DO NOT INVEST IN INDIAN EQUITIES

TONGUE-IN-CHEEK ADVICE TO INVESTORS WHO ARE STILL CASHING OUT AND STAYING OFF EQUITIES

Many experts and advisors on television and other media advise retail investors to invest in equities, but to no avail. There is absolutely no interest in equities at the retail level and mutual funds, too, are seeing record redemptions.

As it happens, retail investors are helping markets more by staying out than by investing in equities, so, from a purely selfish point of view, we (current equity market participants) do not mind if you stay away from equities. Keep your money in low-interest bearing savings accounts and this will help banks raise cheap funds. Then, while you earn taxable 9% per year in fixed deposits and 4% in savings accounts, we will continue to buy HDFC Bank, IndusInd Bank, Yes Bank and the like, which are up 3.5 times, 11 times and 5.9 times, respectively, since December 2008. Also, remember to pay all your EMI instalments on time so that retail loans made by the private banks do not get into trouble and we can continue to do well owning their stocks.

Indian retail investors are more or less completely out of equities,and would rather buy gold instead. So, keep buying gold so that we can do better than you by owning stock in Titan Industries and other jewellery companies. You should not care at all that while the gold that you bought is up 2.58 times in four years, the stock of Titan Industries, which sells gold to you, is up 6.9 times during the same period. If Rakesh Jhunjhunwala had bought physical gold instead of shares in Titan when he did, he would not be a billionaire today.

In fact, go ahead and buy real estate, taking mortgages from HDFC and LIC Housing Finance. How else would we have made 2.8 times and 5.7 times in these stocks in five years? And when you do buy these apartments and houses, do insist on using the best construction material — cement, sanitary ware and so on. It is only because you do not buy equities and instead spend on real things that we could make 192% on ACC and 4.5 times on Hindustan Sanitaryware since 2008. A house is not done until it's painted, so remember to keep a good budget for decorative paints from Asian Paints (stock is up 4.8 times in four years).

Why should you invest in equities when you can buy insurance products? This world is interesting precisely because we think differently from each other — while you are happy buying insurance, we are happy owning shares in companies that sell you insurance. Thanks to you, shares in Bajaj Finserve are up 6 times in value and shares in Max India are up 2 times in the past four years.

Follow your heart (and we will follow you). If you like going to malls and spending time there, please do some shopping as well — some of us own shares in Phoenix Mills, which is up 2.7 times since 2008. In fact, it may be time for you to upgrade your car. Why buy equities when you can spend the same money on a new car or motorcycle? Let us do the more boring job of continuing to own stocks in Maruti and Bajaj Auto, which are up 2.9 and 10.8 times, respectively, since 2008. Why not add your name to the waiting list for an Enfield this year while we own shares in its manufacturer, Eicher Motors, which is up 12 times since 2008?

Life isn't just about making and investing money; it's important to enjoy life's little pleasures. So go watch a movie at the multiplex and munch some popcorn while you're there. Meanwhile, we'll buy shares in PVR (up 3 times in four years). You'd rather spend time at home in front of the telly? We'll still love you — shares in Zee Telefilms and Sun are up 3 and 3.5 times because of loyal viewers such as you. Call for pizza delivery at home — Jubilant Foodworks (which owns Domino's) is up 5.4 times since its IPO in 2010.

While you're in the mood to be sinfully self-indulgent, don't make any resolutions to give up smoking or drinking. You may not want to invest in equities, but spare a thought for investors in these stocks. Your actions so far have helped these investors make 3.8 times in ITC, 10.3 times in United Breweries and 2.2 times in United Spirits in four years but they still look for your continued patronage of these businesses.

We wish you a very happy and healthy 2013. If, God forbid, you have to visit a hospital, remember that as stakeholders in Apollo Hospitals (stock up 3.8 times) we will be thanking you from the bottom of our collective hearts. And if you do fall sick in 2013, take comfort in the fact that you are helping investors in stocks of companies such as Dr Reddy's (stock up 4 times) and Cipla (stock up 2.3 times).

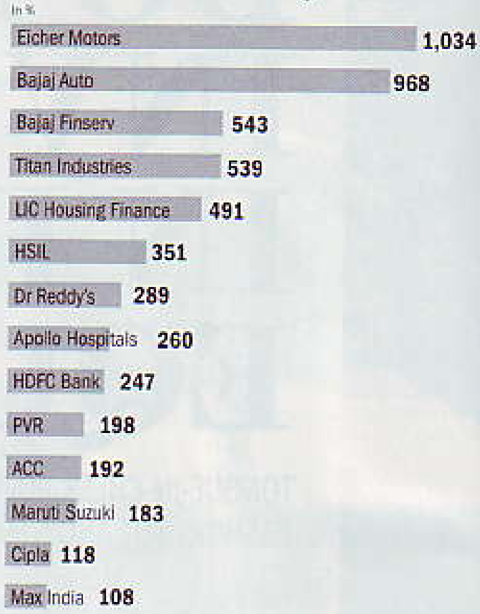
We invite you over to our side in 2013 but still love you for choosing instead to be loyal customers of the businesses we own. Now it's up to you to decide who you would rather be — part owners of Indian companies or just their loyal customers.

Indian retail investors are more or less completely out of equities and would rather buy gold or real estate

All winners

Since the lows of 2008, sound stocks across sectors have delivered strong returns

In %



STOCKS MENTIONED IN THIS ARTICLE ARE NOT TO BE VIEWED AS RECOMMENDATIONS FOR BUYING OR SELLING. STOCK RETURNS ARE FOR DECEMBER 31, 2008, TO NOVEMBER 30, 2012