

## E] FOREIGN INSTITUTIONAL INVESTMENT

Tables 2.29 & 2.30 present details of investments by FIIs since 1992-93 and the details of monthly investment by FIIs in 1998-99.

The analysis of data indicates that there has been substantial divestment by the FIIs during the year 1998-99. The maximum outflow was during the months of May and June 1998 (almost US\$430 millions).

**Table 2.29: Yearly Trends in FII Investment**

<b>Month</b>	<b>Gross Purchases Rs. Cr</b>	<b>Gross Sales Rs. Cr</b>	<b>Net Investment Rs. Cr</b>	<b>Net Investment US \$Mn at monthly ex rate</b>	<b>Cumulative Investment (US \$ Mn.) *</b>
1992-93	17.4	4.0	13.4	4.2	4.2
1993-94	5,592.5	466.3	5,126.2	1,634.0	1,638.2
1994-95	7,631.0	2,834.8	4,796.3	1,528.3	3,166.5
1995-96	9,693.5	2,751.6	6,942.0	2,035.7	5,202.2
1996-97	15,553.9	6,979.4	8,574.5	2,431.9	7,634.1
1997-98	18,694.7	12,737.2	5,957.5	1,649.4	9,283.6
1998-99	16,115.1	17,699.4	-1,584.5	-386.6	8,897
<b>Grand Total</b>	<b>73,298.0</b>	<b>43,472.7</b>	<b>29,825.2</b>	<b>8,897</b>	

Source: SEBI

Figures may not add exactly due to rounding.

**Table 2.30 Monthly Trends in FII Investment**

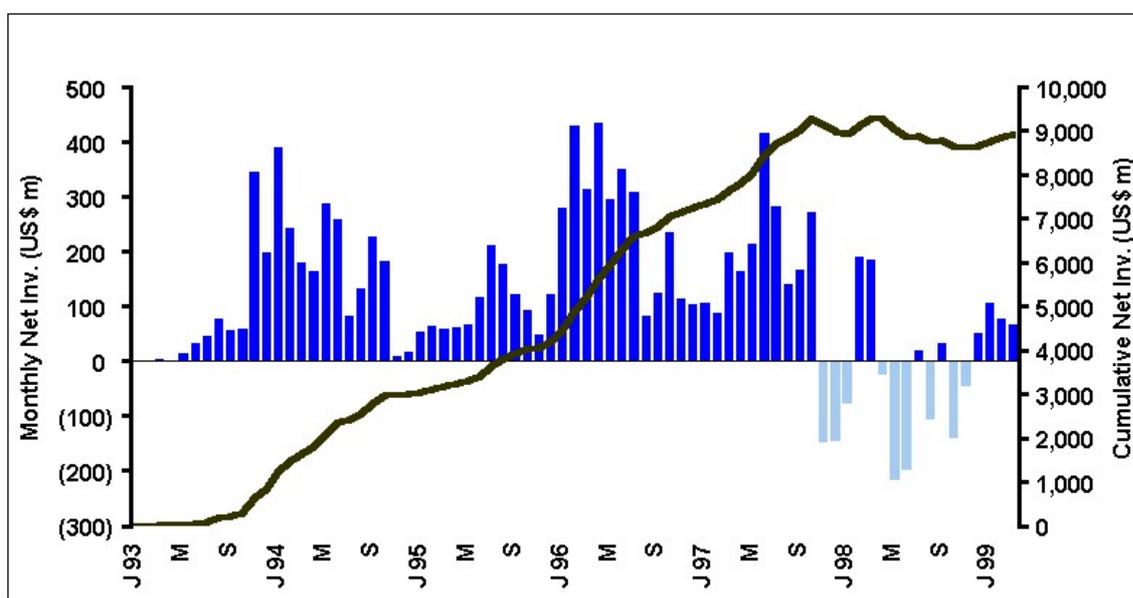
<b>Month</b>	<b>Gross Purchases Rs. Cr</b>	<b>Gross Sales Rs. Cr</b>	<b>Net Investment Rs. Cr</b>	<b>Net Investment US\$M at monthly ex rate</b>	<b>Cumulative Investment (US \$ Mn.) *</b>
A 98	1,294	1,392.4	(98.4)	(24.8)	9,258.8
M 98	845.9	1,729.7	(883.7)	(218.4)	9,040.4
J 98	802.3	1,638.7	(836.4)	(198)	8,842.4
JL 98	1,309.8	1,226.1	83.7	19.7	8,862.1
A 98	813.6	1,270.6	(457)	(106.9)	8,755.2
S98	1,453.4	1,312	141.3	33.2	8,788.4

O98	1,073.7	1,672.2	(598.4)	(141.4)	8,647
N 98	1,039.1	1,239	(199.9)	(47.2)	8,599.8
D98	1,345.8	1,135.8	210	49.3	8,649.1
J99	1,642.3	1,189.4	452.9	106.4	8,755.5
F99	1,647.8	1,323.2	324.5	76.3	8,831.8
M99	2,847.4	2,570.4	276.9	65.2	8,897
1998-99	16,115.1	17,699.4	1,584.5	(386.6)	

Source: SEBI

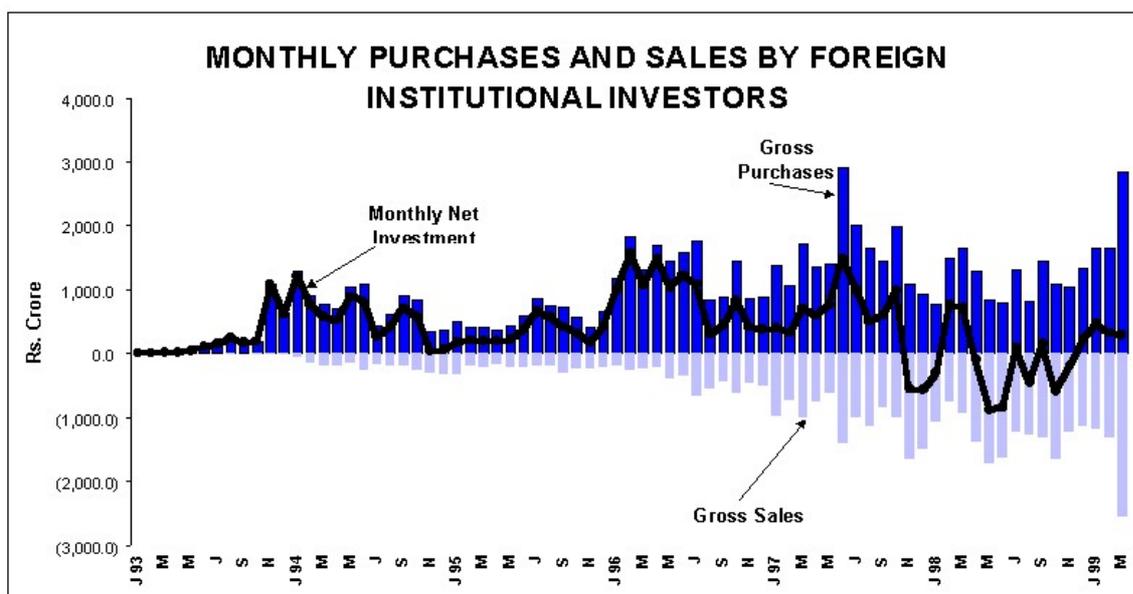
\*The dollar equivalent values are not the actual dollar inflows in the country, but simply a converted figure for the Rupee based investments.

During 1998-99 SEBI registered a total of 60 FIIs taking the total registered FIIs as on March 31 1999 to 450.



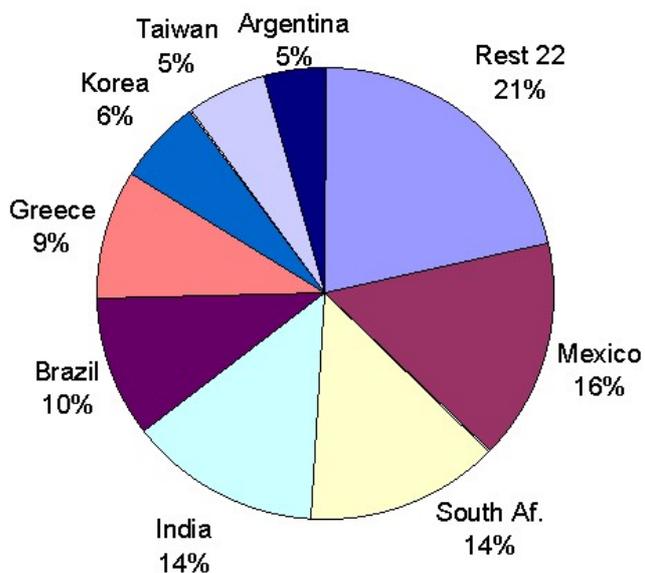
Graph 2.14 Monthly investment trends since 1993

Graph 2.15 (a) Monthly Trends in Purchases and Sales by FIIs





India has consistently been viewed as one of the better and safer market as compared to the other Emerging Markets. As mentioned earlier also, the quantum of funds outflow from India has been much lower as compared to the other Asian markets. The following graph indicates the funds allocation for an ideal model portfolio for equity investments in the 30 emerging economies. This portfolio has been designed by one the largest FIIs in the Asia-Pacific and other Emerging Markets. The allocations figures are for March 1999.

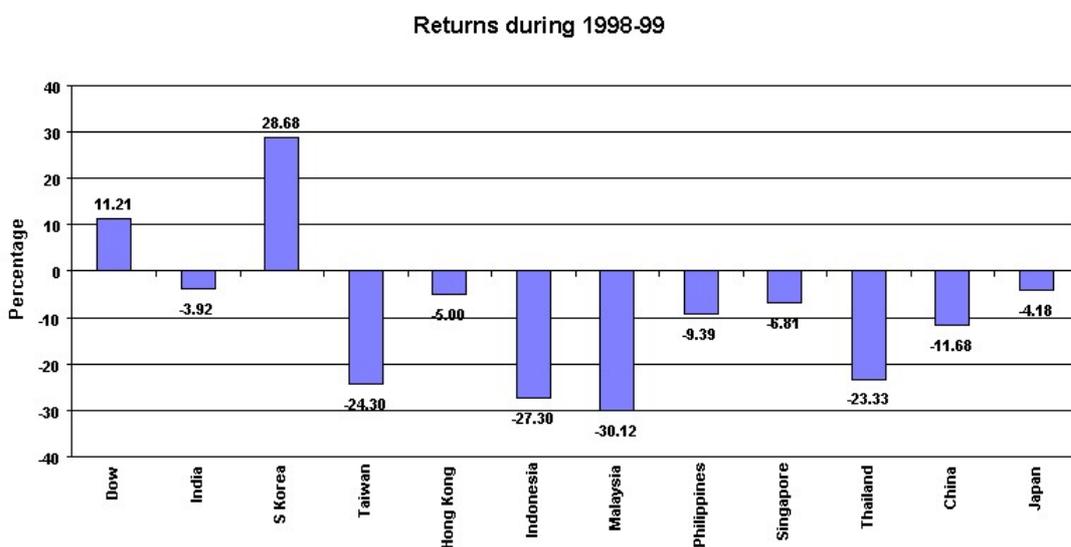


**Graph 2.16 Model portfolio**

Source : Morgan Stanley Composite Index

### Return Analysis for the Indian Markets

Indian market has shown a small negative return during the year 1998-99. The Graph in 2.13 compares the equity return in the top ten emerging markets and the US market. The returns shown in the Graph 2.17 have not been normalised in dollar terms and thus represent the absolute returns in the respective local currencies.

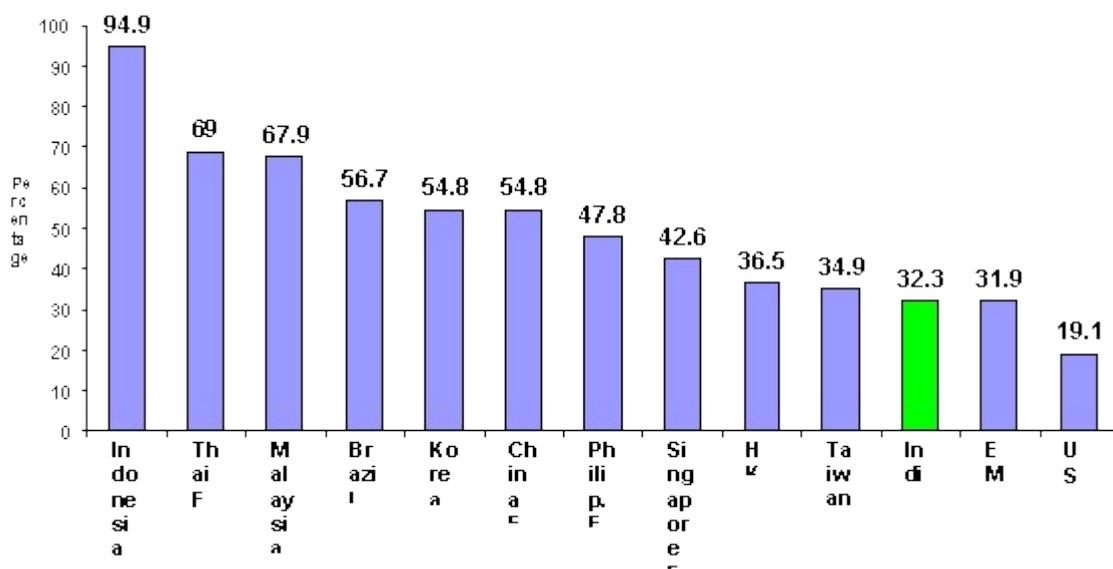


**Graph**

**2.17 : Returns on the basis of index movement in various countries**

### Risk Analysis for India

The bar chart (Graph 2.18) below compares the volatility of the Indian stocks vis-à-vis the Emerging Markets and the US market. The data presents the annualized volatility calculated sometime around the first quarter of 1999. It can be seen that during the last one year the Asian economies have shown a very high volatility in their stock markets which in turn contribute to the risk. Compared to these the Indian market has been much more stable.



Graph 2.18 : Volatility Movement in Asian countries and USA