

8<sup>th</sup> November, 1997

## **GOVERNMENT MONOPOLY IN PUBLIC ISSUES CONTINUES IN OCTOBER**

**Mobilisation from the primary capital market seems to have become a monopoly of the Government according to Mr.Prithvi Haldea of PRIME, the country's premier data base on the primary capital market. The public sector's share in the total mobilisation through public issues has grown from a miniscule 9 per cent in 1994-95 to 43 per cent in 1995-96 to 65 per cent in 1996-97 and now to a high 79 per cent in the current April - October period.**

In October too, the only noticeable activity in the primary market was courtesy the two public sector issues (Rs 304 crore from Corporation Bank and Rs.88 crore from GMDC).

**According to PRIME, a significant feature of resource mobilisation, through public issues of both debt and equity, has been the dominant role of the financial institutions and banks.** Their raisings have gone up from Rs.4589 crore in 1995-96 which constituted 39 per cent of the total mobilisation to Rs.7039 crore in 1996-97, representing a 60 per cent share. In the first 7 months of the current fiscal, their raisings at Rs.448 crore constitute 61 per cent of the total mobilisation.

**On the other hand, the private sector has been having little success in equity mobilisation** which has nosedived from Rs.12061 crore in 1994-95 to Rs.6663 crore in 1995-96 to Rs.2919 crore in 1996-97 and now to a meagre Rs.155 crore in the first 7 months of the current fiscal. Lack of matching equity is preventing the flush-with-funds banks from disbursing debt to the corporate sector.

**The manufacturing sector as such has suffered badly according to Mr.Haldea. This has resulted in the industrial growth being adversely affected due to poor public issue mobilisation, specially of new projects.** Public issues of 1992-93, as per PRIME, 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. **The figure for the first 7 months of the current fiscal is a pathetic Rs.938 crore.**

**The present state of the market, however, presents only a gloomy picture according to Mr.Haldea.** The current fiscal, in the first seven months, has seen only **46 public issues raising a meagre Rs.734 crore** compared to 618 issues aggregating Rs.6515 crore in the corresponding period of the previous year. **This represents an alarming 89 per cent decline in amount mobilisation and a massive 93 per cent fall in number of issues.** The corresponding figures in 1995 were 656 public issues for Rs.5232 crore. That only a few issues are lined up for the near future is clear from the number of public issue documents being filed with SEBI which continues to be a dismal 6 per month since April.

**Like the ICICI Bank issue in August, the oversubscription of issues of GMDC and Corporation Bank in October is being considered as a signal of the revival of the primary market. This is a myth, Mr. Haldea feels, as these are all public sector issues and the investors' perception of high safety is fulfilled.** The primary market should be considered to have revived only when more number of issues start hitting the market and most of these evoke a favourable response from the investors.

This does not appear to be happening, specially for the private sector. **According Offerings in the pipeline are still very few and almost all are from the public sector or from banks.**

On the one hand, there are equity issues lined up from banks including State Bank of Bikaner & Jaipur (Rs.65 crore), PNB (500), State Bank of Travancore (83), UTI Bank (60), Canara Bank (700), IDBI Bank (150) and from other SBI subsidiaries.

In addition are equity issues from PSUs including IBP, Numaligarh Refinery and Bharat Petroleum, as well as GDR-linked disinvestments by VSNL, MTNL, Container Corporation and GAIL, among others.

The public sector is also raising debt through public issue of bonds from IDBI (Rs.750 crore), ICICI (300), Bank of India (1000) and Ahmedabad Municipal Corporation (100).

The only major private sector equity issues in the pipeline continue to be from Nirma (Rs.350 crore) and Gontermann Piepers (145). Some private banks are also gearing up including Indusind Bank (180), Centurion Bank (34) and Times Bank (250).