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ONLY 4 RIGHTS ISSUES IN THE FIRST - HALF OF CURRENT FISCAL

While the public issue market reached a nadir in the first half of the current fiscal recording 2 IPOs for a meagre Rs.6 crore, mobilisation of resources through rights issues too presented a dismal picture with only 4 companies entering the market. In the corresponding period of the previous year which itself was a bad year, 12 companies had made rights issues. This has been reported by Mr.Prithvi Haldea of PRIME, country's premier data base on the primary market.

Courtesy the Rs.672 crore issue from TELCO, the amount raised in the 6-month period, however, reached Rs.737 crore, far higher than Rs. 350 crore that had been raised in the corresponding period of the previous fiscal and almost similar to Rs.729 crore raised in the entire previous year.

Though over the corresponding period of the previous year, the increase by amount was a significant 110 per cent, in perspective, the mobilisation was still so meagre according to Mr.Haldea that it works out to only 6 per cent of the Rs.12630 crore which was raised in the boom year of 1992-93 by a record 488 companies.

The decline, both by number and amount, has been almost consistent over the last 8 years :

Year	No. of Rights Issues	Rights Issue Amount (Rs.crore)
1992-93	488	12630
1993-94	384	9306
1994-95	351	6793
1995-96	291	6520
1996-97	131	2724
1997-98	49	1703
1998-99	26	568
1999-00	28	1560
2000-01	27	729
2001-02 (Apr-Sept)	4	737

While TELCO led the pack of issuers with a Rs.672 crore offer, it may be recalled that the company had earlier announced an issue of Rs 1307 crore which it had to scale down by nearly 50 percent due to bad market conditions as well as the poor corporate performance. The other issuers in the period were Alok Industries (Rs.51 crore), Dalmia Cement (8) and Dharamsi Morarji Chemical (7).

The poor run of rights issues, according to Mr.Haldea, is primarily because of the dull conditions which have hit the market through almost the entire last 2 years. In fact, the continuing fall in the number of companies tapping the rights route down the years can be ascribed mainly to the generally depressed secondary market prices of a vast majority of companies, many due to poor fundamentals. On

the other hand, scores of companies with good performance have preferred to meet their fund requirements through preferential allotments or by way of private placement to mutual funds, private equity investors and venture capital funds. **Several corporates have also opted for debt through the private placement route.**

According to Mr.Haldea, the overall investors' apathy towards the primary capital market consequent to the 1993-1996 fiasco also continues to be a major factor for the current state of the rights market. In that period, most companies had made issues at a very high premium and as these subsequently led to significant losses, the investors have just turned away.

Looking at the future, the balance 6 month period of the current fiscal (2001-02) is not likely to witness any significant activity on the rights front. As per PRIME, only 3 issues have been made since October including Gammon India (Rs. 19 crore), Arvind Mills (75) and SKF Bearings (88). In addition, only 3 more companies are presently holding SEBI approval : Omax Autos (Rs 4 crore), R.K.Ispat (3), Tata Investment Corp. (33) while another 2 companies are awaiting SEBI approval: Mindteck (10) and JIK Industries (47).

Moreover, according to PRIME, there are about 20 companies who have, beginning January this year, announced their issues to tap the rights market and may firm up their plans when the market conditions improve. Leading the pack are Essar Steel which had announced a Rs.267 crore rights issue and Ballarpur Industries with a Rs.250 crore offering.

The others, as per PRIME database, include Alchemie Organics, Anco Communications, Birla Global Finance, Hitech Entertainment, India Cements Capital, Intellvisions Software, IT Microsystems, Megasoft, Odyssey Technologies, Radhika Spinning, Sathavahana Ispat, Soni Infosys, Sun Earth Ceramics and Titan Industries. Also in the pipeline are several banks including Dhanalakshmi Bank, J&K Bank, Karur Vysya Bank and Lord Krishna Bank. However, given the state of the economy and the capital market, not many of these aspirants, according to Mr.Haldea are expected to translate into issuers.