INTRODUCTION

(1) Meaning of Merchant Banking:

"Merchant Bank" refers to an organization that underwrites corporate securities and advises such clients on issues like corporate mergers, etc. involved in the ownership of commercial ventures. This organization may be a bank, corporate body, financial or proprietary concern. In Indian context this definition suits well. Merchant banking in India started with management of public issues and loan syndication and has been slowly and gradually covering activities like project counselling, portfolio management, investment counseling' and mergers and amalgamation of the corporate firms. Although, merchant banking organizations present a long list of services they contemplate to render to their clients but the main services so far being rendered by them are those as authorized by the Securities & Exchange Board of India under Categories I, II, III World IV under Registration of Merchant Bankers under SEBI (Merchant Bankers) Rules and Regulation, 1992.

According to Securities & Exchange Board of India (Merchant Bankers) Rules, 1992 as "any person who is engaged in the business of issue management either by making arrangements regarding selling, buying or subscribing to securities as manager, consultant, advisor or rendering corporate advisory service in relation to such issue management". No person is allowed to carry out any activity as a
Merchant Banker unless he or she holds a certificate granted by SEBI. As on 31st March 1999 and 31st March 2000 there were, 415 and 186 Merchant Bankers registered with SEBI.

**Importance and need of merchant banking in India:**

Important reason for the growth of merchant banking has been the developmental activity throughout the country, exerting excess demand on the sources of funds for ever expanding industry and trade, thus, leaving a widening gap unabridged between the supply and demand of investible funds. All India financial institutions had experienced resource constraint to meet the ever-increasing demand for funds from the corporate sector enterprises. In the circumstances corporate sector had the only alternative to avail of the capital market services for meeting their long-term financial requirements through capital issues of equity and debentures. With the growing demand for funds there was pressure on capital market that enthused the commercial banks, share brokers and financial consultancy firms to enter into the field of merchant banking and share the growing capital market. With the result, all the commercial banks in nationalized and public sector as well as in private sector including the foreign banks in India have opened their merchant banking windows and are completing in this field. There has been a mushroom growth of financial consultancy firms and broker firms doing advisory functions as merchant bankers as well as managing public issues in syndication with other merchant bankers.

Notwithstanding the above facts, the need of merchant banking institutions in felt in the wake of huge public savings lying still untapped.
Merchant banks can play highly significant role in mobilizing funds of savers to investible channels assuring promising return on investments and thus can help in meeting the widening demand for investible funds for economic activity. With the growth of merchant banking profession corporate enterprises in both public and private, sectors would be able to raise required amount of funds annually from the capital market to meet the growing requirements for funds for establishing new enterprises, undertaking/expansion/modernization diversification of the existing enterprises. This reinforces the need for a vigorous role to be played by merchant banks.

Merchant banks have been procuring impressive support from capital market for the corporate sector for financing their projects. This is evidenced from the increasing amount raised from the capital market by the corporate enterprises year after year.

In view of multitude of enactments, rules and regulations, guidelines and offshoot statutory obligations upon the corporate sector to comply with all those requirements prescribed therein, the need of skilled agency existed which could provide counseling in these matters in a package from. Merchant bankers, with their skill, updated information and knowledge, provided this service to the corporate units and advice them on such requirements to be complied with for raising funds from the capital market Regulation Act, Securities Contracts (Regulation) Act, and various other corporate laws and regulations.

Merchant bankers advise the investors of the incentives available in the form of tax relief, other statutory relaxations, and good return on
investment and capital appreciation in such investment to motivate them to invest their saving in securities of the corporate sector. Thus, the merchant bankers help industry and trade to raise funds, and the investors to invest their saved money in sound and healthy concerns with confidence, safety and expectation for higher yields.

**Qualities of good merchant bankers:**

Merchant bankers are individual experts who organize and manage the merchant banks. The operations of merchant banks are, therefore, influenced by the personality trait of these individuals for the success of merchant banks. Operation the quality which merchant banker should have Leadership, aggressive action, cooperation and friendliness, personal contacts and sociable natures, attitude toward problem solving, and Inquisitiveness for acquiring new skills, information, and knowledge.

The above qualities of a merchant banker are only illustrative. All good qualities in merchant bankers are difficult to be defined so elaborately. Nevertheless, merchant banker should posses super business acumen, managerial abilities, administrative capacities, and salesmanship so as to understand the problems of trade and industry, devise ways and means to sort out and resolve those problems and sell the service product to the needy clients.

**Responsibilities of Merchant Banker:**

To the Investors: Investor protection is fundamental to a healthy growth of the Capital Market. Protection is not being conceived as that of compensating for the losses suffered. The responsibility of the Merchant Banker
Banker is ensuring the completeness of the disclosures is of paramount importance in view of the fact that entire reliance is based on offer Document either Prospectus or Letter of Offer because an independent agency like a Merchant Banker has done the scrutiny.

**Capital Structuring:** The Merchant Bankers while designing the capital structure take into account the various factors such as Leverage, effect on earning per share, the project cost and the gestation period, cash flow ability of the company, the cost of capital, the considerations of management control, size of the company, and general economic factors. These excises are done mainly in order to meet the fund requirement of the company taking due cognizance of the investor's preference.

**Project Evaluation and due Diligence:** Due diligence and project evaluation is another major responsibility of the Merchant Banker. Where the project has already been appraised by a bank/financial institution, the Merchant Banker relies on the said appraisal before accepting an assignment. However, where the project has not been appraised by a bank/financial institution, the Merchant Bank undertakes a detailed evaluation of the project before taking up an assignment for issue management.

**Legal Aspects:** The factors that are looked into in case of the legal aspects are:

Compliance with the SEBI guidelines, the Companies Act, the Securities Contracts Regulation Act and Rules and the various guidelines issued by the Ministry of Finance and Department of Company Affairs,
Pending litigations, disputes, defaults, overdue to financial institutions and banks, proceedings initiated for economic offences against the promoters in respect of any of their business ventures in India or against the promoter's ventures or towards tax liabilities or any criminal/civil prosecution any of the directors for any offenses.

Material litigation pertaining to either the matter likely to affect the operations and finances of the company.

Criminal prosecution launched against the company and its directors for alleged offences under the enactments specified in Part I of Schedule XIII of the Companies Act.

Defaults in meeting statutory dues, institutional dues and dues toward instrument holders like fixed deposits holders.

Material development after the date of the last Balance Sheet.

Fair and adequate disclosures in the prospectus.

**Pricing of the Issue:** The Merchant Banker looks into the various factors while pricing the issue. Some of the factors are past financial performance of the company, Book value per share, Stock market performance of the shares (for existing companies, stock market perception of the company/group/promoters, Price earnings ratio of the company/industry, brand equity, if any. The Merchant Banker has a vital role to play in pricing of the instrument.

**Marketing of the Issue:** Marketing of the Issue is a vital responsibility of the Merchant Banker. The first stage in the Pre-issue marketing for placement of the issue with the financial institutions, banks, mutual
funds, FII's and NRI's. The second stage is the marketing of the issue to the general public through various vehicles such as press, etc.

**Bought out Deals:**

The concept of wholesale bought of public offerings by the Merchant Bankers started off with over the Counter Exchanges of India where a Merchant Banker acts also as sponsor and either takes up the entire issue to be offered wholly or jointly with other co-investors and off-loads the same to the public at a later OTC exchange is not only that of a Merchant Banker but that of an Investment Banker too. Major amendments were made to the 1997. Both the old and new regulatory framework for Merchant Bankers is presently in force. The duration of this transition period has not officially been announced.

(2) **Origin of Merchant Banking:**

The origin of merchant banking is to be traced to Italy in late medieval times and France during the seventeenth and eighteenth centuries. The Italian merchant bankers introduced into England not only the bill of exchange but also all the institutions and techniques connected with an organised money market. In France, during seventeenth and eighteenth centuries a merchant banker was not merely a trader but an entrepreneur par excellence. He is invested his accumulated profits in all kinds of promising activities. He added banking business to his merchant activities and became a merchant banker.

In the United Kingdom, merchant banks came on the scene in the late eighteenth century and early nineteenth century. Industrial revolution
made England into a powerful trading nation. Rich merchant houses who made their fortunes in colonial trade diversified into banking. Their principal activity started with the acceptance of commercial bills pertaining to domestic as well as international trade. Merchant banks initially included acceptance houses, discount houses and issue houses. A merchant bankers was primarily a merchant rather than a banker but was entrusted with funds by his customers.

Modern merchant banks in the United Kingdom have a wide range of activities. (a) Finance foreign trade, (b) issue capital, (c) manager individual funds, and undertakes (d) foreign security business and (e) foreign loan business. They also used to finance sovereign governments through grant of long-term loans. They financed the British government to purchase shares of the Suez, helped America purchase the State of Louisiana from Napoleon by raising loans from money market in London; and Lazard Brothers granted loan to Government of India for Durgapur steel plant.

Since the end the Second World War commercial banks in Western Europe have been offering multiple services including merchant banking services to their individual and corporate clients. British banks set up division or subsidiaries to offer customers merchant banking services.

In English and European merchant banks played a prominent role in the United State until indigenous investment bankers emerged on the scene in 1880's. In the early nineteenth century English and European merchant bankers met the requirements of finance for railroad
construction and international trade. Later they opened their own offices in USA, Kidder, Peobody & Co. Was set up in 1824 and John Eliot Thayer banking film in 1857. During 1850-60 several merchant banks were set up to arrange capital and enterprise to promote railways, industrial projects and trade and commerce. To finance rail road construction, capital issues were arranged by merchant bankers. In the late 1890's investment bankers replaced brokers and promoters who earlier played a prominent role in issue of securities. Investment bankers apart from launching and organizing industrial units and mergers, helped transform privately held companies into public companies.

Investment banking largely remained unregulated until the Blue Sky Laws were introduced in Kansas to protect investors from fraudulent promoters and security salesman. However, their growth was facilitated by the enactment of Federal Act in 1914, emergence of US dollar as leading international currency and expansion of activities of US banking system.

Prominent investment bankers in 1920's were Kidder, Peobomy, Drexel, Morgan & Co., Brown Bros and T. P. Morgan who bought and sold corporate bonds and stocks on commission, dealt in federal, state and municipal securities, heading and investing in securities on their own accounts, originating and distributing new issues and participating in the management of corporations whose securities they had helped distribute or in which they invested.

After the great crash of 1929 and depression, the investment banking business considerably contracted and experienced heavy
financial losses. The federal government enacted several laws, called New Deal Enactments, to reference Wall Street practices to protect the interest of investors. The Glass-Steagall Banking Act 1933 separated investment banking and commercial banking and prohibited depositories from underwriting; Securities Exchange Act of 1934 sought to connect practices in securities trading.

**Merchant Banking in India:**

Merchant Banking activity in India was originated in 1969 with the Merchant Banking Division set up by the Grindlays Bank, the largest foreign bank in the country. The main service offered at that time to corporate enterprises by the merchant banks included the management of public issues and some aspects of financial consultancy. Other foreign banks like City Bank, Chartered Bank also assumed the merchant banking activity in India. Consequent to the recommendations of Banking Commission in 1972, that Indian banks should start merchant banking services as part of their multiple services which bank could offer their clients, State Bank of India started merchant banking in 1972 followed by ICICI in 1973. Both these Indian merchant bankers emerged as leaders in merchant banking having done significant business during the period of 1974-1985 in comparison to foreign banks. The early and mid-seventies witnessed a boom in the growth of merchant banking originations in the council with various commercial banks, financial institutions, broker's firms entering into the field of merchant banking. The commercial banks that followed State Bank of India were Central Bank of India, Bank of India and Syndicate Bank in 1977; Bank of Baroda, Standard Chartered Bank and Mercantile Bank in 1978; and

In India, merchant banks operate in the form of Divisions of Indian and foreign banks of financial institutions, subsidiary companies established by banks like SBI Capital Markets Ltd. Can Bank Financial Services Ltd., PNB Capital Services Ltd. BOI Finance Ltd. Indian Bank. Merchant Banking Services Ltd., etc., the firms organised by the stock brokers, stock exchange dealers, the financial and technical consultants and chartered accountants.

3. Merchant Banking and Indian Financial System

The Indian financial system is a vast universe. This universe is regulated and supervised by two Government agencies under Ministry of Finance viz; RBI, SEBI. All parts of the system are interconnected with one another, and the jurisdictions of the central bank and the capital market regulator overlap in some fields of Indian financial activities. The organized part of Indian financial system broadly classified from the point of view of regulators as:
Regulatory Authorities

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<thead>
<tr>
<th>Regulatory Authority</th>
<th>Market Type</th>
</tr>
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<tbody>
<tr>
<td>RBI</td>
<td>SEBI</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>Primary Market</td>
</tr>
<tr>
<td>Foreign Exchange Markets</td>
<td>Secondary Market</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>Derivatives Market</td>
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Commercial Banks include the Public Sector Banks, Private Banks and foreign Banks. The RBI under the Banking Regulation Act and Negotiable Instruments Act regulates the Commercial Banks. Financial Institutions may be of all India level like IDBI, IFCI, ICICI, NABARD or sector financial institutions like EXIM, TFCIL, etc. Term loan financing received a boost after the merger of Refinance Corporation of India Limited with IDBI. IFCI was the first term lending institutions to be set-up. IDBI is the apex development financial institution set-up to provide funds for the rapid industrialization in India.

The participants in the Foreign Exchange markets include banks, financial institutions and are regulated by the RBI. Primary Dealers are the registered participants of the Wholesale debt market. They bid at auctions for Government Debt, Treasury Bills, which are then retailed to banks and financial institutions who invest in these papers to maintain their Statutory Liquidity Ration (SLR).

SEBI was set-up as an autonomous regulatory authority by the Government of India in 1988 "to protect the interests of investors in securities and to promote the development of, and to regulate the
securities market and for matters connected therewith or incidental thereto". It is empowered by two acts, namely, the SEBI Act, 1992 and the Securities Contract (Regulation) Act, 1956 to perform the function of protecting investor's rights and regulating the capital markets.

**Primary Market:** The Primary Market is the places where the new offerings by Companies are made whether as an Initial Public Offering (IPO) or Right Issue. IPOs are offerings made by the Company for the first time while rights are offerings made to the existing shareholders.

**Secondary Market:** Secondary Markets consists of the Stock Exchanges where the buy orders and sell orders are matched in an organized manner. There are at present 24 recognized stock exchanges in the country and are governed by the Securities Contracts (Regulation) Act (SCRA). The functions of the Stock exchange are:

- It ensures a measure of safety and fair dealing.
- It translates short-term and medium-term investment into long-term funds for companies.
- It directs the flow of capital to the area of maximum returns and ensures ample investment options for the investors depending on their risk preference.
- It induces the companies to raise their standards of performance.

**Derivatives Market:** Derivatives Market is the market for financial instruments whose value is derived from an underlying stock, commodity or Currency. Derivatives trading are expected to start with index futures.
followed by index options are security options as per recommendations of the SEBI appointed L. C. Gupta Committee.

Derivatives market has the following roles:

Derivatives allow hedging of market risk.

It allows for a separate market to be developed for lending of funds and securities to the market.

It helps in market the underlying cash market more liquid.

It helps in innovations and the creation of new financial products.

**Reforms in primary Capital Market**

**A. Improving Disclosure Standards**

In 1994-95, SEBI had appointed an expert committee under the chairmanship of Shri Y.H. Malegam to suggest measures that could be adopted by SEBI in this area. The Committee submitted its report during the year 1994-95. SEBI accepted almost all the recommendations made by the committed and implemented them during the year. The main recommendations implemented by SEBI (some with modifications) are given below:

Unlisted companies which have been in commercial operation for more than 2 years and whose post-issue paid up capital is Rs. 3 crore or more, but less than Rs. 5 crore, are eligible for listing only on those stock exchanges where trading of securities is screen based. Besides, such issues are required to put in place market making arrangements to ensure
liquidity to investors. Market Makers appointed by such issuers are required to provide a continuous two-way quote for a minimum period of 18 months from the date of Commencement of Trading. A minimum quote dept, a maximum bid ask spread that the Market Maker can quote and the minimum inventory of the securities which the market Maker would have to maintain are also prescribe.

Greater disclosure in the offer document regarding expenditure incurred on the project before filing the offer document with SEBI for vetting and proposed to be incurred at later stages is required to be made. The means and sources of financing such expenditure are required to be stated.

Issuers are required to disclose details of 'bridge loans', which were to be repaid from the proceeds of the issue.

Issuers are required to specify further details of turnover report in their profit and loss statements, clearly to bring the contribution to the stated turnover from products manufactured by issuer, products traded in by the issuer and from products not normally dealt in by the issuer. As a result, a more detailed break-up of the activities of the issue is expected to become available.

In the asset and liability statement, issuers are required to deduct "revaluation reserves' from fixed assets and from reserves and the net worth is required to be arrived at after such deduction.

Issuers are required to give details of the shareholding in the issues company of promoters and directors of the promoter, where the promoter
is a body corporate, as well as details of the transactions by promoters and directors of the promoter is the six months preceding the date of filing of the offer document with SEBI. Issuers are required to provide details of the places at which the transactions took place and the relevant dates.

Issuers are required to give details, inter alia, of technical or financial collaborators, buy-back arrangements, largest shareholders, growth of companies, the basis for issuer price, financial information, accounting ratios and other income.

Additional disclosures are required to be made in abridged prospectors as is required to be made in abridged prospectus as is required in full prospectus to improve disclosure standards in the abridged prospectus.

Only prospectus for issues made by new companies and existing companies setting up new projects, or undertaking a major expansion programme, could incorporate future projections, provided the projections were based on the appraisal done by a financial institution or a scheduled commercial bank which is either financing the project or is committed to finance the project.

The advertisement code for issue has been strengthened to prevent issuers and intermediaries for misleading investors. No corporate advertisement can now be issued between the date of issue of acknowledgement card by SEBI and closure of the issues and the announcement of closure of issue can only be made after getting a
certificate from the registrar to the issue that at least 90% of the issue has been subscribed to.

The Lead Manager to an issue required furnishing due diligence certificates at five different stages of the issue process. Issuers are required to furnish a list of the persons constituting the promoters or promoters group to SEBI.

Such a separate company can now consider the track record of profitability of a division of a company, spinning off into a separate company, for the purpose of a public issue at premium.

Issuers are also required to give information regarding unusual or infrequent events or transactions, significant economic changes that materially affected or are likely to affect the income form continuing operations; the distribution of turnover among each segment in which the issuer operates; the status of any publicity announced product or venture; the seasonal variations in the issuer's business; the concentration of business with a small number of suppliers or customers; and issuers; perceptions of competitive conditions, cost and technological conditions is their segment of industry.

Management perception and analysis of the financial conditions and results of operations as reflected in the financial statements is now required to be given.

Wherever, statements of assets and liabilities, profit and loss or any other financial information is qualified by the noted of an auditor, all
necessary adjustment, wherever qualification is possible, shall be made in
the statement itself.

In addition, SEBI also took several measures to simplify the issue
process.

B. Increasing Transparency in Issues Public Access to Draft
Prospectus.

In order to enhance the transparency in public issues, the offer
document is now a public document even at the draft stage, as soon as it
is filed with or submitted to SEBI that prospective investors and market
participants have sufficient time to bring any adverse feature to the notice
of SEBI, before the issue opens for subscription. Lead Managers and
stock exchanges have been instructed to make copies of the draft
prospectus available to the public. Such copies can be obtained from
SEBI.

C. Strengthening of Eligibility Norm for Public Issues

The eligible norms for companies accessing the primary market
have been strengthened to improve the quality of issues:

(a) 3 year dividend paying track record has been made a requirement
for a company making its first issue of capital to the public.

A manufacturing company, not satisfying the above criteria, can
make the first issue of capital to the public provided its projects has been
appraised by a public financial institution or a scheduled commercial
bank with participation of at least 5% of the project cost.
(b) A listed company desirous of making further issue of capital to public and whose equity capital after the issue becomes more than five times the equity capital prior to such issue would have to satisfy the criteria at (a) or at (b) above.

D. Simplification of the Issue Process

SEBI dispensed with the requirement of vetting of rights issues (not accompanied by public issue three months prior or subsequent to the rights issue). Merchant Bankers are required to ensure compliance with SEBI rules, regulations, guidelines and requirements of other laws in this respect.

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For the first time, guidelines to introduce the book building procedure have been issued, which can be adopted for issues over Rs. 100 crore. Book building, which is widely used in other markets, have been found to be a fair, transparent and market driven way of pricing and allocation of Issues.

The number of mandatory collection centers has been reduced for issues of up to Rs. 10 crore. In such cases, in addition to the four metropolitan centers of Mumbai, Delhi, Calcutta and Madras, mandatory collection centers are required only at places where stock exchanges are
located in the region in which the registered office of the company is situated.

E. Removal of Lock in period.

The requirement of minimum promoter’s contribution and lock in has been dispensed with in case of a company whose shares are listed on stock exchanges for at least 3 years and which has 3 years track records of dividend payment out of preceding 5 years.

The SEBI guidelines for preferential allotment issued on August 4, 1994 address the concern regarding the lack of transparency end market unrelated pricing which accompanied several preferential issues which requirement for pricing these allotments at market related levels; the guidelines also imposed a lock in period of 5 years on allottees. The interests of shareholders could be adequately protected by the requirement of pricing preferential allotments in line with market prices; besides approval at a general meeting of shareholders was required for making preferential issues. Therefore, the requirement for lock in was removed except for preferential allotments to promoters.

F. Employees Quote and Employee Stock Option Schemes

The limit of 200 shares per employee to be allotment on firm basis to a permanent/regular employee of the issuer in a public issue has been removed. However, as earlier, reservation to employees in a public issue may not exceed 10% of the size of the issue. Listed companies are permitted to issue securities to employees under Employee Stock Option Scheme (ESOPs) subject to two main conditions:
(a) Issue of securities to employees under ESOPS should not exceed 5% of the paid up capital of the company in one year and

(b) Pricing of securities should be in accordance with formula contained in SEBI preferential offer guidelines dated August 4, 1994. The companies where free to devise further details of the ESOPS including the terms of payment.

G. Review of policies and programmes

The SEBI has exempted infrastructure companies and municipal corporations from the requirements of Rule 19(2) (b) of Securities Contracts (Regulations) Rules, 1957 allowing them to list their debt instruments on the stock exchanges without the pre-existing requirement of equity being listed first. These companies can come out with a public offer and list their NCDs/PCDs subject to the condition that such instruments can have an investment grade rating and be fully secured irrespective of their maturity. In case of FCDs/PCDs the equity issued prior to the issue of debt could be listed only at the time when the equity arising on conversion of such convertible installments gets listed. This has been done so as to facilitate fund raising by infrastructure companies, which have long gestation periods and entities like municipal corporations, which can only raise funds through debt instruments.

The existing, SEBI guidelines restricted the facility of book building to 75% of the issue size. However, the constrained the benefits arising out of demand and price discovery. The facility of making an issue through book building has now been extended to entire issue size.
and shall be available to issuer companies, which propose to make an issue of capital at the above Rs. 100 crores.

Amendments of SEBI (Merchant Bankers) Regulations, 1992 were made. Only body corporate was allowed to functions as Merchant Bankers.

Multiple categories of Merchant Banker's viz. Category II, III and IV were abolished and henceforth there will be only one category of Merchant Bankers. The Merchant Banker would now be required to seek separate registration if they wish to act as underwriter or portfolio manager.

Also Merchant Bankers were prohibited from carrying on fund based activities other than those related exclusively to the capital market. In effect, the activities undertaken by BBFCs such as accepting deposits, leasing, bill discounting, etc. would not be allowed to be undertaken by a Merchant Banker.

The SEBI (Registrars to issue and share transfer agents) Regulations 1993 were amended to provide for an arm's length relationship between the issuer and the Registrar of the issue. It has been stipulated that no registrar can act as a registrar to any issue of securities made by any body corporate, if the Registrar to the Issue and the Issuer are in associate.

In order to monitor the movement of employees of Merchant Banker's category I, the SEBI directed all category I Merchant Bankers to
submit specified information on their employees engaged in merchant in Merchant Banking industry has been created by the SEBI.

In November 1997, the Central Government decided that entities which issue instruments such as agro bonds, plantation bonds, etc. and the schemes through which such instruments are issued would be treated as collective investment schemes coming under the provisions of the SEBI Act, 1992 and would be regulated by the SEBI Act, 1992 and would be regulated by the SEBI. In order to draft the Regulations, a committee was appointed by the SEBI under the chairmanship of Dr. S.A. Dave. Until the regulation were notified, the provisions of section 12(1) (B) of the SEBI Act prohibited any new scheme to be sponsored or further fund to be raised. Meanwhile the SEBI also stipulated that all existing schemes could mobilize funds only through the existing schemes after obtaining a rating from any of the recognized credit rating agencies. The SEBI also imposed the condition that all advertisements issued by the collective investment schemes should adhere to the advertisement code prescribed by the SEBI.

(4) Merchant Banking A review:

A few value studies were conducted by the financial institutions, regulatory authorities and individual researchers and professionals concerning various aspects and the functional areas of Merchant Banking. Besides, regulatory authorities studying the market sentiments, changing scenario of the Securities Industry time to for framing/amending the policies, procedures, rules and regulations to suit the environment. Most of Studies/Reports are concentrated on a specific
objective, generally, to find out operational performance of Merchant Bankers and the effect of the changing policies on capital. In the process a good number of authors written books on this subject to provide basic concepts and related issues on Merchant Banking area.

Earlier mentions in Merchant Banking can be made to Sundararajan\(^1\), Verma\(^2\), Tadashi Endo\(^3\), are added to literature with latest development in Merchant Banking area.

The role of market intermediaries signifies and necessity of capital market reforms is clearly brought out by SEBI\(^4\) in its maiden publication "Indian Securities Market-Agenda for Development and Reform-A Discussion paper." Subsequently, SEBI, in the process of regulating Capital Market in general Merchant Bankers in particular issued "Merchant Banking Rules\(^5\) and Merchant Banking Regulations\(^6\),

A report document on "Merchant Banking under SEBI guidelines. A study of Regulators -in Developing Capital Market" is the significant contribution of Sarker De and Sushil Kanna\(^7\). In which he discussed various financial and operational aspects to improved the efficacy of Merchant Banking.

Shekhar Sethe\(^8\) commented on the role of Merchant Bankers and their significance in the securities market. He opined the very efficacy of CCI Raj and brought more detail about the nexus between Merchant Banking and CCI.

In September 1996, the "Merchant Banker-Update" commissioned "MARG", a specialized market research organization, has conducted...
opinion poll on an all India basis on "The Most Admired Financial Brand", A total of thirteen financial brands (organizations) were included in the study brought more detail about Banks and various, Financial Institutions, Merchant Bankers NBFCs, AMCs, MFs, FIs, Business, Publications consultants, information services, Educational Institutions, Credit cards, Registrars of Public Issues, Custodial/Depository services, and Credit rating agencies/Stock Exchanges/ Government Bodies etc.

An extensive study conducted by Anand V\textsuperscript{9}, with the aim of the issues viz., to study the criteria for premium fixation-Lead Manager-wise, to know whether all the Lead Managers are following the same pricing methodology or not and to identify the underlying factors for the same.

Attempts were also made from several professionals, researchers particularly in the area of concepts, functions, operational efficiency, financial performance and growth of Merchant Banking in India. A few among them are Shekar Sathe\textsuperscript{10}, Sanjay Sinhall, G. B. Desai\textsuperscript{12}, Bauer, Hans-Peter\textsuperscript{13}, Ramachandrai Rao B\textsuperscript{14}, Kar, Pratip\textsuperscript{15}, Mehta. D. R\textsuperscript{16}, A good number of articles were also published in daily newspapers viz., Economic Times and Financial Express.

A present study undertaken is a step forward to open new vistas of knowledge about the Merchant Banking activity in India in post liberalize era (1991-2002) in general and various rules and regulations in Merchant Banking activity and to see particularly the financial and operational efficacy of sampled Merchant Banker in India.