PRIME DATABASE

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DISASTROUS FIRST HALF FOR IPOs; ONLY 3 ISSUES FOR RS.9 CRORE : PRIME

In the recently-concluded six month period of the current fiscal, only 3 IPOs have been made and that too to raise a miniscule Rs.9 crore. This is by far the worst-ever performance of the primary market, according to Mr.Prithvi Haldea of PRIME, the country's leading database on the primary capital market. Significantly, this pathetic show has nothing to do with the present crisis consequent to the U.S. terrorist attacks. The problems with the Indian IPO market lie elsewhere and worse, remain unaddressed. It may not be out of place to mention that even the two face-saving IPOs this year were more aimed at obtaining listing and not directed at generating any response from the investors.

According to Mr.Haldea, the present dismal performance does not even deserve a comparison. Even the first half of the previous fiscal which was considered to be bad, impacted as it was by an acute nervousness after the NASDAQ crash in April that year, witnessed 83 IPOs for Rs. 1807 crore as per PRIME. The market had continued to behave nervously through the balance period of the last year and when the secondary market scam hit the investors with full force in March this year, the doors to fresh capital raising almost entirely closed.

For the first time ever, the ratio between the approvals and the IPOs has become alarming according to Mr.Haldea. Typically, a company rushes to the market as soon as it obtains SEBI's approval, that being the last stage in the lengthy issue process. In the recent period, as many as 35 companies had no option but to let their approvals lapse. Incidentally, SEBI approvals are valid for one year and even in such a long period, these companies could not find any satisfactory time slot. Prominent among these companies, according to PRIME, were Nimbus Communications (Rs.182 crore), Paras Pharmaceuticals (150), Datamatics Technologies (100), Western Outdoor Media(36), Divi's Laboratories (31)and Radiant Software(26).

Looking ahead at the remaining half of the current fiscal, there are as of now 43 companies holding SEBI approval planning to collectively raise Rs.1807 crore in equity according to PRIME Database. The prominent among these are Punjab National Bank (Rs.320 crore),Eskay K'n'it (300),Future Software (200),Godrej Sara Lee (200),South Asian Petrochem(180),Mahindra British Telecom (100) , UTV Software Communications (100),Applitech Solutions(98) and Manipal Media(35). **The fact is that dismayed by the continuing disaster in the market, most of these companies have already announced publicly the deferment of their IPOs** and of tying up of alternative sources of finance. New filings have almost totally stopped and there are presently only 3 IPOs for Rs.8 crore awaiting SEBI approval.

In theory, these 46 companies should result in raising a total of Rs.1815 crore over the immediate few months within the current financial year. However, given the abysmal level of investor confidence and the southbound nervous Sensex , there would be several fallouts.

Significantly, as per PRIME Database, there are another 375 companies who have publicly announced their IPO intentions to collectively raise over Rs.21000 crore. The willingness to test their luck with the market would however be very limited in the present circumstances. This list includes some very prominent corporates with mega issues like Bharti Televentures planning a Rs.950 crore IPO and Tata Consultancy Services looking at a Rs.1000 crore offering. Some of the other potential mega issuers are Amitabh Bachhan Corporation ,I-Flex Solutions,Jyothi Laboratories,Kuoni Travels,LG Electronics, Microland, New Delhi Television and Shantha Biotechnics.

Issues are also under planning from several banks including Bank of Maharashtra, Canara Bank, Nedungadi Bank, Punjab & Sind Bank,State Bank of Patiala,Union Bank of India and United Bank of India.

Mr.Haldea stated that the myth being propagated that the primary market has died because the corporates do not need money is totally belied not only by the above huge list of corporates desperate to raise equity but also by their growing dependence on the debt private placement market.

In the present circumstances, the silver lining for the primary market, according to Mr.Haldea, can appear in the form of PSU disinvestment through the domestic offerings route and by some fundamentally-strong private sector corporates willing to forego the price they feel they deserve.

However, for the long run, Mr.Haldea feels that it is imperative to take a proper stock of all ills that have affected the primary market, reach a consensus on them and then find speedy, appropriate remedies. The hope that the primary market would revive on its own, like in the past, is now misplaced.

In fact, Mr.Haldea suggested that a high priority should be accorded to the revival of the primary market as the growth of the economy is significantly dependent on mobilisation of household savings for investment into industry.