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Returns for long term SIP investors

Vikatan reached out to us for an article about returns for long term SIP investors. We analyzed returns of companies over a period of 10 years.

For this analysis we picked companies whose current market capitalization is over ₹ 15,000 crore and have given consistent returns over the last 10 years. Readers should note that this 10 year horizon includes the crash in 2008.

We are presenting the top 15 companies that have generated best returns for monthly SIP investors.

Co name	Co info			RoCE			RoNW			Monthly SIP returns						
	Mkt cap	P/E	D/E	5 yr	3 yr	1 yr	5 yr	3 yr	1 yr	3M	6M	12M	18M	3 YRS	5YR	10 YR
Sensex										4%	7%	10%	8%	14%	33%	62%
Ajanta Pharma	17,150	39.48	0.08	45.6	55.9	53.6	39.7	46.4	43.4	14%	23%	33%	34%	158%	976%	7847%
Eicher Motors	62,419	51.66	0.01			81.8			58.1	7%	13%	23%	25%	129%	449%	3025%
Bajaj Fin.	62,080	43.50	5.21	13.4	13.0	12.8	21.4	20.3	20.9	20%	41%	74%	99%	287%	624%	2916%
Amara Raja Batt.	17,379	34.89	0.04	38.2	37.6	35.8	28.5	27.6	25.8	11%	13%	14%	14%	70%	242%	1215%
Berger Paints	26,044	67.40	0.13	29.3	29.9	35.0	23.0	23.1	25.3	17%	30%	45%	57%	112%	246%	813%
Torrent Pharma.	28,133	20.56	0.75	31.7	33.6	44.6	37.1	39.6	55.2	13%	17%	17%	20%	88%	216%	760%
Motherson Sumi	43,543	62.46	0.23	29.3	31.0	34.4	29.6	29.3	31.5	5%	14%	21%	14%	47%	199%	621%
Havells India	26,081	45.12	0.03	27.8	29.1	29.3	21.8	22.4	22.5	8%	15%	33%	39%	74%	158%	607%
Emami	27,139	92.11	0.27	43.4	45.9	29.6	41.5	42.2	29.3	6%	14%	16%	13%	62%	141%	550%
Asian Paints	112,380	65.02	0.01	52.1	50.0	50.9	37.0	34.7	34.8	8%	19%	28%	34%	68%	125%	489%
Pidilite Inds.	36,423	47.11	-	33.9	34.3	39.2	26.3	25.0	27.3	-1%	6%	16%	19%	62%	145%	482%
Maruti Suzuki	163,153	33.54	0.01	17.5	19.8	25.3	13.5	15.0	18.0	17%	28%	28%	31%	88%	183%	325%
Kotak Mah. Bank	150,335	56.89	-	-	-	-	13.8	13.0	11.0	5%	10%	16%	17%	51%	102%	276%
Zee Entertainmen	51,233	62.03	-	28.4	29.2	27.4	24.7	28.9	26.4	8%	18%	25%	34%	58%	125%	248%
Divi's Lab.	35,099	30.10	0.01	33.9	34.1	34.4	27.0	27.3	28.0	10%	18%	19%	26%	57%	108%	245%

A person who has been investing through a monthly SIP in a Sensex Index fund would have generated 62% return on her investment over a 10 year period.

Same monthly SIP in top 15 companies would have given an average return of 1360%



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	Profits by investing Rs 1,000 per month						
Co name	3M	6M	12M	18M	3 YR5	5YR	10 YR
Investment	3,000	6,000	12,000	18,000	36,000	60,000	1,20,000
	Profit						
Sensex	105	446	1,241	1,529	5,107	19,518	74,394
Ajanta Pharma	421	1,376	3,911	6,063	56,738	5,85,857	94,16,579
Eicher Motors	225	808	2,726	4,489	46,373	2,69,326	36,30,429
Bajaj Fin.	601	2,472	8,845	17,766	1,03,406	3,74,171	34,99,288
Amara Raja Batt.	320	754	1,623	2,597	25,022	1,45,102	14,57,938
Berger Paints	513	1,829	5,424	10,201	40,286	1,47,590	9,75,746
Torrent Pharma.	387	1,033	2,032	3,682	31,689	1,29,581	9,12,326
Motherson Sumi	150	841	2,564	2,504	16,914	1,19,512	7,45,019
Havells India	234	928	4,005	6,962	26,555	94,597	7,27,922
Emami	178	822	1,863	2,358	22,380	84,483	6,60,116
Asian Paints	229	1,118	3,373	6,109	24,567	75,127	5,87,174
Pidilite Inds.	-26	357	1,900	3,430	22,176	87,238	5,78,173
Maruti Suzuki	495	1,667	3,367	5,586	31,687	1,09,918	3,89,625
Kotak Mah. Bank	162	605	1,876	3,134	18,355	61,404	3,30,621
Zee Entertainmen	233	1,102	2,994	6,084	21,009	75,046	2,97,977
Divi's Lab.	289	1,090	2,272	4,609	20,616	64,702	2,93,426

- SIP of ₹ 1,000 a month in Sensex would have a profit of ₹ 74,400 in 10 years.
- SIP of ₹ 1,000 a month in Ajanta Pharma would have a profit of ₹ 94,16,500 in 10 years.
- SIP of ₹ 1,000 a month in Berger Paints would have a profit of ₹ 9,75,700 in 10 years.
- SIP of ₹ 1,000 a month in Pidilite would have a profit of ₹ 5,78,200 in 10 years.
- SIP of ₹ 1,000 a month in all 15 companies would have an average profit of ₹ 16,33,500 in 10 years.

Key conclusions we can draw from this analysis:

- Equity investments generate excellent returns for disciplined investors with long term horizon.
- SIP strategy is very effective in handling the market fluctuations as they average ups and downs.
- For investors who are not keen on investing in direct equity will benefit by investing through SIP in an Index fund
- Direct equity gives much more robust returns for disciplined investors.

Here is a bit of crystal ball gazing over the next decade



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Co name	Co info			RoCE			RoNW		
	Mkt cap	P/E	D/E	5 yr	3 yr	1 yr	5 yr	3 yr	1 yr
Torrent Pharma.	28,133	20.56	0.75	31.68	33.60	44.59	37.07	39.61	55.18
Alembic Pharma	11,954	16.12	0.08	43.04	51.88	69.89	43.97	47.33	59.07
AIA Engg.	11,525	19.82	0.07	30.84	35.74	38.99	23.43	27.94	32.05
Balkrishna Inds	8,640	16.34	0.84	18.29	18.43	18.86	26.37	25.10	22.32
KRBL	6,147	18.87	0.88	17.36	19.09	19.67	22.97	26.65	26.11
Aarti Inds.	5,056	18.45	1.25	17.16	17.17	17.75	21.70	22.74	25.52
CEAT	4,185	9.50	0.39	22.91	27.79	28.87	19.29	26.05	25.21
Indo Count Inds.	3,177	12.43	0.72	33.77	45.34	58.56	59.35	70.93	58.18
Avanti Feeds	2,614	15.51	0.11	49.07	61.28	66.08	42.35	50.01	48.74
Himatsing. Seide	2,560	15.08	0.78	10.87	14.01	17.98	12.27	16.88	23.40
Hindustan Media	2,119	11.29	0.16	26.35	28.42	28.22	19.35	20.91	21.92
Caplin Point Lab	1,987	33.15	0.04	48.96	61.15	66.50	40.94	49.25	55.16
Ashiana Housing	1,678	13.11	0.09	18.26	12.87	22.18	16.94	12.95	22.53
Skipper	1,626	16.45	1.26	19.87	24.70	27.20	18.32	24.81	28.07
Kalyani Steels	1,543	11.73	0.51	14.35	18.60	20.72	13.63	18.65	21.32

Based on our analysis the companies listed above have significant opportunity outperform the Index.

SIP strategy for the people who want to invest in these companies

- Divided these into groups of 5 companies – say groups A, B, & C
- Invest in equal amounts into all the companies in group A in 1st month, group B in the 2nd month, and group C in the 3rd month.
- In the 4th month– identify the companies in group A that have beaten the index from the previous investment and invest in them equally. If none of the companies beat the index then that months funds should be invested in an Index fund.
- In the 5th month– identify the companies in group B that have beaten the index from the previous investment and invest in them equally. If none of the companies beat the index then that months funds should be invested in an Index fund.
- Repeat this process every month. Basically in this process you will be investing into a company every quarter based on its performance vis a vis Index.

Reason we believe this is a robust investment process is – your investments are being going into companies that are beating the Index. If the companies are not doing well then investments are being directed into Index which offers a decent performance. This strategy has a high chance of generating returns that are better than the Index returns.

Investors who have limited appetite to invest in direct equity should consider investing in an Index fund.

Disclosure: Author and the clients of IndusWealth own some or all the stocks discussed in this article and may transact in them for their own portfolios.

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