

“Der aaye par durust aaye”: better late than never

In our IPO note on Taksheel Solutions dated 2nd Oct, 2011 we had warned investors to stay away from the current IPO market. Here is the relevant portion of that note:

“In 1994, there were 74 IPOs in one week. Only a handful of them are currently listed and traceable. The others have all just DISAPPEARED. We believe that the situation today is similar – the economy is in shambles, stock markets are in doldrums and companies are coming out with IPOs when it is logically one of the worst times for public offerings. As per our information, around 25 IPOs are lined-up over the next two months. To substantiate our point, the Government has delayed the IPOs of a few public sector undertakings (PSUs) due to poor market conditions. We wonder what the managements, investment bankers and stock brokers think of all those companies that are coming out with their IPOs. Most of these companies have absolutely amazing financials, which are just too good to be true. We believe that in almost all cases, they are! These numbers are fudged and companies have resorted to various window dressing techniques to show a healthy financial position, to get a valuation from the market and subsequently burn investors’ cash. Hence, we recommend investors to generally stay away from the IPOs that are lined-up in the coming months.”

{Attached report titled - 2 Oct 2011 - [Taksheel Soln IPO Note.pdf](#)}

This issue was again highlight by us in a report dated 31st Oct, 2011 wherein we highlighted the performance of recent IPOs that caused substantial erosion in investor wealth.

Issuer Company	IPO Price (Rs)	CMP (Rs)	% change	Listing date	Approx. trading days
Taksheel Solutions Ltd	150	28	- 81	19-10-2011	11
Tijaria Polypipes Ltd	60	14	-77	14-10-2011	16
SRS Limited	58	34	-41	16-09-2011	44
Brooks Laboratories Ltd	100	22	-78	05-09-2011	55
Bharatiya Global Infomedia Ltd	82	12	-85	28-07-2011	94
Readymade Steel India Ltd	108	63	-42	13-07-2011	109
RDB Rasayans Ltd	79	12	-85	07-10-2011	23

*From the attached report titled 31 Oct-2011 - [IPO being managed.pdf](#)

SEBI has launched an investigation in 7 recent IPOs in which it has noticed irregularities. Today evening SEBI has asked the companies to deposit the money raised through their IPOs in an escrow account till the pending investigation is completed (*check the attached file for details - [SEBI Order on Recent IPOs](#)*). **This has vindicated Equitorials' stance that a number of recent IPOs were scams. Equitorials had warned investors against participating in those IPOs.** We are happy that SEBI has taken such a bold step, which is an unprecedented action. It is the classic case of “**der aaye par durust aaye**”. SEBI might be slightly late but it is definitely better than never!

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