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EQUITY PUBLIC ISSUES REGISTER IMPRESSIVE GROWTH IN FIRST-HALF : PRIME

In the recently-concluded six month period of the current fiscal, as many as 84 equity public issues entered the market, compared to only 17 in the corresponding period of the previous year according to Mr.Prithvi Haldea of PRIME, the country's premier data base on the primary capital market. By amount too, the increase was significant; Rs.1812 crore in the current year compared to Rs.902 crore in the previous year. (The first half of 1998-99 had seen 14 equity issues for Rs.332 crore).

On the debt front, however, there was a major fall. The current half witnessed a mobilisation of only Rs.339 crore compared to Rs.2526 crore in the preceding year. Little wonder, while 74 per cent of the total amount had been mobilised through debt in the previous year, this fell to only 16 per cent in the current year.

According to PRIME, at a combined level (debt and equity), the current half witnessed 86 public issues compared to only 21 in the previous year. **Despite this, the amount raised was lower at Rs.2150 crore compared to Rs.3428 crore in the previous year.** The fall in the amount was on account of financial institutions not raising debt at the same level as they did last year. In the current half, only ICICI entered the market raising a meagre Rs.339 crore. In the preceding year, the total debt raising was Rs.2526 crore contributed by IDBI (Rs.1500 crore) and ICICI (Rs.1026 crore).

Like the previous year, the equity offerings in the current year, according to PRIME, were mainly from the ICE sector; 77 out of the total 84 issues. By amount too, of Rs.1812 crore, ICE sector dominated with Rs.1572 crore or 87 per cent of the total. While the I.T. sector raised Rs.505 crore through 66 issues, the media sector collected Rs.282 crore through 9 offerings and the telecom sector Rs.785 crore through 2 issues. **What is, however, disturbing was the flooding of the market by small issues; as many as 54 of the 77 ICE issues were of less than Rs.5 crore, with 43 of them being less than even Rs.3 crore each.**

Outside ICE, the institutional/ banking sector mobilised Rs.216 crore through 2 equity issues while 2 NBFCs raised Rs.5 crore. **The mobilisation by the manufacturing sector was only Rs.19 crore through 3 issues.**

In a significant reversal, while institutions/ banks through debt and equity had accounted for a high 84 per cent of the total mobilisation in the previous year's first half, their share fell to a low 26 per cent in the current year.

A notable development of the period, according to PRIME, was the taking off of the bookbuilding route with as many as 9 companies using this method: Aksh Optifibre, Creative Eye, Hughes Telecom, Mascot Systems, MRO-Tek, Mukta Arts, Prithvi Nandy, SIP Technologies and Tips Industries. However, the response to these issues was moderate with 6 of these 9 managing to sell only

at their floor price levels and 2 (Creative Eye and SIP Technologies) having to withdraw their offers due to lack of investors' support.

In fact, the investors' enthusiasm on the whole, according to Mr.Haldea, was lacking and nowhere near the frenzied levels which had been witnessed in the last financial year. In addition to the 2 bookbuilding issues which had to be withdrawn, 2 other issues (Arraycom and Oceana) had to refund the application money as they could not generate the minimum 90 per cent subscription. Most other issues also managed to just scrape through. The huge Rs.749 crore issue of Hughes Telecom too has reportedly faced difficulties in garnering adequate investor response.

Looking ahead at the remaining half of the current fiscal, Mr.Haldea stated there are as of now 54 companies holding SEBI approval planning to collectively raise Rs.965 crore in equity and 2 companies planning to raise Rs.12,660 crore in debt. In addition, there are 28 companies whose offer documents are presently awaiting SEBI approval proposing to raise Rs.707 crore in equity. In theory, these 82 companies should result in raising a total of Rs.14,332 crore within the current financial year. To this could be added at least a few of the other 400 plus companies who have announced IPO plans but are yet to approach SEBI.

However, with Sensex moving in the south direction and the continuing nervousness associated with valuations of the ICE sector, there could be several fallouts according to Mr.Haldea. In fact, many companies, despite holding SEBI approval, have already deferred their issue plans including Datamatics (Rs.100 crore), Paras Pharmaceuticals (150), Binary Semantics (25), Computech (21), Nimbus (100), Ampersand (25) and Microcon (17).

The silver lining, if any, for the primary market could appear in the form of PSU disinvestment through the domestic offerings route.