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1ST QUARTER RECORDS A HIGH 40 IPOs : PRIME

The first quarter of the new fiscal 2000-2001, despite the crash in secondary market in April which led to the predictions that the IPO market is set to disappear, has witnessed hectic activity in the primary market. According to Mr.Prithvi Haldea of PRIME, the country's premier data base on the primary market, as many as 40 companies raised equity aggregating Rs.455 crore compared to just 4 companies raising a paltry Rs.53 crore in the corresponding quarter of the preceding year. **In comparison, this quarter, as such, witnessed a significant 10-fold increase in number of issues and a nearly 9-fold increase in the amount mobilised.**

1 st Quarter	No. of Public Equity Issues	Amount (Rs.crore)
1997-1998	36	190
1998-1999	9	175
1999-2000	4	53
2000-2001	40	455

Quite in line with the ground realities, the equity issuances, as per the PRIME report, were dominated by the ICE sector. **A high Rs.332 crore or 73 per cent was accounted for by the I.T. sector through 33 issues**, Rs.88 crore or 19 per cent by 4 media issues and Rs.30 crore or 6 per cent by 1 telecom company. **Thus, the ICE sector accounted for 98 per cent of the total equity mobilisation.**

Additionally, Rs.4 crore was raised by 1 packaging company and Rs.1 crore by 1 castings company. **The traditional manufacturing sector thus continued with its pathetic performance.**

Due to subdued market conditions, response to most of the issues of the quarter, however, was moderate, and nowhere near the frenzied oversubscriptions which had been witnessed in the preceding year.

Little wonder, the period, according to PRIME, was dominated by small issues, as most large companies opted for postponement. The average size of the issues was only Rs.11 crore, and as many as 29 of the 40 issues were below Rs.5 crore. In view of this, though 40 IPOs hit the market, the amount mobilised was only Rs.455 crore.

Significantly, debt which had dominated the public issuances in recent years, was totally absent in the first quarter. (However, the coming months will witness a significant mobilisation of debt by ICICI and IDBI).

The quarter was also marked by a series of amendments to issue guidelines by SEBI. While some of these addressed the ills which had emerged during 1999, the rest were in cognisance of the emerging market scenario. According to Mr.Haldea, it is nevertheless now critical to **overhaul and stabilise the issue-related guidelines, specially the entry barriers, on a long term basis. An area which needs high attention is the quality, quantity, format and delivery of information disclosure which has to improve substantially and become more relevant to the retail investor, specially if we insist on continuing with his direct participation in IPOs.**

The new year 2000-2001, which had started off with a bang, would have witnessed more than 400 IPOs. The secondary market crash in April has now, however, changed the scenario. **Mr.Haldea feels that there is probably a silver lining in the crash. It will put brakes on a large number of par IPOs from untested companies on one hand and will bring more sanity in pricing by the existing companies on the other.**

That the market is up and running in its new structure is evident from the line up of prospective issuances. According to PRIME, already announced for July are the bookbuilding issues of Mukta Arts and MRO Tek. In addition, the issues of Creative Eye and Aksh Optifibre which had opened in June would remain open for bidding during July. Also already announced to hit the market in July are another 12 IPOs, mainly from the I.T./media sector and there, of course, would only be an addition to the July list as the month progresses. A large issue from the non-ICE sector slated in July is the Rs.105 crore offering by PNB Gilts.

If the secondary market continues to witness stable, even if not buoyant conditions, **the coming months will witness a very large number of IPOs.** According to PRIME data base, as of today, there are already 63 companies holding SEBI approval while another 41 issues are under vetting at SEBI. In addition, there are more than 360 companies who have announced IPO plans. While the list mainly includes several companies from the ICE sector, the prospects cover more than 15 PSU banks (like Allahabad Bank, Andhra bank, Bank of Baroda, Canara Bank, Indian Overseas Bank, Punjab National Bank, Union Bank of India and Vijaya Bank). Also in the pipeline are some high-profile companies from the other sectors including Curls & Curves, Domino's Pizza, Paras Pharmaceuticals and Shopper's Stop.

To give life to the primary market, it is imperative, feels Mr.Haldea, that at least a part of the PSU disinvestment target is achieved through offerings to the retail investors at discounted prices. The huge success of the VSNL public issue and the handsome post-issue gains are good reasons for inviting the small investors to participate further in PSU offerings.