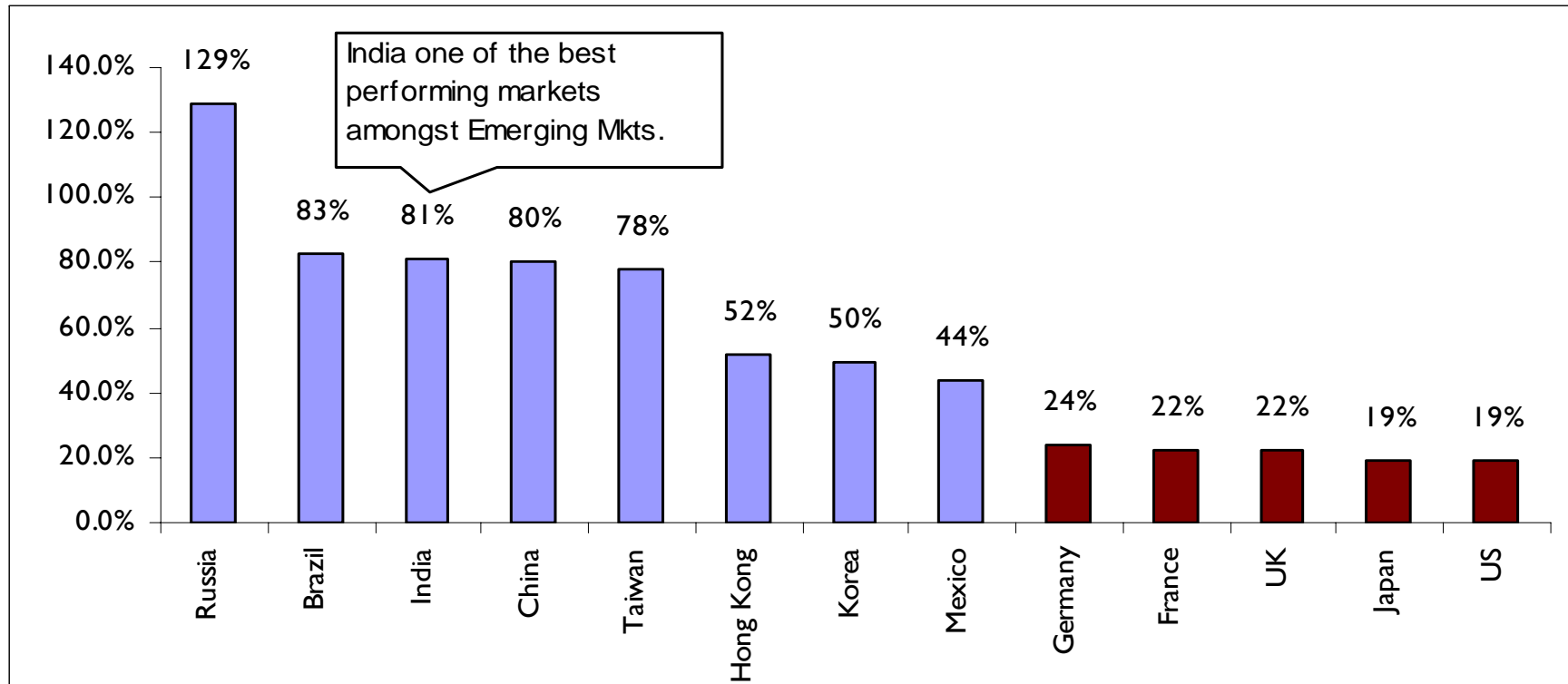


Ten Issues for the year 2010

DBS Chola MF Research Team

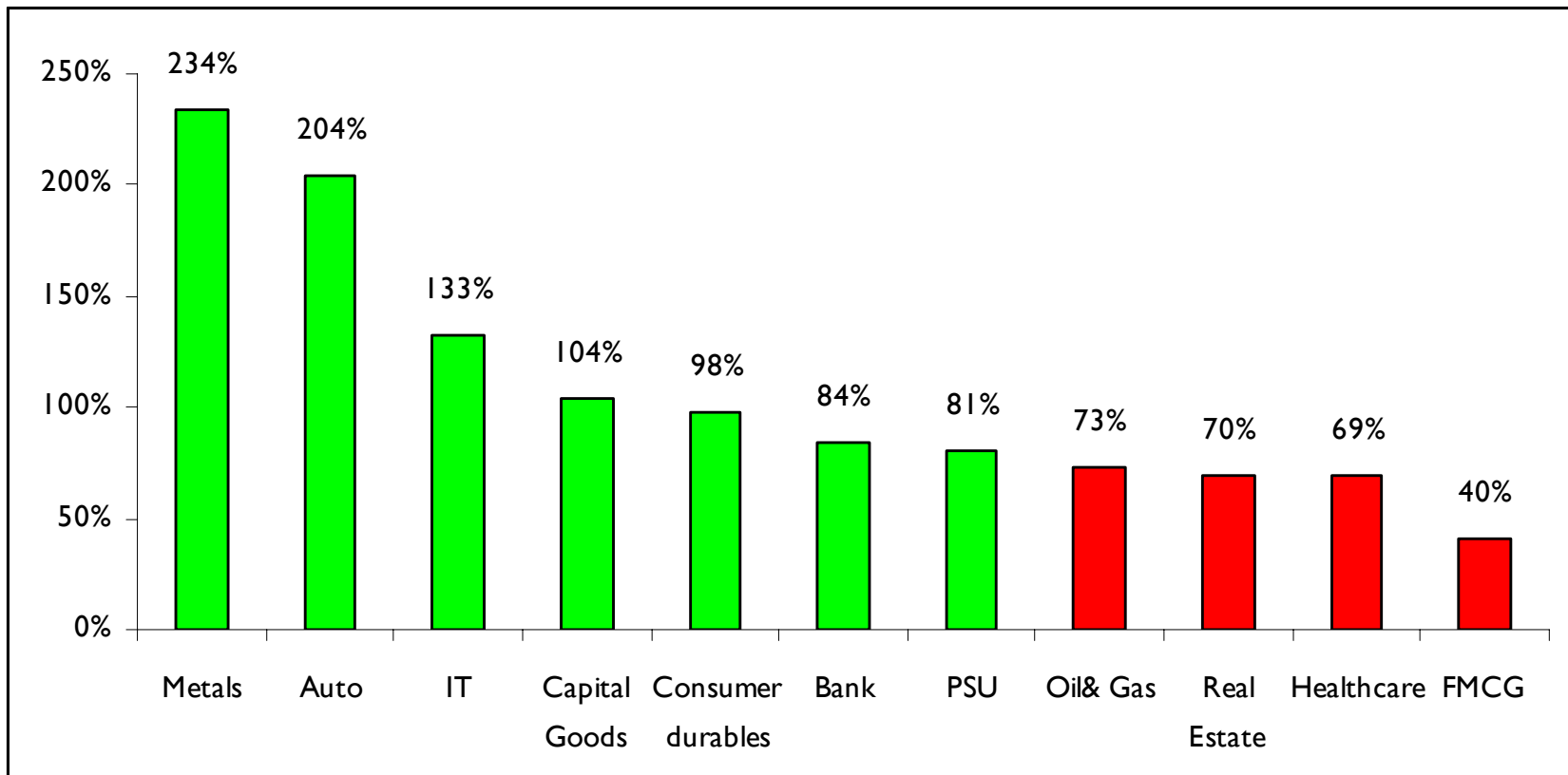
A recap of 2009

Global Equity Markets in 2009



Source: Bloomberg

Sectoral performance – Indian Markets



Source: Bloomberg

Sensex – Who has contributed how much to the rise?

Sensex has gained 7,748 points (81%) in 2009. Following is the security-wise contribution to the rise

| Company Name | %Change | Index Pts | Company Name | %Change | Index Pts |
|----------------------------------|---------|-----------|-----------------------------------|---------|-----------|
| Reliance Industries Ltd | 74.4% | 1,018 | Maruti Suzuki India Ltd | 201.3% | 208 |
| Infosys Technologies Ltd | 131.5% | 988 | Wipro Ltd | 188.6% | 178 |
| Larsen & Toubro Ltd | 118.1% | 666 | Hindalco Industries Ltd | 217.4% | 172 |
| ICICI Bank Ltd | 91.2% | 643 | Tata Power Co Ltd | 86.3% | 138 |
| Housing Development Finance Corp | 75.0% | 406 | Jaiprakash Associates Ltd | 163.1% | 122 |
| State Bank of India Ltd | 76.1% | 384 | Grasim Industries Ltd | 100.8% | 119 |
| Tata Consultancy Services Ltd | 210.9% | 356 | Reliance Infrastructure Ltd | 96.0% | 115 |
| HDFC Bank Ltd | 67.0% | 339 | NTPC Ltd | 29.8% | 91 |
| Tata Steel Ltd | 187.5% | 304 | ACC Ltd | 82.9% | 56 |
| Oil & Natural Gas Corp Ltd | 75.5% | 301 | Sun Pharmaceutical Industries Ltd | 36.9% | 46 |
| ITC Ltd | 46.2% | 287 | Hero Honda Motors Ltd | 21.5% | 41 |
| Sterlite Industries India Ltd | 225.1% | 248 | DLF Ltd | 26.6% | 33 |
| Bharat Heavy Electricals Ltd | 75.1% | 245 | Hindustan Unilever Ltd | 5.1% | 19 |
| Mahindra & Mahindra Ltd | 299.7% | 230 | Reliance Communications Ltd | -24.2% | (52) |
| Tata Motors Ltd | 408% | 226 | Bharti Airtel Ltd | -9.0% | (64) |

Nifty – Who has contributed how much to the rise?

Nifty has gained 2222 points (76%) in 2009. Following is the security-wise contribution to the rise

| Company Name | %Change | Index Pts |
|-------------------------------|---------|-----------|
| Tata Motors Ltd | 406% | 53.752 |
| Mahindra & Mahindra Ltd | 298% | 45.871 |
| Sterlite Industries India Ltd | 226% | 67.938 |
| HCL Technologies Ltd | 220% | 21.595 |
| Hindalco Industries Ltd | 218% | 39.5 |
| Tata Consultancy Services Ltd | 211% | 107.861 |
| Steel Authority of India Ltd | 207% | 64.759 |
| Maruti Suzuki India Ltd | 201% | 49.147 |
| Wipro Ltd | 188% | 65.623 |
| Tata Steel Ltd | 187% | 65.361 |
| Axis Bank Ltd | 135% | 36.344 |
| Infosys Technologies Ltd | 131% | 201.555 |
| Larsen & Toubro Ltd | 117% | 101.973 |
| Ranbaxy Laboratories Ltd | 114% | 15.131 |
| Hero Honda Motors Ltd | 112% | 28.904 |
| Siemens India Ltd | 109% | 16.304 |
| Unitech Ltd | 108% | 16.094 |
| GAIL India Ltd | 104% | 37.121 |
| Grasim Industries Ltd | 101% | 19.212 |
| Reliance Infrastructure Ltd | 96% | 18.967 |
| ICICI Bank Ltd | 91% | 115.338 |
| Tata Power Co Ltd | 87% | 27.718 |
| ACC Ltd | 83% | 12.174 |
| Cipla Ltd/India | 82% | 22.466 |

| Company Name | %Change | Index Pts |
|---|---------|-----------|
| Reliance Capital Ltd | 79% | 14.602 |
| State Bank of India Ltd | 76% | 95.154 |
| Oil & Natural Gas Corp Ltd | 75% | 138.112 |
| Bharat Heavy Electricals Ltd | 75% | 74.382 |
| Housing Development Finance Corp | 75% | 66.05 |
| Reliance Industries Ltd | 74% | 241.854 |
| Punjab National Bank Ltd | 71% | 18.276 |
| ABB Ltd/India | 69% | 10.535 |
| HDFC Bank Ltd | 67% | 59.82 |
| Bharat Petroleum Corp Ltd | 65% | 11.844 |
| Cairn India Ltd | 64% | 24.772 |
| Jindal Steel & Power Ltd | 61% | 37.744 |
| Suzlon Energy Ltd | 49% | 8.426 |
| ITC Ltd | 46% | 67.193 |
| Ambuja Cements Ltd | 44% | 8.368 |
| Sun Pharmaceutical Industries Ltd | 41% | 13.042 |
| Power Grid Corp of India Ltd | 34% | 17.308 |
| NTPC Ltd | 30% | 28.896 |
| Reliance Power Ltd | 29% | 16.483 |
| DLF Ltd | 27% | 14.444 |
| Idea Cellular Ltd | 7% | 0.057 |
| Hindustan Unilever Ltd | 5% | 4.639 |
| Infrastructure Development Finance Co Ltd | -1% | -0.602 |
| Bharti Airtel Ltd | -9% | -9.715 |
| Jaiprakash Associates Ltd | -14% | -8.807 |
| Reliance Communications Ltd | -24% | -7.792 |

Change in leading debt indicators: Dec 08 vs Dec 09

| Indicator | Dec 08 | Dec 09 |
|---|-------------------|------------------|
| Ten yr Benchmark G sec yield (s.a) | 5.26% | 7.59% |
| Five yr Benchmark G sec yield (s.a.) | 5.40% | 7.25% |
| One yr benchmark G sec yield (s.a.) | 4.62% | 4.39% |
| Ten yr AAA PSU Corporate Benchmark yield | 8.18% | 8.66% |
| Five yr AAA PSU Corporate Benchmark yield | 8.60% | 8.33% |
| One yr CD rate | 8.55% | 5.80% |
| 3 Mo T Bill rate | 4.85% | 3.68% |
| 5 yr OIS rate | 4.66% | 6.88% |
| O/N NSE MIBOR | 5.27% | 3.59% |
| INR/USD (in Rs) | 48.80 | 46.47 |
| Inflation | 6.61% | 4.78% |
| RBI LAF Repo | 3000 cr | 0 |
| RBI LAF Reverse Repo | 47665 cr | 43570 cr |
| CRR, Repo, Reverse Repo | 5.50%,6.50%,5.00% | 5%, 4.75%, 3.25% |

Regulatory changes in debt market in 2009

✓ SEBI

- Electronic settlement of secondary market corporate bond transaction via exchange made compulsory
- Reporting of Interscheme transactions
- Norms for debt mutual funds (Liquid, FMP, Liquid plus, money market instruments)
- Introduction of dual matrices for valuation of debt instruments of MFs

✓ RBI

- Interest Rate Futures introduced in India
- Draft guidelines for corporate bond repo
- Draft guidelines on less than 1 yr NCDs
- Lowered key rates to infuse liquidity and provide stimulus for growth
- Provided Special repo facility and refinance facility for banks, MFs and NBFCs

Issues for 2010

Issues for 2010

- **If 2009 was the year of the unexpected, 2010 may turn out to be a year of the unwanted – all ghosts that we feared may actually return to haunt us.**
- **Year 2010 has started with lot of optimism. While the New Year may end up being a year full of challenges, it will also stimulate a combative spirit and end leaving behind a feeling of accomplishment and exhilaration.**
- **We are enlisting herewith some of the issues which we believe may be prominent themes for the capital markets and would have bearing on its performance during the year.**

1. GDP Growth – India's growth prospects remain better

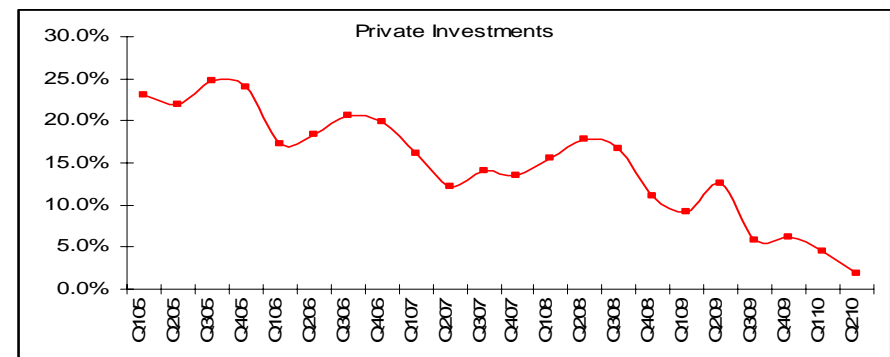
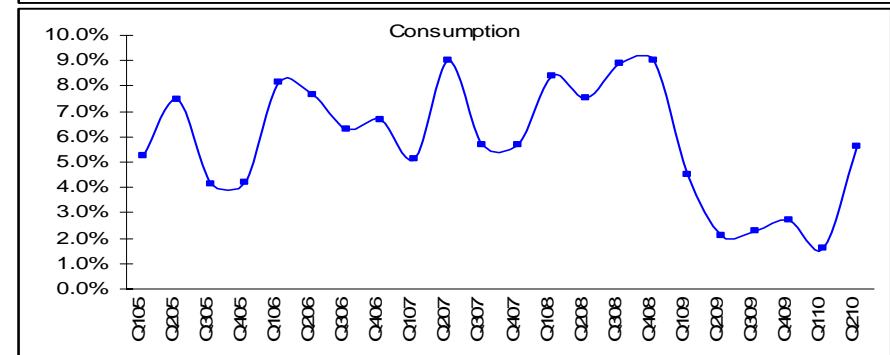
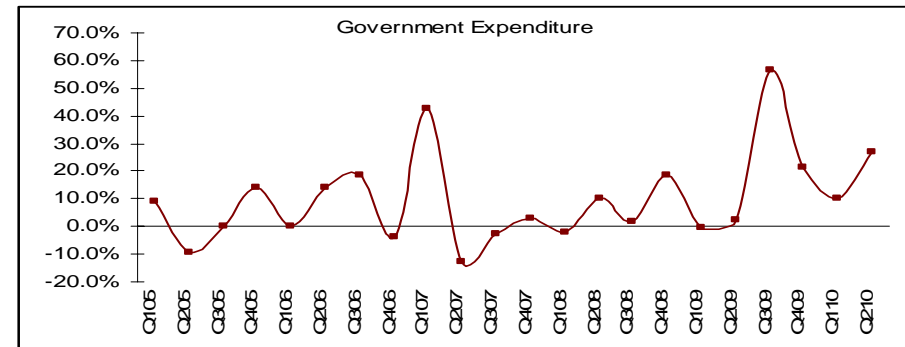
- GDP growth of developed markets during 2009 has been much lower compared to expectations
- Amongst all major economies, India continues to be among best in terms of growth prospects.
- India's growth expectations for 2009 has been lowered mainly on account of poor monsoons.
- Growth expectations for 2010 for India are better compared to 2009 as per IMF estimates.

| Country | OCT 2009 | | | OCT 2008 | | |
|--------------------------|----------|-------|------|----------|-------|------|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| China | 9.0 | 8.5 | 9.0 | 9.7 | 9.3 | 9.8 |
| India | 7.3 | 5.4 | 6.4 | 7.9 | 6.9 | 7.7 |
| Brazil | 5.1 | (0.7) | 3.5 | 5.2 | 3.5 | 4.4 |
| Korea | 2.2 | (1.0) | 3.6 | 4.1 | 3.5 | 5.2 |
| South Africa | 3.1 | (2.2) | 1.7 | 3.8 | 3.3 | 4.2 |
| United States | 0.4 | (2.7) | 1.5 | 1.6 | 0.1 | 2.0 |
| Hong Kong SAR | 2.4 | (3.6) | 3.5 | 4.1 | 3.5 | 4.2 |
| Taiwan Province of China | 0.1 | (4.1) | 3.7 | 3.8 | 2.5 | 3.8 |
| United Kingdom | 0.7 | (4.4) | 0.9 | 1.0 | (0.1) | 2.2 |
| Germany | 1.2 | (5.3) | 0.3 | 1.9 | (0.0) | 1.0 |
| Japan | (0.7) | (5.4) | 1.7 | 0.7 | 0.5 | 1.3 |
| Russia | 5.6 | (7.5) | 1.5 | 7.0 | 5.5 | 6.0 |

Source: World Economic Outlook IMF.

GDP Growth in 2009 - Consumption aided by government boost

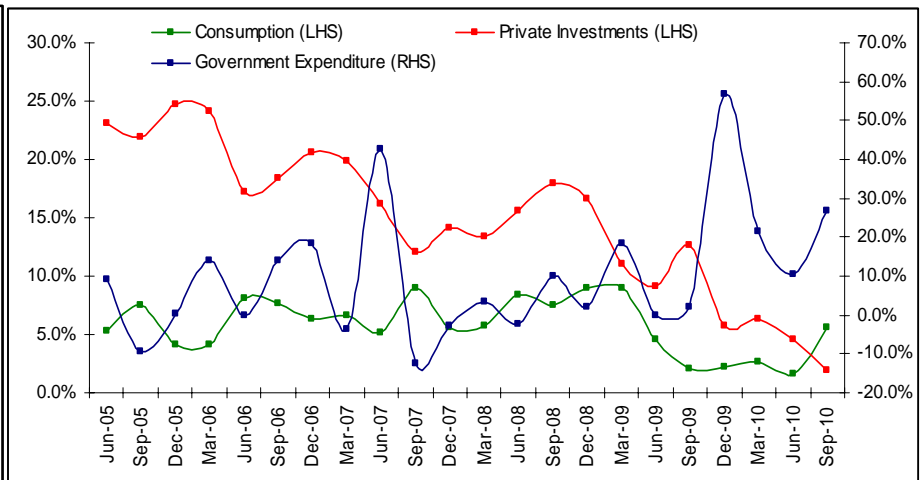
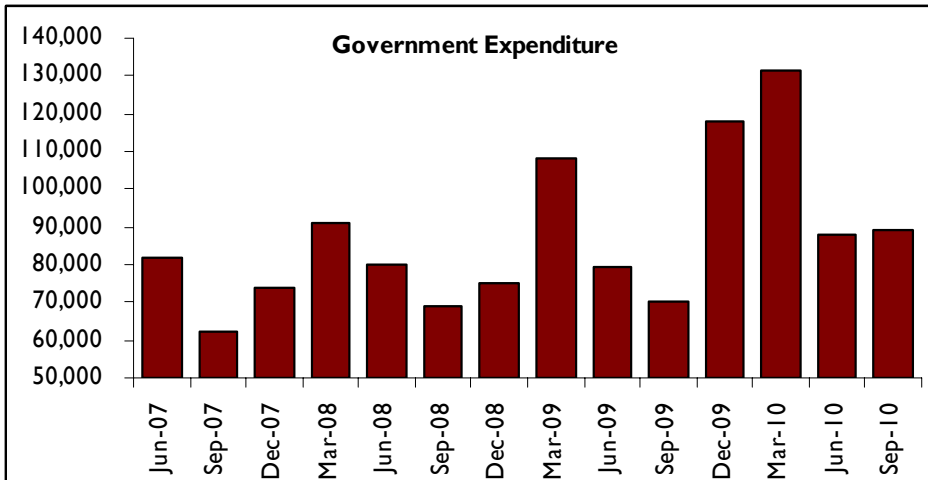
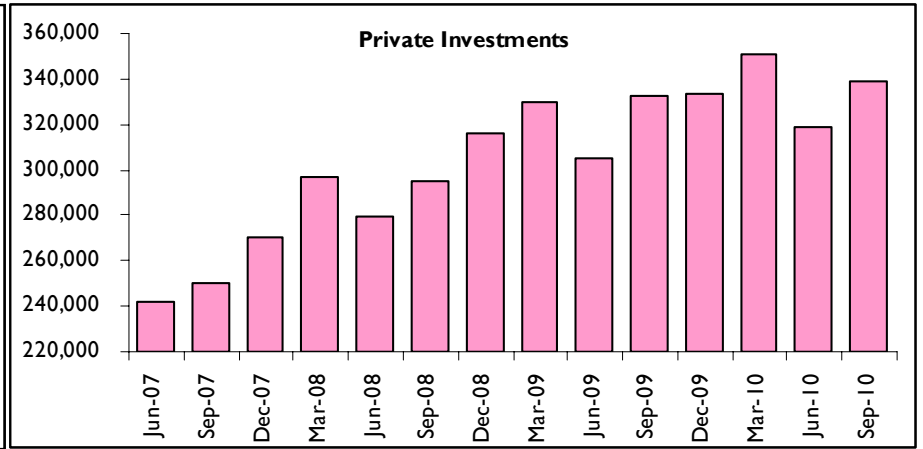
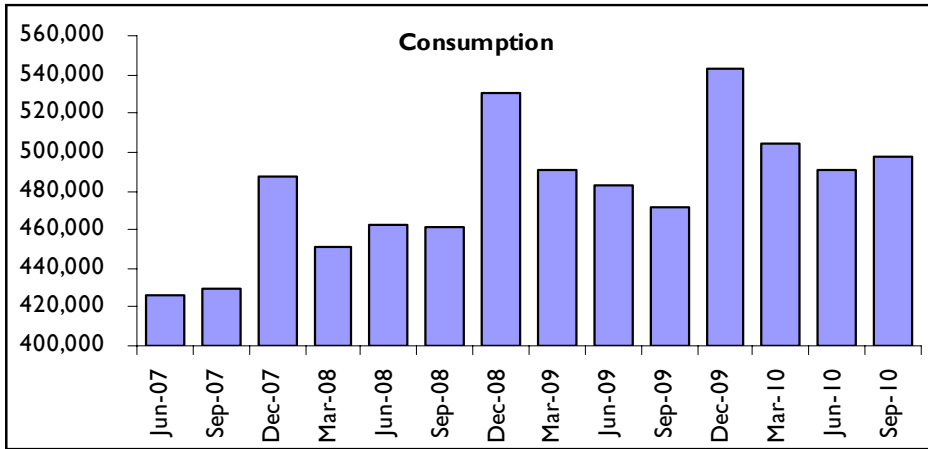
- **Government expenditure helped the GDP growth during 2009. Average growth of government expenditure during 2005-2008 period was 6% as against 21.5% growth in 2009. This acted as the counter balancing force.**
- **Growth of consumption was lower compared to previous periods but decline was not drastic to impact the overall GDP growth. Consumption expenditure to some extent was also aided by the 6th pay commission package (~Rs 500 bn released in two tranches) and NREGA scheme (~ Rs 390 bn earmarked by budget 2009).**
- **Private Investment growth has been declining consistently after the onset of the financial crisis in 2008. Datapoints still don't indicate revival in capex.**



GDP growth- Consumption & Private investment to provide kicker in 2010

- We expect growth of consumption to gradually move towards 6-7% range as employment scenario improves further over next few quarters and household incomes increase.
- Government expenditure growth would gradually come down as economic revival gains strength and economy is ready for self sustaining growth.
- We expect private investments to start reviving in the 2010 and achieve growth in the range of 7-8%.

GDP- Key components in charts

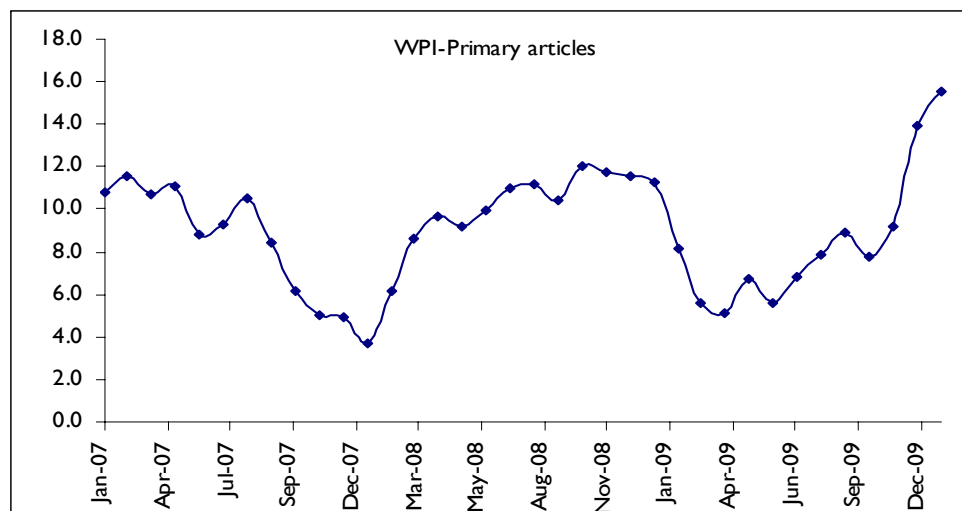
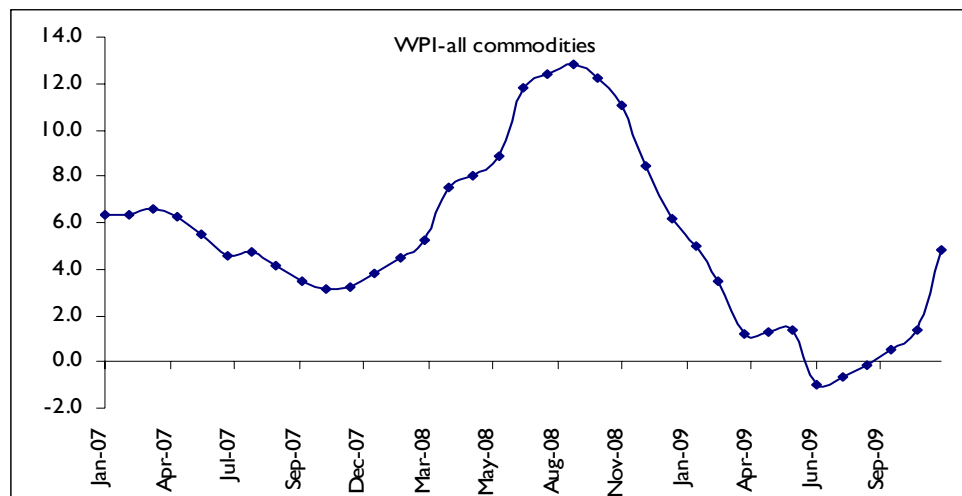


Source: MOSPI

- Note
- ✓ Figures are in Rs. Crores
- ✓ % refers to YoY growth

2. Inflation – Supply side issues hog food inflation

- Government has changed the WPI – all commodities reporting from weekly to monthly basis. However, WPI-primary articles is still being reported on weekly basis. Moreover, methodology has also been changed with more items included for computation.
- Inflation as represented by WPI for all commodities remained benign during the year 2009 on account of lower manufactured products prices.
- However, primary articles component of WPI remained higher (Inspite of higher base of previous year) throughout the year mainly on account of higher food prices.
- Food inflation is largely a supply side issue as globally agricultural commodity stock levels have been lower. Monsoon had been failure during the year with 20% shortfall. This has been the major reason for spike in food prices.



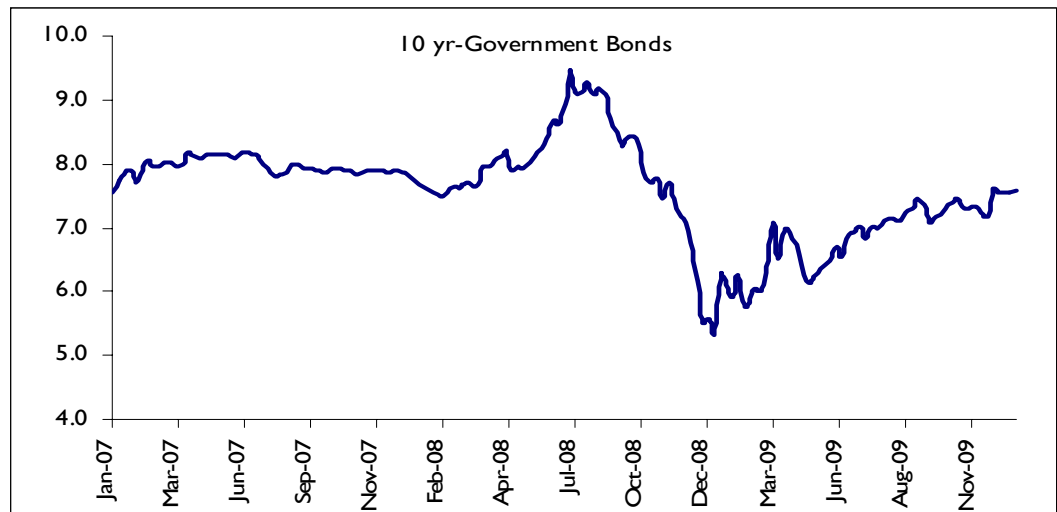
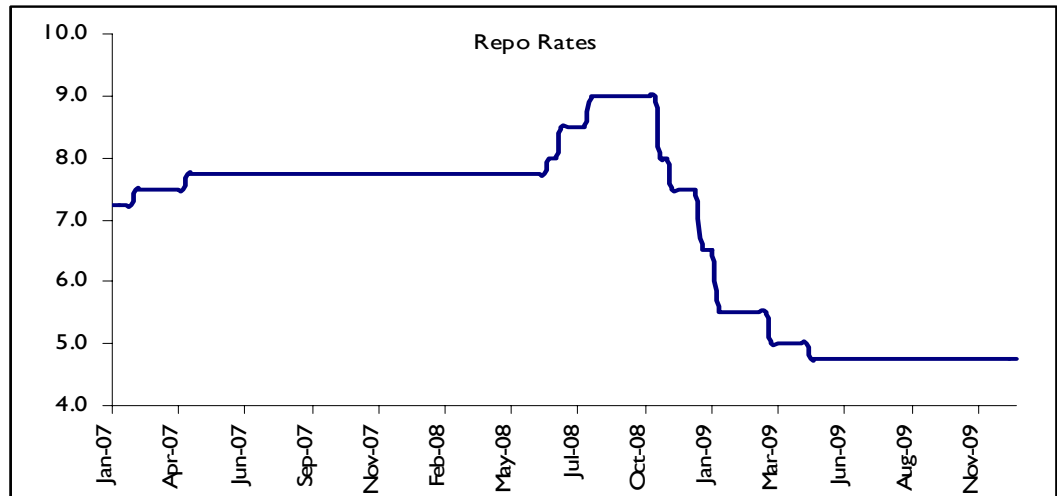
Source: Bloomberg

Inflation – Manufacturing inflation may pick up with economy

- We expect manufacturing products inflation to pick up in 2010 as economy revives and industry gains pricing power.
- Food inflation would persist for some more time as buffer stock levels deplete. The monsoon – its timely arrival, quantum and distribution will be an important determinant for taming food inflation in 2010.
- Monetary policy action during 2010 would be driven by the expectations of inflationary pressures going forward.

3. Interest rates – Shorter end down, longer end up

- Interest rates (short term rates) as represented by policy rates have been lower throughout 2009 as RBI acted to revive growth.
- Interest rates on Long term sovereign debt have been high mainly on account of higher government borrowings.



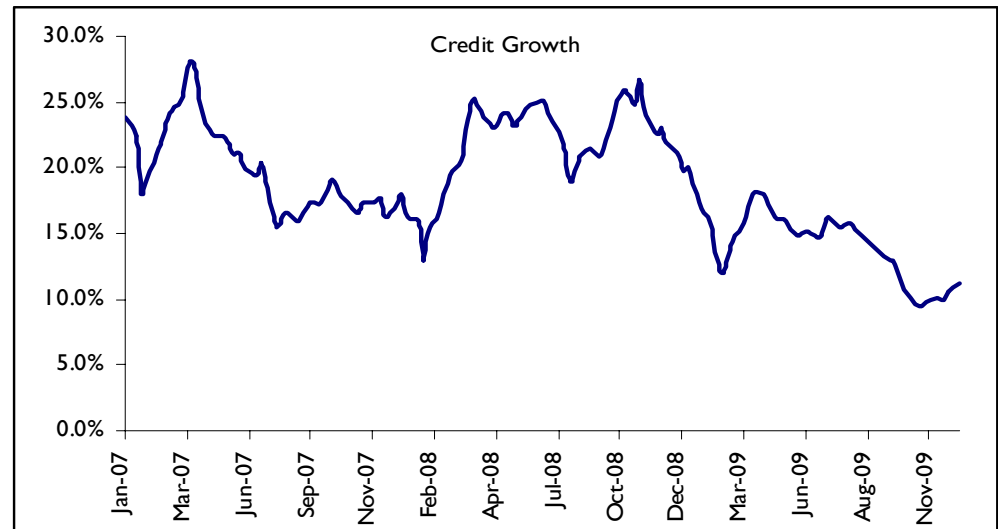
Source: Bloomberg

Interest rates – Expect short term rates to firm up

- With economy stabilizing, monetary and government authorities would roll back in gradual manner some of the aggressive fiscal and monetary measures taken earlier.
- Monetary actions would lead to short term rates inching higher over next few quarters.
- Long term rates would remain steady with upward bias on expected monetary tightening measures to counter high inflation as also due to large government budget deficit.

4. Credit Growth – has been laggard in 2009

- Credit growth remained lower for the entire 2009.
- With the downturn in capex cycle, demand for long term project funding has been lower. Moreover, with equity markets doing well companies have been able to raise more equity.
- Reluctance on the part of bankers to lend aggressively in economic slowdown was also one of the reasons for the lower credit growth.



Source: Bloomberg

Credit growth – Expected to pick up on industry demand and retail

- We expect credit growth to pick up gradually during 2010.
- From current 11% levels, we expect the credit growth to rise to 16-17% by the end of 2010.
- Credit growth would be driven by demand from Industry and retail sector.

5. US Recovery- What happened in 2009

- The housing bubble and the credit crisis took its toll on all the segments within the US economy.
- This resulted in Inventory de-stocking across sectors resulting in fall in industrial production, which in turn resulted in job cuts and an increase in unemployment.
- During this period the US Fed along with other global central banks continued with their near zero interest rates. This resulted in stabilizing the market for securitized paper along with boosting demand in the economy.
- CDS prices reached their peaks in March 2009 before falling sharply to 2008 levels.
- The demand for commodities such as crude oil, metals, etc. started increasing which resulted in commodity prices starting to pick up, which in turn picked up the stock markets.
- Category wise returns for 2009 is mentioned in the table below:

| Particulars | Return |
|--|--------|
| Crude Oil | 78% |
| Copper | 140% |
| Gold | 24% |
| Aluminium] | 45% |
| Dow Jones Average Index | 23% |
| S & P 500 Index | 26% |
| Case Shiller Index - 20(Oct'08 - Oct'09) | -7% |

US Recovery- Expectations for 2010

- The monetary policy stance of the US Federal reserve along with other major central banks would determine fate of financial markets for 2010
- For the last two quarters of Sep 2009 & June 2009 the US economy has reported GDP growth of 2.2% & 2.8% QoQ (Seasonally adj.) respectively, an indication of revival in demand
- The latest CPI data for US for Nov 2009 stands at 1.8% YoY. This is within the comfort zone of the US Fed. Any increase above 4% would result in the central bank taking an aggressive stand regarding monetary tightening.
- We expect the US Fed to continue with the near zero interest rate regime for at least the first half of 2010
- Health of the financial sector has improved which is evident from the fact that banks have either expressed interest in or actually started repaying the TARP money. We expect the good health of the financial sector to trickle down to the other sectors of the economy as well.
- The IMF estimates for the US economy are mentioned below:

| Particulars | 2009 E | 2010 E | 2011 E |
|-------------------------------------|--------|--------|--------|
| GDP growth at constant prices % YoY | -2.73 | 1.52 | 2.77 |
| Average consumer price inflation % | -0.39 | 1.72 | 1.78 |
| Current account balance as % of GDP | -2.59 | -2.21 | -2.57 |

US Economic Data

Merchant Wholesale inventories MOM change %



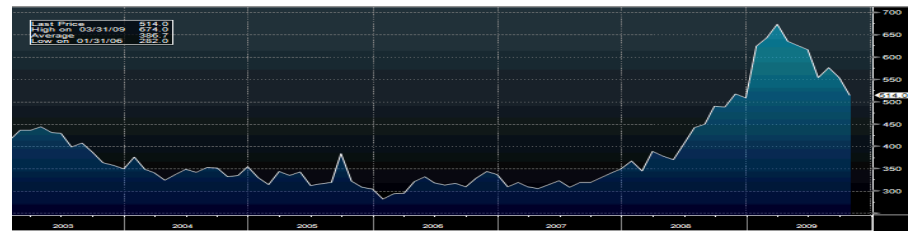
US Industrial Production MOM SA %



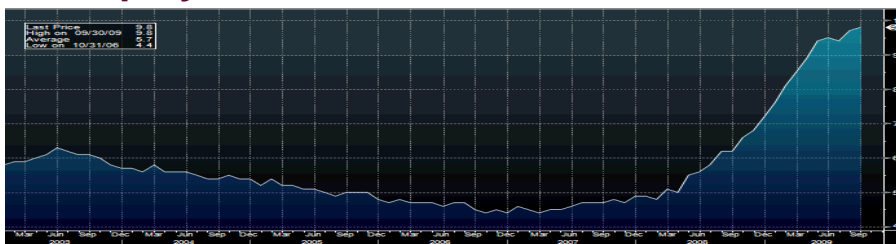
US pending Home Sales Index YoY %



US Initial Jobless Claims '000



Unemployment Rate YoY %



5 year CDS for top US banks



Source: Bloomberg

The charts displayed above depicts the improvement in economic data points, such as increase in inventories, revival in industrial production, rise in housing sales, etc. The sharp fall in bond insurance premiums (CDS) during 2009 indicates the increase in risk appetite among investors. The unemployment rate at 10% remains a cause of concern for policymakers, though the initial jobless claims number has started falling sharply indicating stability in jobs markets

6. Emerging economies – What happened in 2009

- The credit crisis which began in late 2007 continued impacting the world economies for the first quarter of 2009 as well, with emerging markets facing drop in industrial production levels, fall in aggregate demand and a rise in unemployment rate
- The degree of impact on the different countries within the emerging economies basket was different depending on the inbuilt strength of the economies and the fiscal and monetary stimulus measures adopted by these economies to tide over the crisis period. Data points suggest that by the end of 2009, most of the emerging economies have recovered substantially from the poor industrial activity reported at the start of 2009.
- Most of the central banks belonging to emerging economies continued their monetary easing policy, a case in study being China whose Money supply growth (M2) reached levels as high as 30%.
- On the fiscal policy part, most of economies resorted to increase in government spending along with sops such as tax breaks across industries, higher claims on depreciation, and protectionist measures
- Unemployment rates which rose initially are again on their way down for the emerging economies though this is still not the case with the developed countries
- Countries with high dependence on exports suffered because of reduction in global demand. China's exports fell in excess of 20% during the initial part of 2009 to recover to near zero growth levels by the end of 2009
- Domestic consumption also recovered substantially from the low levels reached at the start of 2009
- Smaller Western European countries such as Portugal, Greece, Ireland and Spain faced pressure from the EU to rein in their fiscal deficit. All the 4 western European countries faced downgrades in credit ratings during 2009. According to the European commission, the budget deficit for Spain, Greece, Ireland and Portugal is expected to be 11.2%, 12.7%, 11% and 8% of GDP respectively
- The fag end of 2009 saw Dubai wake up to a debt crisis of its state-owned investment flagship Dubai World by asking for a delay in repaying some of the \$59 billion it owes to creditors, causing panic and concerns across the world, however the \$59 billion number pales in comparison to the \$2.8 trillion in writedowns that the IMF estimates U.S. and European lenders will have made between 2007 and 2010.

Emerging economies – Expectations for 2010

- Central banks the world over are still pondering over the kind of exit strategies they should apply for gradual removal of stimulus measures and the time of initiation of the monetary tightening. We expect the central banks of developed countries to initiate gradual monetary tightening only in second half of 2010
- Some of the emerging economies such as India and China might initiate the same earlier on account of strong economic activity reported recently and the fear of inflation rising sharply by the middle of 2010
- We do not expect a scenario of sudden higher interest rate policy being adopted by the central banks. The increase in interest rates and the removal of liquidity will be a gradual process while ensuring steady growth in economic activity.
- Actions surrounding these exit strategies will keep the emerging markets in a range bound and volatile state.
- We expect the underlying strength of the emerging economies to maintain the momentum in economic activity throughout 2010
- Unwinding of the U.S. dollar carry trade may pose the biggest threat to the global economy next year. The IMF mentioned that there are indications that the U.S. dollar is now serving as the funding currency for carry trades. The general understanding is that such transactions may involve between \$1.4 trillion and \$2 trillion and “unwinding” the investments could cause volatility in currencies, commodities and emerging market stocks
- Rating pressure will remain for Greece, Spain, Ireland and Portugal for 2010, possibly with the addition of a few more names
- The IMF estimates for Brazil, Russia, India and China are mentioned below:

| Country | GDP Growth Estimates | | |
|---------|----------------------|-------|-------|
| | 2009E | 2010E | 2011E |
| Brazil | -0.66 | 3.46 | 3.52 |
| Russia | -7.55 | 1.54 | 3.00 |
| India | 5.36 | 6.42 | 7.28 |
| China | 8.5 | 9.03 | 9.73 |

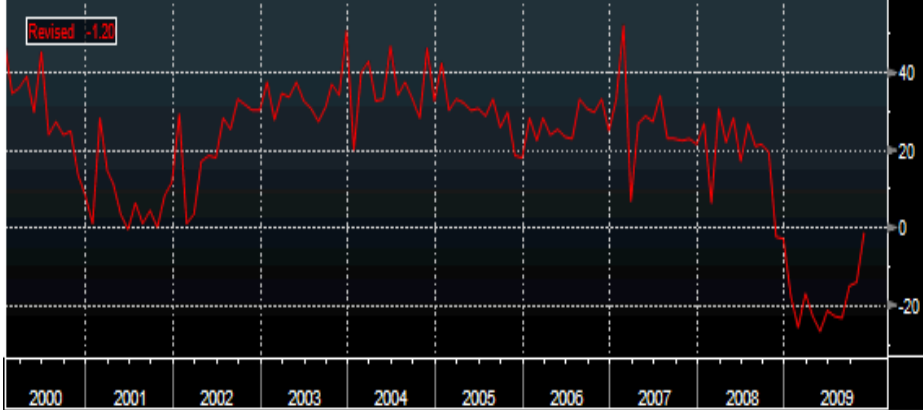
China Monthly Retail Sales growth YoY



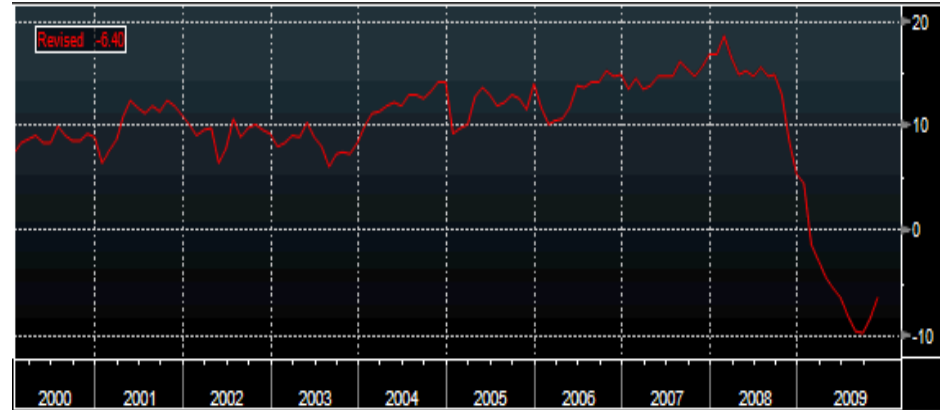
China Monthly Money Supply M2 growth YoY



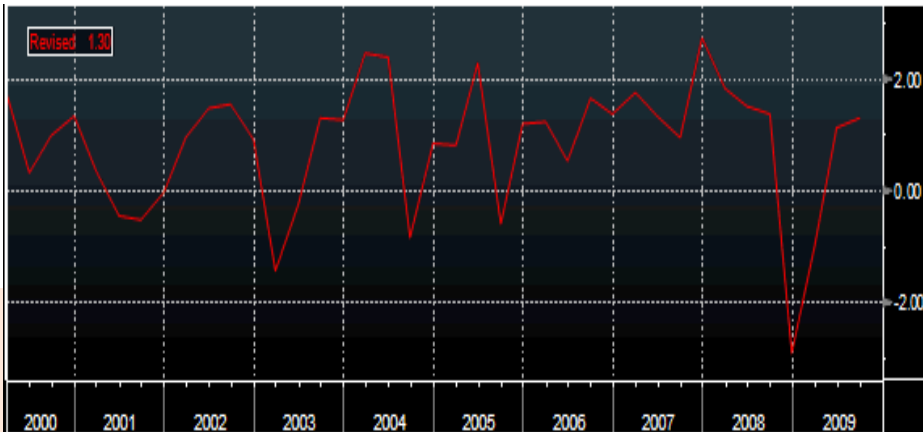
China Monthly Exports Trade growth YoY



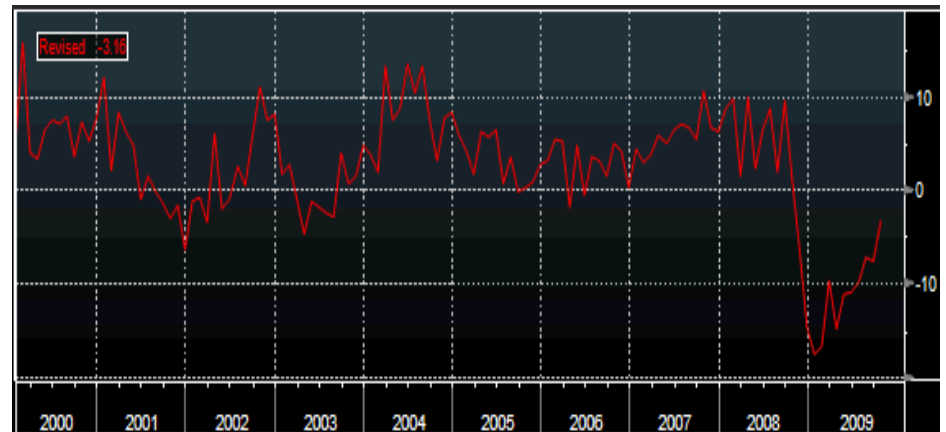
Russia Monthly Retail sales growth YoY



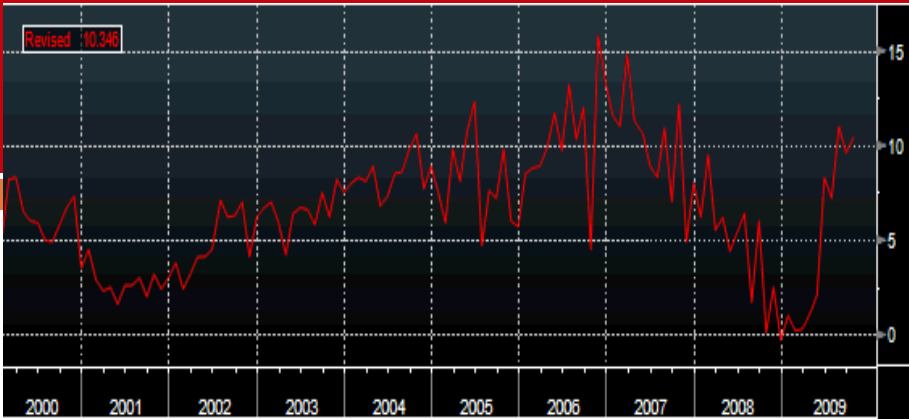
Brazil GDP Growth QoQ Seasonally Adj.



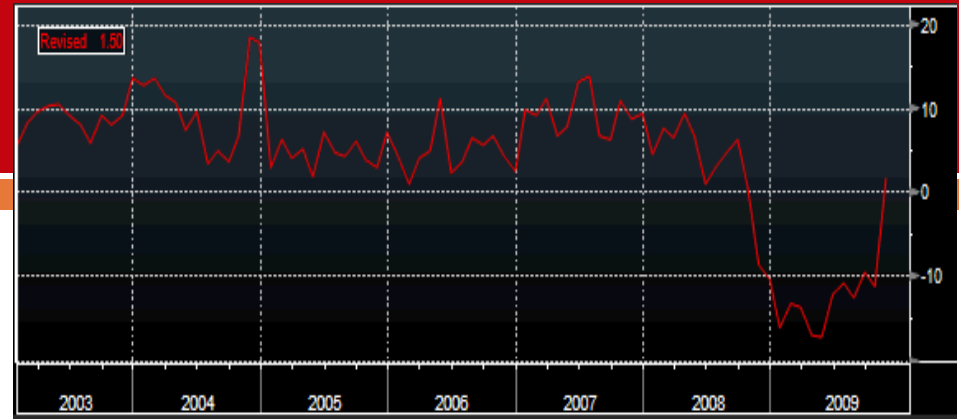
Brazil Monthly Industrial Production growth YoY



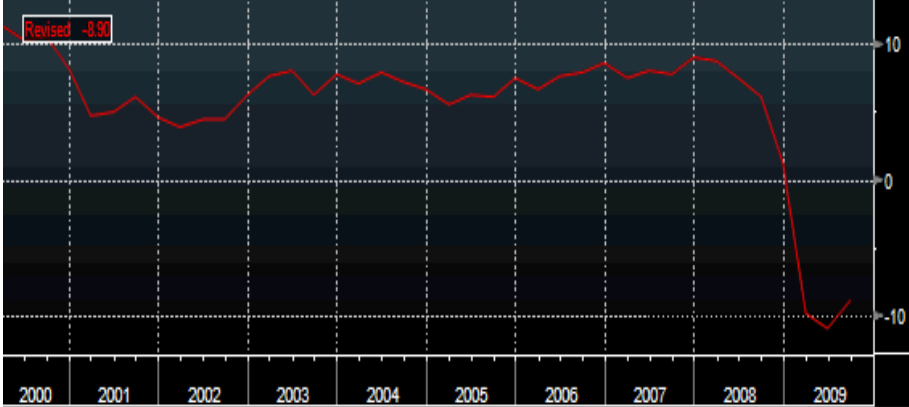
India IIP growth YoY



Russia Monthly Industrial Production growth YoY



Russia Qtr GDP growth YoY



Brazil Monthly Retail Sales growth YoY



Brazil Unemployment rate



Russia Unemployment rate

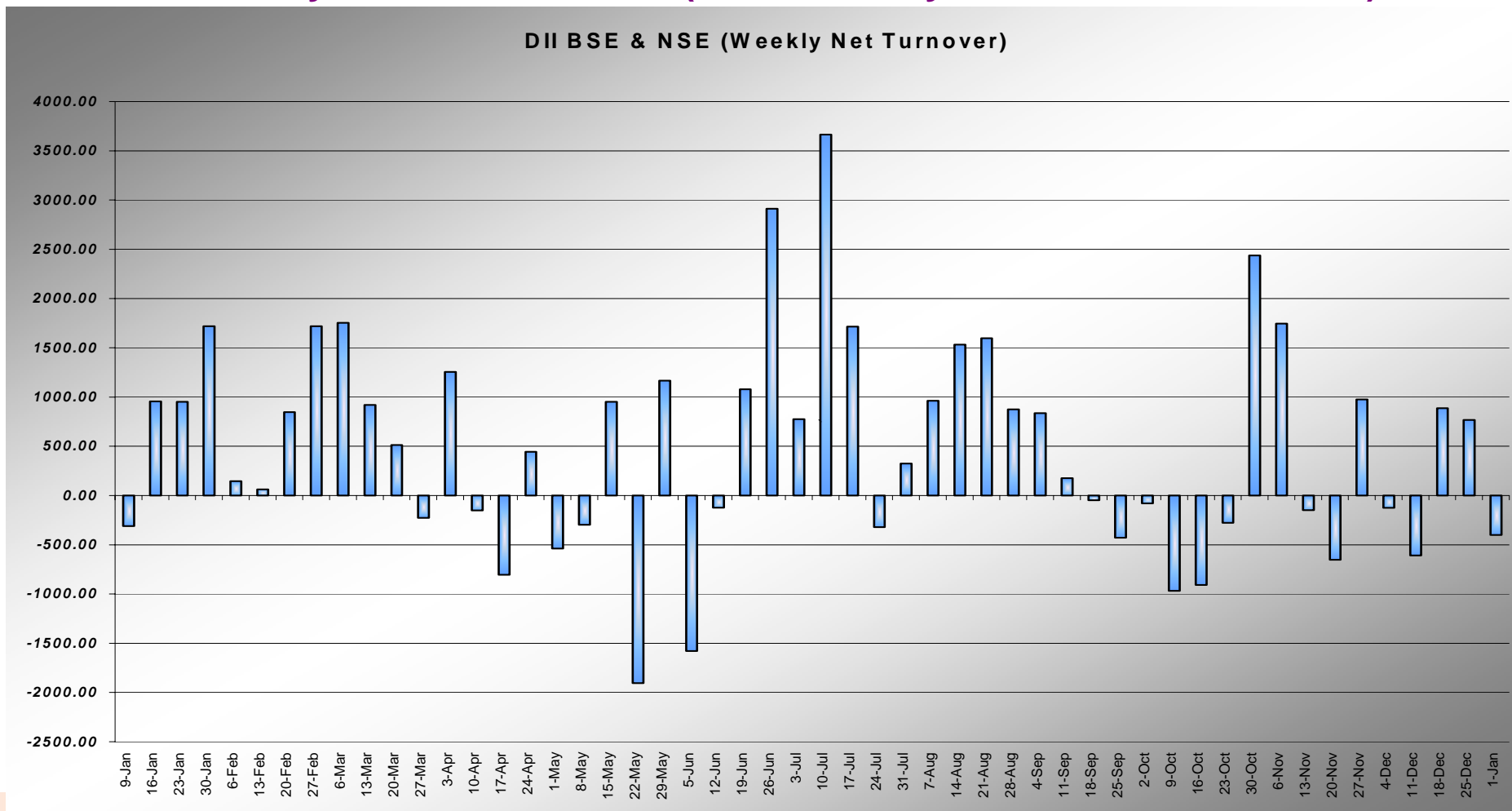


7. Domestic institutions and capital markets- What happened in 2009

- **SEBI banned entry load on MF schemes empowering investors to negotiate the commission directly with distributors**
- **Another big change was to allow MF units to be traded on the exchanges which lead both BSE and NSE to launch platform for trading in MF units**
- **IRDA imposed a cap on the expenses of the popular unit-linked insurance plans**
- **IRDA permitted insurers to sell life insurance products online, thus allowing customers to purchase a life insurance policy without an intermediary.**
- **In the aftermath of Satyam fraud, SEBI made it mandatory for promoters to disclose the details of shares pledged by them to stock exchanges.**
- **Introduction of anchor investor concept in IPO**
- **Exchanges were given the freedom to extend trading hours**
- **Relaunch of interest rate futures**

Domestic institutions and capital markets

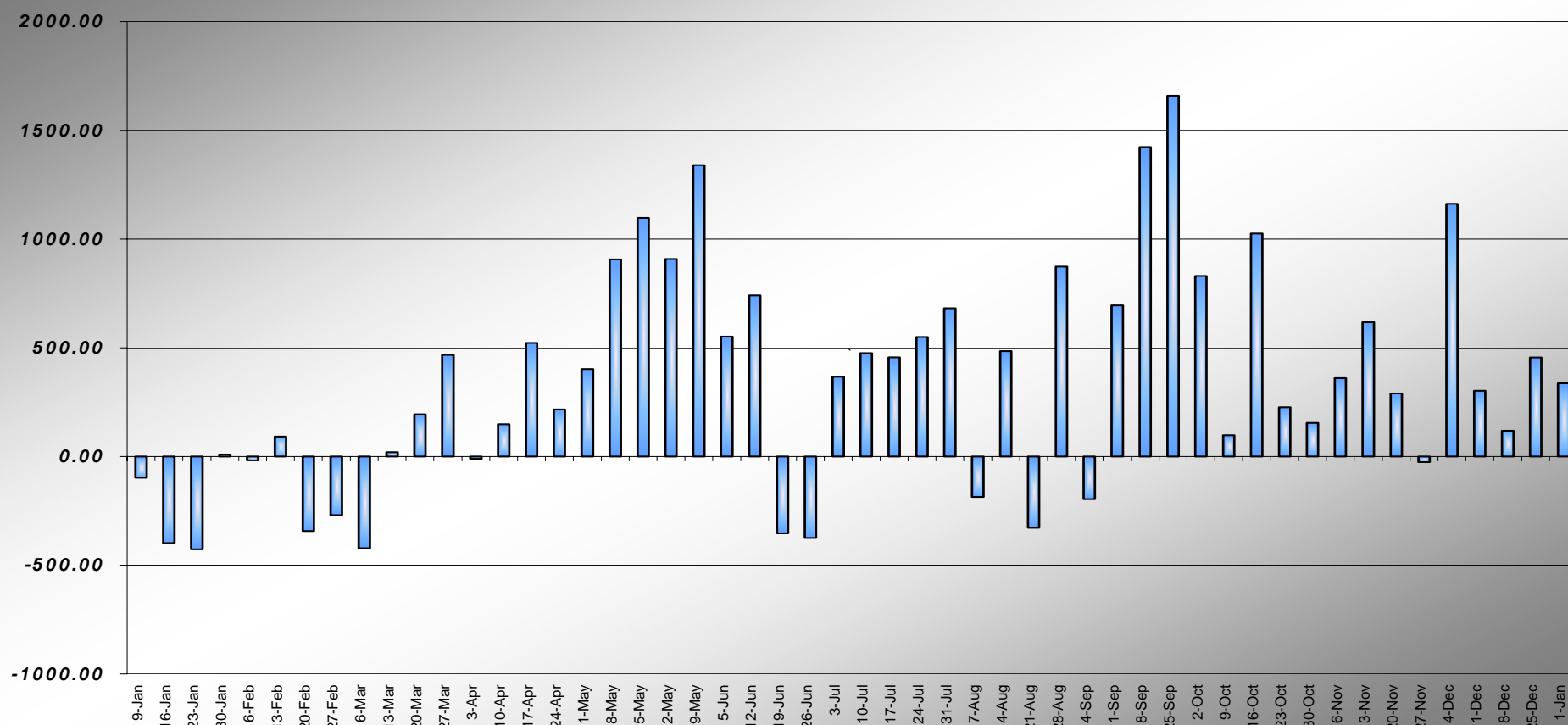
DII weekly turnover for 2009 (Net flows in year 2009: Rs 26180 crs)



Domestic institutions and capital markets

FII weekly turnover for 2009 (Net flows in year 2009: Rs 84,000 crs) (\$ 17.9 bn)

FII-India (Weekly Flows)



Primary market fund raising in 2009

20 IPO's last year raised almost Rs 20343 cr from the primary market

| Name of the issue | Issue Size (lakh shares) | Price Range | Issue Price (Rs.) | Amount Raised (cr) |
|---|--------------------------|---------------------|-------------------|--------------------|
| D.B. CORP LIMITED | 182 | Rs.185 to Rs. 212 | 212 | 385 |
| GODREJ PROPERTIES LIMITED | 94 | Rs. 490 To Rs. 530. | 490 | 462 |
| JSW ENERGY LIMITED | 3819 | Rs. 100 To Rs. 115. | 100 | 3819 |
| COX AND KINGS (INDIA) LIMITED | 185 | Rs. 316 To Rs. 330. | 330 | 610 |
| ASTEC LIFESCIENCES LIMITED | 75 | Rs.77 To Rs.82 | 82 | 62 |
| DEN NETWORKS LIMITED | 200 | Rs. 195 To Rs. 205. | 195 | 390 |
| INDIABULLS POWER LIMITED | 3398 | Rs.40 To Rs.45 | 45 | 1529 |
| THINKSOFT GLOBAL SERVICES LIMITED | 36 | Rs.115 To Rs.125 | 125 | 46 |
| EURO MULTIVISION LTD | 88 | Rs.70 To Rs.75 | 75 | 66 |
| PIPAVAV SHIPYARD LIMITED | 855 | Rs.55 To Rs.60 | 58 | 496 |
| OIL INDIA LIMITED | 264 | Rs.950 To Rs.1050 | 1050 | 2777 |
| GLOBUS SPIRITS LIMITED | 75 | Rs.90 To Rs.100 | 100 | 75 |
| JINDAL COTEX LIMITED | 113 | Rs.70 To Rs.75 | 75 | 84 |
| NHPC LIMITED | 16774 | Rs.30 To Rs.36 | 36 | 6039 |
| ADANI POWER LIMITED | 3017 | Rs.90 To Rs.100 | 100 | 3017 |
| RAJ OIL MILLS LIMITED | 95 | Rs.100 To Rs.120 | 120 | 114 |
| EXCEL INFOWAYS LIMITED | 57 | Rs.80 To Rs. 85 | 85 | 48 |
| MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED | 93 | Rs. 275 To Rs. 325 | 300 | 278 |
| RISHABHDEV TECHNOCABLE LIMITED | 69 | Rs 29 To Rs 33 | 33 | 23 |
| EDSERV SOFTSYSTEMS LIMITED | 40 | Rs 55 T0 Rs 60 | 60 | 24 |

Domestic institutions and capital markets- What is the expectation for 2010

- Look out for cost effective distribution channels
- Increased competition with lot of new players planning to enter MF industry
- Expect an increase in the reach and scope of MFs with the launch of MF trading platform on two national bourses
- Expect IPO from some of large insurance players as IRDA comes up with new regulations
- Implementation of Swarup Committee recommendations for doing away with the agent commission embedded in the premium paid by the policyholder
- Expect a lot of IPO from PSU sector as Government aggressively embark on its disinvestment programme
- Expected PSU issues in 2010 are by NTPC, NMDC, REC, SAIL, MMTC and Satluj Jal Vidyut Nigam Ltd
- A vibrant debt market as SEBI is expected to bring some regulations to increase volumes in the secondary market

8. Infrastructure Development

What happened in 2009

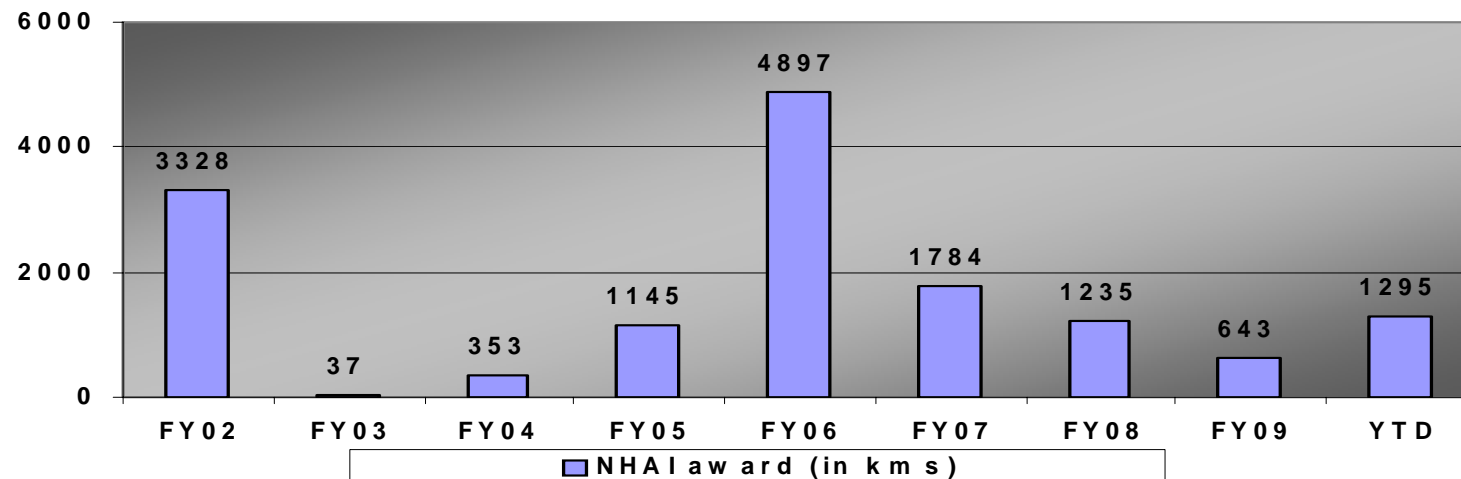
- ✓ Government announced a slew of measures to remove bottleneck and speedup the process of road development in India:
 - To achieve construction of 20 kms of roads per day
 - Reviewing the process of offering and bidding of projects by NHAI
 - Changes to concession and land acquisition agreements
 - Faster approvals and ensure more public-private partnerships.

- ✓ Power Sector
 - In 2009, power sector was in news with a flurry of not so power packed IPO's.
 - Against a target of 9403 mw of capacity addition in the power sector only around 6900 mw has been added in the last 11 months

Infrastructure Development

What is the expectation for 2010

- Over half of the Rs 7 trillion worth of projects likely to be sanctioned for 2010-11 are in the infrastructure sector
- To achieve the targeted 20kms/day, NHAI plans to order 23,744kms in FY10 and FY11



Source:
NHAI, Avendus Research

- To achieve an optimistic target of "Power for All by 2012", government needs to act quickly to ensure more liberal policies in place so as to encourage larger private investment in power sector

9. Geopolitics – What happened in 2009

- With the world economies reeling under the pressure of credit crisis, US President Barack Obama assumed office in January 2009, the immediate priority being that of stabilizing the US economy. The US Congress, after bitter partisan wrangling and in voting along clear Party lines, finally passed the \$787 bn fiscal stimulus bill
- Within Asia, the world witnessed a change in power dynamics with China becoming ever more assertive with its foreign policy and the Indo-China rivalry scaled new heights resulting in a renewal in Himalayan border tensions.
- The new elected Japanese government demanded an “equal” relationship with the United States.
- Middle East was relatively quiet except for Iran
- UN Climate Change Conference was held in Copenhagen, Denmark, from December 7-18, 2009.

Geopolitics – 2010 may set the tone for the decade

- **Shift of economic power from Western to Eastern hemisphere will accelerate**
- **The war on terror expands to Yemen – may boil crude prices**
- **US troops to pull out from Iraq by Sep '10 while increase strength in Afghanistan**
- **UK elections may see policy change**
- **China's and India's rising demand for commodities will keep prices strong**
- **Domestic concerns may resurface protectionist and trade barriers**
- **World will look for alternatives to Dollar as currency for global trade**

10. Emergence of green technology

- ✓ What happened in 2009
 - **Venture Capitalist still gung-ho on green technologies but getting more selective**
 - **Amount of venture capital that went toward green-technology companies fell to \$4.85 billion in 2009, compared to \$7.6 billion in 2008**
 - **But number of deals went up slightly from 350 in 2008 to 356 in 2009 in addition to improvement in quality of entrepreneurs working in this area**
 - **Solar brought in largest - \$1.4 billion with 84 deals in 2009 and then biofuels, a capital-intensive area, received \$975 million in 44 deals.**
 - **There was a return toward early-stage financing, a model traditionally suited for venture capital funds**

Emergence of green technology

- ✓ What is expectation for 2010
 - Expect a wave of IPOs in green technology this year
 - More mergers and acquisitions expected particularly in the crowded solar market.
 - Investors to remain cautious and focus on companies with most potential to grow
 - Expect emerging leaders and high-potential portfolio companies to account for a larger share of dollars as the number of new companies funded in first-time investments grows more moderately

Source: <http://news.cnet.com/greentech/>

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Thank You!

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