[C] FOCUS: Snowman Logistics' fiery debut may thaw the chill in IPO mkt
Cogencis, Monday, Sep 15
.
By Sanam Mirchandani

MUMBAI - Snowman Logistics Ltd's strong debut -- at a 62% premium to its issue price -- has led traders to take heart from the opportunity it provides.

Though the 2-bln-rupee, 32.55-mln-share issue of the cold-chain subsidiary of logistics major Gateway Distriparks Ltd is a small drop in the equity market ocean, it has led traders to believe a revival in the dormant initial public offering market is in the offing.

The stupendous response to the IPOs of Snowman Logistics, Wonderla Holidays Ltd, and Sharda Cropchem Ltd indicates that the market is warming up to maiden equity offerings once again, market experts said.

Initial public offerings had dried up following the failure of some issues and general lack of appetite since the Lehman crisis in 2008.

The sustained rally in the secondary market for most of this year seems to have breathed life into public issues, they said.

Majority of market experts believe it is only a matter of time before bigger issues hit the market as liquidity remains healthy. A lot though will depend on the trend in the secondary market going forward.

"As long as the secondary market sustains, the primary market will follow. Generally it takes six months for the primary market to catch up...starting January, the secondary market is doing well. So, understandably, the primary market optimism has come back," Jagannadham Thunuguntla, head of research at SMC Global Securities, said.

Some public offerings waiting in the wings include that of Hindustan Construction Co Ltd's realty arm Lavasa Corp, Great Eastern Energy Corp Ltd, Adlabs Entertainment Ltd, and Monte Carlo Fashions.

Last week, Snowman Logistics made a stellar debut on the exchanges, listing at 76 rupees per share on the National Stock Exchange as against an issue price of 47 rupees. The cold chain and third-party logistics services providers' IPO was subscribed nearly 60 times, with high net-worth individuals and retail investors bidding aggressively.

Amusement park operator Wonderla Holidays' shares listed at 160 rupees on the NSE on May 9, and have doubled since then. Today, the stock ended at 313.80 rupees.

Market participants believe the run-rate of new issues going forward would hinge on the sustainability of positive momentum in the secondary market.

"Definitely IPO market has revived post the new government at the Centre, as they are driven by sentiments in the broader secondary market," Geetanjali Kedia, research analyst at SPTulsian.com, said.
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A section of the market though believes that the revival of IPOs after a long lull, may be slow and long-drawn, while others added that a handful of small-sized IPOs cannot be viewed as benchmarks for more listings to come.

"It is still a bit too early to say because we have not seen a huge increase in the number of issues which are being filed with SEBI for approval. In fact, not even a single IPO has been filed for approval in the last two months," Pranav Haldea, managing director of Prime Database, said.

"Moreover, the issues which have come till now have been relatively small in size," he said.

However, Thunuguntla believes quality of the company and pricing are paramount for investors to be attracted to listing candidates. "As long as these factors are there, small issues will also do well," he said.

Kedia of SPTulsian.com says that the second half of the current financial year could see more players hitting the primary market than the first half. She said that big players are in a wait-and-watch mode and government stake sales in public sector companies going forward may give a better idea of investor sentiment for big issues.

"Once the PSU FPOs begin, there could be more IPOs coming in as big private players will get a sense of the appetite for larger issues. I believe second half of FY15 will see more traction compared to the first half, especially post

Diwali and during November," she said.

For investors to derive benefits from these issues, Kedia advises not getting swayed by attractive grey-market premiums and oversubscription of issues. End

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