



INDIA REPORT

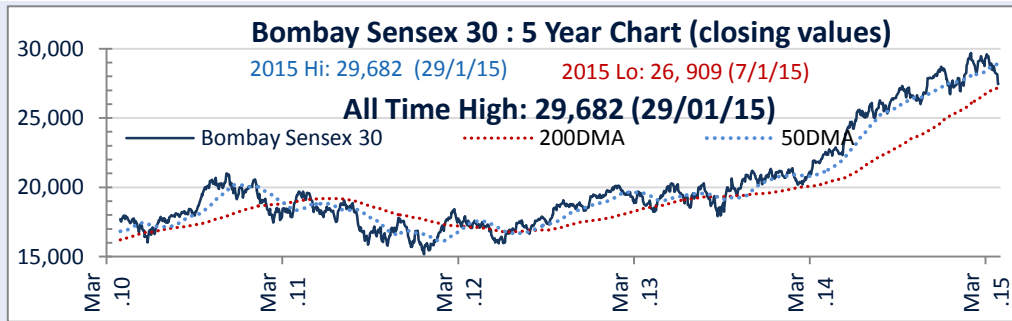
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LALCAP

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31 March 2015



BOMBAY - 31 MAR

INR R / USD	\$1=	Rs62.56
INR R / GBP	£1=	Rs92.38
INR R / EUR	€1=	Rs67.10

The SENSEX closed virtually flat for the day. The index posted its worst monthly fall (-4.8%) in two years as investors fretted that economic revival was not as fast as expected. For the quarter the index is +1.7%

LONDON/NEW YORK : 31 MAR

Indian GDRs/ADRs/AIM shares show mixed results. L&T stands out with a gain of 19% YTD.

Close:	Index			PE	5 Year PE		
31 Mar	Level	Pts Chg-Day	% Chg YTD	2015/16	Avg	High	Low
SENSEX 30	27,958	-18	+1.7%	16.3x	17.7x	24.3x	13.9x
NIFTY 50	8,491	-1	+2.5%	16.2x	17.4x	23.8x	13.6x

⇒ The first quarter of 2015 ends with most global stock markets up.

The Indian stock market indices show modest gains of around 2%. The SENSEX, after crossing the psychological 30,000 level for the first time ever on 4 March, has seen profit-taking post Budget. The mood remains positive over the long term. In Asia, Shanghai is up 16%, with the market touching a 7-year high yesterday. Japan has also seen renewed interest and is up 10%. In Western markets, Germany's DAX stands out with a 22% gain this year-to-date.

⇒ India's booming online economy has attracted a lot of investments recently.

US investment bank, Morgan Stanley, states that investors have put in \$4.5 bn in the internet space in the last 13 months to February 2015. The bank estimates that the market capitalisation of Indian internet companies could move substantially higher from about \$ 5 bn now to about \$ 200 bn by 2020. Online marketplaces like Flipkart and Snapdeal have got almost 60% of the funding since 2007. However, as billions flow in some Private Equity (PE) investors feel that valuations are running away. And that entry at such high levels will make a profitable exit difficult. Most PE firms exit their investments via IPOs, i.e., new stock market listings. But the valuations on listing may not be high enough to produce a profit for late-entry PE investors. Flipkart, India's biggest e-commerce company is valued at around \$ 11 bn by some analysts. That equates to roughly three times gross merchandise value (GMV). Snap deal is estimated to be valued at \$ 5 bn on GMV of \$ 3 bn.

⇒ In sharp contrast, three of the leading bricks and mortar retailers in India – Pantaloon, Future Retail and Shoppers Stop – have only a combined valuation of around \$1.4 bn.

India's growing middle class population, cheap internet costs and rapidly rising number of smart phone users has made the e-commerce sector a hot destination for global investors like Singapore's Temasek and Softbank. The latter said about six months ago that it would invest \$100 bn into India's e-commerce sector. With a huge population in India this sector is expected to grow substantially.

⇒ India's market regulator is considering an alternative investment platform for new or start-up companies with a limited track record in terms of time or profitability.

The country's booming internet start-ups are targeted so that they remain at home rather than go abroad for a listing. Most new technology companies look to be

listed abroad, especially on NASDAQ in the U.S. because of tougher rules in India and a lack of similar listed companies which can provide a more realistic fair value on newly traded shares. In a discussion paper issued yesterday the market regulator SEBI said it would relax the 3-year "lock in" period for a "promoter" investor who already holds 20%. The minimum would be reduced to six months. Also, rules on the amount of disclosure firms need to provide are to be relaxed. However, in order to protect retail investors from the dangers of the "dotcom bubble" in 1999-2000 fundraising on the platform would be restricted to institutions and wealthy experienced investors. This is prudent. Overall, a progressive move by SEBI to introduce a "junior" market much like those seen in developed countries. However, given the large size of some of the e-commerce companies like Flipkart and Snapdeal the exclusion of retail investors may affect the success of the IPO.

⇒ In the latest Budget unveiled a month ago the Government has preferred to focus on Gujarat's GIFT (Gujarat International Finance Tec-City) city as an International Finance Centre (IFC) over existing financial capital, Bombay.

The aim is for India to build an IFC like Singapore and Dubai. Both the Bombay Stock Exchange and National Stock Exchange have independently signed a Memorandum of Understanding (MOU) with GIFT for setting up an International Stock Exchange. The aim of the exchange is to provide trading and settlement facilities for all types of securities for both foreign and domestic investors.

⇒ The Bombay Stock Exchange (BSE) is Asia's oldest bourse, dating back to 1875.

Tokyo is Asia's second oldest bourse, set up in 1878. In addition, Bombay has always been regarded as India's financial capital. The Central Bank or The Reserve Bank of India is based in Bombay. The Global Financial Centres Index (page 2 of this report) lists 82 cities in its index. Bombay has climbed steadily in rankings to now reach 53, but still has a long way to go. Cities are ranked on their score of five key areas of competitiveness: Business Environment, Financial Sector Development, Infrastructure, Human Capital and Reputational and General Factors. India lags China and Brazil, but is ahead of Russia. 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.



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GLOBAL FINANCIAL CENTRES INDEX (GFCI) 17 : MARCH 2015

courtesy: Z/YEN, LONDON

Source: <http://www.longfinance.net/publications.html?id=929>

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 17 published in March 2015 which provides profiles, ratings and rankings for 82 financial centres.

TOP 25 GLOBAL FINANCIAL CENTRES:

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

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. Tokyo has moved back up in rankings to be number 5 now. This reflects the rising competitiveness for top rankings.
2. Asia-Pacific continues for the second report to also have, like N. America (USA + Canada), 8 cities in the top 25. Europe has 5 (from 7 cities only 12 months ago). Busan, S. Korea joins 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 continues to improve its ranking to 53 from 61 six months ago. India lags China and Brazil, but is ahead of Moscow which is at 75. 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. Dublin saw the biggest climb in the table- 18 places to 52nd, while Monaco had the biggest fall - down 30 places to 59th
6. Rankings outside Top 25: Abu Dhabi 26 (19); Paris 37 (31); Dublin 52 (70); Bombay (53 (61); Jersey 54 (62); Guernsey 55 (67); Isle of Man 58 (64); Edinburgh 67 (65); Mauritius 68 (69); Milan 70 (48); Madrid 73 (74); Moscow 75 (80) and Cyprus 79 (79).

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	Singapore	Busan, S. Korea (New)	Hong Kong
4	Singapore	Singapore	Hong Kong	Singapore	Singapore
5	Tokyo	Seoul	Busan, S. Korea (New)	Hong Kong	Tokyo
6	Zurich	Tokyo	Seoul	Seoul	Zurich
7	Boston	Zurich	Chicago	Chicago	Casablanca
8	Seoul	Shanghai	Zurich	Tokyo	Chicago
9	Toronto	Abu Dhabi	Tokyo	Washington DC	Toronto
10	Shanghai	Chicago	Shanghai	San Francisco	Washington DC

1. The top 5 cities (New York, London, Hong Kong, Singapore and Tokyo) feature in Top Ten of all 5 sub-sectors listed above. Singapore remains in top 4 in all sub-sectors and is ahead of Zurich. Geneva has fallen out of the top 10 above in this report
2. New York maintains its lead over London to be top in 3 out of the 5 sectors above. Abu Dhabi debuts by being 9th 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). Shanghai makes its debut in the top 10 by entering at 10th position in this sub-sector.



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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. Lalcap does business through an international network of associates.

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