

31st March, 1997

DEBT ISSUES DOMINATE PRIMARY MARKET IN MARCH

The mega bonds issues of Rs.750 crore of ICICI and Rs.200 crore of HUDCO cornered 92 per cent of the amount raised through public issues in March and helped the total mobilisation reach Rs.1032 crore according to Mr.Prithvi Haldea of **PRIME**, the country's premier data base on the primary capital market.

Little wonder, the month's mobilisation was higher than Rs.828 crore in February and Rs.901 crore in January. The amounts in the earlier months, including retention of oversubscriptions, were Rs.951 crore in December, 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.

Alarmingly, according to **PRIME**, the number of public issues in March declined to only 16 from 24 in February, 34 in January and 38 in December. During April-September, as many as 577 public issues had hit the market, giving an average of 96 issues per month. The fall came in October which had only 41 issues followed by 24 in November.

Premium issues, as per the **PRIME** report, continued to be in hibernation, with only 2 such issues in March. Of these, 1 was from the safety-net provider Infotech Enterprises at a premium of Rs.10 and the other from a finance company - JVG Finance at a premium of Rs.80. Earlier, February had seen 3 premium issues, January only par issues, December only 1 premium issue and November only par issues. Thus, in the previous 5 months, there have been only 6 premium issues, 3 of which have been from the government sector as per the **PRIME** study.

Over 78 per cent of the total mobilisation through public issues in March was from the financial sector. Significantly, in each of the preceding 3 months of December, January and February, this sector's share had risen to nearly 90 percent of the total mobilisation. By numbers too, the dominance of finance sector continued. In March, as many as 7 of the 16 issues (44 per cent) were from this sector.

The manufacturing sector, on the other hand, continued to be at a standstill. In March too, of the total raisings of Rs.1032 crore through public issues, only 22 per cent was mobilised by the manufacturing sector.

The public response to issues in March continued to be poor though the HUDCO issue managed an oversubscription. Of the other issues, several had to take their issues till the last closing dates. This included the issues of Unique Leasfin, Pushpanjali Floriculture and Pushkar Appliances.

As of now, the future holds little promise, according to Mr.Haldea, if the declining number of public issue documents being submitted for clearance to SEBI is any indication. While an average of 120 public issue documents had been filed per month in the January 96 - August 96 period, the same fell dramatically to only 16 per month in the September 96 - January 97 period. Worse, in February, only 8 public issue documents were filed which is now down to a dismal 3 in March (upto 21st March 1997).

The dominance, in the near future, would again be of debt and/or finance sector. Mega offerings from Canara Bank (Rs.1000 crore) and Corporation Bank (250) are expected in the early part of next fiscal.

Hopes on the budget to improve the capital market in general seem to have been belied. The budget also has not specifically addressed the needs of the primary market.