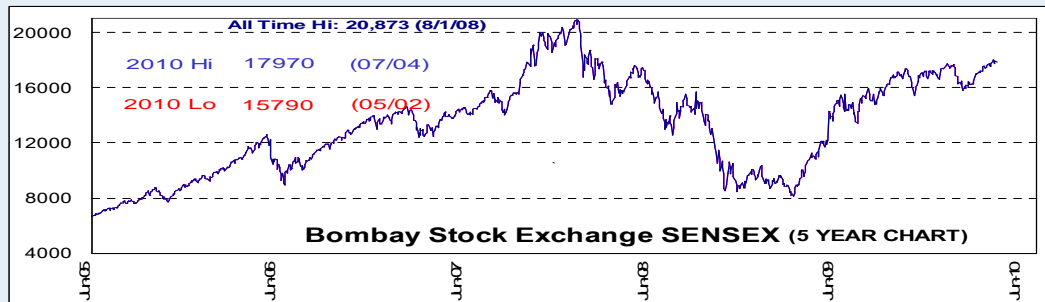




The India Report

Deepak Lalwani OBE : Director - India

17 June 2010



Source, chart & following table: Bloomberg

	Close 17 June 2010		Pts	% Chg	2010/11	5 Yr	5 Yr	5 Yr
	Index	Day						
SENSEX 30	17,617	+154	+0.9	17.0x	25.0x (1/08)	8.1x (11/08)	18.7x	
NIFTY 50	5,275	+78	+1.4	N/A	N/A	N/A	17.2x	

ECONOMIC NEWS

India's real GDP grew at 7.4% pa for the fiscal year to March 31, 2010, slightly lower than our forecast of 7.6%. We think this performance is very creditable, especially since the country faced the worst drought in 37 years due to failed monsoon rains. Only about 42% of the arable land in the country is irrigated; hence, the reliance by most farmers on monsoon rains. Poor rains hit farmers' incomes and have a multiplier effect on the economy. About 60% of India's 1.2 bn people live in rural areas. **We forecast GDP growth of 8.5% for the year to March 2011 and resumption above 9% for the year to 2012.**

Food inflation, which forms about 40% of the wholesale price inflation eased slightly to 16.12% in the year to 5 June from 16.74% in the previous week. Food price inflation has remained stubbornly high above 15% since November 2009. Last year's drought pushed up prices of food articles, some by 50%+. This has led to street protests, often supported by opposition parties, and has become a policy headache for the authorities. The Government has been forced to hold back on major reforms, eg, dismantling fuel price subsidies ahead of eight state elections due later in 2010 and 2011. High inflation has also prompted the RBI to reverse its easy monetary stance; it raised interest rates twice, by 0.25% each time, since mid-March. **We expect another 0.25% hike (already discounted by financial markets) at the next quarterly monetary policy meeting in late July.**

The Society of Indian Automobile Manufacturers (SIAM) said that car sales in India rose an annual 30% to 148, 481 cars in May, as rising incomes in a rapidly expanding economy helped to cushion the impact of price increases. Sales of trucks and buses, a barometer of economic activity, rose an annual 58% to 48,580 units. **Our view is that the Indian economic recovery is firm now and GDP growth of 8.5% to March 2011 is very achievable.**

Privatisation in India has been brought back on the agenda. The Government has approved the sale of 10% in Coal India and 20% in Hindustan Copper. Between them they could raise up to \$3.7bn – Coal India : \$2.7bn and Hindustan Copper : \$1bn. The Government's target to March 2011 is \$8.5bn from privatisations, and the stake sales are part of a broader plan by the Government to sell minority stakes in about 60 state

run firms (many loss making ones) in coming years to help reduce the highest fiscal deficit in 16 years. **These two companies are good quality ones and a successful sale will depend on pricing and market sentiment at the time of issue, around September.** Coal India is the world's largest coal miner and has led India's pursuit for coal overseas. Its net profit in 2009/10 quadrupled to \$1.8 bn aided by increasing demand.

MARKET NEWS

The 5-year performance in US\$ (ignoring inflation and re-invested dividends) of Asian and selected western markets is:

5-YEAR PERFORMANCE IN US\$	Today's worth of US\$100 invested 5 years ago
Source: Bloomberg	
ASIA PACIFIC:	
AUSTRALIA 200 INDEX	\$ 119
CHINA SHANGHAI COMP	\$ 278
CHINA SHENZHEN COMP	\$ 480
HONG KONG HANG SENG	\$ 144
INDIA NIFTY 50	\$ 230
INDIA SENSEX 30	\$ 237
INDONESIA JAKARTA COMP	\$ 273
JAPAN NIKKEI 225	\$ 105
MALAYSIA K.L. COMP.	\$ 170
PAKISTAN KSE 100	\$ 88
PHILIPPINES PSEi	\$ 199
SINGAPORE STI	\$ 181
SRI LANKA ALL SHARE	\$ 218
STH. KOREA KOSPI	\$ 142
TAIWAN TAIEX	\$ 117
VIETNAM STOCK INDEX	\$ 173
WESTERN:	
UK FTSE 100	\$ 84
USA D.J. IND	\$ 98
USA NASDAQ	\$ 110
BRAZIL BOVESPA	\$ 338
RUSSIA	\$ 272

All indices, except 3, show positive results. BRIC countries do well – China's Shenzhen leads with \$100 now worth \$480. Despite the worst global financial crisis in 2008 – 09, and the recent setback over the unfolding European debt crisis, many Asian countries do well looking at the big picture over 5 years.

SELECTED SHARE PRICES

GDR OFFER PRICES (US\$) LONDON – 17 June 2010: 15:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
L&T	\$38.54	+\$1.54	+0.5%	SBI	\$100.50	-0.75¢	-0.8%
M&M	\$13.60	+10¢	-0.3%	Suzlon Energy	\$4.90	-2¢	-1.1%
Ranbaxy	\$9.60	+35¢	+0.4%	Tata Power	\$29.00	n/c	+0.9%
Rel. Inds	\$46.23	+55¢	-0.1%	Tata Steel	\$10.77	n/c	-4.0%

Source : Bloomberg

ADR OFFER PRICES (US\$) NEW YORK – 17 June 2010: 15:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
Dr.Reddy	\$30.46	-41¢	-0.8%	Satyam	\$5.04	-2¢	+34.5%
HDFC Bank	\$152.53	-24¢	+17.9%	Sterlite	\$14.61	-27¢	-2.6%
ICICI Bank	\$38.02	+3¢	-0.5%	Tata Com (ex VSNL)	\$11.11	-13¢	-2.2%
Infosys	\$63.09	-50¢	+5.6%	Tata Motor	\$17.95	-7¢	+3.9%
MTNL	\$2.80	+12¢	+1.0 %	WIPRO	\$22.29	-23¢	n/a

Source : Bloomberg

AIM (LONDON): in GB p unless stated otherwise (indicative only) – 17 June 10: 15:00 GMT							
Company	Day's Price	Day's Change	YTD Change	Company	Day's Price	Day's Change	YTD Change
DQE	110	+0.50	+9%	KSK	530	+10	+18%
Dhir India	100	n/c	-5%	Naya Bharat	\$0.345	n/c	-14%
Eredene	18.75	n/c	+10%	Noida Toll	\$3.50	+0.05¢	-22%
Eros	199	+1	+24%	OPG Power	66	-1	-27%
Gt Eastern	490	n/c	+11%	Prometh. (Eleph.Cap)	65	n/c	+8%
Greenko	154	n/c	+31%	Trinity	59	-0.25	+6%
HIRCO	135	+2	-15%	Unitech	26	+0.75	+8%
Indian Films	40	n/c	-5%	W. Pioneer	22	n/c	-12%
Ishaan	70	n/c	+32%				

Source : Bloomberg

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