



Source, chart & following table: Bloomberg

Close 21 July 2010	Index	Pts Chg	% Chg	2010/11	5 Yr	5 Yr	5 Yr
		Day	YTD	PER	PER Hi	PER Lo	Avg
SENSEX 30	17,977	+99	+3.0%	17.2x	25.0x (1/08)	8.1x (11/08)	18.7x
NIFTY 50	5,399	+31	+3.8%	N/A	N/A	N/A	17.2x

ECONOMIC NEWS

- ▶ We expect the increase in fuel prices from earlier this month to add about 1% to wholesale price inflation in the coming months, and continue to put pressure on the Government and on interest rates. The WPI was 10.55% YoY in June, and India's stubbornly high inflation figure is the worst for any G20 country. Although food inflation has abated to around 12% from around 18% a few months ago, fuel price and manufacturing inflation are pushing the monthly gauge up. We had forecast on 25 June, when the fuel price increases were announced, that we expect a 0.50% hike in interest rates imminently, well before the 27 July official policy review date. A 0.25% increase (to 5.5% in the repo rate and to 4% in the reverse repo rate) was announced shortly after as a signal of a calibrated move upwards. **We forecast another 0.25% hike on 27 July and further interest rate rises of up to 0.50% by the end of this year to focus on fighting inflation.**
- ▶ Exports rose for a consecutive eighth month in June, firmly establishing a recovery in this sector after falling for thirteen consecutive months to October 2009. June exports rose 30% YoY (albeit from a low base) to \$17.75 bn. In the first quarter (Apr-Jun) of this fiscal year to March 2011 exports rose 32% to \$50.8 bn. The Government is forecasting a near 15% increase to March 2011 of \$200bn after merchandise exports fell 4.7% in the year to March 2009 to \$ 176.5 bn.
- ▶ Since the economic reforms process began in India from 1991, Foreign Direct Investment (FDI) equity inflows has totalled \$132.4 bn to the fiscal year March 2010. However, 87% or \$116 bn of this has come only in the last 10 years. Within this decade to March 2010, 81% of the \$116 bn has occurred in the last four years. Thus, from a very slow start in the 1990s when FDI was stuck at a low figure (especially compared to China) it has accelerated in the last few years as more sectors have been opened to foreign investment and the allure of the India growth story has increasingly influenced foreign investors. Despite perceptions by foreign investors of hurdles like painful bureaucracy, corruption and inconsistent policies the huge domestic market in India is hard to ignore; especially since developed economies are stagnating or show anaemic growth. For the fiscal year to March 2010 FDI totalled \$25.88 bn, down about 5% from the previous year's figure of \$27.33 bn (source: Ministry of Commerce, India).
- ▶ The top investing countries contributing to FDI Equity inflow of

\$116 bn into India in the decade to March 2010 are:

	INVESTOR	\$ Bn	%
1.	Mauritius	47.3	43
2.	Singapore	10.2	9
3.	USA	8.3	8
4.	UK	5.9	5
5.	Netherlands	4.5	4
8.	Germany	2.8	2.5
10.	France	1.5	1.4

Although Mauritius leads, it distorts the figures because of the Double Tax Treaty (DTT) it has with India. Many US and European investments are made to benefit from this favourable investment route. The recent DTT between Singapore and India has propelled the island state to second position this decade for the same reason.

The following 6 sectors attracted the most FDI this decade:

	SECTOR	\$ Bn	%
1.	Services sector	23.6	21
2.	Computer H'ware/S'ware	9.9	9
3.	Telecoms	8.9	8
4.	Housing/Real Estate	8.4	8
5.	Construction	8.1	7
6.	Power	4.6	4
7.	Autos	4.6	4

Going ahead infrastructure (power, roads, ports etc) should take the lead by a substantial margin.

OVERALL, FDI INTO INDIA SHOULD CONTINUE TO GROW.

The cities with RBI offices that have processed over 70% in total of authorisations of FDI equity inflows this decade are:

Bombay : 35%; N.Delhi : 21%; Bangalore: 6%; Ahmedabad: 6%; Chennai:5%

SELECTED SHARE PRICES

GDR OFFER PRICES (US\$) LONDON – 21 July 2010: 16:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
L&T	\$40.77	+55¢	+0.4%	SBI	\$103.50	-75¢	+0.2%
M&M	\$13.45	+57¢	+2.8%	Suzlon Energy	\$5.22	-2¢	+3.5%
Ranbaxy	\$9.80	-16¢	+3.4%	Tata Power	\$28.40	n/c	+0.3%
Rel. Inds	\$45.00	+15¢	+0.3%	Tata Steel	\$11.64	n/c	+4.9%

Source : Bloomberg

ADR OFFER PRICES (US\$) NEW YORK – 21 July 2010: 16:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
Dr.Reddy	\$29.36	-\$1.26	-1.4%	Satyam	\$4.98	-7¢	+31.2%
HDFC Bank	\$150.54	+\$1.81	+16.3%	Sterlite	\$14.56	+26¢	+0.2%
ICICI Bank	\$38.46	+41¢	+0.5%	Tata Com (ex VSNL)	\$12.06	-8¢	-0.2%
Infosys	\$59.00	+7¢	+0.6%	Tata Motor	\$18.22	-6¢	+0.1%
MTNL	\$2.80	+6¢	-0.1%	WIPRO	\$12.69	-10¢	+44.1%

Source : Bloomberg

AIM (LONDON): in GB p unless stated otherwise (indicative only) – 21 July 10: 16:00 GMT							
Company	Day's Price	Day's Change	YTD Change	Company	Day's Price	Day's Change	YTD Change
DQE	123	+1.50	+21%	KSK	472	-30	-8%
Dhir India	100	n/c	+5%	Naya Bharat	\$0.35	n/c	-11%
Eredene	20.50	+0.25	+26%	Noida Toll	\$3.80	n/c	-5%
Eros	198	+8	+25%	OPG Power	84.50	+1.75	-6%
Gt Eastern	465	n/c	+7%	Prometh. (Eleph.Cap)	65	n/c	+8%
Greenko	108	+5	+28%	Trikona Trinity	65.50	-0.25	+19%
HIRCO	128	+5	-28%	Unitech	26	n/c	+5%
Indian Films	42	n/c	+4%	W. Pioneer	22	+0.50	-2%
Ishaan	68.5	-2.25	+32%				

Source : Bloomberg

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