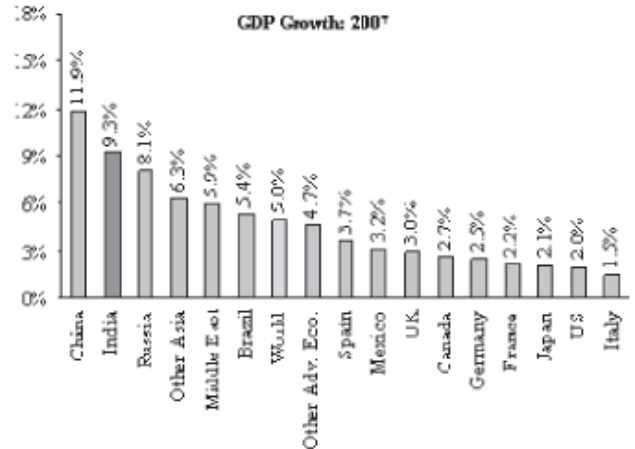
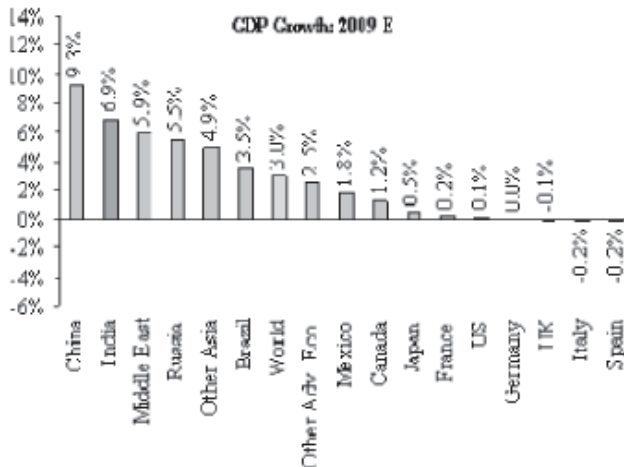


BILLIONAIRE

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GDP GROWTH, FINANCIAL MARKETS, INDUSTRY, INVESTOR & POLITICS



2006-07 GDP growth figures were higher than it is now possible in 2008-09. Hence the downward rating in Stock markets are seemingly fundamental, but still looking at an EPS of the Sensex at 940 this year, we still get an index of over 14000 at 14 times. Forward earnings seem to be at P/E of less than 13 times. This seems to suggest we are almost 38% discount to discounted earnings estimates at the moment. ***Politics is the only spoilsport at this time.***

A bull run is built on some foundations:

Foundations	Benchmark	Description
• Earnings of companies	EPS growth over 18% p.a	Consistent upward growth and high margins in industry with a clear picture of future
• Valuations	P/E of less than 10 times forward	Reasonable EPS, high RONW, ROCE & steady topline growth
• Savings	Savings rate over 30% v/s GDP growth of 7% p.a	Savings mean more income invested & generate higher level of capital formation leading to higher economic activity resulting in higher GDP growth
• Reforms /Political stability	Reforms in financial, industrial, ease of entrepreneurship	Political agenda (elections) always drag GDP and reforms free them especially if they are related to real economy resulting in a clear path or focussed activity
• Currencies	Hedging is the biggest bane of fundamental currency movements thereby hampering reflection of economic strength	A stronger economy requires a stronger currency is the basic dictum of economics and markets. Today currencies are used to bring ruin in strong markets through the financial products route read also as derivatives.
• Global climate	Global fund flows determine volatility and sentimental behaviour	Global contagions are always the best time to invest as you get 3 years old valuations and sometimes even discounted to cash valuations. Time to get invested steadily for long term.

For investors, we believe the whole game is one of opportunities, missed opportunities, valuation and growth. At the moment, we believe the scenario is one of very high level of uncertainty, rumours, fear and panic. Normally these times give us huge opportunities to invest for the 2-3 year term to earn substantial returns.

We look at some stocks for the next 2-3 years to gain exceptional returns:

Cash is King and hence our analysis was to establish how cash rich a corporate is. **We used EV for deciphering that.**

Stock Name	CMP (Rs.)	3 yr High	3 yr Low	EPS	EV (cr)	Mkt cap (cr)	P/E	RONW (%)	Comments
TISCO	180	934	178	83.37	68196	13026	2.13	26.08	5 th Largest Iron & steel player in the world with a huge cash reserve and steady cash flows + Corus production would make it a multi bagger
BHEL	1100	2873	544	58.89	92381	53443	18.54	29.23	One of the largest Power, engineering players in India having an order book in excess of Rs.1,20,000cr and a probable bottom line of over
Glenmark Pharma	325	708	119	15.65	12720	8107	20.71	52.63	One of the most innovative pharma players in R&D space. Milestone payments expected over Rs.4,000 cr -4 years
Peninsula Land	22	183	21	5.80	2670	582	3.59	21.19	One of the most cash rich real estate players. 100% advance is their model and that keeps them in good stead in future
Cairn India	120	327	112	----	45829	22838	-----	-----	Larger oil & Gas player with a huge oil find off Rajasthan with a capability of 20% of India's needs
HDFC	1600	3174	927	76.93	136082	44752	20.45	22.59	Largest Real Estate funding /mortgage player in India. Very conservative and very cash rich
RIL	1050	3162	602	102.49	361378	159818	9.91	21.90	Largest Indian Corporate with a huge diversified verticals, hence a huge hedge in this market
L & T	780	2246	335	40.08	91034	45618	19.45	28.47	Largest infrastructure and engg player in India. Order book of over 90,000 cr and huge visibility ahead
Punj Lloyd	150	578	110	10.95	10607	4559	13.72	12.63	Mini – L&T and huge visibility in earnings and topline growth. Sembawang will benefit it greatly
ITC	159	230	115	8.27	77409	60019	19.25	27.88	Larger diversified FMCG player with tremendous strength and quality to succeed in difficult times