

7<sup>th</sup> December, 1998

## **NOVEMBER DRAWS BLANK IN PUBLIC & RIGHTS ISSUES**

**For the first time, at least in the last decade, a month has passed without even one public or rights issue. November, as such, has marked the nadir of the primary capital market, according to PRIME.**

Mr.Prithvi Haldea, Managing Director of **PRIME** stated that the assembly elections were only a minor reason for this debacle; the market has been suffering for long from several grave ills. These include, among others, the heavy losses in primary issues and lack of exemplary action against past offending issuers leading to loss of investors' faith. Unrealistic entry barrier guidelines, compounded by a slowdown in the industrial activity, have only further worsened the situation.

Little wonder, it is now for the **seventeenth month in the running** that the primary market has witnessed an extremely low level of activity in terms of public issues, with only 45 such issues between July 1997 and November 1998. While November 1998 had no issue and October saw a single issue, the earlier monthly figures have all been very low : September (6), August (1), July (1), June (5), May (3), April (2), March (2), February (0), January (4), December 1997 (6), November (4), October (4), September (1), August (3) and July (2).

In the current fiscal, between April and November, only 19 public issues have hit the market, according to **PRIME**. In terms of amount, almost the **entire mobilisation has taken place through the four debt issues from ICICI (Rs.1771 crore) and one from IDBI (Rs.1342 crore)**. These together, at Rs.3113 crore, have constituted **90 per cent** of the period's total mobilisation of Rs.3445 crore.

**Additionally, banks have mobilised Rs.216 crore, though through equity. The financial institutions and banks, as such, have together raised Rs.3329 crore, constituting 97 per cent** of the period's total amount, significantly up from a meagre 4 per cent in 1994-95.

**Most disturbing, Mr.Haldea stated, is the languishing equity mobilisation by the private manufacturing sector, with a raising of only Rs.111 crore through just 8 public issues** in the first eight months. This represents a major fall successively over the last 3 years, from a high of Rs.11005 crore in full 1994-95.

Even most of this meagre amount of Rs.111 crore has not come from the investing public as per the the **PRIME** analysis. Poor sentiments and scepticism, compounded by consistent poor quality of issues which abound despite 'stringent' entry barriers, have seen the investors reject all of these 8 offerings. Additionally, two NBFC issues, aggregating Rs.5 crore, which entered the market, were also only 'technical' issues.

For the third year in a row, equity mobilisation on the whole, including by banks and NBFCs in addition to the manufacturing sector, has suffered, adversely

affecting the industrial activity. Such public issues have raised only Rs.332 crore in the eight month period; the amount in corresponding periods of 1996 and 1997 were Rs.2588 crore and Rs.734 crore respectively. The high point was full 1994-95 when Rs.13312 crore was raised through equity.

The disappearance of initial public offerings (IPOs) is now, of course, a cold fact. Such issues, according to **PRIME**, had already fallen from a high of 1350 in 1995-96 to 716 in 1996-97 to only 51 in 1997-98. These are now down to a meagre 11 in the first eight months of fiscal 1998-99.

**The balance period of 1998-99 may also be equally disappointing, feels Mr.Haldea.** There are hardly any signs of an early revival of the market. As of now, December will witness yet again bonds issues from ICICI and IDBI; additionally two small equity offerings from Sonata Software and Shri MM Softek are the only other issues. More raisings of debt are expected from ICICI, IDBI and IFCI in the remaining months.

Worse, the disinvestment by PSUs in favour of small investors is still not on the horizon. Nor is any activity of any significance expected on the rights issue front.