



# INDIA REPORT

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Deepak N. Lalwani OBE, FCSI, FCCA

E: dl@lalcap.com

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Source: closing values, chart & following table: Bloomberg

Close:	Index			PE		5 Year PE	
	Level	Pts Chg- Day	% Chg YTD	2017/18	Avg	High	Low
19 Jan 2017							
SENSEX 30	27,308	+51	+2.6%	17.0x	19.4x	24.0x	15.2x
NIFTY 50	8,435	+18	+3.1%	16.7x	17.9x	23.0x	14.2x

## Other Markets: Level & % YTD

ASIA: CHINA Shanghai: 3,101 (n/c)

JAPAN Nikkei 225: 19,073 (n/c)

EUROPE: UK FTSE: 7,205 (+1%)

GERMANY DAX: 11,602 (+1%)

USA: Dow Jones: 19,750 (n/c)

GOLD: \$1198.75 (n/c)

SILVER: \$16.83 (+6%)

BRENT OIL: \$52.44 (-4%)

## Indian Currency

INR ₹ / USD \$1= Rs68.10 (n/c)

INR ₹ / GBP £1= Rs83.89 (n/c)

INR ₹ / EUR €1= Rs72.39 (-1.3%)

⇒ **I.T. guru Natarajan Chandrasekaran, 53, who is CEO of Tata Consultancy Services (TCS) is to become the new executive chairman of Tata Sons, the holding company of the Tata Group of companies.** The \$100 billion group has companies ranging from making steel to salt and from I.T services to automobiles. Chandrasekaran, known as "Chandra", will step into his new role on 21 February. He will step down as CEO of TCS, a position he held since 2009. He was one of the youngest, at age 46, to become a CEO of a Tata company. He is held in high esteem by both employees and rivals for his laser-like business focus, easy manner and for an extraordinary memory. The appointment gives the Tata Group a realistic chance to mend its glaring governance issues that have come to light in the last three months. Chandrasekaran joined the Tata Group thirty years ago in 1987 as an intern and knows the culture of the company very well. **The self effacing and well-liked Tata lifer has made TCS, the crown jewel in the Tata Group of companies, India's largest company by market value and which accounts for the single largest share of Tata Sons' profit.**

⇒ **Chandrasekaran is only the 7<sup>th</sup> chairman of the Tata Group which was formed as a private company in 1868.** He is only the third without a Tata surname and the first not from the Parsi community. He comes from an agricultural family in South India. Chandrasekaran brings change (being the first non-Parsi chairman) and continuity (being with the group for 30 years and appreciating the company's culture and ethos), a combination viewed very positively. He is seen as a meticulous and cautious manager. And also a great value creator for investors as the share price and revenue have risen almost fourfold since he became CEO of TCS in 2009. That he is very competent and highly regarded are major plus points. Being only 53 he has time on his side as the retirement age for a chairman at Tata Sons is 75. **The key question is whether he will prove to be his own man. Or be unduly influenced by those who effectively control the group via Tata Trusts.**

⇒ **The former (6th) chairman, Cyrus Pallonji Mistry, now 48, was chairman from 2012 till late 2016.** Sir Nawroji Saklatwala, nephew

of the founder Mr J.N. Tata, chaired from 1932-38. Mistry, who succeeded patriarch Ratan Tata who backed his appointment in December 2012, has been in an extraordinary public and bruising fight with Ratan Tata for over three months. Mistry was ousted as chairman in October 2016. Tata Sons has scheduled an extraordinary general meeting on 6 February to remove Cyrus Mistry as a member of the board, which Mistry is challenging. **His family is the largest single shareholder of Tata Sons with about 18% and are second only to the Tata Trusts which own about 66% of the shares.**

⇒ **The much-awaited Goods and Services Tax (GST) originally planned to be introduced on 1 April 2017 will be delayed.** The latest hurdle was a deadlock on how to collect the new tax that would have both state and federal elements. After tenacious negotiating Finance Minister Arun Jaitley this week managed to break a three-month deadlock on who would administer the tax. The new agreement would see state and federal tax offices audit and administrate those businesses with an annual turnover of Rs 15 million (\$ 220,000, GB£ 179,000, Euro 206,000), with 90% of them coming under local states and the remainder under federal authorities. Businesses above the Rs 15 million threshold would be controlled by state and federal authorities in a 50/50 ratio. Instead of a uniform rate the GST Council is planning to introduce 3 rates of taxes for goods and services: luxury, standard and basic. FM Jaitley said that 1 July was a "more realistic" date for the GST launch as companies need ample time to have the right systems in place and to train their staff to switch over to the new tax. "Since it is a transactional tax, it can be introduced any time" Jaitley said. Our view is that there is not sufficient time by July to adequately install new systems and properly train staff on the mechanics of the new tax. However, a bigger danger lurks than getting systems and training correct. Failure to introduce GST could cause a fiscal crisis in India. By law the GST needs to come into effect by mid-September when the old system of indirect taxation is due to lapse. Else, FM Jaitley has warned that economic chaos may well ensue. **It is hoped that further progress will be made to finalise a date for this tax which will create a unified customs union in India for the first time ever since 1947.**



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## 5-YEAR PERFORMANCE OF ASIA PACIFIC/WESTERN EQUITY MARKETS IN LOCAL CURRENCY, US\$ & GB£

- The table below shows 5-year returns, from 1 January 2012 to 31 December 2016 in local currency and also currency adjusted returns in US\$ and GB£;
- A striking observation is that, despite contrary perceptions, developed markets have performed very well compared to emerging markets. Especially in US\$ or GB£ terms for investors wanting major markets where liquidity is vital in case of sudden exit. Also, that currency depreciation in emerging markets has hit returns for US\$ investors. The fall in GB£ after the surprise Brexit vote has benefitted GB£ investors of overseas shares;
- In the table below the star performer is Pakistan in local currency and also in US\$ and GB£. However, Pakistan's Stock Exchange market capitalisation is about 0.2% of world market capitalisation. In Asia another small market, Vietnam, performed well with returns of 75% in US\$ and 121% in GB£. In India US\$ and GB£ investors made reasonable money;
- Brazil, affected by a weakening economy, collapsing oil and commodity prices, local political and currency problems is the worst performer in the table below in US\$ and GB£ terms. Russia, also hit by dramatic falls in oil price and its currency, is down in local and US\$ terms;
- Among major markets the US, which accounts for nearly 38% of world market capitalisation, stood out with handsome gains in US\$ and GB£ terms;
- For UK investors in UK's FTSE100 the gain was 28% after 5 years vs 160% if invested in US's NASDAQ or 103% in the DOW30;
- Japan's Nikkei 225 after languishing in the previous decade showed decent returns in US\$ and GB£;
- In Western markets Germany showed a gain of 57% in US\$ and 99% in GB£. Holland was up 25% in US\$ and 58% in GB£.

5-YEAR INDEX PERFORMANCE 1 Jan 2012 to 31 Dec 2016	2012 – 2016 5-year %Chg	2012 – 2016 5-year %Chg	2012 – 2016 5-year %Chg
BRIC AND ASIA PACIFIC	In local Currency	in US\$	in GB£
<b>BRIC: BRAZIL BOVESPA</b>	+ 6	-39	- 23
<b>RUSSIA RTSI\$</b>	- 17	- 17	+ 4
<b>INDIA NIFTY 50</b>	+ 77	+38	+ 75
<b>CHINA SHSZ300</b>	+ 41	+28	+ 62
<b>AUSTRALIA 200 INDEX</b>	+ 40	- 2	+ 24
<b>HONG KONG HANG SENG</b>	+ 19	+ 20	+ 51
<b>INDIA SENSEX 30</b>	+ 77	+ 38	+ 75
<b>INDONESIA JAKARTA COMP</b>	+ 39	- 6	+ 19
<b>JAPAN NIKKEI 225</b>	+ 126	+ 49	+ 88
<b>MALAYSIA K.L. COMP.</b>	+ 11	-24	- 4
<b>PAKISTAN KSE 100</b>	+ 322	+262	+ 354
<b>PHILIPPINES PSEi</b>	+ 57	+ 39	+ 75
<b>SINGAPORE STI</b>	+ 9	- 2	+ 23
<b>SRI LANKA ALL SHARE</b>	+ 3	-22	- 2
<b>STH. KOREA KOSPI</b>	+ 11	+ 6	+ 34
<b>TAIWAN TAIEX</b>	+ 31	+ 22	+ 55
<b>THAILAND SET INDEX</b>	+ 51	+ 32	+ 67
<b>VIETNAM STOCK INDEX</b>	+ 89	+ 75	+ 121
WESTERN			
<b>CANADA S&amp;P/TSX</b>	+ 29	- 3	+23
<b>GERMANY DAX</b>	+ 94	+ 57	+ 99
<b>HOLLAND AEX</b>	+ 54	+ 25	+58
<b>SWEDEN OMX</b>	+ 54	+ 16	+ 47
<b>SWITZERLAND SMI</b>	+ 39	+ 28	+ 61
<b>UK FTSE 100</b>	+ 28	+ 1	+ 28
<b>US DOW 30</b>	+ 62	+ 62	+ 103
<b>US NASDAQ</b>	+107	107	+ 160

Source : Bloomberg

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REGISTERED OFFICE: LALCAP LTD, LEVEL 7, TOWER 42, 25 OLD BROAD STREET, LONDON EC2N 1HN

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LALCAP: E: [info@lalcap.com](mailto:info@lalcap.com)

AUTHOR: Deepak N. Lalwani OBE, FCSI, FCCA

T: +44 (0)20 3519 0909

W: [lalcap.com](http://lalcap.com)

Chairman

E: [dl@lalcap.com](mailto:dl@lalcap.com)