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RIGHTS ISSUES MOBILISATION UP BY 15 PER CENT TO RS.9,594 CRORE IN 2010-11: PRIME

Mobilisation of resources through rights issues recorded a 15 per cent increase in the recently concluded fiscal 2010-11. According to Prithvi Haldea of PRIME, the country's leading database on the primary capital market, by amount, the year saw Rs. 9,594 crore being raised, compared to Rs. 8,321 crore that was raised in the previous year 2009-10 though lower than Rs.12,622 crore that had been raised in 2008-09 and much lower than Rs. 32,519 crore that had been mobilized in 2007-08.

By number, according to PRIME, the year, however, witnessed only 24 companies using the rights route, 17 per cent lower than the previous year that had seen 29 issues (2008-09:23 issues).

Year	No. of Rights Issues	Rights Issue Amount (Rs.crore)
2001-02	13	1041
2002-03	12	431
2003-04	22	1006
2004-05	26	3616
2005-06	36	4126
2006-07	38	3704
2007-08	30	32519
2008-09	23	12622
2009-10	29	8321
2010-11	24	9594

The largest rights issue in the year, as per PRIME Database, was from Central Bank of India (Rs. 2,498 crore). The other Rs. 1000 crore plus issues were from Suzlon Energy (1,308), REI Agro (1,245) and EIH (1,179).

Significantly, nearly 50 per cent of the mobilization, at Rs. 4776 crore, was done by the banks. Besides Central Bank of India, rights issues were floated by SBBJ (Rs.780 crore), SBM (583), Karur Vysya (458) and Karnataka Bank (457). The manufacturing and services sector preferred increasingly to use the QIP and the preferential issues route.

The new fiscal (2011-12) promises some action on the rights front. According to PRIME Database, 32 companies have already applied for or have obtained SEBI approval for raising Rs. 1,781 crore. Some of the major ones include Ankit Metal (Rs.175 crore), Elpro International (100), Gayatri Projects (400), JK Paper (250), Rama Newsprint (50), Rodium Realty (50), Splash Media (50), Shree Ram Urban Infrastructure (75), SRM Energy (59), Uniphos Enterprises (75), and Velan Hotels (65).

In addition, according to PRIME Database, there are at least another 40 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. The floatation plans of all these companies are, of course, subject to a stable, if not a buoyant, secondary market.