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India EcoTrix – April 2009

Indian elections: Beyond the fractured mandate

- Polling in 49% of the seats in India's 2009 general election is over.** The ultimate outcome is expected to lead to a more fractured mandate. Pre-election opinion polls give a slight edge to the Congress-led UPA; the post-election realpolitik might favour the BJP-led NDA. Common threads running through the manifestos of the major parties suggest that the next government would focus on 'equitable' growth, agriculture, infrastructure, defence and social security. Growth would be stymied, and inflation and government deficit should rise. Big ticket reforms would be non-starters. Sectors that could gain are agro inputs, infrastructure, IT, metals, defence industries, materials and education, while financials, agro processing, FMCG, durables, modern retail and healthcare would face more headwinds.

Also in this issue:

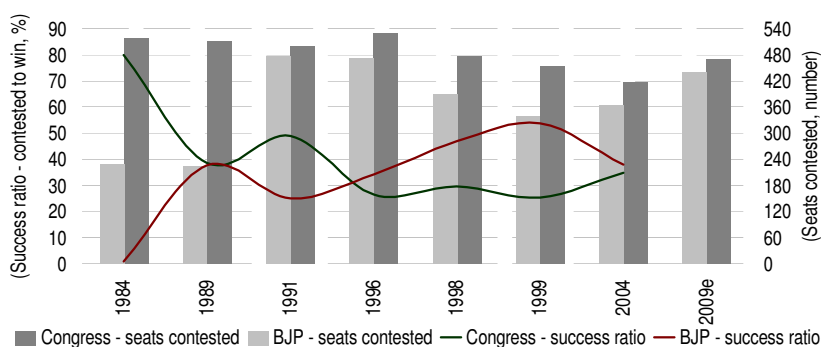
- Revised forecasts for FY09/10 and introduction of FY11 numbers.**
- GDP** – We expect structural factors to depress India's growth outlook, and reverting to 8-9% growth might be years away.
- Industrial production** – High export-orientation to keep growth in manufacturing low, but mining could be the silver lining.
- Inflation** – Divergent trends in prices and inflation would deter any further deep cuts in policy rates.
- Govt. finance** – Fiscal situation would not improve for a few years.
- Foreign trade** – Import compression would be greater than export.
- BoP** – Shrinking of the current account deficit and a slight improvement in the capital account likely to lead to a stronger rupee.

GDP Growth: 7.0% (FY10e)

Inflation: 0.7% (FY10e)

INR/USD: 45.00 (Mar '10e)

Coalition partners – Key to the success of the BJP and the Congress



Source: Election Commission of India and Anand Rathi Research.

Key macro forecasts

(%)	FY09e	FY10e	FY11e
Real growth - GDP	6.8	7.0	5.4
Wholesale price inflation	8.3	0.7	4.2
Consumer price inflation	9.0	5.0	4.7
Fiscal deficit to GDP	7.3	7.7	7.5
Credit growth	17.3	12.3	7.2
Export growth	4.7	-7.0	8.0
Import growth	14.8	-15.5	8.8
CA deficit to GDP	-3.4	-0.9	-1.1
INR/USD year end	50.9	45.0	42.0

Source: Anand Rathi Research.

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