As the Chief Investments Officer, she leads a team of highly qualified and motivated fund managers and analysts. She has played a key role in launching and taking Canara HSBC Oriental Bank of Commerce Life Insurance from strength to strength. The company has delivered strong and consistent fund performance across all unit-linked portfolios and demonstrates strong CAGR outperformance over benchmarks. She is Ritu Arora, a Post Graduate in Management and has completed ICWAI securing all India 32nd rank. She is also a University Gold medalist and in our opinion a market wizard. In conversation with Dominic Rebello her advise is 'identify quality businesses with clean managements' as 'sustainable returns from a stock follows the profits of the business'

« MARKET WIZARD

RITU ARORA

Sentiment continues to be very strong both globally as well as in India. The underlying fundamentals however, have yet to catch up. Markets are likely to stay expensive as long as sentiment is strong and positive. Any corrections in the markets will be used as buying opportunities.

STOCK RETURNS FOLLOW THE PROFITS OF THE BUSINESS

A little background about your company and yourself?
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited was launched in June 2008 and is jointly owned by two of India's largest public sector banks – Canara Bank (holding 51%) and Oriental Bank of Commerce (23%) – and HSBC Insurance (Asia Pacific) Holdings Limited (26%), the Asian insurance arm of one of the world's largest banking and financial services groups – HSBC. The Company has exclusive access to around 60 million customers and a pan-India network of over 7000 branches of Canara Bank, HSBC and Oriental Bank of Commerce.

At what point had you given a thought to making a career in the financial markets?
Financial markets provide a challenging and satisfying career opportunity. I have always been interested in financial markets, and my education and career choices were focused towards this. I have been part of borrowing and lending corporate treasuries and institutional investment teams.

How do you pick your investments? Do you use technical analysis, or do you employ fundamental data?
Rigorous fundamental analysis guides our investment decisions. We closely study global and domestic economic environment to understand the economic fundamentals and trends, and then identify the potential sectors for investment. We then focus on companies with high profit growth and reasonable valuations in the identified sectors. Fundamental analysis of financial statements, meetings with management and discussion with external analysts researching the company help us form an independent view on the Company. Once a potential company is identified for investment, technical analysis is sometime used in execution to minimize any impact cost. We continue to diligently track the financial results and fundamentals of all companies in which we have investments or can potentially have future investments.

How would you describe your methodology?
We are disciplined long term investors in a good quality balanced portfolio. We do not believe in *timing the market and diligently invest in good* businesses at all levels. Sectorally, our portfolios are well balanced. We employ great rigor and effort in identifying good companies and businesses and then make long term investments in them. We focus on high earning growth companies at reasonable valuations (Growth at Reasonable Price, GARP).

What appeals to you about investing.
Insurance investment is stable and long term by nature. We focus on long term capital gains for the policyholders, without taking undue risk in the portfolio. We at Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited follow a strict discipline of adding a stock for its long term potential. We therefore add names with good long term potential and disciplined management/promoter background and do not get swayed by the market movements if the investment thesis is unfolding on expected lines.

What differentiates you from other investors?
Our differentiator is the disciplined and structured approach of doing research and investing. It includes undiluted focus on fundamental research to identify quality businesses with clean managements that will create sustainable value for the shareholders and we are not averse to holding companies for long periods.

What gives you that edge?
Our experienced, professional and stable team is *our biggest strength. The team has collective* experience of over 110 years of investing. The team is very committed to our strategy and takes decisions with high conviction in line with our philosophy to generate consistent and superior returns for our policy holders.

Is there any applicable lesson to investing?
Markets are volatile by nature and hence, not getting swayed by short-term volatility in stock prices is the single biggest lesson learned. Also, backing the right management over long-term leads to superior value creation. In all cases, sustainable return from a stock follows the profits of the business.

How much of what you do is gut feel?
All businesses are run by people and not machines, so gut feel has a role to play in researching a company. For example, it is difficult to evaluate the quality of management or forecast demand for a discretionary product by pure quantitative methods. It is in such cases that besides data, one relies on gut feel as well.

Do you try to anticipate or follow market trends?
We do not try to anticipate or follow market *trends, but we do look at how overvalued or* undervalued the market is with relation to the earnings. We follow valuation of indices on absolute basis, historical basis and relative to other emerging markets. This helps us assess if the stocks in general are expensive or cheap making us even more conscious of quality.

When you put money on a trade and it goes against you, how do you decide when you're wrong? What do you do next?
Equity markets are volatile by nature and there are times when stocks correct after we have purchased them. We are long term investors and short term volatility does not matter to us as long as there is no structural change in the company whose stock has been purchased. We add names with good long term potential and disciplined management/promoter background and do not get swayed by the short term market movements as long as investment thesis is unfolding on expected lines. We constantly evaluate all our portfolio constituents and if there is any change vis-a-vis our investment thesis appropriate action is taken.

Any positions you ever lost sleep over?
As a policy we don't hold cash in the portfolios *as we believe that we should invest policyholder* funds in good companies to create value. Three years ago the economy and market were going down, due to being fully invested and policyholder wealth got impacted. We stuck to our philosophy and remained invested in good quality companies and over time as market recovered good returns were generated for the policyholders.

What would make you wary about an investment?
The biggest issue that we worry about is corporate governance of companies. Any change in corporate governance standards or question on corporate governance of a company in our portfolio bothers us a lot.

Do you have a scenario about how the current bull market will end? Where do you see the Indian markets five years down the road?
We expect that Indian economy and the markets will do well under the strong progressive Government at the center though the pace will be gradual. Five years is a long period and a progressive improvement in small steps is our expectation from the Government. We expect GDP growth to accelerate over the next few years which would drive earnings growth for Indian companies. This augurs well for the equity markets and steady annualised returns can be expected over the next five years.

Of the tens of thousands of investments that you have done, which was your best ?
One of the most rewarding Investment had been an investment we had done in a big IT company five years back. The investment has been a very good value creator for our policyholders. The company's business continues to grow and we continue to hold that investment even now.

What was the story there?
When we identified and invested in the company, it was more hope than performance. Today it holds the pole position in that offering space.The stock price is up 5X times in 5 years.

What makes an investor successful? Your success mantra?
Belief in fundamentals, not getting carried away and patience for the long-term is our success mantra. We believe it would make investors suc*cessful and investing a rewarding experience.*

Any final words?
Investment should always be looked at from long term perspective and not from short term gains. Backing the right management and being patient is always very rewarding while investing.