

THE HINDU Business Line

DIM IPO SCENE

Demat accounts move into slow motion now

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Demat accounts in the January-March 2009 quarter has risen at only half the rate they did in the October-December 2008 quarter. Not only that, the growth rate for every month of the quarter has dipped sequentially.

The number of demat accounts in the country grew by 1.7 per cent during the quarter last ended, while the corresponding figure for the December quarter was 3.3 per cent, according to the data collated from National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDSL) Web sites.

Growth in demat accounts

for the same two periods during the last financial year (2007-2008) was 24 per cent and 17 per cent, respectively.

MONTH-ON-MONTH BASIS

On a month-on-month basis, demat accounts grew by 0.15 per cent in March, 0.65 per cent during February, and 0.83 per cent in January.

The total number of accounts (active) at the end of March, 2009 stood at 145.70 lakh, while the figure for total active accounts as on December 31, 2008 was 143.34 lakh.

"Generally, new demat accounts are opened by first time investors who usually start with IPOs," said Mr Ambareesh Baliga, Vice-

Dail play

'Unless the IPO season starts, which is unlikely to happen in the next 4-6 months, there will not be much growth in the number of demat accounts'

President, Karvy Stock Broking Ltd. Initial public offerings have been very few and far in between in recent times. There had been only one IPO in the quarter ending March 2009 compared to 21 during the same quarter last year. "The growth has slowed down because clearly people are not participating in the market at this point of time," said Mr Baliga.

There are no other

incentives for investors to trade in the market currently, and so, even if they have money in such times, they are not willing to invest, he said.

Contrary to the ideal investment advice (that people should invest in a bear market with a long-term view), not many new entrants are seen in the markets during the bear phase, said brokers.

'NO RISK APPETITE'

"Currently, there is no risk appetite in the equity markets and only high networth individuals (HNIs) are coming in, but they are very small in number," said Mr Prasanth Prabhakaran, Senior Vice-President & All-India Head of Broking, Kotak

Securities. The retail investors in the market are largely driven by the herd mentality, opening account when the markets are good. He said: "For example, the maximum number of new demat accounts were opened when the Reliance IPO happened, and that time the market was also at its highest levels."

Unless the IPO season starts, which is unlikely to happen in the next 4-6 months, there will not be much growth in the number of demat accounts, feel brokers.

There were 6.39 lakh frozen accounts as on March 31, 2009; 0.22 lakh accounts were inactive with no balance in them, according to the data.