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President's Message

Investors drifting away from Capital Market

Indian Capital Market is now witnessing a subdued phase with low volume, low retail participation. The loss suffered by investors during global meltdown in 2009 still seems to be influencing investment decision. Surge in commodities prices, crude oil price, etc., weakening of dollar, low overseas interest in FDI in the global scenario are forcing the government to have a high interest regime at the cost of growth, further denting the Capital market. Nonetheless, there are several local factors peculiar to Indian Capital Market which are affecting the reaction of our market to global recovery. As per recent Economic Times report, the NIFTY has performed lowest amongst its peers this year. The contributing factors are to be looked into urgently to bring the markets back to vibrant state.

Cost of transactions in Indian market consisting of STT, Stamp Duty, Service Tax, SEBI fee besides exchange turn over charges, probably, are highest in the world. Over three fourth of such costs are statutory and there is an urgent need to reduce drastically. Various committees constituted by Government of India and abroad have observed that a tax on financial transactions distorts the market behavior and price discovery system and hence needs to be abolished. The Direct Tax Code (DTC) has also recognized the need for a lower STT. In the meanwhile, there is a proposal to increase Stamp Duty by over 250% in one go. ANMI does recognize that States require more revenue for their development work; yet high rate may not result into high collection.

Share of over 80% of IPO companies that tapped the market during last three years are quoting much below their issue price even after adjusting for sectoral index. Primary Market is the first step from where the new investor starts his journey to Capital Market. If an investor loses his money at this stage, he / she would hesitate to make further investments; more so, if the losses are attributed to lack of Corporate Governance, due diligence, aggressive pricing and syndication in issue subscription. This partially explains that India, although having the highest domestic savings rate, has lowest percentage of investors in Capital Market. Provisions relating to disclosures, pricing and appraisal of IPO require to be revisited to make these equitable, just and fair to all stakeholders. It is heartening to note that SEBI is focusing urgently as the need to streamline IPO process. If investor's confidence is to be won again a transparent process has to be established.

Equity Markets face tough competition from Commodities Markets which have been accepted as an alternate investment class. Added benefit in India is low cost of transaction (nil STT, negligible Stamp Duty), low margins, longer period of contracts and are providing better returns.

Essential ingredients for success of any organization, intermediation or profession, according to Vedic Upnishads are "Pran, Pavitrata aur anand". Organization has to be vibrant and pro-active for its growth. It has to be just, equitable and fair to all its stakeholders. It must adopt a strict Code of Conduct. Above all, it must enjoy its vocation. Returns must co-relate itself to efforts put in the organization with adequate provision for future growth and expansion.. At ANMI, we would endeavor our best for accomplishments of these objectives by the member organization.

ANMI welcomes the initiative taken by SEBI, Exchanges and the Government in this regard and reiterate to its commitment to supplement and support these efforts, particularly the Financial Literacy program of SEBI, Ministry of Corporate Affairs and other Chambers. I am sanguine that with support and cooperation of all, the confidence in this market would be restored.

With regards,

Dr. Naresh Maheshwari
President, ANMI

Dr. Naresh Maheshwari, doctorate in options trading besides FCA, FCS, FISA with a standing of 30 years in the field and presently, is Chairman of Farsight Group. He is associated with many research projects on Derivatives with professional Institutes and Universities. He is a prolific commentator on matters pertaining to Capital Market, Investors Protection and Corporate Laws in electronic and print media.

He was instrumental in setting up Commodity Participants Association of India (CPAI) and is its Immediate Past President.

Dr. Maheshwari represented the ICAI before the Standing Committee of Parliament on Limited Liability Partnership Bill and headed the study group on report of Justice Dhanuka Panel on Empowering and restructuring SEBI.

Having been the Chairman of Northern Region of Association of National Exchanges Members of India (ANMI-NR) and of various standing committees of ANMI, presently he is National President of ANMI

He has visited and represented ANMI in many international organizations like KOFIA Korea, ASC Thailand, MAS Singapore, various stock exchanges at Hong Kong, Shanghai (China), Korea, Bursa Malaysia, SMX etc. Dr Maheshwari also led Indian capital market delegation to Asian Securities Forum at Beijing (China)

A hand book for Investing & Investor Protection authored by Dr. Maheshwari published by Institute of Chartered Accountants of India was recently released by Mr. D K Mittal, Secretary, Ministry of Corporate Affairs, Government of India.



Follow your heart, but be quiet for a while first.

Ask questions, and then feel the answer.

Learn to trust your heart.

