International Herald & Tribune December 16-17 2000

BRIEFCASE

India Cable Sector Produces Winners

Jon Thorn, manager of the Indian Smaller Companies Fund, has done well for his shareholders by investing in companies that make cable used in the communications industry. One that he recommended to Money Report readers late last year, Finolex Cables Ltd., recently showed a gain of 10.4 percent since he mentioned it, even as the Indian market fell 18 percent.

Mr Thorn still owns Finolex and sees the stock doing even better next year, and he suggests taking a chance on another company in the sector, Sterlite Optical Technologies Ltd., a global supplier of optical fiber and cable with such big customers as British Telecommunications PLC and Deutshe Telecom AG.

SOTL, as the company is known, has a prodigious return on equity of 50 percent, and profit is growing at 60 percent a year, he said. The stock, which trades only in India and so would have to be purchased through a full-service global broker, has a forward price-to-earnings ratio of 22, low for such a fast grower.

The company exports 60 percent of its production and is expected to raise capacity from 1.5 million kilometers to 5 million kilometers next year.

"The market price for optical fiber has risen from $25 per kilometer to $60 today", Mr Thorn said. "This is due to an extreme demand-supply imbalance. It is variously estimated that late 2001 or 2002 will see some kind of balance, assuming constant demand."