December 2016

INDIA

A view from the ground

THE VIEW THIS QUARTER:

- DIGITAL INDIA: CAN DEMONETISATION CHANGE INDIA'S SPENDING PATTERN?
- KAJARIA CERAMICS: STYLING THEIR WAY TO SUCCESS

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OCEAN DIAL

THE COMPANY

OCEAN DIAL ASSET MANAGEMENT

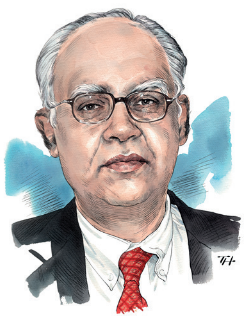
Ocean Dial Asset Management is a London based company with its primary focus on India. Owing to the nature and complexity of the Indian market, we firmly believe that local expertise is crucial to the long term performance of our funds and as such, we have a team of advisors on the ground in Mumbai.

We have an experienced management team with excellent contacts among those who matter in our chosen investment sectors.

It is the team's philosophy that in India, optimal returns will be generated over time by investing in companies that are well placed to benefit from the structural growth potential of the Indian economy, combined with the highest quality of management best able to exploit this opportunity.

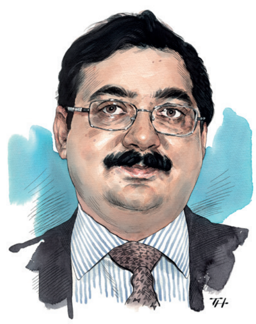
David Cornell
Chief Investment Officer

David Cornell joined Ocean Dial in January 2010 from Henderson Global Investors. He is based in London, having been resident in Mumbai for three years until July 2013. He started his career in 1995 covering India for Robert Fleming Securities, ran the BDT Emerging Market Fund from 2004 to 2008 which compounded at over 25% per annum during his tenure and then co-managed New Star's Institutional Emerging Market Fund. He has a degree in English and History from the University of Durham and was in the British Army from 1991-1995.



Sanjoy Bhattacharyya
The Principal Advisor

Sanjoy Bhattacharyya has a career in the Indian capital markets that spans 25 years, initially as Head of Research at UBS Warburg Securities India, before becoming CIO of HDFC Asset Management. Latterly he joined New Vernon Advisory as a Partner before setting up Fortuna Capital to manage the Aristos Fund and domestic equities for a local fund manager. He has an MBA from the Indian Institute of Management, Ahmedabad.



Gaurav Narain
Head of Equities

Gaurav Narain has been immersed in the Indian equity markets for the previous 21 years. He has held senior positions as both a fund manager and an equities analyst in New Horizon Investments, ING Investment Management India and SG (Asia) Securities India. He holds a Masters degree in Finance and Control and a Bachelor of Economics degree from Delhi University.

Tim Adams
Sales & Marketing Manager

CONTACT
For further information about Ocean Dial or its funds, please contact:
Tim Adams, MCSI
Sales & Marketing Manager

Ocean Dial Asset Management Limited
13/14 Buckingham Street
London WC2N 6DF

D +44 20 7068 9877
M +44 7590 846 834
E tima@oceandial.com

MACRO OVERVIEW

PURGING INDIA OF ITS INFORMAL ECONOMY

Demonetisation, or Prime Minister Modi's (the PM's) shock therapy designed to purge India of its informal economy, is well underway. As such, valuable insights into the immediate economic and political impact of these actions, plus a better understanding of the enormity of the implementation challenge, are more accessible and the fog is clearing. That said, with untested reform this ambitious, uncertainties abound.

Immediately striking is that all sides have underestimated the innovative ability of affected parties to find ways to put undeclared cash into the banking system; not that surprising in hindsight, given alternative options to preserve its value were limited. Thus, newspapers report that 97% of demonetised cash has been returned (circa US$220bn), well above initial estimates, including some US$11bn of pre-paid loans, US$3.6bn deposited in dormant bank accounts and US$2bn in "regional rural banks". This has reduced the PM's ability to claim instant victory in the headlines, and may crimp the Finance Minister's flexibility in the budget to use any gains shrewdly. Though it may appear that the Government has miscalculated, the income tax department is allegedly scrutinising over six million accounts which have each deposited in excess US$3,000. They claim to have found US$6bn of deposits where the tax ID, mobile number and postal addresses all connect. Ambit, a local broker, estimate that in time, the combination of revenue raised from voluntary disclosure schemes and tax penalties paid, both pre-and post-demonetisation, could reach 0.9% of GDP or US$22bn.

If the initial expectation that demonetisation would "extinguish" the existing stock of black money was too optimistic, looking ahead it is clear that incremental growth in untaxed cash will be heavily curtailed. A broadening of the tax net, in tandem with the introduction of the Goods & Services Tax, and a reduction of cash usage is inevitable given Revenue Department investigations, the "fear factor" and the reality of future policy announcements. The signs are promising. Media reports suggest that direct taxation is up 14% fiscal YTD (80% yoy in November), largely on account of a low base but latterly due to demonetisation. Corporate tax paid by SME's provided most of the uplift.

Uncertainty over the extent to which economic activity has been affected, and the time it will take to revert to earlier levels, is holding back potential investors. There has been a disproportionate slowdown in consumption, non-perishable large ticket items in particular, a collapse in commercial sector credit growth (5.15% growth in November, yoy), and a steep fall in the PMI to below 50. With heightened uncertainty over future government action, further delays in the private sector investment cycle are unavoidable. Agricultural output is unlikely to be affected as winter crop preparation was completed pre-November. "B to B" is unaffected, though IT and Pharmaceuticals are both climbing "walls of worry", more related to US politics however. Soon, third quarter earnings for 2017 will be released, providing the first glimpse of the corporate impact. Given the market has held up well, but analysts have yet to cut this (or next) year's earnings, damaging news flow may dominate headlines. Currently consensus assumes the economy will start to normalise once cash withdrawal restrictions in the banking system are lifted, supported by easier monetary transmission and further cuts in nominal interest rates. Whilst a "V" shaped recovery maybe overly optimistic, it's also clear that the dislocation caused by demonetisation is unlikely to cause long term structural problems. Since demonetisation put the brakes on the economy, it is expected that the Budget will endeavour to reignite it, though this comes with the added complexity of tailoring policy to maximise short term political capital, ahead of key State elections that follow shortly. It's reasonable to expect some fiscal expansion via increased revenue spending, aimed at the poor and those most affected by recent events. In addition, income tax cuts are expected, as well as measures to prevent the recent "liability windfall" in the banking system simply being reversed, once restrictions on cash withdrawals have been lifted. A tax on ATM usage has been mooted, along with outlawing cash hording above a certain level.

More policies directed at squeezing the informal sector are certain, given the huge degree of mass appeal, "Each citizen is to participate first hand in this crusade against black money." Policies to encourage technology enabled money transfers are expected, but more on this in our thematic piece.

Undoubtedly the informal economy will not vanish overnight; old habits die hard. As the corporate playing field levels, feeding market share gains to corporate India, tax to GDP ratios rise, fuelling increased Government spending and consumption recovers to support growth, India's relative investment prospects will flourish again. Foreign investors' net redemptions since early September total US$3.6bn, as global events direct flows. Domestic institutions would appear to see things differently, registering net inflows of US$5.9bn since September; local support for equities in the face of foreign selling is a rare but increasing occurrence and bodes well for the future. Stock prices are 10% or so off their peak, so if prices come off anymore, this will be a rare opportunity to build exposure[1].

1 Source: Bloomberg

DIGITAL INDIA

Can demonetisation change India's spending pattern?

Last weekend my son spent the entire day with friends, never opening his wallet once. This included journeys by taxi, buying Daab (coconut water), and eating Bhel Puri (local street food), all paid using his eWallet. Demonetisation and the resultant cash crunch is forcing Indians to adapt. Believe it or not, but today small corner shops, vegetable vendors and even the ugly black and yellows (taxis), all display signs saying "accept digital payment"; this was unthinkable two months back!

The demonetisation of Rs500 and Rs1,000 currency notes, announced on 8 November and resulting in 86% of the currency (c.US$230bn) becoming non-legal tender overnight, created shockwaves throughout the country. By starving the country of cash, the Government is attempting to corner the corrupt, bring tax evaders onto their books, whilst addressing the issue of counterfeit notes, mainly used for terrorist funding. Two months have since passed, and whilst the initial expectation was for windfall gains for the Government, either through a surge in tax receipts (as cash currently unaccounted for was deposited in the banks), or via cash simply not returning into the system, (initially estimated at almost US$40-50bn), it has not transpired as such. However now it seems this process has transformed into something far deeper. Today the country is undergoing a dramatic structural shift away from cash, and towards a digitally banked economy.

The Digital Infrastructure Creation

Timeline	Development	Feature
Aug-14	Bank accounts for the poor (Using Aadhar as KYC)	Simplified scheme to open Zero Balance Bank Accounts (called Jan Dhan accounts) for the unbanked. Over 260m accounts opened since launch
Sep-14	Unique Identification Number (Aadhar)	Accelerated target to enable Aadhar for all within one year. Over 1bn people enrolled and it is the largest Biometric database in the world
Sep-15	New Bank Licensing	23 new niche bank licenses issued for Payment Banks (mainly deposit taking) and small banks (rural focus) to accelerate financial inclusion
Mar-16	Bill passed to direct all subsidies through Aadhar linked bank accounts	LPG / Kerosene among 72 different subsidies which are now directly transferred to these accounts
Nov-16	UPI / USSD / AEPS apps launched	Based on an open ended platform, these apps allow simplified B2B/B2C banking operations digitally for smartphone/feature phones as well as non-phone users digitally

One of India's biggest challenges has been its large cash economy. At 10.6% of GDP, currency in circulation is among the highest globally, even amongst emerging economies. Approximately 40% of GDP is generated from the informal sector, which employs more than 75% of the workforce, thus resulting in a low base (2.4m) of tax payers whose income is declared as greater than Rs1m (approximately US$15,000). This results in a tax to GDP ratio of approximately 18%, a shocking declaration, which also skews the savings structure. Though the household savings rate in India is high (19% of GDP[1]), just 7.9% comes from financial savings, with the bulk going into physical assets, typically Real Estate and Gold. The Government aims to address this issue through demonetisation, thereby initiating the process of transitioning India to a cashless economy.

Surprisingly this Government has been working on India's digitalisation programme since it came to power. Today there is sufficient data connectivity across the country, and in conjunction with the Unique Identification Scheme (Aadhar or UID card), which not only provides the national database, but also serves as an adequate "know your customer" authentication, these initiatives have enabled over 260m new bank accounts to be opened[2]. By transferring "subsidy payments" directly into these accounts, the Government is ensuring their usage. Moreover, having issued new licenses to "specialist banks" in conjunction with the launch of open ended payment platforms, (low cost and open to all players), Modi's administration is transforming the entire banking ecosystem, creating sufficient bandwidth and infrastructure to cover the full gambit of consumers.

So, will the Government succeed? Huge challenges remain, since it is not just a robust ecosystem that is required. More importantly, the behavioural patterns and mindset of the average Indian have to change. The enormity of this challenge is highlighted by the fact that just 10% of the 760m debit cards in issue

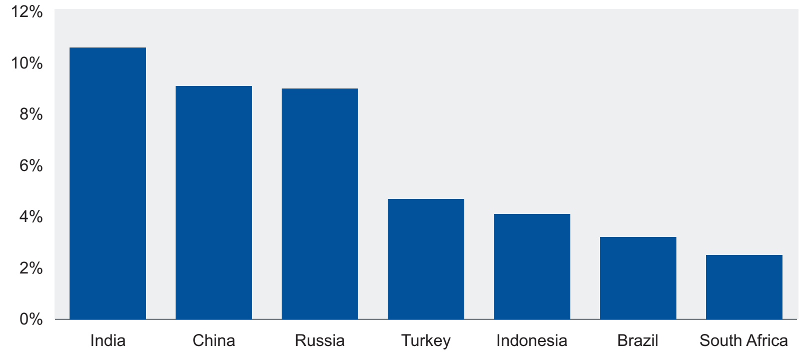
Small corner shops, street vendors and even the ugly black and yellows (taxis), all display signs saying "accept digital payment"; this was unthinkable two months back!

Image supplied by Rex Shutterstock

are active currently. And of the 1bn handsets in use, only 350m are enabled "smartphones", whilst in rural India, large swathes of the population are both illiterate and lack a basic mobile phone[3]. Though the Government claims it has the most sophisticated digital payment infrastructure globally, nowhere on this planet has a significant transformation occurred at such dramatic pace, and certainly not via coercion. India's last major digitilisation took place when stock ownership moved from the physical to a dematerialised format. This was not achieved forcibly and took years to complete.

So far it appears that the adoption of digital platforms has been significant. Most financial institutions questioned indicate a massive increase in digital transactions. Over 130 individual companies now offer a digital wallet product. PayTM, the market leader in "mobile wallets", has a consumer base of 170m accounts, and since "demonetisation" its user base has increased by over 20m, whilst transaction values average US$5bn per day, up from US$3bn prior to the watershed. In addition, the customer base is expanding at approximately 5,000 per day. Within the banking sector the story is no different. Customer usage of the "RuPay" card, a no frills debit card issued with every new bank account, is up sevenfold from 0.3m to 2.1m daily transactions. Interestingly also, average transaction size is decreasing, reflecting the willingness of more individuals to use digital transactions for a smaller size purchase[4]. Although starting off a low base, it is clear that digital transactions in India have taken off.

Chart 1: Currency in circulation as a % of GDP



Source: CEIC, IMF, Kotak Institutional Equities

Whilst vendors and consumers have been forced to adopt the digital platform, the Government has also undertaken initiatives to actively encourage usage. These include big budget advertisements across most media formats, extensive training programmes organised in smaller towns and rural areas, as well as removing transaction charges on cards and providing discounts on fuel and insurance policies, when paying digital. Tax breaks are also being provided for small businesses moving to digital payment, and we anticipate further measures in the forthcoming Budget. Private sector vendors have been aggressively pushing their digital platform product offerings, with the newspapers in particular becoming a battleground for banks, digital wallet companies and global credit card companies, vying for the consumers' attention. Nowadays it's common for the front page of every broadsheet to be a full page advertisement from a digital service provider.

Will Indian consumers and businessmen change their behaviour pattern once the new currency enters the system, or will cash quickly revert to being the preferred mode of exchange? The Government's intention is to issue fewer notes, so by default there will be less cash in circulation, but the biggest hurdle is the reluctance of consumers and businesses to cross into the formal economy, and thereby accepting the full fiscal impact. By repeatedly driving the message that the current measures are the tip of the iceberg, the Government is using "fear factor" to force fence sitters to accept the new paradigm. The impending and timely introduction of the Goods and Services Tax, is also forcing a rethink.

Achieving meaningful reform in a country like India is challenging under any circumstances, but no more so when so many stand to lose so much by going formal. Demonetisation has been the catalyst to fast track financial digitalisation in India which itself is the key to unlocking the change, so desperately needed. Time will be the judge.

Key new technologies in play

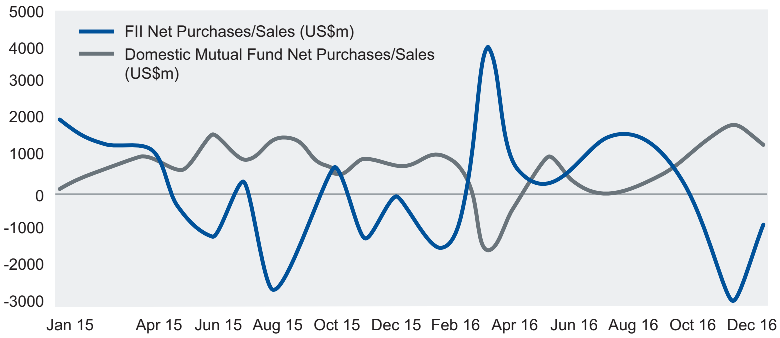
Payment Backbone	Client	How done	Status
Unified Payment Interface (UPI)	Smartphone users	All users can create a virtual address linking to bank accounts	31 Banks already on platform. User base of 4m
Unstructured Supplementary Service Data (USSD)	Feature Phone users	An SMS based real time payment system	Just launched
Aadhar payments (AEPS)	Non phone users	Uses Aadhar number and biometric information	Just launched

1 Kotak Institutional Equities
2 Pradhan Mantri Jan Dhan Yojan Government
3 http://www.dnaindia.com/money
4 http://economictimes.indiatimes.com

CHARTS & COMMENTARY

LAGGING INDICATORS

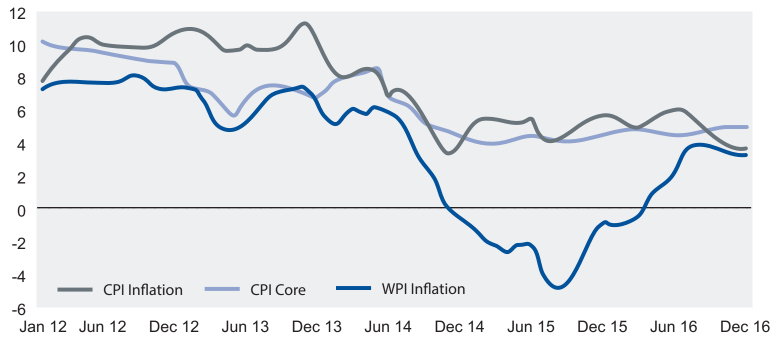
Chart 2: Net foreign portfolio vs domestic mutual fund listed equity flows



Source: For FII data - https://www.fpi.nsdl.co.in/web/Reports/Archive.aspx, for Domestic mutual funds - Bloomberg. Source: www.fpi.nsdl.co.uk, Bloomberg, IIFL

Domestic mutual funds continue to pump money into the market in contrast to Foreign investors (FII) who have been selling down exposure ahead of last year's US Presidential election. Since demonetisation was announced, the pace of outflows has picked up as investors chose to wait before assessing the combined impact on growth of a Trump election victory and demonetisation. However, it is extremely encouraging to see local funds supporting the market in the absence of foreign buyers.

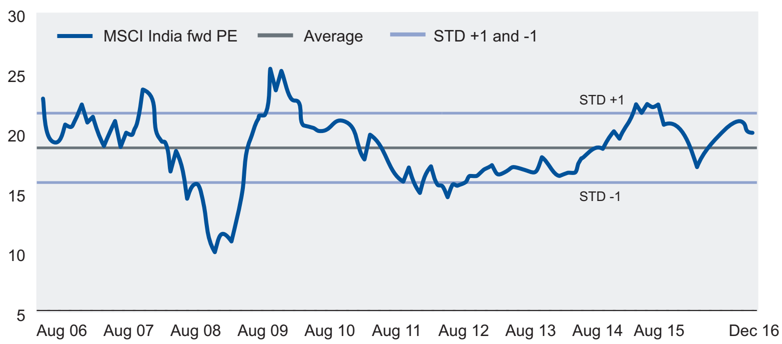
Chart 3: Inflation (%)



Source: Bloomberg, IIFL Research

November's CPI number touched 3.6%, somewhat below the RBI's target of 5% for FY17 ending this March. Recent weakness has been driven by the demonetisation cash crunch. Further reductions in nominal rates are expected, although the RBI has expressed concern over the overall impact of demonetisation, and the FX risk caused by a potentilly widening interest rate differntial with the US.

Chart 4: Sensex TTM P/E valuation vs. history



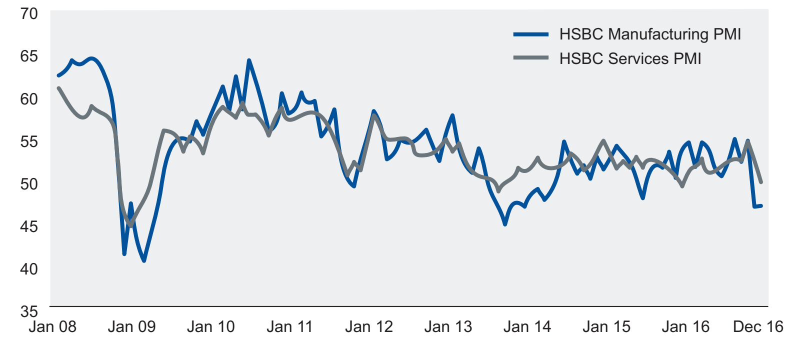
Source: Bloomberg

12 month trailing P/E multiples continue to moderate. The full impact of demonetisation may not be factored into stock prices as yet. We expect guidance from the Street on the expected earnings impact for FY17 and FY18. Some adjustments downwards to the former have been made, but not to the latter. Given the recent rally in EM, India's relative valuation to the peer group has fallen below the long term average for the first time since Modi was elected.

CHARTS & COMMENTARY

LEADING INDICATORS

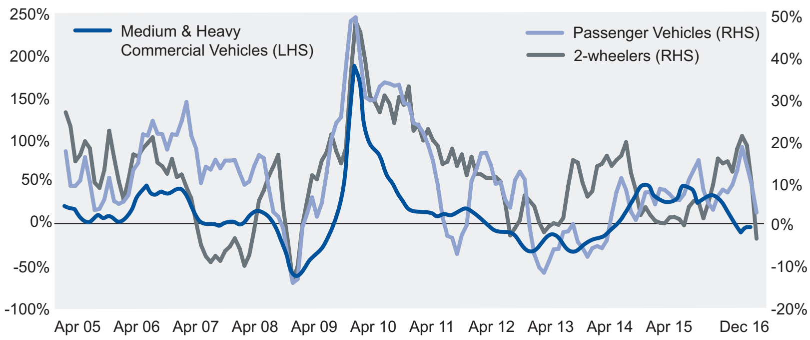
Chart 5: India HSBC PMI



Source: Markit Economics, IIFL Research

Composite PMI continued its expansion for the first half of the quarter before the double blow of the US election result, in tandem with Prime Minister Modi's announcement on demonestisation, saw both manufacturing and services data contract aggressively. In particular, services PMI fell considerably from 54.7 to 46.8 over November and December suggesting the sector was contracting rapidly due to concerns over future US trade policy taking a more protectionist tilt.

Chart 6: Auto sales growth (3MMA)



Source: CEIC, IIFL Research

The impact of demonetisation on large ticket consumables is clear to see. 2-wheelers have been most affected given their elevated exposure to rural India. Car sales have also been heavily impacted, with commercial vehicles less so. It is anticpated that purchase decisions on all three categories may be further delayed as interested parties wait for further policy announcements.

Chart 7: Government of India 10 year bond yield (%)

Source: Bloomberg

The liability "windfall" as a consequence of demonetisation has pushed bond yields lower. The RBI had to temporarily increase cash reserve requiremets to manage excess liquidity and all major banks have cut deposit rates anywhere between 90 and 45 basis points which will help the process of monetary transmission. The fear is that cash will leave the banking system once restrictions on cash withdrawals are lifted. The Government may impose penalties on such action in the Budget.

COMPANY FOCUS

KAJARIA CERAMICS: STYLING THEIR WAY TO SUCCESS

Over the last five years the consumer discretionary sector, an area that has typically been dominated by the "unorganised market", has seen the emergence of several high quality businesses. Historically, the more "organised players" were only ever regionally dominant, battling against the informal competition with limited pricing power, lower margins and higher working capital. From the investors' perspective this led to poor returns on equity and hence lower valuation multiples. The big exception to this rule was Asian Paints, which long since back broke the mould, growing disproportionately quickly whilst building a strong brand nationwide. More recently others have developed along similar lines. One such company is Kajaria Ceramics, the market leader in ceramic tile manufacturing.

Today, Kajaria is the largest, fastest growing, and most profitable company in the Indian tile industry, with consistent gains in market share. It commands 11% share of the overall market, with 21% of the organised space. Revenues have compounded at 20% over five years, profits at 30%. Most impressive is the transition of its business model from a low margin, capital intensive business, to a branded, asset light model[1].

In total, the Indian ceramic tile industry is worth US$3.7bn and has been growing at 14% CAGR since 2011[2]. The organised sector consists of 14 major players, whilst the unorganised market, or informal sector, is still made up of multiple players, accounting for 50% of the market by value. Indeed Morbi, in Gujarat, has over 400 tile manufacturing units, accounting for approximately 80% of total capacity in India[3]. Most of these manufacturing units have limited capacity, selling unbranded tiles, often without paying tax, enabling them to price products at a significant discount to the formal competition. Additionally bearing higher logistics and distribution costs, combined with the threat of cheap Chinese imports, have all limited the opportunities of the organised sector. But consistent double digit volume growth across the industry, driven by increases in real income per capita and urbanisation, as the Indian "demographic dividend" plays out, is tipping the balance in favour of the formal sector. These shifting industry dynamics are creating incremental demand for "vitrified" tiles, a value added product by comparison to a standard ceramic tile. Vitrified are more durable, enabling broader design optionality, have lower absorbency, and can be manufactured to a larger size); consequently vitrified tile pricing can be 2.5x that of traditional ceramic tiles. In addition to focusing on a higher value added product, Karjaria has been able to convert these threats into a competitive advantage, by investing behind the business for the longer term. The main focus area and the company's biggest strength is its extensive dealership network. Because companies do not tend to hold a lot of stock, normally when an order is placed, it may take weeks to supply. Kajaria overcomes this by producing 1,800 stock keeping units (SKUs) as well as delivering extensive investment in its product planning and logistics. In short, it has built a distribution network comprising of 900 dealers with over 10,000 sales points across the country, a huge barrier to entry. In the key market of North India, Kajaria is able to service customers' requirements within two days, helping local dealers maintain their stock levels, and ensuring their needs are met in the shortest possible time.

By spending 2.5% of total revenues on advertising and promotion, the Company has focused on both building a national brand, and enhancing customers' experience. There are 52 Showrooms (both owned and franchised) branded "Kajaria World" and "Galaxy", which display the entire range of tile samples, styled in mocked up living rooms, kitchens and bathrooms. Undertaking our due diligence on the company led us

Today, Kajaria is the largest, fastest growing, and most profitable company in the Indian tile industry, with consistent gains in market share. Strong management, a solid brand, great barriers to entry and attractive long term growth prospects should provide consistent compounding, 12%-15% local currency returns, over time.

to appreciate the extent of positive feedback that stemmed from architects and customers alike. They all stressed the value of not only seeing the full product spread, but also the customer delivery times. Hence not only does Kajaria command a 5-7% price premium over its peers, the company's product mix continues to improve, with contribution from higher margin vitrified tiles increasing from 35% in FY11 to approximately 55% currently. Furthermore, over 70% of its sales come from the retail segment ensuring that the company's margins are almost double that of its peers.

Besides growing the top line, Kajaria has been able to improve the efficiency of its balance sheet through better deployment of the capital within the business. Rapid industry growth in China led to steep falls in tile manufacturing equipment prices globally, which over time enabled Kajaria to source and install the highest quality Italian machinery, reducing costs by as much as 30%. This lower capital cost drove healthier asset turn, historically below 1x, now almost 2x, structurally changing ROCE for the better. Kajaria also used this collapse in industry capital costs as an opportunity to change its business model, pioneering an outsourcing model, at least in the Indian context. The company has initiated five joint ventures with carefully selected players from the informal sector. Here the majority have chosen to manufacture using the cheaper Chinese machinery, which although similar in quality, is less durable. Kajaria now sources its lower range tiles though these tie-ups, but the products are still branded and marketed through the Kajaria network, enhancing more profitable growth. Since FY11, manufacturing capacity has more than doubled, with 40% of this additional capacity coming from this collaborative approach.

Looking ahead, the key demand drivers for Kajaria's future growth are firmly in place, giving us the confidence that the growth opportunity remains favourable. The combination of a growing middle class with rising disposable incomes, alongside a 40m unit housing shortage, should ensure strong base demand. In addition, recent Government policy decisions have further accelerated the opportunity for growth. These are listed below, in brief:

- Goods and Services Tax: With 50% of the industry still in the informal sector, many units will either shut down or be forced to enter the formal economy
- The "Swachh Bharat Abhiyaan" intends to build 60m lavatories by 2019
- The "Housing for All" programme proposes to build 60m houses by 2022
- The "Smart City" initiative. The first phase of development of 20 cities is underway

Whilst the recent demonetisation drive is causing a short term set back in demand, as consumption decisions are put on hold, Kajaria remains proactive. Within a week of the announcement, the company, in tandem with its bankers, agreed to install "Point of Sale" machines across all its dealerships, enabling those who traditionally accepted cash only, to transact orders digitally. The management also continue to strengthen its hold on the market by investing in a broader product range and expanding capacity in South India, a historic weak spot. It has not only deepened its presence in Tier 1 cities, but Tiers 2 and 3 as well.

In conclusion, the combination of a proactive Government, favourable demographics and a vast informal market to chase, suggests that the formal sector is forecast to deliver double digit growth over the medium to long term. Since Kajaria is the industry leader, with 21% market share, the company is ideally placed to be the major beneficiary of these trends. Although a further rerating in the company's share price is unlikely, (Kajaria trades at 25x forward P/E), strong management, a solid brand, great barriers to entry and attractive long term growth prospects should provide consistent and compounding local currency returns, over time.

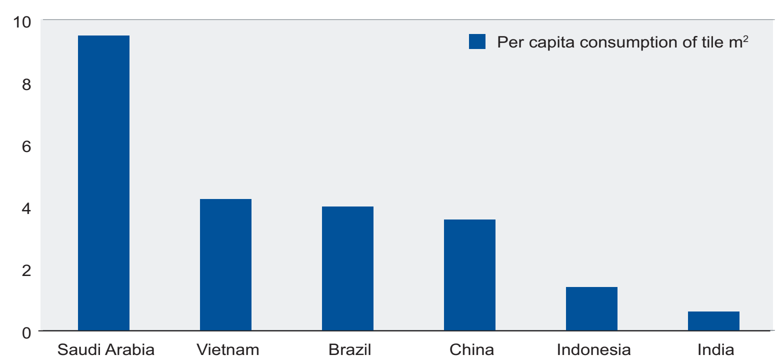
Kajaria: Performance over decade

	FY07	FY16
Gross Margin	55.6%	46.9%
EBIDTA Margin	13.7%	16.1%
Working Capital (days)	107	26
Asset Turnover (X)	0.8X	2.4x
ROCE	11.4%	26.5%
Debt/Equity	232%	5%

Source: Ocean Dial, Standalone Data

1 Kajaria Company Presentation
2 Spark Equity Research
3 Kajaria Company Presentation

Chart 8: Global Secenario - per capita consumption of tile (m^2)



Source: Kajaria Company Presentation

MACRO OVERVIEW

ECONOMIC DATA

Change Over	2010	2011	2012	2013	2014	2015	2016	Last Qtr. (Jun-Aug)	This Qtr. (Sep-Nov)
Real GDP % Annual Change	8.6%	8.9%	6.7%	4.5%	4.7%				
Real GDP % Annual Change - new series				5.6%	6.6%	7.2%	7.6%	7.1%	7.3%
Avg. IIP % Annual Change	5.3%	8.3%	3.1%	1.2%	-0.1%	2.8%	2.5%	-0.3%	-0.6%*
Exports % Annual Change	-4%	40%	22%	-2%	5%	-1%	-16%	-2%	6%
Imports % Annual Change	-5%	28%	32%	0%	-8%	-1%	-15%	-14%	5%
Current Account Deficit % of GDP	-2.8%	-2.7%	-4.3%	-4.8%	-1.7%	-1.3%	-1.1%	-0.8%	-0.5%
Interest Rates (Repo) (Avg.)	4.8%	5.9%	8.0%	8.0%	7.5%	7.9%	7.0%	6.5%	6.3%
10 year GOI Bond Yield (Avg.)	7.2%	7.9%	8.4%	8.3%	8.6%	8.5%	8.0%	7.5%	7.0%
FII Flows (US$bn) (CY)	+29.3	-0.5	+24.5	+19.8	+16.2	+3.3	+4.2	+3.9	-2.0
FDI Flows (US$bn) (CY)	+21.0	+27.6	+22.8	+22.0	+28.8	+39.3	+32.2	+11.1	+5.1**
INR vs. US$ (CY)	+4.0%	-18.9%	-2.8%	-13.0%	-2.3%	-4.7%	-3.3%	+0.3%	-2.3%
INR vs. GBP (CY)	+7.7%	-18.5%	-7.8%	-15.3%	+3.4%	+0.2%	+13.0%	+11.1%	+2.5%

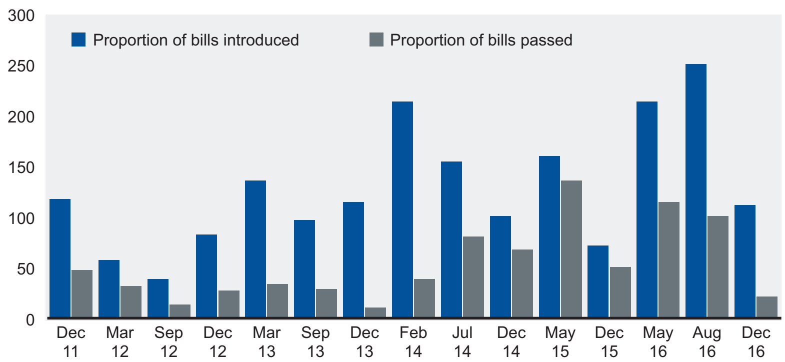
* Sep-Oct 2016 ** Sep 2016

Source: Bloomberg, DIPP – Govt. of India

GOVERNMENT SCORECARD

The last session of Parliament ran from 16 November to 16 December with only 21% of bills passed. Poor productivity was as a result of furore over demonetisation. Relations appear to have improved more recently with cross party agreement (outside of Parliament) on two contentious issues outstanding on GST. The next session runs in two phases from 31 January to 9 February and 9 March to 12 April.

Chart 9: Parliamentary speed and activity



Source: PRS Legislative Research

REGULATORY INFORMATION

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Registered office 13/14 Buckingham Street, London WC2N 6DF.

Previously...

www.oceandial.com

Ocean Dial Asset Management Limited
13/14 Buckingham Street, London WC2N 6DF
T +44 20 7068 9870   F +44 20 7068 9889