



# INDIA REPORT

500+ issues over 17 years

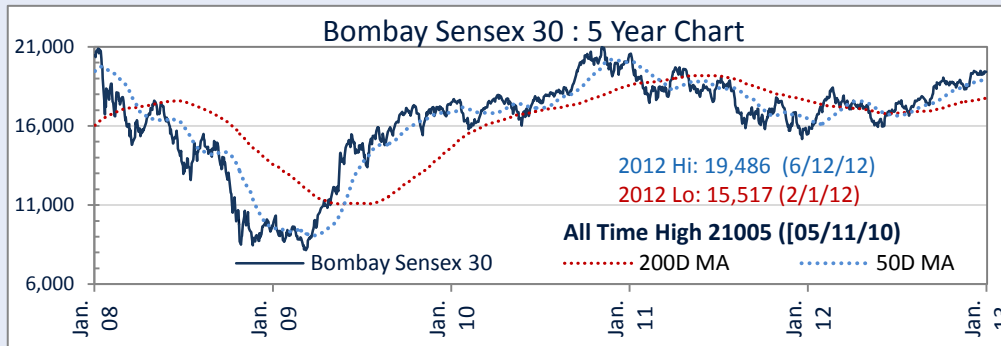


LALCAP

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Source: chart & following table: Bloomberg

2012 Close: 31 Dec 2012	Index Level	Pts Chg- Day	% Chg YTD	PE 2012/13	5 Year PE High	5 Year PE Low	5 Year PE Avg
SENSEX 30	19,427	- 18	+25.7%	16.6x	25.0x	8.1x	18.4x
NIFTY 50	5,905	- 3	+27.7%	16.1x	N/A	N/A	18.0x

## BOMBAY - 31 DEC

INR ₹ / USD	\$1=	Rs54.99
INR ₹ / GBP	£1=	Rs89.06
INR ₹ / EUR	€1=	Rs72.12

The SENSEX closed barely changed. US "fiscal cliff" uncertainties held back investors from taking the SENSEX. Still, optimism exists that the all-time high of Nov 2010 will be broken in Q1 2013. Indian Gov bonds rally to a 20-month high.

## LONDON / NEW YORK : 31 DEC

Most GDRs/ADRs end the year with double-digit gains YTD. Tata Motors leads with +68%, ICICI Bank +65% & L&T: +56%. IT companies still show losses.

### ➔ 2012 MARKET REVIEW: SENSEX UP 26% - BEST IN 3 YEARS (-25% IN 2011 AND +17% IN 2010) & ONLY 8% BELOW ALL-TIME HIGH

1. The SENSEX closed 2012 at 19,426.71 - a rise of 25.7% after FIIs returned to the Indian market from June. By comparison the MSCI APEX 50 rose 22% and the broader MSCI Emerging equity index rose 15%;
2. Lower volatility this year as the band between the high and low was 3,969 points, much lower than last year's 5,386;
3. FIIs invested a net \$ 24.3 bn in Indian equities - the second highest after 2010's record \$29.3 bn. Since entering Indian equity markets in 1993 FIIs have net sold in only 3 years - 1999, 2008, 2011. The big bang reforms and deferment of GAAR tax laws for 3 years boosted confidence;
4. The P/E ratio in January was 13.5x vs end 2012 of 16.6x. The 5-year average P/E is 18.4x;
5. On weak capital inflows the Rupee dropped 3.7% vs the US\$ to end at Rs54.99, after an all-time low of Rs 57.32 on 22 June. Last year it fell 15.5%. The worst drop since 1991 for the Rupee vs the US\$ was in 2008 - down 19.2%.

### ➔ 2013 FORECAST:

1. Forecast GDP growth of 5.5% for the fiscal y/e 3/13 and 6.1% for the y/e 3/14;
2. EPS growth of 11-13%. New highs expected for SENSEX. Market drivers will include: falling inflation, trend of reducing interest rates, FII inflows, direction and level of the Rupee, global economy and politics, especially ahead of General Elections by May 2014;
3. Interest rate cuts to resume in Q1. If inflation is tamed (back to 5-6%) then cuts of up to 100 bp are possible from the current 8%;
4. Rupee expected to improve to Rs 52.50 vs \$ by June;
5. IPOs, M&A and PE deals to revive on better sentiment.

➔ **So, what are the risks?** They are, inter-alia: 1. Inflation surges again causing Interest rate cuts to be delayed until Q2; 2. Political paralysis holding back reforms; 3. Investment grade status for India downgraded to "junk"; 4. Major political/corporate scandals; 5. Global economic shocks; 6. Monsoons fail; 7. Unforeseen/external shocks (war/oil/other).

➔ **Sectors favoured:** Interest rate sensitive - Infrastructure and construction, Banks, Autos. Also, Pharmas, Metals, and Hotels. **Expect a volatile year as challenges abound.**

### ➔ 2012 PERFORMANCE OF ASIAN/WESTERN MARKETS:

Virtually all markets in our table below show gains, many in double-digits. Overall a good year for Asia, after a weak performance in 2011. India, despite all its woes, ends as the best BRIC market by a wide margin. Japan, at last, recovers with a handsome 23% gain. The top 3 gainers below are: Pakistan: +49%, Thailand: +36% and Philippines: +33%. Sri Lanka is the only faller in the table below: -7%. In Western markets Germany's DAX gains 29%, Swiss market ended + 15%, UK's FTSE +7%, US DJIA +7% and NASDAQ +16%.

INDEX PERFORMANCE (source: Thomson Reuters)	Index at 31.12.12	2012 %Chg	2011 %Chg
<b>ASIA PACIFIC:</b>			
AUSTRALIA 200 INDEX	4,649	+15	-14
CHINA SHANGHAI COMP	2,269	+3	-23
CHINA SHENZEN COMP	881	+2	-34
HONG KONG HANG SENG	22,657	+23	-20
INDIA NIFTY 50	5,905	+28	-25
INDIA SENSEX 30	19,427	+26	-25
INDONESIA JAKARTA COMP	4,317	+13	+3
JAPAN NIKKEI 225	10,395	+23	-18
MALAYSIA K.L. COMP.	1,689	+10	n/c
PAKISTAN KSE 100	16,905	+49	-5
PHILIPPINES PSEi	5,812	+33	+4
SINGAPORE STI	3,167	+20	-16
SRI LANKA ALL SHARE	5,643	-7	-8
STH. KOREA KOSPI	1,997	+9	-11
TAIWAN TAIEX	7,700	+9	-21
THAILAND SET INDEX	1,392	+36	-1
VIETNAM STOCK INDEX	414	+18	n/c
<b>WESTERN:</b>			
GERMANY DAX	7,612	+29	-16
SWITZERLAND SMI	6,822	+15	-11
UK FTSE 100	5,898	+6	-6
US D.J. IND	13,104	+7	+6
USA NASDAQ	3,020	+16	-2
BRAZIL BOVESPA	60,952	+7	-18
RUSSIA MICEX 10	3,395	+6	-19



## SELECTED SHARE PRICES - CLOSING FOR 2012 :

## GDR OFFER PRICES (US\$) LONDON – 31 Dec 2012

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
L&T	\$31.14	+ 56%	Rel. Inds	\$30.59	+ 9%
M&M	\$16.90	+ 27%	SBI	\$80.90	+ 43%
Ranbaxy	\$ 10.90	+ 29%	Tata Steel	\$ 7.95	+ 11%

Source : Thomson Reuters

## ADR OFFER PRICES (US\$) NEW YORK – 31 Dec 2012

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Dr.Reddy	\$ 33.31	+ 12%	Sterlite	\$ 8.64	+ 24%
HDFC Bank	\$ 40.73	+ 55%	Tata Com (ex VSNL)	\$ 8.59	+ 6%
ICICI Bank	\$ 43.63	+ 65%	Tata Motor	\$28.73	+ 68%
Infosys	\$ 42.37	- 19%	WIPRO	\$ 8.77	- 15%
MTNL	\$ 0.93	+ 11%			

Source : Thomson Reuters

## AIM (LONDON): in GB p unless stated otherwise – 31 Dec 2012

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Caparo (now Mytrah)	829	- 12%	IEnergizer	365	+ 34%
DQE	22	- 48%	Indus Gas	1,020	+ 43%
Eros	232	+ 1%	Ishaan	34	- 25%
Greenko	129	+ 9%	OPG Power	48	+ 34%
HIRCO	43	- 13%	SKIL Ports	106	- 33%

Source : Thomson Reuters

## OTHER : in GB p unless stated otherwise – 31 Dec 2012

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Essar Energy	120	- 31%	<u>Collective Funds</u>		
Vedanta Resources	1171	+ 14%	<u>London:</u>		
			Aberdeen New India	221	+ 12%
			JP Morgan India	372	+ 15%
			<u>New York:</u>		
			MS India	\$18.53	+ 32%
			The India Fund	\$20.91	+ 9%

Source : Thomson Reuters



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Lalcap Ltd is a London based consultancy (FSA registered) focusing on India related business and also acts as an introducer:

- For project and corporate finance
- Of funds to global banks, family offices and private banks
- Of clients to private banks

Over a period of 25 years global relationships have been built by the founder, Deepak N. Lalwani, with international banks, hedge funds, family offices and professional high net worth clients who are looking to invest in growth companies. With the Indian economy growing enquiries are seen from there for funding needs.

Lalcap offers no dealing/stock broking activities.

Deepak N. Lalwani also acts as Consultant - India at stock broker WH Ireland, London, where all stock broking activities (GDRS/ADRS/AIM shares + bonds) are executed. The old team from Astaire, where he worked for 16 years, moved to WH Ireland.

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