

28<sup>th</sup> February, 1997

## **FINANCE SECTOR CONTINUES TO DOMINATE THE MARKET**

Over 65 per cent of the total mobilisation through public issues in the first 11 months of the current fiscal has been from the financial sector according to Mr.Prithvi Haldea of **PRIME**, the countrys leading data base on the primary capital market. Significantly, in each of the preceding 3 months of December, January and February, this sector's share has risen to nearly 90 percent of the total mobilisation.

By numbers too, the dominance of finance sector is continuing. During the 11 month period, 257 of the 738 issues (or 35 per cent) have been from this sector. In February, as many as 11 of the 24 issues (54 per cent) were from this sector.

It appears that the dominance, even in the near future, would be of the finance sector. In March, the ICICI Rs.750 crore bond issue is expected, followed by the mega offerings from Canara Bank (Rs.1000 crore) and Corporation Bank (250) in the early part of next fiscal as per **PRIME**.

The manufacturing sector, on the other hand, is literally at a standstill. For example, of the total raisings of Rs.828 crore through public issues in February, only 11 per cent was mobilised by the manufacturing sector.

Little wonder, according to **PRIME**, the total project cost of private sector companies which have made public issues has fallen from Rs.12121 crore in 1995-96 to only Rs.5187 in the first 11 months of the current fiscal.

Raisings at premium have become near-extinct, with only 3 such issues in February. Of these, 2 were from the public sector (Bank of India and GSFC) and 1 small issue from the private sector (Beekay Engineering). Earlier, January had only par issues, December had just one premium issue while November also had only par issues. Thus, in the previous 4 months, there have been only 4 premium issues, 3 of which have been from the government sector (including Bank of Baroda which had an issue in December).

As per **PRIME**, the number of public issues in February decreased to 24 against 34 in January. During April-September, as many as 577 public issues had hit the market, giving an average of 96 issues per month. The fall came in October which had only 41 issues followed by 24 in November and 38 in December.

The Bank of India mega issue of Rs.675 crore helped the total mobilisation through public issues in February reach Rs.828 crore, though it still fell short of Rs.901 crore raised in January. The amounts in the earlier months, including retention of oversubscriptions, were Rs.951 crore in December, Rs.574 crore in November, Rs.315 crore in October Rs.1399 crore in September, Rs.348 crore in August, Rs.2111 crore in July, Rs.684 crore in June, Rs.1275 crore in May and Rs.383 crore in April

According to Mr.Haldea, the public response to issues in February continued to be poor though the Bank of India issue managed an oversubscription.Of the other issues, several had to take their issues till the last closing dates. This included the issues of Kolar Securities Services, Nexgen Floritech, ORV Castings, SCI International Securities,Lalji Manekji Industries, Bazaz Commerical, Kaveri Telecom, Goldline Enterprises and Sudev Chemicals.

The number of public issue documents submitted for clearance to SEBI continues to decline. While an average of 194 public issue documents had been filed per month in the January - April period, the same fell to only 50 per month in the May - August period and fell dramatically to only 16 per month in the September-December period. In January, only 16 public issue documents and in February (upto 25th February 1997), only 7 public issue documents have been filed.

All hopes are now resting on the budget to improve the secondary market,which will need to show significant improvements in the cash scrips before the investors come back to the new issue market.