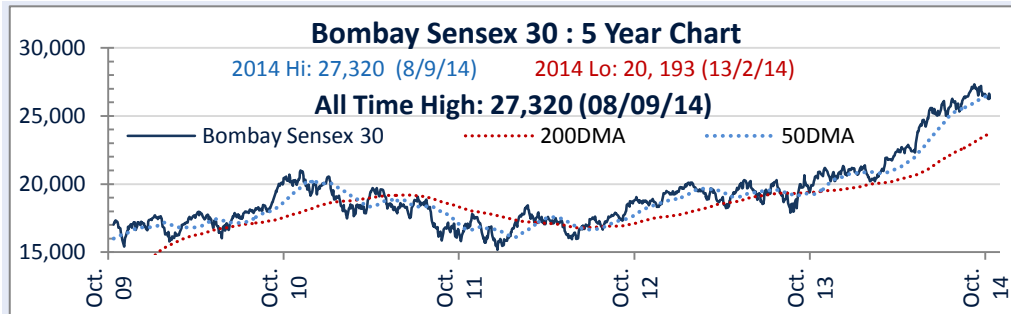




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14 October 2014



BOMBAY - 14 OCT

INR ₹ / USD	\$1=	Rs61.39
INR ₹ / GBP	£1=	Rs97.75
INR ₹ / EUR	€1=	Rs77.68

The SENSEX fell 0.1%. Reliance rose after better-than-expected earnings, while banks rose on good inflation data. DLF, India's biggest property company, plunged 28% as SEBI banned it from fresh capital raising.

LONDON / NEW YORK : 14 OCT

Many GDRs/ADRs show double-digit gains YTD: M&M leads : +50%. WIPRO stands out as the only loser: -4% YTD.

Close:	Index	PE	5 Year PE				
14 Oct	Level	Pts Chg- Day	% Chg YTD	2014/15	High	Low	Avg
SENSEX 30	26,349	-35	+24.5%	15.3x	25.6x	9.1x	17.2x
NIFTY 50	7,864	-20	+24.7%	14.8x	25.0x	9.0x	17.4x

⇒ **Good news on the inflation front, and potentially even better news for interest rates to possibly come down earlier than expected and help kick-start the economy.** India's Consumer Price Inflation (CPI) eased for the second consecutive month in September to touch 6.46% YoY vs 7.73% in August. This is the lowest level since the Government started releasing the data in 2012. Slowing food inflation and a favourable statistical base helped. Because stubbornly high inflation over many months has hitherto kept interest rates high the latest inflation readings make encouraging news. However, the risks of price shocks on food items from a poor monsoon, and a spike in oil prices will make the RBI cautious about cutting interest rates too soon. A rate cut this year looks improbable. The economy will get the boost it so badly needs when interest rates are finally cut and consumer demand is revived. A lower trend in inflation is also needed to give businesses confidence that interest rates will be lowered in the coming months - and help kick-start the capital expenditure ("capex") cycle.

⇒ **It has been five months since PM Modi was swept to power on high expectations of raising economic growth, creating jobs, ushering "big bang" reforms, greatly reducing corruption and making doing business in India much easier.** However, to-date, there have been no major reforms like reducing price controls in diesel, changes in goods and services taxes or land acquisition. The first big test of how well PM Modi is still perceived will be unveiled on the 19th by the results of two state elections. Voting begins in Haryana and Maharashtra tomorrow, with results on Sunday. Maharashtra is the one to watch and local polls predict a BJP win by a slim margin - 145 seats out of the 288 member state assembly. A win for the BJP in Maharashtra is important. Especially since the BJP took the bold step of ending a decades old alliance with the right wing regional party, Shiv Sena. The opposition Congress party, which has ruled Maharashtra with an ally for 15 years, is almost certain to be defeated by the same anti-incumbency sentiment that decimated it in the General Elections in May 2014. PM Modi, appreciating the high risks and high stakes involved in the Maharashtra state elections, has personally made nearly 30 campaign stops as he uses his powerful oratorical skills to win the public votes.

its appeal spreading and gaining momentum. Bombay, the financial hub of the country, is in Maharashtra. A BJP win in the state would make it easier for the party to push through reforms. The state has over 110 m people (about the combined population of the UK and Spain) across an area the size of Italy. It is the second largest state in India, both in area and population and the second most urbanised state with 45% of its people living in urban areas. With the highest GDP in the country it contributes 15% of India's industrial output and 40% of the country's national revenue. Bombay, the capital of the state, is India's main financial centre and home to the largest 2 stock exchanges in the country. A win in Maharashtra will also give the BJP more confidence to venture on its own without reliance on previous allies. This is important. Because state elections allot seats to the Rajya House (House of Lords or Upper House). The BJP lacks control there with only 56 seats compared to the Congress alliance's 90 seats. Next elections to the Rajya Sabha are due in 2016. A majority there will seal overall control for the BJP to ensure passage of tough reforms that need legislative clearance. Hence the high stakes of winning state elections.

⇒ **A new policy framework is being finalised for the renewable energy sector.** No timeline or details are currently available. However, Power, coal and renewable energy Minister, Piyush Goyal, told a audience of industrialists and business at a recent Economist India summit that the Government is expecting \$100 bn of investment in the renewable energy sector and about \$ 50-60 bn investment in power transmission and distribution in the next four years. These forecasts, in our view, seem ambitious. Especially given the past record. However, even if 70% of the target is reached it will help considerably to alleviate energy demands and contribute to badly needed expansion of the manufacturing sector. And, crucially, to create millions of jobs for the largest youth bulge the world will see of about 200m entering the job market in the next 10 years.

⇒ **A win for the BJP in Maharashtra would be symbolic for the BJP of**



HAPPY DIWALI FOR 23 OCTOBER

AND ALL GOOD WISHES FOR A

PROSPEROUS NEW YEAR

**GLOBAL FINANCIAL CENTRES INDEX (GFCI) 16 : SEPTEMBER 2014**

courtesy: Z/YEN, LONDON

Source : <http://www.zyen.com/>

Z/Yen has been producing the authoritative Global Financial Centres Index every 6 months since March 2007. Below is data from their latest GFCI Number 16 published in September 2014 which provides profiles, ratings and rankings for 83 financial centres.

TOP 25 GLOBAL FINANCIAL CENTRES:

Rank	City	Rank	City	Rank	City	Rank	City	Rank	City
1	New York	6	Tokyo	11	Toronto	16	Frankfurt	21	Riyadh
2	London	7	Zurich	12	Chicago	17	Dubai	22	Qatar
3	Hong Kong	8	Seoul	13	Geneva	18	Montreal	23	Sydney
4	Singapore	9	Boston	14	Vancouver	19	Abu Dhabi	24	Melbourne
5	San Francisco	10	Washington DC	15	Luxembourg	20	Shanghai	25	Shenzhen

1. New York, London, Hong Kong and Singapore remain the top four centres, with London behind New York by only 1 point at 2nd place.

London remains just behind New York due to uncertainty over the UK's position in Europe, regulatory creep and the UK appearing to be less welcoming to foreigners all being contributing factors. Hong Kong and Singapore remain unchanged in the ranking. San Francisco overtakes Zurich and Tokyo. This reflects the rising competitiveness for top rankings.

2. N. America loses its top place of having most cities in the top 25. Asia-Pacific has caught up with N. America to also have 8 cities in the top 25. Europe has 5 (from 7 cities only 6 months ago). Dubai (17), Abu Dhabi (19) Riyadh (21) and Qatar (22) all join the top 25.

3. Asia with 4 centres continues to be ahead of Europe (2 centres) in the Top 10.

4. Among BRIC countries India has moved up sharply (to 61 from 76) and is no longer last. Moscow has taken that position. Bombay does not feature in the ten centres likely to become more significant in the near future and does not rank in the top 10 Asia/Pacific centres. This is worrying considering the gains made by other Asian/ Middle Eastern centres

5. Taipei saw the biggest climb in the ranking, 28 places to 27th, while Wellington had the biggest fall, down 34 places to 73rd.

6. Rankings outside Top 25: Busan, S. Korea 28 (vs 27 last year); Paris 31 (36); Kuala Lumpur 41 (35); Glasgow 50 (74); Jersey 62 (41) ; Isle of Man 64 (51); Guernsey 67 (42); Mauritius 69 (63); Moscow 80 (73).

TOP 10 GLOBAL FINANCIAL CENTRES BY SUB-SECTORS:

RANK	Investment Management (incl Asset & Wealth Management/ Private Banking)	Banking	Government/ Regulatory	Insurance	Professional Services
1	New York	New York	London	New York	London
2	London	London	New York	London	New York
3	Hong Kong	Hong Kong	Hong Kong	Busan, S. Korea (New)	Hong Kong
4	Singapore	Singapore	Zurich	Singapore	Singapore
5	Tokyo	Seoul	Singapore	Hong Kong	Zurich
6	Zurich	Tokyo	Frankfurt	Seoul	Frankfurt
7	Boston	Shanghai	Tokyo	Zurich	Geneva
8	Frankfurt	Zurich	Geneva	Tokyo	Boston
9	Geneva	Frankfurt	Toronto	Chicago	Toronto
10	Toronto	Dubai	Seoul	Shanghai	Dubai

1. The top 6 cities (New York, London, Hong Kong, Singapore, Zurich and Tokyo) feature in Top Ten of all 5 sub-sectors listed above. Zurich stays ahead of Singapore in Government/Regulatory, while Geneva falls behind Singapore.

2. New York maintains its lead over London to be top in 3 out of the 5 sectors above. Dubai enters at 10th position in Banking.

3. Singapore and Hong Kong continue to be ahead of Zurich and Geneva in Investment Management (including Wealth Management and Private Banking). Dubai makes its debut in the top 10 by entering at 10th position in Banking.



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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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