Secondary Market - Trading*

Introduction

Secondary market facilitates sale and purchase of existing securities issued by companies. An investor receives his securities from the issuing company in the primary market and secondary market provides him an exit route in case he wants to convert his securities into cash. It enables investors who hold securities to adjust their holdings in response to changes in their assessment of risk and return and also to meet their liquidity needs. It essentially comprises of the stock exchanges which provides a platform for trading of securities and a host of intermediaries who assist in trading of securities and clearing and settlement of trades. The securities are traded, cleared and settled as per the prescribed regulatory framework under the supervision of the Exchanges and oversight of SEBI. These stock exchanges are the exclusive centres for trading of securities. The regulatory framework favors them by banning any kind of trading of securities outside the exchanges. Until recently, the area of operation/jurisdiction of an exchange was specified at the time of its recognition, which in effect precluded competition among the exchanges. These are called regional exchanges. In order to provide an opportunity to investors to invest/trade in the securities of local companies, it is mandatory for the companies, wishing to list their securities, to list on the regional stock exchange nearest to their registered office. If they wish, they can seek listing on other exchanges as well. Monopoly of the exchanges within their allocated area, regional aspirations of the people and mandatory listing on the regional stock exchange resulted in multiplicity of exchanges in the country. As a result, we have 23 exchanges operating today to enable investors across the length and breadth of the country to access the market.

The three newly set up exchanges (OTCEI, NSE and ICSE) were permitted to have a nationwide trading facility since their inception. Listing on these exchanges was considered adequate compliance with the requirement of listing on the regional exchange. SEBI allowed all exchanges to set up trading terminals anywhere in the country. Many of them have already expanded trading operations to different parts of the country. Further, with extensive use of information technology, the trading platforms of a few exchanges are also accessible from anywhere through the Internet and mobile devices. This made a significant difference in a geographically vast country like India. It significantly expanded the reach of the exchange to the homes of ordinary investors and assuaged the aspirations of people to have exchanges in their vicinity. The issuers/investors now prefer to list/trade on exchanges providing nation-wide network rather than on regional exchanges. Consequently, territorial jurisdiction of an exchange, opportunity to invest in securities of local companies through listing on regional exchanges and convenience of trading from a nearby exchange lost relevance.

* This Chapter discusses the trading of shares while the trading of debt and derivative instruments is discussed in Chapters 6 and 7 respectively.

The broad structure of the secondary market as on March 31, 2003 is presented below:

Stock Exchanges	23
Exchanges	
With Screen Based Trading System	23
With Internet Trading	2
With WAP Facility	1
With Equity Trading	23
With Debt Market Segment	2
With Derivative Trading	2
With Clearing Corporation	1
With Settlement Guarantee Fund	16
Registered Members (brokers)	9,519
Registered Corporate Members	3,835
Registered Sub-Brokers	13,291
Registered FIIs	502
Listed Companies	9,413
Market Capitalisation (Estimated)*	Rs. 6,319,212 mn.
Trading Volume during 2002-03*	Rs. 9,689,098 mn.

* These relate to only equity segments of exchanges.

Policy Developments

Government and market regulators have taken several policy measures over last one decade or so to improve efficiency in the working of the stock exchanges and market intermediaries. The measures aimed at improving market infrastructure, and upgradation of risk containment measures so as to protect the integrity of the market and interest of investors. The policy developments pertaining to trading of securities during April 2002 and June 2003 are discussed below:

Initiatives from Government

I. Joint Parliamentary Committee

The joint parliamentary committee set up to look into the irregularities and manipulations in the securities market, including insiders trading, relating to shares and other financial instruments and the role of banks, brokers and promoters, stock exchanges, financial institutions, corporate entities and regulatory authorities submitted its final report on December 19, 2002. The recommendations given by the committee are as follows:

1. The process of corporatisation and demutualisation of stock exchanges need to be expedited.
2. Introducing uniform bye-laws for all exchanges.
3. Introducing a standard stock watch system for all the stock exchanges.
4. Introducing unique broker and client id on the lines of PAN in IT department.
5. Introduction a method of tracking multiple membership across the stock exchanges
6. Clear identification of the regulatory jurisdiction for each regulator which will help in earmarking each regulators jurisdiction and in turn not create confusion in the minds of investors

7. The committee also recommended severe punishment to be given by SEBI which would deter the wrong doers.
8. The committee also felt the need for clear demarcation between DCA and SEBI in regulating capital market. SEBI shall be vested with comprehensive jurisdiction over listed companies and also shall be adequately empowered and made accountable for matters connected with listed companies.
9. The committee recommended expeditious implementation of the ordinance by which SEBI has been empowered with search and seizure powers, power to impose penalty and the strengthening of the SEBI Board. It was also felt that the enhanced powers would enable the regulator to work in an effective manner.

II. Definition of Securities

Government promulgated the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance in June 2002 which amended the definition of the "securities" in the Securities Contracts (Regulation) Act, 1956 to include 'security receipt' within its ambit. The "security receipt" means a receipt or other security, issued by a securitisation or reconstruction company to any qualified institutional buyer pursuant to a scheme, evidencing the purchase or acquisition by the holder thereof, of an undivided right, title or interest in the financial asset involved in securitisation.

III. Union Budgets

The Union Budget for 2002-03 proposed the following measures that have bearing on the functioning of the secondary market:

i. The process of demutualisation and corporatisation of stock exchanges is expected to be completed during the course of the year, to implement the decision to separate ownership, management and operation of stock exchanges.
ii. Legislative changes would be proposed, during the Budget Session, in the SEBI Act, 1992 for investor protection, and to enhance the effectiveness of SEBI as the capital market regulator.
iii. Following certain developments overseas, and within the country, regarding accounting standards and effectiveness of auditors, regulation in this area would be strengthened.
iv. Presently foreign institutional investors (FIIs) can invest in a company under the portfolio investment route beyond 24% of the paid up capital of the company with the approval of the general body of the shareholders by a special resolution. These investments shall not be subject to the sectoral limits for foreign direct investment except in specified sectors.

In order to promote demutualization of stock exchanges, the Finance Act, 2001 amended the Income Tax Act, 1961 to provide that any transfer of capital asset from an association of persons or body of individuals to a company in the course of corporatisation of a recognised stock exchange shall not be regarded as transfer for the purposes of capital gains tax. This one time exemption from capital gains is available only if all the assets and liabilities of the stock exchange immediately before the succession become assets and liabilities of the corporatised stock exchange, and the corporatisation is carried out in accordance with the scheme of corporatisation approved by SEBI.

The Union Budget, 2003-04 proposed the following measures, which have an impact on the secondary market:

i. In order to give fillip to the capital market, it is proposed to exempt all listed equities that are acquired on or after March 1, 2003 and sold after the lapse of a year, or more, from the incidence of capital gains tax. Long term capital gains would not be applicable to such transactions.

ii. To enable the easy demutualization and corporatisation structure, necessary amendments would be made to the Securities Contract and Regulation Act which would be proposed in the current session.

iii. The overseas investment under the automatic route will be permitted to corporates with a proven track record even if the investment is not in the same core activity. The current restrictions limiting investments to 50% of the net worth of the Indian companies would now be raised to 100%.

iv. In order to facilitate the easy entry into the stock markets, the process of registration of FIIs is being streamlined and steps have been taken to ease flow of capital. The sectoral limit for investments by FIIs is being reviewed.

v. It was proposed to increase the limit of deduction in respect of interest on certain securities, dividends etc. from Rs. 9,000 to Rs. 12,000. An additional deduction of Rs. 3,000 will also be available with respect to interest on securities of the central government or a state government. The proposed amendment would be w.e.f April 1, 2003.

IV. PAN for Securities Trading

The Income Tax (Eighth Amendment) Rules, 2002 made it mandatory for a person to quote permanent account numbers issued by the Income Tax Department for securities transactions of over Rs.1 lakh. This reduced threshold for quoting PAN for the sale and purchase of securities from Rs. 10 lakh.

V. Permission for Listing

The Securities Appellate Tribunal (SAT) upheld the order of The Stock Exchange, Mumbai which had rejected the application of the appellant seeking permission for listing of 210 lakh shares issued on a preferential basis to eight associate companies. While doing so, it reiterated that before granting listing permission, the concerned Stock Exchange has to satisfy that in the given set of facts, listing would not be detrimental to the interest of the market and the investors. Exchange's role is not confined to that of a passive infrastructure provider for trading in securities, it is required to provide some thing more to protect the interests of the investors in securities. It observed that the standard of scrutiny in the case of a public issue through prospectus is rather rigorous and done at different levels. But when it comes to preferential allotment, it is not so. The requirement is self-compliance of the SEBI guidelines. This puts, all the more, added responsibility on the stock exchanges in deciding the request for listing. If there is sufficient justification to hold that listing of the securities of a company, whether made by way of public issue through prospectus or on preferential basis, is not in the interest of the securities market and or in the interests of the investors at large, the exchange is at liberty to deny listing permission. (M/s. Parekh Platinum Ltd. Vs. The Stock Exchange, Mumbai)

While disposing off another appeal (Ask me Info Hubs Ltd. Vs. The Stock Exchange, Mumbai), the SAT raised a policy issue for the consideration of the Ministry of Finance and the SEBI. As per the current practice, further issue of securities (same class) requires fresh listing approval for trading on exchanges. It is not clear why fresh approval is required for listing of the same class of securities, especially a preferential issue which is made with the approval of the shareholders and the pricing of the issue is done as per SEBI guidelines. The authorities concerned should examine the matter and decide as to whether such 'fresh listing requirement of same type securities' by exchanges can be dispensed with subject to compliance of certain guidelines, which SEBI should be in a position to provide taking into consideration the interests of shareholders.

VI. Penal Provisions in SEBI Act, 1992

Setting aside an order by SEBI preventing the appellant companies BPL and Videocon (BPL Limited *vs*. SEBI and Videocon International Ltd. *vs*. SEBI & Others) from accessing the capital market, SAT stated that such order cannot be issued by SEBI under section 11B of the Act. It made following important observations:

i. Evidence merely probabalising and endeavouring to prove the fact on the basis of preponderance of probability is not sufficient to establish a serious offence of market manipulation. When such a serious offence is investigated and the charge is established, the fall out of the same is multifarious. The impact of such an adverse finding is wide especially in the case of a large public company having large number of investors. The stigma sticks and it also hurts, not the company alone, but its shareholders as well. "Not all the King's horses and all the King's men" can ever salvage the situation.

ii. While section 11 of the Act deals with the functions of SEBI, section 11B is on its powers. Section 11B is more action oriented, in a sense it is a functional tool in the hands of SEBI. In effect section 11B is one of the executive measures available to SEBI to enforce its prime duty of investor protection. SEBI is empowered to issue directions in the interests of investors to any person or class of persons referred to in section 12 of the Act or associated with the securities market.

iii. The legislature has clearly spelt out the penal provisions in the Act at 3 places-section 12(3) provides for suspension or cancellation of the certificate of registration granted to the market intermediaries in the event of their proven misconduct; Chapter VIA provides for imposition of monetary penalty for certain offences specified therein; section 24 empowers Courts to award punishment for violation of offences under the Act. Since legislature has deliberately chosen to create specific offences and penalties thereto, it is not possible to view that under section 11B, SEBI is competent to issue a direction which tantamounts to imposition of penalties.

iv. Preventing appellant companies from raising further capital/offering shares to the public in the next few years cannot serve as a preventive measure to debilitate them indulging in market manipulation. Similarly, by no stretch of imagination the said direction can be considered even remedial as prospective barring of a public issue cannot remedy an act of market manipulation allegedly indulged for a specific purpose, 3 years ago. Hence the impugned order is neither remedial nor preventive but punitive in effect as it takes away appellant companies' right to mobilise funds from the public to carry on their business.

v. Under regulation 12(a) read with regulation 11, SEBI can direct the concerned person "not to deal in securities in any particular manner". "Dealing in securities" as per the definition at regulation 2(b) means " an act of buying, selling or otherwise dealing in any security or agreeing to buy , sell or otherwise deal in any security by any person either as principal or agent". The act of raising capital from the market by its very nature does not come under the definition "dealing in securities". Raising money by a company from the public by any standard cannot be considered as an act of dealing in securities. Therefore the contention that SEBI is empowered to issue directions under regulation 12 (a) directing not to access capital market is untenable.

vi. On a combined reading of sections 24 and 26 of the Act, it is clear that prosecution for offences can be launched by SEBI and the power to launch such prosecution is not in any way circumscribed by any of the provision of the Act. It is left to the discretion of SEBI to decide to launch or not to launch prosecution under the Act. No "order" as such is required to launch prosecution in view of the clear provisions of section 26 of the Act because it is only SEBI which is competent to file prosecution and none else. SEBI has uninhibited power to launch prosecution against persons contravening the provisions of the Act, rules or regulations made there under. It is not within the appellate powers of the SAT to stall launching of prosecution by SEBI under section 24/26 of the Act. A direction to launch prosecution against appellant companies is not an order appealable in the SAT and the SAT is not empowered to adjudicate the same.

VII. Securitisation Ordinance 2002

The ordinance was promulgated on June 21, 2002. It empowers banks and financial institutions to enforce their securities without intervention of court or tribunal. In the event of default by a borrower, a secured creditor shall have recourse to (a) take possession, sell or lease the secured assets, (b) take over the management of the secured asset of the borrower, (c) take possession of the secured asset and appoint a manager to manage the same, or (d) recover any money payable by third parties to the borrower. In cases of joint financing under consortium or multiple lending arrangement if 75% of the secured creditors in value agree to initiate recovery action the same shall be binding on all secured creditors.

The Ordinance provides a legal framework for securitisation of financial assets and asset reconstruction. The securitisation companies or reconstruction companies shall be regulated by RBI. The security receipts issued by these companies will be securities within the meaning of Securities Contract (Regulation) Act. These companies would have powers to acquire assets by issuing a debenture or bond or any other security in the nature of debenture in lieu thereof. Once an asset has been acquired by the asset reconstruction company, such company would have the same powers for enforcement of securities as the original lender.

IX. Euro Issue Proceeds

The current guideline does not allow the proceeds of ADRs/GDRs/FCCBs to be used on investment in real estate and stock markets. This prohibition not only puts restriction on Indian bidders in the first stage offer to the Government, but also to fund second stage of mandatory public offer under SEBI Takeover Code. In order to promote the disinvestment programme, it has been decided that ADR/GDR/FCCB proceeds could be used in the first stage acquisition of shares in the disinvestment process and also in the mandatory second stage offer to the public, in view of their strategic importance.

X. Supplementary Demand for Grants, 2002-03

The Finance Minister while replying to Supplementary Demand for Grants, proposed the following measures having bearing on securities market:

i. Under Section 80L of the Income Tax Act, the total deduction would be raised from Rs. 12,000 to Rs. 15,000 (Rs. 12, 000 from income derived from specified investments and Rs. 3,000 from interest on Government Securities).

ii. SEBI is being advised to take necessary actions to move to T+1 rolling settlement.

iii. Government shall strengthen SEBI so that it can take effective action against the erring market intermediaries and companies so as to improve the integrity of the market as also to develop it.

iv. A Serious Frauds office would be set up in the Department of Company Affairs to investigate professionally and comprehensively the frauds and do so with despatch and efficiency.

v. The rules for operationalising Indian Depository Receipts would be issued soon.

XI. SEBI Ordinance

The Union Cabinet approved the Ordinance for amending the SEBI Act on October 28, 2002. The first element of the proposed ordinance is an organisational strengthening of SEBI. The SEBI Board would be expanded and the total strength would be 9 (including SEBI Chairman), amongst which 3 would be whole time directors (excluding SEBI Chairman). Under the new provisions, the monetary penalties for various offences has been hiked to three times the undue gains made by the market participant or a maximum of Rs. 25 crore. All the sums realised by SEBI by way of penalties or fines would go into the Consolidated Fund of India. The major thrust of the ordinance lies in strengthening the mechanisms of investigation and enforcement. SEBI has been given search and seizure powers and the judicial mechanism surrounding this enforcement process would also be strengthened. The ordinance also involves modifying the SEBI Act to better clarify and define offences such as insider trading, fraudulent and manipulative trade practices and market manipulation. The Securities Appellate Tribunal would also be made three member tribunal. The Presiding officer of SAT shall be a serving or retired judge of the Supreme Court or Serving or retired Chief Justice of high court, to be appointed in consultation with the Chief Justice of the Supreme Court. In addition, appeals against SAT orders would lie before the Supreme Court on points of Law.

Initiatives from SEBI

I. Amendments to Listing Agreement

The Exchanges were advised to amend the listing agreement to provide that the company would compensate the aggrieved party/parties for the opportunity losses caused during the period of delay in cases where there is a delay on the part of the company in either transferring the shares or communicating the objection to the transfer of shares, within the stipulated time period of one month. In addition, the company would provide all benefits which accrued to the investor during the intervening period on account of such delay.

II. Electronic Data Information Filing and Retrieval

In association with National Informatics Centre (NIC), SEBI set up an Electronic Data Information Filing and Retrieval (EDIFAR) System to facilitate electronic filing of certain information by listed companies. This system would benefit by way of dissemination of information to various classes of market participants like investors, regulatory organisation, research institutions etc. The system is being introduced in a phased manner. As of end March 2003, 1,750 companies were brought within the scope of EDIFAR. Initially, the information that would be filed on line are: (i) financial statements comprising of balance sheets, profit and loss account and full version of annual report, half yearly financial statements including cash flow statements and quarterly financial statements, (ii) corporate governance reports, (iii) shareholding pattern statement, and (iv) action taken against the company by a regulatory agency. These filing of information would be in addition to the filings made by the companies with the stock exchange in compliance with various provisions of listing agreement. Gradually the physical filing would be discontinued and both the number of companies as well as disclosure statements would be expanded to cover all the actively traded companies for all the disclosure statements. Accordingly the Exchanges were also advised to amend the listing agreement to incorporate EDIFAR filing requirements under a new clause. EDIFAR is available at http://sebiedifar.nic.in. Companies can access it to file the documents /statements electronically; investors/public can query the database.

III. Confidentiality of Information

SEBI advised stock exchanges to (i) reiterate to their employees that they are bound by the code of conduct and to ensure that there is confidentiality of deals and that the trade data is not leaked, (ii) reiterate to their members that the confidentiality of client information should be ensured as required by client broker agreement, and (iii) bring to the attention of the members that the "Code of Conduct" require a stock-broker not to disclose or discuss with any other person or make improper use of the details of personal investments and other information of a confidential nature of the client which he comes to know in his business relationship.

IV. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

In order to ensure more dissemination of information to the shareholders about the post offer detail, it has been decided that once the offer formalities have been completed in terms of regulations, the acquirer through the merchant banker shall make a public announcement in all the newspapers in which the original public announcement was made. Simultaneously with publication of the public announcement in the newspapers, a copy of the same will be submitted to SEBI though merchant banker.

V. Time Bound Arbitration Proceedings, Arbitration Panels and Committees

SEBI directed that the arbitration award shall be passed within a period of six months from the date of entering into reference i.e. extension of time of award can be for a maximum period of three months. Thus the bye-laws of the Exchanges was modified to incorporate the following:-

"Adjournment, if any, shall be granted by the arbitral tribunal only in exceptional cases, for bonafide reasons to be recorded in writing. The arbitral tribunal shall make the arbitral award within 3 months from the date if entering upon the reference. The time taken to make the award may not be extended beyond three times, by the Managing Director or relevant authority on an application by either of the parties or the arbitral tribunal, as the case may be. For the purposes of these bye-laws, the arbitral tribunal shall be deemed to have entered upon a reference on the date on which the arbitral tribunal first held its hearing."

Further, pursuant to the recommendation of the Joint Parliamentary Committee (JPC) regarding arbitration councils for resolution of disputes between the investors and the market intermediaries, it was decided that the provision of the Rule or Article of Association, as the case may be and bye laws of the stock exchanges shall provide that in respect of dispute between members and non-members the arbitration committees/arbitration councils/ arbitration panels shall consist of persons other than members of the stock exchange who shall be nominated with prior approval of the board.

VI. Corporatisation/Demutualisation of Stock Exchanges

The SEBI Board approved the following recommendations given by Justice Shri M H Kania, former Chief Justice of India with regards to corporatisation and demutualisation of Stock Exchanges:

i. A uniform model of corporatisation and demutualisation would be adopted for all exchanges, by converting all exchanges into companies limited by shares and changing their character from a *not-for-profit* entity to *for-profit* company.

ii. The Income Tax Act needs to be amended so that the past profits of a stock exchange which were not taxed when its character was not-for-profit entity, should not be taxed when the character of the entity changes. The reserves shall be taxed in the hands of the shareholders, at the net applicable tax rates, when they are distributed as dividends.

iii. All the future profits of the stock exchanges shall be taxed.

iv. The SCRA, Income Tax Act and the Indian Stamps Act shall also be amended.

v. The trading rights and ownership rights shall be segregated on the lines suggested by the group which shall also include distribution of assets to the brokers. An exchange shall be free to adopt the card system or the deposit system for segregating the ownership and trading rights. When the deposit system is adopted by the exchange then the method suggested by the group for valuing the card may be adopted.

vi. The Board of Stock Exchanges shall have equal representations of brokers, shareholders and investing public, except in case of NSE where present structure of the Board would be maintained. The names of all directors including the broker directors to be appointed shall be required to get an approval from SEBI. All directors to be appointed will be on the board for tenure determined by SEBI.

SEBI issued circulars to all stock exchanges advising them the scheme for uniform model of corporatisation and demutualization. The stock exchanges were required to submit their proposals to SEBI in accordance with the scheme, within 6 months from January 30, 2003, the date of the circular.

VII. Listing Agreement

Accounting Standards Committee of SEBI (ASC) considered the issues with regard to disclosure by listed companies in respect of loans/advances and investments and SEBI has advised the Stock exchanges to modify the listing agreement to incorporate disclosure of audit qualifications and actions thereon, present disclosure requirements under listing agreement etc. and has made following recommendations. The same would include disclosures of amounts at the year end and the maximum amount of loans/advances/investments outstanding during the year from both parent to subsidiary and vice versa, un-audited quarterly results of all listed companies shall be subjected to limited review from the quarters ending on or after June 30, 2003, publication of consolidated financial results along with stand-alone financial results shall be applicable on annual basis only. However, companies may have option to publish consolidated financial results along with stand alone financial results on a quarterly/half yearly basis, In addition to the above the stock exchanges shall also be required to inform SEBI in cases where companies have failed to remove audit qualifications.

VIII. Stock Exchanges Subsidiary

The small stock exchanges which are permitted to promote/float a subsidiary/company vide a SEBI circular have been advised to carry out the following changes in management structure of their subsidiaries:

i. The subsidiary company shall appoint a CEO who shall not hold any position concurrently in the stock exchange (parent exchange). The appointment, the terms and conditions of service, the renewal of appointment and the termination of service of CEO shall be subject to prior approval of SEBI.

ii. The governing board of the subsidiary company shall have the following composition *viz.*, (a) the CEO of the subsidiary company shall be a director on the Board of subsidiary and the CEO shall not be a sub-broker of the subsidiary company or a broker of the parent exchange (b) at least 50% of directors representing on the Governing Board of subsidiary company shall not be sub-brokers of the subsidiary company or brokers of the promoter/holding exchange and these directors shall be called the Public Representatives (c) the public representatives shall be nominated by the parent exchange (subject to prior approval of SEBI) (d) public representatives shall hold office for a period of one year from the date of assumption of the office or till the Annual General Meeting of subsidiary company whichever is earlier (e) there should be a gap of at least one year after a consecutive period of three years before re-nomination of any person for the post of non-member director (f) the parent exchange shall appoint a maximum of two directors who are officers of the parent exchange.

iii. The subsidiary company shall have its own staff none of whom shall be concurrently working for or holding any position of office in the parent exchange.

iv. The parent exchange shall be responsible for all risk management of the subsidiary company and shall set up appropriate mechanism for the supervision of the trading activity of subsidiary company.

IX. SEBI (Listing Authority) Regulations, 2003

SEBI in an official Gazette notified the SEBI (Central Listing Authority) Regulations, 2003. The important features of these regulations would be as follows:

i. The Central Listing Authority (CLA) would be constituted by SEBI and would consist of a President and not more than ten other members, provided at least four members shall be representatives of the stock exchanges. The President and the members shall be appointed by the Board from amongst persons having integrity, outstanding ability drawn from judiciary, lawyers, academicians, financial experts etc.

ii. The authority shall discharge the following functions *viz.,* processing the application made by any body corporate, mutual fund or collective investment scheme for the letter of recommendation, making recommendations as to listing conditions and any other functions as may be specified by the Board from time to time.

iii. Before making an application for listing to any stock exchange, a body corporate, mutual fund or collective investment scheme shall obtain a letter of recommendations for listing from the CLA on an application made in that behalf

iv. Any exchange shall not consider any listing application made by any body corporate, mutual fund or collective investment scheme, unless it is accompanied by a letter of recommendation issued by the CLA.

v. Where the CLA refuses to issue letter of recommendation in accordance with the procedure laid down in the Regulations, the aggrieved party may approach SEBI within 10 days of receipt of such refusal and if satisfied, SEBI may direct the CLA to issue a letter of recommendation within 15 days of receipt of such representation.

vi. If the exchange refuses listing to the body corporate, mutual fund or collective investment scheme, it may prefer an appeal to the Securities Appellate Tribunal (SAT) as provided in the Securities Contracts (Regulation) Act, 1956.

vii. The CLA shall also constitute a 'Fund' to be called the Central Listing Authority Fund which shall be constituted of any processing fees charged and received by the Authority, all sums received by the authority from such other sources as may be decided upon by the Board.

X. SEBI (Delisting of Securities) Guidelines, 2003

Pursuant to the acceptance of the recommendations of the SEBI committee on delisting of shares the SEBI (Delisting of Securities) Guidelines 2003 have been framed. These guidelines shall be applicable to delisting of securities of companies and specifically shall apply to,

i. Voluntary delisting being sought by the promoters of a company

ii. Any acquisition of shares of the company (either by a promoter or by any other person) or scheme or arrangement, by whatever name referred to, consequent to which the public shareholding falls below the minimum limit specified in the listing conditions or listing agreement that may result in delisting of securities

iii. Promoters of the companies who voluntarily seek to de-list their securities from all or some of the stock exchanges

iv. Cases where a person in control of the management is seeking to consolidate his holdings in a company, in a manner which would result in the public shareholding in the company falling below the limit specified in the listing conditions or in the listing agreement that may have the effect of company being de-listed

v. Companies which may be compulsorily de-listed by the stock exchanges.

Voluntary Delisting

Any promoter or acquirer desirous of delisting securities of the company under the provisions of these guidelines shall obtain the prior approval of shareholders of the company by a special resolution passed at its general meeting, make a public announcement in the manner provided in these guidelines, make an application to the delisting exchange in the form specified by the exchange, and comply with such other additional conditions as may be specified by the concerned stock exchanges from where securities are to be de-listed. Any promoter of a company which desires to de-list from the stock exchange shall determine an exit price for delisting of securities in accordance with the book building process as stated in the guidelines. The stock exchanges shall provide the infrastructure facility for display of the price at the terminal of the trading members to enable the investors to access the price on the screen to bring transparency to the delisting process. The stock exchange shall also monitor the possibility of price manipulation and keep under special watch the securities for which announcement for delisting has been made.

Compulsory De-listing of Companies

The stock exchanges may de-list companies which have been suspended for a minimum period of six months for non-compliance with the listing agreement. The stock exchanges have to give adequate and wide public notice through newspapers and also give a show cause notice to a company. The exchange shall provide a time period of 15 days within which representation may be made to the exchange by any person who may be aggrieved by the proposed delisting. Where the securities of the company are de-listed by an exchange, the promoter of the company shall be liable to compensate the security holders of the company by paying them the fair value of the securities held by them and acquiring their securities, subject to their option to remain security-holders with the company.

Reinstatement of De-listed Securities

Reinstatement of de-listed securities shall be permitted by the stock exchanges with a cooling period of 2 years. It shall be based on the respective norms/criteria for listing at the time of making the application for listing and the application shall be initially scrutinized by the Central Listing Authority (CLA).

XI. Amendments to Listing Agreement

SEBI advised Stock Exchanges to initiate action in case companies listed on the stock exchange fail to comply with the various requirements of the listing agreements. It has been clarified that Section 23 (2) of the SC(R)A, 1956 prescribes punishment for violation and non-compliance of the provisions of listing agreement. The stock exchanges are expected to take actions against companies that do not comply with the provisions of Section 21 of the SC(R)A, 1956.

Further, in order to ensure that listed companies do not in anyway violate or override or circumscribe the provisions of securities laws or the stock exchange requirements, SEBI amended the listing agreement as follows:

In clause 24 of the Listing Agreement, three new sub-clauses (f), (g) and (h) shall be added as under-

(f) "The company agrees that it shall file any scheme/petition proposed to be filed before any Court or Tribunal under sections 391, 394 and 101 of the Companies Act, 1956, with the stock exchange, for approval, at least a month before it is presented to the Court or Tribunal."

(g) "The company agrees to ensure that any scheme of arrangement/amalgamation/ merger/ reconstruction/reduction of capital, etc., to be presented to any Court or Tribunal does not in any way violate, override or circumscribe the provisions of securities laws or the stock exchange requirements.

(h) "Explanation: For the purposes of this sub-clause, 'securities laws' mean the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and the provisions of the Companies Act, 1956 which are administered by SEBI under section 55A thereof, the rules, regulations, guidelines etc. made under these Acts and the Listing Agreement."

(i) "The company agrees that in the explanatory statement forwarded by it to the shareholders u/s 393 or accompanying a proposed resolution to be passed u/s 100 of the Companies Act, it shall disclose the pre and post-arrangement or amalgamation (expected) capital structure and shareholding pattern."

The Clause 31(c) of the Listing Agreement shall also be substituted as under;

(c) "three copies of all the notices, call letters or any other circulars including notices of meetings convened u/s 391 or section 394 read with section 391 of the Companies Act, 1956, together with Annexure thereto, at the same time as they are sent to the shareholders, debenture holders or creditors or any class of them or advertised in the Press."

XII. Eligibility of a Sub-broker to Trade through the Subsidiary Company

The Stock Exchanges had been allowed to set up subsidiary company to acquire membership rights of other stock exchanges subject to certain conditions prescribed by SEBI. As per the conditions mentioned in the SEBI directive, the subsidiary company could register only the members of the parent stock exchange as sub-brokers of the subsidiary company and no other client/sub-broker could be entertained by the subsidiary company. It was noticed that the necessary provisions in this regard had not been made in the rules, bye-laws and the regulations of all the stock exchanges which have set up subsidiaries. The corresponding provisions have also not been made in the Memorandum/Articles of Association of the subsidiary company. In view of the above, all the stock exchanges which have set up subsidiaries were directed to make the necessary provisions in their rules, regulations and the byelaws as well as in the Memoranda/Articles of Associations of the subsidiary companies to the effect that the only members eligible to trade on the stock exchange are eligible to trade/continue to trade through the subsidiary company.

XIII. Listing Fees

It has been decided by SEBI, that the stock exchanges shall have the freedom to charge listing fees without seeking their prior approval. Accordingly, the exchanges were directed to make necessary amendments to the bye-laws, rules and regulations/listing agreement in order to incorporate the specific provisions regarding the same.

XIV. Mark-up in respect of debentures and bonds traded on the Stock Exchange

A SEBI circular dated December 09, 1996, stipulates that the mark up for the close out shall be 20% above the official closing price. This mark up was applicable to close out of equities as well as debentures and bonds. It was decided by the Advisory Committee on Derivatives and Market Risk Management that close out mark up of 5% shall be applied in case of debentures and bonds which are assigned a credit rating AAA and above. However, for the other debentures and the bonds without the AAA credit rating, the existing close out mark up of 20% shall be applicable as is applicable in the case of equities.

Initiatives from RBI

I. Bank Financing for Equities and Investments in Shares

Banks have been advised to specifically review their risk management systems pertaining to capital market exposures and exposures to stock broking entities/market makers. The review, which should be placed before the Board of Directors, should, *inter alia,* assess the efficiency of the risk management systems in place in the bank, assess the extent of compliance with the guidelines already issued in reference to the above issue, and identify the gaps in compliance with the above guidelines for initiating appropriate steps immediately.

II. External Commercial Borrowings-Parking of Funds Abroad

It been decided by RBI that corporates raising External Commercial Borrowings (ECBs) may retain the funds abroad in a bank account for their future forex requirements subject to the following: (a) the debits in the account should be only for approved purposes for which the loan is raised, (b) the payment to the overseas supplier, if any, shall be made against usual import documents including Bill of Lading/Airway Bill. Further, documentary evidence in support of imports made into India should be submitted to the concerned Regional Office of Reserve Bank alongwith the ECB2 return, duly certified by a Chartered Accountant., (c) the deposit held abroad shall not be utilised for any fund based or non-fund based facilities in India, and (d) the account shall be closed as soon as the forex requirements are met and any unspent balance shall be repatriated to India immediately.

III. Overseas Investments

At present residents are not permitted to make investments in equity of companies registered overseas except by way of setting up joint ventures or wholly owned subsidiaries. It has now been decided to permit relaxations as under:

(i) Listed Indian companies are permitted to invest abroad in companies,
   (a) listed on a recognised stock exchange and
   (b) which has the shareholding of at least 10 per cent in an Indian company listed on a recognised stock exchange in India (as on 1st January of the year of the investment). Such investments shall not exceed 25 per cent of the Indian company's net worth, as on the date of latest audited balance sheet

(ii) Resident individuals are permitted to invest in overseas companies indicated at
   (a) above without any monetary limit,

(iii) At present, MFs are permitted to invest in ADRs/GDRs of the Indian companies and rated debt instruments, within an overall cap of US$ 500 million. It has now been decided to permit MFs to also invest in equity of overseas companies indicated at (i) above. It has also been decided to enhance the overall cap to US$ 1 billion.

IV. Acquisition of Foreign Securities by Resident Individuals under ESOP Scheme

RBI circular dated December 15, 2001 had stated that a resident individual who is an employee or a director of an Indian Office or branch of a foreign company or of a subsidiary in India of a foreign company or of an Indian company, is permitted to remit up to US$ 20,000 in a calendar year for purchase of equity shares offered by the said foreign company under

Employees Stock Option (ESOP) Scheme. RBI further, has now decided to remove the limit of US$ 20,000 for purchase of foreign securities by resident individual. Accordingly, remittances for the acquisition of foreign securities under ESOP Scheme may be permitted by authorised dealers as per the terms of offer without any monetary limit.

Market Design*

At the end of March 2003, there were 23 operative stock exchanges with 9,413 securities listed. On the same date, there were 9,519 registered brokers and 13,291 registered sub-broker trading on these exchanges in the listed companies. The exchange wise distribution of companies primarily listed and registered brokers and sub-broker is presented in Annexure 4-1.

Stock Exchanges

The stock exchanges need to be recognized under the Securities Contracts (Regulation) Act, 1956 and currently 23 stock exchanges have been recognized in the country. Only 3 exchanges (Mumbai, Ahmedabad, Madhya Pradesh) are organsised in the form of "Association of Persons", while the balance 20 are organized as companies – either limited by guarantee or by shares. Except one exchange (NSE), all exchanges, whether corporates or association of persons, are *not-for-profit* making organizations. A uniform model of corporatisation and demutualization recommended by the Justice Kania committee is to be adopted for all exchanges, by converting all the exchanges into companies limited by shares and changing their character from a *not-for-profit* entity to *for-profit* company.

The stock exchanges, except NSE and OTCEI, are organised as "mutuals", which was considered beneficial in terms of tax benefits and matters of compliance. The trading members, who provide brokering services also own, control and manage the stock exchange. They elect their representatives to regulate the functioning of the exchange, including their own activities. In the changed environment, these mutual exchanges do not seem to offer an effective model for self-regulatory organisations. The regulatory and public interest role of the exchange at times conflicts with private interests of the elected broker directors. This limitation being realized by the regulators as well as the stock exchanges, a committee was set up under the chairmanship of Justice Shri M H Kania, former Chief Justice of India to (i) review the present structure of Stock Exchanges including those set up as companies and as unincorporated bodies and in this light examine the legal, financial and fiscal issues involved to corporatise and demutualise the stock exchanges, (ii) to recommend the specific steps that need to be taken for implementation, and (iii) to advise on the consolidation and merger of the stock exchanges. The committee recommended a uniform model of demutualization and corporatisation and advised the stock exchanges to initiate the process of getting demutualised (which is already discussed in the policy development section earlier).

Till date only two stock exchanges *viz.* OTCEI and NSE are already demutualised. These are managed by boards of directors, which do not include trading members. These are purest forms of demutualised exchanges, where ownership, management and trading are in the hands

* While an attempt has been made to present market design for the entire Indian securities market, the trading mechanism and such other exchange-specific elements have been explained based on the model adopted by NSE. The market developments have been explained, mostly for the two largest stock exchanges, viz. NSE and BSE. Wherever data permit, an all-India picture has been presented.

of three different sets of people. This model of demutualisation has completely eliminated any conflict of interest and helped the exchanges to pursue market efficiency and investors interest aggressively. The NSE model of demutualization compares well with the international models of demutualised stock exchanges, as may be seen from Table 4-1.

Table 4-1: Comparison of the NSE Model and the International Models of Demutualised Stock Exchanges

Comparators	International Model	NSE Model
Legal Structure	Company	Company
For Profit/Not for Profit	For Profit Company	For Profit Company
Ownership Structure	Owned by Shareholders which includes brokers	Owned by Shareholders which are financial institutions which also have broking firms as subsidiaries.
Listing	Several stock exchanges are listed on themselves after Initial Public Offer.	Not a listed company. No Initial Public Offer made.
Ceilings on shareholding	Mostly 5% of voting rights for a single shareholder	No ceiling
Segregation of ownership, trading rights and management	These are segregated. To become a member of the demutualised stock exchange, it is not necessary to own a share in the company. Thus, members may or may not be shareholders and members who own shares may sell off their trading rights and all shareholders are not necessarily members.	These are segregated. The trading rights and ownership are segregated. The broking firms are not shareholders.
Board Structure	The Governing Board comprises of directors who are elected by shareholders. Some of the directors are brokers but majority do not have stock broking background.	The Board comprises of representatives of shareholders, academics, chartered accountants, legal experts etc. Of these, 3 directors are nominated by SEBI and 3 directors are public representatives approved by SEBI.
Fiscal benefits	As mutual entities, stock exchanges enjoyed fiscal benefits prior to demutualisation, but when converted into for profit companies these are taxed.	NSE was set up as a demutualised for profit company and is taxed. So the question of fiscal benefit prior to demutualisation does not arise.
Transfer of assets	Assets were transferred from the mutual entity to the for-profit demutualised company and shares were given to the members in lieu of the ownership in the old entity. There was no cash consideration paid. Since an Initial Public Offer (IPO) was also made in many cases, the valuation of the shares were done by the market and no separate valuation exercise was required as for example in the case of LSE where a bonus issue was made.	The question of transfer of assets did not arise because NSE was set up by the institutions as a demutualised company itself.
Enactment of legislation to give effect to demutualisation	In several countries a separate legislation was necessary as in the case of Australia, Hong Kong, Toronto and Singapore. In several others no legislation was necessary as in the case of UK.	Not applicable as NSE was set up as a demutualised company.

Source: Report of the SEBI Group on Corporatisation and Demutualisation of Stock Exchanges.

Membership

The trading platform of a stock exchange is accessible only to brokers. The broker enters into trades in exchanges either on his own account or on behalf of clients. The clients may place their orders with them directly or through a sub-broker indirectly. A broker is admitted to membership of an exchange in terms of the provisions of the Securities Contracts (Regulation) Act, 1956, the SEBI Act 1992, the rules, circulars, notifications, guidelines, etc. prescribed there under and the byelaws, rules and regulations of the concerned exchange. No stock broker or sub-broker is allowed to buy, sell or deal in securities, unless he or she holds a certificate of registration granted by SEBI. A broker/sub-broker complies with the code of conduct prescribed by SEBI.

The stock exchanges are free to stipulate stricter requirements for its members than those stipulated by SEBI. The minimum standards stipulated by NSE for membership are in excess of the minimum norms laid down by SEBI. The standards for admission of members laid down by NSE stress on factors, such as, corporate structure, capital adequacy, track record, education, experience, etc. and reflect a conscious endeavour to ensure quality broking services. The eligibility criteria for membership on the CM segment of NSE are presented in Table 4-2.

The authorities have been encouraging corporatisation of the broking industry. Over time, a number of brokers-proprietor firms and partnership firms-have converted themselves

Table 4-2: Eligibility Criteria for Trading Membership on CM Segment of NSE

(Amount in Rs. lakh)

Particulars	CM and F&O Segment	CM and WDM Segment	CM, WDM and F&O Segment
Constitution	Individuals/Firms/ Corporates	Corporates	Corporates
Paid-up capital (in case of corporates)	30	30	30
Net Worth	100	200	200
Interest Free Security Deposit (IFSD)	125	250	275
Collateral Security Deposit (CSD)	25	25	25
Annual Subscription	1	2	2
Education	Individual trading member/ two partners/ two directors should be graduates. Dealers should also have passed SEBI approved certification test for derivatives and Capital Market (Basic or Dealers) Module of NCFM.	At least two directors should be graduates.	At least two directors should be graduates. Dealers should also have passed SEBI approved certification test for derivatives and Capital Market (Basic or Dealers) Module of NCFM.
Experience	-------------- Two year's experience in securities market --------------		
Track Record	The Applicant/Partners/Directors should not be defaulters on any stock exchange. They must not be debarred by SEBI for being associated with capital market as intermediaries They must be engaged solely in the business of securities and must not be engaged in any fund-based activity.		

Note: Clearing Membership requires higher networth, IFSD and CSD.

into corporates. As at end-March 2003, there were brokers 9,519 (including multiple registrations) registered with SEBI as compared to 9,687 brokers as at end-March 2002. Of these, 3,835 brokers, accounting for nearly 40% of total, were corporate entities. It may be noted that around 89% of brokers on NSE were corporatised as at end-March 2003, followed by OTCEI with 78% corporate brokers. Some of the brokers hold multiple memberships of exchanges, i.e. they trade on more than one exchange. There were a total of 135 additions of members during the year 2002-03, whereas 303 were membership cases of reconciliation/ cancellation/surrender. As end-March 2003, there were 13,291 sub-brokers registered with SEBI, as compared with 12,208 sub-brokers as at end of previous year. NSE and BSE constituted 87% of the total sub-brokers.

Listing of Securities

Listing means formal admission of a security to the trading platform of a stock exchange, invariably evidenced by a listing agreement between the issuer of the security and the stock exchange. Listing of securities on Indian stock exchanges is essentially governed by the provisions in the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956 (SC(R)A), the Securities Contracts (Regulation) Rules (SC(R)R), 1957, rules, bye-laws and regulations of the concerned stock exchange, the listing agreement entered into by the issuer and the stock exchange and the circulars/guidelines issued by Central Government and SEBI. The key provisions are explained below:

1. The Companies Act, 1956 requires a company intending to issue securities to public to seek permission for dealing with its securities on one or more recognised stock exchanges. The prospectus should state the names of the stock exchanges where application for listing has been made and any allotment of securities shall be void if permission for listing is not granted by all the stock exchanges before expiry of 10 weeks from the closure of the issue.
2. The SC(R)A empowers exchanges to make byelaws, which may provide for the listing of securities, the inclusion of any security for the purpose of dealings and suspension or withdrawal of any such securities and the suspension/prohibition of trading in specified securities. All listed companies are under obligation to comply with the conditions of listing agreement with the stock exchange where their securities are listed. On failure to comply with the conditions of listing, they are punishable with a fine up to Rs. 1,000. A company can prefer an appeal to the Securities Appellate Tribunal (SAT) against refusal of a stock exchange to list its securities.
3. The SC(R)R prescribe requirements with respect to the listing of securities on a recognised stock exchange and empowers SEBI to waive or relax the strict enforcement of any or all of them. A company seeking listing has to satisfy the stock exchange that at least 10% of the securities were offered to public for subscription, subject to the condition that a minimum of 20 lakh securities, are offered to the public, and the size of the net offer to the public (i.e. the offer price multiplied by the number of securities offered to the public, excluding reservations, firm allotment and promoters' contribution) is not less than Rs. 100 crore, and the issue is made only through book building method with allocation of 60% of the issue size to the qualified institutional buyers as specified by SEBI. In the alternative, it is required to offer at least 25% of the securities to public.

4. The listing agreement contains a provision requiring the issuer to irrevocably agree that unless the Exchange agrees otherwise, the issuer will not, without the previous permission in writing of SEBI, withdraw its adherence to the agreement for listing. It also requires an issuer to agree that any of its securities listed on the Exchange shall remain on the list entirely at the pleasure of the Exchange which has right to suspend or remove from the list the said securities at any time and for any reason which the Exchange considers proper in its absolute discretion. As a precondition for continuous listing, an issuer undertakes to forthwith comply with such conditions as may be prescribed by the Exchange.
5. A government circular requires that the companies wishing to list their securities must get listing on the regional (an exchange is considered regional for the state/Union Territory where it is located) stock exchange nearest to their registered office. If they so wish, they can seek listing on other exchanges also. All the exchanges where application has been made for listing must dispose off applications within the time specified in the Companies Act.
6. A SEBI circular requires the basic norms for listing of securities on the stock exchanges to be uniform for all the exchanges. They may, however, prescribe additional norms over and above the minimum norms. These norms are part of the byelaws of the stock exchanges. SEBI has been issuing guidelines/circulars prescribing certain norms to be included in the listing agreement and to be complied with by the companies. The listing requirements for companies in the CM segment of NSE are presented in Table 4-3.
7. The stock exchanges levy listing fees from the companies listed on their exchange. The listing fee has two components-initial fees and annual fees. While initial fee is a fixed amount, the annual fee varies depending upon the size of the company. NSE charges Rs.7,500 as initial fees from the companies at the time of listing. In addition, NSE collects a minimum of Rs. 4,200 as annual fees from companies with a paid-up share and/or debenture capital of less than or equal to Rs. 1 crore. For companies with a paid-up share and/or debenture capital of more than Rs. 50 crore, the annual listing fees is Rs. 70,000 *plus* Rs. 1,400 for every additional Rs. 5 crore or part thereof. NSE levies half of the prescribed annual fees in respect of listed securities for which it is not the regional exchange. From the aggregate amount collected as listing fees by the stock exchanges during a month, 5% of it is paid to SEBI on a quarterly basis.

The SC(R)R, the byelaws, the listing agreement prescribe a number of requirements to be continuously complied with by the issuers for continued listing. The listing agreement also stipulates the disclosures to be made by the companies and the corporate governance practices to be followed by all listed companies. The Exchange monitors such compliance. Failure to comply with the requirements invites suspension of trading of the security for a specified period, or withdrawal/delisting, in addition to penalty prescribed in the SC(R)A. SEBI circular permits voluntary delisting of securities from non-regional stock exchanges after providing an exit opportunity to holders of securities in the region where the concerned Exchange is located. An Exchange can, however, delist the securities compulsorily following a very stringent procedure.

The number of primary listing of companies on various stock exchanges has been on a decreasing trend. At the end of March 2003, the primary listing of companies on Stock Exchanges was 9,413. This is further less to the number reported as at end March 2002 and

Table 4-3: Listing Criteria for Companies on CM Segment of NSE

Criteria	Initial Public Offerings (IPOs)	IPOs by Knowledge Based Companies	Companies listed on other exchanges
Paid-up Equity Capital (PUEC)/ Market Capitalisation (MC)	PUEC $\geq$ Rs. 10 cr. and MC $\geq$ Rs. 25 cr.	PUEC $\geq$ Rs. 5 cr. and MC $\geq$ Rs. 50 cr.	PUEC $\geq$ Rs. 10 cr. and MC $\geq$ Rs. 25 cr. OR PUEC $\geq$ Rs. 25 cr. OR MC $\geq$ Rs. 50 cr.
Company/Promoter's Track Record	3 years of existence of applicant/ promoting company.	3 years of existence of applicant/ promoting company.	3 years of existence of applicant/ promoting company.
Dividend Record or Net worth	–	–	Dividend paid for at least 2 out of the last 3 years OR Net worth Rs. 50 cr.
Project Appraisal/Listing	Project appraisal by specified agencies	Project appraisal by specified agencies	Listed on any other stock exchange for at least last three years OR Project appraisal by specified agencies
Other Requirements	(a) No disciplinary action by other stock exchanges/regulatory authority in past 3 years. (b) Satisfactory redressal mechanism for investor grievances, distribution of shareholding and litigation record of the promoting company, if any.	(a) No disciplinary action by other stock exchanges/regulatory authority in past 3 years. (b) Satisfactory redressal mechanism for investor grievances, distribution of shareholding and litigation record of the promoting company, if any.	(a) Same as for IPOs. (b) No negative net worth, No winding-up petition, and No reference to BIFR.

Note:

1. The criteria for IPOs shall also be applicable to companies which have come out with IPOs, but are not listed on NSE, provided they make an application for listing within 6 months of the date of closure of public issue.
2. Knowledge-based companies are companies in the field of information technology, internet commerce, telecommunications, pharmaceuticals, etc. and the revenue from knowledge-based activity is more than 75% of income for last 2 years.
3. Dividend track record/net worth/project appraisal/listing are not applicable to Government Companies, PSUs, FIs, Nationalised Banks, Statutory Corporations, Banking Companies etc.who are otherwise governed by a regulatory framework.

Explanations:

1. Paid up Equity Capital means post issue paid up equity capital.
2. In case of IPOs, market capitalisation is the product of the issue price and the post-issue number of equity shares. In case of listed companies it is the product of post issue number of equity shares and average of the weekly high and low of the closing prices during last 12 months is used to calculate market capitalisation.
3. Net worth means paid-up equity capital + reserves excluding revaluation reserve - miscellaneous expenses not written off - negative balance in profit and loss account to the extent not set off.

March 2001, where the total primary listings stood at 9,644 and 9,954 respectively. Exchange wise distribution of primary listings is given in Annexure 4-1. Many of these 'primarily' listed companies are listed (not primarily) on other exchanges. Many of the listed companies are permitted for trading on other stock exchanges. The Calcutta Stock Exchange had the highest number of companies primarily listed on it, accounting for approximately 20% of primary listings across all stock exchanges, followed by Mumbai Stock Exchange (BSE) and Delhi Stock Exchange which constitute 18% and 17.8% respectively.

Trading Mechanism

All stock exchanges in India follow screen-based trading system. NSE was the first stock exchange in the country to provide nation-wide order-driven, screen-based trading system. NSE model was gradually emulated by all other stock exchange in the country. The trading system at NSE, known as the National Exchange for Automated Trading (NEAT) system, is an on-line, fully automated, nation wide, anonymous, order-driven system screen based trading system where a member can punch into the computer quantities of securities and prices at which he likes to transact and the transaction is executed as soon as it finds a matching sale or buy order from a counter party. It electronically matches orders operates on a strict price/time priority and hence cuts down on time, cost and risk of error, as well as on fraud resulting in improved operational efficiency. It allows faster incorporation of price sensitive information into prevailing prices, thus increasing informational efficiency of the market. It enables the market participants to see the full market on real time, making the market transparent. It allows a large number of participants, irrespective of their geographical locations, to trade with one another simultaneously, improving the depth and liquidity of the market. A single consolidated order book for each stock displays, on a real time basis, buy and sell orders originating from all over the country. The book stores only limit orders, which are orders to buy or sell shares at a stated quantity and stated price. The limit orders are executed only if the price quantity conditions match. Thus, the NEAT system provides an open Electronic Consolidated Limit Order Book (OECLOB). It ensures full anonymity by accepting orders, big or small, from members without revealing their identity, thus providing equal access to everybody. It provides perfect audit trail which helps to resolve disputes by logging in the trade execution process in entirety. The trading system provides tremendous flexibility to the users in terms of kinds of orders that can be placed on the system.

The trading platform of the CM segment of NSE is accessed not only from the computer terminals from the premises of 895 brokers geographically spread across the country, but also from the personal computers in the homes of investors through the Internet and from the hand-held devices through WAP.

SEBI has allowed use of internet as an order routing system for communicating clients' orders to the exchanges through brokers. SEBI-registered brokers can introduce internet-based trading after obtaining permission from respective stock exchanges. SEBI has stipulated the minimum conditions to be fulfilled by trading members to start internet based trading and services. NSE was the first exchange in the country to provide web-based access to investors to trade directly on the exchange. It launched internet trading in February 2000. It was followed by the launch of internet trading by BSE in March 2001. The orders originating from the PCs of investors are routed through the internet to the trading terminals of the designated brokers with whom they have relations and further to the exchange for trade execution. Soon after these orders get matched and result into trades, the investors get confirmation about them on their PCs through the same internet route.

SEBI has also allowed trading through wireless medium or Wireless Application Protocol (WAP) platform. NSE is the only exchange to provide access to its order book through the hand held devices, which use WAP technology. This serves primarily retail investors who are mobile and want to trade from any place when the market prices for stocks of their choice are attractive.

Technology

Across the globe, developments in information, communication and network technologies have created paradigm shifts in the securities market operations. Technology has enabled organisations to build new sources of competitive advantage, bring about innovations in products and services, and provide new business opportunities. Stock exchanges all over the world have realised the potential of IT and have moved over to electronic trading systems, which are cheaper, have wider reach and provide a better mechanism for trade and post trade execution.

In recognition of the fact that technology will continue to redefine the shape of the securities industry, NSE stresses on innovation and sustained investment in technology to remain ahead of competition. NSE is the first exchange in the world to use satellite communication technology for trading. It uses satellite communication technology to energize participation from more than 2,808 VSATs from 358 cities spread all over the country. NSE has the largest VSAT-based trading network in the world and the largest VSAT network for any purpose in the Asia Pacific region. It has been continuously undertaking capacity enhancement measures so as to effectively meet the requirements of increased users and associated trading loads.

NSE's trading system called the National Exchange for Automated Trading (NEAT), is a state of-the-art client server based application. At the server end all trading information is stored in an in-memory database to achieve minimum response time and maximum system availability for users. It has uptime record of 99.7%. The system also ensures data integrity with past record of single error in 10 million bits. The various application systems that it uses for trading as well clearing and settlement and other operations are the backbone of the Exchange. The application systems used for the day-to-day functioning of the Exchange on the CM segment can be divided into (a) Front end applications and (b) Back office applications. In the front end, the NEAT-CM system takes care of trading of securities in the Capital Market segment that includes equities, debentures/notes as well as retail Gilts. The NEAT-CM application has a split architecture wherein the split is on the securities and users. The application runs on two Stratus systems with Open Strata Link (OSL). The application has been benchmarked to support 15,000 users and handle 2 million trades. This application also provides data feed for processing to some other systems like Index, OPMS through TCP/IP. This is a direct interface with the Trading members of the CM segment of the Exchange for entering the orders into the main system. There is a two way communication between the NSE main system and the front end terminal of the Trading Member. For all trades entered into the NEAT system, there is uniform response time of less than 1.5 seconds. NSE has been continuously undertaking capacity enhancement measures so as to effectively meet the requirements of increased users and associated trading loads. NSE has also put in place NIBIS

(NSE's internet Based Information System) for on-line real-time dissemination of trading information over the Internet.

As part of its business continuity plan, NSE has established a disaster back-up site at Chennai along with its entire infrastructure, including the satellite earth station and the high-speed optical fibre link with its main site at Mumbai. This site at Chennai is a mirror replica of the complete production environment at Mumbai. The transaction data is backed up on near real time basis from the main site to the disaster back-up site through the 2 mbps high-speed link to keep both the sites all the time synchronised with each other.

Trading Rules

Insider Trading

Insider trading is prohibited and is considered an offence. The SEBI (Prohibition of Insider Trading) Regulations, 1992 prohibit an insider from dealing (on his own behalf or on behalf of others) in listed securities on the basis of 'unpublished price sensitive information', communicating, counseling or procuring such information any other person to deal in securities of any company on the basis of such information. Price sensitive information is any information, which if published, is likely to materially affect the price of the securities of a company. Such information may relate to the financial results of the company, intended declaration of dividends, issue of securities or buy back of securities, amalgamation, mergers, takeovers, any major policy changes, etc. SEBI, on the basis of any complaint or otherwise, investigates/inspects the allegation of insider trading. On the basis of the report of the investigation, SEBI may prosecute persons found *prima facie* guilty of insider trading in an appropriate court or pass such orders as it may deem fit. Based on inspection, an adjudicating officer appointed by SEBI can impose monetary penalty.

In order to strengthen insider trading regulations, SEBI has mandated a code of conduct for listed companies, its employees, analysts, market intermediaries and professional firms. The insider trading regulations were amended to include requirements for initial and continual disclosure of shareholding by directors or officers, who are insiders, and substantial shareholders (holding more than 5% shares/voting rights) of listed companies. The listed companies are also mandated to adopt a code of disclosure with regard to price sensitive information, market rumours, reporting of shareholding/ownership, etc.

Unfair Trade Practices

The SEBI (Prohibition of Fraudulent and Unfair Trade Practices in relation to the Securities Market) Regulations, 1995 enable SEBI to investigate into cases of market manipulation and fraudulent and unfair trade practices. These regulations empower SEBI to investigate into violations committed by any person, including an investor, issuer or an intermediary associated with the securities market. The regulations define frauds as acts committed by a party to a contract or by his agent, with intent to deceive another party or his agent or to induce him to enter into the contract. The regulations specifically prohibit market manipulation, misleading statements to induce sale or purchase of securities, and unfair trade practices relating to securities. SEBI can conduct investigation, *suo moto* or upon information received by it, through an investigation officer in respect of conduct and affairs of any person buying/selling/dealing in securities. Based on the report of the investigating officer, SEBI can initiate action for suspension or cancellation of registration of an intermediary.

Takeovers

The restructuring of companies by way of takeover is governed by the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The Regulations were formulated so that the process of acquisitions and takeovers is carried out in a well-defined and orderly manner following the principle of fairness and transparency. As per the regulations, the mandatory public offer is triggered by:

- crossing the threshold limit of 15%,
- crossing the creeping acquisition limit of 5% (relaxed to 10% up to September 2002) during 12 month period by persons holding between 15% and 75% of shares,
- Attempts by persons having 75% or more to acquire more shares, and
- changes in control with or without acquisition of shares.

The regulations give enough scope to existing shareholders for consolidation and also cover the scenario of indirect acquisition of control. The applications for takeovers are scrutinised by the Takeover Panel constituted by SEBI.

Buy Back

Buy back aims at improving liquidity in the shares of companies and helps corporates in enhancing the shareholders' wealth. Under the SEBI (Buy Back of Securities) Regulations, 1998, a company is permitted to buy back its shares from:

a. existing shareholders on a proportionate basis through the tender offer, i.e. by means of offer documents;
b. open market through stock exchanges, and book building process; and
c. shareholders holding odd lot shares.

The regulations provide for extensive disclosures in the explanatory statement to be annexed to the notice for the general meeting and the letter of offer. The company has to disclose the pre and post-buy back holdings of the promoters. With a view to ensure completion of the buy back process speedily, the regulations provide for time bound steps in every mode. For example, in the cases of purchases through stock exchanges, an offer for buy back shall not remain open for more than 30 days. The verification of shares received in buy back has to be completed within 15 days of the closure of the offer. The payments for accepted securities has to be made within 7 days of the completion of verification and bought back shares have to be extinguished and physically destroyed within 7 days of the date of the payment. To ensure security for performance of its obligation, the company making an offer for buy back will have to open an escrow account on the same lines as provided in takeover regulations.

Price Bands

Stock market volatility is generally a cause of concern for both policy makers as well as investors. To curb excessive volatility, SEBI has prescribed a system of price bands. The price bands or circuit breakers bring about a coordinated trading halt in all equity and equity derivatives markets nation-wide. An index-based market-wide circuit breaker system at three stages of the index movement either way at 10%, 15% and 20% has been prescribed. The breakers are triggered by movement of either S&P CNX Nifty or Sensex, whichever is breached earlier (please see chapter 5 for details). NSE may suo-moto cancel the orders in the absence of any immediate confirmation from the members that these orders are genuine or for any other reason as it may deem fit. The Exchange views entries of non-genuine orders with utmost seriousness as this has market-wide repercussion. As an additional measure of safety, individual scrip-wise price bands has been fixed as below:

- Daily price bands of 2% (either way) on a set of specified securities,
- Daily price bands of 5% (either way) on a set of specified securities,
- Daily price bands of 10% (either way) on another set of specified securities,
- Price bands of 20% (either way) on all remaining securities (including debentures, warrants, preference shares etc which are traded on CM segment of NSE),
- No price bands are applicable on scrips on which derivative products are available or on scrips included in indices on which derivatives products are available.

For auction market the price bands of 20% are applicable. In order to prevent members from entering orders at non-genuine prices in such securities, the Exchange has fixed operating range of 20% for such securities.

Demat Trading

A depository holds securities in dematerialised form. It maintains ownership records of securities in a book entry form and also effects transfer of ownership through book entry. SEBI has introduced some degree of compulsion in trading and settlement of securities in dematerialised form. While the investors have a right to hold securities in either physical or demat form, SEBI has mandated compulsory trading and settlement of securities in select securities in dematerialised form. This was initially introduced for institutional investors and was later extended to all investors. Starting with twelve scrips on January 15, 1998, all investors are required to mandatorily trade in dematerialised form in respect of 2,335 securities as at end-June 2001. By November 2001, 3,811 companies were under demat mode and the rest of the companies were brought under compulsory demat mode by January 02, 2002. The securities of companies, which fail to establish connectivity with both the depositories on the scheduled date as announced by SEBI, are traded on the 'trade for trade' settlement window of the exchanges. However, in order to mitigate the difficulties of small investors, the stock exchanges provide additional windows for sales up to 500 shares in the physical form.

At the end of March 2003, 4,761 and 4,628 companies were connected to NSDL and CDSL respectively. The number of dematerialised securities increased from 56.5 billion at the end of March 2002 to 76.9 billion at the end of March 2003. During the same period the value of dematerialsied securities increased from Rs. 4,669 billion to Rs. 5,875 billion.

Since the introduction of the depository system, dematerialisation has progressed at a fast pace and has gained acceptance amongst the participants in the market. All actively traded scrips are held, traded and settled in demat form. The details of progress in dematerialisation in two depositories, *viz*. NSDL and CDSL, are presented in Table 4-4a.

SEBI in July 2002 had constituted a committee to look into the different aspects of reduction in cost for the investors relating to their demat operations. The committee after deliberations made the following recommendations:

i. It was felt that it is not desirable to make prescription regarding charges to investors for the reasons that (a) there is sufficient competition amongst Depository Participants (DPs) and competition is the best way to prevent unreasonable charges; (b) DPs' service levels are and will remain different. It is only right that the charges will vary with different

Table 4-4a: Progress of Dematerialisation: NSDL & CDSL

Parameters of Progress	NSDL		CDSL	
	March-02	March-03	March-02	March-03
Companies - Agreement signed	4,210	4,803	4,293	4,628
Companies - Available for Demat	4,172	4,761	4,284	4,628
Market Cap. of Companies available (Rs.Bn.)	6,150	6,005	243	362
Number of Depository Participants	212	213	148	189
Number of DP Locations	1,648	1,718	181	212
Number of Stock Exchanges Connected	10	9	16	17
No. of Investor Accounts	4,477,336	3,795,604	128,252	247,369
Demat Quantity (Mn.)	51,673	68,757	4,820	8,210
Demat Value (Rs. Bn.)	4,426	5,513	243	362

Source: NSDL & CDSL.

service levels; (c) DPs offer different package of services to investors. Some offer broking with DP services while some others offer banking etc. They have evolved their own incentive structures for investors using multiple services; and (d) the cost of manpower varies considerably across DPs.

ii. Companies (Issuers) who have been making substantial savings on share transfer work, printing, postage and staff salary etc, should bear at least a substantial part of the cost of dematerialisation, which will provide some relief to the investors. The cost may be directly paid by companies to depositories.

iii. Shares of companies, which are sick/under BIFR/have very low market value should not be compulsorily settled in demat form as it is not cost effective for the investors.

iv. In addition to the present facility of selling 500 shares in physical form, small value shares, say with market value up to Rs. 10,000 may also be allowed to be sold in physical form. This would save the investors from complying with the formalities of dematerialising such shares.

v. SEBI shall also approach Department of Telecommunication (DOT) for reduction in charges that are payable by the DPs who avail the facility of connecting their Wide Area Network (WAN) to the WAN of the depositories.

vi. DPs shall be allowed to take money by way of reasonable advance from the clients or any other suitable safeguards.

vii. SEBI shall look into the legal aspect whether a DP has the right to dispose off securities, in case the DP has exhausted the amount of advance or other safeguards and the clients does not pay its charges, which was supposed to be paid by him as per the agreement entered into with the DP.

viii. DPs may have account closing charges at their discretion.

Charges for Services

As per SEBI Regulations, every stock broker is required to pay annual turnover charges on the basis of his total turnover. The stock exchanges collect transaction charges from its trading members. In order to share the benefits of efficiency with market participants, NSE has been reducing its transaction charges over time. At present a trading member is required to pay the exchange transaction charges @0.004% (Rs. 4 per Rs.1 lakh) of the turnover.

The maximum brokerage chargeable by a broker in respect of trades effected on an Exchange is fixed at 2.5% of the contract price, exclusive of statutory levies like, SEBI turnover fee, service tax, and stamp duty. This maximum brokerage is inclusive of the brokerage charged by the sub-broker which shall not exceed 1.5% of contract price. The brokerage charged by brokers from clients varies. However, brokerage charges as low as 0.15% are also observed in the market.

Stamp duties are payable as per the rates prescribed by the relevant state. In Maharastra, it is charged @ Re. 1 for every Rs. 10,000 or part thereof (i.e. 0.01%) of the value of security at the time of its purchase/sale as the case may be. However, if the securities are not delivered, it is levied @ 20 paise for every Rs 10,000 or part there of (0.002%).

The depositories provide depository services to investors through depository participants. They do not charge the investors directly, but charge their DPs who are free to have their own free structure for their clients. The depositories, however, have been reducing their charges from DPs over a period of time. The charges levied on DPs by NSDL and CDSL are presented in Table 4 -4b.

Table 4-4b: Service Charges levied by the Depositories (March, 2003)

Depositories Services	NSDL	CDSL
Dematerialisation	Nil	Nil
Rematerialisation	Rs. 10 per certificate	Rs. 10 per certificate
Custody	Rs. 6 per ISIN per annum	Nil
Settlement	Rs. 10 per debit instruction	0.01% of the transaction value subject to a minimum of Rs. 5 and a maximum of Rs. 12 per debit instruction
	Nil for credit instruction	Nil for credit instruction
Pledge Creation	Rs. 25 per instruction	Rs. 12 per instruction
Pledge Closure	Nil	Rs. 12 per instruction
Pledge Invocation	Nil	Rs. 12 per instruction
Securities Borrowing	Rs. 25 per instruction	Not available

Source: NSDL & CDSL.

Institutional Trades

Transactions by MFs in the secondary market are governed by SEBI (Mutual Funds) Regulations, 1996 and the investment objective of the scheme. A MF under all its schemes is not allowed to own more than 10% of any company's paid-up capital. MFs are allowed to do only 'delivery-based' transactions and are not allowed to short sell. A MF cannot invest more than 10% of the NAV of a particular scheme in the equity shares or equity related instruments of a single company.

The investments by FIIs are governed by the rules and regulations of RBI and SEBI. As per RBI guidelines, each FII can invest up to 10% of the paid-up capital of a company. Total FII investment in a company should not exceed 24%. This can, however, be increased up to the sectoral cap/statutory ceiling, as applicable, provided this has the approval of the Indian company's board of directors and also its general body. As per SEBI guidelines, all FII transactions are to be routed through a registered member of a recognised stock exchange in India. FIIs have to necessarily give and take delivery of securities sold and bought. They are also not permitted to engage in short selling of securities.

Index Services

The most important index in financial market is the stock index, which uses a set of stocks that are representative of the whole market, or a specified sector, to measure the change in overall behaviour of the markets or sector over a period of time. India Index Services & Products Limited (IISL), promoted by NSE and CRISIL, is the only specialised organisation in the country to provide stock index services. It has developed and has been maintaining scientifically an array of indices of stock prices in NSE, in technical partnership with Standard & Poor's, USA. The popular indices are the S&P CNX Nifty, CNX Nifty Junior, S&P CNX Defty, S&P CNX 500, CNX Midcap 200, S&P CNX Industry indices (for 74 industries) and CNX segment indices (for 3 segments). IISL maintains over 70 equity indices comprising broad-based benchmark indices, sectoral indices and customised indices. These indices are monitored and updated dynamically and are reviewed regularly. These are maintained professionally to ensure that it continues to be a consistent benchmark of the equity markets. This involves inclusion and exclusion of stocks in the index and the day-to-day tracking and giving effect to corporate actions on individual stocks.

S&P CNX Nifty, which comprises of 50 largest and most liquid stocks, was introduced in April 1996. It has a historical time series dating back to January 1990. It accounted for 58.97% of total market capitalisation of CM segment of NSE as at end-March 2003. CNX Nifty Junior, introduced in December 1996, is built out of the next 50 large and liquid stocks. It accounted for 6.43% of market capitalisation as at end-March 2003.

While trying to construct Nifty, a number of calculations were done to arrive at the ideal number of stocks. An analysis of liquidity suggested that Indian market had comfortable liquidity of around 50 stocks. Beyond 50, the liquidity levels became increasingly lower. Hence the index set size of 50 stocks was chosen. The stocks included in the Nifty index are being picked up based on impact cost worked out from snapshots of limit order book of NSE. The selection of stocks is based on the criteria of liquidity and market capitalisation. The composition of Nifty is reviewed every quarter. This helps in maintaining liquidity of the index while preventing too many changes making the index unstable. The index is calculated afresh every time a trade takes place in an index stock. It is calculated on-line and disseminated over trading terminals across the country. Annexures 4-2 to 4-5 present the market capitalisation, weightage, beta and monthly returns of the S&P CNX Nifty stocks for the period April 2002-March 2003.

S&P CNX Nifty was introduced by the NSE keeping in mind that it would be used for modern applications such as index funds and index derivatives, besides reflecting the stock market accurately. It has become the most popular and widely used indicator of the stock market in the country. Many financial and risk management products based on S&P CNX Nifty index have gained immense popularity in the recent past. As many as ten index funds are based on Nifty Index.

Index futures and options have been launched at NSE based on S&P CNX Nifty. Futures contracts based on Nifty have also been launched at the derivative exchange at Singapore. It is the only Indian index-based derivative product traded on a foreign exchange.

Market Outcome

Turnover – Growth and Distribution

Trading volumes in the equity segments of the stock exchanges have witnessed phenomenal growth for last few years. It increased from Rs. 1,640,570 million in 1994-95 to Rs. 28,809,900 million in 2000-01. Though it experienced a slump during 2001-02 where the trading volume decreased by 69% as compared to the preceding year, the year 2002-03 saw a recovery where the total trading volume reported on the exchanges was Rs. 9,689,098 million (Table 4-5) and increase of 8.16% over the 2001-02.

Table 4-5: Turnover on Stock Exchanges in India*

	Stock Exchanges	Turnover (Rs. mn.)		Share in turnover (%)	
		2001-02	2002-03	2001-02	2002-03
1	NSE	5,131,669	6,179,887	57.28	63.78
2	Mumbai	3,073,924	3,140,732	34.31	32.42
3	Calcutta	270,747	65,399	3.02	0.67
4	Uttar Pradesh	252,373	147,634	2.82	1.52
5	Ahmedabad	148,435	154,586	1.66	1.60
6	Delhi	58,280	111	0.65	0.00
7	Pune	11,710	18.1	0.13	0.00
8	Ludhiana	8,566	0.0	0.10	0.00
9	Bangalore	703	0.0	0.01	0.00
10	ICSE	554	648	0.01	0.01
11	Hyderabad	413	46.0	0.00	0.00
12	SKSE	0	0.0	0.00	0.00
13	Madras	241	0.0	0.00	0.00
14	Madhya Pradesh	159	0.0	0.00	0.00
15	Vadodara	101	26	0.00	0.00
16	OTCEI	38	1.0	0.00	0.00
17	Gauhati	0	5.0	0.00	0.00
18	Cochin	266	0.0	0.00	0.00
19	Magadh	0	5.1	0.00	0.00
20	Bhubaneshwar	0	0	0.00	0.00
21	Coimbatore	0	0	0.00	0.00
22	Jaipur	0	0	0.00	0.00
23	Mangalore	0	0	0.00	0.00
	Total	**8,958,180**	**9,689,098**	**100.00**	**100.00**

* Excludes turnover in WDM and derivatives segments of Exchanges.
Source: SEBI Annual Report 2002-2003

As compared to the year 2001-02, which did not show much trading volumes because of many reasons, *viz.,* withdrawal of deferral products, shift from account period settlement to rolling settlement, the year 2002-03 proved to be a better year. This can be attributed to the fact that the market got used to the reforms and the new mechanism introduced in the market. Table 4-6 shows the monthly trends on NSE and BSE. The monthly turnover of the CM segment on NSE increased from Rs. 356, 160 million in April 2001 to Rs. 647,623 million in January 2003. The market recovery signs were visible from January 2002 as the market adjusted to new market design (though the last few months of the year 2001-02 witnessed depressed volumes).

Table 4-6: Stock Market Indicators - Monthly Trends on NSE and BSE

(Rs. mn.)

Month	Turnover		Average Daily Turnover		Market Capitalisation (end of period)	
	NSE	BSE	NSE	BSE	NSE	BSE
Apr-02	533,200	288,745	24,236	13,125	6,495,513	6,255,866
May-02	549,791	281,378	24,990	12,790	6,316,092	6,050,653
Jun-02	442,411	233,198	22,121	11,660	6,599,910	6,377,530
Jul-02	513,984	267,237	22,347	11,619	6,086,428	5,840,419
Aug-02	461,130	237,797	21,959	11,324	6,326,180	6,053,027
Sep-02	464,986	244,101	23,249	12,205	5,996,032	5,702,735
Oct-02	519,022	276,409	24,715	13,162	6,067,880	5,637,501
Nov-02	513,515	259,814	27,027	13,674	6,453,878	6,012,894
Dec-02	619,733	305,816	29,511	14,563	6,728,616	6,281,974
Jan-03	647,623	308,981	28,158	13,434	5,722,766	6,114,718
Feb-03	482,892	234,610	25,415	12,348	5,819,846	6,198,726
Mar-03	431,599	202,647	21,580	10,132	5,371,332	5,721,974
2002-03	**6,179,887**	**3,140,733**	**24,621**	**12,513**	**5,371,332**	**5,721,974**

Source: NSE & SEBI.

Large scale declines in turnover was witnessed on most of the exchanges with major declines observed in nine exchanges (OTCEI, Delhi, Ludhiana, Pune, Bangalore, Hyderabad, Indore, Vadodara and Rajkot). Five exchanges (NSE, BSE, Ahmedabad, Magadh and Guwahati) were the only ones showing growth trend in 2002-03 over last year. As many as 13 stock exchanges recorded trading volumes close to nil and together reported less than 0.01% of the total turnover. NSE consolidated its position further as the market leader by contributing about 64% to the total turnover in the market. Since its inception in 1994, NSE has emerged as the favoured exchange among trading members. The consistent increase in popularity of NSE is clearly evident from Annexure 4-6, which presents business growth of CM segment of NSE since inception. NSE now reports higher turnover from its trading terminals in most of the cities than the corresponding regional exchange. The comparative picture of turnover of regional stock exchanges and turnover of NSE terminals at different cities is presented in Table 4-7.

The sectoral distribution of turnover has undergone significant change over last few years. Table 4-8 presents the share of top '50' companies at NSE, classified according to different sectors, in turnover and market capitalisation. A drastic change in the importance of different sectors is observed since NSE commenced trading. The share of manufacturing companies in trading volume of top '50' companies, which was nearly more than 23% in 1998-99, declined sharply to 2% in 2002-03. As compared to this, the share of information technology (IT) companies in trading volume grew manifold and increased from 36% to 75% in 2002-03.

Trades concentrate not only on a few exchanges and among particular sector/s, but also on a few securities/members, though decreasing concentration of trades is observed in the recent years. The concentration of trading among top 'N' securities/members on NSE is presented in Table 4-9. The share of top '5' securities in turnover has been on a declining trend since the past two years contributing 40.6% in 2002-03. Trading in top '100' securities accounted for nearly 95% of turnover during 2002-03. Member-wise distribution of turnover as presented in Table 4-9 indicates increasing diffusion of trades among a larger number of trading members over the years. During 2002-03, top '5' members accounted for only 10.3% of turnover, while top '100' members accounted for 59.2% of total turnover.

Turnover in India seems to be more concentrated in comparison to that in other comparable markets as may be seen from Table 4-10. Ten most active index securities accounted for 49.6% of turnover in India and top ten index securities in terms of equity base accounted for 43.3% of market capitalisation at the end of 2002.

At the end of March 2003, 80 members on CM and 13 members on F&O Segment were permitted by NSE to allow investors' web based access to its trading system. The members in turn had registered 415,760 clients for web based access as on March 31, 2003. In the capital market segment about 131 lakh trades for Rs. 153,610 million constituting 2.48% of the total trading volume, were routed and executed through internet. NSE.IT, a subsidiary of NSE, has launched NEAT*iXS* to help brokerage firms to conduct internet trading. This software can be accessed through internet from India and abroad using standard browsers. It provides real time on-line market information including stock quotes and order screens, allowing investors to place orders from their personal computers. The success of internet trading in India will, however, depend on expansion of internet bandwidth, which is necessary for faster execution of trades.

Table 4-7: Turnover on NSE Terminals vs. Turnover on other Exchanges in the City

(Rs. mn.)

	Stock Exchange/ Exchange City	2001-02		2002-03	
		NSE	Exchange	NSE	Exchange
1	Mumbai (BSE)	2,063,023	3,073,924	2,472,423	3,140,732
2	Mumbai (OTCEI)	2,063,023	38	2,472,423	1
3	Mumbai (ICSE)	2,063,023	554	2,472,423	648
4	Calcutta	469,476	270,747	743,670	65,399
5	Delhi	995,294	58,280	1,135,646	111
6	Ahmedabad	127,570	148,435	141,059	154,586
7	Uttar Pradesh (Kanpur)	48,771	252,373	46,221	147,634
8	Ludhiana	27,117	8,566	27,102	0
9	Pune	52,905	11,710	65,340	18
10	Bangalore	143,346	703	155,440	0
11	Hyderabad	146,049	413	197,777	46
12	Cochin	40,650	266	54,160	0
13	Chennai	182,441	241	221,703	0
14	Madhya Pradesh (Indore)	55,172	159	52,620	0
15	Magadh (Patna)	5,721	0	7,125	5
16	Vadodara	31,659	101	42,240	26
17	Coimbatore	30,572	0	34,070	0
18	Bhubaneshwar	3,758	0	3,077	0
19	Jaipur	59,430	0	82,078	0
20	Guwahati	6,025	0	2,792	1
21	Mangalore	5,910	0	7,570	0
22	Rajkot	14,816	0	16,897	0

Note: The NSE figures relate to its volumes in the CM segment (not WDM and Derivatives segments) only from the concerned city, while all other figures represent all India turnover of the concerned exchange.

Source: SEBI & NSE.

Table 4-8: Distribution of Turnover and Market Capitalisation of Top '50' Companies listed at NSE

Companies	Turnover															
	Amount (Rs. mn.)								% to Total							
	1995-96 (Nov.-Mar)	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	1995-96 (Nov.-Mar)	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Manufacturing	499,094	1,311,094	1,326,775	882,241	1,397,421	1,247,790	284,260	111,930	79.29	45.88	37.43	23.13	18.78	98.50	60.50	2.03
Financial Services	108,587	1,000,375	540,709	265,005	343,082	175,590	49,170	142,040	17.25	35.01	15.25	6.95	4.61	13.86	10.46	2.57
F.M.C.G	7,039	438,181	1,551,480	942,404	380,109	324,380	132,580	44,630	1.12	15.33	43.77	24.71	5.11	25.61	28.22	0.81
I.T.	0	1,591	25,793	1,381,476	3,693,152	9,571,590	3,128,510	4,127,810	0.00	0.06	0.73	36.22	49.63	755.56	665.82	74.71
Pharmaceuticals	1,576	4,085	19,762	90,295	482,304	210,850	225,380	95,600	0.25	0.14	0.56	2.37	6.48	16.64	47.97	1.73
Others	13,130	102,294	80,484	252,850	1,144,814	1,138,030	878,840	1,002,930	2.09	3.58	2.27	6.63	15.39	89.83	187.04	18.15
Total	**629,426**	**2,857,618**	**3,545,003**	**3,814,271**	**7,440,881**	**12,668,230**	**4,698,740**	**5,524,940**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**1000.00**	**1000.00**	**100.00**

Companies	Market Capitalisation															
	Amount (Rs. mn.)								% to Total							
	1995-96 (Nov.-Mar)	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	1995-96 (Nov.-Mar)	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Manufacturing	1,395,458	1,621,883	1,773,710	1,065,715	1,516,922	967,180	561,090	333,830	62.05	62.18	54.95	34.39	20.53	20.79	12.41	8.03
Financial Services	256,555	290,827	340,613	183,338	362,092	364,600	424,850	452,830	11.41	11.15	10.55	5.92	4.90	7.84	9.39	10.89
F.M.C.G	226,476	298,883	591,987	907,729	795,220	804,970	565,070	378,260	10.07	11.46	18.34	29.29	10.76	17.30	12.49	9.09
I.T.	0	0	84,343	457,416	3,064,181	1,060,950	801,450	760,170	0.00	0.00	2.61	14.76	41.48	22.80	17.72	18.28
Pharmaceuticals	41,683	47,279	81,758	242,208	193,237	210,350	323,140	275,740	1.85	1.81	2.53	7.82	2.62	4.52	7.14	6.63
Others	328,801	349,338	355,454	242,718	1,456,091	1,245,020	1,847,200	1,958,270	14.62	13.39	11.01	7.83	19.71	26.76	40.84	47.08
Total	**2,248,972**	**2,608,210**	**3,227,864**	**3,099,124**	**7,387,742**	**4,653,070**	**4,522,800**	**4,159,100**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

F.M.C.G. Fast Moving Consumer Goods
I.T. Information Technology

Table 4-9: Percentage Share of Top 'N' Securities/Members in Turnover of NSE

Month	No. of Securities / Members				
	5	10	25	50	100
Securities					
1994-95 (Nov.-Mar.)	48.77	55.92	68.98	81.14	91.07
1995-96	82.98	86.60	90.89	93.54	95.87
1996-97	84.55	91.96	95.70	97.03	98.19
1997-98	72.98	85.17	92.41	95.76	97.90
1998-99	52.56	67.11	84.71	92.03	95.98
1999-00	39.56	59.22	82.31	88.69	93.66
2000-01	52.15	72.90	88.93	94.57	97.46
2001-02	44.43	62.92	82.24	91.56	95.91
2002-03	40.58	55.41	77.8	89.16	95.38
Members					
1994-95 (Nov.-Mar.)	18.19	26.60	44.37	61.71	81.12
1995-96	10.65	16.56	28.61	41.93	58.59
1996-97	5.94	10.08	19.67	30.57	45.95
1997-98	6.29	10.59	18.81	29.21	44.24
1998-99	7.73	11.96	20.77	31.66	47.02
1999-00	7.86	12.99	22.78	34.41	49.96
2000-01	7.78	12.76	23.00	33.86	48.79
2001-02	7.14	12.29	23.63	36.32	53.40
2002-03	10.26	16.41	29.07	42.49	59.15

Source: NSE.

Table 4-10: Market Concentration in Emerging Asian Markets: End 2002

(In per cent)

Market	Index Stock's Share of		Share of 10 Largest Index Stocks in Market Capitalisation	Share of 10 Most Active Index Stocks in Turnover
	Market Capitalisation	Turnover		
China	55.5	38.6	26.6	10.9
Thailand	66.7	54.9	41.0	27.8
Taiwan	63.8	58.7	30.9	22.2
Korea	82.7	59.0	47.8	25.1
Malaysia	73.6	67.0	34.6	28.4
India	76.4	72.8	43.3	49.6

Source: S&P Emerging Stock Markets Factbook 2003

Market Capitalisation

The market capitalisation data are easily available for BSE and NSE, which are presented in Table 4-6. The market capitalisation of securities available for trading on NSE (CM segment) and BSE witnessed a decline over the previous year's market capitalisation by 15.66% and 6.54% respectively. The total market capitalisation of NSE and BSE as at end March 2003 amounted to Rs. 5,371,332 million and Rs. 5,721,974 million respectively.

The sectoral distribution of market capitalisation on NSE is presented in Table 4-8. A sharp change in the shares of different sectors in market capitalisation is observed over the years. Sectors like manufacturing and FMCG which used to dominate in terms of market capitalization with more than 35% and 30% in the year 1998-99 respectively have shown declines to 8.03% and 9.1% in 2002-03.

Prices

The year 2002-03 did not have a very good start and the bearish sentiments of the previous year still continued. The prices suffered several ups and downs and witnessed a marginal decline during the year. On a point to point basis, the prices, as represented by the S&P CNX Nifty, suffered by 13.40% (Table 4-11). BSE Sensex also suffered a decline of 12.12% during the year on a point-to-point basis. The Nifty recorded a high of 1153.30 in April 2002 and a low of 920.10 in October 2002 before closing at 978.20.

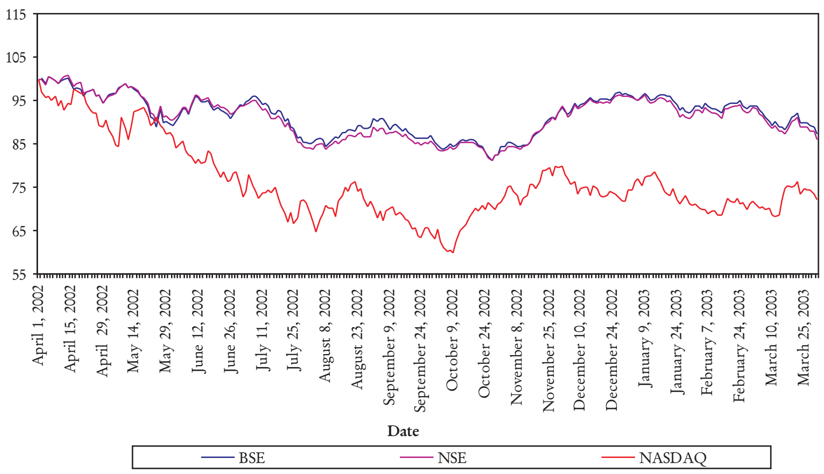
Table 4-11: Movement of Select Indices on Indian/Foreign Markets

Index	31.03.2001	31.03.2002	31.03.2003	Change during 2001-02 (%)	Change during 2002-03 (%)
S&P CNX Nifty	1148.20	1129.55	978.20	-1.62	-13.40
BSE Sensex	3604.38	3469.35	3048.72	-3.75	-12.12
Hang Seng	12760.64	11032.92	8634.45	-13.54	-21.74
Dow Jones	9878.78	10403.94	7992.13	5.32	-23.18
Nasdaq	1840.26	1845.35	1341.17	0.28	-27.32
Nikkei	12999.70	11024.94	7972.71	-15.19	-27.68
FTSE	5633.70	5271.80	3613.30	-6.42	-31.46

Source: NSE, BSE & Bloomberg.

The market participants, analysts and investors have related the developments in domestic equity markets with Nasdaq market. Nasdaq Composite has come to symbolise the new economy or technology stocks. Chart 4-1 plots the daily movement in S&P CNX Nifty, Sensex and Nasdaq-100 index. During most part of the year, the stock prices in India tended to rise/ fall in sympathy with that in Nasdaq. In a recent paper "Equity Market Interlinkages: A case of USA and India" published under the NSE Research Initiative, the authors found unidirectional causality running from the US stock markets to the Indian stock market. They found that the NASDAQ day time returns and volatility significantly affect the Nifty overnight returns and volatility. The effect of NASDAQ day time return and volatility shocks on Nifty overnight returns, on average, is 9.51% and that of Nifty day time volatility is a mere 0.5%.

Chart 4-1: Movement of S&P CNX NIfty, BSE and NASDAQ, 2002-03



Volatility

The volatility of S&P CNX Nifty and Sensex since April 2002 is presented in Table 4-12. The stock markets witnessed maximum volatility in May 2002, when volatility of Nifty was 1.35% while Sensex had the volatility 1.55%. The volatility of S&P CNX Nifty and Sensex was lowest in November 2002. Chart 4-2 presents the volatility of S&P CNX Nifty, Sensex and NASDAQ Composite. It can be observed that NASDAQ Composite is more volatile than either S&P CNX Nifty or BSE Sensex.

The volatility across different sectoral indices varied widely. The volatility of sectoral indices is presented in Table 4-13. For the month of April 2002, while the Nifty volatility was 1.11%, the volatility of CNX IT Index was 2.71%. The trend exhibited by S&P CNX Pharmaceuticals showed that it has lower volatility than S&P CNX Nifty.

Table 4-12: Stock Market Index, Volatility and P/E Ratio: April 2002 to March 2003

Month/Year	S&P CNX Nifty			Sensex		
	Index*	Volatility (%)**	P/E Ratio*	Index*	Volatility (%)**	P/E Ratio*
Apr-02	1120.74	1.11	18.02	3,502.99	0.99	16.83
May-02	1079.80	1.35	17.44	3,376.59	1.55	16.19
Jun-02	1065.90	1.14	16.28	3,176.35	1.18	15.92
Jul-02	1034.70	0.99	15.39	3,286.88	1.03	15.34
Aug-02	977.60	0.86	14.53	2,980.41	0.92	13.62
Sep-02	987.12	0.73	14.69	3,173.52	0.83	13.14
Oct-02	955.12	0.85	14.25	2,948.86	0.96	12.68
Nov-02	922.26	0.69	14.55	2,969.08	0.69	13.22
Dec-02	1074.05	0.92	14.57	3,250.25	0.83	14.37
Jan-03	1073.48	0.80	14.56	3,377.59	0.72	14.43
Feb-03	1055.84	0.87	14.32	3,278.98	0.78	14.22
Mar-03	1016.38	1.08	13.85	3,261.04	1.16	13.74

* Monthly Average of Closing values.

** Volatility is calculated as standard deviation of the natural log of returns in indices for the respective period.

Source: SEBI & NSE.

Chart 4-2: Stock Market Volatility, 2002-03

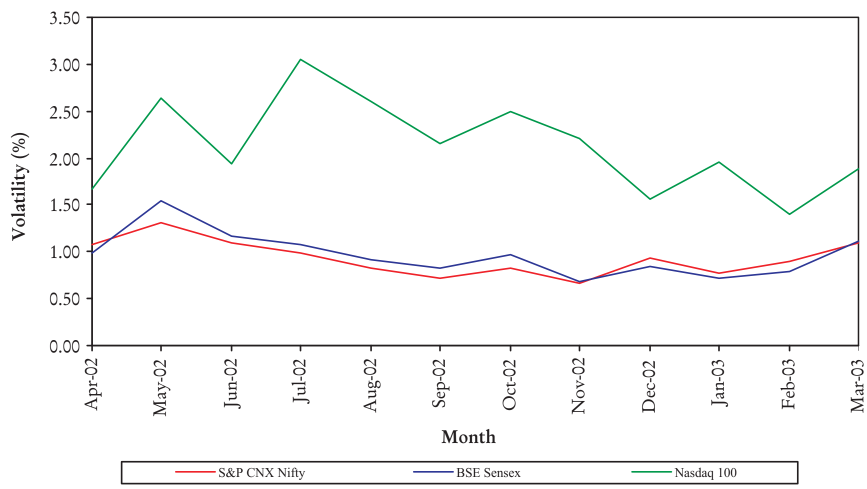


Table 4-13: Performance of Sectoral Indices

Month/ Year	Monthly Closing Prices						Average Daily Volatility (%)					
	S&P CNX Nifty	CNX FMCG	CNX IT	CNX Finance	S&P CNX Petro-chemicals	S&P CNX Pharma-ceuticals	S&P CNX Nifty	CNX FMCG	CNX IT	CNX Finance	S&P CNX Petro-chemicals	S&P CNX Pharma-ceuticals
Apr-02	1084.50	2335.27	17936.80	346.41	1266.03	1566.17	1.11	1.18	2.71	1.92	1.45	0.83
May-02	1028.80	2196.02	16828.27	298.99	1244.84	1451.08	1.35	1.49	1.74	3.07	2.07	1.38
Jun-02	1057.80	2286.71	16561.81	347.90	1277.30	1489.04	1.13	1.13	2.01	1.99	1.45	0.90
Jul-02	958.90	2105.87	13652.87	308.48	1174.05	1429.24	1.03	0.79	2.11	1.92	1.55	1.06
Aug-02	1010.60	2267.21	15543.52	308.16	1146.38	1464.22	0.85	1.17	2.04	0.92	1.30	0.46
Sep-02	963.15	2131.27	15273.00	295.38	1143.55	1423.20	0.72	0.93	2.62	0.71	1.26	0.50
Oct-02	951.40	2009.11	15702.70	284.00	1174.66	1310.66	0.84	1.10	1.56	0.96	3.41	0.75
Nov-02	1050.15	2106.98	18909.90	312.69	1274.67	1346.42	0.69	0.86	1.51	1.21	1.49	0.64
Dec-02	1093.50	2185.18	19073.40	336.70	1321.33	1445.02	0.96	0.82	1.96	0.98	1.04	0.72
Jan-03	1041.85	2101.11	16624.71	312.65	1234.14	1457.02	0.80	0.56	2.08	1.35	1.55	0.79
Feb-03	1063.40	2097.04	17109.16	336.23	1316.46	1401.89	0.89	0.88	1.99	1.82	1.34	0.46
Mar-03	978.20	1917.64	14966.88	301.46	1241.49	1346.20	1.09	0.94	1.97	1.53	1.73	0.81

Source: IISL.

Returns in Indian Market

The performance of S&P CNX Nifty and various other indices over different periods of last 1 month to 12 months is presented in Table 4-14. It reveals that the indices have performed with varying degrees over varying periods. Some of the indices provided substantial gain in 6 months period but did not give encouraging returns for the shorter periods of 1 month, 3 months and longer period of one year. The investments made in S&P CNX Nifty securities a month back gave a negative return of 8.01% and that in CNX IT Index gave a negative return of 12.52%. CNX IT Index followed by CNX Nifty Junior proved to be the worst performers in the long run of 3 month and one year period respectively with negative returns flowing to the tune of 21.53% and 19.62% respectively.

Table 4-14: Performance of Select Indices as at end March 2003

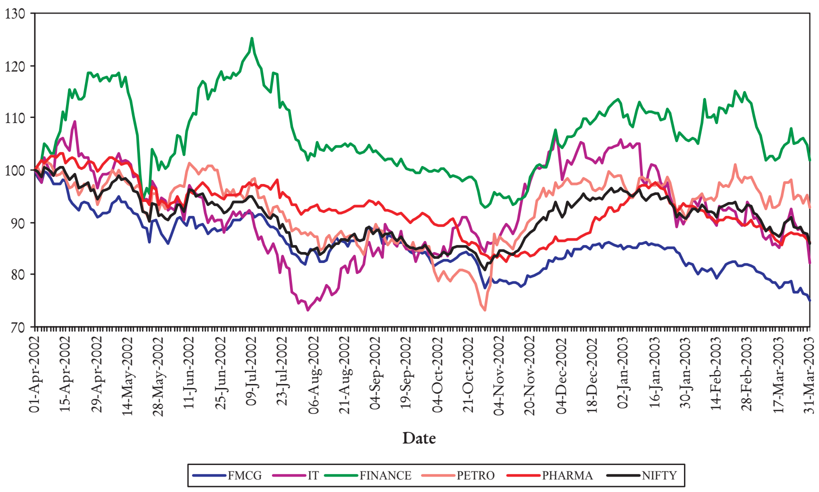
(In per cent)

	1 month	3 months	6 months	1 year
S&P CNX Nifty	-8.01	-10.54	1.56	-13.40
S&P CNX 500	-7.96	-9.25	1.50	-9.56
S&P CNX Defty	-7.78	-9.81	3.33	-11.13
CNX Nifty Junior	-9.20	-10.86	0.14	-19.62
CNX Midcap 200	-10.14	-12.07	-3.76	-9.18
CNX IT Index	-12.52	-21.53	-2.00	-19.35

Source: IISL.

The comparative performance of five major sectoral indices, *viz*. S&P CNX Petrochemicals Index, S&P CNX Finance Index, CNX FMCG Index, S&P CNX Pharma Index, and CNX IT Index, with that of S&P CNX Nifty Index for the year 2002-03 is presented in Chart 4-3. It is observed that during the entire period, CNX Finance Index and the S&P CNX Pharma Index out-performed the Nifty. The CNX FMCG Index, was the worst performer during the whole year. CNX IT Index though underperformed Nifty during initial months of the year, it recovered during the later half. The indices part from the CNX Finance Index did not show any consistent trend. The monthly closing prices of these sectoral indices are presented in Table 4-13.

Chart 4-3: Movement of Nifty and Sectoral Indices, 2002-03



Exchange Traded Funds

The first ETF in India was "Nifty BeEs (Nifty Benchmark Exchange Traded Scheme) based on S&P CNX Nifty was launched in December 2001 by Benchmark Mutual Fund. It is bought and sold like any other stock on NSE and has all characteristics of an index fund. During the year 2002-03, two ETFs were launched namely Junior Nifty BeES based on CNX Nifty Junior and S&P CNX Nifty UTI Depository Receipts Schemes (SUNDER) based on S&P CNX Nifty respectively. In January 2003, Prudential ICICI launched an ETF based on BSE Sensex, namely SPICE (Sensex Prudential ICICI Exchange Traded Fund).

During the month of March 2003, 1,098 trades involving 0.207 million Nifty BeES were transacted. The trading value was Rs. 21.26 million. Further details about ETFs are available in Chapter 3 of this publication.

Liquidity

Many securities listed on stock exchanges are not traded. Trading in many other securities is negligible. These suggest illiquidity in such securities. Table 4-15 gives a comparative picture of number of companies listed/available for trading and those actually traded at BSE and NSE during 2002-03. The percentage of companies traded on BSE was quite low at 28.36% in April 2002. The frequency distribution of companies traded on NSE and BSE is given in Table 4-16. Only 67.7% of companies traded on BSE were traded for more than 100 days during 2002-03. Trading took place for less than 100 days in case of 32.3% of companies traded at BSE during the year, and for less than 10 days in case of 8.8% of companies traded. The situation at NSE is little better than that witnessed by BSE. Nearly 78% of companies traded on NSE were traded for more than 100 days during 2002-03. There was no trade in several companies listed on a number of regional

Table 4-15: Trading Frequency on NSE & BSE

Month/Year	NSE			BSE		
	Companies Available for Trading*	Companies Traded	% of Traded to Available for Trading	Listed Securities	Traded Securities	% of Traded to Listed Securities
Apr-02	865	843	97.46	7,394	2,097	28.36
May-02	863	821	95.13	7,458	2,118	28.40
Jun-02	848	825	97.29	7,579	2,240	29.56
Jul-02	841	820	97.50	7,319	2,363	32.29
Aug-02	839	806	96.07	7,324	2,304	31.46
Sep-02	840	806	95.95	7,327	2,263	30.89
Oct-02	803	770	95.89	7,278	2,225	30.57
Nov-02	788	767	97.34	7,273	2,242	30.83
Dec-02	788	762	96.70	7,279	2,307	31.69
Jan-03	789	763	96.70	7,403	2,311	31.22
Feb-03	788	760	96.45	7,355	2,221	30.20
Mar-03	788	762	96.70	7,363	2,191	29.76

Source: SEBI and NSE.

* At the end of the month. Includes listed/permitted to trade companies but excludes suspended companies.

Table 4-16: Frequency Distribution of Companies Traded at NSE and BSE

No. of Days Traded	No. of Companies Traded at NSE		No. of Companies Traded at BSE	
	2002-03	% to Total	2002-03	% to Total
Above 100 days	794	77.92	1,815	67.7
91 to 100 days	3	0.29	63	2.4
81-90 days	6	0.59	51	1.9
71-80 days	8	0.79	54	2
61-70 days	12	1.18	68	2.5
51-60 days	7	0.69	74	2.8
41-50 days	8	0.79	75	2.8
31-40 days	4	0.39	53	2
21-30 days	10	0.98	86	3.2
11- 20 days	28	2.75	105	3.9
1-10 days	19	1.86	235	8.8
Total	**899**	**100.00**	**2,679**	**100.00**

Source: SEBI & NSE.

stock exchanges. This indicates that trading is concentrated among only a limited number of stocks and is very thin in a large number of stocks.

Institutional Transactions

Though the volume of trades done by FIIs is not very high as compared to other market participants, they are the driving force in determination of market sentiments and price trends. This is so because they do only delivery-based trades and they are perceived to be infallible in their assessment of the market. During 2002-03, the investments made by FIIs were not so impressive as compared to the previous years and they registered a net investment of Rs. 26,889 million. The FII net investment was highest during the month of March 2003 when they made net purchases for Rs. 9,638 million. FIIs recorded net outflows in April 2002, June 2002 and October 2002. Trends in purchases and sales by FIIs are presented in Table 4-17. The cumulative net FII investment touched US $ 15.80 billion by end-March 2003.

The details of transactions by MFs during 2002-03 are presented in Table 4-18. During 2002-03, the MFs have invested more funds in the debt instruments than equity instruments. In the equity market, MFs were net sellers to the tune of Rs. 20,667 million during 2002-03. Except for September 2002, December 2002, February 2003 and March 2003, MFs were net buyers in equities and except for February 2003, they were net sellers in the debt market.

ADR/GDR Prices

The extent of divergence between the prices of ADRs/GDRs and the domestic prices is presented in Table 4-19. A comparison of the price of ADR/GDR of a company with the domestic price of its share gives an idea about the extent to which domestic price of the security is at premium/discount to the international price. RBI permitted two-way fungibility for ADRs/GDRs, which meant that the investors (foreign institutional or domestic) in any company that has issued ADRs/GDRs can freely convert the ADRs/GDRs into underlying domestic shares. They could also reconvert the domestic shares into ADRs/GDRs, depending on the direction of price change in the stock. This is expected to bring about an improvement in the liquidity in ADR/GDR market and elimination of arbitrage, implying that ADR/GDR prices and domestic share prices of companies that have floated ADRs/GDRs will be better aligned.

Table 4-17: Trends in FII Investment

Period	Purchases (Rs. mn.)	Sales (Rs. mn.)	Net Investment (Rs. mn.)	Cumulative Net Investment (Rs. mn.)	Net Investment (US$ mn.)	Cumulative Net Investment (US$ mn.)
1994-95	**76,311**	**28,348**	**47,963**	**47,963**	**1,528**	**3,167**
1995-96	**96,935**	**27,516**	**69,420**	**117,384**	**2,036**	**5,202**
1996-97	**155,539**	**69,794**	**85,745**	**203,129**	**2,432**	**7,634**
1997-98	**186,947**	**127,372**	**59,574**	**262,703**	**1,650**	**9,284**
1998-99	**161,150**	**176,994**	**-15,845**	**246,857**	**-386**	**8,898**
1999-00	**568,555**	**467,335**	**101,219**	**348,077**	**2,339**	**11,237**
2000-01	**740,506**	**641,164**	**99,342**	**447,419**	**2,159**	**13,396**
2001-02	**499,199**	**411,650**	**87,552**	**534,972**	**1,846**	**15,242**
2002-03	**470,601**	**443,710**	**26,889**	**561,861**	**562**	**15,804**
Apr-02	51,090	52,210	-1,120	533,852	-23	15,219
May-02	43,540	43,080	460	534,312	9	15,228
Jun-02	33,510	42,170	-8,660	525,652	-177	15,051
Jul-02	35,000	32,620	2,380	528,032	49	15,100
Aug-02	26,680	24,940	1,740	529,772	36	15,136
Sep-02	37,657	34,432	3,224	532,996	67	15,203
Oct-02	28,129	36,878	-8,751	524,245	-181	15,022
Nov-02	41,353	33,977	7,376	531,621	152	15,174
Dec-02	42,873	36,398	6,479	538,100	134	15,308
Jan-03	53,145	43,292	9,852	547,952	205	15,513
Feb-03	34,707	30,421	4,281	552,233	89	15,602
Mar-03	42,917	33,292	9,628	561,861	202	15,804

Source: SEBI.

Table 4-18: Trends in Transactions by Mutual Funds

(Rs. mn.)

Month/ Year	Equity			Debt			Total Net Purchases/ Sales
	Gross Purchase	Gross Sales	Net Purchases/ Sales	Gross Purchase	Gross Sales	Net Purchases/ Sales	
Apr-02	13,001	16,826	-3,826	31,543	17,103	14,439	10,614
May-02	13,662	15,062	-1,400	25,119	20,849	4,270	2,870
Jun-02	10,832	14,777	-3,945	32,669	23,608	9,061	5,116
Jul-02	14,446	17,324	-2,878	42,327	25,378	16,949	14,072
Aug-02	10,202	12,229	-2,027	42,612	27,772	14,840	12,814
Sep-02	9,595	9,314	281	39,524	29,629	9,894	10,176
Oct-02	12,476	12,920	-444	55,980	31,576	24,404	23,960
Nov-02	10,594	13,949	-3,355	46,378	23,875	22,503	19,148
Dec-02	14,124	14,099	24	40,215	37,962	2,252	2,277
Jan-03	15,342	19,372	-4,030	52,590	41,085	11,505	7,474
Feb-03	10,777	10,466	311	31,153	36,120	-4,966	-4,655
Mar-03	10,157	9,536	621	26,530	25,637	893	1,514
2002-03	**145,208**	**165,876**	**-20,667**	**466,639**	**340,595**	**126,045**	**105,378**

Source: SEBI.

Table 4-19: Divergence between ADR/GDR Prices and Local Prices

(In per cent)

Company	Weight (%)	Premium/ Discount to Local
Instanex Skindia	**100.00**	**10.92**
Bajaj Auto	1.75	2.66
Dr. Reddy's	9.91	-0.38
HDFC Bank	6.89	8.77
Hindalco	5.07	0.05
ICICI Bank	13.15	12.90
Infosys Tech	9.42	41.49
ITC	5.02	0.60
L&T	2.52	0.30
MTNL	4.20	-3.72
Ranbaxy Labs	7.55	10.39
Reliance	11.89	1.65
Satyam Computers	5.56	14.77
State Bank of India	10.60	24.52
VSNL	3.57	5.83
Wipro	2.92	7.22

Source: The Economic Times, dated March 29, 2003

Takeovers

The details of takeovers both under open offers and exempted category are presented in Table 4-20. The year 2002-03 witnessed 88 takeovers under open category involving Rs. 63,891 million as against Rs. 36,104 million during the preceding year. However, there were 238 takeovers under exempted category involving Rs. 24,284 million as against Rs. 25,390 million in the previous year.

Table 4-20: Substantial Acquisition of Shares and Takeovers

(Value in Rs.mn.)

Year	Open Offers								Automatic Exemption	
	Objectives						Total			
	Change in Control of Management		Consolidation of Holdings		Substantial Acquisition					
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value of Shares Acquired
1994-95	0	0	1	1,140	1	42	2	1,182	–	–
1995-96	4	301	4	255	0	0	8	556	–	–
1996-97	11	118	7	783	1	23	19	924	–	–
1997-98	18	1,429	10	3,398	13	956	41	5,784	93	35,022
1998-99	29	997	24	4,163	12	3,271	65	8,430	201	18,881
1999-00	42	2,588	9	711	23	1,300	74	4,599	252	46,774
2000-01	70	11,404	5	1,890	2	425	77	13,719	248	48,732
2001-02	54	17,562	26	18,152	1	390	81	36,104	276	25,390
2002-03	46	38,144	40	25,733	2	14	88	63,891	238	24,284
Total	**274**	**72,544**	**126**	**56,225**	**55**	**6,420**	**455**	**135,189**	**1,308**	**199,083**

Source: SEBI.

Performance of Brokers

As mentioned earlier, there were 9,519 trading members at the end of March, 2003. The details of their performance are not readily available. However, brief details in respect of 873 members of NSE are presented in Table 4-21. It is observed that about 58% of the members had deployed a capital of less than Rs. 20 million at the end of March 2003, while 5% have deployed more than Rs. 100 million. Similarly about 68% of members had a turnover of less than Rs. 10,000 million during 2002-03, while about 2% had turnover of more than Rs. 100,000 million.

Table 4-21: Distribution of Trading Members according to Capital/Turnover

Turnover (Rs. mn) (2002-03) / Capital (Rs. mn) as on March 31, 2003	≤ 10000	> 10000 - 20000	> 20000 - 30000	> 30000 - 40000	> 40000- 50000	> 50000 - 100000	> 100000	Total
≤ 20	386	63	21	11	6	10	6	503
> 20 - 40	121	28	20	11	7	7	3	197
> 40 - 60	46	19	5	3	7	6	6	92
> 60 - 80	15	4	2	1	2	1	0	25
> 80 - 100	8	0	0	0	0	2	2	12
> 100	17	6	4	5	3	5	4	44
Total	**593**	**120**	**52**	**31**	**25**	**31**	**21**	**873**

Note: Turnover considered for the above computation is Capital Market Turnover only.

Policy Debates

Margin Trading

Margin trading is simply trading in securities based on margin, i.e. a client deposits 'margin', which is usually a percent of value of the proposed transaction, and then borrows funds needed for purchase of securities or securities needed for sale of securities. This enables a client to purchase/sell securities/funds more than that he would otherwise have been able to do with his own resources. It is quite popular in most of the markets, which have switched over to rolling settlement and has become more popular as markets have moved over to rolling settlement with shorter settlement cycles. It provides an avenue for raising funds to speculators or day traders, who are instrumental in generating liquidity in the market. It is a well-accepted fact that the volumes in which day traders operate are not sustainable if they were to operate strictly with own funds.

As already mentioned the margin trading essentially involves lending/borrowing securities or lending/borrowing funds. Lending and borrowing of securities is an activity exclusively within the securities market. Hence the securities market regulator generally provides a regulatory framework for this. However, lending and borrowing of funds for securities transaction is an activity that transverses both the money market and the securities market. Hence both money market and securities market regulators jointly provide a regulatory framework for this. There are certain risks associated with this. Especially when discussing in Indian context, there was an apprehension that brokers would not be able to lend funds for margin trading in view of provisions in the Securities Contracts (Regulation) Rules, 1957. The Rules do not permit a broker to take up any fund based activity. This was examined by SEBI in 1997 and a view was taken that a broker can not lend funds as a regular business activity or lending of funds can not be his main activity. However, he can lend / borrow money if it is incidental to securities transactions. A clarification in this regard was issued in 1997 which permitted lending and borrowing of funds in connection with or incidental to or consequential upon buying, selling or dealing in securities. It was felt then that this clarification would enable brokers to take up incidental lending and borrowing of funds, including margin trading. In view of this clarification, some brokers are reportedly doing margin trading, though not in a significant way. Some other brokers, who are not quite sure if incidental transactions cover margin trading, are avoiding it.

The market witnessed major reforms in 2001. The deferral products, such as MCFS, ALBM, BLESS etc. were banned and compulsory rolling settlement on T+5 basis was introduced in a big way in July 2001. The market participants apprehended that these reforms would drain the market of liquidity. It was, therefore, felt necessary to provide the facility of margin trading in more explicit and organised way. Since brokers are not generally well capitalised, it was considered necessary to make available a line of credit to them for margin trading. Based on the recommendations of RBI-SEBI Standing Technical Committee, RBI issued guidelines in November 2001 in this regard. It provides that the Board of each bank should formulate detailed guidelines for lending for margin trading subject to the following parameters: (i) The finance extended for margin trading should be within the overall ceiling of 5% prescribed for exposure to capital market. (ii) A minimum margin of 40% should be maintained on the funds lent for margin trading. The bank should put in place an appropriate system for monitoring and maintaining the margin of 40% on a regular basis. (iii) The shares purchased with margin trading should be in dematerialised mode, under pledge to the lending bank. (iv) The bank's Board should prescribe necessary safeguards to ensure that no "nexus" develops between inter-connected stock broking entities/stockbrokers and the bank in respect of margin trading. Margin trading should be spread out by a bank among a reasonable number of stock brokers and stock broking entities. The Audit Committee of the Board should monitor periodically the bank's exposure by way of financing for margin trading and ensure that the guidelines formulated by the bank's Board are complied with. These guidelines are in continuation of RBI's general circular, which restricts loan to an individuals against security of securities upto Rs. 10 lakh (Rs. 20 lakh for demat securities).

Despite these enabling provisions, margin trading did not take off, at least formally, though newspapers report considerable amount of informal margin trading, supported by private funding. This calls for a review of the existing mechanism by the regulators for money market and securities market jointly.

Public Holding for Listing

The current listing framework prescribes different standards for continued listing for existing listed companies and would be listed companies. The existing listed company is required to have non-promoter holding of at least 10%, while the would be listed company would maintain non-promoter holding at the level of public holding as required at the time of listing, that is, at 10% *plus* 20 lakh securities *plus* Rs. 100 crore or 25%. Thus existing listed and would be listed companies and consequently investors in these companies are treated differently. It would be better if all the companies are required to maintain the non-promoter holding at the level of the public holding required at the time of listing. That is, the companies listed before 1993 would maintain at 60%, the companies listed between 1993 and 2001 would maintain at 25% and the companies listed after 2001 would maintain at 10% *plus* 20 lakh *plus* Rs. 100 crore or 25%. This is all the more desirable because the investor subscribes to the shares of the company based on the understanding that the non-promoter holding would be maintained at the level required at the time of listing. In the alternative, regulation has to be uniform in its application and all companies should be required to maintain non-promoter holding of 10% *plus* 20 lakh *plus* Rs. 100 crore or 25%. Further, the listing agreement as amended now provides that the companies would maintain public holding at the specified percentage. There is no indication as to how to achieve this. Can a company compel the promoters to divest their holdings? In case an existing listed company fails to do, it would be required to buy back the public shareholding in the manner provided in the SEBI takeover code. No such requirement has been prescribed for would be listed companies. Both the existing listed and would be listed companies should be required to buy back the public holding if they fail to maintain minimum public holding. In case the company does not buy back, would it be delisted? This needs to be clarified.

Similarly, there should not be any discrimination between a government company and non-government company. The powers of the stock exchange to relax any of the conditions of listing with the prior approval of SEBI in respect of a government company needs to be withdrawn.

The public offer is of no consequence unless the public are actually allotted shares. The SCRR should speak in terms of allotment to public, not just public offer. Only then the listing agreement can enforce minimum non-promoter holding required at the level of public shareholding at the time of listing.

As of now, there is nothing called public shareholding at the time of listing. And the word ‘public’ has not been defined. The words, ‘offer to public’, ‘public shareholding’, ‘non-promoter holding’, ‘floating stock’ etc. are creating confusion. By default ‘public’ means ‘non-promoters’ and includes FIs, FIIs, MFs, employees, NRIs/OCBs, private corporate bodies, etc. The SCRR now permits 10% public offer subject to the condition that 60% of the issue is allocated to qualified institutional buyers (QIBs). Since QIBs are part of public, allocating 60% to QIBs would automatically constitute 60% public offer and the retail public would not get any share. Or, if 60% of public offer of 10% is allocated to QIBs, the retail public would be left with just 4%. It is therefore necessary to define ‘public’ and other terms and explicitly exclude allocation to QIBs from the public offer.

The units of CIS are securities. The same requirement (10% *plus* 20 lakh *plus* Rs. 100 crore) as applicable to listing of securities, should also apply to listing of units of CIS. The requirements prescribed in the SCRR for units of CIS may be brought at par with those for securities.

The units of mutual funds are being considered as securities and are being traded like securities on exchanges. The requirement of public holding may also apply units of mutual funds as well.

Brokers as Sub-brokers

Protecting viability of small exchanges has been engaging the minds of policy makers who recognized them after being satisfied of their need and viability. In the competitive environment of today, it is difficult to imagine survival of 23 exchanges. In a novel experiment, SEBI has allowed small regional exchanges, who have been fighting for survival, to promote a subsidiary. This subsidiary has acquired membership of NSE and or BSE and the members of regional exchanges have become sub-brokers of the subsidiary. The subsidiary undertakes the responsibility for the trades executed as a member of NSE on behalf of the members of the regional exchange. In the process, the members of the small exchanges are getting an opportunity to trade on large exchanges at a fraction of the membership cost of the large exchange. While one can get membership on a small exchange for Rs. 2-5 lakh, he can trade on NSE or BSE (through subsidiary) where membership cost about Rs. 1 crore. This provides an incentive to be a member of small exchange, avoid the cost and other requirements of large exchange and still get benefits of large exchange. A section of brokers, however, hesitate to trade as a sub-broker through a subsidiary of a regional exchange. This is because they do not have an independent exposure limit. The subsidiary is granted a combined exposure which is shared by all the sub-brokers. If for some reason, the exposure limit granted to a subsidiary is breached, not only the subsidiary, but also all the sub-brokers trading through the subsidiary, are disabled from trading.

Annexure 4-1: Stock Exchanges in India

Exchanges	Participants at the end March					
	Primary Listing of Companies		Registered Brokers		Registered Sub-Brokers	
	2002	**2003**	**2002**	**2003**	**2002**	**2003**
Ahmedabad	671	669	325	323	149	141
Bangalore	278	279	249	245	159	159
Bhubaneshwar	46	46	232	233	17	17
Calcutta	1,865	1,857	992	987	140	142
Cochin	94	92	470	464	43	43
Coimbatore	93	91	193	182	26	26
Delhi	1,687	1,681	379	374	498	460
Gauhati	152	1	194	175	4	4
Hyderabad	675	674	303	306	202	201
ICSEIL	1	12	630	630	–	2
Jaipur	193	191	592	555	34	34
Ludhiana	290	286	300	302	33	34
Madhya Pradesh	93	249	187	188	5	5
Madras	640	7	192	186	125	124
Magadh	24	0	200	199	3	3
Mangalore	26	26	138	116	3	3
Mumbai	1,774	1,726	660	665	6,495	6,890
NSEIL	6	7	1,065	1,036	3,961	4,703
OTCEI	113	113	902	883	37	32
Pune	198	196	196	197	162	161
SKSE	48	47	446	436	0	0
Uttar Pradesh	332	816	520	518	28	25
Vadodara	345	347	322	319	84	82
Total	**9,644**	**9,413**	**9,687**	**9,519**	**12,208**	**13,291**

Source: SEBI.

Annexure 4-2: Market Capitalisation of S&P CNX Nifty Securities: April 2002 to March 2003 (end of period)

(Rs. mn.)

Sl . No.	Security	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03
1	ABB	11,350	10,367	11,346	11,738	11,990	11,882	10,161	10,167	10,538	11,829	13,452	12,132
2	ACC	25,850	25,918	27,225	22,753	23,672	23,612	22,783	28,080	28,303	24,473	26,428	23,673
3	BAJAJAUTO	49,347	48,700	51,442	42,598	42,340	39,426	42,877	48,421	50,926	51,948	52,185	48,568
4	BHEL	40,997	37,387	43,629	42,576	43,408	39,051	36,714	40,312	42,233	43,849	51,706	54,618
5	BPCL	–	–	–	–	–	–	*56790	57,195	64,995	57,600	67,140	66,585
6	BRITANNIA	14,463	14,072	13,847	13,789	14,153	13,966	13,958	13,812	13,389	13,219	13,450	12,880
7	BSES	31,590	30,997	30,370	28,352	31,342	30,377	26,768	28,793	30,591	30,577	31,576	29,672
8	CASTROL	21,934	23,070	23,453	23,472	24,478	23,429	23,441	24,176	25,960	23,879	23,923	23,441
9	CIPLA	61,826	59,529	56,383	55,843	56,956	56,788	52,692	54,830	53,888	49,672	46,206	42,808
10	COLGATE	18,964	18,216	19,182	18,182	18,577	17,937	16,877	17,543	18,339	18,345	18,019	16,557
11	DABUR	16,436	14,737	14,608	13,266	13,651	13,052	12,580	12,723	12,523	12,973	12,530	10,187
12	DIGITALEQP	22,834	20,702	21,548	18,604	20,454	18,438	16,756	19,604	20,672	18,922	21,455	19,863
13	DRREDDY	76,462	72,725	72,346	64,886	68,386	63,833	53,328	58,240	68,750	69,147	67,055	70,112
14	GLAXO	31,671	27,046	27,411	28,498	28,032	27,459	23,985	23,843	22,733	22,294	23,124	21,762
15	GRASIM	26,227	26,988	29,018	28,459	28,853	28,367	27,730	26,282	28,867	29,825	32,176	30,288
16	GUJAMBCEM	29,256	29,058	30,059	25,005	25,583	25,381	24,163	25,505	25,350	24,504	25,094	24,830
17	HCLTECH	–	–	–	–	–	–	*47080	55,090	53,867	46,744	50,643	43,563
18	HDFC	79,601	73,065	79,589	76,960	70,965	72,925	76,478	83,407	87,409	91,495	91,422	80,930
19	HDFCBANK	61,882	64,643	56,795	59,976	59,074	61,625	53,554	55,006	60,928	66,873	70,469	66,154
20	HEROHONDA	70,939	64,889	61,763	53,337	53,716	51,949	47,226	57,141	53,556	50,910	44,530	37,581
21	HINDALCO	53,828	51,192	52,476	46,104	43,775	38,501	36,330	39,802	43,196	44,224	43,285	49,437
22	HINDLEVER	445,752	407,891	424,950	375,972	410,862	379,825	352,529	377,843	399,966	376,743	372,781	326,555
23	HINDPETRO	96,777	88,005	90,092	92,926	92,773	57,364	72,108	74,602	97,812	98,779	106,550	100,034
24	ICICIBANK	24,823	84,752	84,414	86,192	88,031	86,008	82,698	81,625	86,131	91,894	91,526	81,993
25	INDHOTEL	8,274	7,904	7,453	7,047	6,812	6,587	6,575	7,347	8,567	8,001	9,289	8,227
26	INFOSYSTCH	243,779	224,229	217,072	200,725	238,509	225,410	251,247	301,626	315,857	284,551	283,571	268,320
27	IPCL	27,775	37,659	38,047	37,984	19,442	16,352	16,427	18,379	19,743	22,458	22,695	20,801
28	ITC	155,846	150,735	158,618	155,660	173,122	160,883	152,009	157,158	163,581	158,098	161,081	155,499
29	L&T	43,253	43,153	44,608	39,473	45,664	41,686	46,883	50,998	53,037	46,126	49,869	45,890
30	M&M	11,618	9,811	12,529	10,181	9,563	9,054	9,231	11,701	12,463	10,717	12,170	10,971
31	MTNL	90,909	78,278	89,870	81,333	82,404	69,237	59,756	64,890	59,724	73,238	63,504	60,449
32	NESTLE	48,970	49,023	49,524	49,133	53,516	54,957	53,077	51,934	50,478	52,026	51,592	51,708
33	NIIT	10,710	9,655	9,631	5,345	5,577	5,059	4,692	6,410	7,235	5,202	5,251	3,728
34	NOVARTIND	8,431	7,655	7,768	8,061	7,787	7,207	6,434	7,097	8,579	8,279	7,567	6,959
35	ORIENTBANK	8,096	8,135	8,568	8,106	8,106	7,885	7,769	8,366	9,569	10,349	11,167	12,342
36	RANBAXY	98,471	89,332	102,197	98,673	104,173	106,294	97,250	99,402	110,140	120,627	114,070	115,656
37	RELIANCE	293,313	277,665	283,882	257,486	269,235	271,922	370,738	402,017	416,051	384,074	411,582	388,333
38	SATYAMCOMP	82,472	69,686	72,470	64,953	75,600	68,035	73,854	86,483	87,616	70,426	71,118	55,768
39	SBIN	119,996	115,628	126,628	121,996	127,022	120,996	120,865	138,233	148,759	148,101	150,838	142,101
40	SCI	—	—	—	—	—	—	*18110	16,331	19,055	17,559	16,938	14,285
41	SMITKLBECH	17,106	16,707	16,986	14,549	13,324	12,244	12,260	12,346	11,849	11,808	10,744	9,841
42	SUNPHARMA	29,454	26,153	26,217	25,600	27,717	26,210	25,966	26,306	28,124	27,164	26,303	25,400
43	TATACHEM	8,264	8,029	10,676	10,802	9,962	9,619	8,635	9,818	10,504	10,540	11,624	11,055
44	TATAPOWER	22,796	23,346	26,531	21,127	20,751	19,489	19,570	21,717	22,735	22,613	24,882	23,030
45	TATATEA	9,355	8,798	11,801	9,290	8,911	8,714	8,301	9,782	9,779	9,043	9,987	10,634
46	TELCO	41,292	38,734	49,704	40,653	44,619	42,348	46,298	54,118	51,624	49,129	52,183	49,784
47	TISCO	41,011	40,330	51,834	45,944	45,483	42,796	46,128	51,355	55,791	55,975	55,368	49,220
48	VSNL	—	*53210	42,095	33,103	35,297	32,177	25,892	29,412	28,058	25,109	25,565	20,848
49	WIPRO	358,128	353,570	344,234	264,079	294,734	307,731	319,508	391,901	379,350	326,375	341,740	286,854
50	ZEETELE	68,950	54,801	52,347	42,983	45,561	36,713	33,764	40,343	40,240	34,362	34,754	25,699
	Total	**3,161,078**	**3,042,962**	**3,183,232**	**2,883,773**	**3,043,962**	**2,890,801**	**2,948,864**	**3,389,514**	**3,529,432**	**3,362,669**	**3,432,176**	**3,167,623**

* Denotes the month in which the particular security was included in S&P CNX Nifty Index.

Source: IISL

Annexure 4-3: Weightage of S&P CNX Nifty Securities: April 2002 - March 2003

(In per cent)

Sl . No.	Security	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03
1	ABB	0.34	0.32	0.34	0.39	0.38	0.39	0.33	0.30	0.30	0.35	0.39	0.38
2	ACC	0.77	0.80	0.82	0.75	0.74	0.78	0.74	0.83	0.80	0.73	0.77	0.75
3	BAJAJAUTO	1.47	1.50	1.54	1.41	1.33	1.30	1.40	1.43	1.44	1.54	1.52	1.53
4	BHEL	1.22	1.15	1.31	1.41	1.36	1.28	1.20	1.19	1.20	1.30	1.51	1.72
5	BPCL	–	–	–	–	–	–	* 1.85	1.69	1.84	1.71	1.96	2.10
6	BRITANNIA	0.43	0.43	0.41	0.46	0.44	0.46	0.45	0.41	0.38	0.39	0.39	0.41
7	BSES	0.94	0.95	0.91	0.94	0.98	1.00	0.87	0.85	0.87	0.91	0.92	0.94
8	CASTROL	0.65	0.71	0.70	0.78	0.77	0.77	0.76	0.71	0.74	0.71	0.70	0.74
9	CIPLA	1.84	1.83	1.69	1.84	1.78	1.87	1.72	1.62	1.53	1.48	1.35	1.35
10	COLGATE	0.56	0.56	0.57	0.60	0.58	0.59	0.55	0.52	0.52	0.55	0.53	0.52
11	DABUR	0.49	0.45	0.44	0.44	0.43	0.43	0.41	0.38	0.35	0.39	0.37	0.32
12	DIGITALEQP	0.68	0.64	0.65	0.61	0.64	0.61	0.55	0.58	0.59	0.56	0.63	0.63
13	DRREDDY	2.27	2.24	2.17	2.14	2.14	2.10	1.74	1.72	1.95	2.06	1.95	2.21
14	GLAXO	0.94	0.83	0.82	0.94	0.88	0.90	0.78	0.70	0.64	0.66	0.67	0.69
15	GRASIM	0.78	0.83	0.87	0.94	0.90	0.93	0.90	0.78	0.82	0.89	0.94	0.96
16	GUJAMBCEM	0.87	0.89	0.90	0.83	0.80	0.83	0.79	0.75	0.72	0.73	0.73	0.78
17	HCLTECH	–	–	–	–	–	–	* 1.53	1.63	1.53	1.39	1.48	1.38
18	HDFC	2.37	2.25	2.38	2.54	2.22	2.40	2.49	2.46	2.48	2.72	2.66	2.55
19	HDFCBANK	1.84	1.99	1.70	1.98	1.85	2.03	1.74	1.62	1.73	1.99	2.05	2.09
20	HEROHONDA	2.11	2.00	1.85	1.76	1.68	1.71	1.54	1.69	1.52	1.51	1.30	1.19
21	HINDALCO	1.60	1.58	1.57	1.52	1.37	1.27	1.18	1.17	1.22	1.32	1.26	1.56
22	HINDLEVER	13.25	12.56	12.73	12.42	12.87	12.49	11.48	11.15	11.33	11.20	10.86	10.31
23	HINDPETRO	2.88	2.71	2.70	3.07	2.91	1.89	2.35	2.20	2.77	2.94	3.10	3.16
24	ICICIBANK	0.74	2.61	2.53	2.85	2.76	2.83	2.69	2.41	2.44	2.73	2.67	2.59
25	INDHOTEL	0.25	0.24	0.22	0.23	0.21	0.22	0.21	0.22	0.24	0.24	0.27	0.26
26	INFOSYSTCH	7.25	6.90	6.50	6.63	7.47	7.41	8.18	8.90	8.95	8.46	8.26	8.47
27	IPCL	0.83	1.16	1.14	1.25	0.61	0.54	0.53	0.54	0.56	0.67	0.66	0.66
28	ITC	4.63	4.64	4.75	5.14	5.42	5.29	4.95	4.64	4.63	4.70	4.69	4.91
29	L&T	1.29	1.33	1.34	1.30	1.43	1.37	1.53	1.50	1.50	1.37	1.45	1.45
30	M&M	0.35	0.30	0.38	0.34	0.30	0.30	0.30	0.35	0.35	0.32	0.35	0.35
31	MTNL	2.70	2.41	2.69	2.69	2.58	2.28	1.95	1.91	1.69	2.18	1.85	1.91
32	NESTLE	1.46	1.51	1.48	1.62	1.68	1.81	1.73	1.53	1.43	1.55	1.50	1.63
33	NIIT	0.32	0.30	0.29	0.18	0.17	0.17	0.15	0.19	0.20	0.15	0.15	0.12
34	NOVARTIND	0.25	0.24	0.23	0.27	0.24	0.24	0.21	0.21	0.24	0.25	0.22	0.22
35	ORIENTBANK	0.24	0.25	0.26	0.27	0.25	0.26	0.25	0.25	0.27	0.31	0.33	0.39
36	RANBAXY	2.93	2.75	3.06	3.26	3.26	3.49	3.17	2.93	3.12	3.59	3.32	3.65
37	RELIANCE	8.72	8.55	8.50	8.51	8.44	8.94	12.07	11.86	11.79	11.42	11.99	12.26
38	SATYAMCOMP	2.45	2.15	2.17	2.15	2.37	2.24	2.41	2.55	2.48	2.09	2.07	1.76
39	SBIN	3.57	3.56	3.79	4.03	3.98	3.98	3.94	4.08	4.21	4.40	4.39	4.49
40	SCI	–	–	–	–	–	–	* 0.59	0.48	0.54	0.52	0.49	0.45
41	SMITKLBECH	0.51	0.51	0.51	0.48	0.42	0.40	0.40	0.36	0.34	0.35	0.31	0.31
42	SUNPHARMA	0.88	0.81	0.79	0.85	0.87	0.86	0.85	0.78	0.80	0.81	0.77	0.80
43	TATACHEM	0.25	0.25	0.32	0.36	0.31	0.32	0.28	0.29	0.30	0.31	0.34	0.35
44	TATAPOWER	0.68	0.72	0.79	0.70	0.65	0.64	0.64	0.64	0.64	0.67	0.72	0.73
45	TATATEA	0.28	0.27	0.35	0.31	0.28	0.29	0.27	0.29	0.28	0.27	0.29	0.34
46	TELCO	1.23	1.19	1.49	1.34	1.40	1.39	1.51	1.60	1.46	1.46	1.52	1.57
47	TISCO	1.22	1.24	1.55	1.52	1.43	1.41	1.50	1.52	1.58	1.66	1.61	1.55
48	VSNL	--	* 1.64	1.26	1.09	1.11	1.06	0.84	0.87	0.79	0.75	0.74	0.66
49	WIPRO	10.65	10.89	10.31	8.72	9.23	10.12	10.40	11.56	10.75	9.71	9.96	9.06
50	ZEETELE	2.05	1.69	1.57	1.42	1.43	1.21	1.10	1.19	1.14	1.02	1.01	0.81
	Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

* Denotes the month in which the particular security was included in S&P CNX Nifty Index.
Source: IISL

Annexure 4-4: Beta of S&P CNX Nifty Securities: April 2002 to March 2003

(In per cent)

Sl . No.	Security	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03
1	ABB	0.38	0.41	0.44	0.42	0.41	0.28	0.30	0.39	0.35	0.39	0.34	0.39
2	ACC	1.15	1.10	1.08	1.11	1.09	0.97	1.05	1.07	1.01	0.96	0.96	0.88
3	BAJAJAUTO	0.29	0.38	0.41	0.44	0.46	0.60	0.69	0.76	0.74	0.68	0.72	0.75
4	BHEL	1.12	1.12	1.13	1.08	1.06	1.10	1.12	1.13	1.04	1.04	0.77	0.69
5	BPCL	–	–	–	–	–	–	* 0.98	0.98	1.06	1.09	1.06	1.05
6	BRITANNIA	0.27	0.27	0.26	0.26	0.26	0.29	0.30	0.26	0.16	0.15	0.08	0.07
7	BSES	0.60	0.51	0.50	0.52	0.52	0.46	0.40	0.40	0.45	0.38	0.35	0.34
8	CASTROL	0.27	0.28	0.28	0.29	0.29	0.28	0.24	0.32	0.32	0.36	0.34	0.30
9	CIPLA	0.53	0.51	0.50	0.46	0.46	0.24	0.23	0.22	0.23	0.24	0.31	0.34
10	COLGATE	0.20	0.20	0.22	0.23	0.22	0.18	0.15	0.17	0.14	0.13	0.10	0.07
11	DABUR	0.42	0.43	0.44	0.50	0.54	0.51	0.49	0.43	0.34	0.40	0.45	0.52
12	DIGITALEQP	2.00	1.95	1.87	1.88	1.91	1.87	1.78	1.59	1.55	1.62	1.75	1.75
13	DRREDDY	0.36	0.44	0.42	0.48	0.49	0.67	0.66	0.76	0.76	0.79	0.76	0.74
14	GLAXO	0.62	0.54	0.53	0.50	0.49	0.55	0.52	0.41	0.36	0.38	0.23	0.19
15	GRASIM	0.83	0.80	0.78	0.77	0.73	0.62	0.63	0.71	0.61	0.63	0.51	0.47
16	GUJAMBCEM	0.74	0.70	0.69	0.69	0.67	0.73	0.78	0.81	0.82	0.79	0.58	0.57
17	HCLTECH	–	–	–	–	–	–	* 1.96	1.82	1.72	1.72	1.69	1.78
18	HDFC	0.26	0.20	0.22	0.23	0.24	0.15	0.15	0.16	0.22	0.23	0.19	0.23
19	HDFCBANK	0.61	0.56	0.50	0.48	0.49	0.30	0.28	0.32	0.31	0.31	0.25	0.24
20	HEROHONDA	0.76	0.85	0.86	0.96	0.94	1.16	1.10	1.02	1.04	0.96	0.90	0.82
21	HINDALCO	0.69	0.65	0.63	0.62	0.62	0.60	0.58	0.49	0.43	0.38	0.27	0.27
22	HINDLEVER	0.81	0.86	0.90	0.90	0.90	0.82	0.79	0.82	0.87	0.89	0.98	0.98
23	HINDPETRO	0.85	0.91	0.95	1.05	1.05	1.06	1.17	1.12	1.23	1.34	1.33	1.30
24	ICICIBANK	1.22	1.19	1.25	1.22	1.21	0.97	0.90	0.97	0.92	0.94	0.77	0.73
25	INDHOTEL	0.70	0.73	0.67	0.68	0.68	0.60	0.57	0.66	0.57	0.52	0.45	0.49
26	INFOSYSTCH	1.85	1.77	1.79	1.72	1.70	1.79	1.69	1.59	1.51	1.41	1.46	1.52
27	IPCL	1.04	0.92	0.88	0.87	0.81	0.65	0.69	0.70	0.70	0.68	0.58	0.57
28	ITC	0.65	0.74	0.69	0.67	0.67	0.72	0.63	0.58	0.58	0.57	0.64	0.64
29	L&T	1.19	1.14	1.09	1.06	1.03	0.85	0.84	0.85	0.76	0.75	0.65	0.63
30	M&M	1.24	1.26	1.30	1.35	1.34	1.35	1.40	1.39	1.35	1.32	1.25	1.30
31	MTNL	1.06	1.04	1.07	1.11	1.13	1.11	1.14	1.18	1.21	1.17	0.91	0.76
32	NESTLE	0.05	0.09	0.07	0.06	0.07	0.14	0.14	0.18	0.20	0.18	0.16	0.12
33	NIIT	1.89	1.84	1.72	1.87	1.80	1.95	1.89	1.95	1.99	1.99	2.19	2.34
34	NOVARTIND	0.43	0.43	0.42	0.48	0.48	0.51	0.55	0.50	0.53	0.59	0.51	0.50
35	ORIENTBANK	0.63	0.57	0.60	0.61	0.61	0.59	0.56	0.60	0.61	0.71	0.63	0.61
36	RANBAXY	0.67	0.78	0.77	0.77	0.75	0.72	0.73	0.73	0.69	0.68	0.59	0.58
37	RELIANCE	1.20	1.23	1.23	1.19	1.19	1.14	1.22	1.16	1.14	1.21	1.30	1.30
38	SATYAMCOMP	2.35	2.34	2.28	2.25	2.22	2.43	2.36	2.35	2.17	2.00	2.00	2.09
39	SBIN	1.05	0.99	1.00	1.03	1.03	0.89	0.87	0.94	0.88	0.90	0.73	0.78
40	SCI	–	–	–	–	–	–	* 1.17	1.30	1.54	1.54	1.32	1.37
41	SMITKLBECH	0.25	0.27	0.26	0.28	0.28	0.19	0.20	0.18	0.18	0.14	0.18	0.19
42	SUNPHARMA	0.29	0.28	0.29	0.29	0.29	0.24	0.22	0.23	0.19	0.26	0.28	0.26
43	TATACHEM	0.74	0.73	0.84	0.97	0.94	1.01	0.99	1.05	1.01	1.09	1.09	1.11
44	TATAPOWER	0.85	0.83	0.79	0.85	0.88	1.11	1.17	1.14	1.06	1.03	0.91	0.92
45	TATATEA	0.89	0.90	0.94	0.96	0.96	0.95	0.96	0.99	0.88	0.91	0.96	0.88
46	TELCO	0.95	0.94	1.03	1.05	1.09	1.16	1.27	1.34	1.36	1.36	1.39	1.35
47	TISCO	0.88	0.93	0.98	0.93	0.96	1.02	1.12	1.17	1.14	1.11	1.11	1.18
48	VSNL	–	* 0.67	0.66	0.66	0.63	0.29	0.23	0.31	0.32	0.54	0.54	0.67
49	WIPRO	1.91	1.83	1.74	1.77	1.79	1.98	1.81	1.76	1.68	1.64	1.69	1.73
50	ZEETELE	1.85	1.85	1.81	1.70	1.73	1.94	1.90	1.97	1.87	1.86	1.83	1.77

Beta is calculated for the 12 months ending on the last trading day of the respective month.

* Denotes the month in which the particular security was included in S&P CNX Nifty Index.

Source: IISL

Annexure 4-5: Monthly Returns of S&P CNX Nifty Securities: April 2002 - March 2003

(In per cent)

Sl . No.	Security	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03
1	ABB	0.92	(8.66)	9.44	2.15	2.15	(0.90)	(14.48)	0.06	3.65	12.25	13.72	(9.81)
2	ACC	(1.66)	0.27	5.02	4.03	4.03	(0.25)	(3.52)	23.25	0.79	(13.54)	7.99	(10.15)
3	BAJAJAUTO	5.38	(1.31)	5.63	(0.61)	(0.61)	(6.88)	8.75	12.93	5.17	2.01	0.46	(6.93)
4	BHEL	(0.89)	(8.81)	16.69	1.95	1.95	(10.04)	(5.99)	9.80	4.77	3.82	17.92	5.63
5	BPCL	–	–	–	–	–	–	* 10.06	0.71	13.64	(11.38)	16.56	(0.83)
6	BRITANNIA	(0.97)	(2.70)	(1.60)	2.64	2.64	(1.32)	0.38	(0.22)	(1.68)	(0.45)	1.81	(4.24)
7	BSES	2.80	(1.88)	(2.02)	10.54	10.54	(3.08)	(11.88)	7.57	6.24	(0.05)	3.27	(6.00)
8	CASTROL	(4.64)	5.18	1.66	4.29	4.29	(4.29)	0.05	3.13	7.38	(8.02)	0.18	(2.01)
9	CIPLA	1.34	(3.72)	(5.28)	1.99	1.99	(0.29)	(7.21)	4.06	(1.72)	(7.82)	(6.98)	(7.35)
10	COLGATE	(1.24)	(3.94)	5.30	2.17	2.17	(3.44)	(5.91)	3.95	4.53	0.04	(1.78)	(8.11)
11	DABUR	3.79	(10.34)	(0.87)	2.91	2.91	(4.39)	(3.61)	1.14	(1.57)	3.53	(3.41)	(18.70)
12	DIGITALEQP	22.74	(9.34)	4.04	9.93	9.93	(9.87)	(9.14)	16.85	5.41	(8.51)	13.13	(7.47)
13	DRREDDY	(8.40)	(4.89)	(0.52)	5.40	5.40	(6.66)	(16.46)	9.21	18.05	0.58	(3.03)	4.56
14	GLAXO	24.43	(14.60)	1.35	(1.63)	(1.63)	(2.05)	(12.65)	(0.59)	(4.65)	(1.93)	3.72	(5.89)
15	GRASIM	(0.40)	2.90	7.52	1.39	1.39	(1.68)	(2.25)	(5.22)	9.84	3.32	7.88	(5.87)
16	GUJAMBCEM	(0.62)	(0.68)	3.44	(3.00)	(3.00)	(0.79)	(4.80)	5.56	(0.61)	(3.34)	2.41	(1.05)
17	HCLTECH	–	–	–	–	–	–	* (22.34)	17.02	(2.25)	(13.25)	8.33	(13.98)
18	HDFC	(4.45)	(8.21)	8.93	(7.83)	(7.83)	2.76	4.78	9.04	4.73	4.67	(0.08)	(11.59)
19	HDFCBANK	(7.19)	4.46	(12.14)	(1.50)	(1.50)	4.32	(13.13)	2.71	10.77	9.74	5.38	(6.12)
20	HEROHONDA	4.93	(8.53)	(4.82)	0.71	0.71	(3.29)	(9.09)	20.99	(6.27)	(4.94)	(12.53)	(15.61)
21	HINDALCO	(5.43)	(4.90)	2.53	(5.05)	(5.05)	(12.05)	(5.64)	9.56	8.53	2.38	(2.13)	(8.97)
22	HINDLEVER	(10.06)	(8.49)	4.18	9.28	9.28	(7.55)	(7.19)	7.18	5.85	(5.81)	(1.05)	(12.40)
23	HINDPETRO	(1.84)	(9.06)	2.37	(0.16)	(0.16)	(38.17)	25.70	3.46	31.11	0.99	7.87	(6.11)
24	ICICIBANK	(9.08)	22.73	(0.40)	2.13	2.13	(2.30)	(3.85)	(1.30)	5.52	6.69	(0.40)	(10.42)
25	INDHOTEL	4.50	(4.47)	(5.71)	(3.33)	(3.33)	(3.31)	(0.17)	11.73	16.61	(6.61)	16.10	(11.44)
26	INFOSYSTCH	(1.72)	(8.02)	(3.19)	18.82	18.82	(5.49)	11.46	20.05	4.72	(9.91)	(0.34)	(5.43)
27	IPCL	33.09	35.59	1.03	(48.81)	(48.81)	(15.89)	0.46	11.88	7.42	13.75	1.06	(7.61)
28	ITC	(9.62)	(3.28)	5.23	11.22	11.22	(7.07)	(5.52)	3.39	4.09	(3.35)	1.89	(3.46)
29	L&T	(3.82)	(0.23)	3.37	15.69	15.69	(8.71)	12.47	8.78	4.00	(13.03)	8.11	(7.98)
30	M&M	(7.80)	(15.55)	27.70	(6.08)	(6.08)	(5.31)	1.95	26.75	6.52	(14.01)	13.56	(9.85)
31	MTNL	(1.67)	(13.89)	14.81	1.32	1.32	(15.98)	(13.69)	8.59	(7.96)	22.63	(13.29)	(4.81)
32	NESTLE	(0.95)	0.11	1.02	8.92	8.92	2.69	(3.42)	(2.15)	(2.80)	3.07	(0.83)	0.22
33	NIIT	19.44	(9.85)	(0.24)	4.34	4.34	(9.29)	(7.26)	36.61	12.87	(28.10)	0.93	(29.00)
34	NOVARTIND	7.17	(9.20)	1.48	(3.40)	(3.40)	(7.45)	(10.72)	10.30	20.88	(3.49)	(8.60)	(8.04)
35	ORIENTBANK	6.59	0.48	5.33	0.00	0.00	(2.73)	(1.47)	7.68	14.38	8.15	7.91	10.52
36	RANBAXY	(3.10)	(9.28)	14.40	5.57	5.57	2.04	(6.79)	2.20	10.80	9.52	(5.44)	1.39
37	RELIANCE	(7.31)	(5.34)	2.24	4.56	4.56	1.00	2.89	8.44	3.49	(7.69)	7.16	(5.65)
38	SATYAMCOMP	(1.85)	(15.50)	3.99	16.39	16.39	(10.01)	8.55	17.10	1.31	(19.62)	0.98	(21.58)
39	SBIN	3.66	(3.64)	9.51	4.12	4.12	(4.74)	(0.11)	14.37	7.61	(0.44)	1.85	(5.79)
40	SCI	–	–	–	–	–	–	* (12.36)	(9.82)	16.68	(7.85)	(3.54)	(15.67)
41	SMITKLBECH	0.52	(2.33)	1.67	(8.42)	(8.42)	(8.11)	0.13	0.70	(4.02)	(0.34)	(9.01)	(8.41)
42	SUNPHARMA	(5.66)	(11.21)	0.21	8.27	8.27	(5.43)	(0.97)	1.31	6.91	(3.41)	(3.17)	(3.43)
43	TATACHEM	4.45	(2.84)	32.96	(7.78)	(7.78)	(3.45)	(10.23)	13.70	6.99	0.34	10.28	(4.90)
44	TATAPOWER	(1.10)	2.41	13.64	(1.78)	(1.78)	(6.08)	0.42	10.97	4.69	(0.54)	10.04	(7.44)
45	TATATEA	(1.92)	(5.95)	34.12	(4.08)	(4.08)	(2.21)	(4.74)	17.85	(0.03)	(7.53)	10.44	6.47
46	TELCO	2.46	(6.20)	28.32	9.76	9.76	(5.09)	9.33	16.89	(4.61)	(4.83)	6.22	(4.60)
47	TISCO	13.96	(1.66)	28.53	(1.00)	(1.00)	(5.91)	7.78	11.33	8.64	0.33	(1.09)	(11.10)
48	VSNL	--	* (2.58)	(20.89)	6.63	6.63	(8.84)	(19.53)	13.59	(4.60)	(10.51)	1.82	(18.45)
49	WIPRO	(9.41)	(1.28)	(2.65)	11.61	11.61	4.41	3.82	22.65	(3.21)	(13.97)	4.71	(16.06)
50	ZEETELE	(0.21)	(20.52)	(4.48)	6.00	6.00	(19.42)	(8.03)	19.49	(0.26)	(14.61)	1.14	(26.05)
	All Securities	**(3.99)**	**(5.14)**	**2.82**	**(9.35)**	**5.39**	**(4.69)**	**(1.22)**	**10.38**	**4.13**	**(4.72)**	**2.07**	**(8.01)**

Returns are calculated for the respective months.

* Denotes the month in which the particular security was included in S&P CNX Nifty Index.

Source: IISL

Annexure 4-6: Business Growth of CM Segment of NSE

Month/ Year	No. of Trading Days	No. of Companies Traded	No. of Trades (mn.)	Traded Quantity (mn.)	Turnover (Rs. mn.)	Average Daily Turnover (Rs. mn.)	Turnover Ratio (%)	Demat Securities Traded (mn.)	Demat Turnover (Rs. mn.)	Demat Turnover as a % of Total Turnover	Market Capitali-sation (Rs. mn.)*
Nov 94-Mar 95	**102**	**–**	**0.3**	**139**	**18,050**	**177**	**–**	**–**	**–**	**–**	**3,633,500**
1995-96	**246**	**–**	**7**	**3,991**	**672,870**	**2,735**	**–**	**–**	**–**	**–**	**4,014,590**
1996-97	**250**	**–**	**26**	**13,556**	**2,954,030**	**11,816**	**–**	**–**	**–**	**–**	**4,193,670**
1997-98	**244**	**–**	**38**	**13,569**	**3,701,930**	**15,172**	**–**	**–**	**–**	**–**	**4,815,030**
1998-99	**251**	**–**	**55**	**16,533**	**4,144,740**	**16,513**	**–**	**854**	**238,180**	**5.75**	**4,911,751**
1999-00	**254**	**–**	**98**	**24,270**	**8,390,515**	**33,034**	**–**	**15,377**	**7,117,057**	**84.82**	**10,204,257**
Apr-00	18	1,059	7	1,339	572,290	31,794	6.76	1,168	520,209	90.90	8,463,910
May-00	22	1,050	11	1,648	790,370	35,926	10.00	1,454	729,948	92.36	7,904,780
Jun-00	22	1,058	13	1,961	1,193,730	54,260	14.00	1,739	1,119,255	93.76	8,525,540
Jul-00	21	1,050	12	1,911	1,100,562	52,408	14.74	1,711	1,018,470	92.54	7,464,022
Aug-00	22	1,038	14	2,346	1,253,470	56,976	15.78	2,118	1,161,860	92.69	7,945,160
Sep-00	20	1,035	14	2,595	1,424,800	71,240	19.51	2,417	1,357,140	95.25	7,303,500
Oct-00	21	993	13	2,415	1,068,540	50,883	15.11	2,186	995,670	93.18	7,071,210
Nov-00	22	1,006	15	3,191	1,227,310	55,787	16.06	2,886	1,133,350	92.34	7,641,770
Dec-00	20	1,008	16	3,579	1,314,150	65,708	17.28	3,216	1,207,739	91.90	7,603,910
Jan-01	22	978	19	4,215	1,488,300	67,650	18.43	4,079	1,439,120	96.70	8,076,410
Feb-01	20	984	19	4,827	1,359,320	67,966	17.22	4,822	1,358,500	99.94	7,896,000
Mar-01	21	964	14	2,928	602,260	28,679	9.16	2,927	602,110	99.98	6,578,470
2000-01	**251**	**1,201**	**168**	**32,954**	**13,395,102**	**53,367**	**--**	**30,722**	**12,643,372**	**94.39**	**6,578,470**
Apr-01	19	951	11	2,078	356,160	18,745	5.45	2,073	356,051	99.97	6,537,200
May-01	22	954	14	2,572	483,290	21,968	8.16	2,571	483,290	99.98	5,924,370
Jun-01	21	963	13	2,234	427,830	20,373	7.51	2,193	426,254	99.63	5,697,965
Jul-01	22	924	10	1,314	272,278	12,376	4.74	1,314	272,266	99.98	5,742,599
Aug-01	21	931	11	1,594	294,172	14,008	5.11	1,593	294,150	99.99	5,752,425
Sep-01	20	917	14	1,734	353,230	17,662	6.94	1,734	353,227	99.99	5,091,050
Oct-01	21	917	14	1,980	353,260	16,822	6.59	1,980	353,240	99.99	5,358,460
Nov-01	20	920	15	2,535	421,320	21,066	7.25	2,530	421,210	99.97	5,813,860
Dec-01	19	895	18	3,178	544,680	28,667	9.85	3,178	544,646	99.99	5,529,080
Jan-02	23	896	21	3,438	687,190	29,878	12.19	3,422	686,063	99.84	5,636,830
Feb-02	20	840	18	2,855	495,640	24,782	7.97	2,855	495,640	100.00	6,215,230
Mar-02	19	840	16	2,329	442,625	23,296	6.95	2,329	442,624	100.00	6,368,610
2001-02	**247**	**1,019**	**175**	**27,841**	**5,131,674**	**20,776**	**--**	**27,772**	**5,128,661**	**99.94**	**6,368,610**
Apr-02	22	843	20	2,880	533,200	24,236	8.21	2,878	533,159	99.99	6,495,510
May-02	22	821	22	3,530	549,791	24,990	8.70	3,530	549,791	100.00	6,316,092
Jun-02	20	825	19	3,852	442,411	22,121	6.70	3,852	442,411	100.00	6,599,910
Jul-02	23	820	21	3,682	513,984	22,347	8.44	3,682	513,984	100.00	6,086,430
Aug-02	21	806	19	2,600	461,131	21,959	7.29	2,600	461,131	100.00	6,326,180
Sep-02	20	806	18	2,558	464,986	23,249	7.75	2,558	464,986	100.00	5,996,032
Oct-02	21	770	20	2,646	519,022	24,715	8.55	2,646	519,022	100.00	6,067,880
Nov-02	19	767	17	2,363	513,515	27,027	7.96	2,363	513,515	100.00	6,453,880
Dec-02	21	762	22	3,302	619,733	29,511	9.21	3,302	619,733	100.00	6,728,620
Jan-03	23	763	24	3,634	647,622	28,157	11.32	3,634	647,622	100.00	5,722,766
Feb-03	19	760	19	2,868	482,892	25,415	8.30	2,868	482,892	100.00	5,819,850
Mar-03	20	762	18	2,492	431,599	21,580	8.04	2,492	431,599	100.00	5,371,332
2002-03	**251**	**899**	**240**	**36,407**	**6,179,886**	**24,621**	**--**	**36,405**	**6,179,845**	**100.00**	**5,371,332**

* At the end of the period.
Source: NSE