



## Corporate Profile

**Eastwind Capital Advisors Pvt. Ltd.(EW<sup>TM</sup>)** is a firm of Indian origin providing benchmarking and quantitative research advisory solutions to Institutional Investors. Our benchmarking services involve **Index Management Services** and **Quantitative Analysis of Stocks** of Various corporate, which is an institutional tool for portfolio building.

### Table of Contents

Sl No.	Particulars	Page No.
1	Eastwind Brand	2
2	Eastwind Products	
	A. EW Series of Equity & MF Indices	3
	1. Equity Indices	3
	2. Mutual Fund Indices & Ranking	5
	B. EW Quant Scores & Score based Strategies	6
	1. Earning Score	6
	2. Price Score	7
3	Eastwind Offerings	9
4	Eastwind Team	11

## The Eastwind Brand

Eastwind Capital Advisors is credited with being one of the pioneers in Quantitative equity research in India. Its unique method of Index creation, investment universe classification coupled with a team of fundamental & quantitative analysts continuously analyze earnings, valuations and balance sheet details of companies helping formulate and implement various top down beta and alpha portfolios. These include thematic beta portfolio, corner growth/value portfolio, market neutral portfolio/pure alpha portfolio etc. Eastwind's wide coverage and explicit quantitative models deliverable in simplified manner are of much higher quality than competitors' products, with common industry terms. Some of the initiatives which reflect the Eastwind Brand:

- Eastwind Capital Advisors Launched EW India Islamic Index which is a Shari'ah compliant representation of the Indian Capital Market in collaboration with the Indo Arab Economic Cooperation Forum, New Delhi. This Initiative was an applied action of **International Conference on 'Indo Arab Relations' graced by the Hon'ble Prime Minister of India, Vice President, Finance Minister, Deputy Chairman, Upper House of Parliament, a host of Central ministers, Ambassadors, apart from leading industrialist, economists, jurists, bankers and academicians from India and the Arab World.**
- Eastwind is accredited with business relations with the AMC's of India and abroad which initiated with one of the 3 largest AMC's in the country i.e. the Unit Trust of India.
- Eastwind has conducted many thematic studies which have been covered by leading newspapers of the country. We have also been involved in co research studies with the leading business News Daily of the country i.e. the Economic Times.
- Pioneering an effort into the field of Quantitative research in India, **Eastwind** publishes "**India Quant Analytics**", a comprehensive quantitative booklet of the Indian capital market, which covers performance & classification of stocks comprising **99.5%** of the Indian capital market. The mission is to bring transparency & standardization in the Indian capital market which is in line with the practices available in more developed countries and to reach out to a community that is more demanding & eager for equity research ideas and opportunities. The subscribers list for this quarterly circulation include **83 Fund managers from 35 AMC's of India, CEO's & MD's from All AMC's & 32 Leading broking houses in India, 11 Insurance houses, 17 Research Heads & Independent Analysts of the country, 150 Foreign & Indian Banks including wealth managers, All the leading Press & 762 Foreign Financial Institutions . The 'e' copies are widely subscribed by the financial Intermediaries of the country who have nearly Two Third combined market share in the country.**

## Eastwind Products

### A. EW Series of Equity & MF Indices

Eastwind's Benchmarking Services include development & management of 25 Indices consisting of various Cap/Sector/Style. EW indices give 360 degree view of Indian financial market, and hence are useful as appropriate benchmark and also act as base for investment universe identification. The broadest Index- EW All Share Index tracks 99.5% of Indian market capitalization.

#### 1. Equity Indices:

EW series of equity market indices is a one-of-a-kind investment tool that tracks the value of traditional investment-grade Indian capital market securities. EW series of indices have been devised to measure the overall value of Indian capital market. Equity indices as exemplified by the well known Sensex and Nifty –are immediately recognizable and broadly accepted. But no one is tracking total value of Indian capital market. EW All Share Index views the capital markets on a broad and consolidated basis. Other indices within the Eastwind series of indices measure sub-segments of the market.

Creation of Equity Indices begins with quantitative classification of the Indian Equity Market. **Indian stock market follows extreme of Pareto's law. About 3.67% of the total number of companies represent 80 % of the Indian equity market capitalization.**

Classifying stocks into groups based upon capitalization, type of business, earning growth, valuation characteristics etc. is important aspect of equity investment analysis. Under quantitative framework, these classifications are done employing processes that are based upon 100% explicitly written, objectively and mathematically defined rules. No subjective argument is used at any stage of analysis.

The EW series of indices are being created to meet the market's need for:

- Sophisticated measure of the performance of the entire capital market
- An improved measure of risk-reward ratio, and better tools with which to make asset allocation and investment decision
- Effective one-stop market portfolio diversification
- Using "Eastwind" portfolios in asset management
- A basis for mutual funds, exchange-traded funds (ETF's), options, futures and other derivative products.

EW series of indices would have value not only among the professional investment community, but also among individual investors, market regulator, academic and research institutions and even government agencies.

The index-building process is an enormous task and Eastwind has, over the past 2 years, collected huge amount of data and each day, additional data is being collected. The data is organized, processed and updated every day, using rule-based methods to formulate the index. This statistical selection removes the subjectivity associated with other indices and more accurately represents the history, mix and behavior of the capital markets.

EW series of indices have the following key characteristics:

- It is an objectively built index and removes problems associated with subjectively designed other indices.
- Market capitalization being only parameter for stock selection makes it true benchmark for investment.
- Universe of the indices is defined in % terms and not in fixed number of shares. This makes it flexible to capture any development in the capital market.
- Objectively replicates the capital markets' actual asset allocation
- Has no known competitor in measuring the broader capital markets' performance

Extensive market research confirms that Eastwind meets the needs of professional and individual investors for measuring the aggregate capital markets and providing the basis for a variety of efficient innovative.

Going forward, Eastwind intends to develop 'custom' index and tools for private use. At Eastwind, we are also in the process of developing sectors, style (value, growth, and blend), and life stage index.

Daily index values, Index constituents, methodology are available on the Eastwind website at [www.eastwind.in](http://www.eastwind.in). Historical data and other information regarding Indices can be made available on demand.

**All Share Index – The first stage of classification and the basis for further sub-classification** .The process of classification starts first with identifying the investable market. The investable market considered here consists of every company that is listed on leading stock exchanges in India. The idea is to capture the maximum market capitalization in the investment analysis. No company is left out based on criteria such as liquidity, available free float and corporate governance. This ensures that only unambiguous quantitative parameter is used as the criteria for selection.

There are about 3000 securities that are actively traded on any day in Indian capital market. '**All Share Index**' represents all stocks that form top 99.5% of overall market capitalization of the Indian market. Therefore, the movement of this index represents movement of 99.5% of India's overall market capitalization. This makes All Share Index the broadest index available for Indian market and the best provider for measuring as well as further sub-classifying Indian equity market.

The Index has base date as 20<sup>th</sup> February 2008, base value as 10000 and the index is annually reconstituted to represent top 99.5% capitalization of all the securities traded on Indian markets. For example, on its last reconstitution date i.e. 31July 2009, **EW All Share Index** constituted 1341 stocks listed on the Indian market. The total market capitalization of these stocks on that day was Rs 5100060.95 crores as compared to Rs 5125736.69 crores market capitalization of overall Indian market. This makes EW All Share Index represent 99.5% of overall market capitalization of the Indian market.

The investable Indian market as represented by **EW All Share Index** is further classified on the basis of capitalization, sector & industry, styles & themes.

## 2. Mutual Fund Indices & Ranking:

The last decade has seen the rapid growth in capital market related investments in India. Large part of this flow has been into various mutual fund schemes through financial intermediaries. These investment has grown at over 50% CAGR over 2003-07 with MF corpus rising from Rs. 1, 48,368 crores as on 2003 to Rs 5,49,942 crores at the end of 2007. Still this constitutes only 6% of Indian household savings. It is suggested that investment into MF schemes will grow by 7.5 times over 2007-11. This represents excellent business opportunity to financial intermediary community. But there exist challenges along with this opportunity. Traditionally financial intermediation in India has been led by transaction facilitation activity. But with increase in number of schemes and their complexity, an intermediary requires strong research capability to bootstrap itself from role of transaction facilitator to financial advisor.

Eastwind with its strong research capability is fully geared to back end leading financial intermediaries. By outsourcing the major aspects of this function, intermediaries can spend more time addressing other critical operational needs. Our product MF Benchmarking and Ranking is aimed to fulfill research requirements of financial intermediary. MF Benchmarking and Ranking product helps in all aspects of MF research, like asset class division, benchmarking performance, analyzing existing MF portfolio of clients, ranking various MF schemes and building model portfolio. We, at Eastwind also handle research training needs of financial intermediaries.

Features of EW MF Benchmarking & Ranking Tools:

- EW MF Benchmarking & Ranking Tool segregates various MF scheme in following asset categories: Liquid Fund, Income Fund, Arbitrage Fund, Equity Fund and Gold Fund.
- There exists EW wealth index for each of these asset categories for benchmarking purpose.
- Return of each scheme with two years NAV history under each asset class in two time frames (weekly for last 12 weeks and quarterly for last 2 years) is calculated and ranked.
- Surprise score is calculated for each scheme and assigned. (Surprise score relates to how far scheme return had been from mean of all scheme return put together).
- Further score is assigned on the basis of corpus size, industry concentration, company concentration and fund manager pro-activeness.
- Each Scheme post ranking is analyzed on the basis of its qualitative fundamental characteristic such as in case of equity MF scheme on P/E, Sales growth, ROE, Pat growth, P/B etc.

## B. EW Quant Scores & Score based Strategies:

Eastwind utilizes a combination of corporate earnings, earning quality & stock price characteristics to provide a unique score to stocks within the Indian market.

Quantitative Analysis technique seeks to understand stock market behavior by using advanced mathematical and statistical modeling, measurement and research. By assigning a numerical value to variables, quantitative analysts try to replicate reality mathematically. Quantitative products viz. earning, quality & price scores act as base for creating specific theme based beta portfolio for institutional investors.

Ranking stocks on Quantitative basis provides a dispassionate rank to all stocks in a systematic manner thereby assessing stock fundamentals which enables unique investment ideas and philosophy to translate into a proven recipe for generating Alpha. Our unique Price Momentum Models leverage industry relative active return information to mitigate the inherent risk-seeking nature of momentum based strategies.

1. **Earning Score:** Unique number denoting stock's fundamental characteristics.

**Representing companies comparative earnings growth and earning quality through unique scores for easy reference and further analysis.**

Companies earning growth is an important parameter in computing company valuation, whether we follow absolute valuation method like discounted cash flow or relative valuation method like P/E ratio etc. So, one of the important independent variable for judging the stock is its earning performance.

To measure earning performance, various measures such as sales growth, PAT (profit after tax) growth and EPS (earning per share) growth are employed. These parameters are calculated for various periods such as last 5 years, 3 years or just the previous year (called year-on-year or Y-o-Y) or previous quarter (called quarter-on-quarter or Q-o-Q). However, stock picking is not about just looking at one company. It requires comparison of earning performance of a stock vis-à-vis its peers in the industry and other stocks in the market.

This can be done by measuring earning performance of all companies in the market using same set of variables. **Earning score** is one such measure. **Earning score** has two dimensions: **earning momentum** which computes growth rate of earnings and **earning quality** which measures the quality of the company's earnings. Computing earning quality is important as the market does not usually reward earning growth if it is not accompanied by quality parameters such as higher profit margin and lower debtor turnover ratio.

**Features and advantages of Earning Score:**

- i. Earning score is a number specific to a company
- ii. A company can have earning score in the range of 0 to 99.99 depending upon its earning performance vis-à-vis other stocks in the market.
- iii. Companies with lower earning score have lower earning growth than the ones with higher scores.

- iv. Earning score of a stock reflects the percentage of stocks whose earnings are growing at a pace slower pace its own growth.
- v. Earning score readily helps in assessing whether company's earnings are growing at higher speed combined with better quality.
- vi. Change in earning score helps in identifying the companies whose quarterly earnings have improved or deteriorated. It also helps in making communication easier between various market participants while talking about company's fundamental performance.
- vii. A company's earning score along with other fundamentals variables such as valuation and price score creates a basis for picking stocks from market. Clubbing earning scores of stocks in a sector or an industry helps in knowing earning score of overall industry or sector.
- viii. Many a times an analyst identifies a company on the basis of possible business turn around and uses rising earning score as a trigger for timing a buy.
- ix. The returns of stocks of various earning score, during any time period (such as intraday, daily, weekly or monthly) helps in predicting future market trend.
- x. Rules based on earning score help in creating quantitative portfolio.

**2. Price Score:** Unique Number denoting Stock's Market Performance.

**Representing Companies Comparative stock market return for easy reference and further analysis.**

An important component of stock analysis is its price performance or the return that it provided in the past. Analysts use different methods to suggest trends in the market. The common ones are looking at price charts and looking at returns in various time frames such as daily, monthly, quarterly or annually.

Clearly these are ways to analyze stocks individually. But stock market is a place where efficient deployment of available resources has to be made. This requires looking at the price performance of a stock vis-à-vis peers in its industry and other stocks in the market. And this is a common practice used worldwide by analysts and investors. This quantitative method of looking at stock's price performance as compared to its peers is called **Price Score**.

**Features and advantages of using Price Score**

- i. Price score is a number specific to the company.
- ii. A company can have price score of any value in the range of 0 to 99.99 depending upon its performance in the market vis-à-vis other stocks in the market.
- iii. It is a percentile based score and thereby the price score of a company states the percentage of companies that have given return lower than its own return.
- iv. When we subtract the price score of a stock from 100, it tells what percentage of stocks performed better than that stock in terms of price. For example, price score 60 for a stock implies 40% of total stocks have performed better than that stock and the rest 60% have underperformed that stock.
- v. Just the way an index is important to understand overall market movement, price score or any other similar measure is important for assessing the movement of a stock.

- vi. Price score also readily helps in identifying stocks that have underperformed or outperformed the market.
- vii. Change in price score helps in identifying companies that are catching the attention of investors.
- viii. A company's price score along with other fundamental variables such as its valuation and earning growth creates a basis for picking stocks from the market.
- ix. Clubbing price scores of stocks in a sector or an industry helps in knowing price score of that sector or industry.
- x. Many a times analyst identifies companies on the basis of earning and growth characteristics and uses rising price score as a trigger for timing a 'buy'.
- xi. The return produced by stocks during time periods (such as intraday, daily, weekly or monthly) helps in predicting future market trend.
- xii. Rules based on price score help in creating quantitative portfolio.

## Eastwind Offerings:

- A. Advisory Services:** Eastwind Capital Advisors offers a comprehensive suite of beta achieving and alpha-generating investment strategies to meet the unique needs of institutional investors.

Strategies include actively managed portfolios, as well as equity index strategies, and can be customized to meet the distinct performance needs of institutional investors. Eastwind Capital Advisor's actively managed equity strategies are guided by a solid underlying philosophy:

Through research-intensive security selection, we build equity portfolios with the potential to deliver long-term performance at carefully managed levels of risk. We believe that our in-house analysis and independent research provides an information advantage that allows us to find the most promising equity opportunities.

- B. Benchmarking Services:** Eastwind meets the needs of professional and individual investors for measuring the aggregate capital market and providing the basis for a variety of efficient and innovative strategies for Investment. EW series of indices takes 360 degree view of capital market.

### Based on the above broad services Eastwind's product deliverables are as follows:

#### EW Series of Equity Indices

- For Benchmarking Your Fund
- For Investment Universe Creation
- For tracking and benefiting from trends emerging in Indian Equity Market

#### Quantitative Scores for stocks-ES &PS

- Company fundamentals and price performance expressed as simple numbers
- Your easy reference tool in portfolio building
- Cross check stock recommendation and set triggers for stock buy/sell decision

#### EW Series of Wealth Indices and SPR rating of various MF products

- For benchmarking your MF portfolio including Equity, Debt, Money Market, Gold, Arbitrage fund
- For selection of right funds

#### Quant Soft- Desktop application

- Track movement of 69 type of Equity Indices
- Analyze fundamental characteristics of 10 Sectors, 44 Industries and 1341 Stocks
- Portfolio Organizing, Tracking and Benchmarking.
- Identifying Portfolio Divergence and Re-balancing it.
- 100 screeners to choose appropriate stocks

### **QPoD- Quantitative Portfolio Diagnosis**

- Benchmarks Portfolio on the basis of Eastwind's classification which is based on GICS.
- Calculates divergence of portfolio from Nifty & broad Market Index i.e. EW All Share Index.
- Calculates selection divergence with a proprietary model to identify non winners in portfolio.
- Suggests buy & sell within benchmark framework.
- Monitor portfolio within time intervals.

### **India Quant Analytics**

- Analyze and understand quantitative structure of Indian market
- Thousands of statistical data for informed decision making
- Monthly e-book (Hard Copy-Quarterly)

### **Three Actively Advised Equity Model Portfolio**

- **EW India Equity Opportunity Fund**

An actively advised model portfolio using proprietary top-down research process with mandate of out-performing major indices

- **EW India Eagle Fund**

An actively advised fund, picking fast growing company (earning growth as well as valuation multiple) meant for aggressive investor. Portfolio assumes higher beta risk and compensates the same by higher alpha.

- **EW India Double-Eagle Fund**

India's first actively advised 130/30 fund that goes 130% long and 30% short in the market using derivatives. Strong stock picking capability ensures superior return than market portfolio

## **The Eastwind Team**

### **Principals**

**Krishna N. Narnolia,**  
Chairman

MBA (Gold Medalist), Founder, Narnolia Securities. He has over 19 years of experience of capital market having built a large size investment banking, wealth management and equity broking firm. He is widely read and is a popular speaker on issues related to economy and financial market.

**Shailendra Kr.**  
CEO

Editor of India Quant Analytics, a quarterly publication on quantitative statistics and structure of Indian equity market. He has more than 15 years of investment experience and has been credited with creation of EW All Share Index covering 99.5% of India's equity market and EW –Earning Score and Price Score Post Graduate in Management & Systems from IIT Delhi. He has done extensive work on corporate valuation and derivative pricing. He has written as well as guided several finance research papers.

**Jasleen Kaur Bhasin**  
Head, Business Development

Qualified Chartered Accountant. She has over eleven years experience in corporate finance and in guiding affluent investors and institutions in their investment funds administration. She possesses ability to structure complex corporate requirement.

**Vineeta Jain**  
Head, Asset Management

Qualified Chartered Accountant. She has over seven years experience in equity research and portfolio designing. Over the years she has evolved her distinct style of growth stock investing.

**Nawal More**  
Head, Benchmarking Practices

Qualified Chartered Accountant. He has over ten years experience in finance & corporate governance. He has experience in advising and analyzing companies and their business and is credited with development of benchmarking practices for several industries.

**Corporate Office: 805-806, Ansal Bhawan, 16 K.G.Marg, Connaught Place, New Delhi 110 001**  
**Tel: +91-11-23705992, 23312729 . Email: [info@eastwind.in](mailto:info@eastwind.in) . Web site [www.eastwind.in](http://www.eastwind.in)**