India on Wall Street

By RAJESH MAHAPATRA

March 11, 1999, was a special day in India's business history. The leading software firm, Infosys Technologies Ltd., listed on the Nasdaq stock exchange, becoming the first Indian company to offer its shares on any American bourse.

Since then, eight more Indian companies have successfully listed on the New York Stock Exchange (NYSE) and two others have listed their shares on technology stock-heavy Nasdaq. Some of these companies have been among the best performing stocks on the NYSE and Nasdaq. Their success has encouraged others, and nearly half a dozen Indian firms are preparing forays into the U.S. stock market to gain global recognition and find new capital and acquisitions. Their ambitions are further supported by the political and economic ties between India and the United States, which have never been so good.

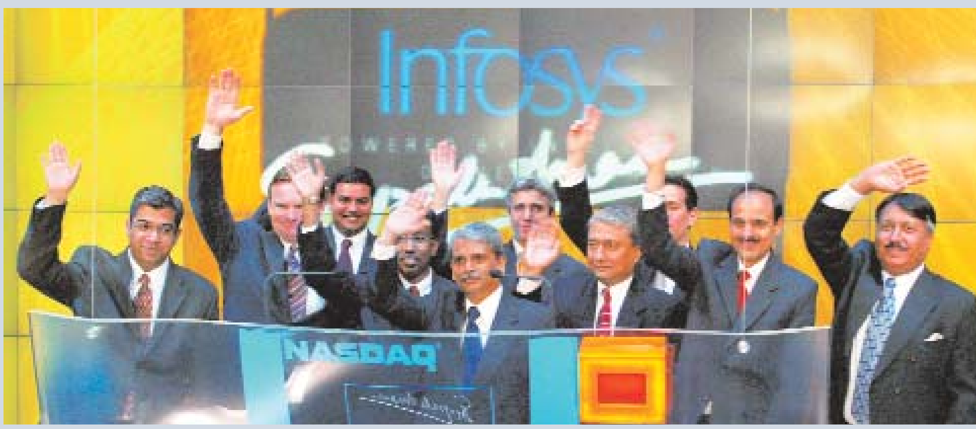
In the past 15 years—as India switched from a socialist-style development strategy to market opening, export-led growth policies—Indian companies have radically transformed their businesses, making them productive and competitive on scales comparable to international standards. Once they thrived under tax breaks from the government and a protected market at home, but today they want to compete in the global marketplace. So they seek greater visibility, more funds and better corporate governance. All that is well served by their shares being listed in the U.S. stock market, especially on the New York Stock Exchange—the world's largest with $13 trillion in market capital.

Though most companies have opted for the NYSE, the first Indian listing was on the Nasdaq, because the lead was taken by Bangalore-based Infosys. "We listed on the Nasdaq in order to build our brand, create high-value dollar stocks for our local employees and generate cash to fund our acquisition plans," says Infosys Chief Financial Officer T.V. Mohandas Pai. In India, Infosys pioneered the concept of stock options for employees and many today are millionaires. That has helped the company retain its best talent. In fact, raising funds for acquisition was a marginal factor in Infosys' decision to list on the Nasdaq, Pai says.

Global visibility

Global visibility is the main factor driving most Indian companies that have listed or plan to list on the U.S. stock exchanges. Some companies that had listed on the London or the Luxembourg exchanges have suspended trading there and moved to the NYSE. Tata Motors, the latest Indian stock on the NYSE, converted its global depositary receipts into American Depositary Receipts (ADRs) last September. The decision was guided by a desire to access the world's largest capital market, said Praveen Kadle, the company's executive director in charge of finance. Kadle said that the listing has given his company, India's largest automobile manufacturer, a global stature and enhanced the Tata brand, besides expanding its investor base and reinforcing its leadership status among Indian auto stocks.

Above, left: The tricolor at Nasdaq's market site in Times Square, New York, marking India's Republic Day in 2005.
Below: Deputy Managing Director and co-founder S. Gopalakrishnan and other Infosys officials open the Nasdaq market on March 11, 2004, the fifth anniversary of the company's listing.



"An NYSE listing brings in tremendous visibility and liquidity," said Dhiraj Shah, an analyst at Mumbai-based brokerage ASK-Raymond James Securities India Ltd. "It's also a seal of approval that you have finally made it to the top league."

The ringing of the opening or closing bell at the NYSE on Wall Street is often a top news event. Companies turn their listing events and anniversaries into well-orchestrated opportunities to entertain, inform and draw new customers. So when India's richest man, Azim H. Premji, rang the opening bell and listed his company, Wipro Technologies, in March 2000, he had Jack Welch, then chairman of the board of General Electric, to cheer him on. GE is a key client of Wipro, India's third largest information technology company.

For smaller, less cash-rich Indian firms, generating acquisition funds was a key objective behind listing their shares on the U.S. exchanges. Internet service provider Satyam Infoway, which followed Infosys on the Nasdaq, used most of its ADR proceeds for a $115 million acquisition of an Internet portal—one of India's biggest corporate buyouts at that time. Dr. Reddy's Laboratories, a leading pharmaceutical company, got on the big board of the NYSE in 2001, to raise funds for its expansion in the United States.

For many Indian companies that pursue global ambitions, growth through acquisition has been a preferred business model. For instance, Narendra Patni, the chief executive of Mumbai-based Patni Computer Systems Ltd., wants to triple his company's revenues to $1 billion, but doesn't want to wait too long. So his company bought out California-based Cymbal Corporation last year, accessing new businesses and winning new customers such as SBC Communications, the company that is taking over telecommunications giant AT&T. Now Patni Computers—India's sixth-largest software services exporter, whose clientele includes Coca-Cola, ABN Amro and Gillette—is eyeing more acquisitions and has planned at least a $100 million ADR issue for this purpose.

American investors

Indian company listings also benefit the U.S. stock exchanges, as their portfolios expand and they are able to offer American investors greater liquidity and more opportunities to participate in economic growth outside the United States. More than 460 companies from 52 countries are listed on the NYSE. Some Indian stocks have yielded among the best returns for retail investors. The Infosys share on the Nasdaq has appreciated more than eight times the price at which it was listed six years ago. On the NYSE, ICICI Bank's share price has nearly doubled in the past five years, while that of Dr. Reddy's Laboratories has increased about 70 percent since listing.

India's Profile on U.S. Stock Exchanges

Company	Month/Year of listing		Symbol	%age of equity held as ADS*	Closing Price on April 14 ($)
NASDAQ					
Infosys Technologies	Mar	1999	INFY	8.0	61.55
Satyam Infoway	Oct	1999	SIFY	6.8	4.05
Rediff.com	Jun	2000	REDF	NA	6.70
NYSE					
ICICI Bank	Mar	2000	IBN	27.3	19.06
Wipro Technologies	Oct	2000	WIT	1.45	18.90
VSNL	Aug	2000	VSL	12.9	8.55
Dr. Reddy's Lab	Apr	2001	RDY	16.0	17.05
Satyam Computers	May	2001	SAY	10.65	21.85
HDFC Bank	Jul	2001	HDB	19.5	43.13
MTNL	Nov	2001	MTE	11.0	6.29
Tata Motors	Sep	2004	TTM	6.4	9.7

*ADS = American Depositary Shares

What is noteworthy is that the listings have also helped build familiarity among American investors about Indian companies, making it easier to attract more retail investors. When Satyam Infoway offered its shares on the Nasdaq in October 1999, only 25 percent were subscribed by retail investors. Months later, a third of ICICI Bank's offering on the NYSE went to retail buyers and a year later about 42 percent of Dr. Reddy's shares were subscribed by retail investors.

The appetite for emerging market stocks is growing. But retail investors in the United States can hardly access Indian stocks unless they are listed there.

Stringent norms

Listing on the NYSE is not easy, however. Indian companies follow accounting practices that are significantly different from American standards. In order to list, a company must make its books compatible with the U.S. Generally Accepted Accounting Principles. It can take months, sometimes years, to fulfill this requirement.

"From the shareholders' point of view, this is good. It improves corporate discipline as the listing requires adhering to one of the most stringent accounting norms in the world," says Shah, the analyst at ASK-Raymond James.

For some of India's large industrial groups, however, the stringent accounting norms have hampered their plans to offer their stocks in the U.S. market. Three years ago, Reliance Industries, India's largest private company, asked its shareholders to surrender their shares under an ADR conversion plan, but it fell through. Analysts said that accounting and other required procedural norms were a main factor. The company only said its American listing was delayed.

Companies planning fresh ADRs are learning from the experience of the dozen Indian firms that are already listed in the United States. Also, top officials from the NYSE and the Nasdaq have visited India to enlist more companies from here and help Indian firms learn more about the procedures and norms of the U.S. stock market. During a 2002 visit, Georges Ugeux, group executive vice president of the NYSE, offered to help create a global equity market in India.

Still, only one Indian company—Tata Motors—has listed on the NYSE since 2002 and none on the Nasdaq after the dot.com bubble burst. This year, though, several companies are planning a Nasdaq or NYSE listing. These include India's second largest mobile phone service provider, Bharti Televentures Ltd., Allahabad Bank, software services firm Aftek Infosys Ltd. and storage media firm Moser Baer. Bharti Televentures aims to raise up to $200 million from a U.S. listing, says Sonal Kapasi, head of investor relations. "Our plans to list are part of our vision to have a global presence," she says, "and we think this is a good time." □

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