Twitter Thread by Intrinsic Compounding

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A word of advice and caution. When you buy a High Pe stock. Make sure that you are very certain about the growth. Plenty of good and bad examples

Eicher=Growth stopped, Got derated.

Pi Industries= At 52+Pe in 2015, growth continued (5bagger since then)

Symphony=Growth stopped as more competitors copied them, painful time correction.

Astral=Kept growing and entering newer adjacencies since 2015 when it was at 60+ Pe. (Been a 10 bagger since then)

Page Industries=Growth stopped as the company matured. No returns for last 4 yrs.

Bajaj Finance= Kept growing (barring Pandemic). Kept rerating with the earnings growth.

HDFC Life=Been absurdly valued since 2018. Leading to very poor returns.

Relaxo=Kept getting rerated on back of earnings growth.

High Pe means market is expecting strong earnings growth. What happens when it fails to come? Likely derating or painful time correction.

Paying a high multiple, you need to make sure that the growth is certain.

What I do to grasp such opportunities or to ignore them is to have a mix of deeply valued companies (like some financials I own) with Companies where I think they will grow at 30-35%+ (Navin).

This is what my framework is:-

Pf=High Pe+Already seen value+Strong earnings growth

And low Valuation+Earnings Trigger+Ignored by the markets.

Usually suprised by name's from either of the buckets.

Disc:- Not an advice. How I think of my investing philosophy