

# Motilal Oswal 29<sup>th</sup> Annual Wealth Creation Study 2024

## Creating Wealth Through Bruised Blue Chips

**Reliance Industries, Adani Green & Linde India**  
Biggest, Fastest & Most Consistent Wealth Creators

**Mumbai, 10<sup>th</sup> December 2024:** Motilal Oswal Financial Services Ltd. today announced the **Motilal Oswal 29<sup>th</sup> Annual Wealth Creation Study, 2024**. Every year for 29 years now, Mr. Raamdeo Agrawal, Chairman of Motilal Oswal Group, commissions an Annual Wealth Creation Study.

The Motilal Oswal 29<sup>th</sup> Annual Wealth Creation Study has two parts:

- 1) Findings on Wealth Creation during the 5-year period 2019-2024 (March ending)
- 2) Theme Study: Creating Wealth Through Bruised Blue Chips

### Key Highlights of Motilal Oswal 29<sup>th</sup> Annual Wealth Creation Study

- Wealth Creation during 2019-2024 is the highest ever; Wealth Destruction is among the lowest
- **Reliance Industries, Adani Green and Linde India** – Biggest, Fastest, and Most Consistent Wealth Creator, respectively, between 2019 and 2024. Adani Enterprises is the top All-round Wealth Creator.
- **Financials sector is the largest wealth creating sector** between 2019 and 2024, followed by the Technology and Utilities sector.
- PSUs are regaining prominence in Wealth Creation
- Blue Chips are aspirational investments, but mostly richly valued
- Bruised Blue Chips bought at close to lows offer handsome returns
- Probability of permanent loss of capital is low for Bruised Blue Chips
- The main elements of the process to invest in Bruised Blue Chips are:
  - (1) Create a watchlist
  - (2) Await buying triggers, mainly sector tailwind and change of management
  - (3) Buy at attractive valuations, typically Price/Book less than 2x.

### Part 1) Wealth Creation Study findings

The Motilal Oswal 29<sup>th</sup> Annual Wealth Creation Study 2024 analyzes the top 100 wealth creating companies during the period 2019-24. Wealth created is calculated as change in the market cap of companies between 2019 and 2024 (March ending), duly adjusted for corporate actions such as mergers, de-mergers, fresh issuance of capital, buyback, dividends, etc. The Study identifies the **Fastest, Biggest, Most Consistent and All-round** wealth creators. Further, it analyzes key trends in wealth creation, provides insights into winning companies, and distills strategies for successful equity investing.

### Study Highlights – 2019-24 Wealth Creation

#### 2019-24 Wealth Created is the highest ever at INR 138 trillion

- During 2019-24, the top 100 Wealth Creators of India Inc created wealth of INR 138 trillion.
- Pace of Wealth Creation is at 26% CAGR, well higher than the BSE Sensex return of 14%.

#### Reliance emerges as the largest Wealth Creator for the 6<sup>th</sup> time in a row

- For the sixth time in succession, **Reliance Industries** has emerged the largest Wealth Creator over 2019-24.
- This takes Reliance's overall No.1 tally to 11 in the last 17 five-year study periods.

### Adani Green has emerged the Fastest Wealth Creator

- **Adani Green** has emerged the Fastest Wealth Creator with 2019-24 Price CAGR of 118%.
- INR 1 million invested in 2019 in the top 10 Fastest Wealth Creators would be worth INR 17.5 million in 2024, a return CAGR of 77% vi/s 14% for Nifty 50.

### Linde India is the Most Consistent Wealth Creator

- We define Consistent Wealth Creators based on the number of years the stock has out-performed in each of the last 5 years. Where the number of years is the same, the stock price CAGR decides the rank.
- Based on this, over 2019-24, the relatively low-profile **Linde India** has emerged as the Most Consistent Wealth Creator. It has outperformed the Nifty Total Return Index in all the last 5 years, and has the highest price CAGR of 68%.

### Adani Enterprises is the Best All-round Wealth Creator for the third time in a row

- We define All-round Wealth Creators based on the summation of ranks, under each of the 3 categories – Biggest, Fastest and Consistent. Where the scores are tied, the stock price CAGR decides the All-round rank.
- Based on the above criteria, **Adani Enterprises** has emerged as the Best All-round Wealth Creator.

### Technology emerges as largest Wealth Creating sector for the second year in a row

- **Financials** sector has emerged as the largest Wealth Creating sector, ahead of **Technology** and **Utilities**.

### PSUs make a significant comeback trail

- PSUs' (public sector undertakings) Wealth Creation performance during 2019-24 is a significant improvement over the last three studies: 20 PSUs accounted for a healthy 17% of Wealth Created.
- The key factors driving PSU Wealth Creation are:
  - Profit of 9 Financial companies rising 19x over 5 years; and
  - Profit of Coal India rising 4x over 5 years.

### Financials the top Wealth Destroyer despite being the largest Wealth Creator

- The total Wealth Destroyed during 2019-24 is INR 4.3 trillion, a mere 3% of the total Wealth Created by top 100 companies. This is the lowest in the last 14 study periods.
- Five of the top 10 Wealth Destroying companies are from the Financials sector (including Insurance).
- Interestingly, Financials is the top Wealth Destroying sector, despite being the largest Wealth Creator.

## Part 2) Theme Study: Creating Wealth Through Bruised Blue Chips

### Summary

- Blue Chips are stocks of large companies with a reputation for quality, reliability, and the ability to operate profitably in both good and bad times. Given their highly positive attributes, in normal times, Blue Chips tend to be richly valued.
- However, occasionally, even Blue Chips get "bruised" i.e. their stock price sees a meaningful fall. Such bruising offers a golden opportunity to build large positions in the stock (assuming there is no structural decline in the Blue Chip's fundamentals).

- Multiple case studies of bruised Blue Chips suggest certain common causes for their bruising and triggers for their subsequent recovery.
- The causes for the bruising may be classified as –
  1. **Stock market-related** (stock market downturns, resulting in mere stock price fall disproportionately higher than the deterioration in the company’s fundamentals)
  2. **Company-related**
    - a. **External to the company** – Economy and sector headwinds, change in competitive landscape, adverse change in government regulation, etc
    - b. **Internal to the company** – Unsuccessful mega acquisitions, poor leadership and management, corporate governance issues, declining profit and profitability, etc.
- Similarly, the triggers driving healing of the Bruised Blue Chips may also be classified as –
  1. **Stock market-related** (recovery in market and Blue Chip stock prices)
  2. **Company-related**
    - a. **External to the company** – Sector tailwind, improvement in competitive landscape, favorable change in government regulation, etc
    - b. **Internal to the company** – Change in leadership/management, corporate restructuring, new product launches, cost control, etc.
- The key to profit from Bruised Blue Chips is to buy them close to the lows, post the bruise. This necessitates the following steps –
  1. Create a watchlist of Bruised Blue Chips
  2. Clearly understand the reasons for the bruising
  3. Await healing triggers for finally buying
  4. Buy only when if the company’s prospects are bright, and the valuation is attractive, typically Price/Book less than 2x.

- **Current Bruised Blue Chips Watchlist**

Bruised Blue Chips are more visible during market downturns. Current Indian markets are in an extremely elevated state, giving limited options of Bruised Blue Chips. Below is a basic watchlist of 2024 Blue Chips which are lower by 30% or more from their 5-year highs.

#### Bruised Blue Chip watchlist

Company	2020-24 High Price	Current Price (28-Nov-24)	Drawdown
Adani Total Gas	3,998	803	-80%
Adani Green	3,048	1,088	-64%
Adani Enterprises	4,190	2,437	-42%
Gujarat Gas	787	472	-40%
SBI Cards	1,165	714	-39%
Tata Elxsi	10,760	6,755	-37%
Avenue Supermarts	5,900	3,712	-37%
I R C T C	1,279	814	-36%
Berger Paints	727	489	-33%
Asian Paints	3,590	2,459	-32%
I O C L	197	138	-30%

#### IMPORTANT DISCLAIMER

- This study is primarily an analysis of economic data, company financials and stock prices.
- The companies mentioned here should not be construed as our investment recommendations or opinions.

**About Motilal Oswal Financial Services Limited.**

MOFSL is a financial services company. Its offerings include Wealth Management, Capital Markets (Institutional broking & Investment banking), Asset & Wealth Management (Asset Management, Private Equity & Wealth Management), Housing Finance & Equity based treasury investments. MOFSL employs 13,300+ employees serving to 94 Lakh clients via distribution reach in 550+ cities. MOFSL has Assets Under Advice of Rs. 5.7 Lakh Crores.

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