

30th April, 1997

DISMAL APRIL CRIES OUT FOR MAJOR REFORMS

The absence of bonds issues in April resulted in an extremely low level of mobilisation through public issues, which aggregated a meagre Rs.82 crore according to Mr.Prithvi Haldea of **PRIME**, the country's premier data base on the primary capital market. This was a substantial fall from Rs.1281 crore in March, Rs.828 crore in February and Rs.901 crore in January, these high mobilisations coming about mainly due to mega debt issues. The largest issue in April was for only Rs.42.31 crore from Krishna Filaments;the remaining 15 issues were all under Rs.5 crore each.

The number of issues too continued to stay at a low level in April at 16 which was similar to March but lower than 24 in February and 34 in January.

According to **PRIME**, **premium issues were again absent from the market**, with only 1 such issue in April (Century Plyboards at a premium of Rs.10). Earlier, there were 2 premium issues in March,3 in February and 1 in December while the months of January and November had seen only par issues. **Thus, in the previous 6 months, there have been only 7 premium issues, 3 of which have been from the public sector.**

The response from the investors to issues of April remained poor. While several companies did not provide for earliest closing dates, some had to take their issues till the last closing dates. This included the issues of Baffin Engineering and Ransi Cargo.

In April, only 18 per cent of the total mobilisation was from the financial sector, in sharp contrast to the preceding 4 months when this sector's share had been upwards of 90 percent of the total mobilisation. By numbers, the dominance of finance sector continued. In April, as many as 6 of the 16 issues (38 per cent) were from this sector. Only 3 of the 16 issues went for underwriting (Rosette Agro-Tech, Vindus Holdings and Krishna Filaments).

The future, according to Mr.Haldea, **holds little promise as the number of public issue documents being submitted for clearance to SEBI has been rapidly declining.** While an average of 120 public issue documents had been filed per month in the January 96 - August 96 period, the same had fallen to only 16 per month in the September 96 - January 97 period. Worse, only 8 public issue documents were filed in February and only 4 in March while the figure for April (upto 18th April) is only 6. **Little wonder, not more than 10 issues are expected to hit the market in May, and all these are small issues.**

It may be mentioned here that of the total mobilisation of Rs.11800 crore in fiscal 1996-97 through public issues, over 60 per cent was through debt issues. Equity mobilisation has been taking a consistent beating, down from Rs.13312 crore in 1994-95 to Rs.8882 crore in 1995-96 to Rs.4671 crore in 1996-97 according to **PRIME** data base.

There appears no mega, or even medium-sized, issue from the private sector in the foreseeable future. In the pipeline are only issues from the public sector and that too either for debt from financial institutions or equity from the banking sector. While the mega offering from Canara Bank (Rs.1000 crore) has been deferred, only Corporation Bank (250) is expected to hit the market in the near future.

Mr.Haldea feels that it is indeed a paradox that despite a reasonable level of buoyancy in the secondary market since December, the primary market has seen only a downhill direction.**There is an urgent need to introduce some major measures to improve the confidence of the investors as also to revise the entry barrier guidelines in order to revive the near-dead primary capital market.**

Most of the measures taken during the last one year have, if any thing, only taken the investors further away from the market. With no significant revival measures in the pipeline, new issues are in the danger of facing an extinction, jeopardising as a result the industrial growth of the country.