



FII's sell most in August at Rs 8,841 cr

Maulik Pathak

AHMEDABAD

THE month of August has witnessed maximum selling by FIIs during this year as they have been heavily engaged in profit booking. As against the May 2006 blood bath when FIIs had pulled about Rs 8,247 crore from the markets, so far in August, they have registered a net sale of Rs 8,841 crore. In contrast, mutual funds have pumped in Rs 8,258 crore till Friday as per Sebi data.

Indian financial institutions have been on a buying spree this month and on Monday, LIC bought 1.49 million shares of Vijaya Bank as the market made a strong comeback by adding 417 points to its Sensex.

"The international turmoil, especially the sub-prime issue in the US, and certain political concerns here, have put FIIs into profit-booking mode. The hedge funds that lost heavily in the US markets have been trying to cover, and they turned into major sellers. Also, yen appreciation made things difficult," said Nitesh Shah, vice-president, Kotak Securities. Earlier this year, FIIs had sold the maximum in March where they booked a profit of Rs 1,082 crore.

Analysts feel that one must also bear in mind the kind of money that the FIIs have already pumped into the Indian markets this year. "The total inflow of FII till July this year is almost equal to the amount they had pumped in the entire 2006. In the immediate term, the US sub-prime issue would continue to hold centre stage, which could lead to volatility in Indian and other emerging stock markets.

However, we continue to believe that India is a clear case of collateral damage as FIIs book profits to meet their liquidity requirements," said Hitesh Agrawal, vice-president (research), Angel Broking. With a near 10% correction already witnessed in India and valuations of 15x P/E (one-year forward earnings and adjusted for the value of investments), industry watchers expect the FII interest to re-emerge and sustain. FIIs have been pulling heavily from other Asian markets as well.

maulik.pathak@timesgroup.com