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## INVESTORS DESERT PRIMARY MARKET IN 1996-97: PRIME

The PRIME Annual Report on response to public issues released today reveals investors' pathetic response in 1996-97. **Only 62 (8 per cent) of the 721 issues managed oversubscription** compared to 532 issues (39 per cent) in the preceding year.

Additionally, a high 591 issues managed to just about pull through. This, according to Mr.Prithvi Haldea of PRIME, is neither an indication of the real market response nor of perfect pricing but more of the 'extra' efforts put in by the promoters to get subscriptions either from 'friends and associates' or through a loan from finance/investment companies or through an assured off-the-record buy-back scheme agreed to with financiers. Obviously, this effort was somehow the escape the minimum subscription clause.

The helpless ones who could not manage the above route **had to refund the entire application money to the investors for failing to meet the 90 per cent subscription clause. In this lot were 52 companies (compared to 19 in the previous year). In addition, 16 underwritten issues failed and devolved, as per the PRIME report.**

On the heavy response side, only 17 issues (2 per cent) sold more than 3 times each, compared to 281 issues (21 per cent) in 1995-96 and 823 issues (60 per cent) in 1994-95.

During 1996-97, a total of 753 public issues had entered the capital market. An analysis of the response to 721 of these issues for which the data has been compiled by PRIME, the country's premier data base on the primary capital market, reveals an alarming absence of investors. (The balance 32 issues for which the data is not presently available are small issues under listing dispute).

**According to PRIME, flight of the investors is further revealed by the fact that as many as 682 or 95 per cent of the total issues in 1996-97 managed to attract less than 5000 investors each on an all-India basis, worse than 1995-96 when 1191 or 87 per cent of the total issues had fared so badly. The earlier years had seen a better market. In 1994-95, only 87 per cent of the 1320 issues had evoked such poor response while in 1993-94, the figure was a low 20 per cent of the 746 issues.**

The following table clearly illustrates the flight of the investors from the primary market.

No. of Investors	No. of Issues 1996-97	%	No. of Issues 1995-96	%	No. of Issues 1994-95	%
Below 250	85	12	106	8	4	0.3
251 -1000	134	19	509	37	86	6
1001 - 5000	463	64	576	42	389	29
5001 - 25000	24	3	162	11	476	36
25001 -100000	6	1	27	2	264	20
Above 100000	9	1	5	0.4	101	8
	721	100	1385	100	1320	100

Of the 14 mega issues of above Rs.100 crore in 1996-97, only 9 attracted more than 1 lakh investors each, these being IFCI (6.45 lakh applications), Bank of India (3.83), IDBI (3.68), ICICI (2.91), ICICI (2.90), Bank of Baroda (2.70), MKVDC (2.67), SCICI (1.72) and TISCO (1.61). Significantly, all except TISCO, were from the government sector. Moreover, 7 of the 9 above issues were of bonds. In 1994-95, as many as 101 issues (8 per cent) had crossed the 1 lakh mark while in 1993-94, a total of 138 issues (19 per cent) had qualified in this category as per **PRIME**.

Significantly, no issue managed to cross the 10 lakh application mark. In 1995-96, IDBI had collected 19.29 lakh applications while in 1994-95, the issues of Jindal Vijaynagar Steel, Oriental Bank of Commerce, Rajashree Polyfil, HDFC Bank and LIC Housing Finance had attracted more than 10 lakh applications each with Jindal Vijaynagar topping at 28.15 lakh applications.

The larger picture of investors' apathy, according to **PRIME**, becomes clearer from the data on aggregate applications received during a year. In 1994-95, a total of 5.11 crore applications were received for the year's 1340 public issues (which in any case had fallen from an all-time high of 8.04 crore applications in 1992-93). This fell down drastically to only 72 lakh applications in 1385 issues during 1995-96 and **now to a further low of 45 lakh applications in 1996-97**.

Except for Bank of Baroda, Bank of India and Dena Bank who attracted significant response, other premium issues were badly hit with over 88 per cent of these failing to obtain genuine oversubscriptions. The investors did not respond even to par equity issues, despite some excellent investment opportunities; with 92 per cent of such issues evoking poor response.

**According to the PRIME study, the response to issues offered to NRIs was even more dismal.** All the 412 issues failed to elicit the targeted response and the total number of applications from NRIs trickled down to a meagre 8,350, down from 19,700 in 1995-96, 1,88,000 in 1994-95, 5,29,000 in 1993-94 and 4,57,000 in 1992-93.