

INVESTMENT OBJECTIVES

The Company's investment objective is to provide long term capital appreciation by investing predominantly in listed mid and small cap companies with a smaller proportion in unlisted companies. Investment may also be made in large cap listed Indian companies where the Fund Manager believes long-term capital appreciation will be achieved.

Investment evaluation and selection is based on a bottom-up approach where opportunities are evaluated on a case by case basis. The Fund Manager follows an absolute return focus to investing rather than 'relative-performance' stock picking. The Company may hold liquid assets (including cash) pending deployment in suitable investments. It is the Company's declared policy not to hedge the exposure to the Indian Rupee.

SHARE PRICE AND NAV AS AT 28 FEBRUARY 2010

Ordinary Shares

Ticker	IGC
Share price (p)	52.00
NAV per share (undiluted) (p)	60.07
NAV per share (diluted) (p)	60.07

Warrants

Ticker	IGCW
Warrant price (p)	1.88

PORTFOLIO BREAK DOWN BY SIZE AT 28 FEBRUARY 2010

	No. of companies	% of portfolio
Small Cap	11	40.2
Mid Cap	3	19.9
Large Cap	4	8.3
Unlisted	2	10.1
Cash and Debt Mutual Funds		21.5
Total	20	100.0

Portfolio update

In February the Net Asset Value per share rose 2.9%. The Company benefitted from the strength of the Indian Rupee which rallied 5.5% against Sterling over the period. The performance of the underlying portfolio was a little disappointing particularly given the high levels of cash. The main cause of the negative attribution arose from two stocks. ICOSA (India) Limited (5.7% weight, down 18%), a company that produces software to monitor transmission and distribution losses in the power sector. It has fallen 26% year to date. This stock is (or at least was) well owned by foreign investors and analysts continue to cut the company's earnings forecasts due to an ongoing slowdown in new order growth and uncertainty over the company's ability to maintain superior margins. We believe these fears are overdone; we expect new orders to pick up in the next one to two quarters which

should be a catalyst for better performance. In the results for the quarter to 31 December 2009 Prime Focus (6.3% weight, down 12%) reported margin pressure in its domestic business as competition intensified. This is a concern (and a surprise) to us and the international business has not yet stabilised sufficiently to absorb weakness on the home front. We have a meeting planned with the company imminently and we will reassess on our return. Elsewhere the portfolio performed adequately with new entrants Jain Irrigation rallying 15% and Hindustan Dorr Oliver continuing to perform well rising 5% for the month. The strong performance of the shares in Spice Jet has been used as an opportunity to reduce our holding ahead of anticipated further equity dilution. The Company continues to add to new positions, in particular Yes Bank and Sobha Developers.

Outlook

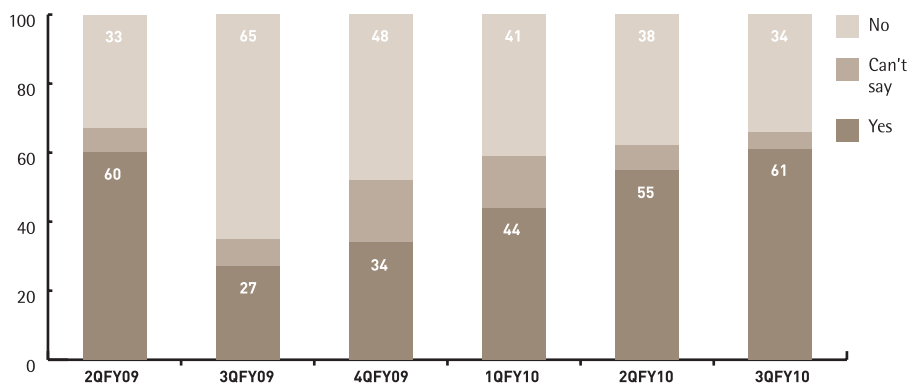
From a market perspective uncertainty in February was reflected by low volumes and a lack of clear direction as concerns over tighter global liquidity and Greek woes dominated investors' minds. Inflation surprised on the upside with wholesale prices up 8.6% year-on-year to 31 January, higher than the 8.2% consensus forecast. Noticeably it was driven less by food and more by manufactured products, machinery and textiles in particular, as well as fuel. It reinforces our view that the economy is showing clear signs of ongoing recovery as further indicated by Industrial Production up 16.8% (yoy in December), bank credit to the non food sector up by an annualised 15% in the first half of February, and strong auto and cement sales. Inflation may continue to dominate the headlines for some months to come but our sense is that with a strong winter cereal crop, some operating slack still in the economy and a

sensible if unadventurous budget, bond yields should not move much higher than here. Although on a tightening path, there should be no surprises from the Reserve Bank of India on monetary policy at least for the time being.

A recently published broker survey covering Small and Medium size companies (SMEs) conducted in late 2009 highlighted some positive trends which are worth noting. In particular order flow from the domestic market continues to improve, export orders are showing signs of stabilisation and 81% of respondents expect further improvement in their order flow over the next six months. SMEs continued to defer capital investment plans, but with rising utilisation levels and a better outlook we are expecting this to change. Crucially too we are hearing from both companies and banks that financing for expansion and working capital needs is back "on the anvil" again.

OUTLOOK FOCUS

• 61% SME's plan to make significant capital investments over the next two quarters



Source: CLSA Asia Pacific

India Capital Growth Fund

THE FUND

The India Capital Growth Fund is a closed ended, Guernsey registered, AIM listed fund established in December 2005, with the objective of generating long-term capital appreciation by investing in small and medium sized companies based in India, both listed and unlisted. The shares are denominated in Pounds Sterling.

ADDITIONAL INFORMATION

Further information can be found on the Company's website at: www.indiacapitalgrowth.com

BASIC DATA

Launch date | 22nd December, 2005

Listing | Alternative Investment Market, LSE

Domicile | Guernsey

NAV publication | Monthly

CAPITAL STRUCTURE

Ordinary shares in issue | 75,000,063

Warrants outstanding | 14,999,937

Warrant exercise price | 100p

Warrant exercise period | 12 April 2010 to 11 May 2010, and subsequently post the publication of the annual accounts in 2011

BOARD

Fred Carr (Chairman)

Robin Nicholson

Jamie Cayzer-Colvin

Ashok Dayal

Andrew Maiden

MANAGER AND FEES

India Investment Partners Limited | 30 Buckingham Gate, London SW1E 6NN Tel: +44 207 802 8902 | Fax: +44 207 802 8909

Annual Management fee | 1.5% of AUM

Performance fee | 20% of increase in NAV in excess of 10% compound annual growth in sterling, paid semi-annually and subject to a High Water mark

OTHER ADVISERS

Registrar | Capita IRG (CI) Limited, 2nd Floor, No 1 Le Truchot, St Peter Port, Guernsey GY1 4AE

Administrator | Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL

NOMAD | Arbutnot Securities Limited, 20 Ropemaker Street, London EC2Y 9AR

CREST Agent | Capita Registrars, 34 Beckenham Road, Kent BR3 4TU

India Capital Growth Fund Limited | Registered Office: Trafalgar Court, St Peter Port, Guernsey, GY1 3QL

Outlook (continued)

The recent portfolio addition, Yes Bank, is expected to be a major beneficiary of this increase in demand for credit from the SME sector, as they look to gain market share from their larger rivals. Margins for the SME's however may come under some pressure as they experience rising labour costs and raw material price pressure, not all of which they will be

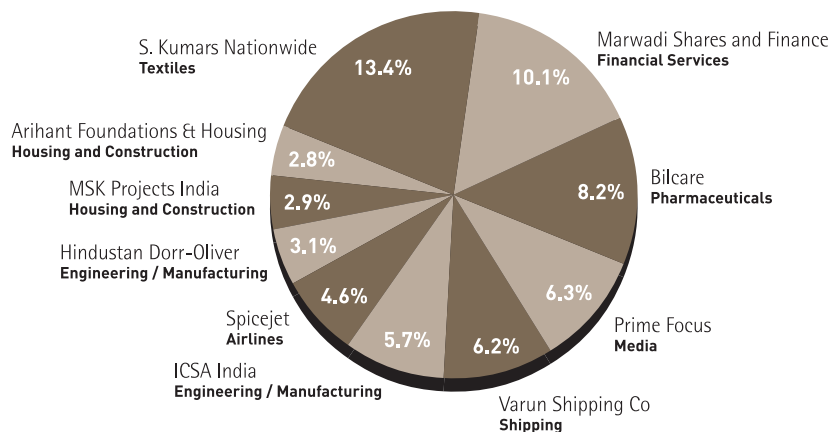
able to pass on.

No negatives in the budget was a reason for optimism, and although this budget went some way to addressing the key issue of the reducing the fiscal deficit whilst remaining supportive of growth, our feeling was it could have been more opportunistic. In that sense there were no surprises.

ANALYSIS OF HOLDINGS BY SECTOR AT 28 FEBRUARY 2010

	No. of companies	% of portfolio
Textiles	2	15.3
Financial Services	2	12.1
Engineering / Manufacturing	3	10.9
Transport	2	10.8
Pharma	1	8.2
Housing & Construction	3	7.7
Media	2	7.6
Metals	1	2.1
Telecom	1	2.0
Consumer Discretionary	1	1.0
IT	2	0.8
Total Investment	20	78.5
Net Cash and Debt Mutual Funds		21.5
Total Portfolio		100.0

TOP 10 EQUITY HOLDINGS AT 28 FEBRUARY 2010



SHARE PRICE AND NAV PERFORMANCE

