

16 December 2010

Dear Investors,

December seems to be a month of consolidation for equity market. Investors are worried about the series of scandals and scams, some of which are connected to certain listed companies and CEOs. The sentiment is further affected due to the fear of political instability.

Our Portfolio is made of Value stocks with strong fundamentals, margin of safety, honest and dynamic management, healthy balance sheet and futuristic business. I have already sent note on Tata Global Beverages and Selan Exploration. Godrej Industries, which has under-performed recently, is an important stock in the Portfolio and I would like to share my thoughts:

**Godrej Industries**, at Rs.175 is priced at Rs.5500 Cr. and I feel the business deserves significantly higher valuation.

- Honest and efficient management; I have great respect for Mr Adi Godrej as a wealth creator, who takes care of minority shareholders.
- 9 years compounded Annual Growth (CAGR) is 54%.
- Godrej is a well respected and highly valuable brand
- Strong and healthy Balance Sheet.
- Owns 69.4% of Godrej Properties and the stake is valued at Rs. 3000 Cr.
- Owns 22% of Godrej Consumer Products = Rs. 2700 Cr.
- Owns 75% of Godrej Agrovet - Market leader in cattle, Poultry and aqua feed, largest Oil Palm cultivator in India with 37000 hectares and potentially 2,00,000 hectares in next few years! 20% market share in processed poultry ('Real Good') and a significant player in Agri inputs. Godrej Agrovet alone could be valued at Rs.5000 Cr.
- Owns 43% of Godrej Hershey - Foods, Beverages and confectionary businesses. 'Sofit', 'Jumpin', Hershey syrup and Nutrine are brands under this.
- Natures Basket - fresh food and gourmet stores business, fully owned by Godrej Industries has huge growth potential.
- Stand alone chemical business generates revenue of Rs.1500 Cr.
- Company's 3 million sq ft of prime property is being developed at Mumbai in JV with Godrej Properties. Agrovet also owns valuable real estate assets at prime locations.
- Godrej has many other investments like CBay, Avesthagen, Verseon, Boston Analytics etc.

'Godrej' brand advantage, proven track record, systematic value creation approach and strong value of underlying assets make Godrej Industries a great value pick.

Warm regards,

Porinju Veliyath