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Deepak N. Lalwani OBE, FCSI, FCCA : Director- India E: dl@lalcap.com

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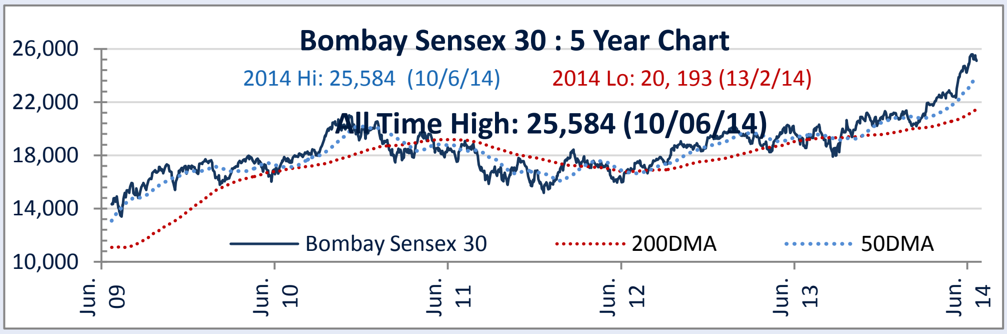

Source: chart & following table: Bloomberg

Close: 20 Jun 2014	Index			PE	5 Year PE		
	Level	Pts Chg-Day	% Chg YTD	2014/15	High	Low	Avg
SENSEX 30	25,105	- 96	+18.6%	16.6x	25.6x	9.1x	17.2x
NIFTY 50	5,760	- 29	+19.2%	16.4x	25.0x	9.0x	17.4x

BOMBAY

INR ₹ / USD	$1=	Rs60.16
INR ₹ / GBP	£1=	Rs102.33
INR ₹ / EUR	€1=	Rs81.81

The SENSEX closed 0.4% lower on profit-taking, after the recent strong run. The Budget in early July and more news on the progress of the monsoon rains will impact sentiment. The market remains a "buy on dips".

LONDON / NEW YORK

Most GDRs/ADRs show double-digit gains YTD. 3 top gainers are: L&T: +53%, SBI:+51%, M&M: +38%. IT shares continue to show losses.

SPECIAL EDITION OF THE INDIA REPORT TO COVER THE

8th Annual India Seminar
"2014 Indian Elections: A Game Changer?"

A flagship seminar titled "2014 Indian Elections: A Game Changer?" was held in London on 17 June 2014 at The Greenwood Theatre, London SE1. "Chatham House" rules applied for reporting.

It was sponsored by Karvy Computershare, Nerine Trust, UHY Hacker Young. The Principal Sponsor and organiser was Lalcap Ltd.

The seminar had over 300 bookings from contacts of Deepak Lalwani. The audience, all with an interest in India, included senior persons from: global investment and private banks, family offices, private equity firms, hedge funds, asset/portfolio managers, pension funds, high net worth investors, accountancy firms, legal firms, trust companies, Indian High Commission, UK Government, UK universities and the media.

The eminent panel of speakers consisted of:

- Lord Desai
- Jitesh Gadhia, Senior Advisor, Blackstone Group
- Robin Griffiths, Global Technical Strategist, ECU Group
- James Kynge, Emerging Markets Editor, Financial Times
- Ian McEvatt, Chairman, Himalayan Fund N.V.
- Nasser Munjee, Chairman, Development Credit Bank

The Chairman, Deepak Lalwani, asked the panel about:

- The impact of the 2014 General Election results on the economy, investments and markets
- Global and domestic economic tailwinds and headwinds affecting Indian economic growth
- The outlook for Indian markets for next 12 months + drivers and risks
- Foreign investors : India bulls or bears?

Panellists' views expressed, inter alia:

⇨ **Impact of General Elections: A Game Changer?**

Overall, all panellists thought the election results were a game changer. But they viewed it from different perspectives.

1. The ending of coalitions after 25 years and the re-emergence of single party rule is a political game changer for India. It now allows a very good administrator and decisive implementer like Mr Modi to shape and action policy without impediment by coalition partners;

2. In sharp contrast to the last 10 years of the previous Government fast decisions are now expected. Increased emphasis on improving infrastructure, job creation especially by lifting manufacturing, cutting red tape and "less government and more governance";

3. Any country is only as strong as its institutions: India's institutions were designed for central planning and these have never changed with changing times. Indeed today the friction between the planning institutions and the free market economy has hit a crisis in taxation, regulatory practices, land acquisition, environmental clearances, financial sector development;

4. Hence, very importantly, a change in institutional framework in India is expected under PM Modi. With a shift away from Soviet-style institutions that have dominated India for nearly 70 years to a more modern style of institution for a modern India in the 21st century. This could be a major catalyst to enhance and sustain economic growth;

5. This will be a Modi, not a BJP, Government. His stamp of authority will be clear. Initial moves in invigorating a lethargic bureaucracy, aims to cut red tape and making India more business friendly are bode well;

6. Even though the governance challenge facing PM Modi is severe, there are some key reforms that can be pushed through largely at the central level and are therefore likely to be implemented in some form: (a) a single window clearance for large projects - both domestic investment and foreign direct investment; (b) a breaking up the Food Corporation of India: into procurement, storage, distribution. This will help generate efficiency and reduce red tape; (c) relax restrictions on FDI - including ownership caps in some sectors; (d) end retroactive taxation, especially with regard to offshore M&A ; (e) partial privatisation of state firms. If fairly early progress can be made, a feel good" factor may be engendered, further creating investment dynamism. If these steps are taken, the "game changer" will be underway, allowing Modi momentum.

Impact of General Elections: A Game Changer? (continued)

7. For markets, the new all-time highs indicate a game changer of a clear "breakout" which very few Western markets have achieved.

Global and domestic economic tailwinds and headwinds affecting economic growth:

1. Domestic headwinds: include the twin evils of high inflation and high interest rates over the last 2+ years. They have severely hit consumer demand and capital investment plans and contributed to the to the dramatic slowdown in economic growth. The earliest start in reduction of interest rates will greatly aid to spur economic growth;

2. The fiscal deficit and current account deficit will continue to be headwinds, especially the former as many items of expenditure have been pushed into this year's accounts from last year;

3. Infrastructure needs to be improved quickly, with approvals speeded up. Reforms need to be speeded up, especially to lift manufacturing which will be a major source of job creation;

4. The El Nino effects on the monsoons are yet to too early to predict. If it results in a poor monsoon then economic growth will be hit as rural incomes will drop;

5. GDP growth in 2014/15 is estimated around 5.5% and recovery to 7-8% will take around 2-3 years;

6. Besides economic reform, India has followed counter-productive economic policy strategies. Getting policy right to create a climate for growth, innovation, creativity, infrastructure, urban development, rural enterprises and manufacturing is critical at this stage. Finding the right intellectual talent to rethink these perspectives is crucial. The country needs to put together "Think Tanks" to chart the course of the next five years in terms of the structure of governance to drive the economy into the future. The present institutional structure is not going to do the job;

7. Global tailwinds to help India's economic growth:

- Need to take into account the region that India is in. Growth in Emerging Asia between 2000 and 2013 was 7.5 times - the fastest in the world. Thus if India can tap into the regional dynamism through some reforms, it will benefit hugely;

- More specifically, if India can make some progress in manufacturing, it stands to benefit. China's manufacturing competitiveness is waning and there is a spill over of manufacturing capacity from China to other regional centres - Bangladesh, Vietnam and others. If India can win some of this business, it could have a significant effect on the wider economy. Nothing turbo-charges growth like manufacturing - the productivity gains are far greater than in retail, services etc

-Although India's domestic consumer spending is subdued, there are exciting export markets for India. For example, Africa: two-way India-Africa trade last year was US$93bn - second to China but growing faster than China's trade.

8. Global headwinds include:

- Those parts of the Indian economy that are dependent on commodity exports - iron ore etc - are having a hard time as the shape of the Chinese economy changes i.e. to become structurally less weighted toward investment. This is a long-term trend, placing stress on Indian commodity related sectors for several years to come;

- QE tapering. India is regarded as vulnerable to the retreating tides of liquidity that are likely to follow the unwinding of US monetary stimulus, an unavoidable part of US deleveraging. India has been hit in the past (last year and early this) and even though New Delhi has corrected its current account deficit, it remains vulnerable.

The outlook for Indian markets for next 12 months + drivers and risks:

1. Charts view: Long-term, India is in a secular upward bull trend:

- India is now a "must own market" and one to "buy on dips"

-For the last 3 years the SENSEX has traded in a band of 16,000-21,000. The index had a "breakout" in the lead to, and post, the General Election to test new all-time highs - the driver was a BJP win;

- After this initial approximately 5000 point rise in the 1st leg of the unfolding bull market in India the next three months, until around September 2014, will probably see a sideways movement. That should set the base for the 2nd (and sharper than 1st) leg. In this leg the SENSEX could test 31,000+ by 31 March 2015, but the risks depend mainly on what PM Modi does, and how quickly;

- Over a 3-4 year period the SENSEX could easily test 42,000, ie, double from the 21,000 level, which was the previous all-time high set in November 2010.

2. On a 18-month view foreign fund managers of Indian shares:

- Are unlikely to sell India unless there is a major shock. Valuations are still under the 5-year average;

-So far there has been an absence of retail investors. If the Government ignites retail interest then there will be a significant upside potential. The market breadth will also broaden to mid/small cap shares;

-By December 2015 the NIFTY could well be 25% higher, and valuations will not be stretched as the P/E ratio will be roughly where it is today.

3. Foreign Direct Investments: Favourable outlook for India:

- Project clearances/approvals are expected to be speeded up. This will aid sentiment;

-The lack of a buoyant IPO market in the last 2-3 years has made valuations, overall, still attractive;

- As stock market indices hit new all-time highs. and investor sentiment remains bullish, FDI into India will increase. Private Equity funds will see India as more attractive as IPO exits gather pace.

The main risks are that the Government is unable to deliver on the expectations, hopes and aspirations on which the voters gave them such a clear mandate.

Foreign investors: Bulls or bears?

1. Foreign Investors into Capital Markets will remain bulls

2. Foreign Direct Investors are going to lag foreign investors in capital markets because their optimism will be cautious. Retrospective taxation and inconsistent regulations, senseless bureaucracy and excessive red tape have made such investors cautious of India. "Show me, don't just tell me" will their mantra. This is despite hope in PM Modi ushering in a new India.

The Chairman remarked while "setting the scene" for the panel discussion that India was on a journey of economic catch-up which would unfold over the next 25-30 years. For India to realise its economic potential, and for UK investors to participate in India's growth, much depends on Indian politics. A "game changer" there would accelerate development of India. And benefit all. OVERALL, THE PANEL WAS CAUTIOUSLY OPTIMISTIC THAT THE POTENTIAL PRESENTED BY THE ELECTION RESULT GAME CHANGER WOULD USHER IN A NEW INDIA. THEY WERE HOPEFUL. BUT,TIME WILL TELL.

Photo above and below : courtesy of Billy Yuan

Photo : courtesy of Billy Yuan

Above photos : courtesy of Sudhir Selvaraj

LALCAP LTD'S ACTIVITIES

Lalcap Ltd is a London based consultancy (FCA regulated) which specialises in investment opportunities in India, but which also promotes business activity with other areas of the world.

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 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.

REGISTERED OFFICE: LALCAP LTD, LEVEL 7, TOWER 42, 25 OLD BROAD STREET, LONDON EC2N 1HN **REGISTERED IN ENGLAND NO: 07245357**

LALCAP: E: info@lalcap.com
W: lalcap.com

AUTHOR: Deepak N. Lalwani OBE, FCSI, FCCA
Director - India
T:+44 (0)20 3519 0909
E: dl@lalcap.com