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MEGA IPOs SET TO STORM MARKET, RS.30,000 CRORE ISSUES LINED UP : PRIME

Never in the past have so many mega IPOs been announced in such a short period. **According to Mr.Prithvi Haldea of PRIME Database, if all IPOs announced in the preceding two months, which aggregate to nearly Rs.30,000 crore, make it to the market this year, it would not only pave way for hundreds of companies waiting for several years to raise resources, but also give the long-awaited breadth to our secondary market.**

It may be recalled that the year 2001-02 was a disaster for the IPO market with only 6 companies raising Rs. 1082 crore in the entire year. In fact, the mobilisation of the last 5 years at Rs 7412 crore was 25 per cent lesser than even the single year IPO mobilisation of Rs. 9919 crore in 1994-95.

According to PRIME, a good beginning in primary market was made by Bharti Tele-Ventures in January 2002. **What seems to have suddenly set things into motion are the recent successes of the attractively-priced issues of PNB and I-Flex.**

According to Mr.Haldea, with almost all investment opportunities drying up and the constant lowering of interest rates coupled with not so enviable performance of the mutual funds industry and the scars of several scams in the secondary market, **the present IPO scenario looks very attractive for the investor.** For, in tough times as exist today, what is going to be witnessed is the ideal combination an investor wants - a sound company with a reasonable price. There is, of course, enough liquidity to see these issues through.

Significantly, Mr.Haldea feels that the credit for the present rush belongs almost entirely to the Government and SEBI. On one hand, several banks have been encouraged to tap the market. Added to this is the Government's decision to ask some leading PSUs to come to the primary market. A point of concern, according to Mr.Haldea, though is that most of these IPOs are in the form of divestment and not for fresh capital raising which would have fuelled economic growth. The market for greenfield projects too is almost non-existent. Nevertheless, the planned IPOs will kickstart the market, and open up opportunities for fresh capital.

The forthcoming IPOs, according to PRIME, can be broadly classified into four segments-public sector undertakings, banks, MNCs and private sector corporates.

At the top are PSUs. The suggestion of PRIME, urging the government to at least partly use the IPO route for divestment, appears to have been accepted. The 9 PSU IPOs, coming to the rescue of the primary market as per PRIME include 4 oil majors - IOC (Rs.1600 crore), HPCL(1000), BPCL(1000)and GAIL (500). Added to that is the Rs. 600 crore IPO of NALCO and Rs. 800 crore IPO of Maruti. Also joining the fray are three power majors- NTPC(1500), PFC(1000) and Power Grid (500).

The second sector is banks. Close on the success of the PNB IPO, and the upbeat mood courtesy good financial performance in the recent fiscal, at least 15 PSU banks are now queuing up according to PRIME. This includes Allahabad Bank (Rs.100 crore), Bank of India(200), Bank of Maharashtra (150), Canara Bank (400), Central Bank of India (500), Indian Overseas Bank (100) Punjab & Sind Bank (100), State Bank of Mysore (200) UCO Bank (200), Union Bank of India (400), United Bank of India (100) and Vijaya Bank (200). Private sector banks include Lord Krishna Bank (100) and IDBI Bank (400). SIDBI is also planning a Rs. 500 crore issue.

The third, and an interesting category, is that of the MNCs. Topping this list, according to Mr.Haldea, is Coca-Cola which has finally been asked by the government to honour its agreement to float an IPO. Among others, who are in the fray are Hyundai Motor and LG Electronics. The IPOs of all these 3 companies are expected to be in the vicinity of Rs. 1000 crore each.

The fourth category is the private sector. According to PRIME, at least 15 mega issues are in the offing including TCS (Rs.5000 crore), B4U Television (100), Idea Cellular (1000), Star TV (500), Tata Teleservices (1000) and AB Corporation (200). Other significant private sector companies include Biocon India, Crocodile Products, HFCL Infotel, Maya Entertainment, Mohan Clothing, NDTV, Newgen Software and Servion Global Solutions. The biggest surprise, however, could be in the form of the largest-ever issue-that from Reliance Infocom, which some market men expect to be in the region of Rs. 10000 crore.

On the other side of the spectrum, according to PRIME, are such companies who have been in the pipeline for long. This includes 72 companies whose SEBI approvals expired as they could not tap the market within the stipulated 1-year period. Several of these would also now relook at their plans. These include Eskay K'nit (Rs.300 crore), Godrej Sara Lee (200), Nimbus Communications (182) Mahindra British Telecom (150), Paras Pharmaceuticals (150), UTV Software (100), Datamatics (100) and Krishna Knitware (100).

A word of caution though, from Mr.Haldea. Even the very first of the forthcoming issues listed above is at least 2-3 months away as the filing with SEBI is yet to begin. As of now, there are only 3 companies holding SEBI approval, these being Dwarikesh Sugar (Rs. 12 crore), Future Communications (18) and Vins Bioproducts (20). In addition, there are only 2 small issues which are presently filed with SEBI, awaiting approval. Fingers need to be crossed with the hope that the geo-political developments do not escalate and the secondary market does not go southbound as these factors would act as big dampers for the revival of the comatose primary market.