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Date: 14th October 2013

Dear Fellow Investors,

Below is the consolidated performance of the PMS portfolios as at the end of September 2013.

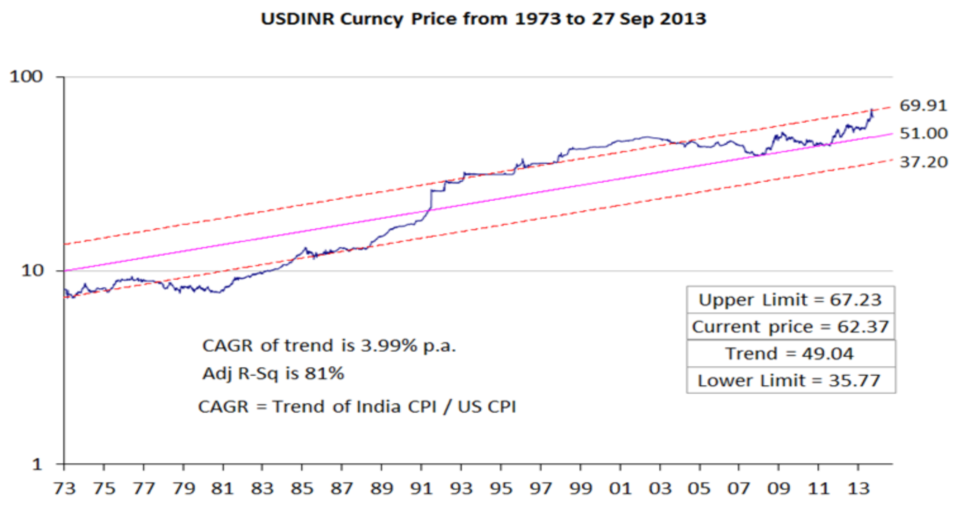
Portfolio Performance	Equity Allocation as on 31.09.2013	Equity Returns	Total Portfolio Returns after Expenses	Benchmark Returns
Since Inception 27.01.11	74.8%	34.8%	16.8%	-13.8%
Annualised Performance		11.8%	6.0%	-5.4%
September Quarter		-3.7%	-2.8%	-4.0%

• Benchmark returns are based on BSE 500 and BSE Mid Cap in equal weight.
• Returns are cash flow adjusted and time (Daily) weighted returns after expenses.
• The actual returns of clients may differ from client to client due to different portfolio and timing of investment.
• Past performance is not guarantee for future performance.
• Inception Date is 27th January 2011.

The markets continued to witness extreme volatility during the quarter. This quarter, the trigger had been a sharp fall in the value of the Indian Rupee (INR). The INR, in a span of less than a week lost approximately 15% before recovering somewhat. The postponement of the 'tapering' of QE (which we mentioned in our last newsletter) by the US Federal Reserve and some quick steps by the RBI to ease pressure on the INR, have somewhat soothed the Indian markets, but volatility remains high. The notable feature of this quarter has been the spread of volatility to the "front line" stocks triggered by some FII selling on the back of the INR falling.

While the headline macroeconomic conditions for India continue to be worrying, we feel the worst headline figures about the Current Account Deficit (CAD) are probably behind us. The Non-Gold CAD is already sharply down and trending back towards 0%. This in some way, combined with the assurance of the Finance Minister, to contain the fiscal deficit at the stated level of under 4.8% of GDP, could stave off any rating downgrade. The RBI is also moving towards opening up the Bond Markets by taking necessary steps to include Indian Bonds in the Global MSCI Bond Index. Should this occur, the worst for the INR might have been factored in and we could see a resumption of foreign exchange flows to India.

Chart 1: Currency



The trend line (purple line) is nothing but difference in the inflation rate between India and US. Since India's inflation rate is higher, theoretically the INR should depreciate at the trend (i.e. 3.99%). The above trend is upward since India is net importing country.

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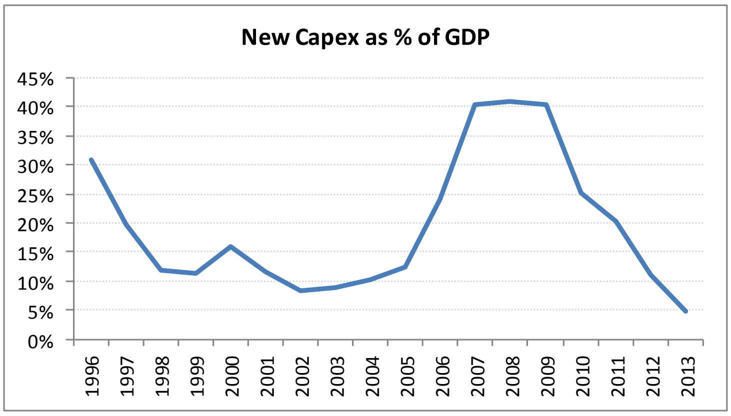
The above chart depicts the INR at the +1 standard error from the trend inflation differential between the US and India since 1973. It is a very crude proxy for the Purchasing power parity. We believe that if there are further genuine structural and institutional reforms; an improvement in the productivity of the Indian economy; and the removal of the myriad impediments to infrastructure and capital goods investments, there will be an improvement in the CAD, and the currency can, over time, get back to its trend value i.e.in the low 50's. On the other hand a failure to act on these 3 parameters will cause the INR to trade around the +1 standard error. The implication though still is that the bulk of the depreciation has already been seen and one should expect a base case depreciation from hereon of no more than ~4% p.a. (i.e. the compounded growth of trend).

Chart 2: Corporate India Sentiment



Source: CMIE Capex, RBI Database

Corporate India has been impacted by these uncertainties and has halted its capacity expansion plans as can be seen in the adjoining chart. New Capex as % of GDP has reached an all-time low since 1996. In a sense this could be partly compensated for the excesses of the past (very high Capex/GDP in the period 2007-9). Nevertheless, the excessive pessimism shown has perhaps given some impetus to the government to act, and there have been some improvements in the form of stalled projects being cleared along with reforms in the power and oil & gas sectors. The effectiveness of this is unlikely to be felt in the very short term but it could eventually lead to a better sentiment for the private sector and a pick-up in capital expenditure in all the sectors.

We feel that both market participants and Corporate India maybe focussing too much on the short term issues and if there is some sort of trend reversion in the Capex Cycle, companies that benefit from an uptick in the Capital Cycle will have some unexpectedly strong growth rates. Our philosophy and investment process is geared to try to take advantage of what we consider "excessive" pessimism even at the cost of being perhaps slightly early and we are positioned accordingly.

Warren Buffet puts it simply - *"Be Fearful When Others Are Greedy and Greedy When Others Are Fearful"*.

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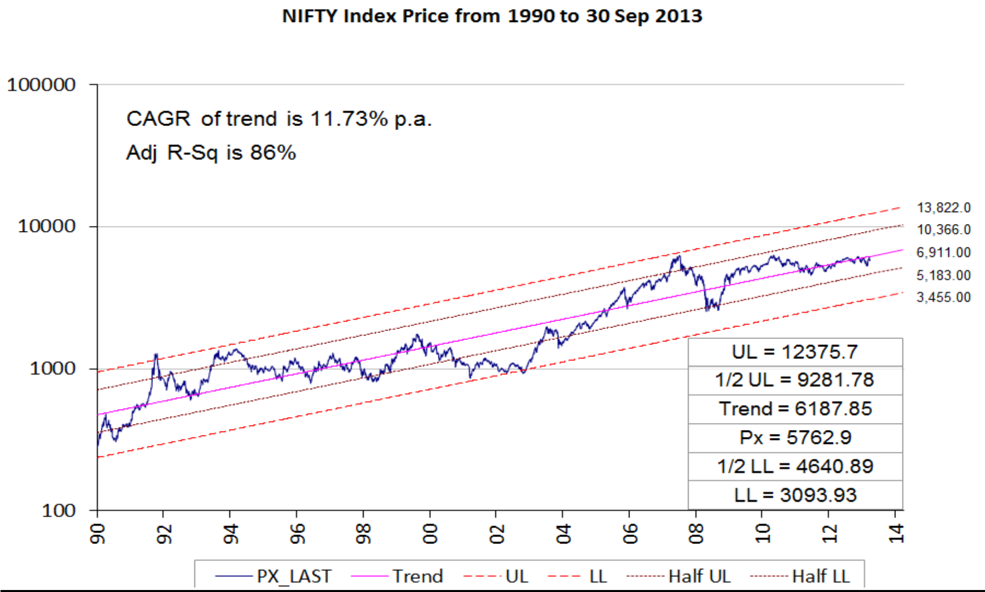
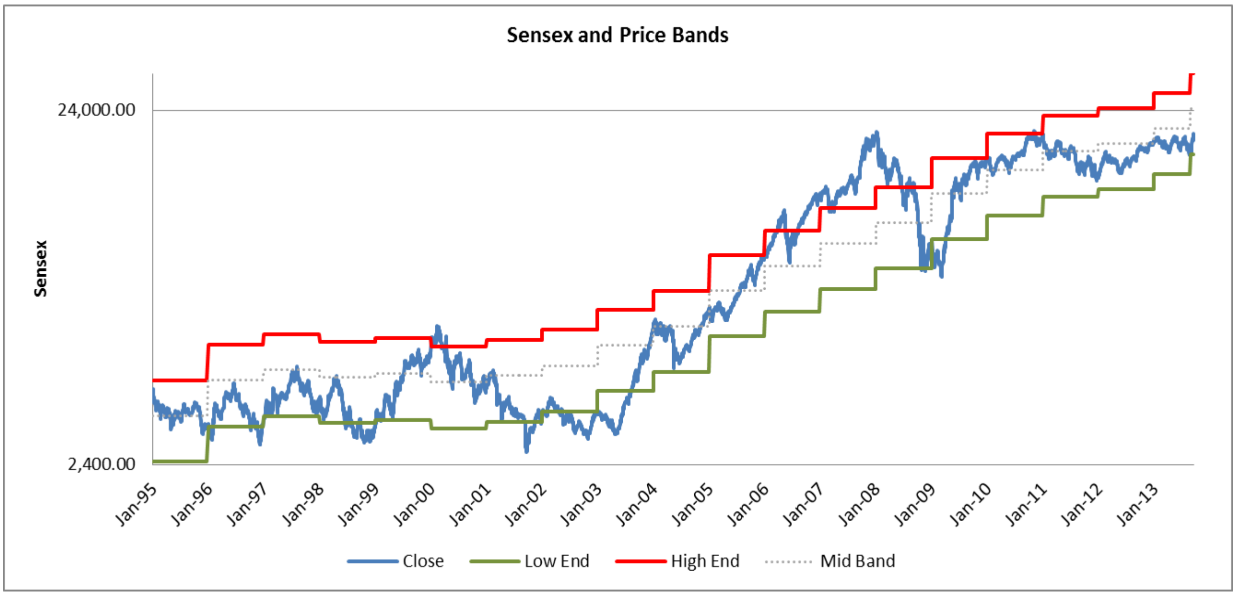
Asset Allocation:

Chart 3: Trend Analysis



In the past quarter, Nifty finally did see some correction with a few of the heavy weights showing weakness. Despite all the pessimism and negative sentiments, Nifty still remains around trend. We took some advantage of this volatility to bring some High Quality (HQ) companies into the portfolio and also reduce some names where we felt ongoing earnings visibility was poor. We have managed to increase our equity exposure on average from ~73.5% to around 77%.

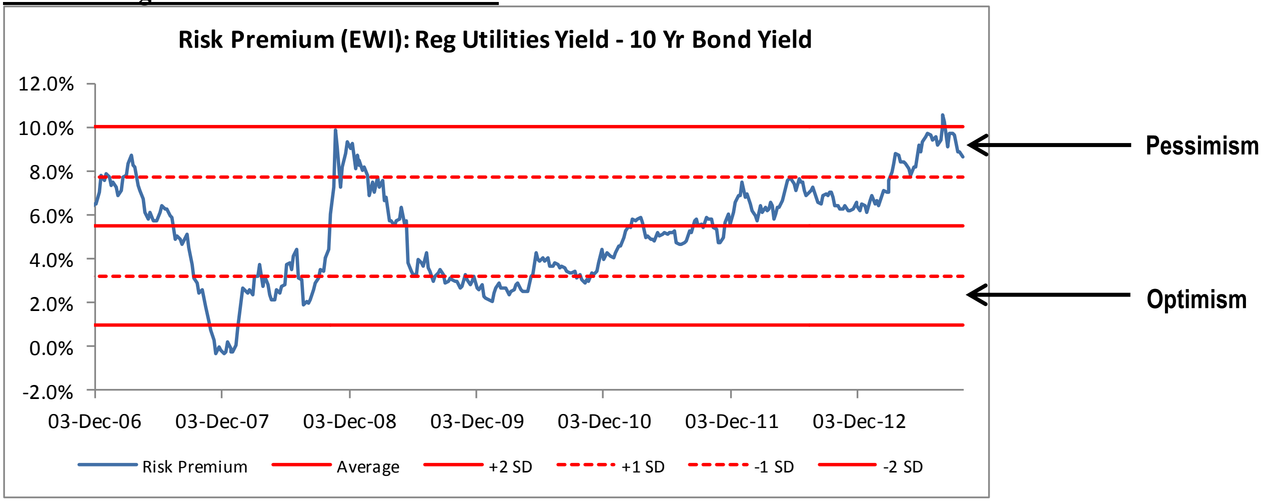
Chart 4: Sensex Valuation



In this newsletter, we wanted to highlight our estimated valuation band for the Sensex,based on our propietary methodology. It also depicts how the Sensex has subsequently actually fluctuated around our estimated value levels historically from 1995. In the above chart the Red line indicates the higher end of the valuation ("expensive zone") while green line indicates the lower end of the valuation ("cheap zone"). We estimate a valuation range of

18,000 – 30,600 for Dec 2014. Currently the chart depicts the Sensex trading around the "cheap zone" with perhaps limited downside.

Chart 5: Regulated Utilities Risk Premium:



Regulated utilities Risk premium is the difference between the IRR based earnings yield of 5 companies and the 10 Year GOI bond yield. This measure tries to capture the risk premium that market participants are associating with these regulated entities which have relatively stable businesses. Thus it highlights the optimism/pessimism amongst market participants. We have shifted this Index from a MCap weighted to an Equal weighted to give better representation to all the companies.

The Risk premium associated with regulated utilities vs the 10 Year government bond yield spiked in the current quarter indicating extreme pessimism similar to the 2009 level. We increased our exposure in the portfolios to Regulated Utilities that in our analysis have strong balance sheets and robust business models from 7% to 11% in consideration of the high prospective returns we were getting on some of these businesses.

Table 1: Portfolio activities during the Quarter:

Moat/Limited Moat	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Moat	40%	40%	37%	35%	33%	31%	33%
Limited Moat	33%	30%	34%	40%	43%	44%	43%
Moat + Limited Moats	***73%***	***70%***	***70%***	***75%***	***76%***	***75%***	***76%***
No Moat	18%	21%	22%	21%	20%	18%	13%
Regulated Utility	9%	9%	8%	4%	3%	7%	11%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Sectors	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-12
Auto & Auto Ancs	15%	17%	19%	25%	22%	22%	19%
Capital Goods	24%	18%	17%	17%	17%	16%	10%
Financials & Financial Services	18%	20%	23%	23%	24%	23%	25%
FMCG	2%	-	-	-	-	-	2%
Information Technology	-	3%	3%	5%	3%	2%	3%
Logistics	6%	6%	5%	4%	4%	3%	4%
Materials	4%	-	-	-	3%	3%	-
Industrials	3%	4%	1%	6%	10%	13%	13%
Pharma	13%	16%	19%	13%	12%	8%	7%
Telecom	5%	6%	5%	3%	3%	3%	3%
Utility	10%	9%	8%	4%	3%	7%	13%
Other	-	-	-	-	-	-	2%
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

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We have used the volatility in the markets to reposition/tilt our portfolios towards Large Caps, Utilities and High Quality names that have a higher degree of certainty with respect to prospective returns. For quite some time now the market has not rewarded Small Caps or Cyclicals no matter the valuation. This particular quarter we got an opportunity to add to the Larger Cap and some select HQ names that met our valuation criteria.

We have exited our positions in a few names during this exercise such as a leading HVAC supplier, a leading metal company and a PSU bank. We increased weight in the Utilities space as these businesses were available at valuations where prospective returns were high without entailing the risk of economic uncertainty.

We have initiated a position on a leading FMCG company which is the market leader in its category. The stock price has seen some pressure lately due to the entry of a new competitor. Although the new entrant has distribution in place, it still has to build brand awareness. For the new entrant to garner market share would take time since there is high level of stickiness and perceived switching cost in this product. We have seen similar trends in other emerging countries wherein the same competitor has entered the market and has not been able to dislodge the incumbent's market share in a major way. We would in fact welcome any further correction in this stock to increase our exposure to this HQ company.

We bought into a leading bearing company which was available at attractive valuations. This company along with its closest competitor are the only two major incumbents who operate in the high end industrial bearings space. This company enjoys a distinctive competitive advantage due to its technology and is able to obtain premium pricing for its products. It is available at cheap valuations currently because of the slowdown in the economy and poor current performance due to its cyclical nature. Bearings form a small but critical part of industrial engineering and quality does command a premium. We feel as economic growth mean reverts this company will do unexpectedly well.

We initiated a position in a quality Housing Finance Company as it had corrected sharply with the sell-off in the general market and had come to our target entry price. FIIs have very high holding in this company. The stock was impacted during the sharp INR depreciation, as FIIs were selling heavily in the market in order to prevent INR losses. Thus the correction seemed to be more technical rather than driven by any fundamental issue and the stock bounced back sharply once the market recovered in September.

We initiated a fresh position in a Utility which corrected sharply as it had announced an FPO (Follow on Public Offer). The company wants to raise funds as they are seeing further opportunity and being in a regulated business, the return profile of future investments would be similar to its current regulated returns. Secondly, the stock is quoting at a premium to book value and thus dilution when it happens, would increase the Book value and its Regulated Earnings. The stock was available at a price at which the prospective return was attractive.

Regards,

Jinal Sheth	Rohan Samant
Portfolio Manager	Asst. Portfolio Manager

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Risk factors
General risk factors

a. Securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved.

b. Past performance of the Portfolio Manager or its affiliates does not indicate its future performance.

c. Investors are not being offered any guaranteed or assured returns i.e either of principal or appreciation on the Portfolio.

d. As with any investment in securities, value of the Client's Portfolio can go up or down depending on the factors and forces affecting the capital market.

e. The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the Portfolios.

f. The investments made are subject to external risks such as war, natural calamities, and policy changes of local / international markets which affect stock markets.

g. The Portfolio Manager has renewed SEBI PMS registration effective October 14, 2011 and has commenced its portfolio management activities with effect from January 2011. However the Portfolio Manager has more than 10 years of experience in managing its own funds invested in the domestic market.