PART TWO: REVIEW OF THE TRENDS AND OPERATIONS

Part Two of the Annual Report deals with operational aspects of Securities and Exchange Board of India during the year and attempts to make a comparison, wherever possible, with the developments in the international capital markets. Operational areas such as primary market, secondary market, mutual funds, portfolio investments, takeovers and acquisitions, regulatory developments, investigations and enquiries, are discussed, analysed and compared over period and across markets

1. PRIMARY SECURITIES MARKET

The primary capital market (PCM) plays an important role in the overall functioning of securities market. Vibrancy of primary market, among other things, is a function of macro economic factors, industrial output and demand. Over the years SEBI has taken several initiatives to improve the operational efficiency and transparency of the primary market, which provides investors with issues of high quality and for firms a market where they can raise resources in a cost effective manner. However, despite these measures the primary market remained lackluster.

Fewer number of issuers accessed the primary market during the year and the amount of funds mobilized in 2002-03 was also significantly lower than that of the previous financial year. Share of equity issues, in terms of number and amount mobilized, however, was higher in this financial year compared to the previous one.

In 2002-03, as well as 2001-02, western region dominated in mobilizing resources through the primary market route. More than three-fourths of the total amount was mobilized by western region, southern region occupied second and no resources were mobilized from northern and eastern regions.

As in the previous years, banks and financial institutions continued to dominate the primary market and accounted for 84.5 per cent of the resources mobilised compared to 68.1 per cent in 2001-02. All other industries shared the remaining portion. Table 2.7 and Chart 2.2 depict the industry wise distribution of resources mobilized.

Instrument-wise analysis shows that bonds have been the primary instrument for the resource mobilization in the primary market followed by equity. Equity with premium compared to the previous year, more than doubled in 2002-03. Issues in the public sector were dominant in the current year, compared to the issues in the private sector which raised about 87.0 percent in the previous year.

I. Capital Raised During 2002-03

During the financial year 2002-03, primary market witnessed a decrease of 46.0 per cent in the amount raised and also a decrease of 25.7 per cent in the number of issues launched compared to the same period in 2001–02. A total of 26 issues (14 public issues and 12 rights issues) opened during the financial year 2002-03 raising Rs.4070.29 crore (Rs.3638.6 crore through public issues and 431.6 crore through rights issues). In 2001-02 a total of 35 issues opened for raising Rs. 7543.0 crore (20 public issues-Rs. 6501.8 crore and 15 rights issues-Rs.1041.2 crore).

The number of companies accessing the market with initial public offering of equity shares and the amount mobilized through Initial Public

Offering (IPOs) have decreased marginally in this financial year vis-à-vis previous financial year. There were 6 IPOs in 2002-03 compared to 7 in the previous year. Funds mobilized through IPOs has declined by 13.5 per cent to Rs. 1038.6 crore in 2002-03 as compared to Rs. 1201.8 crore (comprising 6 IPOs of equity issues for Rs. 1031.8 crore and 1 IPO of FCD amounting Rs. 170 crore resulting in gross total of funds through IPOs as Rs 1201.8 crore) in the previous financial year. Rights issues continued their dominance in both the years. Prevailing domestic and international industrial climate, excess capacities and globalisation are a few of the factors supposedly responsible for this lackluster performance of primary market.

Table 2.1: Capital Mobilised

	2001-02			2002-03	Percentage Share (Amount)	
	No.	Amt. (Rs.Cr.)	No.	Amt. (Rs. Cr.)	2001-02	2002-03
Public	20	6501.81	14	3638.68	86.1	89.4
Rights	15	1041.26	12	431.61	13.8	10.6
Total	35	7543.08	26	4070.29	100.0	100.0

Source: SEBI

Table 2.2: Month-Wise Capital Raised

	2001-02			2002-03		Percentage Share (Amount)	
	No.	Amt. (Rs. Cr.)	No.	Amt. (Rs. Cr.)	2001-02	2002-03	
April	1	5.16	0	0.00	0.1	0.0	
Мау	1	51.03	2	246.08	0.7	6.0	
June	1	400.00	1	209.97	5.3	5.2	
July	2	407.65	2	207.83	5.4	5.1	
August	3	418.15	1	288.00	5.5	7.1	
September	4	1078.39	0	0.00	14.3	0.0	
October	1	18.96	3	401.77	0.3	9.9	
November	4	563.43	2	635.00	7.5	15.6	
December	4	830.00	3	61.86	11.0	1.5	
January	3	1466.84	2	700.00	19.4	17.2	
February	4	899.92	6	535.39	11.9	13.2	
March	7	1403.55	4	784.39	18.6	19.3	
Total	35	7543.08	26	4070.29	100.0	100.0	

Source: SEBI

Table 2.3: Classification of Equity Issues

	2001-02		2002-03		Percentage Share (Amount)	
	No.	Amt. (Rs Cr.)	No.	Amt. (Rs. Cr.)	2001-02	2002-03
Public Issue						
IPO	6	1031.82	6	1038.68	84.2	71.3
Listed	0	0.00	0	0.00	0.0	0.0
Total	6	1031.82	6	1038.68	-	
Rights	8	193.61	11	418.18	15.8	28.7
Grand Total	14	1225.43	17	1456.86	100.0	100.0

Source: SEBI

II. Trends in Size and Composition of Issues

Though during the year, issues were fewer in number, majority of them were of larger size. Thus there were 13 mega issues in the range of Rs. 100 crore and above but below Rs. 500 crore amounting to Rs. 3800.4 crores during 2002-03. Whereas, in the previous financial year, there were 14 issues in the same range amounting to Rs. 4506.1 crore and 4 issues falling in the range of Rs. 500 crore and above amounting to Rs. 2634.0 crore. Contribution of 13 mega issues in total fund mobilization is 93.3 per cent in 2002-03

Table 2.4: Large Issues During 2002-03

and the contribution by the 18 mega issues to total fund mobilized in the last financial year was 94.6 per cent.

The average issue size declined from Rs.215.5 crore in 2001-02 to Rs.156.5 crore during the current year.

III. Region-Wise Analysis of Capital Mobilisation

During the previous year, as well as in 2002-03 Western region raised maximum amount of capital from the primary market. In all 13 issues were launched from western region mobilising an amount of Rs.3357.4 crore which works out to 82.5 per cent.

Sr. No.	Name of the Company	Type of issue	Type of Instrument	Date of opening of Issue	Offer Size Rs. In Cr.
1.	Ballarpur Industries Ltd.	Rights	Equity, FCD	30-May-02	217.48
2.	I-flex Solutions Ltd.	Public	Equity	5-Jun-02	209.97
3.	IDBI Ltd.	Public	Bond	26-Jul-02	200.00
4.	UnioBank of India	Public	Equity	20-Aug-02	288.00
5.	IDBI Ltd.	Public	Bond	10-Oct-02	300.00
6.	Allahabad Bank	Public	Equity	23-Oct-02	100.00
7.	Canara Bank	Public	Equity	18-Nov-02	385.00
8.	IDBI Ltd.	Public	Bond	28-Nov-02	250.00
9.	ICICI Bank Ltd.	Public	Bond	6-Jan-03	400.00
10.	IDBI Ltd.	Public	Bond	20-Jan-03	300.00
11.	ICICI Bank Ltd.	Public	Bond	14-Feb-03	400.00
12.	IDBI Ltd.	Public	Bond	7-Mar-03	350.00
13.	ICICI Bank Ltd.	Public	Bond	15-Mar-03	400.00
	Total				3800.45

Source: SEBI

Table 2.5: Size-Wise Distribution of Issues

	2001-02		2002-03		Percentage Share (Amount)	
	No.	Amt. (Rs. cr.)	No.	Amt. (Rs. cr.)	2001-02	2002-03
<5 cr.	3	7.71	2	6.64	0.1	0.2
=>5cr & <10cr.	3	19.57	1	7.83	0.3	0.2
=>10cr & <50cr.	8	198.92	10	255.37	2.6	6.3
=>50cr & <100cr	3	176.74	0	0.00	2.3	0.0
=>100cr & <500cr	14	4506.12	13	3800.45	59.7	93.4
=>500 cr.	4	2634.02	0	0.00	34.9	0.0
Total	35	7543.08	26	4070.29	100.0	100.0

Source: SEBI

The number of issues and the amount of resources mobilized from the southern region, increased in 2002-03 compared to the previous year: as against seven issues raising Rs. 419.1 crore in 2001-02, nine issues raising Rs. 587.6 crore during the year. There was a sharp decline in the northern region where only one issue could raise Rs. 7.8 crore compared to Rs 1001.6 crore in previous year from three issues. In eastern region though the number of issues went up marginally to three from two, the resources mobilized declined from Rs. 180.0 crore to Rs. 117.3 crore.

IV. Industry Wise Capital Mobilisation

Three industries viz. Banks / FIs, Engineering and Telecommunications accounted for 93.2 per cent of the resources mobilized in 2001-02. In the current year, the same three industries accounted for 84.7 per cent of the funds raised. With the Banks and FIs increasing their share from 68.3 per cent to 84.5 per cent and companies in the Telecommunication sector not raising any resources. In 2002-03 the three industries which accounted for 95.3 per cent of the resources were Banking / FIs, Information Technology, Paper and Pulp.

2001-02	2002-03	

Table 2.6: Region-Wise Distribution of Mobilised Capital

	2001-02		2002-03		Percentage Share (Amount)	
	No.	Amt. (Rs. Cr.)	No.	Amt. (Rs. Cr.)	2001-02	2002-03
Northern	3	1001.63	1	7.83	13.3	0.2
Eastern	2	180.00	3	117.37	2.9	2.8
Western	23	5942.37	13	3357.48	78.7	82.4
Southern	7	419.08	9	587.61	5.5	14.4
Total	35	7543.08	26	4070.29	100.0	100.0

Source: SEBI

Chart 2.1 : Region–Wise Distribution of Capital (as percentage share)



	2001-02		2002-03		Percentage Share (Amount)	
	No.	Amt. (Rs Cr.)	No.	Amt. (Rs Cr.)	2001-02	2002-03
Banking/Fis	14	5141.96	13	3442.72	68.1	84.5
Cement & Const.	2	26.61	1	30.35	0.3	0.7
Chemical	3	186.76	1	15.60	2.5	0.4
Engineering	4	759.65	2	9.60	10.0	0.2
Entertainment	0	0.00	2	24.28	0.0	0.6
Finance	1	32.82	1	29.52	0.4	0.7
Health Care	0	0.00	2	73.47	0.0	1.8
Info. Tech.	6	38.02	3	227.27	0.5	5.5
Misc.	2	396.80	0	0.00	5.3	0.0
Paper & Pulp	0	0.00	1	217.48	0.0	5.3
Telecommunication	1	834.02	0	0.00	15.1	0.0
Textile	2	126.44	0	0.00	1.7	0.0
Total	35	7543.08	26	4070.29	100.0	100.0

Table 2.7: Industry-Wise Capital Raised *

* Criteria for slotting of issues in industry-wise classification has been reviewed and hence may not tally with records from previous reports.

Source: SEBI





Table 2.8: Resource Mobilization by Top 5 Industries in 2002-03

Sr. No.	Industry	No. of Issues	Amount of capital raised (Rs. Cr.)	Percentage Share in Top 5 Industry
1.	Banking/FI	13	3442.72	86.3
2.	Infotech	3	227.27	5.7
3.	Paper & Pulp	1	217.48	5.4
4.	Health Care	2	73.47	1.8
5.	Cement & Construction	1	30.35	0.8
	Total	20	3991.29	100.0

In 2001-02, Banking/FIs, Telecommunication, Engineering, Chemical and Textile were among the top five industries on the basis of capital raised. However, in the current financial year, top five industries in terms of capital mobilisation are Banking/FIs, Information Technology, Paper & Pulp, Health Care and Cement & Construction. This clearly indicates the fact that old economy industries are still the favourites of the primary market in 2002-03. Financial Institutions. Out of these 13 issues, three issues were launched by ICICI Ltd. These were basically 3 tranches of umbrella issue of bonds. IDBI also launched 5 tranches of bond issue in 2002-03. The other 5 issues were of equity shares to public by Allahabad Bank, Canara Bank, Union Bank of India and rights issue of equity shares by The Karnataka Bank Ltd. and The Karur Vysya Bank Ltd. Details of these issues by Banks/ Financial Institutions are given in Table 2.9.

In 2002-03, there were 13 issues by Banks/

Name of the Bank/FI	Instrument	Type of Issue	Date of Opening	Issue Size (in Rs. crores)
Allahabad Bank	Equity	Public	23-Oct-02	100.00
Canara Bank	Equity	Public	18-Nov-02	385.00
ICICI Bank Ltd. (Formerly ICICI Banking Corporation Ltd)	Bonds	Public	6-Jan-03	400.00
ICICI Bank Ltd. (Formerly ICICI Banking Corporation Ltd)	Bonds	Public	14-Feb-03	400.00
Industrial Development Bank of India	Bonds	Public	26-Jul-02	200.00
Industrial Development Bank of India	Bonds	Public	28-Nov-02	250.00
Industrial Development Bank of India	Bonds	Public	20-Jan-03	300.00
The Karnataka Bank Ltd.	Equity	Rights	17-Feb-03	33.72
The Karur Vysya Bank Ltd.	Equity	Rights	9-Dec-02	35.99
Union Bank of India	Equity	Public	20-Aug-02	288.00
Industrial Development Bank of India	Bonds	Public	10-Oct-02	300.00
Industrial Development Bank of India	Bonds	Public	7-Mar-03	350.00
ICICI Bank Ltd.	Bonds	Public	15-Mar-03	400.00
Total				3442.71

Source: SEBI

Table 2.10: Instrument-Wise Break-Up of Capital Raised

	2001-02		2002-03		Percentage Share (Amount)	
	No.	Amt. (Rs. Cr.)	No.	Amt. (Rs. Cr.)	2001-02	2002-03
Equity – par	7	150.90	6	142.50	2.0	3.5
Equity – prem.	8	1121.32	11	1314.36	14.8	32.2
FCDs	3	636.8	1	0.00	8.4	0.0
PCDs	1	32.82	1	13.43	0.4	0.3
Bonds	16	5601.23	8	2600.00	74.2	63.8
Total	35	7543.08	27	4070.29	100.0	100.0

Source: SEBI



Chart 2.3 : Instrument-Wise Percentage Share of Capital

Ballarpur Industries Ltd. offered both 'Equity Share' and 'Fully Convertible Debenture'. Therefore, for the limited purpose of instrument-wise analysis, number of issues have been assumed as 27 though there is a total number of 26 primary issues in this year. In the financial year 2002-03, out of total 27 issues, 17 issues were of equity shares accounting for 62.4 per cent of the issue. However, share of those issues in terms of capital raised is 35.7 per cent. Out of those 17 issues of equity shares, 6 issues were of equity shares at par and 11 issues were at premium.

In this year, a total number of 10 issues of debentures (inclusive of bonds) raised a total amount of Rs 2613.4 crore. This pattern of fund mobilisation is different from the one observed in the previous year, when there were 15 equity

issues launched which mobilised 16.8 per cent of the total funds mobilised. Therefore, amount of fund mobilized through equity issues has gone up significantly this year.

V. Underwriting of Issues

The underwriting of issues is optional in terms of SEBI (DIP) Guidelines 2000. In the year 2002-03, 14.3 per cent of the total public issues of equity shares, in terms of number of issues, were underwritten. In 2001-02, 42.8 per cent of the total public issues of equity shares, in terms of number of issues, were underwritten. From the point of view of amount of fund mobilized through public issue of equity shares, 7.0 per cent of the issue amount through public issue of equity shares was underwritten in 2002–03. The same was at the level of 89.9 per cent for the previous year.

	2001-02			2002-03	Percentage Share (Amount)		
	No.	Amt. (Rs. Cr.)	No.	Amt. (Rs. Cr.)	2001-02	2002-03	
Underwritten	3	1678.04	2	254.84	89.9	7.1	
Not underwritten	4	187.80	12	3383.84	10.1	92.9	
Total	7	1865.84	14	3638.68	100.0	100.0	

Table 2.11: Amounts Underwritten / Not Underwritten in 2002 – 2003 *

* Applicable only for public issue of equity shares. Source: SEBI

VI. Subscription Details of Primary Issues

The subscription analysis of the issues for which data is available with SEBI for year 2002-03 (i.e 22 issues) and for the corresponding period of the year 2001-02 (i.e 26 issues) are as under:

Table 2.12: Subscription Details

Times subscribed	Number of issues in 2001-02	Number of issues in 2002-03
<=2 times	25	15
>2 and <=5 times	1	5
>5 and <=10 times	0	1
>10 and <=50 times	0	1

Source: SEBI

The public issue of Divi's Laboratories Ltd. was oversubscribed by more than 10 times. No issue was under subscribed in 2002-03.

VII. Offer Documents Received and Observations Given by SEBI

In the financial year 2002-03, 28 offer documents were received for an amount Rs. 7091.6 crores and observations were given for 23 issues amounting to Rs. 4982.1 crore. In the financial year 2001-02, 34 offer documents were received amounting to Rs. 9378.26 crore and observations given for 28 documents amounting to Rs. 9227.9 crore.

Table 2.13: Sector-Wise Break-Up of Capital Raised

	2001-02			2002-03	Percentage Share (Amount)		
	No.	Amt. (Rs. Cr.)	No.	Amt. (Rs. Cr.)	2001-02	2002-03	
Private	30	6601.12	17	1895.52	87.5	46.5	
Joint	0	0.00	1	1.77	0.0	0.04	
Public	5	941.96	8	2173.00	12.5	53.3	
Total	35	7543.08	26	4070.29	100.0	100.0	

Source: SEBI

Chart 2.4 : Sector-Wise Share of Capital Mobilised



	2001-02			2002-03	Percentage Share (Amount)		
	No.	Amt.(cr.)	No.	Amt.(cr.)	2001-02	2002-03	
Appraised	4	199.66	0	0.00	2.6	0.0	
Profitability	30	6509.40	24	3815.45	86.2	93.7	
Book Building	1	834.02	2	254.84	11.1	6.2	
Total	35	7543.08	26	4070.29	100.0	100.0	

Table 2.14: C	lassification	of Issues	into A	Appraised/Una	ppraised
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Source: SEBI

Table 2.15: Observations Given for Offer Documents Received

	2	2001-02	20	002-03
	No.	Amt. (Rs. Cr.)	No.	Amt. (Rs. Cr.)
Docs. Received	34	9378.26	28	7091.68
Observations Issued	28	9227.94	23	4982.09

Source: SEBI

Issues Handled by Top Three Merchant Bankers and Registrars Ranked by Shares

Table 2.16: Lead Manager

Name of the Lead Manager	No of Issues handled
SBI Capital Markets Ltd.	10
Kotak Mahindra Capital Company Ltd.	6
DSP Merrill Lynch Pvt. Ltd.	6

Source: SEBI

Table 2.17: Registrar to the Issue

Name of the Registrar	No of Issues handled
Karvy Consultants	6
MCS Limited	5
Datamatics Financial	4

Source: SEBI

2. SECONDARY SECURITIES MARKET (SSM)

I. Introduction

There are several facets to the secondary market for securities. Trading, clearance and

settlement are one part and others include exchange management, product innovation, risk management etc.; This section provides explanation on many developments during the year in SSM.

II. Price Behaviour in Secondary Securities Market: 2002-03

SEBI has been continuously improving functioning of secondary securities market. Several reforms were introduced during the year. Trading, clearing and settlement in equity shares was contracted to T+3 from April, 2002. It would be further contracted to T+2 from April, 2003. In order to make markets more efficient and provide more investment opportunities to the investors, trading in government securities on stock exchange was permitted. There have been some differences in the listing of securities requirements among the Indian Stock Exchanges. Central Listing Authority has been conceived and formalized so that there will be uniform standards for listing of securities. Conflict of interest, exists when ownership, trading rights and management are clustered the Indian on Stock Exchange. Demutualisation and Corporatisation of the Indian Stock Exchange would help eliminate conflict of interests, which now prevail at stock exchanges; trading members being on the management of the exchange, conflict of interests are embedded in the structure of all stock exchanges except NSE.

During 2002-03, performance of Indian Stock market was, by and large, a lackluster one. S&P CNX NIFTY and BSE Sensex both registered negative returns of 13.4 percent and 12.1 percent respectively over the previous year. Other broad indicators also fell down. Fall in the market is not specific to India alone and it appears a global phenomena. Monthly close of index values are presented in Table 2.19 and Charts 2.5, 2.6 and 2.7 provide information on volume of turnover, market capitalization and returns. Turnover has been increasing and its reached peak in the month of December 2002.

Table 2.18: Movement in Share Indices

Index	30-Mar-01	28-Mar-02	31-Mar-03	2001-02 *	2002-03 *
BSE Sensex	3604.38	3469.35	3048.72	-3.7	-12.1
BSE Natex	1691.71	1716.28	1500.72	1.5	-12.6
S&P CNX Nifty	1148.2	1129.55	978.02	-1.6	-13.4
S&P CNX 500	754.18	775.5	701.35	2.8	-9.6
BSE 500	1080.10	1164.68	1071.45	7.8	-8.0

* Percentage variation over the previous year. Source: SEBI



Chart 2.5 : Movement of BSE Sensex and S & P CNX Nifty

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	BSE Sensex	Percentage Variation	BSE 100 Index	Percentage Variation	S&P CNX Nifty	Percentage Variation	CNX Nifty Junior	Percentage Variation
2002-03								
Apr	3338.16	-3.8	1671.63	-2.6	1084.50	-4.0	1607.75	2.6
Мау	3125.73	-6.4	1596.71	-4.5	1028.80	-5.1	1497.10	-6.9
June	3244.70	3.8	1650.34	3.4	1057.80	2.8	1617.40	8.0
July	2987.65	-7.9	1506.23	-8.7	958.90	-9.3	1455.85	-10.0
Aug	3181.23	6.5	1580.55	4.9	1010.60	5.4	1452.60	-0.2
Sep	2991.36	-6.0	1473.88	-6.7	963.15	-4.7	1257.85	-13.4
Oct	2949.32	-1.4	1458.78	-1.0	951.40	-1.2	1255.30	-0.2
Nov	3228.82	9.5	1594.03	9.3	1050.15	10.4	1337.10	6.5
Dec	3377.28	4.6	1664.67	4.4	1093.50	4.1	1413.05	5.7
Jan	3250.38	-3.8	1600.87	-3.8	1041.85	-4.7	1376.85	-2.6
Feb	3283.66	1.0	1628.72	1.7	1040.25	-0.2	1387.10	0.7
Mar	3048.72	-7.2	1500.72	-7.9	978.20	-6.0	1259.55	-9.2

Table 2.19: Stock Market Indicators: Closing Value of Index as on Last Trading Day of the Month

Source: BSE, NSE

Table 2.20: Stock Market Indicators: Financial Ratios

Month		Price to Ear	nings Ratio	*	Price to Book Ratio *			
	BSE Sensex	BSE 100 Index	S&P CNX Nifty	CNX Nifty Junior	BSE Sensex	BSE 100 Index	S&P CNX Nifty	CNX Nifty Junior
2002-03								
Apr	16.83	14.69	18.02	7.01	2.47	1.77	2.89	1.17
May	16.19	14.09	17.44	7.31	2.37	1.71	2.81	1.2
June	15.92	13.92	16.28	8.72	2.34	1.70	3.22	1.23
July	15.34	13.43	15.39	8.15	2.30	1.66	2.59	1.08
Aug	13.62	12.13	14.53	7.51	2.13	1.55	2.79	0.99
Sep	13.14	11.44	14.69	6.92	2.17	1.61	2.65	0.92
Oct	12.68	10.77	14.25	6.58	2.02	1.64	2.39	0.87
Nov	13.22	11.10	14.55	8.73	2.07	1.67	2.41	0.91
Dec	14.37	11.96	14.57	11.99	2.24	1.81	2.35	1.03
Jan	14.43	12.04	14.56	12.25	2.25	1.82	2.53	1.05
Feb	14.22	12.06	14.32	12.03	2.22	1.81	2.31	1.03
Mar	13.74	11.76	13.85	11.80	2.14	1.76	2.23	1.02

* Monthly Averages of Closing Values

Source: BSE and NSE

Year/ Month	Average Daily Turnover (Rs Crore)					Market Ca (Rs C	pitalisation rore) *		
2002-03	В	SE	N	SE	BSE +		NS	NSE	
		Percentage Variation		Percentage Variation		Percentage Variation		Percentage variation	
Apr	1,312	-3.1	2,424	4.0	625,587	2.2	649,551	2.0	
Мау	1,279	-2.5	2,499	3.1	605,065	-3.3	631,609	-2.8	
June	1,166	-8.8	2,212	-11.5	637,753	5.4	659,991	4.5	
July	1,162	-0.3	2,235	1.0	584,042	-8.4	608,643	-7.8	
Aug	1,132	-2.6	2,196	-1.7	605,303	3.6	632,618	3.9	
Sep	1,221	7.9	2,325	5.9	570,273	-5.8	599,603	-5.2	
Oct	1,316	7.8	2,472	6.3	563,750	-1.1	606,788	1.2	
Nov	1,367	3.9	2,703	9.3	601,289	6.7	645,388	6.4	
Dec	1,456	6.5	2,951	9.2	628,197	4.5	672,862	4.3	
Jan	1,343	-7.8	2,816	-4.6	611,472	-2.7	572,277	-14.9	
Feb	1,235	-8.0	2,542	-9.7	619,873	1.4	581,985	1.7	
Mar	1,013	-18.0	2,158	-15.1	572,197	-7.7	537,133	-7.7	

Table 2.21: Stock Market Indicators: Average Daily Turnover and Market Capitalisation

* As on the last trading day of the month.

+ Estimated (A+B1+B2+Z scrips)

Source: BSE and NSE

III. Indicators of Business

Table 2.19 to 2.21 and Charts 2.5 to 2.7 exhibit information on some of the stock market indicators in India. Both the popular stock market indices, S& P CNX Nifty and Sensex fell by 13.4 percent and 12.1 percent respectively. However, the fall is not continuous and there were a few months in which the indices rose and in other months the indices fell. Highest positive growth was recorded in November, 2002. Price-Earnings Ratio, yet another indicator of market performance, also declined and its fall makes Indian market more attractive

compared to the past.

Turnover and market capitalization statistics are presented in Table 2.21 and Charts 2.6 and 2.7. Dominance of NSE is clearly increasing. Roughly, two-thirds of the total turnover was logged by NSE. Over period, BSE turnover has been secularly falling. Yearon-year comparison of market capitalization shows decrease in it by Rs. 112418 crore (NSE). Out of the total 23 stock exchanges on line, as many as 11 stock exchanges did not have any business. This number has gone up from the previous year.



Chart 2.6 : Relative Return in Indices and Volume of Turnover : BSE and NSE

Chart 2.7 : Relative Return in Indices and Market Capitalisation : BSE and NSE



Table 2.22: Stock Exchanges : Turnover

	Total Turnover 2001-02 (Rs. Crore)	Total Turnover 2002-03 (Rs. Crore)	Percentage Variation
Ahmedabad	14,843.54	15,458.64	4.1
BSE	307,392.3	314,073.2	2.2
Bangalore	70.2	0.0	Na
Bhubaneswar	0.0	0.0	Na
Calcutta	27,074.7	6,539.9	-75.8
Cochin	26.6	0.0	Na
Coimbatore	0.0	0.0	Na
Delhi	5,828.0	11.1	-99.8
Gauhati	0.0	0.05	Na
Hyderabad	41.2	4.6	-88.8
ICSE	55.3	64.8	17.2
Jaipur	0.0	0.0	Na
Ludhiana	856.6	0.0	-100.0
Madras	24.1	0.0	-100.0
Magadh	0.0	0.51	Na
Mangalore	0.0	0.0	Na
MPSE	15.9	0.0	-100.0
NSE	513,166.9	617,988.6	20.4
OTCEI	3.7	0.1	-97.3
Pune	1,171.0	1.81	-99.8
SKSE	0.0	0.0	Na
UPSE	25,237.3	14,763.4	-41.5
Vadodara	10.1	2.59	-74.3
Total	895,817.4	968,907.6	

Na : Not applicable. Source: Stock Exchanges

	No. of Traded	Shares - (Lakh)	Number Deliver	of Shares ed (Lakh)	Value of Shares Delivered (Rs. Crore)	
	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
Ahmedabad	7622.43 (1.5)	7239.07 (1.20)	373.03 (0.3)	115.31 (0.1)	435.25	98.54 (0.1)
BSE	182196.0 (36.1)	221,402.8 (36.4)	57668 (46.9)	71,130.7 (46.0)	59980.33	50,308.4 (36.2)
Bangalore	34.71 (0.01)	0.0	7.74 (0.01)	0.0	20.28	0.0 (0.0)
Bhubaneswar	0.0	NA	0.0	NA	0.0	Nil
Calcutta	19547.63 (3.9)	6836.9 (1.1)	2061.6 (1.7)	904.3 (0.6)	1810.33	399.9 (0.3)
Cochin	29.46 (0.01)	0.0	0.8 (0.0)	0.0	1.65	0.0
Coimbatore	0.0	0.0	0.0	0.0	0.0	0.0
Delhi	6811 (1.4)	34.1 (0.01)	3127 (2.5)	22.3 (0.01)	1872	2.1 (0.0)
Gauhati	0.13 (0.0)	0.21	0.13 (0.0)	0.05	0.03	0.21
Hyderabad	142.51 (0.03)	36.9 (0.01)	81.98 (0.07)	13.7 (0.01)	8.17	1.6 (0.0)
ICSE	122.76 (0.02)	29.9 (0.01)	0.65 (0.0)	0.1	9.65	0.1 (0.0)
Jaipur	0.0	0.0	0.0	0.0	0.0	0.0
Ludhiana	764.85 (0.20)	0.0	73.83 (0.1)	0.0	53.07	0.0
Madras	51.91 (0.01)	0.0	5.31 (0.004)	0.0	2.19	0.0
Magadh	0.0	0.11 (0.00)	0.0	0.0	0.0	0.0
Mangalore	0.0	0.0	0.0	0.0	0.0	0.0
MPSE	11.31	0.0	0.698 (0.0)	0.0	0.9	0.0
NSE	278408.8 (55.2)	364,065.9 (59.8)	59298.53 (48.2)	82,352.9 (53.2)	71765.4	87,955.8 (63.3)
OTCEI	5.41 (0.001)	1.8	0.07 (0.0)	0.0	0.03	0.0
Pune	395.91 (0.1)	0.51	15.64 (0.01)	0.03	34.41	0.01
SKSE	0	0.0		0.0	0	0.0
UPSE	7997 (1.6)	9288.0 (1.5)	202.21 (0.2)	235.4 (0.2)	231.76	230.3 (0.2)
Vadodara	6.97 (0.001)	8.0 (0.0)	0	0.0	0	0.0
Total	504148.8	608943.5	122917.2	154774.7	136225.4	138996.7

Table 2.23: Stock Exchanges	ŝ	Share	Trading	Statistics
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(Figures in parentheses indicate percentage to total) Source: Stock Exchanges

Table 2.24: Stock Exchanges : St	tatus of Brokers with Exchanges *
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Stock Exchange	Total Brokers	Number of Active Brokers	Number of Inactive Brokers	Active Brokers as Percent to Total
Ahmedabad	334	126	208	37.7
BSE	713	522	191	73.2
Bangalore	NA	NA	NA	NA
Bhubaneshwar	NA	NA	NA	NA
Calcutta	976	440	536	45.1
Cochin	460	0	460	0.0
Coimbatore	132	NA	NA	NA
Delhi	379	7	372	1.8
Gauhati	NA	NA	NA	NA
Hyderabad	277	91	186	32.9
ICSE	576	8	568	1.4
Jaipur	534	0	534	0.0
Ludhiana	293	0	293	0.0
Madras	168	27	141	16.1
Magadh	194	2	192	1.0
Mangalore	70	0	70	0.0
MP	NA	NA	NA	NA
NSE	895	823	72	92.0
OTCEI	960	118	842	12.3
Pune	NA	NA	NA	NA
SKSE	NA	NA	NA	NA
UPSE	509	151	358	29.7
Vadodara	309	80	229	25.9

NA: Not Available

* As on Last trading Day of March 03. Source: Stock Exchanges

IV. Stock Exchange-Wise Trends in Volume of Business

	Stock Exchange	No of Subsidiary/ies	Name of the Subsidiary	Turnover of Each Subsidiary (2002-03) Rs. Cr.
1.	Ahmedabad	2	ACML – BSE Operation ACML – NSE Operation	6636.6 124.4
2.	BSE	Nil	Nil	Nil
3.	Bangalore	1	BgSE Financials Ltd	10240.2
4.	Bhubaneswar	1	Bhubaneswar Shares and Securities Ltd.	Nil
5.	Calcutta	Nil	Nil	Nil
6.	Cochin	1	Cochin Stock Brokers Ltd	2358.9
7.	Coimbatore	1	CSX Securities Limited	Nil
8.	Delhi	1	DSE Financial Services Ltd.	44.03
9.	Gauhati	Nil	Nil	Nil
10.	Hyderabad	1	HSE Securities Ltd	4197.4
11.	ICSE	1	ISE Securities & Services Ltd.	11514.6
12.	Jaipur	1	JSEL Securities Ltd	38.1 *
13.	Ludhiana	3	 A) LSE Securities Limited, of which i. NSE (CM) ii. NSE (F&O) iii. BSE Total 	4486.83 6670.93 1334.64 12492.40
14.	Madras	1	MSE Financial Services Ltd	Nil
15.	Magadh	1	MSEA Securities Ltd	Nil
16.	Mangalore	Nil	Nil	Nil
17.	MP	Nil	Nil	Nil
18.	NSE	Nil	Nil	Nil
19.	OTCEI	1	OTCEI Securities Ltd.	1078.3
20.	Pune	1	PSE Securities Ltd	4959.8
21.	SKSE	1	SKSE Securities Ltd	148.4
22.	UPSE	1	UPSE Securities Ltd	1778.5
23.	Vadodara	2	A) VSE Securities LtdB) VSE Stock Services Ltd	3978.3 Nil
Sub	sidiaries Total	59589.9		
Sub	sidiaries Total as Pe	rcentage of Gross To	otal of All Exchanges	6.15

Table 2.25 : Stock Exchanges : Trading Details of Subsidiaries

* For Mar 02 – Feb 03.

Source: Stock Exchanges

V. Stock Exchange Subsidiaries

Structural changes effected in the functioning of stock exchanges over a period of time have had far reaching impact on the functioning of these exchanges. Leading exchanges have opened their trading terminals across the country. Business of regional exchanges declined substantially and such stock exchanges had little or no trading. In order to provide business opportunities to small exchanges, SEBI allowed exchanges to float subsidiaries which can operate on major exchanges by becoming their members. 17 exchanges floated 21 subsidiaries. Of these, 14 had floated one each, two exchanges two each and one exchange has three subsidiaries. Three exchanges which do not have subsidiaries: Gauhati, Mangalore and MPSE. Business of some of these subsidiaries is not all that encouraging. Table 2.25 gives details related to subsidiaries and their operations.

Trends in Turnover at Major Stock Exchanges

VI. Trading Frequency and Market Structure

Number of companies traded in 2002-03, both

on BSE and NSE declined substantially. Total companies traded on BSE declined by 2668 from 5347 to 2679 (Table 2.27) and on NSE the fall was 120 companies. The companies traded on 100 days or more in the year went upto 67.7 percent and 88.3 percent on BSE and NSE respectively. The table reveals the extent of spread of liquidity in the Indian stock market.

VII. Volatility: A Comparative Analysis

The following tables, charts and boxes depict the daily volatility of two indices of NSE, viz., Nifty and Nifty Junior and two indices of BSE, viz., Sensex and BSE 100 computed for each month, yearly and annualised. Indian market volatility declined over the months and this is true for all indices. Structural changes such as introduction of derivative products, rolling settlement, banning of deferral products, etc., appear to have contributed to this fall.

Table 2.26: Trading Frequency at BSE and NSE

	2001-02				2002-03			
	В	SE	N	SE	BS	SE	NSE	
	No.of Companies Traded	Percentage to Total						
Above 100 days	1,238	23.15	796	78.12	1815	67.7	794	88.3
91 – 100 days	93	1.74	18	1.77	63	2.4	3	0.3
81 – 90 days	113	2.11	25	2.45	51	1.9	6	0.7
71 – 80 days	197	3.68	29	2.85	54	2.0	8	0.9
61 – 70 days	579	10.83	16	1.57	68	2.5	12	1.3
51 – 60 days	402	7.52	22	2.16	74	2.8	7	0.8
41 – 50 days	315	5.89	19	1.86	75	2.8	8	0.9
31 – 40 days	299	5.59	24	2.36	53	2.0	4	0.4
21 – 30 days	360	6.73	13	1.28	86	3.2	10	1.1
11 – 20 days	427	7.99	19	1.86	105	3.9	28	3.1
1 – 10 days	1,324	24.76	38	3.73	235	8.8	19	2.1
Total	5,347	100.00	1,019	100.00	2679	100.0	899	100.0

Source: BSE, NSE

Table	2.27:	Daily	Volatility	: BSE	Sensex	and	BSE	100	Index
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(in p						
Month	Sen	sex	BSE 1	00 Index		
	2001-02	2002-03	2001-02	2002-03		
April	2.42	0.99	2.77	1.06		
May	0.96	1.55	1.08	1.43		
June	1.24	1.18	1.45	1.10		
July	1.19	1.03	1.12	1.06		
August	0.66	0.92	0.69	0.86		
September	2.83	0.83	2.94	0.73		
October	1.46	0.96	1.38	0.86		
November	1.26	0.69	1.25	0.59		
December	1.36	0.83	1.55	1.01		
January	0.93	0.72	1.01	0.74		
February	1.51	0.78	1.68	0.80		
March	1.31	1.16	1.12	1.08		
April 02 – Mar 03	1.51	1.01	1.60	0.99		
Annualised	23.75	15.96	25.34	15.64		

Note : Volatility is calculated as standard deviation of natural log of daily returns on the indices for the respective months.

Source: SEBI





				(in per cent)
Month	S&P CN	NX Nifty	Nifty	Junior
	2001-02	2002-03	2001-02	2002-03
April	2.23	1.11	2.63	0.87
Мау	0.89	1.35	1.21	1.78
June	1.25	1.14	1.34	1.35
July	1.03	0.99	1.18	1.47
August	0.54	0.86	0.59	1.06
September	2.62	0.73	2.80	1.40
October	1.26	0.85	0.91	1.04
November	1.20	0.69	0.98	0.62
December	1.24	0.92	1.85	0.98
January	1.00	0.80	0.90	1.10
February	1.48	0.87	0.21	1.20
March	1.10	1.08	1.17	1.18
Apr 02 – Mar 03	1.40	0.99	1.58	1.23
Annualised	22.14	15.63	25.17	19.39

Table 2.28: Daily Volatility: S&P CNX Nifty & Nifty Junior

Note : Volatility is calculated as standard deviation of natural log of daily returns on the indices for the respective months.

Source : SEBI





The Box 2.1 provides a discussion on intraday and inter-day volatility over long period across about 20 countries. From the tables, it is once again evident that intra and inter day volatility in India came down. It also fell in other mainly developed markets.

Box 2.1: Volatility in Indian Stock Market

As a concept, volatility is simple and intuitive. It measures variability or dispersion about a central tendency. Despite the clear mental image of it, and the quasi-standardised status it holds within the finance industry, there are some subtleties that make volatility challenging to analyse and to implement. Since volatility is a standard measure of financial vulnerability, it plays a key role in assessing risk/return trade-offs.

Stating the obvious, asset-return variability can be summarized by statistical distributions. Typically, the normal distribution is used to characterize a series of returns. The distribution is centered at the mean and its width is determined by the standard deviation (volatility). Many return series, though, are not normally distributed. In contrast, asset returns tend to exhibit excess kurtosis, so that extreme values are more likely than the normal distribution would suggest. Such fat-tailed distributions are common in finance. Skewness is also common, especially with equity returns, where big down-moves are typically more likely than comparable, big up-moves.

The intra-day volatility estimators use indicators like open, high, low and close to characterize the distribution since most of the asset pricing models are based on continuous time. These extreme-value estimators are more efficient, because they use additional information about movements throughout the period that snapshots at the end of a period cannot hope to summarize.

The pioneering work in this area is done by Parkinson (1980). Parkinson model to measure intra-day volatility is as follows:

$$\sigma = k \sqrt{1/n \sum \log(H_t/L_t)^2}$$
⁽¹⁾

where k = 0.601 and H_t and L_t denote intra-day high and low respectively. This measure is denoted as high-low volatility. The other estimator due to Garman and Klass (1980) that uses all four intra-day variation statistics of open, high, low and close takes the following form;

$$\sigma = \sqrt{1/n \sum (1/2) [\log(H_t/L_t)]^2 - [2\log(2) - 1] [(\log(C_t/O_t))]^2}$$
⁽²⁾

where H_t , L_t , C_t , and O_t denote intra-day high, low, close and open respectively. This measure is called as open-close volatility. The close-close volatility and open-open volatility uses the standard volatility estimation model. That is,

$$\sigma = \sqrt{(1/n-1)\sum (r_t - \bar{r})^2}$$
(3)

where r_t denotes open to open returns or close to close returns and \bar{r} denotes mean returns of either open to open returns or close to close returns.

The major findings of the study which are presented in the Tables 2.29 and 2.30 are:

- The inter-day close to close Sensex daily volatility during 2002 is half of 2000 and one-third of peak volatility of the decade achieved during 1992 scam. The 2002 year close to close daily volatility is lowest since 1991.
- The inter-day close to close S&P CNX Nifty daily volatility during 2002 is 54% of 2000 daily volatility. Further close to close volatility recorded during 2002 is lowest since 1995.
- The inter-day open to open Sensex daily volatility during 2002 is 39.3% of 2000 and one-third of peak volatility of the decade achieved during 1992 scam. The 2002 year open to open daily volatility is lowest since 1991.
- The inter-day open to open S&P CNX Nifty daily volatility during 2002 is 53.5% of 2000 daily volatility. Further open to open volatility recorded during 2002 is lowest since 1995.
- The intra-day Sensex volatility during 2002 is half of 2000 intra day volatility. The lowest intra-day volatility is
 registered during 1995 and then onwards it continuously increased till 2000.
- The intra-day S&P CNX Nifty daily volatility during 2002 is 49% of 2000 daily volatility. The lowest intra-day volatility is registered during 1995 and then onwards it continuously increased till 2000 and then started falling.

Source: Revised statistics based on SEBI Working Paper no. 2, "Stock Market Volatility – A Comparative Study of Selected Markets", January 2000.

Year	Close-Close Volatility (%)	Open-Close Volatility (%)	High-Low Volatility (%)	Open-Open Volatility (%)
1991	1.89	0.89	1.03	2.13
1992	3.33	1.48	1.67	3.32
1993	1.83	1.14	1.19	2.12
1994	1.43	0.68	0.81	1.68
1995	1.26	0.64	0.73	1.46
1996	1.52	1.06	1.16	1.57
1997	1.62	1.24	1.29	1.66
1998	1.90	1.35	1.42	1.96
1999	1.82	1.44	1.52	2.12
2000	2.20	1.79	1.91	3.00
2001	1.72	1.47	1.50	1.99
2002	1.10	0.93	0.96	1.18

Table 2.29: Inter and Intra Day Volatility of Sensex

Source: SEBI

Year	Close-Close Volatility (%)	Open-Close Volatility (%)	High-Low Volatility (%)	Open-Open Volatility (%)
1995	1.31	0.86	0.97	1.46
1996	1.48	1.07	1.15	1.53
1997	1.69	1.28	1.38	1.92
1998	1.79	1.58	1.57	1.80
1999	1.80	1.50	1.52	1.80
2000	1.96	2.04	2.03	1.98
2001	1.59	1.55	1.57	1.60
2002	1.06	1.00	1.01	1.06

Table 2.30: Inter and Intra Day Volatility of S&P CNX Nifty

Source: SEBI

VIII. Indicators of Liquidity

Liquidity is accepted as one of the conditions for smooth market functioning. The variations in the degree of liquidity affects the price discovery process and efficiency of the market. For definition purposes, the liquidity of the market is the situation in which a large trade in shares can be transacted without having any material impact on the price of shares.

The past six year liquidity indicators are presented in Table 2.32. It is evident from the table that the recent changes effected to market micro-structure seems to have affected these indicators. Traded value ratio and turnover ratio were almost rising till 2000-01 and exhibited fall in the next year. Turnover ratio picked up in 2002-03 (NSE). Market capitalization to GDP ratio has been under strain for the past three years. Liquidity indicators have had their gyrations affecting investors in the market place.

IX. Progress in Dematerialisation

Dematerialisation has provided systemic benefit to the Indian securities market. There are two depositories and several depository participants that provide demat services to the investor. Dematerialisation eliminated risks arising out of forgery, fake certificates, stolen shares, transit loss etc., and increased pace of transfer of securities. Little over 99 percent of the securities on Indian bourses are traded and cleared in demat mode. Further reform process is also smoothened in the market because of demat. Table 2.32 discloses the extent of spread of demat operations in India.

X. Trading in Derivative Instruments

Trading Volumes

Financial derivative contracts are traded on both, the BSE and the NSE. However, the volumes traded on BSE have been very low and are almost negligible. In some types of contracts, on some days, the volumes traded are zero, therefore, the data pertaining to BSE are omitted here. In 2002-03, volumes in all four types of contracts more than doubled from Rs. 20490 crore to Rs. 49332 crore at NSE. For the past two years, volumes traded, outstanding contracts and notional value of contracts have been rising. Many investors, it appears, have shifted their speculative trading and risk hedging positions to derivatives segment. Though, single stock futures (SSFs) are the youngest of the four, the volume traded is highest in SSFs followed by stock options. Trade in Index Futures contracts grew by more than 4.5 times in 2002-03 and turnover also appreciated by almost similar growth. Retail interest seems to be more than that of institutions in derivatives trading. It could be one of the reasons for higher volumes in SSFs and stock options. In many markets, in other countries, generally, volumes are higher in index futures. Call-put ratio indicates investor expectations of the market. Call-put ratio of higher than one indicates that investors expect the market to go up and a call-put ratio of less than unity is indicative of expectations of a likely fall in the market. In all the months of 2002-03, callput ratio has been consistently higher than one and in a few instances it has exceeded two. This behaviour is manifested in the notional value as well.

Table 2.31: Indicators of Liquidity

Year	BSE MCap/ GDP	NSE MCap/ GDP	Turnover Ratio - BSE	Turnover Ratio - NSE	Traded Value Ratio- BSE	Traded Value Ratio- NSE
1997-98	40.31	34.64	37.06	76.88	14.94	26.63
1998-99	34.13	30.74	57.21	84.38	19.52	25.94
1999-00	51.99	58.12	75.02	82.23	39.02	47.79
2000-01	30.15	34.70	174.97	203.62	52.75	70.66
2001-02	29.43	30.61	50.19	80.58	14.77	24.67
2002-03	25.59	24.02	54.89	115.05	14.05	27.64

Turnover ratio is value of total shares traded divided by market capitalisation. Traded value ratio is estimated by dividing the total traded value by the GDP. GDP for 1999-00 is Provisional, GDP for 2000-01 is Quick Estimate and GDP for 2001-02 is Advanced Estimate.

Source : SEBI , Economic Survey 2002-03

Table 2.32: Performance of Dematerialisation

Details	NS	DL	CDSL 2-03 2001-02 200 803 4,293 4 761 4,284 4 8875 482 4 36,8 350 5				
	2001-02	2002-03	2001-02	2002-03			
Companies Signed-up	4,210	4803	4,293	4,628			
Companies – Available for demat	4,172	4761	4,284	4,628			
Demat : Quantity shares (crore)	5167	6875	482	821			
Total shares Settled in demat (crore)	941	1,386.8	350	397			
Total Value of Shares Settled in demat (Rs Crore)	1,08,842	1,26,853.8	31,443	33,098			
Market Capitalization of companies in	6,15,001	6,00,539	NA	5,92,132			
Demat (Rs Crore)							
No. of cities with Demat facility	226	241	98 *	110*			
Cities according to No. of DP Locations :	226	241	98	110			
1	203	110	64	63			
2	77	29	14	20			
3	33	25	6	11			
4 - 10	75	51	11	13			
11-20	22	15	1	2			
21-50	10	4	1	0			
51-100	7	5	0	0			
> 100	2	2	1	1			

* Exclusive of branches of DPs connected through back-up offices. NA: Not Available Source: NSDL, CDSL

Table 2.33: Month-Wise Trends in Derivatives Trading

	(Rs Crore)										
Year/ Month	Index	Futures	Index (Options	Stock (Options	Single	Stock	Tot	al	
							Futu	ires			
	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE	NSE	
2001-02											
Apr-01	28.04	269.56	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	28.04	269.56	
May-01	11.81	237.33	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	11.81	237.33	
Jun-01	38.90	590.24	15.74	195.13	N.A.	N.A.	N.A.	N.A.	54.63	785.37	
July-01	33.46	1039.34	5.40	258.32	9.24	292.41	N.A.	N.A.	48.10	1590.06	
Aug-01	491.57	1304.61	52.22	284.64	52.61	1106.95	N.A.	N.A.	596.40	2696.20	
Sep-01	359.11	2857.05	3.74	417.40	29.86	1983.31	N.A.	N.A.	392.71	5257.76	
Oct-01	50.51	2484.82	0.41	553.29	5.65	2425.56	N.A.	N.A.	56.57	5463.66	
Nov-01	52.32	2463.44	0.27	449.90	4.90	2948.35	79.64	2732.31	137.12	8593.99	
Dec-01	12.97	2339.27	0.00	404.97	2.48	2659.83	76.50	7514.68	91.95	12918.74	
Jan-02	28.46	2672.08	0.10	347.88	6.34	5060.10	110.71	13271.36	145.61	21351.42	
Feb-02	153.73	2827.78	0.00	430.27	1.76	4499.00	150.87	13915.01	306.35	21672.06	
Mar-02	4.31	2184.61	0.00	359.99	0.54	3956.31	43.22	13988.96	48.07	20489.87	
2002-03											
Apr-02	1.11	1656.17	0.61	381.57	0.55	4570.76	21.49	15065.07	23.76	21673.56	
May-02	9.9	2022.34	0.03	463.14	0.32	5133.36	104.7	15980.96	114.95	23599.80	
Jun-02	12.31	2122.81	_	389.08	0.43	4641.85	90.36	16178.26	103.1	23332.01	
Jul-02	0.89	2513.33	_	511.38	0.4	6177.53	77.38	21204.69	78.67	30406.93	
Aug-02	0.02	2977.82	_	517.73	0.46	5562.12	43.93	17880.62	44.41	26938.29	
Sep-02	0.09	2835.72	-	582.55	1.99	6221.08	18.1	17501.07	20.18	27140.43	
Oct-02	-	3144.79	_	726.57	0.15	8356.56	13.85	21213.37	14	33441.29	
Nov-02	-	3499.83	_	845.62	0.1	10028.66	13.15	25462.79	13.25	39836.89	
Dec-02	-	5957.98	_	1087.43	0.45	13043.12	15.51	35531.59	15.96	55620.12	
Jan-03	546.57	5556.66	_	940.36	0.27	14353.35	100.26	38298.84	647.1	59149.22	
Feb-03	589.42	5040.32	0.03	945.99	5.68	10963.62	89.7	32444.83	684.84	49394.75	
Mar-03	650.68	6623.70	1.31	1856.18	10.37	11082.02	55.87	29769.81	718.23	49331.71	

NA: Not Available Source: BSE, NSE



Chart 2.10 : Value Traded for Derivative Instruments : NSE (2001-02 and 2002-03)

From Charts 2.11 and 2.12 it can be seen that the total volumes in derivative contracts

have continued their sharp increase from September'02 onwards.



Chart 2.11 : Total Volumes in Derivative Contracts on NSE & BSE



Chart 2.12 : Value Traded in Derivatives : Segment-Wise for Indian Market

	Table :	2.34:	Month	Wise	Trends	in	Index	and	Stock	Futures	- NS
--	---------	-------	-------	------	--------	----	-------	-----	-------	----------------	------

		Inde	ex Futures			Stock	Futures	uresOpen InterestNotional Value of Outstanding Contracts as at end of Month)38,993891 34,69934,699744 954				
Months	No of Contracts Traded	Turnover (Rs Cr)	Open Interest (No of Contracts as at end of Month)	Notional Value of Outstanding Contracts (Rs Cr)* #	No of Contracts Traded	Turnover (Rs Cr)	Open Interest (No of Contracts as at end of Month)	Notional Value of Outstanding Contracts (Rs Cr) * #				
2002-03												
Apr	73,635	1,656	4,277	94	552,727	15,065	38,993	891				
Мау	94,312	2,022	4,178	87	605,284	15,981	34,699	744				
June	99,514	2,123	5,298	113	616,461	16,178	40,500	954				
July	122,663	2,513	9,862	190	789,290	21,205	42,587	886				
Aug	152,375	2,978	7,785	156	726,310	17,881	38,975	890				
Sep.	144,303	2,836	9,141	175	700,051	17,501	36,934	759				
Oct.	164,934	3,145	11,027	210	856,930	21,213	53,532	1158				
Nov.	175,567	3,500	12,586	263	970,251	25,463	51,570	1202				
Dec.	277,403	5,958	10,539	230	1,217,873	35,532	57,899	1507				
Jan.	258,955	5,557	9,423	197	1,304,122	38,299	55,173	1308				
Feb.	237,803	5,040	13,035	279	1,198,564	32,445	59,343	1517				
Mar.	325,299	6,624	12,574	247	1,138,980	29,770	47,713	1082				
Total	2,126,763	43,952	12574	247	10,676,843	286,532	47,713	1082				

* Notional Value of Outstanding Contracts = Product of Open Interest and Close price of index future.

Notional Value NSE representative of Cumulative Value till the respective period. Source: NSE





Chart 2.14 : Stock Futures : NSE



			Call				Put	
	No of	Turnover	Open	Notional	No of	Turnover	Open	Notional
	Contracts	@	Interest	Value of	Contracts	@	Interest	Value of
	Traded	(Rs Cr)	(No of	Outstanding	Traded	(Rs Cr)	(No of	Outstanding
			Contracts	Contracts			Contracts	Contracts
			as at end	(Rs. in Crs)			as at end	(Rs. In crs)
			of month)	* #			of month)	of Month)
								* #
2002-03								
Apr	11,183	260.03	4,192	91	5,389	121.53	1,182	26
May	13,070	294.45	1,158	24	7,719	168.69	919	19
June	10,272	222.92	2,291	48	7805	166.17	537	11
July	16,637	349.81	4,282	82	7688	161.57	1,191	23
Aug	15,967	317.77	1,681	34	10,124	199.96	1,221	25
Sep.	16,578	331.83	1,830	35	12,543	250.72	1,830	21
Oct.	23,628	459.44	8,117	154	13,910	267.13	3,235	62
Nov.	25,413	509.29	1,653	35	17,191	336.33	1,637	34
Dec.	30,261	660.05	3,224	71	19,973	427.38	1,782	39
Jan.	26,376	576.89	2,678	56	16,805	363.47	1,301	27
Feb.	26,501	571.10	3,790	81	17,681	374.89	2,284	49
Mar.	53788	1116.49	4,010	78	35739	739.69	2,269	44
Total	269,674	5,670	4,010	78	172,567	3,578	2,269	44

Table 2.35: Month-Wise Trends in Index Options, NSE

* Notional Value of Outstanding Contracts = Product of Open Interest and Close price of index future # Notional Value NSE representative of Cumulative Value till the respective period. @ Turnover here is the Notional Turnover which is calculated as [(Strike Price + Premium) * Quantity)

Source : NSE

Table 2.36: Month-Wise Trends in Stock Options, NSE

			Call				Put	Den est Notional Value of Outstanding Contracts of Outstanding Contracts (Rs. in Crs) of Month) *# 03 121 83 93 67 91 97 142 72 177 41 124 91 589 92 196 81 309 33 237	
	No of Contracts Traded	Turnover @ (Rs Cr)	Open Interest (No of Contracts as at end of month)	Notional Value of Outstanding Contracts (Rs. in Crs) * #	No of Contracts Traded	Turnover @ (Rs Cr)	Open Interest (No of Contracts as at end of month)	Notional Value of Outstanding Contracts (Rs. in Crs) of Month) * #	
2002-03									
Apr	121225	3400.39	13,775	332	40443	1170.37	4,503	121	
May	126867	3490.13	11,002	239	57984	1643.23	3,883	93	
June	123493	3324.57	13,441	314	48919	1317.28	3,767	91	
July	154089	4340.62	21,450	476	65530	1836.91	5,997	142	
Aug	147646	3836.66	15,621	378	65630	1725.46	6,372	177	
Sep.	151291	4015.95	12,385	272	80038	2205.13	5,141	124	
Oct.	214027	5595.32	37,137	850	104659	2761.24	22,191	589	
Nov.	261600	7106.37	19,977	483	104529	2922.29	7,192	196	
Dec.	309573	9552.38	26,706	738	111756	3490.74	10,281	309	
Jan.	322876	10174.31	23,056	564	132021	4179.04	9,133	237	
Feb.	268156	7644.42	22,386	575	114512	3319.20	8,354	238	
Mar.	255658	7163.40	21,477	515	140540	3918.62	8,982	227	
Total	2,456,501	69,645	21,477	515	1,066,561	30,490	8,982	227	

* Notional Value of Outstanding Contracts = Product of Open Interest and Close price of index future.

Notional Value NSE representative of Cumulative Value till the respective period. Source : NSE

XI. Stock Market Performance : International Comparison

In a globalised market environment, relative attractiveness of countries is important for investors. Next few paragraphs analyze performance of select international stock markets vis-à-vis India. All the 14 indices presented in Chart 2.15 show negative returns, while some countries have large losses, some others show small losses. Indian market has received fourth lowest loss. South Korea registered higher losses and Thailand market exhibited lower loss. P/E ratios also revealed performance of various markets. Low P/E ratio means that it is attractive to invest whereas a high P/E ratio indicates its unattractiveness, ceterus paribus. Thailand with a P/E of 9.04 had the lowest while United Kingdom had the highest P/E ratio of 60.32. P/E ratio of leading Indian indices declined over that of 2001-02 but that these were relatively small. Tables 2.37 and 2.38 charts 2.15 and 2.16 provide further information.

The US stock exchanges, NYSE and Nasdaq maintained their lead position recording largest number of transactions in all the three years. Exchanges of South Korea and Taiwan ranked third and fourth positions. Small stock exchanges like Sao Paulo, Jakarta recorded 3 to 5 million transactions per year (Table 2.38). The wide gap between small exchanges such as these and big exchanges like NYSE, NASDAQ is not only evident but the gap widened further year after year.

Number of companies listed, value of shares and market capitalization are some of the important indicators to take a call on the relative importance of countries in the increasing global economy. For the past two decades, the share of emerging markets increased in the total market capitalization from 6.8 percent to 8.5 percent from 1980 to 2000 respectively but their relative share remained less than one-tenth, On the other hand a handful of developed markets continue to maintain their lions' share in market capitalization

A close examination of Table 2.41 reveals several interesting and intriguing facts. Market capitalization data in the U.S, Japan, the U.K, France and Germany are worth analyzing. First, the U.S and Japan data disclose almost a diverse relationship. In 1998, Japan reached its peak market capitalization, while the U.S comparatively had its lowest one. Thereafter every increase of USA, perhaps appears to have had happened at the cost of Japan, though it is not a causal study. In the two decade period the market capitalization of the US rose by almost ten times from US \$ 1.448 trillion to US\$15.104 trillion. Japan also experienced a rise of 9 times but it reached its zenith in 1988 at US\$4.39 trillion. The UK retained its relative share in 7.5 percent to 8 percent almost throughout the 20 year period. Share of France went up by more than 100 percent and that of Germany by 50 percent. These 5 countries alone account for about 70 percent of world market capitalization. Between 2000 and 2002 the market capitalization of US fell sharply from US \$15.10 trillion to about US \$ 11.03 trillion. India has the largest number of companies listed while the US stands second.

Market Volatility in Major Securities Markets

Table 2.42 and Chart 2.18 provide volatility information on some of the indices for the past one year, on monthly basis. It can be seen a mélange in volatility. There is a wide variation between the lowest at 0.69 per cent in March 2002 in case of China and 2.61 per cent in case of South Korea for the same month. Even markets like the US and the UK also recorded high volatility compared to India while India's volatility remained on an average at about one per cent.



Chart 2.15 : Percentage Variation in Stock Indices : End March 2002 – End March 2003

Table 2.37: P/E Ratio of Different Indices

Country	Indices	End Mar-02	End Mar-03
Japan	Nikkei 225	42.00	31.5
USA	Dow Jones	29.96	27.63
Hong Kong	Hang Seng	17.75	13.01
UK	FTSE 100	40.21	60.32
Austrália	AS 30	21.24	48.57
S. Korea	Korea Comp.	15.40	10.8
Taiwan	Taiwan Weighted	24.05	49.21
Malaysia	Kuala Lumpur Comp.(KLCI)	20.85	15.58
Singapore	Singapore All Comp	24.02	19.79
Thailand	Thai Stock Exchange	9.50	9.04
Índia	BSE Sensex	17.00	13.26
Índia	S&P CNX NIFTY	18.32	13.07

Source : Bloomberg, Financial Times





Table 2.38: Large International Exchanges : Number of Transactions

(Million Transactions per year)

		(Handaetterie per Jear)
Exchange	1999	2000	2001
NYSE	169	221	339
Nasdaq	290	724	603
London	17	25	33
Australia	10	15	13
Hong Kong	23	37	24
S.Korea	161	160	158
Taiwan	159	161	141
Jakarta	5	5	4
Kuala Lumpur	27	24	13
Sao Paulo	3	4	4
Deustche Bourse	37	68	84
Euro Next	Na	61	54
Italy	29	59	44
Istanbul	26	32	32
Madrid	29	38	31
Toronto	18	33	26

Source : Economic Survey 2002-03



Chart 2.17 : Percentage Growth in Number of Transactions at International Exchanges

Table 2.39: Business Indicators in International Capital Markets

Country	Exchange	Value of Traded U	i Shares JS \$ Mn.	M-Capita (US \$	alization Mn) *	No. of Co Lis	ompanies ted	
		Jan-Dec 2001	Jan-Dec 2002	2001	2002	2001	2002	
USA	NYSE	10,934.6	7,254.6	11,026,518.0	9,015,167.0	2,400	2,366	
USA	Nasdaq	10,489.3	10,311.2	2,896,856.0	1,994,494.0	4,128	3,649	
UK	London	4,550.5	3,998.5	2,149,501.0	1,785,199.0	2,891	2,824	
Australia	Sydney	244.1	295.6	375,131.0	380,087.0	1,410	1,421	
Japan	Tokyo	1,660.5	1,565.8	2,264,528.0	2,069,299.0	2,141	2,153	
Hong Kong	Hong Kong	241.0	194.0	506,073.0	463,055.0	867	978	
S Korea	Seoul	380.6	592.8	194,470.0	215,894.0	688	682	
Taiwan	Taiwan	544.6	632.7	292,621.0	261,211.0	586	640	
Indonesia	Jakarta	9.5	13.1	22,998.0	30,067.0	315	330	
Malaysia	Kuala Lumpur	21.3	33.1	118,981.0	125,778.0	807	860	
Thailand	Bangkok	31.0	41.3	35,943.0	45,504.0	382	398	
Brazil	Sao Paulo	64.6	48.2	186,237.0	126,761.0	429	399	

* As on Last Trading Day of the respective year.

Source : World Federation of Exchanges Annual Report.

Table 2.40: Global Equity Markets Capitalization

ANN		Australia	Canada	France	Germany	Hong Kong	Italy	Japan	Netherlands	Singapore
JUAL	1980	60	118	55	72	39	25	380	29	24
- RE	1981	54	106	38	63	39	24	418	23	35
POF	1982	42	104	28	69	19	20	417	26	31
RT 2	1983	55	141	38	83	17	21	565	34	16
002	1984	49	135	41	78	24	26	667	31	12
- 20	1985	60	147	79	184	35	59	979	59	11
03	1986	95	166	150	258	54	140	1842	84	17
	1987	106	219	172	213	54	120	2803	86	18
	1988	138	242	245	252	74	135	3907	114	24
	1989	141	291	365	365	77	169	4393	158	36
	1990	109	242	314	355	83	149	2918	120	34
	1991	149	267	348	393	122	159	3131	136	48
	1992	145	243	351	348	172	129	2399	135	49
	1993	205	327	456	463					
	1994	219	315	451	471	270	180	3720	283	135
	1995	245	366	522	577	304	210	3667	356	148

(Market Value in \$ Billion)

World

Emerging

Markets

U.S. Developed

Markets

U.K.

Switzerland

Source : Standard and Poor's, Emerging Stock Market Factbook 2001.

	Australia	Canada	France	Germany	Hong Kong	Italy	Japan	Netherlands	Singapore	Switzerland	U.K.	U.S.	Developed Markets	Emerging Markets	World
1980	2.2	4.3	2.0	2.6	1.4	0.9	13.9	1.1	0.9	1.4	7.5	52.9	93.2	6.8	100.0
1981	2.1	4.1	1.5	2.4	1.5	0.9	16.2	0.9	1.4	1.4	7.0	51.8	93.7	6.3	100.0
1982	1.5	3.6	1.0	2.5	0.7	0.7	15.3	0.9	1.1	1.3	7.2	55.7	94.5	5.5	100.0
1983	1.6	4.2	1.1	2.4	0.5	0.6	16.7	1.0	0.5	1.3	6.7	56.1	95.1	4.9	100.0
1984	1.4	3.9	1.2	2.3	0.7	0.7	19.4	0.9	0.4	1.1	7.1	54.1	95.8	4.2	100.0
1985	1.3	3.1	1.7	3.9	0.7	1.3	21.0	1.3	0.2	1.9	7.0	49.8	96.3	3.7	100.0
1986	1.5	2.6	2.3	4.0	0.8	2.2	28.3	1.3	0.3	2.0	6.7	40.5	96.4	3.6	100.0
1987	1.3	2.8	2.2	2.4	0.7	1.5	35.8	1.1	0.2	1.6	8.7	33.1	95.8	4.2	100.0
1988	1.4	2.5	2.5	2.6	0.8	1.4	40.2	1.2	0.2	1.4	7.9	28.7	94.9	5.1	100.0
1989	1.2	2.5	3.1	3.1	0.7	1.4	37.5	1.3	0.3	1.5	7.1	29.9	93.6	6.4	100.0
1990	1.2	2.6	3.3	3.8	0.9	1.6	31.0	1.3	0.4	1.7	9.0	32.5	93.6	6.4	100.0
1991	1.3	2.4	3.1	3.5	1.1	1.4	27.6	1.2	0.4	1.5	8.7	36.0	92.1	7.9	100.0
1992	1.3	202	3.2	3.2	1.6	1.2	21.9	1.2	0.4	1.8	8.5	41.0	90.9	9.1	100.0
1993	1.5	203	3.3	3.3	2.7	1.0	21.4	1.3	0.9	1.9	8.2	36.6	88.0	12.0	100.0
1994	1.4	2.1	3.0	3.1	1.8	1.2	24.6	1.9	0.9	1.9	8.0	33.5	87.4	12.6	100.0
1995	1.4	2.1	2.9	3.2	1.7	1.2	20.6	2.0	0.8	2.4	7.9	38.6	89.3	10.7	100.0
1996	1.5	2.4	2.9	3.3	2.2	1.3	15.3	1.9	0.7	2.0	8.6	41.9	88.9	11.1	100.0
1997	1.3	2.5	2.9	3.6	1.8	1.5	9.6	2.0	0.5	2.5	8.6	48.9	90.6	9.4	100.0
1998	1.2	2.0	3.7	4.1	1.3	2.1	9.3	2.2	0.4	2.6	8.8	49.9	93.1	6.9	100.0
1999	1.2	2.2	4.1	4.0	1.7	2.0	12.6	1.9	0.5	1.9	8.1	46.0	91.3	8.7	100.0
2000	1.2	2.6	4.5	3.9	1.9	2.4	9.8	2.0	0.5	2.5	8.0	46.8	91.5	8.5	100.0

Table 2.41: Share of Global Equity Markets Capitalization

Source : Standard and Poor's, Emerging Stock Market Factbook 2001.

SECURITIES AND EXCHANGE BOARD OF INDIA

(In Percent)

	(in percer												
Country	Index	Apr-	May-	Jun-	Jul-	Aug-	Sep-	Oct-	Nov-	Dec-	Jan-	Feb-	Mar-
		02	02	02	02	02	02	02	02	02	03	03	03
USA	Dow Jones	0.96	1.25	1.24	2.53	1.96	1.75	2.53	1.41	1.09	1.50	1.15	2.23
USA	NASDAQ Comp.	1.68	2.55	1.83	3.01	2.58	2.15	2.57	2.11	1.62	1.91	1.34	2.07
UK	FTSE	0.72	0.80	1.61	3.14	2.37	2.37	2.21	1.34	1.49	1.27	1.80	2.54
Austrália	AS30	0.42	0.57	0.56	1.01	0.80	0.75	0.78	0.81	0.73	0.64	0.90	1.10
Hongkong	HISI	1.05	0.79	1.04	1.47	1.29	1.29	1.55	0.95	1.06	0.78	1.01	1.17
Brazil	IBOV	1.36	1.83	2.42	2.38	2.69	1.72	3.12	1.54	1.49	2.00	1.60	1.97
S . Korea	Korea Comp.	2.19	2.05	2.52	2.36	1.41	1.92	2.72	1.42	1.96	1.65	1.92	2.61
Taiwan	Taiwan Weighted	1.26	1.99	1.64	2.03	1.96	1.84	2.21	1.72	1.18	1.35	1.90	1.75
Indonesia	Jakarta Comp	1.41	1.09	1.21	1.56	1.12	1.25	2.83	1.44	1.60	1.25	0.79	1.19
Malaysia	K Lumpur Comp	0.81	0.66	0.83	0.97	0.34	0.96	0.89	0.51	0.89	1.03	0.48	0.86
China	China Se Shang	1.15	1.33	2.43	0.72	0.67	0.66	1.01	1.42	1.07	1.64	0.89	0.69
India	S&P CNX Nifty	1.11	15	1.14	0.99	0.86	0.73	0.85	0.69	0.92	0.80	0.87	1.08

Table 2.42: Trends in Daily Volatility of International Indices

Daily Volatility is calculated as the standard deviation of daily returns on indices for the respective months. Source : SEBI



Chart 2.18 : Volatility of International Indices (Apr 02 – Mar 03)

Box 2.2 : International Comparison of Stock Market Volatility

Stock market volatility touches every participant directly/indirectly in the capital market. General feeling among participants is that the stock markets worldwide have become very fragile in the recent past on account of various developments such as Asian crisis, Brazil Real fall and Russian debacle. Many far-reaching stock market reforms have been introduced in the Indian market for the last few years. These reforms, in turn, changed market structure. Changing market structure influences nature of stock price behaviour. In our paper, an attempt has been made to compare and analyse stock market volatility across selected few developed and emerging markets including India for 15 years.

As a concept, volatility is simple and intuitive. It measures variability or dispersion about a central tendency. Despite the clear mental image of it, and the quasi-standardised status it holds within the finance industry, there are some subtleties that make volatility challenging to analyse and to implement. Since volatility is a standard measure of financial vulnerability, it plays a key role in assessing risk/return trade-offs.

Time series daily closing values of each countries' index are used in this study. Most of the countries chosen for the study have more than one equity stock prices index. Bloomberg database is used as a source. The data series is taken from 1985:1 to 2002:12. Since the economic reforms in India started in the mid of 1991, the period is dividend into two: before and after the economic reforms Hence, study period is sub-divided into two parts: (a) 1985:1 to 1991:12 and (b) 1992:1 to 2002:12.

The results are presented in Tables 2.43 and the summary findings are as follows:

- The second period has seen a steep decline in mean returns, skewness and kurtosis but the volatility is more or less same in US markets.
- UK stock markets behaviour is same as that of US market.
- In France, decline is noted in skewness and kurtosis only and mean returns and volatility is stable.
- In Germany, volatility increased in second period however, mean returns, skewness, and kurtosis reduced.
- Canadian market volatility is up in the second period and remaining parameters declined in the second period.
- Australia has seen a steep decline in all the parameters during the second period.
- Hong Kong has seen a stable volatility but the remaining parameters showed a steep decline in second period. The skewness shifted from negative to positive.
- Singapore markets reached mean returns of zero and a marginal decline in volatility but skewness and kurtosis fell sharply.
- Volatility in Malaysia is up and the rest of the parameters fell in the second period.
- In Thailand, volatility fell marginally and the rest fell steeply in the second period.
- China has only one period and volatility is second highest in the sample countries.
- Indonesia witnessed a fall in all parameters during the second period.
- Chile has seen a steep fall the mean returns and volatility however, skewness and kurtosis rose in the second period.
- Brazil recorded highest mean returns and volatility in the sample countries and daily volatility. The kurtosis is second to China in the ranking.
- Mexico has data for second period only.
- New Zealand has less volatility but kurtosis ranks third in the list during the second period.
- South African markets comparable with other countries in the second period.
- Korean markets reached zero mean returns with increased volatility and kurtosis but skewness declined marginally.
- Taiwan markets showed negative daily mean returns and remaining parameters are more or less low.
- Indian Sensex witnessed zero mean returns with a marginally decreased volatility. Further, kurtosis went up steeply with a decline in skewness.
- Majority of the countries showed negative skewness reflecting occurrence more negative moves than positive.
- Brazil register highest mean returns and volatility.
- Chile accounts for second highest mean returns and China comes second in volality.
- Second period shows a significant fall in all the parameters for majority of the countries.
- Among the developed stock markets, Hongkong registers highest mean returns in both periods.
- Among the developed stock markets, Hongkong registers highest volatility and least volatility accounts for Canada in the first period and Australia in the second period.
- Among the developed stock markets, Australia and Hongkong takes first and second place respectively in highest skewness and kurtosis during the first period. However, the second period shows a significant fall in these parameters across all the countries.

Source : Revised statistics based on Working Paper no. 2, "Stock Market Volatility – A Comparative Study of Selected Markets", January 2000
Country	Period	Observations	Mean (%)	SD (%)	Skewness	Kurtosis
USA	1984-91	2022	0.05%	1.12%	-4.49	91.16
	1992-2002	2774	0.03%	1.07%	-0.13	4.08
	1984-2002	4796	0.04%	1.09%	-2.13	45.06
UK	1984-91	1635	0.05%	1.14%	-1.67	20.44
	1992-2002	2779	0.02%	1.09%	-0.15	2.80
	1984-2002	4414	0.03%	1.11%	-0.75	9.93
France	1984-91	1115	0.02%	1.36%	-0.85	10.10
	1992-2002	2762	0.02%	1.40%	-0.11	2.17
	1984-2002	3877	0.02%	1.39%	-0.31	4.26
Germany	1984-91	1996	0.03%	1.33%	-0.91	11.48
	1992-2002	2773	0.02%	1.47%	-0.30	3.42
	1984-2002	4769	0.03%	1.41%	-0.51	6.10
Hong Kong	1984-91	1981	0.08%	1.81%	-7.37	148.34
	1992-2002	2718	0.03%	1.81%	0.04	8.24
	1984-2002	4699	0.05%	1.81%	-3.09	67.17
Singapore	1984-91	1741	0.04%	1.57%	-4.40	84.44
	1992-2002	2761	0.00%	1.37%	-0.32	8.14
	1984-2002	4502	0.02%	1.45%	-2.31	48.39
Australia	1984-91	2020	0.04%	1.16%	-8.22	191.29
	1992-2002	2802	0.02%	0.80%	-0.48	5.78
	1984-2002	4822	0.03%	0.97%	-6.09	167.37
New Zeland	1992-2002	2705	0.02%	0.92%	-0.96	20.82
Canada	1984-91	2015	0.02%	0.76%	-2.25	49.60
	1992-2002	2769	0.02%	0.95%	-0.71	6.97
	1984-2002	4784	0.02%	0.87%	-1.14	17.37
Chile	1984-91	493	0.24%	1.07%	0.05	1.23
	1992-2002	2746	0.03%	0.78%	0.30	4.33
	1984-2002	3239	0.06%	0.83%	0.30	3.55
Brazil	1992-2002	2716	0.36%	3.48%	-0.24	22.54
Mexico	1992-2002	2753	0.05%	1.78%	0.03	4.86
Malaysia	1984-91	1958	0.02%	1.55%	-1.67	21.94
	1992-2002	2713	0.01%	1.65%	0.66	18.74
	1984-2002	4671	0.01%	1.61%	-0.21	19.94
Thailand	1984-91	1084	0.08%	1.94%	-1.14	10.31

(Contd.)

Table 2.43: Return and Vol	atility Behaviour:	Select International	Indices
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Country	Period	Observations	Mean (%)	SD (%)	Skewness	Kurtosis
	1992-2002	2699	-0.03%	1.70%	0.10	4.01
	1984-2002	3783	0.00%	1.77%	-0.35	6.60
China	1992-2002	1933	0.04%	2.09%	0.89	25.17
Indonesia	1984-91	1947	0.06%	1.76%	7.68	187.23
	1992-2002	2686	0.02%	1.57%	-0.72	13.31
	1984-2002	4633	0.03%	1.65%	3.55	107.96
South Africa	1992-2002	1874	0.03%	1.25%	-0.92	10.00
South Korea	1984-91	2344	0.07%	1.16%	0.21	2.12
	1992-2002	2979	0.00%	1.97%	-0.14	3.05
	1984-2002	5323	0.03%	1.66%	-0.13	4.23
Taiwan	1992-2002	2465	-0.02%	1.28%	0.10	2.45
India	1984-91	1448	0.08%	1.97%	-0.33	3.86
	1992-2002	2460	0.00%	1.94%	-0.13	5.18
	1984-2002	3908	0.03%	1.95%	-0.20	4.66

SD : Standard Deviation

Source : SEBI

XII. Developments in the International Derivatives Market

Tables and graphs in this section provide information on volumes traded, open interest, derivatives premium and notional principal value outstanding and other details on various contracts traded across countries.

One important change that occurred is the increased relative importance of OTC derivatives compared to exchange traded products. In 1988 OTC products had a percentage share of 56 which grew to 87 per cent by 2000. The total notional principal value outstanding of exchange traded derivatives is only about 13 per cent. In India we do not have authoritative information about quantum of over the counter derivatives products therefore, it is very difficult to make any comparison. Among index options, index futures, stock options, it appears that index futures are more popular in many of the markets like USA, Hong Kong, Japan and the UK in terms of volume traded. The US exchanges continue to dominate the world derivatives market in terms of variety of products traded, volumes traded, open interest etc. A very interesting point to note is that South Korean options recorded about 130 per cent growth in 2002 over the previous year in terms of contract volume. E-Mini S&P 500 index futures on CME however recorded about 194 per cent growth in 2002 over 2001.

Futures on individual equities are traded on many exchanges. In 2002 about 15 exchanges reported to have traded single stock futures. In terms of number of contracts traded, NSE stands second with more than eight million in 2002 while the first position went to MEFF with over 12 million contracts. Four exchanges added futures on individual equities in 2002 to their portfolio namely Euronext Lisbon, OneChicago, NASDAQ Liffe markets and Italian derivatives market. In 2002 as well as 2001, Eurex retained number one position in terms of number of contracts traded. Others like CME, CBOT are ranked second and third in 2002. It is worth mentioning that NSE not only ranked 23rd but in terms of growth it registered second highest among all the 40 biggest derivative exchanges in the world.

Table 2.44: Volume in Derivatives Trade

Country	Exchange	2000				2001			
		Index Options	Index Futures	Stock Options	Stock Futures	Index Options	Index Futures	Stock Options	Stock Futures
USA	Chicago Board of Trade	200,379	3,572,461	NT	NT	288,364	4,926,973	NT	NT
USA	Chicago Board Options Exchange	47,386,777	NT	281,181,898	NT	73,936,841	NT	232,693,569	NT
USA	Chicago Mercantile Exchange	5,088,836	58,954,687	NT	NT	4,547,226	102,165,253	NT	NT
UK	LIFFE	6,892,116	10,580,876	5,484,873	NT	12,425,868	13,458,820	10,725,183	2,325,744
Australia	Australian SE	28,361	29	9,479,474	437,135	125,789	NT	13,052,757	519,234
Japan	Tokyo SE	2,630	4,232,995	NA	NT	7,625	5,092,652	392,151	NT
Hong Kong	Hong Kong Exchanges & Clearing	549,942	4,178,095	4,188,702	3,322	716,225	5,173,709	4,002,655	7,756
S Korea	Korea Stock Exchange	193,829,070	19,666,518	NT	NT	823,289,000	31,502,000	NT	NT
Malaysia	Malaysia Derivatives Exchange	349	366,942	NT	NT	564	287,528	NT	NT
Brazil	BOVESPA	413,673	NT	30,294,584	92,196	1,135,281	NT	69,065,088	348

NT: Not Traded,

NA: Not Available

Source: World Federation of Exchanges.

Table 2.45: Open Interest in Derivatives Trade

							open meresi)		
Country	Exchange	2000				2001			
		Index Options	Index Futures	Stock Options	Stock Futures	Index Options	Index Futures	Stock Options	Stock Futures
USA	Chicago Board of Trade	8,713	19,096	NT	NT	5,995	20,758	NT	NT
USA	Chicago Board Options Exchange	3,317,079	NT	46,356,754	NT	8,012,784	NT	NA	NA
USA	Chicago Mercantile Exchange	230,439	647,066	NT	NT	166,878	723,620	NT	NT
UK	LIFFE	769,687	292,646	998,368	NA	1,520,790	397,469	2,373,058	139,801
Austrália	Australian SE	5,801	0	1,093,701	36,283	10,730	NT	1,343,053	42,706
Japan	Tokyo SE	NA	151,651	NA	NT	644	191,386	45,986	NT
Hong Kong	Hong Kong Exchanges & Clearing	10,526	32,135	462,494	21	29,741	34,549	231,867	455
S Korea	Korea Stock Exchange	536,818	30,052	NT	NT	2,681,265	42,198	NT	NT
Malaysia	Malaysia Derivatives Exchange	3	1,644	NT	NT	0	2,164	NT	NT
Brazil	BOVESPA	24,012	NT	836,771	NA	30,001	NT	1,061,910	0

NT: Not Traded,

NA: Not Available

Source: World Federation of Exchanges.

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Country	Exchange	200	00	20	01
		Index Option US\$Mn	Stock Option US\$Mn	Index Option US\$Mn	Stock Option US\$Mn
USA	Chicago Board of Trade	NA	NT	NA	NT
USA	Chicago Board Options Exchange	131,108.7	193,302.3	103,182.4	91,699.0
USA	Chicago Mercantile Exchange	NA	NT	NA	NT
UK	LIFFE	NA	NA	NA	NA
Australia	Australian SE	12.1	5,338.5	55.8	3,513.7
Japan	Tokyo SE	NA	NA	28.7	87.7
Hong Kong	Hong Kong Exchanges & Clearing	1,200.5	1,782.7	1,090.0	1,013.1
S Korea	Korea Stock Exchange	13,139.0	NT	38,230.7	NT
Malaysia	Malaysia Derivatives Exchange	0.1	NT	0.2	NT
Brazil	BOVESPA	159.2	4,065.5	383.4	3,261.1

Table 2.46: Derivatives Premium : International Exchanges

NT: Not Traded,

NA: Not Available

Source: World Federation of Exchanges

Table 2.47: Global Derivatives Market (Notional Principal Value Outstanding in US \$ Billion)

	Exchar	nge Traded	Over-the-Co	Counter (OTC)* Total		
	Notional Principal Value	Percentage Share to Total	Notional Principal Value	Percentage Share to Total	Notional Principal Value	
1988	1304	44.1	1654	55.9	2958	
1989	1767	41.7	2475	58.3	4242	
1990	2290	39.9	3450	60.1	5740	
1991	3519	44.2	4449	55.8	7968	
1992	4633	46.4	5346	53.6	9979	
1992	7761	47.8	8475	52.2	16236	
1994	8898	44.0	11303	56.0	20201	
1995	9283	34.4	17713	65.6	26996	
1996	10018	28.2	25453	71.8	35471	
1997	12403	29.9	29035	70.1	41438	
1998	13932	14.8	80318	85.2	94250	
1999	13522	13.3	88202	86.7	101724	
2000	14156	12.9	95199	87.1	109355	

* Data since 1998 not strictly comparable to prior years.

Source: Bank for International Settlements: International Swaps and Derivatives Association

Table 2.48: Largest Changes in Contract Volume

Gains	Gains (in millions)										
Rank	Contract	Exchange	2002	2001	Change	% Change					
1.	KOSPI 200 Options	KSE	1,889.82	823.29	1,066.53	129.55%					
2.	E-Mini S&P 500 Index Futures	CME	115.74	39.43	76.31	193.50%					
3.	DJ Euro STOXX 50 Futures	EUREX	86.35	37.83	48.53	128.28%					
4.	10-Year T-Note Futures	СВОТ	95.79	57.59	38.20	66.34%					
5.	E-Mini NASDAQ 100 Futures	CME	54.49	32.55	21.94	67.41%					
6.	DJ Euro STOXX 50 Options	EUREX	39.48	19.05	20.43	107.26%					
7.	5-Year T-Note Futures	СВОТ	50.51	31.12	19.39	62.30%					
8.	3-Month Eurodollar Futures	CME	202.08	184.02	18.07	9.82%					
9.	3-Month Eurodollar Options	CME	105.58	88.17	17.41	19.74%					
10.	Euro-SCHATZ Futures	EUREX	108.76	92.64	16.12	17.40%					
Declin	es (in millions)				I	I					
Rank	Contract	Exchange	2002	2001	Change	% Change					
1.	CAC 40 Index Options	EURONEXT	84.34	107.25	-22.91	-21.36%					
2.	EURO Notional Bond Futures	EURONEXT	0.01	1.73	-17.34	-99.94%					
3.	All Share Index Options	SAFEX	10.92	17.93	-7.01	-39.10%					
4.	Euro-BUND Options	EUREX	18.13	22.05	-3.93	-17.81%					
5.	3-Month Euroyen Futures	TIFFE	4.47	7.62	-3.15	-41.36%					
6.	Corn Futures	TGE	7.43	10.34	-2.91	-28.15%					
7.	U.S. Dollar Futures	BM&F	16.13	18.64	-2.50	-13.43%					
8.	30-Year T-Bond Futures	СВОТ	56.08	58.58	-2.50	-4.26%					
9.	Broiler Futures	FUKUOKA	0.75	2.69	-1.94	-71.99%					
10.	Industrial Index Futures	SAFEX	0.48	2.30	-1.82	-79.15%					

Source: Futures Industry Association.

Table 2.49: Trading Volume in Government Bond Futures (millions of contracts in 2002)

Maturity	СВОТ	Eurex	Ratio (Eurex to CBOT)
10-year	96	191	2.0
5-year	51	115	2.3
2-year	3	109	36.3
Total	150	415	2.8

Source: Futures Industry Association

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Exchange	2001	2002
MEFF	8,766,165	12,645,186
National Stock Exchange of India	435,701	8,557,332
Euronext.life	2,325,744	3,935,121
Euronext Lisbon	0	2,928,883
South African Futures Exchange	811,156	2,224,684
Stockholmbörsen (OM)	1,468,018	1,290,181
Budapest Stock Exchange	879,049	452,638
OneChicago	0	151,878
Nasdaq Liffe Markets	0	72,897
Italian Derivatives Market	0	59,853
Euronext Amsterdam	8,367	37,042
Sydney Futures Exchange	12,545	29,286
Hong Kong Exchanges & Clearing	7,756	21,056
Singapore Exchanges	6,575	13,690
Bourse de Montréal	17,206	0
Total	14,738,282	32,419,727

Table 2.50: Futures on Individual Equities (in millions)

Source: Futures Industry Association

XIII. Developments in Government Debt Market

Government securities market during the past financial year witnessed significant upturns in prices until mid-January 2003 when the trend was reversed. The pattern of downturn in yields was halted due to the war tensions and consequent uncertainty leading to a heavy selling pressure.

Major developments in government securities market in 2002-03 were :

- A. Introduction of the system of publishing a calendar by RBI that outlines the issue of dated government securities every half year. The calendar for the financial year of 2002-03 was issued in March 2003.
- B. Screen based order driven trading in government securities on the stock exchanges introduced on January 16, 2003.
- C. CSGL account holders permitted to enter into repo transactions in government securities effective from March 3, 2003.
- D. Guidelines for uniform accounting of repo/ reverse repo transactions were issued by RBI.
- E. Under the securities lending scheme, the Clearing Corporation of India Limited (CCIL) has been permitted to borrow required government securities from select members.

F. In accordance with RBI policy of consolidation of government debt, the practice of reissuances of existing government securities continued in 2002-03 also. Of the 31 securities issued during 2002-03, 19 were reissues. This accounts for 59 percent. (Rs. 74,000 crore of the gross amount of Rs. 1,25,000 crore raised through dated government securites under the market borrowing programme of the Central Government).

The total private placement of dated securities with the RBI amounted to Rs. 23,175 crore (excluding private placement/devolvement to support pre-payment of Government's external debt) during 2002-03 with the RBI effectively neutralizing the monetary effect by conduct of outright OMO sales of government securities amounting to Rs. 53, 780 crore. The weighted average yield on government borrowings through dated securities issued during 2002-03 declined by 210 basis points to 7.34 percent from 9.44 percent during 2001-02. The gilt yields fell continuously upto mid-January 2003, facilitated by a bank rate cut, another round of CRR and the repo rate reductions announced in October, 2002. (Source: Macro Economic and Monetary Developments in 2002-03, RBI).

The total number of trades in the WDM segment of NSE increased from 1,44,851 in 2001-02 to 1,67,778 in 2002-03. (Table 2.51).

	2000-01 2001-02					
Month	Net Traded Value	Average Daily Value	Number of Trades	Net Traded Value	Average Daily Value	Number of Trades
April	46,285	2,314	6,606	77,334	3,222	12,164
Мау	83,982	3,359	12,220	53,246	2,130	8,662
June	82,329	3,293	11,936	54,477	2,179	8,875
July	84,629	3,255	12,575	97,725	3,619	14,996
August	75,784	3,158	11,622	100,226	3,855	15,483
September	63,199	2,528	9,526	68,269	2,845	10,439
October	80,860	3,234	12,636	106,142	4,246	16,587
November	98,674	4,290	15,300	132,222	5,509	21,052
December	62,411	2,600	10,135	117,383	4,891	18,807
January	111,736	4,298	17,011	139,718	5,175	21,335
February	101,313	4,405	16,127	66,974	2,912	10,728
March	55,988	2,434	9,157	54,986	2,391	8,650
Total	947,190	3,277	144,851	1,068,702	3,598	167,778

Table 2.51: Business Growth on the WDM Segment - NSE

Source: NSE

A cross section of instrument-wise share of securities traded in WDM segment of NSE is shown in Table 2.52. Share of government

dated securities has declined by more than 2 percent and that of T-Bills increased from 2.70 percent in 2001-02 to 3.02 percent in 2002-03.

(Value in Rs. Crore)

Table 2.52: Instrument-Wise Share of Securities Traded in WDM Segment -NSE

							(1	in percent)
		2001-02			2002-03			
Month	Government Dated Securities	T-Bills	PSU	Others	Government Dated Securities	T-Bills	PSU	Others
April	91.61	6.24	0.59	1.56	94.22	2.10	1.25	2.43
Мау	94.84	3.09	0.65	1.42	90.38	4.79	1.36	3.47
June	95.77	2.85	0.36	1.02	90.81	3.17	1.42	4.60
July	94.86	3.35	0.59	1.20	93.55	2.52	1.36	2.57
August	95.99	2.04	0.80	1.17	93.65	3.03	1.91	1.41
September	94.63	3.38	0.63	1.36	94.7	2.21	1.35	1.74
October	96.21	2.11	0.68	1.00	94.49	2.53	1.39	1.60
November	95.76	2.70	0.43	1.11	95.78	2.02	0.98	1.22
December	96.02	2.59	0.57	0.82	95.26	2.12	1.10	1.52
January	95.11	2.83	0.44	1.62	93.59	3.38	1.42	1.61
February	95.58	1.18	1.08	2.16	92.17	4.46	1.30	2.07
March	94.68	1.54	1.25	2.53	88.97	6.93	1.99	2.11
Total	95.24	2.70	1.16	0.91	93.62	3.02	1.37	1.99

Source: NSE

(in percent)

	2001-02						2002-03			
	Trading	FIs/MFs	Primary	Indian	Foreign	Trading	FIs/MFs	Primary	Indian	Foreign
	Members		Dealers	Banks	Banks	Members		Dealers	Banks	Banks
Apr	18.82	3.01	25.17	36.81	16.19	25.46	5.11	22.33	34.27	12.67
May	19.55	3.99	25.28	38.40	12.78	24.42	2.71	22.08	34.26	17.09
Jun	19.92	3.58	22.88	41.31	12.31	22.59	3.05	19.17	39.29	15.9
July	20.51	4.78	20.60	41.66	12.45	22.64	2.83	22.19	40.27	12.07
Aug	21.71	3.53	24.49	39.05	11.22	22.44	3.6	21.83	41.67	10.46
Sep	25.33	4.17	24.19	31.78	14.53	22.46	4.27	24.02	39.06	10.19
Oct	26.98	4.19	23.74	34.58	10.51	24.52	4.18	23.92	39.11	8.27
Nov	25.96	3.97	24.49	34.66	10.92	23.73	3.53	21.01	44.01	7.72
Dec	26.51	4.65	23.11	33.89	11.84	24.7	3.88	24.78	41.31	5.33
Jan	25.43	4.46	19.19	36.09	14.83	26.37	3.67	22.96	39.02	7.98
Feb	25.16	4.53	19.78	34.26	16.27	28.87	4.82	17.75	31.83	16.73
Mar	24.23	4.61	19.43	35.84	15.89	32.12	3.49	17.67	30.13	16.59
Total	23.52	4.16	22.50	36.60	13.22	24.81	3.77	22.03	38.77	10.62

Table 2.53: Participants in Trade

Source: NSE

Information in Table 2.53 tells about the profile of various participants in the debt segment of NSE. Between 2001-02 and 2002-03, there was no considerable change in terms of percentage change in volume traded by each class of participant. Small changes are noticeable in case of Indian banks and foreign banks; while the share in the total volume of the former went up, that of the latter declined slightly.

3. MUTUAL FUNDS

I. Resources Mobilised by Mutual Funds

The mutual funds have mobilised a gross amount of Rs.3,14,706.2 crore (US \$ 66.06 billion) during the financial year 2002-03 as against Rs. 1,64,523.2 crore (US \$ 33.75 billion) during the previous year 2001-02.

II. Net Inflow/Outflow Of Funds:

After adjustment of repurchases and redemptions, there has been net inflow of funds of Rs. 4,196.4 crore (US\$ 0.88 billion) as against Rs. 7,175.2 crore (US \$ 1.47 billion) during the previous year 2001-02.

During the first ten months of the current year (April-January 2003), there was net inflow of funds of Rs.16.612.01 crore in the mutual funds industry. However, during the last two months of the year i.e during February and March 2003, the mutual funds industry witnessed major outflow of funds of approximately Rs.12,416 crore. The major outflow of funds in these two months was in debt-oriented schemes. A similar trend was noticed during the last financial year 2001-02, where there was net inflow of funds of Rs.12,724.5 crores during April 2001 to February 2002. However, due to heavy repurchases/redemptions in the month of March in debt-oriented schemes and mainly in liquid/money market schemes, it resulted in a decline in the net inflow of funds to Rs.7175.2 crore during the financial year.

Further analysis of data shows that there was net inflow of funds of Rs.12,069.44 crore in case of private sector mutual funds compared to net inflow of Rs.13,049.9 crore during the previous year 2001-02. Public sector mutual funds have shown net inflow of funds to the

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tune of Rs.1,561.05 crore as against net inflow of funds of Rs.1,409.31 crore during the last financial year 2001-02. However, UTI has shown outflow of funds of Rs. 9,434.10 crore as against net outflow of funds of Rs.7,284 crore during the last financial year 2001-02.

Details of funds mobilised, repurchase/ redemption amount and the net inflow/outflow of funds for the year 2002-03 are given in the following table.

Table 2.54: Resource Mobilisation by Mutual Funds

	(Amt in R									n Rs.Crore)
	Private Sector MFs			Public Sector MFs			UTI*			Grand Total
	Open end	Close end	Total	Open end	Close end	Total	Open end	Close end	Total	
Mobilization of Funds	283632.49	463.00	284095.49	23514.88	0.00	23514.88	7091.97	3.85	7095.82	314706.19
Repurchase/ Redemption Amount	271675.19	350.86	272026.05	21849.59	104.24	21953.83	8527.48	8002.44	16529.92	310509.80
Net In/ Outflow of funds	11957.30	112.14	12069.44	1665.29	-104.24	1561.05	-1435.51	-7998.59	-9434.10	4196.39

* Since the Division of UTI into UTI Mutual Fund and UTI – I i.e. specified undertaking of the UTI, the data of specified undertaking has been provided up to January 2003.

Source: SEBI



Chart 2.19 : Sector Share : Gross Mobilization and Repurchase/Redemption (2002-03)

80



Chart 2.20 : Sector Performance (2002-03)

Table	2.55:	Mutual	Funds	5	Percentage	Variation	in	2002-03	over	2001-02
IGNIC	L .00.	macaai	i anao	-	roroontago	Variation			0101	

	Pri	vate Sect	tor MFs	Public Sector MFs UTI			Grand Total			
	Open end	Close end	Total	Open end	Close end	Total	Open end	Close end	Total	
Mobilization of Funds	92.6	-12.8	92.2	95.2	-100.0	94.6	85.2	-99.5	52.8	91.3
Repurchase/ Redemption Amount	102.3	-19.5	101.9	107.6	-28.9	105.7	-6.1	181.7	38.6	97.3
Net In/ Outflow of funds	-7.7	18.1	-7.5	9.5	-6.3	10.8	-72.7	294.4	29.5	-41.5

Source: SEBI

Further analysis of data shows that during the financial year 2002-03, there has been net inflow of funds mainly in the income/debt oriented schemes and small inflow of funds in growth/ equity oriented schemes, whereas balanced schemes have shown an outflow of funds. The details are given below (Table 2.56).

III. Trends in Purchases/Sales by Mutual Funds

On analysing the data of purchase and sales transactions of mutual funds on stock

exchanges, it has been observed that the trend of net purchase of debt securities and net sale of equity has continued in the current year also. During the year 2002-03, the mutual funds were net sellers in equity to the tune of Rs 2066.70 crore and net buyers in debt to the tune of Rs. 12604.42 crore. The month-wise details of the trend in purchases and sales in the market during the year 2002-03 are given in the following table 2.57.

	No. of Schemes	Gross Funds	Repurchase / Redemption	Net Inflow/ Outflow of	Cumulative P Assets as	Position of Net s on 31/3/2003
		Mobilised (Rs Cr.)	(Rs Cr.)	funds (Rs Cr.)	Amt. (Rs Cr.)	Percentage Variation over
						2001-02
INCOME / DEBT ORIENTED SC	HEMES			·		
Liquid/ Money Market	32	195047.14	190042.18	5004.97	13734.25	70.2
Gilt	31	5201.67	5892.15	-690.47	3910.21	-6.1
Debt(other than assured return)	118	109423.37	100872.35	8551.01	50976.23	33.8
Debt (assured return)	21	0.00	7084.93	-7084.93	12290.56	-30.5
Sub total	202	309672.18	303891.61	5780.58	80911.25	19.0
GROWTH / EQUITY ORIENTED	SCHEMES					
ELSS	47	21.58	678.90	-657.33	1258.34	-28.8
Others	121	4618.01	3917.36	700.65	13057.92	-5.7
Sub total	168	4639.58	4596.25	43.32	14316.26	-8.3
BALANCED SCHEMES						
Balanced schemes	36	394.42	2021.93	-1627.50	14071.86	-17.0
GRAND TOTAL	406	314706.19	310509.80	4196.39	109299.36	8.7

Table 2.56: Scheme Types: Traded Details (2002-03)

Source: SEBI

Table 2.57: Trends in Transactions on Stock Exchanges by Mutual Funds

				•	-			(Rs.Crore)
		EQUITY	,			DEBT		
Month	Gross Purchases	Gross Sales	Net Purchases/Sales (-ve)		Gross Purchases	Gross Sales	Net	Purchases/ Sales (-ve)
2002-03				Percentage Variation over previous month				Percentage Variation over previous month
Apr.	1300.08	1682.63	-382.55	-18.9	3154.26	1710.34	1443.92	-2037.1
Мау	1366.20	1506.21	-140.01	-63.4	2511.87	2084.85	427.02	-70.4
Jun.	1083.19	1477.73	-394.54	181.8	3266.92	2360.82	906.1	112.2
Jul.	1444.61	1732.39	-287.78	-27.1	4232.72	2537.79	1694.93	87.1
Aug.	1020.20	1222.89	-202.69	-29.6	4261.21	2777.17	1484.04	-12.4
Sept.	959.51	931.37	28.14	-113.9	3952.36	2962.93	989.43	-33.3
Oct.	1247.63	1292.04	-44.41	-257.8	5598.04	3157.62	2440.42	146.6
Nov.	1059.44	1394.94	-335.5	655.5	4637.75	2387.49	2250.26	-7.8
Dec.	1412.36	1409.92	2.44	-100.7	4021.46	3796.22	225.24	-90.0
Jan.	1534.19	1937.23	-403.04	-16618.0	5258.97	4108.52	1150.45	410.8
Feb.	1077.74	1046.64	31.1	-107.7	3115.31	3611.95	-496.64	-143.2
Mar.	1015.74	953.60	62.14	99.8	2652.96	2563.71	89.25	-118.0
TOTAL	14520.89	16587.59	-2066.7		46663.83	34059.41	12604.42	

Source: SEBI

2002-03	MFs-Equity Net Investment (Rs Cr)	MFs-Debt Net Investment (Rs Cr)	Net Investment FIIs Rs. Crores
Apr	-382.55	1443.92	- 112.9
Мау	-140.01	427.02	46.2
Jun	-394.54	906.10	- 866.0
Jul	-287.78	1694.93	238.3
Aug	-202.69	1484.04	174.1
Sep	28.14	989.43	322.4
Oct	-44.41	2440.42	- 875.1
Nov	-335.50	2250.26	737.6
Dec	2.44	225.24	647.9
Jan	-403.04	1150.45	985.2
Feb	31.10	-496.64	428.1
Mar	62.14	89.25	962.8
Total	-2066.70	12604.42	2688.6

Table 2.58: Investment Trends : MFs and FIIs : A Comparison

Source: SEBI

IV. MFs - Number of Schemes and Net Assets

A total of 406 mutual funds schemes are in operation as on March 31, 2003, out of which 337 schemes are open ended schemes. The details of these 406 schemes The total net assets of all domestic schemes of mutual funds were Rs.109,299.36 crore (US\$ 22.94 billion) as on March 31, 2003.

are provided in Table 2.59.

The details are given in table 2.60.

Table 2.59: Scheme Types by Investment Objective

Scheme Type	Nos. of Sub-Types	Total
a) Income (Debt oriented)		202
Schemes, of which		
i) Liquid/Money market	32	
ii) Gilt Schemes	31	
iii) Non-assured return debt schemes	118	
iv) Assured return debt schemes	21	
Growth(Equity oriented)Scheme, of which		168
Equity Linked Savings	47	
Schemes Others	121	
Balanced (Equity and Debt) Schemes		36
Grand Total		406

Source: SEBI

Table 2.60: Sector-wise Resource Generation : Mutual Funds

	Amount	Percentage
	(Rs Cr)	Share
UTI *	43,350.84	39.7
Public Sector	9,367.96	8.6
Private Sector	56,580.56	51.8
Total	109,299.36	100.0

* Data for UTI includes for UTI Mutual Fund and the specified undertaking of UTI upto January 03. Source: SEBI

When the net assets as on March 31, 2003 are compared with that of March 31, 2002, the share of net assets of UTI declined sharply from 51.13 percent to 39.66 percent whereas net assets of private sector mutual funds rose substantially from 41.21 percent to 51.77 percent. Share of public sector mutual funds have marginally increased from 7.66 percent to 8.57 percent.

Offshore Funds

There are a total of 12 offshore funds in operation as on March 31, 2003. Out of the 12 offshore funds, 8 belong to the public sector mutual funds and the remaining 4 to the private sector mutual funds. Some offshore funds which were in operation during the last year have been wound up.

Data pertaining to these offshore funds as on March 31, 2003 is given below. The data includes information on the net assets and the deployment of funds according to investment objectives of the offshore funds.

Net Assets

The details of net assets of offshore funds are given in the following table.

Offshore Funds	Net Assets as on March 31, 2003 Amount (Rs.Crore)	Percentage to Total Net Assets
Public Sector (including UTI Mutual Fund)	552.55	66.70
Private Sector	276.89	33.30
Total	829.44	100.00

Table 2.61: Net assets of offshore funds

Source: SEBI

Deployment of Funds

According to data available, most of the assets of offshore funds are deployed in equity and equity related instruments ie. Rs.796.55 crore (96.03 percent) whereas investment in debt/money market instruments is Rs.32.89 crore (3.97 percent). Details are given in the following table.

Table 2.62: Deployment of Assets of
offshore funds according to
Investment objective

Investment Objective	Amount (Rs. Crores)	Percenatge Share
Equity	796.55	96.03
Debt	32.89	3.97
Total	829.44	100.00

Source: SEBI

V. Features of Offer Documents Received : Mutual Funds

Offer documents received and cleared by SEBI

During the year 2002-03, SEBI received 88 offer documents as against 64 offer documents received during the previous year 2001-02.

Trend in offer documents received

The following trend has been observed in case of 88 new offer documents received by SEBI for launching new schemes by the mutual funds during the year 2002-03:

- SEBI received 51 offer documents for launching debt-oriented / income schemes, out of which;
 - a) Two offer documents were for launching gilt schemes investing in government securities.
 - b) Forty-one offer documents were for launching schemes investing predominantly in corporate debt securities.
 - c) Eight offer documents were for investing in liquid/ money market instruments.
- B. Thirty offer documents were for growth/ equity oriented schemes investing predominantly in equities, which also included sector specific and tax saving schemes.
- C. One offer document was for a balanced scheme investing in equities as well as debt securities.
- D. Six offer documents were received for conversion of old close-ended into openended schemes.

VI. Schemes launched

Fifty-four schemes were launched during the year 2002-03, which included 50 new schemes and 4 schemes which were converted from close-ended to open-ended schemes. During the last financial year 2001-02, almost a similar number, that is, 49 new schemes were launched and five schemes were converted from close ended to open ended schemes.

Assured Return Schemes of Mutual Funds

Some of the schemes which assured returns in the offer documents faced difficulties in meeting the assurances. SEBI, in pursuing its objective to protect the interest of investors, has been directing the AMCs/ sponsors to honour their commitments of paying assured returns.

During the year 2002-03, the sponsors/AMCs have contributed Rs.0.56 crore in case of Dhanvarsha (13) Scheme of LIC Mutual Fund, and Rs.0.03 crore in case of Libra Leap Scheme of Taurus Mutual Fund.

In case of UTI, there was shortfall of Rs. 617 crore in case of MIP 97 (I) Scheme, Rs.855 crore in case of MIP 97 (II) Scheme, Rs. 379 crore in case of MIP 97 (III) Scheme and Rs. 277 crore in case of IISFUS 97 Scheme. Following the directive from SEBI, UTI met the shortfall by taking loans from the banks by offering the Development Reserve Fund as collateral and on the basis of the guarantee by Government of India.

Subsequently the Government announced segregation of the assured return schemes from the NAV based schemes under 2 separate entities with the enactment of the Unit Trust of India (Repeal and Transfer of Undertaking) Act, 2002 and committed to meet the deficits for the assured return schemes.

Till, date the sponsors and asset management companies of nine mutual funds including UTI, contributed a total amount of Rs.4558.96 crore to meet the shortfall in case of 32 schemes as on March 31, 2003. It may be mentioned here that many of these schemes were launched even before the enactment of SEBI Act 1992.

- VII. Exchange Traded Funds
- A. Exchange Traded Funds Indian Scenario
- a. Nifty BeES

Nifty BeES, the first ETF in India, was introduced by BENCHMARK, an Asset Management Company on January 8, 2002. Nifty BeES is traded on the Capital Market segment of NSE. Each Nifty BeES unit is 1/ 10th of the S&P CNX Nifty Index value. Nifty BeES units are traded and settled in dematerialised form like any other share in the rolling settlement.

Junior BeES trades on the Capital Market segment of NSE. Each Junior BeES unit is 1/10th of the CNX Nifty Junior Index value. Junior BeES units are traded and settled in dematerialised form like any other share in the rolling settlement. Junior BeES an Exchange Traded Fund on CNX Nifty Junior, launched by Benchmark Mutual Fund in March 6, 2003.

b. SENSEX Prudential ICICI Exchange Traded Fund (SPICE)

Trading was started in SPICE at BSE from January 13, 2003. SPICE is the first Exchange Traded Fund (ETF) on SENSEX, launched by Prudential ICICI Mutual Fund.

The price of one SPICE unit will be equal to approximately 1/100th of SENSEX value. The scheme will be managed by Prudential ICICI Asset Management Company (AMC) Ltd. and listed on both The Stock Exchange, Mumbai (BSE) and The Delhi Stock Exchange (DSE).

	Name of the Mutual Fund	Name of the Scheme	Contribution/commitments made by Sponsor/AMC (Rs. Crore)
1.	BOI MF		
		Double square Plus	256.50
		Festival Boinanza Growth Scheme **	1.38
		RMI	3.69
2.	Canbank MF		
		Canstar #	1325.43
3.	GIC MF		10.00
			46.33
			133.00
		GIC Suraksha 96	5.66
4	PNB MF	Gio Sulaksila 90	5.00
		Premium Plus 91	26 15
		Rising Income Plus 90	3.92
5.	Indian Bank MF		
		Ind Jyothi	43.59
		Swarnapushpa	0.42
6.	SBI MF		
		Magnum Bond Fund	12.29
		MMIS 91	42.27
		Magnum Triple Plus Scheme	126.98
		MMIS 97	4.55
		MMIS 89	21.18
		MMIS 98 (I)	0.03
7.	LIC MF		
		Dhanvarsha (3)	12.40
		Dhanvarsha (4)	127.94
		Dhanvarsha (5)	63.92
		Dhanshree 89	7.50
		Dhanavarsha (6)	1.03
		Dhanvarsha (8)	0.41
		Dhanvarsha (10)	0.30
		Dhanvarsha (13)	0.56
8.	UTI		
		MIP 96 (III)	25.50
		MIP 97 (I)	617.00
		MIP 97 (II)	855.00
			379.00
		IISF05 97	277.00
9.	TAURUS MF		
		Libra Leap	0.03
	TOTAL		4558.96
** B(OI Festival Boinanza Growth -	The amount has since been reimbursed ba earned on unclaimed amounts.	ck to the AMC out of income
# Ca	anstar Scheme	A small amount yet to be paid – the mutua the shortfall as and when the investors app	I fund is in the process of meeting proach them for redemption.
MIP	96 (III)	Shortfall paid from DRF by UTI.	

AMC has waived management fees of Rs.55.77 lacs.

Table	2.63:	Contributions/commitments	by	Sponsor/	AMCs
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Source: SEBI

Dhanvarsha (13) Scheme

Box 2.3 : Historical Background -ETFs

Exchange traded funds (ETFs) are a new variety of mutual fund that first became available in 1993. ETFs have grown rapidly and now hold nearly \$80 billion in assets. ETFs are sometimes described as more "tax efficient" than traditional equity mutual funds, since in recent years, some large ETFs have made smaller distributions of realized and taxable capital gains than most mutual funds.

In the November/December 1976 issue of *Financial Analysts Journal*, Professor Nils Hakansson published a paper titled "The Purchasing Power Fund: A New Kind of Financial Intermediary." The theoretical "Purchasing Power Fund" envisioned a new financial instrument made up of "Supershares" that provided payoffs only for a pre-specified level of market return. The underlying assets of the Purchasing Power Fund were index funds.

In the late 1980s, Leland, O'Brien, Rubenstein Associates (LOR), a firm known for developing portfolio insurance products, believed there was a demand for a simplified version of the Purchasing Power Fund as a hedge product. With the backing of large institutional investors, such as the IBM Pension Fund, LOR wanted to create a so-called "SuperTrust" based on Hakansson's "Supershares" ideas.

In order for the SuperTrust to work, the product needed an underlying index investment that could be listed on a stock exchange and could continuously offer and redeem shares - an ETF. The U.S. Securities and Exchange Commission (SEC) had previously authorized securities that could be either open-ended or exchange-listed, but they had not authorized securities that could have both characteristics.

In 1990, LOR undertook the arduous and expensive task of petitioning the SEC to allow the creation of an ETF as the underlying security for the SuperTrust. LOR chose the S&P 500 Index as the structure and named the investment the "Index Trust SuperUnit".

In 1990, the SEC issued the Investment Company Act Release No. 17809, the "SuperTrust Order", that granted LOR specified exemptions from the Investment Company Act of 1940 (the Act). Specifically, the order granted exemptions from the rules regulating unit investment trusts and the SEC's rules and regulations governing investment companies. The SEC also made exemptions to the rules governing the way securities are sold and exchanged. This order allowed the first ETF.

After additional regulatory delays, LOR introduced the SuperTrust and the Index Trust SuperUnit in 1993. The SuperTrust and the SuperUnits offered advantages over other hedge products. However, even LOR's simplified version of Professor Hakansson's Purchasing Power Fund turned out to be too complex for the marketplace and the SuperTrust did not get the financial backing that LOR had hoped for. Making matters worse, demand for all hedge products had fallen off dramatically. The SuperTrust was terminated in 1996.

Although LOR developed the Index Trust SuperUnit as an investment underlying a hedge product, there was some discussion of the product being valuable as a stand-alone S&P 500 Index investment. The Index Trust SuperUnit enabled investors to trade directly in the S&P 500 Index as if it were a listed corporation. Yet, the Index Trust SuperUnit was marketed and priced as a hedge product and thus was not viable on its own.

The American Stock Exchange LLC, through its subsidiary PDR Services LLC and the Standard & Poors Depository Receipt (SPDR) Trust, took advantage of the SuperTrust Order to petition for and receive a SEC Order that in 1992 authorized a stand-alone S&P 500 Index-based ETF as a unit investment trust. The SPDR Order specified some additional exemptions allowing for easier exchange of shares, a concept pioneered in the SuperTrust and explained below.

Unlike the Index Trust SuperUnit, the SPDR gained acceptance in the marketplace and became the first commercially successful ETF.

Exchange traded funds (ETFs) are a rapidly growing class of financial products. ETFs are typically organized as unit trusts. They were introduced in 1993, and by the end of 2001, they held \$79 billion in assets — 2.4 percent of the total assets in equity mutual funds. The share of equity mutual fund assets held through ETFs doubled in 2000 and rose by nearly fifty percent in 2001. With several years of continued growth at this pace, the assets held through ETFs will rival the amount held in equity index funds.

Box 2.3 : Historical Background -ETFs (Contd.)

ETFs - In short, they are similar to index mutual funds but are traded more like a stock. As their name implies, **Exchange Traded Funds** represent a basket of securities that are traded on an exchange. As with all investment products, exchange traded funds have their share of advantages and disadvantages.

Advantages of Exchange Traded Funds

Being similar to stocks, exchange traded funds offer more flexibility than your typical mutual fund.

- ETFs can be bought and sold throughout the trading day, allowing for intraday trading which is rare with mutual funds.
- Traders have the ability to short or buy ETFs on margin.
- Low annual expenses rival the cheapest mutual funds.
- Tax efficiency due to SEC regulations, ETF tend to beat out mutual funds when it comes to tax efficiency (if it is a non-taxable account then they are equal).

Disadvantages of ETFs

Unfortunately, exchange traded funds do have some negatives:

- Commissions like stocks, trading exchange traded funds will cost you.
- Only institutions and the extremely wealthy can deal directly with the ETF. Companies must buy through a broker.
- Unlike mutual funds, ETFs don't necessarily trade at the net asset values of their underlying holdings, meaning an ETF could potentially trade above or below the value of the underlying portfolios.
- Slippage as with stocks, there is a bid-ask spread, meaning you might buy the ETF for 15 1/8 but can only sell it for 15 (which is basically a hidden charge).

One unique feature of SPICE is that it can be bought and sold like any other equity share on the BSE trading terminal (BOLT) through a stockbroker. The minimum lot size will be one unit of SPICE. Effectively, a retail investor can buy one SPICE unit for Rs. 33 and hold it in his Demat account just like any other security.

Box 2.4 : A Global Overview of ETFs :

During 2002, AUM increased by 35%, from US\$104.8 billion to US\$141.62 billion. AUM gowth came from the Japanese listed ETFs, which increased 218% (US\$14.40 billion) to US\$21.00 billion, followed by Europe, which increased by 91% (US\$5.09 billion) to US\$10.69 billion, and the US, which increased by 21% (US\$17.68 billion) to US\$102.28billion.

The number of products increased by 39% to 280 ETFs, cross-listings increased by 57% to 361. Europe has the largest number of products at 118 and cross-listings at 192, and had the largest number of new product launches, 47, an increase of 66% during 2002.

There are 280 ETFs with 361 listings on twenty six exchanges around the world. Europe has the largest number of products at 118 and cross-listings at 192 and has the largest number of new product launches at 47, an increase of 66%, and accounted for all 53 cross-listings during the year followed by US with 15 new product launches and Japan with 10. The average daily trading volume for the month of December was 153 million shares or US\$6.6 billion at the end of November 2002. January 29, 2003 will mark the 10th anniversary of the listing of the SPDR, the first ETF in the US. *-Excerpts from Morgan Stanley Equity Research Jan 29, 2003*

VIII. Mutual Funds: Global Outlook

Table 2.64: Worldwide Assets of Open-End Funds *

	(million of U.S. dolla							
	1997	1998	1999	2000	2001	2002		
Non-USA countries								
Argentina	\$5247	\$6930	\$6990	\$7425	\$7357	\$1021		
Austrália	42909	44124ª	N/A	341955	304145	356304		
Austria ^b	44930	57447	56254	56549	55211	66877		
Belgium	33658	56339	65461	70313	64449	74983		
Brazil	108606	118687	117758	148538	126833	96729		
Canada ^b	197985	213451	269825	279511	244025	248979		
Chile	4549	2910	4091	4431ª	4743	6705		
Costa Rica	N/A	N/A	N/A	919	1428	1738		
Czech republic	361	556	1473	1990	1644	3297		
Denmark	13037	16450	27545	32457	30462	40153		
Finland	3534	5695	10318	12698	12131	16516		
France	495774	626154	656132	721973	700944	845147		
Germany	146888	195701	237312	238029	192617	209168		
Greece	25759	32194	36397	29154	21885	26621		
Hong Kong	58456	98767	182265	195924	183030	164322		
Hungary	713	1476	1725	1953	2202	3383		
India	9353	8685	13065	13831	13490	N/A		
Ireland f	22729	22520 ^g	95135	136940	166979 ^h	250116		
Italy	209410	439701	478530	424014	352415	378259		
Japan	311335	376533	502752	431996	465962	303191		
Korea	N/A	N/A	167177	110613	137056	148544		
Liechtenstein	N/A	N/A	N/A	N/A	N/A	3847		
Luxembourg	390623	N/A	659284	747117	694183	803869		
México	N/A	N/A	19468	18488	27608	30759		
Netherlands [®]	/03/3	87996	102492	94106	N/A	N/A		
New Zealand [®]	7519	7250	8502	7802	6796	7505		
Norway	13058	11148	15107	16228	13861	15741		
Philippines	N/A	N/A	117	108	1/0	474		
Poland	541	517	762	1546	1317	5468		
Portugal	15472	23299	20574	10588	15840	19969		
Romania	IN/A	IN/A	IN/A	8	240	27		
Russia South Africa	41	10160	10005	16021	249	372		
South Africa	12000	12100	10233	10921	10007	20903		
Swadan	177192	230917	207003	79074	104070 56157	57002		
Sweuen	4040Z	54925 60151	92512	82062	72556	92622		
Taiwan	12365	20310	31153	32074	12000	62153		
	12303 N/A	20310 N/A	51155 N/A	52074 N/A	43041 N/A	6002		
United Kingdom ⁱ	235683	283711	370962	387149	333887	288887		
Total Non-USA	\$2769984	\$3143056	\$4569879	\$4954980	\$4524227	\$4828586		
USA (long-term)	3409315	4173531	5233194	5119386	4252647	4119612		
(Short-term)	1058886	1351678	1613146	1845281	2161639	2271959		
Total USA	\$4468201	\$5525209	\$6846940	\$6964667	\$6414286	\$6391571		
Total World	\$700700F	¢9660265	\$11,416040	\$11010647	\$10020542	\$11220457		
	⊅1∠31885	\$0008 ∠ 05	\$11410219	\$11919047	\$10939213	\$11220157		

* Till 2000 from Fact Book ICI Washington, 2002, for 2001 & 2002 from ICI Factbook 2003.

b As of September 30, 1998.

c Includes real estate funds.

d As of June 30, 2000.

e As of June 30 1996.

f Approximately 95 per cent relates to life assurance-linked funds; the other 5 per cent are unit investment trusts. International Financial Service Center funds are not included.

g As of March 31, 1998.

h As of August 31, 2001.

i Funds of funds not included.

N/A Not available.

Note: Comparison of annual total across countries is not recommended because reporting coverage, dates, and definitions are not consistent.

Source: European federation of Investment Funds and Companies, Investment Company Institute.

	1997	1998	1999	2000	2001 ª	2002
Non-USA counties						
Argentina	185	229	224	226	219	211
Austrália	488	569b	N/A	N/A	N/A	N/A
Austria °	625	821	1316	1733	769	808
Belgium	458	631	784	918	1041	1141
Brazil	1502	1601	1760	2097	2452	2755
Canada °	1023	1130	1328	1627	1831	1956
Chile	92	102	116	126d	177	226
Costa Rica	N/A	N/A	N/A	122122	136	128
Czech republic	47	56	62	70	76	76
Denmark	222	240	304	394	451	485
Finland	81	114	176	241	275	312
France	5797	6274	6511	/144	7603	///3
Germany	/1/	848	895	987	1077	1092
Greece	162	179	208	265	269	260
	112	/12	832	976	952	942
Hungary India	37	00	0/	00 242	09	00 N/A
Inuia Iroland f	260	97 260a	155 N/A	243	292	1005
Italy	200 626	200g 703	823	967	1040	1905
lanan	5203	1534	3///	2703	2867	2718
Korea	N/A	+334 N/A	13606	8242	7117	5873
Liechtenstein	N/A	N/A	N/A	N/A	N/A	111
Luxemboura	4064	N/A	5023	6084	6619	6874
México	N/A	N/A	280	305	350	364
Netherlands °	289	334	348	494	N/A	N/A
New Zealand °	629	633	622	607	588	577
Norway	233	264	309	380	400	419
Philippines	N/A	N/A	15	18	20	21
Poland	20	38	62	77	92	107
Portugal	163	197	226	195	202	170
România	N/A	N/A	N/A	16	24	20
Rússia	18	28	27	37	51	57
South Africa	149	191	260	334	426	460
Spain	1456	1866	215	2422	2524	2466
Sweden	344	366	412	509	507	512
Switzerland	296	325	348	323	313	512
Taiwan	127	174	318	288	312	351
IUrkey United Kingdomi	N/A	N/A	N/A	N/A	N/A	242
Total Non USA	1455	1541	1594	1937	1982	1/8/
IUSA (long-torm)	2/014	20123	440ZD	440Z/ 7110	446UZ 7202	44070 7067
(Short-term)	1012	10260	0740 1045	1020	1292	1201
	6684	721/	7701	1039 Q166	5013	909 8756
	0004	1314		0100	0307	0200
Iotal World	31298	32437	52416	52782	53109	53126

Table 2.65:	Worldwide	Number of	of O	pen-End	Funds
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* Till 2000 from Fact Book ICI Washington, 2002, for 2001 & 2002 from ICI Factbook 2003.

a As of September 30, 2001.

b As of September 30, 1998.

c Includes real estate funds.

d As of June 30, 2000.

e As of June 30 1996.

f Approximately 95 per cent relates to life assurance-linked funds; the other 5 per cent are unit investment trusts. International Financial Service Center funds are not included.

g As of March 31, 1998.

h Number of funds does not include bank trust funds.

i Funds of funds not included.

N/A Not available.

Note: Comparison of annual total across countries is not recommended because reporting coverage, dates, and definitions are not consistent.

Source: European federation of Investment Funds and Companies, Investment Company Institute.

Table 2.66: Annual Asset, Net Issuance, and Number of Exchange-Traded Equity IndexFunds by Type of Fund : Other US Investment Companies

								(millions	of dollars)
		Domestic		Glob	al / Internati	onal	Total		
	Assets (End of Period)	Net Issuance	Number of Funds (End of Period)	Assets (End of Period)	Net Issuance	Number of Funds (End of Period)	Assets (End of Period)	Net Issuance	Number of Funds (End of Period)
1993	\$464	\$450	1	_	_	—	\$464	\$450	1
1994	424	(28)	1	—	—	—	424	(28)	1
1995	1052	441	2	—	—	—	1052	441	2
1996	2158	844	2	\$243	\$246	17	2401	1088	19
1997	6203	3142	2	499	298	17	6702	3439	19
1998	14546	5599	12	1018	425	17	15564	6025	29
1999	31876	11763	13	1986	399	17	33862	12164	30
2000	63544	41831	55	2041	545	25	65585	42378	80
2001	79977	29646	68	3016	1367	34	82993	31012	102

Note: Components may not sum to total because of rounding. Source: Strategic Insight and Investment Company Institute.

Table 2.67: Monthly Assets, Net Issuance, and Number of Exchange-Traded Equity Index Funds by Type of Fund : Other US Investment Companies

								(millions	s of dollars)
		Domestic		Glob	al / Interna	tional	Total		
	Assets (End of Period)	Net Issuance	Number of Funds (End of Period)	Assets (End of Period)	Net Issuance	Number of Funds (End of Period)	Assets (End of Period)	Net Issuance	Number of Funds (End of Period)
2000									
January	\$30824	\$223	13	\$1902	\$42	17	\$32726	\$265	30
February	31907	399	13	1897	(21)	17	33804	379	30
March	34748	(174)	13	2045	53	17	36793	(120)	30
April	36268	3849	13	1964	47	17	38232	3896	30
May	39468	5068	27	1860	(49)	17	41328	5019	44
June	44102	2564	36	1988	99	20	46091	2663	56
July	43085	(21)	46	1955	70	23	45041	49	69
August	46683	(847)	46	1932	(73)	23	48615	(920)	69
September	47792	4304	52	1909	86	24	49701	4390	76
October	54646	7959	55	1900	63	24	56546	8022	79
November	54479	7922	55	1869	46	24	56348	7968	79
December	63544	10585	55	2041	182	25	65585	10767	80
2001									
January	\$70100	\$2395	56	\$2034	(\$53)	25	\$72134	\$2342	81
February	62428	3204	57	1915	10	25	64343	3214	82
March	64205	8898	58	1800	16	25	66006	8914	83
April	71413	(365)	59	1917	11	25	73330	(353)	84
May	70854	(289)	60	1919	42	25	72773	(248)	85
June	73643	3350	60	1917	78	25	75560	3428	85
July	73678	2593	66	1842	(14)	25	75520	2578	91
August	69995	2375	66	2090	305	26	72085	2680	92
September	62401	1628	66	1944	98	26	64345	1726	92
October	67173	615	67	2248	246	29	69421	861	96
November	76265	2031	67	2581	231	34	78846	2262	101
December	79977	3211	68	3016	397	34	82993	3608	102

Source: Investment Company Institute Fact book 2002.

4. FOREIGN INSTITUTIONAL INVESTMENT

I. Investments by Foreign Institutional Investors (FIIs)

The cumulative net investment by the Foreign Institutional Investors (FIIs) in the Indian capital market touched US \$15.80 billion on March 31, 2003, thus registering an increase of US \$562.4 million over the cumulative net investment over the previous year.

It can be observed that during the past 10 years there has been a gradual increase in the FII investment. This reflects an increase in the confidence of the FIIs and also a vindication of the reforms process carried out by SEBI to make the Indian capital markets more efficient, transparent and investor friendly.



Chart 2.21 : Yearly Investment Trend : FII

Chart 2.22 : Fll Investment Trend : Net and Cumulative (2002-03)



Year	Gross Purchases (Rs. Crore)	Gross Sales (Rs. Crore)	Net Investment (Rs. Crore)	Net investment (in US \$ Million)	Cumulative Net Investment US \$ mn at monthly Exchange Rate
1992-93	17.4	4.0	13.4	4.2	4.2
1993-94	5592.5	466.3	5126.2	1634.0	1638.3
1994-95	7631.0	2834.8	4796.3	1528.3	3166.6
1995-96	9693.5	2751.6	6942.0	2035.7	5202.3
1996-97	15553.9	6979.4	8574.2	2431.9	7634.2
1997-98	18694.7	12737.2	5957.4	1650.1	9284.3
1998-99	16115.0	17699.4	(1584.4)	(386.1)	8898.2
1999-00	56855.5	46733.5	10121.9	2339.1	11237.3
2000-01	74050.7	64116.4	9934.3	2158.8	13396.1
2001-02	49920.0	41165.0	8755.2	1846.2	15242.3
2002-03	47061.3	44372.7	2688.6	562.4	15804.7
Total	301185.7	239860.2	61325.6		

Table 2.68: Trend of FII investment

Figures in bracket are outflows . Figures may not add up exactly due to rounding. Source: SEBI

The Indian markets were not left untouched by the global recession and weak sentiments. The war in Afghanistan and Iraq added to the negative sentiments. Due to these negative undercurrents the net investment by FIIs in 2002-03 was Rs. 2688.7 crore as compared to the net investment of Rs. 8755.2 crore in 2001-2002.

As can be seen from the above table, FIIs were net sellers only during the months of April, June and October . FIIs were net purchasers during other months and the overall trend was positive during the financial year.

2002-03	Gross Purchases (Rs. Crore)	Gross Sales (Rs. Crore)	Net Investment (Rs. Crore)	Net investment (in US \$ Million)	Cumulative Net Investment US \$ mn at monthly Exchange Rate	Gross Sales as Percentage of Gross Purchases
Apr	5,109.0	5,221.9	- 112.9	- 23.2	15,219.2	102.2
Мау	4,354.9	4,308.8	46.2	9.4	15,228.6	98.9
Jun	3,351.0	4,217.0	- 866.0	- 176.7	15,051.9	125.8
Jul	3,500.6	3,262.3	238.3	48.7	15,100.6	93.2
Aug	2,667.7	2,493.7	174.1	35.7	15,136.3	93.5
Sep	3,765.7	3,443.2	322.4	66.8	15,203.1	91.4
Oct	2,812.9	3,687.8	- 875.1	- 180.6	15,022.5	131.1
Nov	4,135.3	3,397.7	737.6	152.3	15,174.8	82.2
Dec	4,287.3	3,639.8	647.9	134.1	15,308.9	84.9
Jan	5,314.5	4,329.2	985.2	204.8	15,513.8	81.5
Feb	3,470.7	3,042.1	428.1	89.3	15,603.2	87.7
Mar	4,291.7	3,329.2	962.8	201.5	15804.7	77.6
Total	47061.3	44372.7	2688.6	562.4	15804.7	94.3

Table 2.69: Monthly Investment by FIIs

Figures may not add up exactly due to rounding. Source: SEBI



Chart 2.23 : Monthly Investment Trends by FIIs (2002-03)

5. SUBSTANTIAL ACQUISITION OF SHARES AND TAKE-OVERS

During the year 2001-02, 88 letters of offer for making open offers were filed with SEBI. Under the SEBI (Substantial Acquisition of Shares and Takeovers), Regulations, 1997, a category of non applicability of open offer obligations was introduced to automatically exempt certain transactions from open offer which may become necessary in the overall commercial and business interest of the company. During the year, 238 reports were filed under this category. The transactions, which are not covered under the said category, are required to be submitted to the Takeover Panel for exemption from open offer. During the year, 35 such applications were submitted out of which exemption from making open offer was granted in respect of 17 cases. (Table 2.70).

Table 2.70: Offers and Exemptions

Letter	rs of Offei	r Filed	Exer	nptions G	ranted
2000-01	2001-02	2002-03	2000-01 2001-0		2002-03
77	81	88	21	16	17

Source: SEBI

During the year, 86 cases were referred for adjudication under section 15 of SEBI Act, 1992 for alleged violation of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and a total of Rs.74,85,000 were received towards monetary penalties.

6. INVESTIGATION, ENFORCEMENT AND SURVEILLANCE

I. Market Surveillance

Market Surveillance plays a key role in ensuring stability and integrity of the markets. The Market Surveillance Division of SEBI, part of Investigation, Enforcement and Surveillance Department, keeps a proactive oversight on the surveillance activities of the stock exchanges.

A. SEBI's market surveillance functions have been essentially focused on:

- a) policy formulation for introduction of surveillance systems at the stock exchanges to bring integrity and stability in the Indian securities markets;
- b) overseeing the surveillance activities of the stock exchanges including the monitoring of market movements by them;

- c) inspection of such surveillance functioning of the stock exchanges; and
- d) preparation of reports and studies on market movements, which SEBI circulates, periodically to the Government of India and to securities markets regulators from other countries.

The primary responsibility of market surveillance has been entrusted to the stock exchanges. SEBI keeps an oversight on market monitoring by exchanges and in exceptional circumstances it analyses the same. When appropriate, on the basis of reports received from the stock exchanges or specific complaints, preliminary enquiries are conducted to determine whether the trading raises suspicion of market manipulation and / or insider dealing. At times, on exception basis only, cases are taken up suo-moto also. In case an analysis of the trading information leads to a suspicion of market abuse, like occurrence of market manipulation or insider dealing or other misconduct, investigations are initiated.

B. The Market Surveillance systems are developed and consolidated on a continuous basis. Some of the improvements in the surveillance systems that have been brought about are given below:

- a) Revision of periodic and event driven reports by stock exchanges;
- b) Inspection of surveillance functioning of stock exchanges;
- c) Imposition of trading restrictions including suspension of trading in scrips by exchanges to prevent market manipulation;
- d) Meetings of Inter Exchange Market Surveillance Group for interactive and effective decision making on surveillance issues and co-ordination between stock exchanges; Two meetings were held during the year.

- e) Development of database on violations, contraventions and cases of noncompliance by members and companies for internal use in surveillance and monitoring.
- f) Designation of senior official at exchange level for co-ordination and information sharing with other exchanges over surveillance related issues.
- g) Development of an enforcement manual and improvement in the process and documentation of surveillance and investigation activity.

II. Mechanisms for a fair and transparent securities market

Bringing about improvements in the surveillance, investigations, co-ordination and information sharing functions is a continuous and constantly evolving process involving technological upgradation, manpower enhancement, training requirements, etc. As part of this continuous process and in response to new market developments and happenings in the last couple of years, various new measures were initiated and steps taken. These include the following:

III. Surveillance in derivatives market

Derivatives trading now comprise a substantial part of market turnover. This is a new segment in Indian markets. Regulatory experience with regard to surveillance in this area is limited. In Indian derivatives markets, single stock futures have a dominant presence, which is unlike the experience in many derivative markets abroad. For surveillance and monitoring in this segment, discussions were held internally within SEBI and with exchanges to identify areas for monitoring. Pursuant to these discussions, an advisory circular was issued to exchanges on aspects of surveillance in this segment. To examine the functioning of exchanges in this area, spot inspections of the exchange surveillance systems were undertaken. Periodic reports required to be submitted by exchanges were modified to incorporate oversight of surveillance in derivatives markets. Emphasis has been made on taking an integrated approach for surveillance in the cash and derivatives markets.

Co-ordination between Exchanges

Information sharing and co-ordination is a necessary requirement for surveillance across markets. SEBI has formalized a mechanism for co-ordination between the two major exchanges viz. BSE and NSE, in different areas such as surveillance actions, investigations taken up, scrip suspension, circuit filter reduction, rumor verifications etc. The exchanges share relevant information and also meet periodically to discuss relevant issues.

Reporting by stock exchanges

For overseeing and supervision of the surveillance activity at stock exchanges, SEBI receives both periodic as well as event driven reports from exchanges.

The periodic reports comprise of weekly reports which include details about overall trading statistics, member deactivations, scrip suspension, instances of rumor verification, working of stock watch system and reporting on exception basis, any happenings, trends, events, specific actions/ decisions which have bearing on safety and integrity of market. The monthly report gives details about analysis/ investigations taken up by the exchanges following investor complaints forwarded by SEBI or otherwise, outcome of the same and actions taken by the exchange against members/ issuers, and reporting on exception basis, any happenings, trends, events, specific actions/ decisions which have bearing on safety and integrity of market.

The periodic reports were revised to include

reporting on derivatives markets and the scope of periodic reporting requirement by exchanges was enhanced by making it necessary for exchanges to report on the actions taken by them in respect of scrips showing high price volatility or large volume variations. The reporting formats now require the exchanges to compulsorily record the decisions relating to scrips where no action is taken by exchanges despite price/volume variations.

Use of Client IDs

For surveillance to be effective, it is essential that ultimate beneficiaries of transactions are immediately known. However in the absence of unique client IDs, identity of the ultimate client in a transaction is not easily known at present and requires investigation, which is a time consuming process. SEBI has, therefore, made it mandatory for brokers to use unique client IDs. SEBI has also stressed upon building up of databases incorporating unique client information, which is expected to help in identifying ultimate beneficiaries for surveillance and investigations.

IV. Greater responsibility and accountability of the surveillance cells of the stock exchanges

To bring about greater responsibility and accountability in discharging the surveillance functions by stock exchanges, following measure were initiated during 2002-03.

Stock Watch System – an on-line automated surveillance system

SEBI had asked the exchanges to develop and implement an online market monitoring and surveillance system on the basis of basic parameters specified by SEBI. The system has been implemented in different exchanges in varying formats, and has been customized by exchanges to suit their trading practices/ surveillance procedures, though basic alerts have remained similar in different exchanges. As turnover in smaller exchange is negligible,

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the relevance of online monitoring in these exchanges has reduced.

The major exchanges are using the system in conjunction with offline surveillance methods i.e. in addition to online monitoring, exchanges also monitor trades offline at the end of day. Exchanges were advised to update benchmarks to generate fewer and more meaningful alerts and the efficacy of the system is regularly examined in exchange inspections. Exchanges were also asked to better utilise existing databases for filtering of alerts.

Co-ordination within the various departments of the Exchange for surveillance functions

Exchanges have been advised to initiate surveillance and examinations based on feedback from other departments of the exchange such as listing, broker inspections, clearing and settlement etc. This issue was followed up on a continuous basis with exchanges. As suggested by SEBI, surveillance and investigation functions which were scattered across different departments in NSE have been restructured for better co-ordination and information flow within the exchange.

Surveillance staff strength at exchanges

SEBI has been continuously following up with exchanges to enhance manpower for the surveillance function, in view of the necessity for employing greater resources in terms of manpower for surveillance and follow-up investigation. Manpower deployed at major exchanges was increased in this area by around 50 per cent.

Investigations by Exchanges

Based on their online and off-line surveillance activity, exchanges conduct investigations into trading activity in scrips. SEBI has endeavoured to improve the quality of investigations conducted by exchanges through the inspections of exchange surveillance functioning and through informal feedback to exchanges. Exchanges are also advised to take action based on their own bye-laws, rules and regulations in the cases investigated by them. SEBI had also advised exchanges to take up more investigations related to merger/takeover announcements and place more emphasis on identifying insider trading cases by examining trading activity around the time of major announcements by corporates.

During 2002-03, exchanges were seen to be taking up more cases for investigations. BSE and NSE were doing more comprehensive investigations than earlier. However, there is still scope for substantial improvement in the methodology for conducting effective investigations. Exchanges were also advised to complete investigations in a time bound manner. In case an investigation takes more than six weeks to complete, exchanges are required to indicate reasons for delay in completion while reporting on pending investigations.

V. Inspection of surveillance cells of stock exchanges

During 2002-03, SEBI inspected functioning of surveillance cells of 4 stock exchanges. The areas examined during these inspections include

- Functioning of surveillance cell of the exchange with respect to detection of price volume aberrations and abnormal market movements
- Functioning of stockwatch system for detection of price volume aberrations
- Market monitoring for identifying market abuse such as price rigging, insider trading etc.
- Procedure for taking up investigations by exchanges
- Procedure for conducting investigations
- Status of investigations
- Rumour verification by exchanges
- Imposition of special margins on scrips

INVESTIGATIONS

Investigations are carried out with a view to examining alleged violations such as price manipulation, creation of artificial market, insider trading, public issue related irregularities and other misconduct, as well as to gather evidence and identify persons/ entities behind these irregularities and violations. SEBI has been strengthening its investigation activities over the years and these activities were further strengthened during 2002-03.

Pursuant to completion of investigation, various actions like administrative directions and penal

actions under the SEBI Act and various SEBI Rules and Regulations were undertaken. These actions include monetary penalties, warning, suspension of activities, cancellation of registration, prohibition of dealing in securities and access to the capital market etc.

I. Investigation proceedings

During 2002-03, investigations have been taken up in several cases relating to market manipulations and price rigging, issue related manipulations, insider trading and noncompliance of regulations of mutual funds and take-over of companies. The details of these are given in Table 2.71 and Chart 2.24.

Table 2.71: Investigations by SEBI

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	Total
Cases taken up for	0	0	2	60	100	52	55	56	60	111	105	657
Investigation	2	3		00	122	53	55	00	00		125	657
Cases complete	d 2	3	2	18	55	46	60	57	46	29	106	424

Source: SEBI





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As can be seen from the table, SEBI has taken up investigations in 125 cases in 2002-03 bringing the total cases taken up for investigation till end of this financial year to 657 cases. Out of these, 106 cases have been completed during 2002-03 bringing the total cases completed till March 31, 2003 to 424 cases. On the basis of nature of violations alleged, the break up of 125 cases taken up during 2002-03 is given in Table 2.72 and Chart 2.25. Likewise, the break up of 106 cases completed during 2002-03 is given in Table 2.73 and Chart 2.26.

Table 2.72: Nature of Investigations takenup by SEBI in 2002-03

Particulars	Number of cases
Market manipulation and price rigging	95
Issue related manipulation	2
Insider trading	13
Take-overs	9
Miscellaneous	6
Total	125

Source: SEBI

Table 2.73: Nature of Investigations completed by SEBI in 2002-03

Particulars	Number of cases
Market manipulation and	
price rigging	72
Issues related manipulation	8
Insider trading	14
Take overs	7
Miscellaneous	5
Total	106

Source: SEBI

On completion of investigations, SEBI Regulations provide procedure of enquiry proceedings in respect of intermediaries for their prima facie violations of SEBI Act and its Regulations. Pursuant to investigations, enquiry proceedings were initiated against 185 intermediaries. Show cause notices have also been issued in this year to 252 nonintermediaries, asking them to show-cause as to why suitable directions including directions prohibiting them from dealing in securities and accessing the capital market, for an appropriate period, should not be issued, for creation of artificial market, price manipulations, insider trading, non-compliance of takeover code etc.



Chart 2.25 : Nature of Investigations taken up by SEBI in 2002-03



Chart 2.26 : Nature of Investigations completed by SEBI in 2002-03

These non-intermediaries include individuals, firms as well as corporates. In addition to the above, show cause notices have also been issued for initiating prosecution proceedings against the intermediaries and the nonintermediaries for mis-statement in prospectus, market manipulations, delay in transfer of shares, substantial acquisition without following procedure of open offer in violation of takeover code, etc.

II. Enquiry and adjudication proceedings

During 2002-03, on completion of investigations, enquiry proceedings were initiated in respect of 185 intermediaries i.e. stock brokers, merchant bankers, registrars to an issue and share transfer agents, bankers to an issue, etc. under the provisions of the relevant SEBI Regulations. The break up of these 185 intermediaries is given in Table 2.74. In 2002-03 enquiry proceedings have been completed against 47 intermediaries, the details of which are given in Table 2.75.

During 2002-03, adjudication proceedings have been initiated in 75 cases and adjudication proceedings were completed in 16 cases.

Table 2.74: Details of cases where
enquiry officer has been
appointed in 2002-03

Intermediaries	Number of cases
Stock brokers	158
Merchant bankers	4
FII	1
Bankers to an issue	3
Sub-brokers	13
RTA/STI	6
Total	185

Source: SEBI

Table 2.75: Details of cases where
enquiry proceedings have
been completed in 2002-03

Intermediaries	Number of cases
Stock brokers	41
Sub brokers	5
Bankers to an Issue	1
Merchant Banker	0
Total	47

Source: SEBI

III. Action taken

On completion of the investigation and after following the procedure of enquiry proceedings in respect of intermediaries, i.e. stock brokers and sub-brokers, merchant bankers, registrars to an issue and share transfer agents and bankers to an issue, orders were passed for cancellation of registration in 11 cases, suspension in 42 cases, warning issued in 62 cases and refund of issue proceeds in 2 cases.

Apart from action against the intermediaries, 140 prohibitive directions were issued under section 11B of the SEBI Act, 9 against intermediaries and 131 against nonintermediaries, i.e. individuals, firms, companies, etc. for their involvement in creation of artificial market, price manipulations, irregularities in public issue process, etc. Action taken during 2002-03 is given in Table 2.76 and Chart 2.27.

Note: Names of individuals and entities against whom action was taken pursuant to investigations and/or enquiry are available on the SEBI website http://www.sebi.gov.in.

Table 2.76: Action taken in 2002-03

Particulars	No. of cases
Cancellation	11
Suspension	42
Warning issued	62
Prohibitive directions issued	
under section 11B of SEBI Act *	140
Issues Refunded / Option Given	2
Total	257

* Against intermediaries and non intermediaries. Source: SEBI

IV. Summary of investigation cases

During the year 2002-03, 125 cases were taken up for investigation. These cases pertained to allegations of market manipulations and price rigging, issue related manipulations, insider trading, non-compliance with Takeover Regulations etc. Out of these 125 cases, investigations were taken up in 95 cases of alleged market manipulation and price rigging, 2 cases of issue related manipulations, 13 cases of alleged insider trading, 9 cases of takeover code violations etc.

Investigations in 72 cases of market manipulation and price rigging, 14 cases of insider trading, 7 cases of takeover code violations and 8 cases of issue related manipulations were completed. The investigations have brought out that certain persons / entities created artificial market, manipulated the prices of certain scrips and indulged in insider trading.

V. Prosecutions

SEBI initiated prosecutions in 229 cases during the year 2002 – 03 bringing the total prosecutions initiated so far to 420 since the year 1994 – 95. The total number of persons prosecuted in the aforesaid 229 cases is 848. Out of the said 229 prosecutions launched during the year, 4 cases pertain to the violation of the Companies Act, 1956. Likewise, nine



Chart 2.27: Action taken

prosecutions were launched during the year for violation of the provisions of Depositories Act, 1996 and 14 prosecutions for the violation of the provisions of Securities Contracts (Regulation) Act, 1956. 201 prosecutions were launched during the year for violation of the provisions of Securities and Exchange Board of India Act, 1992 and Rules and Regulations made thereunder. Out of the said 201 prosecutions, 153 prosecutions pertain to the unregistered entities like companies operating collective investment schemes and sub brokers. Apart from the said cases there is one prosecution which was launched under the provisions of the Indian Penal Code, 1860.

During the year 2001 - 02, total number of prosecutions initiated by SEBI were 109 against 604 persons. With the prosecutions launched during 2002 - 03, the aggregate number of persons against whom prosecutions launched by SEBI since the year 1994 – 95 has increased to 2007. The break up of the cases and the number of persons involved is given in Table 2.78.

Further, during the year 2002-03, two cases were finally disposed of by the courts and in both cases, the accused were convicted.

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	Total
Under the Companies Act										
Delay in refund of excess										
application money, delay										
transfer of shares and non-										
payment of dividend	4	3	4	6	4	10	4	0	4	39
Mis-statement in offer										
document and fraudulent										
inducement	0	2	3	2	1	3	4	1	0	16
Under the SEBI Act										
Violation of SEBI (Substantial										
Acquisition of Shares and										
Take-over) Regulations, 1997	0	0	2	1	4	1	0	1	1	10
Violation of SEBI (Prohibition										
of Fraudulent and Unfair										
Trade Practices relating to										
the securities market)										
Regulations, 1995	0	0	0	2	4	1	0	5	26	38
Violation of SEBI (Insider										
Trading) Regulations, 1992	0	0	0	0	1	0	0	1	5	7
Violation of SEBI (Portfolio										
Managers) Rules, 1993 /										
SEBI (Merchant Bankers)										
Regulations, 1995.	0	0	0	0	0	2	0	0	1	3
Unregistered entities (incl. CIS)	0	0	0	0	0	2	0	97	153	252
Indian Penal Code, 1860	0	0	0	0	0	0	0	0	1	1
Depositories Act, 1996	0	0	0	0	0	0	0	0	9	9
Securities Contracts										
(Regulation) Act, 1956	0	0	0	0	0	0	0	0	14	14
Others: non-cooperation										
during investigation										
proceedings/Broker Sub-broker										
Regulations etc.	0	0	0	0	1	0	12	0	13	26
Non payment of penalty										
amount imposed by the										
Adjudicating Officer	0	0	0	0	0	0	0	4	2	6
Total	4	5	9	11	15	19	20	109	229	421

Table 2.77: Nature of prosecutions initiated

Source: SEBI

Table 2.78: Number of persons prosecuted

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	Total
Under the Companies Act, 1956										
Delay in refund of excess application money, delay transfer of shares and non-payment of dividend	27	14	22	34	33	29	17	0	15	191
Mis-statement in offer document and fraudulent inducement/ Limitation of time for issue of certificates	0	17	20	23	5	13	22	1	0	101
Under the SEBI Act, 1992										
Violation of SEBI (Substantial Acquisition of Shares and Take-over) Regulations, 1997	0	0	10	4	52	31	0	11	3	111
Violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the securities market) Regulations, 1995	0	0	0	20	38	30	0	20	83	191
Violation of SEBI (Insider Trading) Regulations, 1992	0	0	0	0	6	0	0	1	14	21
Violation of SEBI (Portfolio Managers) Rules, 1993/ (Merchant Banker) Regulations, 1995	0	0	0	0	0	10	0	0	2	12
Unregistered entities (incl. CIS)	0	0	0	0	0	8	0	563	643	1214
Indian Penal Code, 1860	0	0	0	0	0	0	0	0	2	2
Depositories Act, 1996	0	0	0	0	0	0	0	0	29	29
Securities Contracts (Regulation) Act, 1956	0	0	0	0	0	0	0	0	24	24
Others: non-cooperation during investigation proceedings/ Broker Sub-broker Regulations	0	0	0	0	11	0	59	0	28	98
Non Payment of Penalty amount imposed by the Adjudicating Officer	0	0	0	0	0	0	0	8	5	13
Total	27	31	52	81	145	121	98	604	848	2007

Source: SEBI

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ACTIONS TAKEN AGAINST PRIMARY MARKET INTERMEDIARIES IN THE YEAR 2002 -2003

primary market intermediary for noncompliance with respective rules and regulations, are given below:

Details of actions taken against various

I. Merchant Banker

Table 2.79: Action against Merchant Banker

Sr.	Name of the Merchant Banker	Details regarding actions taken			
No.					
1.	Infrastructure Leasing & Finance Co Ltd	Warning letter was issued in the issues of Balaji Telefilms Ltd			
2.	J M Morgan Stanley	Warning letter was issued in the issues of Balaji Telefilms Ltd.			
3.	Triumph Leasing & Finance Ltd	Warning letter was issued in the issues of Balaji Telefilms Ltd.			
4.	Aryaman Financial Services Limited	Inquiry has been initiated against Aryaman Financial Services Limited for non-exercise of due diligence exercise by Aryaman Financial Services Limited in the case of Gurukul Technologies Ltd.			
5.	HSBC Securities and Capital	An inquiry has been initiated against HSBC Securities and Capital in the case of open offer for acquisition of equity shares of Modi Rubber Ltd.			

Sr.	Name of the Merchant Banker	Details regarding actions taken
No.		
6.	Imperial Corporate & Finance Services Ltd	Inquiry was initiated against Imperial Corporate & Finance Services Ltd. in relation to their role as Lead Manager of the issue of Gammon India Ltd. Enquiry officer has forwarded the report.
7.	Aryaman Financial Services Ltd	Two warning letters have been issued in the case of India Forge Ltd (Buy Back).
8.	ICICI Securities Ltd	A warning was issued, manager to the buy back offer of OCL Ltd to be more careful in drafting the offer document.
9.	M/s. Doogar & Associates	An enquiry has been ordered in the matter of open offer by CMS Traffic Systems Ltd., Jess Prasad Engg & Metallurgical Services P. Ltd. to acquire shares of Kaycee Industries Ltd.

Source: SEBI

II. Registrar to an Issue & Share Transfer Agent

Table 2.80: Action Against RTA

Sr. No.	Name of the Registrar to an Issue & Share Transfer Agent	Details regarding actions taken
1.	SRG Infotech Ltd	A Show cause notice was issued for non- returning of records to the companies after cancellation of registration on 14 th February 2003.

Source: SEBI

III. Issuers

Table 2.81: Action against Issuers

Sr. No.	Name of the Issuer	Details regarding actions taken
1.	Hitech Comvision Ltd and its Promoters Shri K.P.S Bal, Shri Prabhash Bhatnagar, Shri Atul Garg, Shri K.S Sethi, Ms Simmi Gupta and Shri S K Gupta	Debarred from accessing capital market for a period of 5 years under section 4(3), Section 11 and Section 11(B) of SEBI Act, 1992 and under clause 17 of SEBI (DIP) Guidelines 2000 vide Chairman's order dated May 31,2002 with immediate effect
2.	M/s VLS Finance Limited	Debarred from accessing capital markets under the Directions issued u/s 11B and other

Sr.	Name of the Merchant Banker	Details regarding actions taken					
No.							
regu	lations one order was passed on 20.9.2	002. Since directors of M/s. VLS Finance Ltd.					
	are also on the Board of directors of M/						
	VLS Securities Ltd and M/s. VLS Securities						
	Ltd. is a 100per cent subsidiary of M/s. VL						
	Finance Ltd., renewal application of M/s. VLS						
		Securities Ltd. as a Merchant Banker has					
		been kept in abeyance.					
Sour	ce: SEBI.						

IV. Portfolio Managers

Table 2.82: Action against Portfolio Managers

Sr	Name of the Portfolio Manager	Details regarding actions taken				
No.						
1.	Giltedge Portfolio Management Services Ltd	Suspended till further orders				
Sour	ce: SEBI					

LITIGATIONS, APPEALS AND COURT PRONOUNCEMENTS

Table 2.83: Details of Court cases where SEBI was a party

_Sr.	Subject Matter	Cases filed	Cases	Cases dismissed /
No.			pending	allowed / withdrawn
1.	Brokers Registration fee cases	3	55	85
2.	Collective Investments Scheme	20	20	00
3.	Consumer Forum Cases	9	9	00
4.	General Services Department	3	4	1
5.	Investigations, Enforcement and Surveillance Department	48	48	2
6.	Primary Market Department	35	70	4
7.	Secondary Market Department	7	78	6
8.	Takeovers	14	29	5
9.	Depositories and Participants	6	5	1
10.	Mutual Funds	1	17	00
Sour	ce: SEBI			

Sr. No.	Status of Appeals	No. of Appeals
1.	Appeals filed	136
2.	Appeals dismissed	26
3.	Appeals remanded	00
4.	Appeals allowed	26
5.	Appeals pending	78

Table 2.84 : Details of Appeals filed before the Securities Appellate Tribunal

Source: SEBI

Table 2.85 : Details of Appeals under Section 15Z of the SEBI Act against the Order of Securities Appellate Tribunal.

Sr. No.	Subject Matter	Cases filed	Cases pending	Cases dismissed / allowed /
1.	Appeals filed by SEBI	3	9	00
2.	Appeals filed by other parties against SEBI	2	2	00

Source: SEBI

I. Important Pronouncements relating to Securities Laws

A. High Court Case/s

Harinarayan G Bajaj Vs. SEBI - High Court of Bombay –

The appellants were investors in shares and securities and they traded through brokers at Stock Exchanges. The appellants were served with two show-cause notices alleging that the appellants had indulged in buying and selling of abnormal volumes of ARBL stripes with a view to creating artificial market in the scrip and for above malpractices as to why they should not be subjected to criminal prosecution under the provisions of the Act. The appellants responded to the show-cause notices requesting the respondent to provide details of show cause, etc. The respondent did not respond to the said request of the appellants. The appellants, therefore, filed a writ petition but the Board, after hearing,

rejected the applications and directed to file the reply to show-cause notices. On appeal, the Tribunal dismissed the appeal holding that the appellants were not in any way debarred from raising any objection before the respondents in the proceedings if they felt that the material relevant to the charges had been held back from them and in case they were aggrieved by the outcome of the proceedings initiated by the respondents, they were entitled to appeal against such decision before the concerned Forum.

The Hon'ble Court held that in the context of the scheme of the Act, it was difficult to accept the submission of the appellants that each and every order made by the Tribunal is intended to be subjected to appeal under section 15Z. Mere procedural orders are not the orders which can be taken up and challenged under section 15Z. Unless the orders formally adjudicate and effect rights of the parties, it is difficult to conceive that
remedy of an appeal under section 15Z would be available. In term, section 15Z provides for an appeal from the decision of the Tribunal 'on any question of fact or law' arising out of the order. This clearly implies that the order in appeal should have decided the fact or law or decided the mixed question of fact and law which affect the appellants' rights adversely. The section does not contemplate an appeal against any decision or order which does not decide the fact or law affecting any right of the parties.

The rights and liabilities of the parties normally would be decided by the final order. Very rarely the interlocutory order on procedural matters would affect the rights of the parties. The course of a litigation should normally proceed unhampered. If at every stage the Appellate Court has to entertain an appeal, there cannot be a speedy culmination of the litigation at all. It is with a view to expedite the trial and conclusion of a litigation before the original authority or the Court that the Supreme Court has limited the scope of the appellate jurisdiction in the manner stated in Central Bank of India Ltd. v. Gokal Chand AIR 1967 SC 799. Therefore, the Court held that purely procedural orders which do not affect the substantive right of the parties are not appealable under section 15Z. This interpretation would also apply with equal force to section 15T which provides an appeal to the Tribunal against the order passed by the Board or the Adjudicating Officer. Therefore, the interlocutory orders not affecting the rights of the parties would not be appeal able under section 15T.

B. Securities Appellate Tribunal

Kinglet Finlease & Securities Ltd. Vs. SEBI.

The appeal was filed challenging the order dated 22.08.2002 suspending the certificate of the appellant broker, a member of NSE for a period of one year. The broker was found involved in manipulation and fraudulent dealings in shares of M/s. Kamal Overseas Ltd. The certificate of the broker was suspended for violation of the code of conduct read with schedule II of Stock Brokers Regulations, 1992 and regulation 4 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995.

The order was challenged on grounds that the broker was subjected to double punishment on the same set of facts and violations, once by NSE by deactivating its terminal and debiting Rs. 20 lacs towards fines and penalties and again by SEBI by the impugned order and that the impugned order was passed beyond the one month period specified in regulation 29 (3) of the Stock Brokers Regulations.

The Securities Appellate Tribunal vide its order dated 29.01.2003 has dismissed the appeal being devoid of any merits and held as under –

It is beyond any doubt that SEBI is a. empowered to suspend the certificate of registration granted to a stock broker independent of any action by the stock exchange for not acting in accordance with the Rules, Regulations and Byelaws of the exchange. It is not that a broker who has been punished by an exchange under its bye - laws / regulations is untouchable by SEBI. It is not material as to whether the facts relied on by SEBI and NSE are one and the same. It is the distinct nature of the offence that matters. Offence is relatable to the omission or commission made punishable by any law. The action taken by NSE and SEBI is not with reference to the same offence. It is well settled that imposition of monetary penalty as a result of a domestic enquiry cannot be considered as punishment for the purpose of considering protection from 'dual jeopardy'.

b. The reply referred to in regulation 29 (3) of the Stock Brokers Regulations is not confined to written reply alone. If a noticee seeks personal hearing, the oral submissions so made in the hearing should also be considered as reply.

Dalmia Securities Pvt. Limited Vs. SEBI

The captioned appeal was filed by the appellant Dalmia Securities Pvt Limited (hereinafter referred to as "Dalmia Securities") against the imposition of the condition that no new accounts shall be opened by the appellant. Dalmia Securities was registered with SEBI as a DP through NSDL since 17th March, 1997. Since the registration was due to expire in March 2002, they made an application for renewal on 31st December, 2001. While granting renewal of registration as a Depository Participant on NSDL to the appellant the said condition was imposed in view of the pendency of investigations against them and in the interest of the securities market.

The SAT in its order dated 29.1.03 upheld SEBI's powers to impose conditions while granting renewal of registration. SAT observed that :

"From the legal position emerging from the regulations cited above it is clear that the Respondent is empowered to grant registration and renewal of the registration subject to certain conditions. The certificate of registration can be granted subject to conditions is evidenced from provisions in section 12(1A) of the Act also as the section stipulates that "No depository, participant, custodian of securities, foreign institutional investors, credit rating agency or any other intermediary associated with the securities market as the Board may by notification in this behalf specify, shall buy or sell or deal in securities except and in accordance with the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act." The section recognises SEBI as the authority empowered to issue certificates of registration, and therefore, obviously the power to impose conditions is also vested in SEBI. The Respondent's submission that it is empowered to issue certificate subject to conditions, thus in my view, is tenable...

Since the renewal is to be considered "as if it is a fresh registration", for good reason the Respondent is empowered to put conditions while granting renewal as it is empowered to put conditions on "first registration". The Appellant's submission that as per regulation 23, the renewal can be subject only to those conditions of certificate of registration specified in regulation 22, has no legal support. As noted earlier as per sub regulation (2) of regulation 22 the Respondent is empowered to deal with the renewal application in the same manner as if it were a fresh application for grant of certificate of registration."

However, the Tribunal set aside the condition that no new accounts shall be opened by Dalmia Securities on the ground that the impugned condition is unreasonable and that the decision was taken in an unjust and unfair manner. In its order the Tribunal has also observed that if Dalmia securities was found unfit to be allowed to operate or deal in securities, in the interest of investors, they should not have been granted renewal till such time the investigations are completed.

Swedish Match AB and others v/s SEBI

The appellant as a result of acquisition of shares triggered regulations 11(1) and regulation 12. The appellant contended that it was not required to make public announcement in terms of the regulations since the acquisition by the appellant was covered by proviso given in regulation 12. The issue before SAT was whether the acquisitions covered by regulation 12 will subsume the acquisitions governed by regulation 11 also in light of the fact that wherever change in control of the target company was accompanied by acquisition of shares beyond the threshold limits provided in regulations 10 and 11.

While dismissing the appeal, SAT held that Regulations, 11(1) and 12 are independent regulations and do not come in conflict in any manner and the same are put in position to meet different situations. Regulation 11 specifically deals with cases of acquisition of shares for the purpose of consolidation of holdings by the existing shareholders whereas regulation 12 is exclusively on control and the control is not connected to any particular factor. Therefore, in case any acquisition triggers two regulations the acquirer will have to comply with the requirements of both the regulations and the exemption available under one of the regulations cannot be extended to the other regulations under which public offer is to be made. SAT also held that Takeover Regulations 1997 is a beneficial regulation and a bare mechanical interpretation of words and application of legislative intent devoid of concept and purpose will reduce the remedial and beneficial measures provided for in the legislation to futility. Accordingly, the appellant was directed to make public announcement for violation of regulation 11(1).

T.J. Stock Broking Services (P) Ltd. vs. SEBI

In the instant case, the respondent ordered investigation to ascertain as to the role played by various persons / intermediaries and violations, if any, of the regulatory provisions by them in dealing of shares of Amara Raja Batteries Ltd. (ARBL). The investigation stated to have revealed that Shri Harinarayan Bajaj and his son Shri Rahul Bajaj were the dominant traders in the ARBL's shares. Some of the members of BSE and NSE had aided and abetted Shri H.Bajaj in creating a false market in ARBL's scrips. The respondent decided to conduct a detailed enquiry into the role and conduct of the appellant in trading in the scrip. The enquiry officer on concluding the enquiry came to the conclusion that the appellant had failed to exercise due care and skill in his dealing with Bajaj thereby violated Code of Conduce of Brokers' Regulations, 1992 and SEBI Circular dated 7th March,2001 whereby short sales were banned. The Enquiry Officer recommended one month suspension of the Certificate of Registration. SAT observed that the appellant had failed to exercise due care was established and further observed that the suspension of CORn for one month, for the violation of the Code, awarded by the respondent cannot be considered unduly harsh as argued by the appellant. The appeal was dismissed.