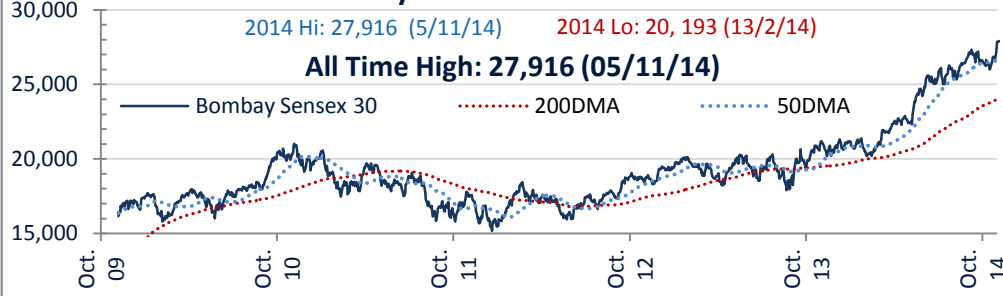




### Bombay Sensex 30 : 5 Year Chart



Source: chart & following table: Bloomberg

Close:	Index	PE	5 Year PE		
7 Nov 2014	Level	2014/15	High	Low	Avg
SENSEX 30	27,868	18.4x	25.6x	9.1x	17.2x
NIFTY 50	8,337	18.1x	25.0x	9.0x	17.4x

### BOMBAY : 7 NOV

INR ₹ / USD	\$1=	Rs61.50
INR ₹ / GBP	£1=	Rs97.63
INR ₹ / EUR	€1=	Rs76.59

The SENSEX closed virtually flat at the end of a week when new all-time highs were hit. Investors are enthused by ongoing announcements to kick-start the economy and make India an easier place to do business. Further gains are seen by the y/e.

### LONDON / NEW YORK : 7 NOV

Many GDRs/ADRs show double digit gains. Auto and banking stocks shine. IT shares continue to languish.

⇒ **Indian PM Narendra Modi, who came to power in May, has started to use the radio as a medium to reach out to the majority of the population.** About 65% of Indians live in rural areas. About 50% of the population does not have electricity, and hence do not own a personal TV. However, two-thirds of India's population of 1.2 bn listen regularly to the radio. PM Modi wants to communicate his vision of a modern India and the part that the people could take in this development, as the state cannot achieve everything on its own, through radio. Modi understands that he can reach out to far more people through radio than TV to mobilise support of his vision of change in India. His speeches are translated in 24 local languages for radio. Modi who is charismatic and a great orator wishes to connect directly with the people, rather than use newspaper and TV interviews to convey his messages to the nation. His radio talks have included "Munn ki Baat" which in Hindi means "Talking from the heart". He encourages people to keep the country clean so as to boost tourism, buy locally produced hand spun cloth like Mahatma Gandhi did and to help people with special needs. Tech savvy Modi, 64, also uses Facebook and Twitter where he has over 6 million followers. And thus bypass traditional media to convey his messages directly.

deficit target. And, crucially, to retain its investment grade status.

⇒ **Although no "big bang" reforms have been announced so far, PM Modi has been delivering on low hung fruit so far.** For example, cutting bureaucracy and simplifying procedures. The Government has taken some steps to making doing business in India easier, reduce red tape and cut some subsidies. However, Modi has not moved fast enough for investors and supporters on privatisations, tough reforms, welfare and tax reforms. The increase in FDI limit from 26% to 49% in the insurance sector is expected to be passed in the next session of parliament and certainly by the year-end. In a move to further instil discipline to cut costs Modi has forbidden senior bureaucrats the luxury of flying first class and to make them start paying for their spouse's air tickets. He has also barred meetings at five-star hotels, the purchase of cars for officials and a freeze on new hiring in Government departments.

⇒ **PM Modi is trying to deliver on a promise to cut the fiscal deficit to a 7-year low.** India's longest economic stagnation in 25 years has sharply reduced tax receipts, forcing the Government to prune public spending by about \$35 bn in the past 2 years to meet its fiscal

⇒ **At the India edition of the World Economic Forum earlier this week in New Delhi the Finance Minister, Arun Jaitley, said that structural reforms in India could only move forward slowly.** He was trying to manage expectations of foreign investors attending the Forum who are eager to see more "big bang reforms" that would accelerate economic growth in India to a higher trajectory sooner, rather than later. He indicated that he was satisfied with the initial start but that some big bang reforms could trigger political backlash which the new Government wishes to avoid at this stage as it could lead to a loss of direction and momentum on its agenda. Hence it is proceeding slowly, but safely, for now. The reason, it would seem, is that the BJP lacks a majority in the Upper House of Parliament even though it enjoys a majority in the Lower House. Next elections in the Upper House are in 2016 and the political game plan appears to be to appeal to masses, especially in states not controlled by the BJP. State election results determine the seats in the Upper House and a majority there is crucial to successfully pass the tougher reforms. Thus, PM Modi's move to use the radio as a medium to appeal directly to the masses makes strategic political sense.

⇒ **Mr Jaitley commented that "Reform is the art of the possible", while promising not to take decisions that may send negative signals to investors.** This was seen as a pointed reference to the missteps by the previous Government on introducing retrospective taxation ("Vodafone" case) which scared off foreign investors and sent markets tumbling. Also, a land acquisition law passed by the previous Government, and supported by Modi's Government while in opposition, substantially enhanced the compensation to farmers for their land. Strict rules on consensus by sellers to allow transfer of land have made it, in practice, difficult so far for industry to acquire land from farmers. While Jaitley supports the higher compensation he is keen to relax other barriers that thwart land purchases. At stake is the development of the manufacturing industry from its current circa 15% of GDP to 25% of GDP in a decade. And with it the creation of badly needed jobs that voters brought Modi into Government for. India will have the largest youth bulge in history of 200 million youngsters entering the job market in the next decade. Hence, the growth of manufacturing is deemed crucial.



## 2014 YTD PERFORMANCE OF ASIA PACIFIC/WESTERN EQUITY MARKETS IN LOCAL CURRENCY, US\$ &amp; GB£

- The table below shows 2014 returns in local currency and also currency adjusted returns in US\$ and GB£;
- Emerging markets have reversed their position this year compared to last year when they lagged developed markets. There are some standouts in Asia - notably India, Pakistan and Sri Lanka, all of which booked solid gains in local currency and also adjusted for in US\$ and GB£;
- After a battering last year, India shines with a +32% gain in local currency and +33% in US\$ and +37% in GB£. Strong foreign inflows on hopes that an economic recovery is underway and that the new Government under PM Modi will help India achieve its economic potential contributes to new all-time highs being set for 5+ months now ;
- China show gains of double-digits. Brazil and Russia are virtually flat in local currency and show losses when converted into US\$ and GB£, especially Russia;
- In Asia - Pacific, many Asian markets show healthy gains in double-digits;
- Japan closed 2013 with a sparkling 57% gain but this year is up only 4% in local terms, and shows losses when converted into US\$ and GB£. In the rest of Asia there are a number of countries showing double-digit gains;
- In Western markets the US leads with + 11% on NASDAQ. Switzerland shows a respectable 8% gain. UK's FTSE 100 is down 3%, while Germany's DAX is also down 3% after sparkling performances in the last 2 years.

INDEX PERFORMANCE	Index at 7 Nov 2014	YTD 2014 %Chg	YTD 2014 %Chg	YTD 2014 %Chg
<b>ASIA PACIFIC</b>		<b>In local Currency</b>	<b>in US\$</b>	<b>in GB£</b>
S&P ASIA CME 50	3,570	- 1	- 1	+ 3
MSCI APEX 50	936	n/c	+ 1	+ 5
AUSTRALIA 200 INDEX	5,549	+ 4	+ 1	+ 5
CHINA SHANGHAI COMP	2,418	+ 14	+ 13	+ 17
CHINA SHENZHEN COMP	1,354	+ 28	+ 27	+ 31
HONG KONG HANG SENG	23,550	+ 1	+ 1	+ 6
INDIA NIFTY 50	8,337	+ 32	+ 33	+ 37
INDIA SENSEX 30	27,868	+ 32	+ 33	+ 37
INDONESIA JAKARTA COMP	4,987	+ 16	+ 17	+ 21
JAPAN NIKKEI 225	16,880	+ 4	- 5	- 1
MALAYSIA K.L. COMP.	1,824	- 2	- 4	n/c
PAKISTAN KSE 100	30,930	+ 22	+ 26	+ 31
PHILIPPINES PSEi	7,205	+ 22	+ 21	+ 26
SINGAPORE STI	3,286	+ 4	+ 2	+ 6
SRI LANKA ALL SHARE	7,416	+ 25	+ 25	+ 31
STH. KOREA KOSPI	1,940	- 4	- 7	- 2
TAIWAN TAIEX	8,913	+ 3	+ 1	+ 5
THAILAND SET INDEX	1,578	+ 21	+ 21	+ 25
VIETNAM STOCK INDEX	602	+ 19	+ 19	+ 24
<b>WESTERN</b>				
GERMANY DAX	9,291	- 3	- 12	- 8
SWITZERLAND SMI	8,817	+ 8	- 1	+ 4
UK FTSE 100	6,567	- 3	- 7	- 3
US D.J. IND	17,574	+ 6	+ 6	+ 10
USA NASDAQ	4,632	+ 11	+ 11	+ 15
BRAZIL BOVESPA	53,223	+ 3	- 5	- 1
RUSSIA MICEX 10	3,275	n/c	- 27	- 29

Source : Bloomberg



## 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
- Publishing the "India Report" which is an independent, objective and succinct macroeconomic analysis on India. The first report was authored by Deepak N. Lalwani on 6 March 1995 at the request of the Indian High Commission, London, for an investor meeting there. Since then 600+ reports have been published.

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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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](mailto:info@lalcap.com)

AUTHOR: Deepak N. Lalwani OBE, FCSI, FCCA

T:+44 (0)20 3519 0909

W: [lalcap.com](http://lalcap.com)

Director - India

E: [dl@lalcap.com](mailto:dl@lalcap.com)