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Public equity issues mobilize record Rs. 69,192 crore in 2010: PRIME Database

After a dull 2008 and 2009, **public equity issuances, comprising IPOs and FPOs, witnessed the highest-ever mobilization in 2010 at Rs.69,192 crore, according to Prithvi Haldea, CMD of PRIME, the premier database on the primary capital market.** This is three and a half times higher than the previous year (Rs.19,567 crore) and 53 per cent higher than the earlier record year of 2007 (Rs.45,142 crore).

This huge raising, according to Haldea, was possible because of the concerted and successful PSU issue programme. 3 IPOs and 6 FPOs, through disinvestment of Rs. 42,056 crore and fresh capital raising of Rs. 6,951 crore, collectively realized Rs. 49,007 crore. The comparative figure for 2009 was Rs.8,816 crore through 2 IPOs. In addition, 2 PSU banks raised Rs. 796 crore. As such, over 72 per cent of the total year's mobilization was accounted for by PSUs.

By number of issues, the year closed at 72, over 3 times higher than 21 in 2009, though much below 106 issues in 2007, or several earlier years which had seen much higher number of issuances. Since the previous 2 years were very subdued, many companies had allowed their SEBI approvals to lapse, and had refiled. Of the 72 issues, as many as 13 were cases of refiling.

According to PRIME, the year witnessed 64 IPOs (previous year 20) and 8 FPOs (previous year 1). Since 2008, FPOs are no longer a preferred route for raising money. In 2008 and 2009, there was only 1 FPO each. 2010 did see 8 FPOs but 6 of these were of PSUs. On the other hand, fixed price IPOs are almost non-existent; **62 of the 64 IPOs were bookbuilt**, and only 2, both small, were fixed price.

Significantly, the year 2010, Haldea stated, also witnessed the largest-ever IPO in India - from Coal India for Rs.15,199 crore, which single-handedly accounted for 22 per cent of the year's total mobilization. In fact, the year was dominated by large issues; there were as many as 13 issues of over Rs. 1,000 crore each compared to 5 in the preceding year, accounting for over 80 per cent of the year's mobilization. On the other hand, **there were only 9 issues of less than Rs. 50 crore and, like the previous year, not a single issue of less than Rs.10 crore**, the smallest issue being of Rs.29 crore. The market for small companies, therefore, continued to be non-existent, and SEBI's efforts to promote SME exchanges have been a non-starter.

Accordingly, the **average deal size continued to be high at Rs. 961 crore**, even slightly higher than Rs. 932 crore in 2009 (but significantly higher than Rs. 445 crore in 2008 and Rs.426 crore in 2007).

The top 5 issues were all from the public sector. Following Coal India were NMDC (Rs. 9930 crore), NTPC (8480), Power Grid (7442) and REC (3530). The largest private sector issue was from Jaypee Infratech (2262).

According to Haldea, while the year recorded the highest-ever mobilization, which reflects both the interest and depth in domestic as well as foreign investors in the Indian market, what should be noted is that **most of it did not represent growing corporate activity. Only about one third was through issuance of fresh capital, which typically goes into productive assets as against offers for sale where the proceeds goes to the seller- government, promoters, funds and other investors- and not to the company.** Of the Rs. 69,192 crore, as much as 45,167 crore or 65 per cent was through offers for sale and only Rs. 24,025 crore in fresh capital. In fact, the fresh capital raising was much lower than Rs. 43,065 crore raised in 2007. Significantly, besides the government, offers of sale came from promoters and PE firms, using the market to exit for an aggregate amount of Rs.3,115 crore in as many as 16 issues.

Unlike the 2005-2007 period which had seen a dominance of the real sector, the year 2010, like 2008 and 2009, continued to be severe on this sector, with its share being only 7 per cent of the money raised, according to PRIME. **The domination in 2010 was by the mining/minerals, sector which through 3 issues cornered a 38 per cent share,** followed by the power sector with a 26 per cent share.

The response to the issues of the year was reasonably strong according to Haldea. As many as 30 issues received oversubscription of more than 10 times. What was heartening was that the biggest IPO ever-Coal India got oversubscribed by over 15 times. The highest oversubscription was witnessed for Persistent Systems at 93 times. On the other hand, according to PRIME, as many as 19 issues managed less than 1.5 times oversubscription, which included the 2 mega PSU FPOs of NMDC and NTPC as well as the largest private sector issue of Jaypee Infratech. **What also emerged clearly was the selective interest, and not frenzy, of the retail investors;** while in as many as 37 issues, they oversubscribed their portion by more than 3 times of which 30 by more than 5 times, in 22 issues, their portion was not subscribed even 1 time.

The year also witnessed cancellation of 2 issues because of poor response and withdrawal of one issue prior to its opening. Moreover, the initial offer price was rejected by the market in the case of 3 companies (Aqua Logistics, BS Transcomm and Claris), where the issuers were forced to revise their offer price.

2010 also broke another record, according to Haldea, that of **the highest amount ever collected as application money. Coal India, with Rs.2.33 lakh crore** beat Reliance Powers' record of Rs. 2.25 lakh crore. **In terms of number of applications, only 3 companies managed to get more than 10 lakh investors,** and all these were PSUs: Coal India (15.96 lakh), Power Grid (13.89)and MOIL (12.78).

As per PRIME, the new concept of **Anchor Investors** instituted by SEBI in 2009 had seen 9 companies commit to nearly 30 per cent of the QIB portion and collectively taking up a high 17 per cent of the aggregate issue amount. In 2010, 26 out of 62 bookbuilt IPOs had anchor investors, again committing to nearly the same amount.

According to Mr. Haldea, **ASBA** failed to make its mark even in 2010. Introduced in 2008 for the retail, 2009 saw only 10 per cent of the retail applications through ASBA. This number grew still only to 19 per cent in 2010. This facility extended to HNIs in 2010 saw 25 per cent of them using ASBA. Later in the year, extended to QIBs, ASBA was used by nearly 51 per cent of the applicants.

While all 64 IPOs were listed at BSE, 60 of these listed at NSE, as per PRIME. The year, like several preceding ones, did not see a single listing at a regional exchange.

The year, like the previous year, saw some mobilization through bonds, according to PRIME. While 2009 had seen 3 companies raise Rs. 3,500 crore, 2010 saw 5 companies issue bonds worth Rs. 2,727 crore.

PUBLIC ISSUES-IPOs and FPOs

Year	IPOs	FPOs	Total Equity	(Rs.crore)	
				Bonds	Total
2010	37615	31577	69192	2727	71919
2009	19544	23	19567	3500	23067
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
1990	142	970
1991	167	1350
1992	403	4965
1993	662	9490
1994	1126	8925
1995	1429	13414
1996	1111	5459
1997	117	2106
1998	19	365
1999	38	2237
2000	125	2983
2001	13	365
2002	6	1981
2003	14	2180
2004	34	30511
2005	72	22754
2006	92	24679
2007	106	45142
2008	38	16927
2009	21	19567
2010	72	69192

SOURCE : PRIME DATABASE

TABLE II

TOP 10 PUBLIC EQUITY OFFERINGS OF 2010

SNO.	COMPANY	ISSUE TYPE	ISSUE OPENING DATE	ISSUE AMOUNT (Rs.crore)
1	COAL INDIA LTD.	IPO	18/10/2010	15199
2	NMDC LTD.	FPO	10/03/2010	9930
3	NTPC LTD.	FPO	03/02/2010	8480
4	POWER GRID CORP.OF INDIA LTD.	FPO	09/11/2010	7442
5	RURAL ELECTRIFICATION CORP.LTD.	FPO	19/02/2010	3530
6	JAYPEE INFRATECH LTD.	IPO	29/04/2010	2262
7	SKS MICROFINANCE LTD.	IPO	28/07/2010	1629
8	D B REALTY LTD.	IPO	29/01/2010	1500
9	MOIL LTD.	IPO	26/11/2010	1238
10	PRESTIGE ESTATES PROJECTS LTD.	IPO	12/10/2010	1200

SOURCE : PRIME DATABASE