

2nd February, 1998

ELECTIONS FURTHER DAMPEN PUBLIC ISSUE MOBILISATION

Suffering from a host of adverse factors, further compounded by the impending elections, the secondary market has been showing a major downward trend. This has also had an unfavourable impact on the fortunes of the primary capital market. With potential issuers already down to a very low number, the remaining few are also not willing to take any chances in the prevailing uncertain scenario according to Mr.Prithvi Haldea of **PRIME**, the country's premier data base on the primary market.

The few public issues which had already obtained SEBI's approval but whose plans to tap the market now seem to be on hold include Dewan Sugars (Rs.23 crore), Tej-Gaurav Industries (10), Sagar Power (6), Aryaman Financial (6), Jaldhara Pumps (5), Superfine Embroideries (4) and Sandhya Finance (1).

The only mega private sector issue from Nirma for Rs.350 crore is also suffering from the same fate despite having obtained SEBI's approval way back in November.

According to PRIME, the two public sector mega issues which had reached the final stage of filing their offer documents with SEBI have also deferred their issues indefinitely, these being the Rs.500 crore issue from PNB and Rs.62 crore issue from VSNL.

Interestingly, a few companies have still dared to file their offer documents with SEBI in the recent period, though approval is still awaited. These include Abhishek Spinfab (Rs.36 crore), Sukumar Estates (14), Sun Paper Mill (8), Baid Mercantile (5), Srijan Architects (5) and JRD Finance (2). If upon getting SEBI approval, whether these will enter the market before the elections is a moot question.

The primary capital market, as per the PRIME report, continues to be in a pathetic state. January witnessed only 3 public issues, of which 2 were for debt mobilising Rs.775 crore (Rs 750 crore from IDBI and Rs.25 crore from AMC). The sole equity issue was from a small finance company for Rs.27 lakhs.

According to Mr.Haldea, the present state of the market paints only a gloomy picture for the year 1997-98. The current fiscal, in the first ten months, has seen only **59 public issues raising a meagre Rs.2199 crore** compared to 714 issues aggregating Rs.9691 crore in the corresponding period of the previous fiscal. **This represents an alarming 77 per cent decline in amount mobilisation and a 92 per cent fall in number of issues.** The corresponding figures in 1995-96 were 1086 public issues for Rs.8066 crore.

Public issues seems to have become a monopoly of the Government, with its share in the total mobilisation growing from a miniscule 9 per cent in 1994-95 to a high 81 per cent in the current April - January period.

Also significant, as per PRIME, is the dominant role of the financial institutions and banks whose raising in the first 10 months of the current fiscal constitute 82 per cent of the total mobilisation. **The manufacturing sector, little wonder, has been having little success** and this lack of matching equity is preventing the flush-with-funds banks from disbursing debt to the corporate sector, leading to an industrial slowdown.

Mr.Haldea feels that the chances of revival of the primary market appears remote, specially for the private sector. An indication of what is in store can be gauged by the alarming decline in the number of public issue documents 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, **8 per month in the January - June 1997 period and to only 5 in the July - December 1997 period.** During the first 3 weeks of January, only 4 documents have been submitted to SEBI for clearance.

Offerings on the horizon, and surely beyond the elections, are still very few and are almost all from the public sector or from banks. Equity issues lined up from PSUs include IBP, State Bank of Hyderabad, Indian Overseas Bank, Numaligarh Refinery and Bharat Petroleum, as well as GDR-linked disinvestments by VSNL, MTNL, IOC, Container Corporation, Oil India and GAIL, among others.

Some issues from the private sector banks may also hit the market: IDBI Bank (150), Centurion Bank (34), Times Bank (250) and UTI Bank (60).

The full impact of the coming elections on the primary market would be felt in February and March. As per the data presently available, these 2 months may witness only a couple of issues each. According to Mr.Haldea, the tempo, if at all, would pick up in the later part of April once, and if, a new and stable Government comes in place. Also to help revival would be the need to revise the SEBI's entry barrier guidelines which have almost choked the market.