

Tatas lead wealth creation among India's biz houses

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The country's conglomerates have not only gained heft in the market but have also created wealth for shareholders big time. Thanks to the sizzling rally in group companies' share prices and speedy recovery in their earnings after the first Covid wave, market capitalisations of India's fabled business houses surged, adding to shareholders' kitty.

Not surprisingly, India's largest group by revenue, the House of Tatas, is the largest wealth-creator for shareholders. Its 28 listed entities together added more than Rs 6 lakh crore wealth for investors since January this year — a return of over 40%. Next is Reliance Industries (RIL) Group, controlled by Mukesh Ambani. Its nine listed firms cumulatively added close to Rs 4 lakh crore wealth for investors, a return of 28%. Bajaj is the third-largest wealth creator for investors followed by Adani, while Aditya Birla and L&T are neck and neck in the fifth spot(see graphic).

“The highest wealth creation has come from the Tata Group and rightly so. Not only is the quantum of its contribution the highest but, more importantly, it is the most diversified group and also has the largest shareholder base (85 lakh) thus providing a larger slice of the pie to public shareholders,” said RippleWave Equity Advisors partner Mehul Savla.

Seven of the top 10 business groups ranked according to their market capitalisations outperformed the sensex (see graph for returns).

Two of them, RIL and Mahindra delivered broadly in line with the performance of the sensex, while HDFC Group underperformed. Hero (owned by the Delhi-based Munjals), Indiabulls, and Future (led by the beleaguered Kishore Biyani) groups gave negative returns. The sensex delivered a return of 26% since January this year.

“Strong recovery in earnings after the first wave of Covid and a re-rating of companies where valuations turned

attractive during the crises have been the driving factors for the rise in market capitalisation of top business groups,” said Sharekhan BNP Paribas research head Sanjeev Hota. “Moreover, a global flush of liquidity and overall equity re-rating has kept the buying interest in these companies through both domestic and foreign institutional funds.”

On the flip side, Hota said, “Questionable corporate governance and weak earnings coupled with a troubled balance sheet were the factors for wealth destroyers in many companies.” The low-profile CK Mehta Group, which owns Deepak Fertiliser and Deepak Nitrite, created the fastest wealth for shareholders, generating over 150% return this year. On the other hand, the Rajan Raheja Group, which runs Exide Industries, Prism Johnson and Standard Batteries, created the slowest wealth for shareholders, generating just 4% returns.

“The strong performance of the phenolics and chemicals businesses propelled the stunning returns by the CK Mehta Group, while there’s an overhang of the challenging battery business (Exide) on the Rajan Raheja Group stock,” said Motilal Oswal Financial Services CEO (broking and distribution) Ajay Menon.

Savla of RippleWave said returns have varied across corporate groups reflecting the “divergence in sector trends with technology and commodities leading the pack while autos lagged”.

With the sensx now topping 60,000 points, one group has topped too: shareholders of India’s corporate houses.