

## RIGHTS ISSUES IN 2024 YIELD TWICE THE BOUNTY OF LAST YEAR

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calendar year, the total is already 2.4 times that of the full year of 2023, which stood at ₹7,266 crore. This also marks the highest amount raised since 2021, when 11 firms collected ₹27,771 crore. Half a dozen companies have already concluded fundraises of more than ₹1,000 crore each via rights issues this year.



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### Six companies secure ₹1,000 crore+ each as average ticket size doubles

SUNDAR SETHURAMAN  
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Half a dozen companies have already concluded fundraises of more than ₹1,000 crore each via rights issues this year, with the average ticket size also doubling compared to last year.

The largest of these was Aditya Birla Group's flagship company Grasim Industries, which raised ₹4,000 crore at the start of the year.

Sammaan Capital (formerly Indiabulls Housing Finance) raised ₹3,693 crore in February, and tea beverage major Tata Consumer Products completed its nearly ₹3,000 crore issuance just earlier this month.

Rights issues allow listed firms to raise new capital by offering new equity shares to existing shareholders, typically at a discount to the market price. This mechanism enables promoters to maintain their stake while sending a positive signal to investors.

"Many corporates are now clear about avoiding misguided diversification and focusing on their core busi-



ILLUSTRATION: BINAY SINHA

nesses where they have a competitive edge. When opportunities arise, they prefer investing in their own business, and the safest instrument is a rights issue. A preferential issue might be seen as unfair to other shareholders, while promoters cannot participate in qualified institutional placements (QIPs)," said Ajay Garg, founder of Equirus.

Pranjal Srivastava, partner at Centrum Capital, added, "The choice between rights issues and other funding modes depends on promoters' willingness to subscribe. Rights issues have become a simpler and faster process, making them an attractive option for promoter-driven companies."

Notably, most rights issuances this year have been rewarding for shareholders. The current share prices of all 13 companies that have raised funds this year are above their rights issue prices amid a positive secondary market undercurrent. The benchmark National Stock Exchange Nifty has gained 11 per cent this year, while the Nifty Midcap 100 and the Nifty Smallcap 100 are up about 20 per cent each.

## DOING IT THE RIGHT WAY

Participation in big rights issuances has proved to be mostly rewarding for shareholders

Major issuances this year	Issue size (₹ cr)	Issue price (₹)	Last close (₹)	Change (%)
Grasim	4,000	1,812	2,512	39
Sammaan Capital	3,693	150	153	2
Tata Consumer	2,998	818	1,167	43
Sobha	2,000	1,651	1,697	3
IIFL Finance	1,272	300	401	34
South India Bank	1,151	22	24	9

## BIGGER MARKET PIE

Average rights issue size is 2.4x of 2023

	No. of issues	Amount raised (₹ crore)
2018	13	18,827
2019	12	52,053
2020	20	64,984
2021	11	27,771
2022	10	3,884
2023	12	7,266
2024*	13	17,087

Note: \*As on Aug 5

Sources: PRIME Database, BSE

Among large companies, Grasim, Tata Consumer, and IIFL Finance have all seen gains of over 34 per cent each.

Importantly, shareholders who chose not to participate in the rights issue have been able to sell their rights entitlement (RE) at an attractive price during a special trading window that opens before the rights issue subscription. For example, one RE of Tata Consumer was sold in the range

between ₹301 and ₹390. While fundraising through rights issues was common in the 1990s, bankers note that the current trend is driven more by company-specific factors rather than broader market sentiment.

"Companies opt for rights issues only when specific conditions are met. In cases of urgent funding needs or opportunities, they may prefer QIPs instead. The choice also depends on the sector; for instance, most banking, financial services and insurance companies tend to favour QIPs, while promoter-driven companies often choose rights issues for their own strategic reasons," explained Srivastava.

Earlier this month, Securities and Exchange Board of India Chairperson Madhabi Puri Buch announced that the regulator is working on a new fundraising avenue for listed companies that will reduce turnaround time and boost private capital expenditure. She mentioned that the new mode of fundraising will borrow from the frameworks governing rights issues and QIPs.