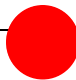

Date	March 05, 2018	Publication	Financial Chronicle	Pg No.	1

Stay with set criteria even in bargain hunting

Saurabh Mukherjea, CEO of Ambit Capital, has spent 15 years in the equity market. After completing studies from the London School of Economics, he co-founded an equity research firm named Clear Capital in 2003 in the United Kingdom. As luck would have it, just before the global financial meltdown, he sold Clear Capital to Execution Noble and moved to India.

His mandate was to set up Execution Noble's institutional equities business in India. Execution Noble was ranked the best new entrant for research in the *Asiamoney* polls in 2009. In late 2010, he moved to Ambit Capital as head of equities and MD.

As part of Ambit Capital, he was voted as the No.1 Strategist in India in 2014, 2015 and 2016 by *Asiamoney*. Ambit too was ranked by *Astamoney* as the 'Most Improved Brokerage House in India' for five consecutive years. Under his stewardship, Ambit was rated as the 'Most Independent Brokerage' in India.

In his book *'Coffee Can Investing: The Low Risk Road to Stupendous Wealth'*, Saurabh Mukherjea talks about the strategy to make wealth from equity markets.

According to him, investors should buy companies which have recorded a decent revenue growth, given sensible return on capital and sit tight. This would provide them 10 times return in 10 years.

Investment strategy

As per his definition, a good company is one which has given consistent revenue growth of at least 10 per cent for the last 10 years with a return on capital employed of 15 per cent. Financial firms should have delivered a return on equity of 15 per cent and loan growth of 15 per cent every year. He finds that very few companies fit into these criteria.

Investors looking for multi-bagger stocks in mid-cap and small-cap should look at these criteria. When it comes to small-caps, they should have given sensible growth for at least five to six years and should have clean accounts. However, their valuation should not be very high.

Mukherjea finds that equity markets are overvalued at this point of time and he expects some correction. While dips are opportunities to accumulate, he cautions investors against rushing to buy stocks which have fallen the most.

The criteria for buying—good companies which have given consistent growth rate in the past, quality management and good balance sheet—should be followed even during such bargain hunting.

Once investors have good companies in the portfolio, they should stay put for at least three years to see their investments grow.

> *"It certainly feels that we are in a melt up mode, as fundamentals clearly are not driving the rally*
>
> *I reckon the real estate sector will consolidate pan-India around a dozen players who manage capital sensibly, can execute projects at speed, and know how to manage the ecosytem*
>
> *I think, a late cycle sector that will be in the thick of things over the next couple of years will be metals and mining"*