

India Inc increasingly turns to Middle East, Gulf countries for funding needs

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There is increasing interest from financial institutions and investors in the Middle East and Gulf Cooperation Council (GCC) members to invest in and lend to Indian companies that are now turning closer to home as the western markets turn more volatile and uncertain.

There is increasing participation by banks and financiers from the GCC as credit funders from the Council are venturing into emerging sectors in India and in acquisition finance transactions undertaken by Indian corporates, experts said.

In January, Vedanta Resources raised \$300 million in funding from a consortium of three banks, of which two — Abu Dhabi First Bank and Dubai-based Mashreq Bank — were from the United Arab Emirates (UAE).

In July last year, Mashreq Bank arranged a \$750 million term-loan facility for the State Bank of India. Among the institutions that showed interest, a good portion of them were from the UAE.

GROWING TREND

"The US remains the main capital providing source for India investments, but, yes, there is a strong trend of capital being raised in the UAE. We are seeing several funds from the region investing in India," said Ashwin Bishnoi, Partner at law firm Khaitan & Co. He pointed out that while Singapore, Hong Kong and London were traditionally on the itinerary for roadshows by Indian corporates looking to raise capital; centres such as Dubai and Abu Dhabi were also frequently appearing on the map for such roadshows.

While financiers from the UAE and other Gulf countries have traditionally been active in India, they were mostly doing trade financing as there is a strong trading re-

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lationship between India and GCC countries. "Now credit funders are also venturing into emerging sectors such as renewable energy," said Sucheta Bhattacharya, Partner, JSA Advocates & Solicitors.

Recently India's second largest renewable energy company, Renew Energy Global had said it has plans to raise funds from UAE-based funds, said Bhattacharya, adding, "Foreign banks from Middle East who have presence in India have also funded companies like Jakson Green."

While the turmoil in the US and other western markets has created uncertainty, the GCC has traditionally been a strong trading partner of India. Now, there is a push for a free trade agreement between the two, which will increase trade. "Trade agreement between GCC and India and initiatives such as India-Middle East-Europe Economic Corridor has provided necessary push from time to time to harness this relationship," Bhattacharya pointed out.

There is a significant presence of investment managers in the UAE who are familiar with the India opportunity "and this familiarity has resulted in good deal origination and closures for them," Bishnoi said. "The sovereign wealth funds also play a big role in the region and India has attractive tax policies for SWFs that also help in attracting pools of capital," he added.