



Economic Reforms and Indian Securities Market

By

K.Sukumaran

National Institute of Securities Markets

Capital Market Reforms as part of Economic Reforms

- ◆ India Inc on the eve of 1991

- ◆ Economic Reforms

 - Industrial Reforms

 - Banking Reforms

 - Capital Market Reforms**

 - Insurance Sector Reforms

 - PSU Reforms

 - Tax Reforms



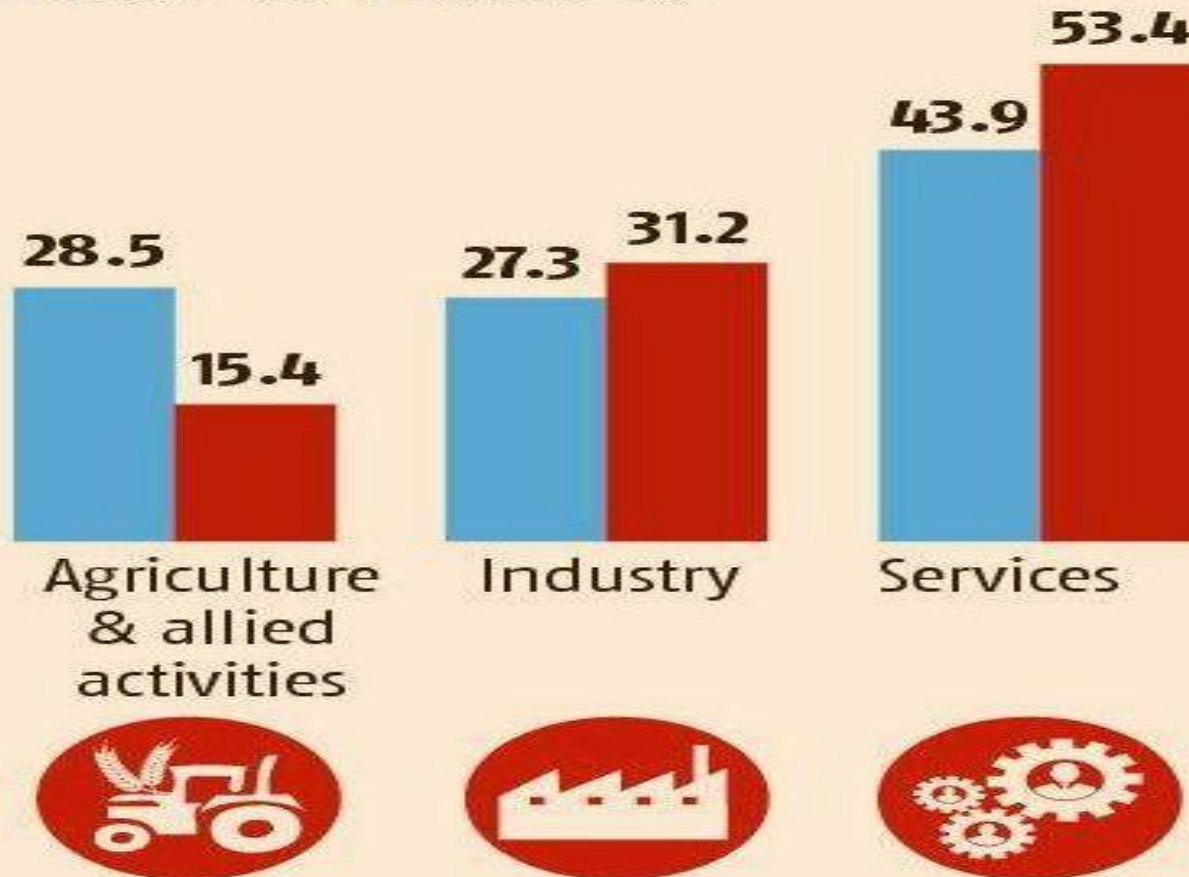
25 Years of Eco Reforms



SECTOR-WISE SHARE OF GDP

3. SECTOR-WISE SHARE OF GDP (in %, at constant prices)

■ 1991-92 ■ 2015-16



Note: 1991-92 GDP is at 2004-05 base;
2015-16 GDP is at 2011-12 base

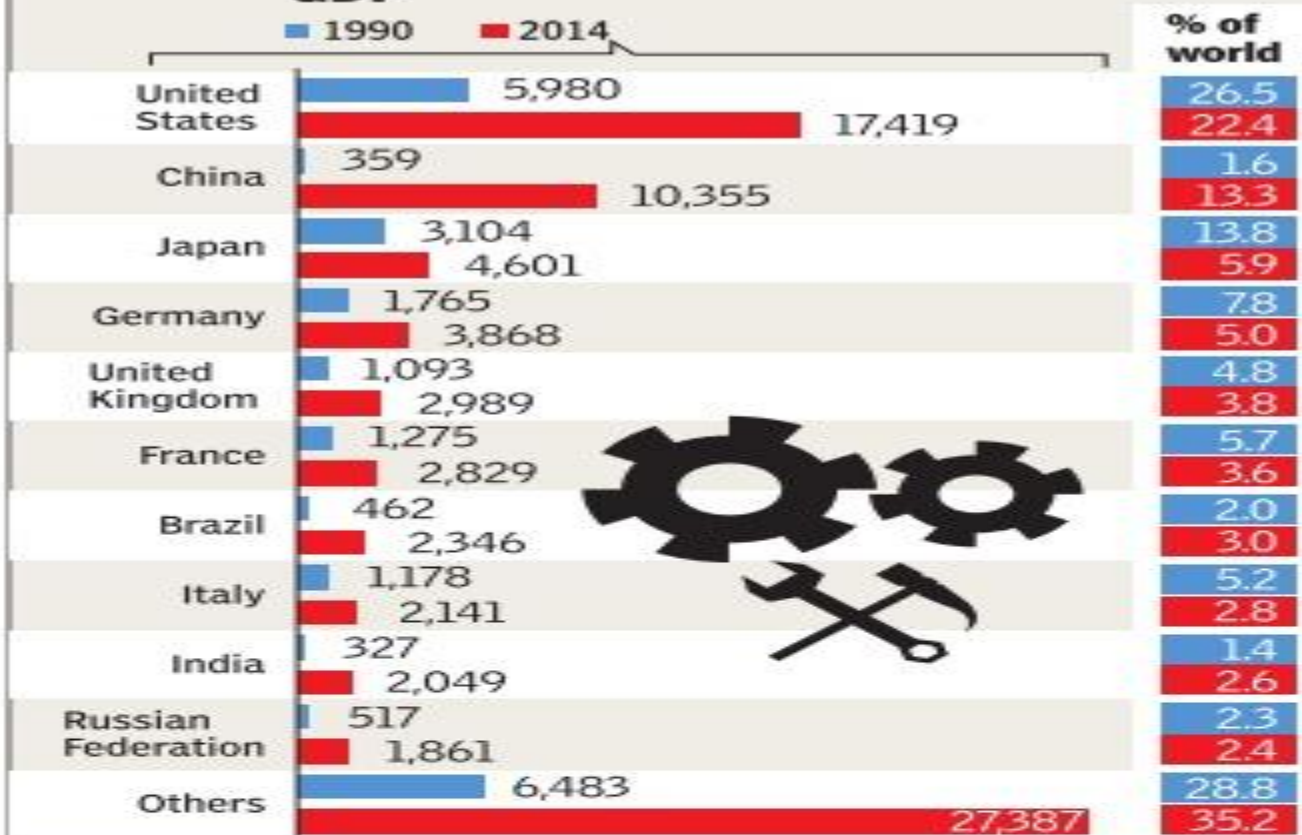
Source: Planning Commission reports, MoSPI

POPULATION BELOW POVERTY



GDP

■ 1990 ■ 2014



Source: World Bank, GDP in \$ billions at current prices

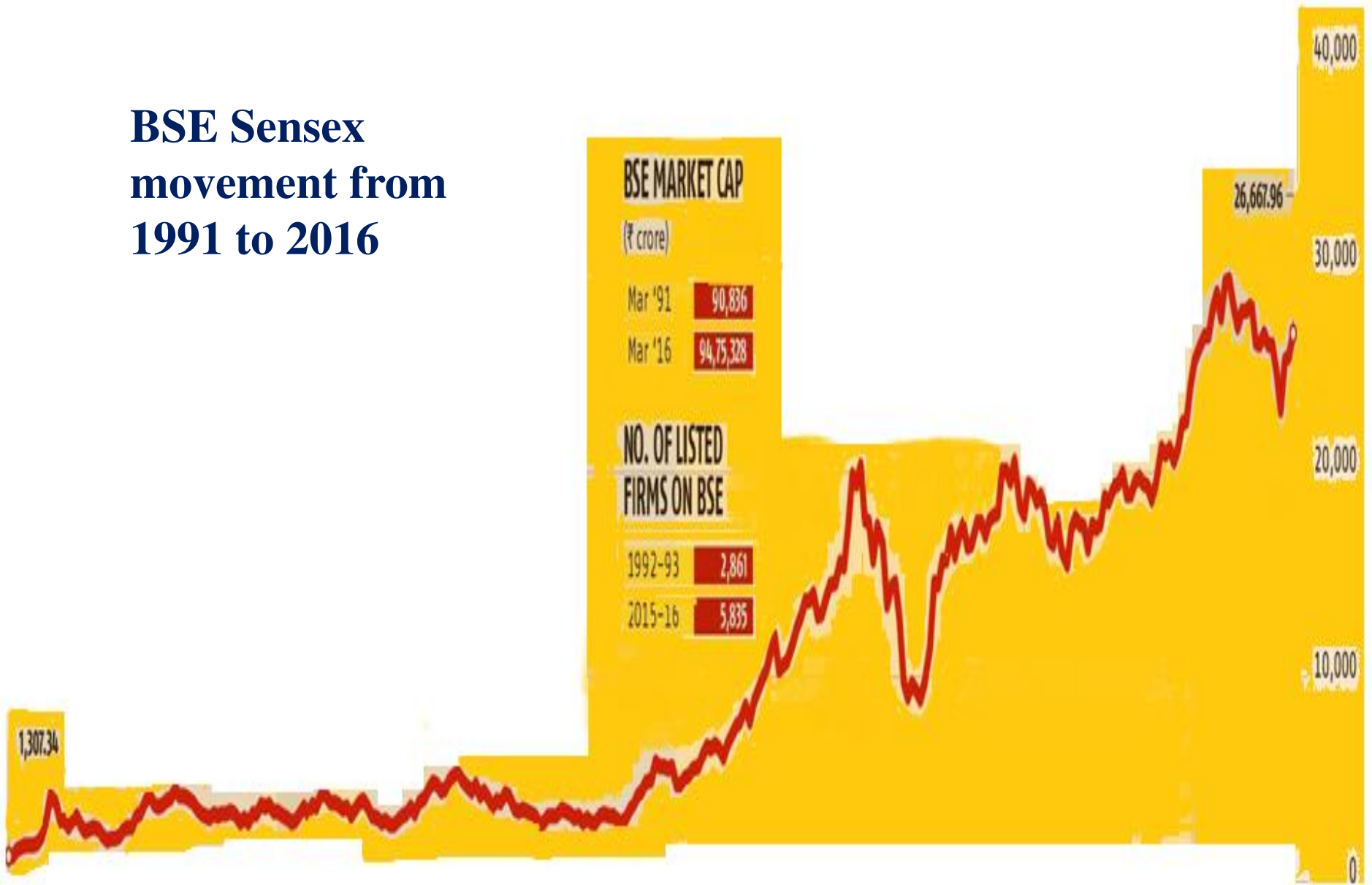


The ever rising forex reserves

(in \$ billion)



BSE Sensex movement from 1991 to 2016



INFLATION

Y-0-Y in %



CPI: Consumer Price Index; WPI: Wholesale Price Index

Source: Bloomberg

Role of Securities Markets

- ◆ Resource Mobilization for the Corporate Sector – Raising of long term capital for long term productive investment
- ◆ Investment Opportunity for the Investors



Strengths of Indian Securities Markets

- ◆ Fully automated trading systems
- ◆ A wide range of products
- ◆ Nationwide network for trading in variety of securities
- ◆ Quality of regulation
- ◆ Transparency
- ◆ Investor Protection



Strengths...

- ◆ Growing number of market participants
- ◆ Growth in volume of securities transactions
- ◆ Reduction in transaction costs
- ◆ Significant improvement in efficiency, transparency and safety
- ◆ Level of compliance with international standards.



Components of Capital Markets

◆ Issuers

◆ Intermediaries

◆ Investors



Reform Measures in Indian Capital Market

- ◆ Abolition of Controller of Capital Issues (CCI) in 1992, and transferring powers to SEBI
- ◆ SEBI established in 1992 as an Act of Parliament
- ◆ Functions of SEBI - Regulate the various intermediaries, develop the orderly growth of capital market and protect the interest of investors.



Reform Measures.....

- ◆ Pricing of Issues – market related
- ◆ Regulation of Intermediaries
- ◆ Introduction of Mutual Funds
- ◆ Dematerialization of Shares – Depositories Act 1996
- ◆ Merchant Banking Regulations
- ◆ Introduction of T+2 Settlement System
- ◆ Investor Protection Measures



IPOs

GOOD YEAR FOR IPOs

Fund mobilisation through IPOs in ₹ crore

	IPOs	FPOs	OFS	QIPs	Total Equity
2010-11	33,098	13,084	0	23,474	72,143
2011-12	5,893	4,578	13,518	1,713	26,172
2012-13	6,497	0	28,024	10,818	46,073
2013-14	1,205	7,456	6,859	9,402	29,381
2014-15	3,019	0	26,935	28,429	58,801
2015-16	14,772	0	19,822	14,358	48,952

Source: Prime Database



Performance of Recent IPOs

Company	Issue Size (₹ Cr)	Offer Price (₹)	CMP (₹)	% Chg	Listed Premium/Discount (%)	No of Times Subscribed
InterGlobe Aviation	3,009	765	1,011.4	32.20	11.90	6
Equitas Holdings	2,177	110	185.3	68.45	30.91	12
Alkem Laboratories	1,348	1,050	1,349.1	28.49	31.43	31
Coffee Day Enterprises	1,150	328	252.7	-22.96	-4.57	2
Mahanagar Gas	1,039	421	506.0	20.19	28.27	45
Ujjivan Financial Services	883	210	417.3	98.69	8.10	41
Parag Milk Foods	737	215	310.8	44.56	0.33	1
HealthCare Global	650	218	191.1	-12.34	-3.76	1
Dr Lal Pathlabs	632	550	927.1	68.56	30.36	24
Narayana Hrudayalaya	613	250	309.5	23.78	16.40	6
Navkar Corporation	600	155	214.0	38.03	-1.94	2
SH Kelkar & Company	508	180	220.3	22.39	23.33	20
Sadbhav Infrastructure	492	103	103.3	0.24	7.52	2
Thyrocare Technologies	479	446	562.3	26.07	48.43	52
Quick Heal Technologies	451	321	292.2	-8.97	-5.00	8
Infibeam Incorporation	450	432	671.8	55.50	6.02	1
TeamLease Services	424	850	1,100.7	29.49	1.18	39
Precision Camshafts	410	186	128.2	-31.08	-12.31	2
Prabhat Dairy	358	115	99.8	-13.26	0.00	1
Pennar Engineered	156	178	165.0	-7.33	-15.73	1

Source: ETIG/Capital Market

Top Five Merchant Bankers in 2015

IPO league table	Rank#	Volume (₹ cr)	No of IPOs	Mkt share (%)	Deals*
Kotak	1(4)	1,589	7	11.64	InterGlobe, Coffee Day, Dr Lal
Axis Bank	2(2)	1,468	7	10.76	Alkem, Syngene, Coffee Day
Citi	3(NA)	1,312	4	9.61	InterGlobe, Coffee Day, Dr Lal
ICICI	4(8)	1,001	6	7.34	Teamlease, Quick Heal, VRL
JPMorgan	5(NA)	988	3	7.24	InterGlobe, Alkem, Quick Heal

ECM** league table	Rank#	Volume (₹ cr)	No of issues	Mkt share (%)	Deals*
Goldman Sachs	1(5)	22,262	3	25.67	Sun Pharma, Axis, IndusInd
Citi	2(4)	12,377	16	14.27	Kotak Bank, Eicher, Infosys
JM Financial	3(6)	6,105	9	7.04	Indian Oil, REC, GMR Infra
Axis Bank	4(8)	4,955	16	5.71	Indiabulls Housing, PFC, GMR Infra
Kotak	5(2)	4,915	12	5.67	Indian Oil, Tata Motors, InterGlobe

**ECM is equity capital market, which includes IPO (initial public offering); #Rank is for FY16 and figures in brackets show FY15 rank; FY16 data till Tuesday; *List is not exhaustive; compiled by Samie Modak; source: Bloomberg;

Disclaimer: Kotak Mahindra and associates are significant shareholders in Business Standard Private Limited

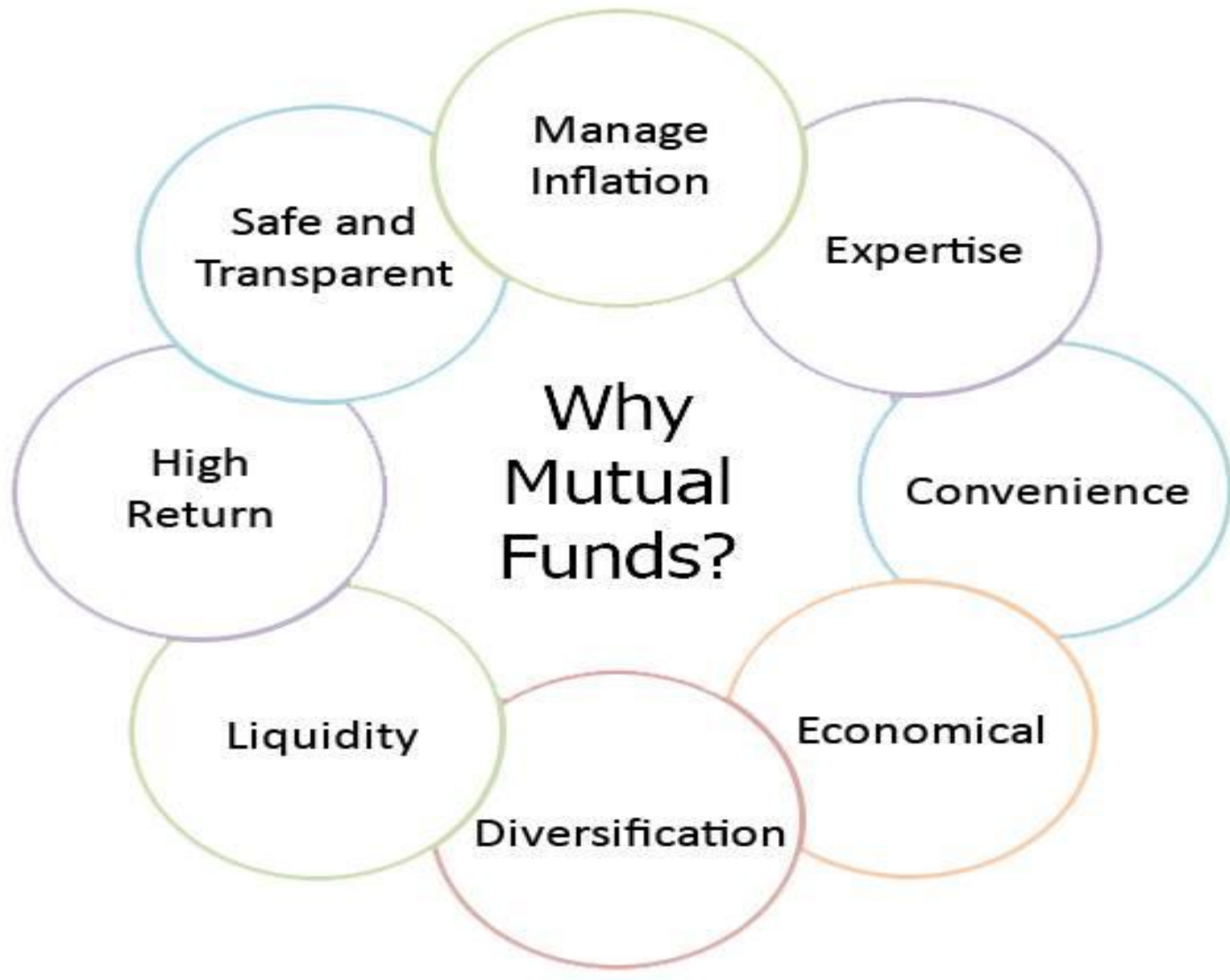
Mutual Funds

A mutual fund is a collection of assets held by multiple investors for the purpose of investing.

The fund most often consists of a mixture of stocks, bonds, cash, and other securities, and is managed by a professional.

Buying into a mutual fund is a simple way for people interested in investing to develop a diverse portfolio that is carefully watched over and managed by a fund manager





Systematic Investment Plan (SIP)

SIP works on the principle of regular investments.

It is like your recurring deposit where you put in a small amount every month.

It allows you to invest in a MF by making smaller periodic investments in place of a heavy one-time investment i.e. SIP allows you to pay 10 periodic investments of Rs 500 each in place of a one-time investment of Rs 5,000 in an MF.

Thus, you can invest in an MF without altering your other financial liabilities. It is imperative to understand the concept of rupee cost averaging and the power of compounding to better appreciate the working of SIPs.



SIP

Advantages of investing through SIP are:

Discipline: Stay focused, invest regularly, and maintain discipline

Power of Compounding: The larger the period, higher the return

Rupee Cost Averaging: Investment at regular intervals over time enable to buy more units when the price is lower

Convenience : Through giving an ECS mandate to your banker.



HOW THEY STACK UP OVER LONG TERM

10-year performance by equity mutual funds of different categories

	Category return* (%)	
Banking	16.17	
FMCG	16.63	
Pharma	16.79	
Small cap	13.08	
Mid cap	12.74	
Technology	11.56	
Multi cap	11.48	
Tax planning	10.15	
Large cap	9.69	
NIFTY 50	9.62	
SENSEX	9.17	
NIFTY BANK	14.54	

*Annualised returns as on Friday
Source: Value Research Online

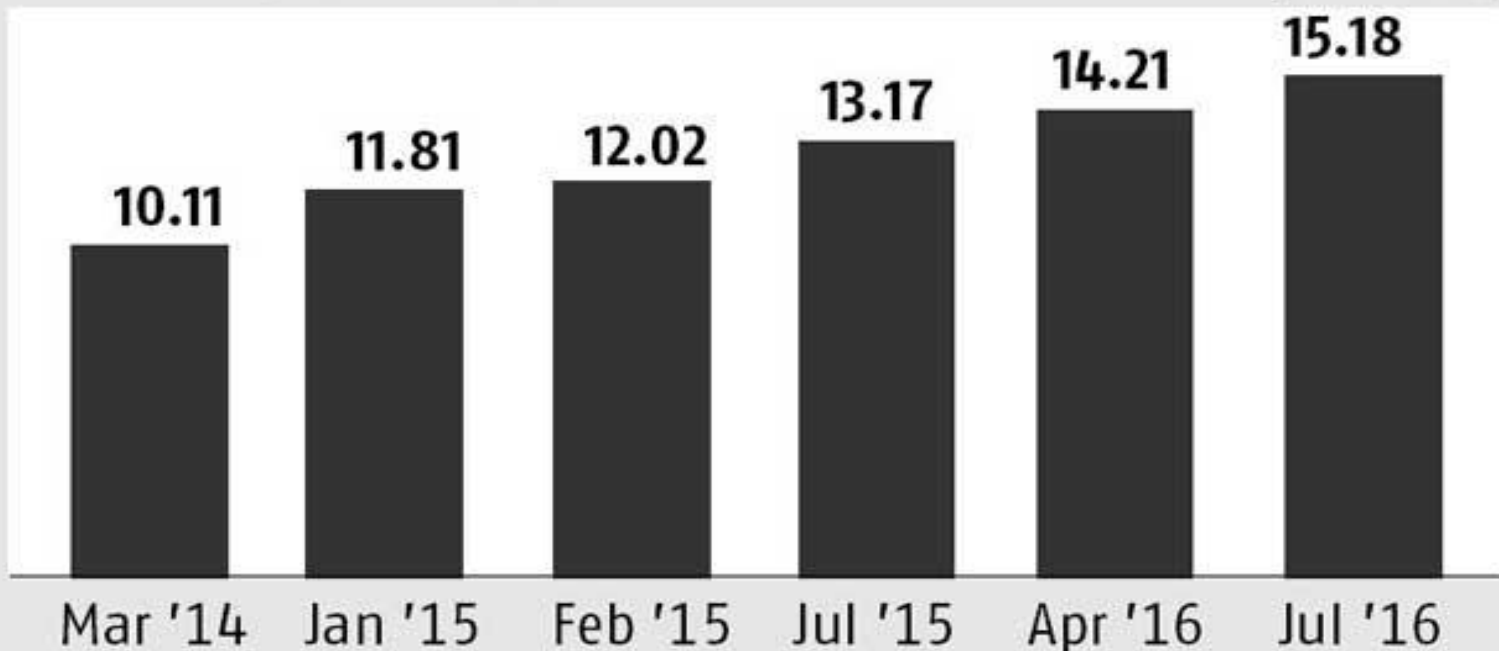


Mutual Funds – Assets under Management

ON A RECORD HIGH

Domestic mutual funds' journey from ₹10 lakh crore AUM to ₹15 lakh crore

(₹ lakh cr)

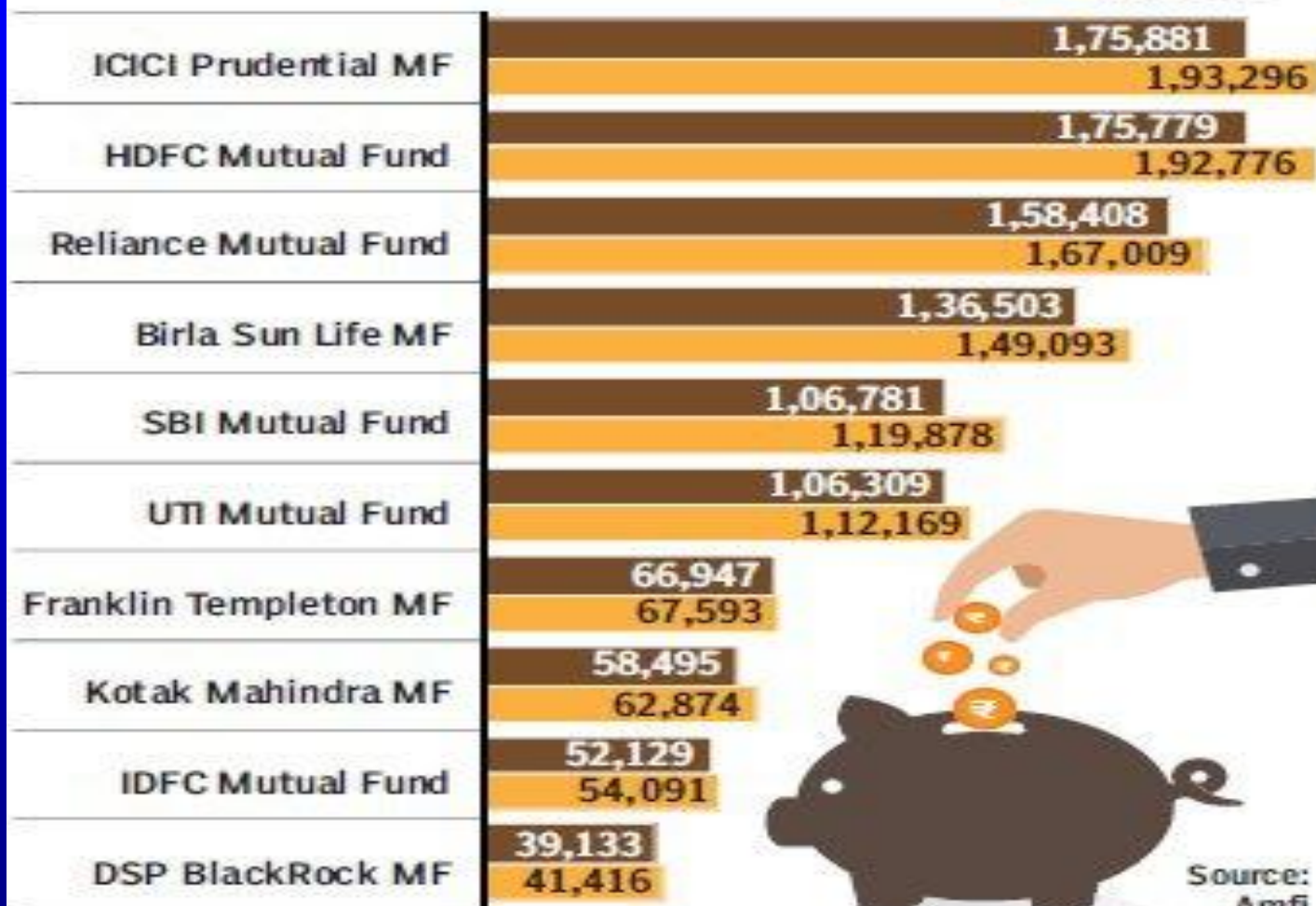


Source: Amfi, AUM is assets under management

Average assets under management (AAUM) of top 10 fund houses

(₹ crore)

For the quarter of  Jan-March  Apr-June



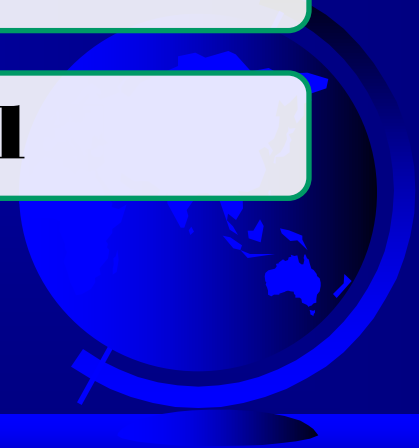
Problems of Retail Investors

- ◆ Lack of Awareness
- ◆ Real Estate boom
- ◆ Stock Market volatility
- ◆ Protection of interest of retail investors
- ◆ Intermediaries
- ◆ Alternative investment avenues
- ◆ Technological problems



FIVE GOLDEN RULES FOR BEGINNERS

- Rule 1: **Start with Small Amount**
- Rule 2: **Have Realistic Expectations**
- Rule 3: **Learn from Failures**
- Rule 4: **Invest in What You Know**
- Rule 5: **Don't Get Emotional**



Tips for first time investors

- ◆ Invest only in fundamentally strong companies
- ◆ Follow life cycle investing
- ◆ Enter into mutual fund route
- ◆ Let not greed make you an easy prey
- ◆ Learn to sell
- ◆ Deal only with regd intermediaries
- ◆ Don't over depend on comfort factors
- ◆ Don't be fooled by corporate governance awards
- ◆ Be honest





Sushil Alewa
ISFM, Stock Market School -
Gurgaon – 122002
0124-2200689, 8368025252
www.isfm.co.in

