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ONLY RS.2,166 CRORE RAISED THROUGH RIGHTS ISSUES IN 1ST HALF: PRIME

Mobilisation of resources through rights issues recorded a huge decline in the first half of 2013-14. According to Pranav Haldea, Managing Director of PRIME, the country's premier database on primary capital market, by amount, the period saw only Rs. 2,166 crore being raised, which was lower by 68 per cent than Rs. 6,749 crore that was raised in the corresponding period of the preceding year. By number, according to PRIME, the year witnessed 9 companies using the rights route (previous year, 10 companies).

A rights issue is a way by which a listed company can raise additional capital. However, instead of going to the public, the company gives its existing shareholders the right to subscribe to newly issued shares at a pre-determined price, normally at a discount, in proportion to their existing holdings.

The largest rights issue in the period, as per PRIME Database, was from Godrej Properties (Rs.700 crore) followed by Reliance Mediaworks (Rs.600 crore) and Kesoram Industries (Rs.416 crore). Rights Issues were also used by 2 companies (Pierce Leslie and Dalal Street) to dilute promoters' shareholding to comply with SEBI's requirement of Minimum Public Shareholding.

Amounts raised through rights issues in the first half of the last 7 years are as follows:

(Apr-Sep)	Amount (Rs.crore)
2007-08	947
2008-09	10,362
2009-10	2,681
2010-11	3,981
2011-12	2,088
2012-13	6,749
2013-14	2,166

Dismal & volatile market conditions through the year as well as an overall lack of confidence in companies to raise and deploy fresh capital were the main reasons for the poor utilization of the rights route.

32% of the mobilization, at Rs. 700 crore, was done by the real estate sector (1 issue of Godrej Properties) followed by Media 28% (Rs.600 crore issue of Reliance Mediaworks).

The balance part of the year is also likely to see little action on the rights front. According to PRIME, at present, only 13 companies have obtained or have applied for SEBI approval for raising a meagre Rs. 652 crore.