

## **Outlook**

39. Though the amount raised from the primary market through public and rights issues during April-December, 1998 in the current financial year was very low (Rs.3929 crore) in absolute terms, the fact that it represented an increase of 27 per cent over the corresponding period of the previous year is encouraging. Resource mobilisation through private placement has been a noteworthy feature. Infrastructure projects, especially in the power sector, have accounted for a significant proportion of resource mobilisation through private placement. The relaxations announced by SEBI in respect of public issues by infrastructure companies like exemption from the requirement of making a minimum public offer of 25 per cent of securities and permission to freely price the offering in the domestic market can be expected to encourage public issues by these companies. Since the fast track projects in the power sector are counterguaranteed by Central Government, public issues by them should be in a position to get better response from investors in the primary

market. The measures already taken or being taken on the lines recommended by the Informal Group on Primary market are expected to brighten the prospects of resource mobilisation through public and right issues in the primary market. Revival of the primary market is important for industrial growth because firms in both the public and private sectors need funds which can be raised through diverse instruments to finance new projects as well as expansion/modernisation of existing projects. In this context, the measures already taken or being taken to boost the secondary market assume considerable significance because conditions in the secondary market typically exert significant influence on the primary market. Substantial progress in demat trading coupled with the introduction of rolling settlement in the demat segment should boost investor confidence. The initiatives taken to introduce derivatives trading based on stock indices and the approval for buy-back of shares are expected to further brighten prospects in the secondary market, which can in turn contribute to the much-needed revival of the primary market.