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## **40 OUT OF 41 PUBLIC ISSUES AT PAR IN DECEMBER**

Premium is now rapidly becoming an extinct concept in the primary capital market according to Mr.Prithvi Haldea of **PRIME**, the country's leading data base on the primary capital market. Substantial losses in earlier premium issues compounded by continuing dismal market conditions have now made the investors totally wary of issues made at a premium. Such issues have been declining over the past several months and in November had totally disappeared. December was also a month of par issues except the sole premium issue of Bank of Baroda. It may be noted that in the first 9 months of the current year, only 82 issues have been at a premium compared to 199 in 1993-94, 453 in 1994-95 and 302 in 1995-96.

Though from a low of 24 in November, the number of public issues in December increased to 41, the same was only because of a large number of finance and 'technical' issues. During April-September, as many as 577 public issues had hit the market, giving an average of 96 issues per month. The first major fall came in the month of October which had only 41 issues.

Significantly, according to **PRIME**, of the total raisings of Rs.960 crore in the month, only Rs.64 crore (7 per cent) was mobilised by the manufacturing sector. The rest was raised by the finance sector which resurfaced in a major way with 21 of the 41 issues (51 per cent) being from this sector. This was higher than 33 per cent in November, 39 per cent in October, 37 per cent in September, 40 percent in August and 26 to 29 percent in April - July period. Moreover, small issues continued to dominate the market in December too; 29 of the 41 issues (71 per cent ) were below Rs.3 crore.

Courtesy the Bank of Baroda mega issue (Rs.850 crore), the total mobilisation through public issues in December reached Rs.960 crore, compared to Rs.474 crore in November. The amounts in the earlier months were Rs.316 crore in October Rs.1399 crore in September, Rs.348 crore in August, Rs.1674 crore in July, Rs.684 crore in June, Rs.1275 crore in May and Rs.383 crore in April.

The response to the issues in December, as per **PRIME**, continued to be extremely poor. Of the 23 issues which opened till 18th December, several had to take their issues till the last closing dates. This included the issues of Skyline India, Pantex Geebee, Skeleton Pharma and Vijayalakshmi Syntex.

Worse, faced with poor market conditions, 16 issues of the month did not even provide for an earliest closing date, these being Gwalior Tanks, Tridev Finance, Shubh International, Sai Moh Autolinks, Elite Capital, Ongoing Advertising, Goldedge Estate, Ankur International, Stanley Credit Capital, B.R.Cement, Sahyog Credits, SMC Credits, R.M.Mohite Textiles, Saraswati Capital, Man Mohak Fin-Invest-Lease as well as the mega issue of Bank of Baroda which also followed this route.

During the month, the issue of Mardia Global Finvest had to be withdrawn on the eve of the opening of subscription list. This has brought the total to 24 issues since April which have been cancelled/ withdrawn literally at the last moment.

The future, according to Mr.Haldea, appears extremely grim. Not only fewer companies are qualifying under the new guidelines, even the number of other companies willing to prepare themselves to face the market is going down rapidly. There has been a continuing slowdown in the number of issue documents submitted for clearance to SEBI. While a total of 837 documents had been filed in the four month January - April period (average of 209 per month), the same fell to only 227 in the four month May - August period (average of 57 per month) and has since fallen dramatically to 40 in September, 18 in October and 22 in November.

The issues from the private sector, in the present scenario, have literally gone into cold storage. Only the public sector is expected to dominate the immediate future. To January's rescue is already the Rs.750 crore debt issue of IDBI. The other mega offerings expected to hit the market in the near future, according to **PRIME**, are Canara Bank (Rs.1000 crore), Bank of India (675) and Corporation Bank (250). Incidentally, looking at the market conditions, Bank of India has already decided to pare down its premium while Canara Bank has put its premium issue on temporary hold.