

Fiis registered in india name number finance essay

[Finance](#)



**ASSIGN
BUSTER**

FII's and their Growth:

3. 1 FIIs Registered in India – Name & Number :

Across the world the major portion of FIIs investment come from Pension Fund, Mutual Fund, Investment Trusts, Insurance Company, and Bank. One of the major driving force of the FIIs all over the world is to get maximum returns. As a result, there has been tremendous integration of world countries as the FIIs from across the countries always keep on travelling with the inbuilt objective of getting more returns. They not only try to get maximum returns but also try to diversify their investment namely equity market, debt market and so on. Normally what happens FII always spread out their resources (investment portfolio in various countries) with small amount across various countries buying the investment at comparatively low prices and encasing huge benefits by selling the same at best possible prices. But their small action leave many investors stunned, as even a small change in their portfolio can have far reaching impact upon the domestic stock prices. Now a days due to world shirking and countries becoming part of globalization process they can not avoid this in spite of being uncomfortable and some times feeling bleed also. FIIs investment being "HOT Money" has always uncertain flow which make the domestic country stock market highly volatile. In 2007, India achieved 8.7 % economic growth, and during this period FIIs made huge investment (Rs 67000 cr.). As a result the sensex and Nifty crossed their historic band of 20000 and 6000 mark, FIIs investment stood at historic highest figure i. e 66000 cr. and there was a great positivity that flew across the economy. But this positive trend of FII as well as of index of BSE and NSE could not remain intact. And 2008

came as a surprise to the world investors, country heads, global financial advisers. It was the year of global financial crisis which has had its roots in USA . It made the whole world bleed , India alone suffered withdrawal of Rs 50000 cr in 2008-09. by FIIs from Indian stock market. Having tasted this bitter exercises, there was an urgent need felt to pay heed to analyze the FIIs objectives, their flows, strategies, structure , investment plan and above " all their intension of investing". So there is always a need to study the FIIs investment in indian economy , in equity market, debt market, their share vs other FDI, FPI, NRI, GDRs, ADRs, DFIs etc. So there is always need on the part of the government to frame out their foreign investment policy by understanding the basic nature of FIIs. If we look at the historic data , over the years, therefore one of the most important features of the development of stock market in India in the last 20 years has been the growing participation of FIIs. Consequent to the liberalization of registration norms, the number of foreign institutional investors (FIIs) registered with the Securities and Exchange Board of India (SEBI) has increased from just 3 in 1993 to 1765 in 2012 (Table1) which includes Pension Funds, Mutual Funds, Investment Trust, Insurance and Reinsurance Companies, Endowment Funds, University Funds, Foundation or Charitable Trusts or Charitable Societies who propose to invest on their own behalf, Assets Management Companies¹⁰ (AMCs), Nominee Companies, Institutional Portfolio Managers, Trustees, Power of Attorney Holders and Banks. This positive development can easily be attributed to the positive development of economy as well as corporate sectors during the span of more than 20 years. This fact does not only reflect the confidence of FIIs towards the Indian economy but also show the

increasing importance of Indian economy as one of the major financial players of the world.

Table : 1

FII's registered with SEBI

Year FII's at the end of March Net Additions in FII's during the year

1993-	94
1994-95	156
1995-96	353
1996-97	439
1997-98	496
1998-99	450
1999-2000	506
2000-01	527
2001-02	490
2002-03	502
2003-04	540
2004-05	685
2005-06	882
2006-07	997
2007-08	1319
2008-09	1635
2009-10	78
2010-11	1722

Source : SEBI Annual Reports
 Diagrammatic Presentations of FII's Registered in India : Sources : SEBI Annual Reports from 1993 to 2011
 From just 3 FII's in 1993, in 2001-02, there were 490 foreign investors registered with SEBI (Securities and Exchange Board of India). The number increased substantially i. e 502 in 2002-03, 540 in 2003-04, 685 in 2004-05 . The story does not end here with FII's touching more heights in terms of their increasing numbers. The figure of FII's registration with SEBI was 882 in 2005-06, 997 in 2006-07. In 2007-8 FII's registered were 1319 which further increased to 1635 in 2008-9. However in 2009 the global financial crisis has affected the number of investors registering with the Indian capital market regulator. Despite the gain of almost 80 per cent in the equity market in 2009, the number of new FII coming to Indian has touched a six year low. The number of new FII's registered with the Securities and Exchange Board of India has declined 70 per cent in the 2008-09. Only 78 new FII's got registered with SEBI in 2009 against as many as 316 in calendar year 2008 and 322 in 2007. In 2010-11 FII's registered with SEBI got increased to 1722

and in 2011-12 the figure stood at 1765. With the increase in the number of FIIs, the number of subaccounts registered with FIIs has also hit an all-time high. The number of FII sub accounts has reached 5, 325 as on December 2009. And in 2012 there were 6322 sub accounts.

Some of the Prominent FIIs Registered with SEBI in India

Name of FIIs	No of Companies	Value in Cr. (as on 31 March 2010)
Deutsche Group	8435, 579	Citigroup 18423, 890
HSBS Global Investment	12618074	Morgan Stanley and Co. International 15416, 638
Merrill Lynch Capital Market	14215, 130	CLSA Asia-Pacific 429, 146
Goldman Sachs Investment Mauritius	1047307	JP Morgan 206, 835
UBS Securities Asia Ltd**	885, 847	Bear Stearns Asset Management Ltd. 862490
ABN Amro NV	451580	Lehman Brothers 14439

Source : Capital line** With its subsidiary Swiss Finance Corp.(Mauritius) Ltd. Deutsch Group: It is part of Deutsch Assets Management , was founded in 1956 in Frankfurt/Main. With fund assets under management of Euro 267 bn, the company is one of the top 10 companies worldwide. In Europe DWS is one of the leading mutual fund companies and currently manages euro 173 bn. In excess of more than euro 147 bn assets under management , DWS represents 22, 3 % of the fund market in German, making it the unchallenged number one. The International nature of its business differentiate DWS significantly from its domestic and international competitors. DWS investments' activities span all the key European Markets. In the USA, DWS is represented by DWS Scudder and manage s assets of euro 86 bn. In spring 2006, it launched its first funds as well as DWS brand in Singapore and India, continuing its successful expansion in the Asia-Pacific region. Thereafter, more funds were registered

in other countries in Asia-Pacific. Citigroup: Formed in 1998 created a new model of financial services organization to serve its clients' financial needs. As the company continues to grow and evolve, it's increasingly evident that such large, complex grouping of businesses can indeed succeed. With 275,000 employees working in more than 100 countries and territories, Citigroup's globality and diversity contribute to its continued success. HSBC Global Investment: It is one of the world's premier fund management organizations. It has established a strong reputation with institutional investors including corporations, governments, insurance companies, and charities the world over for delivering consistently superior returns. In India it offers fund management services for institutional as well as retail investors. Our array of products includes equity fund income/debt funds. Morgan Stanley and Co. International: It is global financial services firm and a market leader in securities, investment management, credit services. It has more than 600 offices in 27 countries and manages approx \$ 421 billion assets for institutional and individual clients around the world. Stanley Investment Management (MSIM), the assets management company of Morgan Stanley was established in 1975. Morgan Stanley entered in Indian market in 1989 with the launch of India Magnum Fund. In 1994, Morgan Stanley launched Morgan Stanley Growth Fund (MSGF). It is one of the largest private sector schemes investing into equities. DSP Merrill Lynch Capital Market Fund are managed by DSP Merrill Lynch Fund Managers. DSP Merrill Lynch Ltd. (DSPML) is a premier financial services provider and Merrill Lynch "(ML) holds 90 % stake in DSPML. DSPML was originally called DSP Financial Consultants Ltd. The firm traces its origin to D. S Purbhoodas & Co., a securities and brokerage firm over 140 years of experience in Indian market. Merrill Lynch <https://assignbuster.com/fiis-registered-in-india-name-number-finance-essay/>

is one of the world's leading wealth management, capital markets and advisory companies with offices in 37 countries and territories and total clients of approximately \$1.5 trillion.

3.2 Country wise Classification of FIIs:

In India the FIIs registered with the SEBI belonged to many countries. The major countries from where FIIs have hailed include Germany, Denmark, Switzerland, South Korea, Netherland, Mauritius, France, Australia, Hong Kong, Ireland, Canada, Singapore, Luxembourg, United Kingdom, USA, New Zealand, Japan, Malaysia, UAE, Taiwan, Sweden, Italy, Oman, Finland, Norway, Cayman Island, and many European, Asian and African Countries. The FIIs of these countries are making India as an attractive investment destination. As per the table USA has emerged as one of the major investor into India through this route of investment. Almost 35% of the total FIIs investing into India is hailing from USA which shows the comparative potential of Indian Economy as a whole in terms of better return. The figure of FIIs stand at 487. There were also sufficiently large FIIs from UK i.e. 230 which also constitutes 17% of the total FIIs registered in India. FIIs from other major countries like Canada, Luxemburg, Singapore have also good total numbers i.e. 61, 92, and 62 respectively. There has been a great thrust of FIIs investment from countries like UAE, Mauritius, Cyprus, and so on. The major reason for the big investment from these countries have been that there have been tax benefits associated with these countries. There are many factors which the FIIs consider while choosing the root of country through which they will make the investment. Such factors may include the overall goodwill of the country as a whole, political environment in terms of its

stability, tax benefits, and financial transactions cost and so on. There are certain countries like Singapore, Mauritius, UAE, Cyprus and many other with which India has signed DTA (Double Taxation Agreement). The countries with this agreement has been signed are called " tax heaven". Now due to major tax benefits offered by these countries , huge FIIs of the world are putting their investment into India through these countries. In addition to this a large number of many Asia's emerging countries are also showing great interest in India's economy. Some of these counties include Taiwan, Malaysia, Kuwait, Saudu Arabia, Japan and South Korea. Like from Japan alone 11 FIIs have got registered with SEBI, 10 FIIs from Taiwan, 14 from Malaysia, 23 from South Korea and so on. Its hoped that in the time to come, FIIs from other countries will make India as their investment hub.

Table : 2

Country wise Classification of FIIs (2008)

Source Country Number of registered FIIs
 Source Country Number of registered

Germany	14	Canada	61	Singapore	62	Japan	12	Netherlands	32	UAE	11	Australia	5
Taiwan	10	Mauritius	50	Sweden	10	Ireland	53	Italy	8	Hong Kong	53	Oman	7
Malaysia	14	Finland	6	Luxembourg	92	Norway	6	Ireland	53	Cayman Islands	5	France	23
Channel Islands	4	South Korea	23	Bahamas	4	Switzerland	22	British Virgin Islands	3	Denmark	17	New Zealand	2
Other European, Asian and African countries	29	USA	487	United Kingdom	230	Source : www. sebi. gov. in Total 1401							

Diagram ?**3. 3 Composition of FIIs Flows (GDR/FII/Off Shore Funds & others= Total FPI) ?**

Total FPI = GDR + FII + Off Shore Funds & Others

3. 4 FIIs Holding in Indian Companies viz Indian promoters, Foreign Promoters, DFIs, Mutual fund, Indian Public**3. 5 Comparative Investment by FIIs and DFIs****Year****Gross Purchase (a) (Rs. crore)****Gross Sales(a) (Rs. crores)****Net Investment (a-b)****Net Increase or Decrease****% Increase in FII Inflow****Cumulative Investment (crore)**

2000-0174, 051641189933

-

99332001-0250, 071413988763-1170-11 %186962002-0347,

062443722689-6074-69%213852003-041, 44,

8559909145764430751601%671492004-052, 16, 951171071458801160.

25%1130292005-064, 36, 97630550941467- 4413- 9. 61%1544962006-075,

20, 50648966530841-10626-25%1853372007-089, 48,

0188818396617935698115%2515162008-096, 14, 576660386-45811-

20368-30%2057052009-108, 46,

43870378014265896847211%3483632010-119, 92,

59984616114643837800. 26%4948012011-129, 21, 28582756293725-

52713-35%588526

Trends of FIIs Investment :

Source : SEBI Annual reports 2012

Trends in FIIs – Diagrammatic presentation

Source : SEBI Annual reports 2012

Analysis: Right from 1992 till 2000 , Indian economy as a whole has witnessed various national as well global events which have effected the flows of FIIs in India. Be it South East and North Asia Crisis in 1997, conduct of nuclear tests by India in 1998 and subsequent economic sanctions/ban on it by many industrialized countries including USA, Japan and many others . Earlier 10 years was the period where by Indian economy tried to win the trust of FII in which to some extent the country even succeeded. But from 2000 on wards which signaled the beginning of new decade , FIIs started showing more positive results in term of their flows. In 2000-01, the net investment by FIIs was Rs 9933cr. Bu t this trend was not the same as in the next year (2001-02) with net FII investment Rs 8763 cr. This showed net decrease of Rs 1170 cr with 11% fall as compared to the last year. 5 The economy further got a set back in the next year (2002-03) when the netFIIs investment further went down to Rs 2689 cr. The showed decline of Rs 6074cr with percentage of 69 %. This was a major negative hit for the policy makers. This decreasing trend of FIIs investment during these 3-4 years was mainly due to existence of various concerning factors like hardening of global price, weakening of rupee value(Rs 43. 61-

<https://assignbuster.com/fiis-registered-in-india-name-number-finance-essay/>

Resource – RBI) and perceived economic slow down. Further the terrorist attack in USA also created quite negative environment world wide and added oil in the fuel. But then came 2003-04, FIIs broke all the past records with the net investment of Rs 45764 cr as compared to just Rs 2689 cr. in 2002-03. This showed net investments going up by Rs 43075 cr. with 1601 increase in terms of percentage. The major reasons which accounted for such a wonderful capital inflows were robust economic growth (8.5%), improved corporate results (Indian corporate sector clocked a growth rate of 57.84 percent in its net profit in 2003- the second highest in the last nine years – (source www.bseindia.com/downloads/IndianEconomy.pdf) and attractive equity valuations. All this led to highly positive response from FIIs during 2003-04. BSE also touched 6250 in the early of 2004. In 2004-05 strong macro economic outlook, encouraging corporate results and buoyancy in the stock market ensured sustained portfolio investments by the foreign institutional investors to the tune of Rs 45880 which was a bit more as compared to last year figure of Rs 45764. But in 2005-06, the factors like global crude prices going up, rise in interest rates and overall global market down trend made the market bearish. The overall result was that the net FIIs investment during this year came down to Rs 41467 cr which was 9.67% down as compared to last year. During 2006-07, the foreign institutional investment continued to invest large funds in Indian securities market. However due to global developments like melt down in global commodities market and equity market, FII investment fell further to Rs 30841 cr. Year 2007-08 proved a turning point in the Indian stock market. During July 2007, sensex touched 15000, in Sep it touched 16000 and within the same month touched 17000. On 9th Oct 2008, 18000, 15 Oct 2008, it touched 19000

<https://assignbuster.com/fiis-registered-in-india-name-number-finance-essay/>

points, 29th oct 2008 it touched 20000. This year proved like mile stone in the history of stock market. FII made net investment of Rs 66179 with 115 % increase. However year 2008-09 proved to be the exactly opposite. This year was the year of global turmoil. USA faced the problem of sub prime crisis which was felt around the world including India. The FIIs became and remained negative net sellers throughout 2008 due to global cues and bankruptcy of US banking system. More in the beginning the whole world fell victim of unexpected higher oil prices. This became the reasons for various other ailments for the Indian economy like higher trade deficit, tumbled rupee, higher inflation, higher subsidies bill, higher fiscal deficit and thereof effect lower growth. As a result there was net selling of Rs 45811 showing 30 % decline in their net investment as compared last year. As a result sensex and Nifty plunged more than 55 % from a record high points which it touched. During this year FII withdrew a record gross amount of Rs 660386 cr . And the net investment was Rs 45811 cr. In 2009-10 there was all together positive trend of FIIs investment in India and they made net investment worth Rs 142658 cr. In 2010-11, Rs 146438 cr. net investment made by FIIs. In 2011-12, they made investment worth Rs 93725 cr.

FIIs Investment in Indian Equity Market and Debt Market :?

Year

Net Investment in Equity (Rs. crore)

As % of Total Investment

Net Investment in Debt (Rs. crores)

As % of Total Investment

Total Net Investment (Rs. crore)2000-0110, 206. 70102%-273. 30-2%

9, 933. 40

2001-028, 072. 2092%690. 408%

8, 762. 60

2002-032, 527. 2093%162. 107%

2, 689. 30

2003-0439, 959. 7087%5, 805. 0013%

45, 764. 70

2004-0544, 122. 7096%1, 758. 604%

45, 881. 30

2005-0648, 800. 50117%-7, 333. 80-17%

41, 466. 70

2006-0725, 235. 7081%5, 604. 709%

30, 840. 40

2007-0853, 403. 8081%12, 775. 309%

66, 179. 10

2008-09-47, 706. 20-104%1, 895. 20-4%

-45, 811. 00

2009-10110, 220. 6077%32, 437. 7023%

142, 658. 30

2010-11110, 120. 8075%36, 317. 3025%

146, 438. 10

2011-1243, 737. 6047%49, 987. 9053%

93, 725. 50

FII Investment into Indian Equity Market and Debt Market :? Source : SEBI-
FII Investment details (financial Year)The FIIs were allowed to invest in the
Indian capital market from September 1992. The investments by them,
however, were first made in January 1993. Until December 1998, the
investments were related to equity only, as the Indian gilts market opened
up for FII investment in April 1998. The FIIs' investment in debt started from
January 1999. The FIIs continued to invest large funds in the Indian securities
market. There has been a mixed picture of FIIs investment in Indian equity
market and debt market. They have not been very stable for putting their
money into one kind of securities. In 2000-01, FIIs prominently made net
investment into only equity to the tune of Rs 10206 cr. while in that very
year there was net selling of debt. In 2001-02 the ratio of FIIs investment

into equity and debt was 92 % and 8 % which remained the same in the next year also. In 2003-04, there came a major thrust for equity market and FIIs made investment to the tune of Rs 39959 cr. in equity and Rs 5805 cr in debt market. This trend continued to prevail for the next two years also and FIIs invested Rs 44142 in equity market in 2004-05, Rs 48800 in 2005-06, though FII investment in debt market saw some luke warm response in the same year (2005-06) . There was net selling of debts in 2005-06. The data continued to show upward trend of FIIs investment in 2007-08, 2009-10, 2010-2011 except in 2006-07 and 2008-09 (Due to global financial crisis). One major observations of FII investment has been that they play safe as per their perceived risk in the Indian capital market. It is evident from the data that their share which was just 8 % in total investment went to even 53 % in 2011-12. 3. 9 Assets under the Custody of Custodians (Amt in Rs crore)Table :

Year

FII/SA

FIs

Mutual Funds

NRIs

OCBs

Brokers

Corporate

No

Amt

No

Amt

No

Amt

No

Amt

No

Amt

No

Amt

No

Amt

1234567891011121314152001-021, 354

61753

26110824458325701820185178128540565153112002-021313

56139

33113154496413681930263141113630540134982003-041, 493

159397

411516555519033821425631341330535627201562004-051, 852

236257

47169232639126286264914811301466535678222892005-062, 491

453636

64260697831204518297516331291616635683376302006-073, 070

547010

1042910301220290378741105679119850339256562007-083, 977

736753

170397124178446977687760656123845309369752008-093, 883

391954

2032008170137895482045543569

-

-

418194302009-106, 998

900869

1947607120958462810711209391011001491293282010-117, 474

1106550

3662600149159193797991038100500547487232011-Dec117897

917930

3554988171260094991923297587580051241072Source : Handbook of
Statistics on Indian Securities Market 2011 by SEBI

Year

Banks

Foreign Depositories

FDI Investments

Foreign Venture Capital Investment

Insurance Companies

Local Pension Funds

Others

Total Investment by all entities

% of FII to total investment

No of

issuesAmtNoAmtNoAmtNoAmtNoAmtNoAmtNoAmtNoAmt116171819202122

2324252627282930312001-0214177983217297

-

-

-

-

-

-

-

-

26780152433123127026722. 84%2002-0212298143315890

-

-

-

-

-

-

-

28051165933255227885520. 13%2003-0413211883734636

-

-

-

-

-

-

-

27808307173285151001531. 25%2004-0516245313747780

-

-

-

-

-

-

-

27828392643388166858535. 33%2005-0656318724784048

-

-

-

-

-

-

-

282169346335492116911338. 80 %2006-07642452212100361

-

-

-

-

-

-

-

32701193998899140061039. 05 %2007-08672998311139918

-
-
-
-
-
-
-

390222983911153204221236. 07 %2008-

0972278591371839621926947316579154442117753274531999857132121

57758924. 84 %2009-

1073425977015661691914555511517604189780610982426610166131199

22762286296131. 46 %2010-

1178858637718593110481462311442400221890811210034970110231542

4223253335107633. 02 %2011-

Dec1179882647712205611462107781472589541880575064240441112520

798524165310279929. 58 %Source : Handbook of Statistics on Indian

Securities Market 2011 by SEBIExplanation : from Dr Sumanjeet

also(International capital flow such as direct and portfolio flows has huge contribution to influence the economic behavior of the developing countries positively. Prof. Krugman (1993) rightly pointed out; capital inflows play a very important role in capturing the benefits of globalization. Various studies (Buiter and Patel, 2006; Caballero, 2000) revealed that it is not so much the quantity but the quality of money that is making the difference. Whereas, the old two-gap theory suggests⁹ that it is quantity of money that counts.

Now researchers are conscious about the technological and managerial

<https://assignbuster.com/fiis-registered-in-india-name-number-finance-essay/>

skills, the work culture, and the synergies accompanying capital flows that seem to give a lot more contribution to growth. Even with regard to portfolio flow from Foreign Institutional Investors (FIIs), the way in which FIIs assess market practices in stock exchanges have enhanced our own practice and skill among participants to global standards (Mohan, 2008). So, one has to look at the capital flows in a broader sense rather than as mere numbers and in any case the issue has to be evaluated in the country context. India is a developing country, like many other developing countries, international capital flows has significant potential benefit on the Indian economy. Under the liberalized foreign exchange transactions regime, the results were dramatic. The liberalization of the portfolio investment led to a surge in inflow of capital for investment (Mody and Murshid, 2002) in the primary and secondary market (Dash and Sumanjeet, 2005) for Indian equity and corporate (and subsequently sovereign) bond market. The composition of capital inflow has changed significantly over the years (Gopinath, 2004). Dependence on aid has vanished and foreign direct investment (FDI), foreign portfolio investment (FPI), external/Overseas commercial borrowings (ECB/OCB) and non resident Indians (NRI) deposits dominate the capital flows. Among these again, there has been a gradual shift away from debt components to equity flows. But, the period of 1990s show a radical transformation in the nature of capital flow into India. From a mere absence of any capital flow till 1992 (except those by Non Residents Indian), today such inflows represent a dominant proportion to total flows (Chakraborty, 2001). The official flow shows an external assistance, i. e. grants and loans from bilateral and multilateral sources represented 75-80 percent flow till 1991. By 1994, this has come down to about 20 percent and has further

<https://assignbuster.com/fiis-registered-in-india-name-number-finance-essay/>

fallen to below by 5 percent by late 1990's. By 2012 about 1722 FIIs have been allowed to enter the Indian market and together have brought in more than US \$ 14 billion. SOURCE ? GDR13 (Global Depository Receipts) and ADR14 (American Depository Receipts) floated by Indian corporate sector have also brought in the portfolio inflows.)In addition to this, various financial Institutions, Mutual funds , broking firms, banks, corporate houses, foreign depositors, FDI, Foreign venture capitalist, insurance companies, local pension funds have been managing huge funds as the legitimate custodian. As the Table shows, India has attracted about Rs 61753 cr under the custody of FIIs in 2001-02 which is 22. 84 % of the total assets under the custody. By the end of year 2003-04, this figure, India stood at Rs 159397 cr. This shows that there was 158 % (From Rs 61753 to Rs 159397 cr.) increase in the total assets under the custody of FIIs. The assets under the custody of FI (financial Institutions) have overall gone down from 110824 cr in 2001-02 to Rs 62600 cr. In case of mutual fund the increase has been significant from Rs 32 570 cr in 2001-02 to Rs 600949 till Dec 2011. This shows the growing role of mutual fund industry in the Indian economy. ButStill the assets under the custody of mutual fund (Rs 600949 cr. till dec 2011) is substantially less than the assets under FII custody i. e rs 917930 cr. Which is almost one third more. The amount under the custody of NRI has been by and large been within the range of Rs 185 cr in 2001-02 to 2329 cr in Dec2011. The OCB (oversea commercial borrowings have also been less as compared with assets under the custody of FIIs. Brokers has been very marginal. Like wise assets under the corporate, banks, foreign venture capital investment, insurance companies, local pension have been playing an important role by being the custodian of assets. But the FIIs share in the total investment t by <https://assignbuster.com/fiis-registered-in-india-name-number-finance-essay/>

all these entities has been on the rise. It was approximately 31 % in 2003-04. Which got increased to 35 %, 38 %, 39 % in 2004-05, 2005-06, 2006-07 respectively. And in 2007-08, 2008-09, 2009-10, 2010-11, 2011-12 the same percentage as % of total investment has been 36%, 24%, 31%, 33% and 29 %. This show the relative importance of FIIs vs. the total investment by various other entities.

Net Capital Inflows into India to GDP (in percentage)

Year	Debt	Equity	Other	Total
1993	32.99%	0.25%	0.97%	27.20%
2000	0.89%	1.24%	0.35%	2.47%
2007	2.98%	1.87%	0.55%	5.40%

Source: RBI Bulletin
If we measure net flow of foreign capital in GDP, then net capital flows stagnated at roughly 2.5% of GDP from 1993 to 2000, and has since risen sharply to 5.4% of GDP by 2007. This has partly reflected a rise in equity flows, which were encouraged by policy makers, and went from 0.25% of GDP in 1993 to 1.24% of GDP in 2000 to 1.87% of GDP in 2007. India's policy makers have believed that debt flows are dangerous, and at first, debt inflows dropped from 3% of GDP in 1993 to 0.9% of GDP in 2000. However, by 2007, debt inflows were back to 2.98% of GDP.

3.6 FIIs contribution in BES/NSE Capitalization and their role in Indian Economy

Offshore Derivative Instruments (ODIs)

Offshore derivative instruments include participatory notes, equity-linked notes, capped return notes, investment notes, and similar instruments issued by FIIs/sub-accounts outside India against their underlying investments in India, that are listed or are proposed to be listed on any stock exchange in India.

Participatory Notes (PNs)

Participatory notes are the most common type of ODIs. The PNs are instruments used by foreign funds that are not registered in the country for trading in the domestic market. They are a derivative instrument issued against an underlying security that permits the holder to share in the capital appreciation and income from the underlying security. As of March 2011, the total value of PNs with underlying Indian securities as a percentage of Assets Under Management (AUM) of FIIs has further deteriorated to 15.82 percent from 17.72 percent in March 2009 and 16.10 percent in March 2010. Table shows the total value of the participatory notes versus the assets under management of FIIs from March 2004 onwards. Table : Total Value of Participatory Notes (PNs) vs. Assets Under Management of FIIs (in cr.)

Month**Total Value of P Notes with underlying Indian securities (A)****#Assets Under Management of FIIs (B)****A as % of B****March-2004****318, 75****1, 593, 97****20. 00 %****March-2005****591, 32****2, 362, 57****25. 03 %****March-2006****1, 548, 63****4, 536, 36****34. 14 %****March-2007****2, 428, 39****5, 470, 10****44. 39 %****March-2008****2, 508, 52**

7, 367, 53

34. 05 %

March-2009

694, 45

3, 919, 54

17. 72 %

March-2010

1, 450, 37

9, 008, 69

16. 10 %

March-2011

1, 750, 97

11, 065, 50

15. 82 %

Sep-2011

1, 752, 91

9, 791, 64

17. 90 %

**Source : Indian Securities Market Review –Volume XIV
2011**

More Explanation?

Share of FIIs in NSE-Listed Companies

The FII ownership of shares in the various sectors of NSE-listed companies is depicted in Table 7-6. At the end of March 2011, FIIs held the highest stake of 23.35 percent in the finance sector, followed by information technology and banking (21.16 percent and 17.62 percent, respectively). The total percentage of shares held by FIIs across different sectors was 10.32 percent of the total shares of the companies listed on the NSE as at the end of March 2011, which stood at 10.45 percent at the end of September 2011.

Table 7-6: Share of FIIs in different sectors of companies listed on NSE

Sectors

Percentage Share of Foreign Institutional Investors at the end of Sep 2011

March-07

March-08

March-09

March-10

March-11

Sep-11

Banks

18. 41

19. 15

14. 27

16. 02

17. 62

18. 17

Engineering

11. 45

10. 63

7. 34

8. 28

9. 36

9. 30

Finance

18. 18

17. 44

13. 01

16. 53

23. 35

19. 20

FMCG

11. 91

14. 07

12. 72

14. 09

16. 34

17. 00

Information Technology

14. 53

16. 00

12. 44

11. 68

2. 16

17. 07

Infrastructure

7. 15

8. 86

7. 31

8. 90

7. 87

7. 50

Manufacturing

9. 57

9. 46

7. 28

8. 79

9. 41

9. 60

Media and Entertainment

15. 20

11. 71

11. 42

7. 06

10. 97

11. 63

Petro Chemicals

5. 83

4. 73

4. 77

6. 08

6. 52

6. 49

Pharmaceuticals

11. 17

10. 69

7. 88

8. 78

10. 19

10. 13

Services

13. 09

10. 70

8. 39

8. 05

7. 41

9. 50

Telecommunication

11. 17

9. 12

6. 85

8. 64

8. 44

8. 46

Miscellaneous

8. 19

9. 30

8. 39

8. 10

13. 65

13. 37

Total Stake of FIIs in all the sectors

10. 78

10. 62

8. 40

9. 58

10. 32

10. 45

**Source : Indian Securities Market Review –Volume XIV
2011**

**More explanation : from net esp performance of various
sectors**

v

3. 8 Forecasting of FIIs --- ARIMA