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## **OLD ECONOMY REVIVAL REVIVES RIGHTS ISSUES MARKET**

Mobilisation by listed companies through rights issues is showing some signs of revival, courtesy revival of the old economy sector, according to Mr.Prithvi Haldea of PRIME Database.

During January-February this year, as many as 9 companies have entered the rights market to collectively raise Rs.217 crore. These include the Rs.128 crore issue of Centurion Bank and the Rs.42 crore issue of Birla Corporation. Other companies in the fray are Arvind Remedies (Rs.15 crore), India Online Network (10) and Bharti Healthcare (10).

This, as per PRIME, compares favourably with a handful of 14 companies which made rights issues in the entire preceding 9-month period from April to December 2000 with an aggregate mobilisation of Rs.380 crore.

Given the state of the market, the future is likely to see some further improvement in the situation. Currently, as per PRIME, there are already 6 companies who have applied for or obtained SEBI approval. These include Alok Textile (Rs. 51 crore), Excel Glasses (5), R.K.Ispat (3), Tata Finance (91), Techno Electric (8) and Varun Shipping (36). Incidentally, all these companies belong to the old economy.

In addition, there are over 15 companies, again almost all from the old economy, who have in recent times announced their plans to tap the rights market. According to PRIME, this includes 2 mega issues : TELCO for Rs.1382 crore and Essar Steel for Rs.267 crore. The others are Abbot Laboratories, Aurobindo Pharma, Birla Global Finance, Credence Sound, Dhanalaxmi Bank, Enkay Texofoods, Floatglass, Gammon India, Green Ply, Natco Pharma, Omax Autos, Radhika Spinning, Sahney Paris-Rhone and SBI.

The current year will, however, not end up anywhere near the 488 companies which had raised Rs.12630 crore in 1992-93 or even close to the Rs.1560 crore which had been mobilised by 26 companies in the last fiscal. Incidentally, in the 9 month period of previous fiscal, 22 companies had raised Rs.1383 crore.

This, according to Mr.Haldea, is primarily because of the dull conditions which ran through the first 9 months of the current fiscal. The largest issue in this period was from Ceat Financial aggregating Rs.111 crore, followed by Rs.54 crore issue from SREI International Finance and Rs.51 crore issue from Ashok Leyland Finance. Significantly, the response to several issues was poor including Dewan Housing Finance, DCW, Model Financial Corporation and Principal Pharmaceuticals.

The decline, both by number and amount has been almost 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
1999-00	28	1560
2000-01(Apr-Dec)	14	380

The continuing fall in the number of companies tapping the rights route down the years, according to Mr.Haldea, can be ascribed mainly to the generally depressed secondary market prices of a vast majority of companies, many due to poor fundamentals. On the other hand, companies with good performance are preferring to meet their fund requirements through preferential allotments to mutual funds, private equity investors and venture capital funds.

The regulatory measures, in addition, have also had an impact. Earlier, companies would manipulate their share prices to a high level and then make a rights issue at a lower-than-market -price to make it look attractive. Regulations, including a greater information disclosure, have made such price rigging difficult.

Finally, the overall investors' apathy towards the primary capital market consequent to the 1993-1996 fiasco continues to be a major factor for the current state of the rights market according to Mr.Haldea. In that period, most companies had made issues at a very high premium and as these subsequently led to significant losses, the investors have just turned away.