



Sept 3, 2012

Dear Investors,

Market sentiment remains low due to the policy paralysis in India and macro economic factors. However many businesses continue to grow impressively creating wealth for shareholders though not reflecting in the current stock price.

Selan Exploration, one of our core holdings in PMS had been under-performing because of the unexpected delay for getting permissions to drill new oil wells from DGH (Directorate General of Hydrocarbon). I had met the management at New Delhi last week and convinced them about the need and benefit of a buy-back program. Company has announced today a Board Meeting for considering buy-back and the stock is up by over 10%! The zero debt company is holding cash of over Rs.130 Cr and there is a predictable cash flow of around Rs.40 Cr. yearly with the existing small operation of 13 wells. Selan has completed all the pre-drilling activities like 3D Seismic survey, evaluation etc. in 3 of its 5 Oil Fields during the last couple of years and has been waiting for permissions, which is just a formality. Permissions could start coming in anytime enabling the company to increase oil production manifold.

Sun Pharma Advanced Research Company (SPARC), the demerged R&D business of Sun Pharma has become EX-Rights. The rights issue is at small ratio of 1:7 at Rs.67 per share. Considering the ratio, price and style of rights issue, we have decided not to apply for the rights under PMS. However you are free to apply for the rights issue outside the PMS if you decide so. Current price of SPARC is Rs.73 and we expect some triggers by end of 2012 or in 2013, which could lead to impressive gains. It looks like a low risk – high reward stock!

I expect more action in our PMS stocks though there is lack of visibility on political and economic front. I am confident that the VALUE of your investment in PMS is significantly higher than the PRICE you see today!

Best regards,

Porinju Veliyath
Portfolio Manager