**GIC, Temasek cut stakes**
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TODAY

SINGAPORE — Temasek Holdings and the Government of Singapore Investment Corporation (GIC) have cut their stakes in India’s second-biggest lender, ICICI Bank. While most observers reckoned this was a routine portfolio balancing move, some suggested it could be another sign both sovereign wealth funds are strategically reducing their exposure in financial institutions.

Temasek Holdings has cut its stake in ICICI Bank to 5.76 per cent as at Sept 30 from 7.61 per cent at the end of June, according to data from the Bombay Stock Exchange (BSE). Meanwhile, the GIC pared its stake gradually from 2.3 per cent in the three months ended March to 1.66 per cent in the quarter ended June and to 1.53 per cent at the end of September.

“We are optimistic about the long-term growth potential of Asia, including India, and we’ll continue to build on our investments and portfolio in the region,” said Mr Manish Kejriwal, Temasek’s senior managing director and country head for India in a statement.

“As a long-term investor, Temasek regularly reviews its portfolio and rebalances it from time to time. We remain open to increase, maintain or decrease our shareholding in our portfolio companies as part of our portfolio rebalancing,” added Mr Kejriwal. He did not disclose if Temasek had made a profit or a loss from the sale.

Based on BSE data, Temasek, through its Indian arm Allamanda Investments, had a 7.4-per-cent stake in ICICI since the second quarter of 2006. The average traded price of the counter was 561.84 rupees ($16.70) at that time, according to Bloomberg data.

In the third quarter this year, the average traded price of the counter was 751.25 rupees.

When contacted by MediaCorp, GIC declined to comment.

ICICI shares fell 6.3 per cent to end the day at 834.45 rupees yesterday, compared to the 2.3-per-cent drop in the broader Indian market. However, its shares have more than doubled this year.

Singapore Management University Associate Professor of Finance Melvyn Teo said: “I see it more as a sector play than a region play, Temasek is probably trying to reduce its exposure to financials.”

Other market observers see this as a routine move, and also as part of risk-management by both investment firms to check if there is overexposure in a particular sector.

NUS Business School Associate Professor Ho Yew Kee, said, “They are not short-term punters who sell to lock in profits. We’d like to believe that they’re beyond that.”

Temasek has been paring its stakes in banks and sold its stakes in Barclays and Merrill Lynch at an estimated loss of US$4 billion ($5.6 billion) in its last financial year that ended in March 30, 2009.
Separately, Temasek said it has completed its offering of US$1.5 billion-worth of 10-year bonds at an interest of 4.3 per cent.

The issuance is part of its US$5 billion guaranteed global medium-term note program.

Among the bond investors include large pension funds and investment banks, and the notes were three times oversubscribed, sources said.

Ms Leong Wai Leng, Temasek’s chief financial officer, said, “The success of this second security issuance underscores investors’ confidence in Temasek and our portfolio. Temasek’s bond programme helps to establish public markers for our credit quality, and provides us with the discipline of engaging with an expanded international stakeholder base.”