

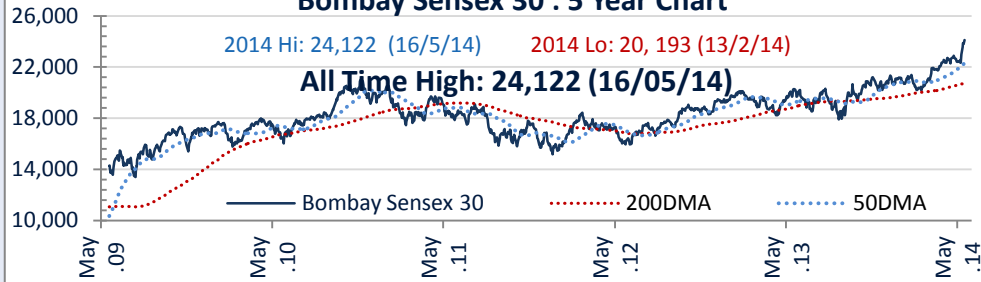


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16 May 2014

Bombay Sensex 30 : 5 Year Chart



Source: chart & following table: Bloomberg

Close:	Index			PE	5 Year PE		
16 May	Level	Pts Chg-Day	% Chg YTD	2014/15	High	Low	Avg
SENSEX 30	24,122	+ 216	+13.9%	16.0x	25.6x	9.1x	17.2x
NIFTY 50	7,203	+ 80	+14.2%	15.9x	25.0x	9.0x	17.4x

BOMBAY - 16 MAY

INR R / USD	\$1=	Rs58.57
INR R / GBP	£1=	Rs98.48
INR R / EUR	€1=	Rs80.20

The SENSEX touched a new all-time high on Modi's landslide victory. The Rupee touched a 11-month high vs the US\$. Some reputed local brokers are increasing targets to SENSEX 29,000 by 31 December.

LONDON / NEW YORK : 16 MAY

Most GDRs/ADRs show double digit gains. Banks lead: SBI: +43%YTD, ICICI: +37%. IT shares languish on a stronger Rupee.

BJP's NARENDRA MODI, 63, TO BE 15TH PRIME MINISTER OF INDIA WE VIEW BJP'S LANDSLIDE VICTORY A GAME CHANGER FOR INDIA

HIGHLIGHTS AND ANALYSIS (also see charts on page 2):

- **BJP sweeps to power with a landslide victory.** Wins 282 seats in Lok Sabha, 10 more than the 272 required to form government. Does not need help of its alliance partners (NDA), let alone help from a coalition to form government. Very positive for India
- **This clear and decisive win for the BJP brings to an end 25 years of coalition governments, which have often been very fragile.** And, been among the culprits for obstructing key reforms
- **This is the biggest election victory in 30 years, in a record turnout of about 66% of the 815 m registered voters** Also, the first time the business and investor friendly BJP (formed in 1980) has gone "past the winning post" on its own
- **Along with its alliance partners, the BJP has a very comfortable 336 seats in the Lok Sabha.** Makes it much easier, compared to past governments in the last 25 years, to push through crucial reforms needed for higher rates of economic growth.
- **There is "no magic wand" to accelerate growth.** But, clear parliamentary strength to a "decisive doer" like Modi is India's best hope. **These elections are a "game changer" for India**
- **Congress was routed in its worst ever performance. It won only 44 seats and now fails to be recognised as the main opposition party.** A party needs at least 10% (54 out of 543) of seats in the Lok Sabha to achieve opposition party status. Congress badly failed to understand the anger in voters, especially the aspiring middle class and young voter, affected by : 1. A lack of job creation 2. The last 3 ½ years having the highest inflation in 20 years 3. Economic growth under Congress stewardship falling sharply to its lowest rate since the 1980s 4. Endemic and brazen corruption, which hits the poor harder than others
- **Outgoing 81-year old PM, Dr Singh, was magnanimous and gracious as ever in his final national address when he wished the incoming government success.** He added "I am confident about the future of India. I firmly believe the emergence of India as a major powerhouse....whose time has come"
- **The AIADMK in South India emerged as the most powerful regional party - winning 37 seats, only lower than Congress.** AAP, the new anti-corruption party failed to replicate nationally its recent success in Delhi state elections and only won 4 seats.

So, what may one expect from Modi's new government?

- **Modi's overall vision is of a strong India - economically, in defence, and in influence on the world stage.** He wants betterment for all Indians - whatever their background
- **"Less government, more governance" has been Modi's mantra.** Hence, a smaller cabinet is expected. Importantly, a senior BJP spokesperson said RSS will not be in the cabinet. The BJP is widely regarded as the political wing of the RSS which is a right-wing, paramilitary, volunteer right wing Hindu nationalist group. This is a strong signal of avoiding extreme Hindu nationalist views in cabinet
- **Raising economic growth rates, improving infrastructure, raising governance and slashing bureaucracy - all points he successfully achieved as Chief Minister of Gujarat since 2001. And why millions voted for him in the hope of it being replicated pan-India**
- **So what did he achieve in Gujarat?** It has lead the nation in GDP growth. It accounts for 16% of India's industrial output and 22% of exports, but has only 5% of India's 1.2 bn population. It has India's best land acquisition policies in terms of ease of doing business (source: recent central government initiated study under Congress). Land acquisition is the biggest hurdle (read: headache) for any project clearance in India. Typically 90% of infrastructure projects in India are held up because of tortuous bureaucratic delays. Industry and farmers have uninterrupted power, although at high rates. The state has the best and fastest highways and roads - in sharp contrast to typical pot-holed roads in north India
- **Stalled reforms are expected to be revived quickly.** Foreign investors will be welcomed and sectors opened to them if it is in India's interests - for job and assets creation, for improved infrastructure and specialist technology. Modi wants to create 250m jobs in 10 years, especially through increased manufacturing. **Foreign capital inflows expected to accelerate into India. Rupee to strengthen and capital markets set to continue achieving new highs this year**
- A key challenge for Modi will be to push legislation through the Upper House where BJP lacks strength. And successfully navigate through India's complex federal structure where state Chief Ministers play regional politics.

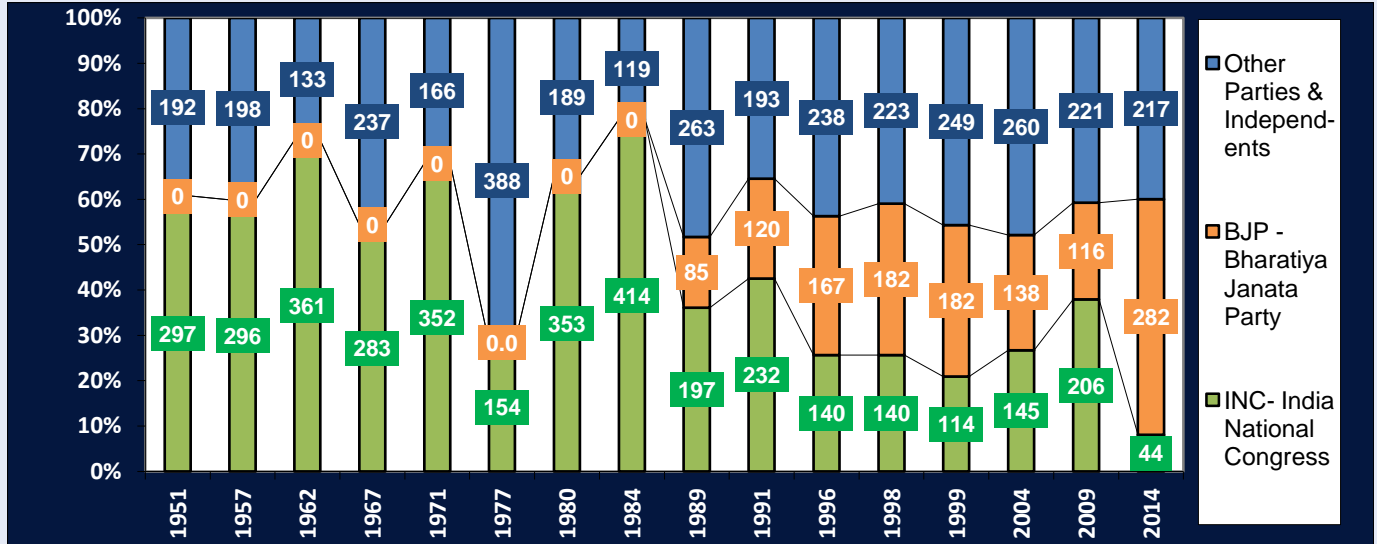


INDIAN GENERAL ELECTIONS (LOK SABHA)

Chart source : Election Commission of India

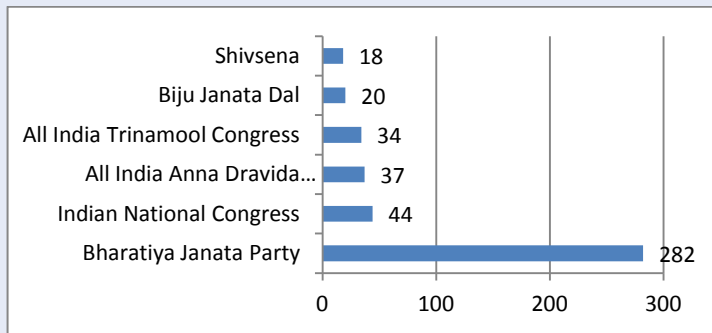
Comments : Lalcap, UK

BJP & CONGRESS PERFORMANCE IN LOK SABHA ELECTIONS : 1951 - 2014 BY NUMBER OF SEATS



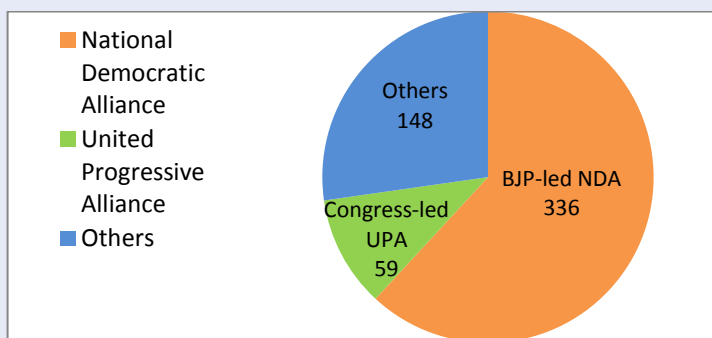
- Out of 543 seats contested in the Lok Sabha ("House of Commons") a party has to win at least 272 to have a simple majority to rule without the help of other parties. The strongest result ever was for Congress in 1984 - for Rajiv Gandhi in a wave of sympathy votes after his mother, Indira Gandhi, was assassinated by two of her bodyguards
- The Indian National Congress (INC or "Congress") was founded in 1885 - to seek independence from Britain
- After independence in 1947 Congress became the dominant political party. In the 16 General elections since independence in 1947 Congress won outright 6 times, led a coalition 4 times and has governed India for 55 years. But was routed in 2014
- The BJP was formed in 1980. It is now India's largest political party in terms of seats in the Lok Sabha
- The BJP's roots lie in the Bharatiya Jana Sangh, formed in 1951. The BJP is widely regarded as the political wing of the RSS.

TOP 6 RANKING OF SEATS WON BY PARTIES IN LOK SABHA : 2014 GENERAL ELECTION



- MPs are elected under the plurality "first past the post" electoral system
- For 25 years, since 1989, coalition politics has become very much the landscape for Indian politics. The BJP's landslide victory in 2014 has ended that
- The 2 main parties are the BJP and Congress. There are also 2 loose collections forming the "3rd Front" and "4th Front"

ALLIANCE SEATS : 2014 GENERAL ELECTION IN LOK SABHA (TOTAL = 543 SEATS)



- In 2014 the BJP led alliance, with 336 seats in parliament, will comfortably be able to push through crucial reforms and legislation in the lower house or Lok Sabha.
- The challenge for Modi will be in the Rajya Sabha (upper house) where BJP lacks strength
- However with the help of alliances and deft political manoeuvrings he may be able to win support in the Rajya Sabha



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- Introductions of funds (long only, hedge and private equity) to banks, family offices and asset managers in Europe
- Introduction of clients to Private Banks globally
- Consultancy - with a focus on promoting business with India.

Over a number of years relationships have been established and nurtured with capital providers across the globe, including banks, hedge funds, family offices and high net worth professional clients. With the Indian economy growing, enquiries are seen from there for funding needs. Lalcap does business through an international network of associates.

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