

Source: chart & following table: Bloomberg

Close: 9 May	Level	Index Pts Chg- Day	% Chg YTD	PE 2014/15	High	5 Year PE	
						Low	Avg
SENSEX 30	22,994	+ 650	+8.6%	15.3x	25.6x	9.1x	17.2x
NIFTY 50	6,859	+ 199	+8.8%	15.2x	25.0x	9.0x	17.4x

BOMBAY - 9 MAY

INR ₹ / USD	\$1=	Rs59.96
INR ₹ / GBP	£1=	Rs101.03
INR ₹ / EUR	€1=	Rs82.49

The SENSEX and NIFTY touched all-time highs today. Blue chips rose as foreign investors continue to invest in India. A Modi win is viewed very positively by the investment and business community.

LONDON / NEW YORK : 9 MAY

Most GDRs/ADRs show double-digit gains. M&M leads with a +32% YTD, ICICI: +31%YTD. Software stocks still languish.

⇒ **Final phase of voting for national election to Lok Sabha, lower house of parliament - record high turnouts thus far.** The 5-week long, 10-stage election marathon involving 815 mn registered voters started on 7 April and ends on 12 May. Overall national results are due on 16 May. According to Election Commission (EC) data, states and union territories polled so far have registered a higher turnout compared to the last parliamentary election in 2009. In the first 8 phases, 66.2% of registered voters exercised their right to vote - compared with the previous record turnout of 64% in 1984-85. That campaign took Congress leader Rajiv Gandhi to power on a wave of sympathy after the assassination of his mother, then Prime Minister Indira Gandhi, by two of her bodyguards. This year's new record, with an expected overall turnout of c.65%, is largely due to increased participation. Of younger and first-time voters, as well as women. The EC has been targeting these demographic groups via an outreach campaign since the last general election. India has added over 23 mn registered voters in the 18-19 age group since 2009.

cyclical sectors are still trading well below their average valuations. In this case, there is still plenty of room for healthy upside should a longer economic upturn become more realistic. A stable and reforms focused new Government could be the trigger.

⇒ **Modi-led BJP and its allies (" the NDA") seen as favourites to come to power.** However, opinion polls have had mixed success in past Indian elections. It is unclear how the record high turnout will shape final results. The latest surveys point to the BJP-led NDA either just falling short or narrowly achieving the 272 seats required to secure a majority in the 543 seat house. Regional parties will likely play a key role in the formation of the government should Modi's alliance fail to secure a majority. Voters' main concerns are economic revival, job creation, high inflation and endemic corruption.

⇒ **April trade deficit narrowed by upswing in exports and sharp fall in gold imports - eases pressure on current account balance.** The deficit closed April at US\$10.09 bn. Exports rose 5.26% YoY to US\$25.63 bn, after a 3.15% fall in March, while imports fell 15% YoY to US\$35.72 bn. Gold imports fell 74.1% YoY in the first month of fiscal year 2014/15. The sharp drop may strengthen demand for an easing of restrictions. These were imposed by the government last year to help reduce the current account deficit (CAD) and ease pressure on the rupee. The BJP has pledged to ease the restrictions, saying they had led to increased smuggling. The CAD is estimated to fall to around US\$35 bn (c. 2.7% of GDP) in FY 2013/14 from a record c.US\$88 bn (4.8% of GDP) last year.

⇒ **Financial markets continue to react favourably to the expected outcome - share indices at new record highs.** Both the SENSEX and NIFTY closed at record highs today, on their biggest daily gains since September. Infrastructure, manufacturing and banking shares, perceived as winners from a Modi win, led the rally. The BJP alliance is seen by markets as being more investor - and business-friendly. Investors hope a Modi government will decisively break the log-jam that has plagued India's long-running reforms process, and push through policies needed to stimulate the economy. However, considering the wrong predictions of opinion polls in the 2004 and 2009 elections, some market players fear anything short of a decisive victory could spark the worst sell-off in years. This caution may be reflected in the fact that, despite the recent rally, most

⇒ **AirAsia India budget airline awarded operating permit.** The development paves the way for the carrier to launch domestic services. It will increase competition in a tough market where all operators, except market-leader IndiGo, are losing money. Pressure from high fuel prices, taxes and fees was offset somewhat by the grounding of cash-and-debt-strapped Kingfisher Airlines in October 2012. The new carrier is a 3-way venture between AirAsia (the Malaysia-based budget airline), India's Tata Group and Telestra Tradeplace investment company. Services had originally been expected to start in Q4 2013 but the permit was delayed by objections from an airline industry body and the BJP. The relaxation of rules to allow foreign carriers to buy up to 49% in an Indian airline came into effect in 2012. Since then, Abu Dhabi's Etihad has acquired a 24% stake in Jet Airways, India's 2nd biggest carrier by domestic market share. A JV between Singapore Airlines and the Tata Group to initiate a full-service airline in India is currently awaiting an operating permit. There are currently 5 national carriers in operation in India and one regional airline. The regulations allow new entrants to offer only domestic services; and international routes only being permitted once they have at least 5 aircraft and have clocked 5 years of operations. AirAsia India says it will focus on connecting under-utilised airports within India, instead of offering services to the country's main hubs Mumbai and New Delhi.

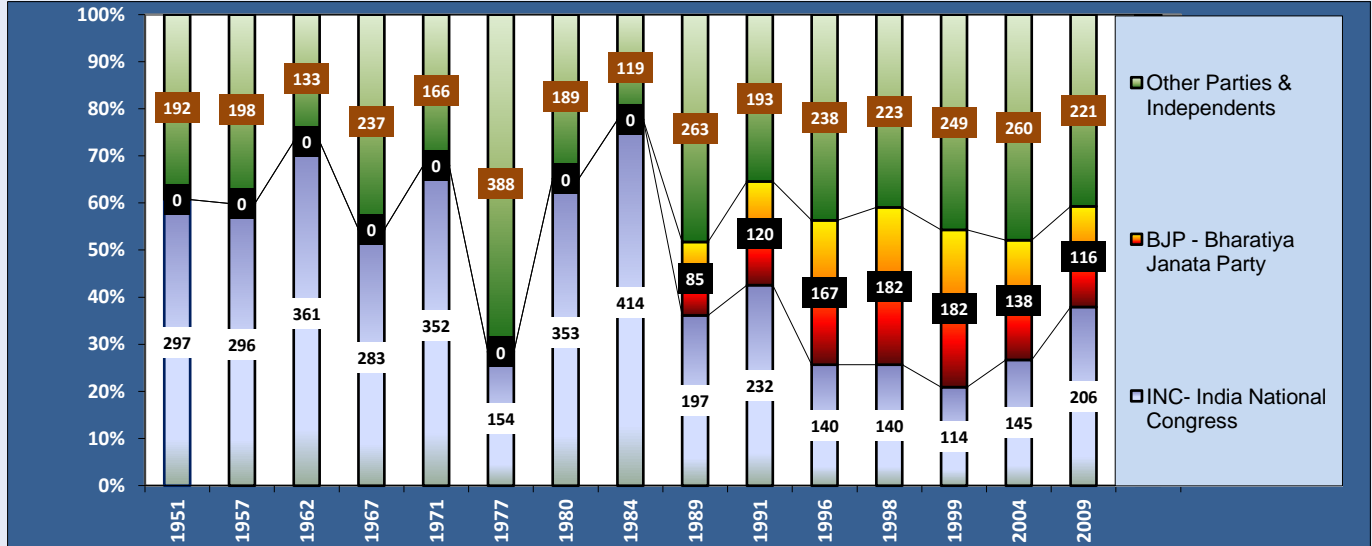


PAST INDIAN GENERAL ELECTIONS

Chart source : Election Commission of India

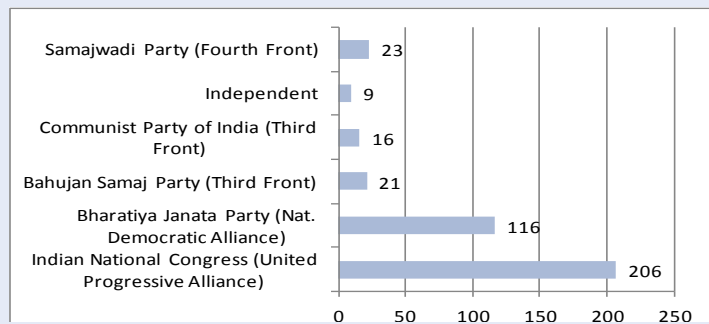
Comments : Lalcap, UK

BJP & CONGRESS PERFORMANCE IN LOK SABHA ELECTIONS 1951 - 2009 BY NUMBER OF SEATS



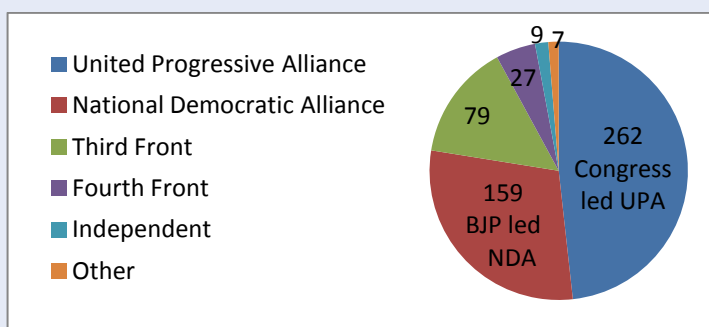
- Out of 543 seats contested in the Lok Sabha ("House of Commons") a party has to win at least 272 to have a simple majority to rule without the help of other parties. The strongest result was for Congress in 1984 - for Rajiv Gandhi in a wave of sympathy votes after his mother, Indira Gandhi, was assassinated by two of her bodyguards
- The Indian National Congress (INC or "Congress") was founded in 1885 - to seek independence from Britain
- After independence in 1947 Congress became the dominant political party. In the 15 General elections since independence in 1947 Congress won outright 6 times, led a coalition 4 times and has governed India for about 50 years
- The BJP was formed in 1980. It is now India's second largest political party in terms of seats in parliament and state assemblies. The BJP's roots lie in the Bharatiya Jana Sangh, formed in 1951. The BJP is widely regarded as the political wing of the RSS.

TOP 5 RANKING OF SEATS WON BY PARTIES (& ALLIANCES) IN 2009 GENERAL ELECTION



- 364 political parties fought for 543 seats in the Lok Sabha (Lower House or "House of the People). Many had their candidates losing their deposit
- The 2 main parties were the Congress and BJP. There are also 2 loose collections forming the "3rd Front" and "4th Front"
- MPs are elected under the plurality "first past the post" electoral system
- For 25 years, since 1989, coalition politics has become very much the landscape for Indian politics

% COMPOSITION OF GOVERNMENT BY ALLIANCES - 2009 GENERAL ELECTION



- In 2014 opinion polls suggest that BJP will win 240+ seats and with other parties in its alliance as the NDA will form government
- Opinion polls suggest that Congress could have its worst result ever in 2014 - with under 100 seats won
- Despite India's image as a rowdy democracy there has always been a peaceful transfer of power post elections



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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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