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CEO Spotlight



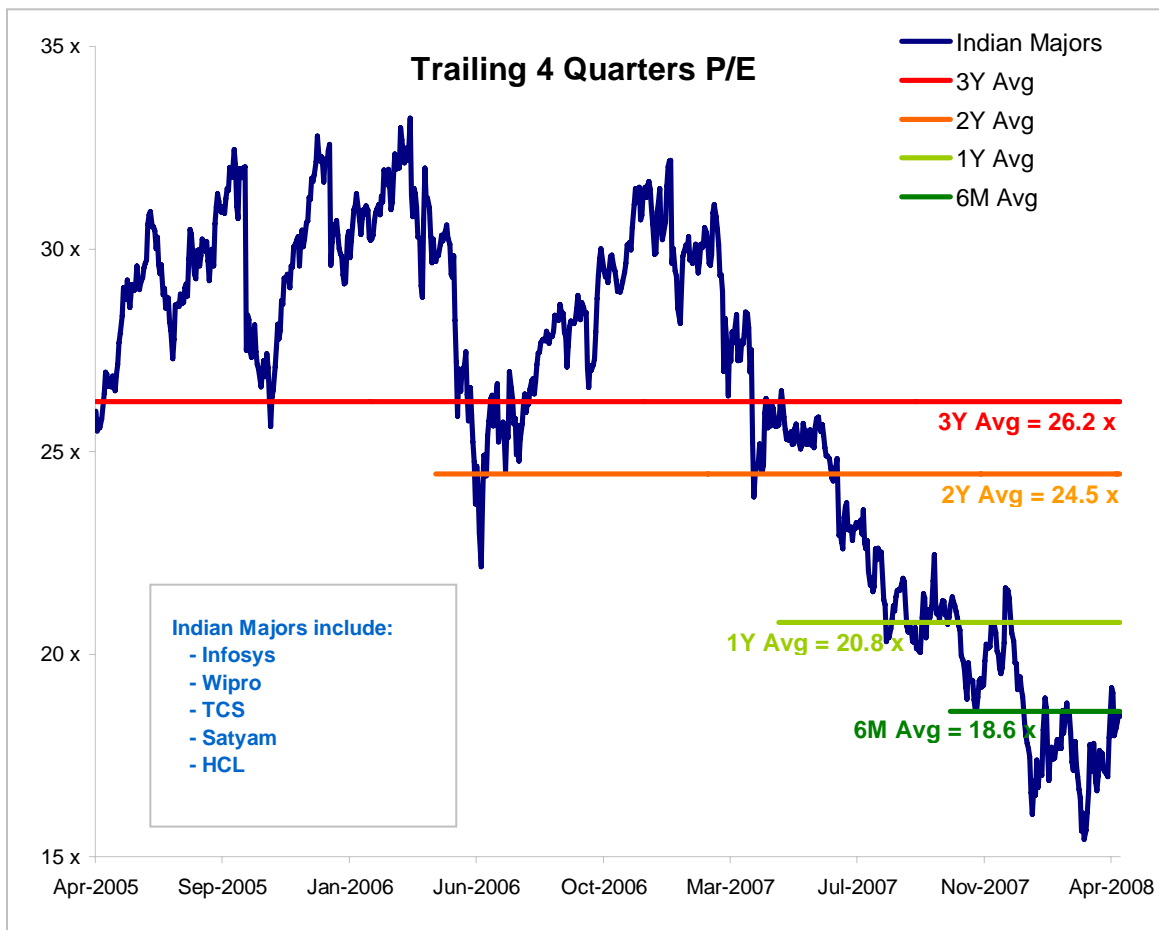
Avinash Vashista,
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Warren Buffet and his mentor Benjamin Graham often talk about Mr. Market, a personification of the stock market.

Think of Mr. Market as a business partner who every trading day will offer to buy shares from you or sell shares to you. The thing with Mr. Market is that he's not always very rational. If he's feeling particularly optimistic, he may offer to pay you handsomely to what you hold. If he's very pessimistic, he may sell his shares for very little. The point Mr. Buffet and Mr. Graham often make when they use this analogy is that the price Mr. Market offers to buy or sell a stock doesn't always reflect that stock's value. The challenge for investors is to determine a stock's intrinsic value, a challenge easier said than done.

From a Price-Earnings (PE) ratio standpoint, the valuations of public Indian outsourcing companies' are the lowest they've been in awhile. The chart below tracks the PE ratios of Indian Majors.



After achieving Compounded Annual Growth Rates (CAGR) of 30% or better and PE Growth Ratios (PE Ratio/Earnings Growth %) of 0.9x or less, the Indian Majors are now feeling the effects of gravity.

Company	Last 5Y CAGRs			Last 1Y Growth			Current Trailing P/E	Last 3Y EPSCAGR	PEG
	Revenue	Op. Profit	Net Profit	Revenue	Op. Profit	Net Profit			
Infosys	34.6%	33.3%	37.7%	19.0%	17.5%	18.2%	21.1 x	25.2%	0.84 x
Wipro	35.7%	33.5%	36.7%	33.5%	30.6%	40.7%	20.7 x	23.1%	0.90 x
TCS	32.2%	28.3%	35.0%	24.1%	16.7%	20.0%	17.2 x	37.7%	0.46 x
Satyam	33.8%	27.5%	32.6%	30.6%	19.6%	20.6%	18.0 x	24.9%	0.72 x
HCL	44.2%	35.7%	37.0%	24.3%	28.7%	72.6%	15.3 x	54.1%	0.28 x
Average	36.1%	31.6%	35.8%	26.3%	22.6%	34.4%	18.5 x	33.0%	0.64 x
Median	34.6%	33.3%	36.7%	24.3%	19.6%	20.6%	18.0 x	25.2%	0.72 x

The combination of several factors like the higher revenue and earnings base, the weakening US dollar, increasing competition across all industries, record oil prices, a potential food crisis and the global surplus of invest able funds are all contributing to increasing risk and uncertainty. Have we already seen the worst or will there be more bad news in the months ahead?

At Tholons, we're trying to answer questions that I'm sure other investors are also trying to answer:

- Which stocks are now undervalued?
- Which are overvalued?
- Which ones should we invest in and when?

What we are aiming to do is to combine fundamental financial analysis with our years of experience in outsourcing to develop our own method of determining the intrinsic value of outsourcing companies. We have some early wins, and we hope to share the fruits of our labor in the near future. In the meantime, we wish you all the best in your dealings with Mr. Market.



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