

## **Hong Kong Trade Development Council**

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Hong Kong Trade Development Council

**Would you anticipate the downturn in the EU and the US to affect India's external trade while India's banking and financial health remain intact?**

You see the impact of the Euro crisis: it will be wrong for anybody to presume that it won't have any impact in any other parts of the world, including India and other emerging markets. But the fact remains that the banking sector in India or the financial sector in India is very strong. And it is strong for the following reasons; one of which is that the prudential regulations in India are very tight and the capital adequacy is strong, there can temporary problems about assets quality and things like that, but on investments by the banking system the regulations have been very strong. There have been sectoral caps, there have been caps about what activities they can take up or they can't. So my assessment is that the financial system in India is very robust, and we have seen problems of 2008. In 2008 also, while the whole world faced problems - and some of it got transmitted to India as well - but our institutions were able to face it very strongly and we came out very fast. So my feeling is that the financial system in India will remain robust.

**You talk of tight regulation. What are the implications for India opening its banking and financial markets to foreign institutions?**

I will be exceeding my authority if I take any call on what the parliament of India is going to legislate, especially at a time when the parliament is in session, but my feeling is that a strong consensus is emerging that there have to be opening of the gates and making of things more liberal for foreign investment in various sectors of the financial industry. I am talking, for example, of the pension regulatory authority. I am not sure what is going to happen in the insurance sector in this session of the Parliament, but I believe there is a strong consensus emerging about (a) pension regulatory bill being passed.

**Your portfolio covers Indian investment across the whole of the Asia Pacific ....so do you see broad regional investment in India?**

My case is the following: the current multiples at which the companies of India

are trading, or the index is trading, is a very attractive multiple. There had been instances in the last four or five years, where India indices or companies have been trading at multiples several times higher than the rest of the world. And we were able to attract money. My feeling is that once the global mood stabilises, once there is a feeling that the European problem is not going to declare any further major problem and foreign investors start looking at various opportunities across the globe, they will find India very attractive. Also for the reason that although our growth will slow down or has started to slow down a bit, our assessment is it will still remain very high compared to many, many parts of the world. We will remain No.1 to No. 3 so far as the growth is concerned. With a very active, young population, where productivity is bound to rise, that will also contribute to it. To sum up, my feeling is that once the investors start looking for opportunities in various parts of the world, India will be a very important and attractive destination for them.

**To what extent do you see India's securities markets being attractive particularly to Hong Kong-based institutions – perhaps in finance or other areas?**

My feeling is that Hong Kong has emerged as a very strong financial centre, especially in Asia, and the requirements of India, for example, are fields of infrastructure. Government has started liberalising the debt ceilings for investors across the world in the infrastructure sector in India. I would argue that they will find this sector very attractive. And there are one or two issues with regard to coal or power at the moment, but these are getting addressed, and the need for infrastructure in the next plan - we have a five-year plan, the next plan starts in 2012 - and the estimation is that India will require about 1 trillion dollars, and half of that will be through private sectors participation. So India will be an attractive destination both for debt and equity for example in the infrastructure sector. There are several sectors, financial sector can be very, very attractive - I find that in areas like pharma and IT also people are getting attracted. But when new money is being raised, when IPOs are happening, at that stage I think Hong Kong will be an important centre for Indian companies to raise money.

**Well, Hong Kong is establishing itself as a centre for overseas Rmb business. Are Indian businesses interested in this market, particularly when investing or trading in China?**

I see some thinking on those lines, but these are initial days for Indian

companies. But I would imagine that those companies which have some presence in China, or those companies which have some trade relations in China, they will perhaps be the first ones to start taking advantage of it. So the answer is yes, right now it's a very early stage, but the answer is yes.

**Hong Kong has also seen some of the largest initial public offerings globally in 2011. Are we likely to see Indian companies making forays into the Hong Kong IPO market, would you say?**

Yes, I think so, I think so. Because the Indian companies, right now for quite a few months, because of the global developments, the IPO market in India has become silent or stagnant. But to give an example, whenever the government of India starts divesting its stake in the public sector companies, Hong Kong will be a very important destination for all the companies. In the past also, Hong Kong has taken a lot of interest in India's divestment programmes or fundraising for new companies. I am sure it will continue to be that. Right now for quite a few months, things are at a standstill, but hopefully these things will recover. And as early as they recover, Hong Kong will see a lot of activity from Indian itself.

**At the Asian Financial Forum 2012 you're examining the implications for Asia of the global financial turmoil. Are you expecting the Forum to act as a "consensus builder" to counter any downturn?**

I don't think it can be the consensus builder, because that is a role which is given to other agencies, like Financial Stability Board or agencies which have connections with G20 or with the IMF. But a very strong view or consensus on how to tackle it from the point of view of financial sector industry, from the point of view of private enterprise - that may emerge. But the ultimate solutions lie with the agencies which are outside the purview of the activities we are going to see in January in Hong Kong. But there will be discussions and there will be a lot of deliberations, I think a consensus will emerge on what the private sector feels about this whole activity which is happening globally.

**So you're looking forward to what the Forum brings in 2012?**

Yeah, I do look forward to coming, definitely, definitely. I am looking forward to coming there and I think I will have a great visit and have opportunity to interact with many people, in addition my own session.