



Firms await budget bonanza, defer IPOs

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Mumbai: Companies that have got regulatory approvals to float public issues are learnt to be postponing the launch dates.

A public issue pipeline of Rs 13,542.7 crore via 19 issues is waiting to hit the Indian markets, according to Prime Database.

The delay is not because arrangements are pending, but because many of them are expecting announcements related to their sector in the forthcoming Budget 2011, scheduled for February 26.

"Companies are waiting as sops may be announced for their sector in the Budget. The market sentiments too would improve after the Budget," says a senior official with a leading merchant banker.

"Each (merchant) banker would have 3-4 issues, which have to be pushed ahead for the Budget," he said.

Mehul Savla, director of Ripple Equity Private Ltd, said, "Usually the Budget tends to be a significant event where there may be an increase or decrease in tariffs, changes in FDI limits and things that could have a significant impact — positive or negative — on the company. As a result, nobody wants to take a risk."

A lot of issues in the pipeline are real-estate driven, experts said. Confirming the trend, another merchant banker said, "If we see a rally post the Budget, then we might see all the issues sail through in that rally. Retail participation has been an issue."

Asked whether there would be an IPO flurry post Budget, Savla said, "Whatever the market can take. You will see a lot of issuances. In the past, we have seen 2-3 deals at the same time. If there is crowding then bankers will have to make sure that the opening and the closing day of two IPOs is not the same."

“There can be a burden on the system as the retail investors usually come in on the last day. The brokers are the same. So there needs to be a gap for the closing days,” Savla said.

But what if the market sentiments dip further after the Budget speech?

The official sees no problem, “Then the company will go into hibernation and postpone it further. They have the 1-year window after getting the approval to launch the IPO.” But irrespective of the market conditions companies that price IPOs appropriately will manage to sail through, experts said.

Sumeet Lath, assistant vice-president, Edelweiss Investment Banking, said, “If the company leaves something on the table for investors and doesn’t price the issue aggressively it will always go through. Good issues don’t have to wait for sentiments.”