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Emergence of a new primary market-lesser issues, larger issues:PRIME

The Rs. 10-20 crore public issues appear a thing of the past; India is now in the big league. In this calendar year, there have already been three issues of over Rs. 5,000 crore each. The sums of money that the market can raise now are phenomenal, and significantly by much fewer issues, according to Prithvi Haldea of PRIME, the country's leading database on the primary capital market.

The peak by amount ever was in calendar 1995, which had seen 1444 companies raise Rs.13, 887 crore. In calendar 2004 (till now), Rs.30, 098 crore has already been raised and this has been done by a handful of 27 companies, according to PRIME. Waiting in the wings are scores of prospective issuers. The key characteristics of the current boom are one or combination of well-established companies or promoters, divestments either by the Government or by venture capitalist and follow-on offerings. All this augurs well for the investors, the capital market and the economy.

Never in the history has so much amount been targeted to be raised at a given point of time as now. Besides dozens of small hopefuls wishing to ride the wave, the pipeline has over 80 companies to raise another Rs.40, 000 crore according to PRIME Database. This includes issues from PSUs/SLUs like Gujarat Industries Power, Gujarat State Energy Generation, Gujarat State Petroleum, Haldia Pertochemicals, Mahanagar Gas, Power Finance, Power Grid, Rashtriya Chemicals, REC and SCI. Then there are at least 11 public sector banks in the queue, which includes Allahabad Bank, Bank of Baroda, Dena Bank, PNB and Syndicate Bank.

According to PRIME, in addition to the above are a host of private sector issues including from AB Corp., Baggage Hindusthan, BHW Birla Home Finance, CMS Computers, Cyber Media, Daksh, DC Designs Automotive, Deccan Chronicle Holdings, EXL Services, Fortis Healthcare, GE Capital International, GMR Energy, HDFC Bank, Hutchison, Idea, IDFC, IL&FS Investsmart, Intas Pharmaceuticals, IVRCL Infrastructure, Jaiprakash Hydropower, Jet Airways, Mahindra & Mahindra Financial, Raj Rayon, Reliance Infocomm, Sasken Technologies,Set India, Shantha Biotechnics,Shopper's Stop, Sify, TCS, Tata Autocomp Systems, Thomson Press, UTV, WEP Peripherals and YES Bank.

For this huge pipeline to mature and receive investors' support is correct' pricing of the issues and the need for sustained sanity, if not buoyancy, of the secondary market. For any major fall in the secondary market shall surely put almost all of these issues back on the shelves.

According to Mr. Haldea, this is as good a time as ever for the Government to enlarge the investors' base and the capital market, and to raise money that it so desperately needs. In a country of over 100 crore, we have at best only 60 lakh equity investors (represented by depository accounts). Moreover, the quantity of listed stock is also still small, which leads to high volatility.

To raise resources, the Government should, according to Mr. Haldea, divest in more PSUs through the IPO route. This would also increase transparency and accountability in these companies. For the already listed PSUs, the Government should divest upto 49 per cent, thereby still retaining control. PSUs should also be encouraged to raise fresh capital for their expansion programmes. The public offering route is the most transparent, non-controversial route.

Mr. Haldea suggests that all future PSU offerings should be ideally earmarked only for the retail. We should recognize that Government paper offers to the retail investor the 'safety of capital' that he needs, bruised as he still is with huge losses caused by the vanishing companies and other scams. The advantage that the retail also sees with the PSUs is that they will not go aggressive in pricing, despite bullish conditions.