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MARUTI IPO TO TRIGGER REVIVAL OF PRIMARY MARKET: PRIME

The overwhelming success of the Maruti IPO, the first in the current fiscal, may trigger the revival of primary market according to Mr.Prithvi Haldea of PRIME, India's premier database on the primary capital market. **What seems to have brought investors back is not only the fundamentals and 'emotional' issues attached to Maruti but also the 'safety' perceived with PSUs. Of course, the 'feel-good' due to the recent surge in the secondary market and phenomenal post-listing returns from almost all IPOs of the recent past including I-Flex and Divis, and the 4 bank issues, have only helped, said Mr.Haldea.**

What will be of great interest and impact, according to Mr.Haldea, will be the post-listing performance of Maruti. Heavy oversubscription resulting in an unmet demand may lead to a sustained activity in the stock post-listing. An allotment price of Rs. 115 and a greater allocation to domestic institutions would have helped stability/rise in the price. However, if Maruti shares are traded at even a normal premium to issue price upon listing, the grounds would have been set for a large number of firms to tap the public purse. As the Maruti IPO has proved, there is, of course, enough liquidity to see these issues through.

According to PRIME, already nearly 100 IPOs are in the pipeline, covering only such companies that have announced their plans in the last one year. These aggregate a phenomenal Rs.22000 crore. **If even a few of these IPOs make it to the market in the near future, it would not only pave way for scores of other companies, but also give the long-awaited breadth to our secondary market.**

It may be recalled that both 2001-02 and 2002-03 were disasters for the IPO market with only 6 companies each raising Rs. 1082 crore and Rs. 1039 respectively. In fact, according to PRIME, the mobilisation of the last 7 years at Rs. 13882 crore was about the same as the single year IPO mobilisation of Rs. 13312 crore in 1994-95.

With almost all investment opportunities drying up and the constant lowering of interest rates coupled with investors still suffering from the scars of several scams in the secondary market, **the present IPO scenario looks very attractive for the investor, according to Mr.Haldea.** 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.

Significantly, the credit for the forthcoming rush shall belong substantially to the Government. On one hand, several banks have been encouraged to tap the market. Added to this is the Government's decision to make leading PSUs go the primary market route.

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

At the top are PSUs. PRIME has been urging the government to at least partly use the IPO route for divestment and the line-up suggests a move in this direction. The PSU IPOs, coming to the rescue of the primary market could include 4 oil majors – IOC (Rs.1500 crore), BPCL(3500), Guru Govind Singh Refinery (500) and GAIL (200). Also joining the fray may be six power majors- NHPC(500), NTPC(1500), PFC(160), Power Grid (500), Power Trading (100) and REC (400). Added to that is the Rs. 600 crore IPO of NALCO and Rs. 500 crore IPO of NFL. IPOs may also be made by Engineers India, BHEL and ONGC. Very recently, news has come in that the 4 non-life insurance companies – New India, United, Oriental and National – may also take the IPO route.

The second sector is banks. Close on the success of the 4 bank IPOs (Punjab National Bank, Union Bank of India, Allahabad Bank, Canara Bank) and the upbeat mood towards this sector courtesy its good financial performance, at least 12 PSU banks are now queuing up as per PRIME. This includes Bank of India(200), Bank of Maharashtra (250), Central Bank of India (300), Corporation Bank (100), Indian Bank (150), Indian Overseas Bank (100), Punjab & Sind Bank (100), Punjab National Bank (250), State Bank of Mysore (100), UCO Bank (200), United Bank of India (50) and Vijaya Bank (100). Private sector banks include Centurion Bank (65), Development Credit Bank and Lord Krishna Bank (150). SIDBI is also planning a Rs. 500 crore issue.

The third, and an interesting category, is that of the MNCs. Though Coke has managed to wriggle out of its commitment, in the fray now are at least Hyundai Motor (500), LG Electronics (600) and Yamaha (500).

The fourth category, as per PRIME, is the private sector. At least 15 mega issues are in the offering including AB Corporation (200), B4U Television (100), Idea Cellular (650), Patni Computer Systems (450), Star TV (500) and TCS (Rs.4000 crore), Other significant private sector companies include Atlas Products, Barista, Birla Home Finance, Biocon India, Crocodile Products, Curles & Curves, Daksh, HFCL Infotel, Indraprastha Gas, Mahanagar Gas, Milton Global, Maya Entertainment, Mohan Clothing, NDTV, Newgen Software, Secure Meters, Servion Global Solutions, SET India, Shoppers' Stop and WEP Peripherals. A surprise could be in the form of the largest-ever issue-that from Reliance Infocomm, which some market men expect to be in the region of Rs. 5000 - 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 with issue size aggregating Rs. 2145 crore whose SEBI approvals expired as they could not tap the market within the stipulated 1-year period. Several of these may now relook at their plans. These include Applitech (98), Datamatics (100), Eskay K'nit (Rs.300 crore), Future Software (200), Godrej Sara Lee (200), Mahindra British Telecom (150), Nimbus Communications (182), Paras Pharmaceuticals (150) and UTV Software (100),

A word of caution 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 9, and all small, companies with a meagre aggregate issue amount of Rs. 64 crore holding or awaiting SEBI approval, these being BAG Films (15), Hathway (2), I-Power Solutions (1), Jai Balaji Sponge (10), Lux Hosiery (10), Maanya Biotech (5), Silveroak (1), Subhtex (16) and Weal Infotech (4).

Another word of caution according to Mr.Haldea, relates to what policy SEBI frames for simultaneous listing. A wrong move may result in most of the capital of the mega IPOs going abroad for listing, leaving the domestic investors and the market high and dry.

Fingers need to be also 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.