



**BOMBAY**

INR/US\$ = Rs 40.88  
INR/GB£ = Rs 82.62  
INR/EUR = Rs 56.00

The SENSEX close +197 points (+1.3%) higher at 15,319 as strong Q1 GDP growth validated the India growth story. Parsvnath Developers (+Rs 8.35@Rs 302.40) has won a \$1bn contract to build a township over 3 years in Chandigarh, Punjab. BHEL is up Rs 30.70 @ Rs 1889.15 as it wins a \$490m order for a power project in Tamil Nadu. The market undertone is firm.

	2007	Forward	6 Yr	6 Yr	15 Yr	
BOMBAY CLOSE (Aug 31)	Chg	PER	PER Hi	PER Lo	Avg PER	
SENSEX 30:	15,319 (+197)	+11.1%	19.1x	25.7(5/1/07)	10.1(4/5/03)	18.4
NIFTY 50:	4,464 (+52)	+12.6%	19.1x	25.9(15/2/01)	10.4(28/10/02)	N/A

**LONDON**

GDRs are firmer in moderate trade. M&M and Reliance Industries see persistent buying. The market undertone is firm.

**ECONOMIC NEWS**

- YoY inflation as measured by the WPI rose 3.94% in the year to August 18 (vs 5.12% a year ago), under 4% for the first time since April 2006. It is now well below the RBI's target of around 5% for the y/e March 2008. This will help keep interest rates on hold for the meantime, with a "wait and watch" attitude from the Central Bank.
- India's economy in Q1 2008 (q/e June 2007) grew faster-than-expected at 9.3% vs 8.9% expected, despite 5 interest rate rises of 0.25% since June 2006. Manufacturing, a key driver in four years of rapid economic expansion, grew at 11.9% on increasing consumption from rising incomes and a growing middle class. Services grew at 10.6%, while farming, which the Government is trying to revive, grew at a better-than-expected 3.8%. Our full-year GDP growth forecast remains unchanged at 8.5-9%.
- According to the OECD 11.3m new jobs annually were generated between 2000 and 2005 in India, which is 60% more than the 7m for China each year. Separately, India's Finance Ministry estimates that 150m additional people will join the labour force over the next 10 years and shall help, along with rising incomes and a growing middle class, to achieve average economic growth of 8% pa until 2020.
- Fears of mid-term elections before the end of term in May 2009 remain despite hopes of a compromise between P.M. Dr Singh's Government and its 4 Communist allies over the nuclear deal with the U.S. The left parties provide crucial support through their 60 MPs to the Government for survival and have been vociferous and critical of the Government's warming relations with Washington following Dr Singh's visit there in 2005. They are opposed to the nuclear deal saying that it hurts India's sovereignty and may unduly influence its foreign policy. The deal aims to end 30 years of American sanctions on nuclear trade and give India access to civilian nuclear fuel and equipment to assist it with its soaring energy needs, even though it has tested nuclear weapons and rejected non-proliferation pacts. India imports about 70% of its oil needs and this is estimated to increase to 85% in 10 years to fuel a growing economy. Relations between Dr Singh's Government (following Democracy) and the Communists have been strained from the start in May 2004 because of fundamentally different ideology. The left opposes many parts of economic liberalization and reforms and opening up of

- sectors to foreign investors on grounds of job losses hitting the poor in a country which has no social security net. New Delhi cannot afford to delay the deal as it needs to ensure U.S. Congress approval this year, ahead of US Presidential elections looming in 2008.
- The current political turmoil means that the economic reforms process will be a loser again. The left has already blocked plans for partial privatisations and has considerably slowed down reforms on retailing, insurance and pensions. Despite economic reforms being delayed and held hostage again to coalition politics strong economic performance over the last four years has not been derailed. The economy has gained a strong momentum of its own due to the cumulative reforms to-date, the progressive unshackling of the economy and the private sector's entrepreneurial spirit being unleashed. GDP growth over the last four years averaged 8.6% pa, the highest ever, with exports doubling in that period. This is despite very poor infrastructure reducing GDP growth by about 1½ -2% pa, per Government estimates. However, economic reforms are needed to maintain a high growth rate, reduce the fiscal deficit and spread higher-paid employment beyond English-speaking middle and wealthier classes currently benefiting from the economic boom. The Indian stock market has, on average over the last four general elections, gone up in the 10 month run-up to voting day.
- The Economic Times of India reports that The Permanent Court of Arbitration (PCA), The Hague and the Law Ministry, New Delhi are to sign a Memorandum of Understanding to set the third regional centre of the PCA outside The Hague. The other two are in Costa Rica and South Africa. The centre in India is to be set-up by end-2007 to settle disputes. With a substantial increase in cross border investments, including intellectual property rights, foreign investors into India have been put off by severe delays in Indian courts which can stretch legal cases to many years. Subordinate courts have more than 2.5 million cases pending. Hence the need for a credible, cost-effective and speedy alternative to resolve disputes. The large pool in India of arbitration experts and retired judges brings with them an appreciation of Indian law and legal processes. A regional centre in New Delhi will help to curb costs of witnesses and evidence being heard overseas. A positive signal for foreign investors.



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**Astaire Research**  
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**SELECTED SHARE PRICES:**

**GDR & ADR OFFER PRICES: in US\$** (with day's price, day's change and premium/discount – indicative only):

**GDRs (LONDON):**

Ambuja	\$3.40	(+1¢)	+4.3%	Baj. Auto	\$57.60	(+10¢)	+0.5%	Grasim	\$72.00	(+7¢)	+0.4%
ITC	\$4.15	(+5¢)	-0.4%	L&T	\$63.50	(+10¢)	+0.6%	M&M	\$17.25	(+\$1.14)	-0.4%
Ranbaxy	\$9.75	(+47¢)	+2.0%	Rel. Inds	\$96.80	(+\$2.4)	+1.1%	SBI	\$91.20	(+\$1.20)	+16.7%

**ADRs (NEW YORK):**

Dr.Reddy	\$15.90	(+29¢)	+1.5%	HDFC Bank	\$87.04	(+4.57)	+1.3%	ICICI Bk	\$43.64	(+2.38¢)	+1.0%
Infosys	\$47.85	(+\$1.39)	+5.5%	MTNL	\$6.86	(+27¢)	-0.5%	Satyam.	\$25.35	(+83¢)	+15.9%
Sterlite	\$15.87	(+47¢)	+3.1%	Tata Motor	\$16.50	(+75¢)	-3.2%	VSNL	\$20.38	(+\$1.1)	+3.8%
WIPRO	\$14.40	(+35¢)	+22.1%								

**AIM (LONDON): most in GB pence** ( with day's offer price, day's change and year-to-date performance – indicative only )

Dev Prop.	75.00	+2	-25.0%	Dhir India	163	n/c	+8.7%	Eredene	25	n/c	+0%
Eros	480	n/c	+50.5%	Evolvece	\$1.09	n/c	+9%	Gt Eastern	153	n/c	+17.7%
HIRCO	398	-1	-7.6%	Indian Films	90.00	n/c	-10.0%	India Hosp	\$6.60	+2¢	+20.0%
Ishaan	97.00	n/c	-7.6%	KSK	255	n/c	+61.4%	Naya Bharat	\$1.00	n/c	+0%
Noida Toll	\$3.65	n/c	-6.4%	Promethean	106	n/c	+4%	Trinity	85.00	n/c	+3.0%
Unitech	98.50	+2	+4.8%	UTV	\$2.93	n/c	+1.0%	W. Pioneer	130	n/c	+33.3%

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