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POOR QUALITY, HIGH QUANTITY OF PUBLIC ISSUES IN 9-MONTH PERIOD

The continued downfall in the secondary markets coupled with poor response including devolvments in several small as well as mega issues has apparently till now not affected the corporates from queuing up for raising capital. The nine-month period of the current year has surpassed the corresponding period of the last year both by number of issues as well as by amount according to Mr.Prithvi Haldea of PRIME data base.

The comparative figures are Rs.7259.66 crore (net of firm reservations) and Rs.6186.66 crore, representing a 17 per cent increase while by numbers, the increase has been 12 per cent with the number at 924 compared to 823 issues.

As a matter of fact, the period, according to PRIME, has scored significantly better by number of public issues in comparison to the same period of the previous 8 years, though lower by amount only than April-December 1993:

Period (April - December)	Public Issue	
	No. of Issues	Amount (Rs.crore)
1995	924	7259
1994	823	6187
1993	462	9531
1992	324	4439
1991	115	673
1990	88	838
1989	133	2559
1988	86	822
1987	89	529

The market conditions, however, did slow down the capital raising plans of listed companies (at premium). Little wonder, only 50 such companies went public with the balance 874 issues being initial public offerings.

Realising the poor state of the market, only 48 per cent of the total amount was called as application money and as many as 122 companies called for 25 per cent or less of the issue price as application money.

Despite this, the issues received little support from the investors according to Mr.Haldea. On an initial reckoning, 199 of the 924 companies (22 per cent) could not close their issues on the earliest closing dates. Of these, while 83 had to extend by 1-9 days, as many as 116 had to go till the last closing date. Moreover, 4 issues (Kothari Global, Rajesh Malleables, Vijayakumar Mills and Arti Securities) had to refund the application money as the collections fell short of the minimum 90 per cent.

The continued investors' apathy brought further gloom to the issuers and the intermediaries in the form of substantial devolvments. All the 3 mega issues of the recent quarter - Pittie Cement, Tamil Nadu Newsprint and Pal-Peugeot - failed miserably leading to massive support by the underwriters. In all, over 20 issues devolved during the 9-month period.

According to Mr.Haldea, much of the blame for this sorry state of affairs rests with the poor quality of issues. The large numbers till now, for example, have been primarily on account of issues from small finance companies. As many as 306 (33 per cent) of the issues were from this sector, of which only 4 issues were from financial institutions/ banks, the rest being from finance companies.

The poor quality of the issues was also reflected from the fact that a phenomenal 506 issues (55 per cent) were not appraised by any bank/ financial institution.

Moreover, as many as 568 issues (61 per cent) were not underwritten and only 39 per cent of the total public issue amount was underwritten according to PRIME. In the third quarter, a high 255 out of 353 issues (72 per cent) opted out of underwriting against 161 out of 245 issues (66 per cent) in the second quarter and 152 out of 326 issues (47 per cent) in the first quarter.

Worse, a record 18 issues were cancelled by SEBI/withdrawn on the eve of opening of subscription list, mainly due to last-minute discovery of information disclosure problems. These were the issues of Colo Writing Instrument, Ducon Environmental, Esquire Money Guarantees, Everfame Electronics, Ganesh Valley Foods, Lyons Range Finance, Mascon Technical Services, Okara Securities, Seengal Hotels, Shrijee Cotton Mills, Zenith Exports, Ginni International, Seagull Threads, Indo Dutch Leder, Sardar Dairy, Titus Industries, Five-Star Business Credits and Dairyfield. Of these, Okara and Indo Dutch later re-entered.

The period witnessed only 8 mega issues (above Rs.100 crore) including the one from IDBI and 50 issues of over Rs.10 crore. Significantly, 562 issues (61 per cent) were below Rs. 3 crore each while 784 issues (85 per cent) were

below Rs.5 crore each. Interestingly, there were 77 issues of less than Rs. 1 crore as per PRIME.

Even the post issue capital size was, on the whole, small. A high 470 companies (51 per cent) will have a post issue capital of below Rs.5 crore, 341 companies between Rs.5 crore and Rs.10 crore and only 113 companies above Rs.10 crore.

According to PRIME, a total of 401 issues were offered on a preferential basis to Non-Resident Indians aggregating Rs.731.53 crore, most of which evoked a poor response. Moreover, mutual funds/ financial institutions had preferential reservations in as many as 506 issues aggregating Rs.936.45 crore.

Bombay continued to top with 705 of the 924 companies proposing to list their issues with it. Ahmedabad ranked second with 532 issues followed by Delhi with 352 issues.

The NSE made a firm beginning in the primary markets. Against 3 issues in 1994-95, 10 issues opted for listing at the NSE during the 9-month period including IDBI, ICICI, CRB Corporation, Jindal Drugs, Pal Peugeot and Tamil Nadu Newsprint. On the other hand, OTC made a steady progress with 29 companies proposing listing with it, compared to 29 in the full previous year.