

## 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 31 MARCH 2010

### Ordinary Shares

Ticker	IGC
Share price (p)	55.00
NAV per share (undiluted) (p)	67.73
NAV per share (diluted) (p)	67.73

### Warrants

Ticker	IGCW
Warrant price (p)	1.88

## PORTFOLIO BREAK DOWN BY SIZE AT 31 MARCH 2010

	No. of companies	% of portfolio
Small Cap	9	30.2
Mid Cap	4	29.0
Large Cap	10	16.5
Unlisted	2	9.3
Cash/Cash Equivalent		15.0
Total	25	100.0

# Portfolio update

March has been an excellent month for ICGF with the net asset value per share rising 12.75% in Sterling. Whilst the NAV benefitted from further weakness in Sterling, in Indian Rupees the value of the fund rose 8.7% (9.9% if the "drag" from the high cash component is stripped out) compared to the BSE Mid Cap Index which rose 6.4%. The better performance came substantially from two stocks, both long term portfolio holdings. S Kumars Nationwide, ICGF's largest holding, rose 33% on the back of announced plans to restructure through the listing of its subsidiary Reid and Taylor and the planned partial sale of its Belmont brand to a private equity investor. We still see substantial value in the stock (3.5x 1 year forward earnings since the spike) and are delighted that the company is taking steps to unlock some value. The company is not well known by the foreign investor community currently and these initiatives might be the catalyst for interest to be awakened. That said the stock's performance has resulted in the portfolio weighting rising

to levels not compatible with the concentration parameters of the fund, so action here will be necessary. In addition, the long expected takeover of MSK Projects was announced. At a discount to book value it is felt that the offer is too low to accept, and the market shares this view as the stock is trading 30% above the offer price. The prospective takeover should, however, be positive for MSK's road building projects and the company's business prospects generally. Elsewhere positive performance was generated in healthcare and telecoms whilst the interest sensitive sectors, notably real estate and financials, struggled following the surprise early move by the Reserve Bank of India to raise interest rates.

The restructuring of the portfolio continues in earnest with four new holdings being added to the portfolio this month in real estate, agrochemicals and energy. A steady flow of exciting new ideas is being generated. The invested position has risen to 85% and that trend is expected to continue in the short term.

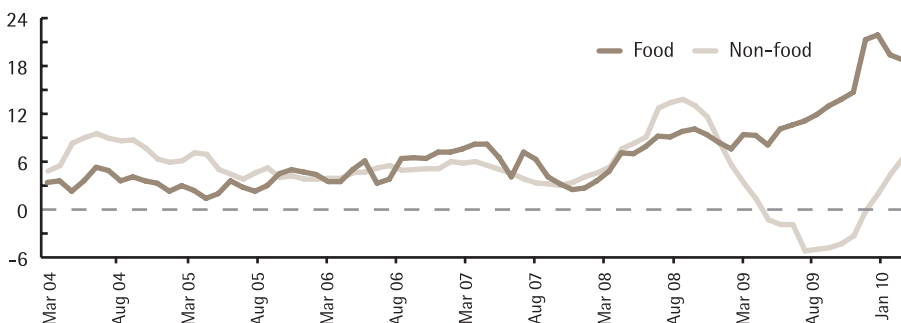
## Outlook

The news headlines for the month were grabbed by the Reserve Bank who raised both the repo and reserve repo rates by a quarter of one percent ahead of their scheduled meeting on 20th April. The surprise was in the timing rather

than the amount, as the market has long been expecting the tightening cycle to begin. Non food inflation is now the driver of the Reserve Bank's concerns as the economic recovery continues to be stronger than expectations.

## OUTLOOK FOCUS

### • WPI Inflation %



This is evidenced by the continued strong performance of industrial production and more recently the encouraging performance of the capital goods sub sector. As yet there is no evidence that capital expenditure at the corporate level has picked up, hence the belief that the improvement in industrial production is driven by better utilisation levels rather than growth in capacity. We remain convinced that private sector investment will show through in the data shortly which will go some way to easing inflationary pressures further down the line. Both the RBI's intra-meeting rate rise and the market's reaction to it are very telling. The fact that the Reserve Bank took the market by surprise increases the perception that they are responsive to changes in the economic climate.

The fact that the market's response was so benign implies confidence in the policy makers and confidence in the recovery. It is not a clear picture ahead, but it seems a good deal clearer than in many other places around the world currently. As always, though, concerns are raised about the valuation premium India commands over other emerging economies. 21.5x one year forward price/earnings\* for the BSE30 (large cap) is no give-away in anyone's book, but the BSE Mid Cap Index is still keenly priced at 14.5x one year forward price/earnings, falling to 11.8x in FY12 (from March 2011). It is here you will find the real engine room of the "Indian story".

\* price/earnings data calculated using Bloomberg consensus estimates.

## 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](http://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. At 31 December 2009, the High Water Mark was 210.91 pence per share.

## 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

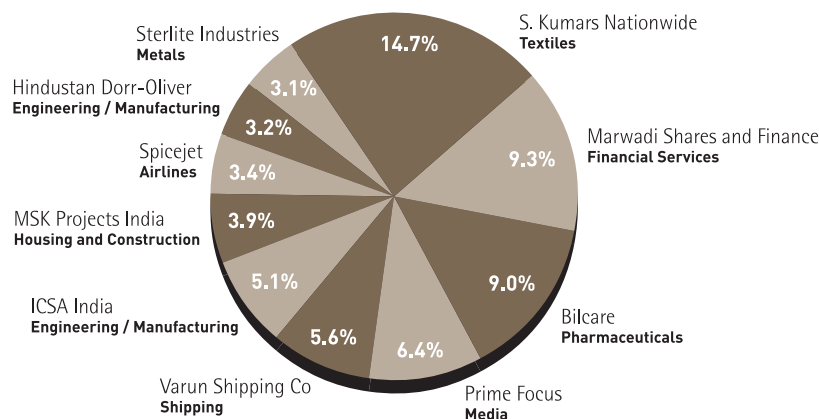
**CREST Agent** | Capita Registrars, 34 Beckenham Road, Kent BR3 4TU

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

## ANALYSIS OF HOLDINGS BY SECTOR AT 31 MARCH 2010

	No. of companies	% of portfolio
Textiles	2	16.2
Financial Services	4	13.3
Engineering / Manufacturing	3	10.5
Housing & Construction	5	9.6
Pharma	1	9.0
Transport	2	8.9
Media	2	7.5
Metals	1	3.1
Telecom	1	3.0
Energy	1	1.9
Other	3	2.0
<b>Total Investment</b>	<b>25</b>	<b>85.0</b>
Net Cash and Debt Mutual Funds		15.0
<b>Total Portfolio</b>		<b>100.0</b>

## TOP 10 EQUITY HOLDINGS AT 31 MARCH 2010



## SHARE PRICE AND NAV PERFORMANCE

