

Source: chart & following table: Bloomberg

Close: 11 Mar 2014	Level	Index Pts Chg- Day	% Chg YTD	PE 2014/15	High	5 Year PE Low	Avg
SENSEX 30	21,826	-108	+3.1%	14.7x	25.6x	9.1x	17.2x
NIFTY 50	6,511	-25	+3.3%	14.2x	25.0x	9.0x	17.4x

BOMBAY - 11 MAR

INR ₹ / USD	\$1=	Rs60.94
INR ₹ / GBP	£1=	Rs101.30
INR ₹ / EUR	€1=	Rs84.51

The SENSEX closed 0.5% down as profit taking set in after recent all-time highs. The lower current account deficit and strong FII inflows helped the Rupee to a 7-month high vs the US\$. In the lead up to the elections the market should test fresh highs.

LONDON /NEW YORK - 11 MAR

Most GDRs/ADRs are higher YTD. M&M leads with : + 16% YTD. Ranbaxy leads losers: -21%. On AIM, OPG leads: + 46% YTD.

The India Report celebrated its 19th year on 6 March 2014. The first report was written at the request of The Indian High Commission for an investor meeting there on 6 March 1995. Over 600 reports have been written since. This probably makes it the longest and most consistent independent analysis in the UK on the unfolding India economic story.

the weakness came from manufacturing, while services recorded a slight improvement." There is little hope for a quick turnaround, given the recent spate of nervousness over tighter global financial conditions, the Chinese economy, and tensions over Ukraine - Crimea. February services activity in the biggest emerging markets saw slightly stronger growth than the 6-month low in January. HSBC notes that "Conditions are likely to remain subdued in March, with incoming new business rising at the slowest rate in 5 months," **However, the future output index, which tracks firms' 12-months forward expectations, picked up in February to an 11-month high.**

⇒ SENSEX and NIFTY hit all-time highs, Rupee at 7-month high.

Strong inflows of more than USD1 bn. from foreign portfolio investors in just 15 trading sessions drove the SENSEX to its 5th all-time closing high in a row yesterday. This heavy institutional buying has helped Indian stocks shrug off worries about the Fed's tapering, China's slowdown and stubborn domestic inflation. Rallies have occurred in the month before the last 6 general elections, with the biggest gains notched up in 2009 when the Congress-led United Progressive Alliance won a majority. Although pre-election spirits are certainly feeding into the market, traders believe the sustained strong foreign inflows indicate a differentiation in emerging markets of countries like India with an improving currency and narrowing current account deficit. **FII's have switched from exporters to domestic demand companies. This signals a bet on the Indian economy set to recover.** The rupee closed against the dollar at its best since mid-August 2013.

⇒ **Signs of differentiation in Emerging Markets.** Business activity grew at the slowest pace in 5 months in February - dragged by weaker manufacturing in big developing countries such as Russia and China. The HSBC-Markit composite emerging markets index of manufacturing and services purchasing managers' surveys slipped for the 3rd month running to 51.1 in February, remaining below the 2013 average of 51.7, and well below a long-run level of 54.0. However, the monthly index remained above the 50 threshold marking the difference between expansion and contraction. Chinese factory output stayed below 50, while manufacturing in Russia, India and Brazil hovered just above. According to HSBC, "Emerging economies are struggling to gain traction... This time

⇒ Putting the sheer scale of India's General Election into perspective:

- **Voting starts on 7 April in 9 phases and ends on 12 May. Results are due on 16 May.** Election dates in parliamentary constituencies were set considering extreme summer heat, monsoon rains, harvest seasons, religious festivals and most importantly, school exams (most stations are placed in schools).
- It will be the world's biggest exercise of democracy with about 814 mn. registered voters. The 100+ mn. growth since the 2009 election is the equivalent of adding a population larger than the combined ones of the UK, Netherlands, Belgium and Sweden to its electoral rolls in just 5 years.
- 23 mn. registered voters are aged between 18-19 years old. This represents c.3% of total voters, surging from 0.8% in 2009.
- Voters will cast their ballots in c. 930,000 polling stations, 12% more than in 2009.
- Indian politicians are expected to spend around US\$5 bn. on campaigning for the 2014 elections - triple that spent in 2009. This (according to the Centre of Media Studies) will be the world's second highest, after the most expensive US presidential campaign of \$ 7 bn in 2012.

⇒ India ranks 111 out of 189 countries based on the number of women representatives in parliament.

Data published by The Inter-Parliamentary Union (IPU) shows that more women than ever before are being elected to parliaments around the world. Gender parity is likely achievable in less than a generation should the +1.5% annual trend shown in elections in 2013 continue. India ranked 111th with 62 women sitting in the 545 strong Lok Sabha (just 11.4% of the total) and 28 women in the 245 strong Rajya Sabha (also 11.4%).

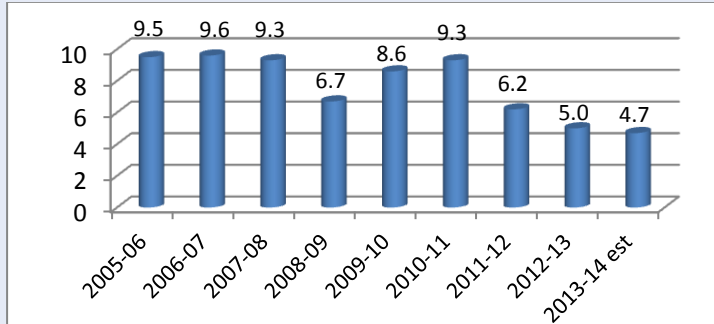


ECONOMIC & MARKET CHARTS

Chart source : Govmt. of India, SEBI

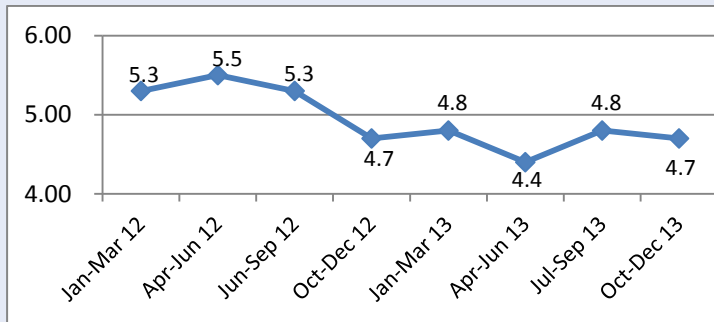
Comments : Lalcap, UK

REAL GDP % GROWTH : 2005 - 2014 (est)



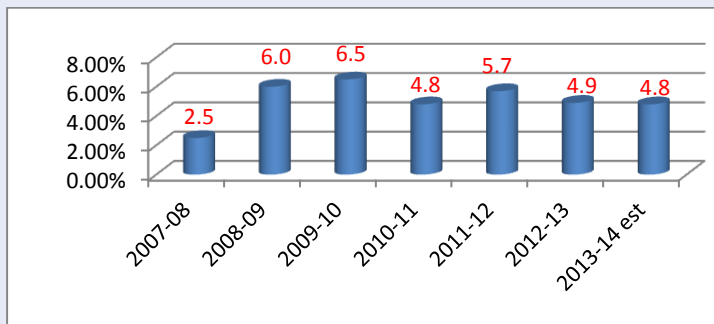
- Real GDP growth for the fiscal year to :
 - March 2013 : +5.0%
 - March 2012 : +6.2%
 - March 2011 : +9.3%
 - March 2010 : +8.6%
- In the last 8 years there have been 5 years with growth over 8.5%. The Government has said in the past that 8% pa average economic growth is required to reduce poverty and create jobs for its growing young population.

REAL GDP % GROWTH OVER LAST 8 QUARTERS TO OCT - DEC 2013



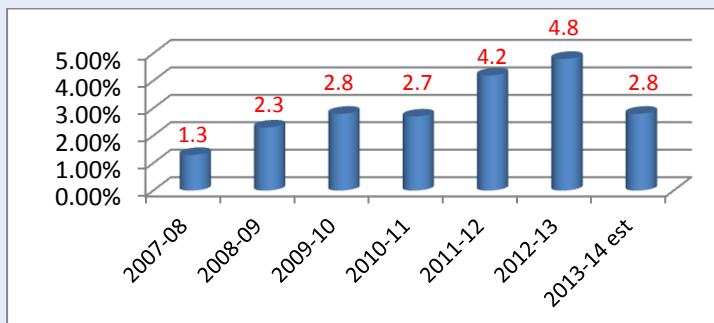
- Last 5 quarters have shown sub-5% expansion
- A sharp economic deceleration started in 2011 as stubbornly high inflation kept interest rates high for too long. This resulted in damaging consumer demand
- The slight dip in growth this quarter raises hopes that the worst may be over. But a sharp rebound seems misplaced. Achieving 5% growth overall for the year to March 2014 seems virtually impossible
- The decade-low economic growth will greatly influence General Elections results in May.

FISCAL DEFICIT AS % OF GDP : 2008 - 2014



- Through tough spending and subsidy cuts the fiscal deficit has been decisively taken below 5% of GDP
- The F.M. has stated that the forecast deficit of 4.8% of GDP will be a "red line" that will not be breached. This is to avert the potential downgrade of India's international credit status to "junk", from investment grade
- If downgraded, India would be the only BRIC economy to have "junk" status.

CURRENT ACCOUNT DEFICIT AS % OF GDP : 2008 - 2014



- The deficit to March 2013 touched a record high of 4.8% of GDP (-\$87.8bn), largely due to oil and gold imports. Foreign capital is crucial to fund the CAD
- Steps successfully taken to sharply reduce gold imports, increase exports and make some oil payments by swaps have sharply reduced the CAD
- The Government's forecast for the current fiscal year is under \$ 50 bn or -2.8% of GDP, which is an excellent result. And will help contain the threat of a possible downgrade of India's international credit status.



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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 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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