

17th May, 2001

Annual Review

GDR/ ADRs MOBILISATION SET TO REVIVE AFTER A DULL YEAR

With the domestic primary market continuing to be in a state of turmoil and eligibility criteria for domestic listing for several large corporates not being very conducive, the attention seems to be shifting towards the overseas capital markets according to Mr.Prithvi Haldea of PRIME, the country's premier data base on the primary capital market. As per PRIME, there are at least 60 companies who have, in the past one year, announced their plans to raise resources through an overseas listing. The preferred route this time, however, appears to be NYSE and LSE and not the NASDAQ which has witnessed extremely turbulent times.

At least 25 companies, according to PRIME, are actively pursuing their plans, going by the recent announcements. Prominent among these are Bharti Tele-Ventures (US\$ 200 million), BPL Communications (200), HCL Technologies (500), HDFC Bank (175), Mascon Global (40), Reliance Infocom and Reliance Petroleum (1000). Of these, BPL, HCL and Reliance Petroleum have already obtained Government approval.

Others include Apollo Hospitals, Ballarpur Industries, Bank of Baroda, Birla-Tata-AT&T (150), Corporation Bank, Global Trust Bank, Hindalco, ICICI Infotech, IDBI (200), Indal, L&T Infotech, Oriental Bank of Commerce, Pentamedia Graphics, Shantha Biotech, Sterlite Optical Technologies (100) and UTI Bank. It is also reported that the software giant TCS is actively examining an overseas IPO offering.

According to Mr.Haldea, the new fiscal, in fact, has already started on a positive note with Dr.Reddy's Laboratories raising Rs.619 crore (US\$ 133 million) and Satyam Computers raising Rs.662 crore (US\$ 141 million) both through ADR offerings at NYSE.

Despite the dismal scenario at NASDAQ, the capital raising in the current year is expected to far exceed **Rs.1764 crore (US\$ 389 million) which have been mobilised in the recently - concluded fiscal 2000-01.** The 5 corporates who had helped raise this money were Wipro (Rs.607 crore), Silverline Technologies (Rs.483 crore), Aptech (Rs.377 crore), Rediff.Com (Rs.284 crore) and Usha Beltron (Rs.52 crore).

The mobilisation of Rs 1764 crore in 2000-01, according to PRIME, marks a decline of 65 per cent compared to 1999-00 which had seen 7 corporates raise Rs.4991 crore (US\$ 1.15 billion). These 7 companies were ICICI (Rs.1372 crore), Satyam Infoway (1031), Gas Authority of India (945), ICICI Bank (763), SSI (437), Tata Tea (328) and Jindal Strips (Rs.115 crore), the last being a convertible bonds issue.

It may be mentioned here that during 1998-99, only 2 companies had made GDR/ADR issues aggregating Rs.1084 crore (US \$ 255 million), these being Infosys and Videsh Sanchar Nigam. **The peak raising was in 1993-94 at Rs.7904 core (US \$ 2.51 billion) by 27 companies.**

The reason for the massive downward trend in 2000-01, according to Mr.Haldea, is clearly the outcome of the crash at NASDAQ in April last year which has increasingly made raising of capital difficult. It may be recalled that the success of Infosys which had listed at NASDAQ in March 1999, coupled with continued buoyancy at that stock exchange, had opened the floodgates, leading to NASDAQ even deciding to open a representative office in India.

By early 2000, over 100 Indian companies were in the pipeline for a listing at NASDAQ, according to PRIME. While companies were still gearing up to meet NASDAQ's listing and disclosure requirements, the crash occurred which led to shelving of issue plans. As an example, Zee Telefilms which in early 2000 had announced its plan of the biggest ever Indian overseas IPO of US\$ 1.5 billion, has still not been able to tap the market despite scaling down its issue size successively. In reality, during 2000-01 only 1 company went for listing at NASDAQ (Rediff). Of the other, 1 opted for listing at Luxembourg (Usha Beltron) while the remaining 3 went to NYSE.

Significantly, Infosys still remains the only Indian company listed at NASDAQ which also has a domestic listing according to PRIME. The other NASDAQ-listed Indian companies are Rediff.com and Satyam Infoway, both of whom are, however, still not listed in India. This trend, Mr.Haldea feels, may continue despite the relaxation by SEBI allowing companies to offer only 10 per cent of their capital in a domestic float subject, of course, to a market cap requirement. Nevertheless, as several companies will not be able to comply with another SEBI guideline requiring a 3-year profit record in order to charge a premium, most companies would opt for the overseas route.