



Over the past week, both the government and Sebi have taken steps to increase their oversight on foreign investment coming from China. Photo: Reuters

Sebi trains its lens on investments by China in Indian companies

Updated: 19 Apr 2020, 11:57 PM IST Jayshree P. Upadhyay

- The Sebi has sought details of investments from China and 11 others to know where the control resides
- A Saturday order restricted FDI from China by requiring a govt approval, leaving the FPI route still open

MUMBAI : Complementing the government's efforts to restrict direct investments from China, India's markets regulator on Sunday asked custodians to monitor investments to prevent Chinese firms from investing in listed Indian companies at depressed valuations.

In a letter to custodians, the Securities and Exchange Board of India (Sebi) sought details of portfolio investments from China, Hong Kong and 11 other Asian countries. Sebi has sought information on whether funds are controlled by Chinese investors, or the fund manager is operating out of one of the 13 jurisdictions and whether investors from these countries have controlling interest in the funds, according to the letter, reviewed by Mint.

This is the fourth such communication from Sebi seeking details of investments coming in from some Asian countries, particularly from China. There are, however, no restrictions on Chinese portfolio investors from investing in Indian companies.

On Saturday, the government put curbs on foreign direct investments (FDIs) into Indian companies from neighbouring nations, seeking to block opportunistic acquisitions of local companies at beaten down valuations because of the coronavirus pandemic. The government order was, however, silent on portfolio investments.

In the absence of specific restrictions, Chinese firms can still buy up to 10% in Indian listed companies. While FDI is regulated by the finance ministry, foreign portfolio investments are regulated by Sebi.

There are a total of 16 Chinese foreign portfolio investors registered in India with \$1.1 billion invested in top-tier stocks.

Experts said that the increased scrutiny does not plug the loophole around investments in listed companies. "There is global anxiety on foreign investments in now distressed companies operating in sensitive sectors. The Press Note introduces prior vetting by the government on investments. For this to also apply to FPI route, we should ideally have Sebi formally step in with a circular," said Richie Sancheti, leader-investment funds, Nishith Desai Associates.