

India Update



Overview

- **Indian equities rose strongly in September, as positive economic data and a sharp fall in oil prices boosted sentiment. The MSCI India Index closed the month higher by almost 8% in US dollar terms.**
- **The domestic economy grew by a stronger-than-expected 8.9% year-on-year in the first quarter of financial year 2007, driven by strength in manufacturing and construction.**
- **The government's plan to create tax-advantaged special economic zones met further opposition, with Sonia Gandhi, the president of the ruling Congress Party, adding her voice to the growing criticism.**

Headline News

First quarter economic growth beats forecasts

The strong first quarter GDP data was boosted by a rebound in manufacturing output, and increased spending on infrastructure. The services sector also enjoyed strong growth, on robust consumer demand. The faster-than-expected pace of growth is expected to add pressure on the Reserve Bank of India to raise interest rates for the fourth time this year.

Foreign investment accelerates

Investment by foreign corporates has continued to pick up: **Dell** announced plans to build a US\$60m manufacturing facility; while **ICI India's** UK parent, **ICI**, announced plans to expand its presence in the country, through its core businesses of paint, starch, flavours and fragrances; and **Citigroup** strengthened ties with **HDFC**, agreeing to sell the latter's products at its overseas branches, as well as to cooperate more closely in investment banking activities. Separately, **Infosys Technologies** and **Schlumberger** formed an alliance to provide software services to the oil and gas sector.

Corporate news remains positive

Tata Consultancy Services clinched a US\$200m contract from **Bank of China**, while **ABB India** won a US\$210m upgrading project in Algeria. In the financial sector, **IDBI** is to merge with the troubled **United Western Bank**. The takeover will increase IDBI's market share, and bring stability to the domestic financial system. Meanwhile, **ONGC** made further efforts to diversify its supply sources, earmarking US\$206m for gas exploration in coal mines, and bidding for exploration assets in Cuba and Kazakhstan. It also plans to spend an additional US\$2.6bn to increase the production yield from existing gas fields. Finally, **GSK India** entered into talks with Japanese pharmaceutical companies, for the marketing rights to five medicines, including antibiotics, and drugs to treat cancer, heart and skin diseases.

Portfolio News

We topped up Hero Honda, energy play Gail and Infosys Technologies, and pared our holding in the country's leading private sector financial institution, ICICI Bank.

India Update

For more information

Marketing Desk

Tel: + 65 6395 2701

Fax: + 65 6438 0743

Aberdeen Asset Management Asia Ltd

21 Church Street

#01-01 Capital Square Two

Singapore 049480

Tel: + 65 6395 2700

Fax: + 65 6535 7159

www.aberdeen-asia.com

Important information

The above is strictly information purposes only and should not be considered an offer, or solicitation, to deal in any of the mentioned funds. Any research or analysis used to derive, or in relation to, the above information has been procured by Aberdeen Asset Management Asia Limited ("Aberdeen Asia") for its own use, without taking into account the investment objectives, financial situation or particular needs of any specific investor, and may have been acted on for Aberdeen Asia's own purpose.

Aberdeen Asia does not warrant the accuracy, adequacy or completeness of the information herein and expressly disclaims liability for any errors or omissions. The information is given on a general basis without obligation and on the understanding that any person acting upon or in reliance on it, does so entirely at his or her own risk. Any projections or other forward-looking statements regarding future events or performance of countries, markets or companies are not necessarily indicative of, and may differ from, actual events or results. Aberdeen Asia reserves the right to make changes and corrections to the information, including any opinions or forecasts expressed herein at any time, without notice.

Aberdeen Asset Management Asia Limited, Registration Number 199105448E