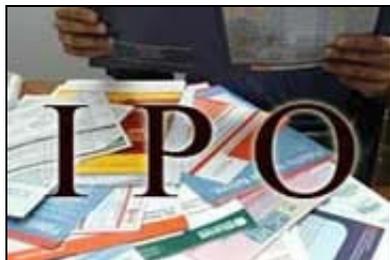


IPO tap dries up as investors remain cool, market dull

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For first time this year, no new issues lined up this month; market conditions unlikely to improve soon.



The dull overall scenario in the stock market seems to have hit the initial public offers (IPOs). In a first this year, there are no IPOs lined up for this month. This, in addition to delays in the high-profile offering of public sector units like Steel Authority of India (SAIL), means that investors will have to wait for some more time for new public offers.

Markets experts feel things won't improve too soon. "The activity in the IPO market will be dull for the next couple of months, too. Companies will find it difficult to raise money in sectors where already there are listed stocks available," said Mehul Savla, managing director at Mumbai-based investment bank Ripple Wave Capital.

MONTH-WISE IPO SUMMARY		
	No of issues	Issue amount (₹ crore)
Jan 2010	7	2,431.72
Feb 2010	6	1,323.99
Mar 2010	7	1,672.44
Apr 2010	6	3,974.44
May 2010	0	0.00
Jun 2010	3	324.76
Jul 2010	3	1,958.63
Aug 2010	3	919.60
Sept 2010	15	4,102.97
Oct 2010	5	17,673.17
Nov 2010	4	1,631.26
Dec 2010	5	1,521.67
Jan 2011	2	139.38
Feb 2011	3	269.46
Mar 2011	3	582.43
Apr 2011	6	2,023.48
May 2011	4	202.90

Source : PRIME Database

In 2010, 29 companies raised Rs 9,700 crore. In the first six months, 18 IPOs have taken place and raised a little over Rs 3,000 crore. And while the number of companies getting listed does not seem to have fallen, the losses incurred in IPO listing, barring the Coal India issue, seem to have turned off investors.

Poor pricing and negative returns in some of the recent IPOs have driven away retail investors, say stock brokers. Wealth erosion has been high for

small investors, as nearly 70 per cent of the 51 IPOs launched during the financial year 2010-2011 are quoting below their offer price.

The overall loss to investors is in excess of Rs 3,000 crore, excluding the gains from Coal India. Even if one looks at the number of IPOs that delivered positive returns versus negative returns, investors seem to have lost. In fact, these stocks have performed worse than the broader markets as well.

“The secondary market sentiment is poor, with benchmark stock prices stuck in a range. Generally, large institutions would invest in IPOs by pulling out some money from the secondary markets. However, this is not possible as stocks are already at a very low price and still there is no demand,” said Kishor Ostwal, managing director of Mumbai-based CNI Global Research.

Market players say, going forward, a few with new business concepts may see some activity while investors will largely avoid the rest, unless these are offered at a substantial discount.

Savla says companies like Micromax Mobile, which plans to tap the market this year, may do well due to a new business concept. Micromax is a low-cost handset maker operating in India since 2008.

“IPOs of private sector companies will see very selective activity, partly because of the market and partly because of the Indian political and economic situation,” said Sanjay Sharma, managing director and head of equity capital markets at Deutsche Equities India.

Among the top private business houses, Tata Group is set to announce the IPO of Tata Auto Comp Systems next month and L&T Finance is also in the queue, say sources. Among public sector companies, while ONGC has tentatively scheduled its follow-on public offer for next month, SAIL has postponed it indefinitely. Things are no better globally. Australian mining start-up Resourcehouse pulled back a \$3.6-billion IPO in Hong Kong last week, citing market conditions. Nanning Baling Technology became the first company in the 20-year history of the Chinese stock market to scrap an IPO on lacklustre demand. And Samsonite had to lower the price band for its Hong Kong IPO.

Players are closely watching the IPO pricing of Italian fashion house Prada, which will be announced by the end of this month.