

2nd April, 2008

Annual Review

**RIGHTS ISSUES MOBILISATION UP BY HUGE 778 PER CENT TO
RS.32,518 CRORE IN 2007-08 : PRIME**

Mobilisation of resources through rights issues recorded a massive increase in the recently concluded fiscal 2007-08. According to Mr.Prithvi Haldea of PRIME, the country's leading database on the primary capital market, by amount, the year saw Rs. 32,518 crore being raised, which was higher by 778 per cent than Rs. 3,703 crore that was raised in the previous year 2006-07 (2005-06 : Rs.4,126 crore).

In perspective, the mobilisation of 2007-08 was **the highest-ever in the history.** In fact, it was more than the combined mobilisation of the preceding 12 years. Of course, more than half of the year's mobilisation came courtesy the SBI rights issue while another 28 per cent was taken up by Tata Steel. These, in a sense, were exceptional issues and are not indicative of any trend, according to Mr.Haldea.

By number, according to PRIME, the year though witnessed only 30 companies using the rights route. This was lower by 21 per cent over the previous year that had seen 38 issues (2005-06:36 issues), though 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
2007-08	30	32518

The largest issue in the year, as per PRIME database, was from State Bank of India (Rs.16736.30 crore). The other Rs. 1000 crore plus issues were from Tata Steel (9135), Federal Bank (2141) and Indian Hotels (1447).

The response to all issues of the year was good. 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.

However, according to Mr.Haldea, the corporate sector continued to meet its fund requirements also through preferential allotments of equity and through Qualified Institutional Placements (QIP). Several companies also tapped the overseas markets through the GDR/ADR/ FCCB route. But for the SEBI restrictive guidelines on rights issues which act as a huge deterrent to companies opting for this route, the mobilisation through rights issues could have been even higher.

Looking Ahead

The new fiscal (2008-09) has not started well, courtesy the subdued secondary market conditions. According to PRIME database, 20 companies have already applied for or have obtained SEBI approval for raising Rs. 1,855 crore. Some of the major ones include Dhandapani Finance (Rs.50 crore), Entegra (100), GE Capital Transportation Financial Services (250), Impex Ferro Tech (40), JK Tyres, Lotte India (175), Oudh Sugar (50), Sanguine Media (50), SGN Telecoms (50), Shopper's Stop (500), Tayo Rolls (50) and United Breweries (425).

In addition, according to PRIME database, there are at least 35 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 Anil Products (Rs.10 crore), Bhushan Steel, Dunlop India, GMR Industries (250), Gujarat Terce Laboratories, Ispat Industries (1000), Jet Airways (1600), Kaashyap Technologies, Tata Power and Thomas Cook (India) (225).

The floatation plans of all these companies are, of course, subject to a stable, if not a buoyant, market.