



India Strategy

April 2011



Key Economic Forecasts

April – Strategy

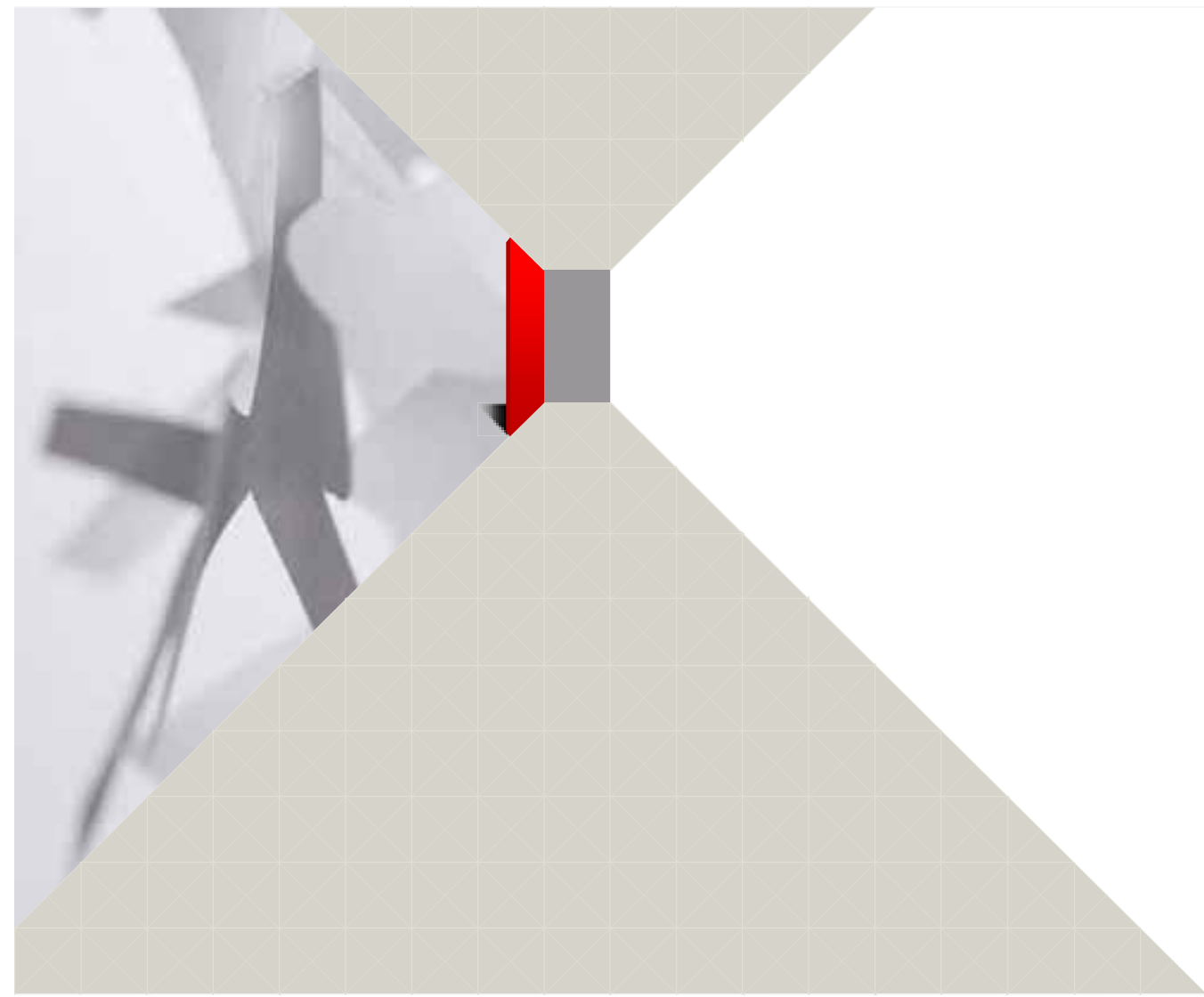
India - Key Macro Economic Forecasts

- ▶ Snapshot of HSBC key Indian economic forecasts

% Year	2007	2008	2009	2010f	2011f	2012f
GDP*	9.3	6.8	8.0	8.7	7.9	8.4
GDP (Financial year)**	9.3	6.8	8.0	8.7	7.9	8.4
Consumer prices**	6.4	8.3	10.9	12.0	10.3	7.4
Current account (% GDP)**	-0.7	-2.5	-1.9	-3.0	-2.9	-2.5
Budget balance (% GDP)**	-2.6	-6.1	-6.4	-5.1	-5.0	-4.2
Broad money supply**	21.9	20.4	18.9	16.0	14.0	17.0
INR/USD	39.4	48.6	46.4	44.7	42.0	42.0
3-month money (%)	7.17	7.65	3.70	5.45	7.41	7.70
10-year bond yield (%)	7.81	5.30	7.74	7.95	8.20	8.00

Note: *calendar year. **based upon Indian fiscal year (April-March)
Source: HSBC

Source – HSBC Global Research
Global Economics Q2 2011 Report



Equities

April – Strategy

Markets recover in March as investors resort to value buying. Short covering also helped trigger a late month rally in equities.

- ▶ Broader equity indices ended the month of March higher.
- ▶ Concerns like the impact of the devastating Japanese earth quake and the nuclear crisis, prospects of higher crude oil prices given the ongoing Middle East & North Africa (MENA) crisis and inflation on the domestic front were shrugged off in a late month rally as foreign institutional investors resorted to value buying across the board taking comfort in valuations.
- ▶ Short covering and good long rollovers in the March F&O expiry also helped markets edge higher.
- ▶ The BSE Sensex ended the month of March at 19445(↑9.1% M-O-M) and the NSE Nifty closed the month at 5834 (↑9.4% M-O-M).
- ▶ BSE Realty (↑ 18%), BSE Auto (↑ 13%), Bankex(↑12%) and BSE Consumer Durables (↑11%) were the major sector gainers. No sector on an aggregate basis lost during the month. Mid & Small cap indices under-performed vis-à-vis the large cap indices (Sensex & Nifty) with returns of 8% and 5% respectively.

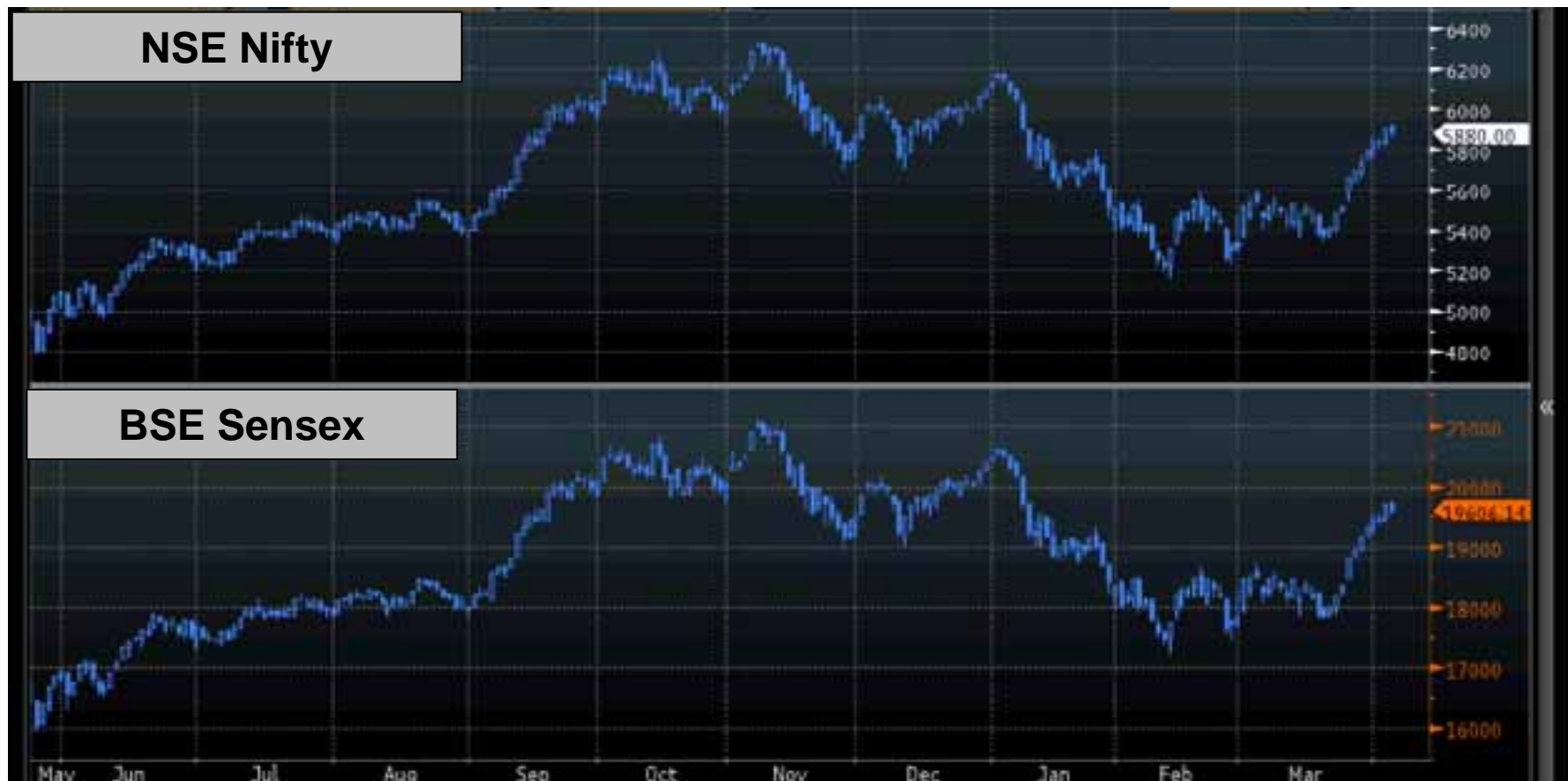
Index Name	% Change	Index Name	% Change
BSE Realty Index	17.9%	BSE Oil	8.3%
BSE Auto	12.6%	BSE Mid-Cap	7.8%
BANKEX	12.3%	BSE Power	7.5%
BSE Cons Durable	10.8%	BSE IT Sector	7.2%
Nifty	9.4%	BSE Cap Goods	6.7%
BSE Sensex	9.1%	BSE Healthcare	5.3%
BSE 100	9.0%	BSE Metal	5.3%
BSE 200	8.8%	BSE FMCG Sector	4.8%
BSE 500	8.6%	BSE Small-Cap	4.6%

Source – Capitaline

M-O-M Month on Month

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Geopolitical uncertainties key to fund flows and near term direction.

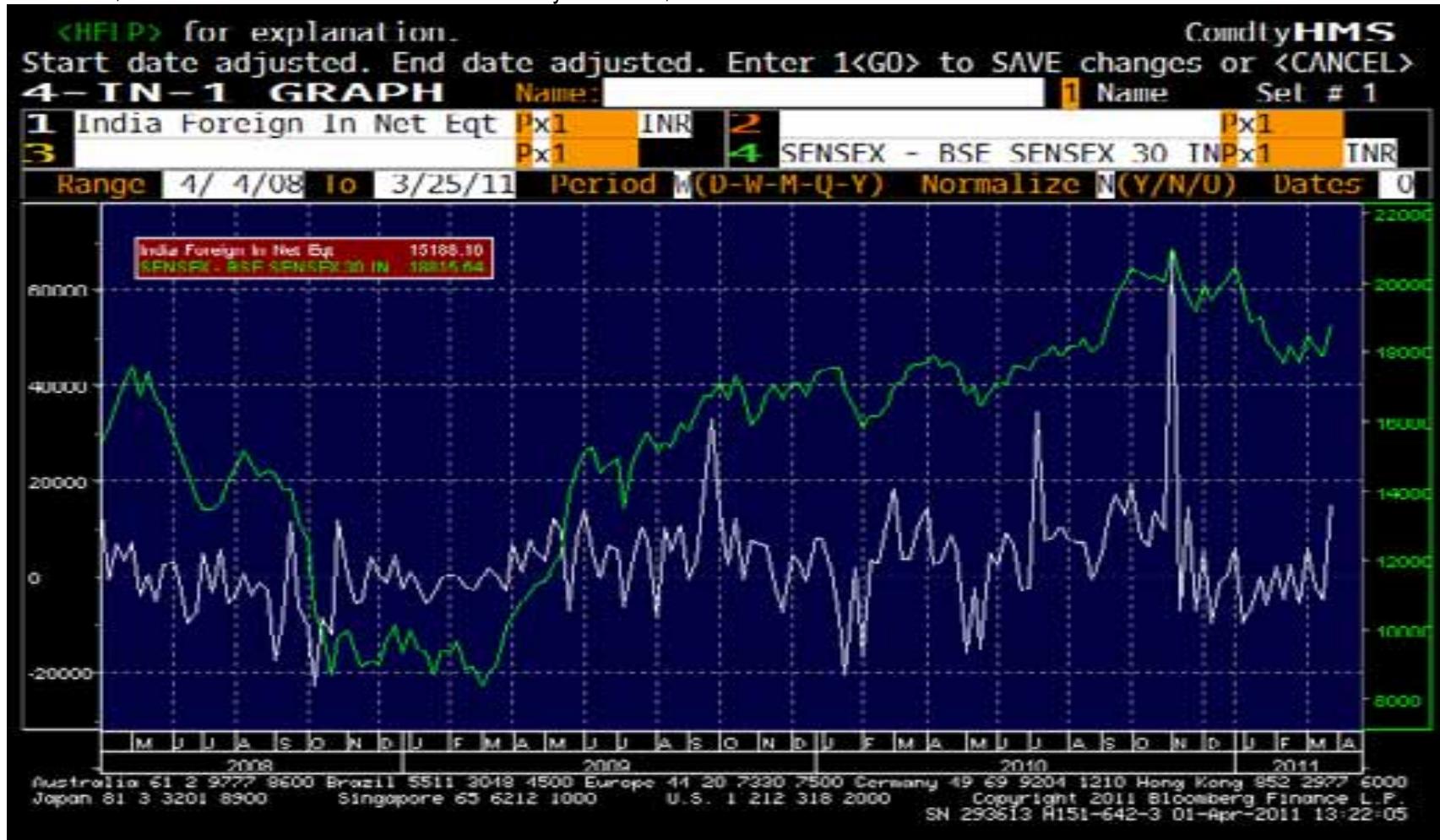


Source - Bloomberg

April – Strategy

Foreign institutional investors turn net buyers in March

- ▶ FIIs turn net buyers of Indian equities in March. They net bought \$1.5bn of Indian equities during the month. YTD, FIIs remain net sellers as they sold equities worth \$948Mn. Domestic mutual funds were net buyers worth \$0.1Bn.



Source: Bloomberg. FII Flows in \$Mn

April – Strategy

Momentum remains strong in the high frequency indicators. Inflation remains high. RBI hikes policy rates by a further 25 bps.

- ▶ The index of industrial production's (IIP) growth pulled up faster than expected at 3.7%y-o-y in January 2011 vs.2.5% in December 2010, led by the manufacturing sector and the production of consumer goods.
 - Growth was better than expected and there was a surprise in the form of an upward revision to the dismal December growth number.
 - Production of consumer goods rose by 11.3% y-o-y in Jan 11, while Capital Goods growth declined by 18% y-o-y from a 9.3% contraction in December, largely due to a base effect impact.
 - Considering the strong consumption as well as the infrastructure gap and tight capacity constraints, we expect manufacturing output should remain well supported in the coming months. Nevertheless, at a somewhat slower pace as macro policy tightening reins in demand growth.
- ▶ The momentum in India's manufacturing sector further strengthened in March, underscoring that growth is not an immediate concern
 - PMI was unchanged at 57.9 while sequential output growth remains strong and well above the long term average
 - Stronger orders, this time from domestic clients, boosted the index reading
 - The strong growth momentum is still building up prices as input prices accelerated to another record high (68.7) and even out prices jumped (59.7)
 - Bottom Line: Growth is holding up well, but this is also pushing up inflation.
- ▶ The Reserve Bank of India, as expected raised both the repo and reverse repo rates by 25bps to 6.75% and 5.75% respectively and emphasized the upside risks to inflation from global commodity prices and demand led pressures. Given the broader domestic demand pressures and on elevated international petroleum prices, we expect policy rates to head higher by 75 bps in 2011 and with the next hike in the second quarter.
- ▶ WPI inflation for February 2011 rose slightly to 8.3% y-o-y (vs. 8.2% in January), which was above consensus, despite a significant drop in food inflation.
 - Core inflation (non-food manufacturing) rose significantly (6% y-o-y vs. 4.7% y-o-y in January, 2011) and the increase was broad based.
 - Monthly sequential core inflation also rose at a faster clip
 - We expect inflation this year will be above RBI's comfort zone. International commodity prices are adding to cost pressures and in addition we have domestic demand led pressures
 - The continuous high levels of inflation suggests that this problem is not going away anytime soon and expect monetary vigilance to continue.

Source: Bloomberg/HSBC

April – Strategy

Given the headwinds from higher than expected inflation, we revise down our FY'11 GDP growth estimate to 8.7% from 9.1% and FY 12 GDP growth to 7.9% from 8.1%

- ▶ Exports during February 2011 grew by 49.7% in USD terms while imports rose by 21% in USD terms. For the period April – February, exports have recorded a growth of 31.4% while imports have grown by 18%. Trade deficit for April – February, 2011 is estimated at \$97bn.
- ▶ Bank credit growth remains robust (23.2% y-o-y as on 11th March, 2011). We expect credit growth to remain buoyant for FY 12 also.
- ▶ Momentum in India's service sector as represented by HSBC PMI remained strong in March, however on a sequential basis it has eased a bit to 58.8 Vs 60.2 in Feb.
- ▶ Global economy update - uncertainty grows as unexpected events challenge the outlook.
 - Substantial cost increases, driven by higher commodity prices, are both threatening the economic recovery in the developed world and contributing to heightened political instability in parts of emerging world
 - Key reasons for the commodity price rise globally – structural tilt in global economic growth towards the emerging world, unforeseen 'carry trade' efforts of Western monetary stimulus, and more recently, the political upheavals in the MENA region
 - On the back of this, we have trimmed some of our global growth forecasts – notably in the US (2.9% from 3.4% for 2011) & UK (1.4% from 1.7% for 2011) and raising our inflation forecasts.
 - For India, we are revising down our FY 11 GDP to 8.7% and 7.9% for FY 12 from 9.1% and 8.1% respectively. Reasons being weaker than expected outcome for the 3rd quarter of FY 11, and also the fact that the economy appears to have reached its potential, imposing a natural speed limit on growth.
 - However we are not expecting another financial crisis on par with Lehman any time soon, though worried about the sovereign debt in the Eurozone and absence of deficit reducing intent in the US
 - We chose not to make major changes to our global economic forecasts as a consequence of the tragic events that befell Japan early March. Too often, the economic and financial consequences of such human tragedies prove to be smaller than feared and contrary to the knee-jerk downgrades in economist forecasts.
 - On policy implications, ECB looks set to raise interest rates while the Fed is unlikely to tighten policy even if it chooses not to extend QE2

Source: HSBC/Bloomberg

April– Strategy

Inflation on the domestic front and developments in MENA and the impact on crude prices to affect market sentiments in the near term.

- ▶ Markets to trade sideways in the near term on concerns of high inflation, developments in MENA and Q4 FY 11 result anticipation.
- ▶ However, India's long-term earnings outlook continues to remain bullish given its robust economic growth prospects, while India's minimal exposure to global structural risks may result in continuance of foreign investment funds into the country.
- ▶ At 19,445, the Sensex trades at a P/E of 18.4X FY11e (Bloomberg estimates) and at 16.1x FY 12 earnings estimates (Bloomberg estimates), which is in line with its historical average. We expect the Sensex to end 2011 at levels of 21,000.
- ▶ We estimate earnings (EPS) to grow by 15% CAGR over the next two years, which seems achievable as it has been done during similar stages in past economic cycles and on the backdrop of strong real GDP forecasts.
- ▶ We advise staggered entry into equities to take advantage of the ongoing volatility in the markets.
- ▶ We continue to favor large cap stocks given the valuation outlook vis-à-vis the earnings growth while a stock specific approach is advised towards mid-cap stocks. Key events to watch: Inflation, earnings momentum as the Q4 FY 11 results have started and global economic data-flows (particularly from MENA).
- ▶ We recommend booking profits at periodic intervals to reduce equity exposures thereby aligning portfolios towards strategic asset allocations. For clients with under allocation to equity, we still recommend a systematic investment plan approach towards investing. .
- ▶ At the sector level, we remain overweight on infrastructure, industrials, utilities and metals. We remain under weight cement and oil & gas. We are neutral on consumer discretionary, consumer staples, information technology, telecom, healthcare and property.

April – Strategy

Overweight – Industrials, Utilities & Metals; Neutral – Real Estate, Financials, IT Services, Consumer Staples

- ▶ **Industrials** – Overweight – Robust medium-term sector growth outlook. The government expects infrastructure investment to reach \$135bn pa in FY 11 and FY 12, which represents 145% growth over the last three years' annual spend. We believe these could create huge growth opportunity over the next two years. We expect power, roads and water to contribute the most to this growth.
- ▶ **Utilities** – Overweight – India is on the cusp of adding huge amounts of power capacity in a bid to meet ever-growing demand -we forecast 53GW over the next three years, or c33% of the existing capacity. We like utilities on account of relative under performance and valuation discounts to the broader markets.
- ▶ **Materials** – Overweight Metals and Underweight Cement – Steel continues to be our top pick among metals as we expect iron ore prices to soften and steel demand to rise in Q4 FY'11 along with pick up in manufacturing activity. On the other hand cost support and production cuts would firm up the non-ferrous segment. We are underweight on cement given its recent run-up despite down side risk to earnings.
- ▶ **Real Estate/Property** - Neutral - Balance sheet strength of most large players following the recent fund raising has improved. Demand conditions seem to be recovering. New launches will likely spur demand for transferable development rights (TDRs) over FY 11 and FY 12, making TDR generators early beneficiaries of any demand revival.
- ▶ **Financials** – Neutral – we are neutral the sector given the 17% out-performance in Q3 FY 11 and less favorable earnings potential from rising interest rates.
- ▶ **Information Technology** – Neutral – we remain positive on the long-term fundamentals of the sector and believe top line growth will remain robust for the next 2-3 years, led by increase in off-shoring and pick up in discretionary spending.
- ▶ **Consumer Staples** – Neutral –We expect growth to be strong should there be a good monsoon and likely reduction in food inflation and its consequent beneficial impact on purchasing power. However, valuations have moved definitively above historical averages and look above average hence the neutral outlook.
- ▶ **Consumer Discretionary** – Neutral – Demand is strong and the sector continues to benefit from improving job outlook and bank financing, strong farm income and economic recovery. On the flip side, margins can be under pressure due to change in emission norms and rising input costs.
- ▶ **Healthcare** – Neutral – The potential for growth in the healthcare sector is strong. Defensive in nature but valuations are at a premium to the market.
- ▶ **Telecom** – Neutral - Increasing penetration and consumer spending remain strong growth drivers for the sector. Better volumes and price stability offers increased earnings visibility.
- ▶ **Energy** – Underweight– Environment is challenging for upstream and refineries as margins are likely to remain moderate. Also the sector runs the government policy risk.

Source HSBC Global Research

April – Strategy

Derivatives parameters indicate some resilience, but follow-up buying critical for consolidation

Equity Derivatives:

- ▶ Nifty near month future gained 9.75% during the month of March
- ▶ Open Interest for near month Nifty future was up by about 10.15%.
- ▶ Bank Nifty near month future gained 12.64% for the month.
- ▶ Open Interest for Bank Nifty future was down by about 18.97%
- ▶ CNX IT near month future gained 7.39% during the month.
- ▶ CNX IT futures open interest was up by 208% though on a small base

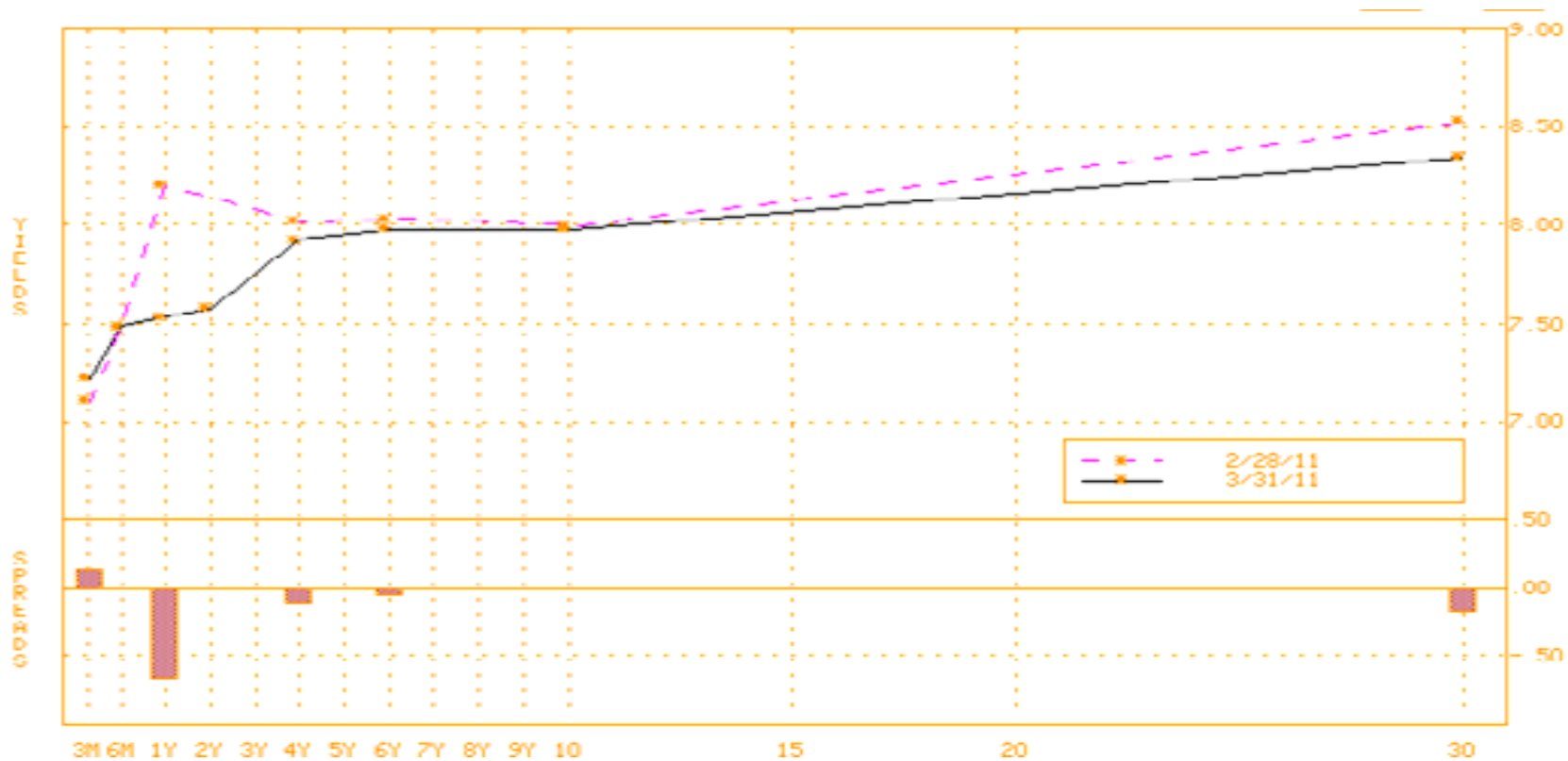
Source – Reuters



Fixed Income

April – Strategy

Fixed Income



Indian Government Yield Curve

Source: Bloomberg

- The ten year bond yield in March traded in a range of 7.93% to 8.02% and ended the month at levels of 7.99% (Source Bloomberg) predominantly on account of the proposed Government borrowing for H1FY12 being lower than consensus estimates. We expect the longer end of the yield curve to remain range bound till inflation pressure eases and on the market absorbing the weekly borrowing of INR 100-120B.
- Systemic liquidity continued to remain tight in Mar'11 and as compared to Feb '11 it has increased due to fiscal year end considerations and on advance tax outflows. The RBI on an average in Mar '11 on a daily basis infused liquidity amounting to INR 820B (Source: Bloomberg) as against INR 764B in Feb '11.

April – Fixed Income Strategy

H1FY12 government borrowing lower than expected

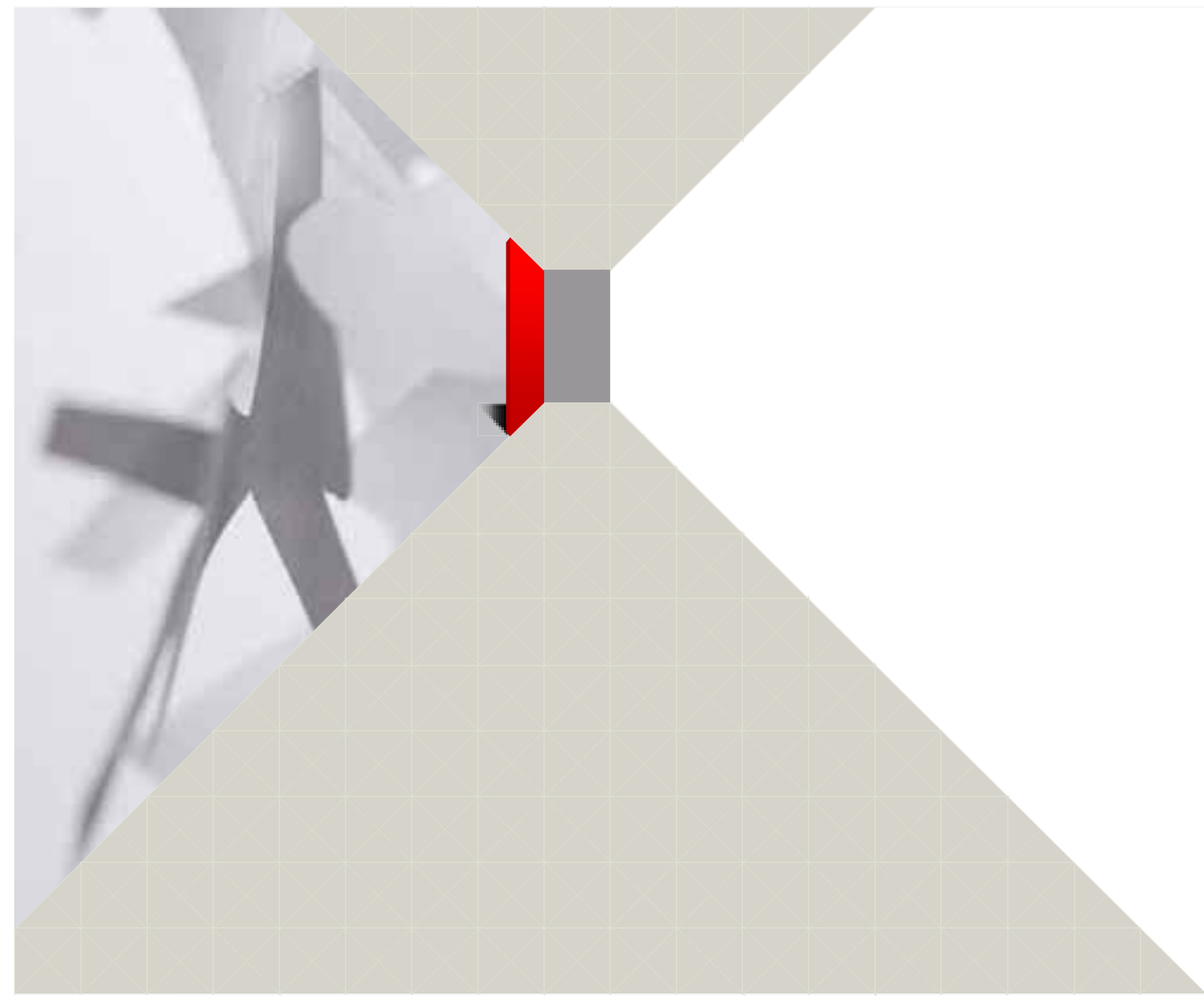
- ▶ The Government during H1FY12 expects to borrow INR 2.50 T of its gross borrowing program or 60% of the planned borrowing of INR 4.17T for FY12. On a net basis, the Government seeks to borrow INR 1.9B or 56% of its net borrowing target of INR 3.4T for the year (Source: RBI). An analysis of the borrowing calendar indicates that close to 74% of H1FY12 borrowing is expected in 5 to 14 year issuance. .
- ▶ The borrowing amount for H1FY12 was lower than consensus expectations, thereby causing a brief rally in the longer end of the yield curve as the 10 year g-sec yield rallied from 8.01% to 7.99%.
- ▶ The Reserve Bank of India in its mid quarter monetary policy review continued to focus on reigning in demand-side inflationary pressure and it increased the repo and the reverse repo rate by 25 bps each to 6.75% and 5.75% respectively. Inflation (WPI) target for March '11 was revised upwards from 7% to 8%.
- ▶ We expect policy rates to be increased by a further 75 bps during the year and expect the next hike in Q2CY11.
- ▶ WPI Inflation in Feb '11 was higher than the RBI's target as it stood at 8.31% (on a year on year basis) after rising by 8.23% in Jan '11. Provisional WPI readings continued to be revised upwards as for Dec '10 it was revised from 8.43% to 9.41%.
- ▶ Systemic liquidity had remained tight in March '11 due to advance tax outflows & fiscal year end considerations and is expected to ease from April '11. The government has cash balances of INR 0.9T with the RBI and consensus expectations are that the government would be spending the same from April '11.

Data Source: HSBC/ Reuters/ Bloomberg

April – Fixed Income Strategy

Systemic liquidity expected to ease – short term rates may rally

- ▶ The inverse yield curve is offering opportunities at the shorter end and investors having a short term investment horizon may consider ultra short term & short term bond funds.
- ▶ Exposure may be initiated into products investing into issuances having a maturity ranging between 6-24 months as apart from earning accrual income, possibility of valuation gains in the event inflation eases.
- ▶ We expect the 10 year g-sec bond yield to trade in a range due to elevated inflation levels and on the government on a weekly basis issuing papers worth INR 100-120B. However, long term investors may consider selective investment opportunities at higher levels.



Currencies

April – Strategy

Contra indications between Federal Reserve and European counterparts impacting USD

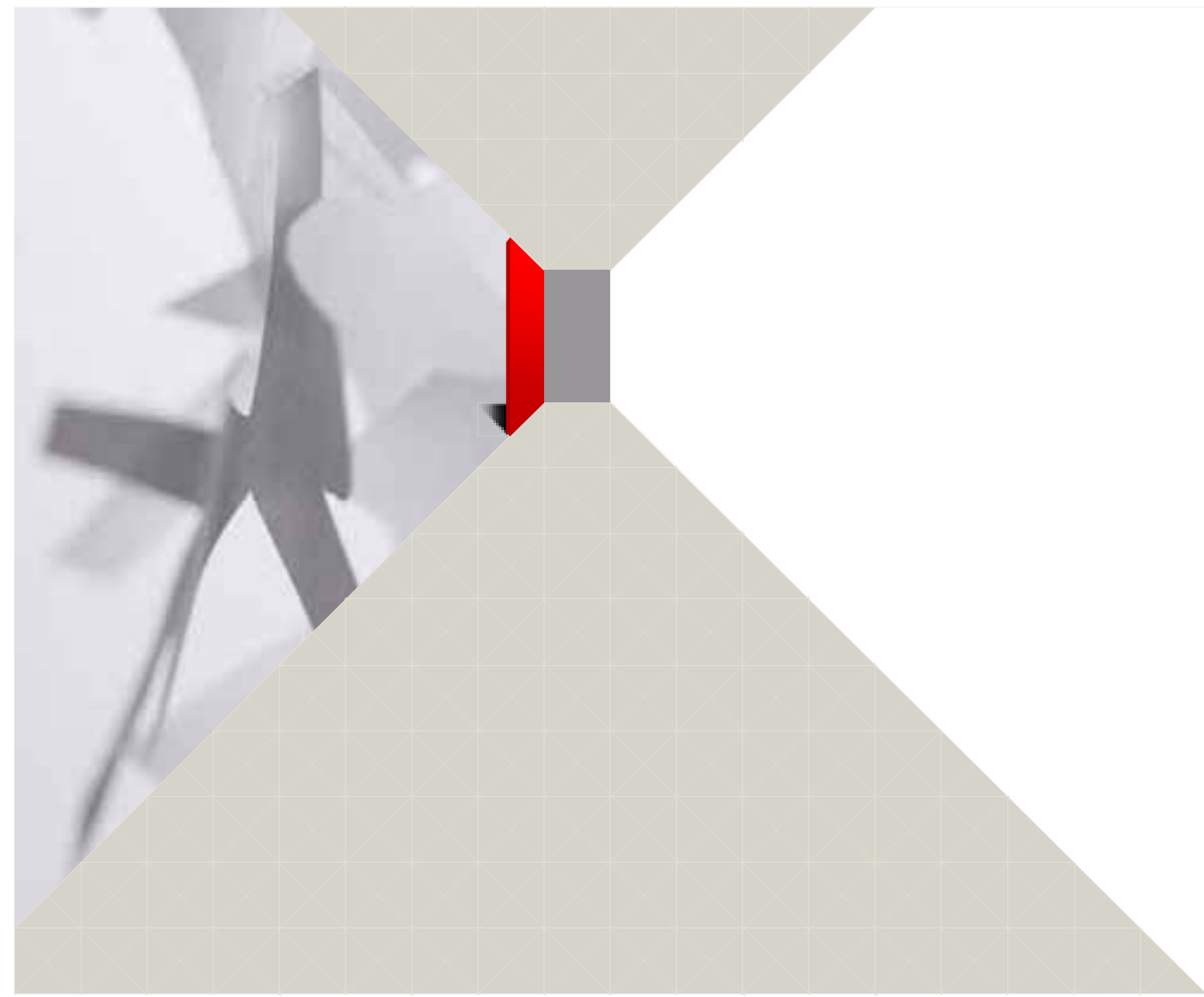
- ▶ **INR** - The INR strengthened marginally during March and ended the month at levels of 44.58 against the USD (Source: Bloomberg). Our Dec 2011 target for INR stands at 42.
- ▶ **USD** –The improving US growth outlook has helped offset the more moderate tone of the Federal Reserve and supported USD. We maintain our Neutral view on USD for the next 12 months.
- ▶ **Euro & GBP**– Central bank actions and rhetoric continue to drive currencies as the more aggressive tone by the European Central Bank and the Bank of England have provided support to their currencies recently. We hold a Neutral view with a negative bias for GBP and Neutral view on Euro for the next 12 months.
- ▶ **JPY** – Safe haven currencies are near their peaks again as inflation fears in the emerging markets and ongoing tensions in the Middle East support a flight to safety, supporting the Japanese yen. JPY may have more limited upside potential given already record highs, but they are likely to remain in demand as long as instability and uncertainty rule. We maintain our Neutral view on JPY with a negative bias for the next 12 months.
- ▶ **Emerging Markets (EM)** – We keep a high conviction on the appreciation of emerging market currencies, particularly as we expect investors' search for yield to continue in the low yield environment. Further, appreciating currencies is a tool to fight inflation. We favour currencies that are less likely to see government intervention in an attempt to curb appreciation. We hold a positive view on Emerging market currencies for the next 12 months.

April – Strategy

Currency movements....



Source - Bloomberg

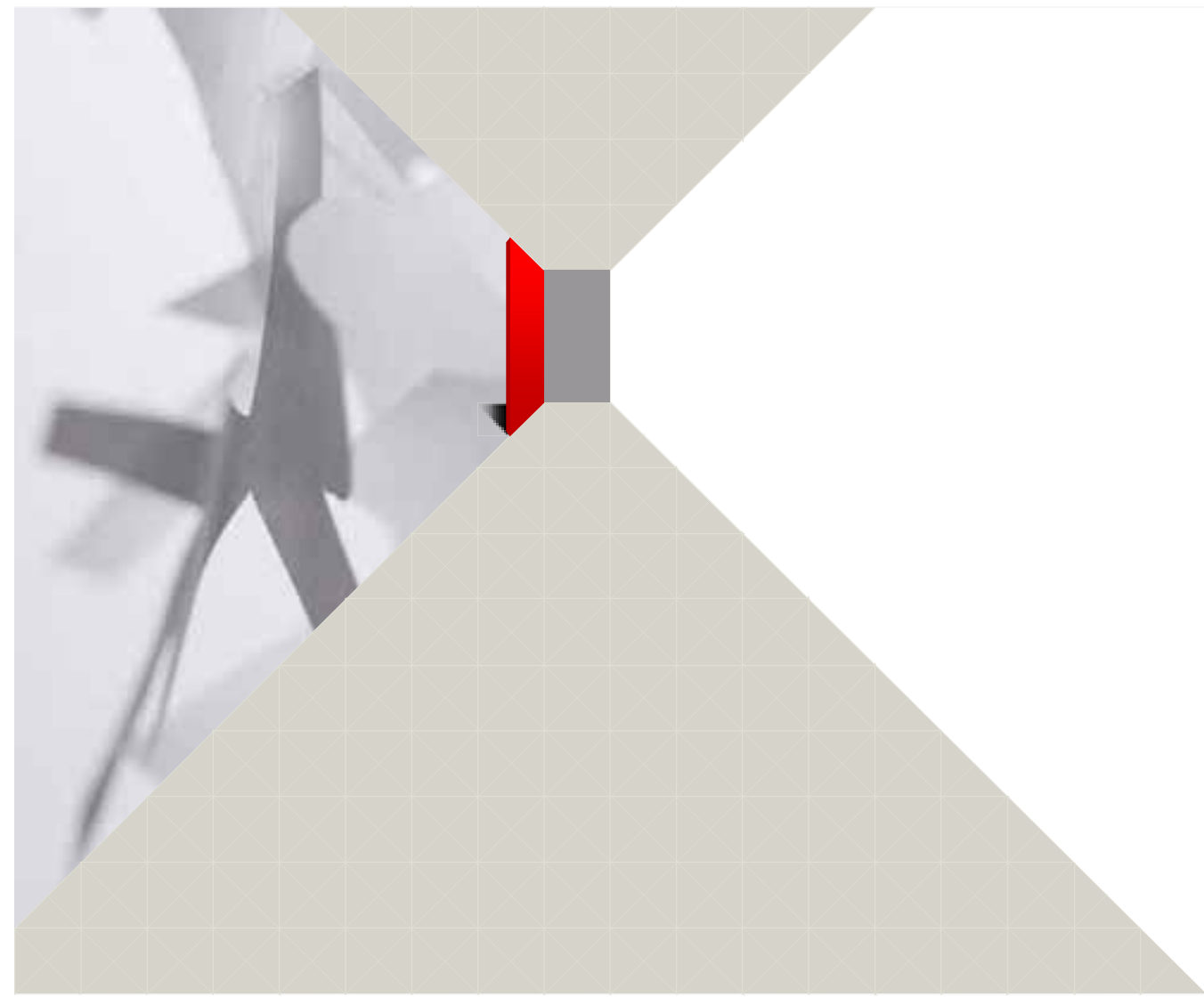


Commodities

April – Strategy

We believe demand will continue to remain robust

- ▶ We maintain our constructive outlook on commodities, as we believe the improving global economic outlook and growing demand from emerging markets are likely to support prices going forward, even though the global outlook has become somewhat more uncertain in light of recent events. We have a neutral view on commodities with a positive bias.
- ▶ **Gold:** Gold inched marginally up during March and closed the month at US\$1432.3 (Source: Bloomberg). Gold should remain in demand thanks to its safe haven status and, in our view, will continue its upward trend. Middle East tensions should help gold reach higher levels as uncertainty persists. Rising inflation in EM and fears of future inflation in the developed world should provide further support to prices. Also, with persistent sovereign debt concerns, it should continue to act as a hedge against highly indebted developed market currencies. For the next 12 months, we hold a neutral view on Gold with a positive bias.
- ▶ **Oil:** Light crude oil continued to gain ground during the month of March and closed the month at \$106.72/bbl (Source: Bloomberg). Oil prices have jumped since the Middle East crisis broke and we believe they will continue to benefit from instability in the region. However, we do not expect an uncontrollable spike at this time – and as long as Saudi Arabia remains quiet – as the economic recovery may then become vulnerable. In the longer term, we expect higher-trending oil prices to remain supported by EM demand. For the next 12 months, we hold a neutral view on oil with a positive bias.
- ▶ **Industrial Metals:** Industrial metals have shown solid underlying demand and, in our view, should benefit from the strong Chinese economic outlook and growth in the emerging markets. For the next 12 months, we hold a neutral view on Industrial Metals with a positive bias.
- ▶ **Agricultural Commodities :** We expect agricultural commodities to continue to appreciate in light of uncertain harvest conditions and EM demand in the longer term. For the next 12 months, we hold a neutral view on agricultural commodities with a positive bias.



Summary of Views

April – Strategy

Asset Class	Sub Class	Current Month	Previous Month
Equity		=/+	=/+
	Industrials	+	+
	Utilities	+	+
	Metals	+	+
	Cement	-	-
	Real Estate	=	=
	Financials	=	=
	Information Tech	=	=
	Consumer Staples	=	=
	Consumer Discretionary	=	=
	Healthcare	=	=
	Telecom	=	=
	Energy	-	-
Debt		=	=
	Liquid Assets	+	+
	Duration	=	=
	Credit	=	=
Currency			
	INR	=/+	=/+
	USD	=	=
	GBP/ USD	=/-	=/-
	Euro/USD	=	=/-
	USD/JPY	=/+	=/+
	Emerging Markets	=/+	=/+
Commodities			
	Gold	=/+	=/+
	Oil	=/+	=/+
	Industrial Commodities	=/+	=/+
	Agri Commodities	=/+	=/+

Guide to Symbols in this document

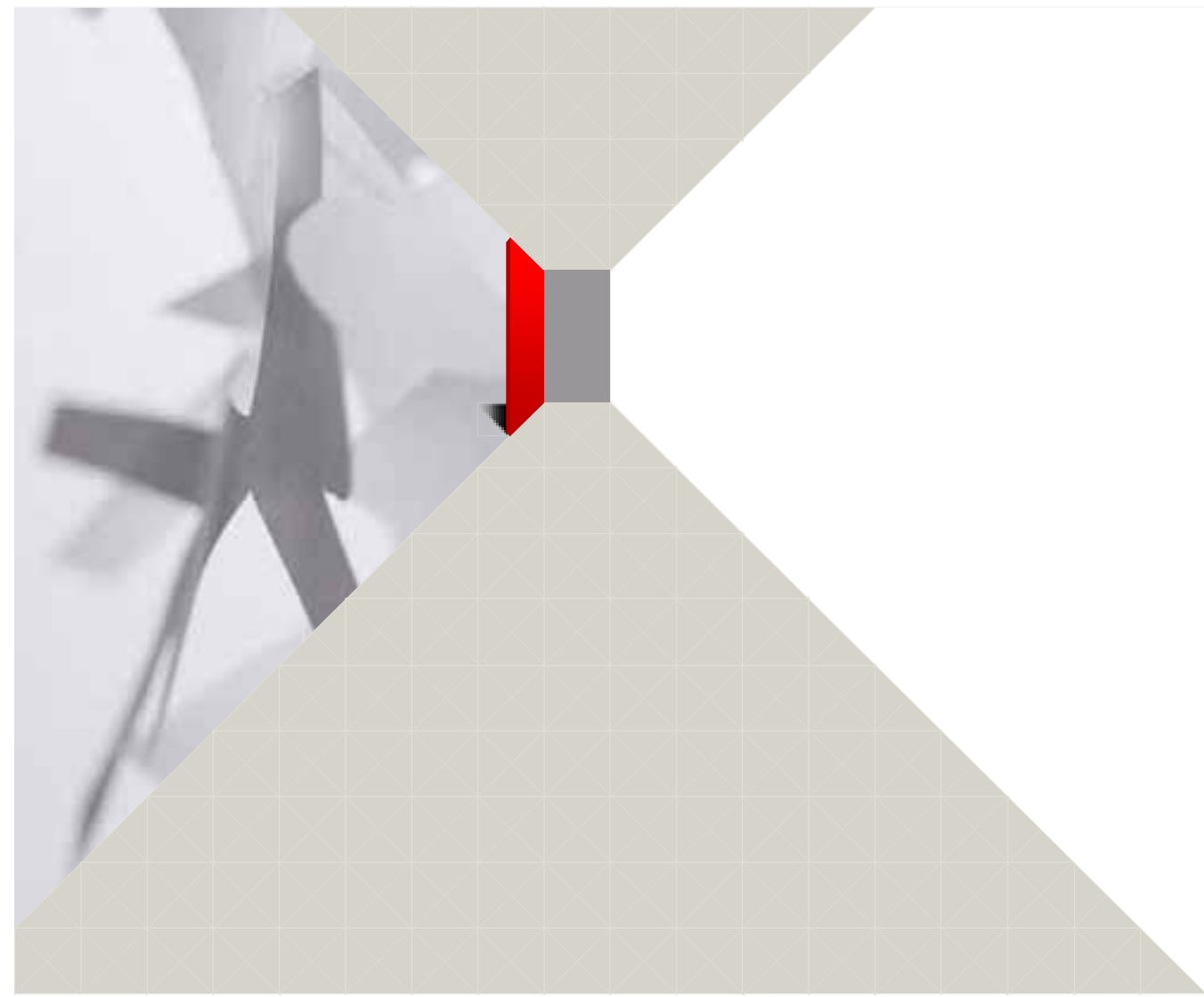
- Negative

=/- Neutral with a negative bias

= Neutral

=/+ Neutral with a positive bias

+ Positive



Glossary

GLOSSARY

Alpha - A measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. Simply stated, alpha is often considered to represent the value that a portfolio manager adds to or subtracts from a fund's return.

AMC - Asset Management Company - A company that invests its clients' pooled fund into securities that match its declared financial objectives. Asset management companies provide investors with more diversification and investing options than they would have by themselves.

Arbitrage - The simultaneous purchase and sale of an asset in order to profit from a difference in the price. It is a trade that profits by exploiting price differences of identical or similar financial instruments, on different markets or in different forms. Arbitrage exists as a result of market inefficiencies; it provides a mechanism to ensure prices do not deviate substantially from fair value for long periods of time.

Benchmark - A standard against which the performance of a security, mutual fund or investment manager can be measured. Generally, broad market and market-segment stock and bond indexes are used for this purpose.

Buyback - The repurchase of outstanding shares (repurchase) by a company in order to reduce the number of shares on the market. Companies will buy back shares either to increase the value of shares still available (reducing supply), or to eliminate any threats by shareholders who may be looking for a controlling stake.

CAGR - Compound Annual Growth Rate - The year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered. This can be written as follows:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

CBLO - Collateralized Borrowing and Lending Obligation - They were developed by the Clearing Corporation of India (CCIL) and Reserve Bank of India (RBI). The details of the CBLO include an obligation for the borrower to repay the debt at a specified future date and an expectation of the lender to receive the money on that future date, and they have a charge on the security that is held by the CCIL.

CD - Certificate of Deposit - A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and can be traded.

Corpus - The overall amount invested by the fund as on the reporting date.

CP - Commercial Paper - Unsecured promissory notes with a fixed maturity of one to 270 days; usually sold at a discount from face value.

Dividend Yield - A financial ratio that shows how much a company pays out in dividends each year relative to its share price. In the absence of any capital gains, the dividend yield is the return on investment for a stock. Dividend yield is calculated as follows:

$$= \frac{\text{Annual Dividend per Share}}{\text{Price per Share}}$$

Emerging Market Economy - A nation's economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body.

Entry Load - It is the load charged by the fund when one invests into the fund. It increases the price of the units to more than the NAV and is expressed as a percentage of NAV. For example a 1 % entry load will increase the NAV from Rs 11 to Rs 11.11 and therefore the number of units allotted will be lesser to that extent.

Exit Load - It is the load charged by the fund when one redeems the units from the fund. It reduces the price of the units to less than the NAV and is expressed as a percentage of NAV.

FII - Foreign Institutional Investor - An investor or investment fund that is from or registered in a country outside of the one in which it is currently investing. Institutional investors include hedge funds, insurance companies, pension funds and mutual funds. In India International institutional investors must register with the Securities and Exchange Board of India to participate in the market.

FY - Fiscal Year - Any 12-month period that a company uses for accounting purposes.

FX Market - Forex Market - The market in which participants are able to buy, sell, exchange and speculate on currencies. The forex markets is made up of banks, commercial companies, central banks, investment management firms, hedge funds, and retail forex brokers and investors. The currency market is considered to be the

largest financial market in the world, processing trillions of dollars worth of transactions each day.

High Net Worth Individual - is a person with a high net worth. In the private banking business, these individuals typically are defined as having investable assets (financial assets not including primary residence) in excess of US\$1 million.

IIP - Index of Industrial Production - in simplest terms is an index which details out the growth of various sectors in an economy. E.g. Indian IIP will focus on sectors like mining, electricity, Manufacturing & General. Also base year needs to be decided on the basis of which all the index figures would be arrived at. In case of India the base year has been fixed at 1993-94 hence the same would be equivalent to 100 Points.

IPO - Initial Public Offering - It is referred to simply as an "offering" or "floatation," is when a company issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded.

Large Cap - A term used by the investment community to refer to companies with a market capitalization value of more than a specified threshold. We have classified large cap companies with market capitalization between INR 50 billion to INR 250 billion.

Mega Cap - A term used by the investment community to refer to companies with a market capitalization value of more than a specified threshold. We have classified large cap companies with market capitalization over INR 250 billion.

MIBOR - Mumbai Inter-Bank Offer Rate - The interest rate at which banks can borrow funds, in marketable size, from other banks in the Indian interbank market. The Mumbai Interbank Offered Rate (MIBOR) is calculated everyday by the National Stock Exchange of India (NSEIL) as a weighted average of lending rates of a group of banks, on funds lent to first-class borrowers.

Mid Cap - A company with a market capitalization between INR 25 billion to INR 50 billion, which is calculated by multiplying the number of a company's shares outstanding by its stock price. Mid cap is an abbreviation for the term "middle capitalization".

Modified Duration - A formula that expresses the measurable change in the value of a security in response to a change in interest rates.

MSCI - Morgan Stanley Capital International - A leading provider of equity, fixed-income and hedge fund indexes. MSCI has been providing global equity indexes for more than 30 years. In 2003, it launched a new family of U.S. equity indexes.

MSCI Emerging Markets Index - An index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets.

MTM - Mark To Market - The accounting act of recording the price or value of a security, portfolio or account to reflect its current market value rather than its book value.

NAV - Net Asset Value - A mutual fund's price per share or exchange-traded fund's (ETF) per-share value. In both cases, the per-share value amount of the fund is calculated by dividing the total value of all the securities in its portfolio, less any liabilities, by the number of fund shares outstanding.

NCD - Non Convertible Debenture - It is a type of debt instrument that is issued for a fixed maturity and in which, no part of the debenture is convertible into equity.

Neutral - An analyst's opinion regarding the future performance of a security. Underweight will usually mean that the security is expected to underperform either its industry, sector, or even the market altogether.

Open Ended Fund/Scheme - It is a type of a scheme/fund where purchase or sale of units is offered on a continued basis at NAV related prices.

Overweight - An analyst's opinion regarding the future performance of a security. Overweight will usually signify that the security is expected to outperform either its industry, sector or, even, the market altogether.

P/B Ratio - Price-To-Book Ratio - A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

$$\text{Calculated as:} = \frac{\text{Stock Price}}{\text{Total Assets - Intangible Assets and Liabilities}}$$

PE - Price Earnings ratio - A valuation ratio of a company's current share price compared to its per-share earnings.

$$\text{Calculated as:} = \frac{\text{Market Value per Share}}{\text{Earnings per Share (EPS)}}$$

PMI - Purchasing Managers' Index - An indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Private Placement - Raising of capital via private rather than public placement. The result is the sale of securities to a relatively small number of investors. Investors

involved in private placements are usually large banks, mutual funds, insurance companies, and pension funds.

PSU - Public Sector Undertaking - In India, public sector undertaking is a term used for a government-owned corporation (company in the public sector). The term is used to refer to companies in which the government (either the Union Government or state or territorial governments, or both) owned a majority (51 percent or more) of the company equity.

PTC - Pass through certificates - A pool of fixed-income securities backed by a package of assets. A servicing intermediary collects the monthly payments from issuers, and, after deducting a fee, remits or passes them through to the holders of the pass-through security.

Reserve Requirements - Requirements regarding the amount of funds that banks must hold in reserve against deposits made by their customers. In India The Cash Reserve Ratio (CRR) refers to this liquid cash that banks have to maintain with the Reserve Bank of India (RBI) as a certain percentage of their demand and time liabilities. For example if the CRR is 10% then a bank with net demand and time deposits of Rs 1,00,000 will have to deposit Rs 10,000 with the RBI as liquid cash.

Rights Offering (Issue) - Issuing rights to a company's existing shareholders to buy a proportional number of additional securities at a given price (usually at a discount) within a fixed period.

Risk-Adjusted Return - A concept that refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating. Risk-adjusted returns are applied to individual securities and investment funds and portfolios.

ROE - Return On Equity - The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as:

Return on Equity = Net Income/Shareholder's Equity

Rolling Returns - The annualized average return for a period ending with the listed year. Rolling returns are useful for examining the behavior of returns for holding periods similar to those actually experienced by investors. Also known as 'rolling period returns' or 'rolling time periods'.

Sharpe Ratio - A ratio developed by Nobel laureate William F. Sharpe to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate

from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.

Small Cap - Refers to stocks with a relatively small market capitalization. The definition of small cap can vary among brokerages, but generally it is a company with a market capitalization less than INR 25 billion.

Standard Deviation - A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.

Term Deposit - A deposit held at a financial institution that has a fixed term. These are generally short-term with maturities ranging anywhere from a month to a few years. When a term deposit is purchased, the lender (the customer) understands that the money can only be withdrawn after the term has ended or by giving a predetermined number of days notice.

Treasury Bills - Short-term debt obligations of a national government that are issued to mature in three to twelve months.

Underweight - An analyst's opinion regarding the future performance of a security. Underweight will usually mean that the security is expected to underperform either its industry, sector, or even the market altogether.

V-Shaped Recovery - A type of economic recession and recovery that resembles a "V" shape in charting. Specifically, a V-shaped recovery represents the shape of the chart of certain economic measures, such as employment, GDP and industrial output. A V-shaped recovery involves a sharp decline in these metrics followed by a sharp rise back to its previous peak.

WPI - Wholesale Price Index - An index that measures and tracks the changes in price of goods in the stages before the retail level. Wholesale price indexes (WPIs) report monthly to show the average price changes of goods sold in bulk, and they are a group of the indicators that follow growth in the economy.

YTM - Yield To Maturity - The rate of return anticipated on a bond if it is held until the maturity date. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupons are reinvested at the same rate. Sometimes this is simply referred to as "yield" for short.

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