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Annual Review

PUBLIC EQUITY OFFERINGS MOBILIZE A RECORD RS.52,253 CRORE IN FISCAL 2008 : PRIME DATABASE

The fiscal 2007-08 mobilised the highest-ever amount through public equity offerings. According to Mr.Prithvi Haldea of PRIME, the country's premier database on primary capital market, the total mobilization at Rs. 52,253 crore was higher by 109 per cent than Rs. 24,994 crore mobilized in the preceding year (Rs.23,676 crore raised in 2005-06). The mobilization in the year could have been higher but for the two secondary market crashes during the year which forced deferment of IPOs and also because of lack of PSU divestments.

According to PRIME, the mobilization was dominated by IPOs; 85 IPOs collectively raised Rs.41,358 crore or 79 per cent of the total amount compared to 76 IPOs in the preceding year mobilizing Rs.23,706 crore. Significantly, the year witnessed the **largest-ever equity IPO** that of Reliance Power (Rs.10,123 crore). **Follow-on public offerings (FPOs) by listed companies too witnessed an increase.** Compared to 9 such companies with total offer of Rs.1,287 crore in the preceding year, the year 2007-08 witnessed 6 listed companies raising Rs.10,895 crore. The largest FPO during the year was from ICICI Bank (Rs. 10,044 crore).

As per PRIME, fresh capital continued to witness an increase, up by 106 per cent at Rs. 49,565 crore from Rs. 24,033 crore in the previous year. Offers for sale also witnessed an increase, up by 179 per cent at Rs. 2,689 crore compared to Rs. 961 crore in the previous fiscal. 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. During the year, PSU divestments accounted for only Rs.1,814 crore (PGCIL and REC).

(Rs.crore)

	Fresh Capital	Offers for Sale	Total
2007-08	49565	2689	52254
2006-07	24033	961	24993
2005-06	22008	1668	23676
2004-05	14869	6563	21432
2003-04	2293	15514	17807
2002-03	980	59	1039

According to Mr.Haldea, the number of issues hitting the market recorded only a marginal increase. The year 2007-08 witnessed 91 public issues, compared to 85 in the previous fiscal, an increase of only 7 per cent. **The average deal size, however, increased** to **Rs.574 crore from Rs.294 crore**. **The year saw a demise of small issues**; there was only 1 issue of below Rs 10 crore.

In terms of method of offering, **79 out of 91 issues were through the bookbuilding route, which though cornered 99 per cent of the total mobilization**. The remaining 12 fixed price issues (down from 14 in the previous year) had only 1 per cent share.

'Quality' continued to be the hallmark of the year's offerings. The quality factor was evident through the near-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 by stock exchanges, SEBI and QIBs have hugely improved the quality of issues.

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. Nevertheless, courtesy the secondary market crashes, as many as 4 IPOs which were caught amidst, failed to evoke the requisite response and had to be refunded (Emaar MGF, IT People, SVEC Constructions and Wockhardt Hospitals).

Most IPOs of the year gave phenomenal returns on listing. The market structure requiring compulsory validation of each offering by QIBs meant good news for the retail investors. That some IPOs subsequent fell below their offer prices was more a function of the secondary market crashes and rerating of certain sectors.

The year witnessed the emergence of **IPO grading as a mandatory requirement**. 39 graded issues entered the market during the year. Significantly, the lowest graded IPOs evoked good oversubscriptions as also listed at a premium while conversely, the highest graded IPOs offered poor or negative returns post-listing and, in fact, 2 high graded IPOs (Emaar MGF and Wockhardt Hospitals) failed to evoke the requisite response and had to be cancelled.

The **real estate/ construction sector had the dominant share** with 13 companies raising Rs.15890 crore (30 per cent) followed by financial services/ banking sector with 8 issues raising Rs.15069 crore (29 per cent), power with 5 issues raising Rs.13407 crore (26 per cent). By number, roads/ highways and information technology witnessed 9 IPOs each.

According to PRIME, the year, like last year, witnessed the demise of regional stock exchanges. All 91 issues went for listing at BSE/NSE. The 4 companies that also additionally opted for listing at regional exchanges were because these were all FPOs, already listed at those regional exchanges.