

7<sup>th</sup> July, 1997

## **ALARMING 92 PERCENT DECLINE IN PUBLIC ISSUE MOBILISATION**

**For the third month in a row, the primary market witnessed an extremely low level of mobilisation through public issues, which aggregated a meagre Rs.53 crore, lower than Rs. 72 crore in May and Rs.73 crore in April, according to a study released by PRIME, the country's premier data base on the primary capital market. This was a substantial fall from Rs.1132 crore in March, Rs.826 crore in February and Rs.1651 crore in January.**

The number of issues too continued at a low level in June, with only 13 issues compared to 9 in May and 15 in April. Earlier, there were 16 issues in March, 24 in February and 34 in January.

The first quarter of the current fiscal has, according to **PRIME**, as such seen only 37 public issues raising a meagre Rs.198 crore compared to 305 issues aggregating Rs.2342 crore in the corresponding quarter of the previous fiscal. This represents an **alarming 92 per cent decline in amount mobilisation and an 88 per cent fall in number of issues.**

**Mr.Prithvi Haldea of PRIME stated that is indeed a paradox that despite a buoyancy in the secondary market since December, the primary market has been witnessing only a downhill direction. The loss of investors' faith in the primary market has, of course, been a reason for the lull in activity. Compounding this is the impact now being severely felt of the extremely stringent (and unjustifiable) entry barrier guidelines introduced by SEBI in April 1996, which have choked the market and have prevented even the profit making companies to win back the investors confidence.**

Significantly, the current quarter was marked by a total absence of debt issues which incidentally had dominated the entire previous year. Also missing were any mega equity issues both from the public and private sector. In fact, the largest issue of the quarter was from Madras Fertilisers aggregating Rs.43 crore.

As per **PRIME**, Premium issues too continued to stay away from the market, with only 1 such issue in June (Suzlon Fibres at a premium of Rs.5). Little wonder, in the previous 8 months, there have been only 10 premium issues, 3 of which have been from the public sector.

The response from the investors to the issues of the quarter remained poor. While several companies did not provide for earliest closing dates, some had to take their issues till the last closing dates. In June, this included the issues of Maloo Polymers, Avi Polymers, Suzlon Fibres, Arham Fiscals and Rishabhdev Technocable.

Small finance companies continued to enter the market. In June, for example, 38 per cent of the total mobilisation was from the financial sector. Significantly, only 1 of the 13 issues in June went for underwriting (G.R.Industries). In the entire quarter, only 6 of the 37 issues were underwritten.

The future, according to Mr.Haldea, presently appears bleak, an indication of which is the rapidly declining number of public issue documents being submitted for clearance to SEBI. While an average of 120 public issue documents had been filed per month in the January - August 96 period, the same had fallen to only 16 per month in the September 96 - January 97 period.Subsequently, only 31 public issue documents have been filed in the February - June 1997 5-month period, giving an average of 6 per month.

No mega, or even medium-sized, issues from the private sector are lined up in the next few months. Forthcoming issues, as per **PRIME**, are only from the public sector and that too either for debt from financial institutions or equity from the banking sector. This includes the Rs.304 crore issue of Corporation Bank and Rs.152 crore issue of ICICI Bank which are expected to hit the market in the near future.

