

# MoneyWorks4me

Stock Investing-The Safest Way

## Family of stocks – The Peter Lynch style

**16 August 2013**

**4 p.m. – 5 p.m.**

**Presented by**

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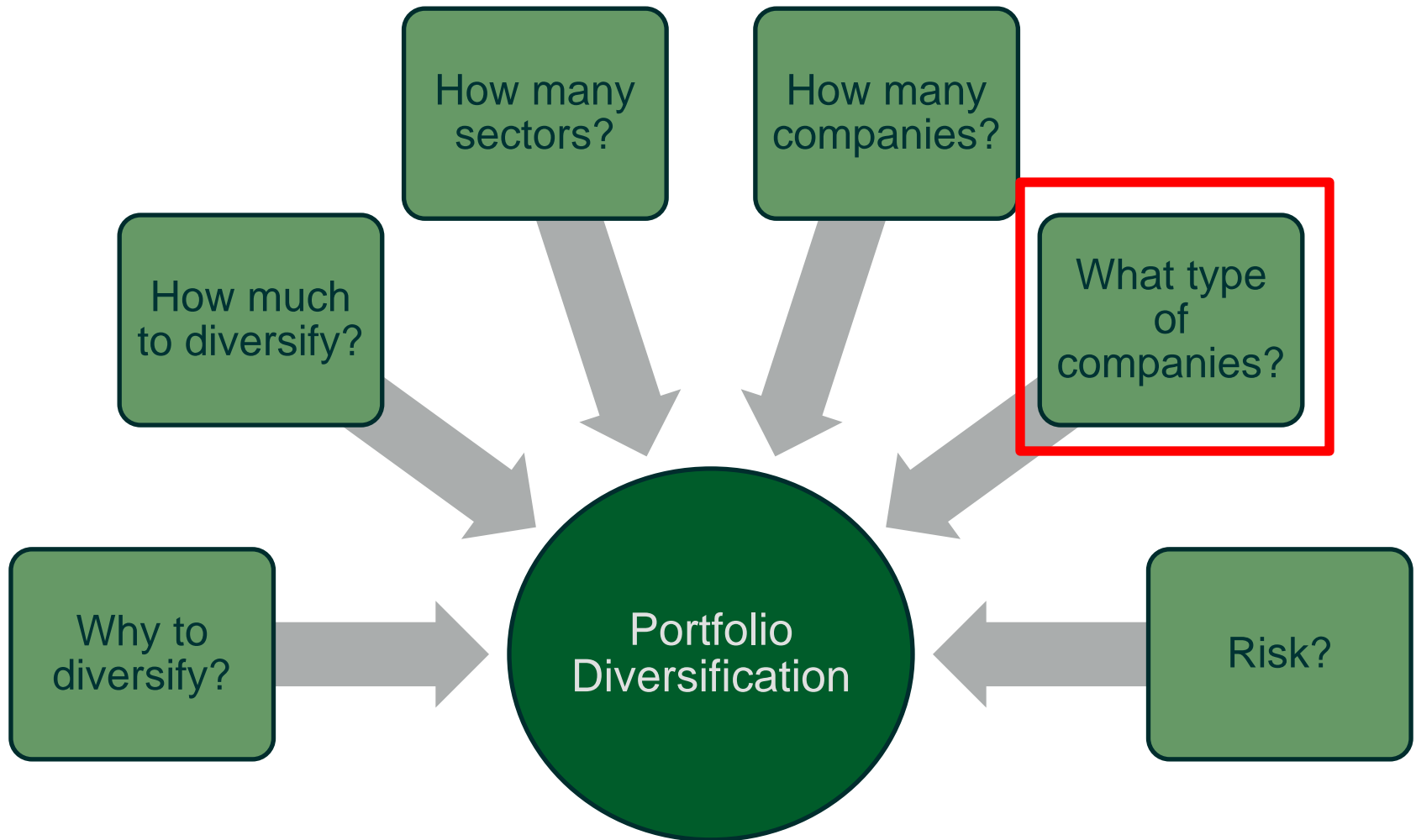
# Flow of presentation

Portfolio Diversification

Risk: Ability and Willingness

Portfolio Diversification – Another perspective

Categories of stocks



# Risk: Ability and Willingness

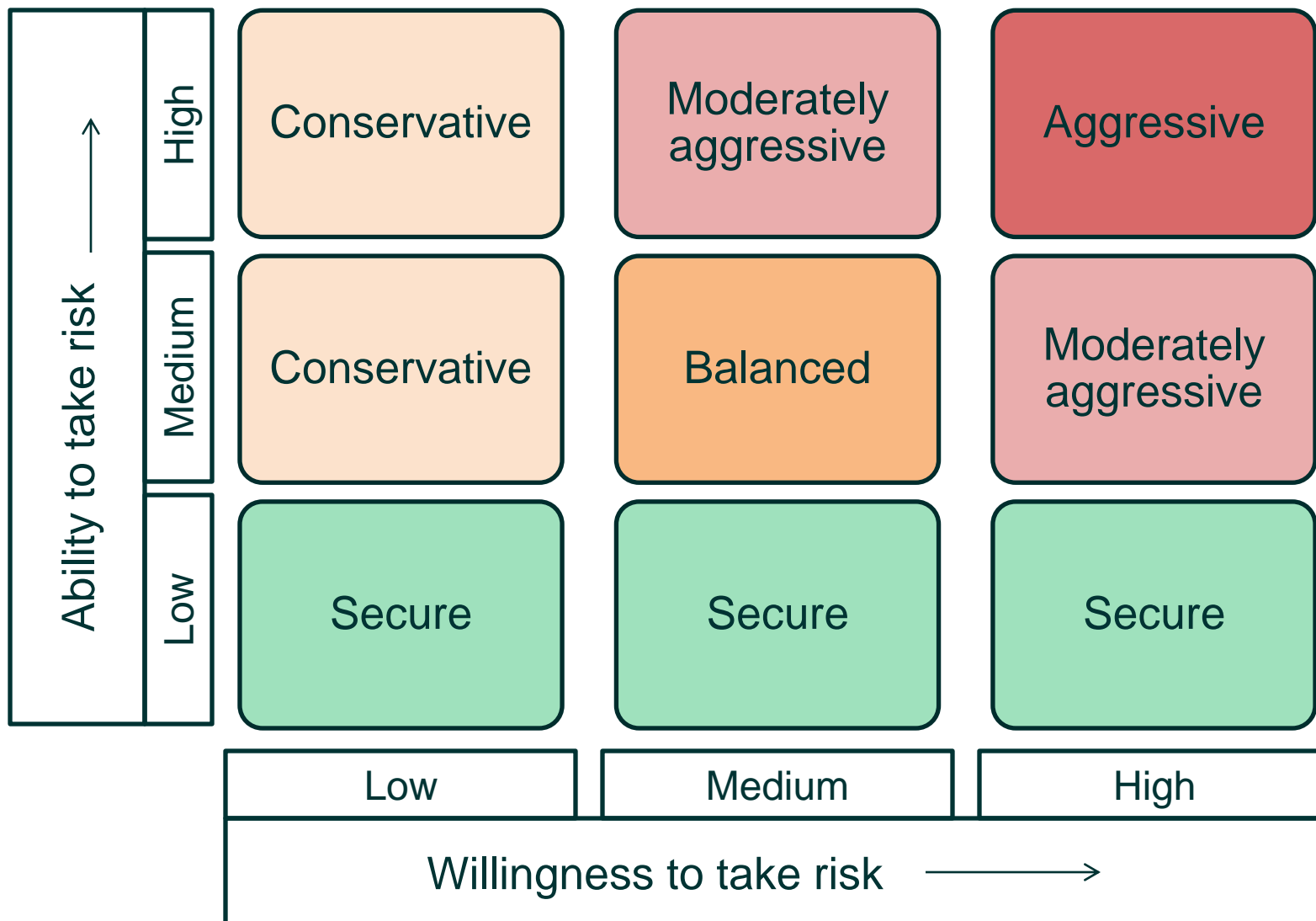


# Willingness to take risk and personality

- The type of personality you are, has an influence on your willingness to take risk
- You can know your personality type by taking a small personality test

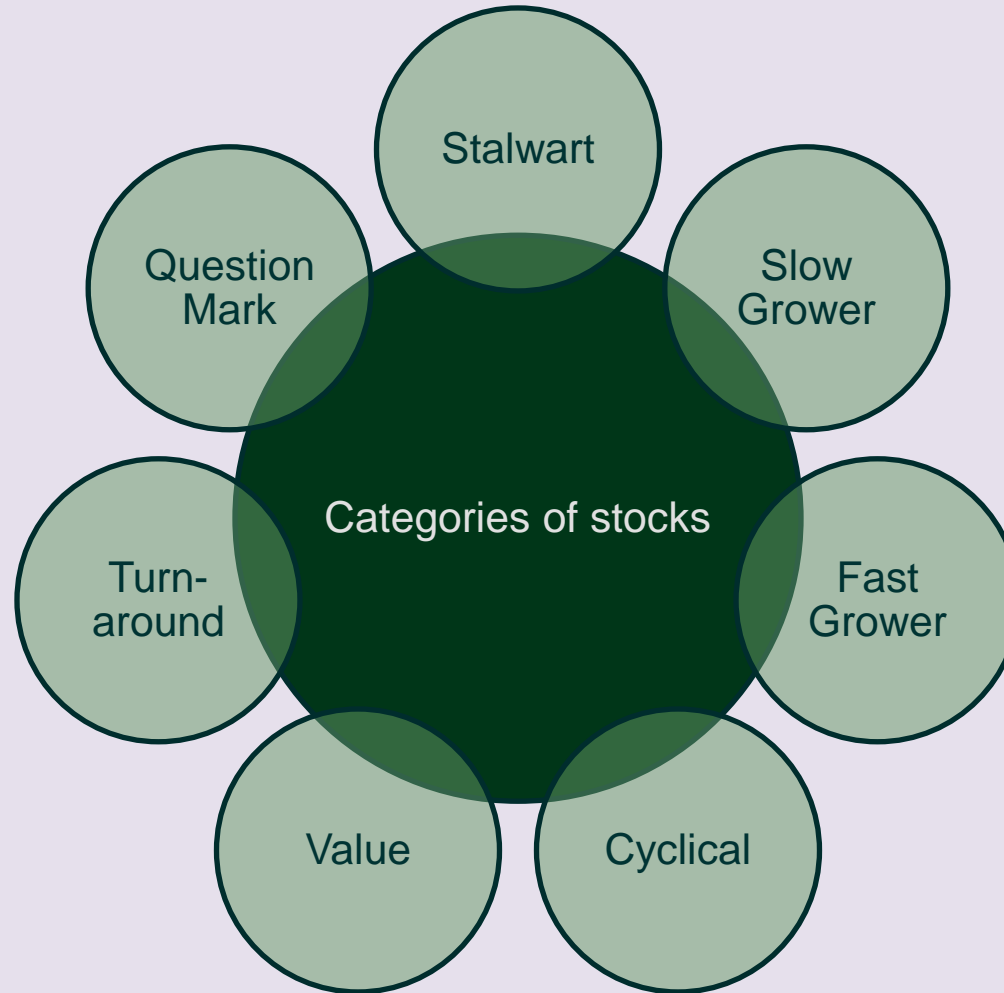
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# Investment Strategy



# Portfolio Diversification – Another perspective

# What type of companies? – Inspired by Peter Lynch style





# Stalwart

- Mature companies
- Consistently growing
- Medium level of growth, close to industry growth rate
- History of good value creation
- One of the top three industry leaders
- Plays the role of an anchor
- Examples – Ambuja Cement, ITC, TCS

# Slow Grower

- Mature companies
- Declining rate of growth
- Little scope of expansion and hence expectation of slow growth
- History of good value creation but on a declining trend
- High dividend paying companies
- Examples – Infosys, RIL, HUL

# Fast Grower

- Small and medium companies
- Expected to grow at high growth rates
- Value creation could be subdued due to high level of investment
- Existence of a big market
- Niche, innovative companies
- Operating in untouched markets
- Examples – Jubilant Foodworks, Power Grid, Cognizant

# Cyclical

- Affected by economic cycles
- Affected by business and industry cycles
- Growth and value creation depend on the type of cycle
- Examples – BHEL, NMDC, Sugar companies

# Value

- Companies having hidden assets
- Assets not appreciated by the market
- Could be land, cash, patents, etc.
- Replacement cost of assets is more than market cap + debt
- Trading at P/BV ratio of less than 1
- Examples – Neyveli Lignite, OMCs

# Turnaround

- Beaten down companies
- Poor financials – growth and value creation
- But, expected to make a come back
- Showing signs of revival
- Could be due to change in management, change in strategy, restructuring
- Example - Wockhardt

# Question Mark

- Companies that have lost or are losing their way
- Could be slow growers or fast growers who have made misuse of cash
- May have good growth, but poor value creation
- Uncertain future
- Examples – TATA Steel, TATA Power, Larsen and Toubro, Escort

## Stalwart

- Could become slow growers

## Slow Grower

- Could be misusing cash if dividend payout is low
- Low expectations of capital appreciation



## Fast Grower

- Desire of very high growth could lead to mal-investments
- Attracts competition
- Can it sustain the high level of growth?

## Cyclical

- Highly levered cyclical companies would not have strength to catch opportunities
- Timing is crucial

# Issues

## Value

- Is the value realizable?
- Will the market ever appreciate the hidden value?

## Turnaround

- Sign of revival could be a false alarm
- There could be a bias of hype

## Question Mark

- Can they find a way out?

# What you need to look out for?

## Fast Grower

Enter when the company is in expansion phase

Look out for over-ambitious acquisitions

Exit when many players start entering the arena

## Cyclical

Catching the bottom of the cycle is not easy

Look for signs of recovery and of fall

No harm in mistiming a low levered cyclical company

# What you need to look out for?

## Turnaround

Enter only when there are signs of improvement

Changes in strategy, management

Do not hesitate to exit if situation worsens

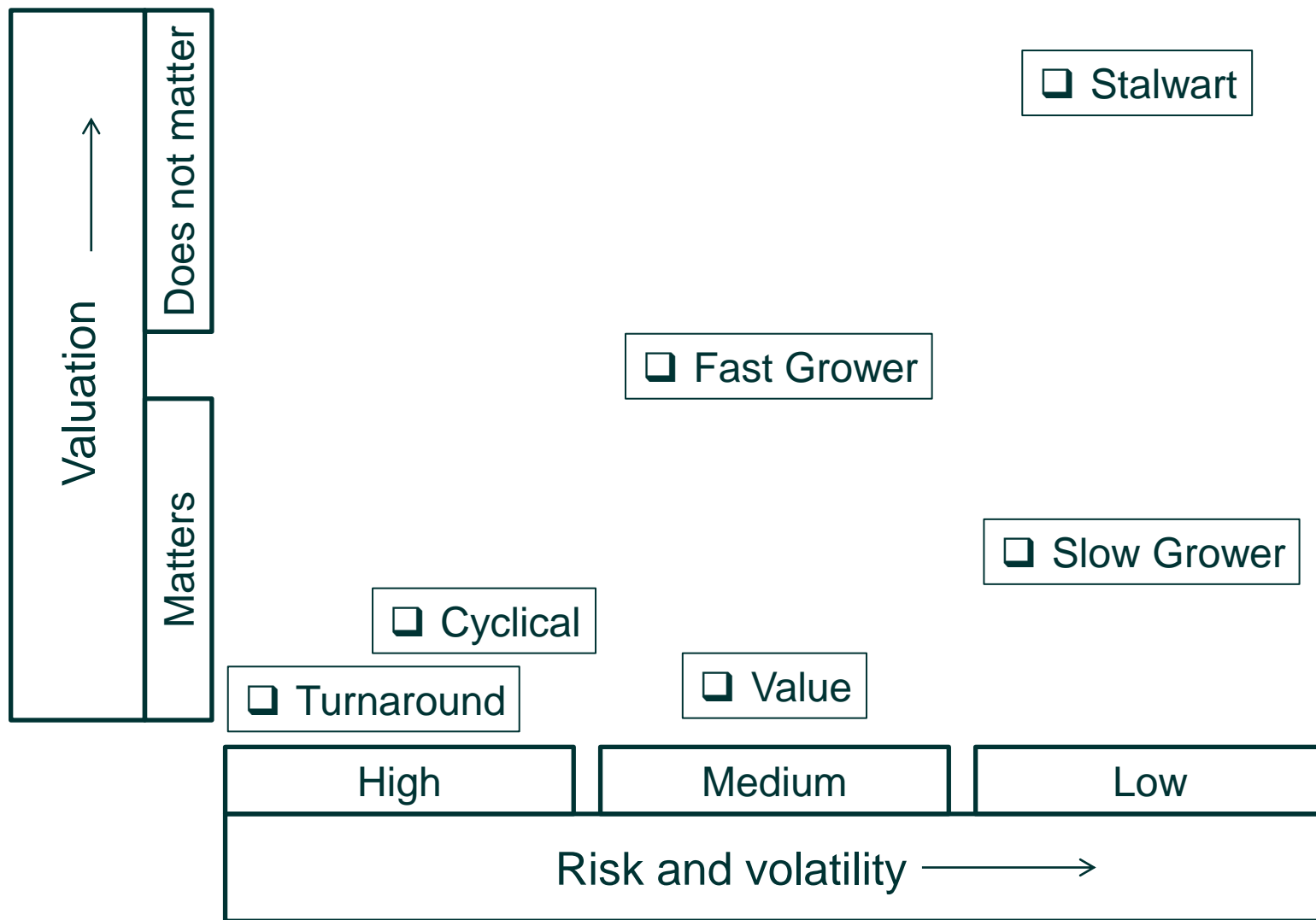
## Value

Verify the value

Check for corporate governance practices

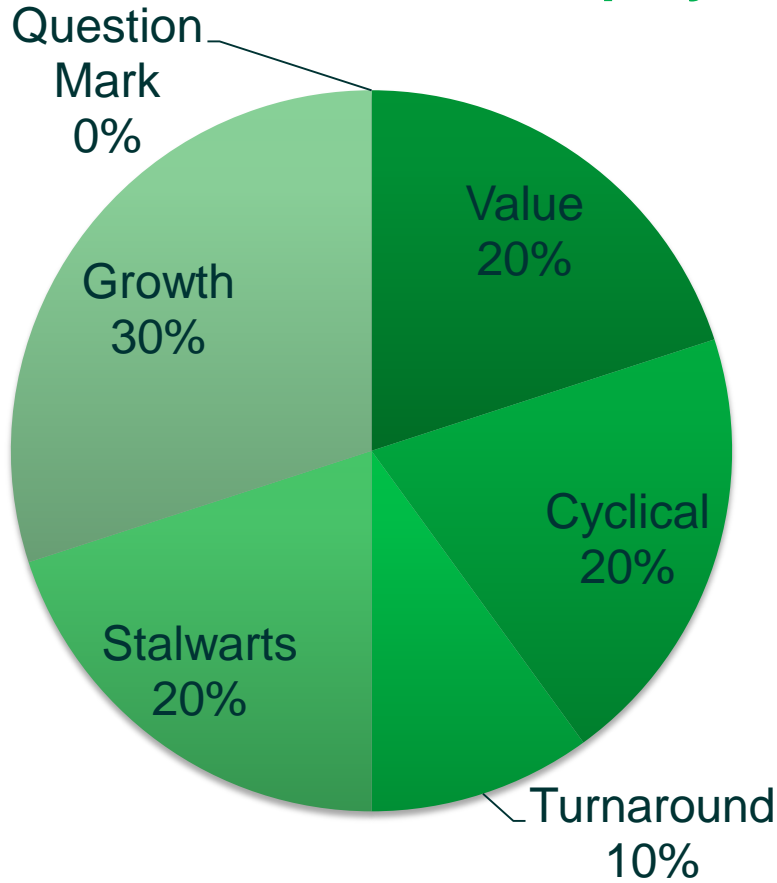
May take a long time to unlock value

# Category – Risk and importance of valuation metric



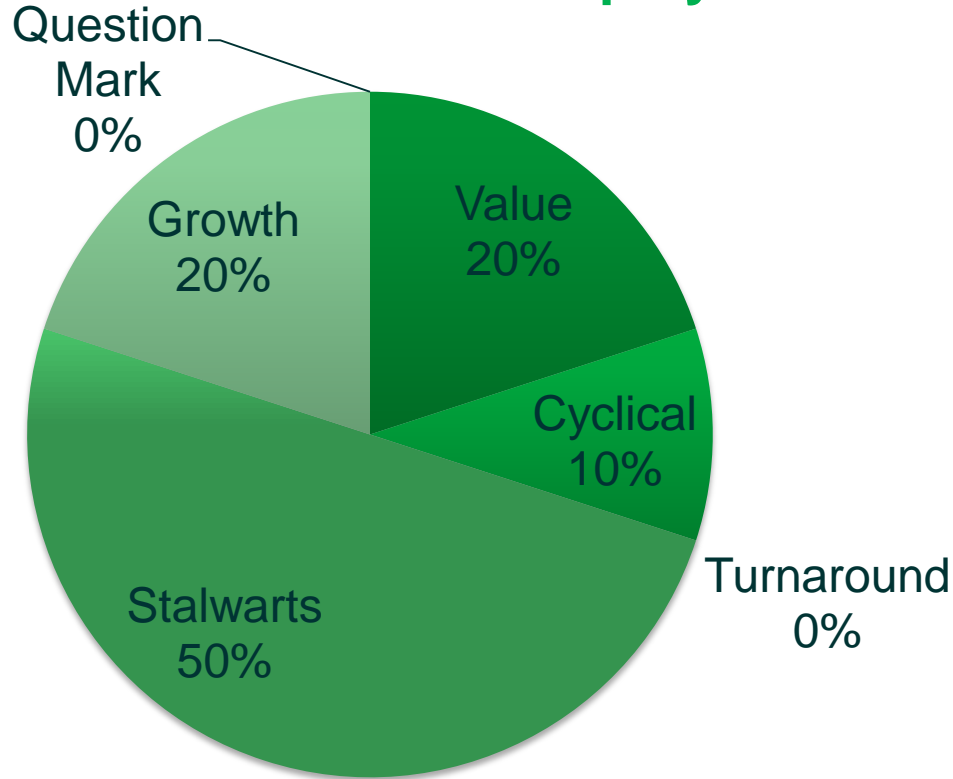
# Aggressive – Fund allocation

## Fund Allocation in Equity



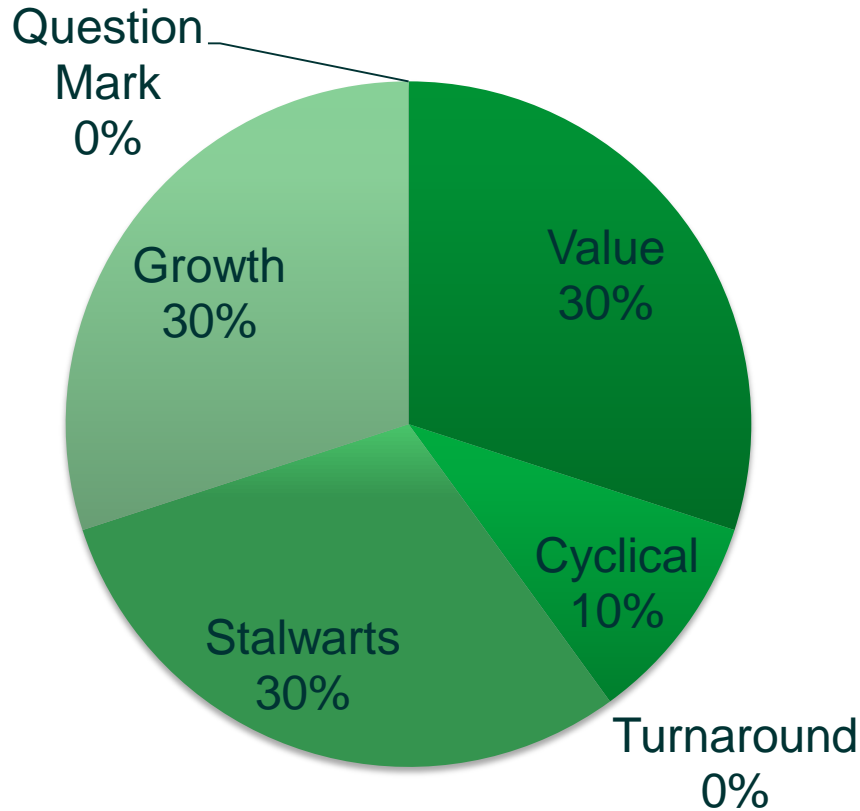
# Conservative – Fund allocation

## Fund Allocation in Equity



# Balanced – Fund allocation

## Fund Allocation in Equity





# To conclude

- Stalwarts are consistent performers and act as an anchor even during bad times
- But you should not have crazy return expectations from stalwarts (max 13%-15%)
- For high returns, invest in cyclicals and in stocks that offer value, but the risk is high. Trick is in catching them at low common-sensical valuations
- Turnarounds and fast growers are potential multi-baggers, but the risk is very high. Early entry matters as such stocks could become fairly or over valued

# To conclude

- Timing of investment is crucial in case of cyclicals
- Over-allocation in cyclicals is not advisable as emotions could lead to hasty decisions
- In pursuit of high growth, fast growers could end up making mal-investments
- It is not easy to identify potential turnaround companies
- A stock does not always stay in the same category



## Decision-Maker [What's this?](#)

5 Companies left to Evaluate

Type a company name to get the right decision

Get

**Ambuja Cement** Standalone basis ?

CMP (Price) **173.70** ▼ **-3.05** (-1.73%)

 **Stalwart** | Large Cap | Cement & Construction Materials

### 1. Get The Right Stock ?

**10 YEAR X-RAY PRO**

[View details](#)

Not Good

**LONG TERM PROSPECTS**

[View details](#)

Very Good

[View Re-evaluation Details](#)

### 2. Get The Right Price ?

CMP  
**173.70**

DP  
**75**

MRP  
**150**

Margin of Safety: 50.00%

### 3. Get The Right Timing ?

Timing Signal

CMP above MRP

[View Price Chart](#)

Save to WatchList

# Slow Grower



## Decision-Maker [What's this?](#)

5 Companies left to Evaluate

Type a company name to get the right decision

Get

**Hindustan Unilever** Standalone basis [?](#)

CMP (Price) **602.60** ▼ **-13.15** (-2.14%)

 Slow Grower | Large Cap | Household & Personal Products

### 1. Get The Right Stock [?](#)

**10 YEAR X-RAY PRO**

[View details](#)

Somewhat Good

**LONG TERM PROSPECTS**

[View details](#)

Somewhat Good

[View Re-evaluation Details](#)

### 2. Get The Right Price [?](#)



Margin of Safety: 25.00%

### 3. Get The Right Timing [?](#)

Timing Signal

CMP above MRP

[View Price Chart](#)

Save to WatchList

# Fast Grower



## Decision-Maker [What's this?](#)

5 Companies left to Evaluate

Type a company name to get the right decision

Get

**Power Grid Corpn.** Standalone basis [?](#)

CMP (Price) **97.50** ▲ **0.55** (0.57%)



Fast Grower

Large Cap | Power Generation/Distribution

### 1. Get The Right Stock [?](#)

**10 YEAR X-RAY PRO**

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Somewhat Good

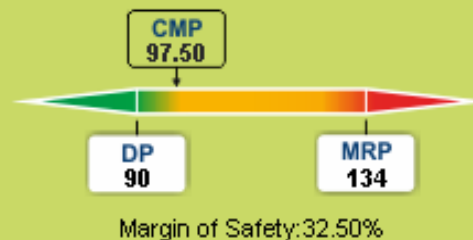
**LONG TERM PROSPECTS**

[View details](#)

Very Good

[View Re-evaluation Details](#)

### 2. Get The Right Price [?](#)



### 3. Get The Right Timing [?](#)

Timing Signal

BUY

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## Decision-Maker [What's this?](#)

5 Companies left to Evaluate

Type a company name to get the right decision

Get

NMDC Standalone basis ?

CMP (Price) 112.10 ▼ -2.15 (-1.88%)

 Cyclical | Large Cap | Mining & Minerals

### 1. Get The Right Stock ?

10 YEAR X-RAY PRO

[View details](#)

 Very Good

LONG TERM PROSPECTS

[View details](#)

Very Good

[View Re-evaluation Details](#)

### 2. Get The Right Price ?

CMP  
112.10



DP  
132

MRP  
264

Margin of Safety: 50.00%

This guidance needs to be revisited.

### 3. Get The Right Timing ?

Timing Signal

SELL

[View Price Chart](#)

Save to WatchList

# Value



## Decision-Maker [What's this?](#)

5 Companies left to Evaluate

Type a company name to get the right decision

Get

**Neyveli Lignite** Standalone basis [?](#)

CMP (Price) **56.75** ▼ **-0.75** (-1.30%)



Value | Large Cap | Power Generation/Distribution

### 1. Get The Right Stock [?](#)

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Somewhat Good

**LONG TERM PROSPECTS**

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Very Good

[View Re-evaluation Details](#)

### 2. Get The Right Price [?](#)

CMP  
56.75



Margin of Safety: 40.00%

### 3. Get The Right Timing [?](#)

Timing Signal

CMP below DP

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# Question Mark



## Decision-Maker [What's this?](#)

5 Companies left to Evaluate

Type a company name to get the right decision

Get

**Tata Steel** Standalone basis ?

CMP (Price) **239.50** ▼ -10.30 (-4.12%)

? Question Mark Large Cap | Steel/Sponge Iron/Pig Iron

### 1. Get The Right Stock ?

**10 YEAR X-RAY PRO**

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Somewhat Good

**LONG TERM PROSPECTS**

[View details](#)

Somewhat Good

[View Re-evaluation Details](#)

### 2. Get The Right Price ?

CMP  
239.50



DP  
207

MRP  
230

Margin of Safety: 10.00%

### 3. Get The Right Timing ?

Timing Signal

CMP near MRP

[View Price Chart](#)

Save to WatchList



# Q & A Session

## Contact Details:

Write to us at - [customercare@MoneyWorks4me.com](mailto:customercare@MoneyWorks4me.com)

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