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## PRESS RELEASE

### ONLY RS.4,573 CRORE RAISED THROUGH RIGHTS ISSUES IN 2013-14: PRIME DATABASE

Mobilisation of resources through rights issues recorded a huge decline in **2013-14**. 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. 4,573 crore being raised**, which was **lower by 49 per cent** than Rs. 8,945 crore that was raised in the preceding fiscal. By number, according to PRIME, the year witnessed 13 companies using the rights route (previous year: 16 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 Tata Power (Rs. 1,993 crore), followed by Godrej Properties (Rs.700 crore) and Reliance Mediaworks (Rs.600 crore).

According to Haldea, the rights issue route was additionally 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 10 years are as follows:

YEAR	NO.OF ISSUES	AMOUNT (Rs.crore)
2003-04	22	1006
2004-05	26	3616
2005-06	36	4126
2006-07	38	3704
2007-08	30	32519
2008-09	23	12622
2009-10	29	8321
2010-11	24	9594
2011-12	16	2375
2012-13	16	8945
2013-14	13	4573

**As per Haldea, uncertain 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.**

43 per cent of the mobilization, at Rs. 1,993 crore, was done by the power sector (1 issue of Tata Power) followed by Real estate (Godrej Properties- Rs. 700 crore) at 15 per cent.

As of now, **2014-15 looks slightly more promising. According to PRIME, rights issues of 5 companies for Rs.729 crore have already opened, 2 companies wishing to raise Rs. 26 crore have SEBI approval while another 4 companies wishing to raise Rs. 863 crore have applied for SEBI approval.**