

CHAPTER V

PROFILE OF THE STUDY AREA

The Economy of Tamil Nadu

The economy of Tamil Nadu registered a compounded growth rate of 9.0 percent between 2004-05 and 2012-13. The structure of the Tamil Nadu state economy indicates that the share of primary sector in the state GDP (SDP) stood at 8.5 percent as of March 2013. The state has a very insignificant contribution from the mining and quarrying activity. The primary sector, on the whole, recorded 4.6 percent during the nine years to March 2013. It is the major producer of rice, poultry, fruits, palm oil and vegetables.

Industry contributed to 30.4 percent of the SDP in 2012-13. It recorded a CAGR of 8.7 percent between 2004-05 and 2012-13. Construction and manufacturing are the main contributors of growth in industrial sector. The state is known for its industrial base that comprises of textile, leather, pharmaceuticals, cement, food processing, chemicals & fertilizers and paper. World class automobile manufacturers like Ford, Volkswagen, Mahindra and Mahindra, Ashok Leyland and Hyundai are present in Tamil Nadu. The state has got a railway coach manufacturing factory long ago.

In Tamil Nadu, services account for nearly 61.1 percent share in SDP. The sector recorded 9.9 percent CAGR during 2004-05 to 2012-13. Communications, Real Estate, Banking & Insurance and Storage are the growth drivers of services in that order. The state has got well developed maritime logistics services, medical tourism, information technology, and urban development and tourism services. Tamil Nadu is a major centre of IT related activities.

Figure 5.1

Tamil Nadu Map



The detailed structure of the economy is given in Table 5.1.

Table 5.1
Structure and Growth of The Tamil Nadu State

(Rs. Lacs in 2004-05 prices)

Sl. No.	Sector	2004-05	2012-13	Share in SDP	CAGR 200405 to 2012-13
I	Primary Sector	2599508	3714081	8.5	4.6
1	Agriculture	2102673	3031586	7.0	4.7
2	Forestry & logging	166433	199413	0.5	2.3
3	Fishing	167073	275943	0.6	6.5
	Agr and Allied	2436179	3506942	8.0	4.7
4	Mining & quarrying	163329	207139	0.5	3.0
II	Industry	6767931	13228299	30.4	8.7
5	Manufacturing	4343266	8479418	19.5	8.7
5.1	Manu-Registered	2634704	6044044	13.9	10.9
5.2	Manu-Unregistered	1708563	2435374	5.6	4.5
6	Construction	1965382	3833685	8.8	8.7
7	Electricity, gas and Water supply	459283	915197	2.1	9.0
III	Services	12532883	26631056	61.1	9.9
8	Transport, storage & communication	2030065	4264008	9.8	9.7
8.1	Railways	185492	375799	0.9	9.2
8.2	Transport by other means	1352357	2424722	5.6	7.6
8.3	Storage	7176	16686	0.0	11.1
8.4	Communication	485040	1446801	3.3	14.6
9	Trade, hotels and restaurants	3736070	6657652	15.3	7.5
10	Banking & Insurance	1586107	4130924	9.5	12.7
11	Real estate, ownership of dwellings and business services	2298829	6096334	14.0	13.0
12	Public administration	927062	1527246	3.5	6.4
13	Other services	1954750	3954891	9.1	9.2
14	State domestic product	21900322	43573436	100.0	9.0

CAGR: compounded annual growth rate

Source: Central Statistical Organization

Table 5.2 provides a comparison of the performance of state economy of Tamil Nadu with that of some other progressive states of the country Viz., Andhra Pradesh, Maharashtra and Gujarat. The following insights emerge from this comparison.

1. Share of services sector to the SDP is the highest in Maharashtra followed by Tamil Nadu.
2. Gujarat is not only more industrialized but also its industries are more vibrant as compared to Tamil Nadu.
3. The share of agriculture in SDP and its growth is the lowest in Maharashtra followed by that of Tamil Nadu.

Table 5.2
Structure and Growth

	Gujarat		Andhra Pradesh		Maharashtra		Tamil Nadu	
	Share in GDP	CAGR 04-05 to 11-12	Share in GDP	CAGR 04-05 to 11-12	Share in GDP	CAGR 04-05 to 11-12	Share in GDP	CAGR 04-05 to 11-12
1. Primary Sector, of which	14.7	5.7	22.2	5.3	7.9	3.9	8.8	5.0
1.1 Agriculture and Allied Activities	12.9	6.7	19.3	4.8	7.4	4.1	8.3	5.2
1.2 Mining & Quarrying	1.8	0.3	2.9	9.4	0.5	1.1	0.4	1.8
2. Industrial Sector, of which	39.3	11.2	21.8	9.0	30.5	10.8	30.2	9.3
2.1 Total Manufacturing	28.2	10.6	12.0	8.6	19.8	9.3	20.7	10.3
3. Services Sector, of which	46.0	10.8	56.0	10.4	61.7	10.5	61.0	10.6
State Domestic Product	100.0	10.1	100.0	8.8	100.0	9.9	100.0	9.6

Source: Central Statistical Organisation

II. Power Availability in Tamil Nadu

The share of power consumed by various subsidized consumer categories is high in Tamil Nadu. Coupled with the cross subsidization practice, this has resulted in the incidence of very high power tariffs on business and commercial subscribers. The cost of electricity to business and commercial sector is almost equal to the cost of generating captive power. The power deficit during 2012-13 was 17.5 percent. The peak time deficit of power during the same period stood at 13.2 percent. The state has been seriously trying to address this issue of power and water shortage. A lot of new investments are going into the power sector but since power projects have long gestation periods, it will take some time before the fruits of these investments are felt. The commissioning of Kudankulam nuclear power plant will address the issue to some extent.

Table 5.3

Availability of Power in Tamil Nadu

		Power requirement (Min Kwh)	Power Availability (Min Kwh)	Power Deficit (percent)	Peak Demand (Min Kwh)	Peak Demand Met (Min Kwh)	Peak Deficit (percent)
2013-14	April-June	24734	22129	10.5	13380	11763	12.1
2012-13		22247	18491	16.9	12499	11053	11.6
2012-13	April-March	92302	76161	17.5	12736	11053	13.2
2011-12	April-March	85685	76705	10.5	12813	10566	17.5

Source: CEA

III. Investment Scenario

Tamil Nadu has been successful in attracting investments to the state. If we look at the present status of the investment projects, as of June 2013, the

state has got investments worth Rs, 10,00,353 Crores. Electricity sector, with, a share of 44.5 percent in total investment, is the main investment absorber. The state is witnessing investments in both conventional and non-conventional energy sources. After power, services (29.1 percent in total investment) and manufacturing (16.0 percent in total investment) are the important investment destinations in Tamil Nadu. The real estate sector has attracted 9.1 percent of total investment. Irrigation and mining sectors have got lower shares in investment. As for the implementation status of investment projects, more than 52.8 percent of these investments are under implementation and 40.4 percent are in the announcement stage.

Table 5.4

Distribution of Ongoing Investment in Tamil Nadu

	June 2012		June 2013		Percent Share	Growth (Y-o-Y)
	Nos.	Rs. Crore	Nos.	Rs. Crore		
Manufacturing	305	162350	241	160483	16.0	-1.1
Mining	11	13643	10	6264	0.6	-54.1
Electricity	136	342248	132	445527	44.5	30.2
Services	802	295286	743	291565	29.1	-1.3
Irrigation	-45	5662	42	5630	0.6	-0.6
Real estate	372	88634	381	90884	9.1	2.5
All industries	1,671	907822	1,549	1000353	100.0	10.2
Stage of announcement	609	400991	504	404111	40.4	0.8
Stage of implementation	870	420146	815	527720	52.8	25.6
Stage of implementation stalled	44	57822	50	25181	2.5	-56.5
Projects with no information	148	28864	180	43341	4.3	50.2

Source: CMIE

Investments by Ownership

As of June 2013 Tamil Nadu attracted 9.1 percent of total investment made by the Government sources. The state attracted Rs. 550311.9 crores out of a total of Rs. 6058191.9 crores made by the Government as of June 2013 all over the country. As for the state's share in private investment, it was 5.4 percent in the total investments proposed by the private sector by June 2013.

Table 5.5

Distribution of Investment by the Government as of June 2013

	All Government		Central Government		State Governments	
	Nos.	Rs. Crore	Nos.	Rs. Crore	Nos.	Rs. Crore
Tamil Nadu	651	550311.9	177	353206.8	474	197105.1
India	7006	6058191.9	2,569	3724882.6	4,437	2333309.4
Share of Tamil Nadu	9.3	9.1	6.9	9.5	10.7	8.4

Source: CMIE

Table 5.6

Distribution of Investment by the Private Sector as of June 2013

	All Private sector		Indian Private Sector		Foreign Private Sector		All Sources (Government + Private)	
	Nos.	Rs. Crore	Nos.	Rs. Crore	Nos.	Rs. Crore	Nos.	Rs. Crore
Tamil Nadu	832	442104.9	781	411957.3	51	30147.6	1483	992416.7
India	9842	8220174.8	9,403	7690118.9	439	530055.9	16848	14278366.7
Share of Tamil Nadu	8.5	5.4	8.3	5.4	11.6	5.7	8.8	7.0

Source: CMIE

PROFILE OF MADRAS STOCK EXCHANGE MARKET

Madras Stock Exchange Limited, popularly known as MSE, is now completing 75 years of its existence, strong and steady progress in the cause of savings and investments. It has a long history of service to the nation by catering to the needs of industrial entrepreneurs to raise capital for industrial promotion, especially in this southern peninsula, and providing investment opportunities to the public.

MSE, especially during the last 25 years, has witnessed several changes, including the change in its constitution itself. It is on this happy occasion, the Madras Stock Exchange is celebrating its Platinum Jubilee in the presence of His Excellency Dr. K. Rosaiah, Governor of Tamil Nadu.

Madras Stock Exchange has a commendable record and appreciation for its service and was considered one of the best investment markets for trading in securities for cash and was a role model for many stock exchanges in India. Madras Stock Exchange has built a very high standard of reputation and tradition in the conduct of business and compliance of regulations and guidelines issued by the regulators from time to time.

Formation of MSE

The profession of stock broking was not pursued as a business in this southern part till 1903. Some past record shows that the dealings in corporate securities started in the year 1903, though not in a big way, continued till the beginning of the First World War.

The recession caused by the First World War resulted in the closure of stock broking business. The trading in stocks and securities improved after the war following the peace treaty and there was a sense of growing confidence and awareness among the investing public. This led to the need for an organized market and establishment of a stock exchange, a controlling and regulating body and witnessed the establishment of a stock exchange in Madras in 1920. But due to paucity of trading activities caused by general recession all over the country in 1923 and shifting of business by several stock brokers, that Exchange had to be unfortunately wound up by the end of 1923.

But two stock broking firms, M/s. Tod & Co., and M/s. Kothari & Sons continued their business in securities. With their continued efforts for the development of business in securities by the issue of market report and the opening of a branch in Madras by a European firm in the name of M/s. Croft, Forbes and Chard, the investment business in Madras began to broaden. All the transactions done by the brokers were disseminated in the local daily newspapers and this led to more investors evincing interest in investment business.

The expansion of trading activities in the cities of Bombay and Calcutta and establishment of some companies in South India led to more activity in share trading and inter-market business, resulting in the expansion of broking houses functioning in Madras as more investors were attracted by higher yield and capital appreciation. The stockbrokers again felt the need for the establishment of a stock exchange to bring uniform code of conduct.

The Madras Stock Exchange Association Limited, a private company, was registered on 12th August 1937. Thus, the first Stock Exchange in this southern part and fourth stock exchange of the country was officially inaugurated on 4th September 1937 by Sir William Wright, a leading businessman and the then Chairman and Managing Director of Parry & Co. Limited, Madras. Mr. CM. Kothari and Mr. T.N. Krishnaswami were the founding fathers of Madras Stock Exchange and Mr. CM. Kothari was its first President for four years from 1937 to 1941.

Membership

At the time of establishment in 1937, there were five firms, who were signatories to the Memorandum of Association and became founder members of the Exchange viz. Maconochie & Co., Paterson & Co., Dalal & Co., Kothari & Sons and India Brokers. Two more members were admitted later on. There was an initial spurt in the membership which was increased from 5 to 49 from 1937 to 1947. Then there was a sharp decline in the numbers of members from the year 1947 and the number of members was reduced to 23 in 1967. From 1985, the Capital Market in India witnessed a great boom, resulting in rapid increase in the membership of the Exchange.

Table 5.7**Number of Members in Madras Stock Exchange**

Year	No. of Members
1937	5
1947	49
1957	38
1962-Silver Jubilee	32
1967	23
1977	32
1987-Golden Jubilee	114
1997	176
2007	158
2008	157
2009	158
2010	173
2011	183
2012-Platinum Jubilee	176

Source: MSE Annual Report, 2012.

From the above table, it may be observed that the post golden jubilee era witnessed substantial increase in the membership. During mid 1990s, the Stock Exchanges were permitted to grant Membership to Corporates with limited liability and allow multiple Memberships. Consequent to this, many proprietary firms converted into Corporates.

Permanent Recognition

Earlier, Stock Exchanges in India were autonomous bodies functioning independently till 1956. For the first time in 1943, Rule 94-C under the Defence of India Rules, was promulgated and trading in securities was regulated under the aegis of the Central Government. In 1956, the Securities

Contracts (Regulation) Act was enacted and the relative Rules were framed under the Act in 1957 and both came into force from 20th February 1957. Under the Act, no stock exchange can function in any specified or notified area unless recognized by the Government of India. The Act and the Rules were enforced in the then State of Madras with effect from 15th October 1957.

MSE has since been functioning as a recognized Stock Exchange with a new set of Rules, Bye-laws and Regulations approved by the Government. The Government of India granted permanent recognition to MSE on 1st March 1982.

Listed Companies

From the humble beginning of 108 companies listed on the Madras Stock Exchange, the number was increased to 298 during the first quarter century of its establishment and the same was increased to 500 in 1987, the year in which the Exchange celebrated its Golden Jubilee.

There was a tremendous increase in the number of companies listed on MSE during the first decade of this quarter century from 500 in 1987 to 1784 in 1997 since investors preferred to trade in MSE, being a cash market. On account of technological developments, resulting in shifting of trading activities to national level stock exchanges, and simplification of de-listing procedures, the number of companies listed on MSE was reduced to the present level of 1178.

Table 5.8**Number of Listed Companies in Madras Stock Exchange**

Year	No. of Listed Companies
1937	108
1947	201
1957	242
1962-Silver Jubilee	298
1967	348
1977	384
1987-Golden Jubilee	500
March 1997	1784
March 2007	1365
March 2008	1348
March 2009	1327
March 2010	1305
March 2011	1227
March 2012	1189
2012- Platinum Jubilee	1178

Source: MSE Annual Report, 2012.

Establishment of a new regulatory body -SEBI

Till 1992, the capital market in India was governed by the Capital Issues (Control) Act, 1948 and the Stock Exchanges came under the direct purview of the Stock Exchange Division under the Ministry of Finance. Since the number of participants in the Securities Market, including Stock Exchanges, FIIs, Mutual Funds, Brokers, Sub-brokers, etc., increased manifold during 80s and 90s, the Government of India thought that there should be a separate body to regulate the capital market similar to the Securities Exchange Commission in USA and UK. The Securities and Exchange Board of India (SEBI), an

autonomous body, was established on 12th April 1992, with the objective of protecting the interest of investor and to promote, develop and regulate the entire securities market in India.

Since then, SEBI has brought in lot of changes, such as requirement of minimum contribution by the promoters, non-transferability clause for the shares held by them, etc. and there was a complete transformation in the Securities Market from the traditional era to disclosure era. Companies are free to fix the price for their public / rights issues. A new process, called book building has been introduced in the public issues to elicit demand and determine the price for the issues.

Online Trading System

Till 1995, trading in Stock Exchanges was taking place through open outcry for matching or recording of trades. Under this, the members of the Exchange and their authorized assistants / clerks used to assemble on the floor of the Stock Exchange during the trading hours and literally shout to find the buyers or sellers for their orders.

Since the members may not be able to do large volume of trades and with the opening up of the market for the foreign investors to invest their money in the Indian market, Government directed the stock exchanges to make use of the information technology, to bring more efficient and transparent system of trading and to improve the liquidity of the securities listed on the stock exchanges. The on-line, fully automated screen based trading was introduced by the Stock Exchange in 1995-96. The first such system was

introduced by the National Stock Exchange in November 1995. The Madras Automated Network Trading System, called "Mantraa" was introduced by the Madras Stock Exchange on 7th November 1996.

Depository Service

The paper based settlement of trades caused lot of inconveniences such as bad delivery of documents, loss in transit and delay in transfer of securities. A new concept, Depository, has been introduced to enable the investing public to hold their securities in electronic form, similar to that of keeping the cash in bank. The dematerialisation of securities, converting the physical form into electronic form, has brought in changes like faster settlement of transactions, quicker transfer of shares, etc. The holding of securities in electronic form has completely eliminated the bad delivery of documents caused by difference in signatures of the transferors, loss of documents due to theft, fire, etc. A separate Act, called The Depositories Act, 1996, was enacted in August 1996.

The first Depository, National Securities Depository Limited (NSDL), promoted by National Stock Exchange, to render depository services, was established in 1996. Another Depository, Central Depository Services (India) Limited (CDSL), promoted by Bombay Stock Exchange, was established in 1999.

Service is the prime motto of MSE. MSE has registered itself as a depository participant with NSDL in 1999, initially as a clearing corporation to clear the trades of its members and extended its services to investors in 2007. It has also registered as a depository participant with CDSL in 2000 to serve both members and investors.

MSE Financial Services –A Subsidiary

MSE promoted a subsidiary, MSE Financial Services Limited (MSE FSL), in March 2000, with the main objective of providing opportunity to its members to trade in multiple stock exchanges. MSE FSL is a Member of Bombay Stock Exchange Limited and MCX-SX. The trading members of MSE can register themselves as sub-brokers of MSE FSL with SEBI and trade in BSE Trading Platform and MCX-SX Currency Trading through MSE FSL.

MSE FSL was incorporated as a wholly owned subsidiary of MSE, limited by guarantee, during the year 2000 and was re-registered as a Company limited by share capital in the year 2005, with an authorised capital of Rs.6 crores and paid-up capital of Rs.5 crores. In the year 2008, MSE divested 48 percent of its holding to its existing shareholders. MSE FSL is managed by the Board of Directors comprising two Member-Directors, two Public Representatives nominated by SEBI, two Senior Officials from MSE, the holding company, and the Chief Executive of MSE FSL, being the Whole-time Director.

Corporatisation and Demutualisation of MSE

Till 2002, all the stock exchanges, except NSE and OTCEI, were managed by the Trading Members and these stock exchanges were incorporated either as an Association of Stock Brokers or as guarantee companies. In order to separate the ownership and the trading rights, SEBI initiated the process of demutualization with the setting up of a committee under the Chairmanship of Justice M.H. Kania. Based on the recommendation

of the Committee, the Government of India amended the Securities Contracts (Regulation) Act, 1956, in 2004 paving way for corporatisation and demutualisation of stock exchanges in India.

MSE submitted its Scheme of Corporatisation and Demutualisation to SEBI and the same was approved on 29th August 2005. Based on this, MSE has re-registered itself as a company limited by shares and issued 1,75,500 Equity shares of Rs.10/- each to its eligible trading members.

In 2006, SEBI further amended the regulations to increase and maintain the public shareholding in stock exchanges to at least 51 percent on a continuous basis. MSE was required to ensure public holding of at least 51 percent of its equity capital by 29th August 2007 in terms of the Corporatisation and Demutualisation Scheme approved by SEBI.

In compliance with the directive, MSE decided to invite the general public to invest in the share capital of the Exchange by inviting Expression of Interest. There was an overwhelming response for this and many big corporates and High Net worth Individuals invested in the share capital of MSE. The stakeholders include, TIDCO, leading corporates like Simpson, Amrutanjan, Reliance ADAG, Kalpathi Investments, Aban Offshore, Polaris and Orchid Chemicals.

With the issuance of further shares under demutualisation process, the share capital of the Exchange was increased to Rs.36,05,000. In 2009, the Exchange subdivided the face value of the Equity shares of Rs.10/- each into Re.1/-each and also issued record bonus in the ratio of 18:1 (18 new shares for

every 1 share held). The present share capital of the Exchange is Rs.6,84,95,000, 63 percent is held by the public shareholders and the balance 37 percent is held by the trading members.

MSE Institute of Capital Markets (MSE ICM)

Madras Stock Exchange Ltd. has always been playing an active role in enhancing the Investor Awareness and has been engaged in conducting programmes on Investors Awareness and Education in Chennai and other cities/towns of Tamil Nadu and adjoining States, under the aegis of Securities Market Campaign of SEBI.

In order to take this initiative forward and to give focused attention, the Exchange has established "MSE Institute of Capital Markets", in 2009, as a separate wing exclusively for Training & Education in the Securities Markets.

Apart from conducting programmes outside Chennai, MSE ICM is conducting Investors Awareness Programme every third Saturday of the month at its own premises.

Since there has been overwhelming response and beginners are also attending the programme every third Saturday. MSE ICM is conducting separate programme for the beginners every 1st Saturday of the month to inculcate the basic knowledge on the securities market. The details of the investors awareness & education programmes conducted by the Exchange are given hereunder:

Table 5.9**Number of Programs in MSE**

Year	No. of Programmes
2003-04	10
2004-05	24
2005-06	3
2006-07	7
2007-08	5
2008-09	20
2009-10	34
2010-11	34
2011-12	40
2012-13	25
(up to 03.09.2012)	

Thus, MSE has so far conducted 202 programmes as on 03.09.2012, benefiting all classes of society, i.e. school students, college students, investors, professionals like Members of ICAI, ICWAI, ICSI, Members of Chambers of Commerce, Stock brokers, sub-brokers, etc.

As announced by the Honb'le Finance Minister in his Budget Speech in February, 2005, Securities and Exchange Board of India (SEBI) has established the National Institute of Securities Market (NISM) in Mumbai to undertake and promote education and research in financial and securities markets. For accomplishing this objective of Government of India, the NISM has launched an effort to impart financial and securities education at various levels and across various segments in India and abroad.

Keeping in mind the need for financial literacy of the High School students in the current economic context, NISM has developed a programme on financial literacy for the school students.

The Madras Stock Exchange in association with the National Institute of Securities Market is embarking on a Financial Literacy mission for the younger generation with the support of Schools and Colleges in the State of Tamil Nadu. MSE has already successfully introduced the programme for the last three academic years in various schools in Chennai, benefiting more than 3000 students.

With the help of MSE, NISM has also developed the programme in Tamil and for the first time, MSE conducted teachers' training in Tamil for the Chennai Corporation Schools, which has introduced the programme in some of their schools from 2012-13.

The Institute would conduct short term training courses to help the students appearing for various Exams being conducted by the National Institute of Capital Markets (NISM) and the National Stock Exchange (NSE). A Certificate Course in Securities Market is also being planned under a tie up with leading Educational Institutions/Universities.

Strategic Arrangement with NSE

While it is true that the trading activities have been shifted to the national level stock exchanges on account of technological developments, Madras Stock Exchange is working on a turnaround plan to reactivate the trading activities and build it as an institution for regional development.

As a first step, the Exchange has entered into a strategic arrangement with the National Stock Exchange of India Limited (NSE), u/s 13(i) of SCR Act 1956, in terms of which the members of our Exchange are allowed to trade in the NSE Platform. Similarly, the companies, which are listed on MSE, are allowed for trading on NSE Platform, subject to compliance of certain norms. Already 60 companies have been included for trading on NSE Platform and more companies would be covered.

Revival of MSE Trading Platform

MSE is in the process of setting up of its own Trading Platform. MSE has already procured the requisite software and hardware for this purpose. MSE has set up both far and near disaster recovery sites and the new trading platform is expected to be in place after the clearance of the regulatory authority.

Stock Exchange Regulations

SEBI, in May/June 2012, has issued certain regulations to regulate recognition, ownership and governance in stock exchanges and clearing corporations. Some of the salient features of the regulations are such as (i) annual trading turnover of the stock exchange shall be at least Rs.1000 crores on a continuous basis; (ii) minimum net worth shall be Rs.100 crores at all times to be achieved within a period of three years; (iii) the governing board of the Exchange shall consist of only Public Interest Directors, Public shareholder Directors and Managing Director.

Foreseeing the future and its commitment to provide a trading platform as stated above, the Exchange has already applied for the trading platform to

SEBI and the new platform is expected to commence shortly after the necessary approvals are received. The Exchange has already initiated certain steps in the right direction in compliance of these regulations.

The Securities & Exchange Board of India and the Government of India want to promote the Medium and Small Enterprises and develop the Stock Exchanges to help such enterprises raise capital in the financial market through stock exchanges dedicated to Medium and Small Enterprises. While giving an impetus to such stock exchanges SEBI seems to forget that the Madras Stock Exchange (MSE) has been doing so since for the last 75 years, since the year of its inception. For somebody who may comment on such similarity and have a laugh MSE, that is Medium and Small Enterprises, can be mistaken for MSE the Madras Stock Exchange as the exchange has been helping such enterprises.

In 1937 when MSE started its operations it had equity shares of 108 companies with a paid up value of Rs.13 crores listed on it. A simple calculation will indicate that on an average the value of the equity shares of each company listed on MSE in 1937 was about Rs.12 lakhs. By 1985 the number of companies listed increased to 454 with equity shares with a paid up value of Rs.1,204 crores that means the paid up value of equities of each company listed was Rs.2.65 crores. This clearly indicates that MSE started as a stock exchange for medium and small enterprises and remained so. In initial stages the majority of shares listed were plantation companies with very low paid up capital, some of the companies had paid up capital as low as Rs.2 lakhs and less. In 1947, at the time of independence the equity shares of 201 companies with total paid up capital of Rs.31 crores were listed on the exchange, increasing the paid up equity capital of each company on the average to Rs. 15.5 lakhs.

After Independence along with the other regions of the Country, Madras Presidency (Present Tamil Nadu, parts of Andhra Pradesh, Karnataka, Odisha and Kerala) started industrial development. In addition to the plantation companies, the textile companies, both Indian and foreign owned in Coimbatore, Madurai, Salem, and other regions came into being. Companies like Lakshmi Mills Company, Precot Mills, Premier Mills, Rajapalayam Mills, Sri Akkamamba Textiles, Super Spinning Mills and many others started production. The majority of them started by Indian enterprising first generation industrialists began with small capitals as low as Rs.5 to 10 lakhs and got themselves listed on MSE to raise equity funds. Over the years most of them became household names in the southern states and developed into major enterprises. Many of them and the plantation companies, which started with still smaller capital, continue to be listed on MSE with small equity capital increasing their reserves and net worth in the process.

With the development of spinning and textile industry, came the textile machinery manufacturers, mainly concentrated around Coimbatore. Companies like Lakshmi Machine Works and its associate companies led the way and continue to dominate the field. All these companies also started by both first generation and second generation industrialists followed in the footsteps of the spinning mills- start with low capital, get listed on MSE and raise further capital for development and expansion. While some of them started as joint ventures between Indian industrialists and established manufactures many are pure home grown industries.

Like in other regions of the country, sugar industries was one of the primary agricultural industries developed in the region. Companies like Andhra Sugars, Sarvaraya Sugars, etc. were examples of sugar factories started by farmers turned to industry. Most such companies started with low capacities and low capital before they were listed on MSE to raise further capital. There were also sugar mills started with large capital by foreign capital, such as EID Parry and by Indians like Sakthi Sugars.

With all the industrial development, engineering industries started in the region. Unlike other industries most of the engineering industries started either with foreign collaboration as joint venture or taken over by Indian industrialists from the British owners who left the country. Auto ancillaries were the primary engineering industries developed. In this TVS group and Rane group led the development of these industries. These companies started with small capital at the time of listing and raised further capital as they grew.

Compared to other industries the development of chemical industry was rather limited. Barring the cement industry, which was relatively capital intensive and few fertilizer units, which were also capital intensive, there were not many small chemical plants in the region. These capital intensive industries also raised their capital by listing on MSE. The beginning of 1980's saw the development of drug and pharmaceutical industry around Hyderabad and many of the chemical industries, though relatively small, preferred to list on MSE to meet their capital. One such company was Dr. Reddy's Laboratories, which came out with a public issue of about Rs. 45 lakhs in 1986. If one analyses the pattern of industrial development in the southern states, one will understand the pivotal role played by MSE. Companies with low capitals - in some cases as

low as Rs.50,000 started by first time industrialists were encouraged to list on MSE and allowed to raise further capital as the industries grew. One can say with pride MSE has been a stock exchange mainly meeting the capital needs of medium and small enterprises. And many of these small and medium enterprises with the help of MSE in meeting their capital requirements grew into bigger enterprises. The majority of these companies continue to be listed on MSE though they might have listed their securities on other stock exchanges also after they grew and developed into bigger enterprises with investors across the country. The initial investors who risked their money in the equities of these companies started by unknown entrepreneurs cannot forget the role played by the Madras Stock Exchange in helping the entrepreneurs becoming industrialists of repute.

In spite of such an helping hand given by MSE in the past to medium and small enterprises started by small entrepreneurs, SEBI has not promulgated regulations that will enable MSE to continue its active role as a stock exchange for medium and small enterprises. The new regulations formulated by SEBI for regional stock exchanges like MSE which catered mainly to the requirements of medium and small enterprises makes it practically difficult for MSE to meet the net worth requirements and some other conditions. Instead of allowing formation of new stock exchanges or new platform by bigger stock exchanges like National Stock Exchange and BSE, SEBI may consider amending the regulations for MSE. Otherwise the medium and small enterprises which are presently listed on MSE and which may want to list on MSE in the days to come and the investors who invested in these companies will suffer in many ways.

RECAPITULATION

Gathering statistical and theoretical information from the respective statistical departments, from the Department of share market and from other reliable sources, a comparative profile of the study areas is presented in this chapter.

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