



Source: chart & following table: Bloomberg

Close: 20 Oct 2014	Index Level	Pts Chg- Day	% Chg YTD	PE 2014/15	High	5 Year PE Low	Avg
SENSEX 30	26,430	+ 321	+24.8%	17.2x	25.6x	9.1x	17.2x
NIFTY 50	7,879	+ 100	+25.0%	16.9x	25.0x	9.0x	17.4x

BOMBAY - 20 OCT

INR ₹ / USD	\$1=	Rs61.20
INR ₹ / GBP	£1=	Rs98.71
INR ₹ / EUR	€1=	Rs78.20

The SENSEX closed +1.2% marking the highest daily closing in more than a month, after the BJP's win in 2 states and the government's energy reforms led to a rally in oil stocks. Firmness until Diwali is possible if global markets are stable.

LONDON/NEW YORK - 20 OCT

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

⇒ **Yesterday there were crucial wins for the BJP in two state elections.** PM Narendra Modi's BJP party is set to form government in Maharashtra and Haryana. Maharashtra, the second largest state in India by population and area, produced a hung assembly. Here, the BJP emerged as the largest party with 123 seats out of 288, but lacked an overall simple majority to rule on its own. But, with an ally the BJP can form government in this state and appoint a BJP Chief Minister. This would bring to an end Congress rule of 15 years in the state because the party only won 42 out of the 288 seats. This continues the rout it faced at general elections in May this year.

⇒ **In the smaller northern state of Haryana the BJP won a simple majority and will form government on its own.** Here again, Congress which ruled this state for the last 10 years was soundly defeated. The next state elections in India are in early 2015 in Jharkhand and also Jammu & Kashmir. A crucial state election is towards the end of 2015 in Bihar state where the BJP is very keen to wrest power from the ruling JD(U) party.

⇒ **So why have the latest state election results been so important for the BJP and the Indian economy that PM Modi, a gifted orator, personally took interest and campaigned hard for the party?** State elections determine seat share in the Rajya Sabha (upper house of parliament), where the BJP and its allies currently lack a majority. And hence cannot push through tough reforms. This in a way explains why there have been no "big bang" reforms as yet. It appears that Modi's tactics from now until 2016 are to put a BJP government in as many states as possible so that it may be able to have a majority, even without allies. Then it can pass even the toughest reforms which need legislative clearance. And, in turn, help lift the economy to a higher trajectory and create badly needed jobs. That would also help to win the general elections, next due in 2019.

⇒ **The recent wins have also emboldened Modi to shake up his economic team, replacing the top civil servant at the finance ministry and bringing in US-based economist Arvind Subramanian as his chief economic advisor.** A strong signal to the

markets was given on Saturday after exit polls showed a good outcome for the BJP. Diesel prices were scrapped and the cost of natural gas was raised. There is also talk of the cabinet being expanded to relieve pressure on heavyweights like Arun Jaitely who holds both finance and defence portfolios. Today there was further news on divestment of 5% of oil major, ONGC. This will help raise funds to contain the fiscal deficit.

⇒ **Although "big bang" reforms have not taken place so far, PM Modi has been concentrating on delivering on "low hanging" fruit by cleaning up bureaucracy and trying to make doing business easier in India.** In the November session of Parliament nearly 300 outdated laws are set to be scrapped in the largest ever cull of rules of law that make India a difficult place to do business. Many of these old laws were enacted in the 19th century under British rule. Previous Indian governments, after the Country gained independence in 1947 from British rule, have failed to repeal these laws either due to lack of will or from objections from government departments for vested interests. For example, to be removed is a 1838 law that says that property in an area of Calcutta, the former imperial capital of India, can only be sold to the East India Company from which the British Empire was built on. The EIC ceased to exist about 150 years ago. Another absurd law says that flying kites or balloons without police permission is illegal across India as they are classified as an "aircraft" under a 1934 act. But no one pays attention to this and most would be shocked to know that flying kites in India is illegal. Even after the 287 laws are scrapped in November, there will still remain hundreds of clauses within other laws and many thousands of regulations that are considered absurd and non-relevant in running a business in modern-day India. The Law Ministry is looking into this as well. Such laws also provide means for some unethical bureaucrats to extract money from average innocent citizens. PM Modi is determined to make doing business in India more easy and for the country to sharply move up in ranking to around 50 from its current 134th position out of 189 countries according to the World bank's ease of doing business. That should help attract foreign investment.

**GDR PRICES (US\$) LONDON – 20 Oct 2014 at 15:30**

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
L&T	\$24.34	+ 36%	Rel. Inds	\$30.35	+ 4%
M&M	\$20.52	+ 47%	SBI	\$83.50	+ 46%
Ranbaxy	\$ 9.59	+ 30%	Tata Steel	\$ 7.28	+ 5%

Source : Thomson Reuters

ADR OFFER PRICES (US\$) NEW YORK – 20 Oct 2014 at 16:00

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Dr. Reddy	\$ 48.74	+ 19 %	Infosys	\$62.01	+ 10%
HDFC Bank	\$ 49.86	+ 45%	Tata Motor	\$43.35	+ 41%
ICICI Bank	\$ 53.36	+ 44%	WIPRO	\$ 11.73	- 7%

Source : Thomson Reuters

AIM (LONDON): in GB p unless stated otherwise – 20 Oct 2014 at 16:15

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Caparo (now Mytrah)	79	+ 1%	Indus Gas	312	- 65%
DQE	10	- 66%	IEnergizer	64	- 70%
Greenko	133	- 22%	OPG Power	100	+ 71%
			SKIL Ports	45	- 38 %

Source : Thomson Reuters

OTHER : in GB p unless stated otherwise – 20 Oct 2014 at 16:30

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Essar Energy	de-listed		<u>Collective Funds</u>		
Vedanta Resources	804	- 14%	<u>London:</u>		
			Aberdeen New India	279	+ 35%
			JP Morgan India	437	+ 32%
			<u>New York:</u>		
			MS India	\$24.07	+ 38%
			The India Fund	\$26.09	+ 31%

Source : Thomson Reuters

**23 OCTOBER: HAPPY DIWALI AND ALL GOOD WISHES FOR A PROSPEROUS NEW YEAR**

A short background on Diwali ("the festival of lights" which is the Hindu New Year), on October 23 this year (follows the lunar calendar):

This is part of Hindu mythology and Diwali symbolises the conquest of good over evil, the triumph of light over darkness, and the victory of knowledge over ignorance.

Ravana, who had ten arms and ten heads, was the wicked king of the island of Lanka. He kidnapped the wife of Lord Rama.

After a great battle, Rama killed the demon and rescued his wife, Sita.

Rama's return with his wife, Sita, and his subsequent coronation as King is celebrated as Diwali. The people of the kingdom put little lamps (called "deepaks") outside their houses so that the new King and Queen could find their way home. Thus the beginning of the tradition of the festival of lights.

Hence, Diwali symbolises the conquest of good over evil, the triumph of light over darkness, and the victory of knowledge over ignorance. It is the start of the Hindu New Year and is celebrated as a family event.

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