

Foreign equity issuance lacks pull

Close to no takers for this route in 2014, unlike the past; experts feel better ways now of doing so at home

Sachin P Mampatta | Mumbai December 29, 2014 Last Updated at 00:40 IST



The number of Indian companies raising foreign equity capital in a year was the lowest in 2014 since the economy was opened in 1991.

There has only been one issue so far, says PRIME Database. The only other time there were so few issuances was in 1998, which also saw only one issue.

Videocon industries raised \$45.2 million (Rs 270 crore) on December 19. No capital at all was raised through the route in the first 353 days of the calendar year.

In absolute amounts raised in foreign capital, 2014 is the third lowest year. The year 1998 saw \$13.5 million raised, while two issues in 2013 raised a total of \$40 million.

In all, Indian companies have raised Rs 1.16 lakh crore through 324 issues since 1992. An average of more than one a month, and a little over Rs 5,000 crore in capital a year.

Vibrant domestic markets and regulatory changes might have resulted in companies instead raising capital at home, say experts.

Atul Mehra, managing director, investment banking, at JM Financial, says there are four reasons for companies wanting to tap foreign capital. These are liquidity, ease of raising capital, to diversify their shareholder base and the ability to raise capital at a premium to the domestic underlying price.

"There is plenty of liquidity chasing stocks in India. Companies can now raise as much money as they want and much faster since the guideline for QIPs (qualified institutional placements) have been introduced," he said.

QIPs are a faster means of fundraising, where shares are sold only to institutional investors. Reliance Communications raised Rs 4,808 crore through QIPs in 2014. It opened the issue on June 24 and allotted the shares eight days later.

Mehra
added
most
foreign

NO LONGER LOOKING ABROAD

Year	No. of deals	Amount (\$ mn)	Year	No. of deals	Amount (\$ mn)	Year	No. of deals	Amount (\$ mn)
1992	2	240.42	2000	10	977.16	2008	16	489.76
1993	5	340.37	2001	4	486.24	2009	25	3,720.33
1994	40	3,041.27	2002	4	86.78	2010	38	1,174.03
1995	4	304.02	2003	8	126.21	2011	19	553.50
1996	11	1,351.25	2004	11	272.70	2012	4	161.88
1997	5	1,089.74	2005	41	3,181.03	2013	2	40.00
1998	1	13.50	2006	36	2,035.93	2014	1	45.22
1999	5	906.61	2007	33	7,552.09			

Source: Prime Database

investors also have a presence in India now, allowing them access to Indian securities directly. So, the premium for foreign-listed securities has come down.

"There might be some demand if the domestic equity market is weak. But India has been doing well recently and there has been plenty of opportunity for fundraising. This is also likely to have weighed against going to foreign markets," said Ajay Saraf, executive director at ICICI Securities.

In fact, India has been the best performing among emerging markets this year, up 28 per cent. Foreign portfolio investors have been net buyers by Rs 98,000 crore this calendar year. Indian companies have raised a total of Rs 36,324 crore of capital through equity fund raising in 2014, according to PRIME Database.

Mehul Savla, director at RippleWave Equity, said higher compliance requirements had also resulted in a decreased interest in foreign listings. "The regulatory requirement for US markets has gone up with the Sarbanes-Oxley Act, which place higher compliance requirements on company officials. Also, Indian markets have a lot more participation from global players," he said.