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BONDS OVERWHELM PRIMARY MARKET IN SEPTEMBER

Debt issues, which have been dominating the market over the past several months except August, again hogged the limelight in September according to Mr.Prithvi Haldea of **PRIME**, the country's leading data base on the primary capital market.

However, unlike earlier, when financial institutions had been the major players, the debt issues this time were from the private sector : TISCO, L&T and Arvind Mills. Interestingly, all these three issues went for bookbuilding, offering an aggregate amount of Rs.760 crore through this route and keeping an amount of Rs.340 crore through public issues.

Regrettably, as per the reports presently, available, all these 3 issues have not been able to garner sufficient interest either at the institutional or at the retail level. According to **PRIME**, the response to the other issues of the month too has been extremely poor. Of the issues which opened in the earlier half of September, several have had to take their issues till the last closing dates. This included the issues of Garnet Paper, RKS Agro Tech, Shree Balram Paper Mills, Indo-City Trades, Greenfield Capital, Forward Financial Services, Amba Enterprises, Prakash Oils, Zen Yarns, Idma Laboratories, Panggo Exports, Viraj Forgings, Nak Securities, Rashi Credit and Vardhan Capital.

Suggesting poor market sentiments is also the fact that only 8 of the 87 issues of the month were underwritten. These were the issues of Ucil Leasing, Zen Yarns, Medicorp Technologies, TISCO, L&T, Arvind Mills, Suryalakshmi Cotton Mills and Vero President Systems. Significantly, all the 3 private sector bond issues went for underwriting.

Given the market scenario, Mr.Haldea is of the view that only the public sector is expected to dominate the immediate future with IDBI (Rs.1000 crore), ICICI (1000) and Konkan Railway (150) planning to soon hit the market with debt issues.

As far as mega premia equity issues are concerned, BPCL has already decided to pull out its forthcoming Rs.450 crore issue and only Dena Bank's Rs.180 crore issue is likely in the near future. Also under active planning are the issues of Canara Bank (Rs.1000 crore) and Bank of Baroda (1000). On the other hand, the only private sector mega public issues on the horizon, according to **PRIME**, are expected from Amitabh Bacchhan Corp. (Rs.225 crore), DLF Power (195) and Amer Ship Management (107).

Courtesy the debt offerings, the total mobilisation through public issues in September aggregated Rs.639 crore, much higher than Rs.348 crore in August though lower than Rs.1674 crore in July, Rs.684 crore in June and Rs.675 crore in May though higher than Rs.383 crore in April.

The number of issues, as per Mr.Haldea, continued at a high level with as many as 87 companies tapping the market in September. This was almost similar to 86 issues in August though lower than 99 issues in July and 127 issues during June. In the earlier months, there were 73 issues in May and 105 in April.

Compared to 3 in May, 10 in June and 5 each in July and August, September had 4 issues of Rs.10 crore plus, these being from TISCO (Rs.150.00 crore), L&T (150.00), Arvind Mills (40.00) and Suryalakshmi Cotton Mills (14.78).

As per the **PRIME** analysis, the market in September again witnessed a flurry of small issues; 42 of the 87 issues (48 per cent) were below Rs.3 crore, of which 4 were even less than Rs.1 crore. Worse, the dominance of issues from finance companies continued with as many as 32 of the 87 issues (37 per cent) being from this sector, quite like 40 percent in August though unlike 26 to 29 percent in April - July period.

During the month, the issues of GTC Global and Zytel Investments had to be withdrawn just on the eve of the opening of subscription list. This has brought the total to 21 issues since April which have been cancelled/ withdrawn literally at the last moment.

Premia issues continued to remain out of sight in September too. Only 9 of the 87 issues in September (11 out of 86 in August, 8 out of 99 in July) were offered at a premium, with the only high premia issue being from Suryalakshmi Cotton Mills (Rs.40.00).

There continued to be a significant slowdown in the number of new issue documents being submitted for vetting to SEBI as per the **PRIME**, data base. 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, 51 in June, 49 in July, 51 in August and on to only 27 in September upto the 20th September.