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### INVESTING POPULATION VANISHES FROM PRIMARY MARKET: PRIME

During 1995-96, a total of 1428 public issues had entered the capital market. An analysis of the response to 1385 of these issues for which the data has been compiled by the PRIME data base reveals an alarming absence of investors. (The balance 43 issues for which the data is not presently available are small issues under listing dispute).

As many as 1191 or 86 per cent of the total issues in 1995-96 managed to attract less than 5000 investors each on an all-India basis. In the previous year, only 36 per cent of the 1320 issues had fared so badly while in 1993-94, the figure was a low 20 per cent of the 746 issues.

Worse, in 1995-96 as many as 287 issues (21 per cent) could manage to convince less than even 500 investors each compared to only 32 issues (2 per cent) in 1994-95 and 4 issues (0.5 per cent) in 1993-94.

The following table clearly illustrates the flight of the investors away from the primary market.

No. of applications	No. of issues 1995-96	%	No. of issues 1994-95	%	No. of issues 1993-94	%
1 - 250	106	8	4	0.3	3	0.4
251 - 500	181	13	28	2	1	0.1
501 - 1000	328	24	58	4	7	1
1001 - 5000	576	42	389	29	136	18
5001 - 10000	103	7	210	16	114	15
10001 - 25000	59	4	266	20	168	23
25001 - 50000	20	1	159	12	113	15
50001 - 99999	7	0.5	105	8	66	9
100000 & Above	5	0.4	101	8	138	19
	1385	100	1320	100	746	100

On the other hand, only 5 issues (0.4 per cent) in 1995-96 managed to attract more than 1 lakh applications each. In 1994-95, as many as 101 issues (8 per cent) had crossed the 1 lakh mark while in 1993-94, a total of 138 issues (19 per cent) had qualified in this category.

While almost all small issues failed to impress the potential investors, there was no respite for the mega issues also which had undertaken extensive marketing efforts to reach out to and attract a large number of investing population.

The year had 12 mega issues of above Rs.100 crore. Only 4 of these could get more than 1 lakh investors each these being IDBI-Bonds (19,28,588 applications), (IDBI-equity (3,62,906), Krishna Bhagya (1,92,644) and Pal Peugeot(1,02,927). The others in close positions were ICICI (9,09,84) and IRFC (8,83,95).

The rest of the mega issues had a poor story to tell with Lloyds Finance (30701), Malvika Steel (22542), Tamil Nadu Newsprint (11853), Mcleod Russel (7536), Bhushan Steel (3123) and Pittie Cement (1677). Significantly, the last 3 issues did so poorly as to devolve on the underwriters in addition to 19 other issues listed in Table I. The only small issue to attract more than 1 lakh investors was from Maxworth Orchards whose Rs.4.05 crore issue got 1.01 lakh applications.

Only 1 issue (IDBI) in 1995-96 managed to cross the 10 lakh mark with 19.29 lakh applications. In 1994-95, the issues of Jindal Vijaynagar Steel, Oriental Bank of Commerce, Rajashree Polyfil, HDFC Bank and LIC Housing Finance had attracted more than 10 lakh applications each with Jindal Vijaynagar topping at 28.15 lakh applications.

Some of the issues in the Rs.10-Rs.100 crore range in 1995-96 which attracted very few applications were KB&T (1473 applications), Khushi Ram (1460), Menon Pistons (1361), Pennar Paterson (1348), Kalyani Seamless (1265), Inland Printers (1170), VIF Airways (1072), Vijayakumar Mills (663), Star Paper (658), Agrimas Chemicals (554), Girnar Fibres (543), Jindal Worldwide (510), Eider Telecom (505), Vertex Machineries (503), Niwas Spinning Mills (498), Renco Gears (448), A.P.Power Tools (446), Mangal Finance (235) and Tuscon Exports (180),

The lack of investor support obviously led to a pathetic response to issues. As many as 860 (62 per cent) of the 1385 issues managed just about a 1-time subscription. This is, however, neither an indication of the real market response nor of perfect pricing but more of the 'extra' efforts put in to get subscriptions either from 'friends and associates' or through a loan from finance/investment companies or through an assured off-the-record buy-back scheme agreed to with financiers. Obviously, this effort was somehow the escape the minimum subscription clause.

The helpless ones could, however, not stage manage the above route and had to refund the entire application money to the investors for failing to meet the 90 per cent subscription clause. In this lot were 19 companies listed in Table II.

On the positive side, only 38 per cent of the issues managed a subscription of more than 1.5 times compared to 77 per cent in 1994-95.

The larger picture of investors aptly become clearer from the data on aggregate applications received during a year. In 1994-95, a total of 5.11 crore applications were received for the year's 1340 public issues (which in any case had fallen from an all-time high of 8.04 crore applications in 1992-93). This, however, fell down drastically to only 72 lakh applications in 1385 issues during 1995-96. This not only spells a bad news for the issuers but also for the registrars whose main income is based on the number of applications.

Interestingly, the maximum applications in 1995-96 were attracted by the bonds issues from the Government sector companies :IDBI, ICICI, IRFC and Krishna Bhagya Jala Nigam. The premium issues on the other hand were badly hit with over 88% of them attracting less than 5000 applicants each. Obviously, the investors did not respond to equity issues any more, despite some excellent investment opportunities.

TABLE I

**DEVOLVED PUBLIC ISSUES 1995-96**

SL. NO.	COMPANY
1.	AHURA WELDING ELECTRODE MFRS.LTD.
2.	AMAJIN AGRO EXPORTS LTD.
3.	AMERICAN PAINTS (INDIA) LTD.
4.	ANASUYA SPINNERS LTD.
5.	BHUSHAN STEEL & STRIPS LTD.
6.	CETHAR INDUSTRIES LTD.
7.	EMKAY AROMATICS LTD.
8.	GIRNAR FIBRES LTD.
9.	KALINGA CEMENT LTD.
10.	KANAN STEELS LTD.
11.	KESHLATA CANCER HOSPITAL LTD.
12.	MALVIKA STEEL LTD.
13.	MOULIK FINANCE & RESORTS LTD.
14.	NIWAS SPINNING MILLS LTD.
15.	PAL-PEUGEOT LTD.
16.	PARAG FANS & COOLING SYSTEMS LTD.
17.	PITTIE CEMENT & INDUSTRIES LTD.
18.	RAJDATT SECURITIES LTD.
19.	RITESH POLYESTERS LTD.
20.	ROOPA INDUSTRIES LTD.
21.	STERLING FLATWARES LTD.
22.	TCI FINANCE LTD.

TABLE II

**REFUNDED PUBLIC ISSUES 1995-96**

SL. NO.	COMPANY
1.	AJD LEASING & FINANCE LTD.
2.	APL INDUSTRIES LTD.
3.	ARTI SECURITIES & SERVICES LTD.
4.	BHARAT FUEL CO.LTD.
5.	BREON FINE CHEM LTD.
6.	BRUNO SANTE INTERNATIONAL LTD.
7.	GUPTA CARPETS INTERNATIONAL LTD.
8.	INTEGRATED HOUSING DEVELOPERS LTD.
9.	JIGAR PROJECTS LTD.
10.	KOTHARI GLOBAL LTD.
11.	MANGAL FINANCE LTD.
12.	NAKODA INVESTMENTS HOLDINGS LTD.
13.	RAJESH MALLEABLES LTD.
14.	RENCO GEARS LTD.
15.	RENIL HOLIDAY RESORTS INDIA LTD.
16.	ROLAND RUBBER CO.LTD.
17.	SUPER COMPACT DISC LTD.
18.	TANITA LEASING & FINANCE LTD.
19.	VIJAYAKUMAR MILLS LTD.,THE