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PRESS RELEASE

ONLY RS. 1,019 CRORE RAISED THROUGH IPOs IN FIRST HALF OF 2014-15, STRONG PIPELINE AHEAD: PRIME DATABASE

The first half of the current fiscal ended with a **mobilisation of a meagre Rs. 1,019 crore through IPOs**, with another **Rs. 2,593 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.

In the corresponding period of the preceding year, the mobilization was also very low at just Rs. 1,050 crore. By number, the period witnessed 25 IPOs compared to 16 in the corresponding period of the preceding year.

Significantly, of the 25 IPOs in the first half, 21 were from the SME sector. There were only 4 non-SME IPOs of Rs. 851 crore. However, these accounted for 84 per cent of the total mobilization. The largest main board IPO was that of Sharda Cropchem (Rs. 352 crore) while the largest SME IPO was that of Momai Apparels (Rs. 30 crore).

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 (except in the case of NTPC and NALCO wherein shares were sold to employees). There were 15 OFS (previous corresponding period 67), which mobilized Rs.2,593 crore (previous year Rs.5,626 crore). The largest OFS was of Rs. 2,143 crore (Bharti Infratel). Amounts raised through equity offerings in the first half of the last 10 years are as follows:

(Apr-Sep)	Equity (IPO/FPO+OFS) (Rs.crore)
2005-06	7,621
2006-07	7,381
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
2014-15	3,612

Only 18 per cent of the total amount raised (Rs. 661 crore) in the first half was raised through fresh capital, which typically goes into creation of productive assets, while the remaining Rs. 2,951 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, 5 of the 25 IPOs of the period, as per PRIME, were through the bookbuilding route, with balance 20 issues through the fixed price method. The facility of anchor investors was used by 4 companies. The **telecommunications** sector dominated with 1 company raising Rs.2,143 crore (59 per cent of the total amount) followed by **chemicals** with 1 issue raising Rs. 352 crore (10 per cent).

As per Mr. Haldea, even though a bullish sentiment has prevailed in the market, because very few predicted a landslide victory for NDA of the sort which was witnessed and because the IPO process is time consuming, there will be a lag of a few months before large ticket IPOs hit the market. At present, 5 companies planning to raise Rs. 1,240 crore are holding SEBI approval and another 11 companies intending to raise Rs. 4,707 crore have filed with SEBI and are awaiting approval. Many more filings are likely to be seen and a flurry of IPOs are expected in the balance part of this fiscal, especially Q4. The sentiment has received a further boost with overwhelming response, both in terms of oversubscription as well as in terms of listing gains, to the 4 main board IPOs of the year.

There is some disappointment though on the divestments front. Despite a huge target of Rs.58,425 crore for FY 2014-15 (Rs. 43,425 crore from government-owned companies and Rs. 15,000 crore from sale of residual stake in non-government companies) and continuing announcements, with half the year already gone, no action has been seen. 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. However, the target is expected to be achieved this year with some big disinvestments lined up including that of ONGC, Coal India, SAIL, NHPC, PFC, REC etc.