

Power of Equity

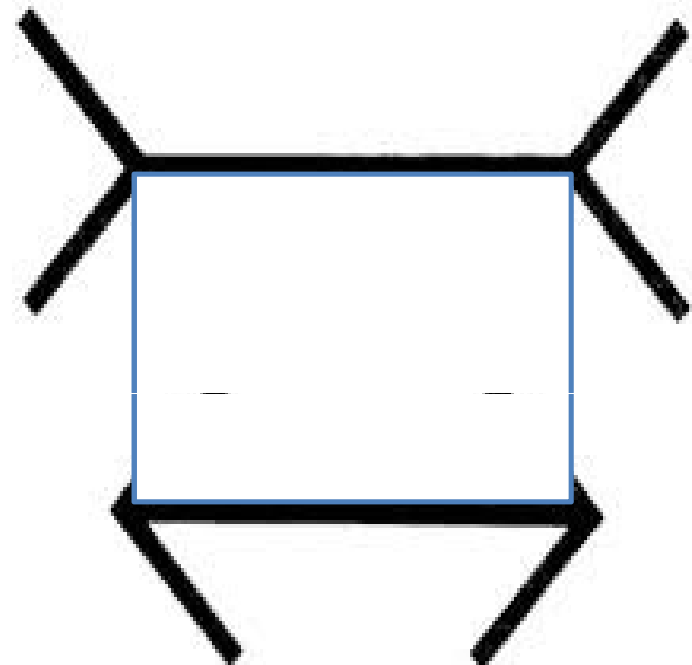
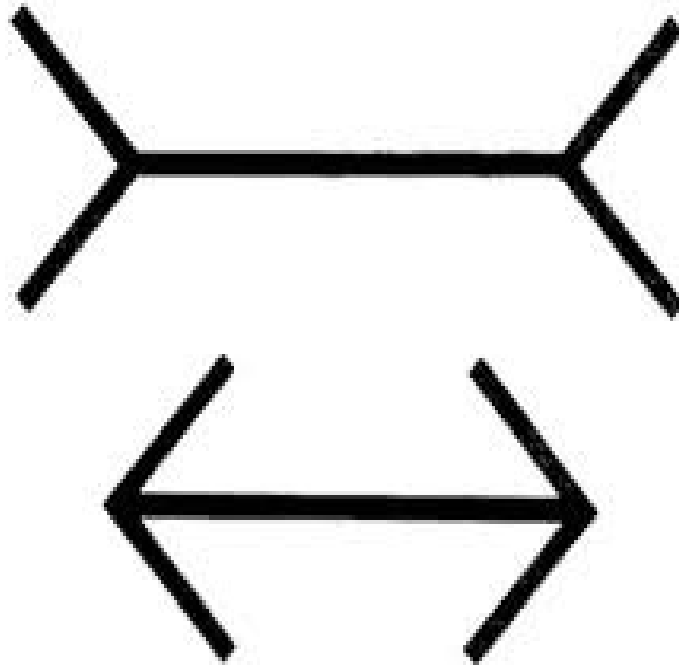


Mutual Fund Investments are subject to market risks , read all scheme related documents carefully.

Agenda

1. Beneficiaries of Your Spending
2. What drives Stock Market
3. Common method of Valuation
4. Power of Compounding

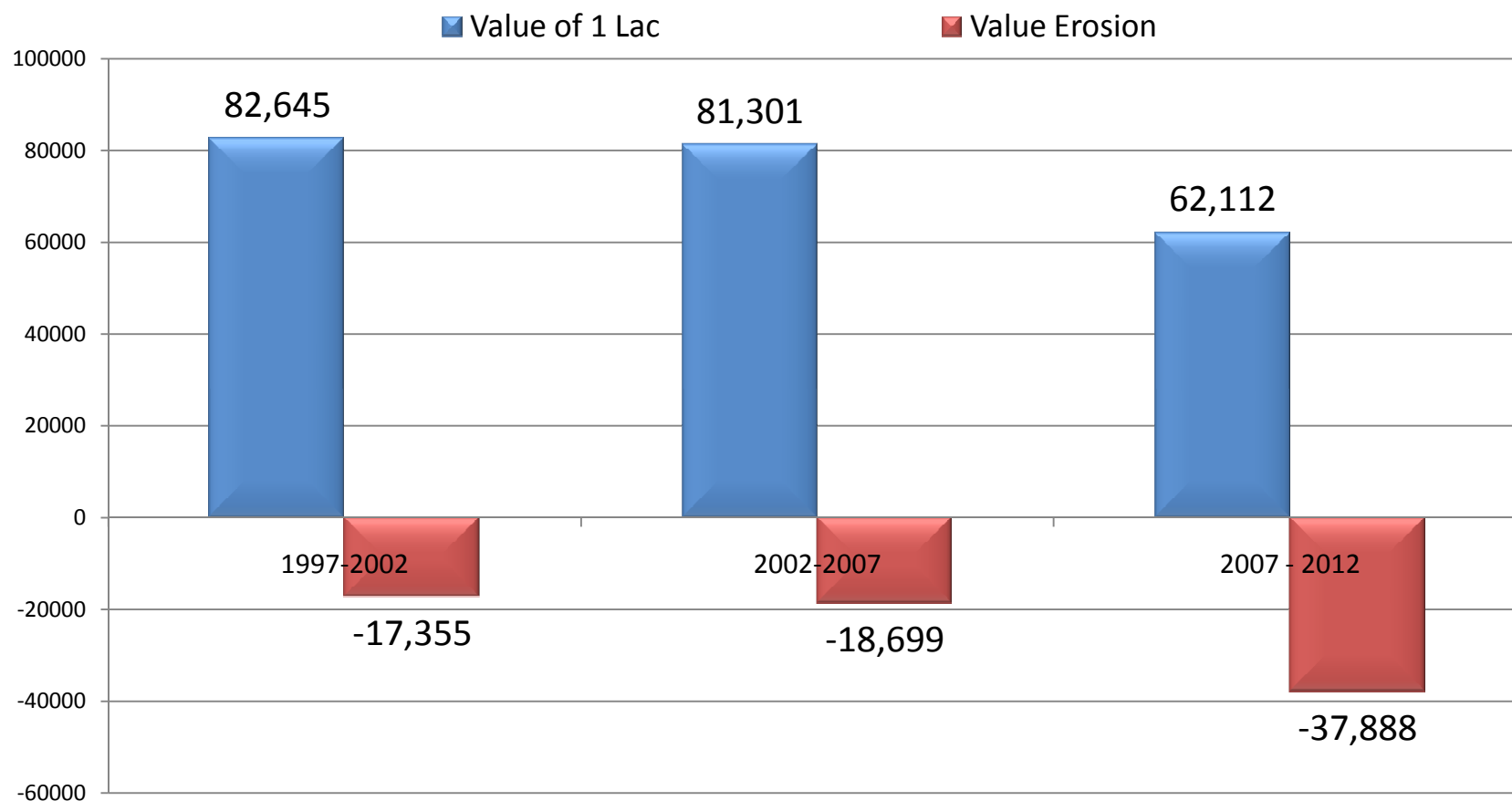
Which line appears longer



✓What is so obvious need not be right answer

The above mentioned graph is for illustration only

Rising Inflation- Value of Rs 1 Lac over 5 Year Period (1997-2002 , 2002 -2007 , 2007-2012)

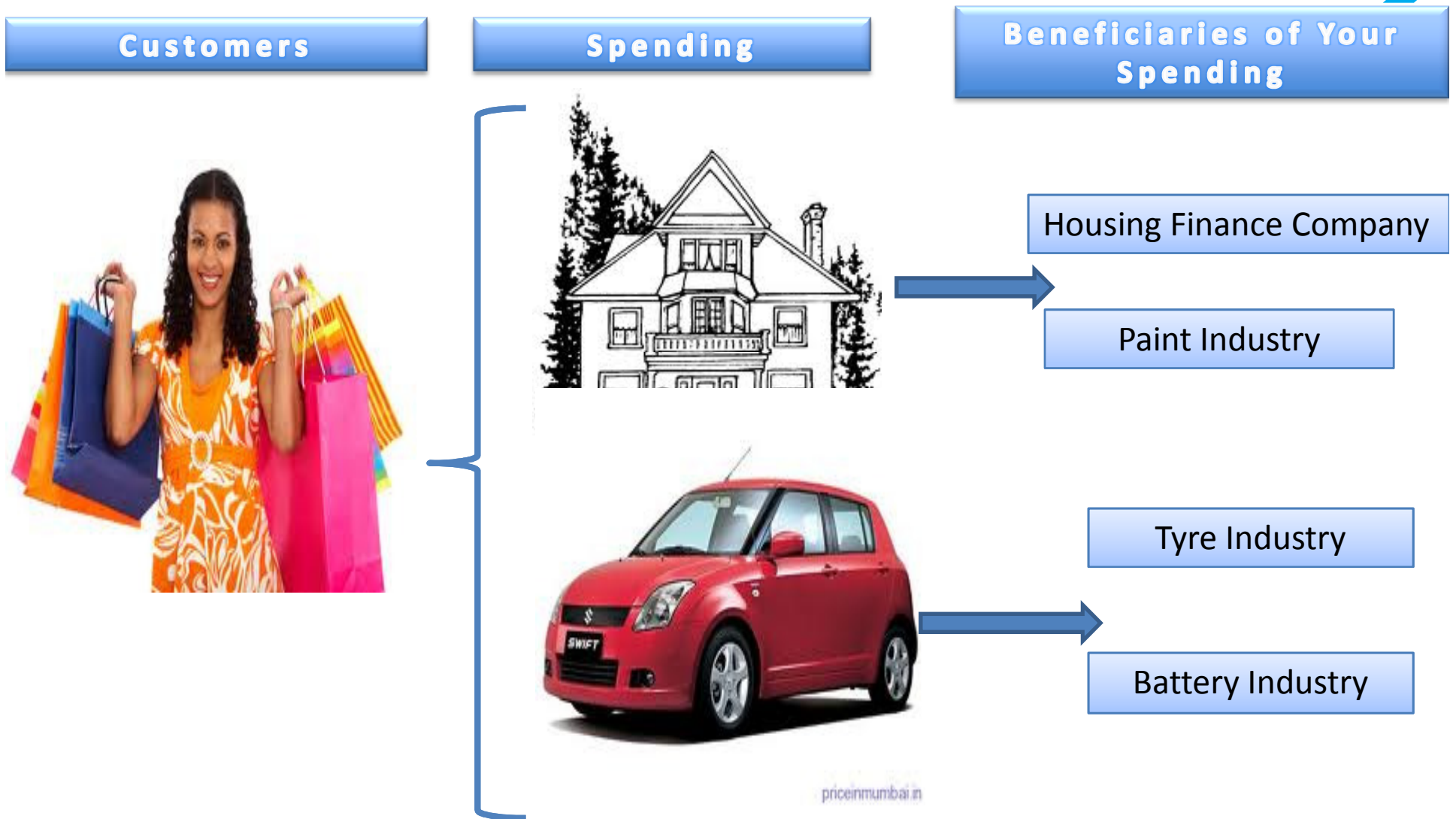


✓ Rising Inflation in recent times (2007 – 2012)

The above mentioned graph is for illustration only

Source : RBI Website

Beneficiaries of Your Spending



For illustrative Purpose only. The views mentioned above are for information purpose only and should not be construed as an offer or solicitation of an offer for purchase of any securities/ instruments or any of the Schemes of L&T Mutual Fund.

What are the fundamental factors that drive share prices in the long term?

- ✓ Is it Sentiments?
- ✓ Is it Demand / Supply forces?
- ✓ Are Global Factors directly affecting our markets?
- ✓ Is it performance of companies – Sales / Profits ?

FINANCIAL HIGHLIGHTS

(₹ in crores)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Gross Income	2,975.62	3,077.85	3,410.44	4,278.39	5,896.26	8,196.05	11,017.66	11,360.83	12,878.07	17,354.28
Profit After Tax	690.29	851.78	1,036.59	1,257.30	1,570.38	2,436.25	2,282.54	2,826.49	3,534.96	4,122.62
Shareholders' Funds	3,043.86	3,393.79	3,883.10	4,468.33	5,551.40	11,947.34	13,137.39	15,197.66	17,316.51	19,017.58
Share Capital - Equity	244.41	246.61	249.12	249.56	253.01	284.03	284.45	287.11	293.37	295.39
Reserves and Surplus	2,799.45	3,147.18	3,633.98	4,218.77	5,298.39	11,663.31	12,852.94	14,910.55	17,023.14	18,722.19
Term Borrowings	14,130.73	19,346.39	28,807.31	37,979.93	46,808.61	57,854.97	64,481.41	73,484.17	90,785.38	102,834.70
Deposits	9,121.55	9,337.65	7,840.09	8,741.42	10,384.42	11,296.25	19,374.67	23,081.14	24,326.92	36,292.80
Loans Outstanding	21,749.91	27,974.27	36,011.50	44,990.12	56,512.36	73,327.78	85,198.11	97,966.99	117,126.62	140,874.58
Dividend (%)	110	135	170	200	220	250	300	360	450	550
Book Value per Share (₹)^	25	28	31	36	44	84	92	106	118	129
Earnings per Share (₹)^	6	7	8	10	13	13†	16	20	24	28

Source : HDFC Annual Report 2012

Beneficiary of India domestic story by investing in Equity



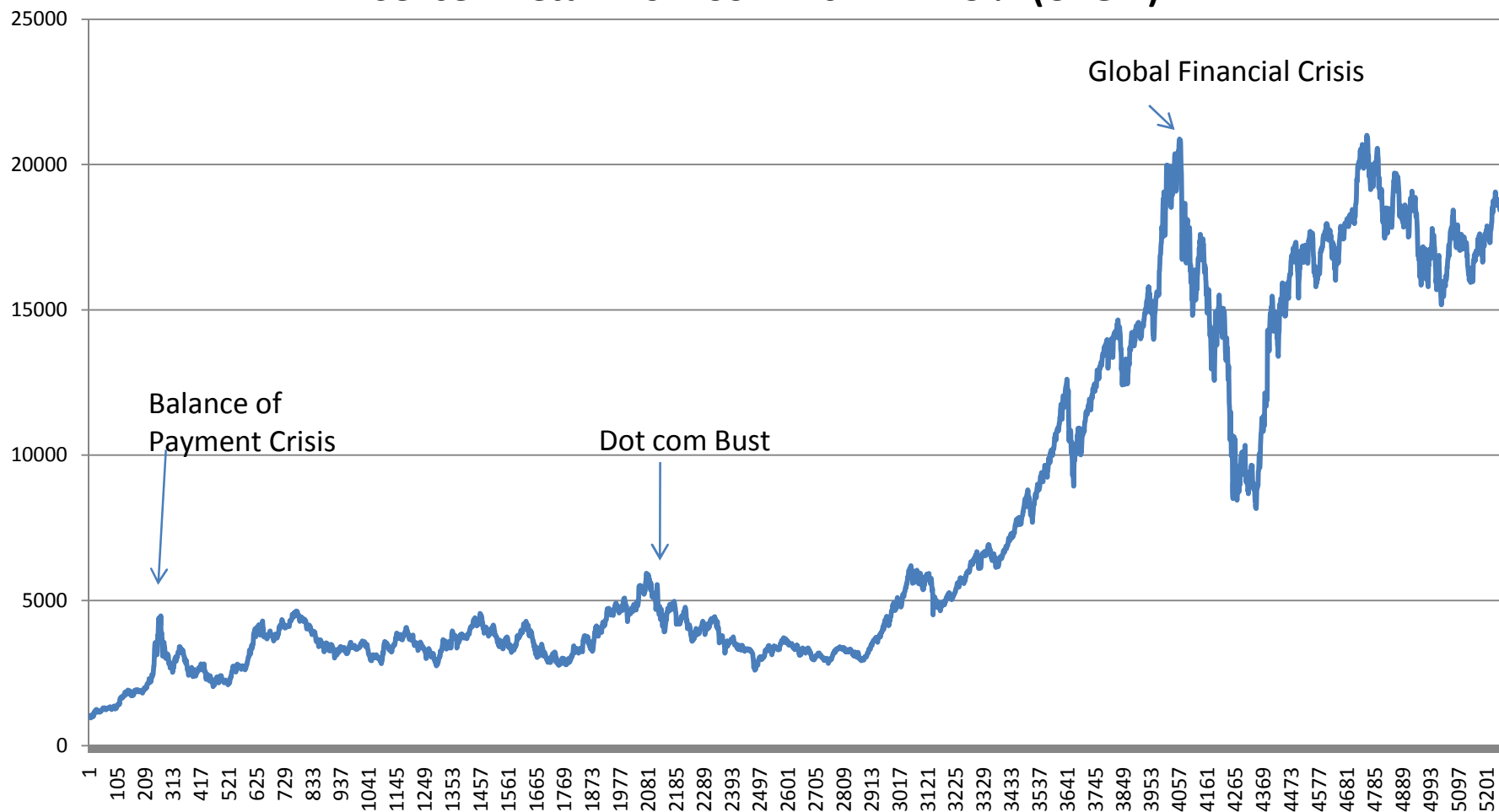
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Wealth Creators of Recent Times

TOP 10 WEALTH CREATORS (2007-2012)

THE BIGGEST			THE FASTEST		THE MOST CONSISTENT		
Rank	Company	Wealth Created (INR b)	Company	5-Year Price CAGR (%)	Company	Appeared in WC Study (x)	10-Year Price CAGR (%)
1	ITC	1,187	TTK Prestige	89	Kotak Mahindra Bank	10	48
2	TCS	1,082	LIC Housing Finance	57	Siemens	10	44
3	HDFC Bank	744	Coromandel Inter	54	Sun Pharma	10	40
4	MMTC	671	Eicher Motors	52	Asian Paints	10	35
5	H D F C	558	IndusInd Bank	50	HDFC Bank	10	31
6	State Bank of India	556	MMTC	48	Hero Motocorp	10	30
7	Infosys	516	Jindal Steel	47	H D F C	10	29
8	Tata Motors	499	Bata India	41	ACC	10	29
9	Hind Unilever	457	Titan Inds	40	Ambuja Cements	10	26
10	Jindal Steel	436	GSK Consumer	39	Infosys	10	21

Sensex Return for 1991 - 2012 : 14.5 % (CAGR)



Source : BSE India

What has driven Indian Stock Market

Huge Gains had come from 9% of Trading Days.

Category	No of Days	Sum of Gains / Loss	Percentage of Gain Days	Percentage of Gains	Percentage of Total Traded Days
Gains > 2%	411	1272%	16%	44%	9%
Gains >0% and < 2%	2124	1623%	84%	56%	44%
Loss < 2%	1895	-1465%			
Loss More than 2%	380	-1196%			

Source : BSE India

Common Method of Valuation

1. PE Ratio
2. P/ BV Ratio
3. DCF (Discounted Cash Flow).

Mirror Image Test

Random Example

Input Value Real Image	Output Value Mirror Image
$5 * 20$	100
$8 * 12.5$	100

Sensex Calculation

Input Value EPS * PE Ratio	Output Value Sensex Value
$733 * 27$	20,030
$1159 * 17$	20,030

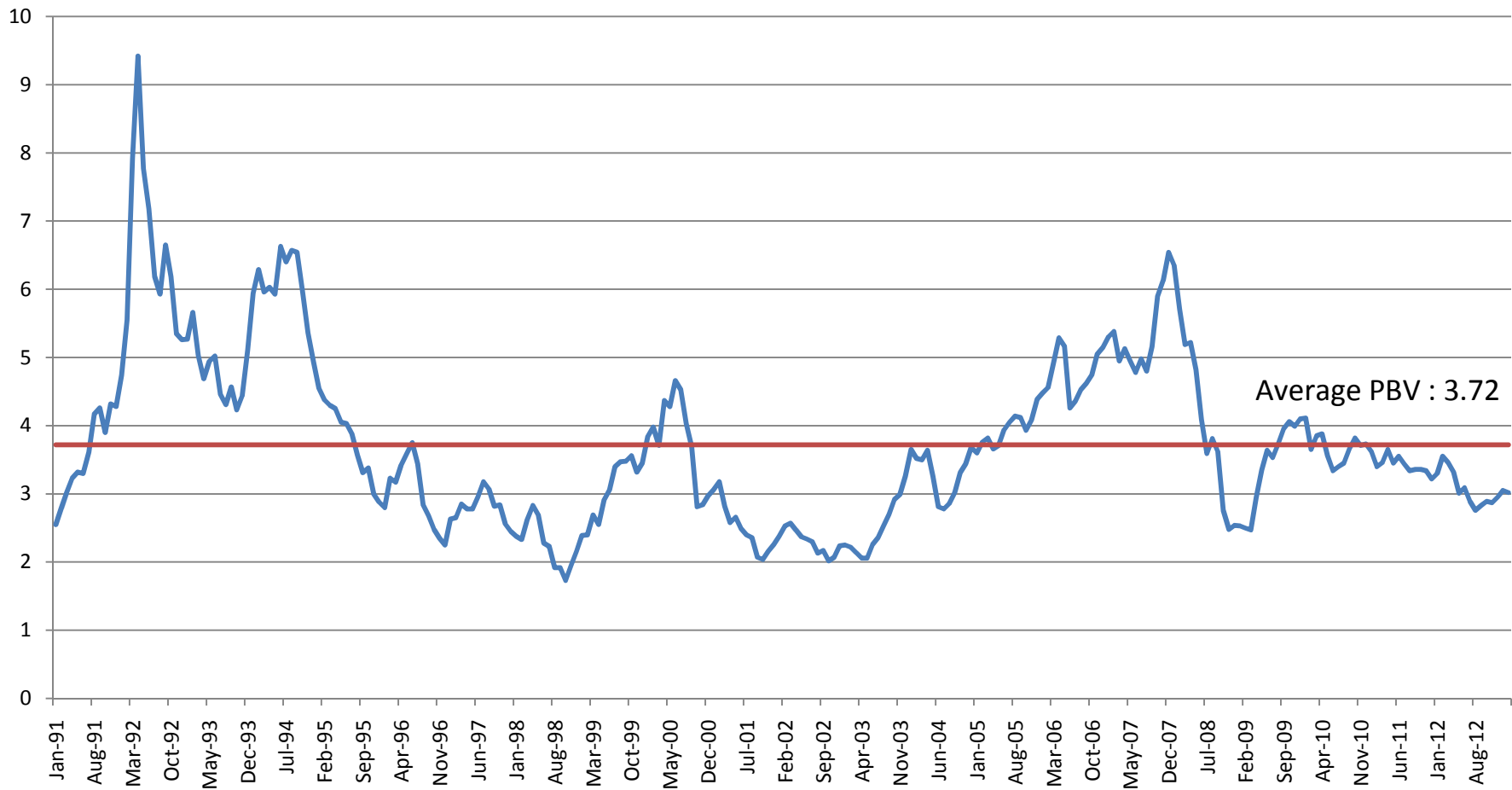
✓We should focus on **Earning and Valuation** and not the Index Level.

Sensex 20,000 (2008)  **Sensex 20,000 (2013)**

Date	Sensex Value	PE Ratio	Sensex Earnings
14-Dec-07	20,030	27.3	733.74
23/05/13	20,062	17.3	1159

- ✓ Sensex Average PE for 21 Years (1991- 2012): **20.7**
- ✓ The Current PE of Sensex is cheaper by **37% from 2008 valuation** .

— Price/Bookvalue — Average



Source : BSE India

Is it Worth enough to take Risk to earn the Extra Return

1 lakh Lump sum Investment

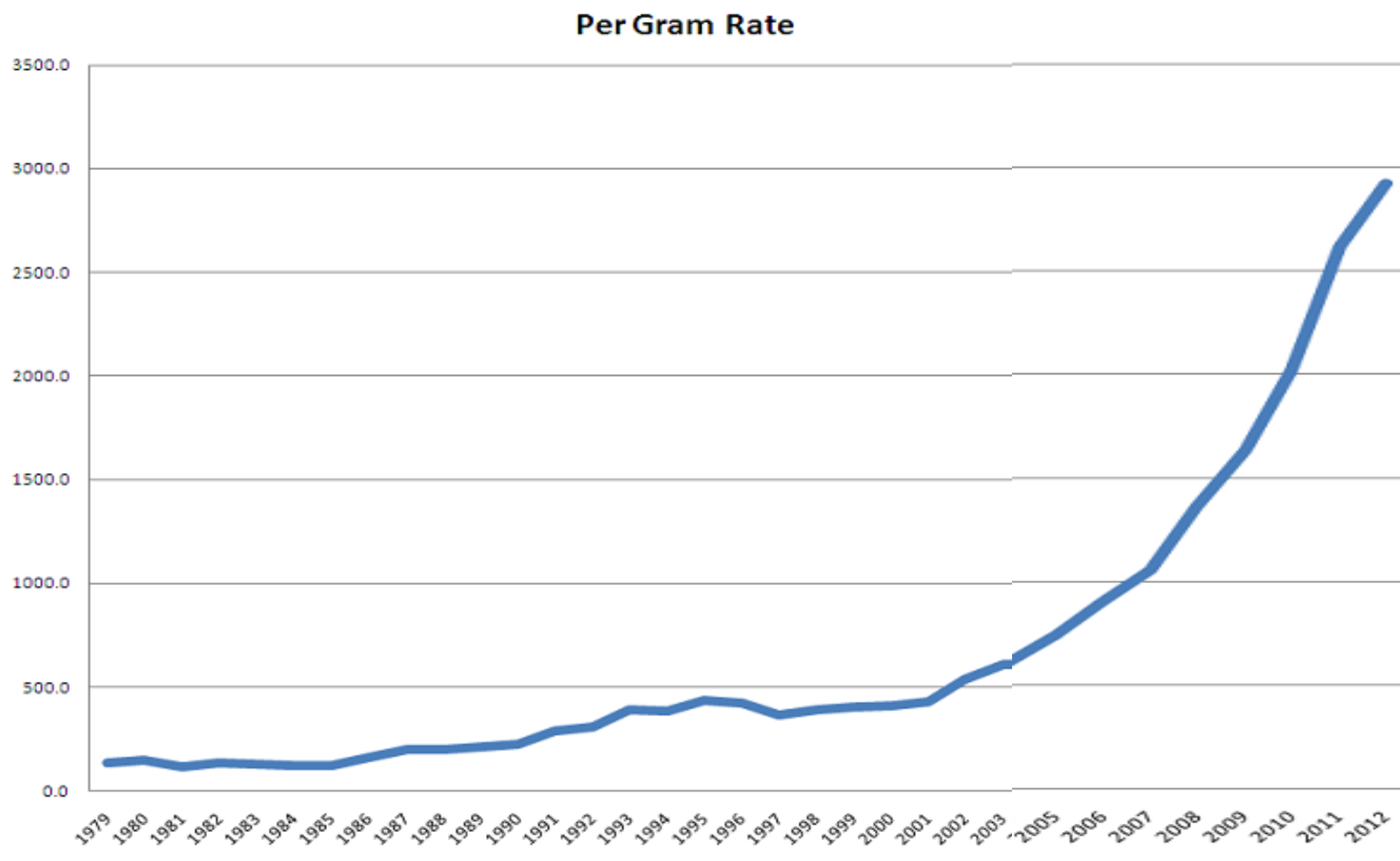
Return / Years	5	10	15	20	25
8%	1.46	2.15	3.17	4.66	6.84
12%	1.76	3.10	5.47	9.64	17

✓ 1 Lac invested for 25 Years , First 8 % has generated 5.84 Lacs profit and Next 4% generated 10.16 Lac Profits .

✓ That's the power of Compounding

For illustrative Purpose only

Historical Gold Prices and Returns



Source :
www.gold.org

❖ Gold CAGR Return (1980 – 2004) : 6.31%

❖ Gold CAGR Return (1980 – 2012) : 9.86%

The views mentioned above are for information purpose only and should not be considered as solution for purchase of schemes of L&T Mutual Fund

Characteristics of Good Business

1. Excellent Management
2. Zero Debt
3. Highly Profitable
4. Product with Rising Demand
5. Great Balance Sheet
6. Tons of Cash

10 Year Financial Snapshot

10 - Years Financials

(₹ Million)

Parameters / Year	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
OPERATING RESULTS										
Net sales	23,674	17,611	14,645	13,132	10,833	5,958	3,637	2,199	1,636	1,607
Profit before depreciation, interest & tax (PBDIT) **	3,580	2,588	2,965	2,056	1,795	905	521	262	118	227
Profit before interest & tax (PBIT) **	3,115	2,171	2,536	1,711	1,551	735	374	125	(4)	110
Profit before tax (PBT)	3,186	2,204	2,546	1,227	1,459	712	373	136	12	117
Profit after tax (PAT)	2,151	1,481	1,670	805	944	470	238	87	14	74
Dividend	323	393	248	68	40	40	28	23	17	17
Dividend Tax	52	65	42	12	7	7	4	3	2	2
Retained profits	1,776	1,023	1,380	725	897	423	206	61	(5)	55
SOURCES AND APPLICATION OF FUNDS										
SOURCES OF FUNDS										
Share capital	171	171	171	171	114	114	114	114	114	114
Reserves and surplus	8,064	6,288	5,266	3,885	3,217	2,323	1,899	1,693	1,632	1,637
Net worth	8,235	6,459	5,437	4,056	3,331	2,437	2,013	1,807	1,746	1,751
Debt	855	1,000	912	2,859	3,163	1,407	405	233	149	97
Deferred tax liability	220	205	216	182	169	136	120	131	145	176
Funds employed	9,310	7,664	6,565	7,097	6,663	3,980	2,538	2,171	2,040	2,024
APPLICATION OF FUNDS										
Gross fixed assets	6,213	5,388	4,911	4,271	3,106	2,577	1,907	1,672	1,584	1,514
Accumulated depreciation	2,667	2,237	1,854	1,458	1,217	1,009	863	724	592	469
Net fixed assets	3,546	3,151	3,057	2,813	1,889	1,568	1,044	948	992	1,045
Capital work-in-progress	315	375	227	396	657	62	48	13	10	42
Investments	161	161	161	471	162	162	320	236	209	132
Gross current assets	9,494	7,472	6,311	5,260	5,749	3,500	2,280	1,613	1,190	1,227
Current liabilities and provisions	4,206	3,495	3,191	1,843	1,794	1,312	1,154	639	361	524
Net current assets	5,288	3,977	3,120	3,417	3,955	2,188	1,126	974	829	703
Deferred revenue expenditure	-	-	-	-	-	-	-	-	-	102
Net assets	9,310	7,664	6,565	7,097	6,663	3,980	2,538	2,171	2,040	2,024
RATIOS										
PBT to sales (%)	13.46	12.51	17.38	9.34	13.47	11.95	10.26	6.18	0.73	7.28
PAT to sales (%)	9.08	8.41	11.40	6.13	8.71	7.89	6.54	3.96	0.86	4.60
Return on capital employed (ROCE) (%) + +	46.04	34.61	44.51	30.62	33.91	25.44	18.55	6.81	(0.23)	6.25
Return on net worth (%) @@@	29.27	24.90	35.18	21.80	32.73	21.12	12.46	4.90	0.82	4.57
Debt : Equity (times)	0.10	0.15	0.17	0.70	0.95	0.58	0.20	0.13	0.09	0.06
Fixed assets turnover (times) &&	6.43	5.57	4.79	4.67	5.73	3.80	3.48	2.32	1.65	1.54
Earnings per share (₹)	25.18	17.34	19.56	9.42	16.57	41.31	20.94	7.63	1.22	6.50
Dividend (%)	189	230	145	40	35	35	25	20	15	15
Dividend per share (₹)	3.78	4.60	2.90	0.80	0.70	3.50	2.50	2.00	1.50	1.50
Book value per share (₹)	96.42	75.63	63.65	47.49	58.50	213.98	176.76	158.66	153.32	144.82
Share Price (as of March 31) (₹)	292.80	189.75	164.20	36.65	195.65	340.40	234.25	91.65	57.15	47.90

Source : Amara Raja Batteries Annual Report 2012

Example Stock Price Movement



Source : Chartink.com - Stock performance of Amara Raja Batteries

Famous Stock Picker

- Warren Buffet and Charlie Munger
- Peter Lynch
- Seth Klarman
- John Templeton

Summary

- ✓ Need to Focus on Valuation and not market level.
- ✓ Equities may be the preferred asset class for long term investments
- ✓ India Growth story seems to continue for many more years.
- ✓ Mutual Funds could be one of the ways to participate in our country's Growth

Mutual Fund investments are subject to market risks, read all scheme related documents carefully. This presentation is for general information only and does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this information. Investments in mutual funds and secondary markets inherently involve risks and recipient should consult their legal, tax and financial advisors before investing. Recipient of this document should understand that statements made herein regarding future prospects may not be realized. He/ She should also understand that any reference to the securities/ sectors / indices in the document is only for illustration purpose. Neither this document nor the units of L&T Mutual Fund have been registered in any jurisdiction. The distribution of this presentation in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions.

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