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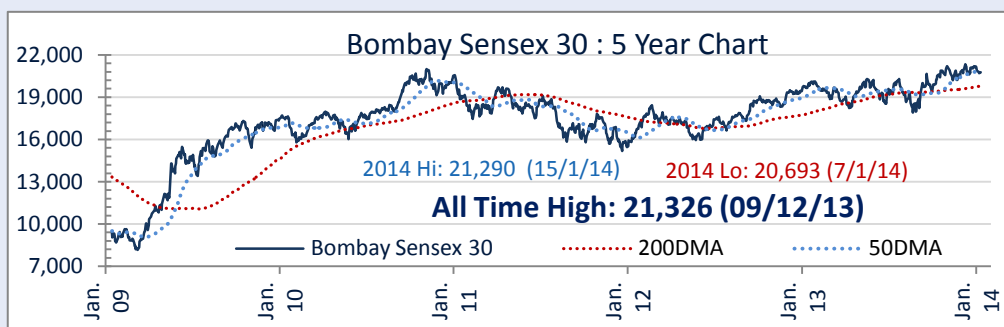


LALCAP

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Source: chart & following table: Bloomberg

Close: 15 Jan 2014	Level	Index Pts Chg- Day	% Chg YTD	PE 2014/15	High	5 Year PE	
						Low	Avg
SENSEX 30	21,290	+257	+0.5%	14.3x	25.6x	9.1x	17.2x
NIFTY 50	6,321	+ 79	+0.3%	13.x	25.0x	9.0x	17.4x

BOMBAY

INR ₹ / USD \$1= Rs61.57
 INR ₹ / GBP £1= Rs100.75
 INR ₹ / EUR €1= Rs83.73

The SENSEX closed 1.2% higher at a five-week high. Better-than-expected inflation figures cheered investors that interest rates on Jan 28 would stay on hold. Interest rate sensitive shares, like banks, rose. The undercurrent is firm.

LONDON / NEW YORK

GDRs/ADRs we follow show mixed performance so far in January. In London M&M leads with a 6% gain YTD. In NY Infosys is also + 6% YTD.

ECONOMIC AND POLITICAL NEWS

⇒ India's main inflation measure (Wholesale Price Index or WPI) fell sharply to a five-month low of 6.16% in December 2013.

Lower vegetable prices helped to cool inflation, which was at a 14-month high of 7.52% in only the previous month. The latest sharply lower inflation augurs well for interest rates to be kept on hold at the next RBI meeting on 28 January. They had risen by 0.25% in both September and October. Interest rates need to be lowered on a sustainable basis to kick-start the economy. Falling inflation should be the trigger for that.

⇒ Indian industrial production surprised analyst expectations with a 2.1% decline year-on-year in November 2013.

This second straight month of retreat was dragged down by an annual 8.7% fall in consumer goods production. The latter, a proxy for consumer demand, has grown just once in the last seven months and is a clear sign of the continued weakness in the domestic economy. The poor performance was echoed by a 0.3% decline in capital goods production, which serves as a barometer for investments.

⇒ The bad news on the economic front was compounded by a widening of the trade deficit in December to US\$10.14 bn from US\$9.22 bn in November on slowing exports growth.

Investors are likely to temper their hopes for a rebound in Asia's third-largest economy as it struggles to exit a situation defined by some analysts as stagflationary (stagnant growth with high inflation), given that economic growth has been stuck below 5% for the past four quarters while prices have been rising. Greater caution can be expected ahead of any commitments to fresh investments in an economy that registered annual growth rate of 9.3% as recently as 2011, and was widely perceived as becoming one of the main drivers of the global economic recovery.

⇒ The persistent economic woes add to the troubles of the ruling Congress party led coalition government. It heads into a tough national election by May 2014, seeking a third term after a decade in power. Battered by corruption scandals, low

economic growth and high inflation, the coalition faces strong opposition in the election expected between April and May. Opposition prime ministerial candidate Narendra Modi, of the Hindu nationalist Bharatiya Janata Party (BJP), has made the weakened economy, a string of corruption scandals and high food inflation (which hits the poor especially) key pillars of his campaign. Meanwhile, Congress party has been desperately seeking an economic rebound to help win back voters. Hopes are pinned on robust farm output and strong exports triggering an economic upturn from the October-December quarter, data for which will be released next month.

⇒ Rahul Gandhi, 43, provided his first indication of his readiness to be PM if the Congress party wins the general election.

Gandhi, whose father, grandmother and great-grandfather were all prime ministers in post-independence India, made the remarks on Tuesday ahead of a crucial party campaign meeting on Friday, the 17th. His mother, Sonia Gandhi is the President of the Congress Party, and Rahul is Vice-President of the party. Earlier this month, current Prime Minister Dr Manmohan Singh, 81, ruled out serving another term. Although Congress does not traditionally announce prime ministerial candidates during a campaign, Gandhi said he would respect the party's decision should he be nominated. Many party members, including senior ministers, support Gandhi. But others fear he is relatively untested. For the fierce battle ahead against BJP's Modi.

⇒ Latest opinion polls put BJP's Modi in the lead. To add to Congress' woes it is also worried about the rise of the year-old Aam Aadmi Party (AAP).

Modi's three terms as Chief Minister of Gujarat state have earned him a reputation as an efficient, dynamic administrator who is also business and investor friendly. His campaign has focused on economic revival and anti corruption, causes also taken up by the AAP. Formed less than a year ago by an anti-corruption crusader, the AAP very convincingly defeated Congress in New Delhi in December's state election. Its plans to contest candidates across India increase the chances of voter fragmentation, resulting in a weak coalition. Gandhi has responded to this threat in recent months by publicly citing corruption as India's number 1 problem. He wishes to win back voters who backed the AAP. And, appeal to younger generations.



2013 PERFORMANCE OF ASIA PACIFIC/WESTERN EQUITY MARKETS IN LOCAL CURRENCY, US\$ & GB£

- The table below shows 2013 returns in local currency and also currency adjusted returns in US\$ and GB£;
- Virtually all markets in our table below show gains; many in double- digits, especially for developed markets. Overall a reasonable year for Asia, given the huge sell-off in emerging markets and currencies. Even with currency adjustments almost half the markets show gains in US\$ and GB£ ;
- Developed markets outshine the BRIC markets by a very handsome margin, in a reversal of performance compared to recent years ;
- India, despite all its woes, is up in local currency. But lower in US\$ and GB£ terms;
- Drivers for relatively good performance in Asia are: despite slowing economies a perception of a high growth region compared to developed markets;
- Japan continues to shine finally this year with a handsome 57% gain. In Asia the other top 3 gainers are : Pakistan: +49%, Vietnam: +22% and Shenzhen: +20%;
- In Western markets USA shows sparkling gains of 26% (DJIA) and 38% (NASDAQ), Germany's DAX is + 26%, Switzerland's SMI +20% and UK's FTSE +14%.

INDEX PERFORMANCE	Index at 31 Dec 2013	YTD 2013 %Chg	YTD 2013 %Chg	YTD 2013 %Chg
ASIA PACIFIC		In local Currency	in US\$	in GB£
S&P ASIA CME 50	3,604	+ 1	+ 1	- 1
MSCI APEX 50	932	+ 4	+ 4	+ 2
AUSTRALIA 200 INDEX	5,352	+15	- 1	- 3
CHINA SHANGHAI COMP	2,116	-7	- 4	- 6
CHINA SHENZHEN COMP	1,058	+20	+ 23	+ 21
HONG KONG HANG SENG	23,306	+3	+ 3	+ 1
INDIA NIFTY 50	6,304	+7	- 5	- 7
INDIA SENSEX 30	19,427	+9	- 3	- 5
INDONESIA JAKARTA COMP	4,274	-1	- 22	- 23
JAPAN NIKKEI 225	16,291	+57	+ 29	+ 27
MALAYSIA K.L. COMP.	1,867	+11	+ 3	+ 1
PAKISTAN KSE 100	25,261	+49	+ 38	+ 26
PHILIPPINES PSEi	5,890	+1	- 6	- 8
SINGAPORE STI	3,167	n/c	- 3	- 5
SRI LANKA ALL SHARE	5,912	+5	+ 2	n/c
STH. KOREA KOSPI	2,011	+1	+ 2	n/c
TAIWAN TAIEX	8,612	+12	+ 9	+ 7
THAILAND SET INDEX	1,299	-7	- 13	- 15
VIETNAM STOCK INDEX	505	+22	+ 20	+ 18
WESTERN				
GERMANY DAX	9,552	+26	+ 31	+29
SWITZERLAND SMI	8,203	+20	+ 23	+21
UK FTSE 100	6,794	+14	+ 16	+ 14
US D.J. IND	16,577	+26	+ 26	+24
USA NASDAQ	4,177	+38	+ 38	+36
BRAZIL BOVESPA	51,507	- 16	- 27	- 29
RUSSIA MICEX 10	3,266	- 4	- 10	- 12

Source : Bloomberg

**EVENT: PRIVATE WEALTH LEADERS INDIA****LONDON, 29 JANUARY 2014 - ST. JAMES' COURT, A TAJ HOTEL (EX-CROWNE PLAZA)
51 BUCKINGHAM GATE, LONDON SW1E 6AF****Excellent networking event combined with updates on:**

- Global economic outlook + insights on Indian elections
- Where to invest in 2014
- Recent investment and regulatory changes in India
- Offshore centres for efficient structures
- Navigating the tax ocean in India

Deepak Lalwani is chairing the event, but Lalcap Ltd is not organising it.

Please book directly with event organiser, IBC INFORMA : <http://www.iirbcfinance.com/FKW52679DLNL>

India Report readers may avail of a 20% discount by quoting VIP code: FKW52679DLNL on the booking form

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