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RIGHTS ISSUE MOBILISATION FALLS 67 PERCENT IN 1998-99

Mobilisation by listed companies through rights issues has hit dismal levels according to Mr.Prithvi Haldea of PRIME, the country's premier data base on the primary capital market. In the recently concluded fiscal 1998-99, only 26 companies entered the market with rights issues mobilising a meagre Rs.568 crore. This compares very unfavourably with the previous year, which by itself was at a low level, with 49 rights issues raising Rs.1703 crore.

As such, over the previous year, the fall in amount mobilised is a significant 67 per cent while by number of issues,the decline is 53 per cent. Significantly, according to PRIME the mobilisation in 1998-99 works out to a meagre 4 per cent of the amount which was raised in the boom year of 1992-93.

The decline, in fact, has now been consistent over the years:

Year	No. of Rights Issues	Rights Issue Amount (Rs.crore)
1992-93	488	12630
1993-94	384	9306
1994-95	351	6793
1995-96	291	6520
1996-97	131	2724
1997-98	49	1703
1998-99	26	568

The continuing fall in the rights mobilisation, according to Mr.Haldea, can be ascribed mainly to the lack of investors' confidence and to the generally subdued secondary market.

The investors' apathy is a major factor for the current state of the market. Mr.Haldea stated that during the rights issues boom period of 1992-93 to 1994-95, most corporates were allowed to take advantage of the free pricing guidelines, without full and fair disclosures and with little controls on price manipulations. For example, a record 488 companies made rights issues in 1992-93 aggregating Rs.12630 crore, many of these at a very high premium. However, as most of these issues have subsequently led to significant losses, the investors have now just turned away.

Moreover, in rights issues, the offer price has to be reasonably lower than the market price. For lack of investors' support, the secondary market price of several good scrips have been languishing at much lesser than their fundamental strengths, and to make an issue at a further discount is obviously not prudent.

Little wonder, the continuing poor state of the rights market has severely affected the expansion and diversification programmes of the existing listed companies. This, according to PRIME, has been further hampered by the drying up of the **public issue route**, with only a handful of 4 listed companies in 1998-99 attempting to attract the investors through public issues. Worse, all these 4 issues ended up with a poor response.

As per PRIME, during the year, there were only 4 rights issues of above Rs.50 crore, these being from India Cements (Rs.161 crore), Exide (72), SWIL (62) and Hindustan Motors (54). The depressed secondary market also **forced the issuers to charge a lower premia**; only 2 companies charged a premium above Rs.50 compared to 8 in 1997-98, 20 in 1996-97 and 57 in 1995-96. **Despite lower pricing, the response to issues was moderate**, with most issues facing problems in convincing their shareholders.

Given the state of the market and high level of investors' disinterest, the new fiscal, Mr.Haldea feels, is not likely to see any significant improvement in the situation. There are only about 10 companies who have approached SEBI for clearance of their rights issues: ACC (Rs.188 crore), Kodak India (73), Abbot Laboratories (23), Hindustan National Glass (15), Modi-GBC (14), Hindoostan Spinning (7), Herdilla Chemicals (5), Mukund Flexipack (5), Epic Enzymes (4)and CMI (1).

Additionally, rights issues have been announced by only a few other companies including Ace Software, Antifriction Bearings, Bakelite Hylam, Balmer Lawrie Freight Containers, CMC, IFCI, S.Kumars Synfabs, Shyam Telecom, Tasty Bite Eatables, Timex Watches, VMC Software and Wockhardt.

