

MCX'SX

India's New Stock Exchange



Developments in the Indian Capital Markets

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Macro Economic Factors

Parameter	US	UK	China	India
GDP (\$ Bn) (2009 Est.)	14,270	2,198	4,750	1,200
Population (in Bn) (2009)	0.3	0.06	1.3	1.12
Market Cap. (\$ Bn) (Dec., 2009)	11,838 (NYSE)	2,796 (LSE)	2,705 (SSE)	1306 (BSE)
Gross household savings rate as percentage of disposable income (2008)	4.4%	2.5%	28%	32%
No. of tax payers (in Mn) (2007)	134	32	NA	32
No. of mobile phones (in Mn) (2009)	270	75	650	550
No. of internet users (in Mn.) (2008)	230	50	300	80
<i>Source: www.CIA.gov and Others</i>				

Indian Market: Where Are We

Parameter	Present	Future
Trading & Technology	Electronic	Algo trading & DMA, Mobile
Market Penetration	Semi-Urban	Urban → Semi-Urban → Block Level (Through Banking, mobile and first generation brokers)
Instruments	Equity F & O; Debt; ETF; FX – USDINR	Cross Currencies; IR (bond indices) & Credit derivatives; Strategy products; indices & Islamic products, etc.
Focus areas	FX;	SME; IR derivatives; Corporate Bond; OTC Clearing; new asset classes – Events, property, climate, hybrids, etc.
Risk Management	Pre margining	Real-time
Trading Cost	0.05%	0.01% and lower
Global Market Access	Nil	-Inbound and outbound investment -Global products in India -IDR for raising fund from India -Indian investors investing outside India

- Anchor investors for IPOs
- Fast Track Issues (FTIs) for rights & FPO
- ASBA (Application Supported through Blocked Amount)
- Option of French auction model for FPO in addition to book building
- Mutual fund platform for open ended schemes

Popular Modes of Fund Raising in India

- Public issues (IPO/FPO/)
- Rights issues
- Private placement
 - Preferential allotment
 - Qualified institutions placement (QIPs)
- Euro issues (ADR/GDRs)
- ECB & FCCBs
- Bank loans
- Combination deals (GDR/QIP and QIP/FCCB)
 - Lower discount and lower conversion premium

Resource Mobilization through the Primary Market				
	Calendar Year (Rs. Cr.)			
Mode	2006	2007	2008	2009
1. Debt	389	594	0	3500
2. Equity (incl. IPO)	32,672	58,722	49,485	23,098
3. Private Placement	117,407	184,855	155,743	238,226
4. Euro Issues (ADRs/GDRs)	11,301	33,136	6,271	15,266

(Source: Economic Survey 2009-10)

External Sources (Debt & Equity)

(US\$ Million)

Fiscal Year	ECB	FCCB	ADR/GDR	% Share of ECB	Sensex ¹
2006-07	20,163	5,189	3,776	69.2%	13,072
2007-08	24,987	6,138	8,769	62.6%	15,644
2008-09	17,452	743	1,162	90.1%	9,709
2009-10*	10,114	3,722	3,152	59.5%	17,465

Source: SEBI & *(Apr-Dec '09); ¹: Closing

Issuance Costs & Users

Mode	Issuance Cost*	Rate/Yield to Maturity*
IPO/FPO	5-8%	-
GDR/ADR	2-3%	-
ECB	1 to 1.5%	5 to 6%
FCCB	1 to 1.5%	4% with 30/40% conversion premium
Domestic Corporate Debt	0.50 to 1%	8 to 10%
Bank Loan	0.10 to 0.25%	

(*figures are variable based on various parameters & these are only indicative figures for discussion purpose)

No. of Issues/Issuers						
Year	IPO/ FPO	Bonds/ NCD/FCD/	QIP	ECB	FCCB	Euro Issues
2006-07	121	2	25		69	40
2007-08	120	4	38	557	67	26
2008-09	45	1	2	458	20	13
2009-10*	38	3	52	NA	NA	NA

*Apr - Dec '09 (Source: RBI & SEBI)

External Sources: Recent Developments

Recent Regulatory Changes

- Reintroduction of cap on borrowing cost (ECBs) (w.e.f. Jan '10)
- Disallow buyback of FCCBs (w.e.f. Jan '10)
- Allows revision of conversion price of FCCB for companies that issued prior to Nov 27, '08 (prior to new pricing norms)
- Issuers to get 6 months to adjust conversion price

New FCCB Pricing

- Minimum pricing based on the two weeks average prices to made them attractive even during bearish phase (earlier higher of the 2-week/6-month average prices)

Size of Corporate Bond Market

- The corporate bond market as % to GDP is ~2.3% as against 62%,43% and 34% in Korea, Malaysia and Singapore respectively.
- Share of corporate bond market in total debt market is ~4% compared to 40 to 50% in above markets.

Recent Initiatives

- Corporate bonds eligible for undertaking repos, however with a margin of atleast 25%
- The maturity of repo deals could range from 1-day to 1-year
- Settlement through clearing platform of stock exchanges
- RBI to introduce plain vanilla credit default swaps (CDS) for corporate bonds

Exclusive Services Offered at LSE

- Dedicated relationship managers
- Very active regulatory news service
- Capital market events
 - Bringing investors & companies together
- Active markets for large (MAIN) and small caps (AIM)
- **Professional Securities Market (PSM)** for companies to raise capital through the listing of specialist securities to professional investors
- **Specialist Fund Market (SFM)** for specialist investment funds

About MCX-SX

- MCX-SX, India's new stock exchange recognized by SEBI, and currently operates in the Exchange Traded Currency Derivatives segment.
- MCX-SX is promoted by the India's No.1 commodity exchange, MCX and a leading exchange technology solution provider, Financial Technologies (India) Limited.
- MCX-SX officially launched on October 6th 2008, offering a trading platform for USD/INR currency futures. The average daily turnover has been over \$ 3.4 billion with a market share of 56.6% in the currency derivatives segment.
 - w.e.f. 01.02.2010 the Regulators have permitted trading in additional three Currency Pairs namely: EUR/INR, GBP/INR & JPY/INR
- MCX-SX has over 650 members and over 4000 registered users spread across around 500 centres in India.
- MCX-SX will launch Interest Rate Futures, Cash Equities, F&O, Debt Products and SME segments on its platform, subject to regulatory approval.
- An independent approved Clearing Corporation, MCX-SX CCL is in place to undertake clearing & settlement activities for its members.



THANK YOU