International Journal of Advanced Educational Research
ISSN: 2455-6157
Impact Factor: RJIF 5.12
www.educationjournal.org
Volume 3; Issue 2; March 2018; Page No. 544-548

Review of trends in Indian primary securities market post global financial crisis of 2008

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Abstract
Year 2008-09 saw the world's worst financial crisis of the 21st century. The failure of Lehman Brothers, a giant global bank, in September 2008, almost brought down the world's financial system. The effects of this international financial crisis were also felt in the Asian financial markets. Even Indian securities markets showed downward trend and increased volatility in that year. There was a downswing in the domestic equity markets which was in tune with the downward swing in global equity markets due to the international financial crisis. We witnessed a sharp fall in the benchmark indices, a general fall in share prices of all stocks, fall in market capitalization and turnover.
The whole of 2008-09 saw an ever increasing volatility in the stock market. As a result of this mayhem, there was a sharp fall in the resource mobilization by companies in the primary market. In fact this year saw more of redemptions as against resource mobilization by the mutual funds. This downward movement got its strength from concerns of increasing recession in the developed countries, falling domestic industrial growth and exports, increased selling by FIIs, poor corporate results and falling Indian currency. Despite of all this, Indian securities market could stand its ground and continue to function properly. Since then it's been almost a decade and the Indian capital market has made many advancements and as a result it has increased in magnitude and significance.
This research article endeavors to trace movements in the Indian securities market from 2008-09 to 2017-18. The focus areas would be the primary securities market with emphasis only on equity market and the resource mobilization in this segment over the study period. This would help in understanding the growth and development in the Indian securities market post the international financial crisis. For this purpose, the annual reports of SEBI for the study period have been downloaded and made as base to give a year-wise account.

Keywords: Indian securities market, primary market, IPO, resource mobilization

Introduction

Primary markets play a vital role in making capital available to both private and public enterprises. A healthy and efficient primary market is a necessity as well as reflection of a stable economy which is in turn essential for boosting business and investor's confidence in the markets.
Year 2008-09 saw the world's worst financial crisis of the 21st century. The failure of Lehman Brothers, a giant global bank, in September 2008, almost brought down the world's financial system. The effects of this international financial crisis were also felt in the Asian financial markets. Even Indian securities markets showed downward trend and increased volatility in that year. There was a downswing in the domestic equity markets which was in tune with the downward swing in global equity markets due to the international financial crisis. We witnessed a sharp fall in the benchmark indices, a general fall in share prices of all stocks, fall in market capitalization and turnover.
The whole of 2008-09 saw an ever increasing volatility in the stock market. As a result of this mayhem, there was a sharp fall in the resource mobilization by companies in the primary market. In fact this year saw more of redemptions as against resource mobilization by the mutual funds. This downward movement got its strength from concerns of increasing recession in the developed countries, falling domestic industrial growth and exports, increased selling by FIIs, poor corporate results and falling Indian currency. Despite of all this, Indian securities market could stand its ground and continue to function properly. Since then it's been almost a decade and the Indian capital market has made many advancements and as a result it has increased in magnitude and significance.
During the period of this study, Indian Primary markets have seen various ups and downs. But despite of these temporary phases, largely the market has behaved in an orderly manner, thanks to its' regulator SEBI for its' commendable efforts in making Indian Primary market as one of the best regulated markets in the world.
This study is about tracing the trends in the Indian Primary Market (IPO segment) since the year of global financial crisis of 2008 to till date in terms of amount mobilized year-wise, sector-wise and through various routes available in this segment and also highlighting the reasons for a particular behavior or happening in this segment in different years. For the purpose of this study, annual reports of SEBI for the last nine years have been studied; in particular the primary market segment and the observations have been mentioned in this article. The report for the year 2017-18 has yet not been released by SEBI so that could be taken to be the limitation of the study.

The year 2008-09 was a turbulent year for the Indian securities market. Throughout the year it showed a downward trend with a downward swing in the equity market which was in reaction to the international financial crisis causing a downward spiral in the global equity markets. This year stock market remained highly volatile with a steep fall in the benchmark indices, fall in prices of share across the board, fall in market capitalization and turnover. The resource mobilization by companies in the primary market saw a huge decline vis-à-vis previous year. Mutual funds resorted to redemptions more than resource mobilization as a result there was a huge outflow. This downward trend further got its strength from concerns of worsening recessionary conditions in developed economies, slowing of domestic industrial output and exports, increased selling by FIIs, poor corporate results and falling Indian currency. Despite of this mayhem, Indian securities market showed an orderly performance, thanks to its regulatory mechanism and the deep root savings and investment culture of Indian economy.
In this section let's take a look at the trends and operation of Indian primary securities market, year-wise.

2008-09

The year 2008-09 was not a good year for this segment, the number of fresh issues and amount raised saw a sharp decline due to economic slowdown, slackening of expansion plans by the corporates and poor investor response.
Only 47 companies came out with their capital issues (22 public and 25 rights issue), raising an amount of Rs.16, 220 crore, as against Rs.87,029 crores raised by 124 companies in the previous year. This year the number of IPOs were only 21 as compared to 85 during the previous year, raising an amount of Rs.2, 082 crore, which was much lower than Rs.42, 595 crore during the previous year. This year saw the share of public issue in total resource mobilization dropping to 22.1% from 62.6% in the previous year. Even the amount raised through rights issue declined to Rs.12, 637 crore during 2008-09 from Rs.32, 518 crore during 2007-08. Due to general subdued trend in the primary markets, even resources mobilized through the quicker mode, Qualified Institution's Placement (QIP) channel dipped to Rs.189 crore as compare to Rs.25,525 crore during the previous year.
If we look at the sector-wise resource mobilsation during 2008-09, then we see that in this year only private sector companies came out with their issues and none of the public sector company raised any capital in the primary market. In the last seven years it had happened for the first time. This year total 47 companies came out with their issue raising Rs.16, 220 crore as against Rs.63,311 crore through 120 issues during the previous year.
If we go size-wise resource mobilization during 2008-08, we find that about 78.1 % resource mobilization was through issues of size of more than Rs.500 crore but then the number of such issues fell to 06 during 2008-09 as compared to 24 during the previous year. The average size of issue also fell to more than half of the previous year's level; i.e., to Rs.345 crore from Rs.702 crore during previous year.

2009-10

The year 2009-10 witnessed a sharp turnaround in the Indian securities market. As compared to 2008-09, during which markets were in downswing due to ongoing international financial crisis causing downward spiral in the global equity markets, 2009-10 registered an upward movement. This positive change was brought around by the unambiguous union election results bringing a period of stability across the market. With the passing of year, even the scene at global markets also became better. FIIs (Foreign Institutional Investors) made a record buying in the Indian equity markets during 2009-10 of Rs.1,42,658 crore. This reflected the confidence of the investors in the Indian Economy. This large inflow through FIIs mode in the Indian economy helped strengthening of Indian Rupee against US Dollar.
In 2009-10, the resource mobilization by corporates in the primary market also saw an increase as compared to previous year. Even mutual funds mobilized more resources than redemption during the year resulting in substantial inflows.
The primary market segment of the Indian securities market saw a positive trend during this year.
Total 76 issues came into market raising Rs.57,555 crore as against 47 issues raising Rs.16,220 crore during the previous year 2008-09. With improved investment climate, there were 39 IPOs this year as compared to 21 of last year. Through these 39 IPOs a total of Rs.24, 696 crore was raised as against Rs.2,083 crore raised in 2008-09. Even through the QIP mode, the resource mobilization showed an increase during this year. A total of 62 QIP issues came raising Rs.42, 729 crore during 2009-10 as against just two QIP issues during the previous year raising just Rs.189 crore.
If we see sector-wise resource mobilization during 2009-10, we find that this time 70 private sector and 06 public sector companies raised resources through the primary market route during this year. Last year it was only 47 issues that too only from the private sector and none from the public sector.
From the point of view of size of the issue, this year we had around 87.7 % resource mobilized through issues with the size of above Rs.500 crore. Such big issues during this year were 21 as against only 10 during the previous year. Even the average size of the issue double during this year, Rs.757 crore as against Rs.345 crore last year. There were 30 mega issues this year of Rs.300 crore or above as against 09 of last year.

2010-11

The financial year 2010-11 was a very good year for the primary market operations as it witnessed a record number of issues, IPOs/FPOs and debt issues. Even the FIIs made record purchases in the equity and debt segment, investing Rs.1,46,438 crore in Indian markets combining debt and equity, which is higher than last year. It shows increasing confidence of foreign investors in the potential of Indian economy. There was an improvement in fund raising by corporates in 2010-11 as compared to previous year. But unlike previous year, this year mutual funds resorted to more redemptions than resource mobilization resulting in substantial outflow. In the primary market segment trends were positive. This year saw a number of public sector units raising funds through the IPO mode. In total, during 2010-11, 91 issues came in the primary market out of which 81 were equity issues and 10 debt issues, collectively raising Rs.67,609 crore as against Rs.57,555 crore last year. This year saw the

India's biggest ever IPO from Coal India of the issue size of Rs.15,199.4 crore. There were total 53 IPOs during this year raising Rs.35,559 crore as against 39 IPOs of last year which raised Rs.24,696 crore. There was decline in the issues through the QIP route, only 50 companies raised an amount of Rs.25,861 crore from primary market through this route as against 62 QIP issues of last year raising Rs.42,729 crore.

If we fcus on sector-wise resource mobilization, this year 77 private sector and 14 public sector companies have raised resources through primary market as compared to 70 private and 06 public sector companies of last year. These companies raised Rs.67,609 crores through 91 issues as against Rs.57,555 crore through 76 issues during last year.

2011-12

This year saw the impact of global macroeconomic changes on the Indian equity markets. The primary market activities were subdued during this year as sluggish and bearish trend prevailed for the major part of the year. The international economic happenings like Eurozone sovereign debt crisis, fiscal and debt problems in US, high oil prices and commodity prices and earthquake in Japan and Middle-east derailed global economic growth prospects and dented the investor and consumer confidence. India's investment cycle which was on an upward turn suddenly slowed down due to increasing concerns out of fragile global economy.

The primary market for equity issues was majorly retrained from both the sides, demand and supply. Investor's sentiment was low due to poor returns from previously listed IPOs and volatile secondary market. On the other hand, corporate also exhibited caution and restrain in resource mobilization with symptoms of economic slowdown, both globally and domestically. The amount raised through IPOs/FPOs was lower this year as compared to last year. However the number and amount raised through debt issues was higher this year. Despite of poor global economic scenario, the FIIs flows were positive for both, debt and equity segments .In the mutual funds segment, redemptions more than resource mobilization resulted in outflows.

Due to poor investment climate, there was a lukewarm response in the primary markets. Only 71 companies accessed primary market for resource mobilsation raising Rs.48,468 crore as against 91 issues of last year raising Rs.6y7,609 crore The weak investment climate led to a lower number of IPOs, only 34 during this year raising just Rs.5,904 crore as compared Rs.35,550 crore from 53 IPOs last year. Another important observation was that of the amount raised through IPOs/FPOs, Rs.2,054 crore was through offer for sale by existing shareholders. Even resource mobilization through the QIP route saw a decline as this year only few corporate raised capital through this mode. As compared to last year which saw 59 QIP issues raising Rs.25,850 crore, this year there were only 16 QIP issues raising Rs.2,163 crore only.

Focusing the size of the issues during 2011-12, the market was dominated by large issues of size of Rs.500 crore and above as they accounted for almost 90% of the resource mobilisation through the primary market. However the number of issues having a size of Rs.500 or above declined during this to 19 as against 26 in the previous year and average issue size also decline from Rs.743 crore of last year to Rs.683 crore this year. There were 22 mega issues of Rs.300 crore or above this year as compared to 36 of last year.

2012-13

During 2012-13 the primary markets remained subdued. The reasons behind this were the economic slowdown and consequent slackening of investment demand and high inflationary pressure and consistently high fiscal and current account deficits. Due to poor or I should say negative returns of previous years listed IPOs further dented the investors' appetite. There were various policy decisions/initiative were taken to invigorate the primary market like disinvestment programs of the government, introducing RGESS scheme, e-IPOs, and mandating companies to maintain 25% minimum public shareholding . In total there were 69 issues this year in the primary market raising Rs.32,455 crore as compared to 71 issues during previous year raising Rs.48,468 crore. There were only 33 IPOs this year raising Rs.6,528 crore which is slightly higher than Rs.5,904 crore raised last year through 34 IPOs. During this year there were no FPOs and four of the IPOs were as Offer for Sale by existing shareholders.

SEBI started a new initiative this year by dedication a listing trading platform for SMEs, whose post issue paid up capital shall be equal to or less than Rs.25 crore. In the first year itself 24 companies were listed in the SME platform and raised a total of Rs.239 crore.

Taking a sector-wise view of the resource mobilized in primary market, this year 55 private sector and 14 public sector companies raised resources as compared to 60 private sector and 11 public sector companies during the previous year. In terms of size of the issue, this year also large size issues of Rs.500 crore or more dominated the market as around 84% of the total resource was mobilized by the large issues. The average size of the issue this was Rs.470 crore which declined from Rs.682 crore of last year. There were total 19 mega issues of Rs.300 crore or above as compared to 22 such issues during previous year.

2013-14

As far as the year 2013-14 is concerned, the primary market recorded increased figures in terms of resource mobilization. Though the first half saw difficult times with international disturbances and domestic uncertainties but in the second half currency appreciation brought a growth in the external demand. The investor sentiments were upbeat on account of encouraging global scenario and improving macroeconomic domestic factors. There were number of positive factors like economic recovery, containment of fiscal and current account deficits, adjustment of rupee exchange rate, falling interest rates, have all a positive impact on the markets. There were number of policies actions taken by SEBI which restored the investor confidence and optimism in the financial markets. Facilitative policy actions of SEBI like listing with IPO, trading of specified securities of SMEs including Start-up companies on the Institutional Trading Platform in SME Exchange, changes in the disclosure format under SEBI(Substantial Acquisition of Shares and Takeovers) Regulations,2011, etc., measures provided strength to the primary market.

As far as resource mobilization is concerned, this year a total of 90 corporations raised capital in the primary market to the tune of Rs.55,652 crore as compared to previous year during which 69 issues came in market and raised Rs.32,455 crore. During this year activities in the primary market were on a positive track, we saw a total of 38 IPOs this year raising Rs.1,236 crore as compared with last year which saw only 33 IPOs. Out of current year's 38 IPOs, 37 were listed on the SME platform. This year there were two FPOs raising Rs.7,457 crore as compared to none during previous year. Another important observation, this year the debt issue share in the total resource mobilization was the largest at 76.2% and 23.8% was of equity. A total of 37 companies got listed on SME exchange this year raising a total amount of Rs.317 crore as against 24 such issues raising Rs.239 crore last year.

I f talk about sector-wise resource mobilization, out of 90 companies coming out with their public issue in the primary markets, 70 were private sector and 20 were public sector. But in terms of amount raised the picture is reversed as the share of public sector in the total resource mobilization stood at 79% and that of private sector at 21%. Size-wise classification shows that there has been an increase in the average size of the issue this year as compared to the previous year. This the average size of the issue stood at Rs.618 crore whereas last year it was Rs.470 crore. However the mean IPO size declined to Rs.33 crore this year from previous year's Rs.198 crore. There were 30 mega issues of Rs.300 crore or more this year as compared to 19 of the previous year. The largest issues were from the public sector units. This year through the QIP and IPP route, a total of Rs.13,663 crore was raised compared to Rs.15,996 crore of last year.

During the year 2012 another mechanism was introduced, to meet the requirements of MPS (Minimum Public Shareholding), the Offer for Sale through stock exchange mechanism. A total of 71 companies mobilized resources through this source during 2013-14 making it more popular than the IPP route.

2014-15

Trend during 2014-5 in the primary market was somewhat subdued as expressed by figures of resource mobilized. Though the trading in the secondary market soured to new heights. Positive global outlook, strengthening Indian rupee vis-à-vis US Dollar, positive macroeconomic data, easing inflation, etc., all helped in bringing positivity in the primary securities market. Some of the important developments related to securities market this year were: Increasing investment bucket for the anchor investors in IPO, introduction of e-IPO and SEBI regulations for Share Based Employee Benefits.

From the point of view of resource mobilization, there were total 88 issues this year in the primary market, raising a total amount of R.19, 202 crore as against 90 issues during the last year raising a total amount of Rs.55,652 crore. This year number of IPOs at 46 was higher raising a total amount of Rs.3,039 crore as compared to last years' 38 IPOs raising just Rs.1,236 crore. Out of the 46 IPOs, 39 IPOs were listed at the SME exchange this year. There were no FPOs this year as compared two of last year. Using the SME platform, 39 companies raised an amount of Rs.278 crore as compared to Rs.317 crore raised through 37 issues last year.

If we take a look at sector-wise resource mobilization, during 2014-15, out of 88 issues in the primary market, 85 were by the private sector companies and the remaining three were by the public sector companies. The amount raised by the private sector stood at Rs.16,756 crore, contributing to 87.3% of the total resource mobilized in the primary market. The amount raised by three public sector companies worked out to Rs.2,446 crore contributing to 12.75 of the total resource mobilized in the primary market. Size-wise, this year saw major resources mobilized through the large size issues of Rs.500 crore or above. The average size of the issue this year was Rs.218 Crore as compared to Rs.618 crore during last year. The mean IPO size increased to Rs.66 crore from Rs.33 crore of last year. There were 19 mega issues of Rs.300 crore or above during this year, raising a total of Rs.14,247 crore, which was 74.2% of the toal resource mobilized. Through the QIP route, 51 issues raised a total of Rs.29,102 crore. And through Offer for Sale route a total of Rs.26,875 crore was rasied during 2014-15.

2015-16

For the year 2015-16, primary market saw a moderate growth as shown in numbers as far as resource mobilization is concerned. To facilitate capital raising by corporates and provide adequate protection to the investors, SEBI initiated various policies this year like facilitating capital raising by the start-ups, simplifying the delisting procedures for the small companies and notifying the Listing Obligations And Disclosure Requirements Regulation, 2015.

During the year, 108 issues came in the primary market raising a total of Rs.58,166 crore as against 88 issues of last year raising Rs.19,202 crore. The number of IPOs this year was higher at 74 raising an amount of Rs.14,815 crore as against 46 IPOs of last year raising an amount of Rs.3,039 crore. Out of 74 IPOs, 50 were listed on the SME Exchange . This year also like last year, there was no FPO. Most of the IPOs opened during this year received an overwhelming response from the investors and many of them were oversubscribed. Through the SME platform, 50 companies raised a total amount of Rs.379 crore as compared with last year's 39 issues raising Rs.278 crore.

I f we take a look at sector-wise resource mobilization, during 2015-16, out of 108 issues, 97 were by private sector companies and 11 were by public sector companies. Private sector issues raised Rs.27,068 crore and public sector issues raised Rs.31,098 crore. Size-wise once again this year also we had large size issues of Rs.500 crore or more dominating the scene, they had a share of 85% in resource mobilization this year as compared to 56.4% of last year. The average size of issue this raised to Rs.539 crore as compare to Rs.218 crore of last year. There were 39 mega issues of Rs.300 crore or more this year as against 19 of last year. These mega issues alone mobilized around 95% of the total resources mobilized during 2015-16. Through the QIP route, a total of 24 issues raised Rs.14,587 crore this year as against Rs.29,102 crore during last year. There were 16 companies which came out 18 Offer for Sale issues during the year raising Rs.19,817 crore.

2016-17

This year saw an increase in the primary market activities as the number of IPOs increased and also in terms of resource mobilized in the primary market. There were number of factors responsible for positive investment climate such as robust macroeconomic performance, easing inflation, stable FDI inflows, and regulatory reforms promoting business confidence and investor optimism in the primary markets. A number mega issues were seen this year and all the issues got an overwhelming response from various class of investors, both institutional and retail investors. A good number of issues were oversubscribed reflecting the increase in the investors' appetite and confidence in the issue quality and the market. The trend this year showed that globally the maximum number of IPOs came from Asia-pacific region with India being onbe of the major contributors.

A total of 134 issues accessed the primary market this year raising Rs.62, 067 crore as against 107 issues during last year raising a total amount of Rs.57,866 crore. This year was said to the year of IPO market as there was a huge jump in the number of IPOs and the amount mobilized through them. In total 106 IPOs came in the market during 2016-17 of which 77 were listed on the SME platform. The capital raised through IPOs during this year almost double at 96.4% to Rs.29, 104 crore from Rs.14, 815 crore of last year. This year also there was no FPO.

Through the SME platform, this year total amount of Rs.809 crore was raised through 77 companies as compared to Rs.379 crore being raised by 50 companies during the previous year.

If we talk about sector-wise resource mobilization, this year private sector dominated the scene with 98.2% share in the total resource mobilized in the primary markets. There were total 133 issues in the primary market during 2016-18 out of which 133 issues were by the private sector companies raising Rs.60,943 crore and a single public sector company issue raising Rs.1,124 crore. The reason for this pattern could be revival of the industrial activities, buoyancy in the secondary market and increase confidence of the corporates and the investors in the Indian Capital market and its regulatory mechanism.

The Size-wise issue details showed that though there was more number of issues with issue size upto Rs.100 crore but the amount of resources mobilized continued to remain high through the issues in the range of Rs.100 crore to Rs.500 crore. Issues above Rs.500 crore accounted for 90% of the total resource mobilized. There 29 issues with the size of Rs.500 crore or more this year as compared to 25 such issues during last year. The average size of the issue this year remained at Rs.463.2 crore compared to last years' Rs.540.8 crore. The mean IPO size this year increased to Rs.275 crore from Rs.200 crore of last year. There were 36 mega issues this year of Rs.300 crore or above. Through the QIP route, 20 issues raised Rs.8,464 crore and through the OFS (Offer for sale) route, 23 companies came out with 29 OFS issues raising resources to the tune of Rs.7,843 crore, declining from Rs.19,817 crore in the previous year raised through this route.

Conclusion

A well-developed primary securities market is very crucial for resource mobilization the economy as it brings together the investors seeking investment opportunities and issuers seeking resources to fund their businesses. Developing the securities market has been, ever since SEBI's inception, as one of its preambles and for this it has been adopting a number of measures to make the primary securities market more vibrant and more efficient with every passing year. From the preceding matter, one could easily trace how Indian primary securities market has tackled the ill effects of global adverse economic changes and has been able to work in an orderly and balanced manner. The year 2008-09 was a highly challenging time period for the financial markets world over which tested their regulatory mechanism. And those who could sustain the pressure are the one which are today being regarded as the best global securities market of which Indian capital market is one. From the study one could easily trace how and when and why Indian primary market behaved in a particular manner. There have been years when the resource mobilization in the primary market segment has declined and then there are years when the fresh issues have increased in numbers and have got overwhelming response from the investors. With the policy initiatives like opening up of a trading platform dedicated for the SMEs, bringing in minimum public shareholding requirement, introduction of e-IPOs, introducing QIP (Qualified Institution's Placement, streamlining the issue process from time to time and many other such facilitating initiatives of SEBI have provided a stimulus to the operations in the primary market adding to its growth and strength.

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