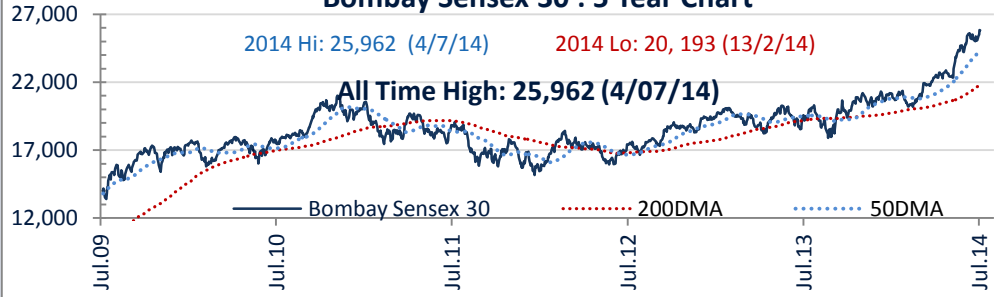




Bombay Sensex 30 : 5 Year Chart



Source: chart & following table: Bloomberg

Close: 4 July 2014	Level	Index Pts Chg- Day	% Chg YTD	PE 2014/15	High	5 Year PE	
						Low	Avg
SENSEX 30	25,962	+ 138	+22.6%	17.2x	25.6x	9.1x	17.2x
NIFTY 50	7,751	+ 37	+23.0%	17.0x	25.0x	9.0x	17.4x

BOMBAY - 4 JULY

INR ₹ / USD	\$1=	Rs59.73
INR ₹ / GBP	£1=	Rs102.47
INR ₹ / EUR	€1=	Rs81.18

The SENSEX closed +0.5% to reach another all-time high. Investors are very optimistic of positive signals from the new government's maiden budget. Sectors like banks, infrastructure, manufacturing and defence continue to attract buyers.

LONDON / NEW YORK : 4 JULY

Most GDRs/ADRs show handsome double-digit gains (see page 2). IT companies continue to languish.

⇒ **The SENSEX closed the last quarter to 30 June up 13.5%, the best quarterly performance since July-September 2009.** It also closed at yet another all-time high today of 25,962. Indian stock market indices have been the best performer in Asia this year, in sharp contrast to the battering they took around this time last year when the Indian Rupee tested all time lows and foreign investors fled Indian markets. This year hopes are high that PM Modi will usher in much needed reforms to invigorate the economy and eventually do what it takes for India to live up to its economic potential - like China has. The maiden budget of the new government is due on 10 July and investors are betting on "positive sound bites" to lay the economic roadmap for the next 2-3 years and a vision of what hopes to be achieved in this term of government. Foreign investors, major drivers of Indian stock markets, have invested \$ 10.4bn in Indian shares so far in 2014 vs \$ 20.3 bn in all of 2013. Sectors that will benefit from an uplift in economic growth like banks, and those that are expected to have a focus in this budget like infrastructure and defence, have been strong performers in the last quarter.

⇒ **For some years now foreign investors have been frustrated by India "being long on potential, but short on delivery". Is this about to change? Potentially, yes.** The macro picture is tantalisingly attractive for any foreign investor: favourable demographics, an economy which recorded economic growth of 8%+ between 2004 - 2008, has the potential to grow at 8% + per annum in the future, a growing middle class and an economic journey which will unfold possibly over the next 25 years to better lives, modernise the country and bring it into the 21st century. Yet, badly needed foreign capital has not flooded into India. Why? Because political mis-steps by the last government have resulted in damaging investor sentiment: the economy faltering in the last 2 years to its slowest growth in 25 years, brazen corruption scams being unearthed, excessive bureaucracy, a slowdown in approvals and foreign investors being put off by what many call "tax terrorism" (retrospective taxes). But all this could potentially change. And it is the main reason why voters gave BJP's Narendra Modi a clear mandate to rule as a single party. Better and cleaner governance, combined with business and investor-friendly policies could signal to foreign investors that India could well be on a path

to finally achieve, over time, its economic potential. Time will tell.

⇒ **Since taking office on 26 May PM Modi has already sent out strong signals that he will carry out what he promised in the election campaign: of "more governance and less government".** He has already consolidated various ministries and scrapped several cabinet panels. The aim is to streamline administrative structures, speed-up decision making and increase efficiency. **Very positive moves.**

⇒ **As part of the continuing positive changes in pruning bureaucracy and streamlining of government agencies, the status and role of the Planning Commission (PC) looks set to change under PM Modi.** Shortly after India gained independence from Britain in 1947 this institution was set up in March 1950 to replicate a Soviet-style command economy. The Commission's aims included setting targets on a 5-year basis to optimise scarce resources in a newly born country. The first PM of India, UK-educated Jawaharlal Nehru, adopted Britain's Fabian socialist economic policies. The PC survived for over 64 years because it grew in authority, with the Prime Minister of the day being its Chairman. Part of the PC's responsibility was to allocate central government funds to states and also sanction capital expenditure by New Delhi, which was deeply resented by many states and other government departments. The body has always laboriously compiled detailed five year plans, but these have rarely been complied with by the states. PM Modi, a critic of the PC, looks set to dilute its powers straight away, if not abolish it outright. He has left the post of Chairman vacant, has taken away the PC's authority to determine the federal government's capital expenditure, passing it to the finance ministry. And in a signal of things to come, the PC has for the first time been excluded from discussions to frame the national budget. The relevance of the PC in 2014 for a market-oriented economy are being questioned. The 1991 economic reforms dismantled the "license raj" and other restrictive controls and helped usher in a market oriented economy. A suggestion has been made to turn the PC into a "think tank" to look at long-term economic and development issues, away from short-term pressures faced by politicians. **The move to abolish the PC will be a positive signal to investors domestically and overseas that India wants to have modern and relevant institutions for a modern India in the 21st century.**



SELECTED SHARE PRICES:

GDR OFFER PRICES (US\$) LONDON – 4 Jul 2014 at 16:30

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
L&T	\$29.08	+ 62%	Rel. Inds	\$34.44	+ 19%
M&M	\$20.70	+ 48%	SBI	\$90.41	+ 58%
Ranbaxy	\$ 8.90	+ 21%	Tata Steel	\$ 9.19	+ 33%

Source : Thomson Reuters

ADR OFFER PRICES (US\$) NEW YORK – 4 Jul 2014 at 21:00

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Dr. Reddy	\$ 44.02	+ 7%	Infosys	\$53.73	- 5%
HDFC Bank	\$ 49.67	+ 44%	Tata Motor	\$42.14	+ 37%
ICICI Bank	\$ 50.80	+ 37%	WIPRO	\$ 12.22	- 3%

Source : Thomson Reuters

AIM (LONDON): in GB p unless stated otherwise – 4 Jul 2014 at 16:30

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Caparo (now Mytrah)	93	+ 18%	Indus Gas	425	- 52%
DQE	12	- 60%	IEnergizer	70	- 68%
Greenko	171	+ 1%	OPG Power	100	+ 73%
			SKIL Ports	77	+ 8%

Source : Thomson Reuters

OTHER : in GB p unless stated otherwise – 4 Jul 2014 at 16:30/21:00

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Essar Energy	de-listed		<u>Collective Funds</u>		
Vedanta Resources	1143	+ 22%	<u>London:</u>		
			Aberdeen New India	257	+ 24%
			JP Morgan India	414	+ 24%
			<u>New York:</u>		
			MS India	\$23.95	+ 37%
			The India Fund	\$26.29	+ 32%

Source : Thomson Reuters



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The activities of Lalcap include:

- Introductions to capital providers for funding of businesses, project finance/cross border and private equity deals. With a focus on India, but also opportunities in other parts of the world
- Introductions of funds (long only, hedge and private equity) to banks, family offices and asset managers in Europe
- Introduction of clients to Private Banks globally
- Consultancy - with a focus on promoting business with India.

Over a number of years relationships have been established and nurtured with capital providers across the globe, including banks, hedge funds, family offices and high net worth professional clients. With the Indian economy growing, enquiries are seen from there for funding needs. Lalcap does business through an international network of associates.

Lalcap offers no dealing/stock broking activities.

Deepak N. Lalwani also acts as Consultant - India at stock broker WH Ireland (est. 1872), London, where all stock broking activities (GDRS/ADRS/AIM shares + bonds) are executed. The old team from Astaire, where he worked for 16 years, moved to WH Ireland.

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