

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 JULY 2010

Ordinary Shares

Ticker	IGC
Share price (p)	59.75
NAV per share (undiluted) (p)	69.35
NAV per share (diluted) (p)	69.35

Warrants

Ticker	IGCW
Warrant price (p)	1.88

PORTFOLIO BREAK DOWN BY SIZE AT 31 JULY 2010

	No. of companies	% of portfolio
Small Cap	10	20.7
Mid Cap	8	25.9
Large Cap	13	28.0
Unlisted	2	8.5
Cash/Cash Equivalent		16.9
Total	33	100.0

Portfolio update

July was a decent month for India Capital Growth Fund Limited as the Net Asset Value per share rose 5.4% in local currency terms. This return compares favourably to the BSE Midcap which rose 3.6% and the BSE Sensex which rose 0.9%. The GBP Net Asset Value was negatively affected by the continued strength of Sterling against the Indian Rupee which rallied 3.5% for the month. Overall the NAV rose 1.8%.

After two months standing pat the portfolio's largest holding S. Kumars Nationwide Limited rose 18%. A number of domestic and international brokers have initiated research on the stock this month highlighting the strong current investment case to a broader audience. The effect has been positive and despite the sharp upward move we continue to see value in the stock. This is predicated on a successful partial sale of their subsidiary Belmont to a private equity group and the IPO of top end suiting subsidiary Reid and Taylor, as well as, of course, continued positive operating performance. Recent public statements by the management would indicate that these events are all on track although we are conscious that a shift in market sentiment could easily delay proceedings. It is also reassuring that the portfolio out-performed in seven out of the ten industry sectors this month providing some "depth" to the numbers.

Elsewhere positive attribution came from Bharti Airtel Limited up 17%, and Prime Focus, a post production and visual effects business which rose 21% for the month. Bharti's performance comes as result of encouraging signs

of improving fortunes in the telecom space and some stock specifics. There is evidence that the price war initiated in the sector by new entrants is coming to a conclusion. Revenue market share has risen for the incumbents despite the secondary players endeavouring to steal business using heavily subsidised calling charges. This costly strategy appears to have failed and some sort of truce has been called. In addition, Bharti's 3G services will be launched in October and, as the leading player, it will cherry pick many of the 2G providers' highly profitable "post-paid" users. Finally we expect that in this quarter Bharti will announce more detailed numbers on the acquisition of their African business Zain, and we have an inkling that this may surprise positively. Although a large cap through and through we believe that telecoms is an important sector to which to be exposed currently and Bharti is in our view the best way to play that.

The portfolio's performance continues to be negatively affected in the financials space. Although our stock picking has been satisfactory, the problem arises from an overall lack of exposure. As will be discussed later, of those companies that have so far reported 1Q FY 2011 numbers (for the period ending June 2010), this is one of the few sectors which put in a decent set of results. We have been concerned about high valuations and future pressure on net interest margins, but it is necessary to re-think our position in this regard. Cash was the other significant drag on performance this month.

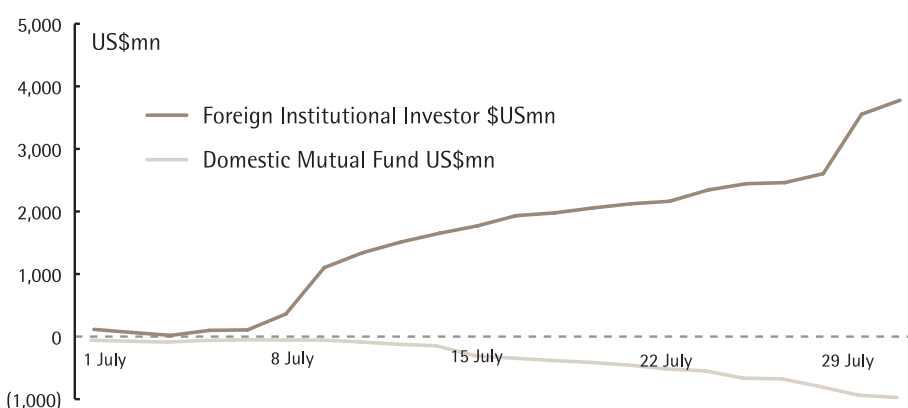
Outlook

There cannot be too many occasions in history where the Reserve Bank of India has hiked rates twice within a month and the market has closed positively. Foreign investors continue to add exposure to India driving valuations higher in spite of disappointing earnings reports and little expectation of fresh upgrades. Locals continue to sell equities on the back of redemption pressure and seemingly poor fundamentals, whilst looking to increase exposure to the debt markets. Debt

securities are starting to look attractive locally as the government continues to exceed its target on revenues, both through higher tax collection and sale of 3G licences. On this basis borrowing requirements will be lower than anticipated and yields could fall further. Additionally inflation is subsiding, and capital flows to India may pick up in the second half of the year driven by an increase in external commercial borrowing, trade credit and worker remittances.

FIGURE ONE

• India: Cumulative Fund Flow; July 2010



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 | 75,001,463

Warrants outstanding | 14,998,537

Warrant exercise price | 100p

Final Warrant exercise period | 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 30 June 2010, the High Water Mark was 221 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 | Arbuthnot 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

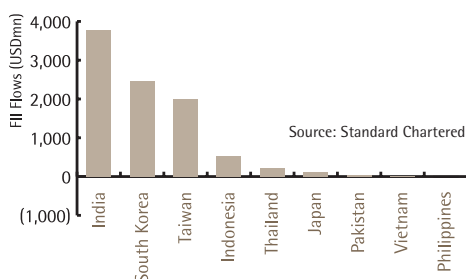
Outlook (continued)

But it is the behaviour of the foreigners that looks most interesting. It seems that these investors are content to look through the recent blip in earnings. Analysing the numbers that have come in so far, the big miss has come at the operating margin level. Revenue growth has been in line or slightly better whilst cost pressure, noticeably wages and raw material prices have depressed operating profits. Wage hikes have been in the region of 12-16% and are traditionally taken in the first quarter, plus imported commodity prices which have been high, have noticeably eased in recent months. Inflation generally

impacts the top line positively and the bottom line negatively as has occurred in this instance. As has already been discussed, that too is now waning, so perhaps we are through the worst. The financial sector was the one of the few areas that reported positively and this has coincided with the European Banks stress test debacle being glossed over by the markets and strong results from some global financial behemoths. So despite some serious scepticism from local investors it appears that the market valuation can go higher as foreign investors continue to reallocate to Asian economies and in particular to India.

FIGURE TWO

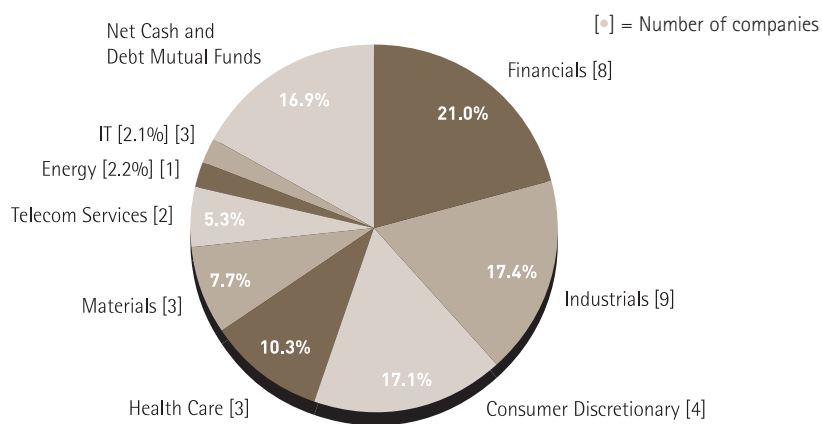
• Fund Flows into Asian Equities US\$m (ex China); July 2010



TOP 10 EQUITY HOLDINGS AT 31 JULY 2010

Holding	Sector	% of Portfolio
S. Kumars Nationwide	Consumer Discretionary	11.2
Marwadi Shares and Finance	Financials	8.5
Bilcare	Health Care	6.4
Prime Focus	Consumer Discretionary	4.9
United Phosphorus	Materials	3.9
Bharti Airtel	Telecom Services	3.5
IVRCL Infrastructures & Projects	Industrials	2.9
Jubilant Organosys	Health Care	2.8
Infrastructure & Development Finance Co	Financials	2.5
Sterlite Industries	Materials	2.3

ANALYSIS OF HOLDINGS BY SECTOR AT 31 JULY 2010



SHARE PRICE AND NAV PERFORMANCE

