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Mobius exploring pvt equity options in India

'Current level valuations look a bit stretched'

Our Bureau
Mumbai, Nov. 10
Emerging markets guru and Templeton Asset Management Managing Director, Dr Mark Mobius, is looking to explore private equity opportunities in listed and unlisted Indian companies. He, however, maintained that valuations look a bit stretched at current levels.

"India is a reasonable market, but in comparison to other emerging markets say China, it is more expensive. You have great opportunities but given the pricing of stocks at current levels one will have to be selective," Dr Mobius told *Business Line*.

Currently Templeton has \$3 billion under management in India. They also have a private equity fund.

While acknowledging the sharp upswing in corporate India earnings, Dr Mobius said the mitigating factor would be whether the corporates could sustain the earnings growth momentum.

According to him, the practice of quarterly reports is

cumbersome and could lead to fluctuations.

"Quarterly reporting would mean that companies get caught up in the short term and do not think of long term," he said.

INDIA - OUTLIER

Commenting on whether or not India was far more insulated to the 'US' factor or from developments in other developed markets, Dr Mobius said traditionally India has been an outlier (one who lies outside) in the sense that when other markets go up, India goes down and vice versa.

"However, one has to remember, we are in the global market place and convergence is accelerating in every sphere. As such, India is being drawn more and more into the overall global emerging market economy.

"Though impacted by what's happening in the developed countries, it is less so than in China and other countries," he said.

According to him, funda-



Dr. Mark Mobius, Managing Director, Templeton Asset Management Ltd, Singapore. - Shashi Ashiwal

mentals look quite good, not only in India but globally despite a slow down in the US.

"If you look at the emerging markets, the economic fundamentals look quite good; inflation is down, interest rates are reasonable, foreign reserves are up dramatically, the spread between emerging market debt

interest rate and the US treasuries has narrowed," he said.

VOLATILITY ON CARDS

Dr Mobius has, however, forecast some amount of volatility in the near term not only in India but in emerging markets. "The arrival of hedge funds has changed the investment climate. They go

where the action is. Hence, one could see some amount of volatility. But one should take the opportunity to enter at these levels," said Dr Mobius.

He, cautioned investors to stay invested for the long term. "Be a value investor and do not be swayed by short term. As value investors be choosy and picky," he advised.

Dr Mobius said at this juncture, he is bullish on the consumer, commodities and telecom sectors as they continue to offer good prices. He also finds value in the oil and gas sector and in particular integrated oil companies.

"Indian companies have tended not to perform well on higher oil prices, but when prices come down, they perform quite well unlike their counterparts in other parts of the emerging world. So there is an example where we can buy a cheaper Indian company, when prices go up because the expectation of earnings is lower," he said. He expects crude prices to slip to as low as \$ 50 a barrel.

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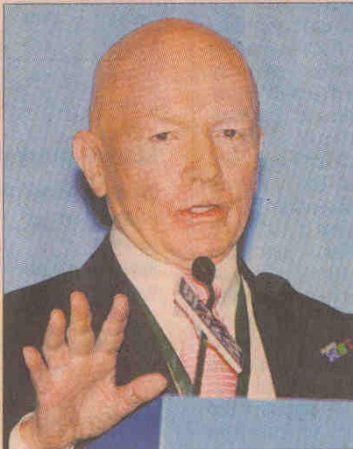
Mark Mobius gives a margins call

Investment guru foresees a fundamental change in India Inc's profitability

Vyas Mohan
Mumbai

A bear holding Indian equity worth \$3 billion, Mark Mobius, the celebrated managing director of Franklin Templeton Asset Management, says he has no weightages in any market. But he has said recently that he is underweight on Indian equities and overweight in Chinese. Here are excerpts from a brief chat with the investment guru:

Going by the price earnings multiple — trailing and forward — the Indian stock market is among the costliest around. But corporate India's earnings are growing at one of the fastest rates across the globe. Doesn't that give some headroom for the markets? Why do you say Indian



Mark Mobius

equity is costly?

Look, one has to remember that companies are getting larger in size in India. And as they get larger, it is difficult for them to maintain the rate of growth in earnings, as there will be a

huge base effect. Further, as they go global, they would no more enjoy the huge margins they do now in India. There will be stiff competition on the global front and margins are bound to grow leaner. Take, for example, the case of Tata Steel acquiring Corus. From hereon, Tata Steel's margins are going to take a hit as it competes on a global scale.

How much impact would harder interest rates, crude prices and an economic downturn in the US have on the Indian economy?

If the US is in trouble, everybody is in trouble. However, India has time and again been not affected by any downturn in the US. But this will change as India hops forward and opens up more to the global economy. On the interest rate front, Indian companies have proven that they can generate good profits irrespective of how hard the interest rates are. On crude prices, this is not a prediction, but I expect them to touch \$50 per barrel in say five years.

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Mobius on India

What do you find after a SWOT analysis of Indian markets?

Well, the strengths are basically growth of Indian companies and the resources available in this country. Weakness springs from their global expansion. This will affect their growth rate. Opportunities are again growth potential and resource availability. Threat, I would say, is a slowdown in the global economy, though I do not see one on the horizon now.

Unlike the Indian economy, the Chinese is overdependent on manufacturing, which, in turn, makes it vulnerable to interest rates. And you still remain overweight on China...

As of now, the interest rates in China are very low. Even if they go higher, it will be just enough to moderate the rate of growth. Hence that does not raise any concerns of corporate profitability getting affected.

Do you expect a downturn in the US economy?

I do not see any trouble to the US economy now. It should grow in the 2.5-3% rate, while India should grow at above 8%.

Simplicity, clarity are soul of regulation, says Damodaran

Markets Bureau & Agencies

Mumbai, Nov 10

M Damodaran, chairman, Securities and Exchange Board of India (Sebi), said on Friday that regulators needed to play a facilitating role while simultaneously ensuring that rules were simple, easy to understand and helped in orderly conduct by the corporates.

"Regulations should have clarity so that they can be easily understood," Damodaran said while delivering a keynote address at the International Conference on Corporate Governance held in Mumbai.

Favouring continuity in policy formulation, he said regulations were necessary for ensuring orderly conduct by corporate entities. Pointing out that more needed to be done on the corporate governance front, the Sebi chief said that the role of the watchdog was to improve the investment climate in the country. He added that investors should be able to access relevant information in time and in the form in which it is needed. He emphasised the importance of having independent directors on the company boards, adding that regulations consisted of three parts - diagnosis, prescription and treatment. "The time for diagnosis is now over and prescriptive arrangements in the form of Clause 49 (dealing with appointment of independent directors) are now in place. Now is the time for treatment," he added. While the regulator would be happy if penalties did not need to be imposed on companies, Damodaran said, "Good conduct should be observed right from the board to the lower levels. We will make examples of a few but our effort will be in trying to persuade (corporates) that there is value in good governance," he observed.



Rules must be easy to follow, says Sebi chief

MUMBAI, PTI: Regulators have to essay a facilitating role while simultaneously ensuring that rules are simple, easy to understand and help in orderly conduct by corporates, Sebi Chairman M Damodaran said on Friday.

"Regulations should have clarity so that they can be easily understood," he said at an international conference on corporate governance being held here.

Continuity must

Favouring continuity in policy formulation, he said regulations were necessary for ensuring orderly conduct by corporate entities. Pointing out that more needs to be done on the corporate governance front, he said role of the watchdog was to improve the investment climate in the country.

Investors must be able to access relevant information in time and form in which it is needed, the Sebi chief said.

Further, Mr Damodran emphasised the importance of having independ-

ent directors on the company boards, adding regulations consist of three parts — diagnosis, prescription and treatment.

"The time for diagnosis is now over and prescriptive arrangements in the form of Clause 49 (dealing with appointment of independent directors) are now in place. Now is the time for treatment."

Good conduct

While the regulator would be happy if no penalties needed to be imposed on companies, Mr Damodaran said good conduct should be observed right from board to lower levels.

"We will make examples of a few but our effort will be to try to persuade (corporates) that there is value in good governance," Mr Damodaran observed.

The market place and society in general would recognise companies with good corporate governance records, he said, adding "the regulators need to facilitate this process," Mr Damodaran pointed out.

PTI



Sebi Chairman M Damodaran (left) releasing the book 'Mantra in Corporate Governance' in Mumbai on Friday. Also seen are Tata Sons Director J J Irani & BSE MD & CEO Rajnikant Patel.

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'सेबी' प्रमुख एम दामोदरन ने शुक्रवार को 'कार्पोरेट गवर्नेंस' पर आयोजित अंतरराष्ट्रीय स्तर के सम्मेलन में 'मन्त्रा ऑफ सक्सेज इन कार्पोरेट गवर्नेंस' नामक पुस्तक का विमोचन किया। इस अवसर पर टाटा संस के निदेशक डा. जेजे ईरानी और बाम्बे स्टॉक एक्सचेंज के एमडी व सीईओ रजनीकांत पटेल भी मौजूद थे।

नियम सरल और आसानी से समझ में आने लायक हों: दामोदरन

मुम्बई (वाप्र)। शेयर बाजारों पर निगाह रखने वाली भारतीय प्रतिभूति एवं एक्सचेंज बोर्ड 'सेबी' के अध्यक्ष एम दामोदरन ने शुक्रवार को कहा कि रेगुलेटर्स को सुविधा प्रदाता की भूमिका निभानी होगी और इसके साथ ही साथ उसे यह सुनिश्चित भी करना होगा कि कानून सरल एवं आसानी से समझ में आने वाले हों तथा जो कार्पोरेट कंपनियों के व्यवस्थित संचालन में मदद करे। उन्होंने यहां आयोजित होने वाले निगमित प्रशासन पर अंतरराष्ट्रीय सम्मेलन में कहा कि 'नियमों में इतनी स्पष्टता होनी चाहिये ताकि उन्हें आसानी से समझा जा सके'।

नीति निर्माण में निरंतरता कायम रखने का पक्ष लेते हुए उन्होंने कहा कि कंपनियों के व्यवस्थित कार्य संचालन को सुनिश्चित करने के लिए नियम आवश्यक हैं। सेबी प्रमुख ने कहा कि कार्पोरेट गवर्नेंस के मोर्चे पर बहुत कुछ

किये जाने की आवश्यकता है। उन्होंने कहा कि बाजार नियामक की भूमिका देश में निवेश के वातावरण में सुधार लाना है। उन्होंने कहा कि निवेशकों को जरूरी संबंधित सूचनायें समय पर और उनके अपेक्षित रूप में मिलनी चाहिये।

उन्होंने कम्पनियों के निदेशक मंडलों में स्वतंत्र निदेशकों की जरूरत पर बल दिया। उन्होंने यह भी कहा कि कम्पनियों में गवर्नेंस तीन हिस्सों में है- मर्ज क्या है, कैसे इलाज होगा और इलाज। 'मर्ज मालूम हो गया है और क्लॉज 49 के रूप में बीमारी का इलाज कैसे होगा भी मालूम हो गया है। अब बस इलाज करना है। यह क्लॉज कम्पनियों के निदेशक मंडलों में स्वतंत्र निदेशक नियुक्त करने से सम्बन्धित है। उन्होंने कहा कि यदि कम्पनियों पर कोई जुर्माना नहीं लगाया गया तो इससे अच्छी बात और 'सेबी' के लिए क्या हो सकती है ?