

Annual Review

### DEBT DOMINATED PUBLIC ISSUES IN 2001-02 : PRIME

In terms of amount raised through public issues, the year 2001-02 managed a mobilisation of Rs.6423 crore, through both debt and equity issues, which was only 3 per cent lower than the preceding year which had closed at Rs. 6618 crore. This has been reported by Mr.Prithvi Haldea of PRIME, India's premier database on the primary capital market.

However, in terms of number of public issues, the year will go down as probably the worst year in living memory, according to Mr.Haldea, with only 19 issues hitting the market. This represented a significant 85 per cent decline from 124 issues in 2000-01, and was nowhere near the high of 1428 issues in 1995-96.

But for the 13 debt issues which in fact dominated the issuances, mobilising Rs.5341 crore or 83 per cent of the total, the year would have done badly on the amount front also. As per PRIME, this year's debt raising too, like the last year, was restricted mainly to 2 financial institutions and quite like the previous years, there was no debt mobilisation by the corporate sector. While ICICI at Rs.4018 crore raised more money than its last year's collection of Rs.2783 crore, IDBI raised lesser money at Rs.973 crore compared to its last year's mobilisation of Rs.1161 crore. A new entrant to the debt market was Krishna Bhagya Jala Nigam with a Rs.350 crore issue.

Financial Year	Equity (Rs.crore)	Debt (Rs.crore)	Total (Rs.crore)	Total No.of Public Issues
1994-95	13312	0	13312	1343
1995-96	8882	2940	11822	1428
1996-97	4671	6977	11648	753
1997-98	1132	1929	3061	62
1998-99	504	7407	7911	32
1999-00	2975	4698	7673	65
2000-01	2479	4139	6618	124
2001-02	1082	5341	6423	19

Mr.Haldea, pointed out that the bad experiences of the mid 90s, further compounded by the losses incurred in most IPOs of the previous 2 years, made the investors show continuing preference for safety, as represented by debt. Little wonder, from zero per cent in 1994-95, the share of debt in total public issue mobilisation has been rising consistently : from 25 per cent in 1995-96, 60 per cent in 1996-97 and 63 per cent in 1997-98 to a peak of 94 per cent in 1998-99. The IT boom saw some resersal with debt's share falling to 61 per cent in 1999-00 and 63 per cent in 2000-01. However, the secondary market fiasco in 2001 due to the securities scam led to a near-collapse of the IPO market, and debt again monopolised the mobilisation at 83 per cent in 2001-02.

The amount raised through equity issues during the year, according to PRIME, fell to Rs.1082 crore, of which 77 per cent was accounted for by just one issue (Bharti), which incidentally was also the first 100 per cent book-building issue in the country. The total equity mobilisation thus represented a significant decline of nearly 56 per cent from Rs.2475 crore raised in 2000-01. It is alarming that the collective mobilisation in the last 6 years at 12843 crore is still lower than the single year mobilisation of Rs.13312 crore in 1994-95.

A high Rs.834 crore was accounted for by the telecom sector through the Bharti Tele-Ventures issue. The second largest issue was that of PNB aggregating Rs.164 crore. Of the remaining 4 companies, 3 were small I.T. sector issues aggregating Rs. 9 crore, while the only manufacturing sector issue was from South Asian Petrochem for Rs.70 crore.

**According to PRIME, the response to most issues this year was poor to moderate.** In fact, 1 issue (South Asian Petrochem) devolved on the underwriters and as many as 3 issues - SMR, City Online and IMAP just scraped through. Moreover, while Bharti managed an overall oversubscription, the retail portion of its issue failed to enthuse enough investors. On the positive side, only the PNB issue managed an oversubscription of 4.29 times, mainly because of under-pricing. In debt issues also, both ICICI and IDBI failed to mobilise their targets of Rs.10000 crore and Rs.3000 crore respectively, and thus managed to collect only 40 per cent and 32 per cent respectively.