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Annual Review

**RIGHTS ISSUES MOBILISATION DOWN BY 10 PER CENT TO RS.3703
CRORE IN 2006-07 : PRIME**

Mobilisation of resources through rights issues recorded a decline in the recently concluded fiscal 2006-07. According to Mr.Prithvi Haldea of PRIME, the country's leading database on the primary capital market, by amount, the year saw only Rs. 3703 crore being raised, which was lower by 10 per cent than Rs. 4126 crore that was raised in the previous year 2005-06 (2004-05 : Rs.3616 crore). In perspective, the mobilisation of 2006-07 was still only 29 per cent of the Rs.12,630 crore which was raised in the boom year of 1992-93.

By number, according to PRIME, the year witnessed 38 companies using the rights route. This was higher by 5 per cent over the previous year that had seen 36 issues (2004-05:26 issues) but again no where near the 488 companies that had made rights issues in 1992-93.

| 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 | 13 | 1041 |
| 2002-03 | 12 | 431 |
| 2003-04 | 22 | 1006 |
| 2004-05 | 26 | 3616 |
| 2005-06 | 36 | 4126 |
| 2006-07 | 38 | 3703 |

The largest issue in the year, as per PRIME database was from Aditya Birla Nuvo. (Rs.779 crore). The other Rs. 100 crore plus issues were from Bajaj Auto Finance (672), Tata Teleservices (491), Tata Coffee (249), Kirloskar Ferrous (227), Hindustan Oil Exploration (149) and Karur Vysya Bank (126).

The response to all issues of the year was good except one company (Vimal Oil). According to Mr.Haldea, rights offers are made at a discount to the ruling market price, and hence are able to draw in shareholders' response specially when the secondary market is doing well.

Companies offered shares on rights basis either to expand, diversify or simply to restructure their balance sheets. Moreover, in some cases, promoters raised their stake in the company at a reasonable price.

However, according to Mr. Haldea, scores of companies continued to prefer to meet their fund requirements through preferential allotments of equity. Several companies also tapped the overseas markets through the GDR/ADR/ FCCB route. The SEBI restrictive guidelines on rights issues have acted as a huge deterrent to companies opting for this route, and it is heartening that SEBI has finally decided now to rationalise the same.

Looking Ahead

The new fiscal (2007-08) appears very promising for rights issues. A buoyant secondary market and the impending revised SEBI guidelines would encourage companies to come out with rights issues. **According to PRIME database, as many as 24 companies have already applied for or have obtained SEBI approval for raising Rs. 2344 crore.** Some of the major ones include Dagger Forst Tools (29), Federal-Mogul Goetze (110), GTL Infrastructure (1000), JSW Steel (400), Network 18 Fincap (203), Orient Paper & Industries (175), SAAG RR Infra (40), Trent (158) and VBC Ferro Alloys (50).

In addition, according to PRIME database, there are at least 50 companies who have in the last 6 months announced their plans to tap the rights market and may firm up their plans in the near future. These include Aviva Industries (30), Bank of Rajasthan (107), Brakes Auto (India), Champagne Indage, Chemplast Sanmar (200), Cholamandalam DBS Finance (200), Cybermate Infotek, Cybertech Systems & Software, Dhanalakshmi Bank, DIC India (48), Federal Bank (750), Gujarat Mineral Development Corp., Jindal Hotels, Kaashyap Technologies, Sahara Housingfina Corp.(30), Sakthi Finance, Shopper's Stop, Sona Koyo Steering Systems (100), Speciality Papers, Tata Steel (3655), Thomas Cook (225), UB Engineering (60), Vakrangee Softwares and Wire & Wireless India (1125).