



INDIA REPORT

Celebrating 29 years

*Since 1995: Independent, objective, succinct analysis
Over 1,000 issues in 29 years*

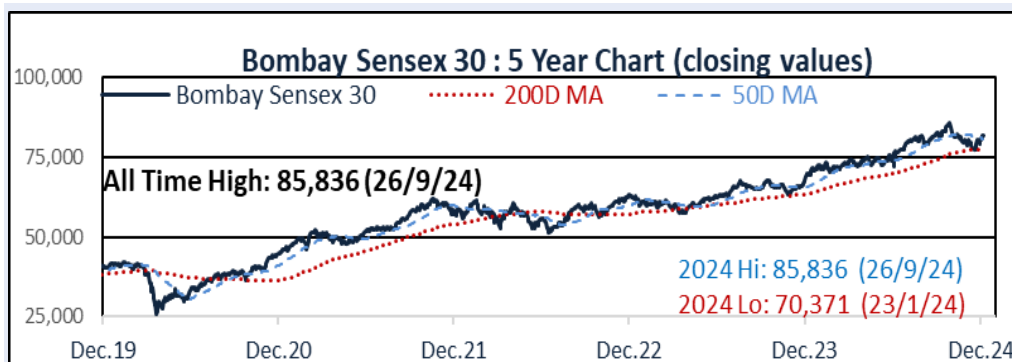


LALCAP

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London, 9 December 2024



Close:	Level	Index Pts Chg- Day	% Chg YTD
9 Dec 2024			
SENSEX 30	81,523	-186	+11.3%
NIFTY 50	24,619	- 59	+13.2%

Other Markets: Level & % YTD

ASIA: CHINA Shanghai:	3,402 (+15%)
JAPAN Nikkei 225:	39,160 (+21%)
EUROPE: UK FTSE:	8,358 (+8%)
GERMANY DAX:	20,408 (+22%)
USA: Dow Jones:	44,640 (+23%)
NASDAQ Composite:	19,856 (+38%)
GOLD:	\$2,669.65 (+29%)
SILVER:	\$32.04 (+35%)
BRENT OIL:	72.03 (-7%)

Indian Currency: Level & YTD

INR ₹ / USD	\$1=	Rs84.82 (-2.0%)
INR ₹ / GBP	£1=	Rs108.33 (-2.3%)
INR ₹ / EUR	€1=	Rs89.75 (+2.3%)

⇒ In a closely watched move, the Reserve Bank of India (RBI) opted to hold its key interest rate steady at 6.50% for an eleventh consecutive policy review, citing ongoing inflationary pressures. However, in a significant shift to spur the economy, the central bank slashed the cash reserve ratio (CRR) by 50 basis points to 4%, marking the first such reduction in more than four years. This adjustment, to be implemented in two stages on December 14 and 28, will release Rs 1.16 trillion (\$13.72 billion) into the banking system, aiming to encourage lending and stimulate economic activity. The decision comes as India's economic growth unexpectedly decelerated to 5.4% in the July-September 2024 quarter, its weakest in seven quarters, and significantly below the 6.6% forecast. Meanwhile, the rupee has tumbled to historic lows, reflecting both a stronger US dollar after Donald Trump's winning the US elections, and foreign investors booking profits in India after a strong equity market bull run.

⇒ Inflation remains the most pressing risk to economic stability, with financial health and growth achievable only when it is contained. In October, India's retail inflation surged to a 14-month high of 6.2%, surpassing the Reserve Bank of India's target range of 2-4%. Over the past year, inflation has averaged 5%, dampening consumer purchasing power. RBI Governor Shaktikanta Das emphasised the importance of price stability for fostering high growth, asserting that "durable" stability is essential for long-term economic progress. However, he cautioned that if the growth slowdown persists, further policy support may be necessary. The RBI's shift to a more neutral stance suggests a needed pivot from strict inflation control to a more growth-friendly approach. Yet, concerns loom that India's economic slowdown is structural, not just cyclical, demanding policy reforms across multiple sectors to boost employment and wages. By addressing inflation without cutting the repo rate, the RBI aimed for a delicate but prudent balance between caution and growth support.

⇒ India will update its GDP base year to fiscal 2023, from fiscal 2012, said Minister for Statistics Rao Inderjit Singh in Parliament. Economists argue the current base year, over a decade old, fails to

reflect key shifts in the economy. The rise of digital platforms and the pandemic's impact are not fully captured. The government plans to release GDP and CPI data under the new series in early 2026.

⇒ The Indian government is taking decisive steps to meet its economic growth target of 6.5%-7% for this fiscal year, following slower-than-expected growth in July-September. Junior Finance Minister Pankaj Chaudhary told lawmakers that the government has introduced an "investor-friendly policy," simplifying tax rules to attract investment. Prime Minister Narendra Modi is expected to ramp up spending on infrastructure projects, part of the \$576 billion budget plan announced in July. Additional measures include increased incentives for electric vehicle manufacturers and a proposed amendment to insurance laws, raising the FDI limit from 74% to 100% to boost foreign investment.

⇒ In October, New Delhi and Beijing reached a deal to resolve a four-year military standoff, easing tensions between the Asian neighbours. Relations between the world's two most populous nations, both nuclear powers, had soured after clashes in 2020 left 20 Indian and four Chinese soldiers dead in the western Himalayas. Following the agreement, Chinese President Xi Jinping and Indian Prime Minister Narendra Modi held their first formal talks in five years. They agreed to resolve differences and strengthen ties. Indian officials caution that progress will be gradual to boost economic ties. Resuming direct flights and fast-tracking visa approvals are expected first steps.

⇒ India severed direct air links with China, banned hundreds of Chinese apps, and imposed stricter vetting on Chinese investments, citing the need for peace on the frontier to normalise relations. Both nations have now completed troop withdrawals from the last two face-off points on their Himalayan border, according to India's Foreign Minister Subrahmanyam Jaishankar. He stated that disengagement allows for a "calibrated" approach to bilateral engagement, prioritising national security. Jaishankar did not elaborate further. Meanwhile, China insisted that the border conflict should not affect broader relations.



From 1980s: The unfolding Indian economic story and changing drivers of wealth creation in India over the last 40 years

Over the past 40 years, India has transformed from a largely closed and agrarian economy to one that is increasingly driven by services, technology, and startups. The wealth creation landscape has shifted dramatically, from family-owned enterprises and land-based wealth to technology-driven and market-oriented wealth. This shift has been supported by strong economic reforms, the rise of global markets, and the digital revolution, positioning India as a major player in the global economy. As the country continues to innovate, the next phase of wealth creation will likely be shaped by emerging technologies like AI, clean energy, and digital finance.

Over the last 40 years, wealth creation in India has undergone significant transformations, driven by shifts in economic policies, technological advancements, globalisation, and changing demographics. The “big picture” of how wealth creation has evolved in India from the 1980s to the present is:

1. Pre-Reform Era (1980s)

- **Economy under Protectionism:** In the 1980s, India was still largely a closed economy, with protectionist policies. The government controlled most industries, and the private sector was heavily regulated. Wealth creation was largely confined to sectors like agriculture, textiles, and state-controlled enterprises.
- **Limited Access to Global Capital Markets:** Indian businesses faced challenges in accessing global capital, with limited foreign investment and trade restrictions. Most wealth creation was localised within family-run businesses and public sector enterprises.
- **Key Wealth Sources:** The primary sources of wealth were land, agrarian assets, and traditional industries. Urban areas like Mumbai, Delhi, and Chennai were emerging centres for business activity, but overall wealth was concentrated among a small elite.

2. Economic Liberalisation (1991 - Early 2000s)

- **Economic Reforms and Liberalisation (1991):** The major turning point came in 1991 when India initiated wide-ranging economic reforms. The government reduced tariffs, deregulated industries, and opened up the economy to foreign direct investment (FDI). This was the beginning of a new era of economic growth.
- **Growth of the Private Sector:** With liberalisation, private companies gained more freedom to operate. Companies like Infosys, Wipro, and Tata Consultancy Services (TCS) began to grow rapidly, particularly in IT and technology sectors.
- **Stock Market Boom:** The 1990s saw the expansion of the stock market as financial markets were restructured. The rise of mutual funds and the availability of public equity allowed many individuals to access wealth-building opportunities. However, the 1992 stock market scam (Harshad Mehta) also created volatility.
- **Urbanisation and Real Estate Growth:** The demand for real estate surged as the economy began to urbanise. Cities like Bangalore, Hyderabad, and Pune became key hubs for IT and business outsourcing.

3. IT Boom and Globalisation (2000 - 2010)

- **The Rise of the IT and Outsourcing Industry:** India became a global leader in IT services, with companies like Infosys, TCS, and Wipro taking a central role. The rise of the IT industry became a key driver of wealth creation, with numerous tech entrepreneurs emerging, such as Narayana Murthy and Azim Premji.



- **Economic Growth Surge:** India experienced robust GDP growth, often exceeding 8% per year in the 2000s. This growth was driven by liberalisation, FDI inflows, and a thriving service sector.
- **Wealth Creation in the Stock Market:** The Indian stock market experienced a major boom, and with it, the growth of a new generation of Indian billionaires. The BSE Sensex and Nifty began to outperform global indices in many periods.
- **Private Equity and Venture Capital:** The 2000s also saw the rise of private equity (PE) and venture capital (VC), helping to fund innovative startups. Indian entrepreneurs like Ratan Tata, Nandan Nilekani, and Kunal Bahl (Snapdeal) became well-known figures in the business world.

4. Post-Global Financial Crisis and Rise of Startups (2010 - 2020)

- **Rise of the Startup Ecosystem:** India saw a surge in entrepreneurial activity with the rise of tech startups, especially in sectors like e-commerce, fintech, and edtech. Companies like Flipkart, Ola, Zomato, and Paytm became household names, and India's startup ecosystem attracted global investment.
- **Growth of Unicorns:** By the 2020s, India became home to a growing number of unicorns (startups valued at \$1 billion or more), with companies like BYJU'S, Swiggy, and OYO becoming prominent players in the global market. The startup culture, fuelled by VC funding, began to dominate the wealth creation landscape.
- **Wealth Creation through Digital Platforms:** The advent of smartphones, internet penetration, and digital payments (e.g., UPI) opened new avenues for wealth creation, from online businesses to e-commerce platforms, financial technology (FinTech), and content creation (YouTubers, influencers).
- **Private Wealth and Globalisation of Indian Tycoons:** India's billionaires, like Mukesh Ambani (Reliance Industries), Gautam Adani (Adani Group), and Shiv Nadar (HCL), expanded their global footprints, diversifying their holdings in sectors like energy, infrastructure, telecom, and retail. The Ambani family, for example, became a symbol of the changing wealth landscape as Reliance diversified into telecom and retail, alongside its traditional petrochemicals business.

5. The New Decade (2020 - Present)

- **Wealth Creation Amidst Challenges:** India's economy was hit by the COVID-19 pandemic in 2020, but it showed resilience, with a quick recovery in 2021 and 2022. The pandemic accelerated trends in digitalization, remote work, e-commerce, and fintech.
- **Stock Market and IPO Boom:** The Indian stock market experienced a strong rally, with many new-age tech companies going public (e.g., Zomato, Nykaa). The IPO boom marked the emergence of a new generation of wealth creators. The rise of retail investors, driven by apps like Zerodha and Groww, further democratized wealth creation.
- **Increased Focus on Sustainability and ESG:** As global awareness about environmental, social, and governance (ESG) issues grew, Indian entrepreneurs and investors began focusing more on sustainable wealth creation. Renewable energy, electric vehicles, and sustainable technologies saw increased investment.
- **Venture Capital and Digital Transformation:** India's startup ecosystem continued to thrive, and the country became a major destination for global venture capital. The rise of SaaS (Software as a Service), AI, and blockchain-related companies further expanded wealth opportunities.

Summary of Key Drivers of Wealth Creation Over the Last 40 Years:

1. **Economic Liberalisation (1991):** Opened the doors to global trade, investment, and entrepreneurship.
2. **Technology and IT Boom:** The tech industry, particularly IT services, played a crucial role in creating wealth.
3. **Stock Market and Financialisation:** The rise of the stock market, mutual funds, and venture capital made wealth-building more accessible.
4. **E-commerce and Startups:** The digital revolution has transformed how businesses operate, with e-commerce, fintech, and startups leading the way.
5. **Globalisation:** The integration of the Indian economy with global markets has allowed businesses and entrepreneurs to expand internationally.



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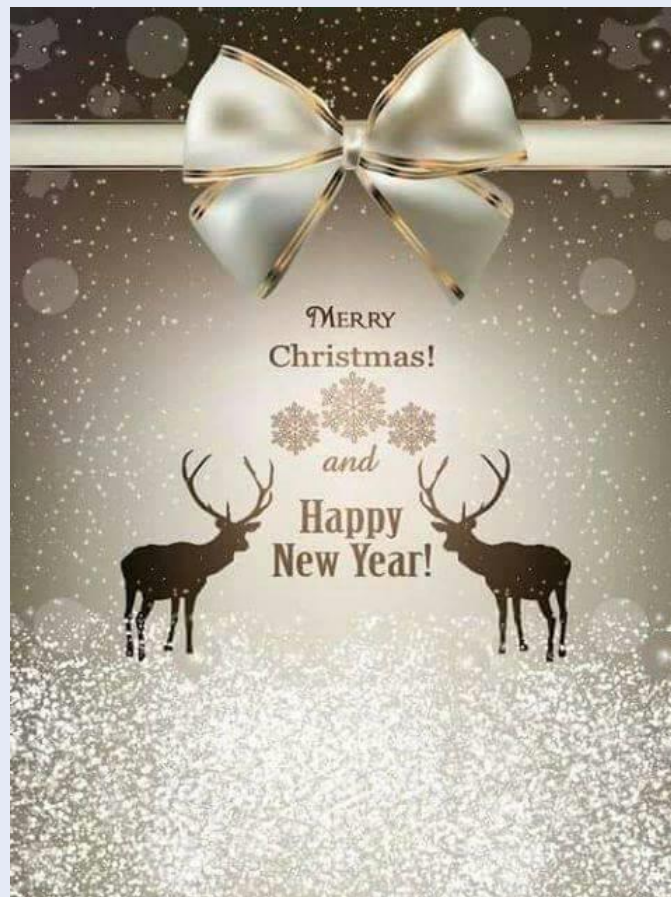
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BEST WISHES FOR 2025



Season's Greetings

and Best Wishes for the New Year

Deepak Lalwani

& Team

As before, no corporate Christmas cards are being sent this year. Instead, Lalcap will donate to Guide Dogs for the Blind.
In addition, to The Samaritans UK where one has had the great privilege of serving as a front-line volunteer.



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