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Review of 1996-97

## **PRIVATE SECTOR EQUITY MOBILISATION FALLS TO ONLY RS.2919 CRORE IN 1996-97 : PRIME**

For the second successive year, the primary capital market mobilisation through public issues ended on a dismal note. As a matter of fact, fiscal 1996-97 would go down as a traumatic year, specially for the private sector according to Mr.Prithvi Haldea of **PRIME**, the country's premier data base on the primary capital market.

While the total equity mobilisation itself touched a low of only Rs.4671 crore in 1996-97, **the private sector's share hit a rockbottom at Rs.2919 crore** as per the **PRIME** study (of which too, Rs.731 crore was raised by finance companies). In 1994-95, the private sector had raised Rs.12521 crore in equity which had then fallen to Rs.6613 crore in 1995-96. The decline as such is an alarming 57 percent over the last year and 77 per cent over 1994-95 (Table I).

Bad market conditions prevailing through out the year forced almost all medium and large-sized companies to shelve or defer their issue-raising plans, affecting this sector badly.

According to **PRIME**, **like the previous year, fiscal 1996-97 also continued to be dominated by the finance sector. As many as 263 issues (35 per cent) in the year were from this sector who together offered Rs.7790 crore, cornering 68 per cent of the total amount.** In 1995-96, 492 companies had been from this sector raising 53 per cent of that year's amount.

Little wonder, while 83 percent of the total funds raised in 1994-95 were by the manufacturing sector, this fell to 47 per cent in 1995-96 and now to a low 32 per cent in 1996-97.

This resulted in an equity crunch with a **direct bearing on the industrial growth as is evidenced by the aggregate cost of projects financed through public issues which declined from Rs.38182 crore in 1994-95 to a meagre Rs.6925 crore in 1996-97** as per the **PRIME** analysis. Only 7 Rs.100 crore plus private sector projects entered the market during the year, most of which too had to go through the devolvement route.

Since the money raised by the finance sector can only find an outlet as debt in the manufacturing sector, the equity crisis became very pronounced. During the year, the **growing investors apathy towards equity** reached a peak resulting in only 3 mega equity issues all of which incidentally were from the banking sector - Rs.750 crore by Bank of Baroda, Rs.675 crore by Bank of India and Rs.180 crore by Dena Bank.

The depressed market conditions led to a **major decline in equity at premium issues** which comprised a meagre 21 percent of the total mobilisation in comparison to 46 per cent in 1994-95 and 43 per cent in 1995-96. **By numbers, the equity at premium issues fell from 453 in 1994-95 to 302 in 1995-96 to only 87 in 1996-97** according to the **PRIME** report.

The year also witnessed a **near demise of high premia**. While there were 40 companies who had sought a premia in excess of Rs.100 in 1994-95, this number had fallen to only 14 in 1995-96. Fiscal 1996-97 witnessed only 2 such companies (Khandwala Securities Rs.110 and Apcotex Lattices Rs.105).

The poor state of secondary market also **slowed down the capital raising plans of listed companies** which are usually made at a premium. Not surprisingly, only 27 such companies (previous year :73) went public during the entire year.

**Overall, the year was overwhelmingly dominated by the public sector (FIs, banks and PSUs)** who collectively raised Rs.7439 crore or 64 percent of the year's total amount (Table II).

As per **PRIME, financial institutions and banks, in fact, assumed a dominant role in fund mobilisation**. Their raisings in 1994-95 were only Rs.473 crore which worked out to 4 per cent of that year's total amount. However, in 1995-96 this jumped to Rs.4475 crore or 38 per cent and reached a high Rs.6942 crore or 60 per cent in 1996-97 with almost all the FIs joining the fray including IDBI, IFCI, ICICI, SCICI and HUDCO alongwith the 3 issues from banks.

That the total mobilisation still managed to present a reasonable picture despite poor raisings through equity was courtesy **debt issues which ruled the market during the year**. While no money had been raised through public debt issues in 1994-95, an amount of Rs.2940 crore was mobilised in 1995-96 which grew to a high Rs.6927 crore in 1996-97. **Significantly, the share of debt in the total amount offered to the public increased from 25 to 60 per cent over this period.** (Table III)

While the **public sector dominated the debt market** with issues from IDBI, IFCI, ICICI, SCICI, HUDCO, Maharashtra Krishna and Konkan Railway, the private sector, unable to raise equity, also joined the bandwagon with offerings from TISCO, L&T, Arvind Mills, Mafatlal Finance and Gujarat Lease Financing.

According to **PRIME, the year 1996-97 finally closed with 753 public issues mobilising a sum of Rs.11598 crore (excluding ICICI greenshoe option for which data is presently not available)**. Compared to the previous year, this represented a **47 per cent decline in number of issues and a 2 per cent fall in amount**.

A matter of serious concern, Mr.Haldea feels, is the fact that the **primary market recorded a continuing decline through the year**. Unlike all previous years, the second half of the year this time witnessed a pronounced fall with only 178 issues (previous year: 857) down from 577 issues in the first half (previous year : 571). In fact, the last three months of 1996-97 saw a meagre 73 issues.

## PUBLIC ISSUES

Table I

### TOTAL SECTORAL MOBILISATION

	Public Sector		Private Sector		Total Amount (Rs.crore)	Total No. of Public Issues
	Amount (Rs.crore)	%	Amount (Rs.crore)	%		
1992-93	755	12	5305	88	6060	528
1993-94	3864	31	8680	69	12544	770
1994-95	1251	9	12061	91	13312	1343
1995-96	5059	43	6763	57	11822	1428
1996-97	7539	65	4109	35	11648	753

Table II

### TOTAL MOBILISATION : PURE DEBT AND EQUITY + HYBRID

	Pure Debt		Equity & Hybrid		Total Amount (Rs.crore)
	Amount (Rs.crore)	%	Amount (Rs.crore)	%	
1992-93	409	7	5651	93	6060
1993-94	1720	14	10824	86	12544
1994-95	0	0	13312	100	13312
1995-96	2940	25	8882	75	11822
1996-97	6977	60	4671	40	11648

Table III

### TOTAL SECTORAL EQUITY (& HYBRID) MOBILISATION

	Public Sector		Private Sector		Total Amount (Rs.crore)
	Amount (Rs.crore)	%	Amount (Rs.crore)	%	
1992-93	346	6	5305	94	5651
1993-94	2144	20	8680	80	10824
1994-95	1251	9	12061	91	13312
1995-96	2219	25	6663	75	8882
1996-97	1752	38	2919	62	4671

Table IV

### TOTAL SECTORAL PURE DEBT MOBILISATION

	Public Sector		Private Sector		Total Amount (Rs.crore)
	Amount (Rs.crore)	%	Amount (Rs.crore)	%	
1992-93	409	100	0	0	409
1993-94	1720	100	0	0	1720
1994-95	0	0	0	0	0
1995-96	2840	97	100	3	2940
1996-97	5787	83	1190	17	6977