Headline: An interview of Mr. Vikram Limaye, MD & CEO, NSE

Source: The Week	**Date:** 11 March 2018

INTERVIEW

Vikram Limaye, managing director and CEO, NSE

We are working with SEBI on shell companies

AMEY MANSABDAR

BY NACHIKET KELKAR

Vikram Limaye is a man on a mission. He took charge as managing director and chief executive of the National Stock Exchange at a time it was under regulatory scrutiny over allegations that some brokers got preferential access to its servers. With the ball now in the SEBI's court, Limaye is looking ahead to strengthen his relations with the government, investors and shareholders. In an exclusive interview, he talks about the planned initial public offering, how the exchange is embracing new technology, and its ambitions to become more global through the international exchange it has set up in GIFT City in Gujarat. Excerpts:

When you moved to the NSE, what were the matters that required your immediate attention?

One was certainly to sort out some of the regulatory issues that are still in the process of being sorted out. The IPO was also an important event, but the IPO plans are contingent on sorting out those regulatory issues. Second was to ensure that all the stakeholder relationships are brought to the level where they ought to be. By stakeholder relationships, I mean all of them; whether it is the government, regulators, the media, clients, shareholders, employees... all stakeholder relationships required improvements.

Third, from an organisation perspective, is strengthening controls and processes. I have a laundry list of what needs to be done. Obviously, there are several business-related things to be done. Market development is priority. The core of the NSE's mandate is to do what is right for investors and markets. And, while the equity markets are relatively well developed, they still have a long way to go. So, new products, making sure you deepen the markets, get more retail participation and better intermediation of savings into markets. New market development is important. So, bond markets need to develop. It's my hope that exchanges will soon be allowed to participate in all asset classes.

There was record fundraising from the IPO market in 2017. Are we seeing a revival?

I would say it's still the first stage of capital raising. Capital raising activity has picked up only in the past 12 months or less. And, if you look at the composition of that, particularly at the large companies who have raised capital, almost 70 per cent has been from the financial services sector. So, it hasn't actually been broad-based. Again, a large percentage of that has been selling shareholders, rather than money being raised for capex or growth. I do feel that as growth picks up, as capacity utilisation picks up going forward, there will be more capital raising and there will be more balanced capital raising activity across sectors. And, also, a more balanced mix between private equity investors selling or shareholders selling versus money being raised for capex or investments. That's as far as the main listings are concerned.

As far as the SMEs are concerned, it [capital raising] has largely been for growth capital, and it has in fact been diversified. So, 50 per cent has been manufacturing related, another 15-20 per cent has been services related, and another 15-20 per cent has been IT related. Within manufacturing, too, it has been a whole host of sectors. So, there you find a more diversified mix and money that is being raised for growth capital.

NSE launched an international exchange at the Gujarat International Finance Tec-City. What are your long-term plans there?

IFSC [International Financial Services Centre] is certainly an important initiative for us. It is not easy to build a new exchange. It is important to build liquidity, and that requires a lot of work. From a liquidity enhancement standpoint, we launched a liquidity enhancement scheme in November. Liquidity has built up post that. We crossed $100 million and exceeded BSE. But, beyond that, both exchanges put together, the volumes are not where they need to be. We are working hard with FIIs [foreign institutional investors], and with the traders to build liquidity. But, building liquidity takes time.

There are a few other things that need to be done to put our GIFT City on par with other international jurisdictions, whether its Dubai or Singapore in terms of ease of doing business as well as transaction costs and some tax aspects. So, we are working with SEBI and the government to see how we can get that going.

Then, my hope is that, as we build liquidity through this liquidity enhancement scheme, liquidity is sticky and it doesn't disappear once the scheme is withdrawn. At this point, we are just encouraging players to come in and trade on GIFT. We will see how it evolves. But, it is an important thing for everybody; important for the government, and for the exchanges and participants, because there are unique aspects to that, in terms of being able to trade dollar contracts, there is obviously no STT [securities transactions tax].

We have also launched some global stocks in GIFT city—15 stocks such as Apple, Google, the larger companies, those are also available for trading. Domestic investors, through the $2,50,000 facility that is available, are also able to trade in GIFT City. But, that will only happen once the cash market starts operating in GIFT City, for which the depositories have to set up offices there. They are permitted to set up branches. So my hope is, in a couple of months they will have their office up and running, and then, even the cash market will be permitted. Right now, it's mainly the derivatives market.

The government and SEBI have begun cracking down on shell companies. What role are exchanges going to play on this front?

I would not want to get into details of that, because there are sensitivities surrounding. We are working with SEBI very closely on whatever needs to be done in terms of reviewing these companies that have been identified, and we are providing whatever reports and investigations required. Then, based on what the findings are, I am sure SEBI and the government will do whatever need be.

Despite SEBI relaxing norms a while ago, we haven't seen any IPOs from startups.

Part of it has to do with the domestic investment environment, which has become a lot more robust only in the past 18 months. If you look at the flows into mutual funds, they have really grown in the past 18 months. So, now you have the domestic mutual fund landscape which is much stronger than what it was 18 to 24 months ago. Therefore, the ability to support startups and emerging companies is very different from what it was 18 to 24 months ago. The domestic pool of capital is much larger now. Therefore, the volatility or dependence on foreign investors is much lower. Earlier, when FIIs pulled out $400 to $500 million, the currency and markets would go for a toss. It does not happen anymore. That is one.

Secondly, we are doing our bit in terms of educating the startup and technology landscape in terms of the benefits of a domestic listing and trying to sort out some of the myths that they had in terms of the difficulty of listing. SEBI has created three different platforms and three different criteria for listings. The tech listing criteria are different from the SME listing criteria and are different from the main board listing criteria. They are obviously much more lenient for technology companies, because the nature of the company is different. You can't hold on to three years profitability, and so much net worth. So, they are much easier to comply with. From that perspective, my hope is that you will see more domestic listings of technology companies. ◆