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PRIVATE BANKS TAKE OVER PUBLIC ISSUE COLLECTIONS ARENA

In the recently concluded fiscal 1999-2000, private sector banks displaced PSU banks as leaders as far as collections in public issues are concerned.

This is a finding of a study conducted by PRIME, India's premier data base on the primary capital market. The study covers all the 65 public issues floated during the year, except the bonds issues of ICICI for which the data was not available.

According to Mr.Prithvi Haldea of PRIME, the total collections in public issues of the year aggregated Rs.30435 crore and involved a total of 57 collecting bankers. Of these, there were 30 non-PSU banks who accounted for a 69 per cent share (Rs.21078 crore) while 27 PSU banks accounted for a 31 per cent share (Rs.9357 crore). Within private banks, foreign banks had a collection of Rs.9233 crore.

Type of Bank	Collections 1999-00 (Rs.crore)	%	Collections 1998-99 (Rs.crore)	%
PSU	9357	31	3684	67
New Private Sector	10685	35	997	18
Old Private Sector	1160	4	284	5
Foreign	9233	30	562	10
	<u>30435</u>	<u>100</u>	<u>5527</u>	<u>100</u>

Until now, PSU banks had always dominated as collecting bankers to public issues, according to PRIME data base. For example, their share in both 1997-98 and 1998-99 was a high 67 per cent. Little wonder, among the top 10 banks in 1998-99 in this field, as many as 8 were from the public sector. In 1999-00, however, only 4 PSU banks figured in the top 10 list and that too at the bottom part of the table, and their overall share fell to only 31 per cent.

Leading the PRIME table in 1999-00 was Citibank with total collections of Rs. 4349 crore (collections represent number of shares applied multiplied by amount payable on application). The second position was taken up by ICICI Bank at Rs. 4324 crore, followed by HFDC Bank at Rs. 3125 crore and Deutsche Bank at Rs. 2848 crore.

The first among PSUs was Corporation Bank with a collection of Rs. 2672 crore followed by Central Bank of India at Rs. 1606 crore, Vijaya Bank at Rs. 840 crore and Canara Bank at Rs. 817 crore. In the top 10, the other two banks were Oman International (Rs. 1645 crore) and Centurion Bank (Rs. 1496 crore).

Rank	Bank	Collections in 1999-2000 (Rs.crore)
1	Citibank	4349.19
2	ICICI Bank	4323.88
3	HDFC Bank	3127.90
4	Deutcshe Bank	2847.62
5	Corporation Bank	2672.03
6	Oman International	1645.46
7	Central Bank of India	1605.74
8	Centurion Bank	1496.01
9	Vijaya Bank	840.36
10	Canara Bank	817.19

Mr. Haldea pointed out that the year's collections of Rs.30435 crore represented an over 5-fold increase over the previous year's figure of Rs.5527 crore and an over 7-fold increase over the 1997-98 figure of Rs.4484 crore. The increase in float is accounted for not only by a larger number of public issues but also by the huge oversubscriptions which most of the ICE sector issues obtained. In fact, of the total 38 issues from this sector, as many as 8 sold more than 100 times each and another 24 issues between 10 and 100 times. Even the balance 6 issues sold more than 3 times each.

This reversal of trend, according to Mr.Haldea, is indicative of the growing competition being provided by the private sector to the PSU outfits in several areas of banking. In this case, the turnaround has come mainly by virtue of more efficient and faster services being provided by the private sector banks both to the issuers as well as the investors. Also responsible for this trend is the increasing incidence of public issue financing services provided by the private sector banks.

One of the reasons why PSU banks used to dominate the scene, according to Mr.Haldea, was their automatic appointment as collecting bankers in cases where project appraisals had been done by them. With most issues now not going in for appraisal, the corporates are no longer obliged to select such bankers. Moreover, the guidelines earlier required companies to have collecting branches in over 70 towns, necessitating the use of PSU banks' reach as private banks did not have branches in most towns. The revised guidelines now require a company to have collection centres only in 20 towns, most of which have branches of the private sector banks.