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UNAPPRAISED, POOR QUALITY ISSUES DOMINATE 9-MONTH PERIOD

Of the total 680 public issues which entered the market during the first 9 months of the current fiscal 1996-97, as many as 492 or 72 per cent were not appraised by any bank, financial institution or even merchant bankers according to Mr.Prithvi Haldea of **PRIME**, the country's leading data base on the primary capital market. This marked a concerning jump from 55 per cent of the 925 issues which were unappraised in the corresponding period of the previous year.

Another indicator of poor quality of issues and bad market conditions was the fact that 602 or 89 per cent of the issues of the period could not attract underwriting.

Leading the pack of poor quality issues were finance companies. As per **PRIME**, as many as 229 or 34 per cent of the issues were from the financial services sector. These together mobilised a high 54 per cent of the total amount of the period, up from 45 per cent in the same period of the previous year.

Manufacturing projects continued to suffer. The cost of all projects of companies which made public issues during the period aggregated a meagre Rs.5969 crore, down from Rs.11009 crore in the preceding year's 9 month period. Most of the ones that did enter the market were for small projects; 548 of the 680 companies (81 per cent) had projects costing less than Rs.10 crore or had no project. There were only 10 companies with project costs of above Rs.50 crore.

In such a scenario, only further compounded by losses incurred in the past, the investors gave a poor response to the issues of the period according to the **PRIME** analysis. As an initial indication, 342 of the 680 companies (50 per cent) could not close their issues on the earliest closing dates, of which 301 had to extend their issues till the last closing date and the balance 41 issues by upto 8 days. In addition, looking at investors' apathy, as many as 151 companies (22 per cent) did not even provide for an earliest closing date and the response to many of these issues too was poor.

Worse, as many as 25 issues had to refund the application money to the investors for failing to mobilize the minimum subscription. In addition, 7 issues devolved on the underwriters including the 3 large issues from the private sector (Parasrampuria Synthetics, Pasupati Fabrics and Elque Polyesters).

The investors were just not willing despite the fact that as many as 357 companies (52 per cent) demanded only 25 per cent of the issue price as application amount as against a normal practice of 50 per cent or even 100 per cent in good times.

According to Mr.Haldea, as a fallout of the poor equity market, debt issues dominated with Rs.3890 crore constituting 52 per cent of the total amount mobilised. (In the same period last year, only Rs.500 crore had been raised by debt issues). Equity at par had an 85 per cent share by number of issues while, on the other hand, there were only

81 issues at a premium. Poor secondary market led to only 31 issues being made by listed companies. 5 companies offered 2 instruments each resulting in 685 instrument issues. The instrument-wise break up for the period is given below:

Instrument	Amount (Rs.crore)	%	No. of Issues	%
Bonds/NCDs	3890	51.8	11	1.5
Equity at par	1923	25.6	584	85.3
Equity at premium	1620	21.6	81	11.8
FCD	43	0.6	6	0.8
CCPS/EW	27	0.3	3	0.3
	7503	100.0	685	100.0

Of the 10 mega issues (above Rs.100 crore), 7 were from the public sector. Also of these 10 issues, 8 were debt issues while the remaining 2 were from banks and not from the private sector.

The period was dominated by small issues. 555 of the 680 issues (82 per cent) were below Rs. 5 crore each of which 335 issues were below Rs.3 crore each. As a result, 153 companies (23 per cent) of the period would have a post-issue capital of below Rs.5 crore and 578 companies (86 per cent) a post-issue capital of below Rs.10 crore.

As per the **PRIME** study, the number of public issues at 680 which entered the market during the period was significantly lower than 925 issues in the corresponding period of the previous year representing a 26 per cent decline. By amount, however, the period saw issues worth Rs.7503 crore compared to Rs.7262 crore in the same period of the previous year, representing a 3 per cent increase.

Compared to the second quarter, the third quarter registered a 62 per cent decline in number of issues and a 49 per cent decline in amount. The quarter-wise figures of the current and previous financial years are given below:

		1996	1995
Quarter	No.of Issues	Amount (Rs. crore)	Amount (Rs. crore)
1st (Apr-Jun)	305	2342	1992
2nd (Jul-Sep)	272	3421	2902
3rd (Oct-Dec)	103	1740	2368

The period scored significantly poorer by number of public issues in comparison to the same period of 1995 and 1994, though by amount it was higher than the mobilisation in the previous two years. The number of public issues and amounts offered in the April-December period over the last 5 years, as per the **PRIME** data base, is given below:

Period (April - December)	No. of Public Issues	Amount (Rs.crore)
1996	680	7503
1995	925	7262
1994	823	6187
1993	463	9538
1992	324	4439

Significantly, the period witnessed the cancellation/ withdrawl of as many as 28 issues just prior to opening of the subscription list. Of these, 2 issues subsequently entered the market.

While merchant bankers lost heavily on account of declining issue management fees, they alongwith brokers, also suffered due to a dramatic decline in underwriting commissions according to Mr.Haldea. A sum of only Rs.795 crore was underwritten during the period compared to Rs.2735 crore in the corresponding period of last year.

Ahmedabad stock exchange became the most preferred one with 445 (65 per cent) of the 680 companies proposing to list their issues with it. Bombay was displaced to the second position with 287 issues followed by Delhi with 229 issues.