

3rd April, 2006

Annual Review

RIGHTS ISSUES MOBILISATION JUMPS BY 14 PER CENT TO RS.4126 CRORE IN 2005-06:PRIME

Mobilisation of resources through rights issues recorded an increase in the recently concluded fiscal 2005-06. According to Mr.Prithvi Haldea of PRIME, the country's leading database on the primary capital market, by amount, the year saw Rs. 4126 crore being raised, which was higher by 14 per cent than Rs. 3616 crore that was raised in the previous year 2004-05 (2003-04: Rs. 1006 crore). However, in perspective, the mobilisation of 2005-06 was still only 33 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 36 companies using the rights route. This was higher by 38 per cent over the previous year that had seen 26 issues (2003-04: 22 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
2005-06	36	4126

The largest issue in the year, as per PRIME database was from Hindalco Industries Ltd. (Rs.2227 crore). The other Rs. 100 crore plus issues were from Nicholas Piramal (333), Pantaloon Retail (224), Titan Industries (127), Trent (118), Andhra Pradesh Paper Mills (113) and GIC Housing (108).

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.

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 GDR/ADR/ FCCB route. The SEBI restrictive guidelines on rights issues have acted as a huge deterrent to companies opting for this route, and it is heartening that SEBI has finally decided now to rationalise the same.

Looking Ahead

The new fiscal (2006-07) appears very promising for rights issues. A buoyant secondary market and revised SEBI guidelines would encourage companies to come out with rights issues. **According to PRIME database, as many as 31 companies have already applied for or have obtained SEBI approval for raising Rs. 2153 crore.** Some of the major ones include Bajaj Auto Finance (Rs.950 crore), California Software (27), Dagger Forst Tools (29), Goa Carbon (37), Goldstone Teleservices (32), HBL Nife Power Systems (22), Hester Pharmaceuticals (10), JMC Projects (28), JSW Steel (400), Konark Synthetics (16), Mohit Industries (14), Morarjee Textiles, OCL India (70), Pacific Cotspin (13), R.S.Software (16), Shree Bhawani Paper Mills (15), Tata Teleservices (Maharashtra) (300) and Upper Ganges Sugar (68).

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 CCCS Infotech, Channel Guide (Rs.21 crore), Cochin International Airport (150), Cybermate Infotek, DCW, Empower Industries, Filmcity Media, Gujarat Apollo Equipments, JK Paper (170), JMT Auto, Khaitan Weaving Mills, L.G.Balakrishnan & Bros. (100), Lyka Labs, Media Matrix Worldwide (40), Mold-Tek Technologies, R.T.Exports, Shree Digvijay Cement (134), Sinclair Hotels, South India Corp.(Agencies) (250), Space Computer & Systems (31), Spice, Sunshield Chemicals, Tata Coffee, TT Ltd.(20) and Valuemart Info Technologies (16).