CHAPTER- 1 INTRODUCTION

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1.1 Occupation:

“Human life is built around work. Whether one likes it or hates it, work is an essential part of life. Numerous and varies are the activities that a man undertakes during his lifetime and long indeed is the list of the roles that he has to play in the theatre of the life.”

--- Y.K. Bhushan (1994)

It is known that all the activities of man fall under two categories. The first category covers all those acts and the activities of man which are inspired by love, patriotism, sympathy, humanity and similar sentiments. The second category of human activity is related to the production and exchange of wealth. It is usually called as occupations. Human operations are divided under three categories like professions, employment and business.

- Professions:

Professions are those occupations which involve the rendering of personal services of a special and expert nature. The remuneration of this profession is taken as fees.

- Employment:

In this class of occupation, a person has to work under an agreement of rules of service and perform such work as may be assigned to him by the employer. Remuneration for such work takes in the form of wages, salary and allowances.

- Business:

In the simple meaning the business is considered as “being busy”. In all the occupation the basic requirement of a person is to be busy. But the real meaning is what keeps him busy. Accordingly, a person may become busy in writing, playing, eating and so on because any of these activities may give him satisfaction. But the terms business is considered as efforts and acts of the people which are concerned with production of wealth.
• Definitions:

“Business is any enterprise which makes, distributes or provides any article or service which other members of community need and are able and willing to pay for it”.

Urwick and Hunt

“The business is an activity in which different persons exchange something of value whether goods or services for mutual gain or benefit”.

Peterson and Plowmen

“Business is a human activity directed towards producing or acquiring wealth through buying and selling of goods”.

L.H. Haney

As India is an ancient nation with a proud economic background, business must have existed and flourished since the earlier times. It is relevant to remember that India was well known in the international business since the ancient times. As Agarwala writes, “The commerce played a great role in making India the universal exporting centre of the economic world in ancient times”. He notes that there were commercial cities and trade centers dominated by the merchant class more than five thousand years ago. The business is an economic activity growing with complexity day by day. India at the time of independence was predominantly an agricultural economy. After that the progress was done and the economy achieved growth during the period of 1980s. The changes in industry threw up many successful businessmen from among the outlook of Governments since the middle of the 1980s and the liberalization process initiated. Many Indian businessman started going outside the boundaries of the country to capitalize on the emerging opportunities. The business of India created opportunities in different segments. As a result, the structure and the model of the Indian business sector witnessing changes. The business is constantly growing and therefore it is classified under different categories. The size and type of business emphasize more on classification and expansion of
business. When the business is growing the small scale units cannot survive the needs, therefore, it has to make expansion for the future existence[1].

- **Nature of the business:**

In ancient times, human beings used to hunt and plucked fruits for their livelihood. They did it themselves without any assistance. All male members of the family were engaged in such activity. The women in the family had to stay at home as they gave birth to children and also had to look after them. This might be a beginning of division of the labour. Men became outward oriented and women inward oriented in the family organization. The man started providing living to the family while the women undertook household work. The one, who provided living became dominant and started exercising authority on the family. All other household members became his subordinates. The family group which was based on the principle of natural need of being together, gradually got converted in to an organization group. In modern time the best result cannot be obtain without the effort of groups'. Thus, human beings do require organization and all organization do require some management. As it can be said that management is a human generated activity and thus it has to be managed. Some important aspect of business is as follows.

- **Role of the business:**

Satisfaction of the human needs is the base of the business. If there is no human need, business will fail to survive. The production of goods and services and its distribution is a business activity. Formerly, such activities which are paid for by the customer were described as business activity and those for which customer did not pay was called non business activity. From the view point of management, it does not make any difference as to who pays. All activities which produced and distribute goods and services, whether or not paid directly by customer are business activities.
• Business and economic development:

In the economic development business and profit play major part. It is found that countries that have a good business class contribute to development of a country. For the development of the business the social service is crucial. Another aspect we must appreciate is that each of the business activity provides employment. Business requires resource mobilization such as money, people, equipment etc. and thus works for developing these resources. Though mobilizing resources, it also adds to economic development.

• Need for ownership and entrepreneurial characteristics:

Either an individual or a group must play a role of an owner in any business. This is the only way to safeguard continuous and growth of a business. Decision in the business are such as what to exchange, at what price is to be exchange and how exchange price is to be recovered are very basic. This is not only done once but almost daily. Every day is different in the business. Condition changes so fast that you have to take decisions in response to such changes and the impact has to forecast changes and proactively act on it. It is expected that they carry risks and uncertainties of the business. The need to remain profitable all the time requires a calculating brain and capacity to view business in totality.

To plan for business and its implementation one has to go through so many hurdles that one requires a high achievement motivation and single purpose devotion. This is true when the business idea is new to the market. In an established market when there is no enough possibilities for new entrant in similar business he must come out with a new product or service, or a new concept in functioning the business so that he can found an entry and later opportunity to grow. One who is a pioneer in a business is called an entrepreneur and the other who follows the same business is called businessmen.[2]
There are several forms of business organization; some of the significant forms are discussed as below.

### 1.2 Forms of Organization

The corporate form of business includes sole proprietorship, partnership and company forms. The type of business organization is depends upon the factors like type of business, expected volume of business, area of operations, life span of business, profit sharing arrangements, tax advantage and Government regulations etc.

The division of business organizations can be made as follows.

1. Non corporate firms which includes sole proprietorship, partnership and HUF.
2. Corporate form which includes companies and corporative units.

#### 1.2.1 Sole Proprietorship:

“Sole proprietorship is a form of organization in which an individual introduces his own capital, uses his own skill and intelligence in the managements of affairs and is solely responsible for the results of its operations”.

As it is an individual entrepreneurship, it is the easiest to form and is also the simplest in organization. In this type of organization, the owner has to find the capital on his personal basis only and therefore he has to start it in his own house or rented premises. There are no legal formality to be gone through except those required for a particular type of business.

**Pros:**

1. In this type of business organization, no legal formalities are required so it is easy to form and start the business.
2. There is no problem related to the co-ordination because the proprietor himself has to decide everything.

3. It is possible to take prompt decision because the owner power is in hands of single owner and therefore, it is possible to take the advantage of gaining opportunities.

4. Secrecy can be maintained in the business matter therefore the proprietor will be able to take full advantage of any new ideas that occur to him.

5. Sole proprietorship is the least regulated form of business organization.

**Cons:**

1. The individual proprietor has to suffer from the limitations of financial resources. He cannot borrow much money from the banks or financial institutions and therefore the growth is limited

2. The managerial ability of proprietor is limited because nobody is expert in all the matters therefore his decision becomes unstable sometimes.

3. The liability of the owner is unlimited. Not only business asset but the personal assets also will be used to pay the debts of the firm.

4. The proprietary business comes to an end when anything is happen to the proprietor.

From the merits and demerits, it can be said that the proprietary firm is having limited scope. If the firm has to make expansion than this type of organization is not helpful and therefore the form of partnership or companies are adopted.

**1.2.2 Partnership:**

The individual proprietorship organization, with all its limitations, proved unequal to the requirements of the expanding business, expansion of the business called for more capital, enhanced risk, and required more managerial ability than could be expected of a single individual. A wealthy man may lack managerial capacity and an able manager might not have money enough to
finance a big concern. This made some kind of an association among individual businessman necessary and by that way the association of the persons becomes partnership. It grew essentially out of the failures and limitations of the individual proprietorship and represents the second stage in the evolution forms of business organization.

“The partnership is, the relation between the persons who have agreed to share profits of a business carried on by all or any of them acting for all”.

The partnership firm can be form when there is an existence of business that is the partners are get together for doing business not for charitable work, one person cannot enter into the partnership with himself so there is plurality of persons is required and there must be contractual relationship between them and their object is to earn profit. As per the Indian companies act 1956, there are minimum 2 persons and maximum 20 persons in general partnership business.

**Pros:**

1. The partnership can easily be formed and the expenses of formation are very less.

2. The expansion becomes easier than sole proprietorship so for more capital more persons can be admitted into the partnership.

3. Partners among themselves provide various sorts of talent necessary for handling of the firm and therefore the decision can be balanced.

4. The line can be changed easily if the need arises.

5. The losses incurred by the firm will be shared by the all partners hence the share of loss of each partner becomes less.

**Cons:**

1. There are high chances of conflicts and difference of opinions between the partners.
2. There is a limit of 20 partners so more expansion will be restricted if necessary.

3. There is a chance of withdrawal of partnership in case of death, lunacy or insolvency of any partner.

4. A dishonest or incompetent partner may land the firm in difficulties because his acts would bind the firm and the other partners.

The partnership of business organization is excellent when the size of the firm is limited and the partners can work in full co-operation with one other. The partnership form is mainly suitable to the medium scale business. When the firm becomes large and partners cannot co-operate with one another the business would be better under the company form of business organization.

1.2.3 Company:

The increased needs of modern society and commerce could not be met by sole proprietorship or partnerships. Some other form of organization was, therefore needed to deliver the goods. It was company type of organization which facilitated the full utilization of the technical and other innovations brought in by the industrial revolution.

The word ‘company’ is derived from the Latin word (Com = with or together; panis = bread), and originally referred to an association of persons who took their meals together. The company has the most striking features of being distinct legal personality, perpetual succession, and the easy transferability of shares, the limited liability and its centralized and democratic governance but is not a citizen under the citizenship Act, 1955 or the constitution of India as also held by Hon’ble Supreme Court in State Trading Corporation of India Ltd. v. C.T.O. As far as the companies act is concerned it defines the company as, a company formed and registered under this act or an existing company. An ‘existing company’ means a company formed and registered under any of the former companies Acts. This definition does not reveal the real distinctive
characteristics of a company. Perhaps a clear definition of the company is given by Lord Justice Lindley:

“By a company is meant an association of many persons who contribute money or money's worth to a common stock and employ it in some trade or business, and who share the profit and loss as the case may be) arising there from. The common stock so contributed is denoted in money and is the capital of the company and the persons who contribute it, or to whom it belongs, are called as members. The proportion of capital to which each member is entitled is his share which is always transferable although the right to transfer them is more or less restricted”.

A company thus may be define as an incorporated association which is an artificial person, having a separate legal entity, with a perpetual succession, a common seal, a common capital comprised of transferable shares and carrying limited liability. It is called an artificial person because of its very nature that law alone can give birth to a company and law alone can put it to an end. The main purpose why companies evolved is the operations and production at large scale which was not possible for handful persons either to manage it or to finance its operations. Huge investments, huge production and large scale operations gave a weapon in the form of company which is required to centralize the operations as someone must be made held responsible for the acts done. As is in the case of, most of the business entities the main aim of the companies are to earn profit out of its operations. Company is formed with a contribution of many contributors who may be in the form of investors, lenders or depositors. Whosoever provides the money, expects the return on his investment and a company has no stand with excuses as far as the question of satisfying its capital contributors is concerned, otherwise the problem of scarcity of funds will become the most difficult question to be solved by the companies in the future. Every company is formed with a notion of generating more and more revenues so that it can discharge all of its liabilities and contribute towards the maximization of company's wealth. In 1946 there were 1125 registered companies, in 1971 it increases up to 1599 and in 1990 it were 8593.
From the point of view of public interest the company will be divided in to private company and public company.

**Private Company:**

A private company is defined as a company, in which, members are limited up to 50, excluding those who are its employees or were its employees formerly and having prohibition for invitation to the public for subscription to its shares and debentures and restriction on the transfer of its shares.

A private company is an ideal form of organization for a business family or a group of associates who wish to run a business without taking the risk of unlimited liability and surrendering control of business to others. The active members usually act as a director and receive fixed remuneration besides fees. This enables a family or association of persons to maintain secrecy of business affairs and get all the advantages of partnership form with the added form of limited liability. This type of organization is suitable to the company which is risky and uncertainty of regular return in form of income.

**Public Company:**

“A company which has issued securities through an offering, and which are now traded on the open market also called publicly held or publicly traded opposite of private company”.

A public company can be formed by a minimum of seven persons and for maximum there is no limit to its membership laid by law. It offers its shares to the public at large and is able to collect large sums of money to finance its projects. The shares of the company can be transferred by the members to others without any restrictions by the company. Such transfer through are made through organized market called stock exchange. The facility of free transfer of shares and existence of a continuous market for shares induce people to invest in the shares of public companies and enable companies to raise their requirement without many difficulties. From the view point of profit and nonprofit business organizations it can be divided in to two categories.
1. Business entity for profit making.
2. Business entity not for profit making.

Both the entities have separate set of goals of business entity which we described in the next unit[3].

1.3 Goals of Business Organization:

The general belief of running business activity is to earn profit only. The businessman themselves proclaim that the main object of the firm is to earn profit. This is true to some extent but it is found that a truly successful businessman cannot afford to keep profit as its sole objective. As per the opinion of Urwick, “earning of profit cannot be the objective of a business any more than eating is the objective of living”. Jamshedji Tata said that a great businessman can be built up only if the objective of “service to the community” is constantly kept in view. If this is done, profits will come automatically but if the whole emphasizes on the profits, business may not succeed in for a long. Jamshedji had socialistic view and still it is sustained in the Tata Group Companies. But several new concepts in the field of financial management in corporate are emerged and discussed as follows.

1.3.1 Profit Maximization:

The main aim of any kind of economic activity is to earn profit. A business concern is also functioning mainly for the purpose of earning profit. The profit is considered as the measuring techniques to understand the efficiency of the business concern. Profit maximization is not the new concept but it is the old and the narrow concept. Profit maximization is the maximizing of money or the terms of the money.

- Definition:

“The process that companies undergo to determine the best output and price levels in order to maximize its return. The company will usually adjust influential
factors such as production cost, sales price and output levels as a way of reaching its profit goal."

In economics, profit maximization is the process by which a firm determines the price and output levels that returns the greatest profit. There are several approaches to this problem. The total revenue --- total cost method relies on the fact that profit equals revenue minus cost, and the marginal revenue --- marginal cost method is based on the fact that total profit in a perfect market reaches its maximum point where marginal revenue equals marginal cost.

There are some important features of Profit Maximization:

1. Profit maximization is also known as cashing per share maximization. It leads to maximize the business operation for profit maximization.
2. The main aim of the company is to earn the maximum amount of the profit. Hence, it considers all the possible ways to increase the profitability of the concern.
3. Profit is the parameter of measuring efficiency of the business concern.
4. Profit maximization objectives help to reduce the risk of the business.

• Benefits of Profit Maximization:

There are some important beneficial points related to the profit maximization.
1. The main aim is to earn the profit.
2. Profit becomes parameter of the business operations.
3. Profit can reduce the risk of the business concern.
4. Profit is the main source of the finance.
5. Profitability meets the social needs also.

Limitations of the profit maximization:

There are some important limitations of the profit maximization:
1. Profit maximization leads to exploiting workers and consumers.
2. Profit maximization creates immoral practices such as corrupt practice, unfair trade practice etc.

3. Profit maximization objectives leads to inequalities among the stakeholders such as customers, suppliers, public shareholders etc.

4. The word profit is ambiguous; it is not clear whether profit should be maximized in the short term or long term.

5. The time value for money is not considered when determining profits.

6. In this concept it is an assumption of perfect market which is not applicable in the imperfect market.

7. It is difficult to achieve a market economy where the price system operates effectively.

8. The risk factor is ignored.

To overcome from the limitations of the profit maximization the new concept of wealth maximization was adopted[4].

1.3.2 Wealth maximization:

The financial management has come a long way by shifting its focus from traditional approach to modern approach. The modern approach focuses on wealth maximization rather than profit maximization. This gives a longer term horizon for assessment, making way for sustainable performance by businesses.

A myopic person or business is mostly concerned about short term benefits. A short term horizon can fulfil objective of earning profit but may not help in creating wealth. It is because wealth creation needs a longer term horizon. Therefore, financial management emphasizes on wealth maximization rather than profit maximization. For a business, it is not necessary that profit should be the only objective; it may concentrate on various other aspects like increasing sales, capturing more market share etc, which will take care of profitability. So, we can say that profit maximization is a subset of wealth and being a subset, it will facilitate wealth creation.
Wealth maximization is based on the concept of cash flows. Cash flows are a reality and not based on any subjective interpretation. On the other hand there are many subjective elements in the concept of profit maximization. It considers time value of money translates cash flows occurring of different periods into a comparable value of cash flows is considered critically in all decisions as it incorporates the risk associated with the cash flow stream[5].

• **Benefits of Wealth Maximization:**

There are some benefits of wealth maximization:

(i) Wealth maximization is superior to the profit maximization because the main aim of the business concern under this concept is to improve the value or wealth of the shareholders.

(ii) Wealth maximization considers the comparison of the value to cost associated with the business concern. Total value detected from the total cost incurred for the business operation. It provides extract value of the business concern.

(iii) Wealth maximization considers both time and risk of the business concern.

(iv) Wealth maximization provides efficient allocation of resources.

(v) It ensures the economic interest of the society.

• **Limitations of Wealth Maximization:**

There are some limitations of wealth maximization:

a. Wealth maximization leads to prescriptive idea of the business concern but it may not be suitable to present day business activities.

b. Wealth maximization creates ownership - management controversy.
c. Management alone enjoys certain benefits.

d. The ultimate aim of the wealth maximization objectives is to maximize the profit.

e. Wealth maximization can be activated only with the help of the profitable position of the business concern.

To overcome from the limitations of wealth maximization, the concept of shareholders value creation was adopted [6].

### 1.3.3 Shareholder Value Creation:

The concept of shareholder value creation is arising due to the limitations of the wealth maximization concept. In the traditional method the capital appreciation is due to the concept of profit maximization and wealth maximization but now a day the measurement of shareholder value creation has been the issue of discussion all over the world for this purpose. It has been crucial when since the companies were increasingly committing to creating shareholder value. Firstly it is necessary to understand the meaning of shareholder value.

“The value, which a shareholder is able to obtain from their investments in a company which is made up of capital gains, dividend payments, proceeds from buyback programs and any other pay out that a firm might make to a shareholder”.

The total economic value of an entity such as a company or business unit is the sum of the values of its and its equity. This value of the business is called corporate value and the value of the equity portion is called as shareholder value.

**Corporate value = Debt + Shareholder value**

Now shareholder value is reflected in the market price of the equity shares of the company. Shareholder value can also be understood as the market capitalization of the company at any point of time. Shareholders value implies the shareholders worth in the company concerned, or to put it in the simple terms, how much the
share capital is backed by the financial net worth of the company. In the era of conventional accounting, when balance sheet was considered to reflect the true and fair view of the company, financial net worth of the shareholders of a company was considered to be the summation of share capital and free reserves reduced by any accumulated loss not adjusted against profit and loss account or reserve and as such appearing on the asset side of the balance sheet or any such items appearing on the asset side. But now the public perception has extended beyond the balance sheet and shareholders value is being considered off the balance sheet also in terms of market value. In the terms of the market value of the shares, shareholders value is the total market capitalization of the company, which is equal to the market value per share multiplied by the number of shares issued by the company.

Shareholders value creation is not a onetime phenomenon but the corporate should strive to create, sustain and enhance value to their shareholders on a constant and continuous basis as conscious governing objectives. There are several compelling factors such as rate of return, continuity of growing profit, market share, profit and profitability etc.

1.3.4 Dividend Distribution:

Dividends are payments made by a corporation to its shareholder members. It is the portion of corporate profits paid out to stockholders. When a corporation earns a profit or surplus, that money can be put to two uses: it can either be re-invested in the business (called retained earnings), or it can be paid to the shareholders as a dividend. Many corporations retain a portion of their earnings and pay the remainder as a dividend.

For a joint stock company, a dividend is allocated as a fixed amount per share. Therefore, a shareholder receives a dividend in proportion to their shareholding. For the joint stock company, paying dividends is not an expense; rather, it is the division of after tax profits among shareholders. Profits are a liability in the company’s balance sheet - the same as its issued share capital. Public companies
usually pay dividends on a fixed schedule, but may declare a dividend at any
time, sometimes called a special dividend to distinguish it from a regular one.
Co-operatives, on the other hand, allocate dividends according to members’
activity, so their dividends are often considered to be a pre-tax expense.

Dividends are usually settled on a cash basis, store credits (common among retail
consumers' cooperatives) and shares in the company (either newly-created
shares or existing shares bought in the market.) Further, many public companies
offer dividend reinvestment plans, which automatically use the cash dividend to
purchase additional shares for the shareholder. The incorporation and existence
of corporate sector in this globalized competitive world, finance aspect is very
important. The discussion on sources and system finance will be relevant hence
is discussed as under[8].

1.4 Financial Market:

In general, the financial market divided into two parts, Money market and capital
market. Securities market is an important, organized capital market where
transaction of capital is facilitated by means of direct financing using securities
as a commodity. Securities market can be divided into a primary market and
secondary market.

1.4.1 Primary Market:

The primary market is an intermittent and discrete market where the initially
listed shares are traded first time, changing hands from the listed company to the
investors. It refers to the process through which the companies, the issuers of
stocks, acquire capital by offering their stocks to investors who supply the
capital. In other words primary market is that part of the capital markets that
deals with the issuance of new securities. Companies, governments or public
sector institutions can obtain funding through the sale of a new stock or bond
issue. This is typically done through a syndicate of securities dealers. The process
of selling new issues to investors is called underwriting. In the case of a new
stock issue, this sale is called an initial public offering (IPO). Dealers earn a
commission that is built into the price of the security offering, though it can be found in the prospectus.

1.4.2 Secondary Market:

The secondary market is an on-going market, which is equipped and organized with a place, facilities and other resources required for trading securities after their initial offering. It refers to a specific place where securities transaction among many and unspecified persons is carried out through intermediation of the securities firms, i.e., a licensed broker, and the exchanges, a specialized trading organization, in accordance with the rules and regulations established by the exchanges.

1.4.3 Origin of Indian Stock Market:

The origin of the stock market in India goes back to the end of the eighteenth century when long-term negotiable securities were first issued. However, for all practical purposes, the real beginning occurred in the middle of the nineteenth century after the enactment of the companies Act in 1850, which introduced the features of limited liability and generated investor interest in corporate securities.

An important early event in the development of the stock market in India was the formation of the native share and stock brokers' Association at Bombay in 1875, the precursor of the present day Bombay Stock Exchange. This was followed by the formation of associations/exchanges in Ahmedabad (1894), Calcutta (1908), and Madras (1937). In addition, a large number of ephemeral exchanges emerged mainly in buoyant periods to recede into oblivion during depressing times subsequently.

Stock exchanges are intricacy inter-woven in the fabric of a nation's economic life. Without a stock exchange, the saving of the community- the sinews of economic progress and productive efficiency- would remain underutilized. The task of mobilization and allocation of savings could be attempted in the old days by a much less specialized institution than the stock exchanges. But as business
and industry expanded and the economy assumed more complex nature, the need for ‘permanent finance’ arose. Entrepreneurs needed money for long term whereas investors demanded liquidity – the facility to convert their investment into cash at any given time. The answer was a ready market for investments and this was how the stock exchange came into being.

Stock exchange means anybody of individuals, whether incorporated or not, constituted for the purpose of regulating or controlling the business of buying, selling or dealing in securities. These securities include:

(i) Shares, scrip, stocks, bonds, debentures stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;
(ii) Government securities; and
(iii) Rights or interest in securities.

The Bombay Stock Exchange (BSE) and the National Stock Exchange of India Ltd (NSE) are the two primary exchanges in India. In addition, there are 22 Regional Stock Exchanges. However, the BSE and NSE have established themselves as the two leading exchanges and account for about 80 per cent of the equity volume traded in India. The NSE and BSE are equal in size in terms of daily traded volume. The average daily turnover at the exchanges has increased from ₹ 851 crores in 1997-98 to ₹ 1,284 crores in 1998-99 and further to ₹ 2,273 crores in 1999-2000 (April - August 1999). NSE has around 1500 shares listed with a total market capitalization of around ₹ 9,21,500 crores. The BSE has over 6000 stocks listed and has a market capitalization of around ₹ 9, 68,000 crores. Most key stocks are traded on both the exchanges and hence the investor could buy them on either exchange. Both exchanges have a different settlement cycle, which allows investors to shift their positions on the bourses. The primary index of BSE is BSE Sensex comprising 30 stocks. NSE has the S&P NSE 50 Index (Nifty) which consists of fifty stocks. The BSE Sensex is the older and more widely followed index.

Both these indices are calculated on the basis of market capitalization and contain the heavily traded shares from key sectors. The markets are closed on
Saturdays and Sundays. Both the exchanges have switched over from the open outcry trading system to a fully automated computerized mode of trading known as BOLT (BSE on Line Trading) and NEAT (National Exchange Automated Trading) System.

Today, BSE is the world's number one exchange in the world in terms of the number of listed companies (over 4900). It is the world's 5th most active in terms of number of transactions handled through its electronic trading system. And it is in the top ten of global exchanges in terms of the market capitalization of its listed companies (as of December 31, 2009). The companies listed on BSE command a total market capitalization of USD Trillion 1.28 as of Feb, 2010.

BSE is the first exchange in India and the second in the world to obtain an ISO 9001:2000 certifications. It is also the first Exchange in the country and second in the world to receive Information Security Management System Standard BS 7799-2-2002 certification for its BSE On-Line trading System (BOLT). Presently, we are ISO 27001:2005 certified, which is an ISO version of BS 7799 for Information Security.

The BSE Index, SENSEX, is India's first and most popular Stock Market benchmark index. Exchange traded funds (ETF) on SENSEX, are listed on BSE and in Hong Kong. Futures and options on the index are also traded at BSE.

The old methods of trading in BSE were people assembling on what as called a ring in the BSE building. They had a unique sign language to communicate apart from all the shouting. Investors weren't allowed access and the system was opaque and misused by brokers. The shares were in physical form and prone to duplication and fraud.

The old method to transfer shares from one investor to other was lengthy and time consuming process like three months. If lot shares are to be transferred then manual process was become tedious. It requires huge man power, ultimately its costing very high.
NSE was the first to introduce electronic screen based trading. BSE was forced to follow suit. The present day trading platform is transparent and gives investors prices on a real time basis. With the introduction of depository and mandatory dematerialization of shares chances of fraud reduced further. The trading screen gives you top 5 buy and sell quotes on every scrip.

A typical trading day starts at 10 ending at 3.30 Monday to Friday. BSE has 30 stocks which make up the Sensex. NSE has 50 stocks in its index called Nifty. FIIs, Banks, financial institutions mutual funds are biggest players in the market. Then there are the retail investors and speculators. The last ones are the ones who follow the market morning to evening; Market can be very addictive like blogging though stakes are higher in the former.

It facilitates more efficient processing, automatic order matching, faster execution of trades and transparency; the scrip's traded on the BSE have been classified into 'A', 'B1', 'B2', 'C', 'F' and 'Z' groups. The ‘A’ group shares represent those, which are in the carry forward system (Badla). The 'F' group represents the debt market (fixed income securities) segment. The 'Z' group scrip's are the blacklisted companies. The 'C' group covers the odd lot securities in 'A', 'B1' & 'B2' groups and Rights renunciations. The key regulator governing Stock Exchanges, Brokers, Depositories, Depository participants, Mutual Funds, FIIs and other participants in Indian secondary and primary market is the Securities and Exchange Board of India (SEBI) Ltd.

India's premier stock exchange Bombay Stock Exchange (BSE) can also trace back its origin to as far as 125 years when it started as a voluntary non-profit making association.

1.4.4 Market Basics:

(a) Electronic trading:

Electronic trading eliminates the need for physical trading floors. Brokers can trade from their offices, using fully automated screen-based processes. Their workstations are connected to a Stock Exchange's central computer via satellite
using Very Small Aperture Terminus (VSATs). The orders placed by brokers reach the Exchange's central computer and are matched electronically.

(b) Exchanges in India:

The Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) are the country's two leading Exchanges. There are 20 other regional Exchanges, connected via the Inter-Connected Stock Exchange (ICSE). The BSE and NSE allow nationwide trading via their VSAT systems.

(c) Index:

An Index is a comprehensive measure of market trends, intended for investors who are concerned with general stock market price movements. An Index comprises stocks that have large liquidity and market capitalization. Each stock is given a weight age in the Index equivalent to its market capitalization. At the NSE, the capitalization of NIFTY (fifty selected stocks) is taken as a base capitalization, with the value set at 1000. Similarly, BSE Sensitive Index or Sensex comprises 30 selected stocks. The Index value compares the day's market capitalization vis-à-vis base capitalization and indicates how prices in general have moved over a period of time.

As per SEBI (Securities and Exchange Board of India.) regulations, only registered members can operate in the stock market. One can trade by executing a deal only through a registered broker of a recognized Stock Exchange or through a SEBI-registered sub-broker.

(d) Contract note:

A contract note describes the rate, date, time at which the trade was transacted and the brokerage rate. A contract note issued in the prescribed format establishes a legally enforceable relationship between the client and the member in respect of trades stated in the contract note. These are made in duplicate and the member and the client both keep a copy each.
(e) **Split:**

A Split is book entry wherein the face value of the share is altered to create a greater number of shares outstanding without calling for fresh capital or altering the share capital account. For example, if a company announces a two-way split, it means that a share of the face value of ₹10 is split into two shares of face value of ₹5 each and a person holding one share now holds two shares.

(f) **Buy Back:**

As the name suggests, it is a process by which a company can buy back its shares from shareholders. A company may buy back its shares in various ways: from existing shareholders on a proportionate basis; through a tender offer from open market; through a book-building process; from the Stock Exchange; or from odd lot holders.

A company cannot buy back through negotiated deals on or off the Stock Exchange, through spot transactions or through any private arrangement.

(g) **Settlement cycle:**

The accounting period for the securities traded on the Exchange. On the NSE, the cycle begins on Wednesday and ends on the following Tuesday, and on the BSE the cycle commences on Monday and ends on Friday. At the end of this period, the obligations of each broker are calculated and the brokers settle their respective obligations as per the rules, bye-laws and regulations of the Clearing Corporation. If a transaction is entered on the first day of the settlement, the same will be settled on the eighth working day excluding the day of transaction. However, if the same is done on the last day of the settlement, it will be settled on the fourth working day excluding the day of transaction.

(h) **Rolling settlement:**

The rolling settlement ensures that each day's trade is settled by keeping a fixed gap of a specified number of working days between a trade and its settlement. At present, this gap is five working days after the trading day. The waiting period is
uniform for all trades. In a Rolling Settlement, all trades outstanding at end of the day have to be settled, which means that the buyer has to make payments for securities purchased and seller has to deliver the securities sold. In India, we have adopted the T+5 settlements cycle, which means that a transaction entered into on Day 1 has to be settled on the Day 1 + 5 working days, when funds pay in or securities pay out takes place.

As mentioned earlier, this is the system practiced in developed countries. Pay outs are quicker than in weekly settlements, and investors will benefit from increased liquidity. The other benefit of the modified system is that it keeps cash and forward markets separate. In the current system, the trader has five days to square off his transaction which leads to a high level of speculation as people even without funds tend to "play" the market. During volatile markets, especially in a bearish market, this often leads to a payment problem which has dogged the Indian stock exchanges for a long time. It provides for a higher degree of safety, and once mechanisms such as futures and stock-lending become popular, it would result in quality speculation and genuine investor interest.

1.4.5 Regulation of Business in the Stock Exchanges:

Under the SEBI Act, 1992, the SEBI has been empowered to conduct inspection of stock exchanges. The SEBI has been inspecting the stock exchanges once every year since 1995-96. During these inspections, a review of the market operations, organizational structure and administrative control of the exchange is made to ascertain whether:

- The exchange provides a fair, equitable and growing market to investors.
- The exchange's organization, systems and practices are in accordance with the Securities Contracts (Regulation) Act (SC(R) Act), 1956 and rules framed there under.
- The exchange has implemented the directions, guidelines and instructions issued by the SEBI from time to time.
- The exchange has complied with the conditions, if any, imposed on it at the time of renewal/ grant of its recognition under section 4 of the SC(R) Act, 1956.
During the year 1997-98, inspection of stock exchanges was carried out with a special focus on the measures taken by the stock exchanges for investor’s protection. Stock exchanges were, through inspection reports, advised to effectively follow-up and redress the investors’ complaints against members/listed companies. The stock exchanges were also advised to expedite the disposal of arbitration cases within four months from the date of filing.

During the earlier years' inspections, common deficiencies observed in the functioning of the exchanges were delays in post trading settlement, frequent clubbing of settlements, delay in conducting auctions, inadequate monitoring of payment of margins by brokers, non-adherence to Capital Adequacy Norms etc. It was observed during the inspections conducted in 1997-98 that there has been considerable improvement in most of the areas, especially in trading, settlement, collection of margins etc.

(a) Dematerialization:

Dematerialization in short called as 'demat' is the process by which an investor can get physical certificates converted into electronic form maintained in an account with the Depository Participant. The investors can dematerialize only those share certificates that are already registered in their name and belong to the list of securities admitted for dematerialization at the depositories.

(b) Depository:

The organization responsible to maintain investor's securities in the electronic form is called the depository. In other words, a depository can therefore be conceived of as a "Bank" for securities. In India there are two such organizations viz. NSDL and CDSL. The depository concept is similar to the Banking system with the exception that banks handle funds whereas a depository handles securities of the investors. An investor wishing to utilize the services offered by a depository has to open an account with the depository through Depository Participant.
(c) Depository Participant:

The market intermediary through whom the depository services can be availed by the investors is called a Depository Participant (DP). As per SEBI regulations, DP could be organizations involved in the business of providing financial services like banks, brokers, custodians and financial institutions. This system of using the existing distribution channel (mainly constituting DPs) helps the depository to reach a wide cross section of investors spread across a large geographical area at a minimum cost. The admission of the DPs involves a detailed evaluation by the depository of their capability to meet with the strict service standards and a further evaluation and approval from SEBI. Realizing the potential, all the custodians in India and a number of banks, financial institutions and major brokers have already joined as DPs to provide services in a number of cities.

Trading in demat segment completely eliminates the risk of bad deliveries. In case of transfer of electronic shares, you save 0.5% in stamp duty. Avoids the cost of courier/ notarization/ the need for further follow-up with your broker for shares returned for company objection No loss of certificates in transit and saves substantial expenses involved in obtaining duplicate certificates, when the original share certificates become mutilated or misplaced.

Lower interest charges for loans taken against demat shares as compared to the interest for loan against physical shares. RBI has increased the limit of loans availed against dematerialized securities as collateral to ₹ 20 lakhs per borrower as against ₹ 10 lakhs per borrower in case of loans against physical securities. RBI has also reduced the minimum margin to 25% for loans against dematerialized securities, as against 50% for loans against physical securities. Fill up the account opening form, which is available with the DP. Sign the DP-client agreement, which defines the rights and duties of the DP and the person wishing to open the account. Receive your client account number (client ID).

This client id along with your DP id gives you a unique identification in the depository system. Fill up a dematerialization request form, which is available
with your DP, Submit your share certificates along with the form; write "\textit{surrendered for demat}" on the face of the certificate before submitting it for demat) Receive credit for the dematerialized shares into your account within 15 days.

The above mentioned discussion is made to explain the significance of corporate through finance markets and role of finance market and its functions to assist the corporate sector to develop.

This study is based on measurement of share holders value creation hence it will be appropriate to acquire information about measurement concept, performance measurement concept and financial measurement concept which is made available in the subsequent unit[9].

1.5 Measurement:

Measurement is essential to empirical research. Typically, a method used to collect data involves measuring many things. Understanding how any one thing is measured is central to understanding the entire research method. Scientific measurement has been defined as "rules for assigning numbers to objects in such a way as to represent quantities of attributes". Measurement "consists of rules for assigning symbols to objects so as to represent quantities of attributes numerical or define whether the fall in the same or different categories with respect to a given attribute"[10].

1. The attributes of objects, as well as people and events, are the underlying concepts that need to be measured. This element of the definition of measurement highlights the importance of finding the most appropriate attributes to study in a research area. This element also emphasizes understanding what these attributes really mean, that, fully understands the underlying concepts being measured. Rules refer to everything that needs to be done to measure something, whether measuring brain activity, attitude toward an object, organizational emphasis on research and development or stock market performance. Therefore, these rules include a range of things that occurs during the data collection process, such as how questions are
worded and how a measure is administered. Numbers are central to the definition of measurement for several reasons: (a) Numbers are standardized and allow communication in science, (b) numbers can be subjected to statistical, and (c) numbers are precise. But underneath the façade of precise, analyzable, standardized numbers is the issue of accuracy and measurement error. The very idea of scientific measurement presumes that there is a thing to be measured. A concept and its measurement can be distinguished. A measure of a concept is not the concept itself, but one of several possible error-filled ways of measuring it.

2. Distinction can be drawn between conceptual and operational definitions of concepts. A conceptual definition describes a concept in terms of other concepts for instance; stock market performance is an abstract notion in people's minds. It can be defined conceptually in terms of growth in value of stocks; that is, by using other concepts such as value and growth. An operational definition describes the operations that need to be performed to measure a concept. An operational definition is akin to rules in the definition of measurement discussed earlier in the chapter and refers to everything that needs to be done to measure something. The Dow Jones average is one measure of stock market performance. This operational definition involves tracking the stock value of a specific set of company and it is by no means a perfect measure of stock market performance. It is one error-filled way of measuring the concept of stock market performance. The term constructs used to refer to a concept that is specifically defined for scientific study in Webster's New World Dictionary, construct means “to build, form or devise.” This physical meaning of the word constructs similar to the scientific meaning: Constructs are concept devised or built to meet scientific specifications. These specifications include precisely defining the construct, elaborating on what it means and relating it to existing research.

1.5.1 Performance Measurement:

Any of many different mathematical measures to evaluate how well a company is using its resources to make a profit is called performance measurement.
Common examples of performance measurement include operating income, earnings before interest and taxes, and net asset value. It is important to note that no one measure of performance should be taken on its own. Rather, to arrive at a true sense of how a company is doing, one must use as many different measures as possible together. Performance measurement and target-setting are important to the growth process. While many small businesses can run themselves quite comfortably without much formal measurement or target-setting, for growing businesses the control these processes offer can be indispensable.

Knowing how the different areas of the business are performing is valuable information in its own right, but a good measurement system will also let to examine the triggers for any changes in performance. This puts in a better position to manage the performance proactively.

One of the key challenges with performance management is selecting what to measure. The priority here is to focus on quantifiable factors that are clearly linked to the drivers of success in the business and the sector. These are known as key performance indicators. Bear in mind that quantifiable isn't the same as financial. While financial measures of performance are among the most widely used by businesses, non-financial measures can be just as important.

1.5.2 Financial Performance Measurement:

Measuring the results of a firm's policies and operations in monetary terms is known as financial performance measurement. These results are reflected in the firm's return on investment, return on assets, value added, etc.

Getting on top of financial measures of the performance is an important part of running a growing business, especially in the current economic climate. The most growing businesses ultimately target increased profits, so it's important to know how to measure profitability. The key standard measures are:
• **Gross profit margin** - How much money is made after direct costs of sales have been taken into account or the contribution as it is also known.

• **Operating margin** - This lies between the gross and net measures of profitability. Overheads are taken into account, but interest and tax payments are not. For this reason, it is also known as the EBIT (earnings before interest and taxes) margin.

• **Net profit margin** - This is a much narrower measure of profits, as it takes all costs into account, not just direct ones. All overheads, as well as interest and tax payments, are included in the profit calculation.

• **Return on capital employed** – This calculates net profit as a percentage of the total capital employed in a business. This allows seeing how well the money invested in the business performing compared with other investments that could make with it, like putting it in the bank.

• **Tools of Performance Measurement:**

  Any organization has to live within financial constraints and to deliver real value for money to its stakeholders. The role of the finance function is to manage the financial resources of the organization and lacks of it will results into financial failure or bankruptcy. Thus, financial planning as well as control is an essential part of the overall management process. Establishment of precisely what the financial constraints and how the proposed operating plans will impact upon them are an essential part of the financial function. Financial control can be seen as the process by which such plans are monitored and necessary corrective action proposed when significant deviation are detected. For the financial plan, the main area of focus is cash flow. The cash flow planning is required to ensure that cash is available to meet the payment the organization is obliged to meet. Failure to manage cash flow will results in technical insolvency means the inability to meet payments when they are legally required to be made. The second area of required attention is the profitability. The profitability generally means the revenue acquired by selling goods and services is more than cost of
making payments to the suppliers, employees and the others. The third area of the focus is the assets and the provision of finance for their purchase. In accounting terms, the focus of attention is on the balance sheet, rather than the profit and loss account or cash flow statement. In overall terms, financial management focuses on both the acquisition of financial resources on as favorable terms and the utilization of the assets. For interaction between two the single and the most powerful tool of reporting on these matter is the ratio analysis. The apex of the pyramid of ratios is an overall measure of profitability that divides profit by the asset used in generating that profits namely return on capital employed. The return on the capital employed is the product of mainly two secondary ratios that is profit margin on sales and the capital turnover. The secondary ratios are based on the fact that the profit is equal to the sales revenue less cost of sales and capital employed can be split into fixed assets and current assets. There is a clear connection between the value of each of its component ratios and a more focused approach can be more beneficial attempts to create a totally integrated ratios. On the basis of cash flow, liquidity and working there are commonly calculated namely like current ratio, quick ratio, inventory turnover period, debtors to sales ratio, average collection period, creditors ratio and average payment period. Each of these ratios addresses different aspects of the cash collection and the payment cycle. The long term profitability is depends upon the payment cycle is based on the ratio of collection period. The inter-link between collection period and the payment period will give the maximum benefit. The next unit of this chapter is pertaining to market capitalization, which gives information about transaction done by investors in the market for equity shares.

Market capitalization is closely associated with share holders value creation and the entire study is based on this aspect hence it is described here [11].

1.6 Market Capitalization:

Market capitalization is simply the worth of a company in terms of its shares. To put it in a simple way, if any one has to buy all the shares of a particular
company, what is the amount would have to pay? That amount is called the "market capitalization".

Market capitalization is a measurement of size of a business enterprise equal to the share price times the number of shares outstanding of a public company. As owning stock represents ownership of the company, including all its equity, capitalization could represent the public opinion of a company's net worth and is a determining factor in stock valuation. Likewise, the capitalization of stock markets or economic regions may be compared to other economic indicators. The total market capitalization of all publicly traded companies in the world was US$51.2 trillion in January 2007[1] and rose as high as US$57.5 trillion in May 2008 before dropping below US $50 trillion in August 2008 and slightly above US $40 trillion in September 2008.

To calculate the market cap of a particular company, simply multiply the "current share price" by the "number of shares issued by the company". Depending on the value of the market cap, the company will either be a "mid-cap" or "large-cap" or "small-cap" company.

1.6.1 Categorization of companies by capitalization:

Traditionally, companies are divided into large-cap, mid-cap, and small-cap. Recently people have added 'micro-cap' and 'nano-cap'. People have rules of thumb to determine category from market capitalization. These need to be adjusted over time due to inflation, population change, and overall market valuation.

1.6.1.1 Mega-cap: Over $200 billion
1.6.1.2 Large-cap: $10 billion–$200 billion
1.6.1.3 Mid-cap: $1 billion–$10 billion
1.6.1.4 Small-cap: $300 million–$1 billion
1.6.1.5 Micro-cap: $50 million–$300 million
1.6.1.6 Nano-cap: Below $50 million
1.6.1.1 Mega Cap:

This group includes companies that have a market cap of $200 billion and greater. They are the largest publicly traded companies such as Exxon. Not many companies will fit in this category, and those that do are typically the leaders of their industries.

1.6.1.2 Big /Large Cap:

These companies have a market cap between $10 billion to $200 billion. Many well-known companies fall into this category, including companies like Microsoft, Wal-Mart and General Electric and IBM. Typically, large-cap stocks are considered to be relatively stable and secure. Both mega and large cap stocks are often referred to as blue chips.

1.6.1.3 Mid Cap

Ranging from $2 billion to $10 billion, this group of companies is considered to be more volatile than the large- and mega-cap companies. Growth stocks represent a significant portion of the mid-caps. Some of the companies might not be industry leaders, but they are well on their way to becoming one.

1.6.1.4 Small Cap:

Typically new or relatively young companies, small caps have a market cap between $300 million to $2 billion. Although their track records won't be as lengthy as those of the mid to mega caps, small caps do present the possibility of greater capital appreciation but at the cost of greater risk.

1.6.1.5 Micro cap:

Mainly consisting of penny stocks, this category denotes market capitalizations between $50 million to $300 million fall into this category. The upward potential of these companies is similar to the downside potential, so they do not offer the safest investment, and a great deal of research should be done before entering into such a position.
1.6.1.6 Nano cap:

Companies having market caps below $50 million are nano caps. These companies are the most risky, and the potential for gain is often relatively small. These stocks typically trade on the pink sheets or OTCBB.

1.6.2 Free-float Shares:

Many different types of investors hold the shares of company. The Govt. may hold some of the shares. Some of the shares may be held by the “founders” or “directors” of the company. Some of the shares may be held by the FDI’s etc.

Now, only the “open market” shares that are free for trading by anyone are called the “free-float” shares. When we are calculating the Sensex, we are interested in these “free-float” shares.

A particular company may have certain shares in the open market and certain shares that are not available for trading in the open market.

According the BSE, any shares that DO NOT fall under the following criteria, can be considered to be open market shares[12]:

Worldwide Stock Markets

1.6.3 Indian Stock Markets:

With over 20 million shareholders, India has the third largest investor base in the world after the USA and Japan. Over 9,000 companies are listed on the stock exchanges, which are serviced by approximately 7,500 stockbrokers. The Indian capital market is significant in terms of the degree of development, volume of trading and its tremendous growth potential.
Bombay Stock Exchange (BSE), one of the oldest in the world, accounts for the largest number of listed companies and has also started a screen-based trading system with the introduction of the Bombay On-Line Trading system.

There are 23 recognized stock exchanges in India, including the Over the Counter Exchange of India (OTCEI) for small and new companies and the National Stock Exchange (NSE) which was set up as a model exchange to provide nation-wide services to investors. NSE, which in the recent past has accounted for the largest trading volumes, has a fully automated screen based system that operates in the wholesale debt market segment as well as the capital market segment.

India's market capitalization was amongst the highest among the emerging markets. Total market capitalization of the BSE as on July 31, 1997 was ₹ 5,573.07 billion growing by 18 percent over a period of twelve months and as of August 2007 was over $1090 billion (over ₹ 43 lakh crores).

India has emerged as the world's 10th largest equity market after it added several companies to the billion dollar club in terms of capitalization, taking the total to 81 companies. India has become the third largest Asian market (excluding Japan and Australia) after having toppled Korea, China and Singapore.
that have 80, 50 and 47 firms with billion-dollar market capitalization respectively. India is also inching closer to outpacing Taiwan that has 84 such companies but lags far behind Hong Kong which has 107, the highest in Asia.

**Assets under management (AUM) by the Indian Mutual Fund industry**

<table>
<thead>
<tr>
<th></th>
<th>₹ in crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2009</td>
<td>7,20,000</td>
</tr>
<tr>
<td>May 2008</td>
<td>6,00,000</td>
</tr>
<tr>
<td>End-March 2000</td>
<td>1,13,005</td>
</tr>
</tbody>
</table>

In India, there are 33 registered Mutual Fund houses. While income funds accounted for 49% of the total assets and equity or growth funds had 26% of the total assets. Balanced funds, gilt funds, ELSS and Liquid funds/ money market funds accounted for the rest (2008).

The number of companies listed on the BSE at the end of December 1994 was 4,702. This was more than the aggregate total of companies listed in 9 emerging markets (Malaysia, S.Africa, Mexico, Taiwan, Korea, Philippines, Thailand, Brazil and Chile). The number of companies was also more than that in developed markets of Japan, UK, Germany, France, Australia, Switzerland, Canada and Hong Kong.

There is a large presence of FIIs in the Indian capital market with over 451 FIIs and 38 foreign brokers registered with SEBI. The cumulative investment of FIIs in the Indian stock market stood at US$ 6.59 billion in July 1996 and US $12 billion in April 2000. Since January 2005, FII’s have pumped in $8 billion into Indian markets, compared to $8.5 billion in entire 2004 and $6.6 billion in entire 2003. Foreign investors invested $4.02 billion in June-August 2005, which is much higher than the $3.41 billion flows India received between January and May.

The capital markets in India are regulated by the Securities and Exchange Board of India (SEBI) under the provisions of the Securities Contracts (Regulations) Act, 1956 and Securities and Exchange Board of India Act, 1922. SEBI has issued
detailed guidelines for capital issues, disclosure by public companies and investor protection[13].

1.6.4 Index Specification:

The BSE has constructed various sectorial indices. These indices are disseminated on BOLT, BSE’s trading terminal on a real time basis. The index covers 90% market capitalization and is based on the Free-Float methodology. These indices are given for the selected industry in the below stated table.

<table>
<thead>
<tr>
<th>Index</th>
<th>Base Period</th>
<th>Base Index Value</th>
<th>Date of Launch</th>
<th>Method of Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSE Auto</td>
<td>01 February, 1999</td>
<td>1000</td>
<td>23 August, 2004</td>
<td>Free-float market capitalization</td>
</tr>
<tr>
<td>BSE BANKEX</td>
<td>01 January, 2002</td>
<td>1000</td>
<td>23 June, 2003</td>
<td>Free-float market capitalization</td>
</tr>
<tr>
<td>BSE Capital Goods</td>
<td>01 February, 1999</td>
<td>1000</td>
<td>09 August, 1999</td>
<td>Launched on full market capitalization method and effective August 23, 2004, calculation method shifted to free-float market capitalization</td>
</tr>
<tr>
<td>BSE FMCG</td>
<td>01 February, 1999</td>
<td>1000</td>
<td>09 August, 1999</td>
<td>Launched on full market capitalization method and effective August 23, 2004, calculation method shifted to free-float market capitalization</td>
</tr>
<tr>
<td>BSE Healthcare</td>
<td>01 February, 1999</td>
<td>1000</td>
<td>09 August, 1999</td>
<td>Launched on full market capitalization method and effective August 23, 2004, calculation method shifted to free-float market capitalization</td>
</tr>
</tbody>
</table>
In this chapter these aspects are discussed which provide fundamental information of the corporate and issues related to shareholder value creation. There are various methods to calculate shareholders value creation via this study market capitalization and net assets value are traced in to account. The methodology which are used justify the title of this study in appropriate manner is undertaken in the next chapter number 2. This chapter includes selection of the problem, objectives, hypothesis, scope of the study, sample size, data collection, data analysis and limitation of the study and finally chapter plan.
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