

PAST PERFORMANCE REVIEW

1. Hidden Gems

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3. Wealth-BUILDER Portfolio – Jan'12



Saral Gyan Capital Services

An Independent Equity Research Firm

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OUR SERVICES



HIDDEN GEMS



VALUE PICKS



WEALTH-BUILDER
An Offline Portfolio Management Service



15% @ 90 DAYS

FROM THE DESK OF OUR EQUITY RESEARCH TEAM

Dear Reader,

The legendary Walter Schloss checked the stock on the following 4 criteria to determine if the stock merits a place in the portfolio:

- *Zero or very low debt equity ratio*
- *High Promoter holding*
- *Dividend yield of at least 3%*
- *Stock purchase price lower than book value*

Warren Buffett's method of evaluating a company is based on its fundamentals. Specifically, he asks us to look for companies that:

- *Are in a business that you can truly understand*
- *Have a large competitive advantage (huge moat) over existing and new entrants to the business*
- *Provide a service that is likely to be needed for a long time, and is unlikely to be replaced any time soon.*

Benefits of Investing in Micro & Small Caps:

- 1. Small companies adapt fast to changing environment - they are nimble and can therefore move fast.*
- 2. Given low liquidity, while retail investors can buy small caps, many fund managers cannot - so retail investors have a first mover advantage with a good small company.*
- 3. Small caps are high in demand but less in supply - that means prices rise really fast when demand increases*

It's dedication & passion of our team that even during bearish phase of equity market since last 2 years, 9 out of 24 Saral Gyan Hidden Gems gave more than 100% returns to our members. Hidden Gems have given average returns of +45%, maximum returns of +85% whereas small cap index has given average returns of 2% in last 2 years.

FROM THE DESK OF OUR EQUITY RESEARCH TEAM

While selecting Hidden Gems, Value Picks & Wealth-Builder stocks, we try to apply a simple but effective approach by evaluating each stock on the basis of below mentioned criteria's.

(i) Quality management with high integrity: If the management is not honest, will they want to share the goodies with you? No, they will look for the first opportunity to siphon off the profits and pull the wool over your eyes.

(ii) The scale of opportunity must be big: Multi-bagger stocks are created because they are able to scale the opportunity rapidly. **Titan Industries** is a great example. In 2003-04, **Titan's** market cap was 500 crores. Now, it is above 20,000 crores. The fact that India is a booming marketplace of 120 crores consumers means that most products and services have a head start at trying to scale up their activities.

(iii) Low debt; free cash flows: We learnt from the great crisis of 2011 that companies with high debt on their books simply get slaughtered. While debt per se is not bad (*if the company is able to borrow at a lower rate and deploy it in its business at a higher rate, the operating leverage works in its favour*), excessive debt with high interest and repayment obligations can crunch the stock in times of downturn. So, as a long-term investment philosophy, it is best to avoid high-debt companies.

(iv) High ROE – Efficient users of capital: Some company's management is able to squeeze that little extra of every buck. A ROE of at least 25% is necessary to make into the hallowed list of model portfolio.

(v) No High Capex Requirements – No Serial Diluters of Equity: We know from (*bitter*) experience the demerits of investing in stocks like **Suzlon** & **GMR** which have an insatiable appetite for more and more capital. To feed their perennial hunger, these companies dilute their equity by making FPOs, GDRs & FCCBs resulting in total destruction of shareholders' wealth. Companies should be lean and mean requiring minimal capital but generating huge returns there from.

(vi) Reasonable growth expectations: *"If you get a tax-free return of 18% for your portfolio, you must be very happy".* So, stop craving for that overnight multi-bagger. You'll only end up losing your precious capital that way. Instead, look for well established small, mid and blue chips companies that are growing at a reasonable rate of return (15 – 25%). With time and the magic of compounding, you will have your muti-bagger in your portfolio.

FROM THE DESK OF OUR EQUITY RESEARCH TEAM

(vii) Valuations: Most investors are obsessed about valuations, refusing to buy any stock that is “*expensive*”. However, one must remember that “*expensive*” is a relative term. If a stock is compounding at 25% on an annual basis, paying a price of 30 times earnings may be very reasonable. A stock like **Nestle**, for instance, has always been “*expensive*”. However, if an investor had gone ahead and bought the stock, he would have had an incredible multi-bagger on his hands. On the other hand, in trying to buy a “*cheap*” stock, one may get saddled with unsavory companies. After all, there is a reason why such stocks are “*cheap*”. Of course, one should be careful not to buy in euphoric or bubble times when the pricing may be extravagant and not at all reasonable.

(viii) Concentrated Portfolio: We like Warren Buffett approach, a believer in the concept of a concentrated portfolio. If you believe in the prospects of a stock you should be prepared to put a substantial chunk of money in it – or nothing at all. There is no point in buying a bit of this and a bit of that because that dilutes your returns. Of course, we are no match for Warren Buffett and we do not have his conviction levels.

(ix) Diversification: Last but not the least; a proper portfolio must be diversified across sectors. A bit of Finance, a bit of consumption, some autos, a pinch of chemical etc will make a balanced portfolio.

Considering weak sentiments and bearish outlook, we have not released Value Picks for all months during first half of the year. Our objective is not only to grow your investments at a healthy rate but also to protect your capital during market downturn. It's a fact that thousands of mid & small cap companies tested their 52 week lows in the month of June & July this year.

We are glad to share the past performance of Hidden Gems, Diwali Muhurat Portfolio of 2011 & Wealth-BUILDER Portfolio which we shared on 1st Jan 2012 with our members.

Regards,
Team – Saral Gyan.

PAST PERFORMANCE AT A GLANCE



HIDDEN GEMS

DATE	SCRIP	RECOM- MENDED PRICE	CURRNT MARKET PRICE	RETURN AT CMP (05 JAN'13)	MAXIMUM RETURN	SMALL CAP INDEX CLOSING	SMALL CAP INDEX RETURNS
5-Sep-10	Sri Adhikari Brothers T.N	41.75	90.4	116.53%	161.08%	9912.14	-23.17%
3-Oct-10	XXXXX	63.5	58.15	-8.43%	24.41%	10403.65	-26.80%
7-Nov-10	De Nora Ltd	75.5	264.4	250.20%	279.87%	11044.44	-31.05%
19-Dec-10	XXXXX	35.95	22.55	-37.27%	46.04%	9184	-17.08%
16-Jan-11	XXXXX	22.7	11.61	-48.85%	8.81%	8993.84	-15.32%
21-Feb-11	XXXXX	61	52.75	-13.52%	55.74%	8128.91	-6.31%
27-Mar-11	Camlin Fine Chemicals*	12.1	21.95	81.40%	151.65%	8001.63	-4.82%
17-Apr-11	XXXXX	23.25	14.54	-37.46%	10.11%	8808.16	-13.54%
29-May-11	Cravatex*	350	438.1	25.17%	128.29%	8109.86	-6.09%
26-Jun-11	XXXXX	36.45	27.2	-25.38%	53.09%	7922.38	-3.87%
24-Jul-11	WPIL	182.5	381.7	109.15%	151.40%	8463.49	-10.02%
30-Aug-11	Wim Plast	185	395.05	113.54%	125.95%	7131.48	6.79%

* Indicates Bonus/Split adjusted price

PAST PERFORMANCE AT A GLANCE



HIDDEN GEMS

DATE	SCRIP	RECOM- MENDED PRICE	CURRNT MARKET PRICE	RETURN AT CMP (05 JAN'13)	MAXIMUM RETURN	SMALL CAP INDEX CLOSING	SMALL CAP INDEX RETURNS
30-Sep-11	XXXXX	109	98	-10.09%	15.46%	6881.08	10.67%
27-Oct-11	XXXXX	107	187.05	74.81%	82.10%	6899.15	10.38%
27-Nov-11	XXXXX	147	147.95	0.65%	42.86%	6049.36	25.89%
24-Dec-11	Cera Sanitaryware	157	426.15	171.43%	190.19%	5614.9	35.63%
29-Jan-12	Indag Rubber	154.7	274.5	77.44%	112.99%	6491.69	17.31%
29-Feb-12	XXXXX	48.2	58.15	20.64%	39.00%	6859.97	11.02%
31-Mar-12	Mayur Uniquoters*	223.9	479	113.93%	125.59%	6629.38	14.88%
30-May-12	XXXXX	70.5	55.8	-20.85%	26.24%	6307.15	20.75%
30-Jun-12	XXXXX	93	122.45	31.67%	59.14%	6543.75	16.38%
30-Jul-12	XXXXX	70.5	70.35	-0.21%	10.64%	6675.35	14.09%
05-Aug-12	XXXXX	94.5	143.35	51.69%	65.40%	6545.7	16.35%
AVERAGE & MAXIMUM RETURNS:		HIDDEN GEMS:		45.05%	85.48%	S.C INDEX:	1.83%

* Indicates Bonus/Split adjusted price

PAST PERFORMANCE AT A GLANCE



HIDDEN GEMS

5 / 12 Hidden Gems stocks of 2011 which gave more than 100% returns:

1. **Camlin Fine Sciences** (BSE Code - 532834): Camlin Fine Sciences was recommended by our equity analysts at price of 60 (price adjusted due to stock split) considering positive developments in the company. We suggested partial profit booking by selling 50% holding of Camlin Fine Sciences at price range of Rs. 130 (price adjusted due to stock split), returns of 115% in short span of 8 months. *Camlin Fine Sciences Research Report* - [Read/Download](#)
2. **Cravatex** (BSE Code - 509472): Cravatex belongs to consumer segment and was attractively valued before bonus issue, company own rights to sell brands like Fila and Proline and was expanding its reach to customers in different geographies of the country, stock was recommended at price of Rs. 700 (bonus adjusted) in May 2011 by our equity analysts. Stock made high of Rs. 799 in April this year registering maximum returns of almost 130%. *Cravatex Research Report* - [Read/Download](#)
3. **WPIL** (BSE Code - 505872): Our equity analysts noticed that WPIL promoters are doing aggressive open market purchase. Later our analysts tried to dig out the reasons and found that WPIL has made few acquisition/ tie ups globally to synergize their business and is going to be benefitted tremendously in coming quarters. Stock recommended at price of Rs. 182.5 in July 2011 made high of Rs. 458 in 2012. Partial profit booking was suggested to our members by selling 50% of stock holding at Rs. 425 (returns of 130%) & holding the remaining quantity for long term. *WPIL Research Report* - [Read/Download](#)
4. **Wim Plast** (BSE Code - 526586): Management has been conservative in past but with new developments with expansion plans in existing facilities and set up of new plants gave visibility for revenue growth in coming years. Commencing of new facilities gave opportunity to the company to expand their network & customer reach. High earning visibility & low valuations made Wim Plast an attractive bet, recommended at Rs. 185 - returns @ 110%. *Wim Plast Research Report* - [Read/Download](#)
5. **Cera Sanitaryware** (BSE Code - 532443): Cera Sanitaryware was attractively priced and was trading below its intrinsic value in Dec 2011. Our analysts were confident enough about decent returns in this scrip and suggested a buy at price of Rs. 157, stock has recently made 52 week high of 455 giving returns of more than 150% of our members in span of 12 months. As valuations are still attractive, we suggested our members to hold it. *Cera Sanitaryware Research Report* - [Read/Download](#)

DIWALI MUHURAT PORTFOLIO – 26TH OCT 2011



Our equity analysts shared Diwali Muhurat Portfolio of Rs. 1 Lakh last year with all our members. Portfolio was of 10 stocks with mix of large, mid and small caps from different sectors and was expected to outperform Sensex & Nifty.

Below are the stocks suggested to buy on 26th Oct'11 (Diwali Muhurat – Samvat 2068). Portfolio has given returns of 20.2% compared to Sensex returns of 14.7%. Update of 2011 portfolio & Diwali Muhurat Portfolio – 2012 was published by our team on 10th Nov 2012.

S.NO	TYPE	SECTOR	SCRIP	BSE CODE	PRICE ON 26-OCT-11	% ALLOCAT ION	INVESTMENT AMOUNT (RS)	NO. OF SHARES	CURRENT MARKET PRICE	VALUE AT CMP 05-JAN'13	GAIN / LOSS %
1	LARGE CAP	IT SERVICES	TCS	532540	1099.3	14	14291	13	1297.5	16867.5	18.0%
2	LARGE CAP	BANKS	AXIS BANK	532215	1119.05	12	12310	11	1378.2	15160.2	23.2%
3	LARGE CAP	OIL & GAS	PETRONET LNG	532522	161.1	12	11921	74	162.95	12058.3	1.1%
4	MID CAP	CHEMICALS	TATA CHEMICALS	500770	320.05	12	11842	37	364.6	13490.2	13.9%
5	MID CAP	CONSUMERS	GODREJ INDUSTRIES	500164	196.2	12	11968	61	320.75	19565.8	63.5%
6	MID CAP	AGRO CHEMICALS	RALLIS INDIA	500355	156.8	10	10035	64	150.2	9612.8	-4.2%
7	SMALL CAP	INFRASTRUCTURE	SANGHVI MOVERS	530073	116.85	8	7946	68	98	6664.0	-16.1%
8	SMALL CAP	CONSUMERS	WIM PLAST	526586	174.8	8	8041	46	395.05	18172.3	126.0%
9	SMALL CAP	DISTILLERIES	PICCADILY AGRO	530305	26.9	7	6994	260	22.55	5863.0	-16.2%
10	SMALL CAP	COMMODITIES	PUNEET RESINS	526492	42.35	5	4997	118	27.2	3209.6	-35.8%
1 YEAR RETURNS		SENSEX:	17255 - 19784	14.7%	TOTAL	100	100345	752	PORTFOLIO:	120664	20.2%

WEALTH-BUILDER PORTFOLIO – 1ST Jan 2012



WEALTH-BUILDER
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S.NO	TYPE	SECTOR	SCRIP	BSE CODE	PRICE ON (RS) 01-01-12	% ALLOCA TION	INVESTMENT AMOUNT (RS)	NO. OF SHARES	CURRENT MARKET PRICE	VALUE AT CMP 05- JAN'13	GAIN / LOSS %
1	LARGE CAP	IT SERVICES	TCS	532540	1161.25	12	12,000	10	1298	12975	11.7%
2	LARGE CAP	OIL & GAS	RELIANCE INDUSTRIES	500325	692.9	11	11,000	16	860.8	13772	24.2%
3	MID CAP	OIL & GAS	PETRONET LNG	532522	155.8	11	11,000	71	163	11569	4.6%
4	MID CAP	CHEMICALS	TATA CHEMICALS	500770	311.35	10	10,000	32	364.6	11667	17.1%
5	MID CAP	BANKS	YES BANK	532648	238.6	10	10,000	42	489.6	20563	105.2%
6	MID CAP	AGRO CHEMICALS	RALLIS INDIA	500355	120	8	8,000	67	150.2	10063	25.2%
7	MID CAP	CONSUMERS	GODREJ INDUSTRIES	500164	170.95	8	8,000	47	320.8	15075	87.6%
8	SMALL CAP	CONSUMERS	WIM PLAST	526586	174.3	7	7,000	40	395.1	15802	126.6%
9	SMALL CAP	CONSUMERS	CERA SANITARYWARE	532443	171	7	7,000	41	426.2	17472	149.2%
10	SMALL CAP	IT SERVICES	ABM KNOWLEDGEWARE	531161	71.7	6	6,000	84	52.75	4431	-26.4%
11	SMALL CAP	COMMODITIES	INDAG RUBBER	509162	137.5	5	5,000	36	275.5	9918	100.4%
12	SMALL CAP	COMMODITIES	PUNEET RESINS	526492	35.4	5	5,000	141	27.2	3835.2	-23.2%
RETURNS:		SENSEX: 27.5%	WEALTHBUILDER: 47.1%			100	100000		PORTFOLIO:	147144	47.1%

Wealth-BUILDER portfolio published on 1st Jan 2012 has outperformed all major indices. Sensex in last year has given returns of 27.5% whereas Saral Gyan Wealth-BUILDER portfolio has given returns of 47.1%.

3 Hidden Gems stocks (Wimplast, Cera Sanitaryware and Indag Rubber) have given more than 100% returns and **2 Value Picks (Yes Bank and Godrej Industries)** have given more than 85% returns to our members.

ABOUT SARAL GYAN CAPITAL SERVICES

Saral Gyan Capital Services is an independent equity research firm. We publish unbiased thoroughly researched reports that enhance the visibility of innovative public companies in micro, small & mid cap space. Our reports, [Hidden Gems](#) & [Value Picks](#), are distributed to our subscribers through our website.

Hidden Gems & Value Picks are highly detailed reports that is written to be easily understood by the financial community. We also circulate articles via free email & mobile subscription which works as a guide and provide insights to equity market.

We also offer [15% @ 90 Days](#), which works on buy to sell and gain strategy for short term profits. The stocks under 15% @ 90 DAYS are selected on the basis of technical analysis done by our equity analysts.

[Wealth-BUILDER](#) is our offline portfolio management service which includes best of Hidden Gems, Value Picks & 15% @ 90 Days stocks. Our equity analysts will suggest you the best of Hidden Gems & Value Picks stocks which you can hold in your portfolio with minimum churning. This also helps you avoid paying extra brokerage cost on your transactions.

Our research reports are written by a team of equity analysts who recognize investor's desire to understand a business in a way that supports an educated investment decision based on facts. Our reports contain meticulously researched facts on companies, their fundamentals, and their industries, validating a company's prospects and enabling the reader to objectively evaluate the company's value.

At **Saral Gyan**, research is taken as a creative work by team of professionals on systematic basis in order to increase the wealth of knowledge. We believe that research is a necessity and forms the basic foundation upon which advice is made with reference to particular stocks with recommendations on buy or sell or hold.





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SARAL GYAN SUBSCRIPTION SERVICES

SERVICE	INVESTMENT HORIZON	MARKET CAP / INDEX	NUMBER OF RECOMMENDATIONS	SELECTION CRITERIA	SUGGESTED ALLOCATION *	1 YEAR SUBSCRIPTION PLAN
 HIDDEN GEMS Know More Sample	1 - 3 Yrs	Small / Micro Cap (BSE Small Cap)	12 per year	Growth / Value (Mkt Cap < Rs. 500 Crs)	10% - 25%	Rs. 7,500 (\$155)
 VALUE PICKS Know More Sample	1.5 - 3 Yrs	Mid Cap (BSE Mid Cap)	12 per year	Growth / Value (Mkt Cap: Rs. 1,000 - 10,000 Crs)	20% - 40%	Rs. 5,000 (\$105)
 15% @ 90 DAYS Know More Sample	3 Months	Mid Cap (BSE - 500)	12 per year	Technical Analysis / Recent Developments	Not Applicable	Rs. 2,500 (\$55)
 WEALTH-BUILDER <small>An Offline Portfolio Management Service</small> Know More Sample	3 - 7 Yrs	Across Market Caps	12 - 18 Portfolio Updates per year	Long Term Wealth Creation	10 - 15 Stocks	Rs. 15,000 (\$310)

• Suggested allocation - This is the percentage of funds that you could allocate (out of your total equity portfolio) to each category of stocks. Please note that these allocations are purely indicative.

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