

The “definitive” approach to
making sense of the markets

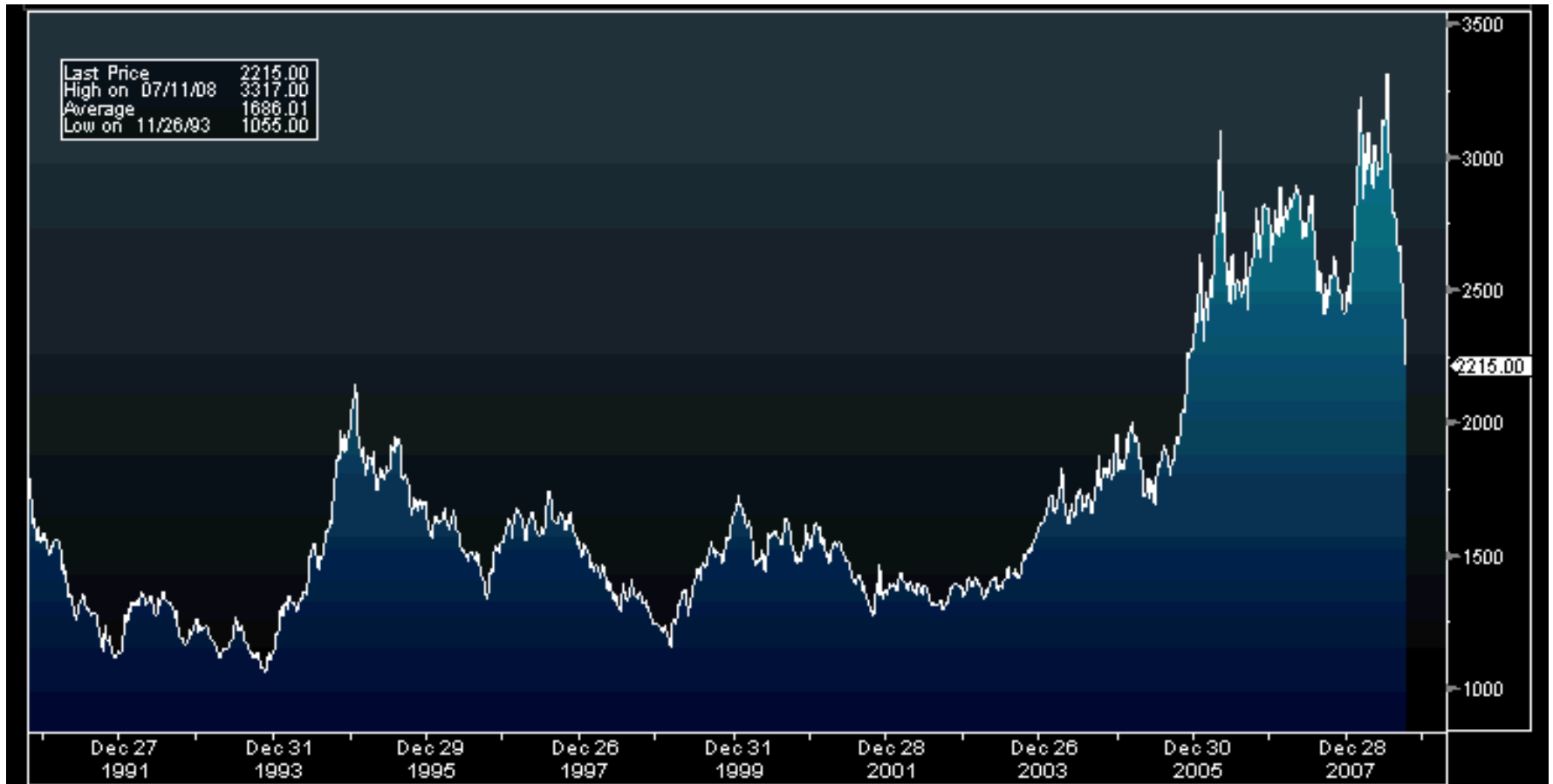
Is there an astrologer in the room?

- Where is the “market” bottom?
- When will the “market’ bottom?
 - Would be nice to know the bottom
 - Don’t know it though

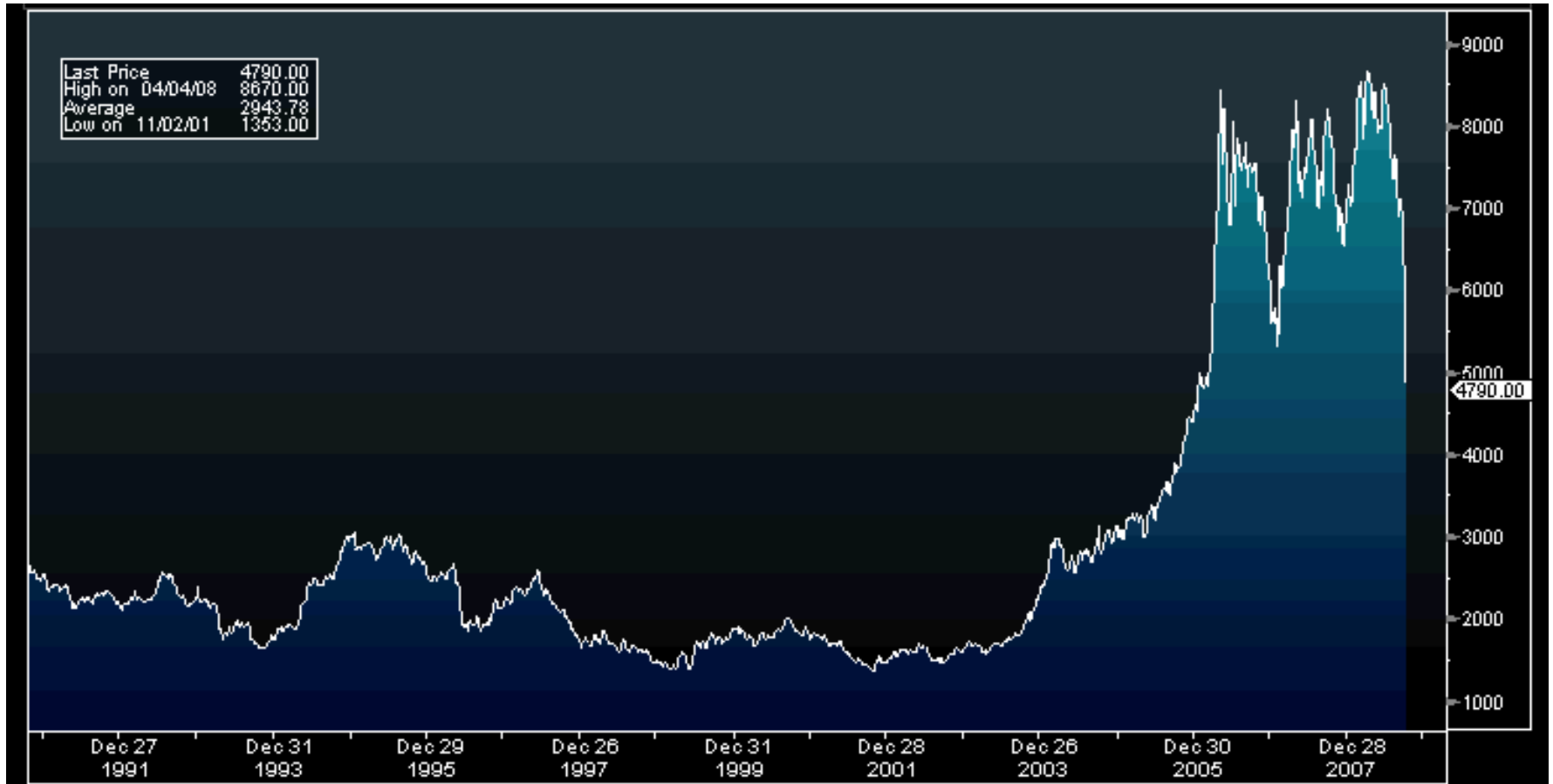
The dilemma

- The world economy is approaching recession, financial sector is in a mess, FIIs are selling, we are correcting excesses of the past
 - Don't try to catch a falling knife
- “Markets” are at a significant discount
 - Makes for attractive investments

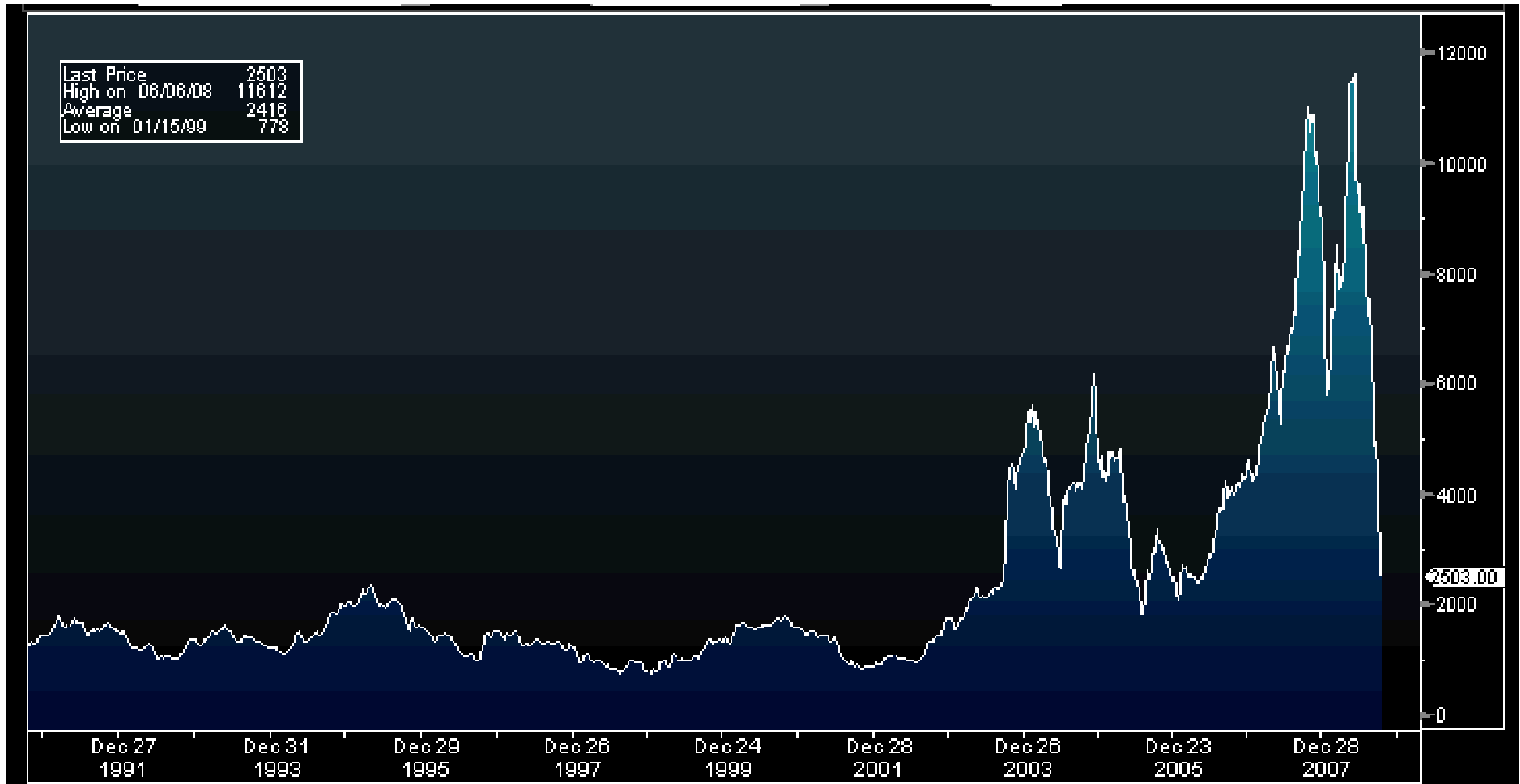
Aluminum



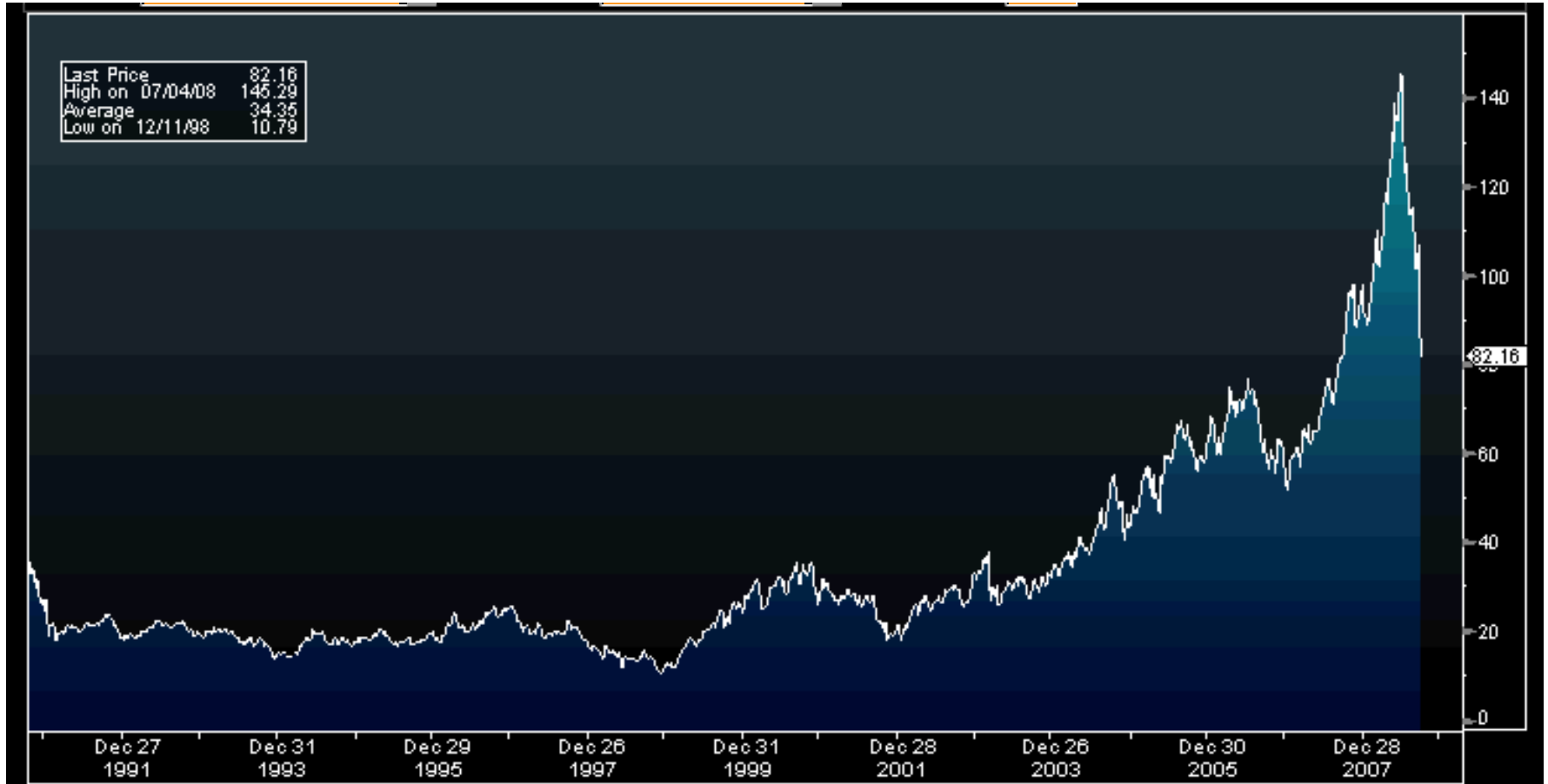
Copper



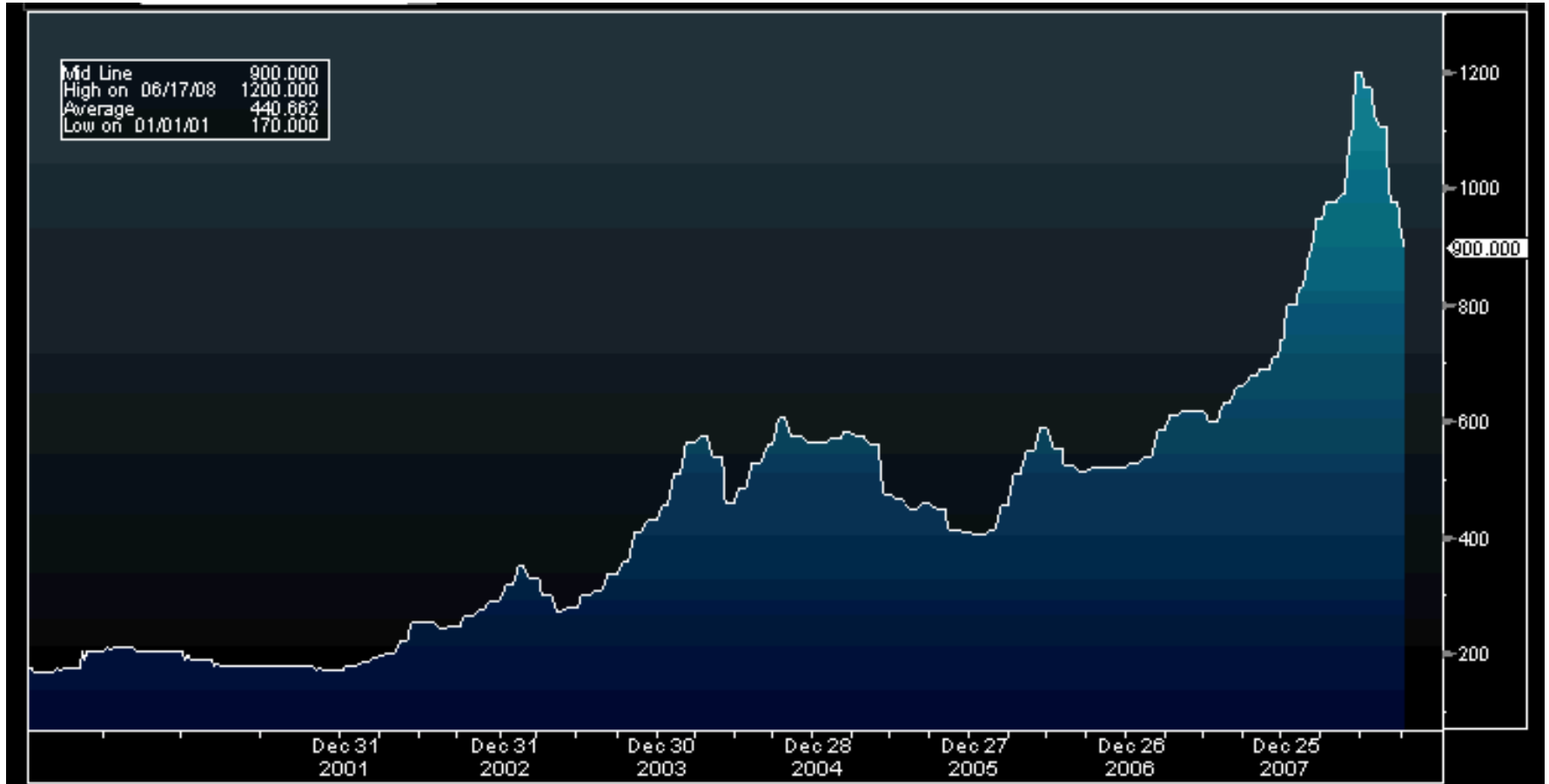
Baltic Freight Index



NYMEX Crude



Steel



Cyclicals

Keep Himalyan peaks and troughs in mind

- Metals & Mining (Iron ore, coal, lignite etc.)
- Shipping, Ship building
- Commodities
- Hotels, airlines
- Discretionary spending
 - Autos (4 wheels), Consumer durables, Multiplexes etc.

A 2 – 3 Price Earnings Ratio may NOT mean BUY

Earnings of Sesa Goa

Year	PAT (Cr.)	Year	PAT (Cr.)
1995	13.52	2002	15.59
1996	26.78	2003	12.59
1997	17.66	2004	98.78
1998	27.65	2005	462.38
1999#	32.26	2006	539.40
2000*	7.23	2007	606.41
2001	18.31	2008**	1492.00

Production # 46.34 lac MT* 46.21 lac MT **129.91 lac MT

Beware of Debt

- Toxic FCCBs
- Fraudulent accounting
- Rupee depreciation
- Rollers of short term debt
- Excessive dependence on wholesale debt

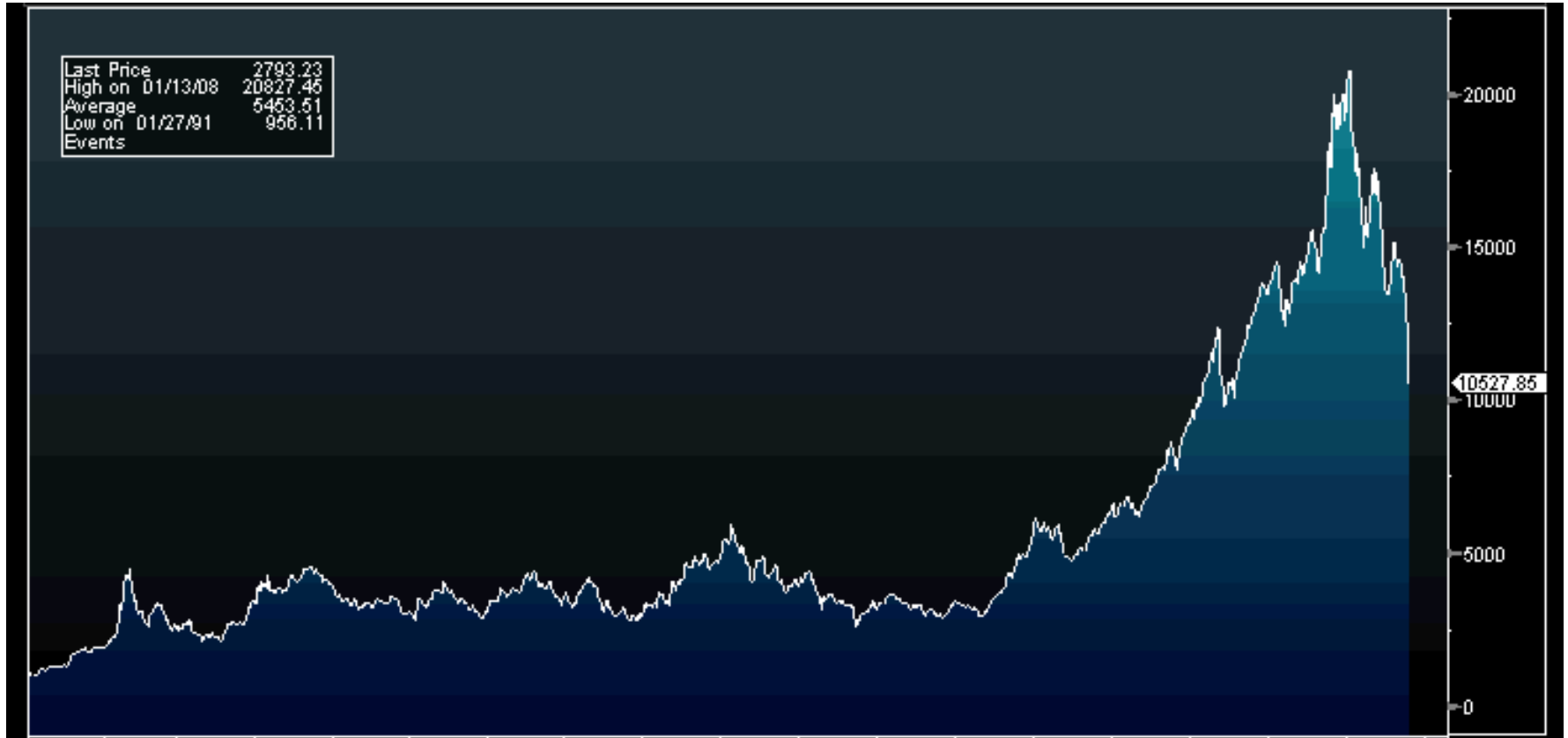
Silver lining

- How does Lehman bankruptcy affect HUL?
- Domestic banks with goods CASA
- Pharmaceuticals
- Consumers of commodities
 - Have you checked NYMEX Crude lately?
- Exporters
 - Provided demand does not collapse
- Cash is king
- Or simply bottom up stock picking

Earnings of HUL

Year	PAT	Year	PAT
1994	189.96	2001	1641.31
1995	239.22	2002	1769.74
1996	414.26	2003	1771.79
1997	560.37	2004	1197.34
1998	805.71	2005	1408.10
1999	1069.94	2006	1885.37
2000	1310.09	2007	1925.47

Can you make out where 9/11 is?



Biggest Panics of the present seem small when in the past



Stop increasing the sale of Prozac

- Why do you want a recovery next month?
 - Do you buy Life Insurance?
- Get a life
 - Stop watching CNBC / reading Economic Times
 - When was the last time you saw a movie or went to a park?

There is one kind of bottom and there is the other kind

- Forget catching the market bottom
- Evaluate bottom up stock picking opportunities
 - Sustainable business
 - Quality management
 - Good cash flow
 - Attractive valuations