

Tehran Stock Exchange Price Index (TEPIX) declined to 62,531.8 in 1393 year-end, indicating 20.9 percent decrease compared with end-1392. This reduction was mainly attributable to slow progress of nuclear negotiations between Iran and the P5+1 as well as the fall in the international prices of crude oil and basic metals. As a result, the shares price to expected earnings ratio (P/E) declined to 5.4 in 1393, indicating a drop of 23.5 percent compared with end-1392 P/E ratio.

All TSE price indices decreased in 1393. Among all indices, the highest decline was related to the "top 50 performers" index by 22.8 percent, followed by "first market index" with 22.7 percent.

The free float adjusted index, calculated with the aim of computing the effective weight of firms based on the percentage of free floating shares, fell 20.6 percent from 90,978.0 points in 1392 year-end to 72,209.8 points at end-1393. This index had experienced 103.9 percent growth in 1392.

Reviewing the monthly movements of the TEPIX reveals that the highest return of the TSE was related to month Ordibehesht, with a growth rate of 3.5 percent compared with the month before. Except for months Ordibehesht, Tir, Mehr, and Aban of the year 1393, TEPIX recorded negative growth in all other months of this year. The monthly movements of financial index in this year

indicate that the highest growth by 8.7 percent was related to Esfand 1393 compared with the month before. Financial index registered its lowest growth by -9.8 percent in Azar 1393, compared with Aban.

The highest increase in the industrial index (4.0 percent) was related to Ordibehesht 1393 compared with the month before. In other months of the mentioned year, except for Tir, Mehr, and Aban, the industrial index registered negative growth. Industrial index experienced the highest negative growth of -7.2 percent in Azar, compared with the month before.

The Securities and Exchange High Council and the Securities and Exchange Organization, along with its Board of Directors, formulated and approved a set of rules and guidelines in 1393 as follows:

- Approval on revising penalties, subject of Note 1, Article 14, Law on Development of New Instruments and Financial Institutions;
- Approval on extension of credit by brokers on Iran Mercantile Exchange;
- Approval on introduction of "Certificate of Capacity" as a financial instrument;
- Guideline on internal controls in brokerage firms;
- Executive Guideline on the conduct of shares block transactions on OTC;

Chapter 16 CAPITAL MARKET

- Executive Guideline on the conduct of shares block transactions on TSE;

- Approval on introduction of storage warehouse Certificates of Deposit as a financial instrument;

- Approval on introduction of "Islamic Treasury Bills" as a financial instrument;

- Guideline on order registration for Initial Public Offering (IPO) of shares on OTC;

- Executive Guideline on transaction of options contracts on Iran Mercantile Exchange.

Share and Rights Trading

In 1393, a total of 165.2 billion shares and rights, worth Rls. 542.5 trillion, were traded on the TSE, showing respectively

12.9 and 43.7 percent fall in terms of volume and value, compared with the previous year.

Of total volume of shares and rights traded in this year, 69.1 percent were traded in the first market and 30.9 percent in the second market. Moreover, in terms of value of trading, 57.7 percent of shares and rights were traded in the first market and 42.3 percent in the second market.

The TSE was active for 241 days during 1393. The average daily trading volume was 685.4 million shares in this year, indicating 12.2 percent decrease compared with the daily trading volume of 1392. The average daily trading value reached Rls. 2,251.1 billion in 1393, down by 43.3 percent compared with the year before.

A comparison of trading in the first half of 1393 with the second half reveals that out

Table 16.1. TSE Activity Indicators¹

	Volume of trading (million shares)			Value of trading (billion rials)			Number of trading days of TSE	Average daily trading volume (million shares)	Average daily trading value (billion rials)
	Shares	Rights	Total	Shares	Rights	Total			
1392	185,869.1	3,819.7	189,688.8	955,383.9	8,814.3	964,198.2	243	780.6	3,967.9
1393	152,836.2	12,348.2	165,184.4	528,406.0	14,116.1	542,522.1	241	685.4	2,251.1

Source: Tehran Stock Exchange (TSE).

¹Includes only regular transaction of stocks on the TSE.

Table 16.2. TSE Indices

(1369=100)

	Year-end			Percentage change	
	1391	1392	1393	1392	1393
Tehran Stock Exchange Price Index (TEPIX)	38,040.8	79,015.4	62,531.8	107.7	-20.9
Free float adjusted index	44,620.3	90,978.0	72,209.8	103.9	-20.6
Financial index	60,811.6	157,627.9	135,088.8	159.2	-14.3
Industrial index	32,891.7	65,836.9	51,296.0	100.2	-22.1
First market index	30,030.7	58,606.8	45,317.5	95.2	-22.7
Second market index	62,839.9	152,441.6	127,840.6	142.6	-16.1
Top 50 performers index (weighted average)	1,617.7	3,335.8	2,576.3	106.2	-22.8

Source: TSE.

of total trading, 45.4 percent, in terms of volume, and 60.9 percent, in terms of value, were traded in the first half, and 54.6 and 39.1 percent, in terms of volume and value, respectively, in the second half of this year.

Table 16.3. Share and Rights Trading on the TSE (share/percent)

	Volume		Value	
	1 st half	2 nd half	1 st half	2 nd half
1392	43.1	56.9	48.7	51.3
1393	45.4	54.6	60.9	39.1

Source: TSE.

Data on shares and rights traded on the TSE, by industries, indicate that "automobile and manufacture of spare parts", with a share of 23.5 percent of total volume of traded shares and "chemical products" with 29.0 percent of total value of traded shares, had the lion's share in total volume and value of shares and rights traded on the TSE. In 1393, "banks and non-bank credit institutions", accounting for 21.9 percent of total volume, and "automobile and manufacture of spare parts", constituting 14.1 percent of total value, ranked second.

In 1393, "tanning, dressing of leather, and manufacture of footwear", "publishing, printing, and reproduction of recorded media", and "machinery and equipment" industries experienced the highest growth rates in terms of the volume and value of shares and rights traded on the TSE, compared with 1392.

"Textiles", "technical and engineering services", "chemical products", "extraction of coal", and "manufacture of coke, refined petroleum products, and nuclear fuel" industries experienced the highest decreases in terms of volume of trading. Meanwhile, "manufacture of coke, refined petroleum products, and nuclear fuel", "textiles", "manufacture of basic metals", "tiles and ceramics", and "extraction of coal" recorded the highest reductions in terms of value of trading. The mentioned 5 industries together accounted for almost 17.1 percentage points of the fall in the value of trading. "Automobile and manufacture of spare parts", "banks and non-bank credit institutions", "investments", and "chemical products" industries, while accounting for the highest number of shares and rights traded, reduced the volume and value of trading by about 7.3 and 19.3 percentage points, respectively.

Figure 16.1. TSE share trading

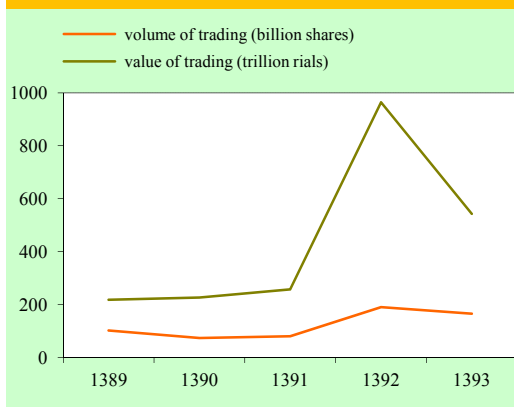
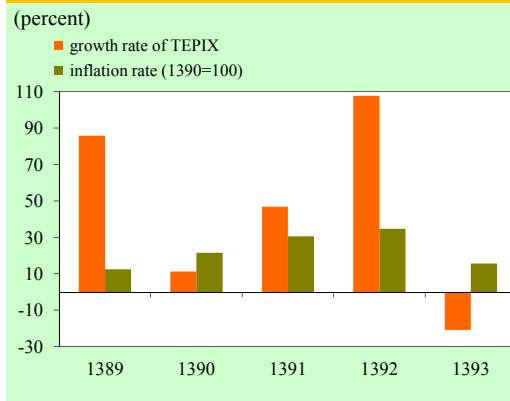


Figure 16.2. Comparison of growth rate of TEPIX with inflation



Chapter 16 CAPITAL MARKET

Market capitalization amounted to Rls. 2,813.2 trillion at end-1393, showing 27.2 percent decrease compared with the respective figure of 1392 year-end. Stock market capitalization to GDP ratio, which is an indicator of market depth, was 26.0 percent in 1393, showing about 15.3 percentage points decrease compared with the year before.

In 1393 year-end, "chemical products", "banks and non-bank credit institutions", "manufacture of basic metals" and "multi-industry companies" had the highest shares in the market capitalization by 22.3, 13.4, 9.8, and 8.8 percent, respectively (a total of 54.3 percent). Turnover ratio decreased by 18.4 percentage points to 16.2 percent in 1393, compared with 34.6 percent in the year before.

Tehran Stock Exchange Price Index (TEPIX)

At end-1393, Tehran Stock Exchange Price Index (TEPIX) reached 62,531.8 points, showing 20.9 percent decrease compared

with 1392 year-end. Furthermore, the P/E ratio equaled 5.4, indicating 23.5 percent decrease compared with the preceding year.

Among the components of TEPIX, "financial index" fell by 14.3 percent compared with the previous year-end and reached 135,088.8 points. Moreover, "industrial index" decreased by 22.1 percent from 65,836.9 points in 1392 year-end to 51,296.0 points at end-1393.

Figure 16.3. TSE monthly indices

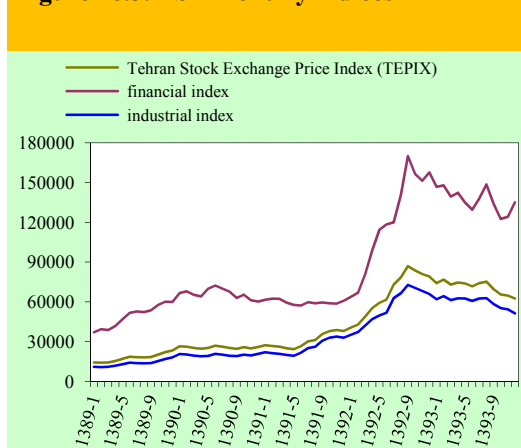


Table 16.4. Volume of Trading and Number of Buyers

	1391	1392	1393	Percentage change	
				1392	1393
Volume of trading (thousand times)	5,235.3	17,125.3	12,916.4	227.1	-24.6
Number of buyers (thousand persons)	1,811.9	5,799.2	3,709.6	220.1	-36.0
Average volume of buying per person (thousand shares)	44.2	32.7	44.5	-26.1	36.1
Average value of buying per person (million rials)	141.9	166.3	146.2	17.2	-12.0

Source: TSE.

Table 16.5. Market Capitalization, Value of Trading, and Turnover Ratio¹ (trillion rials)

	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio ² (percent)
1392	3,866.0	964.2	2,786.7	34.6
Percentage change compared with the year before	126.4	275.1	86.4	
1393	2,813.2	542.5	3,339.6	16.2
Percentage change compared with the year before	-27.2	-43.7	19.8	

Source: TSE.

¹ Excludes the unofficial board and participation papers.

² Calculated based on the beginning and end of the year average figure of market capitalization compared to value of trading.

The first market index was 45,317.5 points at end-1393, down by 22.7 percent compared with 1392 year-end. The second market index reached 127,840.6 points at the end of 1393, showing 16.1 percent decrease compared with end-1392.

Of total 36 industries traded on the TSE, price index of 10 industries increased in this year while that of 26 industries decreased. "Other financial intermediation", "manufacture of rubber and plastic products", "transport, storage, and communication", and "manufacture of radio, television, and communication equipment and apparatus" accounted for the highest increases by 53.0, 36.9, 30.7, and 26.5 percent, respectively. The highest decreases were related to "manufacture of coke, refined petroleum products, and nuclear fuel", "paper products", "sugar and cube sugar", and "tiles and ceramics" by 52.5, 46.8, 46.7, and 40.0 percent, respectively.

Listed Companies

Total number of companies listed on the boards reached 314 in 1393. In this year, the number of items and companies constituting financial index was 37; comprising "banks and non-bank credit institutions" (11), "investments" (16), "insurance and pension funding, except compulsory social security" (5), and "other financial intermediation" (5).

Table 16.7. Number of Companies Listed on TSE

	Year-end			Change	
	1391	1392	1393	1392	1393
Listed companies	342	328	323	-14	-5
Companies comprising financial index ¹	34	36	37	2	1
Other companies	308	292	286	-16	-6
Delisted companies	20	12	9	-8	-3
Companies listed on the boards	322	316	314	-6	-2

Source: TSE.

¹ Includes "banks and non-bank credit institutions", "investments", "other financial intermediation", and "insurance and pension funding, except compulsory social security".

Capital Increase of TSE and OTC Listed Companies

In 1393, capital increase of companies listed on the TSE and OTC market totaled Rls. 228.2 trillion, indicating 116.6 percent increase compared with the previous year. Claims and cash assets were the main source of financing the capital increase, constituting 49.8 percent of total. The corresponding figure of the previous year was 19.9 percent.

Provincial Stock Exchanges

In order to expand the stock exchange geographically, to prepare the ground for the public access to the capital market, and create investment opportunities for the public, total number of active stock exchanges reached

Table 16.6. Capital Increase of TSE and OTC Listed Companies

(billion rials)

		Accumulated profit	Reserves	Claims and cash assets	Revaluation of fixed assets	Total capital increase	Change in capital increase (percent)
1392 ▲	Number	17,646.4	873.7	20,984.8	65,823.6	105,328.6	-0.9
	Share in total (percent)	16.8	0.8	19.9	62.5	100.0	—
1393	Number	36,682.3	58,903.2	113,713.7	18,875.0	228,174.2	116.6
	Share in total (percent)	16.1	25.8	49.8	8.3	100.0	—

Source: Securities and Exchange Organization.

42 until end-1393. In this year, 330.6 billion shares and securities, worth Rls. 1,118.6 trillion, were purchased and sold on different stock exchanges (including electronic transactions), indicating respectively 12.9 and 42.7 percent fall compared with the previous year. Furthermore, 57.8 and 61.8 percent of the volume and value of shares, respectively, were related to Tehran. Meanwhile, 25.5 percent of the volume and 18.0 percent of the value of traded shares were related to electronic transactions, compared with 20.3 and 15.6 percent, respectively, in 1392.

Iran Mercantile Exchange

Following the merging of "Metal Exchange" and "Agricultural Commodity Exchange" in 1386 which led to the formation of "Iran Mercantile Exchange", as well as inauguration of "Petroleum Products Exchange", manufacturing and mining, agricultural, and oil and petrochemical products are currently offered on three floors of Iran Mercantile Exchange.

In 1393, Iran Mercantile Exchange was active for 241 days. A total of 23.8 million tons of various kinds of goods were traded on "manufacturing and mining", "agricultural", and "oil and petrochemical" floors, down by 2.4 percent compared with the year before. The value of transactions on Iran Mercantile Exchange was Rls. 401.9 trillion in 1393, showing 6.1 percent decrease compared with the year before.

In 1393, a total of 12.2 million tons of "manufacturing and mining products", worth Rls. 197.3 trillion were traded on Iran Mercantile Exchange, indicating respectively 9.7 and 12.8 percent decrease in terms of volume and value of trading compared with 1392. The volume and value of "steel" in total transactions reached 8.9 million tons and Rls. 147.5 trillion, respectively. The volume of trading of "copper" was 372.4

thousand tons and "aluminum", 166.0 thousand tons, valued respectively at Rls. 30.9 trillion and Rls. 13.3 trillion.

Over-the-Counter (OTC) Market

In 1393, total trading in the OTC market, in terms of value, amounted to Rls. 332.4 trillion, showing 14.1 percent rise compared with the previous year. Total volume of OTC trading included 52.7 billion shares, up by 32.9 percent compared with the previous year.

In this year, 47.6 percent of OTC market transactions were related to the market for new financial instruments, 17.3 percent to the second market, 14.7 percent to the third market, and 9.3 percent to the first market, in terms of value. The main OTC market, which started its operations in implementation of Article 99 of the 5th FYDP Law in 1390, had a share of 11.2 percent in the total value and 43.4 percent in the total volume of OTC market transactions. In 1393, the volume and value of share trading on the first market grew by 56.8 and 23.2 percent, respectively, compared with 1392.

Table 16.8. Total Value and Volume of OTC Transactions in 1393

	Value (billion rials)	Share (%)	Volume (million shares)	Share (%)
First market	30,924.9	9.3	9,608.1	18.2
Second market ¹	57,355.3	17.3	16,216.0	30.8
Third market ²	48,834.3	14.7	3,722.1	7.1
Market for new financial instruments	158,133.5	47.6	269.4	0.5
Main market	37,198.8	11.2	22,862.9	43.4
Total	332,446.9	100.0	52,678.4	100.0

Source: www.ifb.ir.

¹ The companies listed in the second market are those that do not have a large share offering capacity (on condition that their share offering is at least 5 percent).

² The third market is a market for companies which are not qualified for TSE and OTC. In this market, offering and listing of securities take place simultaneously.

The "participation papers market of OTC", launched on 11.07.1388, managed to diversify the debt instruments in 1389 and continued its activities in 1390 under the new title of "market for new financial instruments". In 1393, a total of 269.4 million papers, valued at Rls. 158.1 trillion, were traded on the "market for new financial instruments".

Joint Investment Funds

The number of Joint Investment Funds increased from 119 in 1392 to 136 in 1393. Total capitalized value of these Funds increased by 76.3 percent from Rls. 39.8 trillion at end-1392 to Rls 70.1 trillion in 1393 year-end. Total number of investors (natural and legal persons) increased from 109,931 persons in 1392 to 169,114 in 1393. The trading value of Joint Investment Funds (buying and selling shares) increased by 8.5 percent to Rls. 59.3 trillion in 1393. Moreover, investors in Joint Investment Funds earned less than 20.0 percent on their

investments while the profit rate of participation papers had been set at 22 percent for 1393.

Table 16.10. Joint Investment Funds

	1392	1393	Percentage change
Total number of Funds¹	119	136	14.3
Total capitalized value (billion rials)¹	39,788	70,131	76.3
Number of investors			
Natural persons	108,817	167,797	54.2
Legal persons	1,114	1,317	18.2
Total	109,931	169,114	53.8
Value of share trading (buying and selling shares-billion rials)	54,661	59,293	8.5

Source: Securities and Exchange Organization.

¹ Year-end performance.

Participation Papers

In 1393, a sum of Rls. 32.5 trillion of participation papers were issued, of which Rls. 2.3 trillion (7.0 percent) were sold.

Table 16.9. Issuance of Participation Papers

	Number of projects	Times of issuance	Approved amount (trillion rials)	Issued amount (trillion rials)	Sold amount (trillion rials)	Provisional profit rate (percent per annum)	Participation papers	
							After maturity date	Before maturity date
As of the date of issuance until end-1392	252	247	938.3	900.0	635.1	15.5-24	492.4	259.0
1393	9	9	32.5	32.5	2.3	22.0	0.0	2.3
Total (as of 1373, date of issuance)	261	256	970.8	932.5	637.4	-	492.4	261.3