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ONLY RS. 4,101 CRORE RAISED THROUGH RIGHTS ISSUES IN 2013: PRIME DATABASE

Mobilisation of resources through rights issues recorded a huge decline in 2013. According to Pranav Haldea, Managing Director of PRIME Database, the country's premier database on primary capital market, by amount, the period saw **only Rs. 4,101 crore being raised**, which was **lower by 44 per cent** than Rs. 7,295 crore that was raised in the preceding year, and also the **lowest in last 7 years, except one year (2009)**. By number, according to PRIME, the year witnessed 12 companies using the rights route (previous year, 17 companies).

A rights issue is a way by which a listed company can raise additional capital. However, instead of going to the public, the company gives its existing shareholders the right to subscribe to newly issued shares at a pre-determined price, normally at a discount, in proportion to their existing holdings.

The largest rights issue in the period, as per PRIME Database, was from Bajaj Finance (Rs. 744 crore), followed by Godrej Properties (Rs.700 crore) and Reliance Mediaworks (Rs.600 crore).

According to Haldea, the rights issue route was used by 2 companies (Peirce Leslie and Dalal Street) to dilute promoters' shareholding to comply with SEBI's requirement of Minimum Public Shareholding. While the Dalal Street's issue (Rs.9 lakhs) was successful, Pierce Leslie had to refund the amount collected from the investors as it was not able to obtain the minimum subscription.

Number of rights issues and amounts raised in the last 7 years are as follows:

YEAR	NO. OF RIGHTS ISSUES	AMOUNT (Rs.crore)
2007	29	14,085
2008	28	31,054
2009	23	3,774
2010	23	9,203
2011	21	7,665
2012	17	7,295
2013	12	4,101

As per Haldea, volatile market conditions through the year, delays in the rights issues process and an overall lack of confidence in companies to raise and deploy fresh capital were the main reasons for the poor utilization of the rights route.

18 per cent of the mobilization, at Rs. 744 crore, was done by the financial services sector (1 issue of Bajaj Finance) followed by Media (Reliance Mediaworks - Rs.600 crore and Media Matrix - Rs.109 crore) & Real Estate (Godrej Properties- Rs. 700 crore) at 17 per cent each.

As of now, **2014 is also likely to see little action on the rights front**. According to PRIME, at present, there are only 9 companies wishing to raise Rs. 881 crore which have SEBI

approval while there are another 6 companies wishing to raise Rs. 396 crore which have applied for SEBI approval.