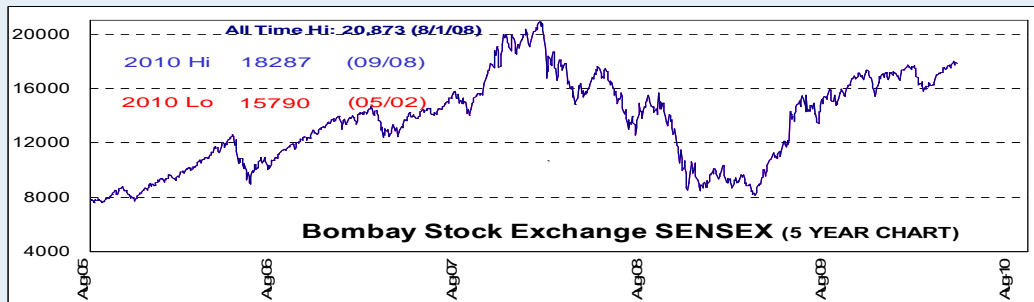




The India Report Deepak N. Lalwani OBE : Director - India

16 August 2010



Source, chart & following table: Bloomberg

	Close 16 August 2010		Pts	% Chg	2010/11	5 Yr		5 Yr
	Index	Day				PER	PER Hi	
SENSEX 30	18,051	-116		+3.4%	16.6x	25.0x (1/08)	8.1x (11/08)	18.7x
NIFTY 50	5,418	-39		+4.2%	N/A	N/A	N/A	17.2x

ECONOMIC NEWS

- ▶ **India celebrated another Independence Day on August 15th.** So what is the scoreboard like 63 years after colonial rule under Britain ended in 1947? Rather mixed. Democracy is the clear winner, despite being regarded as a huge risk in 1947 for a poor country. India's mature democracy now, coupled with a peaceful transfer of power at elections, is viewed by many foreign investors as a great strength. Especially compared to other peers. Also, impressive economic gains over the last two decades have propelled India to be viewed as a fast emerging economic giant. The serious blot on the scorecard is the still unacceptably high poverty level. According to World Bank data over 800 million people live under \$2 per day and some key social development indicators are worse than sub-Saharan countries. India's creaking infrastructure (which the Government states shaves up to 2% off annual GDP growth) is ranked by the World Economic Forum's Global Competitive Index for 2009-10 at 76 out of 133 economies, slightly ahead of Senegal and 16 places behind The Gambia, both in Africa. While narrow sections of mainly urban India have gained from the economic reforms that unfolded from 1991, rural India (where 60% of the "real" India lives) has largely not participated in this process. Inclusive growth for the poorer sections of society is thus the aspiration and mantra for successive Governments.
- ▶ **However, the future looks optimistic as India is on a journey of economic catch up which should continue for over 20 years.** India's GDP should rise 5 fold to \$ 5 trillion by 2030. This journey of catch up will create huge business opportunities in almost all sectors of the economy as India modernises. Infrastructure, banking and financial intermediation, autos, pharmaceuticals, capital goods, consumer goods, construction and metals are only some of the sectors to benefit. Morgan Stanley, the U.S. investment bank, recently stated that India may become the world's fastest growing major economy, overtaking China's growth rate by 2015. They also said that India will add 136 million workers (this is more than the current combined population of the UK and France) by 2020 compared with 23 million that China will add. India's new workers should help boost consumption and aid economic growth. Washington based

The Inter-American Bank (IADB) in a recent report said that by 2040 the economic output from China and India together is expected to be up to 10 times larger than Europe's total GDP.

MARKET NEWS

- ▶ **The long-term strategy and vision by Tata Motors to buy UK's Jaguar and Land Rover in 2008 has finally paid dividends.** But the journey has been fraught with risks and has been far from smooth. Shortly after the purchase in early 2008 of Jaguar Land Rover (JLR) from Ford Motor Co (USA) for \$2.3bn many critics thought the deal would kill Tata Motors. The price was considered too high, and the ensuing global financial crisis was expected to seriously dent demand for luxury vehicles. After all, no Western buyer wanted the brand. Ford was keen to sell JLR – it bought Jaguar in 1989 for \$ 2.5 bn and Land Rover in 2000 for \$2.75 bn – as it was unable to turn the prestigious British nameplate into a high volume brand and make it profitable. Ford had also seen its own market capitalisation drop by about 80% since 2001. In a twist of colonial history the last luxury brand British car was to be sold to an Indian company; that too, one that had started to manufacture motor cars only about a decade before and had plans to produce the world's cheapest car, "The Nano". Tata Motors, though, is part of the famous Tata Group, and is India's leading truck and bus maker with two-thirds share of the market.
- ▶ **Last week Tata Motors revealed better-than-expected quarterly results to June 30 (sales up 64% to Rs 269 bn this quarter with net income Rs 19.9 bn vs a loss of Rs 3.3 bn a year ago).** JLR posted a quarterly net income of £221m vs a loss of £64m a year ago with 57,153 vehicles sold vs 35,947 a year ago. Land Rover plans to build factories in India and China on rising demand in emerging markets. The shares of Tata Motors closed at Rs 1001 today, near its 20-year high of Rs 1,024 seen on 12 August.

BOMBAY

INR/US\$ Rs46.80

INR/GB£ Rs73.38

INR/EUR Rs59.91

The SENSEX closed 0.6% down on a sell-off in the last hour. Pharma major, Lupin, plans a major expansion in emerging markets to diversify risk away from its current major overseas markets, USA and Japan.

LONDON / NEW YORK

GDRs and ADRs are generally lower in London and New York, following the lead by Bombay. Tata Motors ADRs trade close to their all time high.

SELECTED SHARE PRICES

GDR OFFER PRICES (US\$) LONDON – 16 August 2010: 15:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
L&T	\$38.56	-35¢	+1.0%	SBI	\$120.00	-\$1.25	-0.4%
M&M	\$13.56	+1¢	+1.9%	Suzlon Energy	\$4.55	-57¢	+1.7%
Ranbaxy	\$9.71	+1¢	+1.7%	Tata Power	\$28.40	n/c	+1.7%
Rel. Inds	\$42.11	-1¢	+0.9%	Tata Steel	\$11.25	-53¢	+0.3%

Source : Bloomberg

ADR OFFER PRICES (US\$) NEW YORK – 16 August 2010: 15:00 GMT							
Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
Dr.Reddy	\$28.85	-9¢	-0.5%	Satyam	\$4.67	-7¢	+30.7%
HDFC Bank	\$158.50	-7¢	+18.6%	Sterlite	\$13.56	+8¢	-1.9%
ICICI Bank	\$40.88	-8¢	+0.5%	Tata Com (ex VSNL)	\$13.76	-21¢	-0.5%
Infosys	\$61.84	-34¢	-0.1%	Tata Motor	\$21.49	-5¢	+0.4%
MTNL	\$2.79	-1¢	+1.1%	WIPRO	\$13.15	-7¢	+48.3%

Source : Bloomberg

AIM (LONDON): in GB p unless stated otherwise (indicative only) – 16 August 2010: 15:00 GMT							
Company	Day's Price	Day's Change	YTD Change	Company	Day's Price	Day's Change	YTD Change
DQE	130	-1	+29%	Ishaan	69	n/c	+33%
Dhir India	100	n/c	+5%	KSK Power Ventur	520	+1	+1%
Elephant Capital	65	n/c	+13%	Naya Bharat	\$0.50	n/c	+27%
Eredene	20.50	+0.25	+26%	Noida Toll	\$3.80	n/c	-5%
Eros	212	-4	+34%	OPG Power	73	-2	-19%
Gt Eastern	465	n/c	+7%	Trikona Trinity	68	+0.50	+23%
Greenko	143	n/c	+24%	Unitech	32	n/c	+32%
HIRCO	107.5	n/c	-28%	W. Pioneer	22	n/c	-2%
Indian Film Co	43	-2	+6%				

Source : Bloomberg

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