



Source: chart & following table: Bloomberg

Close: 20Feb 2015	Index			PE		5 Year PE	
	Level	Pts Chg- Day	% Chg YTD	2015/16	Avg	High	Low
SENSEX 30	29,231	-231	+6.3%	16.8x	17.7x	24.3x	13.9x
NIFTY 50	8,834	-62	+6.7%	16.8x	17.4x	23.8x	13.6x

### BOMBAY : 20 FEB

INR / USD	\$1=	Rs62.10
INR / GBP	£1=	Rs95.61
INR/ EUR	€1=	Rs70.66

The SENSEX closed 0.8% lower as profit-taking set in after a rally which brought the index back over 29,000. All eyes are on the budget next Saturday. Past history shows that markets rise in the run-up to a first budget by a new government.

### LONDON / NEW YORK : 20 FEB

GDRs/ADRs are generally higher YTD. WIPRO leads: +22% with Tata Motors, HDFC and Infosys all up 17% YTD. Some Indian shares on AIM show heavy losses.

- ⇒ **The much-anticipated annual budget is to be unveiled on Saturday 28<sup>th</sup>.** A “business and investor friendly” budget is expected, with signals of concrete policies to spur economic growth. After the BJP’s recent drubbing in the recent Delhi state elections, positive announcements are anticipated. To maintain fiscal prudence, clarity on taxes, moves to making business easier to do in India and tax breaks to boost manufacturing industry. India’s share markets will open for regular trading hours on next Saturday. Stock broking firms requested for markets to remain open on budget day, as trading volumes typically surge on announcements of specific initiatives for individual sectors.
- ⇒ **India is a key focus market for Mizuho Bank in Asia.** The bank received approval for its fifth Indian branch in Gujarat state and its local headquarters in Bombay have moved to larger premises. Sumitomo Mitsui Banking Corp plans to increase project finance, especially in power and roads. MUFJ, with a 22% stake in Morgan Stanley of the US, plans to expand its business by financing an expected surge of foreign acquisitions by Indian firms. MUFJ is Japan’s largest financial group and the world’s second largest bank. It has shot up in the table of Indian syndicated loan arrangers from 13th in 2013 to 5th in 2014. They are now ahead of Deutsche Bank, Citigroup, Standard Chartered Bank and RBS.
- ⇒ **Japanese banks plan to deepen and broaden their footprint in India.** They are betting aggressively that economic growth will revive, that foreign investments into the country will increase to improve India’s creaky infrastructure and that manufacturing capacity will be given a substantial boost following PM Modi’s flagship initiative to “Make in India”. Japanese banks see an opportunity in India to expand in a sector dominated by inefficient state-owned banks. Foreign lenders control only about 6% of total banking assets. By contrast, foreign banks control nearly 30% of banking assets in Indonesia and over 20% in Brazil.
- ⇒ **PM Modi’s “Make in India” initiative was endorsed by a global manufacturing giant.** General Electric of the US inaugurated its 67-acre plant in Chakan, near the western city of Poona (which is close to Bombay). The new \$ 200m manufacturing facility will be an export hub, with plans to send half of its output to the company’s global factories. The new plant is GE’s first multi-purpose manufacturing facility in India and will produce a range of products, including aviation, rail and diesel engines. The company hopes to win increased domestic orders also.
- ⇒ **The National Association of Software and Services Companies (NASSCOM) expects India’s \$ 150 bn IT outsourcing sector to see export revenue growth of 12-14% in the next fiscal year which starts on 1 April 2015.** This compares with an estimated increase of 12% in the current fiscal year which will end on 31 March. The sector’s exports in 2015/16 are expected to touch \$ 112 bn, according to NASSCOM. The sector is worth \$ 150 bn in total after adding revenue generated from the domestic market. Future growth in the sector will be influenced by increasing demand from global companies for new high value services such as digital technology, mobile applications and cloud computing, according to NASSCOM. However, the export-driven outsourcing industry must focus on building a large pool of skilled workforce to avail of opportunities in the emerging high-end services segment, according to NASSCOM’s Chairman, R. Chandrasekaran. A shortage of qualified engineers to tap this segment poses a risk to the growth prospects of India’s showpiece IT sector. It accounts for about 10% of India’s GDP and employs roughly 3.5 m people who are mainly in the country. As much as 75% of outsourcing IT exports are to the US and Europe.
- ⇒ **After PM Modi came to power in May 2014, he made Japan his first major foreign visit.** The signal given was that India was ready to boost economic and political ties with Japan. In particular, Japan’s expertise and funding in infrastructure was eyed. At the 26 January 2014 Republic Day celebrations in India, where a foreign dignitary is invited as Chief Guest, PM Shinzo Abe was chosen because of the bilateral and other ties between the two countries. Japan, for many years, has been regarded as a good friend by India.
- ⇒ **The enthusiasm of Japanese banks for India is in sharp contrast to some European and US banks that are reluctant to increase their presence in India after being badly hit by India’s sharp economic slowdown in the last two fiscal years.** Last year India posted its weakest economic growth in 25 years and the economic slowdown hit a number of corporate clients. The economy has since revived, according to latest data, to growth of 7.5% in the last quarter to 31 December 2014. The Japanese government is actively supporting and promoting investments in India.



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## 2015 PERFORMANCE OF ASIA PACIFIC/WESTERN EQUITY MARKETS IN LOCAL CURRENCY, US\$ & GB£

- The table below shows 2015 YTD returns in local currency and also currency adjusted returns in US\$ and GB£;
- Asia has started the year well, with most markets showing respectable gains in local currency and also in US\$ and GB£;
- The best gains in the first 7 weeks of the year are from Philippines, India, Thailand and Vietnam. All show high single-digit gains in local currency and also when adjusted for in US\$ and GB£;
- India is very close to its all-time high. Expectations of a favourable budget for businesses and investors keep interest alive. Falling oil prices and inflation aids sentiment;
- After the Russian index ended 2014 -7% in local currency and a more dramatic -49% in US\$, the index has bounced back handsomely this year. It is up 30% in local currency and +23% in US\$ and + 24% in GB£;
- In Western markets Germany leads with 13% gain. UK's FTSE and US's NASDAQ show good gains of +5%. Switzerland shows a loss of 1% after ending its peg against the Euro.

2015 INDEX PERFORMANCE	Index at 20 February 2015	YTD 2015 %Chg	YTD 2015 %Chg	YTD 2015 %Chg
ASIA PACIFIC		In local Currency	in US\$	in GB£
S&P ASIA CME 50	3,728	+ 4	+4	+ 5
MSCI APEX 50	986	+ 4	+ 4	+ 5
AUSTRALIA 200 INDEX	5,881	+ 9	+ 4	+ 5
CHINA SHANGHAI COMP	3,247	n/c	- 1	n/c
CHINA SHENZHEN COMP	1,611	+14	+ 13	+ 7
HONG KONG HANG SENG	24,832	+ 5	+ 6	+ 14
INDIA NIFTY 50	8,834	+7	+ 8	+ 9
INDIA SENSEX 30	29,231	+7	+ 8	+ 9
INDONESIA JAKARTA COMP	5,400	+3	n/c	+ 1
JAPAN NIKKEI 225	18,332	+ 5	+ 6	+ 7
MALAYSIA K.L. COMP.	1,808	+ 3	- 1	n/c
PAKISTAN KSE 100	33,993	+6	+ 5	+ 6
PHILIPPINES PSEi	7,825	+8	+ 9	+ 11
SINGAPORE STI	3,436	+ 2	n/c	+ 1
SRI LANKA ALL SHARE	7,315	n/c	- 1	n/c
STH. KOREA KOSPI	1,961	+ 2	+ 1	+ 2
TAIWAN TAIEX	9,530	+ 3	+ 3	+ 3
THAILAND SET INDEX	1,604	+ 8	+ 8	+ 9
VIETNAM STOCK INDEX	587	+ 8	+ 8	+ 9
WESTERN				
GERMANY DAX	11,050	+ 13	+ 6	+ 7
SWITZERLAND SMI	8,892	- 1	+ 4	+ 5
UK FTSE 100	6,915	+ 5	+ 4	+ 5
US D.J. IND	18,140	+ 2	+ 2	+ 3
USA NASDAQ	4,956	+ 5	+ 5	+ 6
BRAZIL BOVESPA	51,238	+ 2	- 6	- 5
RUSSIA MICEX 10	3,965	+ 30	+ 23	+ 24

Source : Bloomberg



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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**

Lalcap supports The LBS India Club and this event.

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](http://clubs.london.edu/India/rsvp?club_url2=India&id=23051)

**Website:** [www.indiabusinessforum.co.uk](http://www.indiabusinessforum.co.uk)

**Contact:** Muthu Murugappan, IBF Co-Chair 2015 : [mmurugappan.mba2015@london.edu](mailto:mmurugappan.mba2015@london.edu)

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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)