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ONLY 25 PUBLIC ISSUES HIT MARKET IN NOVEMBER

November continued to reel under the impact of total apathy of new issue investors coupled with the SEBI entry barrier guidelines of April 1996 according to Mr.Prithvi Haldea of **PRIME**, the country's leading data base on the primary capital market. From an already low of 41 in October, the number of public issues in November fell to only 25. The last time the number of issues in a month was lower than this was in July 1993 which had 24 issues. Little wonder, there have been only 643 issues in the current April-November 1996 period, compared to 778 issues in the corresponding period of 1995, representing a 17 per cent decline.

Significantly, premia issues became the worst sufferers. Such issues, which in any case had been declining over the past several months, disappeared totally in November. The number of such issues had been 2 out of 41 issues in October, 9 out of 87 in September, 11 out of 86 in August and 8 out of 99 in July.

Worse, according to **PRIME**, underwriting reached the lowest-ever ebb. Poor investor response resulting in the fear of devolvments led to only 1 of the 25 issues in the month being underwritten. This was the Rs.3 crore issue of J.L.Knit which too had to be kept open till the last closing date despite the fact that it called for only Rs.2.50 as application money.

It may be mentioned here that the number of issues had continued at high levels in the past few months despite declining market conditions. During April-September, as many as 577 public issues had hit the market, giving an average of 96 issues per month. There were 87 issues in September, 86 in August, 99 in July, 127 in June, 73 in May and 105 in April.

These high numbers, according to Mr.Haldea, had come about because of the spate of offer documents which had been filed with SEBI for approval prior to the announcement of the guidelines as also due to a hope that the markets would revive. Moreover, there were a large number of so-called 'technical' issues.

The April guidelines and poor market conditions led to a continuing slowdown in the number of issue documents submitted for vetting to SEBI. While a total of 896 documents had been filed in the four month January - April period, the same fell to only 285 in the six month May - October period and has fallen now to only 20 in November upto the 23rd November.

As per **PRIME**, debt issues, which have been dominating the market over the past several months except August and October, re-appeared in November and actually rescued the month. Nearly 84 per cent of the month's total amount was raised through the debt offerings of Rs.400 crore (Maharashtra Krishna Valley Rs.250 crore and Konkan Railway Rs.150 crore).

Courtesy these 2 debt issues, the total mobilisation through public issues in November reached Rs.477 crore, 51 per cent higher than Rs.316 crore in October. The amounts in the earlier months were Rs.1399 crore in September, Rs.348 crore in August, Rs.1674 crore in July, Rs.684 crore in June, Rs.1275 crore in May and Rs.383 crore in April.

The response to the issues in November, according to **PRIME**, continued to be extremely poor. Of the 18 issues which opened till 22nd November, as many as 8 had to take their issues till the last closing dates. This included the issues of Mobile Telecommunications, Tirupati Luke, Aarbee Hire Purchase, Yama Finance, J.M.B.Commercial Credit, Graphic Finance, Bhaskar Shrachi Alloys and J.L.Knit.

Significantly, faced with poor market conditions, 8 issues of the month did not even provide for an earliest closing date, these being Hotel Silver Plaza, Unnati Mercantile, Surnidhi Investment, Kinetic Capital Services, Roses Floriculture and DB Capital Services as well as the 2 bonds issues which also followed this route.

The market in November again witnessed a dominance of small issues; 12 of the 25 issues (48 per cent) were below Rs.3 crore. Finance companies continued to enter the market with 8 of the 25 issues (32 per cent) being from this sector. This was, however, lower than 39 per cent in October, 37 per cent in September and 40 percent in August though higher than 26 to 29 percent in April - July period as per **PRIME**.

During the month, the issue of KNA Printers & Publishers had to be withdrawn on the eve of the opening of subscription list. This has brought the total to 23 issues since April which have been cancelled/ withdrawn literally at the last moment.

According to Mr.Haldea, in the present scenario, the proposed mega or premium issues from the private sector, on whom the investors confidence has almost totally vanished, will continue to remain on hold and only the public sector is expected to dominate the immediate future. To December's rescue is the Rs.850 crore mega issue from Bank of Baroda. The other mega offerings expected to hit the market are the debt issues of IDBI (Rs.1000 crore) and ICICI (1000) and the premium equity issues of Canara Bank (1000), Bank of India (750) and Corporation Bank (250).