



Source, chart & following table: Bloomberg

	Close 18 Feb 2010		Pts	% Chg	2009/10	5 Yr	5 Yr	5 Yr
	Index	Day						
<b>SENSEX 30</b>	16,327	-101	-6.5	19.9x	25.0x (1/08)	8.1x (11/08)	18.6x	
<b>NIFTY 50</b>	4,888	-26	-6.0	24.4x	N/A	N/A	N/A	

### ECONOMIC NEWS

- **India's headline inflation figure (the Wholesale Price Index or WPI) accelerated at its fastest pace in 14 months in January to 8.56% p.a..** This already exceeds the very recently revised RBI forecast of 8.5% (from an earlier 6%) by the fiscal year-end of March 2010. The possibility now is that WPI will exceed 10% by that date. Our own forecast of 8% (considered hawkish when the RBI's estimate was only 6%) has already proved to be conservative; we now revise upwards the forecast to 10.2% by end March 2010.
- **Following last summer's worst drought in 37 years, the Government is particularly concerned about food price inflation, which rose an annual 17.97% to 6 February.** Millions of poor voters who helped re-elect the Congress party have been hit hard. In our view, if the drought had occurred a year earlier (in the run-up to the last General Election in May 2009) the Government may not have had the majority it won and been able to head the coalition. Food prices in the past have been crucial to election results. Hence, such pain at grassroots level with its vote bank is now worrying the Government; especially with state elections due later this year and next. The Government's measures of ordering the sale of stocked grain and extending duty free sugar imports by nine months have not had the intended impact so far. Farm Minister, Mr Pawar, however, expects food prices to start falling from next month and forecasts that India's wheat harvest will exceed last year's record 80.6m.tonnes and that the Government will not restrain large sugar firms from buying sugar from the domestic market (which is normally encouraged to export it). Sugar prices have rocketed over 50% in less than 6 months and have hit the poor especially hard. Rising food prices have sparked street protests, particularly in poor Eastern states like Bihar. Inflation and a high fiscal deficit are major risks, in our view, to India's ambitious plan to return to the high economic growth rate of 9% p.a. - an average level seen between 2005/06 and 2007/08. We feel the Government's discomfort on inflation will last for another 3-4 months and could last longer if the monsoons this year are also poor.

### OTHER NEWS

- **Big overseas acquisitions are still being pursued by Indian companies.** In what may be the 2nd largest foreign purchase

after Tata Steel's US\$12bn purchase of UK's Corus in 2007, India's largest mobile operator plans to spend about US\$9bn in a friendly bid to acquire most African assets of Kuwaiti telecom, Zain. This follows Bharti's failed two attempts to acquire S.Africa's MTN last year for about US\$23bn, which had to be abandoned due to political and regulatory hurdles. So why is Bharti spending so much on African assets? To expand in growth markets, e.g., low mobile penetration in emerging markets which offer higher average revenue per user (ARPU) compared to Indian markets.

- **Monthly mobile subscriber additions in India are about 15m, making it the world's fastest-growing wireless market.** This scorching pace has attracted foreign operators like Vodafone (UK) and Telenor (Norway) whose home markets are virtually stagnant. This has led to fierce competition, with call charges being slashed to as low as a fraction of 1 US cent per minute, squeezed margins and a lack of visibility of future profitability. Bharti, for example, reported its slowest profit growth in over 3 years for the latest quarter to December 2009 and ARPU, a key operational indicator, fell 29% to Rs230 or US\$5. Hence, Bharti wants to diversify its risk and focus on high growth potential emerging markets. Last month it paid US\$300m to acquire control of Bangladesh's Warid Telecom. Africa is now attractive to Bharti as only a third of the population own mobiles. Zain's 15 African operations included in the friendly takeover have a combined base of 42m (vs over 120m for Bharti in India to January 2010) and Zain is number 1 operator in 10 markets and number 2 in another 4. ARPU in these operations ranges from US\$3-25, with 10 of the 15 having higher ARPU than Bharti. Regulatory clearance, a deal breaker in the MTN bid, is not seen as being a problem here. Due diligence is to finish around end March, when an outcome is expected on the bid.
- **Average annual returns in local currency since 1991 (used as base year since the Indian market was only opened in that year) are:**

SENSEX (India): + 22.7% ; Dow Jones Industrial Average (USA): + 8.9% ; FTSE (UK): + 6.4%

- **In US\$ terms, US\$100 invested 5 years ago (ignoring inflation and re-invested dividends) is today worth:**

SENSEX: US\$235 ; DJIA: US\$96 ; FTSE: US\$87

India is a high beta market and can cause serious stress in bad years; but, in the long term has rewarded investors well.

### BOMBAY

**INR/US\$** Rs46.27

**INR/GB£** Rs72.16

**INR/EUR** Rs62.80

The SENSEX closed down 0.6% in a volatile session as investors booked profits on worries about high food inflation, an early exit from the economic stimulus and an end to the benign interest rate regime which has benefitted consumers. Autos were bashed badly.

### LONDON / NEW YORK

GDRs + ADRs are mixed in London & NY. Premia shrink. On London's AIM, Indian shares are mostly unchanged on low volumes.

**SELECTED SHARE PRICES**
**GDR OFFER PRICES (US\$) LONDON – 18 Feb. 2010: 15:00 GMT**

Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
L&T	\$32.29	+40¢	+1.1%	SBI	\$83.70	-98¢	-0.1%
M&M	\$22.28	-30¢	+1.8%	Suzlon Energy	\$6.32	-32¢	+3.1%
Ranbaxy	\$9.66	-9¢	+0.9%	Tata Power	\$27.00	n/c	-0.1%
Rel. Inds	\$43.29	-\$1.26	+0.4%	Tata Steel	\$12.60	+50¢	+5.0%

Source : Bloomberg

**ADR OFFER PRICES (US\$) NEW YORK – 18 Feb. 2010: 15:00 GMT**

Company	Day's Price	Day's Change	Premium/Discount	Company	Day's Price	Day's Change	Premium/Discount
Dr.Reddy	\$24.37	+4¢	+1.2%	Satyam	\$5.27	-7¢	+21.5%
HDFC Bank	\$119.52	+\$1.71	+9.5%	Sterlite	\$16.55	-36¢	-0.4%
ICICI Bank	\$36.55	+20¢	+0.8%	Tata Com (ex VSNL)	\$13.14	-5¢	-0.8%
Infosys	\$55.28	-10¢	+1.0%	Tata Motor	\$15.61	-38¢	+1.6%
MTNL	\$3.20	-1¢	-1.2%	WIPRO	\$20.97	-13¢	+45.3%

Source : Bloomberg

**AIM (LONDON): in GB p unless stated otherwise (indicative only) – 18 Feb. 2010: 15:00 GMT**

Company	Day's Price	Day's Change	YTD Change	Company	Day's Price	Day's Change	YTD Change
DQE	97	n/c	-4%	KSK	535	+2	+3%
Dhir India	100	n/c	-5%	Naya Bharat	\$0.38	+0.01	-5%
Eredene	16	n/c	-7%	Noida Toll	\$4.50	n/c	-0%
Eros	162	+3	+1%	OPG Power	72	+1	-21%
Gt Eastern	480	n/c	+9%	Prometh. (Eleph.Cap)	68	n/c	+13%
Greenko	157	n/c	+33%	Trinity	48	n/c	-14%
HIRCO	153	+1	-3%	Unitech	28	n/c	+17%
Indian Films	42	n/c	+0%	W. Pioneer	24	n/c	-4%
Ishaan	61	n/c	+15%				

Source : Bloomberg

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