

**ASSOCHAM**

**BUSINESS**

**BAROMETER**

**‘IPO Market Outlook’**

**February 2008**

*Prepared by -Swati Gupta*

## **Aggressive pricing, poor advisers spoiled the IPO party, says Assocham survey**

Aggressive pricing of IPOs and Follow-on offers on the poor advice of investment bankers and managers have led to pulling out of several public issues and lukewarm listing of big-ticket shares in the recent weeks, an Assocham Business Barometer (ABB) survey of Chief Financial Officers and CEOs has revealed.

In a quick survey of 150 CEOs and CFOs conducted by the ABB, majority of 105 respondents have stated that while the Indian stock markets have become structurally strong and well-regulated, bad pricing of the issues and weak market sentiment played the spoilsport.

“While the prevailing liquidity conditions in bourses play an important role in successful listing of a company’s stock, valuations should not stretch into long future as it dampens investors’ appetite”, said Mr. Venugopal N Dhoot, President, Assocham.

While the global uncertainties played its role in poor response from the investors, the recent debacle of public issues should not be taken as an indication of a collapse in the primary market, according to the 78 per cent of the business heads polled.

They felt that IPOs can be revived if good issues hit the market with attractive and not aggressive pricing. The companies which have lined up their IPOs should ensure appropriate price bands to avoid the adverse investor response.

Eighty-four per cent of the ABB respondents felt that the withdrawal of primary issues is a market phenomenon which takes place even in the mature and developed markets.

Regarding the role of investment bankers in the failing of IPOs to invoke market response, a large section of corporate heads wanted them to give sound advice to their clients based on the market depth and the appropriate valuations of a company’s scrip.

Besides the lead managers, the credit rating agencies also share the blame for the recent IPO debacle, 65 per cent of the respondents said. The rating assign by these institutions become a decisive factor in formulating investor sentiment about an issue.

Almost 72 per cent of the CEOs surveyed believed that investor community in India gets swayed by the market intermediaries. They also blamed the so-called grey market and wanted the market regulator SEBI to come down heavily on market manipulators who raise investors' expectations in the unofficial market.

Assocham has suggested that SEBI should launch a drive against the grey market. Fifty-four per cent of those polled, were skeptical about the contribution of aggressive marketing of their public issues, carried by some companies in mis-guidance of the investors.

The industry heads were not confident about the conditions in the IPO market in the near future. About 45 per cent of them said that the primary market may remain bleak for quite some time.

Another 56 per cent stated that it is too early to pass judgments about the prospects of the IPO market as the calendar year has just begun. Given the volatility in the markets world over, the whole sentiment can get changed within one month.

India is one of the world's largest IPO market as the valuations crossed Rs.34,000 crore (USD 8500 million) in the year 2007, with number of companies raising IPOs exceeded 100.