



Source: chart & following table: Bloomberg

Close: 13 Feb	Level	Index Pts Chg- Day	% Chg YTD	PE 2015/16	Avg	5 Year PE High Low	
SENSEX 30	29,095	+290	+5.8%	17.0x	17.7x	24.3x	13.9x
NIFTY 50	8,805	+94	+6.3%	16.9x	17.4x	23.8x	13.6x

BOMBAY - 13 FEB

INR ₹ / USD	\$1=	Rs62.07
INR ₹ / GBP	£1=	Rs95.59
INR ₹ / EUR	€1=	Rs70.65

The SENSEX rose 1% as investors shrugged off the defeat of the BJP in Delhi. No increase in bad loans in the last quarter for banks was treated positively. Focus has also shifted to the Budget due on 28 February.

LONDON / NEW YORK : 13 FEB

Many GDRs/ADRs show double-digit gains YTD. Whereas many AIM listed shares show double digit losses.

⇒ **PM Modi's BJP party faced a reality check on its popularity.** Many question if the honeymoon period for Modi is over. In state assembly election results in Delhi the BJP faced the biggest defeat any ruling party has suffered in decades. The Aam Aadmi party ("AAP" or Common man's Party) won a landslide victory with a stunning 96% of seats (67 out of 70). This is the highest ever for any party in the capital. The BJP won only 4% (3 out of 70). The main national challenger to the BJP, the Congress party, failed to win even one seat. Congress had ruled Delhi for 15 years until 2014. Not winning a single seat signals how much further the Gandhi dynasty has fallen since the last general elections. There it won only around 8% of seats in the Lok Sabha (lower house of parliament). To be classified as the official Opposition party it had to win at least 10% of the seats. The Congress party dominated politics in India for the longest period since independence in 1947.

⇒ **The AAP is led by soft-spoken Arvind Kejriwal, a former tax inspector.** He was campaigning on a platform of pro-poor policies and anti-corruption, with clean governance as his mantra. He has promised to protect women in the crime-ridden capital and to make drinking water and power supply more widely available to the common man. The BJP is seen as a party of traders and big business. Its chief minister candidate and former policewoman, Kiran Bedi, lost her seat. The total wipe-out faced by Congress conveys the mood of the people against it.

⇒ **So, how significant are these state election results, which are after all are regional?** Delhi is a small state in area and has 16m+ people. In electoral terms this does not make it significant. But it is high profile. It is the capital of India, where the seat of government resides. However dressed up, such a comprehensive rout in the capital is a blow to the BJP's image. Of widespread popularity and seeming invincibility following its landslide victory at general elections only last May. Kejriwal's rise to power does not immediately pose a threat to Modi. The AAP has little presence outside Delhi and won only 4 seats out of 543 at the May 2014 general elections. But Kejriwal's stunning victory has rekindled hopes in regional leaders who are bitterly opposed to Modi, and are preparing for state elections in the next 24 months. Bihar, the second most populous state, has assembly elections later this year. Winning power in Indian states is crucial to control in the upper

house where Modi's BJP party lacks a majority. It continues to face obstacles in pushing through economic reforms there.

⇒ **PM Modi's rivals say that the Delhi results are a warning against partisan politics of hardliners in his Hindu nationalist party.** Who have been emboldened after the BJP party swept to power in the general elections last year. Modi's critics say that he is not doing enough to rein them and affiliate groups who have been clashing with Muslim and Christian groups over religious conversions. Even US President Obama warned during his official visit to India last month that the country could only realise its full potential if it practiced religious tolerance.

⇒ **Financial markets shrugged off the battering the BJP faced in Delhi.** And instead pursued the thinking that Finance Minister Arun Jaitley will now have to deliver an even more "business friendly" budget to regain popularity. Maintaining fiscal consolidation, giving strong policy signals on reforms and lifting economic growth are the major signals expected. The SENSEX, which fell last week anticipating defeat in Delhi for the BJP, rose for four consecutive days this week. It rose about 800 points this week to regain 29,000.

⇒ **India's economic growth last quarter overtook China's growth in its latest quarter.** After Indian statisticians changed the way they measure India's economy, the latest quarterly growth for October - December 2014 was +7.5% (vs +5.7% in the previous quarter). This is higher than China's growth of 7.3% in its latest quarter. New Delhi also revised up growth for the first half of fiscal year 2014/15 (to 31 March 2015) to 7.4% from a revised 6.9% a year earlier. The new estimate is sharply higher than the Central Bank's projection of +5.5% using the old method. India now measures GDP by market prices instead of factor cost to take into account gross value additions in goods and services as well as indirect taxes. The base year has been shifted to 2011/12 from 2004/05 earlier. However, many economists, and commentators like ourselves, are confounded by the higher GDP growth reading of 7.5% for the latest quarter. This is because leading indicators such as industrial production, trade and tax collection figures suggest that the economy has not really begun to motor along as fast as growth of 7.5% suggests. The IMF last month predicted that in 2016 India (+6.5% using old method) would overtake China (+6.3%) as the fastest growing major economy.



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EXCHANGE RATE OF THE INDIAN RUPEE VIS-A-VIS US\$, GB£, DM/EURO & JAPANESE YEN FINANCIAL YEAR TO 31 MARCH : ANNUAL AVERAGE & FINANCIAL YEAR END RATES

Source: Reserve Bank of India (Central Bank)

Year	US Dollar		Pound Sterling		Deutsche Mark/Euro		Japanese Yen	
	Average	End-year	Average	End-year	Average	End-year	Average	End-year
1980-81	7.9092	8.1900	18.5042	18.3800	4.1875	3.9000	3.7500	3.9000
1981-82	8.9683	9.3460	17.1096	16.6520	3.8607	3.8710	3.9400	3.8000
1982-83	9.6660	9.9700	16.1356	14.7460	3.9600	4.1090	3.8900	4.2000
1983-84	10.3400	10.7070	15.4174	15.4460	3.9402	4.1340	4.3800	4.8000
1984-85	11.8886	12.4300	14.8668	15.4500	3.9877	4.0190	4.8700	4.9000
1985-86	12.2349	12.3061	16.8467	18.2500	4.5553	5.3020	5.6200	6.8000
1986-87	12.7782	12.8882	19.0722	20.7490	6.2970	7.1620	8.0200	8.9000
1987-88	12.9658	13.0318	22.0872	24.3510	7.4004	7.8070	9.4100	10.3000
1988-89	14.4817	15.6630	25.5959	26.3990	8.0494	8.2590	11.3000	11.8000
1989-90	16.6492	17.3248	26.9179	28.3010	9.0922	10.1670	11.6600	11.0000
1990-91	17.9428	19.6429	33.1930	34.0500	11.4351	11.4270	12.7900	13.9000
1991-92	24.4737	31.2256	42.5151	53.6913	14.6248	18.3501	18.4400	23.2800
1992-93	30.6488	31.2354	51.6858	46.6200	19.5877	19.2864	24.5900	26.9900
1993-94	31.3655	31.3725	47.2064	46.5200	18.7403	18.7575	29.1100	35.5200
1994-95	31.3986	31.4950	48.8211	50.5650	20.2017	22.3600	31.6341	35.2888
1995-96	33.4498	34.3500	52.3526	52.4300	23.3993	23.3038	34.8425	32.2975
1996-97	35.4999	35.9150	56.3646	58.6938	22.9244	21.3863	31.5879	28.9463
1997-98	37.1648	39.4950	61.0240	66.1638	20.9613	21.3350	30.2990	29.7813
1998-99	42.0706	42.4350	69.5505	68.3588	24.1792	23.2863	33.1341	35.3263
1999-00	43.3327	43.6050	69.8510	69.5100	44.7909	41.7975	39.0606	41.4825
2000-01	45.6844	46.6400	67.5522	66.5788	41.4832	41.0113	41.4052	37.4338
2001-02	47.6919	48.8000	68.3189	69.5863	42.1811	42.6438	38.1790	36.8063
2002-03	48.3953	47.5050	74.8193	74.9225	48.0901	51.4925	39.7363	39.8925
2003-04	45.9516	43.4450	77.7389	79.6813	53.9896	53.1725	40.7077	41.6725
2004-05	44.9315	43.7550	82.8644	82.1125	56.5523	56.5863	41.8046	40.8075
2005-06	44.2735	44.6050	79.0472	77.7963	53.9124	54.1875	39.1438	38.0188
2006-07	45.2849	43.5950	85.7274	85.5938	58.1110	58.1513	38.7975	37.0338
2007-08	40.2410	39.9850	80.8016	79.5138	56.9906	63.0963	35.2896	40.0650
2008-09	45.9170	50.9450	78.4485	72.8575	65.1345	67.4713	46.0521	51.8900
2009-10	47.4166	45.1350	75.8861	68.0188	67.0843	60.5913	51.1261	48.4338
2010-11	45.5768	44.6450	70.8853	71.9163	60.2181	63.2350	53.2963	54.0175
2011-12	47.9229	51.1600	76.3912	81.7975	65.8939	68.3550	60.7484	62.4250
2012-13	54.4091	54.3893	85.9713	82.3209	70.0693	69.5438	65.8530	57.7600
2013-14	60.5019	60.0998	96.3058	99.8498	81.1745	82.5765	60.4026	58.8300

In the 6 years to 31 March 2014 the Rupee has fallen 50% against the US\$, 26% against the GB£, and 31% against the Euro.

Note : 1. Exchange rate for JPY is per 100 Yen. 2. The YE rate for 1998-99 pertains to March 26, 1999 of Deutsche Mark rate. 3. Data from 1971 to 1991-92 based on official exchange rates. 4. Data from 1992-93 onwards based on FEDAI (Foreign Exchange Dealers' Association of India) indicative rates. 5. Data from 1971 to 1972-73 for the DM and the JPY Yen are cross rates with the US Dollar. 6. The Euro replaced the Deutsche Mark w.e.f. January 1, 1999.



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6 MARCH 2015 EVENT : **LONDON BUSINESS SCHOOL'S "INDIA BUSINESS FORUM" (IBF)**

(10AM-6PM)

CHURCH HOUSE CONFERENCE CENTRE, DEAN'S YARD

NEXT TO WESTMINSTER ABBEY, LONDON SW1P 3NZ

India Business Forum is the annual flagship conference of the LBS India Club. The theme for 2015 is "Indiapreneurship", combining **India and Entrepreneurship**. The event will bring alive many stories of entrepreneurship in India, its evolution over the last 2 to 3 decades and its way forward in the years to come. Keynotes from some very eminent entrepreneurs, including:

- Dr. Preetha Reddy (MD, Apollo Hospitals) – Heads one of Asia's largest Healthcare providers
- Mr. Kishore Lulla (Exec Chairman, EROS) – Largely responsible for bringing the Bollywood Industry to the world
- Mr. Rana Kapoor (Founder, CEO - Yes Bank) - A Professional Banker who chose the entrepreneurial path

The line-up also includes a very accomplished set of panellists, from diverse industry backgrounds. Some of the organisations they represent include - Dharma Life, Shell Foundation and 500 Startups. Eminent members of LBS Faculty – Professors Birkinshaw, Chandy & Ramdas - will also feature on the speakers roster at IBF 2015.

Please contact the organisers **directly** for tickets: http://clubs.london.edu/India/rsvp?club_url2=India&id=23051

Website: www.indiabusinessforum.co.uk

Contact: Muthu Murugappan, IBF Co Chair 2015 : mmurugappan.mba2015@london.edu

Lalcap supports The LBS India Club and this event.

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