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PRIMARY MARKET DOWN TO ONLY 1 PUBLIC ISSUE IN JULY

The primary capital market continues to be on a course of further pathetic decline according to Mr.Prithvi Haldea of PRIME, the country's premier data base on the primary capital market. July witnessed only one public issue, and that too was a debt issue (from ICICI).

The current fiscal in the first four months has, as per **PRIME**, seen only **11 public issues raising a meagre Rs.897 crore,** compared to 62 issues aggregating Rs.3061 crore in full 1997-98 and 753 issues for Rs.11648 crore in full 1996-97.

It is now for the **thirteenth month in succession** that the primary market has witnessed an extremely low level of activity in public issues. Since July 1997, there have been only 37 public issues. While July 1998 had 1 public issue, the earlier monthly figures have also been equally dismal : June (5), May (3), April (2), March (2), February (0), January (4), December 1997 (6), November (4), October (4), September (1), August (3) and July (2).

The worst victims are the corporates who have had to shelve or defer their capital-raising plans. **Only Rs.83 crore representing 9 percent of the total funds raised in the four-month period of the current fiscal have been from the manufacturing sector, down from a high 83 per cent in 1994-95.**

On the other hand, financial institutions and private/public sector banks, according to the PRIME study, have continued to assume a dominant role in fund mobilisation. Their raisings at Rs.813 crore constitute 91 per cent of the four month period's total amount, up from a meagre 4 per cent in 1994-95.

Over all, the Government continues to monopolise the primary market, with an 88 per cent share in four month period's total mobilisation, up from 9 per cent in 1994-95.

Another significant feature, as per **PRIME**, has been the **dominance of debt.** Public issues of debt have accounted for a high 81 per cent of the four-month period's total mobilisation, up from zero per cent in 1994-95.

As reported earlier, IPOs (initial public offerings) are taking a major beating. IPOs, which are essentially first public issues from unlisted companies, have fallen from a high of 1350 in 1995-96 to only 51 in 1997-98 and now down to only 7 in the first four months of fiscal 1998-99 mobilising a meagre sum of Rs.124 crore.

The present state of the market, according to Mr.Haldea, paints only a gloomy picture for the balance period of 1998-99. An indication of what is in store can be guaged by the alarming decline in the number of public issue documents filed with SEBI for clearance. From an average of 87 documents per month in the January - December 1996 period, the figure fell to only 7 per month in the January - December 1997 period and is now down to **only 3 per month in the January - July 1998 period.**

Mr.Haldea feels that the revival of the primary market appears remote, specially for the equity segment and for the private sector. Major offerings on the horizon are still very few and are almost all from the public sector or from banks, and even for most of these, there is a great deal of uncertainity.

Some of the equity public issues lined up from PSU banks include PNB (Rs.500 crore), IOB (450), Vijaya (360), SBOP (300), Andhra Bank (100), SBH (58), Syndicate and SB Indore. Issues from private sector banks include IDBI Bank (150), South Indian Bank (51), Nedungadi Bank (100), Centurion Bank (34), UTI Bank (74) and Times Bank. If the disinvestment programme goes on schedule, equity issues may also materialise from MTNL,IOC,GAIL, CONCOR and VSNL.

On the debt front, public issue mobilisation plans for 1998-99 are from IDBI (Rs.5000 crore), ICICI (3000) and PFC (500).

Premium equity issues from the private sector have remained in the hiding. In fact, in the previous 12 months, there have been only 8 premium issues, 6 of which have been from the public/ banking sector.

According to Mr.Haldea, a combination of factors including investors' apathy consequent to the phenomenal losses in the 1993-95 period, lack of investor confidence in market practices; over-stringent entry barrier guidelines and lack of severe punishment to the errant promoters have contributed to the present state of dismal affairs in the primary market. Regretably, there is little effort in evidence to address any of these issues, Mr.Haldea feels.