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Annual Review

PUBLIC ISSUES STILL DOMINATED BY DEBT IN 2000-2001 : PRIME

Fiscal 2000-2001 has ended with a lower mobilisation of Rs.6623 crore through public issues of both debt and equity compared to the preceding year which had closed at Rs.7673 crore, according to Mr.Prithvi Haldea of PRIME, the country's premier data base on primary market.

Significantly, according to PRIME, debt continued to dominate the issuances with Rs.4144 crore or 63 per cent being mobilised by debt issues. Quite like the previous years, there was no debt mobilisation by the corporate sector and this year's debt raising too was restricted to the 2 financial institutions. While ICICI at Rs.2783 crore raised more money than its last year's collection of Rs.2575 crore, IDBI raised lesser money at Rs.1161 crore than its last year's figure of Rs.2073 crore.

Financial Year	Equity (Rs.crore)	Debt (Rs.crore)	Total (Rs.crore)	Total No.of Public Issues
1994-1995	13312	0	13312	1343
1995-1996	8882	2940	11822	1428
1996-1997	4671	6977	11648	753
1997-1998	1132	1929	3061	62
1998-1999	504	7407	7911	32
1999-2000	2975	4698	7673	65
2000-2001	2479	4144	6623	124

Courtesy the bad experiences of the mid 90s, further compounded by the misadventure' with several recent IPOs, the investors have continued to show marked preference for safety. Little wonder, as per PRIME, from zero per cent in 1994-1995, the share of debt in total public issue mobilisation has been rising consistently: from 25 per cent in 1995-1996, 60 per cent in 1996-1997 and 63 per cent in 1997-1998 to a peak of 94 per cent in 1998-1999, and still continuing to be high at 61 per cent in 1999-2000 and 63 per cent in 2000-2001.

On the other hand, the amount raised through equity issues during the year, according to PRIME, fell to Rs.2479 crore. While this represented a decline of nearly 17 per cent from Rs.2975 crore raised in 1999-2000, it was still significantly higher than Rs.504 crore which was raised in 1998-1999, incidentally the worst year for the public equity issue market. Of course, the mobilisation was nowhere near the Rs.13312 crore raised in 1994-1995. It may, however, be pointed out that 1999-2000 had seen the IPO market finally emerging out of its slumber and but for the NASDAQ crash in April 2000, the mobilisation in 2000-2001 would have seen an upward climb.

Quite in line with the secondary market, **the equity issuances, as per PRIME, continued to be dominated by the ICE sector**, with the year this time belonging more to the telecom and media sector than the I.T. sector. **A high Rs.879 crore or 35 per cent was accounted for by the telecom sector through 4 issues** (compared to 1 issue for Rs.75 crore in the previous year). The I.T. sector garnered Rs.627 crore or 25 per cent despite a high 83 issues (a fall from Rs.1492 crore raised last year by only 36 companies). In addition, Rs.456 crore or 18 per cent was raised by 14 media companies (compared to Rs.125 crore raised by 2 companies last year). The ICE sector thus accounted for over 79 per cent of the total equity mobilisation.

The manufacturing sector, as per PRIME, continued with its pathetic performance. It witnessed a mobilisation of only Rs.42 crore by 7 companies, much lesser than Rs.732 crore raised by 8 companies last year. Additionally, Rs.361 crore was raised by 3 banks and Rs.113 crore by 4 NBFCs.

By numbers, the year witnessed 124 issues, up a significant 91 per cent from 65 issues in 1999-2000, though nowhere near the high of 1428 issues in 1995-1996. It might be noted that despite an almost 100 per cent rise in the number of issues, the amount mobilised was still less than the preceding year.

Significantly, 13 issues were made during the year through the book-building route compared to 5 in the previous year. While 6 of these issues were from the media sector, 5 came from the telecom sector. In all, the book-built issues accounted for 58 per cent of the total equity raised during the year.

Unlike the previous year when all ICE sector issues were hugely oversubscribed, **the response to most issues this year, according to PRIME, was poor to moderate**. In fact, 2 issues (IT&T and Hughes Telecom) devolved on the underwriters and as many as 5 issues (Ador Powertron, Arraycom, Geekay, Globsyn and Oceana Software) had to refund application money for failing to mobilise the minimum subscription. In addition, the book-building issues of SIP Technologies and Creative Eye had to be withdrawn after launch due to extremely poor response, though Creative Eye subsequently relaunched its issue at a much lower price.

PRIME had repeatedly cautioned against the growing belief during 1999 and early 2000 that the IPO market had revived. PRIME had considered this more a result of a sectoral frenzy and had stated that the number of issuance was still too small to herald it as a revival. Such beliefs, PRIME had opined, would take away the attention of the regulators and the market participants from the several ills affecting the primary market, many of which in fact had begun to resurface. No wonder, the IPO market collapsed in mid-2000, much before the downfall of the seconday market in March 2001 which has now made the situation for IPOs only worse.

There is probably a silver lining in the crash, according to Mr.Haldea. It has put brakes on a large number of par IPOs from untested companies on one hand and would hopefully bring more sanity in pricing by the existing companies on the other. There are over 500 IPOs presently waiting in the wings, of which over 75 are holding SEBI approval.

A good way to kickstart the primary market, according to Mr.Haldea, surely would be for the Government to seriously rethink its divestment strategy, by offering shares of blue chip PSUs to retail investors at attractive prices.