

Global Investors Fancy India Growth Story

- A Spurt In Overseas Fund-Raising By Indian Companies
- Indian Companies Preferring GDR More In Comparison To ADS Route
- Institutional Fund Raising Through Qualified Institutional Placement Also On Rise
- Foreign Institutional Investors Turned Net Buyers In The Indian Markets

The appetite of global investors for Indian equity is increasing again, as reflected by a spurt in overseas fund raising by Indian companies in recent times. The fact that India still continues to grow at 6% - 7% while the global economy is facing one of its most severe economic crises, has made the global investors less risk-averse to India. They are realising and appreciating that as soon as the global economic conditions improve, India's growth rate would move closer to double digit.

As a result, overseas public offerings of Indian blue-chip companies, which provide the global investors an attractive option to participate in the India growth story, are on the rise. Also, the Qualified Institutional Placements (QIPs) in which mostly the Foreign Institutional Investors (FIIs) participate, have become a preferred route for fund raising by Indian companies. Apart from that, the recent outperformance of the Indian stock markets when compared with other prominent markets is largely due to the renewed buying interest among the FIIs, who want to ride the next wave of India's growth.

In the first four months of fiscal year 2009-10, Indian firms raised about \$3 billion (Rs.14,686 crore) through QIP route and about \$2.5 billion (Rs.11,990 crore) through GDR (Global Depository Receipt) and ADR (American Depository Receipts) issues, according to an estimate of Delhi-based research firm PRIME Database. The trend of tapping GDR/ADR route actually revived in July 2009 only, during which the Indian firms moped up more than \$2 billion through these instruments. After touching the peak levels of \$5.32 billion QIP offerings and \$6.39 billion GDRs/ADRs during 2007-08, the global meltdown of equity markets had turned the year 2008-09 in to a drought year.

QIPs			
Year	No. of Issues	Amount (Rs.Crore)	Amount (\$ mln)
2006-2007	25	4963.03	1024.36
2007-2008	38	25770.38	5318.96
2008-2009	2	188.82	38.97
2009-2010 (Till Jul,09)	16	14686.32	3031.23

GDRs / ADRs			
Year	No. of Issues	Amount (Rs.Crore)	Amount (\$ mln)
2004-2005	14	4435.45	915.47
2005-2006	56	15895.91	3280.89
2006-2007	21	4922.50	1016.00
2007-2008	33	30949.26	6387.88
2008-2009	12	893.42	184.40
2009-2010 (Till Jul,09)	7	11990.47	2474.81

Source: PRIME Database

Indian Companies Become One Of The Biggest Fund Raisers In Overseas Markets

The \$1.5 billion (Rs.7,305 crore) ADS issue of Sterlite Industries, a subsidiary of London-listed Vedanta Resources Plc. and India's largest copper producer, closed in just six hours on 16th July 2009. It was the largest U.S. share sale by an Indian company in the last two years. Earlier, India's largest private sector bank ICICI Bank had raised \$2.46 billion through ADS offering in June 2007.

The other big fund raisers through ADR/GDR route in the recent weeks are, by the world's sixth largest steel maker Tata Steel Ltd(\$500 million), India's largest private power producing company Tata Power (\$335 million) and the world's fifth-largest wind-turbine maker Suzlon Energy Ltd(\$110 million).

Tata Steel's \$500 million GDR issue is not only the largest ever Indian Global Depository Receipt (GDR) offering in London, but also one of the biggest new equity issues to be conducted by a company outside its home market on any global exchange in the last 12 months.

"As a globally ambitious Indian company, with significant operations in Europe, Tata Steel is a high profile addition to our markets. Tata Steel's listing demonstrates that London remains the market of choice for companies from across the globe seeking to access a truly global pool of international investment capital and benefit from trading on the International Order Book, the world's most liquid trading platform for GDRs". London Stock Exchange Group's Xavier Rolet, Chief Executive appreciating Tata Steel's offering said.

Prithvi Haldea, CMD of PRIME Database, however warns that it should not be viewed as hype. "Investors are still very selective in what they are buying. They are willing to look at investment opportunities from credible companies with a substantial track record and where the pricing is attractive," he says.

Indian Markets Outperform The U.S. And Asia On The Back Of FII Buying

The outperformance of the Indian equity markets in the recent months can directly be attributed to the renewed buying interest of the foreign institutional investors (FIIs). July 2009 is set to become the fifth consecutive month in which the FIIs have made net purchases on the Indian bourses. March 2009 proved to be the turning point when FIIs turned buyers again after almost a year. From May 2008 to February 2009, they had been on a selling spree (barring December 2008) in India due to global worries. The selling in India during this period was also due to the fact that India was one of the few markets where they could have sold their old stock investments in profit even after a significant decline from the peak.

Since March 2009, the net FII purchases in this year have now reached almost \$8 billion including \$4.15 billion in May 2009 - the month in which the United Progressive Alliance (UPA), India's ruling coalition gained a clear majority in the elections for the lower house of the Indian parliament setting aside the political uncertainties. In line with the FII buying, India's benchmark index Sensex has moved up from 8,110 on March 09, 2009 (the lowest of the year 2009 so far) to 15,379 on July 24, 2009 scoring a 90% gain in just about four and half months. Earlier, in contrast, FIIs had made net selling on the Indian bourses to the tune of \$11.97 billion during the year 2008. Accordingly, Sensex had fallen from 20,287 on December 31, 2007 to 9,647 on December 31, 2008 registering a decline of 52.4%.

It's important to note that although the rally in Indian market during March to July has been a part of global rally, but it has outperformed the indices of other emerging markets and the U.S. Dow Jones Industrial Averages Index, which also touched its low of 6,440 on March 09, 2009 has since moved up 41.2% to 9,093 on July 24, 2009. In Asia, Nikkei of Japan has moved up 41.5%, while Hang Seng index of Hong Kong and Straits Times of Singapore have scored 76.1% and 73.8% gains respectively in the same period.