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## What to buy at market peak? Top 10 stocks based on Warren Buffett's investment methodology

Warren Buffett once said, "It is far better to buy a wonderful company at a fair price, than a fair company at a wonderful price."

The Indian market hit a fresh record high in the week gone by and the next question in front of investors is what to buy at a time when the GDP growth has slowed to a 6-year low, auto sales number remain dismal, infrastructure output contract for second straight month, and inflation is trading near RBI's comfort zone.

Largecaps would continue to attract attention from investors but the big money could well be made in the small & midcaps stocks if the economy shows swift recovery, suggest experts.

"Looking at the current rich valuation of Nifty50, it seems the street is factoring in swift recovery in the economy. This is a big risk factor for the market as we remain skeptical about any quick recovery in the economy given structural challenges," Ruskim Oza, Head of Fundamental Research, Kotak Securities told Moneycontrol.

"For the mid & smallcaps to outperform the frontliners, we need a broad recovery in the economy with improved credit offtake, better print of IIP, and GDP growth," he said.

In terms of valuations, the Forward PE of Midcap index is trading at a 14 percent discount to the Forward PE of Nifty50. On a standalone basis, the Nifty50 is trading a 19x Forward PE leaving very little room for any re-rating from hereon.

Investors should look for stocks that are trading at fair valuations and hold the potential to create wealth in the long-term.

Warren Buffett is one of the most successful investors of all time. A former student of Benjamin Graham, Buffett is noted as a legendary value investor, though he is also believed to incorporate an emphasis on management quality and company growth prospects.

Buffett most likely would emphasise on stocks that are trading at reasonable prices. Making the job simpler for investors in picking stocks conforming to the values of Buffett, we have taken data from MarketSmith powered by William O'Neil.

The following stocks were filtered with the highest Master Score and RS (Relative Strength) rating. Master Score is a proprietary filter created by MarketSmith that highlights great earnings potential and strong price performance of a stock.

The Master Score formula incorporates earnings growth, relative price strength, price-volume characteristics, industry group relative strength, and other factors—everything Buffet swears by.

On the other hand, RS rating is a technical tool that is the most popular way to see the market's top performers. The Relative Strength rating is the result of calculating a stock's percentage price change over the last 12 months.

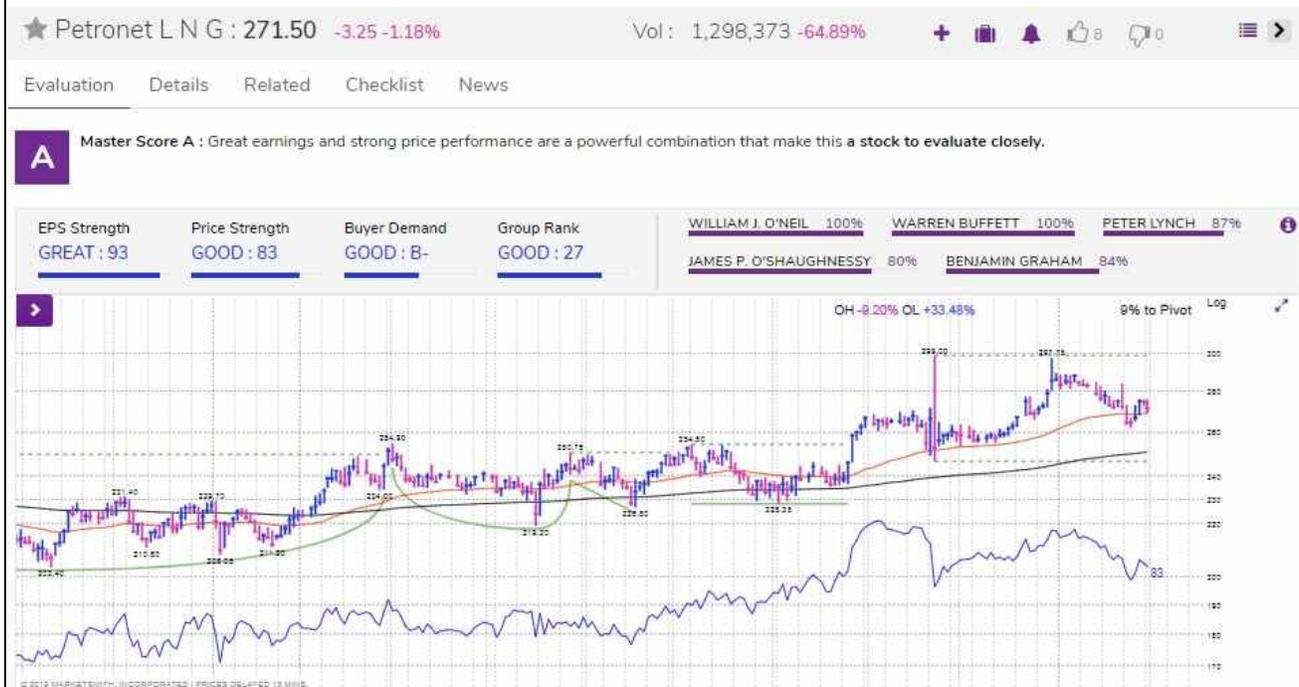
A 40 percent weight is assigned to the latest three-month period; the remaining three quarters each receive 20 percent weight. All stocks are arranged in order of greatest price percentage change and assigned a percentile rank from 99 (highest) to 1 (lowest).

The filter is applied to look for companies with long-term past and potential future growth. Of the stocks returned by the screen, Buffett most likely would emphasize those trading at reasonable prices.

The stocks having a market capitalisation greater than 500 crore and Average Rupee Volume greater than 10,000 crore are considered to filter stocks for the list.

**Here are 10 stocks according to above-mentioned parameters that one should look at (they are not any particular order):**

[Petronet LNG: Master Score: 80](#)



[Relaxo Footwear: Master Score: 79](#)

★ Relaxo Footwears : 585.75 -1.80 -0.31%

Vol : 40,911 -71.69%



Evaluation Details Related Checklist News

**B** Master Score B : Great earnings and strong price performance are a powerful combination that make this a stock to evaluate closely.

EPS Strength GOOD : 89	Price Strength GREAT : 95	Buyer Demand GREAT : A+	Group Rank GREAT : 11	WILLIAM J. O'NEIL 88%	WARREN BUFFETT 100%	PETER LYNCH 50%
				JAMES P. O'SHAUGHNESSY 60%	BENJAMIN GRAHAM 69%	



[Bata India: Master Score: 77](#)

★ Bata India : 1,629.05 -5.05 -0.31%

Vol : 310,263 -50.90%



Evaluation Details Related Checklist News

**B** Master Score B : Great earnings and strong price performance are a powerful combination that make this a stock to evaluate closely.

EPS Strength GOOD : 88	Price Strength GREAT : 91	Buyer Demand GOOD : B-	Group Rank GREAT : 11	WILLIAM J. O'NEIL 100%	WARREN BUFFETT 100%	PETER LYNCH 50%
				JAMES P. O'SHAUGHNESSY 40%	BENJAMIN GRAHAM 76%	



[Dr Lal Pathlabs: Master Score 77](#)

★ Dr Lal Pathlabs : 1,567.90 -20.95 -1.32% Vol: 53,883 -54.61%

Evaluation Details Related Checklist News

**B**

Master Score B : Great earnings and strong price performance are a powerful combination that make this a stock to evaluate closely.

EPS Strength GOOD : 89	Price Strength GREAT : 96	Buyer Demand GREAT : A	Group Rank GREAT : 5	WILLIAM J. O'NEIL 100%	WARREN BUFFETT 100%	PETER LYNCH 50%
				JAMES P. O'SHAUGHNESSY 60%	BENJAMIN GRAHAM 76%	



[Indraprastha Gas: Master Score 74](#)

★ Indraprastha Gas : 413.45 +1.55 +0.38% Vol: 1,651,963 -22.07%

Evaluation Details Related Checklist News

**B**

Master Score B : Great earnings and strong price performance are a powerful combination that make this a stock to evaluate closely.

EPS Strength GREAT : 93	Price Strength GREAT : 94	Buyer Demand GOOD : B-	Group Rank POOR : 98	WILLIAM J. O'NEIL 88%	WARREN BUFFETT 100%	PETER LYNCH 62%
				JAMES P. O'SHAUGHNESSY 60%	BENJAMIN GRAHAM 69%	



[Nesco: Master Score 73](#)

★ Nesco : 607.10 -5.75 -0.94%

Vol: 23,100 -38.74%



Evaluation Details Related Checklist News

**B**

Master Score B : Great earnings and strong price performance are a powerful combination that make this a stock to evaluate closely.

Model Portfolio Stock: Down -2.70% since 18 Nov 2019 [Updates & Results](#)

EPS Strength  
GOOD : 86

Price Strength  
GREAT : 91

Buyer Demand  
GREAT : A

Group Rank  
GOOD : 30

WILLIAM J. O'NEIL 88%

WARREN BUFFETT 100%

PETER LYNCH 75%

JAMES P. O'SHAUGHNESSY 80%

BENJAMIN GRAHAM 69%



OH -5.14% OL +43.49% +1% from Pivot in 14 days Log



[Jubilant FoodWorks: Master Score 73](#)

★ Jubilant Foodworks : 1,618.20 -7.80 -0.48%

Vol: 839,577 -22.80%



Evaluation Details Related Checklist News

**B**

Master Score B : Great earnings and strong price performance are a powerful combination that make this a stock to evaluate closely.

Model Portfolio Stock: Up +4.60% since 23 Oct 2019 [Updates & Results](#)

EPS Strength  
GOOD : 85

Price Strength  
GREAT : 93

Buyer Demand  
GOOD : B+

Group Rank  
FAIR : 48

WILLIAM J. O'NEIL 88%

WARREN BUFFETT 100%

PETER LYNCH 62%

JAMES P. O'SHAUGHNESSY 60%

BENJAMIN GRAHAM 69%



OH -1.93% OL +50.13% +18% from Pivot in 47 days Log



[Abbott India: Master Score 73](#)



