Primary Market

Introduction

Primary market provides opportunity to issuers of securities, Government as well as corporate, to raise resources to meet their requirements of investment and/or discharge some obligation. The issuers create and issue fresh securities in exchange of funds through public issues and/or as private placement. They may issue the securities at face value, or at a discount/premium and these securities may take a variety of forms such as equity, debt or some hybrid instrument. They may issue the securities in domestic market and/or international market through ADR/GDR/ECB route. This chapter presents developments in primary market for corporate securities in India, both equity and debt, while the primary market for government securities is discussed in Chapter 6.

The resources raised from domestic as well as international markets by issuers are presented in Table 2-1. During 2001-02, a total of Rs. 226,911 crore were mobilised by the government and corporate sector from the primary market through public issues

Table 2-1: Resource Mobilisation by Government and Corporate Sector

(Rs. crore)

Issues	2000-01	2001-02
Corporate Securities	**78,396**	**74,403**
Domestic Issues	74,199	72,061
Public Issues	6,362	7,112
Non-Govt. Public Companies	4,890	5,692
PSU Bonds	-	-
Govt. Companies	-	350
Banks & FIs	1,472	1,070
Private Placement	67,836	64,950
Euro Issues	4,197	2,342
Government Securities	**128,483**	**152,508**
Central Government	115,183	133,801
State Governments	13,300	18,707
Total	**206,879**	**226,911**

Source: RBI.

and private placement. The public issues market for corporate securities remained subdued since 1995-96 due to discouraging global economic trends, prolonged depressed conditions in the secondary market, high real interest rates and stringent entry norms. This trend was further reinforced by low confidence of investors arising from unduly high premia charged on issues made in earlier years and disappearance of some of these issuers. The substantial decline in the valuations of the IT and media industry stocks in 2000-02 and lack of demonstrable punishment to miscreant issuers dampened investors' sentiment in 2001-02 when corporate could raise only Rs. 7,112 crore through public issues. The corporate sector is finding it more attractive to mobilise funds from the private placement market, which provides them flexibility in terms of time and cost involved in raising funds and is less rigourously regulated than public issues market. The private placement dominated the primary corporate market, accounting for over 90% of total resources mobilised domestically by non-government entities. Corporate entities mobilised Rs. 64,950 crore during 2001-02 through the private placement, essentially through debt securities, with public sector units (PSUs) meeting their resource requirements almost exclusively through this route. The public sector entities accounted for 56% of total resource mobilisation by way of private placements, while private corporate sector accounted for 80% of total resource mobilisation by way of public issues. Thus, the private placement is dominated by the public sector entities and public issues by private corporate entities. The government raised Rs. 152,508 crore from the primary market in 2001-02 to meet its requirements, the detailed analysis of which is given in Chapter 6. If the amounts raised through private placement, public and rights issues, and government securities are added, the resources raised during 2001-02 are fairly high, contrary to the prevailing perception that the resource mobilization through securities market has declined.

While Table 2-1 is based on RBI data, detailed analysis of various facets of public issues and private placement by corporate is based on data from SEBI and Prime Database respectively.

Policy Developments

Various measures were initiated by the Government, RBI and SEBI to refine the market design of the primary market further and improve the market sentiments. Measures initiated during the April 2001 to June 2002 are detailed below:

Union Budget 2001-02

To help revive investor interest in primary issues, the Union Budget of 2001-02 exempted long term capital gains arising from the sale of securities and units if such gains are reinvested in primary issues of shares of public companies.

Definition of Securities

The definition of "Securities" in the Securities Contracts (Regulation) Act, 1956 was amended by the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002 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. With this amendment, the "Securities" now include-

i. Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or body corporate;

ii. Derivative;

iii. Units or any other instrument issued by any collective investment scheme to the investors in such schemes;

iv. Security receipt;

v. Government securities;

vi. Such other instruments as may be declared by the Central Government to be securities; and

vii. Rights or interests in securities.

DIP Guidelines

The SEBI (Disclosure and Investor Protection) guidelines, 2000 were amended on 17th July 2001 to provide for the following:

i. Foreign Venture Capital Investors (FVCIs) registered with SEBI and SIDCs would be eligible to participate in public issues through the book building route as QIBs.

ii. The pre-issue share capital of an unlisted company held by VCFs and FVCIs registered with SEBI shall not be subject to lock-in requirements. However, these would be locked-in as per VCF and FVCI Regulations.

iii. The requirements for filling the post-issue monitoring reports with SEBI for both book built portion and fixed price portion were revised.

iv. In view of the amendments in the SC(R) Rules, 1957 providing for public offer of at least 10% instead of 25% subject to certain conditions, sector-wise exemption was deleted.

v. Unlisted companies, which have allotted shares to holders of securities in a listed company pursuant to a scheme of reconstruction or amalgamation sanctioned by the appropriate High Court, have been approaching SEBI for seeking exemption from making a public offer for listing their shares. Exemptions, subject to fulfillment of certain conditions, are already being granted by way of communication to the Stock Exchanges. For the sake of greater transparency, the requirements in this regard were incorporated.

vi. The requirements related to issue of reports by an issuer company in respect of public issues and rights issues were laid down.

vii. The restriction of a minimum public issue size of Rs. 25 crore in case of an IPO through book building route was removed. For the under-subscribed portion of the fixed price portion in a book building issue, the issuer company has the option to allocate it to any category as it deems fit and also has the option to let the under-subscribed portion lapse.

viii. The requirement of documents to be submitted to SEBI for issue of no objection certificate for the release of 1% security deposit kept with the regional stock exchange was modified.

Book Building

The DIP Guidelines were amended on 29th November 2001 to introduce the facility of 100% book building for companies desirous of coming out with a public issue. These amendments came into force for the issues opening on or after December 1, 2001. The amended guidelines provided that an issuer company may make an issue of securities to public through a prospectus in the following manner:-

a 100% of the net offer to the public through book building process, or

b 75% of the net offer to the public through book building process and 25% at the price determined through book building.

In such cases, the red herring prospectus shall disclose only the floor price of the securities offered through it and shall not mention the maximum price or the indicative price band. The online, real time graphical display of demand and bid prices at the bidding terminals, shall be made. The book running lead manager shall ensure the availability of adequate infrastructure for data entry of the bids on a real time basis. The number of bidding centres, in case 75% of the net offer to the public is offered through the book building process, shall not be less than the number of mandatory collection centres. In case 100% of the net offer to the public is made through book building process, the bidding centres shall be at all places, where the recognised stock exchanges are situated.

In case an issuer company makes an issue of 100% of the net offer to public through 100% book building process:

a Not less than 25% of the net offer to the public shall be available for allocation to retail individual investors i.e. investors applying for up to 1000 securities;

b Not less than 15% of the net offer to the public shall be available for allocation to non institutional investors i.e. investors applying for more than 1000 securities;

c Not more than 60% of the net offer to the public shall be available for allocation to Qualified Institutional Buyers (QIBs).

In case an issuer company makes an issue of 75% of the net offer to public through book building process and 25% at the price determined through book building

a In the book built portion, not less than 15% of the net offer to the public, shall be available for allocation to non institutional investors and not more than 60% of the net offer to the public shall be available for allocation to QIBs.

b The balance 25% of the net offer to the public, offered at a price determined through book building, shall be available only to retail individual investors who have either not participated or have not received any allocation, in the book built portion.

Issue of Debt Securities

The DIP Guidelines were further amended on 11th January 2002 to introduce the facility of issue of debt securities without issue of equity, for companies desirous of coming out with a public issue. The amended guidelines provide that an unlisted company may make a public issue of non convertible debt securities (NCDS)/debt securities convertible into equity (DSCE) after allotment and make an application for listing of the same in the Stock Exchange/s without making a prior public issue of equity and listing thereof, on fulfillment of the following:

a The NCDS shall carry a credit rating not below investment grade at least from one registered Credit Rating Agency (CRA). Where the issue size of the NCDS is Rs. 100 crore or more, such rating shall be obtained from at least two CRAs.

b The promoters' contribution of at least 20% of the project cost, i.e. objects proposed to be inter alia financed through the issue, shall be brought in the form of equity. Where the promoters' contribution exceeds Rs. 100 crore, the promoters shall bring in Rs. 100 crore before the opening of the public issue and the remaining shall be brought in on pro rata basis, before calls on the NCDS are made. The promoters' contribution of 20% of equity shall be locked in for a period of 3 years from the date of allotment in the public issue of NCDS.

c The issuer company shall comply with the requirements of continuing disclosures as specified under the listing agreement to be entered into with concerned stock exchanges as is applicable for listing of equity shares.

A municipal corporation which has no share capital may, subject to the aforesaid provisions, make a public issue of the NCDS and list the same on stock exchange/s.

Debenture Redemption Reserve

The Section 117C of the Companies Act, 1956 contemplates the creation of security and liquidity to ensure timely repayment by companies on redemption of debentures and thereby afford protection to the debenture holders. It requires every company to create a Debenture Redemption Reserve (DRR) to which 'adequate amounts' shall be credited out of its 'profits' every year until such debentures are redeemed, and shall utilise the same exclusively for redemption of a particular set or series of debentures only. The Department of Company Affairs issued following clarifications in this regard:

a No DRR is required for debentures issued by All India Financial Institutions (AIFIs) regulated by RBI and banking companies for both public as well as privately placed debentures.

b For other FIs and for NBFCs registered with RBI, the adequacy of DRR will be 50% of the value of debentures issued through public issue and no DRR would be required in the case of privately placed debentures.

c For manufacturing and infrastructure companies, the adequacy of DRR would be 50% of the value of debentures issued through public issue and 25% for privately placed debentures.

d Section 117C of the Companies Act would apply to debentures issued and pending to be redeemed and as such DRR is required to be created for debentures issued prior to December 13, 2000.

e Section 117C would also apply to non-convertible portion of debentures issued whether they are fully or partly convertible.

Primary Market Advisory Committee

In a meeting held on January 21, 2002, the Primary Market Advisory Committee of SEBI made the following recommendations:

a A core listing committee comprising of MD of NSE, ED of BSE or their representative and ED of the exchange where listing is sought, may be constituted for listing of securities of any company in any exchange. SEBI would work out the common standards and modalities for the committee.

b SEBI may examine allowing simultaneous offerings in domestic and overseas markets.

c There is a need to impose higher disclosures in the cases of mergers, de-mergers etc., which have major implication on valuation. SEBI may, therefore, examine stipulating disclosure requirements in explanatory statements or as appendix to the notice for general meeting.

d SEBI may examine the issue of limited disclosure requirements where the offerings are made to Qualified Institutional Buyers only and also the concept of 'confidential filing' by issuers.

e In addition to other modes of payment in public/rights issues, electronic transfer of funds may also be allowed.

f Advertisement should give 'material and critical' disclosures and the prospective investors may be advised to go through the offer document for other details. A sub-committee should draft a standard format for disclosure in advertisements.

g SEBI should consider stipulating norms and sales code for distributors of primary issuers.

h The financials of the issuer company on a consolidated basis as well as the standalone financials of the issuer company should be considered for determining eligibility norms for coming out with public issues under the SEBI (DIP) Guidelines.

i The draft and final prospectus may be made available on the web sites of issuers and lead managers either directly or through a link facility to the SEBI web-site. The drafts may be kept on the site till listing of securities.

j The time period for allotment should be reduced from present 15 days to 7 days from the date of closure of the public issue. This would enable listing within 14 days from the issue closure date and provide speedier exit route to investors.

k The MNCs which were permitted to start operations in India on the conditions that after few years they have to make a certain percentage of their shares available to the public have not done so. The matter should be taken up with the authorities to ensure that the conditions are honoured.

Market Design

The market design for primary market is provided in the provision of the Companies Act, 1956, which deals with issues, listing and allotment of securities. In addition, DIP guidelines issued under securities laws by SEBI prescribe a series of disclosures norms to be complied about by issuer, promoter, management, project, risk factors and eligibility norms for accessing the market. However, in this section, the market design as provided in securities laws has been discussed.

DIP Guidelines, 2000

The issues of capital to public by Indian companies are governed by the Disclosure and Investor Protection (DIP) Guidelines of SEBI, which were issued in June 1992. SEBI has been issuing clarifications to these guidelines from time to time aiming at streamlining the public issue process. In order to provide a comprehensive coverage of all DIP guidelines, SEBI issued a compendium series in January 2000, known as SEBI (DIP) Guidelines, 2000. The guidelines provide norms relating to eligibility for companies issuing securities, pricing of issues listing requirements, disclosure norms, lock-in period for promoters' contribution, contents of offer documents, pre-and post-issue obligations, etc. The guidelines apply to all public issues, offers for sale and rights issues by listed and unlisted companies.

Eligibility Norms

Any company issuing securities through the offer document has to satisfy the following conditions:

- A company making a public issue of securities has to file a draft prospectus with

SEBI, through an eligible merchant banker, at least 21 days prior to the filing of prospectus with the Registrar of Companies (ROCs). The filing of offer document is mandatory for a listed company issuing security through a rights issue where the aggregate value of securities, including premium, if any, exceeds Rs. 50 lakh. A company cannot make a public issue unless it has made an application for listing of those securities with stock exchange(s). The company must also have entered into an agreement with the depository for dematerialisation of its securities and also the company should have given an option to subscribers/shareholders/investors to receive the security certificates or securities in dematerialised form with the depository. A company cannot make an issue if the company has been prohibited from accessing the capital market under any order or discretion passed by SEBI.

- An unlisted company can make public issue of equity shares or any other security convertible into equity shares, on fixed price basis or on book building basis, provided (i) it has a pre-issue net worth of not less than Rs. 1 crore in 3 out of the 5 preceding years and has minimum net worth in immediately preceding two years, (ii) it has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least 3 out of the preceding 5 years, and (iii) the issue size (offer through offer document + firm allotment + promoters contribution through the offer document) does not exceed five times its pre-issue net worth. A listed company is eligible to make a public issue, on fixed price basis or on book building basis, if the issue size does not exceed five times its pre-issue net worth. If the company, listed or unlisted, does not meet the above criteria, then the issue will have to be compulsorily made through book building route. In such a case, 60% of the issue size will have to be allotted to the 'Qualified Institutional Buyers'.
- Infrastructure companies are exempt from the requirement of eligibility norms if their project has been appraised by a public financial institution or infrastructure development finance corporation or infrastructure leasing and financing services and not less than 5% of the project cost is financed by any of the institutions, jointly or severally, by way of loan and/or subscription to equity or a combination of both. Banks and rights issues of listed companies are also exempt from the eligibility norms.
- For public and rights issues of debt instruments irrespective of their maturities or conversion period, it is mandatory to obtain credit rating from a registered credit rating agency and to disclose the same in the offer document. If the credit rating is obtained from more than one credit rating agency, all the credit ratings, including the rejected ones, need to be disclosed. For a public and rights issue of debt securities with issue size greater than or equal to Rs. 100 crore, credit rating from two rating agencies is mandatory. In case of issue of debentures with maturity of more than 18 months, the issuer shall create a debenture redemption reserve and appoint a debenture trustee to protect the interest of debenture holders.

Thus the quality of the issue is demonstrated by track record/appraisal by approved financial institutions/credit rating/subscription by QIBs.

Pricing of Issues

The companies eligible to make public issue can freely price their equity shares or any security convertible into equity at a later date in cases of public/rights issues by listed companies and public issue by unlisted companies. In addition, eligible infrastructure companies can freely price their equity shares subject to compliance of disclosure norms of SEBI. The public and private sector banks can also freely price their shares subject to approval by RBI. A company may issue shares to applicants in the firm allotment category at higher price than the price at which securities are offered to public. A listed company making a composite issue of capital may issue securities at differential prices in its public and rights issue. Further, an eligible company is free to make public/rights issue in any denomination determined by it in accordance with the Companies Act, 1956 and SEBI norms.

Contribution of Promoters and lock-in

The promoters' contribution in case of public issues by unlisted companies and promoters' shareholding in case of 'offers for sale' should not be less than 20% of the post issue capital. In case of public issues by listed companies, promoters should contribute to the extent of 20% of the proposed issue or should ensure post-issue holding to the extent of 20% of the post-issue capital. For composite issues, the promoters' contribution should either be 20% of the proposed public issue or 20% of the post-issue capital. The promoters should bring in the full amount of the promoters contribution including premium at least one day prior to the issue opening date. The requirement of promoters contribution is not applicable in case of (i) public issue of securities which has been listed on a stock exchange for at least 3 years and has a track record of dividend payment for at least 3 immediate preceding years, (ii) companies where no identifiable promoter or promoter group exists, and (iii) rights issues.

For any issue of capital to the public, the minimum promoter's contribution is locked in for a period of 3 years. If the promoters contribution exceeds the required minimum contribution, such excess is locked in for a period of one year. Securities allotted in firm allotment basis are also locked in for a period of one year. The locked-in securities held by promoters may be pledged only with banks or FIs as collateral security for loans granted by such banks or FIs.

Issue Obligations

The lead merchant banker plays an important role in the pre-issue obligations of the company. He exercises due diligence and satisfies himself about all aspects of offering, veracity and adequacy of disclosures in the offer document. Each company issuing securities has to enter into a Memorandum of Understanding with the lead merchant banker, which specifies their mutual rights, liabilities and obligations relating to the issue. In case of under-subscription of an issue, the lead merchant banker responsible for underwriting arrangements has to invoke underwriting obligations and ensure that the underwriters pay the amount of devolvement. It should ensure the minimum number of collection centres. It should also ensure that the issuer company has entered into an agreement with all the depositories for dematerialization of securities. All the other formalities related to post-issue obligations like, allotment, refund and despatch of certificates are also taken care by the lead merchant banker.

Book Building

Book building is a process of offering securities in which bids at various prices from investors through syndicate members and based on bids, demand for the security is assessed and its price discovered. In case of normal public issue, the price is known in advance to investor and the demand is known at the close of the issue. In case of public issue through book building, demand can be known at the end of everyday but price is known at the close of issue.

An issuer company proposing to issue capital through book building has two options viz., 75% book building route and 100% book building route. In case of 100% book building route is adopted, not more than 60% of net offer to public can be allocated to QIBs, not less than 15% of the net offer to the public can be allocated to non-institutional investors applying for more than 1,000 shares and not less than 25% of the net offer to public can be allocated to retail investors applying for upto 1,000 shares. In case 75% of net public offer is made through book building, not more than 60% of the net offer can be allocated to QIBs and not less than 15% of the net offer can be allocated to non-institutional investors. The balance 25% of the net offer to public, offered at a price determined through book building, are available to retail individual investors who have either not participated in book building or have not received any allocation in the book built portion. Allotment to retail individual or non-institutional investors is made on the basis of proportional allotment system. Allotment to institutional investors is made on a discretionary basis. Allotment is done within 15 days of the closure of the issue. In case of under subscription in any category, the unsubscribed portions are allocated to the bidders in other categories. The book built portion, 100% or 75%, as the case may be, of the net offer to public, are compulsorily underwritten by the syndicate members or book runners.

Other requirements for book building include: issuer to provide indicative floor price and no ceiling price, bids to remain open for at least 5 days, only electronic bidding is permitted; bids are submitted through syndicate members; investors can bid at any price, retail investor have option to bid at cut off price, they can revise their bids, bidding demand is displayed at the end of every day; the lead manager analyses the demand generated and determines the issue price in consultation with the issuer, etc. The 100% book building has made the primary issuance process comparatively faster and cost effective and trading can commence from T+16.

On line IPOs

A company proposing to issue capital to public through on-line system of the stock exchange has to comply with Section 55 to 68A of the Companies Act, 1956 and SEBI (DIP) Guidelines, 2000. The company is required to enter into an agreement with the stock exchange(s) which have the requisite system for on-line offer of securities. The agreement should cover rights, duties, responsibilities and obligations of the company and the stock exchanges inter-se, with provision for a dispute resolution mechanism between the company and the stock exchange. The issuer company appoints a Registrar to the Issue having electronic connectivity with the stock exchanges. The issuer company can apply for listing of its securities at any exchange through which it offers its securities to public through on-line system, apart from the requirement of listing on the regional stock exchange. The stock exchange appoints brokers for the purpose of accepting applications and placing orders with the company. The lead manager would co-ordinate all the activities amongst various intermediaries connected in the system.

In addition to the above, the DIP guidelines also provide details of the contents of the offer document and advertisement, other requirements for issues of securities, like those under Rule 19(2) (b) of SC(R) Rules, 1957. The guidelines also lay down detailed norms for issue of debt instruments, issue of capital by designated financial institutions, and preferential/bonus issues.

Credit Rating

Credit rating is governed by the SEBI (Credit Rating Agencies) Regulations, 1999. The Regulations cover rating of securities only and not rating of fixed deposits, foreign exchange, country ratings, real estates etc. CRAs can be promoted by public financial institutions, scheduled commercial banks, foreign banks operating in India, foreign credit rating agencies recognised in the country of their incorporation, having at least five years experience in rating, or any company or a body corporate having continuous net worth of minimum Rs.100 crore for the previous five years. CRAs would be required to have a minimum net worth of Rs. 5 crore. No Chairman, Director or Employee of the promoters shall be Chairman, Director or Employee of CRA or its rating committee. A CRA can not rate (i) a security issued by its promoter, (ii) securities issued by any borrower, subsidiary, an associate promoter of CRA, if there are common Chairman, Directors and Employees between the CRA or its rating committee and these entities (iii) a security issued by its associate or subsidiary if the CRA or its rating committee has a Chairman, Director or Employee who is also a Chairman, Director or Employee of any such entity.

For all public and rights issues of debt securities of issue size greater than or equal to Rs. 100 crore, two ratings from different CRAs would be required. An obligation has been cast on the issuer to disclose in the offer documents all the ratings it has got during the previous 3 years for any of its listed securities, at the time of accessing market through a rated security. CRAs would have to carry out periodic reviews of the ratings given during the lifetime of the rated instrument.

Merchant Banking

The merchant banking activity in India is governed by SEBI (Merchant Bankers) Regulations, 1992. All merchant bankers have to be registered with SEBI. The person applying for certificate of registration as merchant banker has to be a body corporate other than a non-banking financial company, has necessary infrastructure, and has at least two persons in his employment with experience to conduct the business of the merchant banker. The applicant has to fulfill the capital adequacy requirements, with prescribed minimum net worth. The regulations specify the code of conduct to be followed by merchant bankers, responsibilities of lead managers, payments of fees and disclosures to SEBI. They are required to appoint a Compliance Officer, who monitors compliance requirements of the securities laws and is responsible for redressal of investor grievance.

Demat Issues

As per SEBI mandate, all new IPOs are compulsorily traded in dematerialised form. The admission to a depository for dematerialisation of securities is a prerequisite for making a public or rights issue or an offer for sale. The investors would however, have the option of either subscribing to securities in physical form or dematerialised form. The Companies Act, 1956 requires that every public listed company making IPO of any security for Rs. 10 crore or more shall issue the same only in dematerialised form.

Private Placement

The private placement involves issue of securities, debt or equity, to a limited number of subscribers, such as banks, FIs, MFs and high net worth individuals. It is arranged through a merchant/investment banker, who acts as an agent of the issuer and brings together the issuer and the investor(s). On the presumption that these are allotted to a few sophisticated and experienced investors and the public at large don't have much stake in it, the securities offered in a private placement are exempt from the public disclosure regulations and registration requirements of the regulatory body. What distinguishes private placement from public issues, is while the latter invite application from as many subscribers, the subscriptions in the private placement are normally restricted to a limited number. In terms of the Companies Act, 1956, offer of securities to more than 50 persons is deemed to be public issue.

Virtual Debt Portals

The private placement of debt as well as transactions in debt securities are generally effected through opaque negotiations. The result is inefficient price discovery, fragmented market, low liquidity, poor disclosures and ineffective audit trails. Two B2B portals, namely *debtonnetindia* and *riskexpress* provide a secure, anonymous, neutral and flexible transactional platform for issue and trading of fixed income instruments. The *debtonnetindia* is a B2B web-enabled market place for primary issuance of debt securities and provides investors and brokers similar levels of efficiency and transparency on the primary market segment as exchange system provides for secondary market in debt. The *riskexpress*, on the other hand, provides both secondary and primary market platform. Quality issuers are using this e-infrastructure.

Market Outcome

Public Issues

The resource mobilisation from the primary market by way of IPOs and new issues by listed companies increased to Rs. 7,543 crore through only 35 issues during 2001-02 from Rs. 6,108 crore mobilised through 151 issues during the preceding year, according to SEBI data (Table 2-2). As compared to a decline of 21.9% during 2000-01, the resource mobilisation improved by 23.5% during 2001-02. Public issues (by listed companies and IPOs) contributed 88% and 86% of total resources raised during 2000-01 and 2001-02 respectively, while the rest was by way of rights issues. This indicates a preference by the companies to issue capital to general public rather than to existing shareholders.

It is also observed from Table 2-2 that listed companies mobilised Rs. 6,341 crore through 28 issues during 2001-02, accounting for 84% of the resources, while there were 37 issues by listed companies for Rs. 3,385 crore during 2000-01 with their share being 55.4%. There was a sharp fall in the number of IPOs during 2001-02 from 114 in the previous year to 7 in 2001-02, with their share in total resources raised decreasing to 15.9% from 44.6%.

Table 2-2: Resource Mobilisation from Public Issues

(Amount in Rs. crore)

Issue	2000-01		2001-02	
	Number	Amount	Number	Amount
IPOs	114	2,722	7	1,202
Issues by Listed Companies	37	3,385	28	6,341
Public Issues	10	2,656	13	5,300
Rights Issues	27	729	15	1,041
Total	151	6,108	35	7,543

Source: SEBI.

During 2001-02, there were 18 mega issues (Rs. 100 crore and above) accounting for nearly 95% of resources raised as against 18 such issues accounting for 73% of resources raised in the preceding year. The number of mega-issues as well as the average size of mega-issues was relatively higher in 2001-02 as compared to 2000-01. The average size of all issues taken together increased to Rs. 216 crore during 2001-02 from Rs. 40 crore during 2000-01. There were only 3 issues below Rs. 5 crore during 2001-02 as against 66 issues below Rs. 5 crore during 2000-01.

Most of the issues of capital were made by private sector companies, which made 30 issues and mobilised 87.5% of total resources during 2001-02. The private sector mobilised 96.5% to total resources mobilised during 2000-01 (Table 2-3). The joint sector did not make any issue of capital during 2000-02.

Table 2-3: Sector-wise Distribution of Resources Mobilised

(Amount in Rs. crore)

Sector	2000-01		2001-02	
	Number	Amount	Number	Amount
Private	148	5,893	30	6,602
Joint	0	-	0	-
Public	3	215	5	941
Total	151	6,108	35	7,543

Source: SEBI.

As per data available from Prime Database, the response to public issues has been worsening in the recent years. No issue was subscribed over ten times during 2001-02 (Table 2-4), while 5% of the issues were subscribed over ten times in the preceding year and 53% in the year before. The most subscribed issue during 2001-02 was by Punjab National Bank, which was over-subscribed 4.29 times. 80% of the public issues failed to elicit adequate response (1.5 times) during 2001-02, as compared to only 67% of issues being subscribed less than 1.5 times during 2000-01 and 20% during 1999-00.

Table 2-4: Response to Public Issues

(% of issues)

Times Subscribed	2000-01	2001-02
< 1.5	67	80
1.5 - 3	16	15
3-10	12	5
> 10	5	0

Source: Prime Annual Report.

Traditionally, debentures have dominated the public issues. However, no clear trend is visible in the recent past. The share of debt in resource mobilisation through public issues increased from 27.6% in 1995-96 to 84.7% in 1998-99, but declined sharply to 41.6% in 1999-2000 (Table 2-5). The year 2000-01, however, witnessed reversal of trend and accounted for 47% of resource mobilization through public issues. It increased sharply to 83.12% during 2001-02.

Table 2-5: Resources Mobilised through Debt and Equity

Year	Percentage Share	
	Equity	Debt
1995-96	72.39	27.61
1996-97	55.99	44.01
1997-98	41.17	58.83
1998-99	15.34	84.66
1999-00	58.41	41.59
2000-01	52.79	47.21
2001-02	16.88	83.12

Source: SEBI.

Banks and financial institutions (FIs) garnered 68.2% of the total amount raised during 2001-02 as against 51.4% during the preceding year. IT sector companies mobilised only 0.51% of resources during 2001-02 as against 13.2% during 2000-01. The share of telecom sector in resource mobilisation declined from 15.1% in 2000-01 to 11.5% in 2001-02 (Table 2-6).

Table 2-6: Industry-wise Resource Mobilisation

Industry	Percentage Share	
	2000-01	2001-02
Banking/FIs	51.40	68.16
Cement & Construction	1.35	0.35
Chemical	0.52	2.48
Entertainment	7.49	0.00
Finance	7.20	0.43
Information Technology	13.16	0.51
Paper & Pulp	0.00	0.00
Plastic	0.07	0.00
Telecom	15.10	11.05
Textile	0.00	0.99
Others	3.72	16.03
Total	100.00	100.00

Source: SEBI.

Euro Issues

Indian companies also raise resources internationally through Foreign Currency Convertible Bonds (FCCBs), Global Depository Receipts (GDRs) and American Depository Receipts (ADRs). GDRs are similar to Indian shares and are traded on overseas stock exchanges. In India, GDRs/ADRs are reckoned as part of foreign direct investment and hence need to conform to the existing FDI policy. Resource mobilisation by Indian corporates through Euro issues by way of FCCBs, GDRs and ADRs has been significant in the 1990s. During 2001-02 the resource mobilisation through Euro issues was Rs. 2,342 crore as against Rs. 4,197 crore raised during 2000-01 (Table 2-1).

Performance of IPOs

The performance of IPOs listed on NSE during 2001- 02 is presented in Table 2-7. All the 4 IPOs listed on NSE belong to four different sectors. The value of all the IPOs depreciated quite substantially on the first day of listing/trading. The maximum price depreciation was suffered by D-Link (India) Limited, a company belonging to the Computer-hardware sector on its first day of trading/listing. Further, all the IPOs, except Andhra bank, suffered depreciation in their prices by the year end as compared to their issue price.

Table 2-7: Performance of IPOs Listed on NSE during 2001-02

Sl. No.	Name of Company	Date of Listing	Issue Price (Rs.)	Close Price on first day of Trading (Rs.)	Close Price as at end-March, 2001 (Rs.)	Price Appreciation/ Depreciation on first day of Trading (%)	Price Appreciation Depreciation upto end-March 2002 (%)
1	Andhra Bank	04-Apr-01	10	8.90	9.10	-11.00	2.25
2	Mid-Day Multimedia Limited	04-Apr-01	70	43.80	23.95	-37.43	-45.32
3	D-Link (India) Limited	11-Apr-01	300	155.40	82.10	-48.20	-47.17
4	Bharti Tele-Ventures Limited	15-Feb-02	45	44.35	38.55	-1.44	-13.08

Source: NSE.

Book Building through On-line IPO System

Book building is basically a process used in IPO for efficient price discovery, wherein during the period for which the IPO is open, bids are collected from investors at various prices, which are above or equal to the floor price. The offer price is determined after the bid closing date. In it's strive to continuously improve Indian securities market, NSE offers its infrastructure for conducting online IPOs through book building. It helps to discover price as well as demand for a security to be issued through a process of bidding by investors. The advantages of this new system are: a) the investor parts with money only after allotment, b) it eliminates refunds except in case of direct applications and c) it reduces the time taken for issue process. The securities get listed within 15 days from the closure of the issue. Though the guidelines for book building were issued in 1995, it is being used for IPOs from 1999. Till June 2002, 18 issuers have used this route for making IPO issues. During 2001-02, only one issuer used the on-line IPO system of NSE to issue 1,853 lakh shares.

Debt Issues

Government and corporate sector accessed market through debt issues. They collectively raised a total of Rs. 204,069 crore from primary market during 2001-02. About 74.7%

of this was raised by Government, while the balance by the corporate sector through public issues and private placement as may be seen from Table 2-8.

Table 2-8: Resources Raised from Debt Markets

(Rs. crore)

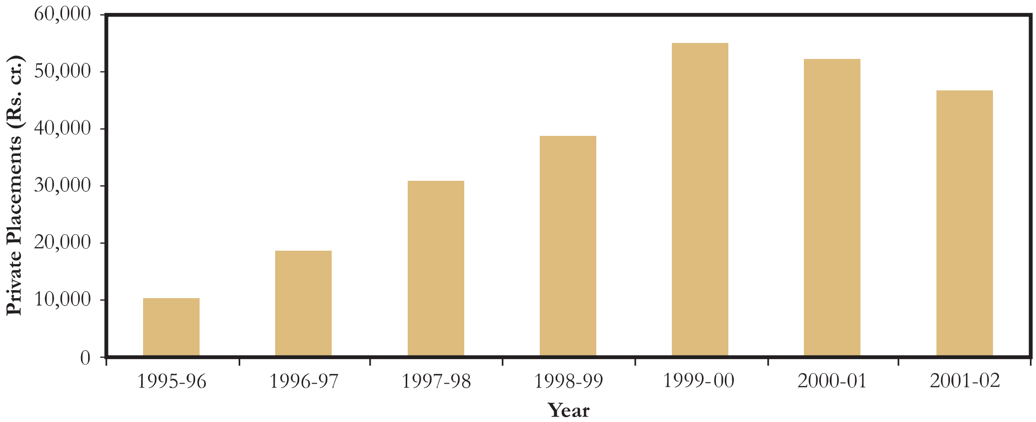
Issuer	2000-01	2001-02
Corporate	56,578	51,561
Public Issues	4,139	5,341
Private Placement*	52,434	46,220
Government	128,483	152,508
Total	**185,061**	**204,069**

* Only debt placements with a tenor and put / call option of 1 year or more.
Source: Prime Database (for corporate debt) & RBI (for Government debt).

Private Placement

In sharp contrast to a shrinking public issues market for corporate securities, the last few years have witnessed huge resource mobilization through private placement. Corporate sector mobilised Rs. 59,127 crore (Rs. 46,220 crore with maturity of more than one year and Rs. 12,907 crore with maturity of less than one year) during 2001-02 through private placement of debt securities. According to Prime Database estimates, a total of 205 issuers raised Rs. 46,220 crore through 558 privately placed issues in 2001-02, a decline of 11.85% over the funds raised through this route in the preceding year. About Rs. 2,634 billion have been raised through private placement of debt during last seven years since April 1995. The growth of private placement market is presented in Chart 2-1.

Chart 2-1: Growth of Private Placement of Debt



Mostly, securities issued in the private placement market are debt securities. Though there are some instances of private placements of equity shares, there is no comprehensive data coverage of this. The two sources of information regarding private placement market in India are Prime Database and RBI. The former data set, however, pertains exclusively to debt issues. RBI data, which is compiled from information gathered from arrangers, covers equity private placements also. RBI estimates find the share of equity in total private placements as very insignificant. Some idea about private placement of equity can be had from equity shares issued by NSE-listed companies on private placement basis. From the companies listed at NSE, a total of 37 companies came out with private placement issues mobilising around Rs. 2,038 crore during 2000-02. The details of private placement issues by NSE-listed companies during 2001-02 are presented in Annexure 2-1. This indicates that equity private placement may not be that small an amount.

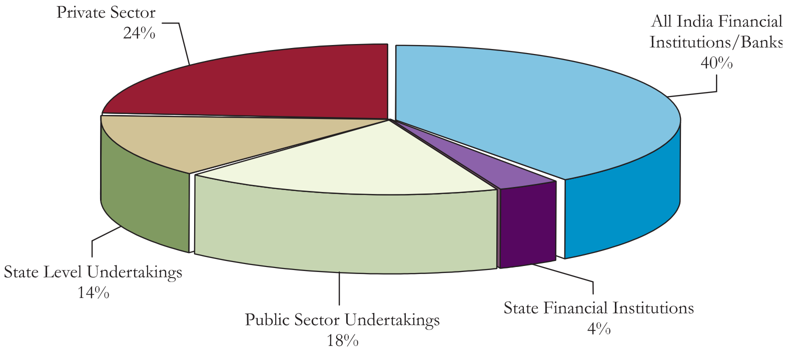
Public Sector units and FIs are most active in mobilising funds through private placement. They accounted for 75.8% of the total private placement market in debt instruments during 2001-02 as against 82.5% in 2000-01. All India financial institutions and Banks led the market with a 40.3% share. Private Sector accounted for 24.2% of private placement of debt during 2001-02. The break up of funds raised by various categories of issuers is presented in Table 2-9 and Chart 2-2. The top '10' issuers accounted for 31% of total private placement during 2001-02.

Table 2-9: Issuer-wise Distribution of Private Placement of Debt

Issuer	Issue Amount (Rs. crore)		% of Issue Amount	
	2000-01	2001-02	2000-01	2001-02
All India Financial Institutions/Banks	21,673	18,603	41.33	40.25
State Financial Institutions	2,286	1,709	4.36	3.70
Public Sector Undertakings	7,839	8,375	14.95	18.12
State Level Undertakings	11,466	6,334	21.87	13.70
Private Sector	9,169	11,200	17.49	24.23
Total	**52,434**	**46,220**	**100.00**	**100.00**

Source: Prime Database.

Chart 2-2: Issuer-wise Distribution of Private Placement of Debt, 2001-02



Sectoral distribution shows that the financial services sector continues to dominate the private placement market, raising 50% in 2001-02 followed by Power sector which accounted for 16% during the year. Sectoral distribution of the debt private placements is presented in Table 2-10.

Table 2-10: Sectoral Distribution of Resources Mobilised by Private Placement

(In per cent)

Sector	2000-01	2001-02
Financial	51	50
Power	14	16
Water Resources	6	4
Telecommunications	2	-
Others	27	30
Total	**100**	**100**

Source: Prime Database.

The maturity profile of issues in the private placement market ranged between 1 year and 18 years during 2001-02. Most of the placements were for tenures of 5, and 7 years in the same order. A total of 141 offers provided for a put option while 55 provided for a call option.

Unlike public issues of bonds, it is not mandatory for corporates issuing bonds in the private placement market to obtain and disclose credit rating from an approved credit rating agency. Rating is, however, required for listing. Of the 558 debt private placement deals during 2001-02, 447 issues were rated; the rest did not get rated. The rated offers constituted 86% of total amount.

Private placement accounted for 87.8% of total resources mobilised by the corporate sector from the primary market. The corresponding share of public issues was a meager 12.2% with share of public issues of equity and debt in primary market being 17% and 83%, respectively (Table 2-11).

Table 2-11: Resources Raised by Corporate Sector

Year	Public Equity Issues	Debt Issues			Total Resource Mobilisation (2+5)	Share (%) of Private placement in		Share (%) of Debt in Total Resource Mobilisation (5/6*100)
		Public Issues	Private Placements*	Total (3+4)		Total Debt (4/5*100)	Total Resource Mobilisation (4/6*100)	
1	2	3	4	5	6	7	8	7
1995-96	8,882	2,940	10,035	12,975	21,857	77.34	45.91	59.36
1996-97	4,671	6,977	18,391	25,368	30,039	72.50	61.22	84.45
1997-98	1,132	1,929	30,983	32,912	34,045	94.14	91.01	96.67
1998-99	504	7,407	38,748	46,155	46,658	83.95	83.04	98.92
1999-00	2,975	4,698	54,701	59,399	62,374	92.09	87.70	95.23
2000-01	2,479	4,139	52,434	56,573	59,052	92.68	88.79	95.80
2001-02	1,082	5,341	46,220	51,561	52,643	89.64	87.80	97.94

*Data from 2000-01 onwards include only issues with a tenor and put/call option of 1year or more, while data for earlier years include all privately placed debt issues irrespective of tenor.

Source: Prime Database.

Corporate Debt

There is a preference for raising resources in the primary market through debt instruments and private placement of debt has emerged as the major route for raising resources. The corporate raised a total of Rs. 51,561 crore through debt issues - Rs. 46,220 through private placement and Rs. 5,341 through public issues. The privately placed debt issues make up for the major part of the bond market, accounting for 89.6% of total debt issues in the primary market. The share of debt in total collection has been increasing consistently over the years and it stood at 97.9% in 2001-02. Resources mobilised by corporate sector through debt in the last few years is presented in Table 2-11.

Rating Summary

During 2001-02, 1,951 instruments for Rs. 475,976 crore were rated by four credit rating agencies. As compared to this, 1,937 instruments for Rs. 281,673 crore were rated during 2000-01 (Table 2-12 A). In terms of amount rated, 0.51% of ratings were upgraded, 21.3% were downgraded and 50.1% were reaffirmed. Of the total amount, 20.2% were new ratings. In terms of number of instruments rated, the ratings of 19 instruments (0.97% of total) were upgraded, while ratings of 255 instruments (13.1% of total) were downgraded. The credit ratings of maximum number of instruments were reaffirmed during the year.

Table 2-12 A: Rating Summary

(Amount in Rs. crore)

Status	2000-01		2001-02	
	Number	Amount	Number	Amount
Upgraded	98	8,939	19	2,437
Downgraded	210	26,347	255	101,200
Reaffirmed	856	128,921	1,046	238,230
Rating Watch	52	9,252	59	34,022
Withdrawn	174	4,158	146	3,874
Suspended	79	159	11	43
New Ratings	468	103,897	415	96,170
Total	**1,937**	**281,673**	**1,951**	**475,976**

Source: CMIE.

Of the total instruments rated during 2001-02, 1,825 instruments accounting for 93.5% of total were assigned investment grade, 58 instruments were rated as inadequately safe and 63 instruments were placed in risk prone and default category (Table 2-12 B).

Table 2-12 B: Rating Summary: Grades Assigned

Status	2000-01	2001-02
Investment	1,709	1,825
Inadequate Safety	113	58
Risk Prone	23	27
Default	71	36
Not Meaningful	21	5
Total	**1,937**	**1,951**

Source: CMIE.

Policy Debates

Private Placement

The rationale for investing in the private placement market lies in the convenience and flexibility to the issuers as well as investors. This market is preferred by small and mid-size firms, particularly new entrants who do not have track record pf performance and hence are skeptical about generating adequate public response for their public issues. Even big-size firms may prefer this route if the general market environment is not conducive for floating public issues. This is also preferred by corporates wishing to issue securities with complex or non-standard features, as deals can be tailor-made to suit the requirements of both parties. Many companies may prefer private placements if they wish to raise funds quickly to take advantage of interest rate change in volatile market conditions. No regulatory compliance is another important reason why corporates prefer this route and avoid public issues.

The investors also have some advantages in subscribing to private placements. When there is not adequate supply of good public issues to match the amount of investible funds available, investors look for bonds at attractive rates in the private placement market. Further, the private placement market provides investors with securities with more or less fixed/predictable cash inflows, which help investor to match the expected stream of returns with the expected cash outflows. For many investors, matching asset/liability is an important goal, which can be fulfilled only in private placements, and not in public issues. The sophisticated investors, who possess the capability and expertise for assessing the risks associated with the issues, can earn higher returns by investing in these more risky investment avenues.

Given its apparent advantages, it is no surprise that private placement now provides a substantial part of corporate finance in India. What is missing is a comprehensive framework governing issue of securities in this segment. One obvious reason for the tremendous growth of private placement market could be an attempt by issuers to avoid regulatory compliance, which is mandatory for public issues. The absence of level playing field between the public issues and private placement market reflects regulatory arbitrage. It is quite plausible that public issues market is not gathering momentum as private placement market exists as an easier alternative.

The foremost concern in the private placement market is the quality of issues and extent of transparency in these deals. In the public issues, all the issues coming to the market are screened for their quality. In case of public issues, the investors rely on ratings and other information for evaluation of risk. The public issues market therefore works as a self-disciplining mechanism for the corporates willing to raise money from public. Such a screening mechanism is missing in case of private placements. This increases the risk associated with privately placed issues. As a prudential measure, all issues in the private placement market must disclose relevant information as in case of public issues. The transparency in transactions has to be ensured through the regulatory framework.

Many issues in the private placement market are made by public enterprises and often carry government guarantee as an element of security. Very little track is, however, kept of the end-use of funds. These issues can be a potential threat to the financial system because of likelihood of their turning non-performing assets in the absence of adequate attention being paid to the continued viability of projects. The default risk to investors could be a potential problem with private placement and may pose systemic risks if the subscribers to the issue happen to be large FIs.

In the absence of standardised disclosure requirements, credit rating is one way by which the investors can assess the risk before taking an investment decision. In the private placement market, however, it is not mandatory to obtain rating on debt instruments, even though some issues are accompanied by rating. The issuer is also not required to make fair disclosure of all the credit ratings obtained. It is essential to have a standard practice in this regard, irrespective of whether the issue is publicly issued or privately placed. In the absence of a regulatory norm in this regard, the subscribers should on their own insist on the debt issues being rated by a reliable credit rating agency as a pre-condition for investment. NSE insists on credit rating for listing of all privately placed debt issues by PSUs/statutory corporations, FIs, scheduled commercial banks, and private corporates.

The private placement issues are offered to mature and sophisticated institutional investors as opposed to general public. Among others, mutual funds are major subscribers in this segment in India. To a great extent, the money being invested by mutual funds in private placements is 'public money', collected from small or unsophisticated investors who are supposedly better off not exposed to the private placement market. It needs to be emphasised that to the extent mutual funds are investing 'public money' in the private placement market, these deals should be subject to same standards of disclosure as public issues.

As most of the privately placed issues are not traded in the secondary market, it is difficult to estimate the current value of such investments. Annexure 2-1 presents the issue price and the market price of private placement equity issues by NSE-listed companies as at end March 2002. The market value of most of these had come down drastically by the end of March 2002.

Another intriguing observation which needs to be explored further is the investor-pattern in the private placement market. In the US, firms of various sizes are the major issuers in the private placement market, and the major subscribers are the insurance companies, pension funds and mutual funds. In India, FIs/banks are the major issuers of privately placed debt. They also happen to be heavy subscribers to the private placement issues. One wonders why the same set of entities would be major players on both sides of the market, unless they are able to mobilise cheap funds and invest them profitably in the same market.

In order to ensure development of private placement market in a healthy manner, it is essential to lay down a clear policy framework for this segment. The regulatory fiat is necessary to put in place uniform practices.

Safety Net

The market participants concerned with prolonged lackluster primary market are coming up with novel ideas to build investor confidence. One such idea is to provide a safety net for all IPOs, that is, indemnify the investor for the losses that he may suffer on account of erosion in value of his holdings upto a period of say six months from the date of issue. What prompts such a suggestion is that the investors have lost heavily in recent years, as the prices of many new issues of securities opened substantially at a discount to issue price or crashed in a few days on stock exchanges. Such drastic decline in prices could happen because of aggressive pricing, inadequate disclosures, misuse of issue proceeds, etc. If any of the above is a reason, the investor should not suffer. Therefore, if an investor is allotted securities in a public issue, and the value of those securities declines below the issue price within six months, he would be indemnified to the extent of decline. If the liability on account of indemnity is borne by the issuer, it would prevent him from issuing / maintaining securities at unrealistic prices and consequently post issue prices would not be less than issue price. This would give investor confidence to subscribe to public issues as his loss is insured for at least six months.

Though the intention behind this suggestion is appreciated, a section of the participants feel that safety net is inconsistent with the nature of equity, as it supports prices at an artificial level by removing downside of equity. Further, it is illogical to provide such support, particularly if the price is market discovered such as through book building. The basic premise that the securities have lost value after the issue in the recent years may not be adequate justification for safety net, as securities across the board have lost their value during the same period. In about a year, the investors have lost about 50% of market capitalisation and by the logic of safety net, these investors would need to be compensated for this also. A variety of factors beyond the control of issuer affect the prices and the issuer can not be held responsible for all such factors. If he is held responsible for all such things, he would rather prefer not to access the market, which will be greater blow to primary market.

Fixed Price vs. Book Building

In the fixed-price issue method, the issuer fixes the issue price well before the actual issue. For this very reason, it is cautious and conservative in pricing the issue so that the issue is fully subscribed. It usually also has underwriters. The underwriters do not like the issue to devolve on them and hence favour conservative pricing of the issue. For these practical reasons, the issue price in the case of traditional fixed price method generally errs on the lower side and, therefore, in the investor's favour. Because of conservative pricing, it is generally over-subscribed necessitating allotment by casting lots and refunding the application money to the non-allottees. Hence, there is some unsatisfied demand for the issue and there is high probability of the market price rising above the issue price after listing. This contrasts with charging whatever price the market can bear under the book-building method without any risk of the issue not being fully subscribed. As a result, book-building usually leads to aggressive pricing than the traditional fixed-price method. Further, under book building, since all applicants above the cut-off price are allotted shares, there is unlikely to be any pressure of unsatisfied demand in the market. The book-building method thus favours the issuer while the fixed price issue method favours the investor. It is therefore believed (See L. C. Gupta, "Asymmetric Information, Book Building and Investor Protection", NSENEWS, February 2002) that the change to book-building method has made IPOs less hospitable and more risky for the ordinary investors.

The promoters who are bringing out the IPO may often paint an unrealistically rosy picture about future prospects, unchecked by any independent appraising agency. Without independent appraisal, there is no level playing field between the promoters and the investing public. As a result, most of the market participants take a shot in the dark because they do not possess all the relevant facts. The IPO pricing through book-building can lead to 'efficient price discovery' if the bidders or a substantial component of them are well informed about risk-return profile of the project.

In the present Indian conditions, it may be better to stick to fixed-price method of IPOs but to insist on an appraisal system. The price may be fixed on the basis of recommendation of the appraising agency, which should have free access to all available information from the promoters/ issuing company. The underwriting of such IPOs should be mandatory to provide a further systemic check an abusive issue pricing.

Annexure 2-1: Details of Private Placement Issues by NSE-listed Companies during 2001-02

Sl. No.	Name of Company	Number of Securities	Funds Raised (Rs. lakh)	Face Value (Rs.)	Issue Price (Rs.)	Close Price as end-March 2002 (Rs.)
1	Abhishek Industries Ltd.	19,260,000	1,926	10	10.00	3.50
2	Abhishek Industries Ltd.	15,060,000	1,506	10	10.00	3.50
3	ATN International Ltd.	10,000,000	1,000	10	10.00	3.95
4	Corporation Bank	23,440,000	45,942	10	196.00	133.50
5	Elgi Equipments Ltd.	18,174,240	136	1	0.75	15.20
6	Global Tele-Systems Ltd. *	50,000	-	10	1416.00	104.50
7	Great Eastern Shipping Co. Ltd.	25,000,000	2,500	10	10.00	30.00
8	Great Eastern Shipping Co. Ltd.	50,000,000	5,000	10	10.00	30.00
9	Great Eastern Shipping Co. Ltd.	10,000,000	1,000	10	10.00	30.00
10	Great Eastern Shipping Co. Ltd.	10,000,000	1,000	10	10.00	30.00
11	Himachal Futuristic Communication Ltd.	1,576,809	22,864	10	1450.00	67.65
12	Himachal Futuristic Communication Ltd.	5,588,841	81,038	10	1450.00	67.65
13	Hotel Leela Venture Ltd.	15,630,000	4,845	10	31.00	14.55
14	Hotel Leela Venture Ltd.	8,047,400	2,495	10	31.00	14.55
15	Infotech Enterprises Ltd. *	218,570	-	10	376.00	590.70
16	Jenson & Nicholson (India) Ltd.	11,417,057	1,073	2	9.40	5.05
17	JIK Industries Ltd.	2,620,200	810	1	30.90	15.85
18	JIK Industries Ltd.	1,170,000	400	1	34.20	15.85
19	JIK Industries Ltd.	1,980,000	677	1	34.20	15.85
20	KDL Biotech Ltd. *	5,276,274	-	10	59.00	19.65
21	Melstar Information Technologies Ltd. *	1,675,449	-	10	140.00	35.40
22	Mukand Engineers Ltd. *	598,500	-	10	125.00	14.60
23	Mysore Cements Ltd.	9,129,161	913	10	10.00	6.75
24	Mysore Cements Ltd.	4,394,069	439	10	10.00	6.75
25	Orient Information Technology Ltd. *	847,468	-	10	295.00	71.00
26	Roofit Industries Ltd.	200,000	100	10	50.00	14.55
27	Sonata Software Ltd.	5,152,506	2,751	1	53.40	16.55
28	Soundcraft Industries Ltd.	140,000	679	10#	485.00	N. A
29	Soundcraft Industries Ltd.	140,000	679	10#	485.00	N. A
30	Standard Industries Ltd.	25,000,000	2,500	10	10.00	3.00
31	Sun Earth Ceramics Ltd. *	383,333	-	10	90.00	17.45
32	The Dhampur Sugar Mills Ltd.	3,472,550	590	10	17.00	11.80
33	The Dhampur Sugar Mills Ltd.	1,603,630	273	10	17.00	11.80
34	UTI Bank Ltd.	46,350,000	15,759	10	34.00	39.45
35	Uttam Steel Ltd.	7,000,000	700	10	10.00	2.40
36	Visesh Infosystems Ltd. *	2,700,000	-	10	30.00	12.70
37	Vysya Bank Ltd.	2,832,430	4,249	10	150.00	2.37
Total		**346,128,487**	**203,845**			

Note: * Indicates preferential allotments made on other than cash basis.

Source: NSE.