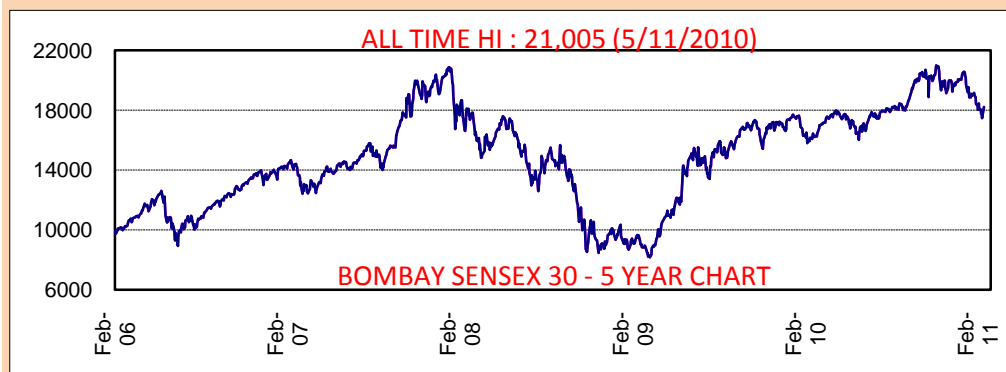




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14 February 2011



Source: chart & following table: Bloomberg

| | | Pts Chg | % Chg | 2010/11 | 5 Yr | 5 Yr | 5 Yr |
|--------------------|--------|---------|--------|---------|--------|--------|-------|
| CLOSE: 14 Feb 2011 | Index | Day | YTD | PER | PER Hi | PER Lo | Avg |
| SENSEX 30 | 18,202 | +474 | -13.6% | 17.2x | 25.0x | 8.1x | 18.7x |
| NIFTY 50 | 5,456 | +146 | -13.4% | 17.4x | N/A | N/A | 17.2x |

BOMBAY

INR ₹ /US\$ Rs45.55

INR ₹ /GB£ Rs72.82

INR ₹ /EUR Rs61.27

The SENSEX ended 2.6% higher in a relief rally. Recent falls over the 6 weeks have created attractive valuations in many blue chips. Engineering and capital goods sectors led the charge upwards. L&T rose 7% to Rs 1,660.75 on strong growth in power orders in Q3 FY11.

LONDON / NEW YORK

Most GDRS and ADRS show double digits falls in 2011, following Bombay's 13% fall this year. London's AIM shows decent gains in some stocks.

ECONOMIC NEWS

⇒ **India's main inflation indicator, the Wholesale Price Index (WPI), eased less than expected to 8.23% in January.** Consensus forecast was for 8.08%. The figure for December 2010 was 8.48%. Inflation remains stubbornly high due to high food and energy prices, and is well above the 7% target the RBI has set for the fiscal y/e March 2011. India suffers from the highest inflation in any major Asian economy, despite seven interest rate rises since March 2010. Expect interest rate hikes of another 0.5% until June in calibrated moves of 0.25% so as not to throttle economic growth, currently around 8.5%.

⇒ **The annual Budget is due on February 28 for the year to March 31, 2012.** Expectations are not high for economic reforms, though they are badly needed, because of more state elections this year. With the Congress-led coalition Government being rocked by scandals and a loss of support by the poor because of high food inflation, no bold measures or risk taking is expected.

⇒ **Oil and Natural Gas Company (ONGC), India's 74.1% state-owned oil giant is expected to stick to its plan to raise about \$ 2.7bn through a 5% share sale by mid-March.** The recent 13% slide in the SENSEX has not deterred the company from its privatisation plans, according to Indian press reports. The Government, as part of its plan to cut the large fiscal deficit, plans over the next few years to sell stakes in about 60 state-run companies. Uncertainty about India's oil subsidy scheme has cast doubts over the profitability of ONGC. It is forced to sell crude oil at a subsidised price to state-run refiners, which in turn sell diesel and cooking gas at subsidised prices set by

the Government. It is encouraging to see privatisation still on track despite recent political setbacks and the market slide over the last six weeks which has made India the second worst performing emerging market after Egypt in 2011. A market supportive Budget is being hoped for.

⇒ **India's leading conglomerate, the Tata Group, has entered into a joint venture with US defence manufacturer Lockheed to make aircraft components for C-130 transport planes which are considered to be among the world's most advanced.** Global defence firms are keen to expand in growing Asian markets - India is expected to spend about \$50 bn in modernising its military over the next five years. As part of a plan to upgrade domestic skills and technology, the Government in 2009 introduced a new rule that made it mandatory that at least 30% of all equipment from foreign defence firms would have to be sourced in India. The Government is now seeking to raise this figure to 70%. Hence, the move by foreign defence firms to tie-up with good quality and trusted Indian names. Currently the foreign ownership limit by foreigners in India's defence sector is 26%, although there has been talk for some years to increase this to at least 49%. Lack of political will and lobbying by self interested groups have been blamed for no increase so far. Lockheed is also in the race, which includes Boeing, Saab, Dassault, EADS and Russia's MIG, for India's \$11 bn contract for 126 jet fighters - one of the largest defence orders ever.

⇒ **India's exports in January provisionally rose an annual 32.5% to \$20.6bn, as demand recovered in developed markets.** Exports from April 2010 to January 2011 have risen 29.4% compared to the previous year, to \$184.6 bn. The Government's target of \$200 bn for the fiscal year to March 2011 looks easy to be surpassed; and, \$220bn is possible.

**SELECTED SHARE PRICES****GDR OFFER PRICES (US\$) LONDON – 14 Feb 2011 : 1530 GMT**

| Company | Day's Price | YTD % Change | Company | Day's Price | YTD % Change |
|-----------|-------------|--------------|---------------|-------------|--------------|
| L&T | \$36.67 | -23% | SBI | \$119.30 | -12% |
| M&M | \$14.84 | -17% | Suzlon Energy | \$4.36 | -21% |
| Ranbaxy | \$11.45 | -18% | Tata Power | \$28.40 | - 8% |
| Rel. Inds | \$40.43 | - 15% | Tata Steel | \$13.88 | - 14% |

Source : Thomson Reuters

ADR OFFER PRICES (US\$) NEW YORK – 14 Feb 2011 : 1600 GMT

| Company | Day's Price | YTD % Change | Company | Day's Price | YTD % Change |
|------------|-------------|--------------|--------------------|-------------|--------------|
| Dr.Reddy | \$33.69 | -10% | Satyam | \$ 2.88 | -10% |
| HDFC Bank | \$148.66 | -11% | Sterlite | \$15.51 | - 14% |
| ICICI Bank | \$45.98 | -10% | Tata Com (ex VSNL) | \$ 9.34 | - 18% |
| Infosys | \$68.29 | -12% | Tata Motor | \$26.99 | - 10% |
| MTNL | \$ 2.02 | - 6% | WIPRO | \$12.87 | - 18% |

Source : Thomson Reuters

AIM (LONDON): in GB p unless stated otherwise – 14 Feb 2011 : 1630 GMT

| Company | Day's Price | YTD % Change | Company | Day's Price | YTD % Change |
|---------------|-------------|--------------|-----------------|-------------|--------------|
| Caparo Energy | 119 | +6% | Ishaan | 61 | -3% |
| DQE | 118 | -7% | Jubilant Energy | 77 | +15% |
| Eredene | 17 | -4% | OPG Power | 109 | +32% |
| Eros | 236 | +6% | Photon Kaathas | 48¢ | -8% |
| Greenko | 172 | -12% | SKIL Ports | 230 | -4% |
| HIRCO | 62 | +4% | Trikona Trinity | 50 | +4% |
| IEnergizer | 190 | +19% | Unitech | 29 | -11% |
| Indus Gas | 750 | +21% | W. Pioneer | 28 | +3% |

Source : Thomson Reuters

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