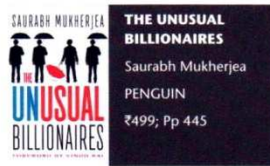


Defining greatness

The author helps us identify winning companies



On a fateful evening journeying from Kota to Mumbai on the Rajdhani Express, Saurabh Mukherjea encountered an elderly gentleman. He struck up a conversation with him. It turned out that the man had been providing consulting advice to oil refiners for the last 40 years, helping them identify the correct coatings, paints and dyes for their oil tankers and storage units. Intrigued, Mukherjea asked him which company's paints he usually recommended. Promptly, he said: Asian Paints. It wasn't as though Asian Paints were the cheapest products available, in fact quite the opposite. They weren't even the only high quality products available. Others could replicate the same quality, mullied the consultant. So what then set Asian Paints apart?

This chance encounter and the lingering question it left in Mukherjea's mind, paved the way for a deep study into what made for a great company. What made Asian Paints special? And could those parameters be quantified so as to apply them to other companies? *The Unusual Billionaires* unravels what makes companies stand out from the pack, provides detailed case studies of such companies, and finally educates investors on the nuances of identifying such stocks. This is Mukherjea's second book after the well-received *Gurus of Chaos: Modern India's Money Masters*.

At the outset, Mukherjea, whose day job is CEO, institutional equities at Ambit Capital, goes on to define "greatness" using quantitative metrics. He first limits himself to a

universe of companies that have a market cap of at least Rs100 crore. Of the 5,000 odd companies listed on the Indian stock exchange, this exercise left about 1,500. He then argues that a company's greatness needs to be measured over the long term, which he defines as a decade. Finally, because "...over long periods of time, financial performance is the best reflection of a company's business strategy," he defines a great company as one that has delivered a revenue growth of 10 per cent and a return on capital employed of 15 per cent every year for the past ten years.

Mukherjea's rigorous analysis revealed that only 18 companies made the cut. Of these he defines eight companies including Asian Paints, HDFC Bank, Axis Bank, Marico, Berger Paints, Page Industries, Astral Poly and ITC as the "first among equals". "These eight companies have shown that it is possible to deliver sustained growth without compromising on long-term profitability – a test that 99.8 per cent of the 1,500 largest listed companies in India fail to meet," he writes. He then delves into detailed case studies of all the companies – except ITC, which for some unexplained reason is left out – highlighting not only their financial performance, but also their superior management and tact in deepening their competitive moats. Punctuated with anecdotes, the studies make for an easy, interesting read.

What's more, Mukherjea goes a step further and explains how investors can generate "market-beating investment returns" by identifying these winning companies using a simple set of metrics. In 2014 and 2015, Mukherjea was rated as India's leading equity strategist by Asia-money polls. Clearly, he understands companies. Mukherjea is able to convey his understanding with flair – clearly and rather compellingly.

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