



## Do Our Companies Justify the Premium They Demand from the Market? A Study on the Matter and Suggestion for Plausible Redressal.

**Dr. Subrata Mukherjee**

Assistant Professor in Commerce Mahadevananda Mahavidyalaya Monirampur, Barrackpore, Kolkata - 700120

**Bijay K Bhattacharya**

Associate Professor Globsyn Business School, Kolkata

**L K Sinha Ray**

Dy. Gen Manager West Bengal Financial Corporation, Kolkata

**Ghosh M K**

P-78 Green View, Kolkata 700084

### ABSTRACT

*This is an endeavour to highlight how far the public issues of shares of companies justify the premium they demand from public vis-à-vis a suggestion for regulators to monitor or keep a close watch on the trading activity and fixation of premium in post reform era.*

*In post reform era the companies themselves determine the price of public issue. The government practically has no control over this issue i.e. the premium charges by the company This was a great boost for Indian companies and naturally resource mobilisation immediately after the beginning of reforms increased significantly but from 1996-97 to 2002-03 the process suffered a lot. It again geared up from 2003-04 to 2007-08. 2007-08 witnessed a spectacular growth. In recent years, however, the euphoria is practically at low ebb.*

*The situation suffered significantly after subprime effect when market nose dived. The reversal of sensex from 2010 could not lift the stock price of a good number scripts which issued public offers between 2007 and 2013. They are trading at a steep discount. This has developed negative sentiment across the investors especially among the retail investors in recent times. During the last three years many public issues have been withdrawn. There are instances when state owned financial institutions intervened to rescue public offers.*

*Time has come to review of this contentious issue by the regulatory body to the benefit all the sectors.*

### Introduction

In post reform era the companies themselves determine the price of public issue. The government practically has no control over this issue i.e. the premium charges by the company. Indian primary market ushered in an era of free pricing in 1992. Following this, the guidelines have provided that the issuer in consultation with Merchant Banker shall decide the price. There is no price formula stipulated by SEBI. SEBI does not play any role in price fixation. The company and merchant bankers are however required to give full disclosures of the parameters which they had considered while deciding the issue price. There are two types of issues one where company and LM (Lead Merchant Banker) fix a price (called fixed price) and other, where the company and LM stipulate a floor price or a price band and leave it to market forces to determine the final price (price discovery through book building process).

It is quite natural that existing prosperous companies should claim premium from public as because the wealth they have created should be shared only under special condition i.e. by paying premium. Actually this will check the dilution of book value of their shares. But new companies now-a-days charge premium as per their estimation. Now, the subject what remains is that to what extent this premium can be charged and whether government should step in to control the premium issue through a regulatory body because of the experience it has achieved in view of the findings mentioned here in below.

### Market reports / literature review:

After Market Pricing Performance of Initial Public Offerings (IPOs): Indian IPO Market 2002-2006 by Seshadev Sahoo and Prabina Rajib (VIKALPA • VOLUME 35 • NO 4 • OCTOBER - DECEMBER 2010). The paper presents fresh evidence on IPO performance, i.e., short-run underpricing and long-run underperformance for 92 Indian IPOs issued during the period 2002-2006. It is reported that on an average the Indian IPOs are underpriced to the tune of 46.55 per cent on the listing day (listing day return vis-à-vis issue price) compared to the market index.

The Indian IPO Market: Empirical Facts by Ajay Shah 1 June 1995 –this article focused the underpricing of IPOs at that time.

(This file is <http://www.cmie.ernet.in/~ajayshah/PROSE/ARTICLES/empirical.ps.gz>. Email address [ajayshah@cmie.ernet.in](mailto:ajayshah@cmie.ernet.in))

Attributes of companies making IPOs in India - Some observations, G.Sabarinathan, Indian Institute of Management Bangalore ([sabari@iimb.ernet.in](mailto:sabari@iimb.ernet.in)); this article speaks of various attributes of companies making IPOs.

Initial Public Offering: A Critical Review of Literature-by [Ragupathy M. B.](#) Indian Institute of Management Indore May, 25, 2011, (*The IUP Journal of Behavioral Finance, Vol. VIII, No. 1, pp. 41-50, March 2011*). It focused the fact that Initial Public Offering (IPO) is a milestone in a corporation's financial strategy.

A Tale of Two Decades (1990–2010): The Survival Profile of Indian Initial Public Offering Issuers Guntur Anjana Raju and Harsh Prabhudesai To order reprints of this article, please contact Dewey Palmieri at [dpalmieri@iijournals.com](mailto:dpalmieri@iijournals.com) or 212-224-3675. This article examines the survival profile of Indian initial public offering (IPO) issuers for a period of two decades (1990–2010). Empirical analysis reveals that larger IPOs in India experience a lower probability of delisting, and higher underpricing increases the probability of failure or becoming a target

Examining the Performance of IPOs-An Evidence from India (<http://mls.sagepub.com/content/37/3/219.abstract>) by [Shikha Bhatia](#) (Assistant Professor at Jaipuria Institute of Management, Noida, U.P., India. Email: [shikha.asr@gmail.com](mailto:shikha.asr@gmail.com)) and [Balwinder Singh](#) (Reader, Department of Commerce and Business Management, Guru Nanak Dev University, Amritsar, Punjab, India. Email: [bksaini@gmail.com](mailto:bksaini@gmail.com)). This paper examines the performance of 648 initial public offerings (IPOs) listed on the Bombay Stock Exchange (BSE) from June 1992 to March 2002 over a five-year period. Voluminous research across the world suggests that IPOs unanimously witness very high returns in the short run; as opposed to it, the long-run performance of IPOs does not observe any ubiquitous pattern

Booms and Slump Periods in the Indian IPO Market by Saurabh Ghosh (Reserve Bank of India Occasional Papers Vol. 25, No. 1, 2 and 3, Summer, Monsoon and Winter 2004), it reveals the IPO

volume, initial returns for boom and slump period.

### Reports

The finance minister's remark on white paper on black money was interesting on 21/5/2012, wherein he said that initial public offers were vulnerable to manipulation and was creating problems on procurement of fund from public.

On 16<sup>th</sup> November 2011 TOI reported a fact—"An analysis of the trading data from BSE and NSE showed that in as many as six IPOs—Silpi Cable, Brooks Laboratories, Fineotex Cable, Indo Thai Securities, Readymade Steel, and Taksheel Solutions—the delivery percentage was more than 95% of the IPO number. And in each of these stocks, the listing day trading volume was as high as 22 times the number of shares sold in IPO. TOI sent out email to six such companies and their registrars, but only two responded." According to TOI the meaning of this behaviour is tantamount to the fact that all investors who were allotted shares in the ipo, cashed out, transferring their shares to others.

### Objectives of the study

The free pricing mechanism, as has been followed in post reform era, was conceived to focus more flexibility and to remove

### Data analysis and interpretation

**Table A**

We have developed a chart depicting IPO issued from 2007 to 2013 and the performance of the companies.

year	no of IPO succeeded	IPO failed	money raised (cr)	no. of scripts managed to rise up to or above IPO level									acquired/ merged/not traded now
				never	Up to 1st year	Up to 2nd year	Up to 3rd year	Up to 4th year	Up to 5th year	Up to 6th year	up to 7th year		
2007	104	4	33946.22	5	95	88	52	51	38	30	24	4	
2008	36	3	18339.92		36	24	19	11	9	5	NA		
2009	21	1	19306.58	2	19	14	11	9	5	NA	NA		
2010	64	2	36362.18	3	61	38	26	23	NA	NA	NA		
2011	37	3	6043.57	1	36	23	20	NA	NA	NA	NA		
2012	25	2	6865.94	1		24	21	NA	NA	NA			
2013	37	2	1645.87	6	31	26							
2014	18*	1	297.21	2	16								

\*Up to 20/6/14, chittorgarh.com

**Table B**

IPO issued						
Companies underperformer in current period (up to 2013) to a varying degree	76%	86%	76%	64%	46%	NIL

(We have not taken in to consideration of performances of companies for IPO issued 2013 and 2014 because of short period). With progress of years number of companies performs lacklustrely.

### Findings

It has been seen that only a very small percentage of companies can maintain the issue price level or higher price for a long time whereas a large portion of companies utilize this channel for raise of capital but they cannot maintain the share price above the issue price level even for 3 years. Only a very small fraction of companies in latter days can change the situation or course favorably. More over with excessive swings of high-low level of share prices of the company in a particular year, the general re-

undue obstacles to price determination of a stock in IPO/FPO stage. It was expected that such method will render more benefit to the companies in view of their potentiality and earning power both present and future. The investors had been subjected to more careful consideration of the investment decision in view of the changing circumstances.

Numerous IPOs were issued in post reform era with substantial investors response. Our objective is to study these matters specially from 2007 to 2013 as well as the status of some IPOs issued in nineties in reference to premium the companies charged and to examine how far these free pricing is justified in the light of present state of affairs and price.

### Research methodology

#### Sources of data:

Data have been collected from Reliable Secondary Sources from 2006 to september, 2013

#### Sample design:

our sample size consists of around 287 IPOs issued between 2007 and 2012

tail investors seem confused as to which level is appropriate for investment in after IPO/FPO stage. The following table C discloses a very dismal picture of the entire situation.

### Elaborate Discussion with reference to examples

The dismal picture of share value after listing of IPO /FPO

A close look at the issues which were subscribed by public in recent times will discover a dismal picture of the entire process.

**Table C**

Company Name	Listed On	Issue	Price on	Price between
		Price	4/11/11	13/9-22/9/13
1. Indo Thai Securities Limited	2-Nov-11	74	22.15	11.35 Rs(10/-)
2. M and B Switchgears Ltd	20-Oct-11	186	178.85	23.50 (Rel/-)
3. Taksheel Solutions Ltd	19-Oct-11	150	22.1	
4. Flexituff International Ltd	19-Oct-11	155	219.2	219.25 (Rs10/-)

5. Onelife Capital Advisors Ltd	17-Oct-11	110	228.9	260.00 (Rs10)
6. SRS Limited	16-Sep-11	58	32.9	31.25 (Rs10/-)
7. Innoventive Industries Ltd	13-May-11	117	92	22.95 (Rs10/-)
8. Servalakshmi Paper Ltd	12-May-11	29	5.6	3.00 (Rs10/-)
9. Future Ventures India Ltd	10-May-11	10	8.75	
10. Paramount Printpackaging Ltd	9-May-11	35	25.2	1.10 (Rs10/-)
11. Punjab & Sind Bank	30-Dec-10	120	75.05	40.60 (Rs10/-)
12. Ravi Kumar Distilleries Ltd	27-Dec-10	64	16.1	5.90 (Rs10/-)
13. AZZ Maintenance & Engineering Services Ltd	23-Dec-10	400	169.4	9.55 (Rs10/-)
14. Claris Lifesciences Limited	20-Dec-10	228	125.25	165.55 (Rs10/-)
15. MOIL Limited	15-Dec-10	375	253.85	218.90 (Rs10/-)
16. Edserv softsystems Ltd	2009	60		4.00 (Rs10/-)
17. Rishabhdev Technocable Ltd	2009	33		1.21 (Rs10/-)
18. Excel Infoways Ltd	2009	85		17.95 (Rs10/-)
19. Raj Oil Mills Ltd	2009	120		1.40 (Rs10/-)
20. NHPC Ltd	2009	36		18.05 (Rs10/-)
21. Jindal Cotex Ltd	2009	75		9.55 (Rs10/-)
22. Globus Spirits Ltd	2009	100		81.80 (Rs10/-)
23. Euro Multivision Ltd	2009	75		1.60 (Rs10/-)
24. Thinksoft Global Services Ltd	2009	125		98.50 (Rs10/-)
25. Capital First Ltd	2008	765		158.60 (Rs10/-)
26. J Kumar Infraprojects Ltd	2008	110		154.00 (Rs10/-)
27. Cords Cable Industries Ltd	2008	135		12.35 (Rs10/-)
28. On Mobile Global Ltd	2008	440		27.20 (Rs10/-)
29. Bang Overseas Ltd	2008	207		10.00 (Rs10/-)
30. Shriram EPC Ltd	2008	300		34.95 (Rs10/-)
31. IRB Infrastructure Developers Ltd	2008	185		76.80 (Rs10/-)
32. Tulsi Extrusions Ltd	2008	85		4.80 (Rs10/-)
33. Kaushalya Infrastructure Dev Corp Ltd	2007	60		3.75 (Rs10/-)
34. Renaissance Jewellery Ltd	2007	150		52.95 (Rs10/-)
35. Kolte-Patil Developers Ltd	2007	145		65.50 (Rs10/-)
36. Empee Distilleries Ltd	2007	400		42.75 (Rs10/-)
37. Religare Enterprises Ltd	2007	185		342.55 (Rs10/-)
38. Barak Valley Cements Ltd	2007	42		5.35 (Rs10/-)
39. Varun Industries Ltd	2007	60		8.00 (Rs10/-)
40. Allied Computers International (Asia) Ltd	2007	12		0.35 (Rs10/-)

Out of these 40 companies which resorted to public issues between 2007-2011 only 4 companies could retain the price above issue price level till September 2013. Interesting feature is that those companies which charged low premium say below Rs 100/- performed laclusturely from the beginning. The fall in value was so quick (in some instances within the listing day) in some cases that it seemed there was no strength in those companies when public issue was considered or the promoters thought that the capital market was a happy hunt-

ing ground for raising capital without any liability. However even then they managed to mop up fund in public issues. **Our stock market controlling authority should have taken drastic action against such promoters.** In fact these types of people are responsible for frailties of stock market.

The authority should scrutinize every action of these companies beginning from the stage of public issue conceptual matter to listing and trading behaviour in the stock market. This will reveal the entire process of so called manipulation in all senses. And promoters should be banned for life in trading and IPO activities and should be punished and imprisoned. They actually brought the downfall of stock market reputation and put the finance ministry to embarrassment when the entire matter surfaces as some kind of scam.

In table F, we have shown only 10 companies of the afore-said (detail of each will make the article a gigantic one) ones listed on the stock exchanges in 2010 and 2011. Here 8 out of 10 companies showed a nasty trading behavior. These companies on listing day showed a tremendous volatility as well as mammoth volume of activities. The stock prices at the end of the day nose dived to a meager value from its modest opening value.

Crores of shares were traded on the listing day. After a few days the volume begins to decrease. In those companies present volumes are quite low ranging from a few lakhs to below one lakh.

On 16<sup>th</sup> November 2011 TOI reported a fact—"An analysis of the trading data from BSE and NSE showed that in as many as six IPOs—Silpi Cable, Brooks Laboratories, Fineotex Cable, Indo Thai Securities, Readymade Steel, and Taksheel Solutions—the delivery percentage was more than 95% of the IPO number. And in each of these stocks, the listing day trading volume was as high as 22 times the number of shares sold in IPO. TOI sent out email to six such companies and their registrars, but only two responded."

According to TOI the meaning of this behaviour is tantamount to the fact that all investors who were allotted shares in the IPO, cashed out, transferring their shares to others. Recently SEBI has decided to stop the menace by stipulating some conditions. On listing day after an hour stock will trade with a price band of 5% if IPO size is less than 250 crores or less and 20% if IPO size is more. Moreover the trading will be trade-for-trade for the first 10 days i.e. no intra day trading will be allowed for 10 days.

Table D & E given here may be closely scrutinized for evaluation for justification of charging premium. Here shares were issued between 2006 and 2008. The tables will show that a handful of companies can justify the premium they charged from the public. It also reflects that companies which charged low premium usually failed to maintain the price at the issue level practically from the beginning. The high-low of the share price of each year is very confusing in the sense that the average price level except for a few days, usually remains at a very low level throughout the year e.g. Birla cotsyn (i) Ltd Nitin spinners ,Burnpur Cement Limited, K E W Industries Limited (KIL), Barak Valley Cements Limited etc.

Table D

Company/ IPO issue price	2007 High/low	2008 High/low	2009 High/low	2010 High/low	2011 High/low	2012 High/low	2013 High/low
*Birla cotsyn Rs14/-		17.5/3.21	9.75/0.78	1.47/0.65	0.76/0.22	0.37/0.14	0.17/0.08
Nitin Spinners Rs21/-	26.40/10.9	28.90/3.8	9.25/3.12	17.90/6.50	15/5.30	11/5.7	12.25/8.75
Burnpur CementRs12/-		55.6/7.41	17.59/7.15	15.8/9.7	10.43/5.41	13.38/5.4	9.88/5.69
KEW Ind Ltd Rs30/-	55.85/25.1	66/4.88	19.40/4.14	18.90/10.8	12.66/3.32	6/2.61	3.85/1.2
Barak Valley Rs42/-	72/45.05	75/10.05	39.20/10	50.6/24.7	27.90/11.41	19.15/8.1	10.47/4.78

\*Birla cotsyn st split 10/- to 1/- 2009

Following Table E also reveals that the companies which charged excessive premium performed well in the initial 2/3 years. In such cases difference between high and low of the share prices was also very high but after 3/4 years the situation

changed in painful manner for a significant no of companies. (If any stock split occurs the situation aggravates more conspicuously) e.g. Kaushalya Infrastructure Dev Corp Ltd, Koutons Retail India Limited, Blue Bird Ltd, Celebrity fashions Ltd, etc

Table E

Company/ issue price	2007 High/low	2008 High/low	2009 High/low	2010 High/low	2011 High/low	2012 High/low	2013 High/low
<u>Kaushalya</u> Rs 60	106/63.6	102.35/8.15	36.3/7	30.8/13	15.25/5.02	12.75/5.25	10.1/3.62
<u>Koutons Retail</u> Rs 415	1055/515	1098/380.5	548.9/324.1	451/42.4	56.85/14.6	21.5/5.9	8.5/2.26
<u>Celebrity fashions</u> Rs 180	118/50.65	81/9.51	24.6/8.57	39.05/13.5	21.1/4.4	7.49/3.61	8.79/1.96
<u>Blue Bird</u> Rs 90-105/-	104.4/50	93.5/16	37.7/13.25	34.80/6.8	7.7/2.6	3.6/1.91	2.52/0.83

In fact a lot of companies are there which are trading below the issue price or book value. Only a small fraction of companies out of these generally reverse the situation in due course. Rest generally trade laclusturely. This has a social impact on future public issues. The ordinary investors generally shy away from future public issues. It is true newer generations are coming regularly and they are entering the stock market arena to reduce the void. But the impetus does not remain high.

The lackluster performance of many Indian companies as well as worldwide recession on account of subprime effect the mobilisation of IPO was low both in 2008 and 2009. The period between July and December 2008, contributed only 10 per cent to the total IPO value of 2008. According to primary market tracking firm Prime, 37 companies which were planning to garner about Rs 29,164 crore through IPOs had deferred their plans to enter the market in 2008 due to adverse market conditions. However with revival of stock market in 2010 the mobilisation went up. Coal India alone accounted for 41% of total fund.

In 2011 and in 2012 the mop-up through public issue decreased considerably both in number and in amount of money raised. During this period market remained steady but public sentiment was poor because of poor show of the companies which resorted to IPO in earlier years. Probably the fear that the issuers would not be able to garner the necessary benefit from the IPO, fused the IPO euphoria. At the same time general public also showed less interest in the IPO. It signifies a healthy market condition is precursor to successful IPO/FPO.

The various security trading companies like indiabulls securities, India Infoline etc have acknowledged that their low earning in recent times has been caused by low retail participation or low participation of ordinary investors who work under high brokerages(source: indiabulls securities 2011). In fact Most of the brokerage firms have also witnessed a significant fall in profits due to subdued retail participation.

The low retail participation is mainly due to various causes and one of them is that a good number of shares of companies are trading significantly below the issue price level and a sizeable portion of retail investors mainly ordinary investors have burnt their fingers by investing in public issues.

After the subprime effect, the IPO began to show signs of disap-

pointment. However in 2011 the IPO was badly affected except for a few companies.

The ONGC auction and Wipro offers in 2012 were very lukewarm. 29 companies put off their IPOs worth Rs 32400 crore in 2011. In 2012, 11 IPO approvals amounting to Rs4771 crore had not been materialised till March 2012. In March 2012 the Govt. had to ask LIC to rescue the Rs 12000 crore follow-on public offers (FPO) in ONGC through auction. Market analysts feel that the Govt. had been discouraged by the lack of enthusiasm among investors.

"The Times of India" (dated the 4<sup>th</sup> April 2012) report said that the state owned enterprise BHEL had decided to withdraw the FPO presumably because of the same reason. However the company had fared better in 2011-2012 (net profit Rs 6868 crore) compared to that in 2010-2011 (Rs 6011 crore)}. The finance minister's remark on white paper on black money was interesting on 21/5/2012, wherein he said that initial public offers were vulnerable to manipulation and was creating problems on procurement of fund from public.

The report on white paper also said "...the illicit money transferred outside India may come back to India through various methods such as hawala, mispricing, foreign direct investment through beneficial tax jurisdictions, raising of capital Indian companies through GDR and investment in Indian stock markets through participatory notes ....". All these incidents have been pushing the reforms to the brink of disaster.

#### **Suggestion and points to remember to regulators to contain the menace**

To keep the market in a healthier position NSE/BSE/other stock exchanges/SEBI should impose certain amount of restriction both in trading phase and in public issue without interfering much in the decision of fixation of premium by the companies.

To begin with our suggestion to NSE/BSE/other exchanges comes first in the way of fixation of an alarm bell for companies trading below the book value/issue price value .The names of companies /symbol of companies which appear on the trading screen should be in the following manner.

- Companies trading consistently for 1yr or more below the book value should be marked **red** so that investors can eas-

- ily identify these companies.
- 2. Companies trading below the public issue price but above the book value should be marked **orange**.
- 3. Companies trading above book value and public issue price level should be marked **green**.

These markings will create tremendous mental pressure on the sound companies to resist all kinds of immoral activities of outsiders on the price level to keep the status of the companies at modest state. It is expected that a good managed company should hold its price level around book value / issue price value even at dull or extreme bear phase.

For totally new enterprises **no premium** should be allowed what so ever may be the reputation of promoters. Reliance power was promoted by prestigious ADAG group but the present status of Reliance Power is known to all.

In a particular year a share can be allowed to grow by **50% to 60% depending on the quality and value of the script with respect to closing value of the last year**. The downward yearly movement should also be restricted to 25% with respect to previous year's closing value so that abnormal volatility can be checked. For IPO on listing day cannot be allowed to fluctuate more than 10% in either direction and the same will be subjected to aforesaid norm for the year and for first six months the trading behaviour should be trade-for-trade. In general a suitable

trading circuit filter (20%-5% for upper and 5%-2% for lower) should be used to stop enormous swings in day to day activities. It should be different for different companies depending on the situation. Undoubtedly huge swings make a share highly volatile and unattractive to long term ordinary and general investors and usually **lower the sentiment in that stock for ordinary retail investors**.

Opportunities to grow upward should be more than that of going downward. The unscrupulous operators would think twice to push the stock abnormally higher as it would be difficult to pull down the price quickly. We have found most of the shares after IPO/public issue traded abnormally. The upswing and downswing especially in 2007/08 was abnormally high and low respectively. In many cases the swings were more than 500% from the lowest value. The ultimate sufferers are general and retail investors and probably mutual funds as their NAVs are very low now. For example India bulls securities declined from Rs24/- to Rs5.10 in 2011. Highest value was actually 5 times the lowest value. The earning in 2010 and 2011 was Rs2.68/- and Rs1.64/- on a equity share of Rs2/- . The decline cannot be explained judiciously. The sentiment in that script may be affected. So many instances are there. Some examples are given here in below.

The yearly high/low of shares are excessive, (H/L= yearly high/low of stock price in Rs) a few hundred percent variation in reference to lowest price.

Company/ year of IPO	Face value	Issue price		2012 H/L	2011 H/L	2010 H/L	2009 H/L	2008 H/L	2007 H/L	2006 H/L	2005 H/L
Birla cotsyn (i) Ltd 2008	10	14	share price		0.8/0.6	1.50/0.65	9.75/0.78	17.50/3.21			
			Book value		1.06	1.24	13.41	43.69	23.06		
			EPS		0.04	0.03	0.18	1.22	1.89	1.20	
			Cash eps		0.07	0.05	0.62	2.30			
			Divi- dend		0	4	1	5	4		
Pyramid saimira Theatre Ltd 2007	10	100	share price		9.25/4.41	24.85/5.10	44.25/13.15	530/35.30	551/125		
No divi- dend			Book value				29.78	70.30	45.84	12.28	10.29
			eps		NA	-2.95	-45.17	20.47	4.75	1.06	0.02
			Cash eps		NA	NA	-43.09	24.42	5.84	1.21	0.03
Ruchira paper Ltd 2007	10	23	share price		23.25/8.85	24.45/6.75	12.45/4	34.25/5.3	25.70/11.09	24.35/20.65	
No divi- dend			Book Value			26.10	28.02	28.73	25.53	25.34	
			EPS		1.73	-1.92	-0.71	3.2	1.71	4.5	
			Cash eps		6.46	2.67	2.36	4.07			
Trans- formers & Rectifiers India Ltd 2007	10	425- 465	share price	209/116.35	373/232	472.7/290.65	404/102.60	938.5/110	873.6/685.20		
Dividend paying			Book value	254.17	247.07	221.79	189.28	159.78	56.86		
			eps	7.11	31.04	38.32	34.15	25.62	23.50		
			Cash eps	11.84	35.52	41.73	36.09	27.14			
			Divi- dend %	0	50	50	40	20			
BGREner- gy Systems Limited	10	425- 480	share price	high	373.90	744.7	871	535.65	988		
2007			share price	low	172.55	402.10	438.35	107	115		

Dividend paying				Book value	154.46	131.62	97.67	77.94	65.46	77.78	45.08	
				Eps	30.97	44.93	27.92	15.96	11.73	36.29		
				Cash eps	33.21	47.26	29.28	16.96	12.43			
				dividend	70	100	70	30	20	30		
Varun Industries Limited 2007	10	60	share price	high		260.30/155.05	252.5/112.50	199.6/19.70	165/21.50	152.90/87.30		
			share price	low		155.05	112.50	19.70	21.50	87.30		
				Book value			81.43	79.52	75.72	77.36	67.74	
				eps		13.51	10.77	5.8	9.67	14.89		
				dividend			15	10	15	45	35	

There should be alarm bell for those shares where public holdings are gradually increasing at an accelerated pace e.g. the share of public is immensely high in Asian electronics (on 30/9/11-71.03%, on 31/3/11-67.14% , price 6.75/- on 23/11/11), BSEL Infra(62.48% on 30/9/11-and 60.70%- on 31/3/11, price 3/- on 23/11/11,public issue at Rs10/- in 1996), KEW Industries Ltd(62.45% on 30/9/11,and 59.02%- on 31/3/11, price 4/- on 23/11/11, issue price Rs30/- in 2006), Blue Bird Ltd

etc(38.27%on 30/6/11, and 37.02%- on 31/12/10 price 10/- on

23/11/11, issue price 90-105 in 2006). Their market prices are also very low. It has been found that when public holdings are very high the future prospect of such companies are bleak (this does not apply to govt. owned companies). The performances of these companies are very much disappointing.

These stocks are available in the market at a very cheaper rate and the performances of the companies are very poor. No dividend is paid out to the investors because of lack of earning.

Company Name of share	Face Value	General Public	High/Low/2013	2012	2011	2010	2009	Book Value 2012
Sunitee Chemicals Rs1/-		87.13 31/3/13	0.22/0.13	0.30/0.15	0.51/0.20	0.91/0.38	1.03/0.35	Rs1/-
Innovation Software Exports Rs10/-		96.23 31/3/13	3.31/1.42	8.25/2.44	11.22/4.19	49.90/6.30		Rs5.94/-
Shimoga Technologies Rs1/-		93.06 31/3/13	0.23/0.04	0.28/0.16	0.52/0.20	0.75/0.37	0.82/0.35	Rs-0.37/-
Fintech Communication Rs10/-		91.26 31/3/13	3.04/1.63	5.90/1.60				Rs2.29 in 2011
Nu-Tech Corporate Services Rs10/-		92.34 31/3/13	0.87/0.48	1.54/0.77	2.04/0.77	2.20/0.84	2.56/0.54	Rs-32.83
Venus Universal Rs2.50		90.96 31/3/13	0.29/0.06	0.35/0.17	0.43/0.19	0.59/0.30	0.64/0.20	Rs1.32 in 2011
Bisil Plast Rs1/-		90.11 31/3/13	0.66/0.27	0.83/0.30	1.16/0.41	2.35/0.79	3.58/1.35	Rs-0.05
Stocknet International Rs10/-		94.52 31/3/13	1.01 on 7/10/12	1.78/0.79	2.24/1.08	2.26/1.15	2.60/0.62	Rs17.38 in 2010
Lloyds Finance Rs10/-		90.58% 31/3/13	1.74/0.61	1.20/0.61	2.00/0.75	3.58/1.10	2.92/0.92	Rs-1.36 in 2013
Synergy Cosmetics (Exim) Rs10/-		91.07% 31/12/12	0.84/0.31	1.55/0.68	2.35/0.67	1.97/1.00	1.86/0.66	Rs9.54
BSEL Infra Rs10/-		64.15% 31/3/13	3.60/1.81	4.58/2.61	8.49/2.51	19.20/6.50	28/7.61	Rs51.08
Asian Electronics Ltd Rs5/-		63.26% 31/3/13	6.10/2.97	9.87/3.52	21.75/5.35	44.20/16.50	52.25/17	Rs11.30
Greenearth Resources & Projects Rs1/-		66.12 31/3/13	1.21/0.71	1.84/0.82	5.60/1.25	10.53/3.67	452/7.25	Rs-1.96 in 2011
Tanla Solutions Rs1/-		51% 31/3/13	6.60/3.00	10.52/5.25	23.25/5.41	66.15/16	9.95/21.20	Rs61.74
Alps Industries Ltd Rs10/-		57.01% 31/3/13	2.10/1.06	3.22/1.75	7.74/1.91	15.50/6.12	16.36/5.80	RS-44.84
Ashco Nulab Rs10/- non promoter holding		90.94% 31/3/13	0.70/0.28	2.39/0.65	5.40/1.85	10.00/0.74	14.74/1.26	Rs10.07
Glory Films Ltd Rs10/-		69.62% 31/3/13	2.49/1.05	4.10/2.01	8.09/2.50	29.40/6.00	195/18.85	Rs20.22
K S Oils Ltd Rs1/- non promoter holding		92.46% 31/3/13	4.49/1.93	10.65/3.75	48.65/5.51	77/28.55	73/39.05	Rs26.81 in 2011
Info-drive Software Ltd Rs10/- non promoter holding		91.48% 31/3/13	8.84/3.40	23.40/5.18	25/6.36	48.45/18	55.70/18	Rs20.80
Zenith Birla (india) Ltd Rs10/-		53.36% 31/3/13	3.05/0.79	6.50/2.47	11.85/3.27	33.30/8.40	30.30/9.10	Rs23.25
XL Energy Ltd Rs10/-		62.24 31/3/13	4.77/2.35	7.00/3.05	25.90/4.36	45.90/21.25	73.90/25.80	Rs15.08
Quintegra Solutions Ltd Rs10/- non promoter holding		93.78% 31/3/13	2.55/0.59	2.99/1.61	13.10/1.67	17.75/7.25	15.59/3.78	Rs-33.39
3i Infotech Ltd Rs10/- non promoter holding		93.17% 31/3/13	9.65/4.97	22.05/7	63.80/11.65	97.40/51.20	103/25	Rs52.56

High/low for stock price from 2009-2013 in Rs

(Non promoter holding includes general public)

However there are many penny stocks with promoter holding

high above 50%. There should be alarm bell in the form of icon in trading screen which when clicked will show share holding pattern, book value present EPS, quarterly profitability business order position of individual company. Companies will be compelled to furnish such data monthly/quarterly.

**Some unpleasant information:-****Listing day trading information of a few companies in 2011**

Besides the IPO table, listing day table indicate the poor performance of stock prices in recent years. This table indicates clearly how the IPO was misused by some promoters to plunder

the wealth of the investors ( a sizeable part must be the retail investors). The stock prices suffered heavily on the listing days. In many cases almost entire IPO was delivered on the listing day.

Their current values are not very satisfactory.

Table F

Company/face value per share	Listing day	Issue price(Rs)	Open Rs	High Rs	Low Rs	Close Rs	volume	*Price on 4/10/13 Rs
Indo Thai Sec 10/-	2/11/11	74/-	76	98.90	Rs18.85	Rs23.15	49399207	11.50
Taksheel solutions 10/-	19/10/2011	150/-	157	184.30	39.10	58.15	53644144	3.85
Tijaria Polypipes 10/-	14/10/2011	60/-	61/-	67.75	16.50	18.60	59965008	3.95
Vaswani Ind ltd10/-	20/9/2011	49/-	33.70	33.70	14.00	18.40	35788647	3.35
Brooks laboratories 10/-	5/9/2011	100/-	100.00	131.60	58.15	61.50	44305878	14.50
Bhartiya Global Infimedia	28/7/2011	82.00	81.90	83.00	26.10	29.90	47578807	
Readymade Steel India 10/-	13/7/2011	108.00	115.00	117.75	62.30	66.45	33979906	82.00
Servalakshmi Paper Ltd 10/-	12/5/2011	29.00	29	48.70	17.70	19.05	147017375	2.65
Sanghvi Forging & Engineering Ltd10/-	23/5/2011	85.00	88.00	116.80	86.50	112.00	42730487	17.65
Acropetal technologies 10/-	10/3/2011	90.00	92.00	140.00	87.40	98.45	56099472	5.50

(\*NSE price around 10.00 AM, Source: chittorgarh.com)

**(b) Loss of investors' wealth because of suspension and delisting**

The suspension of over a thousand companies by Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) since 1996 has blocked over Rs 58,000 crores of individual equity investors' money. Their hard-earned money is stuck with these companies that were suspended by the two exchanges for violation of listing agreement.

A Sunday Economic Times analysis has shown that almost 95% of the total market capitalisation of 876 suspended companies for which data is available is public and belongs to individual investors as promoters' holding is as low as 5%.

Promoters of most of the companies sold their shares in the open market before de-listing and consequently their holdings came down below 5%, and in some cases their stake went down to sub 1% level. The value of promoters' holding was merely Rs 3,290 crore against the total market cap of Rs 61,699 crore for those companies. The BSE has no data for another 536 companies whereas NSE doesn't have any data for 38 companies, which were also suspended.

According to the analysis, BSE and NSE together suspended as many as 1,450 companies of which 1,325 companies were suspended by BSE and 125 by NSE. (Anand Rawani, ET Bureau Dec 6, 2009, 02.15pm IST)

**Conclusion**

The pricing issue of IPOs is very contentious issue. The liberalization processes have no doubt accelerated the IPO formalities but the long term effect of stock prices is a cause for concern as many retail investors have burnt their fingers by investing in IPOs of both reputed and not so reputed companies. The regulatory bodies and financial institutions should once more review the situation and critically probe the premium fixation issue in the light of above findings as general retail investors are gradually losing faith and conspicuous by their low participation in recent times.

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