

# Quant Strategy – Value Momentum – January 2025

A quantitative strategy with focus on long-only  
equity investing

Monthly Update

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## Executive Summary

**Purpose of the report:** The purpose is to create a strategy that invests in stocks available at attractive valuations, showing consistent momentum, and generates attractive risk-adjusted returns purely based on quantitative parameters without any human intervention.

**Why quantitative strategy?:** In today's data-rich environment, sifting through the constant streams of information has become crucial to discern what's truly valuable and cut out the noise. However, due to inherent human biases, distinguishing between relevant information and irrelevant information has become exceedingly challenging. Ultimately, only a handful of factors significantly impact stock returns, and by focusing on key factors, achieving substantial outperformance becomes plausible.

**Methodology:** We created a Quantitative strategy and Backtested the portfolio of stocks with reasonable valuations and strong momentum from April 2013 to August 2024 (11.4 Years), using the Historical Nifty 500 as our starting universe. The steps involved in the selection of stocks have been highlighted [here](#).

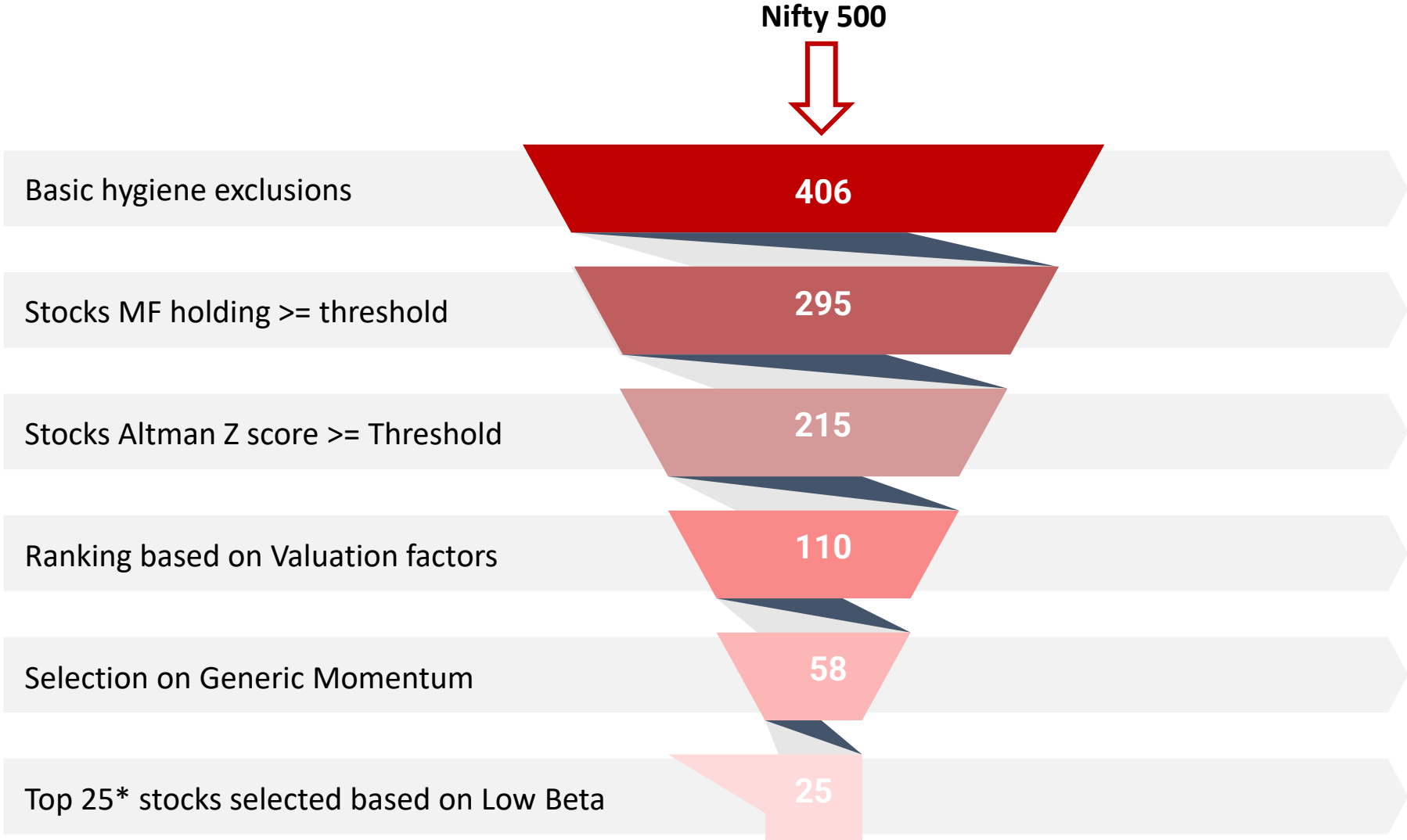
**Key Findings:** In the past 11+ years, this strategy has outperformed the Nifty 500, generating an alpha of 16.9% and delivering a 32.0% CAGR. It outperformed the benchmark in 10 out of 11 years and experienced a relatively low drawdown and standard deviation compared to the benchmark.

**Conclusion:** Value & Momentum are complementary strategies as Value & Momentum strategies tend to perform well at different times in the market cycle. Value strategies often do well in stable or declining markets, while Momentum strategies excel in trending markets. This negative correlation between the two strategies helps in smoothing out returns and reducing overall portfolio volatility.

### Assumptions:

- **Nifty 500:** Nifty 500 as the starting universe has been considered. This universe includes de-listed, amalgamated companies as well to remove survivorship bias in the universe. Further, the Nifty 500 as of April of every year is considered for an entire year.
- **Lag Effect:** It bakes in a 7-month lag to the Financial Year ending and a 2-month lag to the Quarter ending. For example, March 2022 year-ending numbers are announced somewhere by May 2022 end, but they are incorporated in our model (just for the purpose of backtesting) until October '22.
- **Return Computation:** In return computation, monthly rebalance is assumed. And at every rebalance, portfolio wt. is reset to equal wt. Return computation does not include dividends.
- **Data cleaning:** Companies that have not reported their year ending for more than 2 years have been removed from the backtest, checked at the end of every month
- **Data Source:** Ace Equity, NSE

Selection & Filtration Criteria



## Value Momentum Factsheet:

Investment Information			
Launch Date	30 <sup>th</sup> Aug 2024	Total Stocks	25
Category	Multi Cap	Benchmark	Nifty 500
Nifty 500 Performance	-9.2%	VM Strategy Performance	-8.1%
Standard Deviation*	13.0%	Max Drawdown %	-9.4%

\*Annualized

Performance is from 30<sup>th</sup> August 2024 – 15<sup>th</sup> January 2025

### Recommended Exits

Company Name	NSE Sector	Date of Exit	Market Cap	PE
			(Rs. Bn)	
Cipla Ltd.	Healthcare	16 <sup>th</sup> Jan 2025	1,169	25.0
Alkem Laboratories Ltd.	Healthcare	16 <sup>th</sup> Jan 2025	622	28.4
Hero MotoCorp Ltd.	Automobile and Auto Components	16 <sup>th</sup> Jan 2025	822	19.9
Aurobindo Pharma Ltd.	Healthcare	16 <sup>th</sup> Jan 2025	666	18.0

### Recommended Entries

Company Name	NSE Sector	Date of Entry	Market Cap	PE
			(Rs. Bn)	
JB Chemicals & Pharmaceuticals Ltd.	Healthcare	16 <sup>th</sup> Jan 2025	275	44.9
CCL Products (India) Ltd.	Fast Moving Consumer Goods	16 <sup>th</sup> Jan 2025	85	30.9
PI Industries Ltd.	Chemicals	16 <sup>th</sup> Jan 2025	525	29.6
Whirlpool Of India Ltd.	Consumer Durables	16 <sup>th</sup> Jan 2025	214	66.7

## Changes in Portfolio

### New Portfolio

Rank	Company Name
1	Ajanta Pharma Ltd.
2	Pfizer Ltd.
3	K.P.R. Mill Ltd.
4	Sun Pharmaceutical Industries Ltd.
5	Infosys Ltd.
6	HCL Technologies Ltd.
7	Ipca Laboratories Ltd.
8	JB Chemicals & Pharmaceuticals Ltd.
9	Lupin Ltd.
10	CCL Products (India) Ltd.
11	Aegis Logistics Ltd.
12	eClerx Services Ltd.
13	Tech Mahindra Ltd.
14	Emami Ltd.
15	Alembic Pharmaceuticals Ltd.
16	Bajaj Auto Ltd.
17	Zydus Lifesciences Ltd.
18	PI Industries Ltd.
19	Endurance Technologies Ltd.
20	Whirlpool Of India Ltd.
21	Eicher Motors Ltd.
22	Crompton Greaves Consumer Electricals Ltd.
23	Coromandel International Ltd.
24	Jubilant Ingrevia Ltd.
25	Qess Corp Ltd.

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22	Jubilant Ingrevia Ltd.
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24	Coromandel International Ltd.
25	Qess Corp Ltd.

## Details of Portfolio stock

As of 15<sup>th</sup> Jan'25

Rank	Company Name	NSE Sector	Market Cap (Rs. Bn)	MF Holding	Altman Z Score	PE	EV EBITDA	EV Sales	Price to Book	Price to CFO	Momentum %	Beta
1	Ajanta Pharma Ltd.	Healthcare	360	14.9	25.9	41.1	28.8	7.9	10.1	16.8	25%	0.34
2	Pfizer Ltd.	Healthcare	227	10.4	27.0	37.2	29.1	9.2	6.3	17.7	15%	0.40
3	K.P.R. Mill Ltd.	Textiles	328	15.5	15.9	40.6	27.7	5.8	7.5	22.3	38%	0.42
4	Sun Pharmaceutical Industries Ltd.	Healthcare	4,215	12.1	17.0	37.6	29.6	8.2	6.3	16.2	36%	0.44
5	Infosys Ltd.	Information Technology	8,095	19.7	13.1	30.0	21.0	5.0	9.2	11.3	21%	0.47
6	HCL Technologies Ltd.	Information Technology	4,954	8.5	12.9	29.0	18.7	4.1	7.3	8.6	24%	0.48
7	Ipca Laboratories Ltd.	Healthcare	397	28.6	7.2	54.4	28.0	4.9	5.1	15.2	35%	0.52
8	JB Chemicals & Pharmaceuticals Ltd.	Healthcare	275	14.6	11.8	44.9	28.1	7.4	9.4	17.2	11%	0.52
9	Lupin Ltd.	Healthcare	971	16.9	8.6	37.0	21.3	4.7	6.8	16.4	47%	0.53
10	CCL Products (India) Ltd.	Fast Moving Consumer Goods	85	19.0	4.6	30.9	20.0	3.4	5.1	24.6	21%	0.63
11	Aegis Logistics Ltd.	Oil, Gas & Consumable Fuels	288	6.6	6.6	49.4	29.9	4.1	6.5	22.3	114%	0.63
12	eClerx Services Ltd.	Services	153	21.6	18.2	29.3	18.1	4.5	6.8	10.5	36%	0.63
13	Tech Mahindra Ltd.	Information Technology	1,640	15.8	9.6	50.1	28.5	3.0	5.8	9.5	34%	0.65
14	Emami Ltd.	Fast Moving Consumer Goods	247	19.5	40.7	31.8	24.6	6.6	10.1	11.4	11%	0.65
15	Alembic Pharmaceuticals Ltd.	Healthcare	197	8.9	10.5	31.1	19.9	3.1	4.1	9.5	13%	0.67
16	Bajaj Auto Ltd.	Automobile and Auto Components	2,395	5.3	17.0	32.5	24.2	4.9	8.3	14.9	23%	0.70
17	Zydus Lifesciences Ltd.	Healthcare	991	6.6	10.3	23.0	16.2	4.8	4.5	12.4	36%	0.72
18	PI Industries Ltd.	Chemicals	525	15.3	11.0	29.6	22.1	6.1	6.0	12.9	15%	0.74
19	Endurance Technologies Ltd.	Automobile and Auto Components	292	7.9	8.9	38.0	19.9	2.6	5.9	11.0	17%	0.74
20	Whirlpool Of India Ltd.	Consumer Durables	214	29.0	8.0	66.7	38.2	2.6	5.6	21.9	41%	0.79
21	Eicher Motors Ltd.	Automobile and Auto Components	1,393	9.5	18.8	32.6	31.1	8.3	7.7	17.3	26%	0.81
22	Crompton Greaves Consumer Electricals Ltd.	Consumer Durables	235	41.7	6.8	46.9	29.9	3.1	6.8	11.0	27%	0.84
23	Coromandel International Ltd.	Chemicals	538	16.6	8.2	39.4	23.9	2.3	5.7	13.1	47%	0.86
24	Jubilant Ingrevia Ltd.	Chemicals	114	12.7	5.5	64.7	28.5	3.0	4.2	8.4	71%	0.90
25	Qess Corp Ltd.	Services	95	9.3	5.7	26.2	12.5	0.5	3.2	6.1	30%	0.91
NA	Cipla Ltd.	Healthcare	1,169	17.5	16.0	25.0	16.7	4.3	4.4	10.9	10%	
NA	Alkem Laboratories Ltd.	Healthcare	622	14.9	13.1	28.4	25.1	4.9	5.8	13.1	7%	
NA	Hero MotoCorp Ltd.	Automobile and Auto Components	822	14.6	8.1	19.9	13.5	1.9	4.6	8.5	5%	
NA	Aurobindo Pharma Ltd.	Healthcare	666	18.5	5.2	18.0	10.3	2.2	2.2	6.8	5%	

Momentum is price performance of the stock in the last 12 months, excluding recent month

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