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Mint

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Local investors drive market, FII flows may revive ▶ P14


JSW Energy plans ₹15,000 cr capex to drive growth ▶ P14

SENSEX 79,996.63 ↓ 53.04

NIFTY 24,323.85 ↑ 21.7

DOLLAR ₹83.49 ↑ ₹0.01

EURO ₹90.39 ↓ ₹0.23

OIL \$87.92 ↑ \$0.58

POUND ₹106.78 ↓ ₹0.32

Sovereign funds flock to India amid FII, PE caution

Indian bonds' entry into global debt indexes may tempt sovereign funds further

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MUMBAI

Some of the world's largest sovereign wealth funds, including Singapore's GIC Holdings Pte. Ltd, Abu Dhabi Investment Authority, and Kuwait Investment Authority, have significantly increased their investments in Indian stocks and startups the past few years.

These three funds held a collective ₹5 trillion, or nearly \$60 billion, in Indian stocks as of 31 March, show data compiled by *Mint*. Of that, about ₹2.57 trillion (about \$30 billion) was invested over the previous three financial years (2021-22 to 2023-24).

Sovereign funds are doubling down on India at a time when global private equity firms, venture capital funds and other growth-stage investors are taking a measured approach to backing domestic companies.

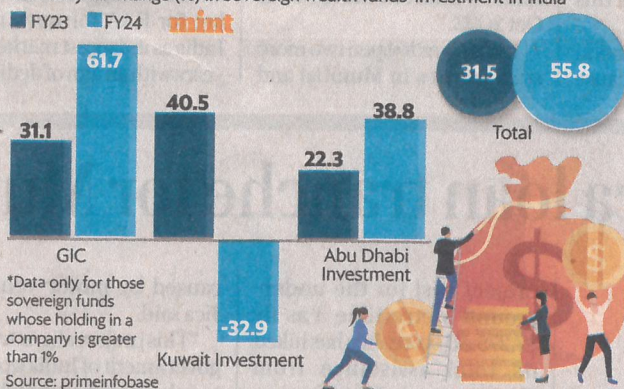
Their growing interest in Indian markets also comes amid a tapering of foreign institutional investment (FII) in the country, although analysts expect FII flows to rebound in the second half of this year. FIIs net sold ₹146.29 crore worth of equities between 1 January and 2 July.

The recent inclusion of Indian sovereign bonds in JPMorgan

WEALTH EFFECT

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Year-on-year change (%) in sovereign wealth funds' investment in India*



DOUBLING DOWN

GIC, the most bullish, holds ₹2.5 trillion in Indian companies

ADIA is reportedly setting up a \$4-5 bn fund to invest in India

INDIA as a bright spot among EMs is attracting these funds

Chase & Co.'s global debt indexes is also expected to boost the country's appeal to sovereign funds.

Earlier this week, ADIA, the largest sovereign wealth fund in the United Arab Emirates, invested as part of the anchor round in Emcure Pharmaceuticals Ltd's initial public offering. It is also looking to team up with private equity firm Blackstone to acquire a controlling stake

in Haldiram Snacks Food Pvt. Ltd, as *Mint* reported earlier.

ADIA also pumped in ₹1,400 crore in growth-stage beauty and personal care startup Purplelle last week, and is set to invest ₹2,001 crore in four residential projects of real estate developer Prestige Group along with Kotak AIF.

The Singapore government's GIC is the most aggressive among the

three sovereign funds, holding as much as ₹2.5 trillion in Indian stocks. It has invested in high-profile domestic stocks including HDFC Bank Ltd, Reliance Industries Ltd, ICICI Bank Ltd, Bajaj Finance Ltd, and Larsen & Toubro Ltd.

The Kuwait Investment Authority, or KIA, and Norway's Norges Bank hold more than ₹1.5 trillion in Indian stocks, as per PrimeData. This data captures stakes of more than 1% held by these firms.

Experts say India is a natural ally for several sovereign wealth funds and the only bright spot among emerging markets.

"India is a high-growth market that these firms are keen to invest in. We have seen that they have increased their deployment rate over the last 3-4 years and this is likely to continue going forward," said V. Jayasankar, managing director at Kotak Investment Banking.

Sovereign funds are equally evaluating investment opportunities across public and private deals, he added. ADIA is reportedly setting up a \$4-5 billion fund to invest in India through Gujarat International Finance Tec-City, or GIFT City, a tax-neutral finance hub in Prime Minister Narendra Modi's

Sovereign funds eye India as FIIs, PE stay wary

FROM PAGE 16

home state of Gujarat. Sovereign funds are also steadily increasing their exposure to private companies in India.

Last year, ADIA invested as part of a \$400-million investment round in eyewear-maker EssilorLuxottica. It also invested in renewable energy firm Greenko Group and Reliance Retail Ltd, bringing \$21.6 billion into India over the last five years ending FY23, shows data from Venture Intelligence.

GIC pumped in \$16.7 billion between 2019 and 2023, with electric-scooter company Ather Energy Pvt. Ltd, Greenko, software firm Atlan, and Sterlite Power among its key investments.

Mubadala Investment Company, another Abu Dhabi-based sovereign fund, and Qatar Investment Authority, among others, have also been pumping in billions of dollars into the Indian market, data show.

“Indian founders have learnt the value of investors who have lower cost of capital and a longer holding time horizon as compared to PE/VC investors,” said Kashyap Chanchani, co-founder and managing partner of investment bank The Rainmaker Group. “On the other hand, the sovereign funds are seeing more opportunities in the private markets, which favours their risk-reward trade-off than anytime before.”

Bankers and industry experts say India is currently in a sweet spot for these deep-pocketed investors, and they see the inflow increasing steadily over the next 5-7 years.

“India being one of the largest and fastest-growing economies offers a promising growth story and is becoming a natural choice for investment for sovereign wealth funds,” said Neha Agarwal, managing director and head of equity capital markets at JM Financial. Political stability and many path-breaking reforms in the last decade have helped in attracting a large pool of capital from sovereign wealth funds in the secondary markets, she added.

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