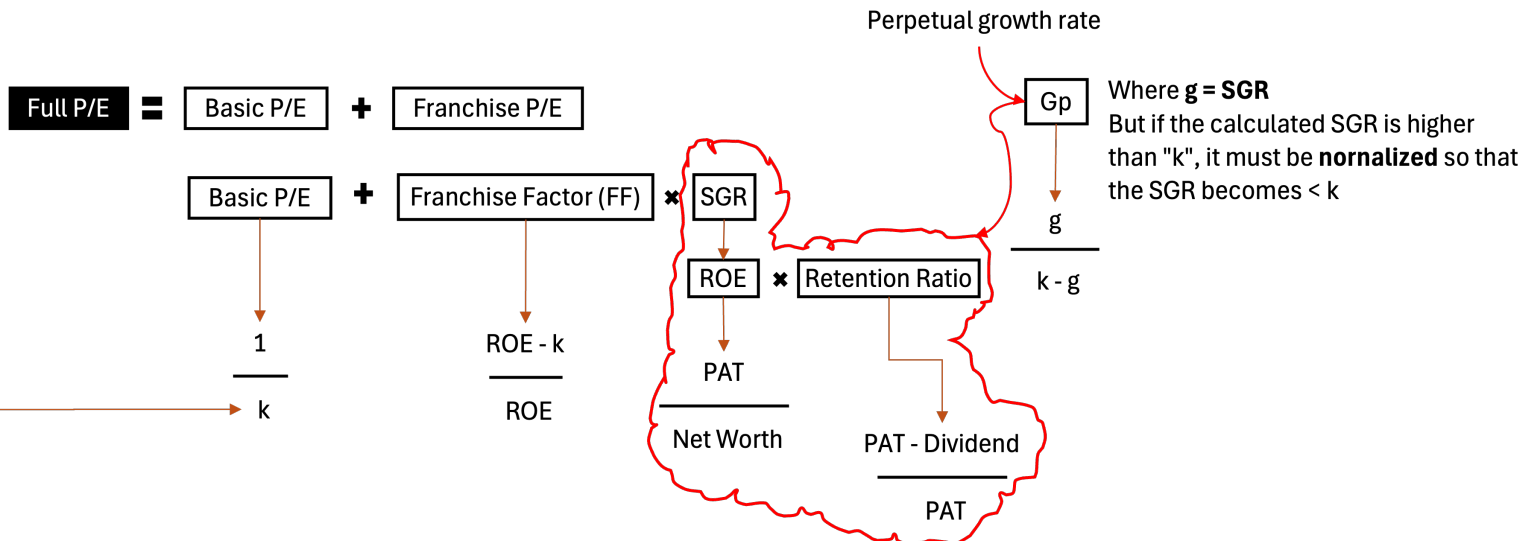


For a required rate of return (say 12%), if the stock is correctly priced or not? Will its fundamentals support the expected return or not?



Fundamentals of the company:

Description	MAHSEAMLESS	POLYCAB	Formula
PAT	790.94	2,045.54	A
Equity (Mar 25) - <i>Networth</i>	6,339.94	9,824.91	B
Equity (Mar 24) - <i>Networth</i>	5,744.08	8,186.26	C
ROE	13.09%	22.71%	D = A / ((C-B)/2)

PAT	790.94	2,045.54	A
Dividend	134.00	451.08	E
Retention Ratio	83.06%	77.95%	F = (A-E)/A

Sustainable Growth Rate-SGR (g)	10.87%	17.71%	G = D x F
Adjusted SGR "g"	10.87%	11.40%	H

Expected Return of investors

Cost of Equity (k)	12.00%	12.00%	I
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Franchise Factor (FF)	8.33%	47.17%	J = (D - I) / D
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Base P/E	8.33	8.33	K
Perpetual Growth Rate (Gp)	9.65	19.00	L
Franchise P/E	0.80	8.96	M = J x Gp
Full P/E	9.14	17.30	N = K + L
Actual P/E	11.93	43.99	

Notes
Net Profit
Average Equity = (Equity_Current + Equity_Previous) / 2
= PAT / ((Equity_25 + Equity_24)/2)

Dividend paid to shareholders
Retention Ratio = (PAT - Dividend) / PAT

g = ROE x Retention Ratio
Company cannot growth at g > k for long term

choose a single k for both companies for comparison

FF = (ROE - k) / ROE
If ROE > k → Positive FF → Franchise P/E adds premium
If ROE < k → Negative FF → Franchise P/E reduces valuation

Base P/E = 1 / k
Gp = g / (k - g)
Franchise P/E = FF x Perpetual Growth Rate (Gp)
Full P/E = Base P/E + Franchise P/E