Primary Market

6. Since the primary market has continued to remain dormant, SEBI considered on priority basis the recommendations made by the "Informal Group on Primary Market", and accepted most of the recommendations, including the following, which were accepted for immediate implementation:—

(i) Primary issues to be compulsorily made through the depository mode after a specified date.

(ii) 100 per cent book building in respect of issues of Rs. 25 crore and above.

(iii) Reduction in the minimum number of mandatory collection centres in respect of issues above Rs. 10 crore to 4 metropolitan cities plus the place having the regional stock exchange.

7. In order to facilitate flow of funds to the infrastructure sector, the SEBI Board decided to grant specific relaxations to public issues by infrastructure companies. These relaxations would be applicable to infrastructure companies as defined under Section 10 (23G) of the Income Tax Act, 1961 subject to the condition that their projects are appraised by any Development Financial Institution (DFI) or Infrastructure Development Finance Company (IDFC) or Infrastructure Leasing and Financial Services (IL&FS). Further, the projects must also have a participation of at least 5 per cent of the project cost in debt and/or equity by the appraising institution. Subject to these conditions, the infrastructure company can avail of specified relaxations/exemptions from the existing requirements as per SEBI's Disclosure and Investor Protection Guidelines (Box 4.1).

BOX 4.1

Relaxations to Public Issues by Infrastructure Companies

- Exemption from the requirement of making a minimum public offer of 25 per cent of securities and also from the requirement stipulating 5 shareholders per Rs. 1 lakh of offer.
- Exemption from the minimum subscription of 90 per cent provided disclosure is made about the alternate source of funding considered by the company, in the event of under-subscription in the public issue.
- Permission to freely price the offerings in the domestic market provided the promotor companies along with equipment suppliers and other strategic investors subscribe to 50 per cent of the equity at the same/higher price as/than the price offered to the public. However, adequate disclosures on justification for the pricing need to be made in the offer documents.
- Permission to keep the isues open for 21 days to enable the companies to mobilise funds.
- Exemption from the requirement to create and maintain a debenture redemption reserve (DRR) in case of debenture issues.

Collective Investment Schemes

8. As per Government decision, entities issuing instruments like agrobonds, plantation bonds, etc. come under the regulatory purview of SEBI. Such entities have been prohibited by SEBI from launching any fresh scheme till the notification of Regulations for collective investment schemes. However, the existing schemes were allowed to continue provided they submitted the requisite information to SEBI and complied with the code of advertisement as prescribed in the SEBI Guidelines on Disclosure and Investor Protection. SEBI also directed them through a public notice to file details of their schemes with SEBI. Based on the interim recommendations made by the Dave Committee, SEBI prohibited existing schemes from mobilising money from public/investors unless their instruments were rated by recognised credit rating agencies. The Draft Regulations for Collective Investment Schemes based on the Dave Committee's deliberations have been circulated to Public for comments.

Resource Mobilisation from Primary Market

9. Resource mobilisation through public and rights issues from the primary market during April-December, 1998 amounted to Rs.3929 crore, which exceeded that in the corresponding period of 1997-98 by 27.1 per cent (Table 4.1). The proportion raised through equity issues during April-December, 1998 was very low at 17.9 per cent as against 54.1 per cent in the corresponding period of 1997-98. Large bond issues by All India Financial Institutions accounted for the overwhelming proportion of debt in total resource mobilisation in the current financial year. The Industrial Development Bank of India (IDBI) made two bond issues, each for Rs. 750 crore while the Industrial Credit and

TABLE 4.1

Issues Launched

(Rs. Crore)

Type of Issue	1997-98		April-December 1997-98		April-December 1998-99	
	No.	Amount	No.	Amount	No.	Amount
Public	62	2862	56	1598	23	3519
Rights	49	1708	34	1494	18	410
Total	111	4570	90	3092	41	3929
(Debt)	(14)	(2689)	(9)	(1419)	(12)	(3224)
(Equity)	(97)	(1881)	(81)	(1673)	(29)	(705)

Source : SEBI.

Investment Corporation of India (ICICI) made five bond issues,which together mobilised Rs.1600 crore. This was reflected in the relatively large amount of Rs. 95.8 crore raised per issue during April-December,1998 as against Rs.34.4 crore per issue in the corresponding period of 1997-98. The Initial Public Offers (IPOs) accounted for only about 8 per cent of total resource mobilisation during this period as against about 30 per cent during the corresponding period of 1997-98. This is a reflection of slack in entry of new units in the industrial sector, which in turn reflects both the slowdown in economic activity and the risk aversion of investors to IPOs.