

31st July, 1996

BONDS ISSUES OVERWHELM PRIMARY MARKET IN JULY

Debt issues which have dominated the market in the previous 5-6 months, again played a major role in July according to Mr.Prithvi Haldea of **PRIME**, the country's premier data base on the primary capital markets. The month witnessed 2 mega debt issues : Rs.800 crore from IFCI and Rs.500 crore from SCICI. Such issues, however, have been mainly confined to the financial institutions except in June which had 2 private sector companies.

The total mobilisation through public issues in July, little wonder, aggregated Rs.1675 crore which is much higher than Rs.684 crore in June, Rs.675 crore in May and Rs.378 crore in April. The mobilisation in the earlier months were Rs.1735 crore in March, Rs.1377 crore in February and Rs.614 crore in January.

According to **PRIME**, continuing the buoyancy of the previous month, as many as 99 companies tapped the market in July with public issues. This was, however, lower than 127 issues during June. In the earlier months, there were 73 issues in May, 105 in April, 159 in March, 184 in February and 161 in January.

The response to the issues, however, remained poor. Of the issues which opened in the earlier half of July, several have had to take their issues till the last closing dates. This included the issues of Shripet Polymers, Siddhartha Pharmachem, Indotech Capital Market, Interworld Fashion, Kumbh Finance, Priyadarshini Fabs, Ganga Pharmaceuticals, Zodiac Cements, Durolam, Demisha Builders, Deegvijay Electronics Sharadraj Tradefin, Kwality Builders, Lotus Homes, Pilaniwala Textiles, Malvica Engineering, Nada Dyes, Anan Drug, Montage Housing and Numero Uno Projects.

Significantly, as per the **PRIME** analysis, only 7 of the 99 issues were underwritten during the month. These were of Shripet Polymers, Priyadarshini Fabs, Ganga Pharmaceuticals, Mark Marbles, MF Papers, Blue Information Technologies and SBEC Sugar. Interestingly, the first three had to extend their issues till the last date.

Compared to 3 in May and 10 in June, there were only 5 issues of Rs.10 crore plus during July, these being from IFCI (Rs.800.00 crore), SCICI (500.00), SBEC Sugar (31.75), Jord Engineers (16.04) and Greenview Power Projects (13.72).

The market in July again had a large number of small issues; 46 of the 99 issues (46 per cent) were below Rs.3 crore, of which 1 was even less than Rs.1 crore. However, like the previous 3 months, the dominance of issues from finance companies suffered. Only 29 of the 99 issues (29 per cent) were from this sector, quite similar to 28 per cent in June, 29 per cent in May and 26 per cent in April though lower than 32 per cent in March and 40 per cent in February.

During the month, the issue of Sai Krishna Capitals had to be withdrawn just on the eve of the opening of subscription list due to foreign collaborators funds not coming in as declared in the prospectus. This has brought the total to 15 issues which have been cancelled/ withdrawn since April literally at the last moment as per the **PRIME** database.

According to Mr.Haldea, the promoters of prospective premia issues remained hesitant. Only 8 of the 99 issues in July (compared to 24 out of 127 in June) were offered at a premium, with the only high premia issue being from Numeric Power Systems (Rs.65).

Courtesy the April 1996 guidelines of SEBI, the significant slowdown in the number of new issue documents being submitted for vetting is continuing. A total of 143 documents had been filed in February, which rose to 221 in March and further to 392 in April. The same, however, fell to only 90 in May and further down to 51 in June (and to only 44 in the first 3 weeks of July).

Nevertheless, as per Mr.Haldea, there does not appear to be any imminent danger of the primary market drying up. In addition to 416 issues presently holding valid SEBI approvals, there are another 717 issues which are currently pending with SEBI for vetting (as on 19th July 1996). These issues will, as such, ensure a fairly active primary market even in the coming months.

The domination in the near future may, however, again be from bond issues. In addition to several PSUs and financial institutions, some of the forthcoming debt issues from the private sector include Larsen & Toubro (Rs.500 crore), TISCO (500), Nirma (153), Kotak Mahindra Finance(100) and 20th Century Finance (75).