



December 7, 2010

Dear Investors,

Market seems to be in a consolidating mode in December and most mid-caps have corrected significantly higher than the SENSEX. This is due to the fear factor leading to irrational liquidation by traders and short term investors. We will stay invested with in our conviction ideas like Godrej, Wockhardt, Tata Global Beverages, UTV, Indian Hotels, Selan Exploration etc. It is going to be rewarding. Hope you have received the note on Tata Global Beverages, prepared last week.

[Selan Exploration - Excellent asset to own](#)

I made management visit of Selan Exploration at Delhi last week and met Mr. Rohit Kapur, Chairman of the company. Selan is part of our core holding and I feel good about it. Selan has 200 sq. kms of Discovered Oil & Gas acreage in five fields in oil rich Cambay basin in Gujarat. Till recently they have been operating only one field, called Bakrol, which is estimated to have oil reserves of 73 Million Barrels. Selan has spent Rs.100 Cr during current year for appraisal of oil fields and development of infrastructure. The results are very encouraging, but management do not want to be highly transparent and too communicative due to over-regulation by various govt agencies. Production from another two fields - Indrora and Lohar will start from January. These fields have significantly higher recoverable oil and Gas. Selan is likely to cross 1 million barrel of oil production in two years time against the current production of about 2,30,000 barrels. This translates into a Revenue of Rs.350 Cr plus and Profits of Rs.250 Cr at current prices. The company is priced at around Rs.600 Cr and it is a potential multi-bagger.

Management seems to be honest and conservative. Balance Sheet is very healthy with bank balance of Rs.100 Cr. Going by various methods of valuation, the stock is quoting only a fraction of its true potential. Let us stay invested and monitor the developments.

Regards,

Porinju Veliyath | Portfolio Manager