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SUDDEN SPURT IN RIGHTS ISSUES: PRIME

Mobilisation of resources through rights issues has suddenly spurted this month. According to Mr.Prithvi Haldea of PRIME, the country's premier database on primary capital market, as many as 5 issues aggregating Rs. 2275 crore are tapping the rights route in August. This includes Sterlite Industries (Rs. 1972 crore), Bharat Forge (105), Centurion Bank (91), Balrampur Chini Mills (59) and South Indian Bank (48). Significantly this month's mobilisation alone is more than twice the amount (Rs. 1006 crore) that was raised in the entire previous financial year, according to PRIME.

With 2 rights issues having hit the market in May (Texmaco Rs. 15 crore and Moschip Rs. 12 crore), the total resources raised through rights issues this year, according to PRIME have reached Rs. 2303 crore. In the previous fiscal, the amount raised till August was a meagre Rs. 27 crore.

Incidentally, the amount already raised in the current year is higher than each of the preceding 7 full 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
2003-04	22	1006
2004-05(Apr-Aug)	7	2303

However, in perspective, the present mobilisation is still a meagre 18 per cent of the Rs.12,630 crore which was raised in the boom year of 1992-93 through 488 companies.

The turnaround in the fortunes of rights issues both by numbers and by amount, according to Mr.Haldea, has come about primarily because of the steady conditions in the secondary market and drying up of the ECB market. Companies are offering shares on rights basis either to expand, diversify or simply to restructure their balance sheets.

However, scores of companies with good performance are continuing to prefer to meet their fund requirements through preferential allotments of equity or by way of private placement of debt.

As per PRIME, as many as 15 companies have applied for or have obtained SEBI approval to collectively raise Rs. 546 crore. These include CESC (Rs. 50 crore), Coonoor Tea Estates (1), Core Projects (5), GIC Housing Finance (16), J.M.A. Industries (6), Mawana Sugars (9), Neemtek (1), Parry Agro (9), Polyolefins Rubber (30), Schenectady Herdillia (51), Spanco (7), Television Eighteen (23), United Breweries (214), Varun Shipping (76) and Vijay Industries (48).

In addition, according to PRIME, there are at least 20 companies 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 Andhra Pradesh Tanneries, Bajaj Hindustan, Bal Pharma, Bata, Beeyu Overseas, Compudyne, Devaki Hospitals, Gujarat Ambuja Exports, Gujarat NRE Coke, J&K Bank, Maharashtra Industrial, Mascon Global, Noida Toll Bridge, Shiva Cement, SIEL Sugar, Sundaram Home Finance, Tata Teleservices (Maharashtra) and Welspun.