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PUBLIC EQUITY OFFERINGS AT ONLY RS. 772 CRORE IN FIRST HALF OF 2012-13: PRIME DATABASE

The first half of the current fiscal was literally a washout for the public equity issue market, ending with a **mobilisation of only Rs.492 crore** through IPOs (there were no FPOs). Add to that another Rs. 280 crore through the new route of Offer for Sale of Shares by Promoters through Stock Exchange mechanism (OFS), the amount still was a low Rs.772 crore. According to Prithvi Haldea of PRIME, the country's premier database on primary capital market, this mobilization is significantly lesser than the Rs.9553 crore in the corresponding period of the preceding year, representing a fall of 92 per cent.

By number, the period witnessed 13 IPOs and 6 OFS, compared to 29 IPOs and 1 FPO in the corresponding period of the preceding year.

The current period was dominated by small IPOs, the average deal size being a meager Rs. 37 crore. In fact, of the 13 IPOs, as many as 10 were issues from the SME sector, the period witnessing the launch of SME platforms by both NSE and BSE. Of these, 9 were of less than Rs. 10 crore. **The largest issue in the period was of only Rs. 200 crore.**

The amount raised through OFS stood at Rs.280 crore (previous year nil). Incidentally, previous year's period had seen 1 FPO raising Rs.4578 crore. Amounts raised through equity offerings in the last 7 years are as follows :

Financial Year (Apr-Sep)	Equity (Rs.crore)
2006-07	7381
2007-08	31831
2008-09	1984
2009-10	13065
2010-11	12280
2011-12	9553
2012-13	772

As per PRIME, 64 per cent or Rs. 492 crore was raised through fresh capital ,which typically goes into creation of productive assets, with the remaining Rs. 280 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 the method of offering, only 4 of the 13 IPOs of the period, as per PRIME, were through the bookbuilding route, with balance issues through the fixed price method. The facility of anchor investors was used by only 2 companies.

According to PRIME, **the jewellery** sector dominated with 1 company raising Rs.200 crore (26 per cent of the total amount) followed by hotel & resorts with 1 issue raising Rs.176 crore (23 per cent).

According to PRIME, in addition to equity issues, the period saw a continuing activity in the public debentures market, though lower by amount than the preceding year. 6

issues raised Rs.1675 crore (tentative), compared to 7 raising Rs. 4484 crore in the corresponding period of the preceding year. All 6 issues were by NBFCs.
With the secondary market now showing buoyancy, the outlook for the primary market appears to be improving. On the immediate horizon is the Rs. 5000 crore Bharti Infratel IPO and the Rs.2500 crore IPO from Rashtriya Ispat Nigam. Also, the market could see offerings from some of the 35 companies already holding SEBI approval and another 24 companies who have filed with SEBI and are awaiting approval.

The biggest disappointment for the primary market has been the **lack of divestments** by the Government. Despite a target of Rs. 30,000 crore and continuing announcements, no divestment took place in the first half of current fiscal (The corresponding period of the previous year had seen divestments of Rs. 1145 crore through 1 issue). The pipeline of divestment/PSU offerings continues to become larger by the day yet nothing of it has materialised. Mr.Haldea feels that this is as good a time as ever for the Government to enlarge the investors' base and the capital market, and to raise money that it so desperately needs. For already listed companies, it should earmark the entire issue for the retail at a significant discount to the market price while for IPOs, only 25 per cent of the issue should be reserved for the QIBs (for price discovery) and the balance be offered to the retail at a significant discount to the discovered price. The RGESS should be actively promoted for such retail offerings.