

31<sup>st</sup> December, 2012

## **OFS dominate public equity market funds mobilization in 2012**

2012 witnessed a raising of Rs. 36,253 crore through public equity markets, quite contrary to the general belief of a poor year. In fact, 2012 has mobilized more than double of Rs. 17,480 crore that was raised in the preceding year, according to Prithvi Haldea, Chairman, PRIME Database, India's premier database on primary capital market.. The year could have been much better but for the deferment of several PSU offerings and the volatility in the secondary market through most of the year. The year, of course, fell substantially short of Rs. 99,022 crore, the highest amount that has ever been raised (in 2010).

According to PRIME, fund raising in 2012 was substantially achieved through the 23 Offers for Sale through Stock Exchanges (OFS), the new secondary sale method allowed by SEBI this year to help promoters of already-listed companies in complying with the minimum public shareholding requirement. These offers accounted for as much as 66 per cent of the total amount. For investors, these sales are substantially risk-free as these are from already listed companies and are at a discount to the market price. However, proceeds from such sales do not go the company but to the selling shareholders. Slow to start off, OFS picked up, according to Haldea, in the later part of the year, given SEBI's stern warnings that the compliance deadline of 30<sup>th</sup> June 2013 would not be extended. Another new instrument was allowed by SEBI during the year -the IPP- primarily for the same purpose. However, only 2 companies opted for this-Godrej Properties and Godrej Industries, offering shares worth Rs. 841 crore.

PSUs dominated the year with a total raising of Rs. 19,679 crore or 55 per cent of the total amount. This was much higher than Rs.4,578 crore that had been raised by them in 2011.

According to Haldea, the unstable climate in the country almost through the year resulted in a continuing lull in IPOs; only 25 came to the market collectively raising a meager Rs.6,938 crore (compared to 37 IPOs in the preceding year mobilizing Rs.5,966 crore). The number of IPOs in the year would have, in fact, been much smaller but for the significant emergence of the new segment-the SME exchange platforms at BSE and NSE, which saw as many as 14 IPOs, though raising only Rs.103 crore. The main boards saw only 11 IPOs raising Rs. 6,835 crore, more than half of which came from the Rs. 4,173 crore IPO of Bharti Infratel, being the only Rs. 1000 crore+ IPO in the year. Other interesting IPOs were from MCX and CARE. Most significantly, 3 IPOs in the year came from the jewelry industry -PC Jeweler, Tribhuvandas Bhimji and Tara Jewels.

As per PRIME, the year saw the demise of FPOs. While the previous year had witnessed 2 companies raising Rs.8, 055 crore, the inefficacy of this method saw no company favouring this route.

According to Haldea, the year was listless for the retail investors. While the 14 SME IPOs were not open to them, the allocation to them in the balance 11 IPOs where they could participate was very small. In terms of number of applications, the highest number that was achieved was by MCX at 4.26 lakhs. Almost all other IPOs fared

badly; as many as 19 out of 25 IPOs could attract only less than 10,000 investors each.

The response from the public to the IPOs of the year, according to PRIME, was on the whole very moderate. Of the 25 IPOs, only 5 were oversubscribed by more than 3 times. The highest oversubscription was received by MCX at 45 times, followed by CARE at 34 times, PC jeweler at 6 times, NBCC at 5 times and MT Educare at 4 times. At the other extreme were 2 IPOs that failed to elicit response from the investors and had to be withdrawn (Samvardhana Motherson Finance-Rs.1665 crore and Plastene India-Rs.75 crore). What emerged clearly was the selective interest, and not frenzy, of the investors.

QIPs managed to raise Rs. 4705 crore from institutional investors. No company made an IDR.

In comparison to equity issues, the year saw much greater activity in the public bonds market. As many as 16 issues raised Rs.22,282 crore, though this was lower than 19 issues raising Rs. 27,268 crore last year. This market was initially monopolized by NBFCs but towards the later part of the year, the investors also witnessed tax free bonds issuances from government companies.

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## FUNDS MOBILIZATION-PUBLIC MARKETS

*Rs. crore*

Year	IPOs	FPOs	OFS (SE)	QIPs	IPPs	IDRs	Total Equity	Bonds	Grand Total
2012	6938	0	23769	4705	841	0	36253	22282	58535
2011	5966	8055	0	3459	0	0	17480	27268	44748
2010	37535	31577	0	27423	0	2487	99022	2727	101749
2009	19544	23	0	38676	0	0	58243	3500	61743
2008	16904	23	0	3586	0	0	20513	0	20513
2007	34179	10962	0	23400	0	0	68542	1000	69542
2006	19852	4817	0	3935	0	0	28604	0	28604
2005	9990	12764	0	0	0	0	22754	4095	26848
2004	13121	17389	0	0	0	0	30511	2383	32894

Source: PRIME Database