

The downturn in Stock Exchange, which had started in the second half of 1383, accelerated in 1384 and ran into 1385. Although most indices slightly improved in the review year, the changes were not much significant to boost the stock market. Certain factors were responsible for this slump, namely continued international tension over Iran's peaceful nuclear program, implementation of price stabilizing policies, reduction in lending rates, restructuring of stock market, and change in internal mechanisms of Stock Exchange.

Upon ratification of the Law Governing the Securities Market in the Islamic Republic of Iran by the Parliament in 1384, the Cabinet approved the executive by-law of the mentioned Law, as well as the organizational structure of the Securities and Exchange Organization in 1385. Moreover, the following by-laws and instructions concerning the stock exchange were prepared in the review year:

- The By-law concerning trading on the TSE;
- The Instruction for registration of shares and securities as well as public share offering;
- The Instruction for trading shares listed on the unofficial board;
- The Executive Instruction for part of provisions of the Disciplinary Regulations of the companies listed on the stock exchange;

- The Instruction for approving the qualifications of directors of brokerage firms;
- The Articles of Association of the TSE;
- The Instruction concerning the procedures of issuing the license for establishment of stock exchanges, associations and financial institutions by the Securities and Exchange Organization;
- The Instruction concerning the procedures of approving the qualifications of directors of stock exchanges;
- The Executive Instruction for portfolio management (approved by the Board of Directors of the Securities and Exchange Organization);
- The Articles of Association of the Securities and Exchange Brokers Association (SEBA); and
- The Instruction for formation and registration of associations active in the securities market.

### Share Trading

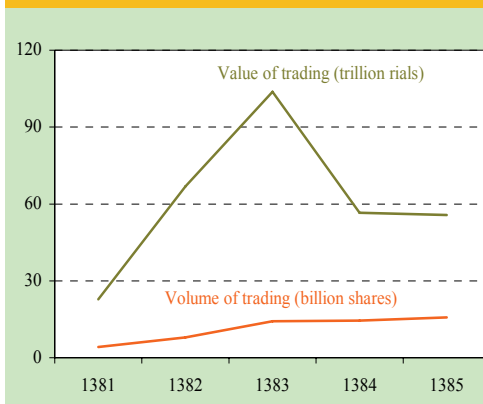
During the review year, a number of 15,784.4 million shares and rights worth Rls. 55,644.2 billion were traded on the TSE. These figures indicate 8.8 percent increase in the number, and 1.6 percent decrease in the value of trading compared with the previous year.

Of the total shares and rights traded, 70.6 percent were traded on the main and 29.4 percent on the secondary floor. Furthermore, in terms of value of trading, 73.2 percent were traded on the main and 26.8 percent on the secondary floor. In the review year, the TSE was active for 239 days. The average daily volume and value of trading were 66 million shares worth Rls. 232.8 billion, indicating 11.1 and 0.5 percent growth, respectively, compared with the year before.

A comparison of trading in the first and second halves of 1385 reveals that out of total trading, 40 percent in terms of volume and 36.7 percent in terms of value were traded in the first half, and 60 and 63.3 percent in

terms of volume and value, respectively, in the second half of this year.

Figure 15.1. TSE share trading



TSE SHARE TRADING

	Volume of trading (million shares)			Value of trading (billion rials)			Number of trading days of TSE	Average volume of daily trading (million shares)	Average value of daily trading (billion rials)
	Shares	Rights	Total	Shares	Rights	Total			
1384	13,370.8	1,132.1	<b>14,502.9</b>	55,558.6	970.1	<b>56,528.8</b>	244	59.4	231.7
1385	15,467.1	317.3	<b>15,784.4</b>	54,828.2	816.0	<b>55,644.2</b>	239	66.0	232.8

Source: TSE, monthly reports

SHARES AND RIGHTS TRADING ON THE TSE (share percent)

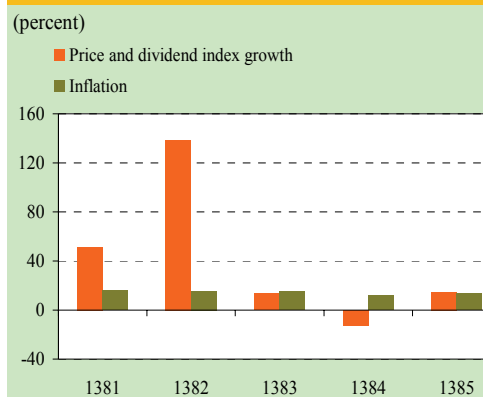
	Volume		Value	
	1 <sup>st</sup> half	2 <sup>nd</sup> half	1 <sup>st</sup> half	2 <sup>nd</sup> half
1384	59.9	40.1	65.6	34.4
1385	40.0	60.0	36.7	63.3

Source: TSE, monthly reports

Data on shares and rights traded on the TSE, by 36 classified industries<sup>(1)</sup>, reveal that "basic metals" had the highest shares of 17.3 and 16.4 percent, respectively, out of total volume and value of shares and rights traded in 1385. "Basic metals", "exploitation

(1) As of Dey 1383, industrial classification in the TSE was revised and companies were reclassified based on the ISIC.

Figure 15.2. Comparison of price and dividend index growth with inflation



of metallic ores", "automobile and manufacture of spare parts", "multi-field industrial corporations", and "mass production of properties and real estates", holding 56.7 percent of total shares and 62.4 percent of total value of shares and rights traded, had the highest impact on the TSE.

The number of shares and rights trading was 1.9 million times, indicating a reduction of 12.1 percent compared with the fall of 9.6 percent in the preceding year.

Number of buyers reached 987,404 persons, representing 17.5 percent decline in 1385 compared with the previous year. Reduction in the number of buyers was 23.8 percent last year. The average buying per person increased to Rls. 56.4 million, showing a rise of 19.3 percent compared with the preceding year. The average volume of buying per person rose by 31.9 percent to 15,985.7 shares. These figures point to reduction in the number of small shareholders trading in the stock exchange in recent years.

#### NUMBER OF TRADINGS AND BUYERS

	1383	1384	1385	Percentage change	
				1384	1385
<b>Number of tradings</b>	<b>2,340,647</b>	<b>2,115,244</b>	<b>1,858,999</b>	<b>-9.6</b>	<b>-12.1</b>
<b>Number of buyers</b>	<b>1,570,492</b>	<b>1,196,545</b>	<b>987,404</b>	<b>-23.8</b>	<b>-17.5</b>
Average volume of buying per person (shares)	9,023.6	12,120.7	15,985.7	34.3	31.9
Average value of buying per person (million rials)	66.0	47.2	56.4	-28.5	19.3

Source: TSE, monthly reports

Market capitalization went up by 21.3 percent to reach Rls. 395,028.2 billion in 1385. Meanwhile, based on the average inter-bank exchange rate<sup>(1)</sup>, market capitalization in terms of dollar reached \$42.7 billion, registering a rise of 19.9 percent compared with the previous year-end. Moreover, the ratio of market capitalization to GDP remained virtually unchanged at 19.4 percent as compared with the previous year.

The turnover ratio<sup>(2)</sup> reached 16.3 percent in the review year, up by 0.7 percentage point against 15.6 percent in 1384. Moreover, the ratio of shares traded to shares issued decreased by 15.4 percent to 11.6 percent. The corresponding figure of the previous year was 13.7 percent.

#### MARKET CAPITALIZATION, TURNOVER RATIO, AND THE RATIO OF SHARES TRADED TO SHARES ISSUED<sup>(1)(2)</sup> (billion rials)

	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio (percent)	Ratio of shares traded to shares issued
1384	325,727.8	56,528.8	363,417.3	15.6	13.7
	(-16.0)	(-45.5)	(-2.9)		
1385	395,028.2	55,644.2	341,002.6	16.3	11.6
	(21.3)	(-1.6)	(-6.2)		

Source: TSE, monthly reports

(1) Excludes trading of participation papers.

(2) Figures in parentheses indicate percentage change over the previous year.

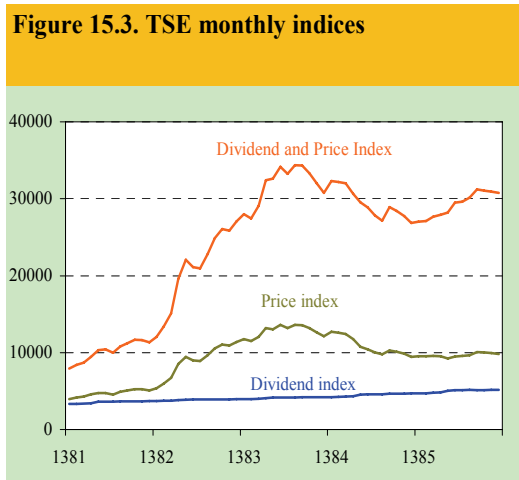
(1) On the last active day of the TSE in 1385, dollar was exchanged at a rate of Rls. 9,243.

(2) It is the ratio of trading value to average current value of shares in the review year.

### Tehran Stock Exchange Dividend and Price Index (TEDPIX)

"Dividend and Price Index (TEDPIX)" rose by 14.7 percent to 30,786.5. The two constituents of this index, i.e., "price" and "dividend" indices, reached 9,821 and 5,182 units, respectively, showing 3.8 and 10.4 percent growth.

The P/E ratio reached 5.5 in 1385. This ratio remained virtually unchanged at the previous year level, which was due to the rise in price index and the fall in dividend per share. Price index faced an upward trend in 1385, despite ebbs and flows in the year before.



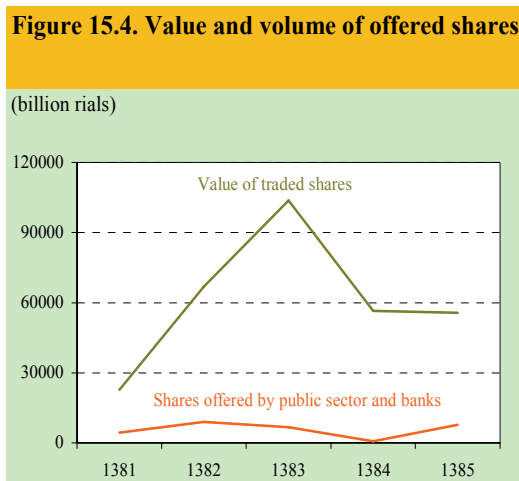
TSE INDICES (1369=100)

	Year-end			Percentage change	
	1383	1384	1385	1384	1385
<b>Dividend and Price Index</b>	<b>30,762.0</b>	<b>26,849.8</b>	<b>30,786.5</b>	<b>-12.7</b>	<b>14.7</b>
Dividend index	4,198.1	4,692.2	5,182.0	11.8	10.4
Price index	12,113.0	9,459.4	9,821.0	-21.9	3.8
Financial index	34,205.1	20,941.4	20,770.4	-38.8	-0.8
Industrial index	9,215.0	7,427.3	7,751.6	-19.4	4.4
Main floor	12,085.8	9,135.7	9,781.5	-24.4	7.1
Secondary floor	10,942.4	9,846.3	9,164.2	-10.0	-6.9

Source: TSE, monthly reports

### Share Offering by Public Sector and Banks

In order to expand public participation through disposal of government shares, the Cabinet approved the Plan known as "Increasing Iranian Families' Wealth through Rise in the Share of the Cooperative Sector by Distribution of Justice (Edalat) Shares". This Plan was proposed to reach a relatively just distribution of wealth, increase the income level of the low-income groups, downsize the public sector, accelerate the privatization process, deliver a more transparent method for transferring shares, and increase cooperative sector's share in the economy. According to the data released by the Privatization Organization, 6,789.8 million shares of public corporations valued at Rls. 21,793.7 billion were purchased by 4,981.5 thousand individuals.



In the review year, 2,878.4 million shares worth Rls. 7,795.3 billion were offered by the Privatization Organization as Justice (Edalat) Shares through the TSE. This shows 1,726.9 and 1,095.3 percent growth, respectively, in terms of volume and value compared with the respective 157.6 million shares valued at Rls. 652.2 billion in 1384. The volume and value of shares offered

through the stock exchange reached respectively 1,218.8 million and Rls. 3,408.4 billion, indicating 673.6 and 422.6 percent growth compared with the year before. As indicated in the following table, only public corporations and institutions offered their shares and foundations as well as the banking system had no offering.

#### SHARES OFFERED BY PUBLIC SECTOR AND BANKS

	Volume (million shares)		Value (billion rials)		Percentage change		Share (percent)	
	1384	1385 <sup>(1)</sup>	1384	1385 <sup>(1)</sup>	Volume	Value	Number	Value
	Public corporations and institutions	157.6	2,878.4	652.2	7,795.3	▣	▣	100.0
Foundations	0	0	0	0	∅	∅	0	0
Banking system	0	0	0	0	∅	∅	0	0
<b>Total</b>	<b>157.6</b>	<b>2,878.4</b>	<b>652.2</b>	<b>7,795.3</b>	<b>▣</b>	<b>▣</b>	<b>100.0</b>	<b>100.0</b>

Source: TSE, monthly reports of 1384 and 1385

(1) It includes disposal of 1,659.6 million shares of specialized holding companies worth Rls. 4,386.9 billion as Justice (Edalat) Shares.

#### New Listings on the TSE

In the review year, 3 new companies, Iran Khodro Investment Development Company, National Iranian Copper Industries Company, and Esfahan's Mobarakeh Steel Company, were listed on the TSE. This brought the total number of listed companies to 435 at end-1385. All new companies were listed on the secondary board. The nominal value of listed companies reached Rls. 23,089 billion.

In 1385, in addition to the main listed companies, 32 companies were listed on the TSE conditionally. This brought companies listed on the TSE to 467.

#### Financing Capital Increase of Listed Companies

In the review year, 61 companies raised their capital by Rls. 11,585 billion, indicating 54.5 percent decrease when compared with the previous year. The main source

#### NUMBER OF LISTED COMPANIES<sup>(1)</sup>

	Year-end			Changes	
	1383	1384	1385	1384	1385
<b>Listed companies</b>	<b>426</b>	<b>432</b>	<b>435</b>	<b>6</b>	<b>3</b>
Investment companies	36	39	40	3	1
Other companies	390	393	395	3	2
<b>Conditionally accepted companies</b>	<b>34</b>	<b>36</b>	<b>32</b>	<b>2</b>	<b>-4</b>
<b>Total</b>	<b>460</b>	<b>468</b>	<b>467</b>	<b>8</b>	<b>-1</b>

Source: TSE, monthly reports

(1) Of the total companies listed on the TSE board at end-1385, 148 companies were on the main, 180 on the secondary, and 89 on the unofficial board.

of financing capital increase was companies' reserves and accumulated profit, which financed 52 percent of total increase. Moreover, 42 percent of the increase was financed through shareholders' claims and cash assets.

**FINANCIAL RESOURCES OF CAPITAL INCREASE  
OF LISTED COMPANIES**

(billion rials)

	Reserves and accumulated profit	Claims and cash assets	Reserves, accumulated profit, claims and cash assets	Shares	Total	Percentage change
1384	4,835.2	17,050.2	3,562.7	..	<b>25,448.1</b>	-22.5
1385	6,024.2	4,865.7	695.1	..	<b>11,585.0</b>	-54.5

Source: TSE

**Provincial Stock Exchanges**

In order to expand the stock exchange geographically, to prepare the ground for public access to capital market, and to create investment opportunities for the public, the TSE established 2 new stock exchanges in various regions in 1385. In this year, 11,713.7 million securities worth Rls. 43,788.4 billion were traded on the provincial stock exchanges, accounting for 36.9 and 39.0 percent of total volume and value of trading in the stock exchange.

**Metal Exchange**

The total number of metals traded in the Metal Exchange came to 6 in 1385 as in the previous year. A total of 6,243.1 thousand tons of metal products valuing at Rls. 44,106.8 billion were traded in the Metal Exchange, pointing to 21.6 and 82.1 percent growth when compared with the previous year. Of this amount, Rls. 32,808.2 billion was related to 6,033.3 thousand tons steel.

**Agricultural Products Exchange**

In 1385, about 296.5 thousand tons of corn, barley, different kinds of seed remains, rice, lentil, sugar, dates, tea, and raisin valuing at Rls. 602.5 billion were traded in the Agricultural Products Exchange.

**Participation Papers**

A sum of Rls. 45,700 billion participation papers were issued by the government, Central Bank, and corporations. Of this amount, 83.1 percent (Rls. 37,962.1 billion) were sold, representing a rise of 31.9 percent compared with the previous year. The approved figure for total papers was Rls. 67,400 billion in 1385. The profit rate of participation papers was on a daily basis, redeemable at any time. The provisional profit rate for all types of participation papers was 15.5 percent and it was tax-exempt.

Of total participation papers sold, Rls. 11,275.1 billion (29.7 percent) were issued by the government and Rls. 22,187 billion (58.4 percent) by the CBI.

**ISSUANCE OF PARTICIPATION PAPERS**

(billion rials)

	Number of projects	Times of issuance	Total approved amount	Issued amount	Sold amount	Provisional profit rate (percent per annum)	Participation papers at end-1385	
							Matured	Not matured
1384	17	17	38,700.0	34,800.0	28,774.8	15.5-19 <sup>(1)</sup>	10,774.8	18,000.0
1385	18	18	67,400.0	45,700.0	37,962.1	15.5	0	37,962.1
<b>Total (as of 1373)</b>	<b>109</b>	<b>116</b>	<b>252,011.9</b>	<b>217,611.9</b>	<b>199,062.3</b>		<b>101,588.9</b>	<b>87,548.1</b>

(1) Provisional rate of return on Iran Khodro participation papers, issued in 1384, was 19 percent.