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PRESS RELEASE

ONLY RS. 1,619 CRORE RAISED THROUGH IPOs IN 2013; LOWEST IN 12 YEARS: PRIME DATABASE

2013 ended with a **mobilisation of only Rs. 1,619 crore through IPOs** according to Pranav Haldea, Managing Director of PRIME, the country's premier database on primary capital market. This was the **lowest-ever mobilization in the last 12 years**, the previous low being in 2001 when only Rs. 296 crore had been raised through IPOs. The highest-ever mobilization through IPOs was as recent as in 2010 at Rs. 37,535 crore.

2013 highlights the continuing dismal state of fund raising through the IPO route by unlisted companies in the last three years with 2011 at Rs. 5,966 crore and 2012 at Rs. 6,938 crore.

Number of companies and amounts raised through IPOs in the last 12 years are as follows:

Year	No. of Companies	Amount (Rs.crore)
2002	6	1981
2003	12	1700
2004	25	13121
2005	53	9990
2006	73	19852
2007	100	34179
2008	37	16904
2009	20	19544
2010	64	37535
2011	37	5966
2012	25	6938
2013	38	1619

There were just 3 main-board IPOs during the entire year: Just Dial: Rs. 919 crore, Repco Home Finance: Rs. 270 crore and V-Mart Retail: Rs. 94 crore (previous year 11 IPOs for Rs. 6,835 crore). **The year, however, witnessed a flurry of activity on the SME platform;** there were as many as 35 IPOs which collected a total of Rs. 335 crore (previous year 14 IPOs for Rs. 103 crore).

According to Haldea, the market has really not been IPO-friendly for last three years due to a variety of factors. This includes overall poor sentiments, secondary market volatility, promoters not getting the valuations they think they deserve, apprehensions of regulator's views on valuations, lack of appetite for equity of big-time issuers from the infrastructure sector, especially power, telecom and real estate. In addition, the government has also been unable to push through its divestment programme.

As per Haldea, it is a matter of grave concern that in the past 5-year period, as many as **107 companies which received SEBI approval since 1st January 2009 to collectively raise Rs. 55,330 crore allowed these to lapse**, despite approvals being valid for a period of one year and after having incurred a lot of time and costs. In addition, 54 companies which had filed their offer documents with SEBI since 1st January 2009 to collectively raise Rs. 16,032

crore withdrew their offer documents. If these 161 companies had been able to hit the market, an additional huge Rs. 71,362 crore, almost the same as the Rs. 71,602 crore which was actually raised in the 5-year period, would have been raised.

At the other extreme were **9 IPOs since 1st January 2009 that failed to elicit response from the investors after floating their IPOs**, primarily because of the valuations (Samvardhana Motherson- Rs.1,665 crore, Galaxy Surfactants- Rs. 193 crore, Tara Health Foods- Rs. 175 crore, Scotts Garments-Rs.136 crore, Sai Silks-Rs.89 crore, Plastene India- Rs. 75 crore, Goodwill Hospital- Rs. 62 crore, Fatpipe Networks- Rs.49 crore and Swajas Air Charters- Rs. 36 crore).

What is worrisome is that it means that these 170 companies wishing to raise Rs.73, 842 could not meet their financing requirements and had to either cancel/defer their expansion program or downsize it or raise monies from alternative sources.

As far as retail investors are concerned, the year was listless for them. While the 35 SME IPOs were not open to them, the allocation to them in the balance 3 IPOs where they could participate was very small. In terms of number of applications, the highest number that was achieved was by Just Dial at 1.53 lakhs. V-Mart Retail attracted 11,963 applications while Repco Home Finance could attract only 4,549 applications.

The response from the public to the IPOs of the year, according to PRIME, was also on the whole very moderate. Of the 38 IPOs, only 1 was oversubscribed by more than 3 times. The highest oversubscription was received by Just Dial at 9 times, followed by GCM Securities and Sunstar Realty at 2 times each.

As per Haldea, with the continuing uncertainty on the political/economic front, and a volatile secondary market, a revival in the IPO market is not foreseen, at least in the immediate future. Though the pipeline of companies wanting to raise capital is very huge; over 915 companies have made announcements of their IPO intentions; there are only 14 companies planning to raise Rs. 3,635 crore which are presently holding SEBI approval while another 10 companies intending to raise Rs. 3,100 crore are awaiting SEBI approval.

The biggest disappointment for the primary market has again been the lack of divestments by the Government. Despite a huge target of Rs.40,000 crore for FY 2013-14 and continuing announcements, with 9 months already gone, only Rs. 2,964 crore, or just 7 per cent of the target) has been achieved. Again, like in previous years, bulk of the divestments may take place in the last quarter of the fiscal.