

21st August, 2008

Tough times for IPOs

History surely repeats itself. Every time the secondary market tanks, the primary market goes into a slumber. Since end-January this year, when the Sensex first tumbled, the IPO market has been badly hit. Between February and August this year, only 25 IPOs, all small ones, have hit the market, raising a meager Rs. 4,345 crore. Last year, these seven months had seen 65 IPOs raising Rs. 32,993 crore.

In good times, the last hurdle is SEBI approval and a company would typically hit the market as soon as it receives the approval. Not any more. In recent months, as many as 22 companies, planning to collectively raise Rs. 16,539 crore, have allowed their IPO approvals to lapse. This includes some big names like Jaiprakash Ventures (Rs. 4000 crore), Reliance Infratel (4000), UTI Asset Management (2000), Acme Telepower (1200), MCX (600) and Vascon Engineers (350). (Annexure I)

There is more bad news. As many as 8 companies, collectively planning to raise Rs. 4,772 crore have withdrawn their offer documents since January 2008. This includes JSW Energy (4000). (Annexure II)

Also in the limbo could be another 12 companies, collectively aiming to raise Rs. 3,643 crore, who are currently holding valid SEBI approval, but it appears that given the dull sentiments, they too would allow their approvals to expire. (A company is required to enter the market within 90 days of receiving the SEBI approval). This list includes some big names like Mahindra Holiday Resorts (1000), DB Corporation (1000), Cox & Kings (400) and RITES (350). (Annexure III)

Clearly, all these companies are unwilling to compromise significantly on their valuations, which are currently very badly hit, based as these are also on peer comparisons. The demand for new paper is obviously very weak in a market like this; when there are no buyers for already listed stocks which have a proven track record in public domain, why would any one risk his money on untested stocks? For companies, IPO is once-in-a-lifetime event and no one would dare push their luck and face the prospect of a disaster. We have already seen Emaar and Wockhardt daring the market and biting the dust.

Add to the above 42 companies another 32 companies, planning to collectively raise a huge Rs. 18,175 crore, who have already filed with SEBI and are awaiting approval. Surely, most of these would be hoping that the approval does not come in early! This list includes some big names like Adani Power (Rs. 5630 crore), Future Ventures (Rs. 2660 crore), Bharat Oman Refineries (2400), NHPC (1670) and Oil India (1400) as well as some prominent names like Godrej Properties (750) Pipavav Shipyard (700) and Ramky Infrastructure (400). (Annexure IV).

In summary, at least 74 companies who were close to making an IPO and collectively raise a huge Rs. 43,129 crore are now awaiting better times.

Then there are hundreds of companies, over 500, in the IPO pipeline, who had announced their IPO intentions and would have been getting ready to file with SEBI but have now put their plans on the shelf. This includes companies like Avesthagen, Bhilwara Energy, BPTP, Clarisis Lifesciences, Ennore Port, Essar Power, GMR Energy, ICICI Securities, Indian Railway Catering, Lodha Builders, Microsec, Percept, Sahara Infrastructure, SRL Ranbaxy, Sterlite Energy, TCG Lifesciences and Vatika Group.

What does this mean for India Inc? For companies whose IPOs were linked to project financing, the present market spells bad news. They either go for expensive debt, that too in case their balance sheets still allows for more debt. Or they look for private equity which is not easy to come by and again there is a problem of low valuations. However, companies who were planning IPOs just because the market was giving money, or they wanted market validation of their wealth, or who wanted money and subsequently use the money and/or their shares for acquisitions would, and can, simply wait for better times. Companies where IPO was a disinvestment - by the promoters, government or private equity funds- can also afford to wait.

Sectorally, the worst affected are companies in the real estate and financial services sector, courtesy the huge meltdown in the valuations of such listed stocks. Also in problem would be power companies, given the bitter experience with the Reliance Power IPO.

In my view, this is the best time for the government to take lead to revive the primary market. Divestments and offerings from PSUs at attractive prices can pull back investors easily. Once the momentum starts, the sentiments would improve. We have seen this happen in the past; it can happen again.

Importantly, the government should not await the revival of the market to float these IPOs in the hope of getting better valuations. It should realize that such IPOs can actually be the instrument for the revival of the market. With credentials not under question and with the right pricing, PSU IPOs can become the harbinger of good markets.

To make the huge divestments happen, there is a need to be pragmatic. We have lived well with several exemptions to PSUs and, therefore, we can introduce some more. A radical new approach is warranted, which will require a relaxed regulatory framework, with a separate initial and continuous listing policy for the PSUs. This includes relaxing the minimum offering clause from 10% to a minimum float size; dropping the clause requiring independent directors and dispensing with IPO grading. Moreover, these issues should be offered only to the retail investors, and at reasonable prices through the fixed price route.

**CANCELLED IPOs
SEBI APPROVAL RECEIVED AND APPROVAL EXPIRED
(AS ON 14.08.2008)**

SNO.	COMPANY	SEBI APPROVAL DATE	ESTIMATED ISSUE AMOUNT (Rs.crore)
1	RAMSARUP LOHH UDYOG LTD.	23/11/2007	175.00
2	PERSISTENT SYSTEMS LTD.	06/12/2007	150.00
3	GLOBUS SPIRITS LTD.	28/12/2007	68.00
4	TECPRO SYSTEMS LTD.	28/12/2007	125.00
5	ALKALI METALS LTD.	31/12/2007	50.00
6	RITHWIK PROJECTS LTD.	14/01/2008	100.00
7	NEEL METAL PRODUCTS LTD.	18/01/2008	125.00
8	VASCON ENGINEERS LTD.	18/01/2008	350.00
9	PRINCE FOUNDATIONS LTD.	24/01/2008	300.00
10	XENITIS INFOTECH LTD.	05/02/2008	200.00
11	NKG INFRASTRUCTURE LTD.	06/02/2008	75.00
12	ACME TELE POWER LTD.	06/02/2008	1200.00
13	TCG LIFESCIENCES LTD.	14/02/2008	175.00
14	SURYA FOODS & AGRO LTD.	27/02/2008	135.91
15	PRIDE HOTELS LTD.	29/02/2008	250.00
16	VIRGO ENGINEERS LTD.	03/04/2008	250.00
17	JAIPRAKASH POWER VENTURES LTD.	03/04/2008	4000.00
18	UTI ASSET MANAGEMENT CO.LTD.	22/04/2008	2000.00
19	INFINITY INFOTECH PARKS LTD.	29/04/2008	150.00
20	MULTI COMMODITY EXCHANGE OF INDIA LTD.	12/05/2008	600.00
21	RELIANCE INFRATEL LTD.	12/05/2008	6000.00
22	KHADIM INDIA LTD.	21/05/2008	60.00
TOTAL			16538.91

SOURCE : PRIME Database

Annexure – II

**OFFER DOCUMENTS WITHDRAWN DURING 2008
(AS ON 14.08.2008)**

SNO.	COMPANY	IPO/ FPO	DATE OF FILING	DATE OF WITHDRAWAL	ESTIMATED ISSUE AMOUNT (Rs.crore)
1	M.S.KHURANA ENGINEERING LTD.	IPO	30/03/2007	23/01/2008	60.00
2	YBRANT TECHNOLOGIES LTD.	IPO	27/09/2007	15/02/2008	120.00
3	ESSEL SHYAM COMMUNICATION LTD.	IPO	29/09/2006	03/03/2008	60.00
4	KAMAYANI PATIENT CARE (INDIA) LTD.	IPO	29/06/2007	12/03/2008	15.00
5	RNS INFRASTRUCTURE LTD.	IPO	13/07/2007	25/04/2008	300.00
6	CELLEBRUM TECHNOLOGIES LTD.	IPO	27/06/2008	25/07/2008	200.00
7	JSW ENERGY LTD.	IPO	23/01/2008	25/07/2008	4000.00
8	ELYSIUM PHARMACEUTICALS LTD.	IPO	24/09/2007	13/08/2008	17.00
				TOTAL	4772.00

SOURCE : PRIME Database

Annexure – III

**ISSUES WHERE SEBI APPROVAL RECEIVED, APPROVAL STILL VALID
(AS ON 14.08.2008)**

SNO.	COMPANY	IPO/FPO	DATE OF APPROVAL	ESTIMATED AMOUNT (Rs.crore)
1	RITES LTD.	IPO	23/05/2008	350.00
2	MAHINDRA HOLIDAYS & RESORTS INDIA LTD.	IPO	27/05/2008	1000.00
3	MAN INFRACONSTRUCTION LTD.	IPO	28/05/2008	100.00
4	COX & KINGS (INDIA) LTD.	IPO	30/05/2008	400.00
5	VIJAI INFRASTRUCTURE LTD.	IPO	10/06/2008	75.00
6	CHEMCEL BIO-TECH LTD.	IPO	12/06/2008	18.35
7	20 MICRONS LTD.	IPO	26/06/2008	40.00
8	D.B.CORP.LTD.	IPO	11/07/2008	1000.00
9	ALKALI METALS LTD.	IPO	21/07/2008	50.00
10	MICROSEC FINANCIAL SERVICES LTD.	IPO	06/08/2008	160.00
11	PNC INFRA TECH LTD.	IPO	08/08/2008	150.00
12	ASHOKA BUILDCON LTD.	IPO	14/08/2008	300.00
			TOTAL	3643.35

SOURCE : PRIME Database

Annexure – IV

**ISSUES WHERE OFFER DOCUMENT FILED WITH SEBI, AWAITING APPROVAL
(AS ON 14.08.2008)**

SNO.	COMPANY	IPO/FPO	DATE OF FILING	ESTIMATED AMOUNT (Rs.crore)
1	MANDHANA INDUSTRIES LTD.	IPO	12/12/2007	100.00
2	OIL INDIA LTD.	IPO	14/12/2007	1400.00
3	RAMKY INFRASTRUCTURE LTD.	IPO	17/12/2007	400.00
4	SHANKARA PIPES INDIA LTD.	IPO	17/12/2007	85.00
5	EURO MULTIVISION LTD.	IPO	09/01/2008	125.00
6	SEA TV NETWORK LTD.	IPO	17/01/2008	50.00
7	PIPAVAV SHIPYARD LTD.	IPO	18/01/2008	700.00
8	FUTURE VENTURES INDIA LTD.	IPO	22/02/2008	2660.00
9	ARSS INFRASTRUCTURE PROJECTS LTD.	IPO	25/02/2008	120.00
10	FINEOTEX CHEMICAL LTD.	IPO	04/03/2008	15.00
11	APOLLO HEALTH STREET LTD.	IPO	18/03/2008	175.00
12	CHIRIPAL INDUSTRIES LTD.	IPO	19/03/2008	75.00
13	VRL LOGISTICS LTD.	IPO	27/03/2008	125.00
14	BHARAT OMAN REFINERIES LTD.	IPO	28/03/2008	2400.00
15	AJANTA MANUFACTURING LTD.	IPO	10/04/2008	300.00
16	NEOTERIC INFORMATIQUE LTD.	IPO	30/04/2008	50.00
17	ADANI POWER LTD.	IPO	02/05/2008	5630.00
18	GINI & JONY LTD.	IPO	08/05/2008	50.00
19	INFINITE COMPUTER SOLUTIONS (INDIA) LTD.	IPO	08/05/2008	75.00
20	TRIVENI INFRASTRUCTURE DEVELOPMENT CO.LTD.	IPO	15/05/2008	225.00
21	GODREJ PROPERTIES LTD.	IPO	30/05/2008	750.00
22	EDSERV SOFTSYSTEMS LTD.	IPO	02/06/2008	30.00
23	RAJ OIL MILLS LTD.	IPO	06/06/2008	80.00
24	C.MAHENDRA EXPORTS LTD.	IPO	30/06/2008	300.00
25	GEMINI ENGI-FAB LTD.	IPO	10/07/2008	60.00
26	PERSISTENT SYSTEMS LTD.	IPO	15/07/2008	150.00
27	RADIANT INFO SYSTEMS LTD.	IPO	30/07/2008	125.00
28	EXCEL INFOWAYS LTD.	IPO	05/08/2008	100.00
29	NHPC LTD.	IPO	06/08/2008	1670.00
30	RISHABHDEV TECHNOCABLE LTD.	FPO	06/08/2008	35.00
31	ASTEC LIFESCIENCES LTD.	IPO	07/08/2008	55.00
32	TRINITY INDIA LTD.	IPO	07/08/2008	60.00
			TOTAL	18175.00

SOURCE : PRIME Database