

# Picking Winners Amid Uncertainty

Investors can look at cos with historically low ratios of M-cap & operating cash flows

## Beat The Street

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India's largest sugar manufacturer by revenue, Shree Renuka Sugars, telecom services company, OnMobile Global, auto components players, Sona Koyo Steering Systems and Falcon Tyres, feature in a list of companies whose stocks are trading at three-year low ratio of market capitalisation and operating cash flows.

In an uncertain economic scenario, earnings of companies may be impacted due to near-term decline in demand for products and services. This makes valuations based on price-earnings ratios skewed and, hence, less relevant, at least in the short run. Investors, therefore, can consider companies with histor-

ically lower ratio of market capitalisation and operating cash flows.

ET Intelligence Group analysed companies which currently trade at a three-year low ratio of market cap and operating cash flows with a focus on over 400 non-banking and non-finance companies which declared their annual audited results during the last nine months with annual turnovers in excess of ₹400 crore.

Earnings, or the bottom line of companies' income, may suffer from accounting manipulations owing to higher credit sales, which faces risk of sales-return in the future. Operating cash flows, on the other hand, include the effect of receivables position of a company and, hence, are less prone to manipulation.

From this sample, we selected only those companies which now trade at a three-year low market cap-to-cash flow ratio and which have

**The Hidden Gems**  
Listed with three-year low M-cap/operating cash-flow ratios

	P/E	P/B	Current Market P/B	Capex/OP
Sh Renuka Sugar	14.34	43.7	2.9	73.9
OnMobile	9.82	10.5	10.7	344.3
Sona Koyo Steering	9.10	7.3	4.2	16.3
Falcon Tyres	3.01	18.3	2.3	75.3
Excel Crop Care	4.43	4.0	2.6	170.2
Ranko	7.84	6.3	3.8	44.0
Petron Engg	8.82	6.3	4.5	369.3
OnMobile Global	12.55	72.9	15.3	97.7
Ramkrishna Forging	9.16	6.4	4.9	123.9

Source: ET Intelligence Group. Data as on 31/03/2011

maintained a compounded annual growth rate (CAGR) of more than 10% during this period. Just nine companies fitted the bill. These belong to sectors including automobile ancillaries, capital goods, sugar, telecom and tyres. The list is dominated by the auto component sector featuring three players. When listed out based on an-

nual revenues for the latest fiscal, Shree Renuka Sugars tops the list. The company's cash flows shot up after its previous year's acquisitions in Brazil. Auto component players including Sona Koyo Steering, Falcon Tyres and Ramkrishna Forging have made it to the list on account of robust demand from automobile companies.