

## MOAT Stocks – An Investment for all Seasons

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### *Abstract*

*Developed a concept called MOAT to examine equities that can sustain in any sort of environment, including inflation, a boom, or a recession. The external environment will have little/no effect on MOAT stock prices. In light of this idea, we choose 17 companies that are represented on both the NSE and the BSE, and we examined whether or not they would fit under the MOAT stock category. In order to do this, we divided our analysis into three categories: ROE, ROCE for risk-averse investors who wish to make long-term investments, Profit and Sales for investors seeking a well-balanced portfolio, and market Capitalization for traders. The conclusion was reached based on our assumptions.*

*Key words: - MOAT stocks, ROCE, ROE, Market Capitalization, Profits and Sales, Investments, Balanced Portfolio.*

### **INTRODUCTION**

A wide, deep trench that surrounds the rampart of a fortified structure (like a castle), generally filled with water and used as a line of defense, is called the MOAT. Something with a moat offers a competitive edge. The "moat" denotes a competitive advantage a business has over its rivals in the market. It distinguishes itself from rivals. Long-term protection from the competition is provided by the company's pricing power.

The capability of a company to keep a competitive edge over rivals in order to safeguard its market share and long-term earnings. Find the firm's main rivals first, and then contrast their earnings and revenues with those of the company you're considering. If there is a significant profits difference between company and the businesses it competes with, you can say that the more profitable one probably has a wide moat. Wide moat stocks often possess large competitive advantages that enable them to fend off competition, sustain high levels of profitability, and deliver strong returns on investment. When the economy breaks down, the majority of firms fail to function. However, businesses with an economic Moat do well even during periods of weak economic growth. The firm will outperform its rivals in terms of performance. Even throughout the current pandemic, some businesses with an economic moat have thrived successfully.

The ideal option for valued investor is to purchase a wide-moat stock at a discount. Find businesses with an economic moat before making any investment decisions. To identify the moat stocks, one must look at the following things in the financial reports.

- Overall Sales
- Growth Revenue and Profit Growth
- Profitability Improvement as Measured by ROE and ROCE
- Advised to look at the broader market attitude in addition to the financial report.
- Look at companies that are developing a reputation in the industry for providing high-quality goods and services.
- Businesses with a solid market reputation and profitable operations are very trustworthy.

## OBJECTIVES

1. To know in detail the concept of MOAT
2. To analyze the companies with strong MOAT
3. To derive valuable suggestions

## METHODOLOGY

When the economy is slowing down, many businesses collapse, but those with a competitive advantage do not. This research has been done to identify businesses that will perform well even when the economy is slowing down. Seventeen common firms from the Sensex and nifty were included in the study.

It is an empirical study that analyzes the financial information of the companies. The data from annual reports of the companies were the main source.

The strong MOAT in stocks were evaluated in line with 3 criteria namely;

- ROCE -ROE: will be taken into account while choosing equities for the long term.
- Sales and Profits: will be for balance portfolio.
- Market Capitalization: for the traders who booked profits daily.

## INTERPRETATION

- Of the total sample of 17 companies, only nine stocks—IITC, Infosys, Titan, Tech Mahindra, Tata Steel, Dr.Reddy Lab, power Grid, HDFC bank, and Bajaj FinServ—are regarded as MOAT stocks from a capital point of view. This is a result of investors' aversion to risk, which implies they don't want to take risk. When selecting companies for the long term, ROCE and ROE are the key factors.

ROCE							
Year	ITC	Bajaj Finserv	Titan Co	Infosys	Tata Steel	Tech Mahindra	Dr. Reddy's Lab
2018	31.03	10.74	30.75	30.92	10.92	22.38	9.13
2019	31.04	14.52	32.16	31.83	13.59	24.83	14.37
2020	29.8	14.02	28.67	30.83	5.79	19.88	12.04
2021	28.49	13.35	17.56	31.73	12.69	20.83	15.84
2022	31.89	11.78	29.73	35.96	28.31	23.51	15.44

ROE							
	ITC	Power Grid Corp	Titan Co	Infosys	HDFC Bank	Tata Steel	Tech Mahindra
2018	21.46	15.07	22.2	24.68	16.88	22.92	20.16
2019	21.29	16.98	23.13	23.71	14.53	15.33	21.18
2020	23.44	17.09	22.51	25.35	15.45	2.18	18.48
2021	21.8	17.21	12.97	25.34	15.17	10.19	17.81
2022	24.4	22.06	23.35	29.34	15.38	35.08	20.7

- The profits and sales of the firm will be considered by investors if they desire a well-balanced portfolio. The investor assumes that if the company's sales and profits are strong, then the stock's performance would be strong.
- From the perspective of profits, the 10 stocks HDFC Bank, SBI, Bajaj Finserv, Bharti Airtel, Kotak Mahindra Bank, Indusind Bank, Titan Co, Tata Steel, Reliance Industries, and Tech Mahindra are considered to be the MOAT stocks out of the whole sample of 17 companies.
- From the sales point of view, of the total sample of 17 stocks 8 stocks that are Bajaj Finserv, Ultratech Cement, Indusind Bank, Reliance Industries, Titan Co, Tata Steel, HDFC Bank, Infosys are to be

PROFITS										
	Kotak Mahindra Bank	Bajaj Finserv	Bharti Airtel	Titan Co	HDFC Bank	Indusind Bank	Tata Steel	Reliance Industries	Tech Mahindra	SBI
2018	24.26	21.01	-64.8	57.9	21.4	20.86	519.75	20.3	32.6	-1.82
2019	15.8	28.67	18.6	25.9	20.93	14.82	-48.8	10.3	15	173.8
2020	20.88	11.54	1685	7.62	21.6	35.09	-89.02	0.09	-10.38	301.7
2021	15.05	22.9	25.5	-34.55	16.7	-34.2	698.9	33.8	11.49	84.8
2022	20.48	12.84	125.2	124.5	19.75	63.99	422.76	26.95	29.32	91.05

considered as the MOAT stocks.

SALES								
	<b>Bajaj Finserv</b>	<b>Titan Co</b>	<b>Infosys</b>	<b>HDFC Bank</b>	<b>Indusind Bank</b>	<b>Tata Steel</b>	<b>Reliance Industries</b>	<b>Ultratech Cement</b>
2018	55.38	20.93	2.98	16.40	19.95	16.9	28.25	23.78
2019	74.8	22.6	18.02	23.3	28.82	19.3	45.32	19
2020	84.3	6.4	8.12	16.19	29.29	-9.62	4.97	12.7
2021	-58.48	2.81	8.68	5.2	0.75	9.65	-18.5	6.17
2022	92.7	33.05	20.98	5.74	6.28	59.13	48.38	17.6

- A trader who books profits on intra-day will be able to monitor the market capitalisation. They will adhere to price movement. Only 5 of the overall sample of 17 companies—Reliance Industries, Bharti Airtel, Bajaj Finserv, HDFC Bank, and Tata Steel—should be regarded as MOAT stocks from the perspective of market capitalization.

MARKET CAPITALIZATION					
	<b>Tata Steel</b>	<b>Reliance Industries</b>	<b>Bajaj Finserv</b>	<b>Bharti Airtel</b>	<b>HDFC Bank</b>
2018	6,12,211.60	8,82,154.53	11,39,752.55	6,81,156.96	11,99,870.44
2019	3,08,422.40	7,06,006.13	7,30,964.95	8,81,226.83	4,69,442.45
2020	9,28,756.40	45,15,027.46	15,40,810.50	14,11,090.94	8,19,013.10
2021	15,64,718.40	17,82,671.85	27,16,194.24	20,73,092.70	8,10,574.55
2022	1,35,592.05	17,35,884.96	2,57,768.95	23,48,918.00	9,12,096.11

## CONCLUSION

We can say that there are different investors and traders who think according to their risk-taking abilities, the investors who invest for long run take low risk compared to the investors who invest for short term called as trader. The above research can help both investors as well as traders to find the stocks which can be stable in any situation that is MOAT Stock. Especially over the long run, the stock market has the potential to offer investors significant profits. Making money in the stock market, however, might be difficult for beginners who are unfamiliar with how the market operates. Remember that investing in the stock market needs patience, self-control, and a methodical approach.

When looking at stocks from the perspective of investors, ROCE and ROE might assist them in identifying the MOAT stocks if they intend to make long-term investments. Investors seeking a well-balanced portfolio will consider the company's sales and profits. Traders that record their daily profits will take the market capitalization into account.

Investing with a purpose can assist you in accomplishing your financial objectives. Establish your short- and long-term goals in accordance with your assessment of your financial needs.

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