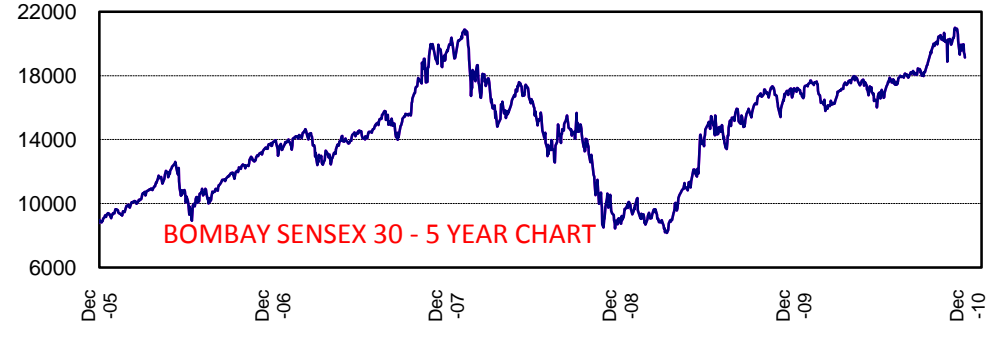




Deepak N. Lalwani OBE, FCSI, FCCA: Director - India E: dl@lalcap.com

13 December 2010

ALL TIME HI: 21,005 (5/11/10) 2010 Hi: 21,005 (5/11/10) 2010 Lo: 15,790 (5/2/10)



Source: chart & following table: Bloomberg

		Pts Chg	% Chg	2010/11	5 Yr	5 Yr	5 Yr
CLOSE: 13 Dec 2010	Index	Day	YTD	PER	PER Hi	PER Lo	Avg
SENSEX 30	19,692	+189	+13%	18.1x	25.0x	8.1x	18.7x
NIFTY 50	5,908	+ 51	+13%	18.6x	N/A	N/A	17.2x

BOMBAY

INR ₹ /US\$ Rs45.14

INR ₹ /GB£ Rs71.15

INR ₹ /EUR Rs59.87

The SENSEX closed + 1% as strength in the commodity and real estate sectors in the final hour helped push the index firmly in positive territory. Reliance Infra, HDFC and Hindalco led with gains over 3%, while losers over 1% included ACC, ITC and M&M. The market undertone is positive.

LONDON / NEW YORK

GDRs show a mixed performance, while ADRs in New York attract buyers. On London's AIM, Greenko and Indus Gas show gains over 50% YTD.

ECONOMIC NEWS

⇒ The gravity of the recent corruption scandals (Commonwealth Games, G2 spectrum for mobile phones, housing scandal and insider trading investigations) in the last two months has deeply embarrassed and put pressure on the ruling coalition Government; especially as the opposition has paralysed Parliament, and four more state elections are due this year. Foreign investors are concerned by the political paralysis that may delay reforms and also by general governance standards in the country. So, how will foreign investor sentiment be affected? In the short term, India's image as a destination for investment has been dented. However, the damage to the image also depends on how well investors know India, and therefore the degree of comfort they have with India risk. FII's who have invested in India for some time are aware that corruption and state bureaucracy have existed in the country for decades. Despite this, FII's have been rewarded on their investments because the economy has grown strongly in the last decade and corporate earnings have grown and supported higher share prices. However, new or potential investors in India may put plans on hold as they worry about the worst scandals in a decade. They will, in time, realise that there is no systemic risk to the economy as the amounts concerned, although in many millions of dollars, are not material in context of the overall banking industry. The hope among foreign investors is that the furore caused by these scandals acts as a catalyst to "clean up" the way business is done in India in some sectors. The clean up would make India more attractive to foreign investors.

⇒ FII's have invested a record net \$28.8bn into Indian equities this year. This year's figure very easily surpasses the previous record of nearly \$18bn in the bull market of 2007. Investors are very interested in putting money in a large economy that is still showing strong (relative to developed economies suffering from anaemic growth) economic activity and where the banking system has been insulated against the catastrophic losses being witnessed in many countries. The contagion in Europe as Greece, Ireland and possibly Spain and Portugal seek EU loans to avoid bankruptcy acts as a stark reminder and motivator to invest in a country like India which has a young and fast urbanising population, large domestic consumption (about 57% of GDP), low reliance of exports (only about 18% of GDP) and an entrepreneurial spirit which will all help the economy to grow

at 8.5%+ to March 2011 and possibly exceed 9% the following year.

⇒ From April 2011 The Bribery Act 2010 comes into force in the UK, which wants to be an international leader in clamping down on bribery and corruption. The World Bank estimates that \$1 trillion is spent on bribery globally. The UK has slipped in the latest annual Corruption Perceptions Index (CPI) 2010 prepared by Transparency International from 17th place to 20th, trailing Barbados (17th) and Qatar (19th). The proposed Act is wider than the US Foreign Corrupt Practices Act of 1977 as it covers commercial-to-commercial transactions as well as transactions with foreign public officials or entities, and prohibits facilitation ("speed") payments. The Bribery Act applies to businesses that have entities in the UK or do part of their business in the UK. An international company could therefore be prosecuted in the UK for corrupt acts it commits in India, just by virtue of doing part of its business in UK. India slipped three places in the CPI to 87th out of 178 countries and trails well behind Rwanda (66th), El Salvador (73rd) and China (78th). This UK Act is seen by many as being far reaching and draconian because penalties include unlimited fines, jail sentences of up to 10 years and debarment from entering into public contracts in Europe. Thus, in order to escape penalties if an offence occurs, companies have the burden to show they had "adequate procedures" to prevent bribery. The risk by UK companies, and international companies with offices in the UK, in doing business with India and internationally will increase.



HAPPY CHRISTMAS
& ALL GOOD WISHES FOR 2011

**SELECTED SHARE PRICES**

GDR OFFER PRICES (US\$) LONDON – 13 Dec 2010: 16:00 GMT

Company	Day's Price	Day's Change	Prem/Disc.	Company	Day's Price	Day's Change	Prem/Disc.
L&T	\$43.48	+38¢	-0.8%	SBI	\$122.00	+\$1	-0.4%
M&M	\$17.19	-25¢	+0.4%	Suzlon Energy	\$4.74	+4¢	+7.5%
Ranbaxy	\$12.27	- 3¢	+0.8%	Tata Power	\$28.40	n/c	-2.8%
Rel. Inds	\$46.70	-97¢	-0.9%	Tata Steel	\$14.27	+33¢	+1.8%

Source : Bloomberg

ADR OFFER PRICES (US\$) NEW YORK – 13 Dec 2010: 16:00 GMT

Company	Day's Price	Day's Change	Prem/Disc.	Company	Day's Price	Day's Change	Prem/Disc.
Dr.Reddy	\$40.90	+ 9¢	+1.0%	Satyam	\$2.76	- 11¢	+2.6%
HDFC Bank	\$167.60	+54¢	+11.8%	Sterlite	\$14.88	+10¢	+1.1%
ICICI Bank	\$49.55	+50¢	-0.5%	Tata Com (ex VSNL)	\$11.21	+14¢	-1.2%
Infosys	\$70.29	+52¢	+0.6%	Tata Motor	\$28.74	+37¢	+1.3%
MTNL	\$2.41	- 7¢	+2.4 %	WIPRO	\$14.50	-13¢	+45.3%

Source : Bloomberg

AIM (LONDON): in GB p unless stated otherwise (indicative only) – 13 Dec 10: 16:00 GMT

Company	Day's Price	Day's Change	YTD Change	Company	Day's price	Day's Change	YTD Change
Caparo Energy	117	- 0.50	+ 4%	Ishaan	65.5	-1.25	+24%
DQE	140	+3.50	N/A	Jubilant Energy	80	N/C	+2%
Eredene	18	+0.25	+6%	OPG Power	66	-2	-36%
Eros	229	n/c	+42%	Photon Kaathas	55	N/A	+10%
Greenko	186	+7	+58%	SKIL Ports	255	+2	N/C
HIRCO	71	-2	-45%	Trikona Trinity	51	-0.25	-8%
IEnergizer	162	+1.50	+30%	Unitech	29	n/c	+20%
Indus Gas	625	-2.50	+52%	W. Pioneer	27	+0.25	+8%

Source : Bloomberg

DISCLAIMER

This report is solely for knowledge purposes and does not constitute investment advice and should not be construed as an advertisement or a solicitation to buy or sell securities in any jurisdiction. Readers should make their own investment decisions or seek advice from their investment adviser. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. Lalcap Ltd does not offer a share dealing service. The past is not necessarily a guide to future performance. The value of securities and the income arising from them can fall as well as rise and investors may get back less than they originally invested. The information contained here has been obtained from sources which Lalcap Ltd believes to be reliable. The Company does not warrant that such information is accurate or complete. All estimates and prospective figures quoted are forecasts and not guaranteed. Opinions included in this report reflect the Company's judgement at the time of presentation and are subject to change without notice. If the investment(s) mentioned in this report are denominated in a currency different from the currency of the country in which the reader is a resident, the recipient should be aware that fluctuations in exchange rates may have an adverse effect on the value of the investment(s). If you are in or have inadvertently or indirectly received this report within a jurisdiction where the contents may be regarded by local securities exchange authorities as regulated information or investment advice, you should delete the report immediately and inform Lalcap of receipt. The company is not responsible for the suitability of any securities for any purpose, investment or otherwise. Lalcap assumes no fiduciary responsibility or liability for any consequences financial or otherwise arising from trading in securities if opinions and information in this document are relied upon. Full disclaimer available on website at www.lalcap.com

Published by / copyright : LALCAP, 2010

REGISTERED OFFICE: LALCAP LTD , 61 SANDRINGHAM ROAD, LONDON NW11 9DR, UK

REGISTERED IN ENGLAND NO: 7245357

LALCAP: E: info@lalcap.com

AUTHOR: Deepak N. Lalwani OBE, FCSI, FCCA

T:+44 (0)20 3519 0909

W: lalcap.com

Director - India

E: dl@lalcap.com