

## India Macro View

### Politics & Macro – All Eyes on the Winter Session of Parliament

- **Upcoming Winter Session of Parliament** — The Winter Session of Parliament is scheduled for Nov 22<sup>nd</sup> to Dec 20<sup>th</sup>, and is keenly watched given the recent reform announcements. As mentioned earlier ([India Macroscope - Right Turn, but Speed is Key](#)), while the measures have broken the ~2 year policy logjam, key to note is that many of them require parliamentary approval to be implemented.
- **Parliamentary Agenda: What's on the Table?** — Reforms pending approval during this session are important as they focus on the key areas i.e (1) Fiscal consolidation particularly tax reforms and (2) Incentivising investments – particularly land/mining. Both of these are crucial for accelerating growth and averting a rating downgrade. This session is also critical in terms of how it plays out in terms of reforms/legislative process in India. (See pg 2 for details on agenda)
- **We Expect a Rocky Ride** — Reforms have had a political price, with the UPA's biggest ally, the Trinamool Congress (TMC), withdrawing support. Moreover, parties like the Samajwadi Party and Bahujan Samaj Party that currently provide the UPA with "external support" have not yet shown clear support for some of the proposed measures. (See pg 3 for current party position). We maintain our view that as the UPA government is currently in a "minority", there will be parliamentary uncertainty and challenges. We expect these reforms will take time to have an impact and maintain our growth estimates of 5.4% in FY13 and 6.2% in FY14.
- **What's New?**
  - **TMC Talks About a No-Confidence Vote** — The leader of the TMC - Mamta Banerjee - has stated that it "would move a motion of no-confidence on the first day of the winter session". While our base case is that of the UPA govt winning the numbers game thus enabling it to complete its term (next general elections are in 2014), this could disrupt proceedings in the winter session. (There is the outside risk of govt not completing its term. See pg 4 on no-confidence motions.)
  - **Political Parties Gearing Up for 2014 Elections / Winter Session** — (1) The INC has recently appointed Rahul Gandhi as its chief of the election co-ordination committee (2) The Samajwadi Party (SP) has declared its first list of candidates for the 2014 polls and (3) The BJP leaders are scheduled to meet on Nov 20 to decide their political strategy for the parliament's winter session.
- **Bottom Line: A Rocky Road** – The coming months/2013 are likely to be a crucial year on the political front. Key issues include (1) Will the govt be able to pass legislation given its minority status (2) Will a pre-election year take its toll on the fisc (3) Could we have early elections? Or (4) Could this be the stepping stone for accelerated economic reform?

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*With thanks to*  
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# Winter Session of Parliament 2012

## Policy Measures: A Quick Recap

Re-igniting interest with the first phase of reforms in September (fuel prices, FDI and divestments), the government announced several more measures in early October (FDI in insurance, pension, SEB restructuring, raising urea prices, and reducing with-holding tax rates). While these measures have broken the ~2 year policy logjam and are generally sentiment-positive, key to note is that many of them require parliamentary approval to be implemented. Thus, all eyes are on the Winter Session of Parliament, 2012. For details pls see [India Macroscope - Right Turn, but Speed is Key](#)

## Implementation rests on Winter Session '12

The Winter Session of Parliament is due to be held from 22<sup>nd</sup> November to 20<sup>th</sup> December. Reforms pending approval during this session are especially important because they focus on 2 key areas that are crucial for accelerating growth and averting a rating downgrade.

(1) Fiscal consolidation: This is crucial given India's ballooning fiscal deficit, currently targeted at 5.3% GDP for FY13. The government is already more likely to exceed this target in light of the 2G auction disappointment. Areas of focus for fiscal consolidation are (a) improving tax revenues – through GST, DTC and (b) efficient subsidy system – through the public procurement Bill.

(2) Incentivizing investments: Currently important because of investment slowdown, especially in key sectors like infrastructure and power. Key measures in focus are the new Land Acquisition bill, those related to FDI, FCRA, etc.

**Figure 1. Likely Agenda for the Winter Session '12**

On the Agenda	Key Features
FDI Insurance	49% FDI allowed, public sector insurance cos can get listed w government stake at at least 51%
FDI Pension	49% FDI, has one term 'return scheme' action, gives statutory power to regulatory authority
Competition Bill	All sectors under the purview of competition law, merger of weak/ failing banks excluded
Companies Bill (Amendments)	Ensures more transparent corporate governance
Forward Contract Regulation Act (FCRA)	Facilitate entry of institutional investors, introduce commodity options and derivatives trading
Land Acquisition Bill	For commercial land acquisition, and rehabilitation
National Food Security Bill	Provides for food and nutritional security by providing specific entitlements to certain groups
Public Procurement Bill	Regulate public procurement to further transparency, accountability, and probity in the procurement process
Mines and Minerals Bill	Consolidates and amends the law relating to the scientific development and regulation of mines and minerals
Goods and Services Tax (GST)	Landmark Change - for efficiency, GDP and tax collections
Direct Taxes Code (DTC)	A simplified Tax platform
Lok Pal Bill	Establishment of a system for looking into complaints of corruption against public servants
Banking Laws (Amendment) Bill	Addresses issues on capital raising, proposes changes in voting rights, mandatory approval from RBI for acquiring 5% + stake

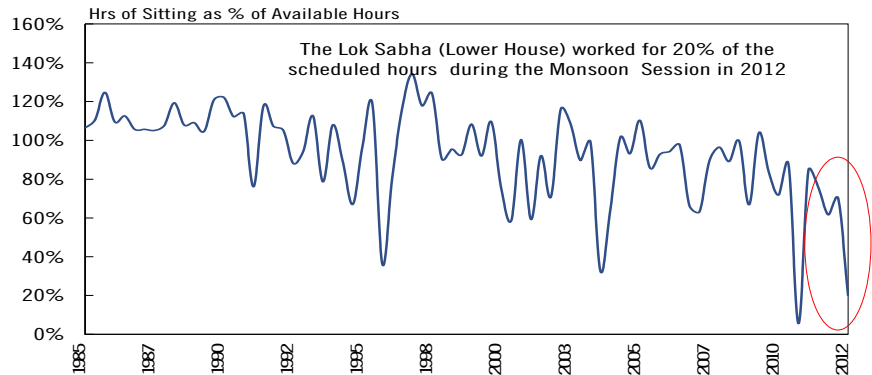
Source: PRS, Citi Research

**Issues that could also be debated this session, but do not require Parliamentary approval include (1) FDI in Multi-Brand Retail and (2) Setting up the National Investment Board (NIB).**

## Will Political Obstacles Prevail Yet Again?

As seen in figure 2 below, the last session of Parliament in September was not productive, with the Lok Sabha having worked for only 20% of the scheduled hours thus resulting in only 4 of 30 bills that were on the agenda being passed. Parliament proceedings were being continuously disrupted by the Opposition, mainly due to the CAG audit and coal block allocation controversy.

Figure 2. Hours of Sitting in the Lok Sabha as a % of Available Hours



Source: PRS

**A Rocky Road Ahead:** The reforms had a political price where-in the UPA's biggest ally, the Trinamool Congress (TMC), withdrew its support. Moreover, parties like the Samajwadi Party and Bahujan Samaj Party that currently provide the UPA with "external support" have not yet shown clear support for some of the proposed measures. Going forward, we maintain our view that as the UPA government is currently in a "minority", there is a possibility that reviewing of key reform bills would not be an efficient process. Furthermore, during the previous session, the opposition repeatedly disrupted parliament proceedings in light of the coal block allocation controversy. The new reforms, notably FDI in retail, could offer the opposition yet another opportunity to obstruct parliament proceedings, along with the TMC indicating that it would move a motion of no-confidence against the govt.

Figure 3. Current Composition of Lok Sabha

Party	Seats	Party	Seats
Indian National Congress(INC)	205	Bharatiya Janata Party(BJP)	114
Dravida Munnetra Kazhagam(DMK)	18	Janata Dal (United) (JD(U))	20
Nationalist Congress Party(NCP)	9	Shiv Sena(SS)	11
J&K National Conference(JKNC)	3	Shiromani Akali Dal(SAD)	4
Indian Union Muslim League (IUML)	2	Telangana Rashtra Samithi(TRS)	2
Rashtriya Lok Dal(RLD)	5	Biju Janata Dal(BJD)	14
Others/ Independents	13	AIADMK	9
<b>UPA</b>	<b>255</b>	Telugu Desam Party(TDP)	6
<b>Supporting Parties</b>		Janata Dal (Secular) (JD(S))	3
Samajwadi Party(SP)	22	<b>All India Trinamool Congress TMC</b>	<b>19</b>
Bahujan Samaj Party(BSP)	21	<b>Jharkhand Vikas Morcha JVM (P)</b>	<b>2</b>
Rashtriya Janata Dal(RJD)	4	Left Demo. Front	25
<b>Total:</b>	<b>47</b>	Others	11
		<b>Total</b>	<b>240</b>
<b>UPA Incl. Outside Support:</b>	<b>302</b>	<b>TOTAL LOK SABHA</b>	<b>542</b>

Source: www.loksabha.nic.in

Figure 4. Current Composition of Rajya Sabha

Party	Seats	Party	Seats
Indian National Congress(INC)	70	Bharatiya Janata Party(BJP)	49
DMK	7	Janata Dal (United) (JD(U))	9
Nationalist Congress Party (NCP)	7	Shiv Sena(SS)	4
J&K National Conf (JKNC)	2	Shiromani Akali Dal(SAD)	3
Rashtriya Lok Dal(RLD)	5	India National Lok Dal (INLD)	1
<b>UPA</b>	<b>91</b>	Biju Janata Dal(BJD)	7
<b>Supporting Parties</b>		Asom Gana Parishad (AGP)	2
Samajwadi Party(SP)	9	Telugu Desam Party (TDP)	5
Bahujan Samaj Party(BSP)	15	AIADMK	5
Rashtriya Janata Dal(RJD)	2	Left Parties	12
Bodoland People's Front (BPF )	1	<b>All India Trinamool Congress TMC</b>	<b>9</b>
Lok Janasakti Party (LJP )	1	<b>Total NDA:</b>	<b>106</b>
Mizo National Front (MNF )	1		
Nagaland People's Front (NPF)	1	Nominated	10
<b>Total:</b>	<b>30</b>	Other Parties/ Independents	7
<b>UPA Incl. Outside Support:</b>	<b>121</b>	<b>TOTAL RAJYA SABHA</b>	<b>244</b>

Source: www.rajyasabha.nic.in



# Politics – FAQs

## 1. What is the upcoming state election calendar?

Prior to the country's general elections in 2014, ~9 states are scheduled to go to polls. The upcoming State Polls, particularly those in Gujarat next month which could throw light on leadership issues, are key.

Figure 5. Upcoming State Polls 2012-13

State	Current Ruling Party	Seats	
		Lok Sabha	Rajya Sabha
Gujarat	BJP	26	11
Chattisgarh	BJP	11	5
Karnataka	BJP	28	12
Madhya Pradesh	BJP	29	11
Meghalaya	Congress	2	1
Mizoram	Congress	1	1
Nagaland	NPF	1	1
NCT Delhi	Congress	7	3
Rajasthan	Congress	25	10
Tripura	CPI(M)	2	1
<b>TOTAL SEATS</b>		<b>132</b>	<b>56</b>

Source: PRS, Election Commission, Citi Research

## 2. What does a No-Confidence Motion mean?

A no-confidence motion can be passed by Parliament to show lack of trust in the government's ability. In cases where the Lok Sabha wishes to express its lack of confidence in the functioning of the Council of Ministers, it may move a Motion of No-Confidence on the floor of the House. If the speaker thinks such a motion is in order, those in favor of it are asked to rise. If 50 or more members do so, the motion is taken up within 10 days. Important features of this motion are:

- It can only be raised and passed by the Lok Sabha
- Considering the constitutional provision of collective responsibility of the Council of Ministers to the Lok Sabha, the motion is directed towards the body as a whole, and not towards any individual minister
- The motion need not set out the grounds on which it was based.

### How does a No-Confidence Scenario play out?

If the motion is passed by a majority vote, the Prime Minister and Council of Ministers resign altogether. In turn, the PM could recommend the dissolution of the Lok Sabha to the President, which if accepted, could result in a general election. The President would accept this recommendation unless he is convinced that the Lok Sabha can suggest a new Prime Minister by a majority vote. In this way, both the legislature and the executive bodies keep a check on one another.

### Recent No-Confidence Motion Instances

1999 – Atal Bihari Vajpayee resigned as PM after 13 months of being in power. This was after the AIDMK withdrew its support of the government. The government lost the "vote of confidence" by one vote.

1997 – IK Gujral resigned 7 months after becoming PM of the United Front Government.

1996 – HD Deve Gowda resigned after 10 months of becoming PM as the government lost support of the Congress.

### 3. What is the Indian system of government?

The Indian Government is a Parliamentary government that is currently headed by a centre-left coalition called the United Progressive Alliance (UPA). The Party with the greatest strength in both houses is the Indian National Congress (INC). Lately, in these tough times for the economy, there has been increased focus on this government's ability to efficiently implement policies necessary for better economic sentiment.

- **Parliamentary Government:** A parliamentary government is one wherein legislative and executive parts are intertwined. The executive branch is accountable to the legislature. Simply put, the part that is responsible for executing and enforcing laws is accountable to the part that passes the laws.
- **Presidential Government:** Contrary to a parliament government, a presidential government is one wherein the executive branch is not accountable to the legislature. Both parts exist separate from one another. The president is head of the executive branch and also serves as the head of state and head of government. The president is elected by the people.

The Indian Parliament is divided into 2 houses: The Lok Sabha (The Lower House) and the Rajya Sabha (The Upper House).

#### The Lok Sabha or "The Lower House"

The Lok Sabha is composed of representatives of the people who are chosen by direct elections. The maximum strength of the House is 552 of which 530 members represent the States, up to 20 members represent the Union Territories and up to 2 members of the Anglo-Indian Community can be nominated by the President.

The total elective membership is distributed among the States in such a way that the ratio between the number of seats allotted to each State and the population of the State is approximately the same for all States.

Figure 6. Lok Sabha Composition – State-Wise

Name of State	Members	Name of State	Members
Uttar Pradesh	80	Jammu and Kashmir	6
Maharashtra	48	Uttarakhand	5
Andhra Pradesh	42	Himachal Pradesh	4
West Bengal	42	Arunachal Pradesh	2
Bihar	40	Goa	2
Tamil Nadu	39	Manipur	2
Madhya Pradesh	29	Meghalaya	2
Karnataka	28	Tripura	2
Gujarat	26	Mizoram	1
Rajasthan	25	Nagaland	1
Orissa	21	Sikkim	1
Kerala	20	Andaman and Nicobar Islands	1
Assam	14	Chandigarh	1
Jharkhand	14	Dadra and Nagar Haveli	1
Punjab	13	Daman and Diu	1
Chhattisgarh	11	Lakshadweep	1
Haryana	10	Puducherry	1
Delhi	7		

Source: www.loksabha.nic.in

## The Rajya Sabha or "The Upper House"

The representatives of the States and of the Union Territories in the Rajya Sabha are elected by the method of indirect election. The representatives of each State and two Union territories are elected by the elected members of the Legislative Assembly of that State.

Rajya Sabha is a permanent House and is not subject to dissolution. However, one-third Members of Rajya Sabha retire after every second year. A member who is elected for a full term serves for a period of 6 years.

The maximum strength of the Rajya Sabha is 250 of which 12 members are nominated by the President, 238 are representatives of the States and of the 2 Union Territories.

**Figure 7. Rajya Sabha Composition – State-Wise**

Name of State	Members	Name of State	Members
Andhra Pradesh	18	Arunachal Pradesh	1
Assam	7	Bihar	16
Chhattisgarh	5	Goa	1
Gujarat	11	Haryana	5
Himachal Pradesh	3	Jammu & Kashmir	4
Jharkhand	6	Karnataka	12
Kerala	9	Madhya Pradesh	11
Maharashtra	19	Manipur	1
Meghalaya	1	Mizoram	1
Nagaland	1	NCR Delhi	3
Nominated	12	Odisha	10
Puducherry	1	Punjab	7
Rajasthan	10	Sikkim	1
Tamil Nadu	18	Tripura	1
Uttar Pradesh	31	Uttarakhand	3
West Bengal	16		

Source: [www.rajyasabha.nic.in](http://www.rajyasabha.nic.in)

## 4. How does a Bill become an Act?

A Bill has to pass through various stages before it becomes an Act in Parliament. Key to note that apart from "money" bills (i.e budget), all bills have to be passed by both houses of parliament. A Bill goes through the following processes:

- **First Reading:** The legislative process starts with the introduction of a Bill in either House of Parliament—Lok Sabha or Rajya Sabha. A Bill can be introduced either by a Minister or by a private member. In the former case it is known as a Government Bill and in the latter, it is known as a Private Member's Bill.
- **Publication in Gazette:** After a Bill has been introduced, it is published in the Official Gazette.
- **Reference of Bill to Standing Committee:** After a Bill has been introduced, the Presiding Officer of the concerned House can refer the Bill to the concerned Standing Committee for examination and then make a report.
- **Second Reading:** consists of two stages. (a) General discussion on the Bill as a whole (b) clause-by-clause consideration of the Bill
- **Third Reading:** The member-in-charge can move that the Bill be passed. In passing an ordinary Bill, a simple majority of members present and voting is

necessary (the case of a Bill to amend the Constitution is an exception wherein a majority of the total membership of the House and a majority of at least two-thirds of the members present and voting is required in each House of Parliament).

- **Bill goes to the other house:** After the Bill is passed by one House, it is sent to the other House for concurrence. It also goes through the stages described above except the introduction stage.

## 5. Do both houses have equal powers?

### *Cases where power is not equal:*

The Council of Ministers is collectively responsible to the Lok Sabha. This implies that the Rajya Sabha cannot make or unmake the Government. It can, however, exercise control over the Government and this function becomes quite prominent when the Government does not have a majority in the Rajya Sabha.

Money Bills – Bills which exclusively contain provisions for imposition and abolition of taxes, for appropriation of moneys out of the Consolidated Fund, etc, are known as Money Bills. Money Bills can be introduced only in the Lok Sabha. The Rajya Sabha cannot make amendments in a Money Bill passed by Lok Sabha and transmitted to it. It can, however, recommend amendments to a Money Bill, but must return all Money Bills to Lok Sabha within 14 days from the date of their receipt.

### *Cases where power is equal:*

Apart from the case of Council of Ministers and Money Bills, both houses generally enjoy equal powers.

The two houses are equal with respect to powers, privileges and immunities of their members and committees thereof. The Houses enjoy equal powers in the election and impeachment of the President, election of the Vice-President, approving the Proclamation of Emergency, the proclamation regarding failure of constitutional machinery in States and financial emergency. They are also equal in receiving reports and papers from various statutory authorities.

### **Conflict between the two houses**

To resolve a gridlock between the two Houses, in case of any ordinary legislation, there is a joint sitting of both Houses. Issues in joint sitting are decided by a majority of the total number of members of both Houses present and voting.

In the case of a Money Bill, there is no provision in the Constitution for a joint sitting of both Houses as Lok Sabha has priority over the Rajya Sabha. In the case of a Constitution amendment Bill, the Bill has to be passed by the specific majority, as prescribed under the Constitution, by both Houses. Thus, there is no provision for resolving a deadlock between the two houses regarding such a bill.



## Statistical Snapshot

Figure 8. India – Macroeconomic Summary, FY01-14E (%)

Year to 31 March	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
<b>National Income Indicators*</b>														
Nominal GDP (Rs bn)	21,840	23,676	25,500	28,617	32,422	36,934	42,947	49,871	56,301	64,574	76,741	88,558	101,399	116,609
Nominal GDP (US\$ bn)	478	493	528	623.5	720.5	833.7	950.2	1240.6	1223.9	1362.3	1683.7	1,841	1,844	2,159
Per Capita GDP (US\$)	469	474	500	582	662	754	847	1,090	1,061	1,164	1,420	1,532	1,511	1,718
Real GDP growth (%)	4.3	5.5	4.0	8.1	7.0	9.5	9.6	9.3	6.7	8.4	8.4	6.5	5.4	6.2
Agriculture growth (%)	0.0	6.0	-6.6	9.0	0.2	5.1	4.2	5.8	0.1	1.0	7.0	2.8	0.5	3.0
Industry growth (%)	6.0	2.6	7.2	7.3	9.8	9.7	12.2	9.7	4.4	8.4	7.2	3.4	3.2	4.4
Services growth (%)	5.4	6.9	7.0	8.1	8.1	10.9	10.1	10.3	10.0	10.5	9.3	8.9	7.5	7.8
<b>By Demand * (%YoY)</b>														
Consumption	3.0	5.3	2.3	5.4	2.3	8.6	7.9	9.3	7.6	8.1	8.1	5.4	5.0	5.7
Pvt Consm	3.4	6.0	2.9	5.9	2.1	8.5	8.7	9.2	7.1	7.0	8.1	5.5	5.0	5.5
Public Consm	0.9	2.3	-0.4	2.6	3.4	8.9	3.8	9.6	10.4	14.3	7.8	5.1	5.0	7.0
Gross Fixed Capital Formn	0.0	7.4	6.8	13.6	20.7	16.2	13.8	16.2	3.5	6.8	7.5	5.5	4.5	6.0
<b>Cons; Invst, Savings ** (%GDP)</b>														
Consumption	78.5	78.9	77.2	75.0	70.1	69.2	68.0	67.2	68.6	69.4	68.4	67.7	67.0	67.0
Gross Capital Formation	23.8	22.3	24.6	26.9	32.8	34.7	35.7	38.1	34.3	36.1	35.8	35.5	35.0	35.0
Gross Domestic Savings	23.2	22.9	25.7	29.1	32.4	33.4	34.6	36.8	32.0	33.8	32.3	32.0	31.8	31.5
<b>Real Indicators (%YoY)</b>														
Cement dispatches (domestic)	-1.9	9.8	8.7	5.8	8.1	10.1	10.2	9.8	8.5	11.2	5.2	7.0	8.0	9.0
Commercial vehicle sales	-11.9	-4.5	40.4	37.5	25.5	12.3	32.2	5.8	-22.3	39.2	27.0	19.5	1.2	12.9
Car sales	-5.3	3.2	5.3	32.1	19.2	7.4	19.7	11.7	7.0	25.7	29.3	3.9	2.9	22
Two-wheelers	0.7	15.3	15.8	12.6	16.8	15.0	12.1	-4.8	4.7	25.8	25.8	13.9	5.0	11.0
Diesel consumption	-3.4	-3.7	0.3	1.2	6.9	1.4	6.7	11.1	8.5	8.9	6.5	8.0	8.0	8
Mobile Tele density	0.3	0.6	1.3	3.1	4.8	8.2	14.1	22.0	33.0	48.5	66.8	75.1	79.0	80
<b>Monetary Indicators (% YoY)</b>														
Money supply	15.9	16.0	16.1	13.0	14.0	15.9	20.0	22.1	20.5	19.2	16.0	16.0	16.0	17.0
Inflation – WPI (Avg)	7.1	3.6	3.4	5.5	6.5	3.7	6.5	4.8	8.0	3.6	9.6	8.8	7.5-8.0	7
CPI (Avg)	3.7	4.3	4.1	3.8	3.9	4.2	6.8	6.2	9.1	12.3	10.5	8.4	8.0	7
Bank credit growth	17.3	15.3	23.7	15.3	30.9	37.0	28.1	22.3	17.5	16.9	21.5	17.0	17.0	17.0
Deposit growth	18.4	14.6	16.1	17.5	13.0	24.0	23.8	22.4	19.9	17.0	16.0	16.0	16.0	16.0
<b>Fiscal Indicators (% GDP)</b>														
Centre's fiscal deficit)	-5.4	-6.0	-5.7	-4.3	-3.9	-4.0	-3.3	-2.5	-6.0	-6.5	-4.9	-5.9	-5.9	-5.5
State fiscal deficit	-4.0	-4.0	-3.9	-4.2	-3.3	-2.4	-1.8	-1.5	-2.4	-2.9	-2.7	-2.5	-2.5	-2.5
Combined deficit (Centre+State)	-9.2	-9.6	-9.2	-8.2	-7.2	-6.5	-5.4	-4.1	-8.4	-9.7	-8.3	-8.4	-8.4	-8.0
Off Balance Sheet Items	-	-	-	-	-	-0.5	-0.9	-0.6	-1.7	-0.2	-	-	-	-
Combined liabilities ( dom+ext)	77.1	82.0	85.5	85.4	85.2	83.0	79.3	76.1	76.1	75.0	71.3	70.5	69.2	69.2
<b>External Sector (% YoY)</b>														
Exports (US\$bn)	45.5	44.7	53.8	66.3	85.2	105.2	128.9	166.2	189.0	182.4	250.5	309.8	288.1	311.1
% YoY	21.1	-1.6	20.3	23.3	28.5	23.4	22.6	28.9	13.7	-3.5	37.3	23.7	-7.0	8.0
Imports (US\$bn)	57.9	56.3	64.5	80.0	118.9	157.1	190.7	257.6	308.5	300.6	381.1	499.5	465.1	493.0
%YoY	4.6	-2.8	14.5	24.1	48.6	32.1	21.4	35.1	19.8	-2.6	26.7	31.1	-6.9	6.0
Trade deficit (US\$bn)	-12.5	-11.6	-10.7	-13.7	-33.7	-51.9	-61.8	-91.5	-119.5	-118.2	-130.6	-189.8	-177.0	-181.8
Invisibles (US\$bn)	9.8	15.0	17.0	27.8	31.2	42.0	52.2	75.7	91.6	80.0	84.6	111.6	118.4	131.7
Current Account Deficit (US\$bn)	-2.7	3.4	6.3	14.1	-2.5	-9.9	-9.6	-15.7	-27.9	-38.2	-45.9	-78.2	-58.6	-50.1
% to GDP	-0.6	0.7	1.2	2.3	-0.3	-1.2	-1.0	-1.3	-2.3	-2.8	-2.7	-4.2	-3.1	-2.3
Capital Account (US\$bn)	8.8	8.6	10.8	16.7	28.0	25.5	45.2	106.6	6.8	51.6	62.0	67.8	61.6	58.6
% GDP	1.9	1.7	2.1	2.7	3.9	3.1	4.8	8.6	0.6	3.8	3.7	3.7	3.3	2.7
Forex Assets (excl gold) (US\$bn)	39.6	51.0	71.9	106.1	135.1	145.1	191.9	299.1	241.6	252.8	273.7	260.9	263.9	272.4
Months of imports	8.2	10.9	13.4	15.9	13.6	11.1	12.1	13.9	9.4	10.1	8.6	6.3	6.8	6.6
External Debt (US\$bn)	101.3	98.8	104.9	112.7	134.0	139.1	172.4	224.4	224.5	260.9	305.9	345.7	360.7	375.7
Short Term Debt (US\$bn)	3.6	2.7	4.7	4.4	17.7	19.5	28.1	45.7	43.3	52.3	65.0	78.2	83.2	88.2
<b>Exchange Rate</b>														
US\$/INR - annual avg	45.7	48.0	48.3	45.9	45.0	44.3	45.2	40.2	46.0	47.4	45.6	48.1	53.0	52.0
% depreciation	5.3	5.0	0.6	-5.0	-2.0	-1.6	2.0	-11.1	14.4	3.0	-3.8	5.5	10.2	-1.9

\*\* At current prices.

Source: CSO, RBI, Ministry of Finance, Citi Research Estimates

## Appendix A-1

### Analyst Certification

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<b>Data current as of 5 Oct 2012</b>	<b>12 Month Rating</b>			<b>Relative Rating</b>		
	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>
Citi Research Global Fundamental Coverage	51%	38%	11%	7%	85%	7%
<i>% of companies in each rating category that are investment banking clients</i>	50%	47%	45%	59%	47%	50%
Citi Research Global Closed End Fund Coverage	0%	0%	0%			
<i>% of companies in each rating category that are investment banking clients</i>	0%	0%	0%			
Citi Research Quantitative World Radar Screen Model Coverage	30%	40%	30%			
<i>% of companies in each rating category that are investment banking clients</i>	29%	27%	24%			
Citi Research Quantitative Decision Tree Model Coverage	52%	0%	48%			
<i>% of companies in each rating category that are investment banking clients</i>	56%	0%	54%			
Citi Research Asia Quantitative Radar Screen Model Coverage	20%	60%	20%			
<i>% of companies in each rating category that are investment banking clients</i>	26%	24%	20%			
Citi Research Australia Radar Model Coverage	49%	0%	51%			
<i>% of companies in each rating category that are investment banking clients</i>	28%	0%	14%			

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#### Guide to Citi Research Fundamental Research Investment Ratings:

Citi Research's stock recommendations include a risk rating and an investment rating.

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Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" will be monitored daily by management. As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis.

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#### Guide to Citi Research Fundamental Research Investment Ratings:

Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

**Risk rating** takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

**Investment Ratings:** Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return ("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and / or trading in the company's securities (e.g. trading suspension). As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis. To satisfy regulatory requirements, we correspond Under Review and Neutral to Hold in our

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Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

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**Investment ratings** are based upon the Citi Research expectation of the funds total return relative to its peer group of closed-end-funds, and the ability to provide stable to rising dividends, where applicable. Investment ratings are: Outperform [1] (fund is expected to outperform its peer group, and/or the fund is expected to provide stable to rising dividends, where applicable); In-Line [2] (fund is expected to perform in line with its peer group, and/or the fund is expected to provide stable dividends, where applicable); and Underperform [3] (fund is expected to underperform its peer group, and/or the fund is expected to provide a declining dividend, where applicable).

#### Guide to Citi Research Quantitative Research Investment Ratings:

Citi Research Quantitative Research World Radar Screen recommendations are based on a globally consistent framework to measure relative value and momentum for a large number of stocks across global developed and emerging markets. Relative value and momentum rankings are equally weighted to produce a global attractiveness score for each stock. The scores are then ranked and put into deciles. A stock with a decile rating of 1 denotes an attractiveness score in the top 10% of the universe (most attractive). A stock with a decile rating of 10 denotes an attractiveness score in the bottom 10% of the universe (least attractive).

Citi Research Asia Quantitative Radar Screen model recommendations are based on a regionally consistent framework to measure relative value and momentum for a large number of stocks across regional developed and emerging markets. Relative value and momentum rankings are equally weighted to produce a global attractiveness score for each stock. The scores are then ranked and put into quintiles. A stock with a quintile rating of 1 denotes an attractiveness score in the top 20% of the universe (most attractive). A stock with a quintile rating of 5 denotes an attractiveness score in the bottom 20% of the universe (least attractive).

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Citi Research Quantitative Decision Tree model recommendations are based on a predetermined set of factors to rate the relative attractiveness of stocks. These factors are detailed in the text of the report. The Decision Tree model forecasts whether stocks are attractive or unattractive relative to other stocks in the same sector (based on the Russell 1000 sector classifications).

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**Underweight** - Over the next six months, the recommended sector or issuer is expected to underperform the returns on the relevant index or benchmark based on valuation and methodology provided below;

**Under Review:** Citi Research has suspended the investment rating for this issuer because there is not a sufficient fundamental basis for determining an investment rating. The previous investment rating is no longer in effect for this issuer and should not be relied upon. To satisfy regulatory requirements, we correspond 'under review' to Hold in our ratings distribution table. However, we reiterate that we do not consider 'under review' to be a recommendation. For purposes of complying with ratings-distribution-disclosure rules, a Citi Research High Yield rating of Overweight is considered to correspond to a Buy recommendation; Marketweight and Neutral to a Hold recommendation; and Underweight to a Sell recommendation.

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For purposes of NASD/NYSE ratings distribution disclosure rules, a Citi Research Technical Research recommendation of Strong Buy(1) or Buy(2) most closely correspond to a buy recommendation; a Citi Research Technical Research recommendation of Hold(3) most closely corresponds to a hold recommendation; and a Citi Research Technical Research recommendation of Avoid(4) or Sell(5) most closely corresponds to a sell recommendation.

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For purposes of NASD/NYSE ratings distribution disclosure rules, a Citi Research Asia Quantitative Radar Screen recommendation of (1) most closely corresponds to a buy recommendation; a Citi Research Asia Quantitative Radar Screen recommendation of (2), (3), (4) most closely corresponds to a hold recommendation; and a recommendation of (5) most closely corresponds to a sell recommendation. An (NR) recommendation indicates that the stock is no longer in the screen.

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