November 20, 2012

The Nifty in 2022

Exits from and entries into the Nifty over the next decade

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AMBIT
Acumen at work

"Churn" is a constant

Of the initial 50 constituents of the Nifty index in Nov 1995, 44% were out by Apr 2002. This "churn" ratio was 48% for the 10-year period beginning April 2002. Churn in the Indian market is almost twice as high as it is in the US market; churn also appears to be higher in India than in the other large Emerging Markets.

- Of the 50 firms in the Nifty in 1995, 22 were out by 2002. Of the 22 firms exiting the Nifty by 2002, four belong to the BFSI and three each to the Automobile, Refineries & Metals/Steel sector. Of the 22 firms entering the Nifty by 2002, five firms belong to the FMCG sector while four each belong to the Pharma and IT sectors. Barring that, there was no obvious sector concentration. **But what does appear clear from these trends is the replacement of economy linked cyclical plays with defensive (or less cyclical) names.**
- Of the 50 firms in the Nifty in 2002, 24 were out by 2012. Of the 24 firms exiting the Nifty by 2012, barring FMCG (six firms exiting), there is no obvious sector concentration. Among the entrants, four belong to the BFSI and Power & Capital Goods while three belong to the Metals/Steel sector. **The trend thus is a complete mirror image of the previous decade with economy linked names replacing defensives.**
- 15 of the 24 exits in the 2002-2012 period are firms which had entered the Nifty in the previous decade, underscoring just how hard it is to stay at the top of the Indian market for a sustained period.

The investment implications of "churn" - 'Megathemes' at work

- Clearly, an investor who can exit/enter stocks which will exit/enter the Nifty over the next decade will have an advantage over his peers.
- Even if we conservatively assume a 40% churn ratio going forward, 20 companies will be ejected from the Nifty over the next 10 years and 20 new firms will enter the index. We draw from the "Megathemes" note published alongside this piece by our Economy team (Ritika Mankar Mukherjee and Saurabh Mukherjea) to identify the following factors as key determinants of these potential Nifty entries and exits:
  1. Intuitively and empirically, the firm's current size has an important bearing on whether or not will it be a part of the Nifty 10 years hence.
  2. The fragmentation of political power in India has negative implications for firms where political links form the core competitive advantage as well for firms which rely heavily on Government approvals.
  3. The structurally high cost of capital in India implies that capital intensive businesses will continue to take it on the chin.
  4. A compromised banking system means that a number of lenders will get punished in the coming decade.
  5. Ambit's "greatness" model and "forensic" models (see our notes published on Jan 19, 2012, and Jan 20, 2012, respectively for more details)

Summary- Likely Exits and Entrants by 2022 (slide 2 of 2)

Likely Exits

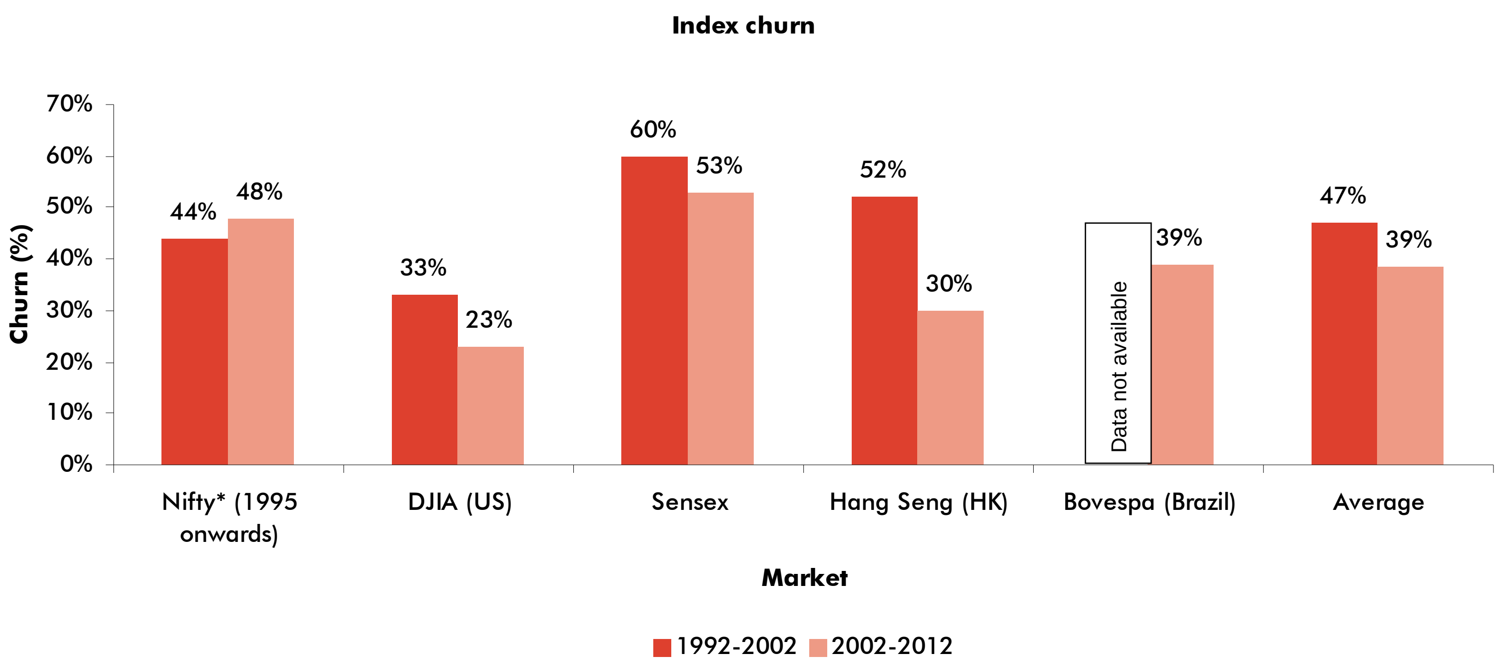
Stock	Ticker	Mcap (US $mn)
H D F C	HDFC IN	21,451
St Bk of India	SBIN IN	25,623
O N G C	ONGC IN	40,036
Axis Bank	AXSB IN	9,420
Tata Steel	TATA IN	6,458
NTPC	NTPC IN	25,204
I D F C	IDFC IN	4,314
B H E L	BHEL IN	10,227
Tata Power Co.	TPWR IN	4,215
GAIL (India)	GAIL IN	7,972
Jindal Steel	JSP IN	6,268
Hindalco Inds.	HNDL IN	3,739
Cairn India	CAIR IN	11,627
Punjab Natl.Bank	PNB IN	4,567
JP Associates	JPA IN	3,522
B P C L	BPCL IN	4,273
DLF	DLFU IN	6,269
Sesa Goa	SESA IN	2,621
Reliance Infra.	RELI IN	2,200
Siemens	SIEM IN	4,277

Likely Entrants

Stock	Ticker	Mcap (US $mn)
Nestle India	NEST IN	8,181
Titan Inds.	TTAN IN	4,709
IndusInd Bank	IIB IN	3,197
Colgate-Palm.	CLGT IN	3,255
Glaxosmit Pharma	GLXO IN	3,075
Bosch	BOS IN	5,020
Federal Bank	FB IN	1,419
Dabur India	DABUR IN	3,933
GlaxoSmith C H L	SKB IN	2,342
NMDC	NMDC IN	12,316
Cummins India	KKC IN	2,309
Exide Inds.	EXID IN	2,145
United Breweries	UBBL IN	3,691
Cadila Health.	CDH IN	2,944
Oracle Fin.Serv.	OFSS IN	4,294
Castrol India	CSTRL IN	2,699
M & M Financial	MMFS IN	1,854
CRISIL	CRISIL IN	1,180
Torrent Power	TPW IN	1,376
Bata India	BATA IN	1,018

"Churn" is a constant

- 44% of the Nifty's constituents in 1995 were no longer a part of the index in 2002.
- This "churn" was 48% for the 10 year period beginning Apr 2002.
- Churn in the Indian market is twice as high as it is in the US market (48% versus 23% in the last decade).
- Churn in the Indian market appears to be higher than that in other large EMs.
- Churn seems to have remained at similar levels in the most recent decade compared to the 1990s.



Churn in the 1995-2002 period: 22 companies

Exits from the Nifty by 2002				
Name	**Sector**	**CAGR 95-02**	**CAGR 95-02 (rel to Nifty)**	**Beginning of period mcap Ranks**
Andhra Vall*	Power Gen & Dist	-3%	-19%	47
Apollo Tyres	Tyres	-9%	-11%	50
Arvind Ltd	Textiles	-31%	-33%	35
Ashok Leyland	Automobile	-8%	-10%	27
Brooke Bond*	Plant. & Plant. Products	66%	49%	14
GE Shipping Co	Shipping	-8%	-10%	29
TVS Suzuki*	Automobile	5%	-5%	48
Indian Aluminium	Non Ferrous Metals	-14%	-30%	32
Aditya Bir. Nuv.	Textiles	-9%	-11%	22
Pond's*	FMCG	105%	89%	33
Indo Gulf Corp.	Non Ferrous Metals	DNA	DNA	38
Essar Steel	Steel	DNA	DNA	28
Kochi Refineries	Refineries	61%	45%	36
Reliance Capital	Finance	-11%	-13%	31
SCICI*	Finance	-27%	-44%	45
Nag. Fert & Chem	Fertilizers	-24%	-26%	40
C P C L	Refineries	-8%	-10%	41
M R P L	Refineries	-22%	-24%	30
Chambal Fert.	Fertilizers	-8%	-10%	43
IFCI	Finance	-30%	-32%	25
Thermax	Cap. Goods-Non Elec Equip	-20%	-22%	42
IDBI Bank	Banks	-20%	-22%	9
Average		**-1%**	**-7%**	

* Exit due to merger or acquisition; DNA stands for 'data not available'

Entry into the Nifty by 2002			
Name	**Sector**	**CAGR 95-02**	**CAGR 95-02 (rel to Nifty)**
Asian Paints	Paints/Varnish	8%	6%
Britannia Inds.	FMCG	26%	24%
Cipla	Pharmaceuticals	42%	40%
Nestle India	FMCG	15%	13%
Glaxosmit Pharma	Pharmaceuticals	9%	7%
GlaxoSmith C H L	FMCG	13%	11%
A B B	Cap Goods - Elec Equip	-9%	-10%
Novartis India	Pharmaceuticals	-2%	-4%
M & M	Automobile	-10%	-12%
P & G Hygiene	FMCG	9%	7%
Wipro	IT - Software	89%	87%
Digital Equipment	IT - Software	DNA	DNA
M T N L	Telecomm-Service	-1%	-3%
H P C L	Refineries	6%	4%
B H E L	Cap Goods - Elec Equip	10%	8%
Satyam Computer	IT - Software	88%	86%
NIIT	Computer Education	11%	9%
Infosys	IT - Software	93%	91%
Zee Entertainmen	Entertainment	44%	42%
Dabur India	FMCG	15%	13%
Sun Pharma.Inds.	Pharmaceuticals	36%	34%
ICICI Bank	Banks	24%	23%
Average		**24%**	**23%**

- Of the 22 firms exiting the Nifty by 2002, four belong to the Banks & Financial Services space and three each to Automobile, Refineries & Metals/Steel sectors.
- Of the 22 firms entering the Nifty by 2002, five firms belong to the FMCG sector while four each belong to Pharma and IT sectors.
- **Overall, a number of economy linked plays were replaced by defensive names.**
- Obviously, identifying these exits and entrants early helps investment performance as is clear from the average CAGR return figures.

Churn in the 2002-2012 period: 24 companies

Exits from the Nifty by 2012

Name	Sector	CAGR-02-12	CAGR-02-12 (rel to Nifty)	Beginning of period mcap Ranks
Asian Paints	Paints/Varnish	31%	14%	35
Britannia Inds.	FMCG	19%	2%	41
Colgate-Palm.	FMCG	23%	6%	37
Nestle India	FMCG	25%	8%	19
Glaxosmit Pharma	Pharmaceuticals	21%	4%	32
GlaxoSmith C H L	FMCG	22%	5%	39
A B B	Capital Goods - Electrical Equipment	32%	15%	43
Novartis India	Pharmaceuticals	12%	-5%	49
Indian Hotels	Hotels & Restaurants	15%	-2%	47
Castrol India	Chemicals	19%	2%	33
P & G Hygiene	FMCG	21%	4%	44
Tata Chemicals	Fertilizers	23%	6%	48
Tata Global	Plantation & Plantation Products	21%	4%	45
ICICI*	Finance	DNA	DNA	20
Digital Equipment*	IT - Software	DNA	DNA	38
M T N L	Telecomm-Service	-15%	-32%	10
H P C L	Refineries	0%	-16%	9
I P C L*	Petrochemicals	27%	-1%	36
Satyam Computer	IT - Software	-5%	-22%	11
NIIT	Computer Education	6%	-11%	46
Zee Entertainmen	Entertainment	9%	-8%	14
Rel. Petro*	Refineries	-26%	-1%	6
Dabur India	FMCG	28%	11%	40
Oriental Bank	Banks	21%	4%	50
Average		**15%**	**0%**	

Entry into the Nifty by 2012

Name	Sector	CAGR-02-12	CAGR-02-12 (rel to Nifty)
Sesa Goa	Mining & Mineral products	66%	50%
Siemens	Capital Goods - Electrical Equipment	40%	24%
Sterlite Inds.	Non Ferrous Metals	43%	26%
B P C L	Refineries	8%	-9%
S A I L	Steel	34%	18%
Kotak Mah. Bank	Banks	44%	27%
TCS	IT - Software	20%	5%
Power Grid Corpn	Power Generation & Distribution	-7%	-4%
Maruti Suzuki	Automobile	17%	2%
Axis Bank	Banks	40%	23%
HCL Technologies	IT - Software	14%	-2%
O N G C	Crude Oil & Natural Gas	19%	3%
DLF	Realty	-29%	-27%
Punjab Natl.Bank	Banks	39%	19%
NTPC	Power Generation & Distribution	10%	-5%
Coal India	Mining & Mineral products	27%	37%
GAIL (India)	Gas Distribution	22%	5%
Reliance Power	Power Generation & Distribution	-12%	-15%
JP Associates	Construction	20%	5%
Bharti Airtel	Telecomm-Service	33%	17%
Jindal Steel	Steel	72%	55%
I D F C	Finance	12%	-1%
Rel. Comm.	Telecomm-Service	-19%	-27%
Cairn India	Crude Oil & Natural Gas	20%	14%
Average		**22%**	**10%**

* Exit due to merger or acquisition; DNA stands for 'data not available'

- Of the 24 firms exiting the Nifty by 2012, barring FMCG (six firms exiting), there is no obvious sector concentration; among the entrants, four each belong to Banks & Financial Services and Power & Capital Goods while five belong to the Metals/Mining/Steel sector.
- **This trend thus was a complete contrast to the previous decade with defensives being replaced by economy linked plays.**
- 15 of the 24 exits in the 2002-2012 period are firms which had entered the Nifty in the previous decade, underscoring just how hard it is to stay at the top of the Indian market for a sustained period.
- Finally, a look at the CAGR return figures towards the end of these tables highlights how identifying these exits and entrants early helps investment performance- **This point is brought about more vividly in the next slide**.

Exhibit A: Pre and post event performance of inclusions and exclusions

	Pre entry performance (rel. to Nifty)		Post entry performance (rel. to Nifty)	
	1 year (median CAGR)	3 year (median CAGR)	1 year (median CAGR)	3 year (median CAGR)
Inclusions	28%	38%	3%	-9%
Exclusions	-26%	-19%	-8%	6%

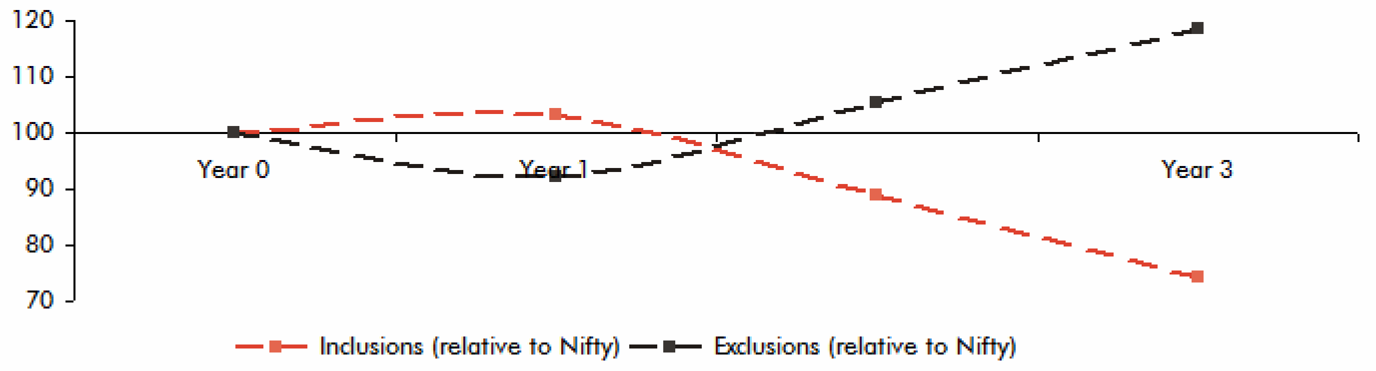
Source: Company, Ambit Capital research. This analysis was conducted on Nifty inclusions and exclusions Sep '96 onwards.

- As is clear from the exhibit above, by the time they are included, the Nifty inclusions have already outperformed significantly. While the outperformance persists for another year it is too small and is eventually followed by a far more meaningful underperformance over the subsequent two years.

- Similarly, Nifty exclusions have already underperformed significantly by the time they are excluded. While the underperformance persists for another year, it is eventually followed by significant outperformance over the subsequent two years.

- Overall, exclusions outperform inclusions by a median CAGR of 15% over the three year period from the point of exclusion/inclusion – exhibit B below will make this clearer.

Exhibit B: Post-event performance of inclusions and exclusions



The constants: the 19 firms that were in the Nifty in '95 & '12

Firms which were in the Nifty in 1995 and 2012								
Name	**Sector**	**CAGR 95-02**	**CAGR 95-02 (rel to Nifty)**	**CAGR 02-12**	**CAGR 02-12 (rel to Nifty)**	**Forward (FY 13) PE**	**Rank (1995)**	**Rank (2012)**
ACC	Cement	0%	-2%	24%	8%	19.3	21	39
Bajaj Auto*	Automobile	-2%	-4%	75%	57%	17.2	8	22
Reliance Infra.	Power Generation & Distribution	6%	4%	10%	-6%	8.1	24	50
Ambuja Cem.	Cement	6%	4%	20%	4%	20.6	23	37
Grasim Inds	Textiles	-11%	-13%	28%	12%	11.0	11	43
H D F C	Finance	16%	14%	26%	9%	21.6	18	13
Hero Motocorp	Automobile	49%	47%	20%	3%	DNA	49	27
Hindalco Inds.	Non Ferrous Metals	3%	1%	7%	-10%	7.9	10	41
Hind. Unilever	FMCG	22%	20%	6%	-11%	36.0	2	14
ITC	Tobacco Products	15%	13%	26%	9%	29.7	6	5
Larsen & Toubro	Infrastructure Developers & Operatc	-7%	-8%	34%	17%	19.7	7	16
Ranbaxy Labs.	Pharmaceuticals	17%	15%	6%	-11%	16.1	16	46
Reliance Inds.	Refineries	14%	12%	21%	4%	12.7	1	1
Tata Power Co.	Power Generation & Distribution	-1%	-3%	24%	8%	15.7	34	44
Tata Motors	Automobile	-17%	-19%	27%	11%	7.1	3	15
Tata Steel	Steel	-14%	-15%	23%	7%	10.6	5	25
Dr Reddy's Labs	Pharmaceuticals	37%	36%	12%	-4%	18.6	46	36
St Bk of India	Banks	0%	-2%	26%	9%	8.0	4	7
HDFC Bank	Banks	35%	33%	27%	10%	21.5	44	10

* Bajaj Auto existed within Bajaj Holdings till 2008; even though ICICI Bank in its current form does not feature as a constant in the index, SCICI and ICICI were a part of Nifty in '95 which were later merged with each other and eventually got merged into ICICI Bank.

- It is hard to find common denominators across these constants
- It is hard to rationalise some of these firms' durability even with the benefit of hindsight
- While the slides so far have been backward looking and highlight how important it is to identify Nifty entries and exits early, we now turn to determining the likely make of the Nifty ten years hence

Which will be the exits and entrants of 2022?

- The next ten years are more likely to be akin to the 1990s – a decade defined by the end of the "License Raj" in 1991 - than the noughties. Civil servants in New Delhi are already viewing the 2010-12 period as being the end of the "Old Raj".
- Even if we conservatively assume a 40% churn ratio going forward, **20 companies will be ejected from the Nifty over the next 10 years and 20 new firms will enter the index.**
- As shown in the preceding slides, identifying these exits and entrants has a meaningful bearing on investment performance.
- What determines their identity?
  - Sector specific forces?
  - Company specific forces?
  - Current size?
- We draw from the "Megathemes 3.0" note published alongside this piece by our Economy team (Ritika Mankar Mukherjee and Saurabh Mukherjea) to identify the following factors as key determinants of Nifty entries and exits:

1. Intuitively and empirically, the firm's current size has an important bearing on whether or not will it be a part of the Nifty 10 years hence.
2. The fragmentation of political power in India has negative implications for firms where political links form the core competitive advantage as well for firms which rely heavily on Government approvals.
3. The structurally high cost of capital in India implies that capital intensive businesses will continue to take it on the chin.
4. A compromised banking system means that a number of lenders will get punished in the coming decade.
5. Ambit's "greatness" model and "forensic" models (see our notes published on Jan 19, 2012, and Jan 20, 2012, respectively for more details)

Our framework for identifying Nifty entries and exits- 1

Size matters!

- **Exits**: The firm's current size and consequently weightage in the Nifty has a high correlation with it being a part of the index at the end of the decade or not:
  - Of all Nifty exits by decade end (average over the 1995-2012 period), only 9% of stocks were a top 10 component of the Nifty at the beginning of the decade
  - Of all Nifty exits by decade end (average over the 1995-2012 period), 24% of stocks were in the next 20 components of the Nifty at the beginning of the decade (i.e. had a rank between 11 and 30)
  - The remaining 67% Nifty exits by decade end (average over the 1995-2012 period) were concentrated in the bottom 20 stocks by weightage at the beginning of period (i.e. ranks 31-50)

Distribution of 'exits' based on mcap buckets

Mcap Bucket (beginning of period)	95-02	02-12	12-22 (E)
Top 10	5%	13%	10%
Middle 20	32%	17%	25%
Bottom 20	64%	71%	65%
Total	**100%**	**100%**	**100%**

- **Entrants**: Similarly for identifying potential Nifty entrants over the next decade size plays an important role as well:
  - Of all Nifty entries by decade end (average over the 1995-2012 period), less than 7% of stocks had a beginning of period weight outside of the top 200 of the listed universe
  - Of all Nifty entries by decade end (average over the 1995-2012 period), less than 7% of stocks had a beginning of period weight between top 150 to 200 of the listed universe
  - Of all Nifty entries by decade end (average over the 1995-2012 period), about 9% of stocks had a beginning of period weight between top 100 to 150 of the listed universe
  - The remaining 78% Nifty entrants over the decade (average over the 1995-2012 period) were concentrated in the immediate next 50 stocks at the beginning of period (i.e. ranks 51-100).

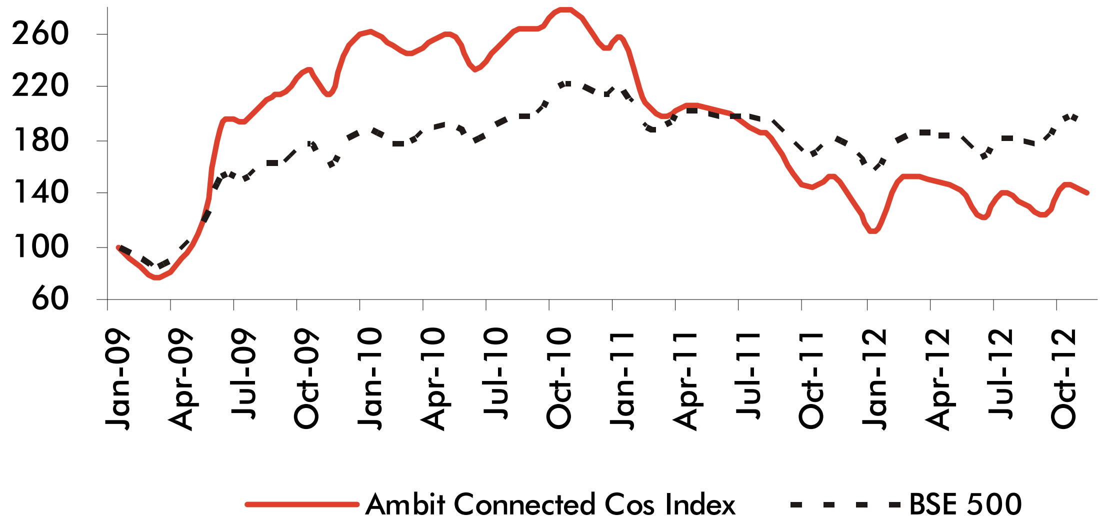
Distribution of 'entrants' based on mcap buckets

Mcap Bucket (beginning of period)	95-02	02-12	12-22 (E)
51-100	64%	92%	80%
101-150	18%	0%	20%
151-200	14%	0%	0%
>200	5%	8%	0%
Total	**100%**	**100%**	**100%**

Our framework for identifying Nifty entries and exits- 2

Political connections and government approvals

- The fragmentation of political power in India (in addition to the unending corruption exposes) has been a result of the power shift toward regional parties and the emergence of independent regulators and alternative institutions.
- This has significantly weakened the potential of politically connected firms to generate shareholder returns – Ambit's index of 75 political connected firms has massively underperformed the BSE500 since early-2010 (54 %points since Feb 2010).
- A related implication is that the Government's decision making has also been significantly impeded. As a consequence sectors and firms with a high degree of dependence on government approvals to get business done are likely to suffer going forward as well.

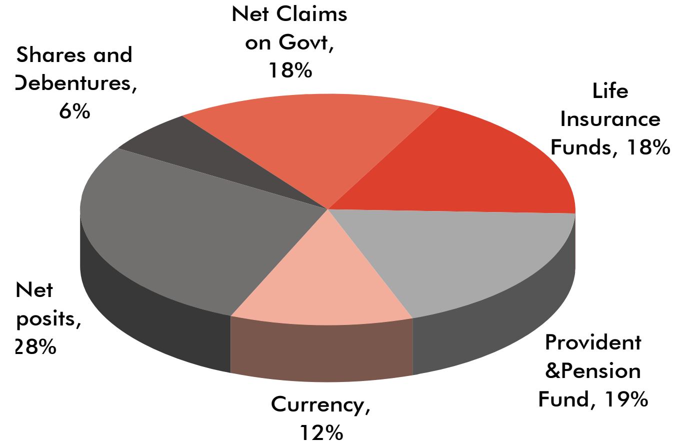


Politically linked stocks have been underperforming the BSE500 since early 2010

Our framework for identifying Nifty entries and exits- 3

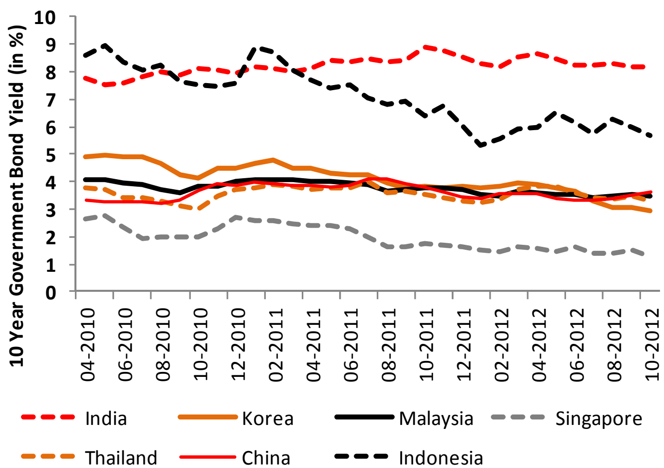
High cost of capital- Negative for capital intensive businesses

- India is a capital scarce economy with only around 2-5% Indian household savings flowing into the equity markets; nearly half of household savings are in physical assets like gold and real estate while even from financial savings, only a small part ends up being available for productive investment

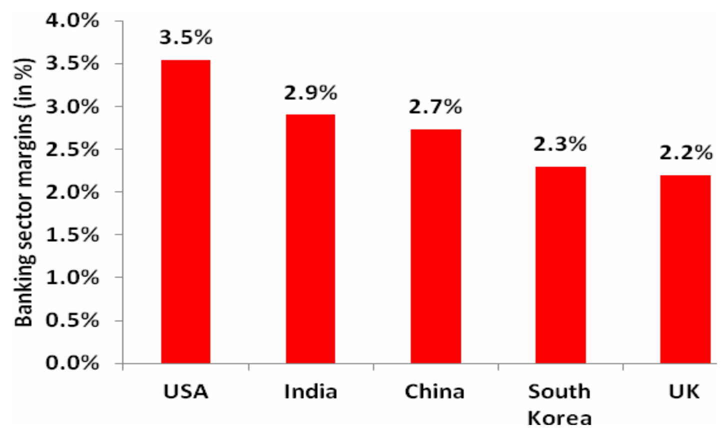


Break-up of Indian household financial savings

- The cost of debt capital is high too mainly due to powerful institutional factors like the near monopoly of banks over debt finance in addition to sustained high levels of government borrowing



India's risk free rate is one of the highest amongst peers

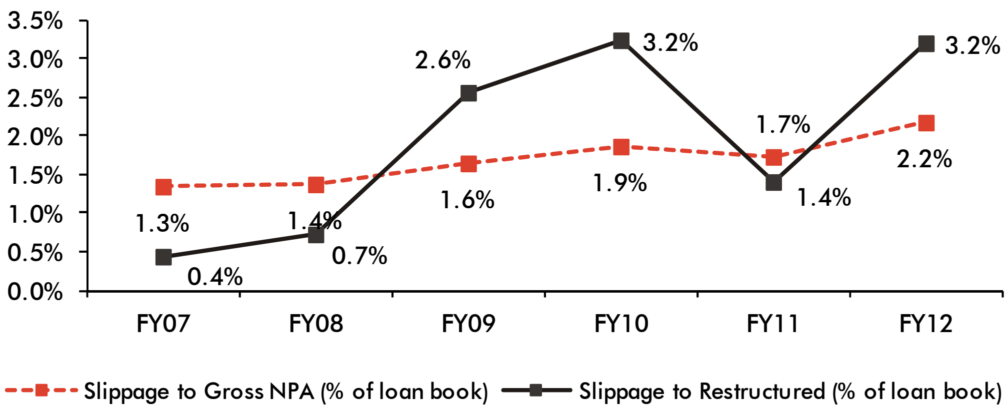


Indian banks enjoy some of the healthiest net interest margins by global standards

Our framework for identifying Nifty entries and exits- 4

A compromised banking system

- The lax regulation of Indian banks over the past four years has meant that Indian banks' financial statements are highly suspect as banks refuse to give full disclosure on their dud assets.
- If our estimate of the proportion of loans that are dud in the Indian banking system is right (at 9% of system-wide assets) then that implies that Indian banks' Tier 1 is 5% (and not over 10% as the banking system and the RBI often claims it to be). Obviously, 5% is significantly short of the RBI's core Tier-1 requirement of 8% (under Basel-III) suggesting that we have a grossly under-capitalized banking system.
- The scale of this Balance Sheet challenge facing Indian banks act as a major qualifier to the investment opportunities presented by the Indian banking sector.
- As a corollary, given that India remains a capital scarce country, sensibly run banks with clean accounts should continue to be a good cross-cycle investment.



Slippages to gross NPA and slippages to restructured assets on the rise

Gross NPAs (as a % of gross advances)	2009	2010	2011	2012
SBI	2.46	2.7	3.4	4.6
Nationalised Banks	1.73	1.95	2.1	2.8
Old Pvt Sector Banks	2.36	2.32	1.9	1.8
New Pvt Sector Banks	3.05	2.87	2.7	2.2
All SCBs	2.25	2.39	2.5	3.1

The surge in NPAs across the Indian Banks

Likely exits (table shows all the names in the Nifty currently; RED indicates exits)

Probability zones based on free float	Stock	Ticker	P75?	Banking/ fin services with structural challenges?	Capital intensive/ government approvals?
Low probability of attrition (10% of exits) No of exits: 2	ITC	ITC IN			
	Reliance Inds.	RIL IN	•		
	ICICI Bank	ICICIBC IN			
	H D F C	**HDFC IN**		•	
	HDFC Bank	HDFCB IN			
	Infosys	INFO IN			
	Larsen & Toubro	LT IN	•		•
	TCS	TCS IN			
	St Bk of India	**SBIN IN**		•	
	Hind. Unilever	HUVR IN			
Medium probability of attrition (25% of exits) No of exits: 5	**O N G C**	**ONGC IN**			•
	Tata Motors	TTMT IN			
	M & M	MM IN			
	Bharti Airtel	BHARTI IN	•		
	Axis Bank	**AXSB IN**		•	
	Tata Steel	**TATA IN**			•
	Sun Pharma.Inds.	SUNP IN			
	Bajaj Auto	BJAUT IN			
	Kotak Mah. Bank	KMB IN			
	Dr Reddy's Labs	DRRD IN			
	Coal India	COAL IN			•
	NTPC	**NTPC IN**			•
	Grasim Inds	GRASIM IN			
	Cipla	CIPLA IN			
	I D F C	**IDFC IN**		•	
	UltraTech Cem.	UTCEM IN			
	Maruti Suzuki	MSIL IN			
	Wipro	WPRO IN			
	Asian Paints	APNT IN			
	Hero Motocorp	HMCL IN			
High probability of attrition (65% of exits) No of exits: 13	**B H E L**	**BHEL IN**			•
	Tata Power Co.	**TPWR IN**			•
	Power Grid Corpn	PWGR IN			
	Ambuja Cem.	ACEM IN			
	GAIL (India)	**GAIL IN**			•
	HCL Technologies	HCLT IN			
	Jindal Steel	**JSP IN**	•		•
	Hindalco Inds.	**HNDL IN**			•
	Cairn India	**CAIR IN**	•		
	Lupin	LPC IN			
	ACC	ACC IN			
	Bank of Baroda	BOB IN			
	Punjab Natl.Bank	**PNB IN**		•	
	JP Associates	**JPA IN**	•		
	B P C L	**BPCL IN**			•
	Ranbaxy Labs.	RBXY IN			
	DLF	**DLFU IN**	•		
	Sesa Goa	**SESA IN**	•		•
	Reliance Infra.	**RELI IN**	•		
	Siemens	**SIEM IN**			•

Likely entrants (table shows biggest non-Nifty names; shading indicates entrants)

	Stock	Sector	Ticker	Clears "Greatness" cutoff?	Clears "Accounting" filter? #
Next 50 on free float High probability of inclusion (80% or 16 of the 20 entrants come from these 50 stocks)	Nestle India	FMCG	NEST IN	●	●
	Sterlite Inds.	Non Ferrous Metals	STLT IN		
	Titan Inds.	Diamond, Gems and Jewellery	TTAN IN	●	●
	IndusInd Bank	Banks	IIB IN	^	^
	United Spirits	Alcoholic Beverages	UNSP IN		
	Zee Entertainmen	Entertainment	Z IN	●	
	Yes Bank	Banks	YES IN		
	Colgate-Palm.	FMCG	CLGT IN	●	●
	Glaxosmit Pharma	Pharmaceuticals	GLXO IN	●	●
	JSW Steel	Steel	JSTL IN		
	Bosch	Auto Ancillaries	BOS IN	●	●
	Godrej Consumer	FMCG	GCPL IN	●	
	Federal Bank	Banks	FB IN	^	^
	Dabur India	FMCG	DABUR IN	●	●
	Divi's Lab.	Pharmaceuticals	DIVI IN		
	Shriram Trans.	Finance	SHTF IN		
	GlaxoSmith C H L	FMCG	SKB IN	●	●
	LIC Housing Fin.	Finance	LICHF IN		
	Rural Elec.Corp.	Finance	RECL IN		
	Power Fin.Corpn.	Finance	POWF IN		
	Idea Cellular	Telecomm-Service	IDEA IN		
	NMDC	Mining & Mineral products	NMDC IN	●	●
	Cummins India	Capital Goods-Non Electrical Equipment	KKC IN	●	●
	Canara Bank	Banks	CBK IN		
	Adani Ports	Infrastructure Developers & Operators	ADSEZ IN	●	
	Exide Inds.	Auto Ancillaries	EXID IN	●	●
	Tata Global	Plantation & Plantation Products	TGBL IN		
	Glenmark Pharma.	Pharmaceuticals	GNP IN		
	I O C L	Refineries	IOCL IN		
	United Breweries	Alcoholic Beverages	UBBL IN	●	*
	Adani Enterp.	Trading	ADE IN	●	
	Apollo Hospitals	Healthcare	APHS IN	●	
	Bank of India	Banks	BOI IN		
	Hind.Zinc	Non Ferrous Metals	HZ IN		
	Union Bank (I)	Banks	UNBK IN		
	Tata Chemicals	Fertilizers	TTCH IN		
	Reliance Power	Power Generation & Distribution	RPWR IN	●	
	Wockhardt	Pharmaceuticals	WPL IN		
	Bajaj Finserv	Finance	BJFIN IN		
	Bajaj Holdings	Finance	BJHI IN		
	Marico	FMCG	MRCO IN	●	
	Aditya Bir. Nuv.	Textiles	ABNL IN		
	Container Corpn.	Logistics	CCRI IN		
	H P C L	Refineries	HPCL IN		
	Cadila Health.	Pharmaceuticals	CDH IN	●	●
	S A I L	Steel	SAIL IN		
	Reliance Capital	Finance	RCAPT IN		
	Indiabulls Fin.	Stock/ Commodity Brokers	IBULL IN		
	Oracle Fin.Serv.	IT - Software	OFSS IN	●	●
	Castrol India	Chemicals	CSTRL IN	●	●
The four entrants from free float ranks 101-150	M & M Financial	Finance	MMFS IN	^	^
	CRISIL	Miscellaneous	CRISIL IN	●	●
	Torrent Power	Power Generation & Distribution	TPW IN	●	●
	Bata India	Leather	BATA IN	●	**

Accounting check only for those firms that do well on Greatness

^ Banks and Financial Services firms not covered by our models- hence based on BFSI team's inputs

* While United Breweries wasn't included in our last forensic accounting exercise, the over 34% holding by Scottish & Newcastle (Heineken) makes us generally comfortable with the firm

** While Bata doesn't do very well on contingent liabilities and audit fee CAGR fields on our accounting model, its good scores on cash flow conversion along with a 52% foreign promoter stake make us generally comfortable with the firm

Appendix: Ambit's greatness model

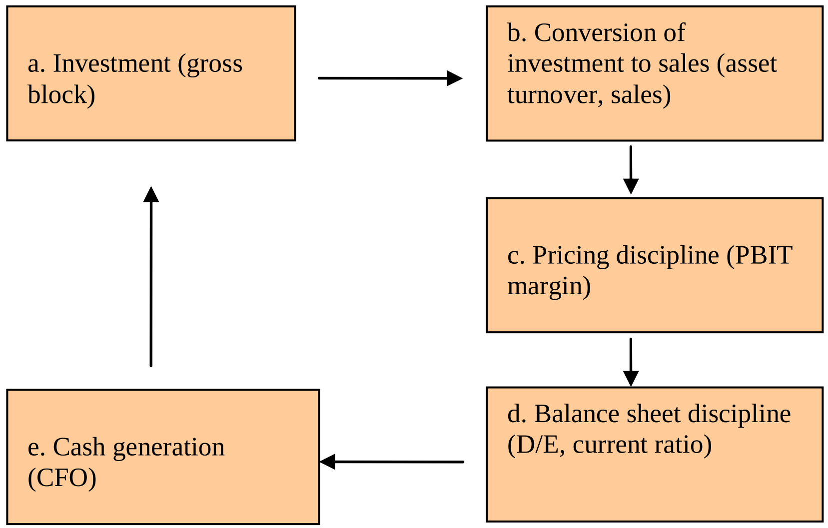
- In our 19th January note *"Tomorrow's ten baggers"*, we had unveiled the "greatness" framework to study a firm's structural strengths- the framework essentially hinges on using publicly available historical data to assess which firms have over a sustained period of time (FY07-12) been able to relentlessly and consistently:

  a) Invest capital; b) Turn investment into sales; c) Turn sales into profit; d) Turn profit into Balance Sheet strength; e) Turn all of that into free cashflow; and f) Invest free cashflows again.

- We rank the BSE500 universe of firms (excluding Financial Services firms and excluding firms with insufficient data) on our "greatness" score which is comprised of six equally weighted headings: Investments, Conversion to sales, Pricing discipline, Balance Sheet discipline, Cash generation & EPS improvement and Return ratio improvement.

  Under each of these six headings, we further look at two kinds of improvements:

  - **Percentage improvements in performance** in FY10-12 versus FY07-09; and
  - **Consistency in performance** i.e. improvements adjusted for standard deviations.



The framework

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