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ONLY RS.686 CRORE RAISED THROUGH RIGHTS ISSUES IN 1ST HALF : PRIME

Mobilisation of resources through rights issues recorded a huge decline in the first half of 2006-07. According to Mr.Prithvi Haldea of PRIME, the country's leading database on the primary capital market, by amount, the period saw only Rs. 686 crore being raised, which was lower by 34 per cent than Rs. 1031 crore that was raised in the corresponding period of the preceding year.

By number, according to PRIME, the period witnessed 21 companies using the rights route, compared to 20 in the corresponding period of previous year.

Year (April-September)	No. of Rights Issues	Rights Issue Amount (Rs.crore)
1992-1993	194	3896.54
1993-1994	183	4119.09
1994-1995	159	1925.78
1995-1996	98	1304.25
1996-1997	87	1388.22
1997-1998	28	1376.29
1998-1999	14	235.17
1999-2000	13	657.11
2000-2001	12	350.76
2001-2002	4	481.21
2002-2003	3	252.98
2003-2004	8	399.79
2004-2005	15	2702.64
2005-2006	20	1031.17
2006-2007	21	685.83

The largest issue in the period, as per PRIME database was from Hindustan Oil Exploration Co.Ltd. (Rs.149 crore). The other Rs. 50 crore plus issues were from OCL India (76), Upper Ganges Sugar (68), Gruh Finance (60) and ITD Cementation (56)

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

According to PRIME database, given the bullish market condition, as many as 31 companies have already applied for or have obtained SEBI approval for raising Rs. 3856 crore. Some of the major ones include Bajaj Auto Finance (Rs.950 crore),Aditya Birla Nuvo (780), Tata Teleservices (Maharashtra) (500), JSW Steel (400), Tata Coffee (249), Kirloskar Ferrous (240), Karur Vysya Bank (126), Lakshmi Vilas Bank (98), L.G.Balakrishnan (94), Saag RR Infra (40) and Spice (37).

In addition, according to PRIME database, there are at least another 53 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 A.K.Capital Services, Alphageo (India), Anil Products (10), Automobile Corp.of Goa (75), Bank of Rajasthan (107), Beckons Industries, CCS Infotech, Champagne Indage, Chemplast Sanmar (200), Cochin International Airport (150), Cybermate Infotek, Cybertech Systems & Software, DCW, Empower Industries, Goetze (India) (100),Gujarat Apollo Equipments, Gujarat Mineral Development, Hinafil India, Induj Enertech, Jindal Hotels, JK Paper (170), JMT Auto, Kamla Dials (8), Khaitan Weaving Mills, Krypton Industries (20),Lyka Labs, Malabar Trading, Marico (500), Mcnally Bharat (40), Media Matrix (40), Mold-Tek Technologies, Network, Orbit Exports, Orient Paper (175), Rap Media, Ravinay Trading, Sanra Software, Sapphire Media (5), Shree Digvijay Cement (134), Shreyans Industries, Sinclair Hotels, SMIFS Capital Markets,Sona Koyo Steering Systems (100), South India Corp. (250), Space Computer & Systems (31), State Bank of India, Sybly Industries, Tera Software, Trent (285), Vakrangee Softwares,Valuemart Info Technologies (16), VBC Ferro Alloys and Vedant Hotels.