PRIME DATABASE

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ONLY RS.1868 CRORE THROUGH PUBLIC ISSUES IN 1ST HALF, BUT STRONG PIPELINE: PRIME

Despite a sustained boom in the secondary market, the trigger off by the Maruti offer and the general feel-good about IPOs, the first half of the current fiscal 2003-04 still turned out to be poor for the primary market. **According to Mr. Prithvi Haldea of PRIME, country's premier database on the primary capital market, both the number of issues and amount raised through public issues did not come anywhere close to market expectations at the beginning of the year or after the huge success of the Maruti IPO in June.**

In terms of amount raised, the first half ended with a mobilisation of only Rs.1868 crore, through both debt and equity issues according to PRIME. Significantly, of this only Rs. 505 crore was raised in fresh equity: Rs. 265 crore through IPOs of UCO Bank (240), BAG Films (15) and Lux Hosiery Industries (10), and Rs. 240 crore through secondary equity offering of Indian Overseas Bank. Of the rest, Rs. 1020 crore came from the offers for sale of Maruti Udyog (993) and Vardhman Acrylics (27) and Rs. 343 crore through a bonds issue of ICICI. Nevertheless, the total mobilisation turned out to be 136 per cent higher than the corresponding period of the preceding listless year which had seen issues worth only Rs. 792 crore.

By number, the first half witnessed only 7 public issues as per PRIME. This again represented a 133 per cent rise from the poor 3 issues in the corresponding period of the preceding year. However, in perspective, the 7 issues represented a huge decline from 86 issues seen in the first half of 2000-01.

Financial Year (April-Sept)	Equity (Rs.crore)	Debt (Rs.crore)	Total (Rs.crore)	Total No.of Public Issues
1999-00	874	2526	3400	21
2000-01	1812	505	2316	86
2001-02	9	988	997	7
2002-03	498	294	792	3
2003-04	1525	343	1868	7

Source:PRIME Database

According to Mr. Haldea, the primary market is yet to recover from the bad experiences of the mid 90s, compounded by the losses incurred in most IPOs of the previous 3 years and the securities scam of 2001, all of which made the investors prefer safety, as represented by debt. It is indeed alarming that the last 7 years have seen a collective mobilisation of only 13882 crore, which is about the same as the single year mobilisation of Rs.13312 crore in 1994-95.

According to PRIME, significantly, Rs. 480 crore or 32 per cent of the total equity raised during the period was raised by PSU banks and Rs. 993 crore or 65 per cent by an erstwhile PSU. From the private sector, only 3 companies raised a meagre Rs. 52 crore or 3 per cent.

On an industry wise basis, Rs. 823 crore or 44 per cent of the total resources were raised by the financial sector, while the manufacturing and services sectors combined to garner Rs. 1045 crore.

According to Mr. Haldea, the most notable development of the period was the deliberate under-pricing of IPOs, leading not only to healthy oversubscriptions but also to handsome post-listing gains to the investors. The lessons are clearly to be learnt. In times as exist today, what is going to be successful is the ideal combination an investor wants - a sound company with a reasonable price. As the Maruti and the bank issues have proved, there is, of course, enough liquidity to see good issues through. On the other hand, there is just no appetite for good companies who may want a reasonable or an aggressive issue pricing and surely the investors will totally reject 'bad' companies, however, attractive the price is or is made to appear.

Mr. Haldea feels that the overwhelming success of the Maruti and bank IPOs seems to in some ways have triggered the process of revival of the primary market. Investors have, of course, primarily returned **not only due to the fundamentals but also the 'safety' perceived with PSUs.** With almost all investment opportunities drying up and the constant lowering of interest rates, **the present IPO scenario looks very attractive for the investor.**

According to PRIME, Already nearly 100 IPOs are in the active pipeline and this includes only such companies that have announced their plans in the recent past. These aggregate a phenomenal Rs.22, 000 crore. **If even a few of these IPOs make it to the market in the near future, it would not only pave way for scores of other companies, but also give the long-awaited breadth to our secondary market.**