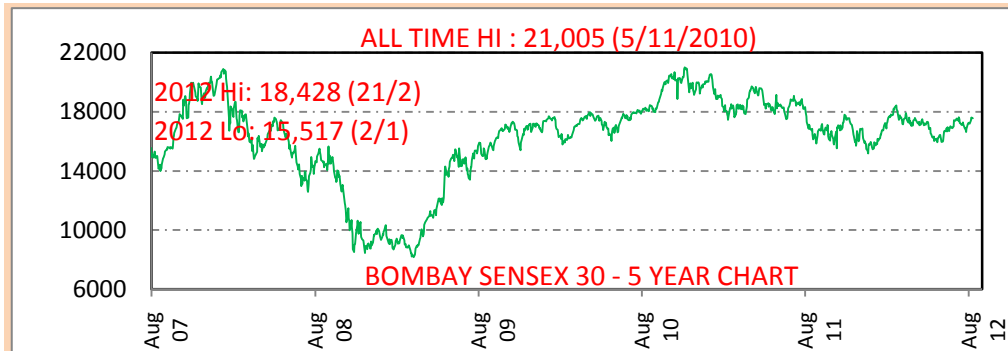




Deepak N. Lalwani OBE, FCSI, FCCA: Director- India E: dl@lalcap.com

10 Aug 2012



Source: chart &amp; following table: Bloomberg

		Pts Chg	% Chg	2012/13	5 Yr	5 Yr	5 Yr
CLOSE: 10 Aug 2012	Index	Day	YTD	PER	PER Hi	PER Lo	Avg
<b>SENSEX 30</b>	17,558	-3	+ 13.6%	14.1x	25.0x	8.1x	18.4x
<b>NIFTY 50</b>	5,320	-2	+ 15.1%	13.6x	N/A	N/A	17.0x

### ECONOMIC NEWS

- ⇒ **India's industrial output, considered to be volatile data but a barometer of GDP growth, fell for the third time in four months.** June recorded a fall of 1.8% YoY vs growth of 9.5% a year ago. Manufacturing, which accounts for 76% of industrial output, led the slump in sectors like auto, industrial machinery, electrical and electronic equipment. Capital goods, a key investment indicator that has shown growth only once in the past 10 months, slumped by 27.9%. The economic slowdown continues and many economists have lowered GDP growth for the year to March 2013 to under 6%. GDP data for the quarter ended June is due on August 31.
- ⇒ **India's exports fell 5.4% to \$25.1bn in June, after recording strong growth for most of 2011.** Weak demand in 2012 from recession-mired Europe and anaemic growth in the U.S. has hit Indian exports.
- ⇒ **Pro-market reformer and Harvard-educated Mr P. Chidambaram's return for the third term since 1996 as Finance Minister may well prove to be his most challenging so far.** In his last tenure from 2004-2008 he steered India's economy to its highest average annual growth rate of 9%. However, he takes charge this time when India's economy is growing at its slowest pace in 10 years. Other challenges include: stubbornly high inflation at over 7%, a ballooning fiscal deficit which is very tough to reduce as it is politically difficult to cut subsidies, foreign investor alarm at tax proposals which are perceived as unfair. However, hopes are high for progress after he made calming statements that foreign investors' concerns will be addressed shortly. His move last week to swap high officials between the revenue and expenditure departments of the tax offices signals that priorities and focus may change. And that retrospective tax proposals may be diluted to allay the alarm caused.
- ⇒ **Interest rates will next be reviewed on September 17.** At 8% (repo rate) India has the highest interest rate among major economies. Blue chips typically pay 10%+

### BOMBAY

INR ₹ /US\$ Rs 55.28

INR ₹ /GB£ Rs86.26

INR ₹ /EUR Rs67.98

The SENSEX ended virtually flat but up for the 2nd consecutive week. It is +2% this week on hopes of the new Finance Minister introducing measures soon to boost investor confidence.

### LONDON / NEW YORK

Most GDRs/ADRs show decent gains, many in double digits. MTNL ADRs shine with a 51% gain YTD. On AIM, Indus Gas and OPG are +38% YTD.

on borrowings, and small/medium firms easily pay 13%+. These high costs have hit investment plans and contributed to the economy slowing. Pressure is on the Central Bank to cut interest rates to kick-start the economy. However, the RBI has been clear that until there are concrete moves to cut the fiscal deficit and inflationary pressures ease, interest rates will not be cut.

- ⇒ **Highly respected and outspoken former IMF Chief Economist Mr Raghuram Rajan has been chosen by Mr Chidambaram as his Chief Economic Advisor.** Mr Rajan, currently a Professor at Chicago University's Booth School of Business is credited with predicting the 2008 global financial crisis. In a speech to PM Dr Singh earlier this year he was openly critical of New Delhi's populist policies and said corrupt relationships between politicians and businessmen were creating an oligarchy. Excellent credentials. A very good appointment.
- ⇒ **Competition law in India is being taken more seriously.** The Competition Commission of India (CCI) was set up three years ago. Under the Chairman, Mr Ashok Chawla, the CII in June and July handed 12 of the country's biggest cement companies record fines of more than \$ 1.1bn for price fixing. Mr Chawla was previously the top civil servant in the Finance Ministry. According to press reports, the Commission is now investigating anti-competitive practices by car makers. It is alleged they do not allow dealers to sell other brands. The tougher stance now by the CCI is a positive move for consumers and a positive signal to foreign investors amidst current negative news on the economy.
- ⇒ **Rising incomes and a modernising India are influencing holiday travel tastes.** Adventure travel is on the rise as a global trend and this type of vacation is being embraced by an increasing number of Indians, influenced also by TV, Hollywood and Bollywood. Activities of interest include scuba diving, para gliding and mountain trekking; and also trips to offbeat locations previously considered too adventurous. Traditionally domestic holidays consisted of trips to hill stations for cooler weather to escape to during hot summer months. Globally the adventure travel segment is worth about \$140 bn, of which India accounts for about \$ 2bn. In 2000 adventure travel accounted for just 7% of global tourism. By 2010 this had risen to 20%. Travel in India is still at a nascent stage and is growing at 30% annually.

**SELECTED SHARE PRICES****GDR OFFER PRICES (US\$) LONDON – 10 Aug 2012 : 1630 GMT**

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
L&T	\$25.73	+ 35%	SBI	\$ 75.20	+ 22%
M&M	\$13.49	+ 3%	Suzlon Energy	\$ 1.93	- 16%
Ranbaxy	\$ 8.75	+ 16%	Tata Power	\$ N/A	
Rel. Inds	\$28.14	+ 7%	Tata Steel	\$ 7.35	+ 3%

Source : Thomson Reuters

**ADR OFFER PRICES (US\$) NEW YORK – 10 Aug 2012 : 2100 GMT**

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Dr.Reddy	\$ 29.84	+ 1%	Patni	\$18.80	+ 14%
HDFC Bank	\$ 35.58	+ 34%	Sterlite	\$ 8.07	+ 15%
ICICI Bank	\$ 34.93	+ 32%	Tata Com (ex VSNL)	\$ 8.59	+ 8%
Infosys	\$ 41.79	- 19%	Tata Motor	\$21.05	+ 26%
MTNL	\$ 1.21	+ 51%	WIPRO	\$ 8.16	- 21%

Source : Thomson Reuters

**AIM (LONDON): in GB p unless stated otherwise – 10 Aug 2012 : 1630 GMT**

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Caparo (now Mytrah)	53	- 44%	Jubilant Energy	19	- 36%
DQE	37	- 8%	Kolar Gold	78	- 50%
Eros	186	- 18%	OPG Power	49	+ 38%
Greenko	137	+ 11%	Photon Kaathas	29¢	- 29%
HIRCO	43	- 9%	SKIL Ports	108	- 31%
IEnergizer	345	+ 27%	Trinity Cap.	13	- 8%
Indus Gas	1022	+ 38%	Unitech	35	+ 35%
Ishaan	35	- 20%	W. Pioneer	7	- 60%

Source : Thomson Reuters

**OTHER : in GB p unless stated otherwise – 10 Aug 2012 : 1630 GMT**

Company	Day's Price	YTD % Change	Company	Day's Price	YTD % Change
Essar Energy	114	- 33%	<u>Collective Funds</u>		
Vedanta Resources	981	- 2%	<u>London:</u>		
			Aberdeen New India	206	+ 6%
			JP Morgan India	332	+ 4%
			<u>New York:</u>		
			MS India	\$15.53	+ 11%
			The India Fund	\$21.22	+ 11%

Source : Thomson Reuters

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REGISTERED OFFICE: LALCAP LTD, LEVEL 7, TOWER 42, 25 OLD BROAD STREET, LONDON EC2N 1HN

REGISTERED IN ENGLAND NO: 07245357

**LALCAP:** E: [info@lalcap.com](mailto:info@lalcap.com)

**AUTHOR:** Deepak N. Lalwani OBE, FCSI, FCCA

T: +44 (0)20 3519 0909

W: [lalcap.com](http://lalcap.com)

Director - India

E: [dl@lalcap.com](mailto:dl@lalcap.com)