4 | 0.2 | 142.6 |
| 7 | Bajaj Hindustan | 6.9 | 50.3 | 0.9 | 10.0 | 66.6 | 0.5 | 138.5 |
| 8 | Bharat EarthMove | 12.6 | 29.1 | 1.6 | 50.9 | 53.6 | 0.4 | 135.6 |
| 9 | Hind.Construct. | 1.7 | 35.5 | 1.7 | 4.9 | 38.1 | 0.3 | 126.4 |
| 10 | Financial Tech. | 52.4 | 161.4 | 0.6 | 10.6 | 71.1 | 0.5 | 125.0 |
| 11 | Areva T&D | -23.9 | 94.7 | -0.7 | 9.1 | 33.7 | 0.2 | 120.6 |
| 12 | Sesa Goa | 5.6 | 9.4 | 4.7 | 137.0 | 49.5 | 0.3 | 118.0 |
| 13 | Crompton Greaves | -1.7 | 33.7 | -2.8 | 6.2 | 53.7 | 0.4 | 113.0 |
| 14 | Bharat Forge | 9.5 | 47.8 | 1.7 | 9.3 | 88.8 | 0.6 | 93.9 |
| 15 | Bharat Electron | 2.5 | 18.1 | 19.4 | 72.9 | 101.8 | 0.7 | 93.4 |
| 16 | Thermax | -10.2 | 30.1 | -1.1 | 10.3 | 35.7 | 0.2 | 93.2 |
| 17 | Glenmark Pharma | 7.1 | 55.4 | 1.7 | 5.7 | 35.6 | 0.2 | 92.3 |
| 18 | Hind.Zinc | 5.3 | 15.0 | 4.0 | 34.8 | 212.2 | 1.5 | 90.1 |
| 19 | Kotak Mah. Bank | 5.4 | 72.7 | 2.2 | 3.8 | 82.2 | 0.6 | 88.7 |
| 20 | Siemens | 10.4 | 75.2 | 4.7 | 15.1 | 180.2 | 1.3 | 87.4 |
| 21 | Balrampur Chini | 3.4 | 16.0 | 2.5 | 11.7 | 41.0 | 0.3 | 85.7 |
| 22 | Gammon India | 4.7 | 46.0 | 5.5 | 11.8 | 40.7 | 0.3 | 83.7 |
| 23 | Titan Inds. | 7.5 | 50.3 | 5.4 | 16.6 | 34.6 | 0.2 | 83.2 |
| 24 | Jindal Steel | 2.3 | 10.2 | 39.8 | 186.0 | 55.7 | 0.4 | 82.8 |
| 25 | Sterlite Inds. | 4.3 | 38.2 | 4.6 | 9.1 | 169.7 | 1.2 | 77.8 |
| 26 | B H E L | 11.1 | 32.8 | 12.8 | 68.6 | 515.2 | 3.6 | 73.7 |
| 27 | S A I L | -3.2 | 8.6 | -1.8 | 9.7 | 320.9 | 2.2 | 71.6 |
| 28 | UTI Bank | 3.8 | 20.5 | 6.5 | 17.4 | 81.2 | 0.6 | 70.8 |
| 29 | Tata Motors | -3.3 | 23.4 | -19.6 | 39.9 | 320.2 | 2.2 | 70.3 |
| 30 | Century Textiles | 4.4 | 37.9 | 7.3 | 11.7 | 38.3 | 0.3 | 68.9 |
| 31 | HMT | 2.9 | 257.1 | 1.8 | 0.3 | 33.2 | 0.2 | 67.6 |
| 32 | Indian Overseas | 2.9 | 6.7 | 2.6 | 14.4 | 47.0 | 0.3 | 66.2 |
| 33 | A B B | 18.2 | 56.7 | 13.0 | 51.6 | 114.0 | 0.8 | 65.2 |
| 34 | Bank of India | 2.9 | 9.2 | 3.9 | 14.4 | 58.8 | 0.4 | 63.5 |
| 35 | Larsen & Toubro | 17.5 | 33.0 | 6.3 | 36.8 | 298.7 | 2.1 | 61.5 |
| 36 | M I C O | 11.3 | 27.2 | 23.8 | 107.0 | 85.3 | 0.6 | 60.9 |
| 37 | Bajaj Auto | 9.9 | 25.2 | 25.9 | 108.9 | 251.9 | 1.8 | 60.5 |
| 38 | M & M | 11.0 | 17.6 | 5.5 | 35.6 | 134.2 | 0.9 | 59.9 |
| 39 | Container Corpn. | 4.3 | 17.9 | 33.4 | 80.6 | 84.8 | 0.6 | 59.0 |
| 40 | Syndicate Bank | 1.8 | 8.7 | 5.0 | 10.3 | 39.9 | 0.3 | 58.6 |
| 41 | O N G C | 3.6 | 12.9 | 36.7 | 101.2 | 1,678.2 | 11.7 | 58.1 |
| 42 | GE Shipping Co | 3.9 | 5.9 | 6.9 | 44.3 | 43.6 | 0.3 | 57.7 |
| 43 | Aditya Birla Nuv | 7.0 | 23.8 | 11.4 | 31.2 | 39.7 | 0.3 | 56.0 |
| 44 | Neyveli Lignite | 2.1 | 17.9 | 4.0 | 4.2 | 110.5 | 0.8 | 54.2 |
| 45 | Engineers India | 4.4 | 34.8 | 22.4 | 24.7 | 42.7 | 0.3 | 54.0 |
| 46 | Ashok Leyland | 6.1 | 15.0 | 0.8 | 2.7 | 42.6 | 0.3 | 53.6 |
| 47 | Essar Oil | 19.4 | -50.0 | 0.3 | -0.8 | 35.7 | 0.2 | 53.1 |
| 48 | Reliance Capital | 8.5 | 21.5 | 7.3 | 24.1 | 86.0 | 0.6 | 53.0 |
| 49 | Grasim Inds. | 6.0 | 21.9 | 41.2 | 94.1 | 165.9 | 1.2 | 52.6 |
| 50 | DSP Merrill Lyn | 12.6 | 26.6 | 21.9 | 75.5 | 39.0 | 0.3 | 48.6 |

'MOST-Inquire 100' ~ Wealth Creators

Appendix II

RANKED ACCORDING TO SPEED OF WEALTH CREATION

| RANK NO. | COMPANY NAME | P/E (X) | | EPS (RS) | | WEALTH CREATED | | PRICE |
|----------|------------------|---------|-------|----------|------|----------------|-----|----------|
| | | 2001 | 2006 | 2001 | 2006 | RS B | % | CAGR (%) |
| 51 | Tata Chemicals | 4.2 | 16.1 | 9.1 | 16.4 | 45.6 | 0.3 | 47.3 |
| 52 | GAIL (India) | 3.6 | 11.7 | 13.3 | 27.3 | 229.0 | 1.6 | 46.3 |
| 53 | Tata Steel | 8.1 | 8.5 | 10.0 | 63.4 | 251.7 | 1.8 | 45.7 |
| 54 | Sun Pharma. | 18.7 | 34.9 | 7.2 | 24.8 | 135.7 | 0.9 | 45.0 |
| 55 | Hero Honda Motor | 11.4 | 18.3 | 12.4 | 48.6 | 149.4 | 1.0 | 44.6 |
| 56 | ACC | 46.8 | 26.8 | 2.8 | 29.2 | 119.7 | 0.8 | 43.2 |
| 57 | Oriental Bank | 3.8 | 10.6 | 10.5 | 22.2 | 36.9 | 0.3 | 42.6 |
| 58 | Tata Power Co. | 4.9 | 18.8 | 20.2 | 30.8 | 95.1 | 0.7 | 42.3 |
| 59 | Ship. Corp. (I) | 2.3 | 4.6 | 13.6 | 36.9 | 39.2 | 0.3 | 40.9 |
| 60 | Mangalore Ref. | -3.3 | 20.0 | -2.3 | 2.1 | 58.8 | 0.4 | 40.7 |
| 61 | Indian Oil | 4.7 | 13.9 | 23.3 | 42.1 | 555.3 | 3.9 | 40.0 |
| 62 | Natl. Aluminium | 5.4 | 12.1 | 10.2 | 24.2 | 153.6 | 1.1 | 39.8 |
| 63 | Indian Hotels | 9.8 | 41.8 | 25.9 | 32.4 | 59.0 | 0.4 | 39.7 |
| 64 | Cadila Health | 11.6 | 25.7 | 5.5 | 13.1 | 33.8 | 0.2 | 39.5 |
| 65 | Guj. Ambuja Cem | 12.2 | 29.9 | 1.7 | 3.5 | 109.9 | 0.8 | 38.1 |
| 66 | H D F C | 13.7 | 26.5 | 19.9 | 50.4 | 268.0 | 1.9 | 37.4 |
| 67 | I P C L | 5.4 | 5.6 | 9.9 | 46.7 | 51.7 | 0.4 | 37.1 |
| 68 | St Bk of India | 6.6 | 11.6 | 30.5 | 83.7 | 404.1 | 2.8 | 37.0 |
| 69 | Nicholas Piramal | 15.8 | 31.9 | 3.5 | 8.2 | 39.7 | 0.3 | 36.6 |
| 70 | Aventis Pharma | 43.9 | 31.2 | 10.4 | 63.0 | 34.8 | 0.2 | 34.0 |
| 71 | Cummins India | 10.5 | 26.7 | 5.5 | 8.9 | 35.5 | 0.2 | 32.6 |
| 72 | Dabur India | 22.4 | 37.6 | 1.4 | 3.3 | 53.6 | 0.4 | 32.4 |
| 73 | Wockhardt | 19.5 | 23.2 | 6.6 | 21.8 | 41.3 | 0.3 | 31.6 |
| 74 | Asian Paints | 14.9 | 32.9 | 11.0 | 19.6 | 46.1 | 0.3 | 31.4 |
| 75 | Bank of Baroda | 6.5 | 10.2 | 9.3 | 22.5 | 50.6 | 0.4 | 30.7 |
| 76 | Tata Tea | 13.1 | 26.1 | 17.8 | 33.2 | 35.6 | 0.2 | 30.0 |
| 77 | Satyam Computer | 13.5 | 22.2 | 17.3 | 38.2 | 200.2 | 1.4 | 29.4 |
| 78 | ITC | 19.9 | 32.7 | 2.7 | 6.0 | 527.9 | 3.7 | 29.1 |
| 79 | ICICI Bank | 20.2 | 20.6 | 8.2 | 28.5 | 315.4 | 2.2 | 28.9 |
| 80 | Corporation Bank | 5.0 | 12.3 | 21.8 | 31.0 | 37.0 | 0.3 | 28.3 |
| 81 | GSK Pharma | 36.2 | 24.5 | 11.8 | 59.3 | 86.7 | 0.6 | 27.7 |
| 82 | HDFC Bank | 26.6 | 27.8 | 8.6 | 27.8 | 163.5 | 1.1 | 27.5 |
| 83 | Cipla | 33.4 | 32.7 | 2.4 | 8.1 | 138.6 | 1.0 | 27.1 |
| 84 | Reliance Energy | 8.1 | 20.0 | 23.3 | 30.6 | 66.7 | 0.5 | 26.6 |
| 85 | I D B I | 2.5 | 10.1 | 10.6 | 7.7 | 32.8 | 0.2 | 24.0 |
| 86 | Infosys Tech. | 43.0 | 33.8 | 11.9 | 44.1 | 535.9 | 3.7 | 23.9 |
| 87 | Hindalco Inds. | 8.5 | 12.8 | 7.5 | 14.3 | 138.5 | 1.0 | 23.4 |
| 88 | Colgate Palmoliv | 33.6 | 42.7 | 4.6 | 10.1 | 37.7 | 0.3 | 22.8 |
| 89 | Wipro | 46.4 | 39.4 | 4.8 | 14.2 | 477.8 | 3.3 | 20.2 |
| 90 | Reliance Inds. | 15.6 | 12.2 | 20.4 | 65.1 | 1,077.5 | 7.5 | 20.2 |
| 91 | Ranbaxy Labs. | 36.7 | 71.9 | 4.9 | 6.0 | 93.5 | 0.7 | 19.1 |
| 92 | Nestle India | 41.1 | 36.0 | 12.3 | 32.1 | 62.6 | 0.4 | 18.0 |
| 93 | Dr Reddy's Labs. | 27.3 | 51.6 | 11.4 | 13.8 | 63.6 | 0.4 | 17.9 |
| 94 | B P C L | 6.9 | 43.8 | 27.8 | 9.7 | 70.6 | 0.5 | 17.5 |
| 95 | H P C L | 5.0 | 27.0 | 32.1 | 12.0 | 55.0 | 0.4 | 15.0 |
| 96 | Zee Telefilms | 36.2 | 142.4 | 3.4 | 1.7 | 48.2 | 0.3 | 14.4 |
| 97 | HCL Technologies | 24.5 | 33.4 | 15.0 | 19.8 | 98.0 | 0.7 | 12.4 |
| 98 | V S N L | 4.7 | 28.0 | 62.4 | 16.8 | 51.3 | 0.4 | 10.1 |
| 99 | M T N L | 5.4 | 20.0 | 24.4 | 9.2 | 32.4 | 0.2 | 6.8 |
| 100 | Hind. Lever | 36.7 | 42.6 | 6.0 | 6.4 | 116.3 | 0.8 | 4.5 |

N O T E S



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