

16th June, 2003

**LACKLUSTRE RIGHTS MARKET, ONLY 12 ISSUES FOR A PALTRY Rs. 431
CRORE IN 2002-03:PRIME**

Mobilisation of resources through rights issues recorded a significant fall in the recently concluded fiscal 2002-03 according to Mr.Prithvi Haldea of PRIME, the country's leading database on the primary capital market. By amount, the year saw only Rs. 431 crore being raised. **This was not only lower by 59 per cent than Rs. 1,041 crore that had been raised in the previous year, but was in fact the lowest in the last decade.** In perspective, the mobilisation of 2002-03 was so meagre that it works out to a meagre 3 per cent of the Rs.12,630 crore which was raised in the boom year of 1992-93.

According to PRIME, by number, the year witnessed only 12 companies using the rights route. This compares almost similar with the previous year which had 13 issues. **The figure of 12 in a year too is the lowest ever in the last decade.**

The decline, both by number and amount, has been almost consistent over the last 10 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	27	729
2001-02	13	1041
2002-03	12	431

The largest issue in the year was from Ballarpur (Rs.217 crore) which took up 50 per cent of the entire year's mobilisation. This was followed by Karur Vysya Bank (36), Karnataka Bank (32), Chettinad Cement (30) and Cholamandalam Investment (30).

The response to most issues of the year, according to Mr.Haldea, was poor. Of the 12 issues, as many as 5 (Kopran, Singer India, Ipisteel, Pentagon Global and Cybermate Infotek) had to extend their issue closing dates for lack of adequate response in the initial issue period.

The poor run of rights issues both by numbers and by amount, Mr.Haldea stated, is primarily because of the dull conditions in the secondary market which ran through almost the whole of the year. In fact, the continuing fall in the number of companies tapping the rights route down the years 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, Mr. Haldea stated that scores of companies with good performance have preferred to meet their fund requirements through preferential allotments or by way of private placement to mutual funds, private equity investors and venture capital funds. Several corporates have also opted for debt through the private placement route.

The overall investors' apathy towards the primary capital market consequent to the 1993-1996 fiasco also continues to be a major factor for the current state of the rights market. 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.

The new fiscal (2003-04), as per PRIME Database, too does not appear very promising. Till date, only 1 company (PCS) has entered the market with a Rs. 20 crore issue. In addition, only 5 more companies have applied for or obtained SEBI approval: Electrolux Kelvinator (Rs. 199 crore), JMA (6), TCM (3), Borax Morarji (2) and Manappuram General Finance (2).

In addition, there are only 13 companies, as per PRIME, who have in the last 6 months announced their plans to tap the rights market and may firm up their plans when the market conditions improve. These include Colour Chips, Global Trust Bank, Gujarat Alkalies, Hindustan Inks, Hitachi Home, IDBI Bank, IFB Agro, J&K Bank, Noida Toll Bridge, RK Ispat, Shriram City, Shriram Investments and Shriram Transport.