

19th Annual Wealth Creation Study 2009-2014

100x

The power of growth in Wealth Creation

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100x

The power of growth in Wealth Creation

Theme Discussion Points

- ❑ **100x: What & Why**
- ❑ **100x: The Indian experience (1994-2014)**
- ❑ **100x: Alchemy of SQGLP**
- ❑ **100x: How to apply for the future**

Powerful mantra for big Wealth Creation



To make money in stocks you must have –

- **the vision to see them**
- **the courage to buy them and**
- **the patience to hold them.**

Patience is the rarest of the three.

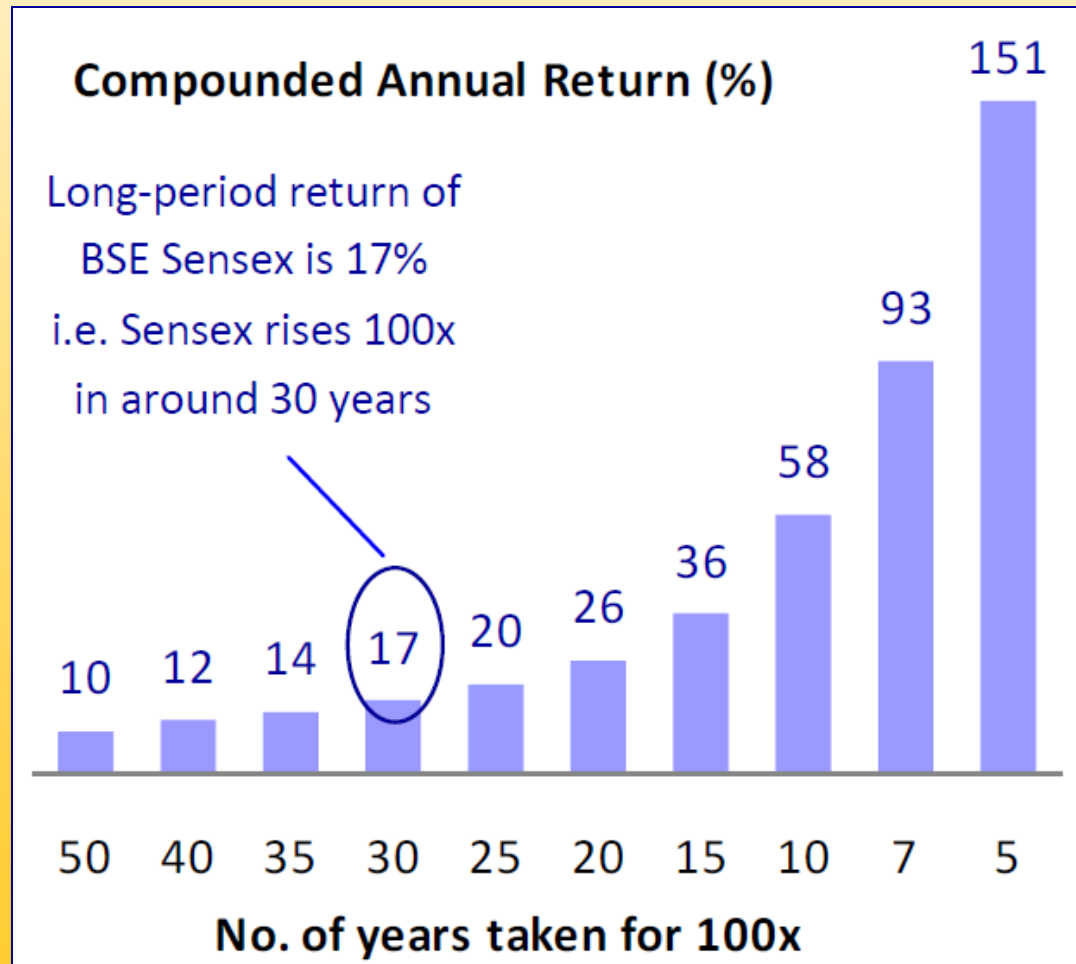
– Thomas Phelps in *100 to 1 In The Stock Market*

What is 100x?

- **“100x” refers to stock prices rising 100-fold over time**
- **The exact number “100” is not so important**
- **What is important is –**
100x opens the mind to the power of long-term compounding in equity investing

100x & Compounding

Understanding the Time-Rate combination for 100x



Why 100x?

Warren Buffett on investing and purchasing power

"Investing is often described as the process of laying out money now in the expectation of receiving more money in the future.

At Berkshire Hathaway we take a more demanding approach,
**defining investing as the transfer to others
of purchasing power now with the reasoned expectation
of receiving more purchasing power in the future** – net of
taxes on nominal gains and inflation."

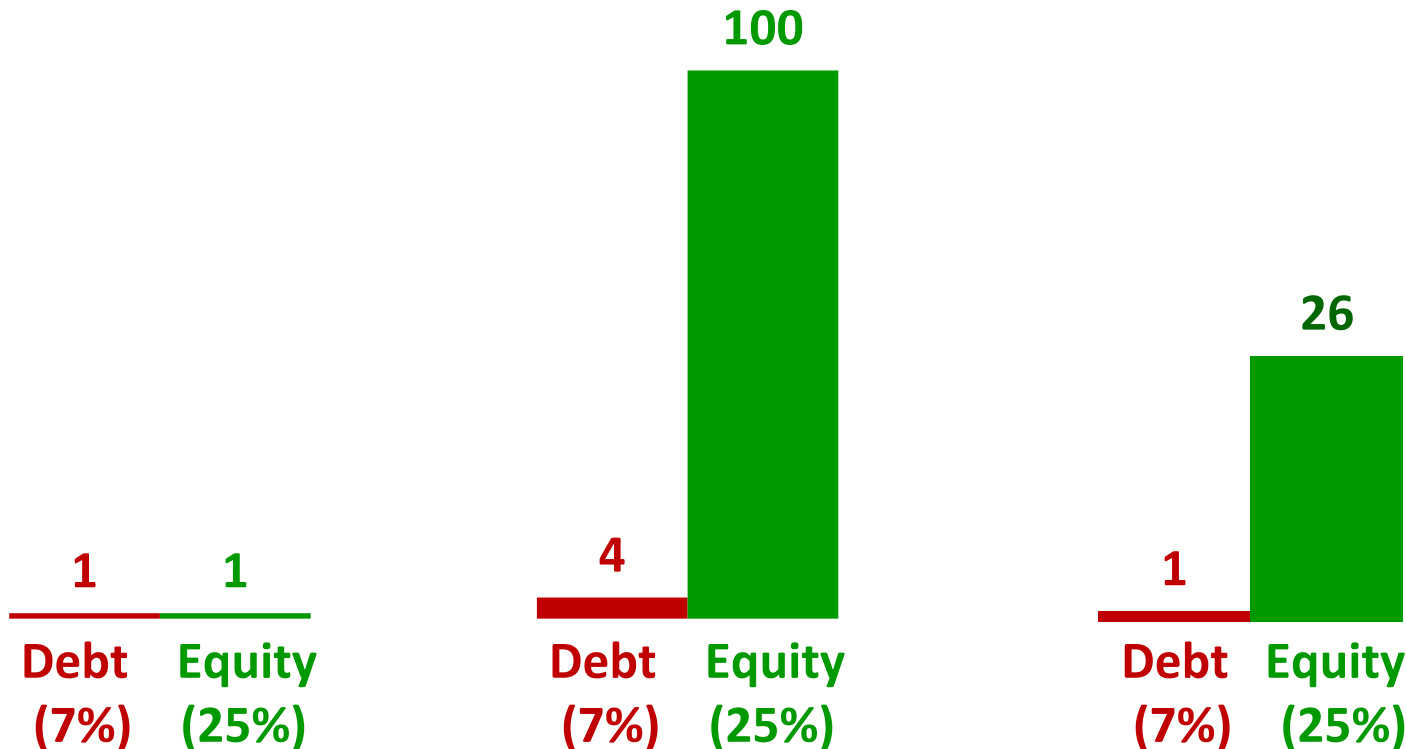
Why 100x?

100x enables accumulation of massive purchasing power

Initial Purchasing Power

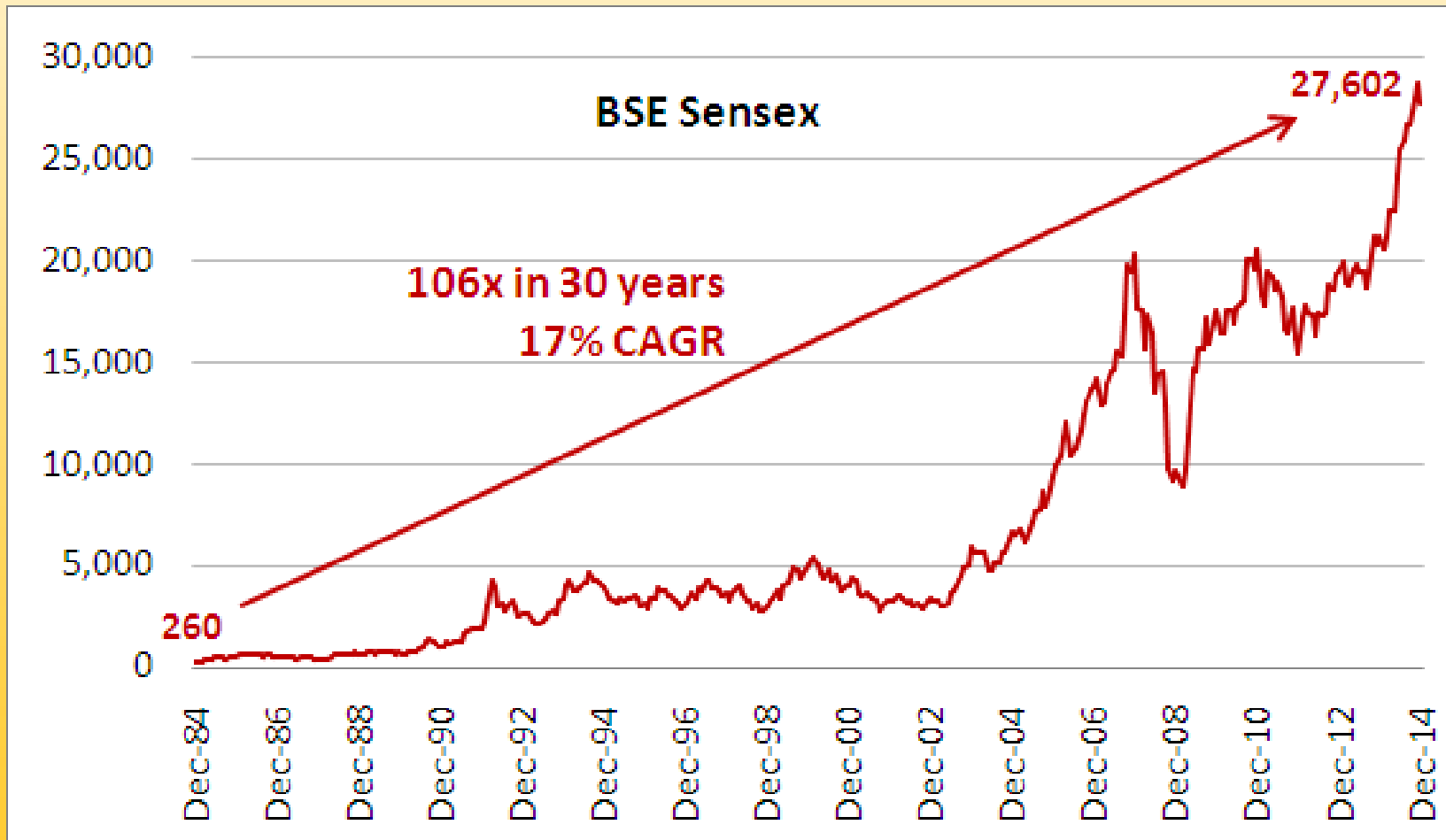
Value after 20 years

Purchasing Power
after 20 years
(net of 7% inflation)



100x – The Indian Experience

Indian benchmark indices rise 100x in 30 years



100x – The Indian Experience

Two kinds of 100x stocks in last 20 years (1994-2014):

1. TRANSITORY

- mainly fads and cyclicals which fizzled out after rising 100x
- Satyam Computer, SSI, Unitech, Jai Corp, Mercator, etc

2. ENDURING

- meaningful size and scale of operations
- saw stock prices rise 100x or more during the period
- and most importantly, maintained their 100x status even as of March 2014 (financial year-end)

100x – The Indian Experience

47 enduring 100x stocks over 1994-2014

Company	Price Mult. (x)	Year of purchase
Infosys	2,902	1994
Lupin	1,170	2002
Wipro	875	1994
Motherson Sumi	775	1999
Shree Cement	644	1998
Kotak Mahindra	608	2000
Emami	544	1996
Vakrangee	525	2000
Eicher Motors	452	2000
Aurobindo Pharma	452	1997
Blue Dart Express	417	1999
Havells India	372	2000
Amara Raja	368	1995
Sun Pharma	347	1997
P I Inds	343	2005
Balkrishna Inds	310	1994

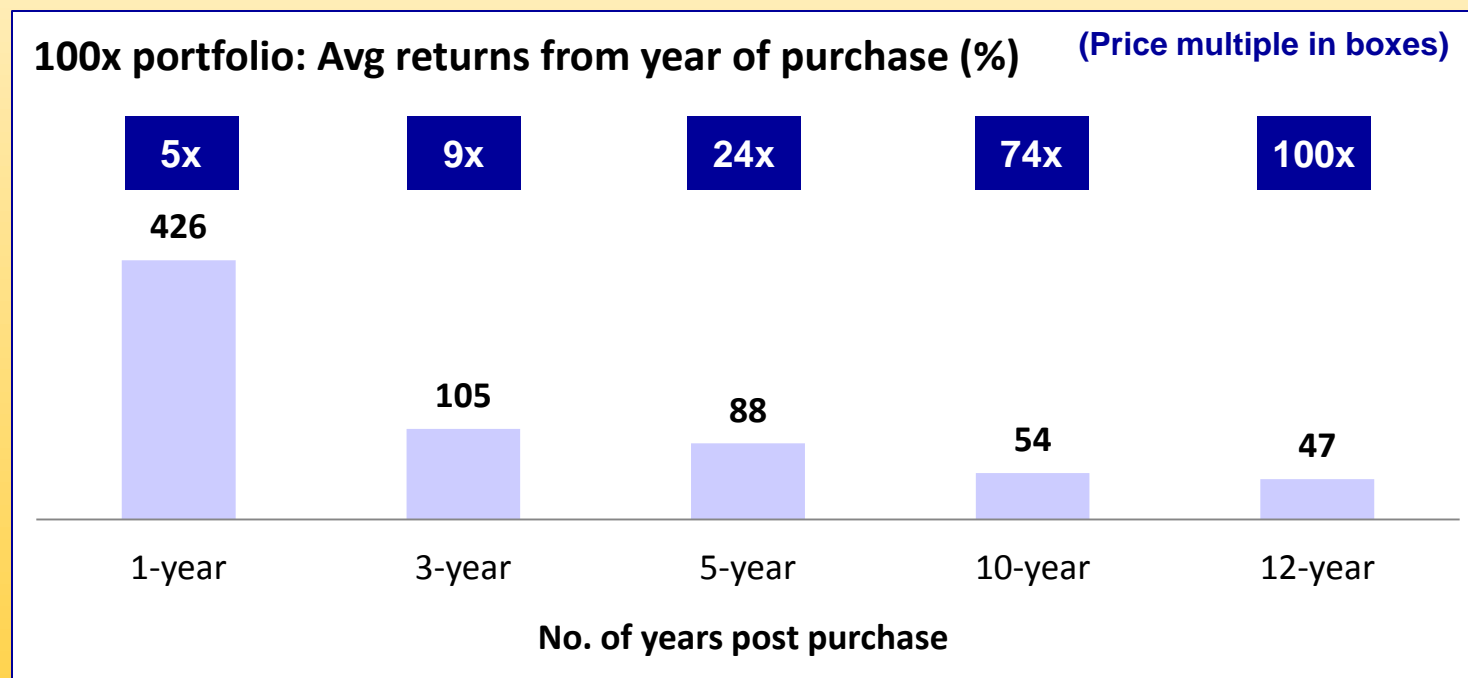
Company	Price Mult. (x)	Year of purchase
Glenmark Pharma	299	2000
Hindustan Zinc	298	1997
CMC	277	1997
KPIT Tech	247	2002
Symphony	245	2009
TTK Prestige	233	2005
Titan Company	232	2002
Cipla	222	1994
Hero MotoCorp	216	1994
GRUH Finance	203	2002
Mphasis	199	1995
Sesa Sterlite	196	2001
Godrej Inds	164	2002
Jindal Steel	158	2002
HDFC Bank	156	1996
Supreme Inds	155	2002

Company	Price Mult. (x)	Year of purchase
Ipca Labs	150	2002
NMDC	145	2003
Gujarat Fluorochem	145	1994
Ajanta Pharma	142	2004
Dr Reddy's Labs	140	1994
Coromandel Inter	139	1997
Berger Paints	137	1997
Shriram Transport	135	2002
CRISIL	127	1996
United Breweries	125	2003
Axis Bank	119	2000
Crompton Greaves	118	1998
Pidilite Inds	109	1994
Alstom T&D India	107	2002
Asian Paints	106	1994

Note: Multiples are based on stocks being bought at the low price for the respective year, and held on to Mar-2014.

100x – The Indian Experience

100x in 12 years (47% CAGR); interim returns healthy



100x – Alchemy of SQGLP

S – Size

Q – Quality

G – Growth

L – Longevity

P – Price

S – Size

Small & relatively unknown (at the time of purchase)

- **Small, both in Mkt Cap and Sales**
 - 47 stocks: Avg revenue Rs 300 cr, mcap Rs 250 cr
- **Relatively unknown**
 - low institutional holding, analyst coverage, volumes

Q – Quality

High quality business X High quality management

▪ Quality business

- Large profit pool
- Value Migration (IT, Pharma, Private banking)
- Niche / Strategic opportunity (Eicher, GPPL)
- Dominant market share (Pidilite, United Spirits)
- Economic Moat (Bosch)
- Favourable demand-supply (especially for commodities)

Q – Quality

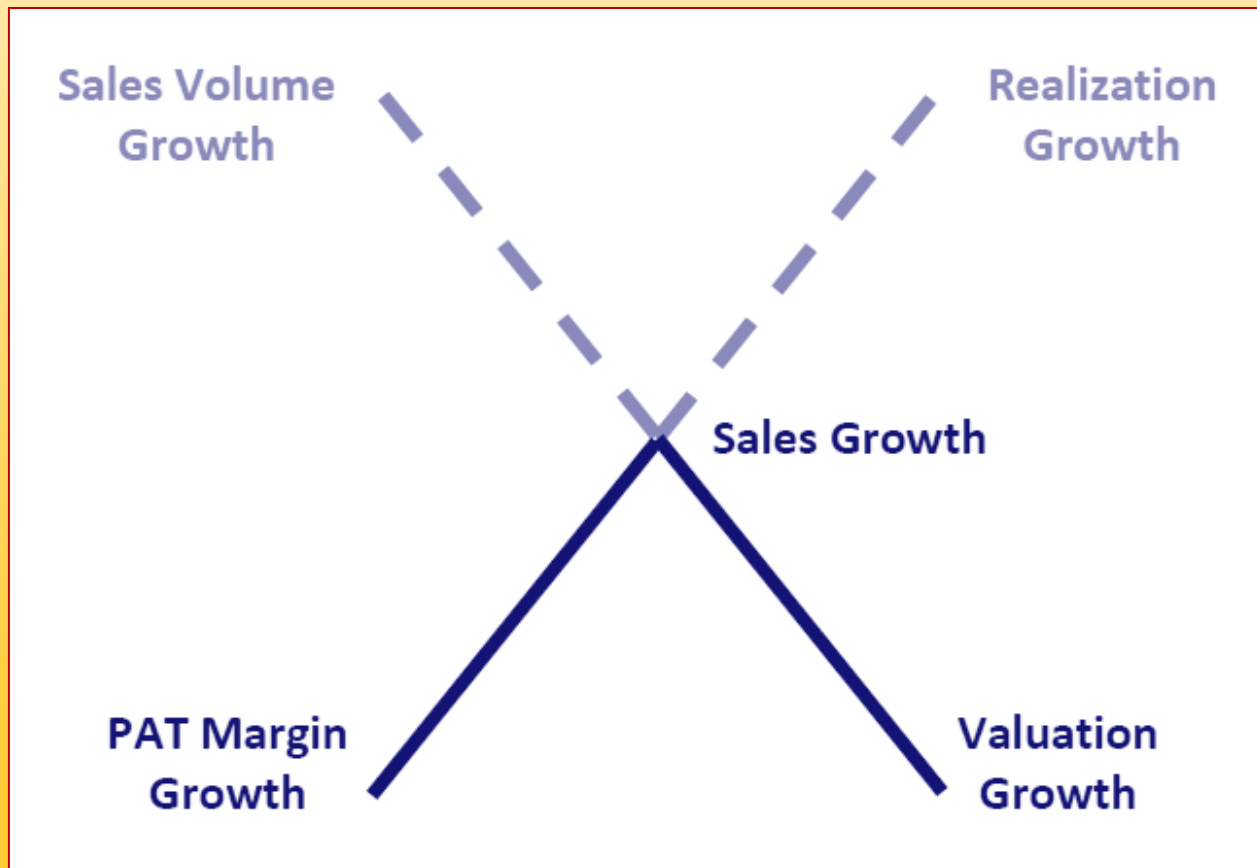
High quality business X High quality management

- **Quality management**

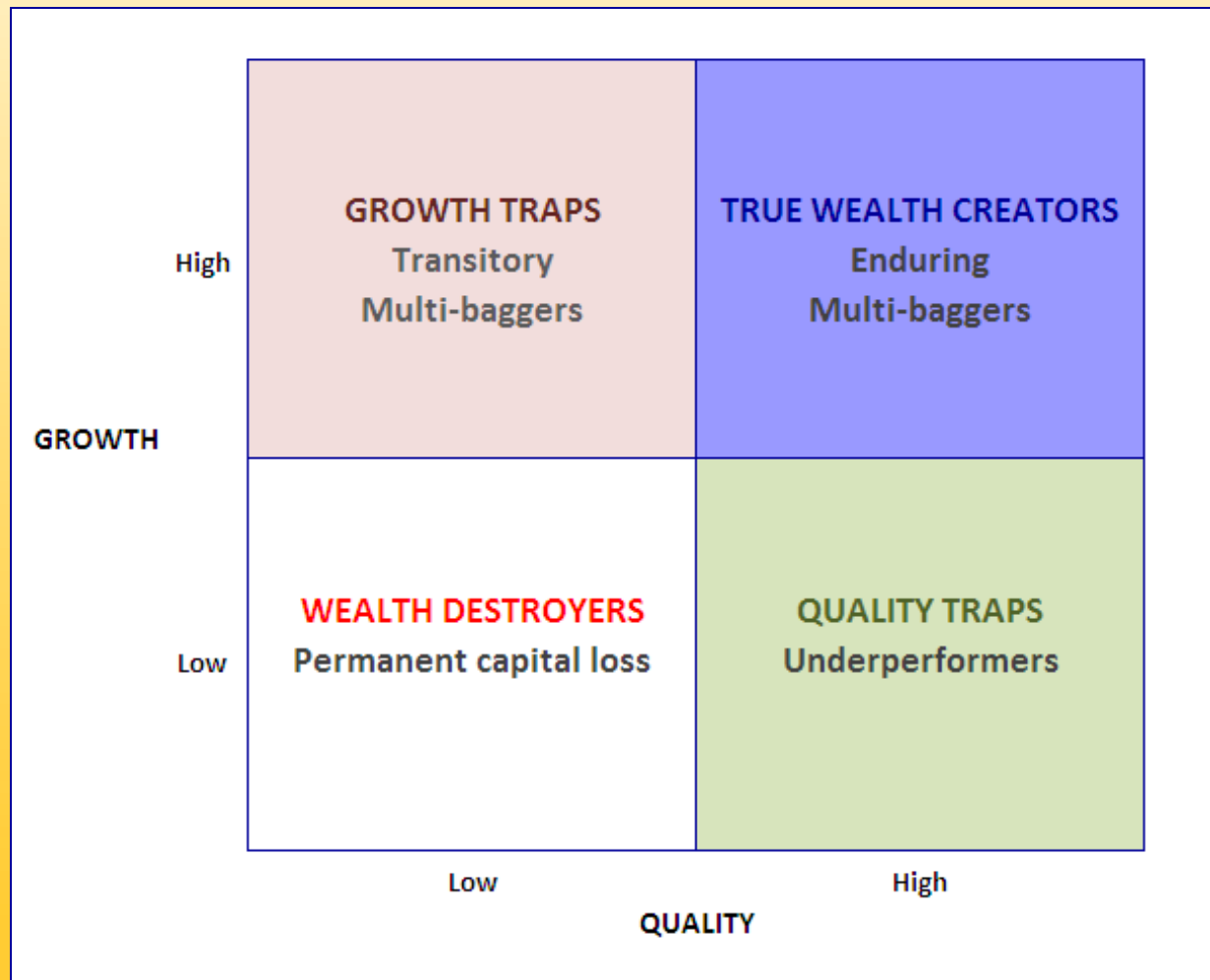
- Integrity
- Competence
- Growth mindset

G – Growth

Earnings Growth X Valuation Growth



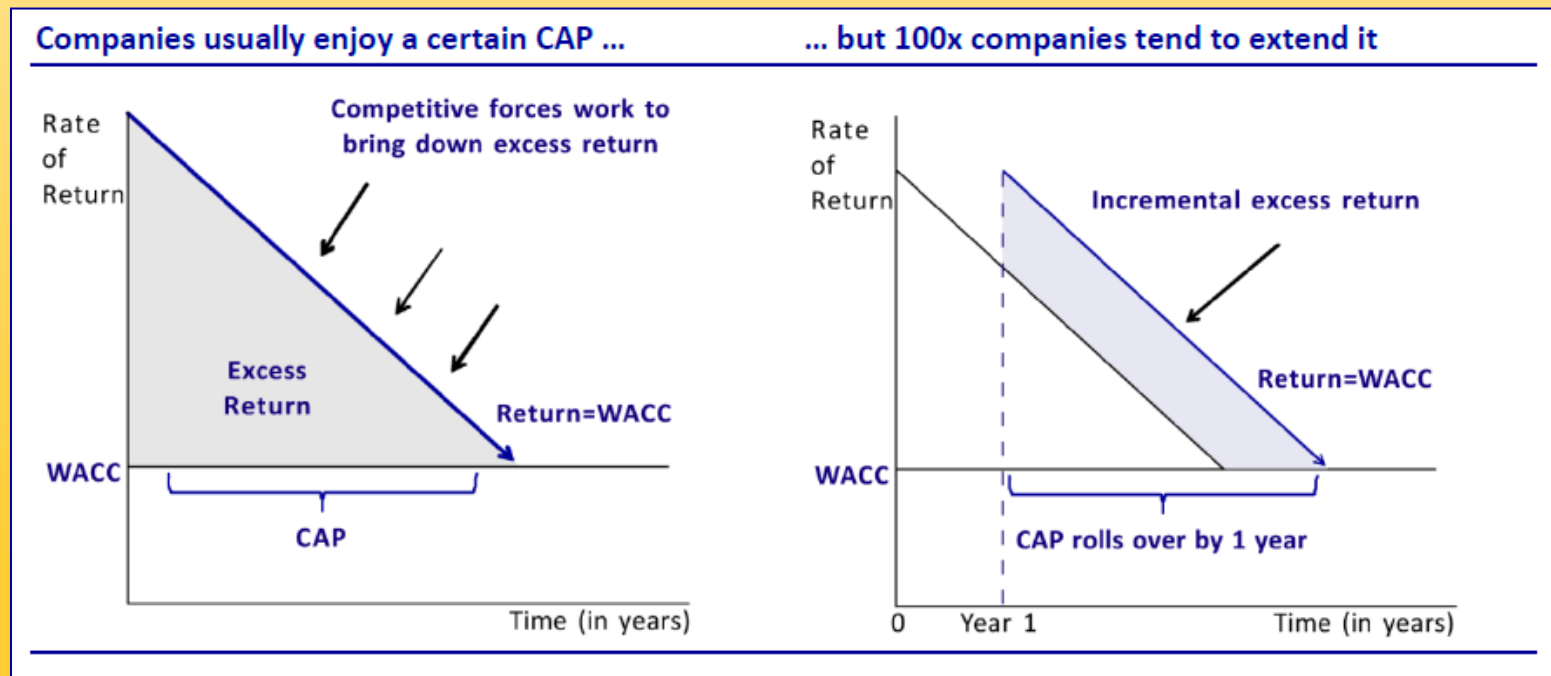
Quality v/s Growth



L – Longevity

Longevity of quality & Longevity of growth

- **Extend CAP (Competitive Advantage Period)**
- **Delay mean reversion of growth**



P – Price

Favourable valuation

- **Valuation growth lowers burden on Earnings growth for 100x**
- **Low P/E preferable; but not the only criterion**

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 the right price – absolutely none.

— *Van Den Berg, Outstanding Investor Digest, April 2004*

100x – How to apply for future

Relatively objective criteria to hunt for

- Market cap < 3,000 crores (\$0.5 billion)
- Likely beneficiary of Value Migration / Niche opportunity
- P/E less than 25x

IMPORTANT NOTE

- The companies mentioned here should not be construed as our investment recommendations.
- Assessing quality of management is subjective, requires a high level of due diligence, and not in the scope of this study.

STATUTORY WARNING !!

- Investing blindly on others' recommendation may be highly injurious to wealth!

100x – How to apply for future

Companies which meet the objective criteria for 100x

Company	Small, unknown (Mkt Cap, Rs cr)	Value Migration / Niche opportunity	P/E
Aarti Drugs	10	Pharma exports	13
Suven Lifescience	22	Pharma exports	17
Granules India	16	Pharma exports	17
DCB Bank	29	Private banking	18
Tata Elxsi	19	Software exports	21
Shilpa Medicare	20	Oncology drugs research	24
Atul Auto	10	Niche 3-wheeler player	25

Thank You !
&
Happy Investing For
100x !

IMPORTANT DISCLAIMER

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