

Trends of Flow of Funds in the Indian Capital Market

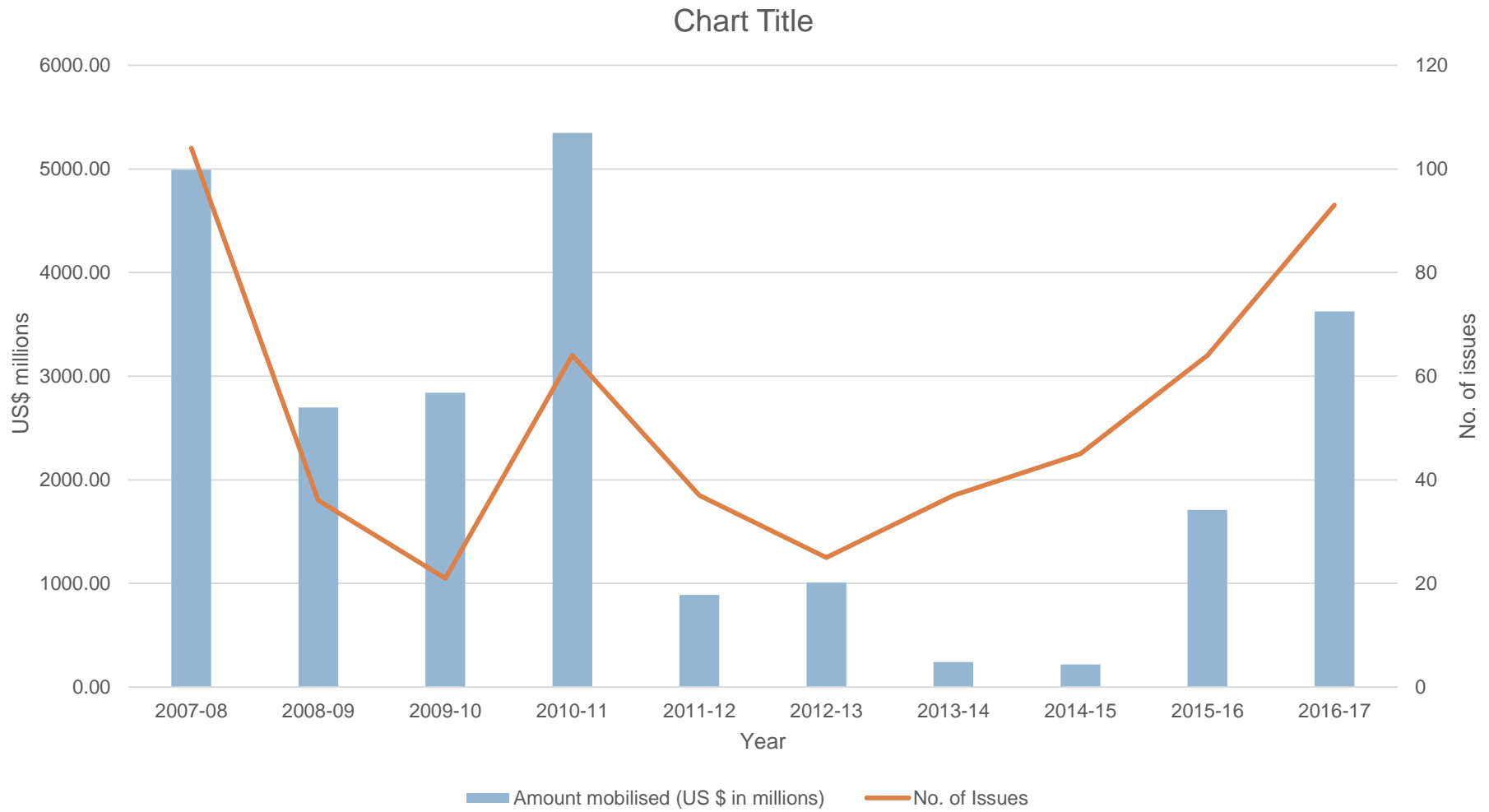
March 1, 2017

Susanta Kumar Das



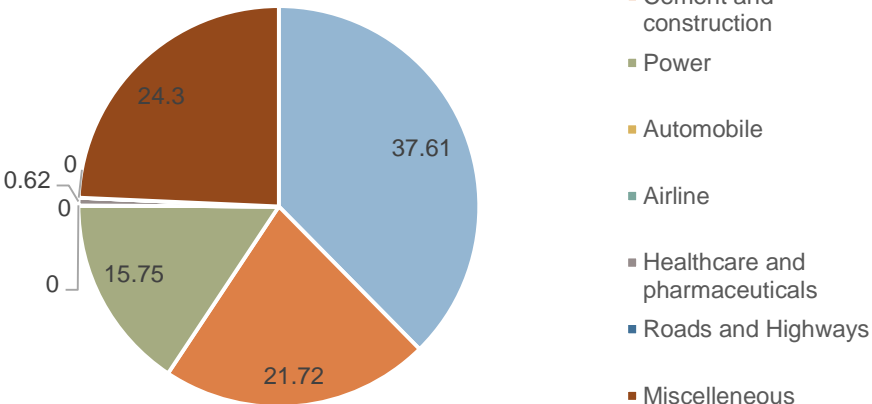
Trends in Primary Market

Year Wise IPOs and amount mobilized through IPOs

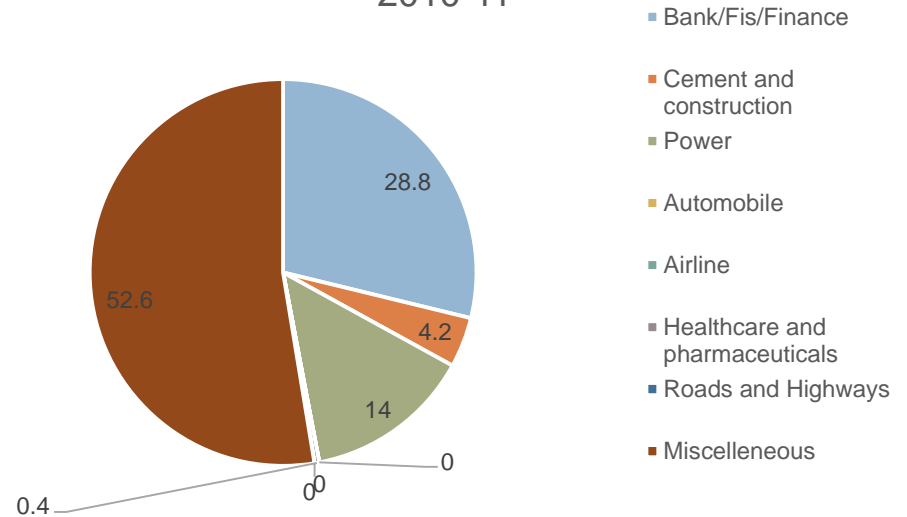


Sector-Wise IPOs

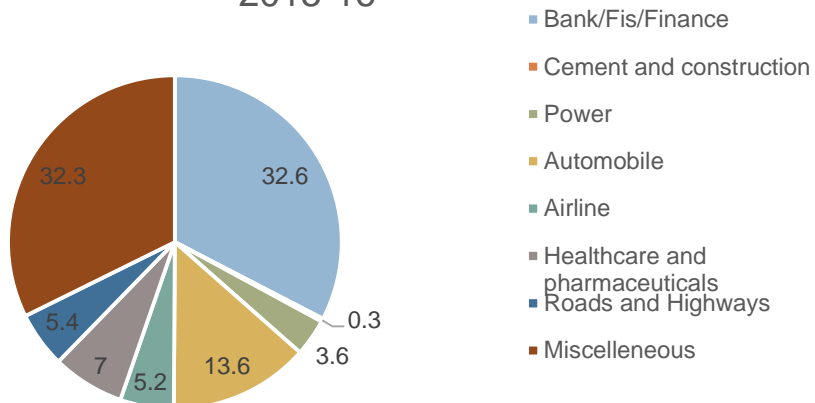
2007-08



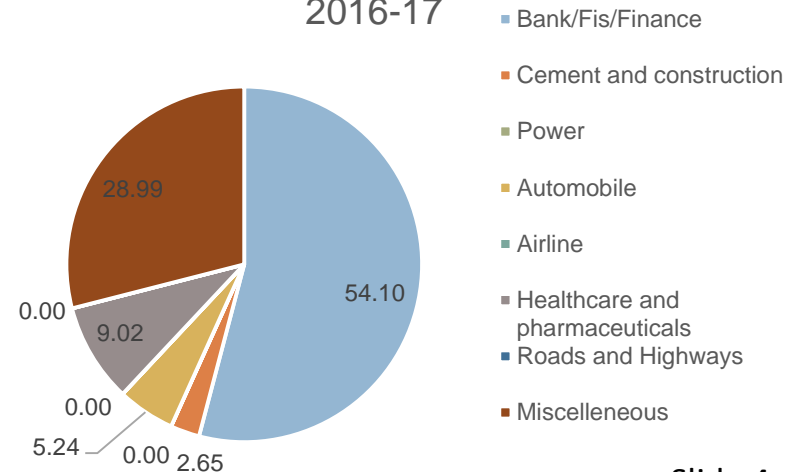
2010-11



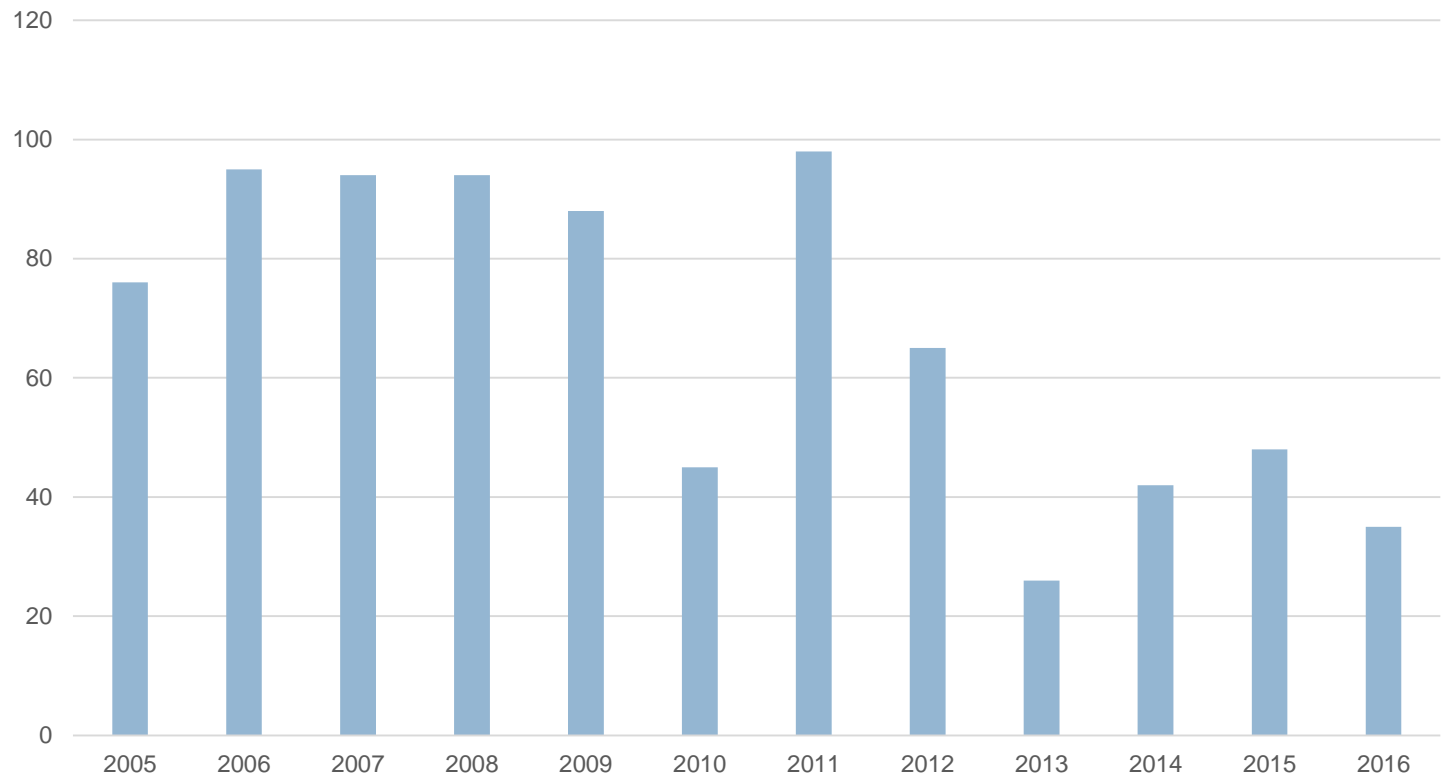
2015-16



2016-17



Fresh Capital as % of Issue Amount



IPO in 2016-17- Features

- First IPO by an Indian insurer;
- First IPO by an Indian Stock Exchange;
- First private sector bank IPO in a decade;
- IPO by small finance banks;
- IPO by India's largest enzyme manufacturer ;
- Most of the IPOs are backed by private equity- money raised to provide exit to existing investors;
- Strong participation by domestic institutional investors;
- Companies from newer sectors have raised capital (manpower consulting, medical diagnostic, coffee chain, beverage makers, etc.)



SME PLATFORM

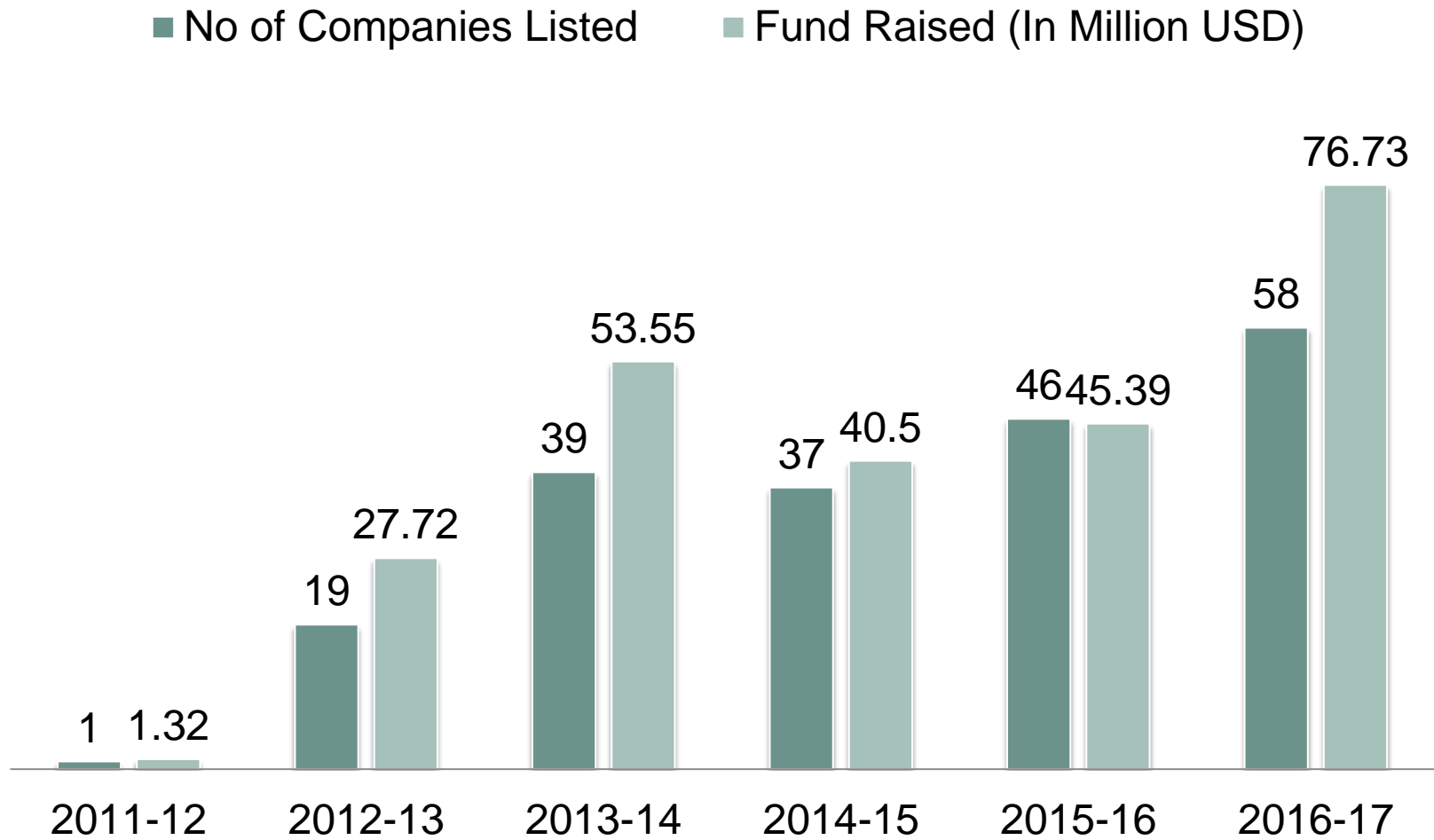
Listing on SME Exchange/Platform

- Definition of SME for Listing:
 - ✓ SMEs with post-issue (face value) capital less than 10 Cr. (US\$ 1.5 million): Mandatory listing in SME platform.
 - ✓ SMEs with post issue (face value) capital between 10 Cr. to 25 Cr. (US\$ 1.5 million to US\$ 4 million): Listing in either SME platform or main board.
- SME Platform started in the year 2012
- Capital raised to the tune of Rs. 1610 Cr (235.8 Million)

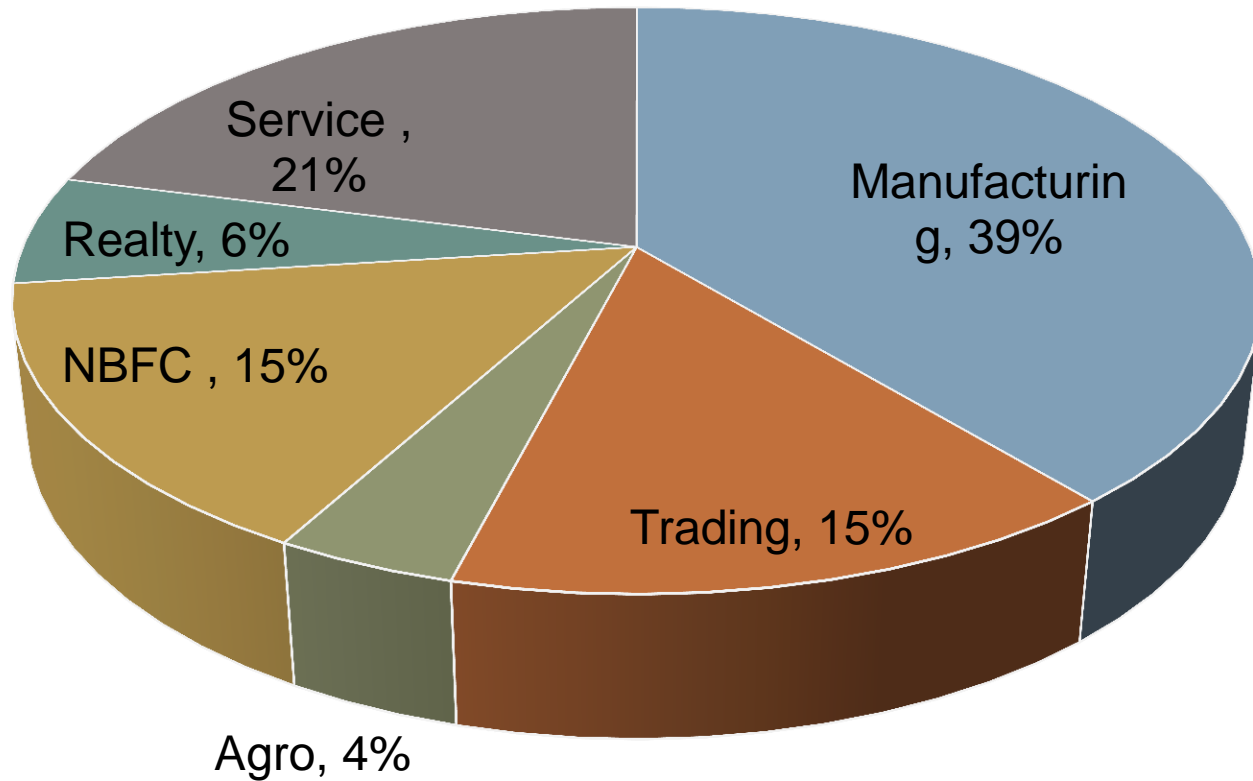
Features of SME

- Filing and vetting of SME issue (public issue and right issue) with SEs, rather than SEBI.
- Retail investors are ring fenced: minimum market lot of Rs. 1 lakh (US\$ 1600)
- Minimum allottees at 50 (1000 in a normal IPO)
- Less stringent continuous listing requirements- Periodic submissions can be half yearly instead of quarterly
- 100% Underwriting by Merchant bankers;
- Abridged annual reports- Exemption from publishing financial results (can make it available in their websites)

Listing and Fund Raising On SME Platform



Sector Wise Listed SME Companies



Trends in SME IPO-2016-17



- Cost of listing is significantly less compared to main board;
- Less time to list;
- Initial investors appear to be individuals who are from the same region as that of the company;
- Early signs of participation by Institutional investors.

Measures taken by SEBI

- Streamlining of Public Issue Process- Post issue timeline for listing reduced from T+12 to T+6 days;
- ASBA made mandatory;
- Reduction in the size of abridged prospectus
- Additional disclosures include
 - ✓ Track record of the merchant banker
 - ✓ Justification of higher PE ration compared to the industry average

Challenges

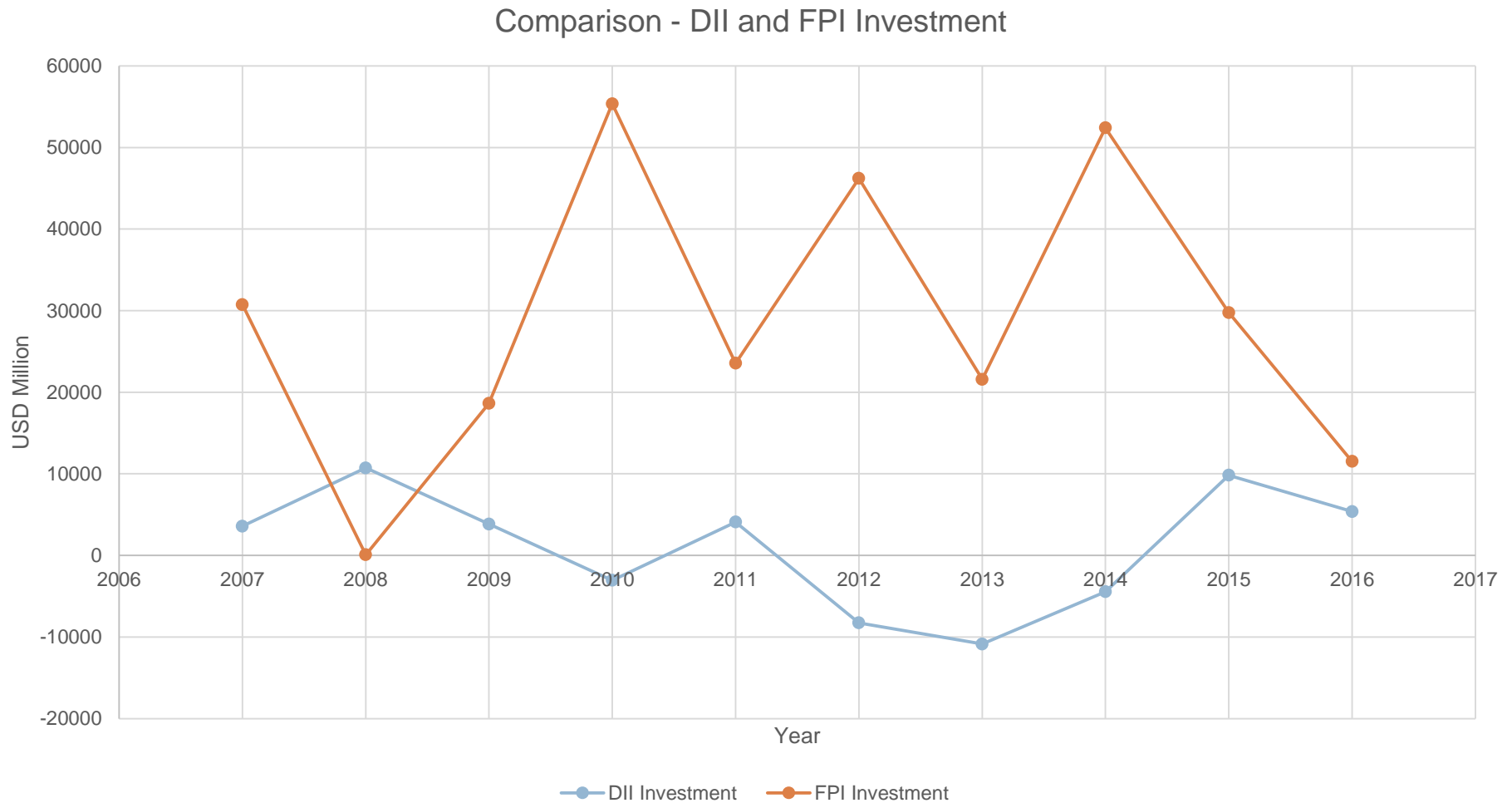


- Uncertainty regarding FPI flows;
- Proceeds not used for capital investment and creation of assets;
- Liquidity - Ring fencing of retail investors

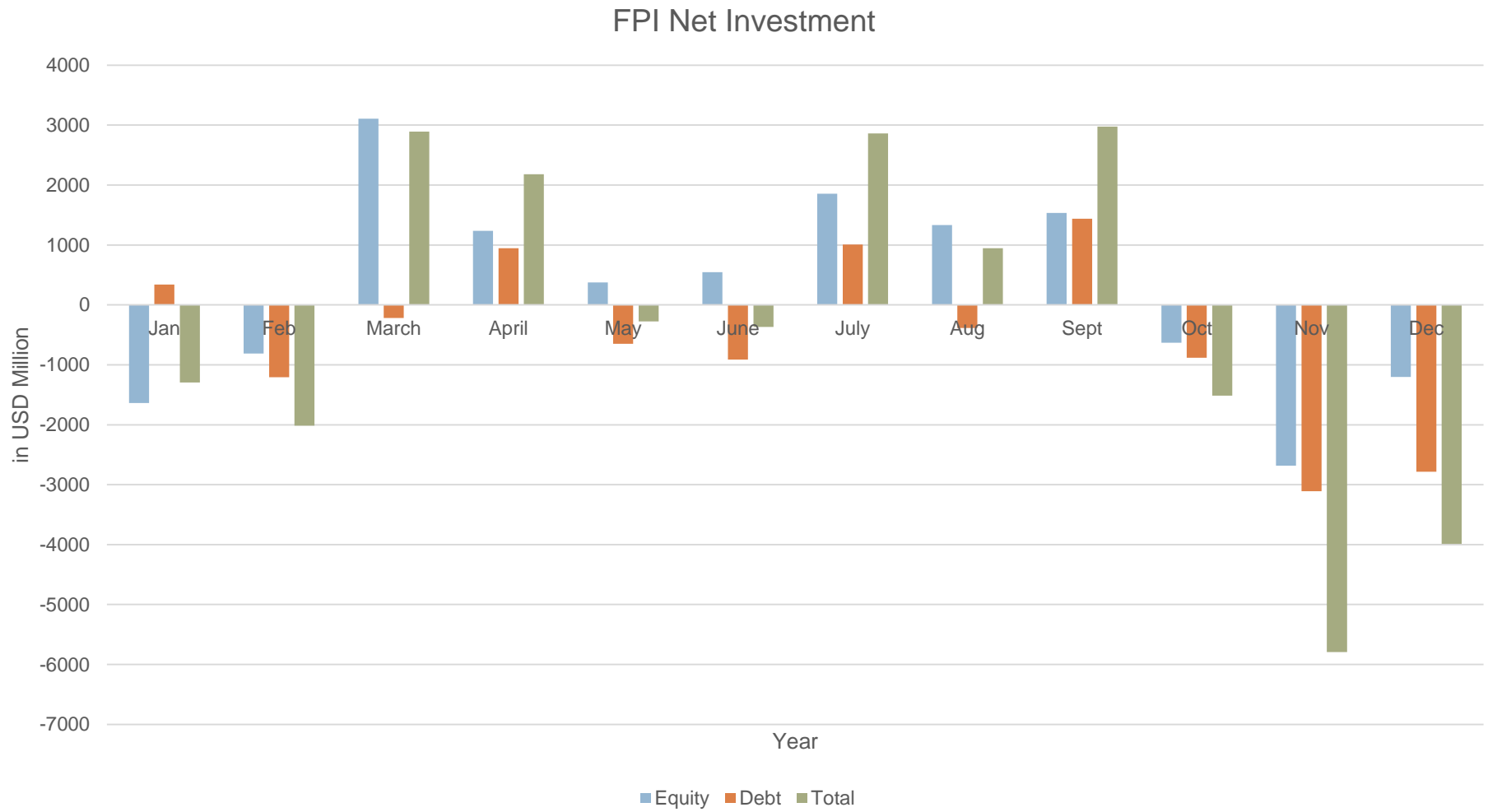


Foreign Portfolio Investors (FPIs)

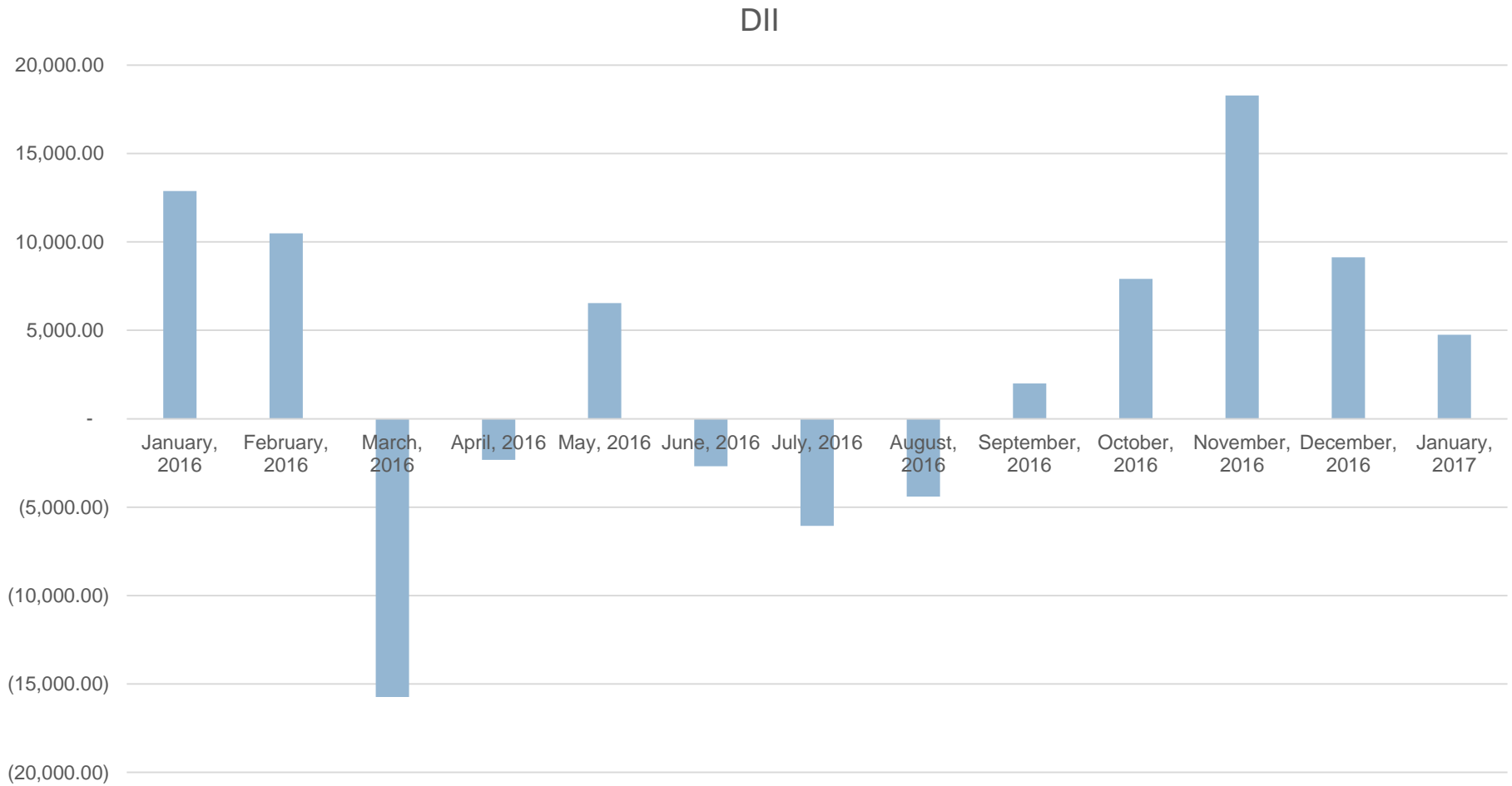
Comparison - DII and FPI Investment



FPI Net Investment – Equity & Debt



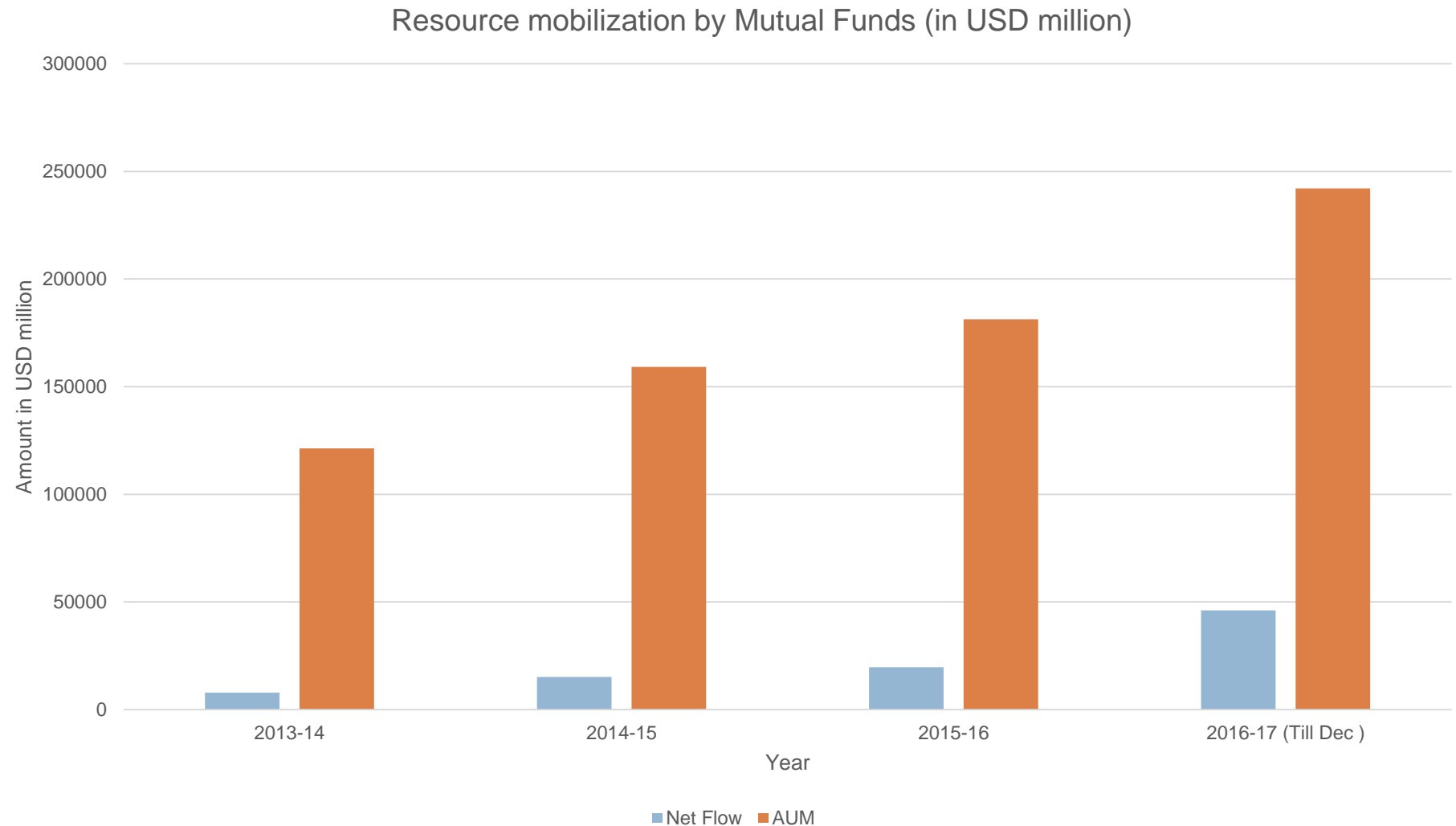
DII Net Investment





Mutual Funds (MFs)

Resource mobilization by Mutual Funds (in USD million)



Trends in B-15 cities



Trends in mutual fund inflows

- B 15 incentives to increase penetration
- No entry Load – Exit Load ploughed back to scheme
- Mutual Fund SIPs accounts crossed 10 million mark- Currently about 12.3 million accounts
- MF industry has been adding about 619000 SIP accounts each month
- Average SIP size is around USD 48

Thank you

