

Something to smile about in India

MARK Mobius' disillusionment with India comes with qualifications. Software stocks, for example, largely escape the bureaucracy hampering other industries as most of the exports go invisibly "down the wire".

It's not the only sector to attract attention. India fund managers are also squeezing strong returns out of toothpaste tube manufacturers and similar consumer packaging and branded goods companies. In spite of political intransigence on fuelling economic growth, GDP is increasing year on year by



about 5%, in contrast to most Asia-Pacific emerging markets. Private consumption, normally the strongest driver of growth, registers as among the highest levels in the world, in proportion to GDP. The money is not being spent on toothpaste-yet!

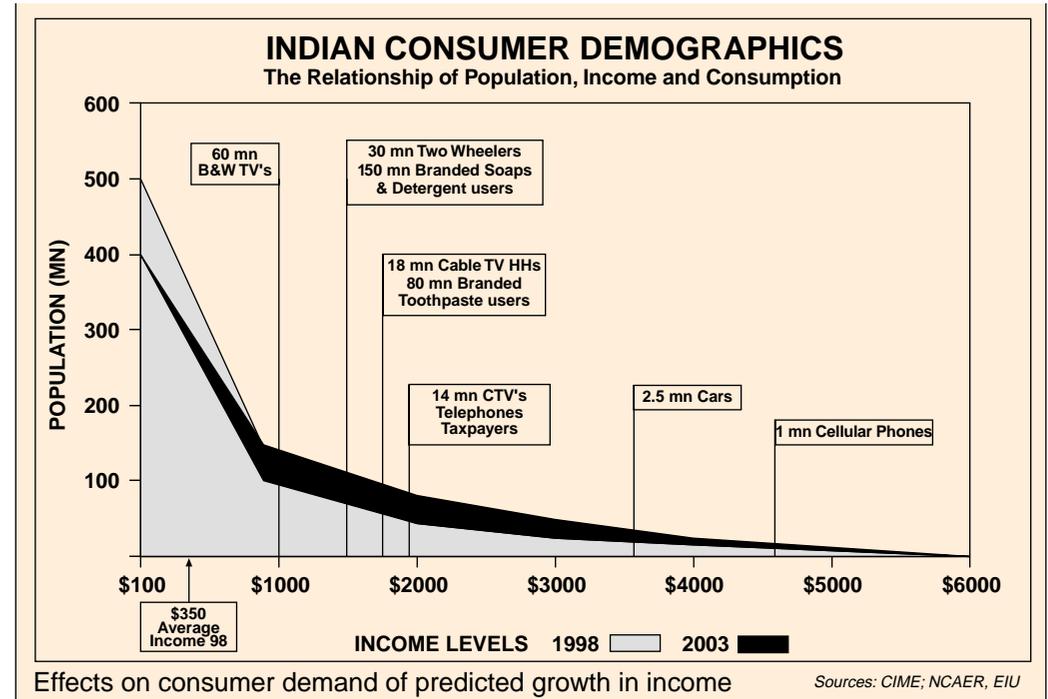
"India, with a population of almost a billion people, consumes little over a billion tubes of toothpaste

and 2.5 million tons of detergents per annum", explains the fourth anniversary newsletter of the India Smaller Companies Fund.

"This represents one tube per person per annum and 200 grams of detergent per month. "This does not imply the population is unhygienic, only that part of the population is yet to begin consumption of packaged consumer goods by the organised sector".

Prices for most branded consumer goods are also among the lowest in the world: 20 US cents will buy a bottle of Coke, a bar of Lux soap, a 50gm Colgate toothpaste or a Gillette disposable razor blade.

"We believe that the appar-



ently defensive sectors represent the best aggressive plays in an emerging economy like India. The trick is to buy them when nobody wants them, which is what we try to do."

However, given the fund's small cap mandate, the manager tends to buy

companies that are likely to emerge or be perceived as leaders within a two-three year time span. "We hope that this will give us a double dip as we first benefit from earnings growth and then from an upward rerating of the stock as it attains the liquidity and

size which attracts larger institutional investors", says the fund newsletter.

Other India sectors favoured by the fund include pharmaceuticals and mining, expected to return superior growth to India as a whole.



THE INDIAN SMALLER COMPANIES FUND LIMITED