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INVESTORS' HIGHWAY

The need to revitalize the Indian capital market has been a constant endeavour for all associated with stock markets to look for a necessary magic potion to breathe in fresh life

Time and again government regulators, market intermediaries and investors have discussed market issues to create a platform for a better performance.

At the 'Financial Markets' Conclave organised by the Confederation of Indian Industry (CII) eastern region in Kolkata on March 13, finance experts, stock market intermediaries, SEBI, corporate houses, media and an economist, got together to analyse the cause and possible medication to rejuvenate a market to perform to expectations of all.

In his introductory message, chairman CII eastern region, RK Agrawal, said that Indian markets were not competitive enough to attract participation as costs of trading were high. Investments by foreign and domestic institutions could increase significantly had cost of transactions remained at attractive levels. This would have also induced investments from small and retail investors.

Talking of policy perspective of the financial markets chairman, Financial Market Core Committee, CII eastern region, Bijay Murnumura, highlighted the performance of the Indian capital market that is now 'rooted in the performance of the corporate sector as well as being well governed by regulators.'

Global economic concerns coupled with a slowdown of the Indian economy had dampened its growth prospects. However, the recent policy announcements by the government and improvements in MSCI Emerging Market indices from January have laid hopes for a recovery. Murnumura laid hopes in India's growth story that is backed by domestic consumption, demographic advantages, a stable financial system and India's location in the significant growth in the BRICS and SARC countries, increased corruption and governance, high volatility of the rupee and rise in current account deficit and NPSAs.

Revitalizing Indian Capital Market - a study report on the Indian capital market prepared by CII and CARE Ratings was launched. Highlighting its salient points, MD & CEO, CARE Ratings, Dr. S. K. Menon, said availability of adequate liquidity except for the top twenty stocks posed a problem. In the absence of a standardised pricing strategy of IPOs, "even bad IPOs sell at high prices in good times taking gullible investors for a ride".

Market makers thus can play a significant role in promoting liquidity in the market. Reduction of fees and charges would help the market to be more attractive globally, while policies should

aim at empowering authorities to curb insider trading.

"We have laid down an eight-lane highway," said senior vice president, National Stock Exchange (NSE), Ravi Varanasi, "but few cars to take the fast lane". While talking of the current and future trend in the Indian capital market, he

economies, especially those in the Asian countries. Costs of trading need to come down to allow the Indian markets to be competitive globally. Reduced costs would also induce small and retail investors to find market instruments attractive when compared to others where investments remain idle.



L - R: Regional director, CII eastern region, Dr Saugat Mukherjee; chairman, Economic Affairs, Finance & Taxation Sub-Committee, CII eastern region, SK Menon; senior vice president, The National Stock Exchange of India Ltd, Ravi Varanasi; chief general manager, SEBI S V Krishnamohan; managing director & CEO, CARE Ratings, DR Dogra and chairman, Financial Market Core Group, CII eastern region, Bijay Murnumura, at the summit

mentioned that "infrastructure was good enough but lacked the zing to attract all, more importantly the small and retail investors and household savings." In his view, these niche clients have different risk profiles. Therefore, a new set of services, products and distribution channels is required to reduce their costs and earn a fixed income. If necessary "a new set of products need to be designed to attract small and retail investors. These should have built in mechanism to provide long term returns from investments made. Further the quality of papers was a concern as nearly all small and retail

Attracting small and retail savings to the market was also echoed in the voice of the regulator. Chief general manager, SEBI, S V Krishnamohan felt that aggressive pricing by issuers leave very little for small investors to benefit from IPOs. He explained the regulator's proposal to provide a 'safety net' to small and retail holders. It proposes to allow a 'buy back of five per cent of the issue size' by issuers if the market price falls by 20 per cent within the first six months of the IPO, subject to a cap.

However, recommendations to fine tune the proposal was sought. Krishnamohan felt that the rise of investor presence in the market would auger well and in a process enforce corporate governance and the use of fair practices. Since 2010 as many as 123 companies have used the IPO route to raise funds from the market, out of which 81 per cent of them are trading below market price. After discounting for the recent fall in the market it is noted that 55 stocks have fallen below their issue price. This has had effects by dampening sentiments of retail investors making fresh enquiries in the market.

Chairman, Economic Affairs, Finance and Taxation Subcommittee, CII eastern region, S K Menon, said in his concluding remarks "that reforms process have to continue with regulators and corporate houses working hand in hand". Regional director, CII eastern region, Dr Saugat Mukherjee, was also present at the summit.



L - R: Senior vice president, NSE, Ravi Varanasi; investment advisor, CA S P Tulsian; former executive director, SEBI & Consultant, World Bank & IFC, Pratip Kar; CEO, India Alternatives Investment Advisors (P) Ltd, Shwanti Bhasin Sachdeva; managing director & CEO, Peerless Funds Management Co Ltd, Akshay Gupta and deputy director, CII eastern region, Abhishek Raychowdhury

Growing the money

The growth of a money plant has eluded stock markets as a constant factor. Market sentiments, to remain on a growth path, need various forms of nourishments, improvement in global and domestic economies, liquidity, good corporate practices and a well governed regulated trading platform.

Speaking at the first technical session of the finance conclave, former ED, SEBI and consultant, World Bank and IFC, Pratip Kar, said, "Capital market is such that you cannot bring about an overall change by just tinkering and small making changes". Growth in the secondary market is driven by FIIs.

What is lacking is a dominant presence of small and domestic investors who reflect a well established economy. Analysing the present Union Budget, investment adviser, S P Tulsian, said more than the quantum, the downward trend is worrying and stressed on fiscal consolidation as a prerequisite for economic growth. Though he mentioned the fact that nothing much could be done when election looks upon, he said the policies proposed were more or less on the right track. What was worrying at the state was high current account deficit, high inflation and a slow growth rate of GDP. He also mentioned that the market would have appreciated

announcements for oil and gas and power generation industries.

"Risk management in a non performing market is most likely to be overlooked by all," said treasurer, Citicorp Finance India, Amit Chhawcharia. "Risk is omnipresent and one needs to learn to identify risks to implement proper steps to rectify the same. Much can be saved by their identification and proper management. Judicious investments are made when one takes into consideration safety, liquidity and returns of any instrument and in protecting savings from inflation.

In the past three years private equity funds have generated four times more money than IPOs in India. Mentioning this CEO, India Alternatives Investment Advisors, Shwanti Bhasin Sachdeva, said preference for PE funds is on the rise as it allows a safe route for promoters to exit.

MD & CEO, Peerless Funds Management, Akshay Gupta, said that "with promises of very high returns they have lured small and marginal investors to park funds, much of which is never returned. Lack of investor awareness is the single most cause of this malady.

President, ANMI, Rakesh Somani, pointed out that most Indian stocks are trading at 30 per cent of their peak values and thus offer an investment opportunity for long-term positions.

The market would have appreciated favourable policy announcements for oil and gas and power generation industries

CA & INVESTOR ADVISOR, SP TULSIAN



Fact or fiction?



L-R: Chartered accountant and investment advisor, SP Tulsian; president, ANMI, Rakesh Somani; deputy managing editor, Mint, Tamal Bandyopadhyay; CMD, Praxis, Prithvi Haldea and professor of economics, Jadavpur University, Prof. Ajitava Raychowdhury

How much of India's growth story is based on the performance of its real economy? The round table discussion on India Growth Story brought forward observations that were more than just a revelation. While the present finance minister is talking of a growth of eight per cent to propel India's growth, the

apex bank RBI feels it would require seven per cent, while the economic survey pegs it between six and seven per cent. Whether fact or fiction, the Indian growth story seems to be tapering off.

Deputy managing editor, Mint, Tamal Bandyopadhyay, who moderated the round table, pointed out that in a repeat since

1991, labour has been moving out from rural areas to large cities "looking for jobs". Various government policies have not addressed problems at the core.

How much of the growth story is based on the real economy of the country? Is there a correlation between the market and the real economy, or is there a very serious

disconnect? Providing the market's perspective SP Tulsian said that post the policy announcements from the Union government, foreign institutions have looked at Indian markets favourably, but have yet to make a big entry.

Chairman and MD, Praxis, Prithvi Haldea, was of the opinion that that markets today is "in the grip of a handful of operators." Foreign Institutional Investors rule the secondary market making entry and exits at suitable junctures.

"Simple laws and better enforcement are the need of the hour to improve corporate governance," said Haldea.

Putting forward an economist's view Professor Ajitava Raychowdhury of Jadavpur University said the discord remains as systems are not adept to handle present situation in the country. On one hand banks in India have funds for investment, but have a rising number of NPAs that withhold investment decisions.

To ensure a reasonably steady growth the government machinery has to eliminate 'rent seekers'. Also it's a fact that domestic institutional funds are mostly deployed in secondary markets and does not come much of a help for the retail and small investors.

