

5<sup>th</sup> April, 2005

**Annual Review**

**RIGHTS ISSUES MOBILISATION JUMPS BY 259 PER CENT TO RS.3616 CRORE IN 2004-05:PRIME**

**Mobilisation of resources through rights issues recorded a significant rise in the recently concluded fiscal 2004-05. According to Mr.Prithvi Haldea of PRIME, the country's leading database on the primary capital market, by amount, the year saw Rs. 3,616 crore being raised, which was higher by 259 per cent than Rs. 1,006 crore that was raised in the previous year 2003-04 (2002-03: Rs. 431 crore ). However, in perspective, the mobilisation of 2004-05 was still only 29 per cent of the Rs.12, 630 crore which was raised in the boom year of 1992-93.**

**By number, according to PRIME, the year witnessed 26 companies using the rights route. This was higher by 18 per cent over the previous year that had seen 22 issues (2002-03: 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
2004-05	26	3616

The largest issue in the year, as per PRIME database was from Sterlite Industries (Rs.1972 crore). The other Rs. 100 crore plus issues were from ING Vysya Bank (307), United Breweries (214), Southern Iron & Steel (174), Karnataka Bank (162) and Bharat Forge (105).

**The response to most issues of the year was good.** According to Mr.Haldea, 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.

**The turnaround, though marginal, in the fortunes of rights issues both by numbers and by amount came about, according to Mr.Haldea, 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, according to Mr.Haldea, scores of companies continued to prefer to meet their fund requirements through preferential allotments of equity. Several companies also tapped the overseas markets through the FCCB route at very attractive rates. The rights issues and preferential issue guidelines need an urgent relook, in case we are to prevent the export of our capital market.**

### **Looking Ahead**

**The new fiscal (2005-06) appears very promising.** A buoyant secondary market is definitely a positive sign that would encourage companies to come out with rights issues. **According to PRIME Database, as many as 14 companies have applied for or have obtained SEBI approval for raising Rs. 885 crore.** These include Aro Granite (Rs. 14 crore), Arvind International (5), Bal Pharma (12), Bata India (694), Century Extrusions (4), Color Chips (India) (7), Comfort Intech (6), JMA Industries (6), Lakshmi Vilas Bank (45), Li Taka Pharmaceuticals (10), Oudh Sugar Mills (39), Southern Online Bio Technologies (17), Sunil Synchem (14) and Trent (12).

**In addition, according to PRIME Database, there are at least 30 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 Allianz Securities, Andhra Pradesh Paper, Assam Co.(Rs. 15 crore), ATN International, Avon Organics, Bhushan Steel & Strips, Catholic Syrian Bank (80), Champagne Indage, E.Star Infotech, Ennore Foundries, Federal Bank, Gati Corp., HBL Nife Power Systems, JMC Projects, Kaycee Industries, Kushagra Software, LCC Infotech, Mcnally Bharat Engineering (15), Media Video, Motherson Sumi Systems, Mukand, Nicholas Piramal India (350), Paramount Communications, PSM Spinning, Relic Technologies, Sabero Organics, Shalimar Productions, Tanu Healthcare, Tilaknagar Industries, Vakrangee Software, Valecha Engineering and Webel-SL Energy Systems.