



Deepak N. Lalwani OBE, FCSI, FCCA: Director- India E: dl@lalcap.com

5 April 2012



Source: chart & following table: Bloomberg

		Pts Chg	% Chg	2012/13	5 Yr	5 Yr	5 Yr
CLOSE: 4 Apr 2012	Index	Day	YTD	PER	PER Hi	PER Lo	Avg
SENSEX 30(hol 5 Apr)	17,486	-111	+13.1%	13.1x	25.0x	8.1x	18.4x
NIFTY 50 (hol 5 Apr)	5,3237	- 60	+15.1%	12.8x	N/A	N/A	17.0x

ECONOMIC NEWS

⇒ **Growth in India's services sector slipped to a five-month low in March.** The HSBC Markit Business Activity Index fell sharply to 52.3 from 56.5 in February. It remained above 50 which divides growth from contraction for a fifth month. Business outlook in the coming year faded as growth of new business, which has driven the lukewarm rise in activity until now, eased. The recent Budget also dampened sentiment about growth prospects for the economy. Amid policy paralysis, no bold reforms were announced in the Budget to kick-start the economy.

⇒ **The Reserve Bank of India (RBI) has kept its main lending rate, the repo rate, at a three year high of 8.5% since December 2011 to keep a lid on inflation.** But, it has cut the bank's cash reserve ratio by 75 basis points to ease liquidity. The Wholesale Price Index, India's main inflation indicator, edged up to 6.95% in February from a year earlier on rising food prices. With a lack of credible fiscal consolidation plans from the Government the RBI is cautious about reducing interest rates too quickly. The Government, in the latest Budget last month, estimates GDP growth in the coming fiscal year to March 2013 to be 7.6% vs 6.9% for the current fiscal year to March 2012, the lowest in almost a decade.

⇒ **Negative feedback continues from foreign investors and local businessmen to India's tax proposals and retrospective action (see India Report of 30 March).** A coordinated group of international trade associations representing more than 250,000 companies from the UK, US, Japan, Canada and Hong Kong have written to India's Prime Minister, Dr Singh. They have diplomatically, but very clearly, warned that overseas companies may re-consider their India investment plans. This follows an open letter last week to India's Finance Minister from Asia's securities industry trade body, Securities Industry and Financial Markets Association. The body, which represents institutional investors, raised deep concerns about the future trend of India's business and investment climate. The proposed retrospective tax changes could affect Vodafone and others.

⇒ **The Indian Government is perhaps hoping that the country's long-term economic growth potential will stop companies like Vodafone leaving India.** Especially at a time of recession/weak economic growth in developed countries. However, poor investor sentiment may dramatically slow future foreign capital. India's trade deficit (about 9% of GDP) and current account deficit (of about 3.5% of GDP) are among the highest of many peer emerging economies. Financing this will have to be borne in mind. While India is perfectly justified in reforming taxes to close loopholes any change should be prospective, and not retrospective. After all, a balance of payments crisis could occur not just because of foreign capital fleeing India, but because fresh foreign capital dries up. Thus not helping to finance deficits. And, tax revenue could be hit hard if investments slow down - which help produce profits in the first place.

⇒ **As the US Presidential elections approach in November, India's software service providers are gearing up to project the right image.** Safety of US jobs will be a key election battleground. India's \$100 bn IT and Business Process Outsourcing (BPO) industry says it employs about 110,000 people in the US, out of which about a third are American, a figure that has doubled in the last five years. Some Indian software companies are listed in the US and find a need to address the current fears of US jobs being exported to countries like India. Hence, a need to portray and highlight an image of job creation in the US. And, to contributing to the economy there. President Obama's rhetoric has increased of US firms exporting jobs, and he is seeking to tax such companies more so as to help those that create and retain jobs at home. Overall, in this Presidential election race political debate has grown more vitriolic as economic uncertainty fuels job insecurity. Indian software giants like WIPRO would like 50% of their workforce abroad to be of locals there. WIPRO started in the late 1940s as a sunflower oil producer and risked entering India's very nascent IT industry in the 1980s and has succeeded to be among the top 5 in India.

⇒ **Challenges remain despite companies like WIPRO and other Indian companies wanting to increase local headcount in their overseas operations.** For example, in America President Obama recently expressed dismay that too few Americans opt for STEM (science, technology, engineering and maths) courses at school and University. This has created a huge shortage of IT professionals in the US and poses a challenge to recruitment of right calibre locals in the US.

BOMBAY

INR ₹ /US\$ Rs 51.04

INR ₹ /GB£ Rs81.10

INR ₹ /EUR Rs65.99

Bombay's stock exchanges were closed for Mahavir Jayanti (biggest Jain holiday).

LONDON / NEW YORK

Many GDRs/ADRs in our table show smart double digit gains. Tata Motors stands out with a 62% gain YTD. On AIM Indus Gas stands out +48% YTD.

**SELECTED SHARE PRICES****GDR OFFER PRICES (US\$) LONDON – 5 Apr 2012 : 1630 GMT**

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
L&T	\$26.08	+ 36%	SBI	\$ 86.60	+ 35%
M&M	\$13.56	+ 4%	Suzlon Energy	\$ N/A	
Ranbaxy	\$ 9.75	+ 17%	Tata Power	\$ N/A	
Rel. Inds	\$29.37	+ 10%	Tata Steel	\$ 9.22	+ 29%

Source : Thomson Reuters

ADR OFFER PRICES (US\$) NEW YORK – 5 Apr 2012 : 2100 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Dr.Reddy	\$ 33.63	+ 14%	Patni	\$19.28	+ 17%
HDFC Bank	\$ 34.28	+ 29%	Sterlite	\$ 8.51	+ 23%
ICICI Bank	\$ 34.71	+ 31%	Tata Com (ex VSNL)	\$ 8.81	+ 10%
Infosys	\$ 58.97	+ 11%	Tata Motor	\$27.68	+ 62%
MTNL	\$ 1.05	+ 31%	WIPRO	\$ 10.81	+ 8%

Source : Thomson Reuters

AIM (LONDON): in GB p unless stated otherwise – 5 Apr 2012 : 1630 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Caparo (now Mytrah)	106	+ 15%	Jubilant Energy	31	+ 11%
DQE	39	- 8%	Kolar Gold	14	- 8%
Eros	270	+ 17%	OPG Power	48	+ 37%
Greenko	125	+ 1%	Photon Kaathas	38¢	- 7%
HIRCO	61	+ 28%	SKIL Ports	121	- 23%
IEnergizer	360	+ 32%	Trinity Cap.	16.5	+ 12%
Indus Gas	1100	+ 48%	Unitech	32	+ 26%
Ishaan	40	- 7%	W. Pioneer	16	- 14%

Source : Thomson Reuters

OTHER : in GB p unless stated otherwise – 5 Apr 2012 : 1630 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Essar Energy	154	- 11%	<u>Collective Funds</u>		
Vedanta Resources	1221	+ 19%	<u>London:</u>		
			Aberdeen New India	223	+ 4%
			JP Morgan India	363	+ 16%
			<u>New York:</u>		
			MS India	\$16.50	+ 18%
			The India Fund	\$22.17	+ 16%

Source : Thomson Reuters

**DISCLAIMER**

This report is solely for knowledge purposes and does not constitute investment advice and should not be construed as an advertisement, solicitation, invitation or inducement to buy or sell securities in any jurisdiction. Lalcap Ltd does not offer a share dealing service. Readers should make their own investment decisions or seek appropriate professional advice. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation to lead to or enable any transaction. The past is not necessarily a guide to future performance. The value of securities and the income arising from them can fall as well as rise and investors may get back less than they originally invested. The information contained here has been obtained from sources which Lalcap Ltd believes to be reliable. The Company does not warrant that such information is accurate or complete. All estimates and prospective figures quoted are forecasts and not guaranteed. Opinions included in this report reflect the Company's judgement at the time of presentation and are subject to change without notice. If the investment(s) mentioned in this report are denominated in a currency different from the currency of the country in which the reader is a resident, the recipient should be aware that fluctuations in exchange rates may have an adverse effect on the value of the investment(s). If you are in or have inadvertently or indirectly received this report within a jurisdiction where the contents may be regarded by local securities exchange authorities as regulated information or investment advice, you should delete the report immediately and inform Lalcap of receipt. The company is not responsible for the suitability of any securities for any purpose, investment or otherwise. Lalcap assumes no fiduciary responsibility or liability for any consequences financial or otherwise arising from trading in securities if opinions and information in this document are relied upon. Full disclaimer available on website at www.lalcap.com
Published by / copyright : LALCAP, 2012

Lalcap Ltd is an Appointed Representative of First International Group PLC which is authorised and regulated by the Financial Services Authority

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

AUTHOR: Deepak N. Lalwani OBE, FCSI, FCCA T:+44 (0)20 3519 0909

W: lalcap.com

Director - India

E: dl@lalcap.com