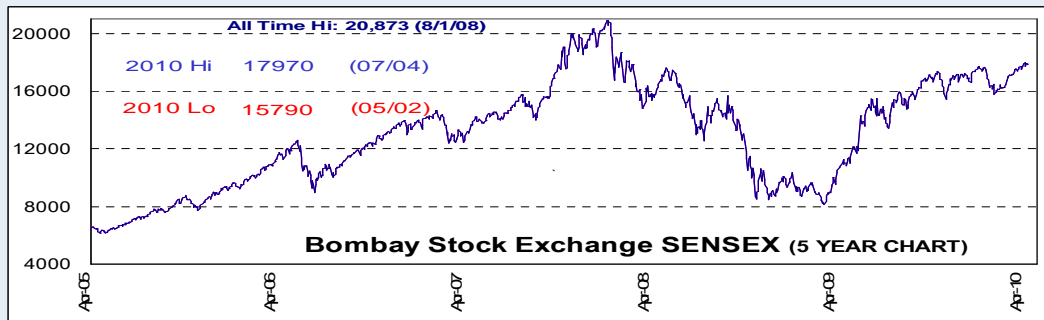




The India Report

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29 April 2010



Source, chart & following table: Bloomberg

	Close 29 Apr 2010	Index	Pts	% Chg	2010/11	5 Yr	5 Yr	5 Yr
			Day	YTD	PER	PER Hi	PER Lo	Avg
SENSEX 30	17,503		+123	+0.2	16.8x	25.0x (1/08)	8.1x (11/08)	18.7x
NIFTY 50	5,247		+30	+1.0	N/A	N/A	N/A	N/A

ECONOMIC NEWS

Our last report commented that the Government faced little risk of having to resign as a result of a vote demanded by the communist-led opposition parties on a Budget item. The Congress-led coalition Government, helped by smaller parties, won the vote 289 vs 201 on an unpopular hike in February's budget to raise subsidised petrol prices by 6% and to de-control prices charged by firms for fertilisers. These hikes were proposed to help reduce the highest fiscal deficit in 16 years of 6.9% of GDP last year. The opposition parties were protesting against high inflation (WPI at a 17-month high of 9.9% pa at end March 2010) which is stoked by higher fuel and fertiliser prices and relatively hurts the poor more. In effect the opposition parties were trying to protect their bank of voters. Financial markets had largely ignored the vote and correctly anticipated no threat to the Government.

The Congress-led coalition Government won the above vote because most of the wavering allies and other small parties rallied behind it; but only because they feared a no vote would strengthen the main opposition party, the BJP. It is nearly a year since Congress was returned to power with a stronger mandate, but the coalition already looks fragile because of fickle allies. This is affecting the Government's resolve to push through major reforms which are badly needed to achieve and sustain double digit economic growth. Apart from reluctant allies it is also becoming apparent that the mainly socialist old guard of Congress remain unconvinced of the advantages of liberalisation for their party's voter banks which include rural and poor areas. This is because many reforms require short term pain (mainly in the form of job losses) for long term gains (which may occur only after the MP's parliamentary term ends). **Our view is that as a result, many bills have become victims of political will, eg, the 5-year old bill to allow higher foreign ownership in the insurance and pension sectors, a bill to permit foreign universities to set up local campuses and a bill to cap liability in case of a nuclear accident.**

The Government is still very keen to push through the nuclear liability bill. This was postponed last month following sharp criticism from the BJP which felt the bill favoured private firms as it seeks to put a maximum liability of about \$450m on state-run operators without placing any compensation burden on private firms. The issue is sensitive because a gas leak in

1984 killed 3,800 people at US's Union Carbide factory in Bhopal, India in one of the world's worst industrial disasters. The bill has been cleared by the cabinet, and while the Government has a majority in the powerful lower house (Lok Sabha), it needs the support of the BJP to ratify the bill in the upper house (Rajya Sabha). A civilian nuclear deal with the US ended India's nuclear isolation since its 1974 atomic test, and gave it access to US technology and fuel for civil nuclear purposes. India imports about 70% of its oil and needs to almost double nuclear power's share in India's electricity grid to about 6%, helping to address global warming issues linked to fossil oil emissions.

The 5-year performance in US\$ (ignoring inflation and re-invested dividends) of Asian and selected western markets is:

5-YEAR PERFORMANCE IN US\$	Today's worth of US\$100 invested 5 years ago
Source: Bloomberg	
ASIA PACIFIC:	
AUSTRALIA 200 INDEX	\$ 142
CHINA SHANGHAI COMP	\$ 300
CHINA SHENZHEN COMP	\$ 484
HONG KONG HANG SENG	\$ 150
INDIA NIFTY 50	\$ 265
INDIA SENSEX 30	\$ 271
INDONESIA JAKARTA COMP	\$ 300
JAPAN NIKKEI 225	\$ 111
MALAYSIA K.L. COMP.	\$ 181
PAKISTAN KSE 100	\$ 103
PHILIPPINES PSEi	\$ 217
SINGAPORE STI	\$ 173
SRI LANKA ALL SHARE	\$ 199
STH. KOREA KOSPI	\$ 171
TAIWAN TAIEX	\$ 138
VIETNAM STOCK INDEX	\$ 183
WESTERN:	
UK FTSE 100	\$ 94
USA D.J. IND	\$ 109
USA NASDAQ	\$ 130
BRAZIL BOVESPA	\$ 395
RUSSIA	\$ 300

All indices, but one, show positive results. BRIC countries do well – China's Shenzhen leads with \$100 now worth \$484. Despite the worst global financial crisis in 2008 - 09 many Asian countries do well looking at the big picture over 5 years.

SELECTED SHARE PRICES

GDR OFFER PRICES (US\$) LONDON – 29 Apr. 2010: 15:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
L&T	\$36.10	+9¢	+0.5%	SBI	\$102.25	+\$2.50	+0.1%
M&M	\$11.80	+15¢	+0.2%	Suzlon Energy	\$6.32	-25¢	+4.1%
Ranbaxy	\$9.99	-1¢	+1.6%	Tata Power	\$30.80	n/c	+0.2%
Rel. Inds	\$46.55	-1¢	+0.1%	Tata Steel	\$15.00	-75¢	+5.5%

Source : Bloomberg

ADR OFFER PRICES (US\$) NEW YORK – 29 Apr. 2010: 15:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
Dr.Reddy	\$27.65	+3¢	-0.1%	Satyam	\$5.28	+8¢	+29.5%
HDFC Bank	\$154.00	+\$4.30	+17.5%	Sterlite	\$18.48	+18¢	-0.3%
ICICI Bank	\$42.43	+98¢	-0.1%	Tata Com (ex VSNL)	\$12.16	+2¢	-0.1%
Infosys	\$60.54	+9¢	-0.4%	Tata Motor	\$19.97	+48¢	+5.4%
MTNL	\$3.20	-1¢	+0.2%	WIPRO	\$22.62	+4¢	+46.3%

Source : Bloomberg

AIM (LONDON): in GB p unless stated otherwise (indicative only) – 29 Apr 10: 15:00 GMT							
Company	Day's Price	Day's Change	YTD Change	Company	Day's Price	Day's Change	YTD Change
DQE	130	+0.50	+29%	KSK	615	+7.50	+18%
Dhir India	100	n/c	-5%	Naya Bharat	\$0.415	n/c	+4%
Eredene	20	n/c	+18	Noida Toll	\$4.50	n/c	0%
Eros	175	-3.50	+9%	OPG Power	73	n/c	-20%
Gt Eastern	540	n/c	+23%	Prometh. (Eleph.Cap)	70	n/c	+17%
Greenko	155	-1	+31%	Trinity	62.5	+0.25	+13%
HIRCO	138	-1	-13%	Unitech	33.50	+0.25	+40%
Indian Films	42	n/c	0%	W. Pioneer	29	n/c	+16%
Ishaan	68	-1	+28%				

Source : Bloomberg

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