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DULL PRIMARY MARKET AWAITS SOFTWARE ISSUES

Similar to November 1998, the month of April went without a single public issue while May also witnessed the solitary bonds issue of ICICI, according to Mr.Prithvi Haldea of PRIME, the country's premier data base on the primary capital market. However, looking ahead, some sign of activity in the IPO market is appearing in the form of **increasing number of software companies which are gearing up to tap investors' funds.**

Public issues in the very near future from this sector, according to PRIME, are expected from Polaris Software (Rs.80 crore), Computech (25), SQL Star (15), Helios & Matheson (11), VMC Software (10), Akshay Software (8), Subex Systems (7), Amex Information (7) and Compudyne Infosys (2.5). Some major issues on the horizon are from Datamatics, Hughes Software and Microland.

Much of the reason for this flurry of activity is the rapid growth and profitability of the software sector and the consequent interest of the investors.

According to PRIME, in the last 10 years (1989-90 to 1998-99), a total of 137 companies from the computer industry, including hardware, software and education, had tapped the public issue market. These, among others, also included the present blue chips like Infosys, Satyam, Pentafour, Aptech, BFL, Maars, Mastek, Onward Technologies, PCS and SSI. The phenomenal capital appreciation which have been offered by these companies is now drawing increasing attention to this sector not only of the retail investors but also of FIIs as well as mutual funds, some of whom have even floated IT specific funds.

Significantly, while in 1997-98, there was not even a single issue from this sector, 4 software firms which entered the market in 1998-99 have provided the green signal. According to PRIME, all these four issues : Sonata Software (Rs.22.70 crore), KPIT Systems (11.61), Cybermate Infotek (2.15) and Shri M.M.Softek (1.75) evoked overwhelming response from the investors and have subsequently yielded handsome returns upon listing. Similar has been the success story of the Infosys ADR issue.

Unfortunately, Mr.Haldea fears that history seems to be repeating itself. Some unscrupulous promoters are again exploiting a euphoric condition to defraud the investors. According to a compilation done by PRIME, at least 40 companies, most being NBFCs, have rechristened to suggest a software activity. While most of these scrips have already been recording handsome gains in the secondary market, the possibility of several of these companies raising capital through public and/ or rights issues is quite strong.

In the overall scenario, the current fiscal, according to Mr.Haldea, may not witness any significant revival of the primary market, the reasons being investors' apathy, stringent entry barriers and generally despondent political/economic scenario. In addition to the few software and other issues, what is, however, only certain is the continuing raising of debt by the financial institutions. IDBI and ICICI have already obtained SEBI's permission to raise Rs.6000 crore and Rs.4000 crore respectively during fiscal 1999-2000, while IFCI too is planning a foray in the near future.