

23rd July, 1997

ONLY 3 PUBLIC ISSUES FOR MEAGRE RS.3 CRORE IN JULY

The primary capital market has hit a nadir in July 1997 with only 3 public issues and these too collectively raising a meagre Rs.3 crore according to **PRIME** data base. Even these 3 issues are not worth any mention, 2 are from small finance companies and 1 from a small trading company.

Mr.Prithvi Haldea of PRIME stated that this has been the worst ever month for the primary market ever since SEBI came into active being in June 1992. As a matter of fact, the last decade has seen only one worse month, this being June 1991 which had only 1 public issue for Rs.59 lacs. The other months with low mobilisations (less than Rs.20 crore) have been March 1989 with Rs.7 crore, May 1991 with Rs.19 crore and July 1991 with Rs.19 crore.

It is now for the fourth month in succession that the primary market has witnessed an extremely low level of mobilisation through public issues. The Rs.3 crore mobilisation in July represents a substantial fall from even the poor earlier months' figures : Rs.53 crore in June, Rs. 72 crore in May and Rs.73 crore in April. The number of issues at 3 too is low compared to 13 in June, 9 in May and 15 in April.

The first four months of the current fiscal, according to **PRIME**, have as such seen only 40 public issues raising a meagre Rs.201 crore compared to 404 issues aggregating Rs.4453 crore in the corresponding four months of the previous fiscal. **This represents an alarming 95 per cent decline in amount mobilisation and a 90 per cent fall in number of issues.**

Significantly, the first four months have been marked by a total absence of debt issues, which had dominated the entire previous year. Also missing are mega equity issues both from the public and private sector.Premium issues too have remained in the cupboards with no such issue in July. In fact, in the previous 9 months, there have been only 10 premium issues, 3 of which have been from the public sector.

Poor resource mobilisation is increasingly affecting the country's industrial growth, specially new projects. Public issues of 1992-93 had helped finance industrial projects worth Rs.15923 crore which had risen to Rs.38182 crore in 1994-95. The same, however, fell to only Rs.14040 crore in 1995-96 and to a low Rs.6925 crore in 1996-97 as per the **PRIME** study.

Worse, equity mobilisation has been taking a consistent beating, down from Rs.13312 crore in 1994-95 to Rs.8882 crore in 1995-96 to only Rs.4671 crore in 1996-97. In fact, of the total mobilisation of Rs.11648 crore through public issues in 1996-97, over 60 per cent was debt.

There appears no revival in the near future. Forthcoming issues are only from the banking sector. This includes the Rs.145 crore issue of ICICI Banking Corporation in August and Rs.304 crore issue of Corporation Bank in September. Also on the

horizon, among others, are issues from State Bank of Bikaner & Jaipur, HDFC Bank, Indusind Bank and Centurion Bank.

The continuing buoyancy in the secondary market has not brought any cheer to the primary market. What is surely required are measures revive the investors' faith in new issues. According to Mr.Haldea, one of these could be to allow profit-making companies to enter the market instead of only the 3-year dividend paying companies as permitted under the extremely retrograde entry barrier guidelines introduced by SEBI in April 1996.

As most closely-held companies never paid dividends due to double taxation problem which existed in the past, the number of such companies is extremely low. The SEBI guidelines have as such totally stalled the market, an indication of which is the rapidly declining number of public issue documents being filed with SEBI for clearance. From an average of 149 documents per month in the January - June 1996 period, the figure fell to only 24 per month in the July - December 1996 period and now to only 8 per month in the January - June 1997 period as per **PRIME**.

