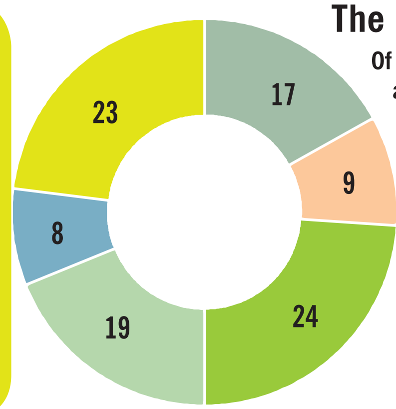
PROFIT 100 VALUE MATRIX

Want to know how India's most financially sound Profit 100 companies stack up in terms of valuations? A study by moneyworks4you gives you a sneak preview into which sectors and stocks are undervalued and which ones are over the hill

The big picture

Of the Profit 100 list, 23 companies are quoting above MRP, while 17 are still going cheap



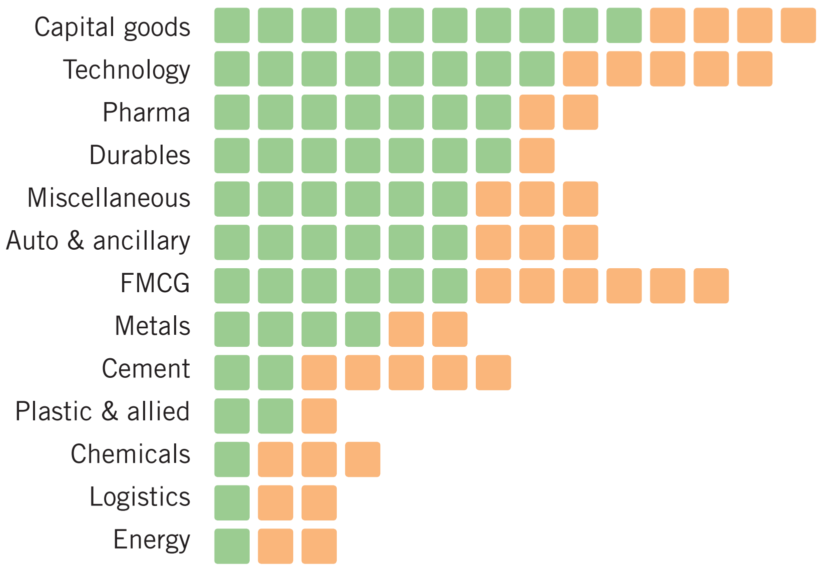
- More than 30% below MRP
- 15-30% below MRP
- 0-15% below MRP
- 0-15% above MRP
- 15-30% above MRP
- 30% and above MRP

Note: Valuations based on Nov 15 stock prices; MRP refers to intrinsic value

The Profit 100 list has been sorted into Green and Orange companies. Green companies (61) are those which have clocked more than 12 per cent growth in net sales, earnings per share and book value per share and earned 12 per cent return on invested capital consistently over the past 10 years. Besides, these companies have a debt-to-net profit ratio of less than three. Orange companies (39) are those which recorded lower growth rates.

How they stack up

If one were to look at the Profit 100 list from a sectoral perspective, capital goods, technology, pharmaceuticals and durables companies have shown robust growth in financials and return on invested capital. Interestingly, though the auto and ancillary sectors went through a pincer during the downturn, around six companies from the pack have managed to perform well over the past 10 years.



How many are undervalued...

Around 13 Green companies are available at more than 30 per cent discount to the MRP

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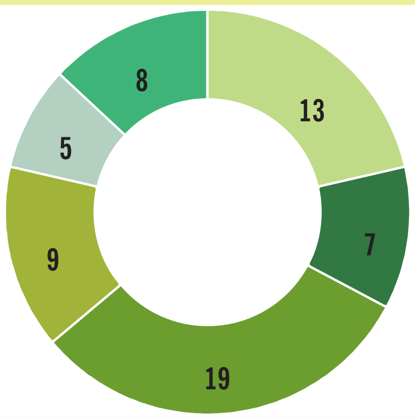
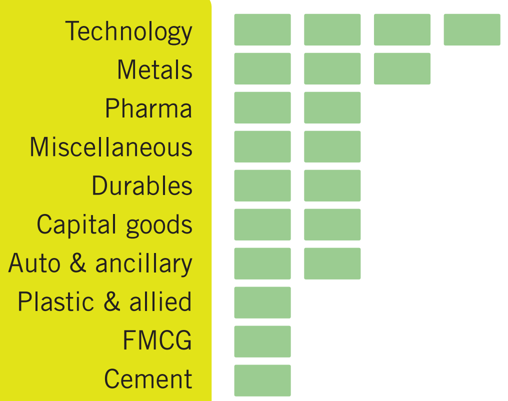


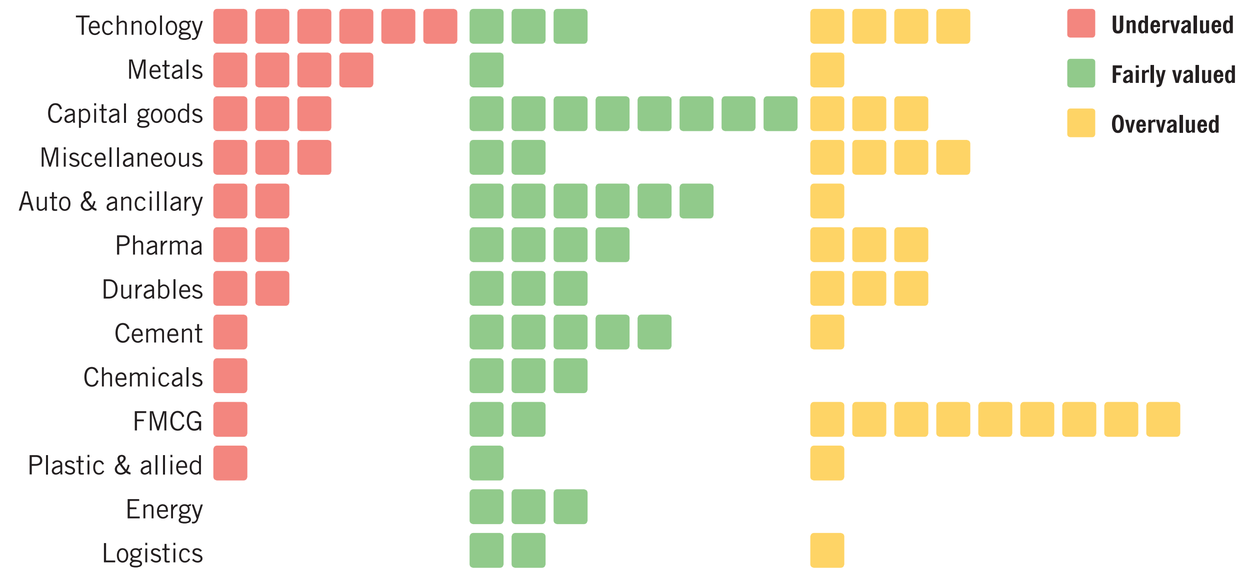
... and across which sectors

Twenty companies are currently undervalued, that is, 15 per cent to 30 per cent below MRP



Cheap technology, expensive FMCG

The following graphic represents number of companies which are undervalued, fairly valued or overvalued within their respective sectors



Best of the lot

The following three companies currently offer good opportunities for investors

Bharti Airtel

-47.46%

Telecom stocks have taken a beating following the price war, regulatory hurdles and high 3G licence fees. In a consolidating industry, Bharti can be a good bet, provided it makes the most of the Zain buyout in Africa. Currently, at a discount of 47% to its MRP, the GSM major's earnings are expected to grow at 18% in the future.

Balmer Lawrie

-43.47%

One of the biggest advantages of the Kolkata-based state-owned company, which is up for disinvestment, is its extremely diversified nature. This makes it less dependent on any particular sector. MoneyWorks4me expects the company to grow its earnings at 18% in the future. The stock is currently trading at 44% discount to its MRP.

Balkrishna Industries

-43.44%

The off-the-road tyre major with its niche positioning and low-cost operations is in a sweet spot. Heavy investments in building capacity acts as an entry barrier, but dependence on exports is cause for concern. Estimated to grow earnings at 19% in the future, it is quoting at a good 43% discount to its MRP.