

ASSOCHAM

FINANCIAL

PULSE

“Sectoral Analysis of IPOs”

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Unmoved by high interest rates, reality remained bullish on primary market: AFP

The real estate companies remained robust in 2007 despite worries of high interest rates as is evident by an overwhelming 42.7 per cent of the total primary market funds going to the sector in the year, an Assocham Financial Pulse Study has said.

Though the RBI and the government restricted the flow of external funds to real estate sector, they proved to be the most aggressive in raising money from domestic sources, particularly through initial public offerings.

As per the AFP Study on "Sectoral Analysis of IPOs" conducted for the period January-Mid-December 2007, of the total Rs.34119 crore raised in the market, Rs. 14591 crore went to reality firms, with bulk of the amount going to DLF (Rs.9187 crore), Housing Development and Infrastructure Ltd (Rs. 1707 crore) and Puravankara Projects Ltd (Rs. 858.7 crore).

Taking advantage of the boom condition in the capital markets, Power and telecom remained the next big grossers with respective IPO proceeds of Rs. 4519.18 crore and Rs. 2964.06 crore during the year.

The AFP Study was done by ASSOCHAM Research Bureau for the calendar year 2007 (1 Jan to 15 December). The data was taken from the Bombay Stock Exchange, National Stock Exchange, SEBI and respective companies' websites. There were 101 Indian companies which raised the money from IPOs across 29 sectors amounting USD 5.8 billion (Rs.34119.7 crore).

"Despite high interest rates, the real estates sector remained buoyant during the year 2007 primarily because of the strong underlying demand, aggressive marketing, entry of new players and upsurge in retail and multiplexes. This is reflected by the highest share occupied by the sector in IPO market during the year", said Mr. Venugopal N Dhoot, President, Assocham.

There were around nine public issues in realty including IVR Prime Urban Developers Ltd (Rs. 778.25 crore), Omax Ltd (Rs. 650.94 crore), Brigade Enterprises Ltd (Rs. 671.05 crore), Akruti Nirman Ltd (Rs. 361.8 crore).

Thanks to the policy support and huge expansion activity taking place in the power sector, the sector scored second among the highest primary market issues, as around five power companies were able to raise Rs. 4519.18 crore during the twelve month period analyzed by the AFP. The major companies included Power Grid Corporation of India (Rs. 2984.45 crore), Power Finance Corporation Ltd (Rs. 997.2 crore), BGR Energy Systems Ltd (Rs. 388.28 crore).

Telecom sector which is increasing its subscribers base by more than 50 per cent is vibrant in the capital markets as well. At third position with a share of 8.6 per cent, the two telecom majors Idea Cellular and Spice Communication realized Rs.2443.75 crore and Rs. 520.31 crore respectively.

The services sector growing at a faster pace at 10.2 per cent than the industry (9.1 per cent growth in Q2, 2007), outpaced the latter in raising IPOs as well. The service based sectors accounted for 71.7 per cent share in the total IPOs being raised in the year 2007 amounting to Rs.24497.5 crore whereas Industrial sectors raised funds worth Rs. 9622.2 crore with 28.3 per cent share.

In financial services & banking sector nine companies raised funds through IPOs contributing 8.3 per cent share in the total amount being raised Rs. 2837.71 crore. The prominent IPOs in the sector were by Oswal Financial Services Ltd (Rs. 246.07 crore), Religare Enterprises (Rs. 140.16 crore) and Edelweiss Capital (Rs. 691.85 crore).

As many as eleven mid-size IT companies raised funds to the tune of Rs. 1501.08 crore through initial public offers, contributing a share of 4.3 per cent to the total IPO space. The issues by Firstsource Solutions (Rs.443 crore) and Mindtree Consulting (Rs.237 crore) were the prime ones.

Both the construction and textile sector contributed a share of 2.36 per cent. In the construction sector eight companies raised IPO proceeds worth Rs. 907.54 crore whereas textile and garments sector saw nine IPOs totaling Rs. 905.81 crore.

TOP SECTORS in PRIMARY MARKET ISSUES

Sectors	Amount raised from IPOs		Share in total IPOs (in per cent)
	(in Rs crore)	(in USD million)	
Real Estate	14591.6	3647.9	42.7
Power	4519.18	1129.75	13.2
Telecom	2964.06	741	8.6
Financial Services	2837.71	709	8.3
Travel & Transportation	1771	442.7	5.1
IT	1501.08	375.2	4.3
Construction	907.54	226.8	2.6
Textile	905.81	226.4	2.6