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Annual Review

PUBLIC EQUITY OFFERINGS MOBILIZE A RECORD RS. 23,684 CRORE IN FISCAL 2006 : PRIME DATABASE

The fiscal 2005-06 too witnessed an upsurge in public equity offerings. According to Prithvi Haldea of PRIME, the country's premier database In primary capital market, the total mobilization at Rs. 23,684 crore was higher by 11 per cent than Rs. 21,422 crore mobilized in the preceding year. This is despite no divestment taking place during the fiscal. **In fact, the year's equity mobilization was the highest-ever in the history of the Indian capital market.** The highest in the 90s was Rs.13,312 crore that was raised in 1994-95.

According to PRIME, follow-on public offerings (FPOs) by listed companies dominated the market, witnessing a huge increase, cornering 55 per cent of the total mobilization. Compared to 6 such companies with total offer of Rs.6769 crore (4 raising fresh capital of Rs.3,433 crore and 2 divesting Rs.3,336 crore), the year 2005-06 witnessed as many as 26 listed companies raising a total of Rs.12,876 crore, all of which were for fresh capital, with zero divestment. The major FPOs during the year were from ICICI Bank (Rs.5,750 crore), Bank of Baroda (1,633) and Oriental Bank of Commerce (1,450). **The remaining 76 cases were IPOs, who collectively raised Rs.10,808 crore** or 45 per cent of the total amount. The major IPOs during the year were from Suzlon Energy (Rs.1,496 crore), IDFC (1,372) and Punj Lloyd (642).

The huge increase this year, as per PRIME, came by way of fresh capital raising, up by 48 per cent at Rs.22,016 crore from Rs. 14,869 crore. Each of the 102 companies raised fresh capital during the year, with no pure offer for sale. **In terms of offers for sale, the amount fell down substantially to Rs. 1,668 crore from Rs. 6,563 crore in the previous fiscal**. In 2004-05, 9 offers for sale were made which included the NTPC divestment of Rs.2,684 crore. This year, though 10 companies had an offer for sale, the total amount was very small as there was no divestment offer (these being from promoters, shareholders and venture funds). It may be recalled that in 2003-04, offers for sale, substantially on account of PSU divestments, had accounted for a huge Rs.15,128 crore.

(Rs.crore)

	Offers for Sale	Fresh Capital	Total
2005-06	1668	22016	23684
2004-05	6563	14869	21432
2003-04	15514	2307	17821
2002-03	59	980	1039

Significantly, according to Mr.Haldea, the number of issues hitting the market recorded a huge jump. The year 2005-06 witnessed 102 public issues, compared to 29 in the previous fiscal, an increase of over 250 per cent. **The average deal size, however, declined** hugely to Rs.232 crore from Rs.739 crore. **The year saw a demise of small issues**; there were no issues of below Rs 10 crore (previous year 2).

'Safety' continued to be the hallmark of the year's offerings according to Mr.Haldea. It may be recalled that courtesy the bad experiences of the mid 90s, compounded by the misadventure with IT IPOs in the late 90s, investors had shown marked preference for safety. **The 'safety' factor was evident through the total domination of existing companies, in most cases with well-known promoters. Clearly, there was no market for IPOs from greenfield projects or from new promoters** -some thing that had dominated all past primary market booms. Moreover, stringent entry norms and better vetting has hugely improved the quality of issue.

The response from the public to the equity issues of the year was excellent, according to Mr.Haldea. **The main reason for the good performance of the primary market was the buoyant secondary market almost through out the year.** The economic resurgence and the stable political climate only further helped the scenario.

Most IPOs of the year gave dream returns on listing. There were, of course, few instances of aggressive pricing and most FPOs too did not do as well post-listing. The market structure requiring compulsory validation of each offering by QIBs meant good news for the retail investors. Though of the 102 issues, only 71 were made through the bookbuilding route, these contributed over 97 per cent of the total amount. The balance 31 fixed price issues raised a meagre Rs. 787 crore.

The cost of projects of all the companies which entered the market during the year aggregated a huge Rs.15,440 crore, compared to a meager Rs.1,184 crore in the preceding fiscal. In addition, a large amount of funds during the year was raised for non-project purposes like acquisition, repayment of old debt etc.

The year also witnessed, according to PRIME, the demise of regional stock exchanges. All 102 issues went for listing at BSE/NSE. The 13 companies that also additionally opted for listing at regional exchanges were because these were all FPOs, already listed at those regional exchanges.