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Annual Review

## **2001, A WRITE-OFF FOR IPOs; ONLY RS.392 CRORE MOBILISED : PRIME**

**Calendar 2001 was a write-off as far as IPOs are concerned, with a mobilisation of a paltry Rs. 392 crore**, reminiscent of the equally disastrous 1998 which had seen a raising of Rs.289 crore. This has been reported by Mr.Prithvi Haldea of PRIME, which operates the country's premier data base on the primary capital market. The year represented a significant decline of more than 87 per cent over Rs.3025 crore mobilised in 2000. Compared to the past, the performance appears even more dismal; Rs.8686 crore had been raised in 1995 and Rs.4969 crore were mobilised in 1996.

	No.of IPOs	Amount (Rs.crore)
1995	1354	8686
1996	1124	4969
1997	116	1885
1998	15	289
1999	34	1878
2000	126	3025
2001	15	392

**Worse, in terms of response, almost all IPOs failed to generate investors' interest** according to Mr.Haldea. In fact, the IPOs of Globsyn Technologies and Ador Powertron had to refund the application money having failed to mobilise the minimum 90 per cent subscription. Significantly, except for the IPO of Andhra bank which sold 2.72 times, other 12 IPOs managed just about 1-time subscription, curiously in the 90 to 100 per cent range, suggesting support from the promoters to pull the issues through. The retail investors, by and large, stayed away; in as many as 13 of the 15 IPOs, less than 3000 investors each participated, as per PRIME Database.

The year had begun on a nervous note, having seen consistent decline in the previous year consequent to the NASDAQ crash in April, 2000. Most IPOs which had been made in the preceding 2 years saw their prices tumbling down to much lower levels than their offer prices. Investors became nervous about valuations and response to issues started falling, leading to postponement of scores of IPOs. Little wonder, the first quarter of the year saw only 11 IPOs aggregating Rs. 308 crore.

**The worst, according to Mr.Haldea, was yet to come. The 9 months of the current fiscal were even more disastrous, courtesy the unearthing of the securities market scam in March. There were only 4 IPOs in these 9 months aggregating an insignificant Rs.84 crore. Of this, 3 were small 'technical' software issues aggregating Rs. 9 crore, the balance taken by South Asian Petrochem, the solitary IPO of any size or significance.**

**According to PRIME, by numbers, the year closed with only 15 IPOs, down 85 per cent from 103 in 2000, and nowhere near the high of 1354 IPOs in 1995.**

Interestingly, as if continuing the hangover, the IPO market remained dominated by the ICE (Information, Communication, Entertainment) sector cornering 13 of the 15

IPOs. Of the balance, 1 IPO was from a bank and 1 by a petrochemicals company. Noticeably missing was the NBFC sector which did not have a single IPO, quite unlike every year of the past decade. The manufacturing sector, quite like the previous years, was almost absent from the market with just 1 issue raising a meagre Rs.75 crore.

It may be recalled that the first-ever equity issue through the bookbuilding route was launched in 1999 by Hughes Software followed by just one more issue in that year. The year 2000 had witnessed as many as 14 companies using this route. 2001, however, saw only 2 bookbuilding issues (D-Link and Mid-Day Multimedia).

**Looking ahead, the primary market, according to Mr.Haldea, is now eagerly awaiting the much-hyped IPO of Bharti Tele-Ventures, the size of which could range from Rs.1200 crore to Rs.1800 crore. This IPO can, in fact, become the turning point for the revival of the primary market.**

**Depending upon the response to the Bharti IPO, and if the secondary market remains stable, there could be several companies who may then tap the market.** This includes, according to PRIME, prized companies like Tata Consultancy Services, NDTV, I-Flex Solutions, AB Corporation, B4U, Coke, Kuoni Travels and LG Electronics, among scores of other companies. In the market may also be several other IPOs which could not enter the market during 2001 despite obtaining SEBI approval. These include Applitech Solutions, Godrej Sara Lee, Paras Pharmaceuticals, Nimbus Communications, Datamatics, UTV Software, Future Software and Manipal Media Networks. IPOs may also materialise from the banking sector; in the fray are Bank of Maharashtra, Canara Bank, Central Bank of India, Lord Krishna Bank, Punjab & Sind Bank and Punjab National Bank.

However, divestment through offerings to the retail investors, according to Mr.Haldea, is probably the most appropriate measure that can bring life to the moribund primary capital market. Lack of IPOs over the last 5 years have made our secondary markets very narrow and speculative. In order to increase the supply of good paper, which will also bring back investors, the disinvestment targets should at least partly be met through small offerings by blue-chip PSUs to the retail investors at attractive prices, thereby in some way bringing back the FERA-dilution like days. This would also enable better price discovery for these PSUs for eventual sale to strategic investors and would be free from all controversies.