India Avenue
Investment Management

10 THINGS YOU SHOULD KNOW ABOUT INDIA

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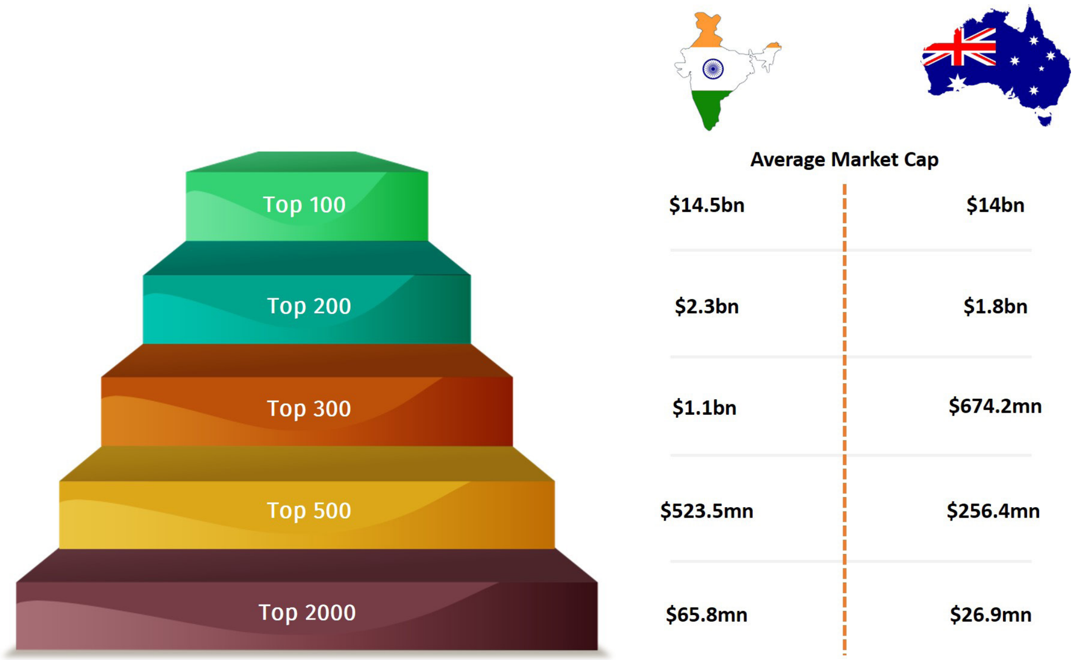
I. INDIA'S EQUITY MARKET IS BIGGER THAN YOU THINK!

India has 2 stock exchanges, the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE was established first and has over 5000 listed companies whilst the NSE has around 1700 listed companies. Although there are stocks that have listings on both exchanges, as of 2016, there are over 6000 companies, making India the largest in the world in terms of number of listed companies. Whilst approximately 2000 of these companies are traded daily, there are several companies across multiple sectors to choose from.

To put the size and liquidity into perspective, we have compared the Indian stock market to the Australian Stock market in the tables below.

India vs. Australia: Average Market Cap



India vs Australia: Market Characteristics

	INDIA	AUSTRALIA
Number of companies listed[1]	5835	1989
Total Market Cap[2]	AU$2TN	AU$1.7TN
Average Traded $ Value/day[3]	AU$4.2BN	AU$5.5BN
Top 10 Weight	26.80%	37.70%

To complement the cash market, futures and option contracts are available on 173 securities stipulated by the Securities & Exchange Board of India (SEBI). Furthermore, there are futures and options on several indices ranging from the Nifty (top 50), Mid-caps to specific sectors like Financials, IT and Infrastructure. The turnover in the equity derivatives market is large, in fact 15 times the size of the cash market, with around AU$60bn of traded volume daily[3]. In terms of number of contracts traded, Index options on the NSE are the most traded in the world (more than double that of the CBOE). Stock futures on the NSE are in fact the 2nd most traded in the world[4].

[1] *World Bank as of 2015, http://data.worldbank.org/indicator/CM.MKT.LDOM.NO*

[2] *ACE MF and MSCI*

[3] *ASX, NSE and BSE data*

[4] *World Federation of Exchanges, as of March 2016*

II. UNHEDGED EXPOSURE TO THE RUPEE PROVIDES NO ADDED RISK

Emerging Markets investors have generally experienced significant drag on investment returns from weakening currencies. Since Jan 1993, emerging markets in local currency terms have returned 13.8% p.a. However, in Australian dollar terms, returns have been much less, rising only 6.4% p.a. This means 7.4% p.a. has been lost simply from the Aussie dollar appreciating against a basket of EM currencies!

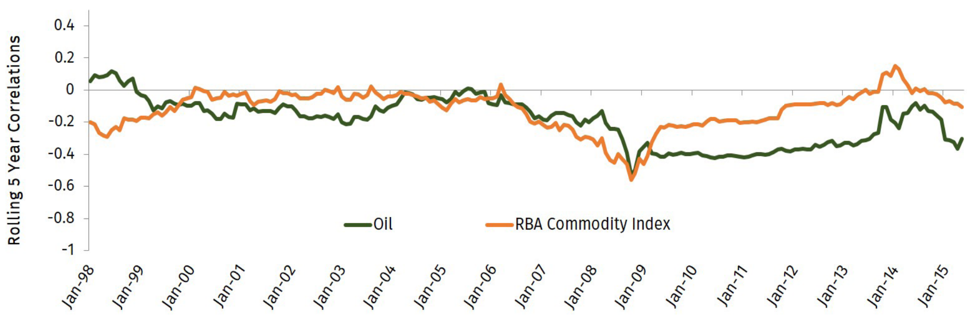
In terms of India, the depreciation against the AUD has been less significant, at around 4% per annum. However, the alternative option of fully hedging the Rupee is costly and locks in a loss. Over the long term, hedging costs have been 3%[5] p.a. and today would be over 4.5%! Furthermore, an unhedged exposure to the INR has introduced no additional volatility. In other words, correlation benefits of the rupee for an Australian investor have diversified away the additional volatility from the movements in AUD/INR.

Indian Equity Volatility and Return (Jan 1993 to March 2016)

	VOLATILITY	RETURN P.A.
MSCI India Unhedged in AUD	26%	11%
MSCI India Hedged* in AUD	26%	12%
MSCI India in Local Currency	26%	15%
AUD/INR	11%	4%

Despite the performance drag from an unhedged exposure experienced historically, there are diversification benefits, particularly for an Australian investor. This is because the Indian economy is a net importer of commodities such as oil and coal and thus is a beneficiary from falling commodity prices.

Indian Rupee vs. Commodities



Going forward, we feel that the following factors will also help stabilise the rupee and reduce the chance of any significant depreciation. In fact some of these factors below have been in play since 2013.

- India's growth is likely to be the highest in the world going forward[6]
- India-Australia inflation spread is likely to fall as bottlenecks in India are reduced. Furthermore, lower interest rates in Australia, leading to less foreign investment
- The RBI have explicitly stated that they want to "minimise situations of extreme volatility and intervening in situations when the exchange rate becomes extremely volatile"[7]
- The Indian Rupee is less vulnerable to external factors such as high inflation, twin deficits and low FX reserves. In fact, FX reserves are at all-time highs with India's import bill cover at around 7 months compared to Australia (2 months), UK (1 month) and US (1 month)[8]

Indian macro fundamentals compared to many developed and developing countries appear very attractive and are likely to support and help stabilise the Rupee. We feel that a sustained and prolonged depreciation of the currency is unlikely to occur in the same manner as it has in the past.

[5]Hedging costs are estimated using interest rate differentials between 1 month interbank rates in India and Australia. since Dec 1998.

[6]IMF Forecasts

[7]RBI Governor, Raghuram Rajan

[8]World Bank, Total reserves in months of imports

III. CORPORATE GOVERNANCE ON ITS WAY TO BEST PRACTICE!

Common perception is that corporate governance violations are frequently found in companies domiciled in India. This view was exacerbated by a corporate scandal in 2009 involving one of India's largest IT companies Satyam Computers, where the CEO falsified accounts by around US$1.5bn[9]. In our view, significant advancements have been made since then, especially since the Companies Act of 2013 was passed in legislation. This signifies an important development in India's history of corporate legislation as it promotes a business-friendly environment, enhances accountability for companies and auditors, raises the level of transparency and protects the interests of minority shareholders. In fact, the corporate governance framework in India is primarily based on the "Anglo Saxon model" of governance, which adopts principles from the Cadbury Report, the OECD principles of corporate governance, and the Sarbanes Oxley Act[10]

Some of the key improvements cited include:

Corporate Governance Initiatives under the Company Act of 2013

THEME	CORPORATE GOVERNANCE INITIATIVES UNDER THE COMPANY ACT OF 2013
Corporations and Society	India was one of first countries to legislate social responsibility for corporations. Companies that meet a certain size filter are required to spend at least 2% of their average net profits made during the previous three financial years on socially impactful activities
	The board's annual report to shareholders is required to provide details about the policy developed and implemented on corporate social responsibility activities taken during the year
	The board shall appoint a Corporate Social Responsibility Committee of three or more directors with at least one of them being independent
Related Party Transactions	The new act stipulates that no related party contract or arrangement shall be entered into except with the prior approval of the company by a special resolution
	No member of the company shall vote on such special resolution, approve any contract or arrangement which may be entered into by the company, if such member is a related party
	This means that those who stand to benefit would have no say in the voting outcome on such resolutions at members' meetings, and further, a super majority (75%) of the other shareholders would have to vote in favour of such resolutions
BOARD STRUCTURE	In the interests of diversity and thought, corporations must have at least one woman director
	Listed companies are required to have at least 50% of their board as independent directors. Furthermore, resolutions in company board meetings need to be ratified by at least one independent director
	Total tenure of an independent director is not allowed to exceed two consecutive terms (five years per term). A special resolution from shareholders is required to allow a second term

[9] *Satyam scandal could be 'India's Enron' – http://www.nbcnews.com/id/28539007/#.VzCHN49Oly8*

[10] *Pande & Kaushik, 2013*

Disclosure and Transparency	The Act enhances harmonisation of Indian accounting Standards with the International Financial Reporting Standards (IFRS)
	A National Financial Reporting Authority (NFRA) has been created and is responsible for recommending accounting standards and overseeing their compliance by companies. The NFRA has also been vested with the authority to inquire into, and punish if proven, any alleged misconduct
	Audit firms can now be appointed by shareholders of listed companies for a fixed term of five years and two such terms of ten years. After the expiry of their maximum terms, individual and firms will have to observe a five-year cooling-off period before they can be considered again

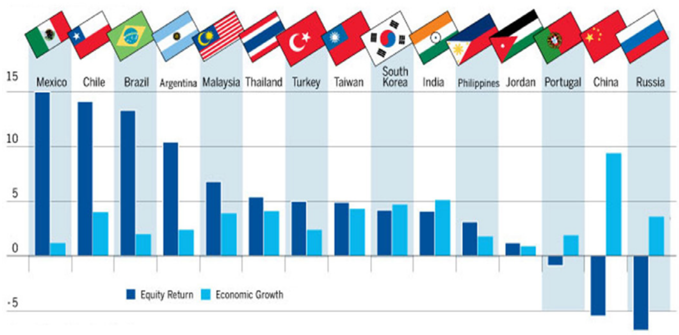
A common feature of Indian companies is a controlling shareholder, often referred to as the promoter or founder of the business. Where this exists, the ability of minority shareholders to influence significant decisions is questionable. However, in the most recent release of the World Bank's "Doing Business" Report[11], India ranked eighth in the world for protecting minority shareholders - ahead of many developed countries including the United States, Australia, Japan and several countries across Europe. According to the report, India scores highly in terms of shareholder rights and governance, corporate transparency and conflict of interest regulations. Much of this is as a result of the improvement as shown above.

Finally, the enforceability of breaches by companies has been left to the regulator, Securities and Exchange Board of India (SEBI) and enhanced by the Securities Laws (Amendment) Act, 2014. SEBI can impose monetary penalties. They have also streamlined their enforcement process by focusing on reducing delays to complete a probe to 12 months.

[11]*World Bank – Doing Business Report 2016*

IV. STRONG GDP GROWTH HAS TRANSLATED INTO EARNINGS GROWTH AND EQUITY RETURNS

Economic growth and equity returns 1970-2011, annualized (%)



Since December 1992, economic growth in India has accelerated at a pace of 7.1% p.a. The Indian equity market has commensurately rewarded investors for this strong growth, delivering 12.8% p.a. over the same period[12]. China has been the world leader over this period when it comes to GDP growth, with economic growth rising 10.6% p.a. However, its equity market has not rewarded investors commensurately for this, rising only 0.5% p.a. over the same period[13].

Source Dimson, March and Staunton

Much academic literature exists, that states there is no link between historical economic growth and equity returns[14]. The discrepancy is illustrated above which shows inflation adjusted data going back to 1970 and in particular highlights China. Whilst we also are aligned with this school of thought, we feel that strong GDP growth in isolation is not enough to warrant strong equity market returns. Valuations, earnings growth, Central Bank and Government Policy, economic fundamentals, company management and corporate governance are just a few of the important pieces in the puzzle in evaluating equity market returns. Furthermore, forecasted economic growth is more important than looking at the past, with the same authors suggesting that there exists a much stronger relationship, with equities from future high growth regions outperforming those that are not[15].

Looking at why this may have been the case between China and India, we feel there have been a plethora of reasons for why equity returns have failed to be reflected by strong GDP growth in China, compared to India where evidence of such a relationship exists.

Factors that link GDP to equity returns

FACTORS	RATIONALE
Earnings Growth	Earnings growth represented by MSCI China has grown by 0.9% p.a. over the last 20 years. Whereas Indian earnings growth has grown by 10.6% p.a.
Corporate management	Many companies in China are SoE's or quasi government type organisations where profitability and maximising shareholder wealth is not a priority. Companies in India are motivated by profitability, especially since original founders of companies remain as significant shareholders
Market Accessibility	Foreign investor's require licensing and are restricted by quotas. Therefore most have played China through H shares. This has limited investors to companies that are less diverse
GDP Representation	Similarly, listed companies, especially those available to foreign investors are not as representative of GDP and less broad based. The MSCI China index is heavily skewed to financials (38%) and low exposures to consumer staples and health care, whereas MSCI India is more broad based, with a more even skew of allocations across sectors

[12] World Bank data and MSCI India Dec 1992 to Dec 2014 in local currency terms

[13] World Bank data and MSCI China Dec 1992 to Dec 2014 in local currency terms

[14,15] *Dimson, Marsh and Staunton, London Business School and Credit Suisse*

V. INDIA HAS STREAMLINED ITS FOREIGN INVESTOR ACCOUNT OPENING PROCESS

With the formation of a new Government in India in 2014 (the Bharatiya Janta Party - BJP), there was an increased focus on kick starting the archaic investment regime in India. One of the new government's key mandates is to attract foreign investment. As a part of this, one of the most important measures is the Foreign Portfolio Investment Regulations, 2014[16] replacing the two decade old SEBI (Foreign Institutional Investor) Regulations 1995.The key objective of the new regulation is to reduce overall complexity and the number of regulations governing inbound investments into India.

The following points note two important changes. These have had a significant impact of reducing the registration timeline and process for portfolio investors.

1. Registrations by Designated Depository Participants (DDP's). The new regulations empowered DDP's to issue registrations and renewals to foreign portfolio Investors. This has cut down the time to open accounts significantly. SEBI is now responsible for prescribing operational guidelines for the granting of a license and seek to instruct, govern and receive regular reporting from DDP's.
2. Unification of regulations of various portfolio investment rules. In the old regime, portfolio investors could invest in India under one of the following 3 routes.
    a. Foreign Intuitional Investors (FII's)
    b. Sub – Account of FII's
    c. Qualified Foreign Investors (QFI's)

Each route of investment had different rules and guidelines. However, the new regime consolidates all three routes under a Foreign Portfolio Investors (FPI License). The change in regulations simplified the guidelines uniformly and were applied to all investments.

It's been more than 2 years since the new regulations have been made operational in India. As a result, the experience of opening accounts has become simple and unfortunately this is often not explained to foreign investors by global custodians. DDP's have been issuing licences within a fortnight of valid applications forms with supporting documents. The days of a 12 month wait for opening Investment accounts in India are long gone.

[16] The whole regulations is available on regulator website www.sebi.gov.in released on 07 Jan 2014.

VI. IS COMPANY REPORTING IN LINE WITH BEST PRACTICE?

Reporting and disclosure of financial statements in the global market space have been standardised. All companies wanting to list and raise global capital have to disclose their financial statements following the accounting standards that follow global best practice. India is not far behind in financial statement disclosure, with 123 GDR[17] and 12 ADR[18]/NASDAQ listings of Indian companies. These companies are already disclosing their financial statements, following either US GAAP or IAS.

The Accounting Standard Board, operating since 1977 as a committee of Institute of Chartered Accountants of India, issues Indian Accounting Standards (Ind AS). India has two sets of accounting standards currently;

1. Accounting Standard under Companies (Accounting Standard Rules) 2006
2. International Financial Reporting Standard (IFRS) converged Indian Accounting Standards (Ind AS)

India is in the process of adopting Ind AS, which is drafted in line with IFRS. The following is the time table[19] for Indian Companies to adopt it.

Key responsibilities of Regulatory Bodies

FROM FINANCIAL YEAR 2015-16	VOLUNTARY ADOPTION
From Financial year 2016-17	Mandatory adoption for Companies, its Holding company, subsidiary, Joint Venture etc whose net worth is INR 5 Billion or more
From Financial year 2017-18	Mandatory adoption for all companies whose equity or debt securities are listed on any stock exchange in India or Outside India Unlisted Companies, its Holding company, subsidiary, Joint Venture etc whose net worth is INR 2.5 Billion or more

India has also adopted a new Companies Act 2013 and following are some of the salient features of the disclosure of financial statements[20]

- India has also adopted a new Companies Act 2013 and following are some of the salient features of the disclosure of financial statements in India20
- A uniform financial year to be followed by all companies in India (March year-end)
- Board reports (including financial summary highlights risks and concerns, disclosure of senior management remuneration above threshold etc.)
- Consolidated financial statements (P&L, Bal sheet, Cash Flows, Sectorial reporting with schedules and notes to accounts)
- Audit reports and appointment of auditors and compulsory auditor rotations
- Fraud reporting responsibility
- Disclosure of related party transactions as well as loans to directors and subsidiaries
- Information on Corporate Social Responsibilities initiatives by the company
- Disclosure of number of women directors and if the board has at least 1/3 women directors
- Disclosure of independent directors and if they were at least 1/3 of the board strength

The annual accounts are circulated to investors once a year and companies are also required to disclose it on their websites. Furthermore, all listed companies are required to also disclose their quarterly financial performance in prescribed format within 30 days.

[17] India Avenue Research and www.topforeignstocks.com

[18] India Avenue Research and www.topforeignstocks.com

[19] Institute of Chartered Accountants of India on www.icai.org and Price Waterhouse report on IFRS in India

[20] Report titled 'Guide to Annual Financial Statements – illustrative disclosures' by KPMG in September 2015

VII. CORRUPTION IN INDIA: PERCEPTION OR REALITY?

"Not one single country, anywhere in the world, is corruption free". This is the title of the first chapter in the corruption perception index[21] report 2015. India too is not an exception, it has wide spread corruption in (1) awarding basic rights and services to the common man and (2) Scandals which break out at regular intervals in allocation of resources or large ticket public sector purchases.

In the first case, a few corrupt government officials had exploited loopholes in the system to their benefits, whereas in the second case Indian and global corporate's collude with politicians and officials to get allocation of resources and contracts. It's noteworthy that some of these global corporate's involved in corrupting politicians and officials in developing countries like India are from countries which are perceived as less corrupt. The public desire for change is huge as corruption continues to dominate in media coverage in India. The new Modi led NDA government has been elected on a promise to promote an anti-corruption platform. While leaders in India are falling short on their bold election promises, some progress has been made. India has moved up 9 places in the corruption perception index, a rank of Transparency International, from 85 in 2014 to 76 in 2015.

India's focus on corruption control has now moved on from pure enforcement of anti-corruption laws and punishing corrupt officials to prevention of the means of corruption, which is a more effective and sustainable means of fighting corruption. One of the successful strategies of prevention has been through the adoption of technology. Activities and processes vulnerable to corruption have been automated reducing the scope for corruption. **Digitisation of government records** has increased transparency in sectors like real estate, earlier identified with cash dealings.

We list some of the other initiatives and developments below:

- One billion Indian citizens have been issued unique identification numbers, enabling the direct transfer of social benefits and thus eliminating the scope for corruption in such transfers
- Physical inspections by enforcement agencies like customs are now being replaced by digital scanners and camera's saving time and reducing the potential for corruption
- Smart metering[22] in power distribution is expected to reduce the distribution and transmission losses in the power sector
- Higher transparency through e-tendering is expected to reduce the scope for corruption in awarding of government contracts. The financial sector regulator Reserve Bank of India (RBI) is pushing a move towards a cashless society by focusing on development of new electronic payment systems and issuing licenses for new payment banks. **Payments[23] through non cash electronic channels have increased from AU$400 billion in 2011-12 to AU$1.3 trillion in 2014-15**
- The emergence of **Departmental stores, Hypermarkets and Online Retailing** is helping reduce cash transactions, a source for "black money" (unaccounted for money) in the economy

The government is easing norms and facilitating easier clearances through a single window. Ministers in the government are now adopting a business-like approach and attracting investors to India through focussed programs like 'Make in India'. The Government now acts as a facilitator for business rather than a monitoring agency. This has to some extent allayed the fears of the supply side of corruption i.e. the private sector which pays the bribe. Given the opportunity with an improving ease of doing business rating[24], it is believed that the private sector in India will intensify its fight against corruption. Largely the private sector is increasingly adopting a code of conduct and integrity pacts for fighting corruption. Globally pressure is building on governments to formulate laws and take action against private businesses who attempt to bribe foreign governments to obtain contracts and Indian businesses see the potential of a premium valuation if they follow suit.

[21] The corruption perception index by Transparency International captures the perception /informed view of analysts, business people and country experts on the level of corruption in the public sector.

[22] Ministry of Power, UDAY scheme

[23] Reserve Bank of India

[24] India improved its ease of doing business ranking by 4 places to 130 in 2015 from 134 in 2014.

VIII. STOCK MARKET INFRASTRUCTURE, SYSTEMS AND TECHNOLOGY ARE ADVANCED

The history of India's capital markets dates back to 1875 when the **first ever stock exchange in Asia**, the Bombay Stock Exchange (BSE) was established in Mumbai, India. The Indian markets were underdeveloped, opaque and dominated by a handful of players as recently as 1991. The BSE traded only for two hours in a day with an open outcry system. Manipulation and unfair trade practices were rampant with very little supervision from the exchanges.

The liberalisation and reforms push by India in 1991 commenced a new era in the history of Indian capital markets. Steps were taken to liberalize, regulate and develop markets with an objective of;

- Improving market efficiency
- Enhancing transparency
- Moving the Indian markets up to international standards.

The Securities and Exchange Board of India (equivalent of ASIC), was established in 1992 with the objective of protecting investor interest and developing and regulating capital market activities. Foreign investors were permitted to invest in India's capital markets from September 1992.

Transparency and efficiency of Indian markets improved significantly with the commencement of the National Stock Exchange (NSE[25]) in 1994. The electronic trading platform offered by the NSE provided a transparent and highly efficient real-time, trade order matching facility. This electronic trading mechanism cut down on time, cost and risk of error. It reduced the chances of fraud and improved the liquidity of the market. The NSE also eliminated counter-party risk by setting up a clearing corporation in 1996 to provide a legal counterparty guarantee to each trade. The assured exchange settlement was backed by a "Settlement Guarantee Fund". The National Securities Depository Limited[26] and the Central Depository Service Ltd[27]. were set up in 1996 and 1999 respectively. The setting up of depositories enabled maintaining of securities in paperless electronic form and transfer of ownership through electronic bookkeeping.

A number of risk management best practices have been adopted by Indian stock exchanges to ensure the safety of the market. The dynamic risk management measures comprise of capital adequacy norms, trading and exposure limits, index based market-wise circuit breakers and mark-to-market margin requirements. Derivatives trading was introduced in June 2000. Initially stock index futures were introduced and by the end of 2001, futures and options on indices and individual stocks were available.

The following factors have combined to significantly increase the depth and liquidity of Indian capital markets:

- Reduction in settlement cycle, now T+2 from T+14
- Adoption of best practices in market risk management; and
- An active derivatives market

Overall the capital market infrastructure in India is now world class and on par with the best available worldwide.

[25] www.nseindia.com

[26] http://www.nsdl.co.in

[27] http://www.cdslindia.com

IX. INDIAN ASSET MANAGERS MOVING UP THE QUALITY SPECTRUM

Indian asset managers have significantly evolved over the last two decades. Some of the changes were mandated by the regulator SEBI[28] and some as a result of competitive pressures. Assets under management have increased to AU$240bn today through increasing investor demand both domestically and internationally.

Investment Process

Indian asset managers now have a more defined investment philosophy and internal process for scanning the macro environment, conducting investment research, identifying attractive opportunities and monitoring portfolios. They also have a well-defined investment universe where portfolio managers select securities and construct portfolios based on the portfolio's objective.

The process is further detailed in terms of the research process to identify companies, establishing a buy-sell discipline, risk management and compliance overview, trade execution processes, code of ethics, etc. The investment process is strengthened by a team of qualified and experienced investment professionals which normally comprises of a team of Portfolio Managers (4 to 10) and Analysts (5 to 20) headed by a Chief Investment Officer/Head of Equities. Most of the good portfolio managers in India have been with the same organisations for a long time and have an established long-term track record of consistent performance.

While investments have become increasingly process driven, key person risk, is still a significant consideration. Indian asset managers have sought to actively manage this risk by building broad teams and being more process focused, but at the heart of the process there are key individuals. Identifying these key individuals within an asset manager is paramount to generating alpha in India. This is because portfolio managers and analysts have good connectivity with companies and their suppliers/competitors. The 'grass-roots' research helps these managers to consistently generate high alpha through good security selection.

Portfolio Construction

Despite superior stock selection and a bottom up focus, Indian portfolio managers have often fallen prey to global events. Risk based portfolio construction approaches that factor in market and style exposures, concentration and liquidity risks, stress tests and other risks were not well understood in the early 2000s but over time this has improved. Portfolio management is now often aided by sophisticated portfolio analytics using institutional grade software such as Factset or MSCI Barra.

Risk Management

The investment process is governed by stringent internal investment guidelines, risk metrics and regulatory limits. All asset managers now have a compliance team that monitor the adherence to these guidelines and regulatory limits. In addition, there are performance and risk management teams with access to the latest risk-analytics to perform ongoing risk measurement and monitoring of liquidity, investment, credit and operational risks. Indian managers now have a governance/escalation mechanism to mitigate risks arising from any breaches.

Furthermore, the investment committee now typically comprises of a CEO, CIO, portfolio managers and head of risk & compliance who share the responsibility for overall portfolio performance and adherence with the guidelines.

[28] *www.sebi.gov.in*

X. INDIA'S REGULATOR SEBI IS HIGHLY CREDIBLE

Indian financial markets are regulated and monitored by the Ministry of Finance (MOF), The Reserve Bank of India (RBI) and The Securities and Exchange Board of India (SEBI). The MOF is responsible for formulating the policies related to the orderly growth and development of the securities markets as well as protecting the interest of investors. Some of its responsibilities include:

- Institutional reforms in the securities markets,
- Strengthening investor protection mechanisms, and
- Providing an efficient legislative framework for securities markets

The RBI is responsible for implementing monetary and credit policies, issuing currency notes, being banker to the government, regulator of the banking system, manager of foreign exchange and regulator of payment & settlement systems whilst continuously working towards the development of India's financial markets.

Time table for adoption of Ind AS

AUTHORITY / REGULATOR	KEY RESPONSIBILITIES
Ministry of Finance	Policy making and building regulatory & market institutions
Reserve Bank of India	Principal Banking System Regulator
Securities & Exchange Board of India	Principal Securities Market Regulator

SEBI is the principal regulator for securities markets in India. All financial intermediaries permitted by their respective regulators to participate in the Indian securities markets are governed by SEBI regulations. Establishment of SEBI led to a successful transition from a highly controlled merit based regulatory regime to a market oriented disclosures based regulatory regime. SEBI ensures that India's securities market develops in terms of product, technology, participants, surveillance and enforcement, in line with international standards and best practices. SEBI has enhanced robustness of the risk management systems, by prescribing norms and enabling the introduction of a Settlement Guarantee Fund (SGF). This aligns stress testing practices of clearing corporations in India with CPSS-IOSCO (International Organisation of Securities Commission) Principles for Financial Market Infrastructure. With the implementation of different rules and regulations prescribed by SEBI, the access to information has increased, risk of defaults has fallen and overall governance has become conducive for protection of investors' interests and the development of the securities market in India.

Some of the prominent steps taken by SEBI to enhance investor protection include:

- Single KYC for securities market,
- E-voting facility, to increase the say of shareholders in company decisions
- Mandatory authentication of listed companies in SCORES (SEBI Complaints Redress System) which enables investors to lodge their complaints and track the status online
- Enhanced disclosures and transparency by listed companies and exchanges,
- Product labelling in mutual funds, Investor Protection & Education Fund (IPEF) regulations

The regulatory framework in India is in compliance with the OECD Principles, an international benchmark for securities markets regulations. The World Bank in its report titled "Doing Business 2015 Going Beyond Efficiency" has ranked India 8th in respect of minority investor protection.

Furthermore, the International Organisation of Securities Commissions (IOSCO) and the Bank for International Settlements (BIS) has rated[29] India's regulatory framework for financial market infrastructures at the highest score of '4' for all eight parameters assessed on a scale of one to four along with five other countries including Australia, Brazil, Hong Kong, Japan and Singapore.

[29] IOSCO; BIS; Report:http://www.iosco.org/library/pubdocs/pdf/IOSCOPD440.pdf;

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