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Annual Review

**RIGHTS ISSUES MOBILISATION JUMPS BY 133 PER CENT
IN 2003-04:PRIME**

Mobilisation of resources through rights issues recorded a significant rise in the recently concluded fiscal 2003-04, according to Prithvi Haldea of PRIME Database, the country's premier database on the primary capital market. By amount, the year saw Rs. 1,006 crore being raised, which was higher by 133 per cent than Rs. 431 crore that was raised in the previous year. However, in perspective, the mobilisation of 2003-04 was still a meagre 8 per cent of the Rs.12, 630 crore which was raised in the boom year of 1992-93.

By number, the year witnessed 22 companies using the rights route. This was, according to PRIME, higher by 83 per cent over the previous year that had seen 12 issues, but again no where near the 488 companies that had made rights issues in 1992-93.

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
2003-04	22	1006

The largest issue in the year was from Electrolux Kelvinator (Rs.199.77 crore). This was followed by Hindustan Inks (Rs. 196.73 crore), and IDBI Bank (Rs. 154.23 crore). Cholamandalam Investment which had raised Rs. 30 crore in the preceding year, came out again with a rights issue aggregating Rs. 70 crore this year.

The response to most issues of the year, according to PRIME, was good. Rights offers are made at a discount to the ruling market price, and hence are able to draw in shareholders' response specially when the secondary market is doing well. Of the 22 issues, only 2 (Deccan Gold Mines and TCM) had to extend their issue closing dates for lack of adequate response in the initial issue period.

According to Mr. Haldea, the turnaround, though marginal, in the fortunes of rights issues both by numbers and by amount came about primarily because of the bullish conditions in the secondary market which ran through almost the whole of the year. Companies offered shares on rights basis either to expand, diversify or simply to restructure their balance sheets. Moreover, in some cases, promoters raised their stake in the company at a reasonable price.

However, scores of companies with good performance continued to prefer to meet their fund requirements through preferential allotments of equity or by way of private placement of debt. A few companies also tapped the overseas markets through ECBs at very attractive rates, said Mr. Haldea.

The 1993-1996 fiasco still weighs heavy on the investors' minds. In that period, most companies had made rights issues at a very high premium and as these subsequently led to significant losses, the investors have become more cautious.

Looking Ahead

According to Mr. Haldea, the new fiscal (2004-05) appears very promising. A buoyant secondary market is definitely a positive sign that would encourage companies to come out with rights issues. **Till date, though only 1 company (Texmaco) has entered the market with a Rs. 15 crore issue, as many as 14 companies have applied for or have obtained SEBI approval for a huge Rs. 2,450 crore.** These include Balrampur Chini (Rs. 59 crore), Bharat Forge (124), Centurion Bank (91), Concept Productions (5), Dhandapani (7), Moschip (12), Neemtek (1), Noida Toll Bridge (10), Parry Agro (9), Polyolefins Rubber (30), South Indian Bank (54), Spanco (15), Sterlite Industries (1819) and United Breweries (Rs. 214 crore)

In addition, there are at least 24 companies, according to PRIME, who have in the last 6 months announced their plans to tap the rights market and may firm up their plans in the near future. These include Assam Co., Bata, CESC, Chettinad Cement, Compudyne, Coonoor Tea Estates, Diamond Cables, Elder Pharmaceuticals, Federal Bank, Gujarat Ambuja Exports, Gujarat NRE Coke, Hardcastle, J&K Bank, JBF Industries, Maharashtra Industrial, Mascon Global, Natco Pharma, Shiva Cement, SIEL Sugar, Sunil Synchem, Tata Motors, Varun Shipping, Veronica Laboratories and Welcast Steels.