



Secondary Market

Despite the Kargil conflict and elections during the year, the Indian markets experienced one of its longest bull runs. With the end of the Kargil conflict, a more stable political outlook and the long awaited revival in the economy, the year ended on a strong note. Cumulative net FII investments crossed the \$10 billion mark.

The year 1999 saw the S&P CNX Nifty scale new peaks. It first breached its all time high of 1384.94 (September 12, 1994) on August 24, 1999, then breached the crucial 1500 mark on October 8, 1999 to touch its highest level of 1522.85 on October 14, 1999 before closing at 1480.45 on December

30, 1999. The S&P CNX Nifty yielded an annual return of 67.42%.

The rally in the markets initially started off only in the blue-chip stocks but later turned broadbased with the focus shifting towards the midcap and smallcap segments. The CNX Nifty Junior gained new peaks, increasing 162.26% during the year. With listing of Indian IT companies on foreign bourses, the IT stocks attained global valuations. This led to a rush towards infotech stocks which experienced substantial appreciation in their market value. The CNX IT Sector Index appreciated 491% during the year.

Figure 4: S&P CNX NIFTY Closing Values

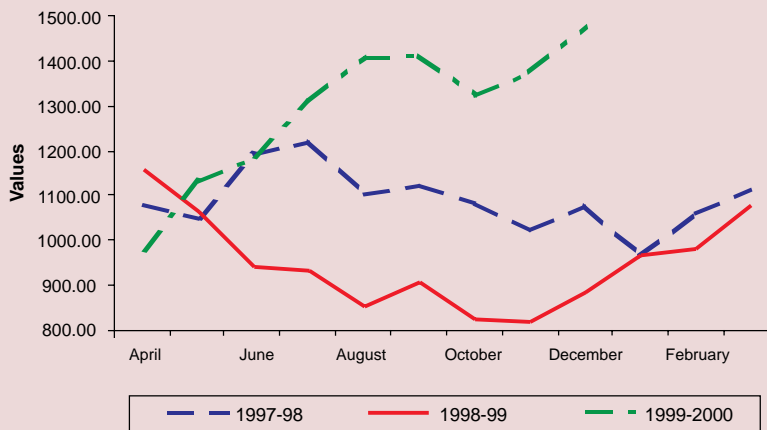
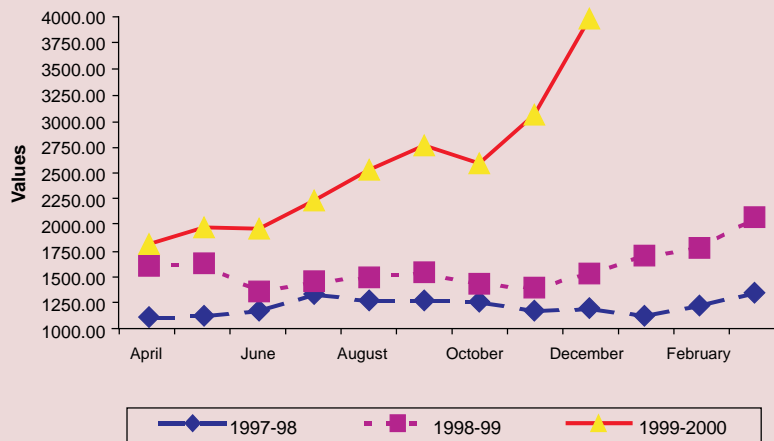


Figure 5: CNX NIFTY Junior Closing Values



The movements of Nifty and Nifty Junior since April 1997 are presented in Figures 4 and 5 respectively.

Composition of S&P CNX Nifty

The S&P CNX Nifty is reviewed once every quarter by the Index Maintenance Sub-Committee under the guidelines framed by the Index Policy Committee. Based on the quarterly reviews of the indices during the year, 5 companies were replaced from the S&P CNX Nifty. The first replacements were made on May 26, 1999 when Arvind Mills Ltd., Great Eastern Shipping Corporation Ltd. and Reliance Capital Ltd. were replaced by Dr. Reddy’s Laboratories Ltd, Novartis Ltd and Reckitt & Colman Ltd. In September 1999, Industrial Finance Corporation of India Ltd. and Indian Rayon Ltd. were replaced by Satyam Computer Services Ltd. and Britannia Industries Ltd.

Market Capitalisation

The S&P CNX Nifty accounted for about 42% of the total market capitalisation of stocks on the NSE as on December 30, 1999 as against 48% at the end of March 1999. The industry weightages in market capitalisation have experienced a marked shift during 1999. Infosys Technologies Ltd. leads

with highest market capitalisation. Out of the top 5 weighted industries at the end of 1998, only two - Diversified and Petrochemicals - figure in the top 5 at the end of 1999. The new industries which now figure among the top 5 weighted industries are Computers - Software, Refineries and Pharmaceuticals. Diversified which had the largest market cap in 1998 is now second with Computers - Software sector commanding the highest weightage in the index. Of the 23 sectors represented by the S&P CNX Nifty, 19 experienced a gain while only 4 experienced a loss. The sectors which experienced a fall in market capitalisation were Hotels, Lubricants, Electrical Equipment and Cigarettes.

Annexures II through V present the market capitalisation, weightage and beta of the 50 S&P CNX Nifty stocks since April 1998 onwards. The frequency distribution of the market capitalisation of the S&P CNX Nifty stocks as on the last day of the financial year is shown in Figure 7.

Beta

The b value measures the co-movement of a stock’s return with the index return and explains the degree of variation in return of a scrip from the concerned market. A major inference of the classical portfolio

