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Mid-cap Investing with MOSL



Motilal Oswal Securities Ltd. (MOSL) Member of NSE and BSE.
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Commodity Services are offered through MOCBPL which is group company of MOSL.
**Top Earning Estimators awards to Mr. Alpesh Mehta in Financials.

Why Mid-caps?

1. Mid-caps offer higher potential for growth in revenues & profits

As can be seen in figure 1, Mid-cap stocks had a higher earnings growth since Feb'03.

The 9-year earnings CAGR for mid-caps has been 20% vs 16% for the Nifty- 25% higher on account of a lower base and more agile strategies.

This higher growth in earning translates into higher stock returns even on constant valuations.

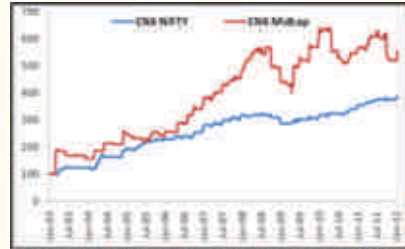


Figure 1: Indexed earnings of Mid-cap 200 & S&P CNX Nifty

Did You Know?

A lakh invested in the NIFTY on 31st January 2003 would have become Rs. 5.02 lakh on 1st February 2012.

A lakh invested in the CNX Midcap Index on 31st January 2003 would have become Rs. 7.32 lakh on 1st February 2012.

2. Mid-caps offer higher return potential due to rerating possibility

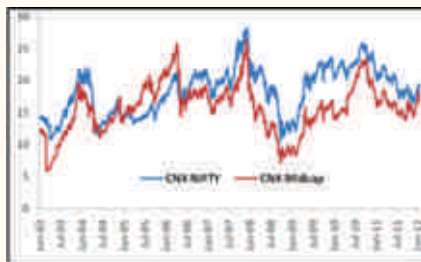


Figure 2: P/E Mid-cap 200 & S&P CNX Nifty

Given the higher earnings, Mid-caps have offered a superior return over this period. Mid-cap returns have been 25% CAGR vs 20% for Nifty. Despite higher than earnings growth, there has been a relative underperformance in P/E terms to Nifty.

As can be seen from figure 2, Mid-cap stocks valuations are currently below that of Nifty. As the flight towards safety subsides, one could see

mid-cap stocks getting higher valuations giving extra returns.

In conclusion, Mid-caps do provide an extra-ALPHA to the portfolio.

We define Mid-caps as stocks with less than Rs. 5,000 cr of market-cap or Tier-II stocks

What MOSL Offers?

1. Dedicated team for Mid-cap Research

Motilal Oswal Securities Limited decided to form a dedicated “Mid-cap Research” team a year and a half ago. The team consists of 3 lead analysts with each member having close to 10 years of experience in the market across broking, wealth management and fund management covering the entire gamut of sectors in the market. The mandate to this team is to supplement the existing coverage of 150 odd stocks. This team identifies stocks that could be “Potential Multi-baggers” over a 3-4 year period.

2. Research Methodology

1. Screeners are run on fundamental grounds to identify quality stocks. Some of the factors considered include:
 - Multi-year compounded growth in Sales, Profits and Operational Cash Flows
 - High return on Equity
 - Reasonable Debt to Equity
2. Quality filters are then applied to these stocks. Management quality indicators are applied subsequently to eliminate questionable managements.
3. Financial models are prepared on the short-listed companies. Management is contacted to understand the business fundamentals and outlook.
4. Reports prepared are discussed internally with an experienced team to eliminate stocks with potential pit-falls that the analyst may not have been able to identify.

This rigorous process ensures that the advice given, meets the MOSL quality standards.

3. Reports

MOSL research ideas are presented to clients through:

- Initiating Coverage Reports
- Result updates
- MOST 3x3
- MOST Wealth

In addition to these, advisors of clients are also briefed about the company through presentations on each company.

Call your advisor or branch to know more...