



INDIA REPORT

500+ issues over 18 years

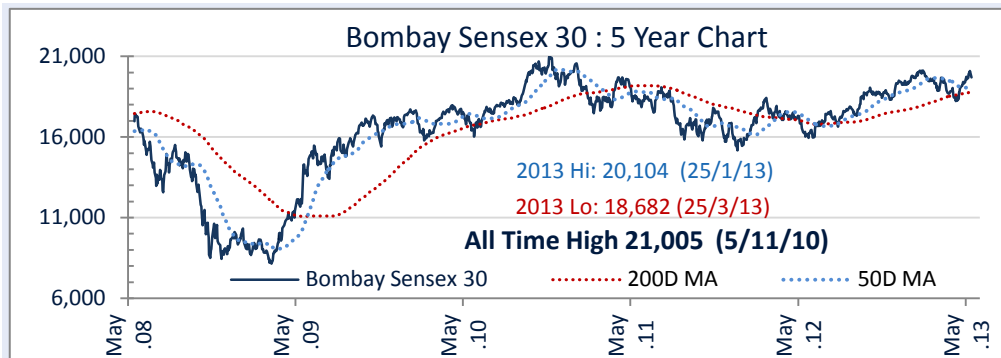


LALCAP

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Source: chart & following table: Bloomberg

Close: 14 May 2013	Level	Index Pts Chg- Day	% Chg YTD	PE 2013/14	High	5 Year PE	
						Low	Avg
SENSEX 30	19,772	+31	+1.5%	15.0x	25.0x	8.1x	18.4x
NIFTY 50	5,995	+15	+1.5%	14.8x	N/A	N/A	18.0x

BOMBAY

INR ₹ / USD \$1= Rs54.70

INR ₹ / GBP £1= Rs84.19

INR ₹ / EUR €1= Rs71.96

The SENSEX closed 0.1% higher after a steep fall yesterday. April's fall in inflation to 4.89% cheered investors as it now allows the Central Bank room to further cut interest rates to spur economic growth.

LONDON / NEW YORK

GDRs/ADRs we follow show a mixed picture of gains and losses. Dr Reddy leads with a +14% gain YTD. Sterlite ADRs fall 19% YTD on falling commodity prices.

ECONOMIC AND POLITICAL NEWS

- ⇒ **India's main inflation measure, the Wholesale Price Index (WPI), fell in April to 4.89% y-o-y.** This is the third consecutive monthly fall and is the lowest reading since November 2009. In March it rose 5.96%. The Central Bank's comfort level is 5%. Room is now created for the Central Bank to continue with interest rate cuts which are so badly needed to spur consumer demand and in turn revive economic growth. Capital investments by industry will also be encouraged in an environment of falling interest rates.
- ⇒ **India's April trade deficit soared to \$ 17.8 bn, up 72% compared to March.** This was mainly due to gold and silver imports shooting up 138% compared to a year ago, to \$ 17.5 bn. Silver accounts only for a small portion of the combined imports of the two precious metals. Overall, compared to a year earlier, merchandise imports were +10.9% to \$ 41.95 bn and exports rose 1.6% to \$ 24.16 bn, up for the fourth straight month.
- ⇒ **Retail customers in India, the world's largest gold importer, went on a buying spree as gold fell 17% over a two-week period in April.** This included a 14% fall in just two trading sessions on 13 and 15 April, the worst slide since 1983. Duties on gold imports were hiked again earlier this year to dampen demand and help reduce the current account deficit. Government officials had hoped for a 20% fall in imports due to the hike in excise duty. However, the fall in gold prices more than made up for the tax rise. Gold has made the worst start to a year in 2013 since 1982, down nearly 15%. The increase in gold demand has revived fears of yet another tax rise.
- ⇒ **The Central Bank recently highlighted the current account deficit, which ballooned to a record high of 6.7% of GDP in the quarter to December 2012, as the "biggest risk" to the Indian economy.** Alas, May's trade deficit is not going to be helped by gold's 15% fall since 1 January. Yesterday was one of four of the most important Hindu festivals, "Akshaya Tritiya".

This is considered by India's Hindus (80% of population or nearly 960 m people) as a significant day to buy precious metals and start new ventures. In Sanskrit the word "Akshaya" means infinite, or never diminishing. People typically buy gold on this festival day as it is regarded as highly auspicious to multiplying the value of what is bought or started on this day.

- ⇒ **The Parliamentary "budget session" of both houses that started on 21 February, and which was due to end on 10 May, was adjourned two days earlier on 8 May.** This was due to repeated disruptions by the opposition parties clamouring for the resignation of the Prime Minister and two ministers (see below) over allegations of misconduct in the railways ministry and in the process of allocation of coal-mining blocks and telecom auctions and . According to PRS Legislative Research, an independent research firm, the lower house worked for only 49% of the time in the latest session and the upper house slightly longer. The much awaited and hoped for bills on increasing foreign limits in insurance and pensions were postponed to the next parliamentary session. The "monsoon session" starts on 26 July and ends on 27 August. Also postponed was the important land acquisition bill to make easier the biggest hurdle for infrastructure projects. Also hostage this session was the Government's flagship programme "The Food Security Bill" to give cheap food to 70% of the population, widely seen ahead of the general elections in 2014 as a "vote winner".
- ⇒ **Railway Minister, Mr Pawan Bansal, and Law Minister Mr Ashwani Kumar resigned after their position became untenable. This was following findings after intense pressure from the opposition parties.** Mr Bansal was the first railway minister from the Congress Party since 1996, and the first to successfully raise passenger fares in nine years. Despite what seems like endless scams coming to light the Congress Party is still hopeful of winning the next general elections. The main opposition party, the BJP, is in disarray and has lost four state elections this year. This includes their only stronghold in South India in Karnataka which they lost to Congress very recently.



2013 YTD PERFORMANCE OF ASIA PACIFIC/WESTERN EQUITY MARKETS IN LOCAL CURRENCY, US\$ & GB£ : AT 1800 GMT

- The table below shows 2013 returns in local currency and also currency adjusted returns in US\$ and GB£;
- Virtually all markets in our table below show gains, many in double-digits. Overall a good start to the year for Asia, adding to gains seen in 2013. Even with currency adjustments many markets show double-digit gains in US\$ and GB£ ;
- Developed markets outshine the BRIC markets by a handsome margin in a reversal of performance compared to recent years ;
- India, despite all its woes is still marginally up ;
- India's 10-year benchmark bonds rise to 3-year highs after 3 interest rate cuts in 2013 and on falling inflation ;
- Drivers for relatively good performance in Asia are: despite slowing economies a perception of a high growth region compared to developed markets and optimism that interest rates will be reduced and aid profitability;
- Japan shines finally with a handsome 42% gain. In Asia the other top 3 gainers are : Philippines : + 26%, Pakistan: +21%, Indonesia : + 18%. China and South Korea are the only fallers in the table below;
- In Western markets Switzerland stands out with a sparkling gain of 20%, USA shows gains of 15% (DJIA) and 16% (NASDAQ) and UK's FTSE +13%. Germany's DAX is + 10%.

INDEX PERFORMANCE	Index at 14 May 2013	YTD 2013 %Chg	YTD 2013 %Chg	YTD 2013 %Chg
ASIA PACIFIC		In local Currency	in US\$	in GB£
S&P ASIA CME 50	3550	-1	- 15	- 11
MSCI APEX 50	899	n/c	n/c	+ 6
AUSTRALIA 200 INDEX	5,221	+12	+ 8	+ 14
CHINA SHANGHAI COMP	2,217	- 2	+ 1	+ 5
CHINA SHENZHEN COMP	961	+9	+ 11	+ 17
HONG KONG HANG SENG	22,930	+ 1	+ 1	+ 7
INDIA NIFTY 50	5,995	+ 2	+ 3	+ 10
INDIA SENSEX 30	19,722	+ 2	+ 3	+ 10
INDONESIA JAKARTA COMP	5,082	+18	+ 19	+ 27
JAPAN NIKKEI 225	14,758	+42	+ 20	+ 2
MALAYSIA K.L. COMP.	1,788	+ 6	+ 8	+ 14
PAKISTAN KSE 100	20,475	+21	+ 19	+ 25
PHILIPPINES PSEi	7,313	+26	+ 26	+ 33
SINGAPORE STI	3,433	+ 10	+ 9	+ 13
SRI LANKA ALL SHARE	6,206	+ 10	+ 12	+ 18
STH. KOREA KOSPI	1,969	-1	-1	-1
TAIWAN TAIEX	8,252	+ 7	+6	+ 12
THAILAND SET INDEX	1,623	+17	+20	+ 26
VIETNAM STOCK INDEX	484	+17	+17	+24
WESTERN				
GERMANY DAX	8,339	+10	+9	+15
SWITZERLAND SMI	8,188	+20	+15	+21
UK FTSE 100	6,686	+ 13	+ 7	+ 13
US D.J. IND	15,188	+ 16	+ 16	+23
USA NASDAQ	3,463	+15	+ 15	+20
BRAZIL BOVESPA	55,003	-10	- 7	-2
RUSSIA MICEX 10	3,151	- 7	- 7	-3

Source : Bloomberg



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- 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, through which all stock broking activities (GDRS/ADRS/AIM shares + bonds) are executed. The old team from Astaire moved to WH Ireland.

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