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## **POOR MARKET FORCES 265 SEBI-APPROVED ISSUES FOR RS.3898 CRORE TO ABANDON PLANS**

Once upon a time, obtaining a SEBI acknowledgement card was an eagerly awaited event and the companies rushed to open their issues as soon as the card was in hand.

The continuing bad market conditions have now reversed this phenomenon. As on 31st August 1996, **there were at least 265 companies, with a total mobilisation plan of Rs.3898 crore, who have allowed their acknowledgement cards to lapse.** Of these 265 issues, 229 were public issues, 24 were rights issues and 12 were public-cum-rights issues.

The first indications of this came as early as in the beginning of 1995 when the market witnessed the first major decline, aided as it was by the MS Shoes fiasco. As many as 54 companies who had obtained their cards during the January - March 1995 period had then shelved their plans. Among major issues so hit were ARM (Rs.181 crore), Woolworth (100), Integrated Rubian Exports (60) and Kajaria Ceramics (59) .

Subsequent months saw the issues of Kedia Castle Dellon (Rs.284 crore), Modi ITV (90), Dharamsi Morarjee (73), Baroda Rayon (71), Sanghi Industries (70) and Gitanjali Gems (65) being called off even after obtaining SEBI approvals.

The worse was still not over. **The maximum number of issues which withdrew, however, were the ones which had obtained their SEBI cards during the October 1995 to March 1996 period, the total number of such issues being 155.** This happened because the market continued to deteriorate. The major called-off issues of this period included Spic Petrochemicals (Rs.455 crore), Nova Electro Magnetics (131), Punj-Lloyd (100), Somani Cement (90), Hindustan Times (90), CRB Daewoo Securities (61) and MESCO Airlines (57).

On the other hand, the medium-sized issues which withdrew over the last one year included GAL Offshore (Rs.50 crore), DCM Estates (48), Sterling Computers (45), Grapco Industries (41), Falcon Tyres (35), Falcon Marine Exports (32), SKS (31), Grapco International (29), Goyal Gases (25), Sunstar Lubricants (25), Jay Rapid Roller (23) and Nilkamal Plastics (21).

**Significantly, most of these 265 withdrawals were from the manufacturing sector** and not from the financial services sector which has in any case been flooding the market for the last 2 years. Of the 265 companies, as many as 233 (88%) were from the manufacturing sector.

Interestingly, almost all the bigger issues so withdrawn had planned to raise money through premium. The medium and smaller issues succumbed simply because of the total investor apathy to new issues.

Unfortunately, the list of withdrawals is only getting longer by the day. Of the 498 issues which have obtained SEBI approvals between 1st April and 31st August 1996, several are already in the process of abandoning their issue raising plans if the primary market continues to behave in the present fashion.

Worse, **there are at least another 500 issues which are currently in hibernation and have not even bothered to file their documents with SEBI**, unnerved as they are with the continuing poor state of the capital market. **This is evident from the declining number of new issue documents being submitted to SEBI for approval.** A total of 143 documents had been filed in February 1996, 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.

Little wonder, the total mobilisation through public issues in the current year is already taking a beating. **In the April-August period, a sum of only Rs.3768 crore has been mobilized compared to Rs.4458 crore in the same period of the previous year.**

**The increasing withdrawals as well as deferments of issues mean bad news on the industrial development scenario.** Not only new projects are not being implemented but several expansion, modernisation and diversification projects are being badly hit.

Only a few of these have been fortunate enough to find the alternative of equity private placement while some have gone in for institutional debt or raised money through fixed deposits/debt placements to the public.