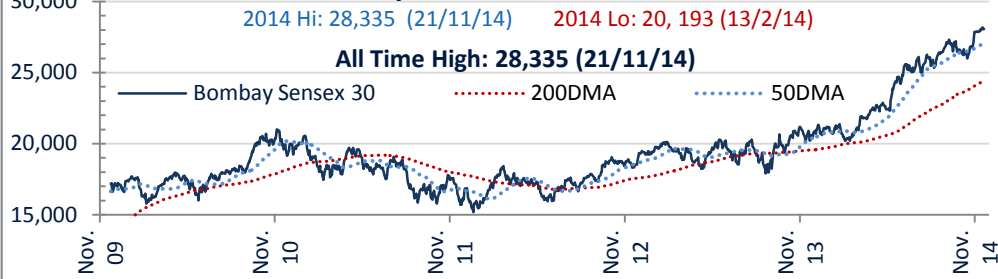




Bombay Sensex 30 : 5 Year Chart



Source: chart & following table: Bloomberg

Close: 21 Nov 2014	Index Level	Pts Chg- Day	% Chg YTD	PE 2014/15	High	5 Year PE	
						Low	Avg
SENSEX 30	28,335	+ 267	+33.9%	18.7x	25.6x	9.1x	17.2x
NIFTY 50	8,477	+ 75	+34.5%	18.4x	25.0x	9.0x	17.4x

BOMBAY - 21 NOV

INR ₹ / USD	\$1=	Rs61.76
INR ₹ / GBP	£1=	Rs96.68
INR ₹ / EUR	€1=	Rs76.51

The SENSEX closed +1% higher to close at yet another all-time high. Falling inflation has spurred hopes of interest rate cuts sooner than earlier expected. Our target of SENSEX 28,500 by 31 December has almost been reached, and may well be exceeded.

LONDON/NEW YORK - 21 NOV

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

⇒ **Falling inflation, at last, is fuelling hopes that interest rates may be cut sooner than H2 2015 as earlier forecast by many economists.** This optimism is also contributing, along with firmer global stock markets, to push India's SENSEX and NIFTY to new all-time highs. India's inflation dropped to a new multi-year low last month. Data released this week showed that the wholesale price index rose an annual 1.77% in October, its slowest since September 2009. The consumer price inflation, which is used to set policy interest rates, dropped to 5.52%, below the 6% target set by the Central Bank for January 2016. There is increasing pressure now on the RBI to reduce interest rates sooner than later. However, it has resisted cutting rates on worries of price pressures resuming once a favourable base effect fades out. And that food prices may spike up again after recent poor monsoons.

⇒ **The RBI meets next on 2 December to review monetary policy, having kept its key interest rate (repo rate) unchanged at 8.0% since January.** India has the highest interest rates among major economies in Asia. Businessmen have been clamouring for many months for a cut in interest rates to stimulate consumer demand that accounts for about 57% of India's GDP. Consumer output, a proxy for consumer demand has grown in only 2 out of the last 21 months. It fell an annual 4% in September. A cut in interest rates, with would hopefully set a trend for more cuts, is the crucial signal that businessmen are looking for to commit wholeheartedly to their capex plans. That, in turn, will provide a boost to economic growth as expansion in the economy begins. Bond traders in India are betting on one of the biggest reductions among major emerging markets once the cycle of rate cutting starts. Our view is that interest rates will be kept on hold on 2 December, but there are increased chances of a cut around the annual Budget in late February 2015.

⇒ **Foreign investor sentiment was given a boost by the latest verdict against the Indian tax department that has hawkishly been pressing tax claims against foreign firms in India.** The Indian unit of Royal Dutch Shell challenged the tax office in early 2013 over the largest ever claim in an Indian tax case over transfer pricing. Transfer price is the value at which companies trade products, services or assets between their units in different

countries, and is a very common way of doing business for a multinational. But, which tax authorities globally fear is exploited by the tax payer to underpay taxes. The Bombay High Court favoured Shell India on the grounds that the issuance of shares by an Indian company to its foreign parent was not taxable under the transfer pricing provisions. It is not known whether the Indian tax department will appeal against the decision to a higher court. Critics of the tax department blame the pressure on tax offices to raise revenue through aggressive and unfair means. Indian media suggests that increased revenue targets have been set on tax departments to alleviate the fiscal deficit. Other major multinationals fighting transfer pricing cases in India include IBM and Nokia Oyj.

⇒ **Last month an Indian court ruled in favour of one of the ongoing tax disputes that UK's Vodafone, the biggest investor in India, is having.** The company's various tax battles have been seen as being symbolic of the deep frustrations facing some foreign investors in India. Vodafone's treatment, seen by many foreign investors as Indian tax authorities being unfair and heavy-handed, has fuelled much debate about India's unpredictable rules and regulations or "policy flip-flops". Vodafone in October 2014 won a \$490 million tax case on transfer pricing. Will greatly help foreign investor sentiment.

⇒ **Separately, Vodafone is still contesting a tax demand by Indian tax authorities of more than \$ 2 billion over its acquisition of Indian mobile operations in 2007 from Hutchinson Whampoa.** The potential of Indian markets has continued to attract Vodafone. It spent \$ 1.7 billion this year to fully own its main Indian unit, Vodafone India Ltd, which is India's second largest mobile phone company. Vodafone India also spent \$ 3 billion in February 2014 to buy radio air waves from the government. Over the last six quarters, the Indian telecom industry has benefitted from reduced competition. This has allowed operators to raise effective call rates by reducing free minutes on calls, apart from increasing usage of data services, amid a surge in smartphone sales. India is the biggest data user in Vodafone's portfolio of global companies. Data services revenue growth is surging in India and is poised to be a big growth driver in future.

**GDR PRICES (US\$) LONDON – 21 Nov 2014 at 15:30**

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
L&T	\$27.07	+ 51%	Rel. Inds	\$32.21	+ 11%
M&M	\$20.44	+ 47%	SBI	\$99.90	+ 75%
Ranbaxy	\$ 9.88	+ 34%	Tata Steel	\$ 7.57	+ 10%

Source : Thomson Reuters

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

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Dr. Reddy	\$ 57.56	+ 41 %	Infosys	\$67.85	+ 20%
HDFC Bank	\$ 53.60	+ 56%	Tata Motor	\$47.54	+ 54%
ICICI Bank	\$ 59.99	+ 62%	WIPRO	\$ 12.51	- 1%

Source : Thomson Reuters

AIM (LONDON): in GB p unless stated otherwise – 21 Nov 2014 at 16:30

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Caparo (now Mytrah)	79	+ 1%	Indus Gas	270	- 70%
DQE	10	- 66%	IEnergizer	55	- 75%
Greenko	148	- 13%	OPG Power	100	+ 71%
			SKIL Ports	43	- 40 %

Source : Thomson Reuters

OTHER : in GB p unless stated otherwise – 21 Nov 2014 at 16:30

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Essar Energy	de-listed		Collective Funds		
Vedanta Resources	810	- 14%	London:		
			Aberdeen New India	316	+ 52%
			JP Morgan India	525	+ 58%
			New York:		
			MS India	\$26.99	+ 54%
			The India Fund	\$28.69	+ 43%

Source : Thomson Reuters



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 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.

DISCLAIMER

This report is solely for knowledge purposes and does not constitute investment advice and should not be construed as an advertisement, solicitation, invitation or inducement to buy or sell securities in any jurisdiction. Lalcap Ltd does not offer a share dealing service. Readers should make their own investment decisions or seek appropriate professional advice. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation to lead to or enable any transaction. The past is not necessarily a guide to future performance. The value of securities and the income arising from them can fall as well as rise and investors may get back less than they originally invested. The information contained here has been obtained from sources which Lalcap Ltd believes to be reliable. The Company does not warrant that such information is accurate or complete. All estimates and prospective figures quoted are forecasts and not guaranteed. Opinions included in this report reflect the Company's judgement at the time of presentation and are subject to change without notice. If the investment(s) mentioned in this report are denominated in a currency different from the currency of the country in which the reader is a resident, the recipient should be aware that fluctuations in exchange rates may have an adverse effect on the value of the investment(s). If you are in or have inadvertently or indirectly received this report within a jurisdiction where the contents may be regarded by local securities exchange authorities as regulated information or investment advice, you should delete the report immediately and inform Lalcap of receipt. The company is not responsible for the suitability of any securities for any purpose, investment or otherwise. Lalcap assumes no fiduciary responsibility or liability for any consequences financial or otherwise arising from trading in securities if opinions and information in this document are relied upon. Full disclaimer available on website at www.lalcap.com Published by / copyright : LALCAP, 2014

Lalcap Ltd is an Appointed Representative of First International Group PLC which is authorised and regulated by the Financial Conduct Authority

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

AUTHOR: Deepak N. Lalwani OBE, FCSI, FCCA

T: +44 (0)20 3519 0909

W: lalcap.com

Director - India

E: dl@lalcap.com



21 November 2014

INDIA REPORT



LALCAP
