



# INDIA REPORT

500+ issues over 18 years

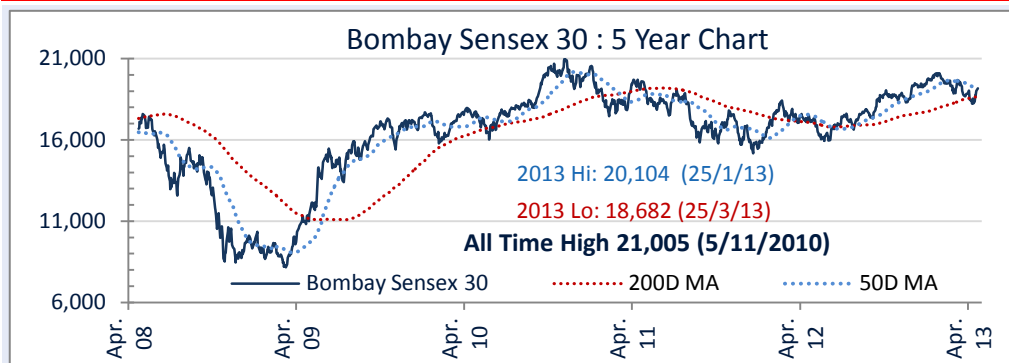


LALCAP

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Source: chart & following table: Bloomberg

23 Apr 2013	Level	Index		PE 2013/14	5 Year PE		
		Pts Chg-Day	% Chg YTD		High	Low	Avg
SENSEX 30	19,179	+10	- 1.3%	14.7x	25.0x	8.1x	18.4x
NIFTY 50	5,837	+ 2	- 1.1%	14.4x	N/A	N/A	18.0x

## BOMBAY

INR ₹ / USD	\$1=	Rs54.42
INR ₹ / GBP	£1=	Rs82.99
INR ₹ / EUR	€1=	Rs71.02

The SENSEX closed virtually unchanged, but at its highest in a month. The recent fall in gold and oil prices has boosted investor sentiment that the Current Account deficit will not be as worrisome as felt before. The underlying mood is cautiously optimistic.

## LONDON / NEW YORK

Most GDRs/ADRs are lower YTD. Tata Steel (-27%) and Sterlite (-25%) stand out as big losers YTD on falling commodity prices. On AIM, Ishaan stands out with +36% YTD.

### ECONOMIC NEWS

⇒ **The fall in headline inflation, the Wholesale Price Index, to a three-year low of 5.96% in March, has considerably raised expectations of a third interest rate cut this year on May 3.**

The Reserve Bank of India held steadfast against cutting rates for much of 2012. This was despite strong criticism from the Finance Ministry and businesses/industry leaders who worried about the strong continuing deceleration in the economy and the need for rate cuts to revive growth. However, the RBI was then more concerned with stubbornly high inflation, and felt that supply side constraints were hurting the economy rather than a lack of interest rate cuts. The fall in wholesale inflation to under 6% gives the RBI elbow room for at least another 0.25% cut on May 3.

⇒ **Adding to the fall in inflation is relief from a fall in commodity prices.**

The price declines in both gold (to \$1,417 from \$1,748 only six months ago) and Brent crude oil (to about \$100 from \$118 two months ago) have eased worries about India's high current account deficit problem. This touched an all-time high of 6.7% of GDP in the December quarter. India is the world's largest importer of gold and the fourth largest global importer of oil. The price fall in these important commodities adds to the near-certainty of an interest rate cut on May 3. The RBI is expected to leave the Cash Reserve Ratio (CRR) unchanged at 4%. This is the lowest level since 1976 and is aimed to pump money into the banking system to boost economic growth.

⇒ **A lack of interest rate cuts during most of 2012 contributed to falling consumer demand and postponement of capital investment decisions.**

These factors in turn contributed to the severe slowdown in the economy which is expected to grow at only 5% for the fiscal year to March 2013, the lowest in a decade. This is a very sharp downturn, especially when viewed against GDP growth of over 9% pa in four out of the last six years from 2005 - 2011. A modest recovery to 6% in the year ahead is expected, aided by falling interest rates. A return to 9%+ growth seems a distant aspiration for now. However, if

more economic reforms are pushed through, and greater capital inflows result, the economy may get just the fillip it so badly needs.

⇒ **The European Union's chief negotiator said the EU is ready to make an "ambitious" offer on temporary work visas for professionals from India to help conclude a considerably delayed Free Trade Agreement (FTA).** Negotiators had hoped to finally tie-up the deal in 2012. Over the last 4+ years officials have hoped to finalise the EU-India FTA "by December", without mentioning which year. After ironing out considerable differences of the past, the EU wants greater access to the auto, wines and spirits markets in India. The latter in turn wants liberalised visa rules for its professionals. "In the same way we are expecting India to take politically difficult decisions which are important for Europe, we are also ready to take politically important decisions which are important to India", said chief negotiator Mr Bercero.

⇒ **The main Indian political parties have reached consensus on the land acquisition bill.** This is a key land reform that has proved to be the single biggest stumbling block in improving infrastructure in India. The bill is expected to be tabled in Parliament during the current Budget session which ends on May 10. The proposed rules will replace The Land Acquisition Act of 1894, introduced under British colonial rule and adopted by the Indian Government after independence in 1947. The Act allowed the British Government to forcibly purchase land from owners for "public good" for certain projects (eg roads, canals and other public purposes) with compensation worked out by the Government. However, under democratic rule in independent India small landowners have protested, often violently, against what they felt was unfair compensation. Also, with high fiscal deficits run over the last many years, which has not left enough funds for the Government, the Government has pushed for the PPP model to fund infrastructure projects. If passed, under the new law developers will have to pay four times the market price of land in rural areas and twice the market price in urban areas. And, also provide displaced persons with jobs and homes. Many private companies have said that the project costs will rise substantially, sometimes making it unviable depending on the returns required by capital providers. But finally clarity of rules will remove the single biggest hurdle for infrastructure.



## SELECTED SHARE PRICES :

## GDR OFFER PRICES (US\$) LONDON – 23 Apr 2013 : 1530 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
L&T	\$27.88	- 4%	Rel. Inds	\$29.75	- 3%
M&M	\$16.42	- 2%	SBI	\$85.15	- 5%
Ranbaxy	\$ 8.31	- 9%	Tata Steel	\$ 5.77	- 27%

Source : Thomson Reuters

## ADR OFFER PRICES (US\$) NEW YORK – 23 Apr 2013 : 1600 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Dr.Reddy	\$ 35.28	+ 6%	Sterlite	\$ 6.46	- 25%
HDFC Bank	\$ 41.26	+ 2%	Tata Com (ex VSNL)	\$ 8.19	- 5%
ICICI Bank	\$ 45.34	+ 4%	Tata Motor	\$26.40	- 8%
Infosys	\$ 41.49	- 2%	WIPRO	\$ 7.73	+ 2%

Source : Thomson Reuters

## AIM (LONDON): in GB p unless stated otherwise – 23 Apr 2013 : 1630 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Caparo (now Mytrah)	102	+ 24%	IEnergizer	360	n/c
DQE	18	- 20%	Indus Gas	900	- 12%
Eros	238	+ 3%	Ishaan	46	+ 36%
Greenko	127	- 4%	OPG Power	58	+ 22%
HIRCO	29	- 32%	SKIL Ports	120	+ 14%

Source : Thomson Reuters

## OTHER : in GB p unless stated otherwise – 23 Apr 2013 : 1630 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Essar Energy	137	+ 16%	<u>Collective Funds</u>		
Vedanta Resources	1,157	+ 1%	<u>London:</u>		
			Aberdeen New India	235	+ 7%
			JP Morgan India	386	+ 6%
			<u>New York:</u>		
			MS India	\$17.73	- 4%
			The India Fund	\$20.89	n/c

Source : Thomson Reuters



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Lalcap Ltd is a London based consultancy (FCA 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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