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## ONLY RS. 7,581 CRORE RAISED THROUGH PUBLIC ISSUES IN 1<sup>ST</sup> HALF, BUT STRONG PIPELINE: PRIME

The first half of the current fiscal 2006-07 turned out to be poor for the primary market. Despite a great opening in April, the market turned bearish after the secondary market crash in mid-May. 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.7,581 crore as per PRIME, almost similar to the corresponding period of the preceding year which had seen issues worth Rs. 7,622 crore.**

**By number also, there was a near-similar performance. The first half witnessed 36 public issues, compared to 35 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
2006-07	7581	0	7581	36

*Source:PRIME Database*

According to PRIME, the current period comprised 32 companies that made IPOs aggregating Rs. 6,909 crore (previous year Rs.4,641 crore) and 4 companies which made FPOs of Rs. 672 crore (Rs.2,980 crore). On the other hand, Rs. 6,945 crore (Rs.6,369 crore) was raised through fresh capital and Rs. 635 crore (Rs.1,253 crore) through offers for sale.

According to Mr.Haldea, significantly, **35 of 36 issues was made by existing companies with a track record**; just 1 single greenfield project hit the market (Reliance Petroleum). The largest issue of the period was of Reliance Petroleum (Rs. 2,700 crore), followed by GMR Infrastructure ( 788), Sun TV( 603), and Tech Mahindra ( 465).

Unlike last year which had seen Rs.2,835 crore, the banking sector this fiscal did not mobilize any amount. Like last year, there was no bonds issue during the first half.

Smaller issues continued to hit the market during the period. The previous full fiscal had 102 issues raising Rs. 23,676 crore giving an average size Rs. 232 crore while the average size in the first half of the current fiscal was Rs. 210 crore.

**According to PRIME, significantly, over 400 public offers are in active pipeline, which collectively intend to raise a phenomenal Rs. 1,50,000 crore. If even some of these 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.**

**Of the above, 88 issues are sure to hit the market in the near future. These includes 13 issues (Rs.2,730 crore) which are already holding SEBI approval and 75 issues (Rs.19,000 crore) which have filed offer documents with SEBI and are awaiting approval. The list includes several mega issues including Cairn Energy (Rs.9,000 crore), Lanco Infratech (1400), Fortis Healthcare (1000), PFC (1000), Parsvnath (1000), Sobha Developers (650), MSPL (500), Orbit (450), Gammon Infrastructure (375), Akruti Nirman (350), Ind Synergy (350) and House of Pearls Fashions (300).**

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. PSUs should also be encouraged to raise fresh capital from the market for their expansion programmes.