INDIA REPORT

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LALCAP

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London, 19 May 2017

Source: chart & following table: Bloomberg

Close: 19 May	Index			PE	5 Year PE		
	Level	Pts Chg-Day	% Chg YTD	2017/18	Avg	High	Low
SENSEX 30	30,465	+ 30	+ 14.4%	18.1x	17.7x	24.3x	13.9x
NIFTY 50	9,428	- 2	+15.1%	17.9x	17.4x	23.8x	13.6x

Other Markets: Level & % YTD

ASIA: CHINA Shanghai: 3,091 (-1%)
JAPAN Nikkei 225: 19,591 (+3%)
EUROPE: UK FTSE: 7,471 (+5%)
GERMANY DAX: 12,639 (+10%)
USA: Dow Jones: 20,805 (+5%)
GOLD: $1,255.05 (+9%)
SILVER: $16.82 (+6%)
BRENT OIL: $52.42 (-4%)

Indian Currency

INR ₹ / USD	$1=	Rs64.56 (+5.0%)
INR ₹ / GBP	£1=	Rs84.14 (-0.4%)
INR ₹/ EUR	€1=	Rs72.33 (-1.3%)

⇨ **The Goods and Services Tax (GST) is on schedule to be implemented from 1 July.** The tax was debated on for about a decade. Roll-out of the tax will occur with four rates of taxes for both services and goods: 5%, 12%, 18% and 28%. This compares sharply with the current single rate of 15%. The new sales tax will apply to a host of services from insurance, financial services and telecoms to printing, restaurants and hotels. The government pushed for the introduction of the GST because it felt the biggest benefit of having a national GST is that it will simplify the tax structure and compliance. **And make doing business easier.**

⇨ **However, the many political compromises that have been necessary between the central government and India's 29 federal states and 7 territories (e.g. Delhi is a territory) means that for many things will be more complicated, and not simpler.** For example, hotels and their restaurants would be taxed on the basis of their room tariff and turnover of business. An air-conditioned restaurant would have a higher tax rate than those without. The Government feels that is fair because different economic classes should not be taxed at the same rate. Especially when the ability to pay more is greater with a relatively wealthier class. Healthcare and education services will be tax exempt, but services offered at five-star hotels will be taxed at 28%. Telecoms and financial services will be taxed at a standard rate of 18%. Since services account for nearly 57% of India's $2.3 trillion economy the complex tax structure creates a risk of slowing the sector's growth. Above all, there is a fear among traders and businessmen that the new tax will establish an "Inspector Raj" culture as the GST empowers tax authorities to ask for pre and post GST cost sheets from companies. With inadequate time to train staff ahead of the 1 July GST roll-out date confusion and teething problems that will fray nerves are expected. **India's most ambitious tax reform in 70 years is aimed at transforming its $2.3 trillion economy and a market of 1.3 billion people into a single economic zone with the same indirect taxes. This is something that neither the EU nor the US has been able to achieve thus far.**

⇨ **PM Modi earlier this month approved a plan to nearly triple domestic steel capacity in an effort to raise consumption dramatically by 2030.** Several policies including a land-for-assets measure are being drafted with the aim of enhancing investor confidence to attract more foreign investment into the world's third largest steel producing market. The steel ministry has ambitions of making India the second largest steel producer in the world by next year. India has created a bad name for making it difficult for foreign companies such as South Korea's POSCO to buy land. **This has resulted in India losing out billions of dollars of foreign investment and, crucially, the transfer of technology to local companies.**

⇨ **The government plans to soon issue detailed guidelines on the mandatory use of locally produced steel in big government projects.** And to use international benchmarks to prevent companies from pushing up prices through cartels. Fluctuations in the domestic price of iron ore, which is determined by local miners, have also deterred investors. The Steel Ministry has asked its subsidiary NMDC Ltd to consider reviewing iron ore prices only once every three months instead of regular revisions. So that prices do not fluctuate dramatically. No cap on prices is suggested as India's mining lobby has opposed any move to limit iron ore prices. Steel Secretary Arun Sharma is keen on attracting foreign companies to India and said "we are also working on a policy to make it easier for companies to transfer land to foreign companies so that they can set up plants without having to worry about approvals". **A long overdue step.**

⇨ Many Indian airlines, including the country's biggest carrier IndiGo proposed creating a no-fly list to ban unruly passengers. In March lawmaker Ravindra Gaikwad, a member of the Shiv Sena political party, admitted hitting an Air India official 25 times with a slipper after being asked to disembark the plane when it landed in Delhi. Gaikwad was furious at not getting a business class seat on the flight, despite being told that the plane only had economy seats. He said he did not get off the plane because his complaint had not been addressed. Air India filed a police complaint against Gaikwad. **Social media and India's younger population (over 50% of Indians are under the age of 25) in urban areas are quickly shaping and articulating society's views in India, with people questioning the misuse of privileges granted to Indian lawmakers. In the past the older generations would have just shrugged their shoulders, in resignation. But today's youth in India expect and demand higher standards. In response India's aviation minister Askok Raju said draft rules are out, new policies are due in 2 months and that lawmakers are not above the law.**

GLOBAL FINANCIAL CENTRES INDEX (GFCI) 21: MARCH 2017

courtesy: Z/YEN, LONDON

Source: http://www.longfinance.net/images/gfci/gfci_21.pdf

- Z/Yen has been producing the authoritative Global Financial Centres Index every March and September since 2007. Below is data from their latest GFCI Number 21 published in March 2017 which provides profiles, ratings and rankings for 88 financial centres.
- Cities are ranked on their score on five key areas of competitiveness: Business Environment, Human Capital, Infrastructure, Financial Sector Development and Reputation. The table below shows the top 10 rankings of cities according to the key 5 areas of competitiveness:

TOP 10 BY AREA OF COMPETITIVENESS:

RANK	Business environment	Human Capital	Infrastructure	Financial Sector development	Reputation
1	London	London	London	London	New York
2	New York	New York	New York	New York	London
3	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Singapore
4	Singapore	Singapore	Singapore	Singapore	Hong Kong
5	Toronto	Tokyo	Tokyo	Boston	Chicago
6	Tokyo	Chicago	Shanghai	Tokyo	Boston
7	Chicago	Los Angeles	Beijing	San Francisco	Tokyo
8	Los Angeles	San Francisco	San Francisco	Chicago	Sydney
9	Montreal	Boston	Taipei	Washington DC	San Francisco
10	Sydney	Shanghai	Dubai	Shanghai	Zurich

1. Each of the top 4 cities - London, New York, Hong Kong and Singapore - feature in the top 4 across all sub-sectors.

2. In rankings 6-10 there is no consistency by any city in standing out across sub- sectors.

3. Shanghai enters the top 10 in both Human Capital and Financial Sector development, while it moves up 6 places in infrastructure from the last index.

4. Zurich moves up 4 places from the last index to make it to number 10 in reputation. Geneva does not feature in the list.

5. No Latin American or Indian city feature in the table above. This reflects the enormous journey ahead for them in becoming competitive to be ranked as a global financial centre in the near future. There is fierce competition generally to make it to the top rankings.

6. Dubai enters the top 10 in Infrastructure and reflects the vision of the government there to speed up the city’s presence as a financial centre.

TOP 10 CITIES BY SECTORS:

RANK	Banking	Investment Management	Insurance	Professional Services	Government and Regulatory
1	New York	New York	New York	London	New York
2	London	London	Hong Kong	New York	London
3	Hong Kong	Hong Kong	Singapore	Singapore	Singapore
4	Singapore	Singapore	Tokyo	Hong Kong	Hong Kong
5	Tokyo	Tokyo	London	Tokyo	Washington DC
5	Shanghai	Toronto	San Francisco	Shenzhen	Montreal
7	Washington DC	Shanghai	Los Angeles	Boston	Los Angeles
8	Los Angeles	San Francisco	Boston	San Francisco	Chicago
9	Chicago	Sydney	Washington DC	Washington DC	Tokyo
10	San Francisco	Boston	Sydney	Toronto	Toronto

1. New York, London, Hong Kong and Singapore feature among the top 5in all sub-sectors. New York is ahead of London in 4 out of the above 5 sectors.

2. London slips in rankings in insurance, with 3 out of the top 5 centres now being in Asia.

3. In banking 5 out of the top 10 centres are in the U.S.

4. No Middle East, Latin American or Indian city feature in the table above. This reflects the enormous journey ahead for them.

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