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Ray of hope for Old Economy IPOs

The domination of the ICE (Information, Communication, and Entertainment) sector over the last two years - in the secondary as well as the primary market-had left the old economy as well as the traditional services sector in the cold, according to Mr.Prithvi Haldea of PRIME, the country's leading data base on the primary capital market.

For example, according to PRIME, in fiscal 1999-2000, of the total 52 IPOs, 37 or over 71 per cent were from the ICE sector - 35 from I.T. and 2 from media. Continuing the trend, in the first 9 months of the current fiscal, of the 103 IPOs, 92 or over 89 per cent have been from the ICE sector - 77 from I.T., 12 from media and 3 from telecom.

It may be recalled that the IPOs from traditional manufacturing sector have ever since 1995 taken a beating in the secondary market, partly due to the excesses committed in the early 1990s and partly because of this sector itself being in severe crisis due to overcapacities, inefficient technologies, declining demand and high financial costs.

Courtesy the refocusing currently going on, the new year, according to Mr.Haldea, may witness a revival of sorts for IPOs from the old economy.

Some of the interesting non-ICE issues that are in the pipeline, as per PRIME, are from a pizza chain (Domino's), mosquito repellent firm (Godrej Sara Lee), printing presses (Repro and Thomson), resort (Averina International Resorts), paints manufacturer (Jenson & Nicholson), petrochem project (South Asian Petrochem), courier companies (Blazeflash and Elbee), beauty centre (Curls & Curves), travel agency (Kuoni), consumer electronics (LG), polymers (Pushpa Polymers), meters (Secure Meters), departmental store (Shopper's Stop) and packaging (Time Packaging).

Pharma hopefuls, according to PRIME, include Paras Pharmaceuticals (Rs. 150 crore), Indo French Laboratories, Divi's Laboratories, Eros Pharma, Natco Pharma, Neuland and Indo-Euro Pharma. Also in the offing are IPOs from the biotech sector : Shantha Biotechnics, Nectar Biotech, Maanya Biotech, Biogen Biotechnologies, Indfrag Biosciences and Micro Labs. Moreover, there could be some issues from traditional areas like textiles (Eskay K'n'i't) and steel (Neelachal Ispat).

Another dominant sector in the new year, according to the Haldea, would be banking. Banks have been a regular visitor to the IPO market. In 1999-00, bank IPOs included Syndicate Bank (Rs.125 crore) Centurion Bank (34) and Times Bank (35) while in the first 9 months of the current fiscal, issues have already been made by IOB (111) and Vijaya Bank (100).

Though all new-generation private sector banks have already gone public, there are a large number of PSU banks which are still to tap the capital market. The dictates of capital adequacy ratio, coupled with the Government's directives that such banks should fend for themselves for their capital requirements, will witness several banking IPOs. According to PRIME, while Andhra Bank (Rs. 150 crore) should be entering the capital market soon, others in the line are Allahabad Bank, Bank of India, Bank of Maharashtra Canara Bank, Central Bank of India, Corporation Bank, Punjab & Sind Bank, Punjab National Bank, Union Bank of India, United Bank of India and some of the SBI subsidiaries.

Some old-generation private banks like Lord Krishna Bank, Nainital Bank, Nedungadi Bank and United Western Bank have also announced capital raising plans. Moreover, Centurion Bank should shortly be hitting the market with a Rs. 129 crore rights issue.

Issues could also be expected from some housing finance companies, among them being Andhra Bank Housing Finance, BOB Housing Finance, PNB Housing Finance, Saya Housing Finance and SBI Home Finance.

Significantly missing would be the core infrastructure sector, be it roads, ports or power.

Surely though, the ICE sector, according to Mr.Haldea, would continue to play a significant role in the new year also. Some of the eagerly awaited IPOs from this sector, as per PRIME, include Reliance Infocom (Rs. 800 crore), NDTV, Escotel Mobile Communications, Nimbus Communications (182) Applitech Solutions (98), Datamatics (100), Mahindra British Telecom, Mid-Day, UTV Software (100), Ways India (117), Planetasia, HCL Perot, Venus Music and SET India, There is also an expectation in the market that the software giant TCS may finally decide to tap the IPO route.

Also on the horizon, hopes Mr.Haldea, could at least be some of the PSUs which may decide on divesting through IPOs to the retail investor.