



Indian Equities Should Be In Every
Value Investor's Portfolio!

Value Investing Seminar, Molfetta, Italy July 2011

Who Am I?



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Atyant Capital

- Atyant Capital India Fund
- Long only, Concentrated, No leverage
- 11 years India experience
- On the ground
- Wharton School

Situation in Developed World

- Government paralysis
- Collapse of demand
- Low savings rates and aging population
- Loss of competitiveness
- Imbalanced standard of living
- Unsustainable debt / Stress on currency

Situation in India

- Young population – Strong demand
- High savings rate – Confident outlook
- Upward mobility
- World class human capital
- Entrepreneurship
- High returns on equity
- Home market advantage
- Property rights and history of individual wealth accumulation

Indian Capital Markets

- Over 9000 listed companies
 - **Outside of first 200-300 companies NO research coverage**
- World class accounting, transparency
- 100% electronic stock exchanges
- **100% Repatriability of capital and profits**

India – Rich Hunting Ground

Tailwinds

- Demographics
- Domestic demand
- Depth of markets

Paradise for value investors

- Time horizon advantage
- Liquidity advantage
- Information advantage

Risk – Minefield of value traps

In Search of 3Gs

- **Good** Management
 - Corporate governance
 - Stewardship of capital
- **Good** Business
 - Simple and easy to understand
 - High returns on capital, moats, tailwinds
- **Good** Price
 - Discount to intrinsic value
 - Capitalize on “Mr. Market”

Godrej Industries

- Holding company of the Godrej group
- Strong corporate governance
- Diversified: soaps, hair color, food processing, animal feed, agricultural inputs, confectionery, retail, real estate
- **470 million people use their products EVERYDAY**
- Acquisitions in Indonesia, Africa, Latin America
- All businesses on high growth trajectory

Financial Metrics

- Market cap: USD 1550 MM
- Net LT Debt: USD 85 MM
- Value of listed holdings: USD 1560 MM
 - Godrej Consumer Products + Godrej Properties
- **Unlisted holdings FREE (> USD 1770 MM):**
 - More than 300 acres in Mumbai: > 1000 MM
 - Godrej Agrovet: > USD 400 MM
 - Godrej Chemicals: > USD 200 MM
 - Godrej Hershey: > USD 100 MM
 - Godrej Tyson Foods: > USD 50 MM
 - Nature's Basket: > USD 20 MM

Margin of Safety

- Consumer products cash machine. Net negative capital. 25% compounded growth
- Properties works on JD model. Price risk landowner
- Agrovet:
 - Oil Palms 40,000 hectares. India net importer.
 - Animal feed, Indians eating more meat
 - Poultry, Meat consumer brands
- Agricultural inputs business
- Chemicals / Confectionery: Rapidly growing
- Attractive valuations. Strong balance sheet
- Low downside, high upside proposition

So What Does it Mean For Us?

- Diversified play on Indian consumption growth
- Strong brands with strong momentum
- Virtually debt free. Listed subsidiaries = market-cap
- Agroveter, Chemicals, Confectionery, Animal Feeds, Meat business have huge unrealized potential
- Each business likely to become a major entity
- Leverage Indian expertise in Asia, Latin America, Africa
- Stock price in next few years 3X, 5X, 10X?

Investing Mistake – India Glycols

- MEG and PTA from Sugar Complex
- One of three globally
- Good corporate governance
- Good stewardship of capital
- Huge windfall profits in 2008
- Lost 80% value in November 2008



India Glycols



India Glycols

- Realized play on oil/sugar prices
- No expertise on food/fuel debate
- Expertise in identifying good businesses
- Must analyze over several cycles
- Never put a multiple on windfalls
- Buying with margin of safety helps
- Correct mistakes quickly

Key Takeaways

- India is an exciting market. Local presence needed to capitalize on information gaps
- Time horizon mismatches
- Liquidity and Volatility is not risk
- Humanity is going to get wealthier
- Where will the wealth be created?
- Will you capture some of it?

VALUEx India!

November 7th – 9th 2011

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Thank You For Listening

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