

30<sup>th</sup> May, 1996

## **PUBLIC ISSUE DELUGE CONTINUES IN MAY**

The elections, bridled as these were this time with a lot of uncertainty, have not had a major impact on the primary capital market according to Mr.Prithvi Haldea of **PRIME**, the country's premier data base. The market was flooded by as many as 73 public issues during the month. This, however, marked a fall from 105 issues in April, 159 issues in March, 184 in February and 161 in January.

The major redeeming feature in May has been the Rs.400 crore bonds public issue from ICICI, which took the total mobilisation to Rs.675 crore, up from Rs.378 crore in April. The mobilisation in the earlier months was Rs.1735 crore in March, Rs.1377 crore in February and Rs.614 crore in January.

The month witnessed the first book-building issue subsequent to the new SEBI guidelines. The Rs.1000 crore bonds issue from ICICI had Rs.600 crore book-building option with the remaining Rs.400 crore offered as a public issue.

As far as the public response is concerned the same has been pathetic according to **PRIME**. On an initial reckoning, many companies of the first 3 weeks of May, for which the data is presently available, could not close their issues on the earliest closing dates. The issues which had to extend till the last date include Brother Floratech Gravity Silk Mills, Brilliant Estates, Chirawa Cements, Arun Fintrade and SKA Holdings.

Like in several months before, in May too four issues were cancelled/ withdrawn on the eve of the opening of their subscription lists. These were the issues of Sea King Engineers, Ramanuj Finance, Dunroll Tyre and Usha Martin Finance Corporation.

As per **PRIME**, but for the ICICI issue, there were only 2 above Rs.10 crore issues during the month these being from Asian Star and Sunrise Securities. The market in May was again characterised by a large number of small issues with 34 of the 73 issues (47 per cent) being below Rs.3 crore, of which 3 were even below Rs.1 crore. However, like the previous month, the predominance of issues from finance companies suffered, courtesy the SEBI guidelines imposed in October last year. Only 21 of the 73 issues (29%) were from this sector like 26 per cent in April compared to 32 per cent in March and 40 per cent in February.

Premia issues continued to be a casualty. Only 9 of the 73 issues in May were offered at a premium with the only high premia (above Rs.50) issues being from Asian star (Rs.65) and Archies (60) as per **PRIME**.

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Courtesy the elections in the first fortnight, there was an unusual bunching of issues only in the second half of the month with 50 out of 73 issues. On 22nd, as many as 11 issues opened for subscription followed by 10 on the 23rd.

According to Mr.Haldea, as far as the immediate future is concerned, some hope of improvement was visible when the BJP was invited to form the Government. However, its resignation on the 28th has again led to some uncertainty. The rush would now start in the later part of July but only if the alternative Government provides stability and continuation of economic reforms.