

31st January, 1997

JANUARY AGAIN SEES ONLY PAR ISSUES

January was also a month of only par issues, even worse than the previous month which had seen one premium issue but similar to November which also had only par issues. Thus, according to Mr.Prithvi Haldea of **PRIME**, the country's premier data base on the primary capital market in the previous 3 months, there has been only 1 premium issue and that too from the banking sector (Bank of Baroda).

Though the Sensex has shown an upward movement in recent times, it will still be a few months before it has any impact on the primary market because of the time it requires to make a public issue, given the various SEBI and ROC regulations. The secondary market, in fact, according to Mr.Haldea, will need to show significant improvements in the cash scrips before the investors even start looking back at the new issue market.

Substantial losses in earlier premium issues, without an exit route for over 2 years now, have made the investors totally apathetic to premium issues. Little wonder, such issues have been declining over the past several months; only 82 issues have been at a premium in the first 10 months of the current fiscal, compared to 199 in full 1993-94, 453 in 1994-95 and 302 in 1995-96.

As per **PRIME**, against 38 in December, the number of public issues in January decreased to 34, and even this number largely represented 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 followed by 24 in November.

The manufacturing sector continued to suffer. According to **PRIME**, of the total raisings of Rs.901 crore in the month, only 12 per cent was mobilised by the manufacturing sector. The rest was raised by the finance sector which continued to sway the market cornering 88 per cent of the amount. The dominance of finance sector by numbers too continued; 17 of the 34 issues (50 per cent) were from this sector. This was similar to 51 per cent in December but higher than 33 to 40 per cent in August-November period and 26 to 29 percent in April - July period. Moreover, small issues continued to dominate the market in January too; 14 of the 34 issues (41 per cent) were below Rs.3 crore.

The IDBI mega issue of Rs.750 crore led to the total mobilisation through public issues in January reaching Rs.901 crore, compared to Rs.951 crore in December. The amounts in the earlier months, including retention of oversubscriptions, were Rs.574 crore in November, Rs.315 crore in October Rs.1399 crore in September, Rs.348 crore in August, Rs.2111 crore in July, Rs.684 crore in June, Rs.1275 crore in May and Rs.383 crore in April as per **PRIME** data base.

The response to the issues in January continued to be extremely poor. Of the issues which opened in early January, several had to take their issues till the last closing dates. This included the issues of Sree Rayalaseema Power, Krimy Biscuits, Janvi Finstock, PHF Leasing and Loggar Finance. However, the IDBI Flexibond issue managed to obtain a significant oversubscription, an indicator of investors moving away from equity to debt.

Worse, faced with poor market conditions, 14 issues of the month did not even provide for an earliest closing date, these being Flare Finance (India), Gazi Securities, Harsha Capital Services, Industrial Development Bank of India, Mardia Global Finvest, Marvel Hi-Tech, Nemox Drugs & Pharmaceuticals, Nivedan Fin-Invest-Lease, Parekh Aluminex, Parnami Habitat Developers, Raideep Industries, Sita Bhagwat Investment & Finance, Vaishali Graphics and Welspun Stahl Rohren.

During the month, the issue of Magic Touch Infotech had to be withdrawn on the eve of the opening of subscription list. This has brought the total to 25 issues since April which have been cancelled/ withdrawn literally at the last moment.

According to Mr.Haldea, the private sector appears worst hit in the present scenario with no major issues on the horizon. Only the public sector would continue to dominate the market. While February will see the Rs.675 crore equity issue of Bank of India, in March the ICICI Rs.750 crore bond issue is expected to hit the market. However, the other mega offerings which were expected in the current fiscal, those from Canara Bank (Rs.1000 crore) and Corporation Bank (250), have been postponed to the next fiscal.

There is little hope for the near future, evident from the continuing slowdown in the number of public issue documents submitted for clearance to SEBI. As per **PRIME**, while a total of 776 public issue documents had been filed in the four month January - April period (average of 194 per month), the same fell to only 198 in the four month May - August period (average of 50 per month) and has since fallen dramatically to only 64 in the four month September-December period (average of 16 per month). In January too, only 14 public issue documents have been filed with SEBI upto 25th January 1997.