

Small firms make beeline for IPOs before share sale rush

Snowman success likely to expedite many IPO launches

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EVEN as the government lines up its divestment programme with the slew of offerings, including those of ONGC and Coal India, smaller companies are rushing to tap the market, fearing that large issues might crowd them out.

The success of some of the recent issues in the primary market is encouraging small companies to hit the market with their initial public offerings.

As part of its divestments programme, the government is looking to mobilise about Rs 40,000 crore through sale of shares in public sector companies like ONGC, Coal India and NHPC.

Merchant banking sources said several small companies are lining up to raise funds in the coming months as they sense good appetite among investors for small issues.

About 10 companies are looking to raise funds in the range of Rs 200 crore to Rs 1,000 crore, of which seven have already received approvals from market regulator Sebi and three are awaiting the same.

Companies that have already received Sebi approvals include Intas Pharma (Rs 225 crore), Advanced Enzyme Tech (Rs 200 crore), Jyoti Automation (Rs 240 crore), Shemaroo Entertainment (Rs 120 crore), Great Eastern Energy Corp (Rs 300 crore), Inox Wind (Rs 700 crore) and NCML.

Adlabs, which is planning to mop up about Rs 500 crore, and Lavasa Corp

Primary market revival

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IPOs/FPOs with Sebi approval

Date of filing	Company	Date of approval	Estimated issue amount (Rs crore)
Jan, 14 '13	Intas Pharmaceuticals	Sept, 12 '13	225
Mar, 28 '13	Advanced Enzyme Technologies	Sept, 12 '13	200
Mar, 7 '13	Jyoti CNC Automation	Jan, 29 '14	240
Jul, 9 '13	Shemaroo Entertainment*	Feb, 21 '14	120
Sept, 17 '13	Great Eastern Energy Corp*	Mar, 5 '14	300
Mar, 28 '13	NCML Industries	Mar, 11 '14	
Mar, 05 '13	Inox Wind	Mar, 4 '14	700

*Refiled. Figures as August 22, 2014

Public issues (IPOs & FPOs)

Year	IPOs		FPOs		IPOs + FPOs	
	No. of issues	Amount (Rs crore)	No. of issues	Amount (Rs crore)	No. of issues	Amount (Rs crore)
2005-2010	39	24,948.31	5	21,992.98	44	46,941.29
2010-2011	52	31,097.77	5	13,083.89	57	44,181.66
2011-2012	33	5,885.67	1	4,578.20	34	10,463.87
2012-2013	9	6,289.28	0	0	9	6,289.28
2013-2014	1	919.14	2	7,455.94	3	8,375.10
2014-2015*	2	366.05	0	0	2	366.05

*Till Aug, 2014

Source: Prime Database

that is looking to tap the IPO market with a Rs 750 crore issue are still awaiting Sebi approval.

Monte Carlo, a ready-made garment manufacturer, is waiting Sebi observations to launch a Rs 400 crore to Rs 450 crore IPO. These companies are encouraged by the good response received by some of the recent IPOs.

Snowman Logistics' Rs 200 crore issue, which closed last Thursday, received an overwhelming response from investors with 59.43 times over-subscription. The issue received bids

for about Rs 9,000 crore.

Rakesh Singh, head of merchant banking at HDFC Securities, said: "The retail and institutional participation has been encouraging. In the case of the Snowman IPO, the retail participation was one of the highest. This shows the kind of appetite the market has for quality issues."

"We have seen small issues getting oversubscribed in the recent past, which is a good sign for the primary market," he said.

The primary market has been in the doldrums in the past three years with just 14

companies raised funds from the market through IPOs and FPOs.

This year, only Rs 366 crore has been mobilised so far. The first IPO of the year, that of Wonderla Holidays, raised Rs 180 crore in April, after it was subscribed 38 times.

With the last two issues getting good response, bankers expect that more small companies will be able to raise money through primary market offerings.

Prithvi Halodia of Prime Database said, "IPOs with good valuation and track record will get investors' attention. That does not mean all issue will get the same response. There is definitely appetite for good papers and there is enough liquidity in the market."

Several SMEs are also looking to get listed on the SME platforms of the stock exchanges, as promoters seek to reduce their debt burden. About a dozen companies are lining up to get listed on the BSE SME platform.

Mahavir Lunawat, group MD of Pantomath Advisory Services, which has helped 10 companies to list on the BSE SME platform, said there was a breed of promoters who do not want to work with huge debt burdens. "They prefer to raise money, even smaller amounts, through IPOs rather than taking bank loans," he said.

"SME IPOs have been doing well despite a lull in the main board with 70 companies listed on BSE (66) and NSE (4) since the launch of the SME platforms in 2012," Lunawat said.

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