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ALARMING 83 PER CENT FALL IN RIGHTS ISSUE H1 MOBILISATION : PRIME

While mobilisation through public issues has reached dismal levels, **the raisings by companies through rights issues too is in an extremely alarming state.** This has been stated by Mr.Prithvi Haldea, Managing Director of **PRIME**, the country's premier data base on the primary capital market.

During the recently concluded first half of fiscal 1998-99, only **14 companies entered the market with rights issues mobilising a meagre Rs.235 crore.** Even many of these were reportedly made to increase the promoters' stakes, ensured by pricing and positioning the issues to ward off the investors.

According to **PRIME**, the Rs.235 crore mobilisation compares very unfavourably with the corresponding period of the previous year which witnessed 28 rights issues raising Rs.1376 crore. **The fall in amount, as such, is a distressing 83 per cent while by number of issues, the decline is a significant 50 per cent.**

The rights mobilisation, in fact, has been consistently declining over the years, according to Mr.Haldea, and the current fiscal represents a meagre 5 per cent of the amount mobilised in 1992-93.

Year (Apr-Sept)	No. of Rights Issues	Rights Issue Amount (Rs.crore)
1992-93	194	4728
1993-94	183	4686
1994-95	159	2127
1995-96	98	1312
1996-97	87	1406
1997-98	28	1376
1998-99	14	235

The poor state of the rights market has severely affected the expansion and diversification programmes of the listed companies. This has been further compounded, as per **PRIME**, by the drying up of the **public issue route**, with just 3 listed companies in H1 raising a meagre Rs.72 crore and even all these ending up with poor investors' response.

The response even to most of the 14 rights issues of H1 has been poor. Some of the issues which faced problems on the response front include Intron, Shriram Asset Management, Kerala Chemicals, Gammon India and Mangalam Cement.

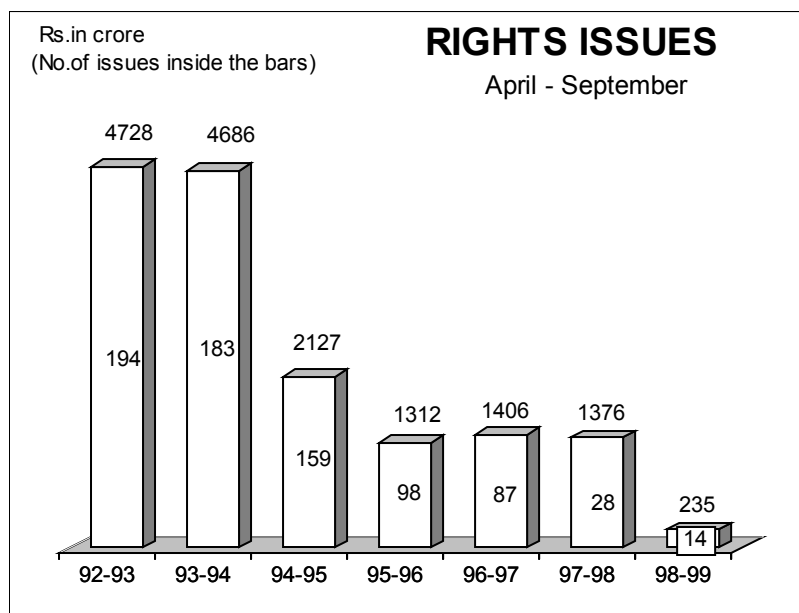
Mr.Haldea ascribes the continuing fall in the rights mobilisation to the investors' apathy, courtesy the running poor state of the secondary capital market. This has been heightened by the bad experience from the rights issues boom in the 1992-93 to 1995-96 period when most corporates took advantage of the free pricing guidelines. For example, a record 488 companies had offered rights issues in 1992-93 aggregating Rs.12630 crore, many of these at high premium. Since most of these issues have subsequently led to significant losses, the investors' fear has become stronger.

Further compounding the dismal state is the **declining profitability of many corporates** due to the slowdown in the economy, leading to an uncertain future.

On the other hand, the rapid depression in many scrips has made the rights option unattractive to the good corporates, not willing to issue shares at heavy discounts to their intrinsic values.

Given the state of the market and investors' apathy, Mr.Haldea states that the balance period of the current fiscal is not likely to see any improvement in the situation. Only Shamken Multifab has opened its rights issue (Rs.10 crore) in October.

In addition, there are only more 12 companies, as of now, who have approached SEBI for clearance of their rights issues according to **PRIME** data base. These include Videocon Appliances (Rs.116 crore) and SWIL (115) who despite having obtained SEBI approval almost 4-5 months ago have continued to defer their issues. The other potential entrants include India Cements (161), Usha Ispat (84), Transmedica (15) and Synergy Log-in Systems (7).



SOURCE : PRIME DATA BASE