October 1, 2014

Dear Investors,

Indian stock market has been on a tear, outperforming all the major emerging markets over the past year. Though the broader index Nifty 50 is only showing a gain of 39% over the past year, the BSE Small and Mid-cap indices have outperformed returning 95% and 70% respectively. In addition to global liquidity aiding most markets, the key domestic reason for India's stock market performance has been the investor sentiment change due to Mr. Narendra Modi becoming the Prime Minister (PM) of India with a thumping majority for his party. While the sentiment changes are positive, the stock prices have run up way ahead of the fundamentals. Given this background let me focus on the two aspects that would have major impact on the investment returns going ahead viz. 1) Indian Business Environment Post-Election and 2) Valuations of the Indian Stock Market.

Indian Business Environment Post-Election

Last 5 years before the election have been extremely disappointing for many investors (Indians and Foreigners alike) and business men/women due to the Government's non/in-efficient execution that was characterized by flip-flops in decisions/regulations, tedious approval process that had come to a standstill, multiple corruption scams, etc. No wonder India languished at 179th ranking for "Starting a Business" per World Bank's survey done on 189 countries.

Within the first 4 months of India's new Government taking office, the Government has had bilateral discussions with three major economies of the world viz. Japan, China and the USA. There has been a lot of noise and media coverage revolving around the PM's push to change the perception of how the world looks at India. The start has surely been good but to convert that into concrete results on ground will take time. The feedback that we have been getting from various companies that we have interacted with is that the situation on ground has absolutely not changed and they don't expect it to change for the rest of the fiscal year. We believe that it will take minimum one year for the demand for most companies to see uptick on the ground.

India's problems have not been lack of policies but the execution due to the problems outlined above. Due to Modi's successful history (in running Gujarat state) and also the Government's strong intent we believe that the execution would be far superior going forward. All state governments combined spend 50% more than the central government and hence have a major role in deciding the policy momentum. Modi's administration needs to adopt a state-friendly approach for successful policy implementation. With a background of state-level politics, Modi understands this aspect much better than any of his predecessors.

Valuations of the Indian Stock Market

We recently evaluated profitability, leverage and valuation parameters of 140 listed Indian companies (comprising 90% of BSE market cap) for the past 12 years (FY03 – FY14). For detailed study classified by major sectors, please refer to the Annexure attached at the end of this memo.

Currently the markets are trading at a trailing twelve months (ttm) PEx of about 19x compared to the highs of 25x reached in 2008 and an average of 14x. Corresponding numbers for PBx are 2.7x currently compared to the highs of 4x in 2008 and an average of 2.5x. In terms of PB, we are around the average but on the PE basis we are much above the average when looked at it on an isolated basis. To get a wholesome perspective, we looked at the profitability and leverage ratios to understand where we stand compared to the 12 year history. In terms of the profitability metrics such as Net Profit margins, EBIDTA margins, ROE and ROCE we are currently at the lowest levels. Also in terms of leverage, interest coverage and asset utilization levels we are at the worst situation when compared with the last 12 years. For detailed study classified by major sectors, please refer to the Annexure attached at the end of this memo.

We believe, for the reasons outlined below, that the profitability ratios should improve going forward. We have used a very simple process to normalize the earnings by assuming that the Net Profit Margins and the ROE will revert to the mean. If we do that, the normalized PEx currently is just above the mean of 13.75x. Before concluding whether the markets are currently over or under valued, let's evaluate the individual parameters that drive the above ratios.

Major Factors Impacting the Profitability Ratios:

High Interest Cost: Interest as a percentage of sales is at the highest level mainly due to 1) Leverage and 2) High interest rate

1. Currently the leverage is at the highest level mainly due to sectors such as Industrial/Engineering and Transportation/Logistics/Supply Chain. Both these broad sectors have seen big jump in valuation in the past year. What this will do (already indicated by rising IPOs) is get more equity into the companies thereby reducing the debt levels.
2. RBI has maintained the benchmark interest rates at a very high level to combat inflation which has been stubborn especially on the food and vegetables front. There have been positive developments recently which should help reduce inflation and interest rates going forward.
    a. Crude prices have been softening which should reduce cost of transportation as well as India's trade deficit
    b. Wage inflation especially in rural area have significantly come down
    c. Government's focus on improving logistics and supply chain should reduce huge wastage of food
    d. Government is targeting to reduce India's fiscal deficit to 3.0% of GDP by FY17 from 4.6% in FY14. Steps such as highest ever railway fare hike this year, complete removal of petrol/diesel subsidy and efficient tax collection thereby increasing Tax/GDP % have been taken. This should reduce Government's supply of securities and thereby reduce pressure on g-sec yields.
    e. S&P has upgraded India's rating outlook
    f. Modi's energy and infrastructure plans should help reduce power & fuel (again at highest levels) and transportation expenses

Capacity Utilization: This is at the lowest level as also indicated by the Sales/Assets turnover especially in the Industrial/Engineering, Energy and Transportation sector. Part of Modi's execution plan is to make the project/proposal approval process more transparent and less ambiguous on the lines of Gujarat. Many projects that have been stuck in coal and mining have in turn restricted other industries. Better execution and power availability will help improve utilization of many industries. As capacity utilization improves, operating leverage should aid margin expansion.

Demand Growth: Renewal of India's investment cycle is key to reviving its long-term growth. The government has already simplified its project-approval process and work is underway to make labour laws and land-acquisition rules more business friendly. Removing the many Group of Ministers (GOMs), Empowered Group of Ministers (EGOMs) and steering committees, all with overlapping mandates, was one of the new government's first decisions. Merging the power and coal ministries is another step that the Modi administration has taken. Further reforms are needed to boost inter-ministerial/departmental coordination so that issues related to projects where execution has been hampered due to cross-ministerial disputes are addressed.

Government has already indicated focus on skill development/education, making India a manufacturing hub, reviving energy/ mining chain, port/airport/infrastructure development, sanitation, defense and water management. We expect that the PM's international push to get in investments and strong message conveyance that business environment has changed in India will get in many interested parties to take advantage of the big opportunities presented by the demographics of India. As investment activity picks up demand follows increasing the pricing power and thereby margins.

Our Portfolio Strategy

Currently Indian stock market is enjoying the benefits of the honeymoon period provided to the new Government. The result has been that many of the cyclical stocks that depend on favorable economic environment have run up well ahead of improvements on ground. Over the last one year in India, investors have been rewarded in direct proportion to the amount of risk one has taken. We believe this phenomenon won't last any further as the euphoria post Modi forming Government dies down and investors come back to reality on ground.

In the meantime the world is getting anxious about the timing of the interest rate cycle reversing from the historic and prolonged lows. We have witnessed a trailer (in August 2013) of the impact of fear of liquidity drying up on the world and especially emerging markets. Rising interest rates not only would have a negative impact on the asset prices but fundamentally in such environment the valuation multiples tend to decline too. Most investors and the central bankers have never experienced nor do they have much knowledge of how the reversal of historic flood of liquidity would play out. This remains a big risk for world asset prices.

For the first time since deregulation began in 1993, Indian interest rate cycle is at the peak when the world may begin to raise. Recent weakness in commodity prices will act as an inflation dampener that would not only aid RBI to lower rates but also help corporates improve margins. During his recent visit to the USA, Modi spoke about the three strengths (3 Ds) of India: Democracy, Demographic Dividend and Demand. These are not new, but we believe that this time India's new management (Modi Governement) will make the difference.

Based on what the new Government has announced so far juxtaposed with the above, we believe that the biggest beneficiaries would be the companies that are targeting the huge population that is at the borderline of rural to urban jump. This is the segment that has shown significantly higher growth compared to the country average as they get new ability and income for discretionary spending with increase in per capita GDP.

Our portfolio is comprised of companies that have come out stronger through the tough economic environment over the past 6 years. They do not depend on favorable environment but positioned to benefit disproportionately if economic activity picks up on ground. It is tilted towards midcap companies who are positioned to address the above segment in the population.

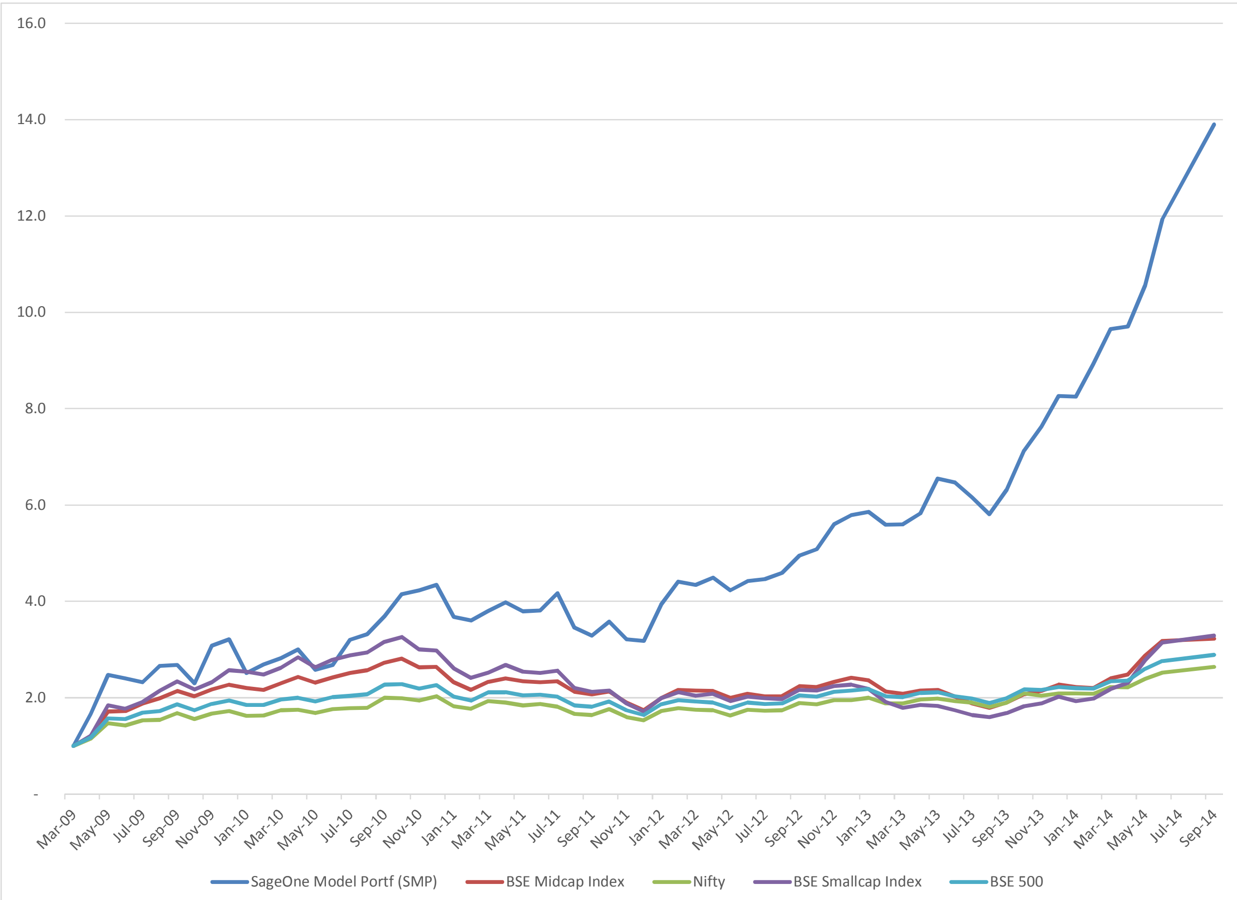
Portfolio Performance*

Below is the performance of our model portfolio for the last 5.5 years. Since clients have joined at various stages, individual performance would differ based on the timing of purchases. For uniformity and ease we measure our performance using a "representative" portfolio and we call it SageOne model portfolio (SMP). SageOne model portfolio is not a dummy portfolio but an actual portfolio managed by me since the end of 2008.

** For more granular details on the portfolio annual performance, please visit our website www.SageOneInvestments.com*

Period	SageOne Model Portf	Nifty	BSE Midcap Index	BSE Smallcap Index	BSE 500	Audit
Apr 1 - Sep 30, 2014 (not annualized)	44.05%	18.80%	34.56%	51.04%	22.64%	**Unaudited**
FY 2014	72.21%	17.98%	15.32%	21.83%	17.08%	**KPMG**
FY 2013	29.14%	7.31%	-3.22%	-12.44%	4.81%	**KPMG**
FY 2012	14.26%	-9.23%	-7.67%	-18.92%	-9.11%	**KPMG**
FY 2011	34.67%	11.14%	0.99%	-3.78%	7.48%	**KPMG**
FY 2010	182.04%	73.76%	130.23%	161.73%	96.38%	**KPMG**
Annualized Returns	**61.37%**	**19.27%**	**23.72%**	**24.18%**	**21.26%**	
Cummulative Returns	**1290.26%**	**163.64%**	**222.39%**	**229.00%**	**188.72%**	
% Positive Months	68.3%	53.3%	55.0%	53.3%	56.7%	
Sharpe (RFR 8.5%)	**1.13**	**0.48**	**0.52**	**0.45**	**0.53**	

Following is a chart comparing cumulative performance of SMP with various indices over the past 5.5 years.



Warm Regards,
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Samit S. Vartak, *CFA* is listed above.

ANNEXURE FOLLOWS

Below are historical ratios categorized by Profitability, Leverage and Valuation. In each table, I have highlighted in RED the worst three sectors (currently) either in terms of valuation or fundamentals relative to their historical averages.

Profitability Ratios

Simple Average ROE% by Sectors

Row Labels	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	33.2%	39.1%	39.3%	39.9%	40.6%	39.2%	43.5%	39.7%	38.8%	35.2%	35.4%	27.7%	**37.6%**
Energy	12.2%	13.4%	12.8%	15.2%	17.7%	13.5%	18.4%	19.3%	17.3%	17.6%	18.6%	19.2%	**16.3%**
Finance	14.5%	17.0%	18.4%	20.0%	19.2%	18.0%	18.1%	18.0%	17.7%	19.1%	26.6%	22.1%	**19.0%**
Industrial/Engg	16.0%	16.6%	17.6%	21.8%	22.5%	23.9%	30.8%	32.8%	26.4%	24.4%	35.8%	19.6%	**24.0%**
Materials	11.6%	10.5%	15.9%	20.0%	23.0%	22.4%	38.6%	45.6%	43.3%	32.5%	31.8%	11.1%	**25.5%**
Pharma/Chemicals/Life Sciences	17.5%	21.9%	12.8%	33.6%	22.4%	15.5%	25.1%	28.0%	22.0%	25.1%	26.4%	25.3%	**23.0%**
Technology/Telecom/Media	17.9%	13.8%	13.7%	14.6%	19.0%	21.0%	22.5%	25.0%	30.5%	26.6%	15.5%	3.9%	**18.7%**
Transportation/Logistics/Supplychain	16.5%	21.1%	23.2%	27.0%	25.7%	16.7%	21.6%	26.2%	28.5%	27.9%	26.6%	23.6%	**23.7%**
Grand Total	**18.3%**	**20.4%**	**20.4%**	**24.8%**	**24.4%**	**22.4%**	**27.6%**	**28.8%**	**27.4%**	**25.7%**	**27.8%**	**20.2%**	**24.0%**

Over the last 11 years ROE was at an average of 24% and max of 28.8%. Current ROE level is the lowest in our range.

Simple Average ROCE% by Sectors

Row Labels	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	40.1%	44.6%	42.3%	44.2%	46.3%	45.3%	44.1%	39.1%	36.7%	34.6%	32.5%	28.8%	**39.9%**
Energy	13.2%	14.9%	15.5%	16.0%	17.7%	16.5%	19.8%	20.1%	18.9%	19.3%	21.2%	20.9%	**17.8%**
Finance	13.4%	14.4%	15.3%	16.0%	15.5%	17.2%	17.9%	17.8%	16.3%	16.9%	24.0%	25.8%	**17.5%**
Industrial/Engg	19.1%	20.8%	23.9%	28.5%	28.6%	29.3%	33.9%	31.4%	27.8%	24.4%	22.2%	18.9%	**25.8%**
Materials	13.6%	14.2%	17.9%	20.7%	24.3%	23.2%	38.6%	42.2%	30.6%	30.1%	20.6%	13.1%	**24.1%**
Pharma/Chemicals/Life Sciences	20.4%	21.7%	16.1%	34.0%	21.1%	16.1%	23.6%	23.8%	20.4%	24.0%	26.7%	25.8%	**22.8%**
Technology/Telecom/Media	24.0%	21.8%	20.8%	18.7%	22.4%	25.2%	24.7%	27.2%	30.9%	24.5%	20.7%	16.5%	**23.1%**
Transportation/Logistics/Supplychain	18.7%	18.4%	19.3%	22.7%	24.9%	18.3%	22.9%	25.8%	31.9%	32.7%	32.4%	31.0%	**24.9%**
Grand Total	**21.0%**	**22.4%**	**22.2%**	**25.8%**	**25.5%**	**24.9%**	**28.3%**	**27.9%**	**25.8%**	**25.0%**	**25.2%**	**23.3%**	**24.8%**

Over the last 11 years ROCE was at an average of 24.8% and max of 24.3%. Current ROCE level is the lowest in our range.

Weighted Average PAT% by Sectors

Row Labels	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	10.8%	11.5%	11.1%	11.0%	11.1%	9.1%	12.7%	11.7%	11.1%	11.0%	11.5%	10.6%	**11.1%**
Energy	5.4%	5.4%	5.9%	7.6%	9.8%	7.0%	10.0%	9.6%	9.3%	10.8%	11.0%	10.5%	**8.5%**
Finance	10.6%	12.3%	12.7%	14.3%	13.9%	12.6%	13.2%	12.9%	13.5%	14.1%	16.2%	12.2%	**13.2%**
Industrial/Engg	6.4%	8.0%	8.4%	9.9%	11.7%	11.8%	16.5%	13.5%	10.0%	8.9%	8.0%	6.0%	**9.9%**
Materials	6.9%	3.7%	8.1%	10.7%	8.0%	6.5%	11.9%	20.6%	17.4%	16.6%	13.1%	8.4%	**11.0%**
Pharma/Chemicals/Life Sciences	11.1%	13.7%	8.4%	35.3%	13.0%	6.6%	16.0%	14.4%	11.3%	12.4%	13.2%	12.8%	**14.0%**
Technology/Telecom/Media	11.3%	10.0%	10.9%	13.2%	18.1%	18.2%	19.1%	18.3%	16.8%	18.4%	15.2%	13.9%	**15.3%**
Transportation/Logistics/Supplychain	6.4%	6.0%	6.2%	8.9%	8.8%	6.0%	7.3%	7.6%	8.4%	6.5%	6.6%	5.5%	**7.0%**
Grand Total	**7.7%**	**7.7%**	**8.4%**	**10.8%**	**11.2%**	**9.0%**	**12.0%**	**12.0%**	**11.2%**	**11.8%**	**12.0%**	**10.4%**	**10.4%**

Over the last 11 years PAT was at an average of 10.4% and max of 12%. Current PAT level is the lowest in our range. If it has to reach average level, it will generate earnings growth of 35%; whereas reaching max level will generate growth of 56%.

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Weighted Average EBIDTA% by Sectors

Row Labels	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	19.1%	19.3%	19.2%	19.2%	20.0%	17.0%	20.3%	20.6%	19.8%	20.1%	21.5%	21.5%	**19.8%**
Energy	12.7%	12.4%	13.9%	16.1%	20.2%	15.8%	19.5%	18.9%	18.8%	21.3%	23.4%	21.2%	**17.9%**
Finance	20.1%	21.4%	22.1%	24.7%	19.1%	23.1%	22.8%	22.1%	21.2%	21.7%	24.6%	19.5%	**21.9%**
Industrial/Engg	17.4%	18.7%	19.4%	21.1%	22.7%	20.9%	26.1%	23.0%	18.6%	16.8%	16.4%	15.8%	**19.7%**
Materials	18.7%	16.5%	17.5%	20.4%	20.3%	16.4%	20.3%	36.1%	32.2%	33.0%	29.0%	25.3%	**23.8%**
Pharma/Chemicals/Life Sciences	23.9%	23.4%	22.9%	24.4%	23.0%	17.9%	24.6%	23.1%	18.7%	20.1%	21.9%	21.5%	**22.1%**
Technology/Telecom/Media	29.6%	28.1%	29.1%	29.2%	31.5%	31.1%	31.0%	29.6%	28.7%	30.6%	28.9%	30.1%	**29.8%**
Transportation/Logistics/Supplychain	16.1%	14.5%	13.8%	15.5%	15.5%	12.2%	14.2%	13.7%	14.4%	12.6%	13.2%	13.4%	**14.1%**
Grand Total	**17.3%**	**17.0%**	**17.8%**	**19.9%**	**20.7%**	**18.4%**	**21.2%**	**21.7%**	**20.5%**	**21.7%**	**23.1%**	**20.8%**	**20.0%**

Over the last 11 years EBIDTA was at an average of 20% and max of 23.1%. Current EBIDTA level is at the lower end of our range.

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Leverage Ratios

Weighted Average Debt/Equity by Sectors

Row Labels	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	0.37	0.57	0.51	0.51	0.40	0.54	0.55	0.60	0.48	0.54	0.52	0.50	**0.51**
Energy	0.92	0.82	0.76	0.67	0.68	0.75	0.63	0.59	0.59	0.54	0.58	0.61	**0.68**
Finance	0.62	0.62	0.61	0.60	0.56	0.58	0.56	0.66	0.57	0.53	0.53	0.50	**0.58**
Industrial/Engg	1.27	1.21	1.12	0.92	0.84	0.76	0.63	0.85	0.61	0.49	0.47	0.64	**0.82**
Materials	1.08	0.93	0.80	0.79	0.92	1.22	1.17	0.80	0.59	0.71	1.00	1.30	**0.94**
Pharma/Chemicals/Life Sciences	0.52	0.47	0.42	0.36	0.43	0.61	0.55	0.69	0.83	0.55	0.40	0.48	**0.53**
Technology/Telecom/Media	0.67	0.68	0.72	0.70	0.30	0.39	0.37	0.27	0.33	0.36	0.36	0.33	**0.46**
Transportation/Logistics/Supplychain	1.40	1.43	1.68	0.97	0.96	0.99	0.77	0.78	0.61	0.58	0.47	0.59	**0.94**
Grand Total	**0.83**	**0.78**	**0.75**	**0.68**	**0.63**	**0.71**	**0.65**	**0.63**	**0.57**	**0.54**	**0.57**	**0.59**	**0.66**

Over the last 11 years D/E was at an average of 0.66 and max of 0.83. Current D/E level is the highest in our range.

EBITDA/Interest x by Sector

Row Labels	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	15.00	11.89	12.73	13.04	11.97	8.75	11.78	11.91	13.92	11.15	11.16	8.43	**11.81**
Energy	6.84	6.63	8.11	10.97	13.21	7.56	13.74	12.69	12.12	12.01	8.47	9.72	**10.17**
Finance	0.31	0.33	0.35	0.42	0.30	0.34	0.34	0.37	0.38	0.39	0.42	0.30	**0.35**
Industrial/Engg	3.00	4.00	4.88	6.30	7.56	9.11	15.49	13.49	11.26	11.78	9.61	5.95	**8.54**
Materials	4.63	5.30	6.31	7.29	7.28	6.44	6.60	17.13	14.74	11.83	7.42	4.50	**8.29**
Pharma/Chemicals/Life Sciences	9.41	11.15	10.06	15.71	13.56	7.00	12.43	11.80	10.67	13.82	14.24	9.24	**11.59**
Technology/Telecom/Media	9.83	9.06	8.84	12.15	27.12	9.44	18.76	24.36	20.84	15.67	10.23	9.21	**14.63**
Transportation/Logistics/Supplychain	3.56	4.37	5.88	9.93	8.52	6.26	8.64	10.02	9.29	12.44	10.34	6.74	**8.00**
Grand Total	**1.14**	**1.13**	**1.27**	**1.60**	**1.53**	**1.32**	**1.64**	**1.86**	**1.81**	**1.92**	**1.70**	**1.33**	**1.52**

Over the last 11 years EBIDTA/Interest was at an average of 1.52 and min of 1.13. Current EBIDTA/Interest level is at the lower end in our range.

Interest/Sales % by Sector

Row Labels	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	1.3%	1.6%	1.5%	1.5%	1.7%	1.9%	1.7%	1.7%	1.4%	1.8%	1.9%	2.5%	**1.7%**
Energy	1.9%	1.9%	1.7%	1.5%	1.5%	2.1%	1.4%	1.5%	1.5%	1.8%	2.8%	2.2%	**1.8%**
Finance													
Industrial/Engg	5.8%	4.7%	4.0%	3.4%	3.0%	2.3%	1.7%	1.7%	1.6%	1.4%	1.7%	2.7%	**2.8%**
Materials	4.0%	3.1%	2.8%	2.8%	2.8%	2.6%	3.1%	2.1%	2.2%	2.8%	3.9%	5.6%	**3.1%**
Pharma/Chemicals/Life Sciences	2.5%	2.1%	2.3%	1.6%	1.7%	2.6%	2.0%	2.0%	1.8%	1.5%	1.5%	2.3%	**2.0%**
Technology/Telecom/Media	3.0%	3.1%	3.3%	2.4%	1.2%	3.3%	1.7%	1.2%	1.4%	2.0%	2.8%	3.3%	**2.4%**
Transportation/Logistics/Supplychain	4.5%	3.3%	2.3%	1.6%	1.8%	2.0%	1.6%	1.4%	1.6%	1.0%	1.3%	2.0%	**2.0%**
Grand Total	**3.3%**	**2.8%**	**2.6%**	**2.1%**	**2.0%**	**2.4%**	**1.9%**	**1.7%**	**1.6%**	**1.7%**	**2.3%**	**2.9%**	**2.3%**

Over the last 11 years Interest/Sales (for non-financial companies) was at an average of 2.3% and max of 3.3%. Current Interest/Sales level is at the highest in our range.

Valuation Ratios

Sector weights often indicate whether the sector has become too big in terms of valuation compared to the total market. Hence I have started with two tables representing sectors in terms of market cap weights and net profit weights.

Sector Weights by Mcap

Row Labels	TTM	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	15.6%	16.7%	16.7%	14.1%	10.5%	9.1%	10.8%	8.8%	9.8%	12.1%	10.8%	13.2%	18.7%	**12.8%**
Energy	19.3%	18.9%	21.1%	21.5%	23.9%	26.8%	33.0%	29.3%	27.4%	28.6%	31.8%	33.0%	28.6%	**26.4%**
Finance	21.7%	21.9%	23.3%	22.3%	22.6%	19.1%	15.3%	17.2%	16.6%	17.1%	17.8%	17.0%	15.1%	**19.0%**
Industrial/Engg	7.2%	7.0%	6.7%	7.7%	9.3%	11.0%	10.2%	14.4%	8.3%	8.0%	5.3%	4.6%	4.2%	**8.0%**
Materials	8.0%	7.9%	7.4%	9.2%	9.8%	10.9%	6.5%	9.1%	7.9%	8.0%	8.2%	6.8%	5.9%	**8.1%**
Pharma/Chemicals/Life Sciences	9.0%	8.4%	7.6%	6.5%	5.7%	5.3%	5.0%	4.4%	5.7%	6.1%	7.2%	7.3%	8.0%	**6.6%**
Technology/Telecom/Media	12.5%	13.4%	12.6%	13.3%	12.6%	12.6%	14.8%	13.0%	20.6%	15.7%	15.4%	13.3%	17.4%	**14.4%**
Transportation/Logistics/Supplychain	6.6%	5.8%	4.7%	5.4%	5.7%	5.2%	4.4%	3.8%	3.8%	4.3%	3.6%	4.8%	2.1%	**4.6%**
Grand Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Sector Weights by PAT

Row Labels	TTM	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	8.8%	9.1%	10.4%	9.2%	7.4%	7.6%	7.6%	7.5%	7.3%	7.5%	7.2%	7.7%	8.1%	**8.1%**
Energy	26.9%	27.7%	28.2%	28.5%	27.6%	33.8%	30.5%	33.4%	36.6%	39.3%	43.1%	43.3%	48.6%	**34.4%**
Finance	26.1%	28.0%	31.7%	29.3%	24.5%	23.7%	24.6%	18.5%	18.6%	21.4%	21.3%	26.3%	24.6%	**24.5%**
Industrial/Engg	5.0%	5.1%	6.6%	6.5%	6.3%	7.1%	8.5%	8.8%	6.6%	5.2%	4.0%	3.4%	2.8%	**5.8%**
Materials	10.5%	10.8%	5.0%	11.0%	12.2%	9.0%	10.7%	15.9%	14.4%	11.5%	10.6%	7.4%	4.7%	**10.3%**
Pharma/Chemicals/Life Sciences	7.6%	4.4%	5.0%	2.6%	8.8%	3.3%	2.0%	3.5%	3.7%	3.0%	3.2%	3.7%	3.9%	**4.2%**
Technology/Telecom/Media	10.0%	10.1%	8.3%	8.4%	8.3%	10.8%	12.8%	9.1%	9.0%	7.5%	6.9%	4.8%	4.6%	**8.5%**
Transportation/Logistics/Supplychain	5.1%	4.9%	4.7%	4.4%	4.9%	4.7%	3.5%	3.3%	3.9%	4.5%	3.7%	3.3%	2.7%	**4.1%**
Grand Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Weighted Average PEx by Sectors

Row Labels	TTM	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	34.29	29.31	24.05	22.47	22.17	19.68	15.95	17.77	19.59	27.17	17.79	18.69	15.61	**21.89**
Energy	13.94	10.83	11.27	10.97	13.58	13.01	12.18	13.24	10.88	12.35	8.73	8.32	4.00	**11.02**
Finance	16.13	12.48	11.05	11.13	14.42	13.23	7.04	14.08	12.98	13.57	9.94	7.03	4.16	**11.33**
Industrial/Engg	28.11	21.93	15.15	17.16	23.12	25.38	13.58	24.90	18.42	26.10	15.38	14.78	10.01	**19.54**
Materials	14.75	11.63	22.23	12.15	12.50	19.91	6.90	8.64	8.05	11.89	9.17	10.10	8.55	**12.04**
Pharma/Chemicals/Life Sciences	23.11	30.30	22.64	36.02	10.08	26.06	28.62	18.58	22.15	35.00	26.59	21.31	13.98	**24.19**
Technology/Telecom/Media	24.10	21.11	22.89	23.19	23.82	19.18	13.05	21.57	33.16	35.37	26.22	30.06	25.58	**24.56**
Transportation/Logistics/Supplychain	25.09	18.70	15.19	17.65	18.38	18.22	14.20	17.24	14.16	16.09	11.55	15.70	5.44	**15.97**
Grand Total	**19.38**	**15.90**	**15.06**	**14.59**	**15.66**	**16.41**	**11.26**	**15.10**	**14.55**	**16.96**	**11.85**	**10.91**	**6.79**	**14.19**

Over the last 10 year ends (Mar 31st) PEx was at an average of 14.2 and max of around 20 (at the peak in Jan 2008. Above table only calculates valuation as of fiscal year end). Current PEx level is at the higher end of our range. Difference between now and 2008 is that the margins and profitibility levels were at the peak then.

*PEx for FY08 would look low compared to what we expect it to be based on NSE reported multiples. There are 2 reasons for it to be lower. **Firstly**, the above valuation is as of March 31, 2008. BSE 200 (which is our comparable universe) was at 1932 on that date vs peak of 2743 in Jan'08. PEx would have been higher by 42% just because of this timing difference. **Secondly**, NSE reports numbers based on latest available trailing twelve months (TTM). E.g. If NSE was to report multiples on March 31, 2008, it would use numbers for Dec'07 TTM. We have used Mar'08 TTM (or FY08). Since earnings growth was on 30s (FY08 vs FY07), the impact even from just one higher quarter is significant.*

SageOne Investment Advisors LLP

Weighted Average PBx by Sectors

Row Labels	TTM	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	8.55	7.14	6.75	6.22	6.08	4.42	3.35	4.95	5.17	6.69	4.49	4.95	3.77	**5.58**
Energy	1.78	1.36	1.43	1.48	2.00	2.25	1.73	2.62	2.11	2.22	1.73	1.62	0.81	**1.78**
Finance	1.90	1.49	1.57	1.67	2.26	2.04	1.04	1.99	2.00	2.00	1.62	1.58	0.82	**1.69**
Industrial/Engg	3.11	2.36	2.09	2.51	3.74	4.58	2.72	6.85	5.66	6.33	3.47	2.86	1.32	**3.66**
Materials	1.66	1.27	1.43	1.76	2.34	3.26	1.28	2.74	2.65	3.32	2.77	2.41	1.33	**2.17**
Pharma/Chemicals/Life Sciences	6.57	4.78	4.08	3.82	3.93	4.66	2.89	4.29	5.45	6.89	5.88	5.43	3.60	**4.79**
Technology/Telecom/Media	4.08	3.40	3.23	3.43	3.93	4.06	3.15	5.71	8.99	8.50	6.35	5.16	3.20	**4.86**
Transportation/Logistics/Supplychain	4.23	2.91	2.33	2.89	3.82	4.52	2.63	3.84	3.74	4.55	3.03	3.71	0.98	**3.32**
Grand Total	**2.68**	**2.09**	**2.07**	**2.18**	**2.75**	**2.90**	**1.85**	**3.19**	**3.13**	**3.26**	**2.43**	**2.30**	**1.32**	**2.47**

Over the last 10 year ends (Mar 31st) PBx was at an average of 2.47 and max of around 4 (at the peak in Jan 2008. Above table only calculates valuation as of fiscal year end). Current PBx level is at the middle of our range. Though for current ROE levels, this level of PBx is high.

Simple Average Div Yield by Sectors

Row Labels	TTM	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	1.00	1.36	1.50	1.47	1.49	1.70	2.84	1.90	1.87	1.48	2.27	2.84	5.13	**2.06**
Energy	2.05	2.41	2.68	2.60	1.89	1.99	2.38	1.60	2.60	1.57	2.63	2.56	7.05	**2.62**
Finance	1.50	1.90	2.44	2.22	1.94	2.13	4.22	2.00	2.16	2.04	2.61	3.67	6.16	**2.69**
Industrial/Engg	0.98	1.40	1.67	1.35	1.21	1.19	1.99	0.92	1.05	0.91	1.85	2.47	4.35	**1.64**
Materials	1.14	1.58	1.54	1.43	1.16	1.08	2.48	1.31	1.69	1.55	1.81	1.95	4.06	**1.75**
Pharma/Chemicals/Life Sciences	0.79	0.96	1.25	1.15	1.09	0.92	1.95	1.39	1.10	0.93	1.32	1.80	3.56	**1.40**
Technology/Telecom/Media	1.38	1.76	1.66	1.70	1.20	0.75	1.39	1.02	0.71	0.88	1.19	1.54	2.34	**1.35**
Transportation/Logistics/Supplychain	0.85	1.22	1.72	1.73	2.04	1.72	2.10	1.59	1.60	1.45	2.27	1.93	5.11	**1.95**
Grand Total	**1.23**	**1.60**	**1.85**	**1.73**	**1.53**	**1.55**	**2.76**	**1.59**	**1.69**	**1.45**	**2.08**	**2.64**	**4.90**	**2.05**

Over the last 10 year ends (Mar 31st) Dividend Yiled was at an average of 2.05% and min of around 1.12% (at the peak in Jan 2008. Above table only calculates valuation as of fiscal year end). Current Div Yld level is at the lowest level.

Normalized PEx by Sectors

Row Labels	TTM	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04	FY03	Avg
Consumption	33.29	28.45	24.99	22.45	21.97	19.70	13.02	20.30	20.68	27.19	17.64	19.35	14.95	**21.84**
Energy	8.81	6.84	7.09	7.56	12.07	14.98	9.98	15.51	12.30	13.56	11.08	10.75	4.91	**10.42**
Finance	12.98	10.04	10.25	10.72	15.62	13.95	6.69	14.09	12.71	13.84	10.63	8.60	3.84	**11.07**
Industrial/Engg	18.21	14.21	12.20	14.48	23.01	29.86	16.20	41.35	25.11	26.24	13.79	11.90	6.06	**19.43**
Materials	9.28	7.32	7.52	8.93	12.15	14.51	4.05	9.36	15.10	18.83	13.82	12.05	6.55	**10.73**
Pharma/Chemicals/Life Sciences	18.21	23.89	22.15	21.66	25.34	24.18	13.54	21.24	22.81	28.23	23.52	20.08	12.72	**21.35**
Technology/Telecom/Media	17.80	15.59	15.01	16.50	20.52	22.71	15.55	27.02	39.81	38.81	31.59	29.90	23.21	**24.16**
Transportation/Logistics/Supplychain	22.78	16.98	12.90	15.58	23.41	22.81	12.21	17.85	15.40	19.19	10.74	14.77	4.29	**16.07**
Grand Total	**14.35**	**11.77**	**11.25**	**11.79**	**16.37**	**17.70**	**9.79**	**17.44**	**16.93**	**18.37**	**13.54**	**12.64**	**6.84**	**13.75**

These are normalized PE multiples. Meaning that the earnings are assumed at an average PAT margin across the timeline.