

28th March, 2011

PUBLIC EQUITY RAISING AT RS. 46,267 CRORE IN 2010-11; PSUs DOMINATE WITH 60 PER CENT SHARE: PRIME DATABASE

The fiscal 2010-11, just about to end, has witnessed raising of Rs. 46,267 crore through public equity issues. According to Prithvi Haldea of PRIME, the country's premier database on primary capital market, though the year was expected to do much better, the mobilization is just about the same as Rs. 46,941 crore in the preceding year. The mobilization in the year could have been higher but for the deferment of some large PSU offerings and the continuing volatility in the secondary market, especially in the last quarter of the year; compared to Rs. 29,514 crore raised in the 3rd quarter, the 4th quarter saw mobilization of only Rs. 4,468 crore.

The year also fell short of Rs.52,219 crore, the highest amount that had ever been raised, being in 2007-08. Nevertheless, the 2010-11 amount stands as the third-highest, as per PRIME.

Year	Amount (Rs.crore)
2010-11	46,267
2009-10	46,941
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
2001-02	1,082

According to Haldea, PSUs and PSU banks dominated the year with a total raising of Rs. 27,537 crore or 60 per cent of the total amount. This was, however, lower than Rs.31,082 crore that had been raised by them in 2009-10, which was the highest ever. Of the total amount of Rs. 27,537 crore, Rs. 22,763 crore was through divestments and Rs.4,774 crore through fresh capital. A total of 7 PSUs entered the market during the year, led by the largest-ever IPO in the Indian market that of Coal India (Rs. 15199 crore) which singly accounted for 33 per cent of the year's mobilization. The other IPOs were from MOIL (1,238), SJVN (1,063) and PSB (471). The rest 3 were FPOs- PGCIL (7,442), SCIL (1,165) and EIL (960).

According to PRIME, a total of 57 public issues entered the market during the year, compared to 44 issues in the preceding year, meaning a 30 per cent increase. This included 52 IPOs collectively raising Rs.33,183 crore or 72 per cent of the total amount (compared to 39 IPOs in the preceding year mobilizing Rs.24,948 crore). The amount raised through FPOs stood at Rs.13,084 crore through 5 companies, compared to Rs.21,993 crore mobilized by 5 companies in the preceding year.

The average deal size, however, fell to Rs. 811 crore from Rs. 1067 crore in the preceding year, though it was still the second highest ever. There were as many as 10 issues of above Rs.1,000 crore. On the other hand, like the previous years, there were only 6 issues of less than Rs. 50 crore, and no issue of below Rs 10 crore during the year, the smallest issue being 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.

As per PRIME, only 45 per cent or Rs. 21,065 crore was raised through fresh capital, which typically goes into creation of productive assets, with the remaining Rs. 25,201 crore raised through offers for sale where the proceeds go to the sellers-government, promoters, venture funds and other investors and not to the company.

In terms of method of offering, 55 of the 57 issues of the year, as per PRIME, **were through the bookbuilding route** cornering over 99 per cent of the amount, with only 2 small issues through the fixed price method.

The facility of anchor investors was used by 21 companies, who on the whole allocated 30 per cent of the amount reserved for the QIBs.

According to Haldea, ASBA failed to make its mark even in 2010-11. Despite 4 years in operation, only about 20 per cent of applications of retail investors came through this route.

The response from the public to the equity issues of the year was on the whole good, according to Haldea. As many as 35 issues were oversubscribed by more than 3 times. This included the Coal India's largest IPO eliciting 15 times oversubscription. The highest oversubscription was received by MOIL at 56 times, followed by PSB at 50 times and Gravita at 42 times. However, 2 companies had to revise their price bands due to poor response (BS Transcomm and Claris). At the extreme were 2 IPOs that failed to elicit response from the public and had to be withdrawn (Fatpipe and Tara Health). What emerged clearly was the selective interest, and not frenzy, of the retail investors.

In terms of number of applications, Coal India led with 15.96 lakhs, followed by PGCIL (13.89 lakhs) and MOIL (12.78 lakhs).

The year also broke another record, that of the highest amount ever collected as application money. Coal India with Rs. 2.33 lakh crore beat Reliance Power's previous record of Rs. 2.25 lakh crore.

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 **mining/ minerals had the dominant share** with 2 companies raising Rs.16,437 crore (36 per cent of the total amount) followed by power sector with 3 issue raising Rs.9,405 crore (20 per cent) and steel sector with 2 issues raising Rs.3,511 crore (8 per cent). By number, the highest was the textile sector which witnessed 5 IPOs.

According to PRIME, **the year, like last year, did not witness a revival of the regional stock exchanges.** All IPOs went for listing only at the national exchanges, with BSE getting all 52 IPOs and NSE getting 47 of these.

In addition to equity issues, the year saw a much greater activity in the public bonds market, according to PRIME. As many as 10 issues raised over Rs.17,000 crore, compared to 3 at Rs. 2,250 crore last year.