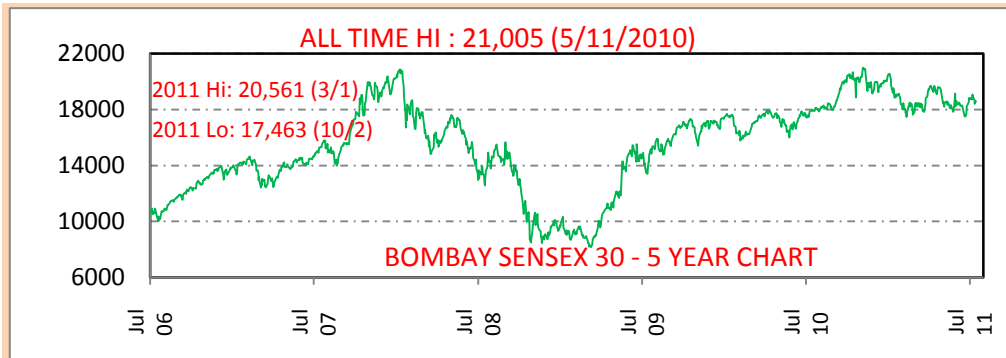




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18 July 2011



Source: chart & following table: Bloomberg

		Pts Chg	% Chg	2011/12	5 Yr	5 Yr	5 Yr
CLOSE: 18 July 2011	Index	Day	YTD	PER	PER Hi	PER Lo	Avg
SENSEX 30	18,507	-55	-9.5%	14.x	25.0x	8.1x	18.4x
NIFTY 50	5,561	-20	-9.0%	14.0x	N/A	N/A	17.0x

ECONOMIC NEWS

- ⇒ **Investors shrugged off the recent terrorist attacks on Bombay which killed at least 15 people and injured another 130+.** While the attack brought home the vulnerability of the nation to terrorist atrocities, investors kept their calm. They focused more on the slowing Indian economy, continuing interest rate hikes, stubbornly high inflation and lack of economic reforms.
- ⇒ **The most powerful of the three bomb blasts in Bombay was in the Opera House area in south Bombay, home to India's diamond trade.** About 60% of the world's diamond processing passes through here. In the year to March 2010 India imported 150 million carats of rough diamonds and exported 59.9 million carats of cut and polished diamonds valued at \$ 18.2 billion. India processes 7 in 10 of the world's diamonds, with 90% of those sold in the Opera House area. Bombay's diamond trade began about 40 years ago in what is now the main building, "Panchratna" (in Hindi: panch= five; ratna=gems). The diamond bourse has since expanded to ten buildings with up to 4,500 stores.
- ⇒ **In further confirmation of the Indian economy slowing down May's industrial output grew at 5.6%, the slowest in nine months.** Rising interest rates triggered by stubbornly high inflation, along with policy paralysis that has put reforms on hold and slowed FDI, are occurring at a time of uncertain global conditions. This is clouding India's growth outlook. For example, growth in car sales, which is interest rate and fuel price sensitive, has slowed significantly. June car sales were up just 1.6%, the slowest in two years. With June's WPI rising an annual 9.44%, and worryingly April's figure being revised upwards by over 1% to 9.74%, pressure remains of another 0.25% interest rate rise on July 26. This is despite 10 hikes totalling 2.75% since mid-March 2010. India's RBI is the most aggressive Asian Central Bank to raise interest rates, but has not tamed inflation yet.

BOMBAY

INR ₹ /US\$ Rs44.51

INR ₹ /GB£ Rs71.73

INR ₹ /EUR Rs62.59

The SENSEX closed 0.35% down. Top 3 SENSEX gainers: Hindalco (+3.2% @ Rs 182.30), BHEL (+2.7% @ Rs 1976), Tata Power (+2.3% @ Rs 1293.25). Top 3 losers: Tata Motors (-2.2% @ Rs 1013.20), TCS (-2.1% @ 1124), CIPLA (-1.9% @ 318).

LONDON / NEW YORK

Among GDRs/ADRs on our list HDFC Bank is the only up YTD. On AIM there are more losers than winners. DQE is -44% YTD while Trinity is +48% YTD.

POLITICAL NEWS

- ⇒ **PM Dr Singh made only marginal changes to his cabinet last week and retained key ministers in core areas.** Investors were disappointed that the Government, battling with major corruption scandals and policy paralysis, did not make bold changes to tackle poor governance amid corruption scandals and also speed up economic reforms. The main cabinet changes were:
 - Mr Jairam Ramesh:** now Rural Development Minister, from Environment. Close to Congress President, Mrs Sonia Gandhi and expected to boost rural electorate support ahead of elections next year in Uttar Pradesh (U.P.), India's most populous state. His new ministry implements a rural jobs scheme (cost: \$120 bn +) which is criticised for not achieving its objectives but is popular with Congress' rural voters and helped the party back to power. An influential maverick and blunt policy maker Mr Ramesh in his previous post in Environment differed with PM Dr Singh on several policy decisions, including clearance for South Korea's Posco's \$12 billion steel plant. He also reaffirmed India's commitment to nuclear plants despite Japan's nuclear disaster and kept anti-nuclear protesters at bay.
 - Ms Jayanthi Natarajan:** Environment Minister. Loyalist of Mrs Sonia Gandhi. Last a minister 13 years ago. Not expected to differ on policy issues with PM Dr Singh. Investor hopes have risen of a more measured style to give clearances for coal mining, power plants and factories.
 - Mr Salman Khurshid:** Law and Justice Minister, from Corporate Affairs. Wants to reform the Supreme Court. Trained as a lawyer and from U.P. Close to Mrs Gandhi and seen as a key campaign member to rebuild votes in U.P. to reduce reliance on coalition partners. Congress has been a minor player for over two decades in that state which is controlled by Ms Mayawati. She is the leader of the former untouchable castes, and often holds the balance of power in Parliament.
 - Mr Veerappa Moily:** Corporate Affairs Minister, from Law and Justice. Senior Congress member. A reformist, his impact in influencing economic reforms will be closely watched.

**SELECTED SHARE PRICES****GDR OFFER PRICES (US\$) LONDON – 18 July 2011 : 1630 GMT**

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
L&T	\$40.25	- 7%	SBI	\$ 112.00	- 13%
M&M	\$15.90	- 8%	Suzlon Energy	\$ 4.49	- 11%
Ranbaxy	\$12.05	- 4 %	Tata Power	\$ 29.00	- 8%
Rel. Inds	\$36.66	-18%	Tata Steel	\$ 12.85	- 15%

Source : Thomson Reuters

ADR OFFER PRICES (US\$) NEW YORK – 18 July 2011 : 1630 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Dr.Reddy	\$ 35.49	- 3%	Patni	\$15.21	- 30%
HDFC Bank	\$178.41	+ 6%	Sterlite	\$14.61	- 12%
ICICI Bank	\$ 46.30	- 6%	Tata Com (ex VSNL)	\$ 9.48	- 20%
Infosys	\$ 60.55	- 19%	Tata Motor	\$22.15	- 23%
MTNL	\$ 1.96	- 19%	WIPRO	\$12.62	- 17%

Source : Thomson Reuters

AIM (LONDON): in GB p unless stated otherwise – 18 July 2011 : 1630 GMT

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Caparo Energy	114	+ 3%	Jubilant Energy	67	+ 3%
DQE	72	- 44%	Kolar Gold	25	- 23%
Eros	230	+ 3%	OPG Power	71	- 10%
Greenko	218	+ 13%	Photon Kaathas	45¢	- 12%
HIRCO	53	- 25%	SKIL Ports	204	- 16%
IEnergizer	208	+17%	Trinity Cap.	38	+48%
Indus Gas	725	+18%	Unitech	21	- 30%
Ishaan	50	-22%	W. Pioneer	22	- 17%

Source : Thomson Reuters

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