



Why Indian Equities Should Be In Your
Investment Portfolio
Omaha, April 2011

Who Am I?



Rahul Saraogi
Managing Director
Atyant Capital

- Atyant Capital India Fund
- Long only, Value. \$15MM AUM
- 11 years India experience
- Wharton School
- Recent track record

2006	-1.5%
2007	+65.9%
2008	-71.4%
2009	+113.9%
2010	+40.4%

The World Has Changed

Developed Countries

- Complete Collapse of Demand
- Governments on a Free For All
- Low Savings and Aging Population
- Loss of Competitiveness
- Imbalanced Standard of Living
- Immense stress on Currency

The World Has Changed

India

- Demographics
- Demand
- High Savings and Confident Outlook
- Low Base with Nothing to Lose
- World Class Talent Pool
- Individual Property Rights – 5000 Year History

India – Value Investors' Paradise

- Deep Markets
- High Returns on Equity
- Time Horizon Mismatch
- Liquidity Mismatch
- Information Mismatch

Risk – Minefield of value traps

Some Major Trends

Trend 1: Reversal of Terms of Trade in Favor of Agriculture

- Developed world under pressure to reduce subsidies
- Developed world to give market access
- Labor shortage in developing countries
- Demand for food increasing
- Yields in India increasing rapidly
- Era of cheap food is over!

What Does It Mean ... Opportunities!

Opportunities in Agrochemicals, Food Processing,
Agri-equipment like tractors

Fertilizer Company

- Lowest Cost Producer
- Debt Free – 370 MM Cash / 670 MM M-Cap
- Return on Equity 26%
- Available at 1.0 P/B and 3.60 P/E

Some Major Trends

Trend 2: Manufacturing Unviable in Developed Countries

- Labor – Expensive and Inflexible
- Home market advantage lost – Demand shifting
- Products changing – resource-lite
- Supply Chain and Ecosystem shifting to Asia
- Innovation is no longer a barrier (Tata Nano!)
- No Political will to do what it takes to compete

What Does It Mean ... Opportunities!

Opportunities in Auto ancillaries, Autos (small cars?), Chemicals, Pharmaceuticals

Diversified Chemical Company

- Integrated port based chemical complex
- Close to energy producing Middle-East
- Consumers within a 20 mile radius
- Debt Free with Return on Equity of 25%
- Available at P/B of 0.70 and P/E of 2.80

Some Major Trends

Trend 3: Infrastructure Boom

- Double power generation in 5 years
- Build Ports, Airports, Freight corridors, Expressways
- Energy – Exploration/Production/Refining/Distribution
- Telecom, Broadband, IT, Satellites, Submarine cables
- Urban Infrastructure – Subways, Sanitation, Water, Waste Management
- Travel Infrastructure – Hotels, Airlines, Railways, Car Rental

What Does It Mean ... Opportunities!

Opportunities in Cement, Power, Mining, Services,
Finance, Hotels

Cement Company

- Freight intensive product, regional market
- Integrated low cost producer
- Available at 0.25X replacement cost
- Return on Equity of 50%
- Available at P/B of 2.0 and P/E of 4.0

Great ...Shouldn't You Just Buy The ETF?

- India no longer exotic - a lot of smart money
- Large companies expensive
- Multi-bagger wealth creation outside index
- A lot of traps – must know what to look for
- Index will also make a lot of money

Conclusion

- India is an exciting market
- Local presence needed to benefit
- Time Horizon, Liquidity, Information
- Humanity is going to get wealthier
- Where will the wealth be created?
- Will you capture some of it?

Thank You For Listening

Rahul Saraogi

rahul@atyantcapital.com