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OVERSEAS CAPITAL RAISING FAR EXCEEDS DOMESTIC MOBILISATION IN 1999-2000 : PRIME

In the recently concluded fiscal 1999-2000, a total of Rs.4946 crore (US \$ 1.14 billion) was raised by Indian corporates in equity through the GDR/ADR route according to Mr.Prithvi Haldea of PRIME, the country's premier data base on the primary capital market. The 6 companies which raised money were ICICI (Rs.1367 crore), Gas Authority of India (1085), Satyam Infoway (975), ICICI Bank (760), SSI (434) and Tata Tea (325).

Compared to the overseas raising of Rs.4946 crore, the total equity mobilisation from the domestic market through public issues, despite all the buoyancy, was only Rs.2975 crore, according to PRIME. Clearly, the foreign capital market helped Indian corporate sector raise much larger resources.

It may be mentioned here that during 1998-99, just 2 companies had raised money abroad aggregating only Rs.1107 crore (US \$ 255 million), these being Infosys and Videsh Sanchar Nigam. The peak raising, according to PRIME, was in 1994-95 at Rs.9455 crore (US \$ 2.18 billion) by 32 companies.

Looking ahead, this trend may be sustained. While the domestic market is being flooded with IPOs, the rush is also on towards obtaining listings on overseas exchanges. While the initial rally will be led by the knowledge-based companies, listings from the traditional companies are likely to follow in due course of time.

According to PRIME, there are already at least 60 companies who have publicly announced their plans to seek an overseas listing. In fact, the new fiscal has started on a positive note with Zee Telefilms soon slated to raise a huge Rs.6510 crore (US\$1.5 billion) through an ADR issue.

The forthcoming overseas issues are dominated by the I.T.sector with at least 30 companies in the fray as per PRIME data base. These include Aptech, Bharatplanet, BSEL, Caltiger, Datamatics Technologies, HCL Technologies, Hexaware, Hughes, ICICI Infotech, ICICI Web Trade, Indiainfo, Indiaonline, Indiatimes, L&T Information Technologies, Mahindra Information Technology, Mastek, MTC, Netlinx, NIIT, Orient Information, Pentamedia, Pentasoft, Rediff, Resonance, Rolta, Satyam Computers, Silverline Technologies, Vedika, Vision Technology, Wipro and Zap.

From the other sectors, the intention for overseas listings have been announced by Bank of Baroda, Bharati Tele-Ventures, Dishnet, Dr.Reddy's Laboratories, Gramophone Co., Gujarat Ambuja Cements, IOC, IDBI, Mahindra & Mahindra, Mahindra British Telecom, Morepen, Nicholas Piramal, Ranbaxy, RIL, RPL and Shanta Biotech. It would be noticed that majority of these companies are from the telecom or pharma sector.

The success of Infosys which listed at NASDAQ in March 1999, coupled with continued buoyancy at that stock exchange, is responsible for this rush according to Mr.Haldea. There are already 12 companies in advanced stages of discussions with NASDAQ. Enthused by the response, NASDAQ has, infact, now decided to open a representative office in India while the New York Stock Exchange is also wooing Indian companies for listing.

It is worthwhile to mention that over 5000 companies are currently listed at NASDAQ and the total trading volume in 1999 was nearly US\$ 11 trillion. In 1999, as many as 600 IPOs were listed on the exchange, of which nearly 200 were of dot com companies. Only 2 of these were from India.

Presently, Infosys is the only Indian company listed at NASDAQ which also has a domestic listing. (The other company is Satyam Infoway, but it is not listed in India). According to Mr.Haldea, this situation may have already changed but for the concern raised about export of India's capital market which led to the relaxation by SEBI allowing I.T.companies to offer only 10 per cent of their capital in a domestic float. Nevertheless, as several I.T. companies will not be able to comply with another SEBI guideline requiring a 3-year profit record in order to charge a premium, there will be many companies opting for the overseas route.

The only concerns which can spoil the great rush for overseas listing, Mr.Haldea feels, are the current levels of volatility and the rethinking on the valuations of the I.T.sector which has led to the huge fall in the NASDAQ index.