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IPOs RAISE ONLY RS. 1050 CRORE IN FIRST HALF OF 2013-14: PRIME DATABASE

The first half of the current fiscal ended with a **mobilisation of a meagre Rs. 1,050 crore through IPOs**, with another **Rs. 5,626 crore** raised through the Offer for Sale through Stock Exchange mechanism (OFS), according to Pranav Haldea, Managing Director of PRIME, the country's premier database on primary capital market.

The meager amount of **Rs. 1,050 crore** raised through IPOs during a 6-month period continues to highlight the dismal state of fund raising in the country (In the corresponding period of the preceding year, the mobilization was also very low at just Rs.772 crore). By number, the period witnessed 16 IPOs compared to 13 in the corresponding period of the preceding year.

Significantly, of the 16 IPOs in the first half, 15 were from the SME sector. There was only one non-SME IPO (Just Dial: Rs. 919 crore), which accounted for 87 per cent of the total mobilization.

According to Mr. Haldea, the funds raised through the OFS route were only due to promoters of listed companies having to dilute their stakes to meet with SEBI's requirement of Minimum Public Shareholding. There were as many as 67 OFS (previous corresponding period 6), which mobilized Rs.5,626 crore (previous year Rs.280 crore). The largest OFS was of Rs. 1,008 crore (Oracle Financial Services). Amounts raised through equity offerings in the first half of the last 7 years are as follows:

(Apr-Sep)	Equity (IPO/FPO+OFS) (Rs.crore)
2007-08	31,831
2008-09	1,984
2009-10	13,065
2010-11	12,280
2011-12	9,553
2012-13	772
2013-14	6,676

As per PRIME, the disturbing point was that only 2 per cent of the total amount raised (Rs. 120 crore) in the first half was raised through fresh capital, which typically goes into creation of productive assets, while the remaining Rs. 6,556 crore was raised through offers for sale where the proceeds go to the sellers-government, promoters, venture funds and other investors and not to the company.

In terms of the method of offering, only 1 of the 16 IPOs of the period, as per PRIME, were through the bookbuilding route, with balance 15 SME issues through the fixed price method. The facility of anchor investors was used by only 1 company.

The information technology sector dominated with 3 companies raising Rs.1,927 crore (29 per cent of the total amount) followed by **trading** with 4 issues raising Rs. 598 crore (9 per cent).

According to PRIME, in the public debentures market too, there were just 7 issues raising Rs. 6,513 crore.

As per Mr. Haldea, with the secondary market still being extremely volatile and the overall lack of confidence, no immediate revival of the primary market is seen in the balance part of the year. According to him, in the 6 month period , as many as 14 companies, intending to raise Rs. 4,500 crore, which had obtained approval from SEBI allowed it to lapse (At present, only 16 companies planning to raise Rs. 3,800 crore are holding SEBI approval and another 10 companies intending to raise Rs. 3,100 crore have filed with SEBI and are awaiting approval).

The biggest disappointment for the primary market has again been the **lack of divestments** by the Government. Despite a huge target of Rs.54,000 crore for FY 2013-14 (Rs. 40,000 crore from government-owned companies and Rs. 14,000 crore from sale of residual stake in non-government companies) and continuing announcements, with half the year already gone, only 6 divestments- Neyveli Lignite (Rs.358.21 crore)*, MMTC (Rs.572.34 crore), Hindustan Copper (Rs.259.84 crore), National Fertilizers (Rs.101.08 crore), India Tourism Development Corp. (Rs.30.17 crore) and State Trading Corp.of India (Rs.4.54 crore) totaling only Rs. 1,326 crore took place in the first half of the current fiscal. This is just 2 per cent of the target amount. The pipeline of divestment/PSU offerings continues to become larger by the day yet none of it has materialized. Several issues have been announced and then delayed. Mr. Haldea fears that, like in the previous years, bulk of the disinvestment target may be met only in the last quarter.

* Institutional Placement Programme route