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GOVERNMENT MONOPOLISES PRIMARY MARKET MOBILISATION

The Government has monopolised the resource mobilisation from the primary capital market specially after investors lost faith in the private sector in the last two financial years.

According to **PRIME**, the country's premier data base on the primary capital market, the public sector's share of the total mobilisation through public issues in 1994-95 was a miniscule 9 per cent at Rs.1251 crore. This rose sharply to 43 per cent in 1995-96 at Rs.5059 crore and to a high 65 per cent in 1996-97 at Rs.7539 crore.

The Government's major efforts have been in the mobilisation of debt as per Mr.Prithvi Haldea of **PRIME**. Of the total Rs.9917 crore mobilised through debt public issues in the 1995-96 to 1996-97 2-year period, the public sector accounted for a significant 87 per cent at Rs.8627 crore.

Debt mobilisation through public issues in the 2-year period has been from IDBI (Rs.2600 crore), ICICI (2490), IFCI (1237), IRFC (750), SCICI (500), Krishna Bhagya Jala Nigam (300), Maharashtra Krishna Valley (300), HUDCO (250) and Konkan Railway (200).

On the equity front, the public sector's share has been comparatively lower, though it is now on the increase. Of the total Rs.13553 crore mobilised through equity public issues in the 2 year period, the public sector's share has risen to 29 per cent at Rs.3971 crore and could rise to over 50 per cent in the current fiscal 1997-98 according to **PRIME's** estimates.

In the preceding 2-year period, public equity issues have been floated by IDBI (Rs.1935 crore), Bank of Baroda (850), Bank of India (675), TNPL (220), Dena Bank (180), GSFC (47), Optel (44), and HFC (20).

Incidentally, during 1994-95, there was no debt mobilisation by the public sector though an amount of Rs.1251 crore had been raised through equity issues : Hindustan Petroleum (Rs.461 crore), Oriental Bank (360), LIC Housing Finance (114), Punjab Communications (105), Hindustan Organic Chemicals (57), TFCI (51), GIC Housing Finance (23). In addition, partly convertible debenture issues have been offered by Bharat Earth Movers (66) and Balmer Lawrie (16).

On the other hand, according to PRIME, the private sector has now 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 only Rs.2919 crore in 1996-97. The investors' loss of faith in the private sector, after having incurred huge losses in the 1992-1994 period, is the major reason for this sector's plight.

As far as mobilisation through **private placement of debt** is concerned, Mr.Haldea states the Government's share in resource mobilisation is even more pronounced. In 1995-96, of the total such placements of Rs.9964 crore, the public sector had cornered 96 per cent at Rs.9516 crore. In 1996-97, the Government organisations mobilised Rs.16338 crore or 90 per cent of the total debt placements of Rs.18104 crore.

A significant feature of resource mobilisation, through both public issues and private placements, has been the dominant role of the financial institutions and banks. As per the PRIME study, their raisings have gone up from Rs.10195 crore in 1995-96 which constituted 47 per cent of the total mobilisation to Rs.15246 crore in 1996-97, hogging a 51 per cent share.

According to PRIME, all forthcoming issues of any significant size are only from the Government sector. On the one hand, there are several public issues lined up from banks including ICICI Banking Corporation (Rs.143 crore), Corporation Bank (304), UTI Bank (50), Canara Bank (700), IDBI Bank (150), Punjab & Sind Bank (800) and Vijaya Bank (360). In addition, issues are also in the offing all the SBI subsidiaries : State Bank of Travancore, State Bank of Indore, State Bank of Mysore, State Bank of Saurashtra, State Bank of Bikaner & Jaipur, State Bank of Hyderabad and State Bank of Patiala.

In addition, there are proposed issues from several PSUs including HUDCO, MTNL, Numaligarh Refinery, Bharat Petroleum, Maharashtra Krishna Valley, Shipping Corporation, Sardar Sarovar Narmada Nigam, SBI Capital Markets and Gujarat Mineral. On the horizon also are mega disinvestment exercises from VSNL, Container Corporation and GAIL, among others.