

# Value Investment Options in Indian Markets

By

**Rational Investment Research Pvt. Ltd.**

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# Indian Market Valuation

## **S&P CNX Nifty** (The Benchmark Index)

**PE Ratio:** 19.10

**PB Ratio:** 4.17

**Free Cash Yield:** Close to zero

**Div. Yield:** 1.22%

**Inflation:** More than 12%

**Interest Rate:** 12-15%

High valuation when economy is slowing and inflation is high

Profit growth slowing (12 % YoY rise in latest quarter )

Foreign investors have invested mostly in top 200 stocks

Top 200 stock have Nifty like valuations

# Our Investment Universe

3000 stocks listed

Significant value in small / mid cap stocks

Caused by absence of research and volatile local investors

Most of the foreign holding concentrated in top 200 stocks

Expected Returns: Total return of 15-20% p.a. over next 5 years

Returns will be volatile, can be negative in next 1-2 years

# Key Parameters for Selection

Quality Management: Competent & Honest

Quality business

- Good Growth Prospects
- High Return on Equity
- High Margins
- Low Debt
- Free Cash Flow
- Industry Leadership

Good Price : **Margin of Safety**

- Existence of discount to value

# Model Portfolio

Company's Industry	P E Ratio	Dividend Yield	Return on Equity	Price/Book
Portfolio	7.4	4.05%	30%	2.33
Nifty( Benchmark Index)	19.1	1.22%	21%	4.17

# Methodology

Searching based on key valuation parameters (Quantitative & Qualitative)

Short listing investment ideas

Gathering information from field for short listed ideas

- Management
- Employees
- Competitors
- Industry Experts
- Distributors
- Customers

Making the decision