

Securities Markets

Primary Market

4.2 The primary market for equity, which consists of both the 'initial public offering' (IPO) market and the 'seasoned equity offering' (SEO) markets, experienced considerable activity in 2004 and 2005 (Table 4.1). In 2005, Rs.30,325 crore of resources were raised on this market, of which Rs.9,918 crore were made up by 55 companies which were listed for the first time (IPOs). The number of IPOs per year has risen steadily from 2002 onwards. A level of 55 IPOs in the year translates to roughly 4 IPOs every month. The mean IPO size, which was elevated in 2004, returned to Rs.180 crore, which is similar to the value prevalent in 2003.

4.3 The primary issuance of debt securities, as per SEBI, fell to a low of around Rs. 66 crore in 2005, which is one facet of the far-reaching difficulties of the debt market. Unlike equity securities, debt securities issued at previous dates are redeemed by companies every year. Hence, a year with a low issuance of fresh debt securities is a year

	Calendar year			
	2002	2003	2004	2005
Debt	4,549	5,284	2,383	66
Equity	2,420	2,891	33,475	30,325
Of which, IPOs	1,981	1,708	12,402	9,918
Number of IPOs	6	12	26	55
Mean IPO size	330	142	477	180
Total	6,970	8,175	35,859	30,391
Number	28	43	65	109

Source: SEBI.

in which the stock of outstanding debt securities drops.

4.4 In addition to resource mobilisation by the issuance of debt and equity securities, one of the most important mechanisms of financing that has been used by Indian firms is retained earnings, which are also a part of equity financing.