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Public issue mobilization may reach Rs. 75,000 crore in 2008: Prime

Backed by a buoyant secondary market, and handsome post-listing gains on almost all IPOs of past two years, 2008 may turn out to be a record year for public issues- IPOs and FPOs, according to Prithvi Haldea of PRIME, India's premier database on the primary capital market. Prime estimates that the year may witness 150-175 public issues- - raising about Rs.75,000 crore. This will be the highest-ever amount in a year-the previous highest being Rs. 45,176 crore in 2007. Calendar 2006 had ended with a mobilization of Rs.24,679 crore. Of Rs. 75,000 crore, about Rs. 60,000 crore would be through IPOs and the balance Rs. 15,000 crore is estimated through FPOs.

Significantly, even if only the 70 documents filed presently with SEBI were to materialize, these alone would result in a mobilization of over Rs.35,000 crore, with the complete year still ahead. The pipeline is presently Rs. 1,90,000 crore strong, according to Prime.

While the issuer pipeline is strong, the investors' appetite too is huge. The myth of the shallowness of the Indian market has been totally dispelled; almost all issues over past three years have received very high oversubscriptions.

According to Haldea, unlike ever in the past, almost all prospective issuers are well-established companies and/or promoters, planning to raise fresh capital for expansion or there are divestments by venture capitalists and in some cases follow-on offerings, all auguring well for the investors, the capital market and the economy. There appears no market for greenfield projects from new promoters, courtesy the new market structure, SEBI entry norms and compulsory participation and hence validation by QIBs.

2008, according to Prime, is likely to witness several super mega issues, starting off with Rs. 10125 crore Reliance Power. Other mega issues are expected from Emaar MFG, UTI AMC, Sterlite Energy, JSW Energy and Oil India. (Annexure 1)

Interestingly, the rally, according to Haldea, would not be concentrated to one or two industry sectors but would be across the board though dominated by power, real estate and financial services.

Leading the pack would be the power sector companies. Besides Reliance Power, IPOs are lined up from Rural Electrification Corporation, NHPC, North Eastern Electric Power Corporation, Essar Power, Jaiprakash Power Ventures, JSW Energy and Sterlite Energy.

Another major sector, as per Prime, would be the real estate/construction. Already, issues are lined up from IRB infrastructure, J.Kumar Infracore, KNR Constructions and SVEC Constructions (having already received SEBI approval) with Emaar MGF, Gammon Infrastructure, Infinity Infotech Parks, M.S.Khurana Engineering, Man Infraconstruction, NKG Infrastructure, Prince Foundations, Ramky Infrastructure, Rithwik Projects, RNS Infrastructure, Vascon Engineers and Vijai

Infrastructure having already filed their offer documents with SEBI. In addition, the pipeline includes scores of companies including Ambience Infrastructure, BPTP, Godrej Properties, Lodha Builders, Sahara Infrastructure, Shriram Properties and Vatika.

Then there are several banks in the queue, mainly with FPOs, including Canara Bank, Syndicate Bank, UCO Bank and United Bank. In the financial services sector, several firms are expected to hit the IPO market including Anand Rathi, Angel Broking, BLB, Global Trade Finance, Microsec and UTI AMC.

According to Prime, from the telecom sector, IPOs are expected from Aircel, Bharti Infratel, Indus Towers and Onmobile while from the IT sector, issues are expected from Birlasoft, GSS America, IBS, ITC Infotech, L&T Infotech, Nihilent Persistent, Servion, Xenitis and Ybrant. In the media/entertainment sector, some major IPOs are expected from DB Corp, DT Cinemas, DQ Entertainment, RGV Film and Set India. From the health sector, Avestha, Corvine, Glenmark, Intas, Max Healthcare, Unimark and Wockhardt Hospitals could float IPOs.

Another sector likely to see several IPOs is the retail sector with Ebony Retail, Great Wholesale Club, Hidesign, Maheshwari Mega Ventures, Multiple Zones, Reliance Retail, Spencer Retail, Subhiksha and Talwalkars in the pipeline. Some major issues in the pipeline from the other sectors include Cox & Kings, Mahindra Holiday Resorts, Metro Tyres, Pride Hotels and VRL Logistics.

According to Haldea, if the Left softens its stand during the year, through it seems unlikely, several divestment issues could see light of the day. This may include BHEL, Coal India, Dredging Corp.of India, NMDC, Neyveli Lignite and Shipping Corp.of India. Additionally, some PSUs may tap the capital market for fresh capital including Bharat Oman Refineries National Aviation and Oil India. It may be highlighted that the estimate of Rs. 75,000 crore for 2008 is not dependent on divestments. In 2004, an impressive Rs. 16,819 crore was accounted for by divestments, which went down to nil in both 2005 and 2006, with 2007 witnessing a meager amount of Rs. 995 crore.

Importantly, there would be hardly any small issues. This, according to Haldea, is not only because the market will not support such issues but also because there are no investment bankers willing to take on small assignments, the entry barriers at BSE and NSE are very high and the problem of low liquidity. There was just one issue of less than Rs. 10 crore in 2007, while 2006 had seen no issues and 2005 had seen only two such issues.

The fate of the primary market is now closely linked with that of the secondary market. According to Haldea, the secondary market needs to remain stable, if not buoyant, and also scam-free. The present conditions continue to offer an excellent opportunity to channelize household savings into the economy through the capital market.

Some major IPOs expected in 2008
(as on 07 Jan-2008)

SNO.	COMPANY	ESTIMATED ISSUE AMOUNT (Rs.crore)
1	RELIANCE POWER LTD.	10125.00
2	LODHA BUILDERS LTD.	8000.00
3	EMAAR MGF LAND LTD.	6750.00
4	STERLITE ENERGY LTD.	5000.00
5	ESSAR POWER LTD.	5000.00
6	GUJARAT STATE PETROLEUM CORP.LTD.	4000.00
7	UTI ASSET MANAGEMENT CO.LTD.	4000.00
8	VATIKA GROUP	4000.00
9	JAIPRAKASH POWER VENTURES LTD.	4000.00
10	JSW ENERGY LTD.	4000.00
11	COAL INDIA LTD.	3000.00
12	NATIONAL AVIATION CO.INDIA LTD.	2500.00
13	NATIONAL HYDROELECTRIC POWER CORP.LTD.	2200.00
14	BHARAT OMAN REFINERIES LTD.	2000.00
15	GODREJ PROPERTIES LTD.	2000.00
16	BPTP LTD.	1500.00
17	OIL INDIA LTD.	1400.00
18	ACME TELE POWER LTD.	1200.00
19	RURAL ELECTRIFICATION CORP.LTD.	1200.00
20	GOPALPUR PORT LTD.	1200.00
21	SPS STEEL & POWER LTD.	1200.00
22	IRB INFRASTRUCTURE DEVELOPERS LTD.	1100.00
23	WOCKHARDT HOSPITALS LTD.	1000.00
24	D.B.CORP LTD.	1000.00
25	MAHINDRA HOLIDAYS & RESORTS INDIA LTD.	1000.00

SOURCE : PRIME Database