



October 4, 2012

Dear Investors,

Market sentiment has improved as the government has initiated a series of long pending reforms. Smart investors are coming back to equities after a period of unusual volatility and price declines. Domestic and foreign investors, both individuals and institutions are likely to buy more Indian equities in the coming months, leading to more rational valuations.

SENSEX was 20000 five years ago. Our study on these 30 companies shows that they have created significant wealth during the last 5 years. Revenue of SENSEX companies has grown 93% from Rs.10,27,964 Cr to Rs.19,87,171 Cr. Net Profit is up by 59% from Rs. 1,30,109 Cr to Rs.2,07,363. Reserves of the 30 companies have grown 91% to Rs.11,04,561 Cr. In short, SENSEX should be over 30000 to be at par with the valuation 5 years ago. Even after considering the stretched valuations in 2007, deceleration of economic growth rate and various prevailing negative factors, SENSEX should go much higher from the current levels to reflect a reasonable valuation of companies.

The real wealth creation, I believe could happen beyond SENSEX and NIFTY, considering the mid-cap opportunities in Indian markets for next few years!

Many stocks in your portfolio have started performing well; others would join soon to work for better returns. Market may consolidate at every higher level with corrections and a bit of volatility. Future events like Gujarat elections, winter session of Parliament, General Elections (2013 or 14) etc. may not necessarily affect the market negatively. Value investing would be more comfortable and rewarding in the coming days!

Best regards,

Porinju Veliyath