

UNIT TRUST OF INDIA AND THE NEW ISSUE MARKET

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THE object of this paper is to examine the role of the Unit Trust of India (UTI) in the New Issue Market (N.I.M.) in India. Its *modus operandi* in this part of the industrial securities market is in the form of underwriting. The nature of underwriting of corporate issues of capital by the UTI is 'firm', that is, the UTI underwrites the capital issues of companies by way of a firm commitment to invest upto the amount underwritten.¹ In other words, underwriting by the UTI is a method of acquiring securities for its portfolio rather than an arrangement to ensure the success of issue.² The considerations underlying its behaviour in this respect are that underwriting enables it to acquire sound securities in large blocks at reasonable prices for its continuously increasing investible resources. Underwriting constitutes a fairly large proportion of the UTI's investment portfolio is indicated by the data given in Table 1. As can be seen from the Table, taking the period as a whole, 1965-77, it accounted for slightly less than one third of its total corporate security holdings. The part that the UTI plays in the N.I.M. is, therefore, revealed by the magnitude of its underwriting operations. This paper, therefore, presents the role of the UTI in N.I.M. in terms of its quantitative significance in underwriting of issues of capital by corporate enterprises.

The paper is divided into seven sections. Section I outlines the coverage and sources from which the data have been collected. Section II, apart from assessing its over-all role in the N.I.M., also examines the relative contribution of the UTI in underwriting of capital issues vis-a-vis other underwriters like the Life Insurance Corporation (L.I.C.); Development Banks comprising the Industrial Finance Corporation of India (I.F.C.I.), the Industrial Credit and Investment Corporation of India (I.C.I.C.I.) the State Financial Corporations (S.F.Cs.), and State Industrial Development Corporations (S.I.D.Cs); Commercial Banks; General Insurance Companies (G.I.Cs)/General Insurance Corporation (G.I.C.); investment com-

¹ Unit Trust of India, *The Origin and Growth of the Unit Trust of India*, (Bombay, 1973), p. 1.

² For an account of the salient features of the underwriting policies of the various underwriting agencies, refer to Khan, M. Y., *New Issue Market and Finance for Industry in India*, (New Delhi, 1978), pp. 76-78.