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PUBLIC EQUITY ISSUES MOBILIZE ONLY RS. 16,927 CRORE IN 2008: PRIME DATABASE

An extremely bear and nervous secondary market through the year saw 2008 with a very low mobilization of only Rs. 16,927 crore, representing a fall of 63 per cent over Rs.45,137 crore that was raised in 2007, through public equity issues, comprising both IPOs and FPOs, according to Prithvi Haldea, CMD of PRIME, the premier database on the primary capital market. This is even 31 per cent lower than 2006 which had seen raisings of Rs.24,679 crore (Table I). Incidentally, given the state of the market a year ago and the growing pipeline, PRIME had estimated a raising of Rs. 75,000 crore for 2008.

Significantly, the year witnessed the largest-ever IPO in India - from Reliance Power for Rs.10,123 crore, which single-handedly accounted for 60 per cent of the year's total mobilization. In this calendar year, according to PRIME, there were **only 2 issues of over Rs. 1,000 crore each** compared to 6 in the preceding year. As many as 22 of the 38 issues were of less than Rs. 100 crore, of which as many as 14 were of less than even Rs. 50 crore. The year continued to witness very few small issues; there was only 1 issue of below Rs. 10 crore, quite like 2007 which had just 1 such issue or 2006 which had no such issue. Courtesy the Reliance Power IPO, the **average size** of public issue, however, increased to Rs.445 crore in 2008 from Rs.426 crore in 2007.

By number of issues also, the performance of the year was very negative. Compared to 106 public equity issues in the previous year, **2008 recorded only 38 public issues**, registering a 64 per cent decline.

Courtesy the bear conditions, **response from the public to the issues of the year, unlike 2007, was very subdued**, according to Mr. Haldea. Only 6 of the 37 IPOs (16 per cent) received oversubscription of more than 10 times, compared to 50 out of 101 IPOs (50 per cent) in 2007. In fact, as many as 14 issues barely managed to get a one-time subscription. Worse, 3 IPOs had to be cancelled because of lack of response, including the Rs. 5436 crore issue of Emaar MGF and the Rs. 564 crore issue of Wockhardt Hospitals. Moreover, 1 company had to call off its IPO even before the opening of the subscription.

The continued bear conditions had another fall out. Typically, companies rush to open their IPOs immediately after clearing the last hurdle of SEBI approval. This year saw as many as 37 companies, planning to collectively raise Rs. 29,164 crore, allowing their approvals to lapse in the 90-day period because of adverse market conditions. This included some big names like Reliance Infratel (Rs. 6000 crore), Adani Power (5630), Jaiprakash Power Ventures (4000) and Future Ventures (2660).

Unlike the preceding year which had seen the real estate sector cornering 33 per cent of the total mobilization, this sector, according to PRIME, had only a 7% share in 2008. The domination in 2008 was by the power sector, which through 2 issues, cornered with a 65 per cent share at Rs.10,954 crore. Among other sectors, banking had a 10 per cent share at Rs.1,639 crore.

According to PRIME, IPOs clearly dominated with 37 issues collectively mobilizing over 99 per cent of the total amount at Rs.16,904 crore, though down from Rs.34,179 crore in 2007. Follow-on public offerings (FPOs) was made by only 1

listed company, raising a meager Rs.23 crore, down from 6 such issues last year which had raised Rs. 10,962 crore.

Bookbuilding issues continued to dominate, according to Mr. Haldea. Of the 38 issues, 33 issues (87 per cent) were made through this route, collectively **mobilizing over 99 per cent** of the year's amount.

On another front, according to PRIME, there was a **continued dominance of fresh capital**, which typically goes into productive assets as against offers for sale where the proceeds goes to the seller- promoters, funds and other investors- and not to the company. Fresh capital took a 94 per cent share at Rs.15,941 crore, though down by 63 per cent from Rs.43,065 crore in the previous year. Offers for sale raised only Rs.986 crore in 2008, compared to Rs.2,077 crore in 2007.

As per PRIME, the mobilization in 2008 could have been helped by PSU divestments. In 2004, an impressive Rs.16,819 crore was accounted for by PSU divestments, which went down to nil both in 2005 and 2006 and was Rs. 995 crore in 2007. Courtesy REC, 2008 saw a meager divestment of Rs.820 crore.

The year also witnessed a complete eclipse of the regional stock exchanges. All 37 IPOs were **listed only at BSE and/or NSE**, as per PRIME.

In terms of **public debt issues**, no monies were mobilized in 2008, compared to Rs.1,000 crore in 2007.

PUBLIC ISSUES-IPOs and FPOs

Year	IPOs	FPOs	Total Equity	(Rs.crore)	
				Bonds	Total
2008	16904	23	16927	0	16927
2007	34179	10963	45142	1000	46142
2006	19862	4817	24679	0	24679
2005	9990	12764	22754	4095	26849
2004	13122	17389	30511	2383	32894
2003	1700	480	2180	5284	7464
2002	1981	0	1981	4549	6530

TABLE I

PUBLIC EQUITY OFFERINGS – IPOs & FPOs

CALENDAR YEAR	NO. OF ISSUES	ISSUE AMOUNT (Rs. crore)
1989	132	2316.49
1990	142	969.80
1991	167	1349.80
1992	403	4965.10
1993	662	9489.98
1994	1126	8924.77
1995	1429	13413.79
1996	1111	5459.04
1997	117	2105.60
1998	19	364.63
1999	38	2236.97
2000	125	2982.91
2001	13	365.31
2002	6	1981.47
2003	14	2179.80
2004	34	30510.83
2005	72	22753.64
2006	92	24679.26
2007	106	45141.59
2008	38	16927.48

SOURCE : PRIME DATABASE

TABLE II

TOP 10 PUBLIC EQUITY OFFERINGS OF 2008

SNO.	COMPANY	ISSUE TYPE	ISSUE OPENING DATE	ISSUE AMOUNT (Rs.crore)
1	RELIANCE POWER LTD.	IPO	15/01/2008	10123.20
2	RURAL ELECTRIFICATION CORP.LTD.	IPO	19/02/2008	1639.26
3	IRB INFRASTRUCTURE DEVELOPERS LTD.	IPO	31/01/2008	944.57
4	KSK ENERGY VENTURES LTD.	IPO	23/06/2008	830.66
5	FUTURE CAPITAL HOLDINGS LTD.	IPO	11/01/2008	491.34
6	ONMOBILE GLOBAL LTD.	IPO	24/01/2008	479.62
7	GAMMON INFRASTRUCTURE PROJECTS LTD.	IPO	10/03/2008	276.39
8	SHRIRAM EPC LTD.	IPO	29/01/2008	150.00
9	AUSTRAL COKE & PROJECTS LTD.	IPO	07/08/2008	142.30
10	GSS AMERICA INFOTECH LTD.	IPO	11/02/2008	139.90

SOURCE : PRIME DATABASE