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RIGHTS ISSUES ON THE RISE

Courtesy the resurgent secondary market, there is now a significant level of activity in resource raising through the rights issues route, according to Mr.Prithvi Haldea of PRIME data base.

Already, in the preceding four months of the current fiscal, there have been 8 rights issues, aggregating Rs.391 crore, which compares favourably with 8 issues for Rs.141 crore in the corresponding period of the previous year.

Significantly, all these 8 issues have sailed through comfortably; the issuers being ACC (Rs.188 crore), Whirlpool (76), Kodak (73), Abbot (23), Andhra Pradesh Paper(14), Hindoostan Spinning (7), Herdillia Chemicals (6) and Epic Enzymes (4).

Given the buoyant state of the secondary market, Mr.Haldea states that the current fiscal is likely to see a significant improvement in mobilisation through the rights route.

According to PRIME, soon to enter the market are 11 companies which have already obtained SEBI's approval. These are Antifriction Bearings (Rs.6 crore), Bakelite Hylam (5), Birla Corp.(66), CMI (1), IFCI (354), Mahaveer Finance (2), Mehar Shree (5), Mukund Flexpack (5), Siemens (128), SIV Industries (35) and TCP (3). Of these, Antifriction Bearings has already opened its issue in August.

In addition are 8 companies which have recently filed their offer documents with SEBI for approval and would soon thereafter be accessing the market. These companies are Bharti Healthcare (Rs.7 crore), Dhanuka Pesticides (3), Electrical Mfg.Co.(2), Fort Gloster Industries (4), Henkel Spic (117), Hindustan National Glass (15), International Bestfoods (47) and Wim Plast (7).

Significantly, in the past 45 days alone i.e.since 1st July, over 15 more rights issue plans have been announced, according to PRIME. These are from Alok Textiles, ATE Trading, Bajaj Tempo, CMC, Datt Mediproducts, DCW, Electrolux Kelvinator, Essar Steel, Hotel Leelaventure, Malabar Trading, Seven Heaven Leasing, Transmedica, Varun Shipping, Weizmann Fincorp. and West Coast Paper.

Additionally, during the earlier part of the year, intentions of floating rights issues have been announced by at least more 20 companies including Ace Software, Balmer Lawrie Freight, Concorde Motors, Cranex, Gateway Chemists, Goldstone Engineering, JCT Electronics, Media Video, Modi GBC, Nainital Bank, Ras Propack, S.Kumars Synfab, Saya Housing, SBEC Systems, Shyam Telecom, Sony Corp.,Tasty Bite Eatables, Timex Watches and Wockhardt Healthcare.

Even if all these issues materialise in the current fiscal, leave aside several more issues which are yet not in public knowledge, the year would witness over 60 issues aggregating over Rs.2000 crore. This would mark a quantum jump from 1998-99 which had seen only 26 rights issues raising Rs.568 crore.

This would, according to PRIME, also reverse a 6 year declining trend in mobilisaation through rights issues.

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 earlier was mainly due to the erosion of investors' confidence and to the generally subdued secondary market.

In the recent bull run, the secondary market price of several scrips have shown significant improvements. As in rights issues, the offer price has to be reasonably lower than the market price, many corporates would now be able to raise money at the desired prices.

A word of caution is, however, due for the investors, according to Mr.Haldea. During the rights issue boom period of 1992-93 to 1994-95, hundreds of corporates took advantage of the free pricing guidelines, and without full and fair disclosures and with little controls on price manipulations, charged a high premium. In 1992-93 alone, 488 companies had made rights issues aggregating a record Rs.12630 crore. With the prices of most scrips of this period falling dramatically after their issues, the investors were left stranded. It is hoped that history does not repeat itself now.