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Annual Review

PUBLIC EQUITY ISSUES GARNER ONLY RS.3055 CROER IN 2000; RETAIL INVESTORS MISSING

Contrary to expectations, calendar 2000 witnessed a mobilisation of only Rs. 3,055 crore through public equity issues, according to Mr.Prithvi Haldea of PRIME, the country's leading data base on the primary capital market. While this represented an impressive increase of more than 36 per cent over Rs.2,237 crore mobilised in 1999, it was nowhere near the year-beginning estimate of Rs.20,000 crore. Even compared to the past, it was significantly lower than Rs.13,887 crore raised in 1995 or even Rs.5,733 crore mobilised in 1996.

| | No.of Public Equity Issues | Amount (Rs.crore) |
|------|-------------------------------|----------------------|
| 1995 | 1444 | 13887 |
| 1996 | 1169 | 5733 |
| 1997 | 125 | 2182 |
| 1998 | 19 | 365 |
| 1999 | 38 | 2237 |
| 2000 | 128 | 3055 |

According to Mr.Haldea, the year began on a confident note and the first quarter witnessed huge oversubscriptions, aided by Sensex reaching an all-time high. However, the NASDAQ crash in April put brakes on this spree. Most issues which had been made in the preceding year saw their prices tumbling down to much lower levels than their offer prices. Investors became nervous about valuations and response to issues started falling, leading to scores of promoters postponing their issues. A minor upsurge of sorts came only towards the end of the year courtesy the media sector.

During the year under review, the primary market, according to PRIME, was dominated by the ICE (Information, Communication, Entertainment) sector. **Of the total Rs.3055 crore, a high Rs.2016 crore or 66 per cent was accounted for by the ICE sector through 110 issues.** While I.T. had led last year, telecom took the top position this year at Rs.834 crore with 3 issues (previous year Rs. 75 crore, 1 issue). This was followed by I.T.at Rs.710 crore with 94 issues (previous year Rs. 1,376 crore, 22 issues) and media at Rs.472 crore with 13 issues (previous year Rs. 49 crore, 1 issue). In addition an amount of Rs.489 crore or 16 per cent was taken up by 4 pharma issues. Thus, the 'knowledge' sector accounted for 82 per cent of the year's total mobilisation. **Significantly, the mobilisation by the much-hyped I.T.sector fell by a whopping 48 per cent.**

Of the balance, Rs.211 crore was raised by 2 banks, Rs.168 crore by 2 packaging companies and Rs.113 crore by 4 NBFCs. The contribution of other sectors was minimal: 1 textile company (Rs.25 crore), 1 plastics company (15), 1 medical equipment company (14), 1 electronics company (2), 1 tea company (2) and 1 castings unit (1).

Looking at the year another way, the traditional manufacturing sector, quite like the previous year, was almost absent from the market with just 6 issues raising a meagre Rs.210 crore, as per the PRIME report.

By numbers, the year, as per PRIME, closed with 128 issues, up 236 per cent from 38 in 1999, though no where near the high of 1444 issues in 1995. The rise in the number was primarily courtesy the re-emergence of small issues. For example, of the 94 issues in the I.T.sector, as many as 84 were of less than Rs.10 crore each, of which 66 were of even less than Rs.5 crore each.

The bookbuilding route, according to PRIME, gained increasing ground during the year. It may be recalled that the first-ever public equity issue through this route was launched in 1999 by Hughes Software followed by just one more issue (HCL Technologies) in that year. The year 2000 witnessed as many as 13 companies using this route of which the Rs.100 crore plus issues included Hughes Tele.com (749), Cadila (372), Shree Rama Multi-Tech (164), Mascot Systems (144) and Mukta Arts (100).

In terms of response, most of the issues, according to PRIME, failed to generate investors' interest, unlike last year when almost all issues were hugely oversubscribed. Two bookbuilding issues, Sip Technologies and Creative Eye, had to be even called off due to lack of investor's support, though Creative Eye entered the market subsequently with a lower price. In addition, three issues had to refund the application money having failed to mobilise the minimum subscription (Arraycon, Oceana Software and Geekay Imaging) while three issues (IT&T, Pritish Nandy and Hughes Tele.com) devolved on the underwriters. The 2 issues from banks (Indian Overseas Bank and Vijaya Bank) even at par did not excite the investors.

The retails investors, by and large, stayed away from public issues. As per the PRIME report, of the 80 fixed priced issues since April for which data is presently available, as many as 59 attracted less than 5000 investors each. On the other hand, the fixed price portions of book-built issues which should have logically attracted larger number of applications being large issues and price having been endorsed by institutional investors, also found retail investors missing : Akash Optifibre (4359), Balaji Telefilms (733), Mascot Systems (4139), MRO-Tek (3944), Mukta Arts (4490) and Tips Industries (2202).

In addition to equity, public issues of debt continued to be made during the year by the financial institutions. **However, the debt mobilisation fell by a significant 45 per cent** to Rs.3107 crore, down from Rs.5640 crore in 1999 (it was Rs.6523 crore in 1998). **The total mobilisation through public issues of both debt and equity, as such, recorded a 22 per cent fall, down from Rs.7877 crore in 1999 to Rs.6160 crore in 2000.**

The increasing belief that the primary market has revived needs to be questioned. According to PRIME, the primary market, in fact, should be considered to have revived only when there are more number of issues, these are from a wider spectrum of industries, and when investors respond favourably to most of such issues.