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PAR ISSUES ,POOR RESPONSE DOMINATE FIRST QUARTER

Despite the continuing setbacks in both the secondary and the primary markets, the number of public issues entering the market continued at a high level with 305 issues aggregating Rs.1741.66 crore in the April-June quarter according to Mr.Prithvi Haldea of **PRIME**, the country's premier data base on the primary capital market. This,however, represented a 6 per cent fall compared to the corresponding quarter of the previous year and a 13 per cent decline in terms of amount.

The quarter, nevertheless, scored better by number and amount of public issues in comparison to the same period of the previous 9 years except in 1995. The number of public issues and amounts offered in the April-June period over the last 10 years is given below:

Period	No. of Issues	Amount (Rs.crore)
April - June 1996	305	1741.66
April - June 1995	326	1991.94
April - June 1994	267	1589.22
April - June 1993	106	1723.39
April - June 1992	91	1497.33
April - June 1991	34	236.65
April - June 1990	22	83.28
April - June 1989	42	538.01
April - June 1988	20	91.99
April - June 1987	29	72.42

Significantly, unlike the previous few years, equity at par issues dominated this quarter with a 46 per cent share according to **PRIME**. By numbers too, 250 of the 305 were par issues. On the other hand, there were only 51 premium issues and though these accounted for a 24 per cent share, the premium component constituted an extremely low 16 per cent share of the total public issue amount. Debt resurfaced and with only 4 such issues, accounted for 28 per cent share of the total amount mobilized.

Looking at the bad market conditions, only 38 companies dared to call for 100 per cent of the issue amount as application money. On the other hand, there were as many as 130 companies who asked for only 25 per cent as the application amount.

According to Mr.Haldea, despite low premiums and low application amounts,the issues of the period received a poor support from the investors. On an initial basis, 143 of the 305 companies (47 per cent) could not close their issues on the earliest closing dates. Of these, while 123 had to extend till the last closing date, 20 had to extend beyond their earliest closing dates by 1-6 days. Additionally, as many as 52 companies kept their earliest and final closing dates as same and there would thus be several in this lot too which evoked a poor response.

Major responsibility for this can be attributed to the continuing poor state of the secondary markets. But significantly, the poor quality of issues too are to be blamed. As an example, as many as 213 issues (70 per cent) were not appraised by any bank/ financial institution. Compounding this was the continuing flow of finance companies. As many as 89 of the 305

issues (29 per cent) were still from the financial services sector. Little wonder, only 43 of the 305 issues of the period were underwritten which translated to a meagre 16 per cent of the total public issue amount of the period being underwritten.

SEBI's action on improper information disclosures led to as many as 13 companies being forced to cancel their issues just on the eve of opening of their subscription lists.

As per **PRIME**, mega issues continued to keep away from the market. There were only 14 issues of over Rs.10 crore during the period and only 1 mega issue of above Rs.100 crore. 143 of the 305 issues (47 per cent) were below Rs. 3 crore each while 256 issues (84 per cent) were below Rs.5 crore each. There were 17 issues of less than Rs. 1 crore. The average size of issue in the period was Rs.5.71 crore.

Courtesy the new SEBI guidelines as also the limit imposed by the BSE, only 67 companies (22 per cent) which entered the market had a post issue capital of less than Rs.5 crore. As a result of the BSE limit, Ahmedabad became the most preferred stock exchange with 192 of the 305 companies proposing to list their issues with it with Bombay ranking second with 186 issues followed by Delhi with 107 issues.

225 of the 305 issues (74 per cent) were made by existing companies, who together offered 81 per cent of the period's public issue amount. Significantly, 292 of the 305 issues (96 per cent) were initial public offerings who together offered 62 per cent of the period's public issue amount.

According to Mr.Haldea, it is as such quite apparent that the poor secondary market did not encourage existing listed companies to raise resources; only 13 of such companies dared to enter the market during the quarter. Even from these, the three larger issues were for debt from ICICI, Mafatlal Finance and Gujarat Lease Financing.

Of the 305 issues, there were only 4 companies where the promoter's holding after the issue will be less than 26 per cent and as many as 89 companies (29 per cent) with promoters' holding less than 39 per cent. Conversely, there are 62 companies (20 per cent) where the promoters' holding will be above 60 per cent as per the **PRIME** analysis.

The net amount offered to the Indian public, after providing for preferential allotments, was Rs.1361.53 crore, constituting 78 per cent of the period's total public issue amount of Rs.1741.66 crore. The rest was reserved on preferential basis for various categories. Major reservations were made for NRIs (181 issues, Rs.182.74 crore) and mutual funds/ FIs (173 issues, Rs.188.81 crore).