



TAPMI

**T. A. Pai Management Institute
Manipal - 576104**

Research Seminar

**“Impact of Market Risks on Indian Firms Issuing
Foreign Currency Convertible Bonds”**

Speaker

Prof. Vrishali Bhat

T. A. Pai Management Institute

3.00 p.m. August 26 2009, Classroom No. F2, TAPMI New Campus

All are invited

Abstract

With relaxation of legislative controls, Indian firms experimented with various innovative financing options to meet their financing objectives. The economic liberalization policies adopted by India in early nineties facilitated integration of Indian capital markets with overseas capital markets. Over the years both equity and debt capital raised in overseas financial markets has become an increasingly important source of finance for Indian firms. Equity capital has been raised in the form of American and Global Depository Receipts (ADR and GDR). Debt capital has been raised in many different forms like external commercial borrowings, debentures, FCCBs as well as various hybrid instruments.

However, presently many firms which issued FCCBs are besieged with problems. It is being observed that with the downturn of equity markets in India, not many bondholders have opted to convert their FCCBs in equity. As such, most firms which issued FCCBs are facing a situation where a major part of the issue may have to be redeemed on the maturity date. These bonds will have to be redeemed in foreign exchange at rates prevailing then. The recent depreciation of the Indian Rupee against the U.S. Dollar is a cause for concern as more Rupee funds will be required to meet the redemption requirements. This may further lead to other problems as many firms do not have sufficient cash resources/cash flows to meet redemptions.

Thus, the interplay and volatility of market forces like equity prices, exchange rate and interest rates may hamper the effectiveness of FCCBs as a financing instrument. This study plans to identify the sources of risk and assessing the impact of such risks on the financials of issuers will help issuing firms devise better risk management practices.

Contact:

Research Committee, T. A. Pai Management Institute

Email: rpc@tapmi.edu.in

Phone: +91-820-2701033

Log on: www.tapmi.edu.in