

**ASSOCHAM**

**FINANCIAL**

**PULSE**

**“Primary Market Performance”**

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Even as the number of primary market issues declined to 19 in January-March 2008 from 33 for the corresponding period of the last year, the amount raised in the IPO market doubled with 120.68% rise despite dull response to the major IPOs, according to an Assocham Financial Pulse (AFP) Study.

The AFP Study on "Primary Market Performance" conducted for the period January-March 2008 has revealed despite the bearish conditions in stock markets and credit crunch faced by the investors, the total money raised from the IPO market has more than doubled to Rs. 17217 crore in the fourth quarter of fiscal 08, from Rs.7749 crore in the corresponding period of the previous year.

The mega Issue of Reliance Power accounting to 60 per cent of the IPO value raised during the period (Rs. 10,260 crore) and rise in the overall stock market valuations over the year were the main reasons cited by the AFP, for more than double rise in the money raised from the primary market.

The sectors which registered maximum growth in last three months over the corresponding period of the fiscal 07 were power, construction, and financial services.

Initial public offerings in the construction sector registered a growth of 1953 per cent. In the construction sector five companies raised amount totaling to Rs. 4454.77 crore (while two companies withdrew their offer). The sector contributed a share of 25.87 per cent in the total IPO proceeds during the period of January-March 2008.

Amount raised by power sector grew by 950 per cent topping the list with more than 60 per cent share in the total amount raised in the primary market. Funds valuing Rs. 10,473 crore were raised in the power sector alone in the Q4 of financial year 2007-08.

IPOs in power sector were dominated by the primary issue of Reliance Power which raised Rs. 10,260 crore. The other issues in the sector includes Shriram EPC Limited (Rs. 150crore), Cords Cable Industries Limited (Rs. 63.86 crore).

IPO proceeds raised by the companies in financial services sector grew by 83 per cent during January to March 2008. IPO proceeds of Rs. 1725.97 crore were collected by the financial services firms, contributing a share of 10 per cent in the total IPO proceeds of the last quarter of the fiscal 08. The prominent IPOs in the sector were by Rural Electrification Limited (Rs. 1639.26 crore) and Future Capital Holdings Limited (Rs. 86.71 crore).

The AFP Study was based on the data taken from Bombay Stock Exchange, National Stock Exchange, SEBI and respective companies' websites. There were 19 Indian companies which raised the money amounting USD 4323.77 million during January - March 2008 as compared to USD 1348.18 million in the similar three months of the year 2007.

The sectors including telecom, IT and textiles registered negative growth in terms of amount raised in the primary market.

IT sector facing pressure from appreciated value of Rupee and recession in the US economy, had witnessed a negative growth of 97 per cent in funds raised from IPO market. As compared to three IT

companies that went for public listing in Q4 of the financial year 2006-07, only one company listed its shares in last three months and raised Rs. 25.07 crore.

Telecom sector which was marked by the listing of Idea Cellular, one of the major GSP player in India, raising Rs. 2443 crore through its public offer in Q4 of fiscal 08, saw decline in funds raised this year, as Rs. 185 crore were garnered by the IPO of On Mobile Global Limited.

The slowdown in the textile sector was also witnessed in its IPO market performance where the proceeds raised declined by 79 per cent and the number of companies opting for public listing reduced from seven in Q4 of FY07 to just one in the corresponding period of the fiscal 08. The sector is marred by the 15 per cent appreciation in Rupee against dollar, recessionary fears reducing the consumption in US and Europe, and intense competition from neighbor countries.

The only textile company to have raised money from the primary market was Bang Overseas Limited, which offloaded its shares for Rs. 154 crore. The total IPO money raised in the textile sector in Q4, FY07 was Rs.735 crore.

Oil, Gas & Petrochemicals and Food Processing sector contributed raised Rs. 48.45 crore and Rs. 35 crore respectively in the primary market during January to march 2008.

#### **Top sectors in IPO market (Jan-Mar 2008)**

Sectors	Amount Raised from IPO's		Share in Total IPO's (in per cent)
	(in Rs crore)	(in USD million)	
<b>Construction</b>	4454.77	1118.73	26.05
<b>Power</b>	10473.86	2630.30	61.24
<b>Food Processing</b>	35.00	8.79	0.20
<b>Financial Services &amp; Banking</b>	1725.97	433.44	10.09
<b>Telecom</b>	185.31	46.54	1.08
<b>Oil, Gas &amp; Petrochemicals</b>	48.45	12.17	0.28
<b>Textiles</b>	154.00	38.67	0.90
<b>IT</b>	25.07	6.30	0.15