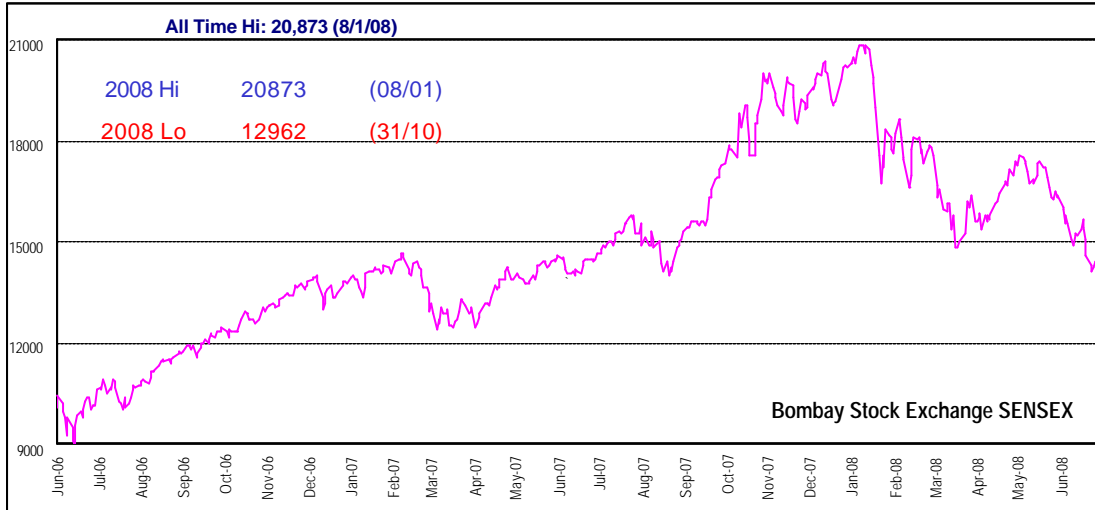




Deepak Lalwani, Director



**BOMBAY**

INR/US\$ = Rs 43.34  
INR/GB£ = Rs 86.38  
INR/EUR = Rs 68.24

The SENSEX closed 500 points lower (-3.7%) at a new low of the year of 12,992 as selling intensified in the last two hours. Barring select telecom, power and metal stocks, selling pressure was seen across all sectors. Oil prices approaching \$150 per barrel and political uncertainties unsettle the market. Lending rates for home loans and consumer items have been raised from today by many banks. Overall market sentiment is soft.

**LONDON / NEW YORK**

GDRs are lower across the board in moderate volumes. Premia is actually beginning to go higher indicating an oversold market.

BOMBAY CLOSE (July 1)	2008 %Chg	Forward PER	7 Yr PER Hi	7 Yr PER Lo	15 Yr Avg PER
SENSEX 30: 12,962 (-500)	-36.1	14.4	25.7(5/1/07)	10.1(4/5/03)	15.7
NIFTY 50: 3,897 (-144)	-36.5	15.7	25.9(15/2/01)	10.4(28/10/02)	N/A

**OTHER NEWS**

- India's annual monsoons are expected to be 98% of the long-term average (= 50 years from 1941-1990), the Indian Meteorological Department said yesterday. The monsoon rains are crucial for Indian farmers as only 40% of farm land is irrigated. A good monsoon results in a bountiful crop which spurs demand and consumption and has a multiplier effect on the economy. At a time of rising food prices contributing to inflation touching a 13-year high of 11.42%, a successful monsoon this year is critical.
- The Indian Government faces a crucial week as it tries to convince its so-far uncooperative communist allies on the civilian nuclear deal with the U.S. The left wing parties give the Government crucial support for survival, but have been bitterly opposed to the deal as they say it would compromise India's sovereignty with the U.S. If the Government chooses to go ahead with the deal, on which time is fast running out ahead of the U.S. elections, the Communist parties have said they will withdraw support which could lead to a collapse of the ruling coalition and force early General Elections. The Government is desperately trying to win over the Samajwadi Party to replace the Communists if they leave. An early election would come at a most inconvenient time for Congress which leads the coalition. It has already lost state elections this year and inflation is at a 13-year high. Historically, high inflation has been a vote loser. PM Dr Singh, who is to attend the G8 meeting in Japan on July 7, seeks a final decision on the nuclear deal before he leaves.

Top and bottom 5 SENSEX performers in H1 2008 were:

Source: Bloomberg **SENSEX 30: -34%**

TOP 5	30.6.08 %	BOTTOM 5	30.6.08 %
1. Ranbaxy	+23	26. Grasim	-50
2. Cipla	- 1	27. SBI	-50
3. Infosys	- 2	28. DLF	-63
4. Satyam Comp.	- 3	29. Rel. Infra.	-63
5. Hind. Lever	- 4	30. Jai Pk.Ass	-66

Ranbaxy's bid helps it to shine and be the only constituent stock to gain, and outperform the SENSEX by a generous margin. The weakening currency helps export software majors like Infosys and Satyam. FMCG stock Hindustan Lever's defensive qualities assist it in making it to the top 5. The clearly slowing economy, high inflation and tightening monetary policy hit the top losers hard, with

cement, banking, realty and engineering/infrastructure losing a massive 50% and above.

Year-to-date performance of selected Asian and western markets in the half-year to June 30, 2008: (source: Bloomberg)

INDEX	Curr.Year P/E Ratio	Index at 30.6.08	2008 %Chg
<b>ASIA PACIFIC:</b>			
AUSTRALIA 200 INDEX	13.7	5,215	-18
CHINA SHANGHAI COMP. IX	20.7	2,736	-48
CHINA SHENZHEN COMP. IX	25.5	793	-45
HONG KONG HANG SENG	14.5	22,102	-21
INDIA NIFTY 50	13.4	4,040	-34
INDIA SENSEX 30	13.5	13,461	-34
INDONESIA J'KRTA COMP	14.3	2,349	-14
JAPAN NIKKEI 225	17.1	13,481	-12
MALAYSIA K.L. COMP.	12.7	1,187	-18
PAKISTAN KSE 100	14.2	12,289	-13
PHILIPPINES PSEi	11.2	2,460	-32
SINGAPORE STI	14.1	2,947	-15
SRI LANKA ALL SHARE	N/A	2,458	-3
STH. KOREA KOSPI	11.6	1,675	-12
TAIWAN TAIEX	11.9	7,523	-12
THAILAND SET	10.4	769	-10
VIETNAM STOCK INDEX	N/A	399	-57
<b>WESTERN:</b>			
GERMANY DAX	10.8	6,418	-20
UK FTSE 100	10.8	5,626	-13
USA DOW JONES	12.4	11,350	-14
USA NASDAQ COMP	22.0	2,292	-14

All the markets in the table are down in double digits, except for Sri Lanka as slower growth and rising inflation heighten fears of stagflation globally. In Asia, Vietnam continues to be the worst performer this year, after sparkling returns in the last 2 years. China suffers near 50% losses as the froth gets blown off. In India the SENSEX suffers the worst six months since being created in 1986 (base year=100 in 78-79). P/E ratios in Asia have become more attractive, but with the current risk aversion do not appear compelling. In the U.S., where the credit crunch emanated and from where contagion spread, the Dow Jones is down only 14% after having the worst June since 1930 at the time of the Great Depression. Globally sentiment is soft, and more downside in equity markets is expected in the near term.



Tel: +44 20 7332 2614

# The India Report

## Astaire Research

London, July 1, 2008



Deepak Lalwani, Director

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

Ambuja	\$1.75	(-16¢)	+4.2%	Baj. Hldg (ex-Bajaj Auto)	\$10.35	(-5¢)	+5.6%	Grasim	\$40.72	(-\$3.28)	+0.6%
ITC	\$4.08	(-26¢)	-4.5%	L&T	\$49.90	(-\$1.50)	+1.0%	M&M	\$10.44	(-\$1.13)	+2.8%
Ranbaxy	\$12.00	(-54¢)	+2.7%	Rel. Inds	\$95.90	(-\$2.50)	+1.7%	SBI	\$50.50	(-\$3.30)	+6.8%

**ADRs (NEW YORK)**

Dr.Reddy	\$15.72	(+12¢)	+3.5%	HDFC Bank	\$69.31	(-\$2.35)	+3.6%	ICICI Bk	\$27.19	(-\$1.57)	-0.1%
Infosys	\$42.74	(-72¢)	+8.4%	MTNL	\$4.16	(-10¢)	+3.3%	Satyam.	\$23.98	(-54¢)	+20.2%
Sterlite	\$15.54	(-36¢)	+0.1%	Tata Motor	\$9.66	(-39¢)	+2.5%	TataCom (ex VSNL)	\$11.83	(-16¢)	+0.9%
WIPRO	\$11.83	(-36¢)	+23.2%								

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

Dhir India	175	n/c	-3%	Eredene	20	n/c	-7%	Eros	295	+7	-29%
Gt Eastern	290	-1	+79%	Greenko	120	n/c	+18%	HIRCO	280	-10	-26%
Indian Films	65	-2	-16%	India Hosp	\$6.60	n/c	+2%	Ishaan	77	-1	-27%
KSK	474	-1	+28%	Naya Bharat	\$0.54	-4	-58%	Noida Toll	\$6.75	n/c	-4%
OPG Power	71	n/c	+18%	Promethean	100	n/c	-6%	Trinity	88	-1	-8%
Unitech	58	-2	-49%	UMP(ex- UTV)	\$2.55	n/c	-24%	W. Pioneer	120	n/c	-8%

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A subsidiary of **Blue Oar Plc**

DEEPAK N. LALWANI

Direct Line: 020-7332 2614

Fax No: 020-7332 2650

E-MAIL: [d.lalwani@astaire.co.uk](mailto:d.lalwani@astaire.co.uk)

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