



India Update

Market Overview

- Indian equities rose in June, outperforming the broader region in spite of ongoing concerns that Europe's austerity drive may affect the global recovery. China's move to increase the flexibility of its exchange rate, even though it was largely viewed as a political ploy, provided some positive news for markets.
- Public-listed companies must increase their free floats from 10% to 25% in the medium term. Although this would provide greater market liquidity in the long term, companies fear that the increased supply may depress the market.
- Economic growth accelerated in the quarter to March, with exports and factory output improving further. Fitch raised the country's credit rating outlook to stable, from negative, as revenue from the sale of wireless airwaves should reduce debt.
- Inflation reached double digits in May, triggering a rate hike in early July. The government unexpectedly reversed its decision to postpone raising fuel prices and will now let petrol prices move freely.

Model Portfolio News

In June, we sold Akzo Nobel after a strong run in its share price. Against this, we topped up Mphasis as valuations appear attractive after the recent sharp correction.

Note: The changes refer to our model portfolio, which is the basis for actual portfolios we manage that have similar investment objectives. However, there might be minor variations, so the comments may not apply to all portfolios.

Corporate News

In portfolio-related news, **Hindustan Unilever's** board approved a share buyback at a premium to the prevailing market price, which is a positive signal for the company's shares.

Bharti Airtel completed buying Zain's mobile operations, which span 15 African nations and offer a measure of diversification against an increasingly competitive domestic backdrop.

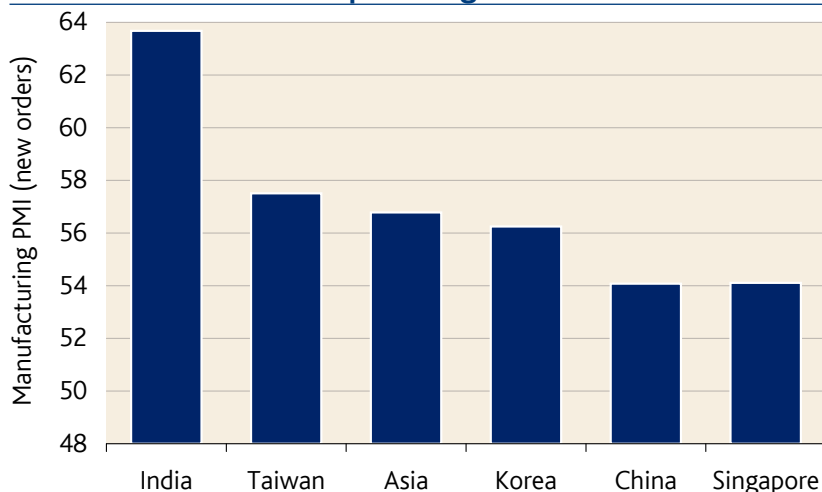
Godrej Consumer Products bought Argentina-based haircare company Argencos, its second acquisition in Latin America within a fortnight. Its recently announced share placement will result in an equity dilution of around 6% for existing shareholders but should help improve its debt-equity ratio.

To repay debt, **Tata Power** will raise US\$300 million from the sale of half its stake in the vehicles that hold the Bumi Resources coalmines in Indonesia.

We hold the companies highlighted above.

India Update

Focus – Local consumers providing the momentum



Source: BNP Paribas India Economics - Bowling along - 24 June 2010, Reuters EcoWin Pro

Leading indicators such as the Purchasing Managers Index have showed solid gains, indicating that manufacturing output will remain brisk over the next six months or so. India stands out when compared to its regional peers, maintaining its growth momentum as others have faltered. The data underscore the economy's low export dependence, with the bulk of industrial production being driven by local final demand.

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