

**PUBLIC EQUITY MARKET REVIVES IN 2009-10 WITH RAISING OF
RS. 46,778 CRORE*; PSUs DOMINATE WITH 66 PER CENT SHARE:
PRIME DATABASE**

The fiscal 2009-10, just about to end, will witness a complete turnaround in public equity offerings. According to Mr.Prithvi Haldea of PRIME, the country's premier database on primary capital market, the total mobilization at Rs. 46,778 crore in 2009-10 is higher by a huge 23 times than the dismal Rs. 2,034 crore that had been raised in the preceding year. Incidentally, the mobilization in the year could have been higher but for the continuing volatility in the secondary market and poor post-IPO performance of some companies in the early part of the year.

The year, however, fell short of Rs.52,219 crore, the highest amount that had been raised ever, being in 2007-08. Nevertheless, the 2009-10 amount stands as the second-highest ever, and is almost double of each of the preceding years of 2004-05, 2005-06 and 2006-07, as per PRIME.

Year	Amount (Rs.crore)
2009-10	46,778
2008-09	2,034
2007-08	52,219
2006-07	24,993
2005-06	23,676
2004-05	21,432
2003-04	17,807
2002-03	1,039

According to Mr. Haldea, PSUs dominated the year with a total raising of Rs. 30,942 crore or 66 per cent of the total amount. This was the highest ever amount mobilized by the PSUs, the previous highest being Rs.16,563 crore in 2003-04. Of the total amount of Rs. 30,942 crore, Rs. 21,162 crore was through divestments and Rs. 9,780 crore through fresh capital. A total of 6 PSUs entered the market during the year, led by NMDC (Rs.9,791 crore) followed by NTPC (8,480), NHPC (6,039), REC (3,530), Oil India (2,777) and United Bank (325).

According to PRIME, after several years, the mobilization was almost equally shared by IPOs and FPOs. A total of 39 IPOs collectively raised Rs.24,924 crore or 53 per cent of the total amount (compared to 21 IPOs in the preceding year mobilizing Rs.2,034 crore). The amount raised through FPOs stood at Rs.21,854 crore through 5 companies, compared to 0 such companies in the preceding year.

As per PRIME, fresh capital and offers for sale almost had an equal share at Rs. 24,522 crore and Rs. 22,256 crore respectively.

According to Mr.Haldea, the number of issues hitting the market recorded a huge 110 per cent increase. The year 2009-10 witnessed 44 public issues, compared to 21 in the previous fiscal. Significantly, the year witnessed the highest-ever **average deal size at Rs. 1,063 crore** (2005-06: Rs.232 crore, 2006-07: Rs.294 crore, 2007-08: Rs.580 crore, 2008-09: Rs. 97 crore). **The year saw a demise of small issues**; there was no issue of below Rs 10 crore.

In terms of method of offering, all issues of the year, as per PRIME, **were through the bookbuilding route, signifying a near-demise of the fixed price method. The year also witnessed the introduction of the French Auction system, which was used by NTPC and REC.**

'Quality' continued to be the hallmark of the year's offerings. According to Mr. Haldea, **the quality factor was evident through the complete domination of existing companies, in most cases with well-known promoters. Clearly, there was no market for IPOs from greenfield projects or from new promoters** -some thing that had dominated all past primary market booms. Moreover, stringent entry norms and better vetting by stock exchanges, SEBI and QIBs have hugely improved the quality of issues.

Except for the PSU FPOs, the response from the public to the equity issues of the year was excellent, according to Mr.Haldea. The main reason for the good response was the combination of high quality companies and reasonable valuations.

Most IPOs of the year gave excellent returns on listing, as per PRIME. The market structure requiring compulsory validation of each offering by QIBs meant good news for the retail investors. That some IPOs subsequent fell below their offer prices was more a function of the secondary market crashes and rerating of certain sectors.

According to PRIME, the **power sector had the dominant share** with 5 companies raising Rs.21,993 crore (47 per cent of the total amount) followed by mining/ minerals sector with 1 issue raising Rs.9,791 crore (21 per cent) and financial services/ banking sector with 2 issues raising Rs.3,855 crore (8 per cent). By number, the information technology sector witnessed 6 IPOs.

According to PRIME, the year, like last year, did not witness a revival of the regional stock exchanges. All 44 issues went for listing at BSE/NSE. The 3 companies that also additionally listed at regional exchanges were because these were all FPOs already listed at those regional exchanges.

In addition to equity issues, the year also saw 3 public bonds issues, raising a total amount of Rs. 2,250 crore.

* Tentative issue amount as final bookbuilt price of some issues is yet to be determined.