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PUBLIC EQUITY MOBILIZATION AT ONLY RS. 23,969 CRORE* IN 2011-12; PSUs DOMINATE WITH 73 PER CENT SHARE: PRIME DATABASE

The fiscal 2011-12, just about to end, has witnessed a raising of only Rs. 23,969 crore through public equity issues. According to Prithvi Haldea of PRIME, the country's premier database on primary capital market, though the year was expected to do much better, the mobilization is almost half of Rs. 46,267 crore mobilized in the preceding year. The mobilization in the year could have been higher but for the deferment of some large PSU offerings and the continuing volatility in the secondary market, through the year. The year, of course fell substantially short of Rs.52,219 crore, the highest amount that has ever been raised (in 2007-08).

Year	Amount (Rs.crore)
2011-12	23,969
2010-11	46,267
2009-10	46,941
2008-09	2,034
2007-08	52,219
2006-07	24,993
2005-06	23,676
2004-05	21,432
2003-04	17,807
2002-03	1,039
2001-02	1,082

The raisings in 2011-12, according to Haldea, would have, in fact been much lower but for the two Offers for Sale (ONGC and Wipro) done through stock exchange auction system, which only technically would fall under the category of public issues. These 2 offers accounted for Rs. 13,517 crore of the total Rs. 23,969 crore.

According to Haldea, PSUs and PSU banks dominated the year with a total raising of Rs. 17,453 crore or 73 per cent of the total amount. This was, however, lower than Rs.27,537 crore that had been raised by them in 2010-11. Of the total amount of Rs. 17,453 crore, Rs. 14,019 crore was through divestments (**significantly lesser than the divestment target of Rs.40,000 crore**) and Rs. 3,434 crore through fresh capital. Only 3 PSUs entered the market during the year, the IPO of NBCC (Rs.108 crore), FPO of PFC (Rs.4,578 crore) and OFS of ONGC (Rs.12,767 crore).

According to PRIME, there were a total of 37 public issues during the year, compared to 57 issues in the preceding year, meaning a 35 per cent decrease. This included 34 IPOs collectively raising Rs.5,873 crore or 24 per cent of the total amount (compared to 52 IPOs in the preceding year mobilizing Rs.33,183 crore). The amount raised through FPOs/OFS stood at Rs.18,096 crore through 3 companies, compared to Rs.13,084 crore mobilized by 5 companies in the preceding year.

Excluding the 2 offers for sale, the average deal size fell to just Rs. 299 crore from Rs. 812 crore in the preceding year. **There were only two issues of above Rs.1,000 crore.** On the other hand, there were 12 issues of less than Rs. 50 crore including 1 issue of below Rs.10 crore during the year, the smallest issue being that of SME BCB Finance Ltd. of Rs. 7.25 crore. SEBI's efforts to promote SME exchanges finally materialized with this issue.

As per PRIME, 35 per cent or Rs. 8,441 crore was raised through fresh capital, which typically goes into creation of productive assets, with the remaining Rs. 15,528 crore raised through offers for sale where the proceeds go to the sellers (government, promoters, venture funds and other investors) and not to the company.

In terms of method of offering, 33 of the 37 issues of the year, as per PRIME, **were through the bookbuilding route** (Rs. 10,384 crore) with only 2 small issues through the fixed price method (Rs. 67 crore), and 2 through the auction method (Rs.13,518 crore).

The facility of anchor investors was used by 5 companies, who on the whole, were allotted 29 per cent of the amount reserved for the QIBs.

According to Haldea, ASBA failed to make its mark even in 2011-12. Despite 5 years in operation, only about 30 per cent of applications of retail investors came through this route.

The response from the public to the equity issues of the year was on the whole very moderate, according to Haldea. 7 issues were oversubscribed by more than 3 times. The highest oversubscription was received by MCX at 45 times, followed by Muthoot Finance at 21 times. At the other extreme were 3 IPOs that failed to elicit response from the public and had to be withdrawn (Galaxy Surfactants, Goodwill Hospital and Swajas Air Charters). What emerged clearly was the selective interest, and not frenzy, of the retail investors.

In terms of number of applications, L&T Finance Holding led with 17.20 lakhs, followed by PFC (5.11 lakhs) and MCX (4.26 lakhs).

According to PRIME, due to the big issue of ONGC for Rs.12,767 crore, in terms of sector, the **oil exploration/ drilling/ refining sector had the dominant share** (53 per cent of the total amount). This was followed by financial services/banking/term lending sector with 9 issues raising Rs.8,293 crore (35 per cent) and information technology with 5 issues raising Rs.1,095 crore (5 per cent). By number, the highest was the financial services sector which witnessed 8 IPOs.

According to PRIME, **this year, like last year, did not witness a revival of the regional stock exchanges.** All IPOs went for listing only at the national exchanges, with BSE getting all 34 IPOs and NSE getting 27 of these.

In comparison to equity issues, the year saw much greater activity in the public bonds market, according to PRIME. As many as 20 issues raised over Rs.41,442 crore, compared to 10 issues raising Rs. 9,431 crore last year.

* Tentative issue amount as final bookbuilt price of some issues is yet to be determined.