



# INDIA REPORT

500+ issues over 18 years

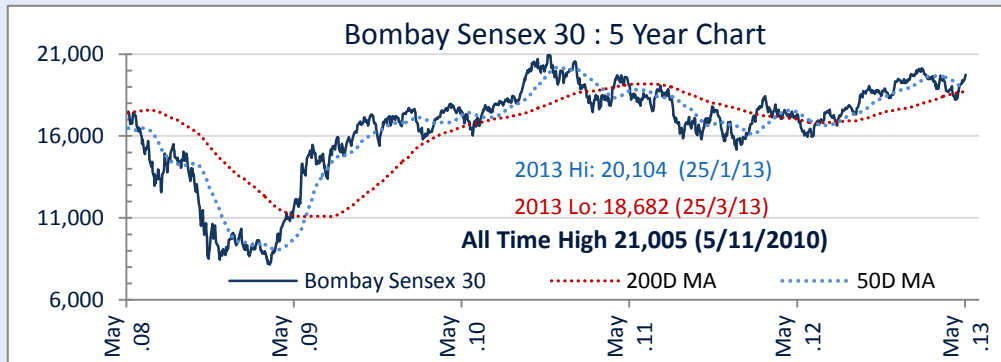


LALCAP

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Source: chart & following table: Bloomberg

3 May 2013	Level	Index		PE 2013/14	5 Year PE		
		Pts Chg-Day	% Chg YTD		High	Low	Avg
SENSEX 30	19,576	-160	+ 0.8%	15.0x	25.0x	8.1x	18.4x
NIFTY 50	5,944	-55	+ 0.7%	14.6x	N/A	N/A	18.0x

## BOMBAY

INR ₹ / USD	\$1=	Rs53.80
INR ₹ / GBP	£1=	Rs83.71
INR ₹ / EUR	€1=	Rs70.54

The SENSEX closed 0.8% down as investors booked profits after the recent rally. The hawkish tone by the RBI upset investors, despite firm Asian markets and the rate cut by the ECB yesterday. Political uncertainty does not help.

## LONDON / NEW YORK

Most GDRs/ADRs are lower YTD as markets head lower. Dr Reddy ADRs lead the table with a +12% YTD rise. IT companies have lost most of the earlier gains seen YTD.

### ECONOMIC & POLITICAL NEWS

⇒ **As expected, the Reserve Bank of India (RBI) cut the main interest rate by 0.25% for the third time since January.** The repo rate (main policy rate) was cut by 0.25% to 7.25%, the lowest level since May 2011. The reverse repo rate was lowered to 6.25% and the Cash Reserve Ratio (CRR) was left unchanged at 4%. However, in a hawkish tone the RBI stated that there may be little room for further rate cuts. This is despite wholesale inflation (WPI) falling to 5.96% in April, the lowest in over three years, because the RBI said upside risks to inflation are still significant in the "near term". The consumer price index remains at an elevated 10.39%. Many market participants had expected a less hawkish tone from RBI Governor, Dr D. Subbarao, whose five-year term expires this September. The SENSEX fell 160 points (-0.8%) to 19,576 as disappointed investors booked profits after the recent rally.

⇒ **The RBI also said the biggest risk to the economy is the current account deficit.** This ballooned to a record 6.7% of GDP in the December quarter. Recent lower global commodity prices and a rise in exports are expected to ease the deficit in the March 2013 quarter. But, the full year's deficit to March 2013 is expected to be well above the 2.5% level that is viewed as being sustainable by policy makers and economists. In a move to attract more foreign capital to help finance the current account deficit the RBI has made it more attractive to Foreign Institutional Investors who invest in Indian capital markets to hedge currency risks with domestic futures. A positive and overdue move.

⇒ **The RBI expects 2013/14 GDP growth at a baseline of 5.7% - lower than many other forecasts.** It expects headline inflation (WPI) at around 5.5% during the current year. The RBI's intention is to lower WPI inflation to 5% by March 2014 "using all instruments at its command". This indicates that inflation, rather than growth, is still of greater concern to the RBI. In any case it feels that interest rates being cut on its own, without Government policy initiatives, is not enough to spur demand.

⇒ **Capital investment, critical to spur economic growth, has been deferred partly due to bureaucratic red tape and regulatory uncertainty.** Also, a fractious coalition and uncooperative opposition have combined to again slow badly needed economic reforms. Slower demand and capital spending is reflected in credit growth having slowed to 13.9% on April 5, a near-three year low. This is due to cautious loan demand, but also due to recent interest rate cuts not being passed on by banks to borrowers.

⇒ **Mr Narendra Modi, 62, the longest-serving Chief Minister of Gujarat (elected in October 2001) is gaining more support within the BJP national executive to be made its candidate for Prime Minister.** Under India's parliamentary system parties do not always formally announce a candidate before an election, but usually project one figure as the likely PM to form government if the party wins. Modi has been tainted by religious riots in 2002 that killed more than 1,000 people, most of them Muslim. In December 2012 Modi won a third term as Chief Minister and has since been praised even by an influential conservative Muslim leader who said that Muslims were better off in Gujarat than in many states. Muslims form about 14% of India's 1.2 bn population and are the single largest minority in a country made up of about 80% Hindus. The riots made him a political "persona non grata", being denied a visa to travel to the U.S. and avoided by many Western diplomats. This is now changing with ambassador-level meetings from Britain and the EU. Modi has built a reputation for having business friendly policies and clean governance that have helped make Gujarat an exemplary state which has grown at an average annual rate above 10% for the last seven years (source: Government of India statistics). Gujarat is home to the largest oil refinery in the world owned by Reliance Industries. Modi rolled out the red carpet to Tata Motors to build its Nano car after Tata Motors had to pull out its West Bengal plant following protests from farmers there over land acquisition for the factory. Modi, if chosen by the BJP as its PM candidate, would probably fight Congress Party's Rahul Gandhi, scion of India's oldest political dynasty. Although the Congress Party has not formally announced Rahul Gandhi as its candidate he is a clear favourite. His mother, Mrs Sonia Gandhi, is Congress Party President. Gandhi's father (Rajiv Gandhi), grandmother (Indira Gandhi) and great-grand father (Jawaharlal Nehru) have all been ex PMs of India.



## SELECTED SHARE PRICES :

## GDR OFFER PRICES (US\$) LONDON – 3 May 2013 : 1530 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
L&T	\$29.20	+ 1%	Rel. Inds	\$29.63	- 3%
M&M	\$17.77	+ 6%	SBI	\$82.45	- 8%
Ranbaxy	\$ 8.29	- 9%	Tata Steel	\$ 5.92	- 25%

Source : Thomson Reuters

## ADR OFFER PRICES (US\$) NEW YORK – 3 May 2013 : 1930 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Dr.Reddy	\$ 37.31	+ 12%	Sterlite	\$ 7.29	- 15%
HDFC Bank	\$ 41.76	+ 3%	Tata Com (ex VSNL)	\$ 8.40	- 2%
ICICI Bank	\$ 45.16	+ 4%	Tata Motor	\$26.57	- 8%
Infosys	\$ 43.29	+ 2%	WIPRO	\$ 8.06	+ 3%

Source : Thomson Reuters

## AIM (LONDON): in GB p unless stated otherwise – 3 May 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	16	- 30%	Indus Gas	940	- 9%
Eros	236	+ 2%	Ishaan	47	+ 45%
Greenko	124	- 6%	OPG Power	61	+ 28%
HIRCO	29	- 31%	SKIL Ports	110	+ 4%

Source : Thomson Reuters

## OTHER : in GB p unless stated otherwise – 3 May 2013 : 1630 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Essar Energy	144	+ 21%	<u>Collective Funds</u>		
Vedanta Resources	1,262	+ 9%	<u>London:</u>		
			Aberdeen New India	235	+ 7%
			JP Morgan India	386	+ 6%
			<u>New York:</u>		
			MS India	\$18.06	- 2%
			The India Fund	\$21.73	+ 4%

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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