

Technology for Value-Investing > Data the new oil

My daily playground

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In the business of reading....

From data -to- information-to- knowledge

□ What to read –vs-

What not to read, equally important

□ Reading what is coming to us (*emails, news, broker reports*), vs

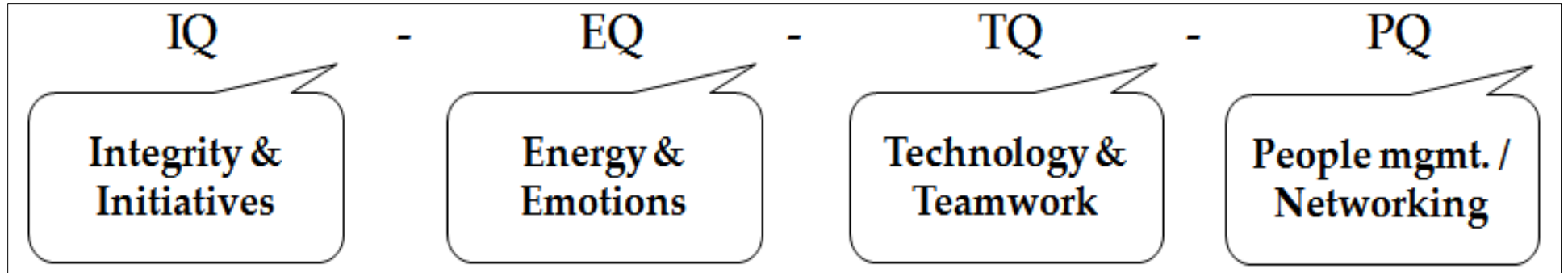
What we should read

Not our food, but are we consciously managing our reading palate !!

What is our mix of idea generation :

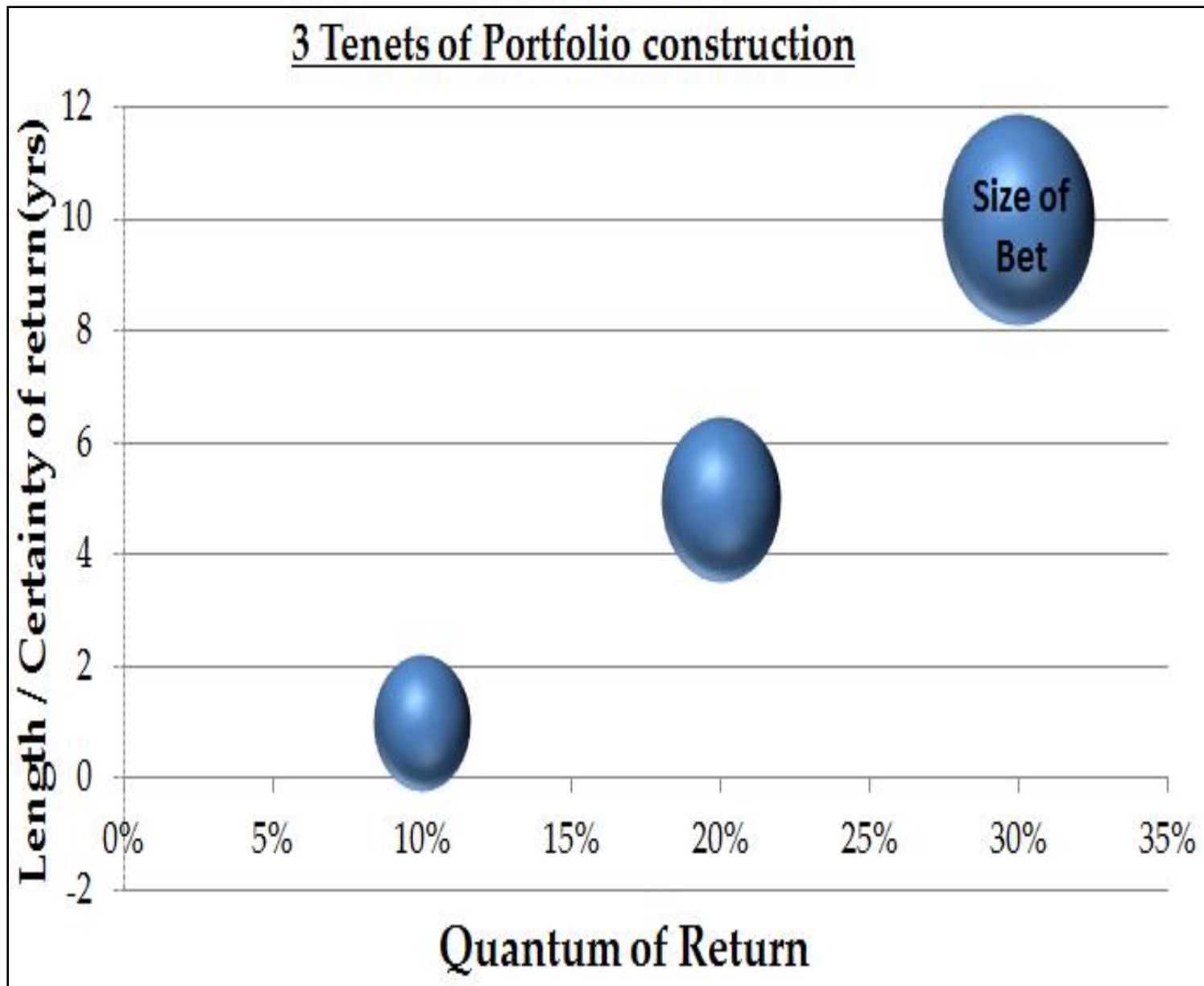
Internally generated high-conviction VS ideas out of networking.....

EQ/PQ for external vs IQ/TQ for internal



We all need to find OUR own balance –of- plant

Idea –to- Investment : my decision framework



Framework for Business of businesses

Price vs Value

One can get either good price or good news...

Never will everything suffice or be perfect...

Never will one have complete clarity...

Understanding the business								
Address Opportunity			Sustainable Competitive Advantage			Scalability + Operating Leverage		
Size	Length	Entry Barriers	Competitive Dynamics	Edge	Durability	Scalability	Op. Leverage	Economic Leverage

People & Processes										
Management Quality & Competence						Business Financial Model				
Institution-alization	Adaptability	Focus + Execution	Corp. Governance	Capital Allocation	Capital Structure	Customer Engagement Model	Fulfillment Model	Business Risk	Resource Intensive	IP

Quantitative Metrics					
Growth	Margins	BS	Return Ratios	Others	Valuations
CAGR (Sales/Ebitda/ PAT/Op. Cash Flow/Gross Fixed Assets)	Tax Rate, Gross & Ebitda Margins, Op. Cash Flow conversion	Leverage, Working Cap., CCC	Gross Fixed Asset Turnover, RoE/RoCE/CFRoI, Incremental RoCE	RPT , Equity Dilution, Financing capacity addition	EV/Op. Cash Flow, MC/FCF, P/B

Wealth Creation – Challenging Probability

Why is Process Important

Despite getting major parameters correct – probability of a good investment decision is significantly lower than what one would imagine

Parameter	Probability		
	Case 1	Case 2	Case 3
Good Business	70%	75%	60%
Management	60%	70%	60%
Valuation	80%	85%	60%
Governance	70%	65%	60%
Financials	80%	75%	60%
Total	19%	22%	8%

My tool kit....

- ❑ **Google keep** – As far as possible, have a To-Do check-list for the day....
- ❑ **Feedly** – Intergrates all newspapers / magazines / blogs via categories / genres
- ❑ **Management Interviews** : a weekly collation - Email-filter, Feedly, Money-control
- ❑ **Reported fundamental data**
Detailed AR Scan, Qtr'ly / TTM Trends, Red / Green flags, Ownership, Capital Allocation, Peer comparison & Aggregates
- ❑ **Bloomberg** – Bang for buck, *Google not even close*
Global research, Broker research, Company fillings, Earnings Calls/Transcripts, All-round Alerts, Price & Corporate action data, Technicals
- ❑ **Youtube** - *Reach out to anyone.....*
Google Talks, Market-makers, Wizards of DS, MOSL, PPFS, KIE, Sadhguru, Robin Sharma etc
- ❑ **Automated Pre-set Screeners**

'Just-in-time' / One-click workflow....

Templatizing basics

Creation of Universe ::

A/B/C/D :: Clear Leaders / Emerging Leaders / Laggards / Block

- Detailed Annual Report Scan
- Detailed Annual & Qtr'ly Consolidated / Parent / Segment

One-click 10years excel workbook

- Database of Detailed Annual & Qtr'ly data
- Bigger trends – Margins, Cash-flows, Incremental RoC, Red-Flags / Green-Flags
- Occasional Technical alerts – only within fundamental A/B universe...
- Ownership / Smart-money tracker
- Special Situations

My dimensions
of – Capital
allocation, Risk-
management,
Sustainable
compounding, Re-
Investment of
profits.....

And more so –
Making less
mistakes

Limited &
Disciplined
Trading vital for
building cushion /
contingencies

	Target	Current
Mega Cap	<10%	10%
Large cap	<20%	20%
Mid cap	>25% <50%	50%
Small cap	<25%	20%

	Target	Current
Great	75%	15%
Good		70%
Bad	<15%	10%
Ugly		5%

	Target	Current
Growth	15%	10%
GARP	60%	80%
Value	<25%	20%

	Target	Current
Short-term <1yr	<15%	15%
Medium term <3yr	30%	50%
Long-term > 3yrs	50%	35%

Theme	Target	Current
Consumer Disc.		30%
Consumer Non-Disc		0%
Technology		10%
Healthcare		10%
Global Demand Linked		0%
Fast Moving Industrials		20%
Govt. Capex link		15%
Regulatory		0%
Financials		15%

Sectors	Target
EXPORT Driven	
Information Technology	>5% < 25%
Healthcare	
DOMESTIC CONSUMPTION	
FMCG/Food/Beverages	
Auto Manufacturer	
Telecom	>50%
Paints/Household Durables	
Agro & Speciality Chemicals	
Media & Entertainment	
Hotel/QSR/Retail/Tourismn	
INDUSTRIALS	
Building Material	
Engineering	20-30%
Infra. & Construction	
Auto Components	
Power-Capital Goods	
CAPEX/REGULATED	
Oil & Gas	<5%
Power Utilities	
Metals & Mining	
MISCELLANEOUS	
Unknown / Miscellaneous	
Real Estate	

Signal vs Noise

Case - LTCM of a stock....

Had flagged these April'2015 internally – the price rose 2-2.5x after that

Co. belonged to a Japanese parent which got awards for be 'Ethical 'company

Notice the shaded area

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Price	928 52w H		1072													
MCap	3689 52w L		257													
MCAP	6	4	4	7	35	218	102	107	49	115	132	128	135	525	2,198	
PROFIT & LOSS																
Gross Sales / Net Sales %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Net Sales	49	56	54	66	153	167	193	219	242	257	297	432	633	1,049	1,638	
Net Sales Growth %		15%	-4%	23%	131%	9%	16%	14%	10%	6%	16%	45%	47%	66%	56%	
No. of Employees																1,050
RM Consumed / Sales %	37%	41%	33%	37%	31%	36%	33%	36%	44%	31%	65%	67%	82%	75%	76%	
Gross Margin %	63%	59%	67%	63%	69%	64%	67%	64%	56%	69%	35%	33%	18%	25%	24%	
Power & Fuel / Sales %	0.6%	0.5%	0.6%	0.4%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.3%	0.2%	0.2%	0.2%	0.2%	
Employee / Sales %	16.6%	16.3%	18.2%	14.6%	16.3%	19.9%	14.5%	16.1%	14.7%	14.8%	14.5%	15.3%	12.4%	8.5%	6.2%	
Operating & Manuf. / Sales %	20%	16%	19%	27%	19%	19%	21%	18%	21%	23%	5%	5%	4%	4%	3%	
Software Development / Sales	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Total Manufacturing Expenses	36	40	41	51	104	120	137	150	179	193	228	359	540	867	1,407	
Manufacturing Cost / Sales %	74.1%	71.4%	75.9%	77.5%	68.2%	72.0%	70.9%	68.3%	74.1%	75.4%	76.9%	83.2%	85.4%	82.7%	85.9%	
Manufacturing Margin %	26%	29%	24%	22%	32%	28%	29%	32%	26%	25%	23%	17%	15%	17%	14%	
Total S&D/Sales	1.0%	6.4%	3.6%	10.3%	7.0%	6.6%	7.3%	8.7%	4.8%	4.3%	4.0%	2.6%	1.9%	1.7%	1.2%	
Misc. Expenses / Sales %	6%	3%	4%	0%	4%	3%	4%	2%	5%	1%	1%	3%	2%	3%	0%	
Total Non-Manufacturing Exp	8	10	9	12	29	30	35	39	42	34	41	63	72	105	87	
Non-Manufacturing Cost / Sa	16.5%	17.7%	16.7%	18.8%	19.1%	18.0%	18.0%	17.9%	17.3%	13.4%	13.7%	14.7%	11.3%	10.0%	5.3%	
Total Expenditure	44	50	50	64	133	150	172	189	221	228	269	422	612	972	1,494	
Operating Profit (Excl. OI)	5	6	4	2	19	17	21	30	21	29	28	9	21	76	144	
Op. Profit (Excl. OI) Margin %	9%	11%	7%	4%	13%	10%	11%	14%	9%	11%	9%	2%	3%	7%	9%	
Op. Profit (Excl. OI) Growth %	34%	34%	-34%	-40%	702%	-13%	28%	41%	-32%	39%	-2%	-68%	131%	264%	89%	
Other Income	5	2	1	1	2	2	11	1	2	3	1	2	2	2	15	
OI/Operating Profit (Incl OI) %	55%	24%	27%	38%	9%	12%	33%	4%	9%	9%	5%	16%	7%	2%	10%	
Operating Profit (Inc. OI)	10	8	5	4	21	19	32	32	23	32	29	11	22	78	161	
Interest	8	6	3	2	1	1	2	2	1	1	0	6	14	32	89	
Interest Cost	14%	11%	7%	6%	8%	14%	35%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	10%	8%	10%	17%	
Depreciation	2	2	2	1	4	2	2	3	3	3	4	7	8	16	21	
Depreciation / Assets	5%	6%	7%	7%	17%	5%	5%	6%	6%	6%	7%	10%	9%	14%	15%	
Capital Cost / Sales %	20%	13%	9%	4%	4%	2%	2%	2%	1%	1%	1%	3%	3%	5%	7%	
PBI Before Tax & Exceptional	0	1	1	1	16	16	28	28	20	28	25	(2)	0	30	50	
Exceptional Income / Expens	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	
Profit Before Tax	0	1	1	1	16	16	28	28	20	28	25	(2)	0	30	50	
Provision For Tax	0	0	0	0	4	6	8	11	7	11	9	0	2	13	17	
Effective Tax Rate	0%	0%	0%	0%	28%	35%	30%	41%	36%	38%	36%	-6%	438%	43%	33%	
Reported Consolidated Pat	0	1	1	1	11	10	20	16	13	17	16	(3)	(1)	17	34	
Calc. Adj. Consold. PAT	0	1	1	1	11	10	20	16	12	17	16	-3	-1	17	33	
Net Profit Margin %	1%	1%	1%	2%	7%	6%	10%	7%	5%	7%	6%	-1%	0%	2%	2%	
Net Profit Growth %		42%	44%	51%	886%	-9%	94%	-17%	-23%	38%	-5%	-116%	-51%	-1439%	92%	
Reported Diluted EPS	0.3	0.5	0.7	1.1	10.6	2.6	5.0	4.1	3.2	4.3	4.1	(1)	(0)	4.3	8.5	
Book Value per share	(14)	(14)	(13)	(12)	12	13	18	21	25	29	33	31	31	35	42	

Unusual Sales Growth

??

Drop in S&D ??

Interest cost, big rise

Unusually high interest cost

Big jump in depreciation

Didn't require anything more than common sense and basic financial statement knowledge to identify this time-bomb....

BALANCE SHEET																
Shareholders Funds	5	5	6	7	47	57	77	85	98	115	132	124	123	140	169	
Gross Total Debt	58	49	35	25	7	11	0	0	0	0	0	115	254	357	702	Debt balloning
Cash & Cash Equivalent	10	13	9	9	21	18	26	37	21	48	36	54	72	38	70	
Net Debt	49	36	27	16	-14	-7	-26	-37	-21	-48	-36	60	182	319	631	
Net Debt / Equity	1005%	672%	438%	222%	-30%	-12%	-33%	-43%	-22%	-42%	-28%	49%	149%	228%	374%	Very high & sudden rise in leverage
Total Liabilities	73	69	55	50	111	132	120	149	178	213	253	377	741	855	1,286	
Gross Block	31	27	19	13	40	41	43	45	47	52	57	85	91	143	144	
Net Block	22	18	12	6	23	20	17	13	10	12	15	35	34	69	64	
Capital Work In Progress	0	0	0	0	0	0	0	1	1	4	1	2	9	4	0	
Gross Fixed Assets	31	27	19	13	40	41	43	46	48	56	58	87	100	147	144	
Gross Fixed Assets Turnover	1.6	2.1	2.8	5.2	3.8	4.0	4.5	4.8	5.1	4.6	5.1	5.0	6.4	7.1	11.3	Unusal rise in GFA Turnover
Total Intangibles	0	0	0	0	18	18	18	30	29	32	33	37	38	41	41	
Intangibles / Total Gross FA	0%	0%	0%	0%	45%	43%	42%	65%	62%	62%	58%	44%	42%	29%	28%	
Capex	1	(4)	(7)	(7)	28	1	2	3	2	8	3	28	13	48	(3)	No major capex, yet high leverage &
Capex / Sales %	3%	-7%	-14%	-10%	18%	1%	1%	1%	1%	3%	1%	7%	2%	5%	0%	
WORKING CAPITAL																
Sundry Debtors	14	11	10	14	33	33	36	38	50	54	54	97	184	319	662	Rise in Debtors
Receivables Turnover ratio	4	5	5	6	7	5	6	6	6	5	6	6	4	4	3	
Inventories	19	20	17	12	20	35	23	30	46	28	50	73	155	206	196	
Inventory Turnover ratio	2	3	3	5	9	6	7	8	6	7	8	7	6	6	8	
Trade Payables	5	8	7	8	33	35	21	31	44	44	56	91	225	306	342	
Payables Turnover	10	8	7	9	7	5	7	8	7	6	6	6	4	4	5	
Working Capital (Excl. Cash &	31	23	21	17	12	28	33	33	63	50	53	(2)	(57)	(24)	190	
WC (Excl. Liquid Inv.) / Sales	64%	41%	39%	25%	8%	17%	17%	15%	26%	19%	18%	0%	-9%	-2%	12%	Rise in Working cap blocked
Cash Conversion Cycle	-4	-1	1	1	9	6	5	6	5	6	7	7	6	6	6	
Total Assets	73	69	55	50	111	132	120	149	178	213	253	377	741	855	1,286	
Contingent Liabilities	3	3	3	5	14	23	28	26	27	19	20	32	52	129	369	
CASH FLOW																
Cash Total Interest Paid	(8)	(0)	(0)	(0)	0	(0)	(2)	(1)	(1)	(1)	(0)	(6)	(12)	(36)	(78)	
Cash Interest %age												10%	7%	12%	15%	High Interest costs
Cash Tax Paid	0	0	0	0	0	0	(6)	(10)	(9)	(9)	(9)	(6)	(2)	(12)	(10)	
Cash Tax Paid / PBT %	0%	0%	0%	0%	0%	0%	-21%	-36%	-44%	-34%	-37%	258%	-505%	-39%	-19%	
CFO (Before WC Change & Ta	2	2	4	2	22	12	34	35	25	31	29	6	10	35	83	
Gross CFO / Sales %	5%	4%	7%	3%	15%	7%	17%	16%	10%	12%	10%	1%	2%	3%	5%	
Gross CFO / Ebitda %	23%	29%	69%	57%	104%	64%	104%	109%	108%	97%	99%	55%	46%	45%	51%	
Net CFO	6	10	6	6	31	(6)	21	19	(10)	35	(10)	(69)	(109)	(95)	(301)	Big Red-flag - Negative OCF's
Net CFO / Sales %	13%	18%	11%	9%	20%	-4%	11%	9%	-4%	14%	-3%	-16%	-17%	-9%	-18%	
NET CFO / Ebitda %	63%	129%	111%	159%	143%	-33%	66%	61%	-45%	110%	-33%	-634%	-486%	-121%	-187%	
Free Cash Flow	5	14	14	13	3	-8	20	17	-12	27	-12	-97	-122	-142	-298	Big FCF's
Income from Investments	0	0	0	0	0	0	0	0	1	0	1	0	1	1	0	

If we are bothered or believe in 'aggregates' we must look it with some judgement....

India impacted by \$9.5bn of Provisions & Exceptionals

59 cos have been removed from this aggregate ::

Mcap 192k crs, Ebitda at 40k crs (down -25k crs), PAT at -60kcrs (down from -35k crs), Net Debt 650k crs , CFO - 8.5k

Did we see the distorting in Q4'FY16 IT Results !!

CONTEXT as much imp than Content

FY2016 PAT - Delta (In \$ bn)									
(\$ bn)	No. of Cos	MCap. (\$bn)	PAT			PAT Margin %			RoE %
			2015	2016	YoY	2015	2016	YoY	
All India	1,366	1,495	67	64	-6%	6.3%	6.2%	-7bps	11%
Aggregate (X-Financials)	1,245	1,212	49	52	7%	5.7%	6.3%	57bps	12%
Aggregate (X-Fin / Capex / Regulated)	888	909	30	34	14%	7.1%	7.6%	56bps	16%
			Exceptionals		PAT				
Sector wise	No. of Cos	MCap. (\$bn)	2015	2016	2015	2016	Abs. Chng	YoY %	
EXPORT DRIVEN	151	301	-0.2	-0.2	12	14	2.0	17%	
Information Technology	73	190	-0.0	-0.1	8.8	10.2	1.4	15%	
Healthcare	78	111	-0.1	-0.0	3.2	3.8	0.6	20%	
DOMESTIC CONSUMPTION	415	399	-0.0	-0.3	12	13	1.8	15%	
FMCG/Food/Beverages	94	143	0.2	-0.1	2.9	3.6	0.7	23%	
Auto Manufacturer	15	93	-0.1	-0.3	4.2	4.5	0.4	9%	
Telecom	23	45	-0.1	0.2	1.7	1.7	0.1	3%	
Paints/Household Durables	26	35	-0.0	0.1	0.5	0.7	0.2	37%	
Agro & Speciality Chemicals	144	36	0.1	-0.0	1.4	1.7	0.3	22%	
Media & Entertainment	40	20	-0.0	-0.0	0.5	0.7	0.2	40%	
Hotel/QSR/Retail/Tourism	73	26	-0.1	-0.1	0.5	0.5	-0.0	-2%	
INDUSTRIALS	322	209	0.2	0.3	6	6	0.3	5%	
Building Material	57	56	-0.0	0.1	1.6	1.6	-0.0	-1%	
Engineering	73	52	0.0	0.2	1.6	1.8	0.2	12%	
Infra. & Construction	64	28	0.1	-0.0	0.9	0.9	0.0	3%	
Auto Components	85	43	-0.0	-0.0	1.5	1.9	0.4	31%	
Power-Capital Goods	43	29	0.1	0.1	0.6	0.2	-0.4	-63%	
CAPEX / REGULATED	145	262	-1.2	-2.2	18	17	-0.7	-4%	
Oil & Gas	21	116	0.1	-0.8	8.2	11.2	3.1	38%	
Power Utilities	34	71	0.0	-0.1	4.5	5.1	0.7	15%	
Metals & Mining	90	75	-1.3	-1.3	5.3	0.8	-4.5	-85%	
MISCELLANEOUS	212	41	-0.1	0.1	1	1	0.1	9%	
Unknown / Miscellaneous	155	23	0.1	0.1	0.4	1.0	0.6	150%	
Real Estate	57	18	-0.2	0.0	0.8	0.4	-0.5	-58%	
FINANCIALS	121	283	0.0	-0.4	19	11	-7.3	-39%	
NBFC	30	78	0.0	-0.4	4.8	5.0	0.2	4%	
PVT. - Banks	16	135	-	-0.0	6.4	6.8	0.4	6%	
PSU - Banks	23	48	-	0.0	6.2	-1.8	-8.0	-128%	
Other Financials	52	21	-0.0	-0.0	1.1	1.2	0.1	6%	
TOTAL	1,366	1,495	-1.3	-2.6	67	64	-10	-6%	

As far as talk of US Recession goes.....

Overview of US P/L - 2 years

**A ~\$300bn swing in
EBIT & ~\$100bn swing
in PAT of Oil & Oil
Services cos over 2013**

**X-Fin. & X-Energy
growing reasonably well
: Sales & EBIT 4%
CAGR, PAT 14%**

**Now that Oil has
rebounded to a sweet
spot - will base affect
play out ?**

	M Cap. (\$ USD)	Net Sales (\$ bn)			Abs. Chng	2yr CAGR	EBIT (\$ bn)			Abs. Chng	EBIT 2yr CAGR	PAT (\$ bn)			Abs. Chng	PAT 2yr CAGR	
		2013	2014	2015			2013	2014	2015			2013	2014	2015			
CONSUMER	Consumer Staples	1,144	631	624	581	(50)	-4%	69	67	65	(4)	-3%	46	42	52	6	7%
	Consumer Discretic	828	293	303	299	6	1%	51	54	56	5	5%	29	37	40	11	17%
	Airlines	118	143	165	164	21	7%	10	14	28	18	67%	8	24	16	9	47%
	Retail	2,048	2,322	2,456	2,637	314	7%	140	150	158	19	6%	86	93	106	20	18%
IT	Internet	2,024	278	322	373	96	6%	45	48	51	6	6%	44	39	77	33	33%
	Software	2,029	794	820	865	71	4%	149	152	150	1	0%	111	110	126	15	8%
PHARMA	Pharmaceuticals	1,233	268	266	279	11	2%	56	50	49	(8)	-7%	42	40	73	31	32%
	Biotechnology	591	61	84	100	39	28%	15	29	39	24	62%	22	29	35	13	28%
	Health Care Produc	1,183	760	826	912	153	10%	65	72	74	9	7%	42	44	61	19	20%
MATERIA LS	Building Materials	108	63	66	71	8	6%	5	5	6	2	16%	3	4	5	2	31%
	Chemicals	517	349	352	315	(35)	-5%	41	43	39	(2)	-2%	31	29	30	(1)	-1%
	Metals & Mining	54	106	111	95	(11)	-5%	(0)	5	1	1		(5)	(3)	2	7	
INDUSTRI ALS	Industrials	1,908	1,278	1,293	1,256	(22)	-1%	146	152	134	(12)	-4%	101	62	104	3	1%
	Semiconductors	631	173	196	201	28	8%	32	42	41	8	12%	34	33	39	5	7%
	Aerospace/Defense	473	353	352	358	5	1%	38	42	40	1	2%	27	28	27	(0)	0%
	Automobiles	274	509	513	507	(2)	0%	23	16	27	4	9%	15	28	30	15	42%
	Transportation	345	212	227	232	20	5%	32	33	33	1	2%	19	19	21	2	6%
MEDIA	Media	950	416	442	450	34	4%	74	84	83	9	6%	52	52	52	(0)	0%
	Telecommunication	797	421	439	467	46	5%	83	49	82	(1)	0%	27	49	54	26	40%
	Commercial Service	799	450	482	500	51	5%	49	52	55	6	6%	30	31	43	13	20%
ENERGY	Exploration & Prod	1,148	1,341	1,309	847	(494)	-21%	137	107	(124)	(261)		89	(89)	9	(79)	-67%
	Oil&Gas Services	256	212	229	169	(44)	-11%	32	26	(2)	(34)		15	(8)	(0)	(15)	
	Utilities	197	101	111	93	(8)	-4%	16	19	13	(3)	-11%	10	3	8	(2)	-9%
FINANCIA LS	Banks	1,488	677	670	673	(4)	0%	166	163	193	28	8%	113	140	128	16	7%
	Insurance	1,015	759	792	808	49	3%	116	118	117	1	0%	76	75	74	(3)	-2%
	Diversified Finan S	806	205	222	229	24	6%	57	67	66	9	8%	44	44	47	3	8%
	Total	22,964	13,176	13,670	13,482	306	1%	1,649	1,661	1,476	(173)	-5%	1,109	956	1,258	149	7%
	X-Financial	19,655	11,535	11,987	11,772	237	1%	1,309	1,313	1,099	(210)	-8%	876	697	1,009	133	7%
	X-Fin. & Energy	18,054	9,881	10,338	10,663	782	4%	1,124	1,161	1,212	88	4%	763	790	992	229	14%

Overview of US Return Ratios & Leverage

X-Fin. & X-Energy saw RoE expanding to 20% from 16% however with significant increase in ND/Eq from 32% to 49%, added \$874bn of Net-Debt

X-Financial RoE increase 220bps to 17% with increase in ND/Equity from 32% to 50%, added \$1trn of Debt

RoE / RoC can expand due to shrinkage in Equity / Asset base or Operating Leverage or Increase in Leverage

		M Cap. (\$ USD)	RETURN RATIOS								LEVERAGE							
			RoE %			Chng in BPS	RoC %			Chng in BPS	Net Debt / Equity			Chng in BPS	NetDebt (\$ bn)			Abs. Change
			2013	2014	2015		2013	2014	2015		2013	2014	2015		2013	2014	2015	
CONSUMER	Consumer Staples	1,144	17%	16%	22%	513	10%	9%	9%	(42)	53%	61%	70%	1,691	144	159	165	22
	Consumer Discretic	828	22%	33%	32%	939	10%	11%	11%	37	135%	177%	155%	2,009	179	200	197	19
	Airlines	118	27%	80%	37%	956	6%	8%	14%	862	110%	90%	65%	(4,439)	31	27	29	(2)
	Retail	2,048	19%	21%	23%	410	12%	12%	12%	7	44%	50%	57%	1,285	198	228	259	61
IT	Internet	2,024	16%	11%	19%	385	10%	8%	8%	(209)	-54%	-43%	-44%	993	(150)	(156)	(173)	(22)
	Software	2,029	22%	22%	25%	299	14%	13%	12%	(196)	-34%	-33%	-32%	136	(167)	(162)	(160)	7
PHARMA	Pharmaceuticals	1,233	16%	14%	22%	572	9%	8%	6%	(339)	13%	13%	33%	1,994	34	35	111	77
	Biotechnology	591	30%	34%	34%	357	10%	16%	17%	679	7%	-10%	-4%	(1,098)	5	(9)	(4)	(9)
	Health Care Produc	1,183	14%	14%	16%	284	8%	8%	7%	(102)	34%	42%	55%	2,124	107	135	207	101
MATERIALS	Building Materials	108	11%	14%	17%	617	7%	7%	9%	154	54%	57%	63%	898	14	16	18	4
	Chemicals	517	19%	21%	22%	324	10%	10%	10%	(89)	45%	70%	78%	3,363	72	98	105	33
	Metals & Mining	54	-11%	-8%	5%	1,579	0%	5%	1%	90	52%	63%	67%	1,509	24	26	24	(0)
INDUSTRIALS	Industrials	1,908	12%	8%	13%	100	6%	6%	5%	(45)	54%	64%	88%	3,350	443	526	680	237
	Semiconductors	631	18%	17%	19%	115	11%	13%	11%	46	-32%	-27%	-16%	1,620	(61)	(53)	(33)	29
	Aerospace/Defense	473	22%	27%	28%	590	10%	10%	9%	(17)	27%	41%	64%	3,706	33	43	62	28
	Automobiles	274	13%	26%	27%	1,405	4%	3%	5%	30	-7%	-2%	9%	1,514	(8)	(2)	10	17
	Transportation	345	19%	19%	20%	124	12%	12%	11%	(147)	57%	68%	82%	2,528	57	68	87	30
MEDIA	Media	950	17%	17%	18%	149	8%	9%	9%	67	82%	96%	114%	3,248	254	289	324	70
	Telecommunication	797	8%	20%	19%	1,018	9%	5%	8%	(135)	46%	94%	100%	3,350	151	228	289	138
	Commercial Service	799	16%	16%	20%	422	8%	8%	8%	(8)	86%	89%	93%	650	160	175	195	35
ENERGY	Exploration & Prod	1,148	12%	-11%	1%	(1,014)	9%	7%	-9%	(1,793)	21%	27%	41%	2,025	163	214	280	117
	Oil&Gas Services	256	7%	-4%	0%	(735)	9%	7%	-1%	(903)	32%	34%	36%	470	64	67	64	(0)
	Utilities	197	10%	3%	7%	(256)	5%	5%	4%	(147)	124%	120%	130%	593	123	143	147	24
FINANCIALS	Banks	1,488	8%	9%	8%	6	1%	1%	1%	13	80%	61%	31%	(4,922)	1,169	945	510	(659)
	Insurance	1,015	9%	9%	9%	(77)	2%	2%	2%	(1)	-2%	-3%	-4%	(265)	(13)	(27)	(36)	(24)
	Diversified Finan S	806	17%	15%	16%	(33)	3%	4%	4%	16	148%	131%	128%	(1,940)	391	370	370	(21)
Total		22,964	13%	11%	15%	128bps	5%	4%	4%	-73bps	41%	42%	43%	223bps	3,417	3,584	3,727	310
X-Financial		19,655	15%	12%	17%	220bps	9%	8%	7%	-203bps	32%	40%	50%	172bps	1,870	2,295	2,883	1,014
X-Fin. & Energy		18,054	16%	17%	20%	426bps	9%	9%	9%	-31bps	32%	40%	49%	171bps	1,519	1,871	2,392	874

Growth vs Valuation Ratios

Total Aggregate of
1800+ cos, Mcap
\$23trn @
18x PE for RoE 15%

X-Fin. & X-Energy
aggregate at an
astonishing
Operating Cash
Flow Yield of 7.6%
with RoE 20% with
1.8% Div. Yield

\$1.4trn of Energy
Mcap is in
negative P/L ,
contributing zero
RoE

		No. of Co.s	M Cap. (\$ USD)	Growth			Valuation Ratios					Return Ratios	
				2yrs CAGR			PB	PE	EV/ Ebitda	Div. Yield	OCF Yield	RoE %	RoA %
				Sales	EBIT	PAT							
CONSUMER	Consumer Staples	46	1,144	-4%	-3%	7%	4.8	21.9	20.1	2.3%	5.3%	22%	9%
	Consumer Discretic	70	828	1%	5%	17%	6.5	20.6	18.3	2.6%	5.0%	32%	11%
	Airlines	12	118	7%	67%	47%	2.7	7.3	5.3	0.9%	19.6%	37%	14%
	Retail	184	2,048	7%	6%	11%	4.5	19.4	14.6	1.7%	6.9%	23%	12%
IT	Internet	64	2,024	16%	6%	35%	5.1	26.4	36.7	0.0%	4.7%	19%	8%
	Software	126	2,029	4%	0%	5%	4.1	16.1	12.4	1.7%	10.5%	25%	12%
PHARMA	Pharmaceuticals	42	1,233	2%	-7%	32%	3.7	16.9	27.6	2.3%	5.2%	22%	6%
	Biotechnology	59	591	28%	62%	25%	5.8	17.1	14.8	0.8%	6.6%	34%	17%
	Health Care Produc	102	1,183	10%	7%	20%	3.2	19.4	18.7	0.8%	5.3%	16%	7%
MATERIALS	Building Materials	35	108	6%	16%	31%	3.7	21.7	19.9	0.7%	5.3%	17%	9%
	Chemicals	47	517	-5%	-2%	-1%	3.9	17.3	15.8	2.2%	7.0%	22%	10%
	Metals & Mining	13	54	-5%			1.5	30.8	89.1	2.1%	9.7%	5%	1%
INDUSTRIALS	Industrials	214	1,908	-1%	-4%	1%	2.5	18.3	19.4	2.5%	7.0%	13%	5%
	Semiconductors	52	631	8%	12%	7%	3.1	16.1	14.7	2.5%	8.7%	19%	11%
	Aerospace/Defense	32	473	1%	2%	0%	4.9	17.5	13.5	2.1%	7.0%	28%	9%
	Automobiles	29	274	0%	9%	42%	2.4	9.2	10.4	2.7%	15.3%	27%	5%
	Transportation	38	345	5%	2%	5%	3.3	16.3	13.0	2.3%	9.0%	20%	11%
MEDIA	Media	48	950	4%	6%	0%	3.4	18.3	15.3	1.5%	6.5%	18%	9%
	Telecommunication	54	797	5%	0%	40%	2.8	14.8	13.2	3.3%	10.4%	19%	8%
	Commercial Service	144	799	5%	6%	20%	3.8	18.7	18.2	1.3%	5.9%	20%	8%
ENERGY	Exploration & Prod	60	1,148	-21%		-67%	1.7	121.0	-11.5	2.9%	8.6%	1%	-9%
	Oil&Gas Services	35	256	-11%			1.4	####	-179.8	2.3%	11.2%	0%	-1%
	Utilities	23	197	-4%	-11%	9%	1.7	24.7	26.3	5.0%	7.5%	7%	4%
FINANCIALS	Banks	159	1,488	0%	8%	7%	0.9	11.6	10.3	2.2%	11.0%	8%	1%
	Insurance	79	1,015	3%	0%	-2%	1.2	13.8	8.4	1.4%	13.3%	9%	2%
	Diversified Finan S	66	806	6%	8%	5%	2.8	17.2	17.7	1.5%	6.2%	16%	4%
Total		1,833	22,964	1%	-5%	7%	2.7	18.3		1.9%		15%	4%
X-Financial		1,529	19,655	1%	-8%	7%	3.4	19.5	20.5	1.9%	7.2%	17%	7%
X-Fin. & Energy		1,411	18,054	4%	4%	14%	3.7	18.2	18.9	1.8%	7.6%	20%	9%

My Guiding Principles...

- ❑ Easy to separate good from bad, hard to separate Great from good – Processes help me
- ❑ Reported Nos. needs adjustments & context to be useful (*Reported CF's are overstated*)
- ❑ All that matters is Cash-flows, CF growth, Cash-RoC & longevity of these
- ❑ It is very company, entrepreneur & business specific – no sector generalizations
- ❑ Selling out is a story we all have.....Don't sell on valuations, but on growth reversal
- ❑ Making lesser mistakes is as much focus - avoid value traps, red-flag cos however cheap
- ❑ Please leave MACROS to journalism...doesn't matter an iota
- ❑ Talk to right people with processes – nonetheless have independent & original thinking

- ❑ Proportion of Allocation in Great & Good cos never to dip below 75%
- ❑ Minimum one stock of 20% allocation : *hard-work > disproportionate gains*
- ❑ Minimum 3% allocation (*Avoid fringe exposure*)
- ❑ Not more than 20 stocks at the most, 12-15 stocks should be 80%
- ❑ Re-Investment is the hardest thing to do – Guard your booked profits well

Cut-out noise / loose opinions / Category D companies on a continuous basis



“Formal education will make you a living; self-education will make you a fortune.”

Jim Rohn