

31<sup>st</sup> August, 1996

## **DULL PRIMARY MARKET, POOR RESPONSE IN AUGUST**

Debt issues, which had dominated the market in the previous few months, were absent in August. Little wonder, the total mobilisation through public issues in August fell down to only Rs.363 crore, much lower than Rs.1675 crore in July, as also lower than Rs.675 crore in May and Rs.378 crore in April.

The number of issues, however, continued at a high level with as many as 87 companies tapping the market in August. This was, however, lower than 99 issues in July and 127 issues during June. In the earlier months, there were 73 issues in May and 105 in April.

However, the response to the issues continued to remain extremely poor. Of the issues which opened in the earlier half of August, several had to take their issues till the last closing dates. This included the issues of Indian Lead, Prakash Paper, Marvel Industries, Mardia Copper, D.S.Bagrecha Lease, Kinetic Copper, Rasdhara Agro, Krishna Mingranite, Peony Investments, RGF Capital Market, Ramchandra Leasing, Suku Jain Associates, Money Television, Rajgarh Investments and Parque Foods. Other issues too evoked poor response from the investors.

Suggesting poor market sentiments was also the fact that only 5 of the 87 issues of the month were underwritten. These were the issues of Exim Finance, Aramusk Developers, Monnet Industries, Kothari Petrochemicals and Super Auto Forge. Interestingly, the first 4 did not keep a provision for an earliest closing date.

Compared to 3 in May, 10 in June and 5 in July, August had 5 issues of Rs.10 crore plus, these being from Apcotex (Rs.17.25 crore), Mukand Engineers (12.03), Money Television (12.00), Monnet Industries (11.31) and Marvel Industries (10.80).

The market in August was again deluged with a large number of small issues; 40 of the 87 issues (46 per cent) were below Rs.3 crore, of which 1 was even less than Rs.1 crore. Worse, unlike the previous 4 months, the dominance of issues from finance companies re-emerged. As many as 35 of the 87 issues (40 per cent) were from this sector, unlike 26 to 29 percent in April - July period.

During the month, the issues of Bell South Enterprises, Hindustan Maize Products and Bhoruka Engineering had to be withdrawn just on the eve of the opening of subscription list. This has brought the total to 18 issues which have been cancelled/ withdrawn since April literally at the last moment.

Premia issues continued to remain out of sight in August too. Only 11 of the 87 issues in August (8 out of 99 in July) were offered at a premium, with the only high premia issues being from Apcotex (Rs.105.00) and Super Auto Forge (Rs.70.00).

Subsequent to the April 1996 guidelines of SEBI, there continues to be a significant slowdown in the number of new issue documents being submitted for vetting. A total of 143 documents had been filed in February, which rose to 221 in March and further to

392 in April. The same, however, fell to only 90 in May, 51 in June, 49 in July and on to 43 in August upto the 24th August.

The debt issues are expected to resurface from September onwards. Some of the forthcoming debt issues include IDBI (Rs.1000 crore), Larsen & Toubro (500), TISCO (500), Arvind Mills (100) and Kotak Mahindra Finance(100).