



INDIA REPORT

500+ issues over 18 years

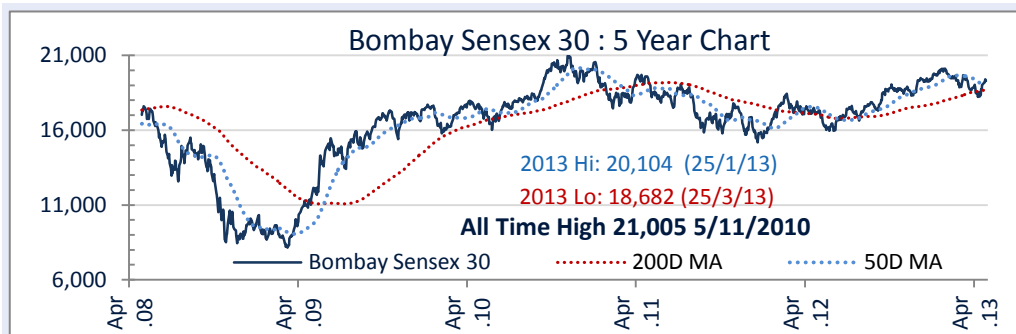


LALCAP

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Source: chart & following table: Bloomberg

| Close: 29 Apr 2013 | Level | Index Pts Chg- Day | % Chg YTD | PE 2013/14 | High | 5 Year PE | |
|-----------------------|--------|--------------------------|--------------|---------------|-------|-----------|-------|
| | | | | | | Low | Avg |
| SENSEX 30 | 19,388 | +101 | -0.2% | 14.9x | 25.0x | 8.1x | 18.4x |
| NIFTY 50 | 5,904 | + 33 | n/c | 14.5x | N/A | N/A | 18.0x |

BOMBAY

| | | |
|-------------|------|---------|
| INR ₹ / USD | \$1= | Rs54.18 |
| INR ₹ / GBP | £1= | Rs83.95 |
| INR ₹ / EUR | €1= | Rs70.96 |

The SENSEX closed 0.6% higher at nearly a month's high. Better than expected results from Hindustan Lever and Hero Honda boosted sentiment. Hopes of a rate cut on 3 May and normal monsoons further aided sentiment. The undertone is positive.

LONDON / NEW YORK

Most GDRs/ADRs we follow are down YTD. Dr Reddy, HDFC Bank and ICICI Bank are the only ones up YTD. AIM shares show a mixed picture of gains and losses YTD.

ECONOMIC NEWS

- ⇒ **India's GDP growth figure for the quarter to December 2012 hit a near- four year low of 4.5%.** The full year growth estimate to 31 March is a decade-low of 5%. But, this is still an enviable figure compared to negligible growth seen in developed economies. Finance Minister Mr Chidambaram said that GDP estimates for fiscal 2013/14 are in the range of 6.1% - 6.7%. Beyond that "it is only an aspiration" to go above 7% in 2014/15 and above 8% in 2015/16. In contrast, India's GDP grew over 9% pa in four out of the last six years from 2005 - 2011 before the severe slowdown in growth occurred.
- ⇒ **To spur economic growth in the \$1.8 trn economy, which is Asia's third largest, there are various ideas being considered.** For example raising the limit on foreign investment in local debt, reducing taxes on such investments, relaxing rules for Indian companies to borrow abroad and opening sectors like defence, telecoms and media to further foreign investment.
- ⇒ **In a bid to attract more foreign capital India is reviewing existing limits or "caps" in various sectors.** A report is due in mid-May after a final meeting of a committee set up to review FDI limits in sectors. Many caps were introduced at different stages of the economic reforms process which began in July 1991. The committee now wants to look at each sector's cap to establish whether in fact it served a purpose and continues to do so. Otherwise the cap should be relaxed or removed.
- ⇒ **So why has this change of heart finally occurred in seriously reviewing FDI limits?** After all nothing happened, apart from rhetoric, for many years on opening sectors to foreign investment. We mentioned in our report of 12 March 2013 "We view the current economic slowdown as a positive factor for India. Why? Because the country acts best in a crisis. Just like in 1991 when it was forced to open up the economy and introduce economic reforms." Finance Minister Mr Chidambaram has been the architect to contain the fiscal deficit, push for reforms and attract foreign capital which is so

badly needed to fund the record current account deficit which hit an all-time high of 6.7% of GDP in the December 2012 quarter. He has also helped India pull away from the brink of an ignominious credit downgrade by global credit agencies, S&P and Fitch. But, India is not yet out of the woods on the downgrade.

- ⇒ **Mr Chidambaram's well intentioned and determined plans to push through reforms and relax FDI caps have now to deal with political reality.** And political speed breakers. Two important and long stalled reforms should have been introduced last week in the current Budget session of Parliament that ends on 10 May. The current 26% foreign ownership limit in the insurance sector was to be raised to at least 49%. And, the long overdue land acquisition bill was hoped to become law, to greatly ease acquiring land in improving India's creaky infrastructure. Both bills were well flagged by Mr Chidambaram, during his recent investor meetings in USA and Canada, as potentially becoming law in this Budget session. However India's Parliament, as in many previous sessions, has been paralysed by opposition parties questioning the Government's position over corruption scandals. Raucous opposition parties have been questioning investigations into multi-billion dollar scandals in the telecom and coal sectors. Hence, there is no guarantee that these two bills will be allowed enough time for debate and be passed into law. The Congress-led UPA coalition Government does not have a direct majority in either of the houses of Parliament. After coalition partner DMK's exit in March 2013 the coalition now has only 235 seats in the Lok Sabah (lower house). It would need 271 seats out of 543 to survive any possible confidence vote, but could narrowly survive this with outside support from the Bahajun Samaj Party (BSP) and Samajwadi Party (SP). While the main opposition party, the BJP, has agreed in principle to back the land acquisition bill it refuses to back the insurance bill. Their tactics point to push for early general elections before the latest date of May 2014.
- ⇒ **Further to readers' requests, on page 2 is a table showing the exchange rate of the Indian Rupee vs the US\$, GB£, DM/Euro and Japanese Yen from the financial year 1980-81.** For 20 years from 1980=81 the Rupee depreciated against the \$ yearly. But, between 2000 - 2010 it started the decade and ended it virtually unchanged as economic growth lifted. But has lost about 20% in the last 3 years.



**EXCHANGE RATE OF THE INDIAN RUPEE VIS-A-VIS US\$, GB£, DM/EURO AND JAPANESE YEN
FINANCIAL YEAR TO 31 MARCH : ANNUAL AVERAGE & FINANCIAL YEAR END RATES**

Source : Reserve Bank of India (Central Bank)

| Year | US Dollar | | Pound Sterling | | Deutsche Mark/Euro | | Japanese Yen | |
|---------|-----------|----------|----------------|----------|--------------------|----------|--------------|----------|
| | Average | End-year | Average | End-year | Average | End-year | Average | End-year |
| 1980-81 | 7.9092 | 8.1900 | 18.5042 | 18.3800 | 4.1875 | 3.9000 | 3.7500 | 3.9000 |
| 1981-82 | 8.9683 | 9.3460 | 17.1096 | 16.6520 | 3.8607 | 3.8710 | 3.9400 | 3.8000 |
| 1982-83 | 9.6660 | 9.9700 | 16.1356 | 14.7460 | 3.9600 | 4.1090 | 3.8900 | 4.2000 |
| 1983-84 | 10.3400 | 10.7070 | 15.4174 | 15.4460 | 3.9402 | 4.1340 | 4.3800 | 4.8000 |
| 1984-85 | 11.8886 | 12.4300 | 14.8668 | 15.4500 | 3.9877 | 4.0190 | 4.8700 | 4.9000 |
| 1985-86 | 12.2349 | 12.3061 | 16.8467 | 18.2500 | 4.5553 | 5.3020 | 5.6200 | 6.8000 |
| 1986-87 | 12.7782 | 12.8882 | 19.0722 | 20.7490 | 6.2970 | 7.1620 | 8.0200 | 8.9000 |
| 1987-88 | 12.9658 | 13.0318 | 22.0872 | 24.3510 | 7.4004 | 7.8070 | 9.4100 | 10.3000 |
| 1988-89 | 14.4817 | 15.6630 | 25.5959 | 26.3990 | 8.0494 | 8.2590 | 11.3000 | 11.8000 |
| 1989-90 | 16.6492 | 17.3248 | 26.9179 | 28.3010 | 9.0922 | 10.1670 | 11.6600 | 11.0000 |
| 1990-91 | 17.9428 | 19.6429 | 33.1930 | 34.0500 | 11.4351 | 11.4270 | 12.7900 | 13.9000 |
| 1991-92 | 24.4737 | 31.2256 | 42.5151 | 53.6913 | 14.6248 | 18.3501 | 18.4400 | 23.2800 |
| 1992-93 | 30.6488 | 31.2354 | 51.6858 | 46.6200 | 19.5877 | 19.2864 | 24.5900 | 26.9900 |
| 1993-94 | 31.3655 | 31.3725 | 47.2064 | 46.5200 | 18.7403 | 18.7575 | 29.1100 | 35.5200 |
| 1994-95 | 31.3986 | 31.4950 | 48.8211 | 50.5650 | 20.2017 | 22.3600 | 31.6341 | 35.2888 |
| 1995-96 | 33.4498 | 34.3500 | 52.3526 | 52.4300 | 23.3993 | 23.3038 | 34.8425 | 32.2975 |
| 1996-97 | 35.4999 | 35.9150 | 56.3646 | 58.6938 | 22.9244 | 21.3863 | 31.5879 | 28.9463 |
| 1997-98 | 37.1648 | 39.4950 | 61.0240 | 66.1638 | 20.9613 | 21.3350 | 30.2990 | 29.7813 |
| 1998-99 | 42.0706 | 42.4350 | 69.5505 | 68.3588 | 24.1792 | 23.2863 | 33.1341 | 35.3263 |
| 1999-00 | 43.3327 | 43.6050 | 69.8510 | 69.5100 | 44.7909 | 41.7975 | 39.0606 | 41.4825 |
| 2000-01 | 45.6844 | 46.6400 | 67.5522 | 66.5788 | 41.4832 | 41.0113 | 41.4052 | 37.4338 |
| 2001-02 | 47.6919 | 48.8000 | 68.3189 | 69.5863 | 42.1811 | 42.6438 | 38.1790 | 36.8063 |
| 2002-03 | 48.3953 | 47.5050 | 74.8193 | 74.9225 | 48.0901 | 51.4925 | 39.7363 | 39.8925 |
| 2003-04 | 45.9516 | 43.4450 | 77.7389 | 79.6813 | 53.9896 | 53.1725 | 40.7077 | 41.6725 |
| 2004-05 | 44.9315 | 43.7550 | 82.8644 | 82.1125 | 56.5523 | 56.5863 | 41.8046 | 40.8075 |
| 2005-06 | 44.2735 | 44.6050 | 79.0472 | 77.7963 | 53.9124 | 54.1875 | 39.1438 | 38.0188 |
| 2006-07 | 45.2849 | 43.5950 | 85.7274 | 85.5938 | 58.1110 | 58.1513 | 38.7975 | 37.0338 |
| 2007-08 | 40.2410 | 39.9850 | 80.8016 | 79.5138 | 56.9906 | 63.0963 | 35.2896 | 40.0650 |
| 2008-09 | 45.9170 | 50.9450 | 78.4485 | 72.8575 | 65.1345 | 67.4713 | 46.0521 | 51.8900 |
| 2009-10 | 47.4166 | 45.1350 | 75.8861 | 68.0188 | 67.0843 | 60.5913 | 51.1261 | 48.4338 |
| 2010-11 | 45.5768 | 44.6450 | 70.8853 | 71.9163 | 60.2181 | 63.2350 | 53.2963 | 54.0175 |
| 2011-12 | 47.9229 | 51.1600 | 76.3912 | 81.7975 | 65.8939 | 68.3550 | 60.7484 | 62.4250 |
| 2012-13 | N/A | 54.3893 | N/A | 82.3209 | N/A | 69.5438 | N/A | 57.7600 |



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- Of clients to private banks

Over a period of 25 years global relationships have been built by the founder, Deepak N. Lalwani, with international banks, hedge funds, family offices and professional high net worth clients who are looking to invest in growth companies. With the Indian economy growing enquiries are seen from there for funding needs.

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Deepak N. Lalwani also acts as Consultant - India at stock broker WH Ireland, London, where all stock broking activities (GDRS/ADRS/AIM shares + bonds) are executed. The old team from Astaire, where he worked for 16 years, moved to WH Ireland.

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