

# Saarth

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### **“Effect of New Controller on Primary Market”**

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The Securities and Exchange Board of India is new Controller of Primary Market functions. The board has come in full power in 1992 through promulgated the securities and Exchange board of India Act 1992. In earlier years the controller of Capital Issues (CCI) has regulated the functioning of the primary market as provisions of the capital Issues (Control) Act, 1947. This Act has granted consents to enterprises for new securities issues through primary market.

According to this Act provisions, which enterprises desired to raise capital for the first time, obtains the consent of the CCI when issues of capital in excess of Rupees One Crore during the period of 12 months except certain categories companies which has mentioned under the capital Issues (Exemption) Order, 1969.

In 1992, the present central Govt. Finance Minister Dr. ManMohan Singh has adopted economic Liberal policy. In this steps, Capital Issues (Control) Act 1947 has repealed by Capital Issues (Control) Repeal Act 1992 which immediate effective on may 29, 1992, Thus all the guidelines, notifications, circulars etc. become defunct which have issued by the office of the controller of capital Issues. The enterprises become free to take priod consents to Controller for raise new capital. Thereafter, enterprises can to make any issues of capital in any form as they lipe at any price and subject to other terms and conditions as they may decide. However, as per provision of SEBI Act, Companies desirous of making a public issues (with or without premium) are required to conform to the ‘Guideline for Disclosure and

Invester protection issued by SEBI.

According to Sebi, Listed companies can do Public Issue through Follow-on-Public offer (FPO) to Primary markets but unlisted company which enter in Primary Market Arst time by issue prospectus can do initial issue through initial public offer (IPO) but not do further issue (EPO) without listing. Thus. SEBI is working as market regulator and it also to see that

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market is operating on the basis of well laid down principles and conventions.

The new Capital issues by Non-Govt. public Ltd companies may be analyzed in table It is obvious that there has been significant growth in total new capital issues by Non-Govt public companies during study when the CCI was working as primary market controller. It new issue has increased nearly eighteen times from Rs. 1646 Cr. in 1985-86 to Rs. 29757 Cr. in 1992-93. In this period debentures demand was very high. Thereafter, new issue market (Primary Market) has gone in hand of SEBI (Securities and Exchange Board of India), then began tremendous changing and in the previous period such companies issued Rs. 29290.00 Cr. during 1993-94 and Rs. 44962 Cr. in 1994-95 Thereafter, its trend declined continuously and went upto Rs. 4304 Cr. In 1997-98 because debentures popularity declined in respect of previous years. In other words, all new issue market performance was suffering mandi condition.

The total new capital issues by Non. Govt. public Ltd. Companies shows tremendous growth in new issues under control of SEBI and it issues Rs. 140930 Cr. during 2017-18, while it issues only Rs. 29290 Cr. in the period of 1993-94. The equity shares issue shows an increasing trend in term of volume that from Rs. 846.60 Cr. in 1985-86 to Rs. 9953 Cr. in 1992-93 but as percentage wise of grand total decrease 51.41 percent to 33.45 percent during controllership of CCI. The SEBI started function as controller of New Issue Market, then Non Govt public Companies have issued maximum shares in form of equity, During 1993-94 it issues Rs. 9960 Cr. And increased continuously upto Rs. 67,993 Cr. In 2017-18 During the Study period the popularity of equity has declined in 2014-15 & 2013-14. The popularity of

equity as percentage of grand total issues were 34.00 percent in 1993-94 and it increased up to 48.24 percentage in 2017-18. In others words, it shows mixed trend as percentage of total shares issued. An overall, the equity issues have been found more popular under controllership of SEBI.

The preference share issues, which accounted for just 0.07 percentage of grand total issue in 1985-86 has increased to 0.39 percent during 1987-88. Volume-wise, its increased to Rs. 1.20 Cr. to Rs. 13.00 Cr. in 1990-91 period under controller ship of CCI. The Non-Govt. public companies have issued more preference shares in starting period of SEBI controllership up to Rs. 150 Cr. In 1995-96 but after 2008-9 companies not issued any preference shares.

The debenture issues have shown mixed trend during the study. Volume-wise Rs. 798.90 Cr. New capital issued by Non-Govt. public Ltd companies in form of debenture during 1985-86.

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He was 98.59 percentage of grand total. The debenture issues increased continuously and went upto Rs. 19,803 Cr during 1992-93. That was last period of CCI controllership. SEBI take over control of new issue market in 1992 then popularity of debenture shows mixed trend in volume and percentage. The contribution of debentures issues were maximum 82 percent of grand total in 2008-09 . Thereafter its decreased as percentage-wise. However its maintain proportion more than 51.76 percent of grand total during study. Volume-wise maximum debentures issued Rs. 72946 Cr in 2017-18 but percentage-wise it only 51.76. In this year, total Rs. 2,40,939 Cr. New issued by Non-Govt. Public Ltd companies through new Issue Market.

Thus, it may be observed from analysis that new issue has been improved satisfactory under CCI controllership because that time companies need more finance for development and investors were interested to investment in new issue market. Companies facing problem to take prior consent for new issue to CCI. The maximum companies were around Mumbai while CCI office in New Delhi only SEBI came in full power after Capital issues (Control) repeal Act 1992. Thereafter enterprises became free to take prior consent for new issues. The

head office of SEBI located in Mumbai and regional offices at New Delhi, Chennai, Kolkata and Ahmedabad SEBI also opened local offices at Bengaluru, Hyderabad, Kochi, Guwahati, Bhubaneswar, Patana, Ranchi, Chandigarh, Lucknow, Dharwad, Jaipur, Indore, Raipur, Panaji, Shimla and Jammu. SEBI has opened on 10/11/2018 at vijaywada, Thus, companies take prior consent to local office of SEBI if issues more than free limit.

Thus under controllership of SEBI the enterprises have issued more and more equity shares and debentures. Although, enterprises have issued huge debentures in comparison of equities. SEBI is providing protection and confidence to investors and companies through issue guidelines, notification etc. at time to time. Therefore, SEBI become more effective in development of primary market (New Issue Market) in India.

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Table : New Capital Issues by Non-Gov Public Limited companies

(Rupees in Crore)

| Year<br>(April/March) | Equity share<br>(Amount) | Preference Shares<br>(Amount) | Debentures<br>(Amount) | Ground Total |
|-----------------------|--------------------------|-------------------------------|------------------------|--------------|
| 1985-86               | 846.5(51.41)             | 1.2 (0.07)                    | 798.9 (48.52)          | 1646.6       |
| 1986-87               | 880.8 (35.78)            | 8.0 (0.03)                    | 1580.0 (64.19)         | 2461.6       |
| 1987-88               | 1102.8 (62.17)           | 6.9 (0.39)                    | 664.1 (37.44)          | 1773.9       |
| 1988-89               | 1000.9 (32.11)           | 3.3 (0.11)                    | 2112.9 (67.78)         | 3117.1       |
| 1989-90               | 1193.0 (8.0 (0.13)       | 8.0 (0.13)                    | 5143.0 (81.07)         | 6344.0       |
| 1990-91               | 1284.0 (22.89)           | 13.0 (0.23)                   | 4312.0 (78.88)         | 5609.0       |
| 1991-92               | 1916.0 (23.63)           | 2.0 (0.02)                    | 6193.0 (78.35)         | 8111.0       |
| 1992-93               | 9953.0 (33.45)           | 1.0 (0.00)                    | 19803.0 (66.55)        | 29757.0      |

|           |                 |              |                  |         |
|-----------|-----------------|--------------|------------------|---------|
| 1993-94   | 9960.0 (34.00)  | 0.0 (0.00)   | 19330.0 (66.00)  | 29290.0 |
| 1994-95   | 17414.0 (38.73) | 131.0 (0.29) | 274527.0 (60.98) | 44962.0 |
| 1995-96   | 11877.0 (42.38) | 150.0 (0.54) | 15998.0 (57.08)  | 28025.0 |
| 1996-97   | 6101.0 (36.78)  | 75.0 (0.16)  | 10410.0 (62.76)  | 16586.0 |
| 1997-98   | 1162.0 (26.99)  | 4.0 (0.11)   | 3138.0 (72.90)   | 4304.0  |
| 1998-99   | 2563.0 (33.56)  | 60.0 (0.77)  | 50130 (65.65)    | 7636.0  |
| 1999-2000 | 2753.0 (34.82)  | 0.0 (0.00)   | 5153.0 (65.18)   | 7906.0  |

|         |                 |              |                 |          |
|---------|-----------------|--------------|-----------------|----------|
| 2000-01 | 2608.0 (30.44)  | 142.0 (1.66) | 5818.0 (67.90)  | 8568.0   |
| 2001-02 | 866.0 (13.21)   | 0.0 (0.00)   | 5692.0 (86.79)  | 6558.0   |
| 2002-03 | 466.0 (19.88)   | 0.0 (0.00)   | 1878.0 (80.12)  | 2344.0   |
| 2003-04 | 2471.0 (39.90)  | 0.0 (0.00)   | 3722.0 (60.10)  | 6193.0   |
| 2004-05 | 11452.0 (46.68) | 0.0 (0.00)   | 13079.0 (53.32) | 24531.0  |
| 2005-06 | 20899.0 (49.68) | 10.0 (0.02)  | 21154.0 (50.30) | 42063.0  |
| 2006-07 | 29756.0 (49.30) | 0.0 (0.00)   | 30503.0 (50.70) | 60359.0  |
| 2007-08 | 56848.0 (47.16) | 54.8 (0.05)  | 63638.0 (52.79) | 120540.8 |
| 2008-09 | 14.6710 (17.93) | 0.0 (0.00)   | 67171.0 (82.07) | 81842.0  |
| 2009-10 | 25299.0 (47.48) | 0.0 (0.00)   | 27979.0 (52.52) | 53278.0  |

|         |                 |            |                 |         |
|---------|-----------------|------------|-----------------|---------|
| 2010-11 | 24830.0 (47.49) | 0.0 (0.00) | 27460.0 (52.51) | 52290.0 |
| 2011-12 | 8152.0 (34.20)  | 0.0 (0.00) | 15682.0 (65.80) | 23834.0 |
| 2012-13 | 13885.0 (46.31) | 0.0 (0.00) | 16100.0 (53.69) | 29985.5 |

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|         |                 |            |                  |          |
|---------|-----------------|------------|------------------|----------|
| 2013-14 | 58120.0 (33.23) | 0.0 (0.00) | 11.681.0 (66.77) | 17493.0  |
| 2014-15 | 9315.0 (33.22)  | 0.0 (0.00) | 17056.0 (64.68)  | 26371.0  |
| 2015-16 | 24002 (47.32)   | 0.0 (0.00) | 26716.0 (52.68)  | 50718.0  |
| 2016-17 | 30358.0 (33.63) | 0.0 (0.00) | 59905.0 (66.37)  | 90263.0  |
| 2017-18 | 67993.0 (48.24) | 0.0 (0.00) | 72946.0 (51.76)  | 140939.0 |
| 2018-19 | 16754.0 (23.87) | 0.0 (0.00) | 53432.0 (76.13)  | 70186.0  |

Note: 1. Data for 2018-19 are provisional.

2. Figures in brackets are percentage

Source : Currency and finance R.B.I. Vol. II, 1986, 87, 89 & 91

: Securities and Exchange Board of India (SEBI) 2021

(Sources : SEBI Publications)