

## IPOs being Managed

This is in continuations with our [report date 2<sup>nd</sup> Oct'2011](#), wherein we had clearly advised to stay away from current IPOs. Since the beginning of 2011, there has been around 39 IPOs raising total of approximately Rs6,000crore. At the beginning it was really surprising to see such frenzy of IPOs when global stock markets were going through one of the worse phase. Also most of these IPOs got requisite subscription for allotment, this happened even when retail investor has been afraid to put money in stock market either directly or through mutual funds. Below are few stocks that came up with IPO during 2011, along with IPO price and current price.

Issuer Company	IPO Price (Rs)	CMP (Rs)	% changed	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

Source: BSE , closing price as of 28<sup>th</sup> Oct'2011

Closer observation revealed old adage, **"History repeats itself"**. 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. To substantiate our point, the Government has delayed the IPOs of a few public sector undertakings (PSUs) due to poor market conditions.

Most of the companies that came up with IPO in 2011 had absolutely amazing financials, which are just too good to be true. We believe that in almost all cases, 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. Clearly these are signs that issues are well managed by operators. A look at stock performance post listing shows huge volatility in stock prices, indicating hectic activity undertaken for speedy exists, which vindicates our stances of staying away from current IPO scene. Hence, we recommend investors to generally stay away from the IPOs that are lined-up in the coming months.

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