

V. FINANCIAL MARKETS

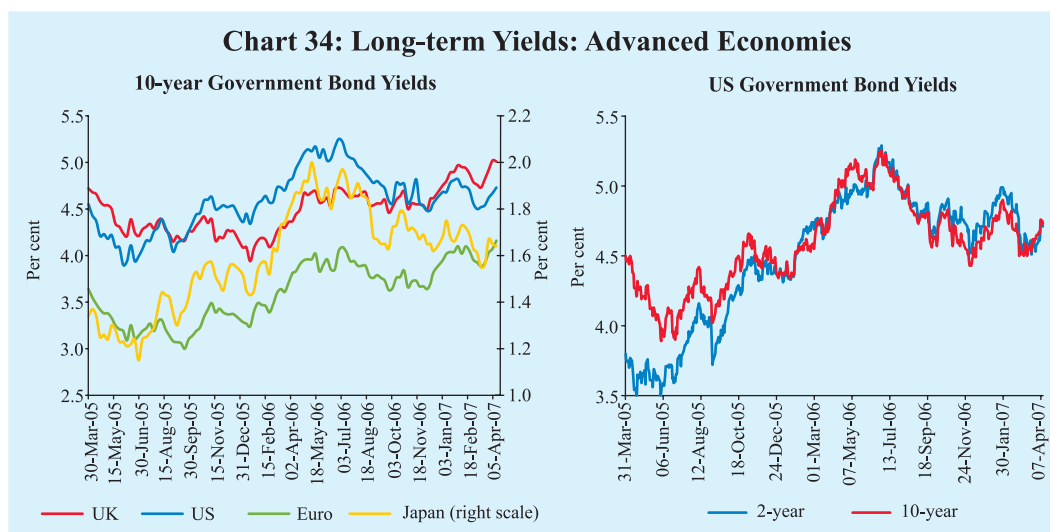
International Financial Markets

During 2006-07 (April-March), short-term interest rates increased further in major advanced economies as well as emerging market economies (EMEs) (Table 40) as many central banks continued monetary tightening to contain inflation and stabilise inflationary expectations as detailed in the previous chapter. During the year, the US Federal Reserve increased the fed funds rate target twice by 25 basis points each in May 2006 and June 2006. It has since then paused. The European Central Bank increased its policy rate five times by 25 basis points each in June 2006, August 2006, October 2006, December 2006 and March 2007. The UK also raised its policy rate thrice by 25 basis points each in August 2006, November 2006 and January 2007. Other advanced economies such as Australia, Canada, Japan, New Zealand, Norway, Sweden and Switzerland also increased their policy rates during the year. The increase in short-term rates in the US during 2006-07 was lower than other major advanced economies reflecting the pause by the US Fed since end-June 2006. Central banks in many EMEs such as China, South Africa, South Korea, Taiwan and Turkey also increased their policy rates. Other EMEs such as Israel and Thailand initially raised their policy rates during the year but subsequently cut their policy rates to support growth; Brazil

Table 40: Short-term Interest Rates

| (Per cent) | | | | | | |
|----------------------------------|-------------|-------------|-------------|----------------|---------------|-------------|
| Region/Country | At end of | | | | | |
| | March 2005 | March 2006 | June 2006 | September 2006 | December 2006 | March 2007 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Advanced Economies | | | | | | |
| Euro Area | 2.15 | 2.80 | 3.06 | 3.38 | 3.70 | 3.91 |
| Japan | 0.02 | 0.04 | 0.24 | 0.34 | 0.44 | 0.57 |
| Sweden | 1.97 | 1.99 | 2.23 | 2.55 | 2.94 | 3.21 |
| UK | 4.95 | 4.58 | 4.70 | 5.02 | 5.27 | 5.55 |
| US | 2.90 | 4.77 | 5.48 | 5.21 | 5.25 | 5.23 |
| Emerging Market Economies | | | | | | |
| Argentina | 4.56 | 9.63 | 10.00 | 10.38 | 10.63 | 9.63 |
| Brazil | 19.25 | 16.54 | 15.18 | 14.17 | 13.19 | 12.68 |
| China | 2.25 | 2.40 | 3.00 | 2.95 | 2.88 | 2.86 |
| Hong Kong | 2.79 | 4.47 | 4.67 | 4.20 | 3.97 | 4.17 |
| India | 5.37 | 6.11 | 6.36 | 6.60 | 7.18 | 7.98 |
| Malaysia | 2.82 | 3.51 | 3.93 | 3.85 | 3.73 | 3.64 |
| Philippines | 7.25 | 7.38 | 8.00 | 7.63 | 6.56 | 5.31 |
| Singapore | 2.06 | 3.44 | 3.50 | 3.44 | 3.44 | 3.00 |
| South Korea | 3.54 | 4.26 | 4.57 | 4.63 | 4.73 | 4.94 |
| Thailand | 2.64 | 5.10 | 5.40 | 5.40 | 5.20 | 4.45 |

Note : Data for India refer to 91-day Treasury Bills rate and for other countries 3-month money market rates.
Source : The Economist.



continued to reduce policy rates throughout the year. Short-term interest rates, therefore, declined in such EMEs.

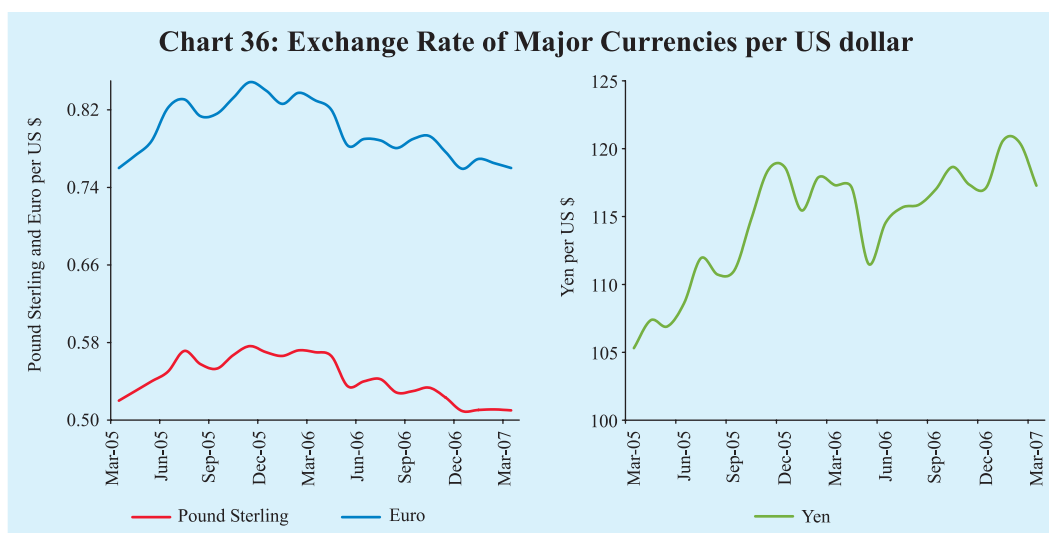
Long-term Government bond yields exhibited mixed trends in major advanced economies during 2006-07. During the year, 10-year yield declined by 18 basis points in the US and 12 basis points in Japan but increased by 56 basis points in the UK and 32 basis points in the euro area. The decline in the yield in the US could be attributed to easing of crude oil prices, weakening of economic growth and pause in monetary tightening by the Federal Reserve (Chart 34). The hardening of yields in the euro area and the UK could be attributed to higher short-term rates in the wake of further tightening and improved growth prospects. Since early June 2006, 10-year US bond yields have generally remained below those on 2-year bonds. Spreads on risky corporate debt in major advanced economies fell during the year, reaching record lows in the first quarter of 2007 on the back of strong risk appetite and sound corporate balance sheets. Spreads on emerging market debt also eased to record lows in the first quarter of 2007.

Global equity markets recorded further gains during 2006-07, interspersed with intermittent corrections (Chart 35). Equity markets initially registered losses between mid-May and early June 2006 in a number of economies reflecting concerns about growing inflationary pressures and concomitant increase in risk aversion. Global equity markets recovered part of the losses during the second and third quarters of 2006-07 reflecting strong corporate results, decline in crude oil prices, better than expected growth in the euro area, strong merger and acquisition activity and pause by the US Federal Reserve. Stock markets in a number of economies declined on December 19, 2006 following the decision of the Bank of Thailand (BoT) to impose unremunerated reserve requirement (URR)



of 30 per cent on short-term capital flows to discourage speculative short-term capital flows, with the market in Thailand, in particular, declining by 14.8 per cent on December 19, 2006 (over its level on the previous day). The markets, however, recovered some of these losses the next day as the BoT exempted investments in stock markets from the URR. During the last week of February 2007, equity markets in many advanced as well as EMEs fell. The Chinese stock markets declined by 9.0 per cent on February 27, 2007 but recovered some of these losses in the subsequent days. The equity markets in the US and several other developed and EMEs declined again in March 2007 on concerns over sub-prime mortgage lending and slowdown in the US economy. Notwithstanding these corrections during the course of the year, the MSCI World and MSCI emerging markets indices at end-March 2007 were higher by 13.4 per cent and 18.3 per cent, respectively, over their levels at end-March 2006. These gains were led by stock markets in China (143.6 per cent), followed by Russia (38.4 per cent), Indonesia (36.1 per cent), Malaysia (32.4 per cent), South Africa (32.0 per cent), Singapore (27.0 per cent) and the Hong Kong (24.2 per cent).

In the foreign exchange market, the US dollar depreciated against the major currencies during 2006-07, reflecting narrowing of interest rate differentials, moderation of activity in the US and robust growth in the euro area and Japan (Chart 36). Between end-March 2006 and end-March 2007, the US dollar depreciated by 11.4 per cent against the Pound sterling and 9.1 per cent against the euro but appreciated by 0.2 per cent against the yen. Amongst Asian currencies, the US dollar depreciated by 6.2 per cent against the Malaysian ringgit, 9.9 per cent against the Thai baht, 3.5 per cent against the Chinese yuan and 3.6 per cent against the Korean won over the same period. Between end-March 2006 and end-March 2007, the euro appreciated by 10.0 per cent



against the US dollar and 10.3 per cent against the yen, but depreciated by 2.5 per cent against the Pound sterling. Over the same period, the euro appreciated by 3.2 per cent against the Malaysian ringgit, 6.1 per cent against the Chinese yuan and 6.0 per cent against the Korean won; however, it depreciated by 0.9 per cent against Thai baht. The Japanese yen recorded depreciation against almost all the major currencies, *i.e.*, by 0.2 per cent against the US dollar, 9.3 per cent against the euro, 11.6 per cent against the Pound sterling, 10.1 per cent against the Thai baht, 6.4 per cent against the Malaysian ringgit, 3.9 per cent against the Korean won and 3.7 per cent against the Chinese yuan over the same period.

Domestic Financial Markets

Indian financial markets remained generally orderly for most part of 2006-07. There were, however, some spells of volatility at different points of time during the year reflecting developments in liquidity conditions on account of large and sudden changes in capital flows and cash balances of the Governments. Interest rates in various segments increased during the year. The call money rate edged up during the year in tandem with movements in policy rates. The call rate remained mostly within the corridor set by the Reserve Bank's repo and reverse repo rates during April-November 2006. In the subsequent months, there were a few brief episodes (last week of December 2006 and second half of March 2007) of higher volatility when the call rate exceeded the repo rate significantly. Interest rates in the collateralised segment of the overnight money market also hardened, but remained below the call rate during the year. In the foreign exchange market, the Indian rupee exhibited two-way movements with a strengthening bias since mid-July 2006.

Financial Markets

Table 41: Domestic Financial Markets at a Glance

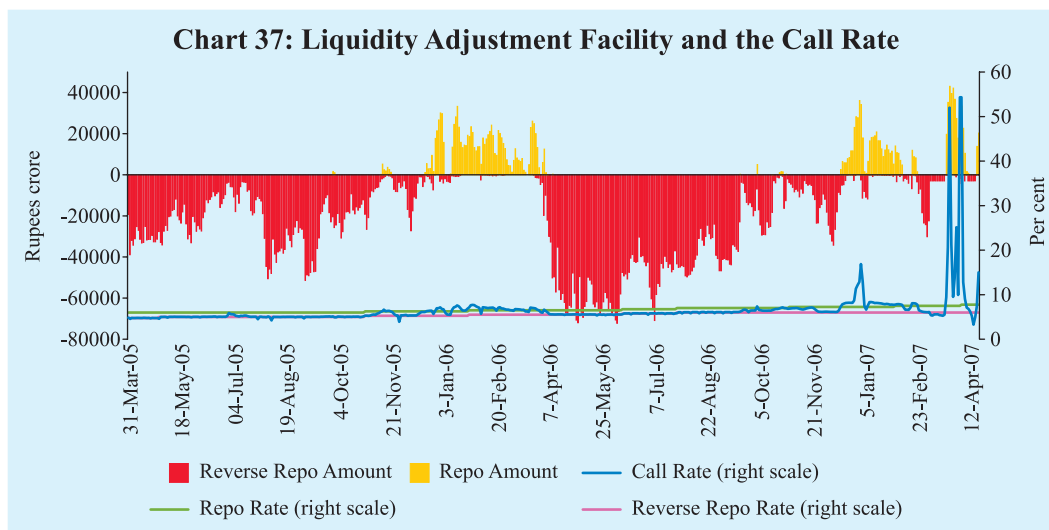
| Month | Call Money | | Government Securities | | Foreign Exchange | | | | Liquidity Management | | | Equity | | |
|----------------|------------------------------------|--------------------------------|---|-----------------------------------|---|---------------------------------------|---|---|-----------------------------------|--|------------------------------------|--|----------------------|-------------------------|
| | Average Daily Turnover (Rs. crore) | Average Call Rates* (Per cent) | Average Turnover in Govt. Securities (Rs. crore)+ | Average 10-Year Yield@ (Per cent) | Average Daily Inter-bank Turnover (US \$ million) | Average Exchange Rate (Rs. per US \$) | RBI's net Foreign Currency Sales (-)/ Purchases (+) (US \$ million) | Average Forward Premia 3-month (Per cent) | Average MSS standing# (Rs. crore) | Average Daily Reverse Repo (LAF) (Rs. crore) | Average Daily Turnover (Rs. crore) | Average Daily NSE Turnover (Rs. crore) | Average BSE Sensex** | Average S&P CNX Nifty** |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| 2004-05 | 14,170 | 4.65 | 4,826 | 6.22 | 8,892 | 44.93 | 20,847## | 1.66 | 46,445 | 35,592 | 2,050 | 4,506 | 5741 | 1805 |
| 2005-06 | 17,979 | 5.60 | 3,643 | 7.12 | 12,738 | 44.27 | 8,143## | 1.60 | 58,792 | 10,986 | 3,248 | 6,256 | 8295 | 2518 |
| April | 17,213 | 4.77 | 3,001 | 7.02 | 9,880 | 43.74 | 0 | 1.96 | 65,638 | 30,675 | 1,890 | 4,136 | 6379 | 1987 |
| May | 15,269 | 4.99 | 3,805 | 7.11 | 10,083 | 43.49 | 0 | 1.57 | 68,539 | 22,754 | 1,971 | 3,946 | 6483 | 2002 |
| June | 20,134 | 5.10 | 6,807 | 6.88 | 10,871 | 43.58 | -104 | 1.40 | 70,651 | 13,916 | 2,543 | 4,843 | 6926 | 2134 |
| July | 20,046 | 5.02 | 3,698 | 7.13 | 11,003 | 43.54 | 2,473 | 1.56 | 70,758 | 10,754 | 3,095 | 6,150 | 7337 | 2237 |
| August | 16,158 | 5.02 | 4,239 | 7.04 | 11,749 | 43.62 | 1,552 | 0.69 | 71,346 | 34,832 | 3,452 | 6,624 | 7726 | 2358 |
| September | 16,292 | 5.05 | 5,207 | 7.04 | 11,040 | 43.92 | 0 | 0.62 | 67,617 | 30,815 | 3,871 | 6,923 | 8272 | 2512 |
| October | 17,164 | 5.12 | 2,815 | 7.14 | 13,087 | 44.82 | 0 | 0.69 | 68,602 | 18,608 | 2,955 | 6,040 | 8220 | 2487 |
| November | 22,620 | 5.79 | 3,314 | 7.10 | 11,228 | 45.73 | 0 | 0.67 | 67,041 | 3,268 | 2,635 | 5,480 | 8552 | 2575 |
| December | 21,149 | 6.00 | 2,948 | 7.13 | 13,808 | 45.64 | -6,541 | 1.51 | 52,040 | 1,452 | 3,516 | 6,814 | 9162 | 2773 |
| January | 17,911 | 6.83 | 3,094 | 7.15 | 16,713 | 44.40 | 0 | 2.60 | 40,219 | -15,386 | 3,966 | 7,472 | 9540 | 2893 |
| February | 13,497 | 6.95 | 2,584 | 7.32 | 15,798 | 44.33 | 2,614 | 2.85 | 33,405 | -13,532 | 3,688 | 7,125 | 10090 | 3019 |
| March | 18,290 | 6.58 | 2,203 | 7.40 | 17,600 | 44.48 | 8,149 | 3.11 | 29,652 | -6,319 | 5,398 | 9,518 | 10857 | 3236 |
| 2006-07 | 21,725 | 7.22 | 4,863 | 7.78 | 18,540 | 45.25 | 24,517## | 2.14 | 37,698 | 21,973 | 3,877 | 7,883 | 12319 | 3585 |
| April | 16,909 | 5.62 | 3,685 | 7.45 | 17,712 | 44.95 | 4,305 | 1.31 | 25,709 | 46,088 | 4,860 | 9,854 | 11742 | 3494 |
| May | 18,074 | 5.54 | 3,550 | 7.58 | 18,420 | 45.41 | 504 | 0.87 | 26,457 | 59,505 | 4,355 | 9,155 | 11599 | 3437 |
| June | 17,425 | 5.73 | 2,258 | 7.86 | 15,310 | 46.06 | 0 | 0.73 | 31,845 | 48,610 | 3,261 | 6,828 | 9935 | 2915 |
| July | 18,254 | 5.86 | 2,243 | 8.26 | 14,325 | 46.46 | 0 | 0.83 | 36,936 | 48,027 | 2,605 | 5,652 | 10557 | 3092 |
| August | 21,294 | 6.06 | 5,786 | 8.09 | 15,934 | 46.54 | 0 | 1.22 | 40,305 | 36,326 | 2,869 | 5,945 | 11305 | 3306 |
| September | 23,665 | 6.33 | 8,306 | 7.76 | 18,107 | 46.12 | 0 | 1.31 | 40,018 | 25,862 | 3,411 | 6,873 | 12036 | 3492 |
| October | 26,429 | 6.75 | 4,313 | 7.65 | 16,924 | 44.47 | 0 | 1.67 | 41,537 | 12,983 | 3,481 | 6,919 | 12637 | 3649 |
| November | 25,649 | 6.69 | 10,654 | 7.52 | 20,475 | 44.85 | 3,198 | 2.07 | 38,099 | 9,937 | 4,629 | 8,630 | 13416 | 3869 |
| December | 24,168 | 8.63 | 5,362 | 7.55 | 19,932 | 44.64 | 1,818 | 3.20 | 38,148 | -1,713 | 4,276 | 8,505 | 13647 | 3918 |
| January | 22,360 | 8.18 | 4,822 | 7.71 | 21,065 P | 44.33 | 2,830 | 4.22 | 39,553 | -10,738 | 4,380 | 8,757 | 13984 | 4037 |
| February | 23,254 | 7.16 | 4,386 | 7.90 | 20,050 P | 44.16 | 11,862 | 3.71 | 40,827 | 648 | 4,680 | 9,483 | 14143 | 4079 |
| March | 23,217 | 14.07 | 2,991 | 8.00 | 24,231 P | 44.03 | - | 4.51 | 52,944 | -11,858 | 3,716 | 7,998 | 12850 | 3731 |

* : Average of daily weighted call money borrowing rates. + : Average of daily outright turnover in Central Government dated securities.
 @ : Average of daily closing rates. # : Average of weekly outstanding MSS.
 ** : Average of daily closing indices. ## : Cumulative for the financial year.
 LAF : Liquidity Adjustment Facility. BSE : Bombay Stock Exchange Limited.
 MSS : Market Stabilisation Scheme. - : Not available.
 NSE : National Stock Exchange of India Ltd. P : Provisional.
Note : In column 11, (-) indicates injection of liquidity, while (+) indicates absorption of liquidity.

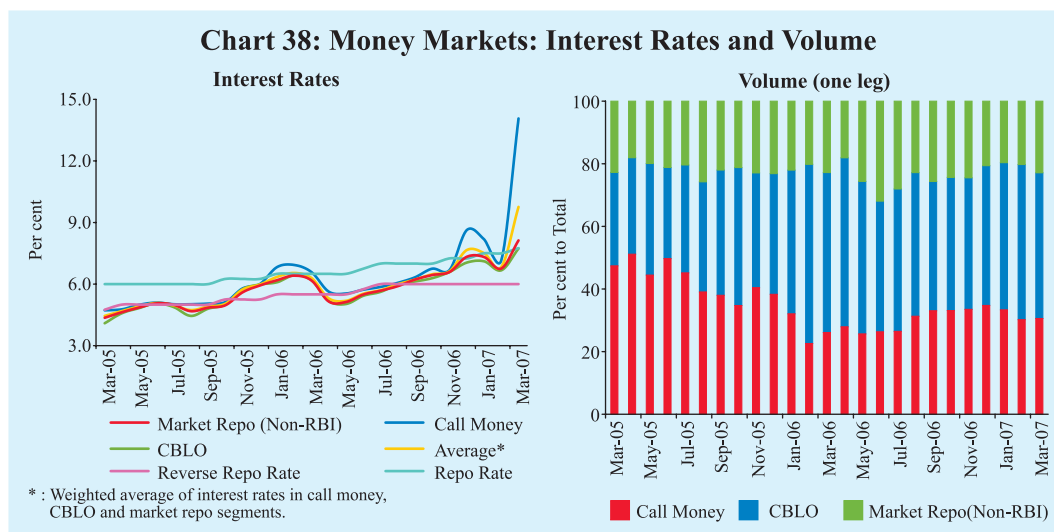
Yields in the Government securities market hardened during the year and the yield curve flattened. Banks' deposit and lending rates edged up, especially in the second half of the year. The stock markets reached record highs during the year interspersed with periodic corrections (Table 41). The primary market segment of the capital market continued to exhibit buoyancy.

Money Market

Money market rates edged up during the year, broadly moving in line with the policy rates, with intra-year movements depending upon the evolving liquidity conditions. The call money rate was generally anchored close to the



reverse repo rate up to mid-September 2006 (Chart 37). Liquidity conditions became relatively tighter in the second half of September 2006, *inter alia*, on account of liquidity pressures emanating from advance tax outflows and festive season currency demand coupled with high credit demand. The call rate crossed the repo rate and touched 7.38 per cent on September 29, 2006. The call rate eased below the repo rate by early October 2006 partly on account of reduction in Centre's surplus cash balances with the Reserve Bank and remained mostly within repo-reverse repo corridor between end-October to second week of December 2006. The call rates eased to near reverse repo levels by the last week of November 2006, before the announcement on December 8, 2006 of a hike of 25 basis points each in the cash reserve ratio (CRR) effective the fortnights beginning December 23, 2006 and January 6, 2007. The call rate again edged up from the second week of December 2006 crossing the repo rate to touch 16.88 per cent on December 29, 2006 under the impact of advance tax outflows and the CRR hike. The call rate eased from the elevated levels in the first week of January 2007 on the back of improvement in liquidity conditions. Notwithstanding an increase in the repo rate by 25 basis points on January 31, 2007 (reverse repo rate remained unchanged), the call rate eased further to around 6.5 per cent by the second week of February 2007 due to forex induced liquidity. Following the announcement (on February 13, 2007) of the hike of 25 basis points each in the CRR effective the fortnights beginning February 17, 2007 and March 3, 2007, the call rate again firmed up to about 8.0 per cent by mid-February 2007 but quickly eased to around 6.1 per cent by end-February 2007. It further declined to below the lower bound of the corridor between March 5-15, 2007 as liquidity conditions eased. Modified arrangements of liquidity



management were put in place effective March 5, 2007 under which a flexible arrangement of MSS auctions of dated securities was introduced along with a ceiling of Rs.3,000 crore under the LAF reverse repo (see Chapter III). The call money rate hardened in the second half of March 2007 as liquidity conditions tightened due to advance tax outflows, year-end considerations, sustained credit demand and asymmetric distribution of Government securities holdings across the banks. The call rate averaged 21.99 per cent during March 16-30, 2007 and reached an intra-year high of 54.3 per cent as on March 30, 2007. The call rate eased to 3.3 per cent on April 12, 2007 with the easing of liquidity conditions. It was 12.0 per cent on April 18, 2007.

The interest rates in the collateralised segments of the money market – the market repo (outside the LAF) and the Collateralised Borrowing and Lending Obligation (CBLO) – increased in line with the call rate, and continued to remain below the call rate during 2006-07. The rates in these segments exhibited relative stability *vis-à-vis* the call rate. For the financial year 2006-07, as a whole, the interest rates averaged 6.24 per cent and 6.34 per cent in the CBLO and market repo segments, respectively, as compared with 7.22 per cent in the call money market. The collateralised market is now the predominant segment in the money market, accounting for about 70 per cent of the total volume during 2006-07 (Chart 38 and Table 42). Mutual funds and insurance companies are the major lenders in the CBLO market with nationalised banks, primary dealers and non-financial companies being the major borrowers. In the market repo segment, mutual funds and foreign banks are the major provider of funds, while the foreign banks, private sector banks and primary dealers are the major borrowers.

Table 42: Activity in Money Market Segments

| Table 42: Activity in Money Market Segments | | | | | | | | (Rupees crore) |
|---|--------------------------------|-------------------------------|--|-------------------|------------------|---------------|-------------------------------------|----------------|
| Month | Average Daily Volume (One Leg) | | | | Commercial Paper | | Certificates of Deposit Outstanding | |
| | Call Money Market | Repo Market (Outside the LAF) | Collateralised Borrowing and Lending Obligation (CBLO) | Term Money Market | Out-standing | Amount Issued | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| 2004-05 | 7,085 | 4,284 | 3,349 | 263 | 11,723 | 1,090 | 6,052 | |
| 2005-06 | 8,990 | 5,296 | 10,020 | 417 | 17,285 | 3,140 | 27,298 | |
| April | 8,607 | 3,044 | 5,185 | 331 | 15,598 | 3,549 | 16,602 | |
| May | 7,635 | 3,422 | 6,117 | 273 | 17,182 | 3,824 | 17,689 | |
| June | 10,067 | 4,291 | 5,896 | 267 | 17,797 | 2,925 | 19,270 | |
| July | 10,023 | 4,526 | 7,646 | 359 | 18,607 | 3,360 | 20,768 | |
| August | 8,079 | 5,331 | 7,272 | 377 | 19,508 | 4,110 | 23,568 | |
| September | 8,146 | 4,718 | 8,572 | 558 | 19,725 | 2,519 | 27,641 | |
| October | 8,582 | 5,245 | 10,882 | 367 | 18,726 | 2,892 | 29,193 | |
| November | 11,310 | 6,415 | 10,248 | 459 | 18,013 | 2,483 | 27,457 | |
| December | 10,575 | 6,394 | 10,633 | 388 | 17,234 | 3,304 | 32,806 | |
| January | 8,956 | 6,149 | 12,817 | 545 | 16,431 | 1,937 | 34,521 | |
| February | 6,749 | 6,024 | 17,081 | 407 | 15,876 | 3,160 | 34,487 | |
| March | 9,145 | 7,991 | 17,888 | 669 | 12,718 | 2,813 | 43,568 | |
| 2006-07 | 10,863 | 8,419 | 16,195 | 506 | 21,478 | 4,537 | 64,954 | |
| April | 8,455 | 5,479 | 16,329 | 447 | 16,550 | 6,065 | 44,059 | |
| May | 9,037 | 9,027 | 17,147 | 473 | 17,067 | 4,701 | 50,228 | |
| June | 8,713 | 10,563 | 13,809 | 628 | 19,650 | 4,981 | 56,390 | |
| July | 9,127 | 9,671 | 15,670 | 432 | 21,110 | 5,812 | 59,167 | |
| August | 10,647 | 7,764 | 15,589 | 510 | 23,299 | 6,460 | 65,621 | |
| September | 11,833 | 9,185 | 14,771 | 568 | 24,444 | 5,220 | 65,274 | |
| October | 13,214 | 9,721 | 16,964 | 466 | 23,171 | 3,373 | 65,764 | |
| November | 12,825 | 9,374 | 16,069 | 348 | 24,238 | 6,392 | 68,911 | |
| December | 12,084 | 7,170 | 15,512 | 481 | 23,536 | 3,080 | 68,619 | |
| January | 11,180 | 6,591 | 15,758 | 515 | 24,398 | 3,490 | 70,149 | |
| February | 11,627 | 7,794 | 19,063 | 467 | 21,167 | 2,763 | 72,795 | |
| March | 11,608 | 8,687 | 17,662 | 739 | 19,102 * | 2,106 | 92,468# | |

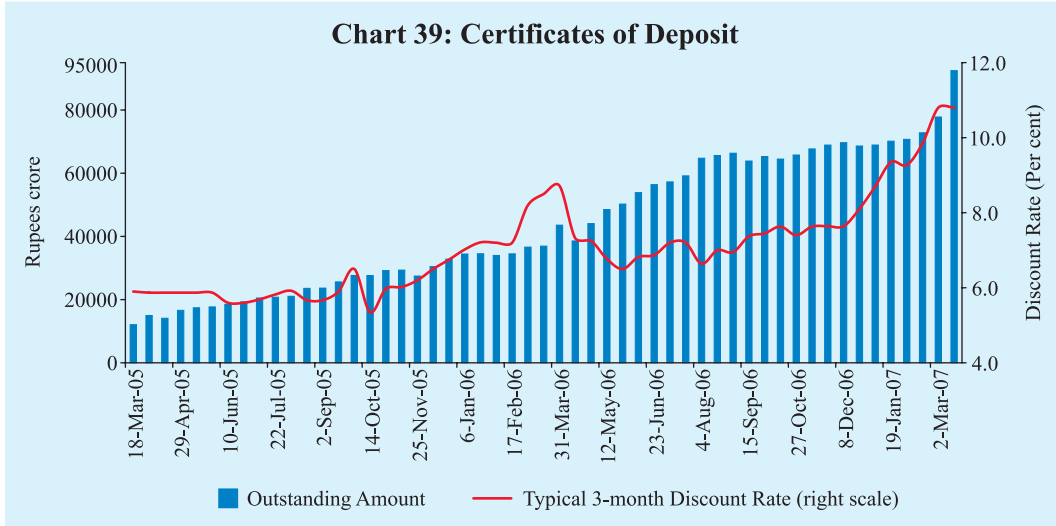
* : As on March 15, 2007. # : As on March 16, 2007.

Certificates of Deposit

The outstanding amount of certificates of deposit (CDs) more than doubled from Rs.43,568 crore at end-March 2006 (4.8 per cent of aggregate deposits of issuing banks) to Rs.92,468 crore (4.9 per cent) by March 16, 2007 as banks continued to supplement their efforts at deposit mobilisation to support sustained credit demand (Table 42 and Chart 39). The weighted average discount rate (WADR) of CDs increased by 215 basis points during the year to 10.77 per cent as on March 16, 2007. Mutual funds are amongst the major investors in the CDs. Since CDs can be traded and easily liquidated, mutual funds find them quite attractive.

Commercial Paper

Issuances of commercial papers (CPs) increased sharply in the first half of 2006-07, but fell during the second half of the year. Outstanding CPs rose from



Rs.12,718 crore at end-March 2006 to Rs.24,444 crore as on September 30, 2006 before declining to Rs. 19,102 crore as on March 15, 2007 (Chart 40). The weighted average discount rate (WADR) on CPs increased from 8.59 per cent during the fortnight ended March 31, 2006 to 10.24 per cent during the fortnight ended March 15, 2007 in tandem with the increase in the money market rates. The discount rate on CPs moved from a range of 6.69-9.25 per cent during the fortnight ended March 31, 2006 to 7.50-13.35 per cent during the fortnight ended March 15, 2007.

Leasing and finance companies continued to remain the pre-dominant issuers of CPs in the absence of the access of these companies to public deposits (Table 43).

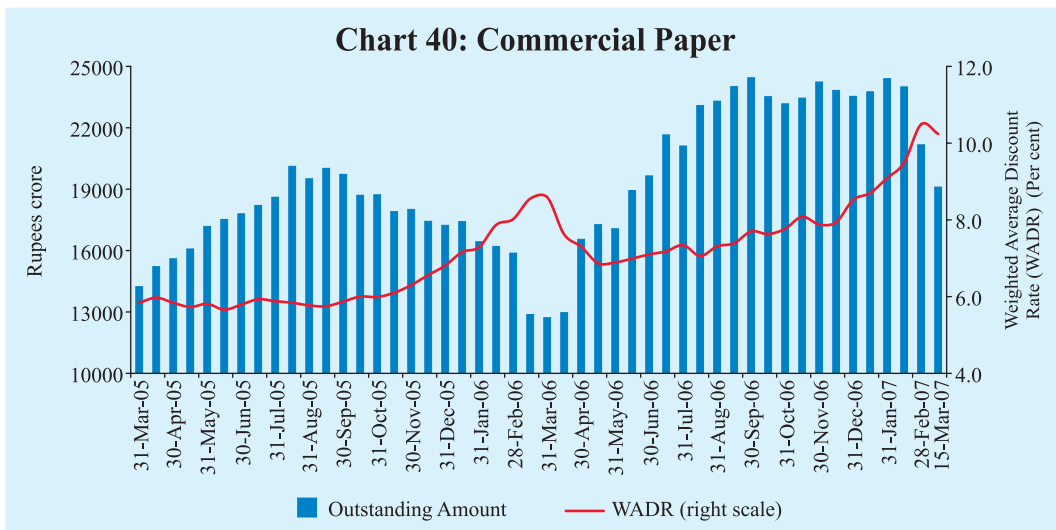


Table 43: Commercial Paper – Major Issuers

| (Rupees crore) | | | | | | |
|------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Category of Issuer | End of | | | | | |
| | March 2005 | March 2006 | June 2006 | September 2006 | December 2006 | March # 2007 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Leasing and Finance | 8,479 (59.6) | 9,400 (73.9) | 13,460 (68.5) | 15,817 (64.7) | 15,060 (64.0) | 12,803 (67.0) |
| Manufacturing | 2,881 (20.2) | 1,982 (15.6) | 4,155 (21.1) | 4,847 (19.8) | 4,811 (20.4) | 3,204 (16.8) |
| Financial Institutions | 2,875 (20.2) | 1,336 (10.5) | 2,035 (10.4) | 3,780 (15.5) | 3,665 (15.6) | 3,095 (16.2) |
| Total | 14,235 (100.0) | 12,718 (100.0) | 19,650 (100.0) | 24,444 (100.0) | 23,536 (100.0) | 19,102 (100.0) |

#: As on March 15, 2007.
Note : Figures in parentheses are percentage shares in the total.

Treasury Bills

The primary market yields on Treasury Bills (TBs) increased in the range of 117-132 basis points during 2006-07. In the first quarter of 2006-07, yields on Treasury Bills firmed up over concerns of higher inflation, hike of fed funds rate target, larger issuances on account of reintroduction of the Market Stabilisation Scheme (MSS) and the hike in the repo and reverse repo rates by 25 basis points each effective June 9, 2006. After remaining broadly unchanged during July-November 2006, yields on Treasury Bills increased from December 2006 following hikes in the CRR and the repo rate (Chart 41). The yield spread between

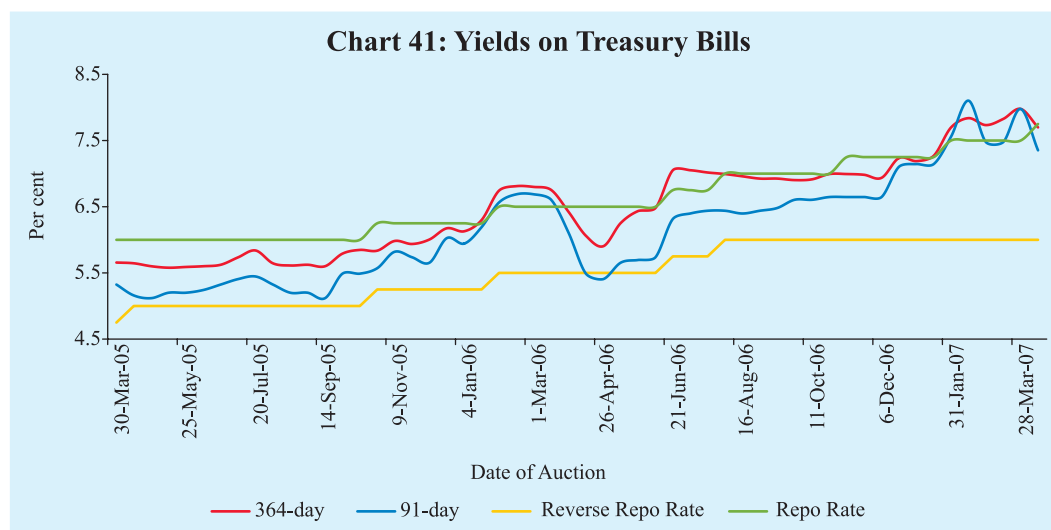


Table 44: Treasury Bills in the Primary Market

| Month | Notified Amount (Rupees crore) | Average Implicit Yield at Minimum Cut-off Price (Per cent) | | | Average Bid-Cover Ratio | | |
|----------------|-----------------------------------|---|-------------|-------------|-------------------------|-------------|-------------|
| | | 91-day | 182-day | 364-day | 91-day | 182-day | 364-day |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2004-05 | 1,38,500 @ | 4.91 | - | 5.16 | 2.43 | - | 2.52 |
| 2005-06 | 1,55,500 @ | 5.68 | 5.82 | 5.96 | 2.64 | 2.58 | 2.45 |
| April | 19,000 | 5.17 | 5.36 | 5.62 | 4.03 | 4.48 | 2.54 |
| May | 15,000 | 5.19 | 5.35 | 5.58 | 3.30 | 3.37 | 2.29 |
| June | 18,500 | 5.29 | 5.37 | 5.61 | 1.54 | 2.42 | 1.81 |
| July | 11,500 | 5.46 | 5.67 | 5.81 | 1.21 | 1.79 | 1.68 |
| August | 21,000 | 5.23 | 5.42 | 5.63 | 3.07 | 2.68 | 2.54 |
| September | 23,000 | 5.24 | 5.37 | 5.70 | 1.52 | 1.45 | 1.61 |
| October | 15,000 | 5.50 | 5.71 | 5.84 | 1.69 | 1.53 | 3.44 |
| November | 11,000 | 5.76 | 5.85 | 5.96 | 2.12 | 1.92 | 2.30 |
| December | 5,000 | 5.89 | 6.00 | 6.09 | 3.07 | 2.97 | 2.36 |
| January | 5,000 | 6.25 | 6.22 | 6.21 | 2.86 | 2.83 | 2.72 |
| February | 5,000 | 6.63 | 6.74 | 6.78 | 3.04 | 2.07 | 2.71 |
| March | 6,500 | 6.51 | 6.66 | 6.66 | 4.17 | 3.43 | 3.36 |
| 2006-07 | 1,86,500@ | 6.64 | 6.91 | 7.01 | 1.97 | 2.00 | 2.66 |
| April | 5,000 | 5.52 | 5.87 | 5.98 | 5.57 | 4.96 | 2.02 |
| May | 18,500 | 5.70 | 6.07 | 6.34 | 1.88 | 1.84 | 1.69 |
| June | 15,000 | 6.14 | 6.64 | 6.77 | 1.63 | 1.35 | 2.11 |
| July | 16,500 | 6.42 | 6.75 | 7.03 | 1.82 | 1.55 | 3.12 |
| August | 19,000 | 6.41 | 6.70 | 6.96 | 2.03 | 2.71 | 3.48 |
| September | 15,000 | 6.51 | 6.76 | 6.91 | 1.35 | 1.80 | 2.92 |
| October | 15,000 | 6.63 | 6.84 | 6.95 | 1.31 | 1.20 | 2.02 |
| November | 18,500 | 6.65 | 6.92 | 6.99 | 1.33 | 1.22 | 2.49 |
| December | 15,000 | 7.01 | 7.27 | 7.09 | 1.19 | 1.29 | 3.34 |
| January | 19,000 | 7.28 | 7.45 | 7.39 | 1.02 | 1.35 | 1.74 |
| February | 15,000 | 7.72 | 7.67 | 7.79 | 2.48 | 2.56 | 3.16 |
| March | 15,000 | 7.68 | 7.98 | 7.90 | 2.08 | 2.15 | 3.87 |

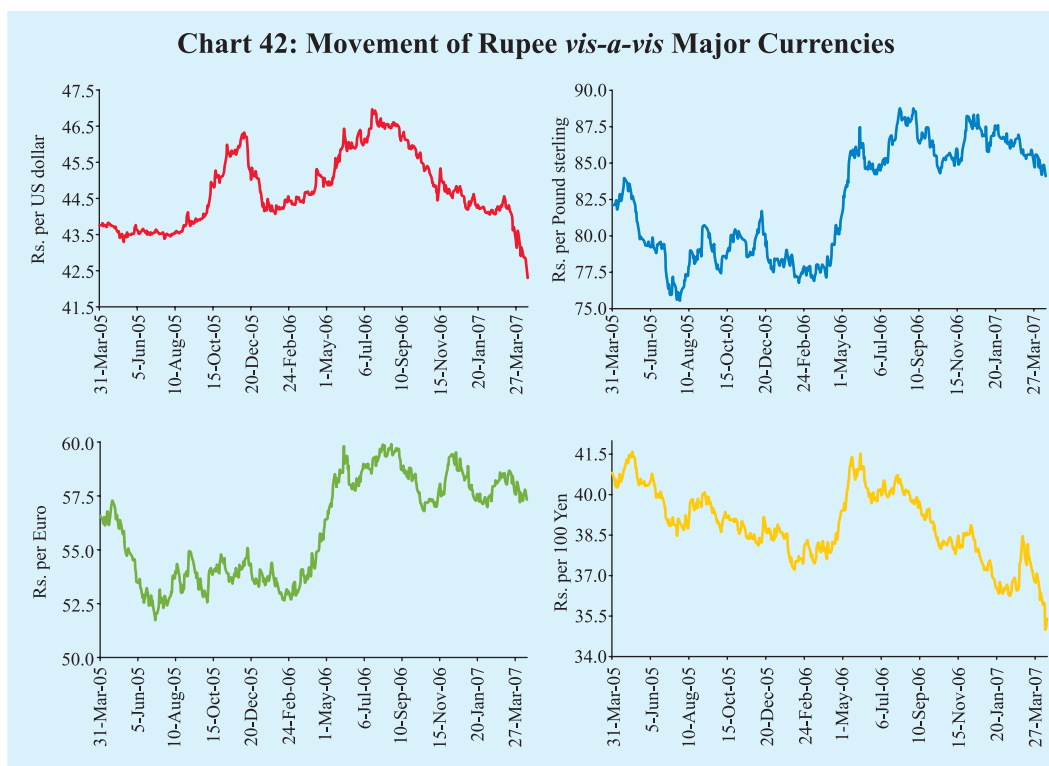
@ : Total for the financial year.

Note : 1. 182-day TBs were reintroduced with effect from April 2005.
2. Notified amounts are inclusive of issuances under the Market Stabilisation Scheme (MSS).

364-day and 91-day TBs was 22 basis points in March 2007, marginally higher than that in March 2006 (15 basis points) (Table 44). The notified amount of Rs.1,500 crore each for auctions of the 91-day TBs under the MSS was not fully subscribed at some of the auctions during the year, reflecting tight liquidity conditions. There was, however, no devolvement on the PDs.

Foreign Exchange Market

In the foreign exchange market, the Indian rupee exhibited two-way movements during 2006-07 moving in a range of Rs.43.14–46.97 per US dollar (Chart 42). The rupee initially depreciated against the US dollar during the year, reaching Rs.46.97 on July 19, 2006, reflecting higher crude oil prices, FII outflows and geo-political risks in the Middle East region. The rupee, however, strengthened thereafter on the back of moderation in crude oil prices, revival of FII inflows and weakness of the US dollar in the international markets. The rupee appreciated further in the second half of March 2007 to reach Rs.43.14 per US dollar on March 28, 2007, due to increased supply of dollars in the market. The exchange rate at Rs.43.60 per US dollar as on March 30, 2007 recorded an appreciation of



2.3 per cent over its level as on March 31, 2006 (Rs.44.61 per US dollar). Reflecting cross-currency movements, the rupee depreciated by 9.1 per cent against the Pound sterling and 6.8 per cent against the euro but appreciated by 2.7 per cent against the Japanese yen over the same period. The exchange rate was Rs.41.91 per US dollar as on April 18, 2007.

The nominal effective exchange rate (NEER) of the Indian rupee (six-currency trade-based weights) appreciated by 3.1 per cent between April 2006 and April 18, 2007. Over the same period, the real effective exchange rate (REER) of the Indian rupee (six-currency trade-based weights) appreciated by 7.8 per cent (Table 45).

Forward premia increased during 2006-07 reflecting growing interest rate differential in view of increase in domestic interest rates (Chart 43). While one-month forward premia increased from 3.79 per cent in March 2006 to 6.99 per cent in March 2007, the six-month premia increased from 2.43 per cent to 3.80 per cent over the same period.

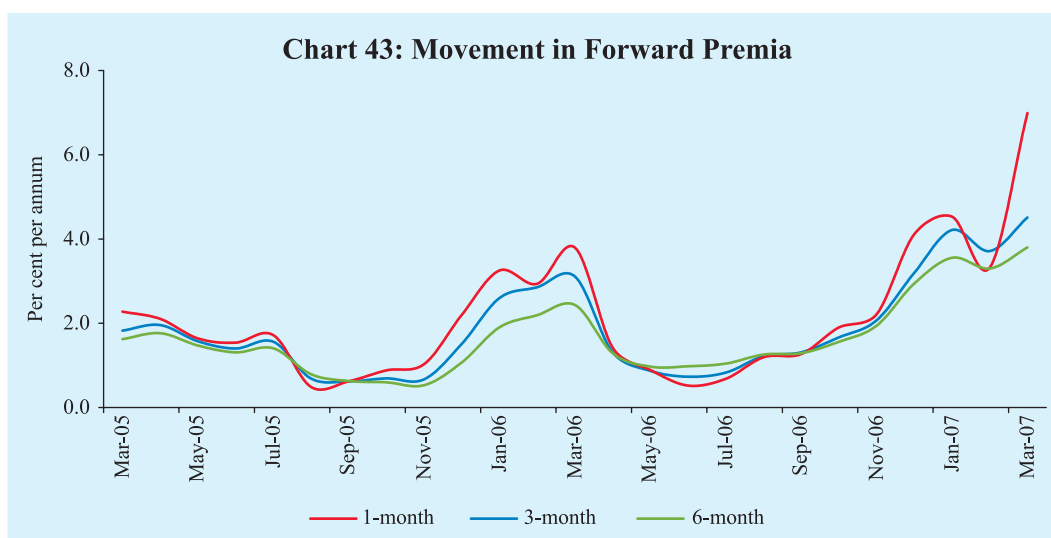
The turnover in the inter-bank segment of the foreign exchange market increased from US \$ 405 billion in March 2006 to US \$ 533 billion in March 2007 and that in the merchant segment from US \$ 141 billion to US \$ 192 billion

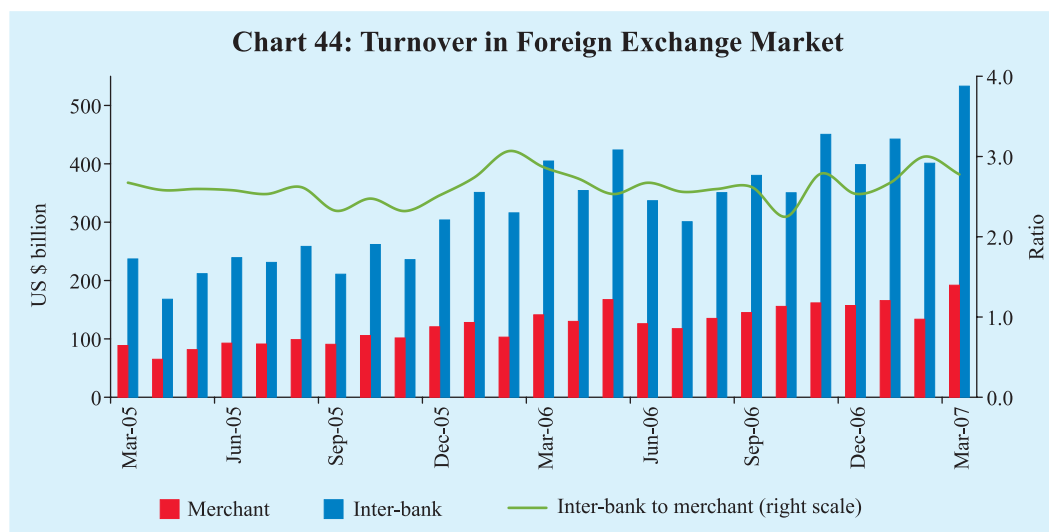
Table 45: Indices of Nominal and Real Effective Exchange Rate of the Indian Rupee (6-Currency Trade Based Weights)

| Year/Month | Base : 1993-94 (April-March) = 100 | |
|--------------------|------------------------------------|--------|
| | NEER | REER |
| 1 | 2 | 3 |
| 1993-94 | 100.00 | 100.00 |
| 2000-01 | 77.30 | 102.64 |
| 2001-02 | 75.89 | 102.49 |
| 2002-03 | 71.09 | 97.43 |
| 2003-04 | 69.75 | 98.85 |
| 2004-05 | 69.26 | 101.35 |
| 2005-06 | 71.41 | 106.67 |
| 2006-07 (P) | 68.13 | 104.91 |
| March 2006 | 71.61 | 108.11 |
| April 2006 | 70.22 | 104.12 |
| May 2006 | 67.95 | 101.91 |
| June 2006 | 67.39 | 101.79 |
| July 2006 | 66.79 | 101.26 |
| August 2006 (P) | 66.28 | 101.20 |
| September 2006 (P) | 67.04 | 103.86 |
| October 2006 (P) | 68.31 | 106.49 |
| November 2006 (P) | 68.53 | 107.12 |
| December 2006 (P) | 68.01 | 105.99 |
| January 2007 (P) | 68.97 | 108.20 |
| February 2007(P) | 69.10 | 108.57 |
| March 2007(P) | 68.91 | 108.35 |
| April 18, 2007 (P) | 72.40 | 112.21 |

NEER: Nominal Effective Exchange Rate. REER: Real Effective Exchange Rate. P: Provisional.
Note: Rise in indices indicates appreciation of the rupee and *vice versa*.

(Chart 44). The ratio of inter-bank to merchant turnover at 2.8 during 2006-07 was almost the same as in 2005-06.





Credit Market

Both the deposit and lending rates of scheduled commercial banks (SCBs) increased during 2006-07. Interest rates offered by public sector banks (PSBs) on deposits of maturity of one year to three years were placed in the range of 7.25-9.50 per cent in March 2007 as compared with 5.75-6.75 per cent in March 2006, while those on deposits of maturity of above three years were placed in the range of 7.50-9.50 per cent in March 2007 as compared with 6.00-7.25 per cent in March 2006 (Table 46 and Chart 45). Similarly, interest rates offered by private sector banks on deposits of maturity of one year to three years were placed higher in the range of 6.75-9.75 per cent in March 2007 as compared with 5.50-7.75 per cent in March 2006, while those on deposits of maturity above three years were placed in the range of 7.75-9.60 per cent in March 2007 as compared with 6.00-7.75 per cent in March 2006. The rates offered by foreign banks on deposits of maturity of one year to three years were placed in the range of 3.50-9.50 per cent in March 2007 as compared with 4.00-6.50 per cent in March 2006.

As regards lending rates, the Benchmark Prime Lending Rates (BPLRs) of PSBs were placed in the range of 12.25-12.75 per cent in March 2007 as compared with that of 10.25-11.25 per cent in March 2006 (Table 46). The weighted average BPLR of public sector banks increased from 10.7 per cent in March 2006 to 11.6 per cent in December 2006 and further to 12.5 per cent in March 2007. Over the same period, the weighted average BPLR of private sector banks increased from 12.4 per cent in March 2006 to 13.2 per cent in December 2006 and further to 14.1 per cent in March 2007. The weighted average BPLR of

Financial Markets

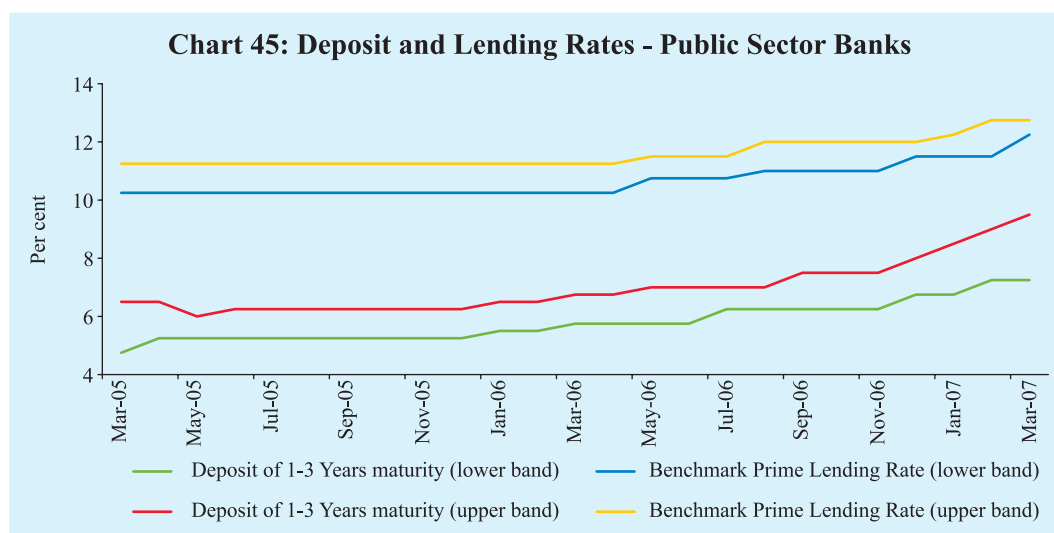
Table 46: Deposit and Lending Rates

| (Per cent) | | | | | | |
|--|-------------|-------------|-------------|----------------|---------------|-------------|
| Interest Rate | March 2005 | March 2006 | June 2006 | September 2006 | December 2006 | March 2007 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. Domestic Deposit Rate | | | | | | |
| <i>Public Sector Banks</i> | | | | | | |
| Up to 1 year | 2.75-6.00 | 2.25-6.50 | 2.75-6.50 | 2.75-7.00 | 2.75-7.00 | 2.75-8.75 |
| More than 1 year and up to 3 years | 4.75-6.50 | 5.75-6.75 | 5.75-7.00 | 6.25-7.50 | 6.75-8.00 | 7.25-9.50 |
| More than 3 years | 5.25-7.00 | 6.00-7.25 | 6.00-7.25 | 6.50-8.00 | 7.00-8.00 | 7.50-9.50 |
| <i>Private Sector Banks</i> | | | | | | |
| Up to 1 year | 3.00-6.25 | 3.50-7.25 | 3.50-6.75 | 3.00-7.25 | 3.00-8.00 | 3.00-9.00 |
| More than 1 year and up to 3 years | 5.25-7.25 | 5.50-7.75 | 6.50-7.75 | 6.75-8.25 | 6.40-8.50 | 6.75-9.75 |
| More than 3 years | 5.75-7.00 | 6.00-7.75 | 6.50-8.25 | 6.75-8.50 | 7.00-8.50 | 7.75-9.60 |
| <i>Foreign Banks</i> | | | | | | |
| Up to 1 year | 3.00-6.25 | 3.00-6.15 | 3.25-6.50 | 3.00-7.50 | 3.00-7.25 | 3.00-9.50 |
| More than 1 year and up to 3 years | 3.50-6.50 | 4.00-6.50 | 5.00-6.50 | 3.50-8.15 | 3.50-8.15 | 3.50-9.50 |
| More than 3 years | 3.50-7.00 | 5.50-6.50 | 5.50-6.75 | 4.00-8.25 | 4.05-8.25 | 4.05-9.50 |
| 2. Benchmark Prime Lending Rate | | | | | | |
| Public Sector Banks | 10.25-11.25 | 10.25-11.25 | 10.75-11.50 | 11.00-12.00 | 11.50-12.00 | 12.25-12.75 |
| Private Sector Banks | 11.00-13.50 | 11.00-14.00 | 11.00-14.50 | 11.50-15.00 | 11.50-15.00 | 12.00-16.50 |
| Foreign Banks | 10.00-14.50 | 10.00-14.50 | 10.00-14.50 | 10.00-14.50 | 10.00-14.50 | 10.00-15.50 |
| 3. Actual Lending Rate* | | | | | | |
| Public Sector Banks | 2.75-16.00 | 4.00-16.50 | 4.00-16.50 | 4.00-16.50 | 4.00-16.50 | - |
| Private Sector Banks | 3.15-22.00 | 3.15-20.50 | 3.15-26.00 | 3.15-24.00 | 3.15-24.00 | - |
| Foreign Banks | 3.55-23.50 | 4.75-26.00 | 4.75-25.00 | 4.50-23.00 | 4.50-26.50 | - |

* : Interest rate on non-export demand and term loans above Rs.2 lakh excluding lending rates at the extreme five per cent on both sides.
 - : Not available.

foreign banks at 12.7 per cent in March 2007 was the same as in December 2006 and in March 2006.

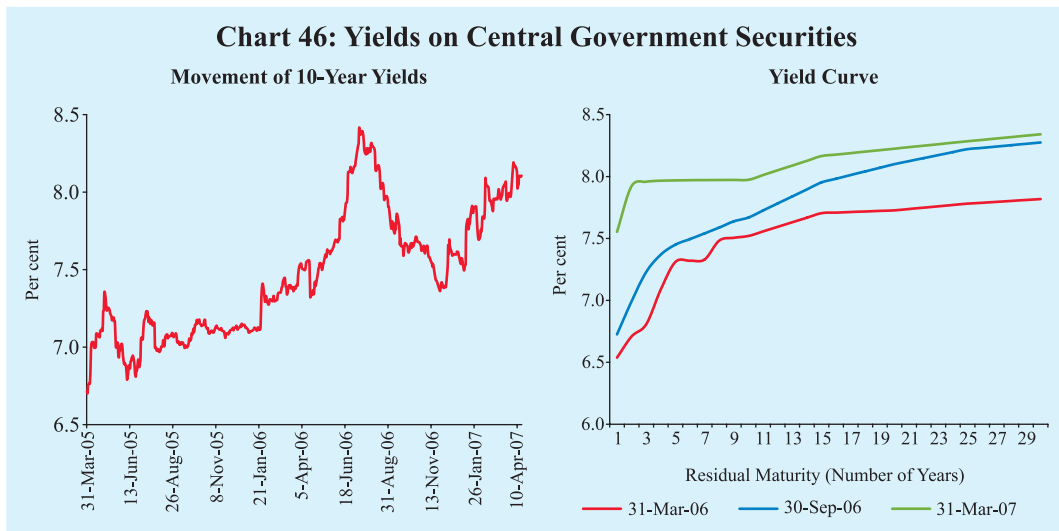
Chart 45: Deposit and Lending Rates - Public Sector Banks

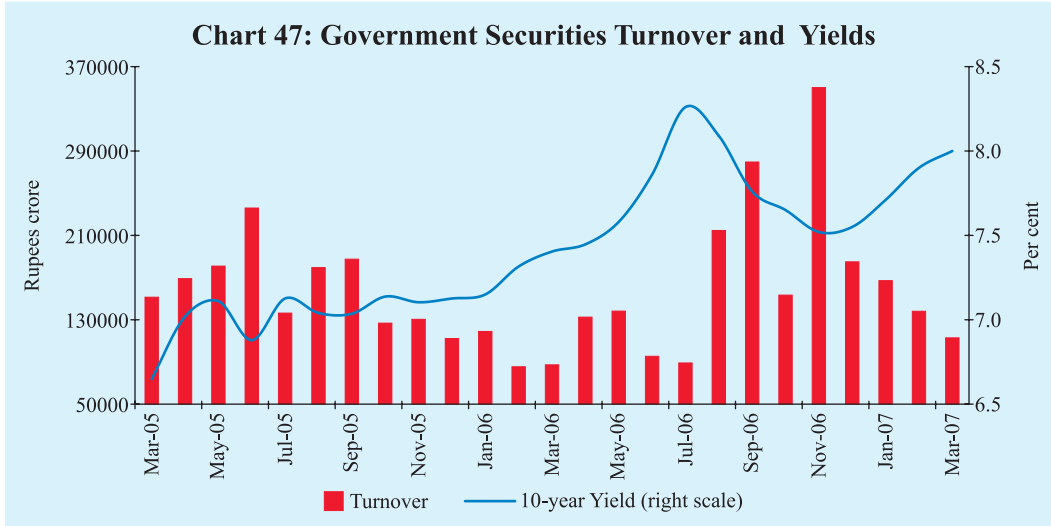


Government Securities Market

The yields in the Government securities market hardened during 2006-07. Yields moved up from mid-April 2006 reflecting sustained credit demand, monetary policy tightening in the US and other economies, volatile crude oil prices, apprehensions over domestic fuel price hike, and hike in the reverse repo rate by 25 basis points effective June 9, 2006. Reflecting these factors, yields on 10-year paper reached an intra-year peak of 8.40 per cent on July 11, 2006, an increase of 88 basis points over end-March 2006. Subsequently, yields softened in consonance with easing of Government bond yields in the US, the Fed’s decision to keep the fed funds rate target unchanged since end-June 2006, easing of crude oil prices, increased demand for gilts from banks to meet their SLR requirements and the announcement of the borrowing calendar of the Central Government for the second half of 2006-07 which was in accordance with market expectations. The 10-year yield reached a low of 7.38 per cent as on November 28, 2006. There was again some hardening of the yields from the second half of December 2006 in tandem with tightness in domestic liquidity conditions on the back of advance tax outflows, higher inflation and hikes in the CRR. The 10-year yield was 7.97 per cent as on March 31, 2007, 45 basis points higher than the level as on March 31, 2006 (7.52 per cent) (Chart 46). The yield was 8.07 per cent as on April 18, 2007. The yield curve flattened during 2006-07, with the spread between 1-10 year yields narrowing down to 42 basis points at end-March 2007 from 98 basis pints at end-March 2006. The spread between 10-year and 30-year yields, however, widened to 37 basis points at end-March 2007 from 30 basis points at end-March 2006.

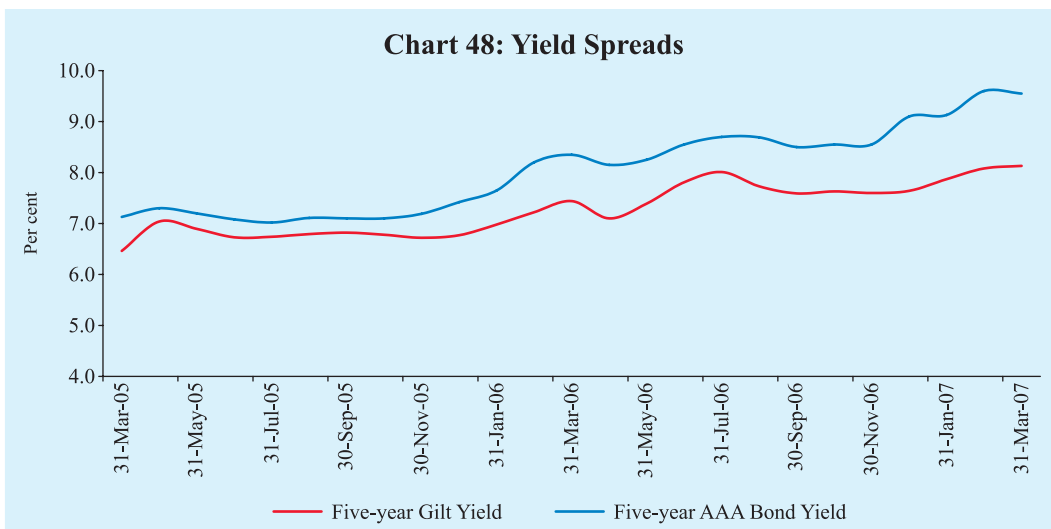
The turnover in the Government securities market continued to be influenced by trends in yields. The turnover remained subdued during April-July 2006 as





banks preferred to hold securities, rather than trade, in an environment of hardening of yields. The turnover, however, increased during August-November 2006 (the highest since June 2005) as yields trended downwards. The decline in turnover in October 2006 partly reflected lower number of trading days. The turnover again turned subdued from December 2006 as yields started hardening (Chart 47).

The yields on 5-year AAA-rated corporate bonds increased during 2006-07 in tandem with higher Government securities yield. The yield spread between 5-year AAA-rated bonds and 5-year Government securities, however, widened to 142 basis points at end-March 2007 from that of 91 basis points at end-March 2006 (Chart 48).



Equity Market

Primary Market

Resources raised through the public issues increased by 20.2 per cent to Rs.32,382 crore during 2006-07 (Table 47). The average size of issues increased to Rs.272 crore from Rs.195 crore during the corresponding period of the previous year. All issues, except one, during 2006-07 were by non-Government public limited companies (private sector) and mostly by non-financial companies. Out of 119 issues during the year, 75 issues were initial public offerings (IPOs) constituting 85.0 per cent of total resource mobilisation.

Mobilisation of resources through private placement increased by 50.8 per cent to Rs.1,03,169 crore during April-December 2006 over the corresponding period of the previous year (Table 47). This was mainly on account of a near doubling of resources mobilised by private sector entities to Rs.59,796 crore. Resources raised by public sector entities increased by only 11.4 per cent. Private sector entities, thus, raised more resources than public sector entities in contrast to the trend in 2005-06. Financial intermediaries (both from public sector and private sector) continued to account for the bulk of resource mobilisation from the private placement market (69.4 per cent of the total during April-December 2006 as compared with 64.1 per cent during April-December 2005).

Table 47: Mobilisation of Resources from the Primary Market

| (Amount in Rupees crore) | | | | |
|---|---------------|---------------|---------------|-----------------|
| Item | No. of Issues | Amount | No. of Issues | Amount |
| 1 | 2 | 3 | 4 | 5 |
| | 2005-06 | | 2006-07 P | |
| A. Prospectus and Rights Issues* | | | | |
| 1. Private Sector (a+b) | 131 | 21,154 | 118 | 31,600 |
| a) Financial | 11 | 7,746 | 9 | 2,420 |
| b) Non-financial | 120 | 13,408 | 109 | 29,180 |
| 2. Public Sector (a+b+c) | 7 | 5,786 | 1 | 782 |
| a) Public Sector Undertakings | – | – | – | – |
| b) Government Companies | 1 | 373 | – | – |
| c) Banks/Financial Institutions | 6 | 5,413 | 1 | 782 |
| 3. Total (1+2) | 138 | 26,940 | 119 | 32,382 |
| Of which: (i) Equity | 136 | 26,695 | 116 | 31,535 |
| (ii) Debt | 2 | 245 | 3 | 847 |
| B. Private Placement@ | | | | |
| 1. Private Sector | 673 | 29,501 | 1,111 | 59,796 |
| a) Financial | 281 | 18,191 | 450 | 35,887 |
| b) Non-financial | 392 | 11,310 | 661 | 23,909 |
| 2. Public Sector | 108 | 38,926 | 84 | 43,373 |
| a) Financial | 84 | 25,677 | 71 | 35,734 |
| b) Non-financial | 24 | 13,249 | 13 | 7,639 |
| 3. Total (1+2) | 781 | 68,427 | 1,195 | 1,03,169 |
| Of which: (i) Equity | 1 | 150 | 1 | 57 |
| (ii) Debt | 780 | 68,277 | 1,194 | 1,03,112 |
| C. Euro Issues | 48 | 11,352 | 40 | 17,005 |

P : Provisional. * : Excluding offers for sale. – : Nil/Negligible. @: Data pertain to April-December.

Table 48: Resource Mobilisation by Mutual Funds

| Mutual Fund | (Rupees crore) | | | |
|----------------|--------------------|-----------------|--------------------|-----------------|
| | 2005-06 | | 2006-07 | |
| | Net Mobilisation @ | Net Assets | Net Mobilisation @ | Net Assets |
| 1 | 2 | 3 | 4 | 5 |
| Private Sector | 42,977 | 1,81,515 | 79,038 | 2,62,079 |
| Public Sector | 6,379 | 20,829 | 7,621 | 28,725 |
| UTI | 3,424 | 29,519 | 7,326 | 35,488 |
| Total | 52,780 | 2,31,862 | 93,985 | 3,26,292 |

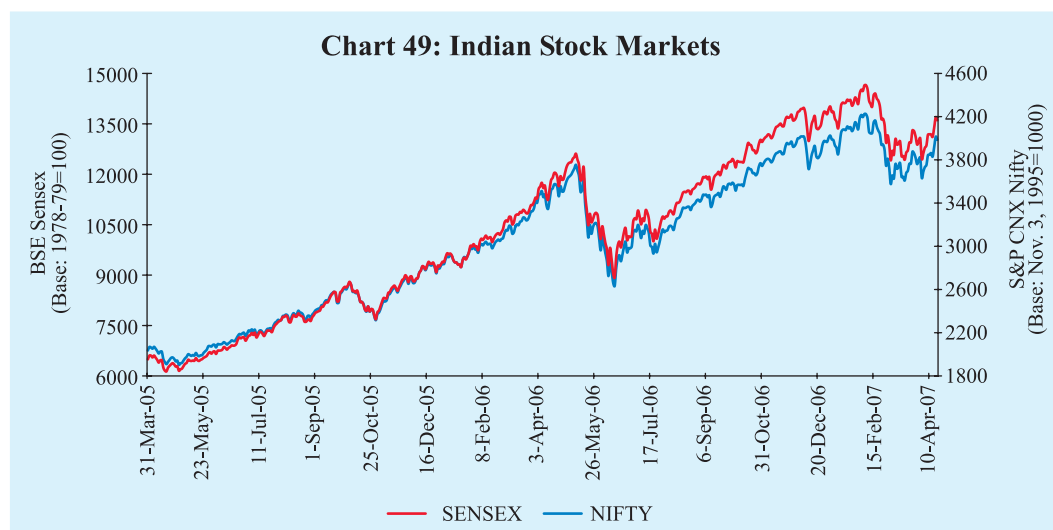
@: Net of redemptions.
Source: Securities and Exchange Board of India.

The resources raised through Euro issues - American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) - by Indian corporates increased by 49.8 per cent to Rs.17,005 crore during 2006-07.

During 2006-07, net mobilisation of resources by mutual funds increased substantially by 78.1 per cent to Rs.93,985 crore over the corresponding period of previous year (Table 48). Bulk of the net mobilisation of funds (68.2 per cent of total) was under income/debt-oriented schemes, while growth/equity-oriented schemes accounted for 30.0 per cent of the net mobilisation of funds.

Secondary Market

The domestic stock markets recorded further gains during 2006-07 (Chart 49). FIIs investments in the domestic stock markets during 2006-07 were lower than a year ago. Mutual funds investments in the domestic stock markets

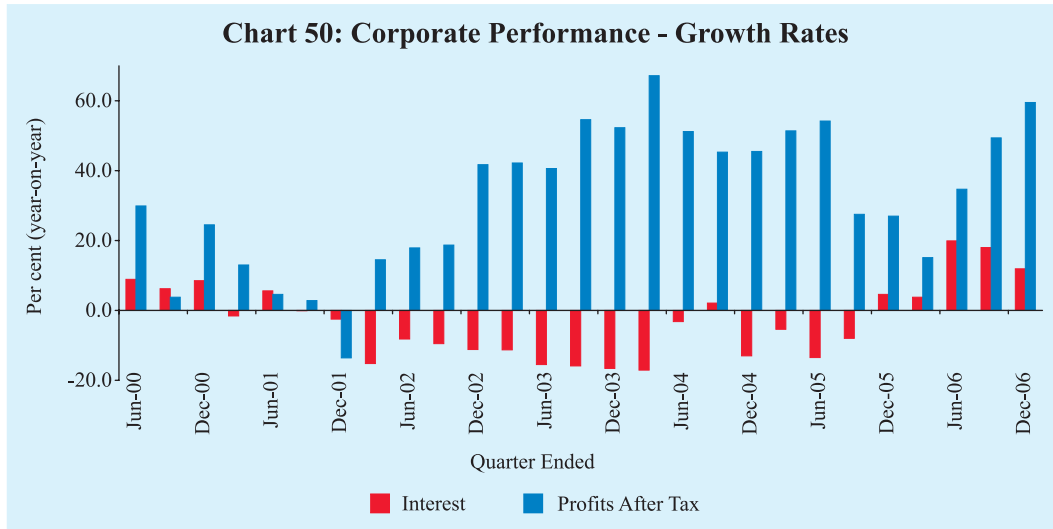


were also lower than a year ago. Growth in corporate profitability remained buoyant. Stock market gains were interspersed by some sharp corrections during the course of the year. In consonance with the trends in global equity markets, domestic stock markets witnessed correction during May-June 2006, December 2006 and February/March 2007. The BSE Sensex reached an intra-year low of 8929 as on June 14, 2006, a decline of 29.2 per cent over the then all-time high of 12612 reached on May 10, 2006. The stock markets recouped these losses in the subsequent months and the BSE Sensex reached an all-time high of 14652 on February 8, 2007. The markets, however, witnessed some correction thereafter. The BSE Sensex closed at 13072 on March 30, 2007. The BSE Sensex, thus, increased by 15.9 per cent during 2006-07 (year-on-year) as compared with a gain of 73.7 per cent during 2005-06. The BSE Sensex was 13672 as on April 18, 2007.

Profits after tax of corporates improved sharply in each of the first three quarters of 2006-07. Profits after tax of select non-Government non-financial companies increased by 48.7 per cent during April-December 2006 on top of 36.8 per cent growth recorded in the corresponding period of 2005. Ratio of profits after tax to sales improved to 11.0 per cent during the quarter ended December 2006 from 8.6 per cent a year ago (Table 49 and Chart 50).

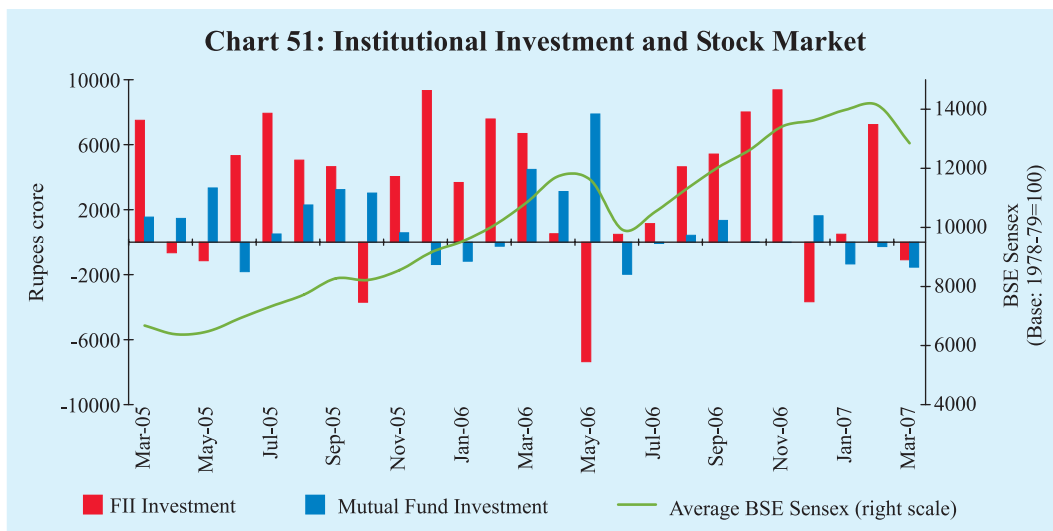
Table 49: Corporate Financial Performance

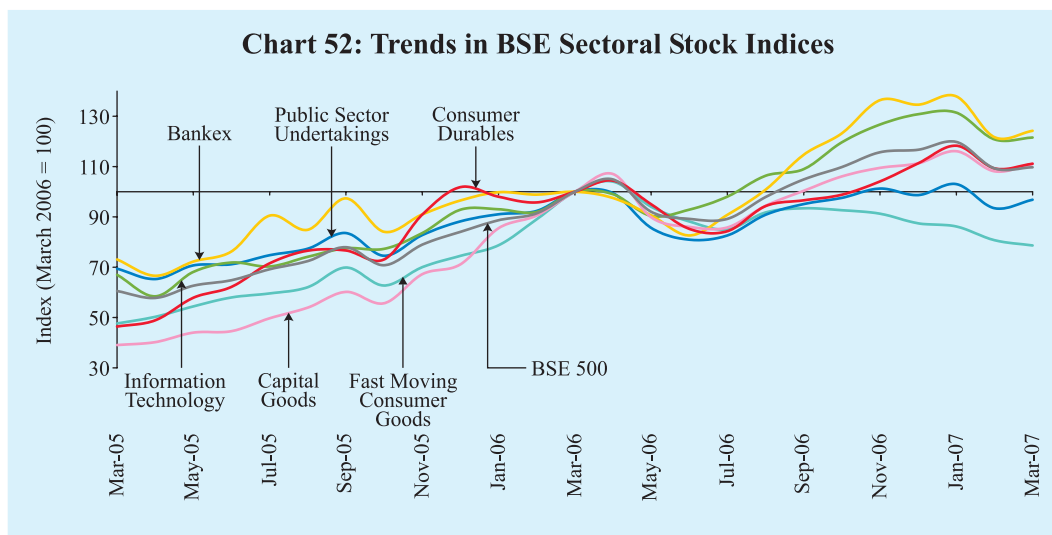
| Item | (Growth rates in per cent) | | | | | | | | | | |
|---------------------------------|--|----------|----------------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2004-05 | 2005-06 | 2005 | 2006 | 2005-06 | | | | 2006-07 | | |
| | | | April-December | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Sales | 24.1 | 16.9 | 16.1 | 28.9 | 18.5 | 16.4 | 13.2 | 19.5 | 25.6 | 29.2 | 30.3 |
| Expenditure | 21.9 | 16.4 | 15.6 | 26.3 | 18.0 | 16.3 | 12.7 | 18.9 | 24.6 | 26.6 | 26.9 |
| Depreciation Provision | 11.2 | 10.2 | 7.0 | 16.7 | 4.4 | 7.4 | 10.2 | 13.2 | 14.9 | 16.4 | 16.8 |
| Gross Profits | 32.5 | 20.3 | 24.8 | 45.4 | 32.0 | 19.1 | 21.2 | 16.6 | 33.9 | 45.9 | 51.8 |
| Interest | -5.8 | 1.9 | -5.5 | 17.7 | -13.5 | -8.0 | 4.6 | 3.8 | 19.9 | 18.0 | 11.9 |
| Profits After Tax | 51.2 | 24.2 | 36.8 | 48.7 | 54.2 | 27.5 | 27.0 | 15.1 | 34.7 | 49.4 | 59.5 |
| Select Ratios (Per cent) | | | | | | | | | | | |
| Gross Profits to Sales | 11.9 | 13.0 | 13.8 | 16.1 | 13.1 | 13.0 | 12.8 | 12.7 | 15.6 | 15.9 | 15.8 |
| Profits After Tax to Sales | 7.2 | 8.7 | 9.1 | 11.1 | 8.6 | 8.5 | 8.6 | 8.7 | 10.6 | 11.0 | 11.0 |
| Interest Coverage Ratio | 4.6 | 6.4 | 6.1 | 7.8 | 6.0 | 6.2 | 6.2 | 7.3 | 7.2 | 7.8 | 8.0 |
| Interest to Sales | 2.6 | 2.0 | 2.3 | 2.1 | 2.2 | 2.1 | 2.1 | 1.7 | 2.2 | 2.0 | 2.0 |
| Interest to Gross Profits | 21.8 | 15.7 | 16.4 | 12.9 | 16.6 | 16.2 | 16.2 | 13.7 | 13.9 | 12.8 | 12.5 |
| Memo: | | | | | | | | | | | |
| (Amount in Rupees crore) | | | | | | | | | | | |
| No. of Companies | 2,214 | 2,210 | 2,251 | 1,933 | 2,355 | 2,361 | 2,366 | 2,415 | 2,228 | 2,263 | 2,258 |
| Sales | 5,49,449 | 7,74,578 | 5,79,881 | 6,80,662 | 1,94,608 | 2,12,693 | 2,19,098 | 2,49,971 | 2,34,610 | 2,51,125 | 2,60,064 |
| Expenditure | 5,14,574 | 6,66,690 | 4,95,284 | 5,64,331 | 1,66,972 | 1,83,717 | 1,88,934 | 2,18,511 | 1,95,556 | 2,09,437 | 2,16,053 |
| Depreciation Provision | 22,697 | 28,883 | 22,044 | 24,557 | 7,137 | 7,617 | 7,748 | 8,340 | 8,449 | 8,892 | 9,172 |
| Gross Profits | 65,301 | 1,00,666 | 79,937 | 1,09,432 | 25,577 | 27,620 | 28,135 | 31,652 | 36,567 | 40,041 | 41,169 |
| Interest | 14,268 | 15,789 | 13,095 | 14,137 | 4,241 | 4,467 | 4,555 | 4,348 | 5,083 | 5,121 | 5,162 |
| Profits After Tax | 39,599 | 67,506 | 52,891 | 75,460 | 16,726 | 18,169 | 18,790 | 21,634 | 24,845 | 27,710 | 28,698 |
| Note : | 1. Growth rates are percentage changes in the level for the period under reference over the corresponding period of the previous year. 2. Data in column (2) are based on audited balance sheets, while those in column (3) onwards are based on the abridged results of the sample non-Government non-financial companies. 3. Data for the full year and for the nine months period may not add to the quarterly totals due to difference in the number of companies covered. | | | | | | | | | | |



According to the Securities and Exchange Board of India (SEBI), FIIs made net purchases of Rs.25,236 crore (US \$ 6.0 billion) during 2006-07 on top of net purchases of Rs.48,542 crore (US \$ 11.0 billion) during the previous year. Mutual funds also made net investments of Rs.9,024 crore during 2006-07 as compared with net purchases of Rs.14,302 crore during the previous year (Chart 51).

Major stock indices and sectors showed mixed trends during 2006-07 (Chart 52). On a point-to-point basis, the BSE 500 and the BSE Mid-cap increased by 9.7 per cent and 0.7 per cent, respectively, while the BSE Small-cap declined





by 1.9 per cent. Amongst major sectors, oil and gas stocks recorded gains of 30.5 per cent, followed by bank stocks (24.2 per cent), IT (21.6 per cent), consumer durables (11.1 per cent) and capital goods (11.1 per cent). However, losses were noticed in the fast moving consumer goods sector (21.4 per cent), auto sector stocks (8.7 per cent), healthcare (5.4 per cent), metals (4.3 per cent) and PSUs (3.2 per cent).

The price-earnings (P/E) ratio for the 30 scrips included in the BSE Sensex declined from 20.9 at end-March 2006 to 20.3 at end-March 2007 (Table 50). The market capitalisation of the BSE increased by 17.3 per cent between end-March 2006 and end-March 2007.

Table 50: Stock Market Indicators

| Indicator | BSE | | | NSE | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004-05 | 2005-06 | 2006-07 | 2004-05 | 2005-06 | 2006-07 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| BSE Sensex / S&P CNX Nifty* | | | | | | |
| End-period | 6493 | 11280 | 13072 | 2036 | 3403 | 3822 |
| Average | 5741 | 8280 | 12277 | 1805 | 2513 | 3572 |
| Volatility# (Per cent) | 11.2 | 16.7 | 9.0 | 11.3 | 15.6 | 10.5 |
| P/E Ratio (end-period)* | 15.6 | 20.9 | 20.3 | 14.6 | 20.3 | 18.4 |
| Turnover (Rupees crore) | 5,18,716 | 8,16,074 | 9,56,185 | 11,40,071 | 15,69,556 | 19,44,645 |
| Market Capitalisation (Rupees crore) (end-period) | 16,98,429 | 30,22,190 | 35,45,041 | 15,85,585 | 28,13,201 | 33,67,350 |

* : For 30 scrips included in the BSE Sensex and 50 scrips included in the S&P CNX Nifty.

: Volatility is measured by coefficient of variation.

Source : Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

Total turnover (BSE and NSE) in the cash segment during 2006-07 at Rs.29,00,830 crore was 21.7 per cent higher than that in the corresponding period of 2005-06 (Chart 53). Total turnover (BSE and NSE) in the derivative segment increased by 53.7 per cent during 2006-07 to Rs.74,15,448 crore.

