

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:226
ANSWERED ON:18.03.2005
FLUCTUATION IN SHARE PRICES
Chinta Mohan Dr. ;Nahata Smt. P. Jaya Prada

Will the Minister of FINANCE be pleased to state:

- (a) whether share market of the country experienced steep and sudden fall in the prices of shares on several occasions between the period from April to January during the year 2004-05;
- (b) if so, the dates and the details of such shares and the percentage fall in their prices separately;
- (c) whether this fall was due to irregularities done in the capital market;
- (d) if so, whether the facts have been ascertained in this regard; and
- (e) the estimated loss suffered on account of the aforesaid fall in share prices on each of the above said days?

Answer

MINISTER OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (e): A statement is placed on the Table of the House.

Statement referred to in the reply to the Lok Sabha Starred Question No. 226 raised by Shrimati Jayaprada and Dr. Chinta Mohan, Members of Parliament, for 18th March, 2005 regarding 'Fluctuation in Share Prices'

(a): The Securities and Exchange Board of India (SEBI) has informed that during the period April 2004 to January 2005, market witnessed more than 5% fall on May 14, 2004 and May 17, 2004. On May 14, 2004, Sensex fell by 329.6 points (i.e. 6.10%) and closed at 5069.87. Nifty fell by 135.1 points (Le.7.87%) and closed at 1582.4. On May 17, 2004, Sensex fell by 564.71 points (i.e. 11.14%) and, closed at 4505.16. Nifty fell by 193.65 points (i.e. 12.24%) and closed at 1388.75. Except for these two dates, there were no such steep and sudden falls between April, 2004 and January, 2005. Month-wise changes in the indices for the period April, 2004 to January, 2005 are given below.

Monthly Changes in Indices

	Percentage change over the previous Sensex month	Percentage change over the previous Nifty month		
Apr-04	5809.005	3.49	1848.388	3.86
May-04	5204.646	-10.40	1640.2	-11.26
Jun-04	4823.867	-7.32	1506.116	-8.17
Jul-04	4972.875	3.09	1568.08`	4.11
Aug-04	5144.165	3.44	1615.302	3.01
Sep-04	5423.27	5.43	1691.957	4.75
Oct-04	5701.60	5.13	1194.98	6.09
Nov-04	5960.74	4.55	1873.935	4.40
Dec-04	6393.8	7.27	2021.943	7.90
Jan-05	6306.98	-1.36	1977.829	-2.18

(b): The details of top five scrips, which declined steeply and contributed to the market fall on 14th May, 2004 and 17th May, 2004 are given in Annex-A.

(c) and (d): Price movements and fluctuations in markets are market phenomena which depend upon several factors such as domestic and international events, economic fundamentals, market sentiments, corporate performance, etc.

However, for the fall observed in May, 2004, SEBI, during its course of investigation, has observed certain irregularities and appropriate proceedings have been initiated against the entities, who have been prima facie found to have violated the provisions of SEBI Act, 1992 and SEBI Regulations, in terms of the SEBI Act, 1992 and SEBI Regulations, Show cause notices have so far been issued to 12 entities.

(e): The loss suffered on account of the fall in the market price will depend on the composition of the portfolio and the cost of acquisition of securities and subsequent corporate benefits comprising the portfolio. Therefore, it is not possible to quantify the extent of the loss, if any, on account of the aforesaid fall in share prices. On May 14, 2004, the market capitalisation of BSE was down by 8.49% and of NSE by 8.38%. On May 17, 2004, the market capitalisation of BSE was down by 11.26% and of NSE by 12.10%. However, the market capitalisation of BSE, which was Rs. 12,01,207 crores on 31st March, 2004, went up to Rs. 16,61,532 crores on 31st January, 2005 and the market capitalisation of NSE, which was Rs. 11,20,976 crores on 31st March, 2004 went up to Rs. 15,57,444 crores on 31st January, 2005.

Annex `A` referred to in reply to Part (b) of the Lok Sabha starred Q.No. 226 to be answered on 18.03.05, raised by Shrimati Jayaprada and Dr. Chinta Mohan regarding `Fluctuation in Share Prices`

TOP FIVE SCRIPS CONTRIBUTING FOR FALL IN THE SENSEX ON MAY 14, 2004

SCRIP NAME PRICE VARIATION OVER
PREVIOUS DAY`S CLOSING

8BI -14.77%
ONGC -12.47%
HDFC -7.98%
ICICI BANK -6.95%
RELIANCE -6.77%

TOP FIVE SCRIPS CONTRIBUTING FOR FALL IN THE NIFTY ON MAY 14, 2004

PRICE VARIATION OVER
SCRIP NAME PREVIOUS DAY`S CLOSING

GAIL -19.32
SBIN -16.4
SAIL -15.71
BHEL -14.12
BPCL -12.62

TOP FIVE SCRIPS CONTRIBUTING FOR FALL IN THE SENSEX ON MAY 17, 2004

PRICE VARIATION OVER
SCRIP NAME PREVIOUS DAY`S CLOSING

RELIANCE -15.35%
HLL -15.02%
SBI -13.18%
ONGC -12.84%
INFOSYS -10.92%

TOP FIVE SCRIPS CONTRIBUTING FOR FALL IN THE NIFTY ON MAY 17, 2004

PRICE VARIATION OVER
SCRIP NAME PREVIOUS DAY`S CLOSING

REL -27.98
HDFCBANK -23.15
BHEL -21.24
WIPRO -19.77
GAIL -19.19

