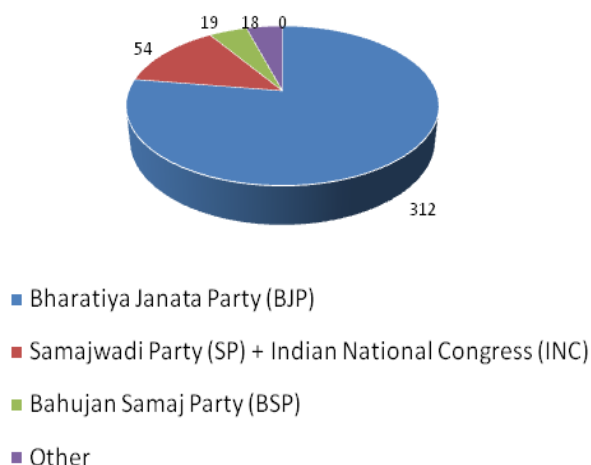


UP State Elections – Parties and Seats Won



Source: Election Commission, The Indian Express

(note: USDINR rate of 64.8 used for conversion as of 31 March 2017)

Net Inflow / outflow of India's Mutual Fund Industry (USD bn)



Source: AMFI, UTI International

1. BJP (Bharatiya Janata Party) wins key Uttar Pradesh (UP) state election

Prime Minister Narendra Modi's party the BJP along with its allies won the UP polls securing 312 seats (as of 11th March), over two-thirds of all seats. This was a critical and closely watched state election given that UP is the most populous state in India comprising 16.2% of the total population and because the BJP returns to power in UP after 14 years, with an overwhelming vote over the incumbent Samajwadi Party and its alliance with Congress. This was viewed positively by foreign investors as it signifies policy continuity and increases the chances of national re-election in 2019.

2. Total AUM of all the mutual fund industry soared to a record, net inflows jumped 155% (AMFI Data)

Total assets under management of the whole Indian mutual fund industry hit a record of 17.89 lakh crore at the end of Feb 2017 (approx US\$ 275 bn). Net inflows into mutual funds jumped this fiscal year (ending March 2017) to US\$ 52.9 bn versus US\$20.7 bn a year ago. That's the highest growth in over a decade.

3. Government announces new indices to be released for IIP and WPI starting end- April

Two key variables in macro data, factory output (or Index of Industrial Production – IIP) and wholesale prices (WPI) will now be measured by new series with a base year of 2011-12 (from 2004-05). This will be effective in increasing the accuracy of the data and also bring it in line with the GDP series calculation. The change in the base year for IIP is deemed to be a better gauge of economic activity and for WPI, will make it more comparable with CPI.

4. Composite Purchasing Manager's Index (PMI) and India's Index of Industrial production (IIP) show recovery post demonetization

The Nikkei India composite PMI (gauge of private sector activity) rose in February. This is the first expansion since demonetization with the index rising to 50.7 from 49.4 in January (a reading below/above 50 indicates a contraction/expansion). Meanwhile IIP, (factory output) also posted a recovery in the month of January rising 2.7% year-on-year, higher than the upwardly revised -0.1% recorded in December and beating consensus expectations. All data indicates that economic activity is returning to trend levels.

5. Global agencies still see above 7% GDP growth for India, higher vs other EMs

Fitch said the Indian economy will grow by 7.1% in FY17 before stepping up to 7.7% in the next two financial years. World Bank CEO Kristalina Georgieva pegged India's GDP growth rate at 7% for 2016-17, stating that ongoing reforms, GST implementation augur well for the economy. OECD cut India's growth forecast for FY17 to 7% from 7.4% earlier because of demonetisation, but said the pace will accelerate to 7.3% in the next fiscal and higher in FY19.

6. Central government proposes in-country purchases to promote "Make in India" campaign

To support the "Make in India" drive (expansion of the manufacturing sector within India), a national government procurement policy has been proposed in order to increase purchases of items within India. These items could range from materials such as steel for railway projects, to mobile phones and computers. Expenditure is estimated at 2 trillion rupees per year (approx US\$ 30 bn), with special preference given to companies producing in India. Then scheme will also be compliant with WTO norms.

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