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Annual Review

**PUBLIC EQUITY OFFERINGS MOBILIZE A RECORD RS. 21,432
CRORE IN FISCAL 2005:PRIME DATABASE**

The fiscal 2004-05 continued to witness an upsurge in public equity offerings. According to Prithvi Haldea of PRIME, the country's premier database in the primary capital market, the total mobilization at Rs. 21,432 crore was higher by 20 per cent than Rs. 17,821 crore mobilized in the preceding year. In fact, the year's equity mobilization was the highest-ever in the history of the Indian capital market, much higher also than Rs.13,312 crore that was raised in 1994-95.

The huge increase this year, as per PRIME, came by way of fresh capital raising, up at Rs.14,869 crore from Rs. 2,307 crore. A total of 27 companies raised fresh capital during the year.

However, in terms of offers for sale, the amount fell down substantially, according to PRIME, to Rs. 6,563 crore from Rs. 15,514 crore in the previous fiscal. It may be recalled that of the 12 offers for sale in the previous year, majority had been made by PSUs, which together had accounted for Rs. 15,127 crore. Though the number in 2004-05 fell marginally to 9 companies which made offers for sale, the reduction came due to only 1 government divestment (NTPC) offering of Rs. 2,684 crore. The remaining offers were from promoters, shareholders and venture funds.

	Offers for Sale	Fresh Capital	Total
2004-05	6563	14869	21432
2003-04	15514	2307	17821
2002-03	59	980	1039

(Rs.crore)

Significantly, according to Mr.Haldea, the number of issues hitting the market continued to remain small. The year 2004-05 had exactly the same number as the previous fiscal at 29 issues each. The average deal size, however, increased to Rs.739 crore from Rs.615 crore. **The year saw a near-demise of small issues**; there were only 2 issues of below Rs 10 crore (previous year 4). Of the 29 issues, though only 19 were made through the bookbuilding route, these contributed over 98 per cent of the total amount, quite similar to 94 per cent in the previous fiscal.

Public offerings by listed companies continued during the year, as per PRIME. Compared to 3 such companies last year raising fresh capital of Rs.494 crore and 7 companies divesting for Rs.14,136 crore, the year 2004-05 witnessed 4 companies raising fresh capital of Rs. 3,433 crore and 2 divestments aggregating Rs. 3,336 crore. The remaining 23 cases were IPOs.

‘Safety’ continued to be the hallmark of the year’s offerings according to Mr.Haldea. It may be recalled that courtesy the bad experiences of the mid 90s, compounded by the misadventure with IT IPOs in the late 90s, investors had shown marked preference for safety. **The 'safety' factor was evident through total domination by existing companies, in most cases with well-known promoters. Clearly, there was no market for greenfield projects or for new promoters.**

The response from the public to the equity issues of the year on the whole was excellent, according to Mr.Haldea. The main reason for the performance of the primary market was the buoyant secondary market almost through out the year. The economic resurgence and the stable political climate only further improved the scenario.

The cost of projects of all the companies which entered the market during the year aggregated a meagre Rs.1,184 crore. The largest project of the year, for which a public issue was made, was that of SAL Steel (Rs. 203 crore).

The year also witnessed, according to PRIME, a near-demise of regional stock exchanges. All 29 issues went for listing at BSE/NSE, with 4 companies also additionally opting for listing at a couple of regional exchanges.