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## **BANK PUBLIC ISSUES DISAPPOINT; NOW ON THE DECLINE : PRIME**

The onset of liberalisation also saw the banking sector raise equity from the public. According to a study done by **PRIME**, the country's premier data base on the primary capital market, 21 such issues have been floated till now since 1993-94 which had witnessed the first flurry of activity with a mobilisation of Rs.1278 crore. After a fall in the subsequent 2 years, the raisings peaked to Rs.1705 crore in 1996-97.

**Mr.Prithvi Haldea, MD of PRIME states that the investors' disappointment with most such issues has seen the mobilisation fall to Rs.764 crore in 1997-98 and now to only Rs.216 crore in the first eight months of 1998-99.**

Year	No.of Bank Public Issues	Amount (Rs.crore)
1993-94	3	1278
1994-95	4	465
1995-96	2	94
1996-97	3	1705
1997-98	5	764
1998-99 (Apr-Oct)	4	216
	21	4522

Only 3 of the 21 issues were made at par; the rest raised equity at a premium ranging from Rs.10 (United Western Bank) to Rs.110 (Karnataka Bank).

**In terms of returns to the investors, the picture is not very pleasing as per the PRIME study. Of the 21 issues, 2 recent ones are yet to be listed. Significantly, of the balance 19 issues, as many as 13 are presently quoting even below their offer prices,** leave aside providing any appreciation. The 6 banks who are in the positive returns list (in descending order) are HDFC Bank, Global Trust Bank, State Bank of India, United Western Bank, Bank of Punjab and Corporation Bank.

Contrary to expectations, 6 of the 8 nationalised banks have been loss-providers to the investors. While there has been a huge appreciation in SBI and some in Corporation Bank, this sector's balance issues have collectively given a loss of nearly Rs.900 crore to the investors. The story is not very different with the other sector banks, though with lesser losses.

**Looking at it another way, Mr.Haldea stated that if a person had bought 1000 shares in each of the listed 19 issues, he would have made a loss of Rs.1,79,650 on an investment of Rs.9,77,000, a depreciation of 18 percent. While this may not appear too bad when compared to the losses in the non-banking sector, it still provides little solace as banks have always been heralded as the saviours of the primary capital market.**

**Little wonder, according to PRIME, the heydays for bank issues seem to be over in terms of response,** which were fancied in the earlier days. While the issue of Oriental Bank of Commerce had attracted 17.99 lakh applications, SBI 16.60 lakh and HDFC Bank 11.07 lakh, the only issue to cross the 5 lakh mark in the subsequent years has been the ICICI Bank issue (6.64 lakhs). Significantly, all 7 issues floated after November 1997 have managed less than 80,000 applications each.

Similarly in terms of oversubscription, which is a measure of mass appeal, while the Global Trust Bank's issue in August 1994 topped with a 57 time oversubscription followed by Federal Bank (56 times) and HDFC Bank (53 times), all issues since November 1997 have seen an oversubscription of less than 4 times.

According to **PRIME**, the nationalised banks who have made public issues are State Bank of India (Rs.1240 crore, 1993, Rs.90 premium), Oriental Bank of Commerce (Rs.360 crore, 1994, Rs.50 premium), Dena Bank (Rs.180 crore, 1996, Rs.20 premium), Bank of Baroda (Rs.850 crore, 1996, Rs.75 premium), Bank of India (Rs.675 crore, 1997, Rs.35 premium), Corporation Bank (Rs.304 crore, 1997, Rs.70 premium), State Bank of Bikaner & Jaipur (Rs.66 crore, 1997, Rs.440 premium, face value Rs.100) and State Bank of Travancore (Rs.69 crore, 1997, Rs.500 premium, face value Rs.100).

The newly set up private sector banks who have tapped the market are Global Trust (Rs.26 crore, 1994, par), Bank of Punjab (Rs.30 crore, 1995, par), HDFC Bank (Rs.50 crore, 1995, par), ICICI Banking Corp. (Rs.144 crore, 1997, Rs.25 premium), Indusind Bank (Rs.180 crore, 1997, Rs.35 premium) and UTI Bank (Rs.74 crore, 1998, Rs.11 premium).

The other non-nationalised banks to have raised equity from the public are United Western Bank (Rs.6 crore, 1994, Rs.10 premium), Federal Bank (Rs.32 crore, 1994, Rs.80 premium), Karnataka Bank (Rs.54 crore, 1995, Rs.110 premium), Dhanalakshmi Bank (Rs.40 crore, 1996, Rs.40 premium), Jammu & Kashmir Bank (Rs.70 crore, 1998, Rs.28 premium), City Union Bank (Rs.21 crore, 1998, Rs.25 premium) and South Indian Bank (Rs.51 crore, 1998, Rs.22 premium).

**The future of bank issues, according to Mr.Haldea, presently seems uncertain, specially given the rising levels of NPAs, the general state of the economy and the poor performance of the earlier bank issues.** Though there are as many as 20 banks who had announced at some time their plans to tap the market, most such announcements having been made during the buoyant days, only a couple of these may actually see the light of the day in the next few months, IDBI Bank being one of them.

As per **PRIME**, among these 20 issues are four from SBI subsidiaries : State Bank of Hyderabad (Rs.58 crore), State Bank of Indore, State Bank of Mysore and State Bank of Patiala (300).

The other nationalised banks which had announced issue raising plans are Allahabad Bank, Andhra Bank (Rs.100 crore), Bank of Maharashtra (150), Canara Bank (700), Indian Overseas Bank (450), Punjab & Sind Bank (300), Punjab National Bank (500), Syndicate Bank, Union Bank of India (900) and Vijaya Bank (360). The amounts indicated are the ones announced by the banks.

**Of the nationalised banks, PNB had come very close to making its Rs.500 crore public issue having got even its prospectus approved by SEBI in April, 1998. Poor market conditions have, however, forced a continuous deferment.**

The newly set-up private sector banks which have yet not taken the plunge but would need to do so in the near future to meet with the RBI directives include Centurion Bank (Rs.34 crore), IDBI Bank (80) and Times Bank (250), as per the **PRIME** report.