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ONLY RS.7,622 CRORE RAISED THROUGH PUBLIC ISSUES IN 1ST HALF, BUT STRONG PIPELINE: PRIME

Despite a sustained boom in the secondary market and the general feel-good about IPOs, the first half of the current fiscal 2005-06 turned out to be poor for the primary market. According to Mr.Prithvi Haldea of PRIME, country's premier database on the primary capital market, the amount raised through public issues did not come anywhere close to market expectations at the beginning of the year and despite huge success of public issues of the past year.

The biggest disappointment for the primary market has been the **lack of divestments** by the Government. Not a single divestment took place in the current fiscal; in fact, the last divestment was in October 2004 of NTPC. The pipeline of divestment/PSU offerings continues to become larger by the day yet nothing of it seems to be materializing.

In terms of amount raised, the first half ended with a mobilisation of only Rs.7,622 crore, which is 16 per cent lower than the corresponding period of the preceding year which had seen issues worth Rs. 9,048 crore.

By number, however, there was a huge improvement. The first half witnessed 35 public issues as per PRIME, which represented a 250 per cent rise from the 10 issues in the corresponding period of the preceding year.

Financial Year (April-Sept)	Equity (Rs.crore)	Debt (Rs.crore)	Total (Rs.crore)	Total No.of Public Issues
2000-01	1812	505	2316	86
2001-02	9	988	997	7
2002-03	498	294	792	3
2003-04	1525	343	1868	7
2004-05	9048	0	9048	10
2005-06	7622	0	7622	35

Source:PRIME Database

According to PRIME, the current period comprised 25 companies that made IPOs aggregating Rs. 4,641 crore and 10 companies which had follow-on offerings of Rs. 2,980 crore. On the other hand, Rs. 6,369 crore was raised through fresh capital and Rs. 1,253 crore through offers for sale. Offers for sale were in 4 companies. Only Rs. 2,520 crore or 33 per cent of the total equity raised during the period raised by PSUs and Rs. 5,102 crore or 67 per cent by the private sector.

According to Mr.Haldea, significantly, **every single issue was made by an existing company, with a track record**; not a single greenfield project hit the market. The largest issue of the period was of Suzlon Energy (Rs. 1,496 crore), followed by OBC (1,450), IDFC(1,372), Allahabad Bank (820), HT Media (408), Yes Bank (315), Jindal Polyfilm(300) and Syndicate Bank(250).

Banking sector mobilized 37 per cent of the total amount at Rs. 2,835 crore while one financial institution raised Rs. 1,372 crore, thus bringing mobilization of this sector to 55 per cent.

Several small issues hit the market during the period. While the previous full fiscal had 34 issues raising Rs. 25,526 crore giving an average size Rs. 751 crore, the average size in the first half of the current fiscal fell dramatically to Rs. 218 crore.

Like last year, there was no bonds issue during the first half; last year, bonds issues had hit the market in the second half raising Rs. 4,095 crore.

With almost all investment opportunities drying up and the constant lowering of interest rates, **the IPO scenario looks very attractive. Most issues in the past have received healthy oversubscriptions and importantly have provided handsome post-listing gains.**

According to PRIME, over 250 IPOs are in active pipeline and this includes only such companies that have announced their plans in the recent past. These collectively intend to raise a phenomenal Rs. 95,000 crore. If even a few of these IPOs make it to the market in the near future, it would not only help channelize household savings into the economy, but also give the long-awaited breadth to our secondary market.

Mr. Haldea feels, 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. For this, the Government should use the IPO route which is the most transparent, non-controversial 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 from the market for their expansion programmes.