Indbankonline

Markets For You

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From the President's Desk

PN Patel
CEO, President and Whole Time Director
Indbank Merchant Banking Services Ltd

"Be Cautious before investing in IPO"

IPOs are considered to be one of preferred ways of raising fund for the companies round the globe. In India, most of the companies have come out with IPOs in the recent past when the markets were showing bullish trends. Currently things have slowed down a bit because of the global recession and other accompanying reasons. But, it has not stopped completely and if experts are to be believed then it is going to rain IPOs in the near future. Any way we need not discuss as to when a company should come out with an IPO or what financial strategy should it follow for in order to get funds at the lowest cost. Rather , we will discuss from a retail subscriber's point of view and see how an IPO can affect him . To start up with , let us assume that XYZ company is coming up with an IPO. You are excited about it as XYZ company is a company with substantial repute . You intend to get as many shares as possible and then sell them off at an amicable rate .You are confident that you will earn a profit out of this dealing. Let us also assume that the markets are showing bullish trends , this will necessarily need you to apply for as many shares as possible because you are under the impression that you may not get the required number of shares .Under these circumstances , IPO Margin Financing comes into the picture. You may not be having enough resources to apply for the IPO , thus you would borrow and make up for the lack of funds at your end. A look at the diagram below will make things clearer

Company	XYZ
Offer Price/Share	Rs.100
No. of shares applied for	1000
Investment required	Rs. 100,000
Amount that you can bring in	Rs. 25,000
IPO Margin Finance	Rs.75,000
Interest per month	2%
Interest charges	Rs.1500

Now we will discuss a couple of scenarios. Case 1 will be a very optimistic scenario while Case 2 is a more realistic scenario

CASE - 1 :

Allotment	1000 shares
Total Investment incl. interest	Rs.101,500
Cost of acquisition (incl. of interest)	Rs.102 (Approx)
Selling Price	Rs.110
Return on investment	8.4%

Now this is the type of a scenario that we all want to find ourselves in…..a rosy scenario. We get all the shares we want, the share prices go up in the secondary market and we immediately sell them off at a neat profit.

CASE - 2 :

Allotment	100 shares
Total Investment incl. interest	Rs.11,500
Cost of acquisition (incl. of interest)	Rs.115
Selling Price	Rs.110
Return on investment	- 4.3%

This is a more practical outcome- you are not the only one who is subscribing for the IPO, thus there is no need to assume that you will be allotted all the shares that you wish for. Here you will get only a portion of the shares that you had wanted. The prices in the secondary markets go up and you end up selling the shares. But still, you end up losing…..primarily because you failed to calculate the 'real' cost of the stock. Here even with an appreciation of price you have failed to earn a profit, then just think of your position had the market price slipped southwards!!!!!

It is definitely not our idea to scare you away from investing in IPOs. But you should keep the following things in mind ;

1. Never think that you will end up getting as many shares as you want…all investors are , as you are and hence everyone would have subscribed for the same
2. Have a close watch on the interest on IPO Margin Financing. Get informed about all the alternative avenues….analyze if it is at all worth taking a bank loan or will it be better for you if you buy the shares from the secondary markets afterwards
3. An increase in the stock prices may not necessarily result in a profit for you. Mark-up a specific price at which you want to sell. Do not panic and be ready to wait for the correct occasion

Now we will discuss about a more dreaded situation . Often companies come out with 'me-too' kind of IPOs….markets seem to be bullish….people get blown away….they end up subscribing shares of these companies. They want to earn an extra buck…..within a short span of time, it leads to their downfall, their capital gets wiped out. They often try to act smart and end up subscribing for shares in lowly rated companies. They fail to observe the basics and are blinded by greed. But the secondary markets are known to reflect the sentiments and knowledge of the experts and can often differ when compared to the mass hysteria of a laymen investing in an IPO. Thus you may buy a share at Rs.100 but when you go to the secondary Market then you might get a seller willing to buy it at Rs.98 or still worse may not find a taker at all. To avoid such a situation , we recommend that you stick to the following check list and do not get carried away by rumors.

Before investing in an IPO, investors are suggested to run a check on the following factors:

- Who are the Lead Managers to the issue? Do Lead Managers act as an indicator of the quality of the issue?
- What is the promoter holding in the company? Is there any participation from financial institutions or a venture capital firm?
- Where is the company investing my money? Is it going to give me good returns?
- Which sector does the company operate? What is the growth prospect of the company vis-à-vis the sector?
- Do the promoters have enough experience?
- Will the money invested yield maximum returns? Are the profit projections achievable?
- Does the company enjoy tax benefits?

The pricing mechanisms and the green shoe option has been discussed in details in the last page. So, next time, when an IPO open's, do run a check before subscribing.

(PN Patel)

09/11/2009

HAPPY INVESTING !!!

Indbank Merchant Banking Services Ltd
(A Subsidiary of Indian Bank)

Markets for You

According to the Taoist religion, every force in this world has a dual nature. Duality is the key element around which the world functions. This duality is symbolized as Yin and Yang. Parallels to this can be drawn, to the stock markets, as most of the global indices with the exception of Hang Seng and Shanghai Composite slided and ended the month of October well below their September levels. But losses for the global indices were capped during the last week of the month, due to positive global news. US GDP grew 3.5% in the September quarter, its first expansion in more than a year after falling 0.7% for the quarter ended June 2009. The US Treasury Secretary said that congressional proposals for overseeing big financial firms would give US government "constrained power" to protect the financial system without putting taxpayers at undue risk. He further added, that the financial system still needs to be supplied with sufficient capital to avoid a credit crunch. Britain's FTSE capped its losses significantly after US posted a big raise in its third quarter GDP and a rally from heavyweight energy issues led by BP after its forecast – beating third quarter results helped it in reducing its losses.

The Reserve Bank of New Zealand maintained the Official cash rate at 2.5% adding that it sees no urgency to begin withdrawing monetary policy stimulus and expects to keep the OCR at the current level until second half of 2010. Also, the prices in the 16 nation EURO zone declined 0.1% in October from a year earlier after falling 0.3% in September.

On the Asian front, almost all the indices ended on the lower side, tracking weak global cues. Japan's Nikkei fell over 2.4% during the week ended 30th October 2009, as a stronger yen weighed on the exporter's shares, while a fall in the oil market earlier in the week affected the shares of the trading houses. The indice closed below the 10,000 mark for the first time in three weeks, but recapped to close above the crucial mark tracking positive data from the US. The Bank of Japan maintained the uncollateralized overnight call rate at 0.10% adding that it has decided to end purchases of commercial paper and corporate bonds from lenders as scheduled, while the collateral backed lending will remain in effect until the end of 2010. Chinese government's remark, about sticking to its loose monetary policy also helped to lift the overall sentiment. As per the IMF, economic recovery in Asia is faster than the rest of the world and is projected to grow by 5.75% during 2010.

On the national front, the highlight was the RBI's Mid-term review of FY 10Annual Policy. The highlights of the policy review have been detailed below:

- All key rates unchanged
- Ends special repurchase facility for banks to fund needs of NBFC's, MF's and housing finance companies with immediate effect
- Restores the Statutory Liquidity Ratio (SLR) for commercial banks to 25% of Net Demand and Time Liabilities. This is effective from November 7, 2009
- Keeps FY 10 GDP forecast at 6% with upside basis; sees modest decline in agriculture

Snapshot

Particulars	30th Oct-09	23th Oct-09	16th Oct-09	9th Oct-09	2th Oct-09
Inflation (%)	1.51 (Oct 17, 09)	1.21 (Oct 10, 09)	0.92 (Oct 03, 09)	0.70 (Sep 26,09)	0.83 (Sep 19,09)
91-Day Cut-off (%)	3.2347	3.2347	3.2347	3.2347	3.1532
10-yr G-Sec yield (%)	7.5941	7.7102	7.7377	7.5768	7.4545
1-10 yr spread (bps)	261	314	324	321	263
USD/INR(Rs)	46.96	46.45	46.27	46.50	47.86
USD 6m LIBOR	0.56	0.58	0.59	0.60	0.63
10 Y US Treasury	3.39	3.47	3.42	3.38	3.22
USD/Euro Spot	0.675676	0.665779	0.67254	0.677966	0.6879

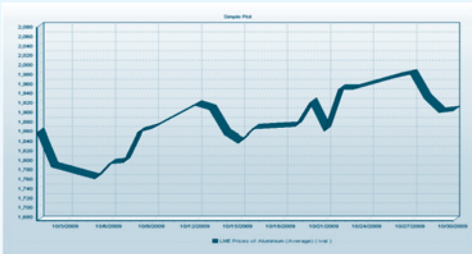
Global Indices

Indices	Country	Index as on 30th Sep 2009	Index as on 30th Oct 2009	Variation (%) (Inc/ Dec)
NASDAQ	United States	2122.42	2,045.11	(3.64)
DJIA	United States	9712.28	9,712.73	0.00
S&P 500	United States	1057.08	1,036.19	(1.98)
Hang Seng	Hong Kong	20955.25	21,752.87	3.81
Nikkei 225	Japan	10133.23	10,034.74	(0.97)
Straits Times	Singapore	2672.57	2,651.13	(0.80)
FTSE 100	United Kingdom	5133.90	5,044.50	(1.74)
CAC 40	France	3795.41	3,607.69	(4.95)
DAX	Germany	5675.16	5,414.96	(4.58)
Shangai Composite	China	2779.43	2,995.85	7.79
SENSEX	India	17126.84	15,896.28	(7.18)
NIFTY	India	5083.95	4711.70	(7.32)

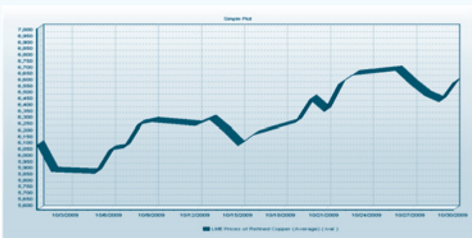
Institutional Investments

Category	Debt / Equity	Gross Purchases (Rs Crores)	Gross Sales (Rs Crores)	Net Investment (Rs Crores)
FII Investments	Equity	3376882.80	3078775.50	298108.10
	Debt	226578.50	193481.80	33096.90
Mutual Fund	Equity	16252.00	21446.40	(5194.30)
	Debt	75124.10	40816.30	34308.00
FII Derivative Trades	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS
-Buy	34263.68	65868.70	45337.04	409.82
-Sell	38502.78	62457.38	50177.79	372.64

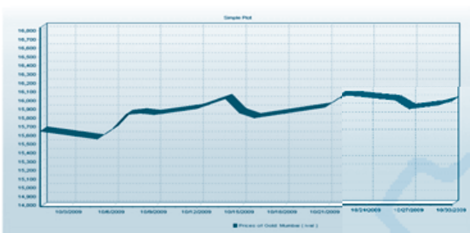
Commodities Trend



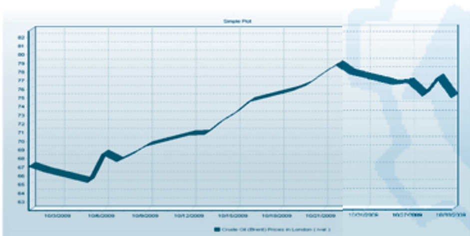
Aluminum



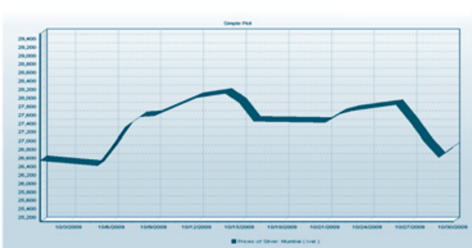
Copper



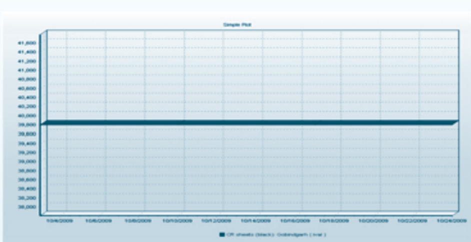
Gold



Oil



Silver



Steel

- WPI inflation at March ended 2010 placed at 6.5% with an upside bias compared with 5% projected in July
- Liabilities of commercial banks arising from transactions in collateralized borrowing and lending obligation (CBLO) with Clearing Corporation of India, will be subject to maintenance of CRR effective from November 21, 2009.

In the economic front, the Prime Minister expressed hope that the country will sustain an economic growth rate of 9-10% over the next decade. The Finance Minister reiterated that fiscal and monetary stimuli will continue till the Indian Economy is on a firm growth path. India's forex reserves rose to $285.52 billion for the week ended October 23, 2009 compared to $284.84 billion for the week ended October 16, 2009. India's infrastructure sectors grew 4% in September , unchanged from a year ago but down from 7.1% reported in August.

Action in the Indian Debt market picked up steam, following the concerns expressed in RBI's second quarter Macroeconomic and Monetary Developments report regarding GDP outlook and downside risk to inflation on sluggish demand. WPI inflation increased to 1.51% y-o-y for the week ending October 17, 2009 as against 1.21% y-o-y in the previous week. The statistical impact of a low base drove weekly inflation rate up despite the WPI index remaining at the same level as last week. The corporate bond yields softened a bit on SLR hike and cues from G – Sec market. For the month ended October 2009, the AAA PSU bonds closed around 8.80% for 10 year and 8.40% for 5 year. The overall liquidity in the market continued to remain ample and the overnight money market rates continue to remain low.

In the Commodities Market, the National Spot Exchange launched gold – mini, gold 1 kg and 30 kg silver contracts for delivery in Ahmedabad on October 26, 2009. The National Multi Commodity Exchange is all set to launch its contract for 8 gm gold coin or a guinea on November 7, 2009. The Crude oil prices mostly fell during the week ended 30th October 2009 as the dollar strengthened against global currencies and on rising crude oil inventories; crude prices ended at $ 79.87 on October 29 as compared with $ 81.19 on October 22, 2009. Gold imports soared 72% to 37.5 tonnes in September as compared with previous months 21.8 tonnes on increased demand during festive season.

The month of October witnessed huge volatility and terrific action on specific stocks. The markets fell in each of the five days, during the last week of October on concerns that interest rates may raise sooner than expected after the Reserve Bank of India sharply raised inflation in its monetary policy review. The BSE Sensex fell below the psychological 16,000 mark and hectic stock specific activity was witnessed as the second quarter earnings reporting season was at its peak. Now that the result season is over, the trigger ahead would be the global market, activity in the mutual fund industry and cues from the global markets.

IPO and NFO Review

NEWS FROM IPO

- The generics division of Glenmark Pharmaceuticals, Glenmark Generics has filed the draft prospectus with SEBI, to raise Rs. 550-600 crores from the primary market. The proceeds from the issue would be used for repaying the company's debt.
- Monnet Ispat is all set to launch the IPO of its power unit, Monnet Power by March 2010. The company is planning to raise between Rs. 1000 – Rs. 1500 crore through the issue.
- UCO Bank is planning to raise Rs. 900-950 crores from Follow-on-public (FPO) offer subsequent to a strong rally in the market. The estimated premium for the issue has been tentatively fixed between Rs. 50 – Rs. 60 per share.
- Lavasa Corporation, a subsidiary of Hindustan Construction Company plans to hit the capital market to raise around Rs. 2000 crore, during the second half of 2010.
- Punjab & Sind Bank is aiming to dilute government holding by 20-25% through its IPO in the first half of 2010. The issue is expected to hit the market before September 2010.
- Standard Chartered Bank, announced that it is keen on assessing the prospects of listing its shares in the Indian Stock Exchanges. Besides the bank is also planning to issue Indian Depository Receipts to the tune of Rs. 4700 crores.
- Sterlite Energy Ltd., a wholly owned subsidiary of Sterlite Industries has filed the Draft Red Herring Prospectus with SEBI. The company intends to utilize the net proceeds from the issue to part finance the construction of its power projects in Jharsuguda, Orissa and Talwandi, Punjab.

New Listing

Company Name	Offer Price (Rs.)	Exchange	Listing Date	List Price (Rs.)	Latest Traded Price (03/11/2009)	% Change to List Price (Rs.)
Pipavav Shipyard Limited	58	BSE & NSE	09.10.2009	61.10	50.90	(16.69)
Euro Multivision Limited	75	BSE & NSE	15.10.2009	75.00	28.85	(61.53)
Thinksoft Global Services Limited	125	BSE & NSE	26.10.2009	126.00	226.90	80.08
India Bulls Power Limited	45	BSE & NSE	30.10.2009	45.05	34.20	(24.08)

Closed Issues but not Listed

Company Name	Issue Type	PriceBand(Rs.)	FinalPrice(Rs.)	SubscriptionRate
DEN Network Limited	Public Issue (B)	Rs.195- 205	Rs.205	Fully Subscribed
Astec Lifesciences	Public Issue (B)	Rs. 77-82	Rs. 82	0.43

Corporate Announcements

Symbol	RecordDate	ExDate	Purpose
AARVEEDEN	3/11/2009	30/10/2009	INT DIV-RE.0.50 PER SHARE
CROMPGREAV	3/11/2009	30/10/2009	INT DIV-RE.0.80 PER SHAREPURPOSE REVISED
DABUR	3/11/2009	30/10/2009	INT DIV-RE.0.75 PER SHAREPURPOSE REVISED
HCLTECH	3/11/2009	30/10/2009	INT DIV-RE.1/- PER SHARE PURPOSE REVISED
IPCALAB	3/11/2009	30/10/2009	INT DIV-RS.5/- PER SHARE PURPOSE REVISED
VINATIORGA	3/11/2009	30/10/2009	FV SPL-RS10TORS2/DIV-1.50RECORD DATE REVISED
PAGEIND	5/11/2009	4/11/2009	3RD INT DIV-RS.6/- PR SHRPURPOSE REVISED
BIRLACORPN	6/11/2009	5/11/2009	INT DIV-RS.2.50 PER SHARE
CRISIL	6/11/2009	5/11/2009	INT DIV-RS.25/- PER SHAREPURPOSE REVISED
DYNAMATECH	6/11/2009	5/11/2009	INT DIV-RS.2/- PER SHARE PURPOSE REVISED
VISAKAIND	6/11/2009	5/11/2009	INT DIV-RS.1.50 PER SHARE
MRF	7/11/2009	5/11/2009	2ND INT DIV-RS.3/- PR SHR
DCHL	9/11/2009	6/11/2009	INTERIM DIVIDEND
DOLPHINOFF	9/11/2009	6/11/2009	INT DIV-RS.1.50 PER SHAREPURPOSE REVISED
HINDUNILVR	9/11/2009	6/11/2009	INT DIV-RS.3/- PER SHARE PURPOSE REVISED
ECLERX	11/11/2009	10/11/2009	INT DIV-RS.7.50 PER SHARE
ORBITCORP	11/11/2009	10/11/2009	INT DIV-RE.1/- PER SHARE
ADSL	12/11/2009	11/11/2009	FV SPLIT RS.10/- TO RS.5/
CUB	13/11/2009	12/11/2009	RIGHTS 1:4 PREM@RS.5/-
INGERRAND	13/11/2009	12/11/2009	INT DIV-RS.3/- PER SHARE
NAVINFLUOR	13/11/2009	12/11/2009	INT DIV-RS.6.50 PER SHARE
SRF	13/11/2009	12/11/2009	INT DIV-RS.7/- PER SHARE
HBLPOWER	25/11/2009	24/11/2009	FV SPLIT RS.10/- TO RE.1/

NFO

Scheme	Type	Class	Open Date	Close Date	Offer Price	Min. Inv. Amount
ICICI PruFMP 493YBIOI	Close	Debt – FMP	20.10.09	05.11.09	10.00	1000000
ICICI PruFMP 493YPBIO	Close	Debt – FMP	20.10.09	05.11.09	10.00	2500000
ICICI PruFMP 493YBOI	Close	Debt – FMP	20.10.09	05.11.09	10.00	5000
Tata FMP S25 C HIP	Close	Debt – FMP	21.10.09	04.12.09	10.00	2500000
Tata FMP S25 C RIP	Close	Debt – FMP	21.10.09	04.12.09	10.00	10000000
Tata FMP S25 C SHIP	Close	Debt – FMP	21.10.09	04.12.09	10.00	10000

Corporate News and Events

New SEBI fee structure raises MF distributors hopes on PMS 30/10/2009 The Economic Times

The new fee structure for mutual fund distributors has fund houses focusing again on businesses that were earlier considered unviable or worthless. Barely a few months ago, fund houses considered their portfolio management services (PMS) business a 'white elephant', as competition in the segment prevented them from attaining the scale they desired.

But now, with SEBI scrapping entry load on mutual fund schemes and the resultant lull in equity scheme sales, asset management companies (AMCs) have begun redrawing their business plans around PMS, which cater to wealthy investors. This is mainly because AMCs have the freedom to fix fees and commission that suit the growth of their PMS businesses.

Sebi likely to issue norms for SME stock exchange soon 30/10/2009 Financial Express

Securities and Exchange Board of India (Sebi) is likely to issue norms on separate stock exchange for small and medium enterprises next month to give them more options to raise funds. At present, around 90% of the 2.61 crore micro, small and medium enterprises depend on either banks or informal sources to finance their business.

SEBI in pact with Dubai regulator 29/10/2009 Business Line

SEBI has inked a memorandum of understanding with Dubai's regulatory agency, Dubai Financial Services Authority (DFSA), for bilateral assistance and mutual co-operation.The DFSA is the only independent regulator of all financial and ancillary services conducted through the Dubai International Financial Centre.

SEBI permits extension of trading by 2-1/2 hours a day 25/10/2009 The Economic Times

Indian stock market will soon witness longer hours and higher volumes. In a move that will give investors more flexibility but make life in the dealing room and back-office far more demanding, capital market regulator SEBI has permitted stock exchanges to begin the day as early as 9 AM and keep the market open for trading till 5 PM.

SEBI asks bourses to alert Home Ministry on suspicious entities 25/10/2009 Business Line

SEBI has directed all stock exchanges and other market intermediaries to alert the Union Home Ministry about any suspicious clients making investments in the stock market. SEBI has also asked exchanges to keep strict vigil over those entities that have been listed by the United Nations Security Council Committee as "organizations funding terror" and to inform the officials concerned within 24 hours.

Sebi sets new norms for corporate bonds 17/10/2009 Business Standard

The Securities and Exchange Board of India (Sebi) said, that clearing and settlement of trades in corporate bonds should be done through clearing corporations from December 1, 2009. This will be either through the National Securities Clearing Corporation (NSCCL) or the Indian Clearing Corporation (ICCL). So far, the National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and the Fixed Income Money Market and Derivatives Association of India (FIMMDA) were authorised to set up and maintain reporting platforms to capture information related to trading in corporate bonds.

Sebi mulls stricter warrant norms 10/10/2009 Business Standard

The Securities and Exchange Board of India (Sebi) plans to tighten guidelines under which promoters make preferential allotments of warrants. The proposals include prohibiting promoters from voting at shareholder meetings at which warrant issues are put to vote and prohibiting warrant issues to promoters who did not subscribe to their earlier warrants. Till recently, promoters were issuing warrants, which would eventually be converted into shares, to themselves by paying only 10 per cent of the money when warrants are issued. Sebi has raised the 10 per cent advance payment to 25 per cent and added the stipulation that promoters will have to forfeit the advance if they don't subscribe to the full issue. Last year, the steep fall in the stock market saw many promoters letting their preferential warrants lapse.

Regulator unveils disclosure norms for insurers going public 09/10/2009 Business Standard

As insurance companies get closer to entering the capital market, the Insurance Regulatory and Development Authority (Irda) has come out with public disclosures guidelines, making it mandatory for these companies to provide data for a minimum four to five years. The guidelines will come into force from November 1. 'It is essential that investors are fully aware of financial performance, company profile, financial position, risk exposure, corporate governance and the management well before the companies go for initial public offers,' said Irda.

Pai to head Sebi's internal audit committee 09/10/2009 Business Standard

In a move to promote transparency and improve corporate governance standards, the capital market regulator, the Securities and Exchange Board of India (Sebi), has proposed the formation an audit committee to oversee its financial reporting process and disclosure of financial information. The committee will be headed by industry representative on the Sebi's board, TV Mohan Das Pai, who is a director on the board of Infosys Technologies Ltd. Other members are KP Krishnan and MS Sahoo. The tenure of the committee will be two years.

All eyes on SEBI norms for REITs 07/10/2009 Business Line

Private equity investors in real estate projects are eagerly awaiting SEBI's Real Estate Investment Trust (REIT) Regulations so that they get an exit option once their investments mature. In the absence of REIT regulations, PE investors are unable to unlock the investments made in realty projects in the last four to five years. First the property market suffered price erosion last year and prices have been volatile.

SEBI norms may foil promoters' stake sale tricks 05/10/2009 The Economic Times

The tricky issue of promoter control will resurface in Corporate India for firms which are listed on overseas stock exchanges. Recently, the capital market regulator, SEBI, tweaked the rules to bring ADR/GDRs - securities or foreign depository receipts issued to overseas investors against stocks issued by Indian companies - under the takeover code. The rule, however, applies to ADR/GDRs where the holders of the securities are entitled to exercise voting rights on the shares underlying the receipts. What this simply means is that any foreign investor holding ADRs/GDRs with voting rights will have to make an open offer to public shareholders, if the holding touches the 15% limit - just as it applies to any local investor buying shares in the local market.

Soon, investors can get unclaimed dividends after the 7-year period 03/10/2009 Business Line

In a move that will bring smiles to investors, the new Companies Bill will allow shareholders get dividends they have not claimed even after the stipulated period of seven years, and with interest too.Now, companies are obliged to transfer unclaimed dividends to the Investor Education and Protection Fund (IEPF) after seven years from the date it first became due for payment.

Currently, after the seven-year period no claims shall lie against the fund or the company and no payment shall be made regarding such claims. Estimates of the amount lying unclaimed in the IEPF range from Rs 500 crore to Rs 900 crore with an annual accretion of Rs 25-30 crore.

CONSOLIDATED CONSTRUCTION CONSORTIUM

Profile of (CCCL)			
Industry	Construction – Civil / Turnkey Medium	**BSE Code**	532902
Chairman & CEO	Mr. R Sarabeswar	**BSE Group**	B
Auditors	Murali Associates	**NSE Symbol**	CCCL
Secretary	Mr. M V M Sundar	**ISIN Demat**	INE429I01016
Inc. Year	1997	**Reuters**	CCON.BO
AGM Date	25.6.2009	**Bloomberg**	CCCL.IN
Group	Indian - Private	**Face Value**	10
Website : www.ccclindia.com			

Registered Office: No. 5 2nd Link Street, CIT Colony, Mylapore, Chennai 600 004

HISTORICAL OVERVIEW

The Consolidated Construction Consortium Limited (CCCL) was founded in the year 1997 as a construction services provider of integrated turnkey construction in the industrial, commercial, infrastructure and residential sectors of the construction industry. The Chairman & CEO of the company Mr. R Sarabeswar, the Managing Director Mr. S Sivaramakrishnan and the Director (Operations) Mr. V G Janarthanam are among the founding promoters of the company and between them they have around 45 years of experience in the Construction sector. Within the infrastructure space, the company's expertise are in the areas of airport terminals, power generation facilities, water supply infrastructure including overhead water tanks and water distribution systems.

In February 1997, the company received an order for a 52 meter long portal span structure in India for Intimate Fashions Limited, Chennai. It completed the same successfully and from then on there is no looking back. The company has executed notable projects like the construction of two hyperbolic paraboloid shell structures for Infosys Technologies, Bangalore in 1997, construction of the world's first platinum rated green building for CII Godrej Green Business Centre at Hyderabad in 2003 and a convention centre for Manipal Academy of Higher Education, Mangalore. Since completing its first project, a temple in Tamil Nadu, the company has completed 104 industrial projects, 172 commercial projects and 14 infrastructure projects across 14 States and Union Territories in India with a built area of 19 million square feet. The company went public in the year 2007 and is listed in the Bombay Stock Exchange and the National Stock Exchange. In June 2008, the company entered into a strategic and investment partnership with Innotech Construction LLC in Dubai, to add their engineering excellence and on-time project execution skills and in October 2008, the company entered into a tie up with Herve Pomerleau International Inc., Canada and bagged the Chennai Airport Project from AAI.

CCCL's order book as on 30th June 2009 stood at Rs. 3611 crores. The order book is dominated by orders from government agencies including PSU's. About 55% of the orders are from the government agencies and the rest are from private players. Sector wise break-up results in 43% of the orders from the infrastructure sector, commercial space about 45% and industrial and residential construction compromise the rest. Within the commercial space, which is about Rs. 1614 crores (45%) of the total order book, commercial complexes constitute an order back log of Rs. 243 crores, which translates into 7% of the order book. Summarizing, the order book of the company is well diversified and also does not have too much exposure to projects which may be subjected to slowdown. The company is a dominant southern construction player and nearly 81% of its total order book is from the southern region. However the company has set in process its geographical diversification plans. Currently the company has offices at Chennai, Bangalore, Hyderabad, Delhi, Kolkata, Pune and Thiruvananthapuram. Further, the Company

The company also diversified into other verticals through its subsidiaries. In April 2006, the company incorporated Consolidated Interiors Limited, which is engaged in executing interior contracting and fit out services for CCCL's projects, apart from a range of private and public sector clients. In May 2007, CCCL Infrastructure Limited was incorporated with the object of engaging in the development of Special Economic Zones and in May 2007, Noble Consolidated Glazings Limited was incorporated.

Shareholding Pattern as on 30th September 2009

Category of shareholder	Total number of shares	Total shareholding as a percentage of total number of shares (%)
Shareholding of Promoter and Promoter Group		
Indian Promoter	18669998	50.52
Non Promoter Holding		
Mutual Funds & UTI	1695404	4.59
Banks, Financial Institutions & Insurance	21100	0.06
Foreign Institutional Investors	2513523	6.80
Private Corporate Bodies	1987035	5.38
NRI's/OCB's/Foreign Others	4008225	10.85
Others	3320236	8.98
General Public	4739924	12.83
GRAND TOTAL	**36955445**	**100**

Board of Directors

Sl. No.	Name	Designation
1.	Mr. R Sarabeswar	Chairman & CEO
2.	Mr. V G Janarthanam	Director (Operations)
3.	Mr. Jayaram Rangan	Independent Director
4.	Mr. P K Sridharan	Independent Director
5.	Mr. K Kannan	Independent Director
6.	Mr. P Venkatesh	Independent Director
7.	Dr. P K Aravindan	Independent Director
8.	Mr. S Sivaramakrishnan	Managing Director
9.	Mr. K E C Raja Kumar	Nominee Director

Industry Overview

The bursting of the sub-prime bubble sent the global economies into a tailspin and the sector which bore the brunt of the burst is the Real Estate. The global financial meltdown had a first level impact on the real estate sector, replacing double digit growth with cautious optimism and realistic growth expectations. The construction sector which is dependent on the real estate sector faced the pinch as new projects dried up. But Construction sector still remains the largest employer after agriculture sector in India.

But with the challenge came the opportunity, as the government's across the globe hiked their infrastructure spending to combat recession. The Indian Government followed suit and announced infrastructure development as a priority to bring the Indian economy back on track. The re-elected UPA government is giving a major thrust to faster execution of projects in the infrastructure segments like roads, power, railways, ports, housing, irrigation and other utilities. Also, there is adequate liquidity in the banking system, which will enable the companies to avail of external commercial borrowings. Currently, the construction industry indirectly and directly employs approximately 33 million workers, representing 14% of the workforce. The construction industry in India currently has a gross value of output of around Rs. 3, 80,000 crores and accounts for nearly 10% of India's GDP. It has grown at a CAGR of 14% over the past five years.

The government is targeting an investment to the tune of USD $ 20.38 billion in the sector over the next two years. The government also aims to take up infrastructure projects under public-private partnership with minimal private investment, which is resulting in huge order books for infrastructure companies. Order inflows had decelerated significantly during the October- March 2009, as the global liquidity crisis led to a slowdown in industrial and infrastructure capex in India as well as overseas. However since June 2009, there has been a marked improvement in the economic sentiment. New orders for construction companies have started raising as per their order inflow announcements. During the July-September, the new order announcements were worth Rs. 22,661 crores. The rise in orders were driven by the receding recession fears in the global economy and the Indian Government's huge thrust on infrastructure development to spur economic growth and get the economy back on track.

The companies have enough orders to generate revenues for the next two and half years. The funds to execute these orders will also be easily available as the Ministry of Finance has authorized India Infrastructure Finance Company Limited (IIFCL) to refinance commercial banks that lend to infrastructure projects. Further, the Finance Minister has also increased allocation for various infrastructure projects like National Highway Development Programme (NHDP), Jawaharlal Nehru National Urban Renewal Mission (JNNRUM), Bharat Nirman Programme, Accelerated Power Development and Reform Programme (APDRP) and Accelerated Irrigation Benefit Programme (AIBP among others. These factors have translated into increased order flows for the last three months.

It is an accepted fact that India suffers from a massive infrastructure deficit, although the gap between demand and supply has started narrowing down in the recent past, due to sustained efforts by the government. Higher thrust on infrastructure development, easy availability of finance and strong order book positions will drive revenue growth construction companies in 2009-10. While the revenue growth will be robust, profits will also improve, helped by lower commodity prices and interest rates compared to last year.

PRODUCT OVERVIEW

Dividend History

Year End	Dividend - Amount (in Crores)	Dividend - %	Payout - %
200903	9.24	25.00	13.69
200803	9.24	25.00	10.80
200703	3.01	25.00	6.57
200603	2.17	25.00	11.62

The liquidity crunch, financial crisis and general slowdown in economic activity, led to cancellation of about Rs. 700 crore orders for the company during the fiscal ended March 2009. This resulted in write-offs and there was also a delay in execution of many projects of the company, leading to cost overruns and idle labour. Due to the above factors, CCCL registered lower margins during the FY 2009 when compared to FY 2008. Although the sales increased 21.25% to Rs. 1755.86 crores for the FY 2009 compared to Rs.1448.09 during the FY 2008, the company could only report a net profit after tax of Rs. 69.06 Crores due to higher interest costs and higher depreciation.

However things have turned around for the company and the improvement in the numbers will be visible in the coming quarters. The company has booked fresh orders of Rs. 678 crores in the Q1 of FY 2010, which includes high profile projects like construction of a concrete bridge across the Adyar river at the Chennai Airport for the Airports Authority of India, construction of a township at Jharsugda in Orissa for Vedanta and a multi level underground car park at Delhi for the Delhi Metro Rail Corporation. Since the business of the company is seasonal in nature, these orders will get reflected on the financials of the company at later a date.

Further, the company has now formed a full-fledged infrastructure division, to further its focus on projects in ports, railways, power, airports and desalination plants. CCCL Infrastructure, a wholly owned subsidiary of the company, has acquired about 523 acres of land near the Tuticorin port for Rs. 5.8 crore, of this approximately 290 acres of this land has been notified as Special Economic Zone (SEZ). CCCL plans to establish a food processing zone in this region and the total cost for this project is estimated to be about Rs. 50-60 crores. The company has commenced land development work including construction of compound wall at the site.

CCCL's net sales grew at 19.72% to Rs. 225.46 crores for the quarter ended September 2009, over the quarter ended September 2008. PAT improved marginally to Rs. 51.48 crores. With the order book yielding results, the company has reported a healthy growth in its profits from quarter ending September 2009 and it is expected to continue so in the near future.

FINANCIAL OVERVIEW

Financial Snapshot

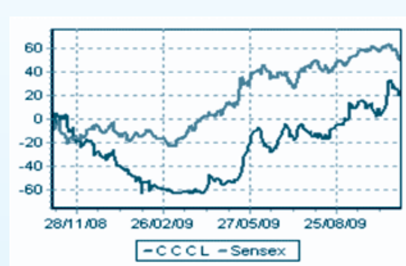
(Rs. in Crores)

Particulars	As on 30th Mar-09	As on 30th Mar-08	As on 30th Mar-07	As on 30th Sep-09	As on 30th Sep-08
Equity	32.46	32.46	32.46	32.46	32.46
Net worth	440.04	346.64	291.18	-	-
Capital Employed	440.04	346.64	291.18	-	-
Sales	774.43	654.71	555.01	225.46	188.32
Rate of Growth (%)	18.29%	17.96%	-7.28%	19.72%	-
Other Income	77.38	39.76	49.04	5.05	6.10
PBIDT	246.03	192.7	154.49	74.70	64.16
Rate of Growth (%)	27.68%	24.73%	-23.28%	16.43%	-
PBT	231.66	180.5	145.5	68.71	60.97
PAT	180.38	132.08	89.88	51.48	49.16
Rate of Growth (%	)36.57%	46.95%	-33.36%	4.72%	-
Book Value (Rs.)	135.56	106.79	89.70	-	-
EPS (Unit Curr.)	51.28	37.09	24.27	15.86	15.14
PBIDTM (%)	31.77	29.43	27.84	33.13	34.07
PBDTM (%)	31.77	29.43	27.83	33.13	34.07
PATM (%)	23.09	20.07	16.18	22.83	26.10
RONW (%)	45.47	41.21	31.86	-	-
Dividend (%)	225.00	200.00	200.00	-	-

Market Data

Market Snapshot	(As on 30th October 2009)
Price (Rs)	349.25
Mkt.Cap.(Rs Cr)	1294.32
Lat. P/E	17.9
Lat. BV(Rs)	137.40
Lat. EPS (Rs.)	19.52
52 W H/L(Rs)	400/105
Lat.Eqty (Rs Cr)	37.06
Div. Yield (%)	0.71

Stock Performance – CCCL vs. Sensex



Profile of Procter & Gamble Hygiene and Health Care Limited			
Industry	Personal Care	**BSE Code**	500459
Chairman	Mr. R A Shah	**BSE Group**	A
Auditors	Deloitte Haskins & Sells	**NSE Symbol**	PGHH
Secretary	Mr. A Vyas	**ISIN Demat**	INE179A01014
Inc. Year	1964	**Reuters**	PROC.BO
AGM Date	15.10.2009	**Bloomberg**	PG.IN
Group	MNC – Associate	**Face Value**	10.00
Website : www.pg-india.com			

Registered Office: P & G Plaza, Chakala, Cardinal Gracias Road, Andheri (East), Mumbai 400 099.

HISTORICAL OVERVIEW

Procter & Gamble Company is an American Company based in Cincinnati, Ohio, United States that manufactures a wide range of consumer goods. P&G's relationship with India started way back in 1951, when there was hardly any multinational company has set its shop here. P & G was one of the first of foreign companies to set foot in India. The relationship began in 1951 when Vicks Product Inc., India, a branch of Vicks Product Incorporation, USA entered Indian Markets to manufacture (under loan license) and sale of what is today India's leading health care brand – the famous range of VICKS products. In 1964, a public limited company Richardson Hindustan Limited (RHL) was formed which obtained an Industrial License to undertake manufacture of Menthol and de mentholised peppermint oil and VICKS range of products such as Vicks Vaporub, Vicks Cough Drops and Vicks Inhaler.

In May 1967, RHL introduced Clearsil, then America's number one pimple cream in Indian Market and in 1979 launched Vicks Action 500. In 1984 it set up an Ayurvedic Research Laboratory to address the common ailments of the people such as cough and cold. In October 1985, RHL became an affiliate of the Procter & Gamble Company, USA. Subsequently, the name of the company was changed into Procter & Gamble India Limited from Richardson Hindustan Limited. During the year, the company also set up a manufacturing facility in Hyderabad for manufacturing the Vicks range of products.

In 1989, after the name change, the company launched its first product "Whisper" in feminine care sector and till date its remains one of the flagship brands of the company. In 1991 the company launched Ariel detergent powder and in the same year started the operations in its second factory in India at Mandideep, Bhopal. The parent company i.e. Procter & Gamble Limited also increased its stake to 65% during the year. In 1993 P& G, India divested its Detergent business to Procter & Gamble Home Products, a 100% owned subsidiary of the parent company which was incorporated in 1993. In 1999, the company divested its shampoo business "Mediker" to Marico Industries and changed its name to Procter & Gamble Hygiene and Health Care Limited to reflect the nature and character of its business.

From then on, the company started concentrating on the Feminine and Health Care segments launching varied variants of its two flagship products "Vicks" and "Whisper". It started commercial production in its third manufacturing facility in Goa. It recently launched "Olay" brand of beauty products and also entered into a Public Private Partnership with the National Rural Health Mission, Rajasthan to provide woman in Rajasthan a better option of sanitary protection and by consequence a healthier and more productive life style.

P& G was one of the first companies to tap the primary market. On its incorporation as RHL, the company reserved 99,910 shares to its directors, employees, associates etc and 1, 25,000 shares were offered to the public. From then on it has been constantly rewarding its shareholders through bonus issues right from 1978, the recent issue being in 2003. Apart from this, the company has been declaring dividends without break from 1999.

Shareholding Pattern as on 30th September 2009

Category of shareholder	Total number of shares	Total shareholding as a percentage of total number of shares (%)
Shareholding of Promoter and Promoter Group		
Foreign Promoters	22310090	68.73
Indian Promoters	619683	1.91
Non Promoter Holding		
Mutual Funds & UTI	1224060	3.77
Banks, Financial Institutions & Insurance	966002	2.98
Foreign Institutional Investors	669398	2.06
Private Corporate Bodies	1322785	4.08
NRI's/OCB's/Foreign Others	192371	0.59
Others	9893	0.03
General Public	5146454	15.85
GRAND TOTAL	**32460736**	**100**

Board of Directors

Sl. No.	Name	Designation
1.	Mr. R A Shah	Chairman
2.	Ms. D Henretta	Alternate Director
3.	Mr. Deepak Acharya	Director
4.	Mr. B S Mehta	Director
5.	Mr. S Khosla	Managing Director

Industry Overview

The Fast Moving Consumer Goods (FMCG) sector also known as Consumer Packaged Goods (CPG) is one of the fastest growing sectors in India and is currently ranked as the fourth largest sector in India. Fast moving consumer goods are products that have a quick turnover, and are relatively low cost. FMCG generally includes a wide range of often purchased consumer products such as cosmetics, toiletries, soaps, cosmetics, dental care products, shaving products, detergents as well as other non durables such as glass ware, bulbs, batteries, paper products, and plastic goods. In comparison with other industries, such as automobiles, computers and airlines, FMCG business has a steady rate of growth, for it does not suffer from recession and layoffs every time the economy starts to dip. In FMCG business absolute profits made on products is relatively small. The volumes of the products sold are huge and hence volume of sales is the main driver for profits in this sector.

The FMCG sector reported a strong 16.2% YoY growth during April- May 2009, amid concerns regarding global recession. Price- cuts on account of lower inflation and exercise duty reduction from 14% to 8% led the FMCG companies to reduce their product prices, in a bid to boost volumes. The volume growth has continued to remain strong throughout the year, although the slow onset of monsoons could play the spoil sport, growth from underpenetrated segments and greater contribution from the rural areas would enable the companies to maintain robust growth momentum.

As per FICCI, the FMCG industry is set to grow between 20-30% in 2009-10, driven by launch of new products and increasing rural consumption. New launches, brand extensions and increased focus on marketing strategies will ensure that FMCG companies continue their strong growth momentum in the September 2009 quarter. Sales of companies like Dabur, Emami, Colgate, Godrej, Nirma and P& G is expected to increase by 14-19% during the quarter. The expectations of a better Rabi crop due to a late revival in the monsoon have eased the fears of reduced rural consumption. Also, the impact of poor kharif crop has been mitigated to a certain extent by the government spending under the NREGS, which will support rural consumption.

PRODUCT OVERVIEW

P & G offers the following brands

FEMININE CARE - Whisper & its variants.

HEALTH CARE

- Vicks Vaporub
- Vicks Inhaler
- Vicks Formula 44
- Vicks Cough Drops
- Vicks Action 500

The other that products come under the umbrella of P& G brand are

Fabric Care - Ariel & Tide

Hair Care - Pantene Pro V, Head & Shoulders & Rejoice

Baby Care - Pampers

These products are marketed by P& G Home products, an unlisted, 100% wholly owned subsidiary of Procter & Gamble, USA.

Dividend History

Year End	Dividend - Amount (in Crores)	Dividend - %	Div. Yield - %
200906	73.04	225.00	2.51
200806	64.92	200.00	2.64
200706	64.92	200.00	2.64
200606	81.15	250.00	3.07
200506	129.84	400.00	6.24

There has been a sustained rally in P&G, as the stock advanced nearly 59% to Rs. 1577.45 on 22nd September 2009, and caught the eye of the investors. This was against the back drop of a sharp rally in the stock markets, which struck a 16 month high on signs of global economic recovery. But after that, the stock corrected and the stock price dropped to Rs. 1460.25 on 9th October 2009, up nearly 124.65% from its 52-week low of Rs. 650 on 10th October 2008. During the period, the trading volumes were also high.

This bullish trend started after Procter & Gamble's CEO Mr. Bob McDonald, sounded aggressive, saying sales are expected to improve in the coming quarters, as the new product launches and the company's other investments have started to pay dividends. The CEO further stressed that the P & G, India is looking to introduce low cost brands and reduce the prices of its products even as it will seek to heighten its presence in India and China. P&G also expects global per capita spending on its products to rise to US$14 by fiscal year ending June 2015 from US$12 this year. US consumers spend about US$ 110 a year on P&G products and those in India 60 cents. Riding high on the optimistic management's comments, P&G India's stock gained nearly 79% in the three months ending 22nd September 2009, outperforming both the BSE Sensex and the BSE FMCG Index.

Sales were up to Rs. 774.43 crores, an increase of 18.29% for the financial year ended 30th June 2009 as compared to Rs. 654.71 crores during the year ended 30th June 2008. The net PAT of the company also recorded a healthy 36.57% increase to Rs. 180.38 crores as compared to Rs. 132.08 crores the previous year. The book value stood at Rs. 135.56 and the RONW a healthy 45.47%. Results for the quarter ended 30th September 2009, presented even healthier picture, as the sales and PAT grew at 19.72% to Rs. 225.46 crores and 4.72% to Rs.51.48 crores respectively, as compared to quarter ending September 2008.

With outstanding market initiatives, increased distribution and product innovations, as key factors driving growth, the company is expected to perform strongly in the coming quarters. If the stock behavior of P&G India is to be studied, we find that investors prefer to buy and hold this stock as its falls less during a market slowdown and also yields considerable returns during the bull run.

FINANCIAL OVERVIEW

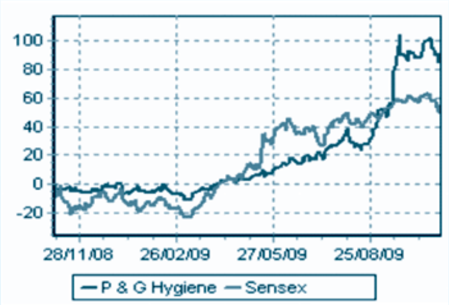
Financial Snapshot (Rs. in Crores)

Particulars	As on 30th June-09	As on 30th June-08	As on 30th June-07	As on 30th Sep-09	As on 30th Sep-08
Equity	32.46	32.46	32.46	32.46	32.46
Networth	440.04	346.64	291.18	-	-
Capital Employed	440.04	346.64	291.18	-	-
Sales	774.43	654.71	555.01	225.46	188.32
Rate of Growth (%)	18.29%	17.96%	-7.28%	19.72%	-
Other Income	77.38	39.76	49.04	5.05	6.10
PBIDT	246.03	192.7	154.49	74.70	64.16
Rate of Growth (%)	27.68%	24.73%	-23.28%	16.43%	-
PBT	231.66	180.5	145.5	68.71	60.97
PAT	180.38	132.08	89.88	51.48	49.16
Rate of Growth (%)	36.57%	46.95%	-33.36%	4.72%	-
Book Value (Rs.)	135.56	106.79	89.70	-	-
EPS (Unit Curr.)	51.28	37.09	24.27	15.86	15.14
PBIDTM (%)	31.77	29.43	27.84	33.13	34.07
PBDTM (%)	31.77	29.43	27.83	33.13	34.07
PATM (%)	23.09	20.07	16.18	22.83	26.10
RONW (%)	45.47	41.21	31.86	-	-
Dividend (%)	225.00	200.00	200.00	-	-

Market Data

Market Snapshot	(As on 30th October 2009)
Price (Rs)	1463.15
Mkt.Cap.(Rs Cr)	4749.38
Lat. P/E	26.20
Lat. BV(Rs)	135.56
Lat. EPS (Rs.)	55.82
52 W H/L(Rs)	1675/670
Lat.Eqty (Rs Cr)	32.46
Div. Yield (%)	1.54

Stock Performance – P&G Hygiene and Health Care Limited vs. Sensex



Mutual Fund Corner

Scheme for the Month

HDFC PRUDENCE FUND - GROWTH

Fund Manager: Anand Laddha

Investment Objective

The fund aims to provide periodic returns and capital appreciation over a long period of time, from a judicious mix of equity and debt investments, with the aim to prevent/ minimise any capital erosion.

Current Statistics & Profile	
Latest NAV	163.886 (06/11/09)
52-Week High	167.289 (20/10/09)
52-Week Low	80.734 (09/03/09)
Fund Category	Hybrid: Equity Oriented
Type	Open End
Launch Date	February 01,1994
Net Assets (Cr)	3069.30 (31/10/2009)
Benchmark	Crisil Balanced Fund Index

Trailing Returns

As on 6th November 2009	Fund Return	Category Return
Year to Date	73.84	47.11
1-Month	2.69	(0.90)
3-Month	13.47	5.73
1-Year	77.63	49.59
3-Year	14.45	7.87
5 – Year	26.07	17.81
Return Since Launch 21.62		

Note: Return up to 1 year are absolute and over 1 year are annualized

Sector Weightings – As on 30/09/2009

Sector	% Net Assets
Financial	20.63
Health Care	9.94
Services	8.86
FMCG	7.56
Construction	4.62
Automobile	4.44
Engineering	4.31
Energy	3.66
Chemicals	3.41
Metals	2.67
Textiles	2.24
Consumer Durable	1.97
Technology	1.01

Asset Allocation	
As on 30/09/09	**% Net Assets**
Equity	75.62
Debt	20.80
Others	3.88

TOP HOLDINGS (As on 30/09/2009)

Name of Holding	Instrument	% Net Assets
State Bank of India	Equity	4.17
Indian Railways Finance Corporation Ltd.	Credit Exposures	4.14
Cash,Cash Equivalents and Net Current Assets	Cash/Call	3.88
LIC Housing Finance	Equity	3.51
Bank Of Baroda	Equity	2.89
ICICI Bank	Equity	2.66
Oil and Natural Gas Corporation	Equity	2.58
Axis Bank	Equity	2.45
Apollo Tyres	Equity	2.35
Sun Pharmaceutical Industries	Equity	2.3
Lupin	Equity	2.15
Power Finance Corporation Ltd.	Credit Exposures	2.1
State Bank of India	Credit Exposures	2.09
GlaxoSmithKline Consumer Healthcare	Equity	2.08
Punj Lloyd	Equity	2
Zee Entertainment Enterprises	Equity	1.97
Titan Industries	Equity	1.97
Pidilite Industries	Equity	1.93
HT Media	Equity	1.89
3M India	Equity	1.87
Dr Reddys Laboratories	Equity	1.85
KEC International	Equity	1.77
Ipca Laboratories	Equity	1.73
Procter and Gamble Hygiene and Health Care	Equity	1.71
Jagran Prakashan	Equity	1.68
Federal Bank	Equity	1.67

Fund Style

Investment Style

Capitalization	Growth	Blend	Value
Large			
Medium	■		
Small			

Portfolio Characteristic - As on 30.09.09

Giant - 14.56%
Large - 14.23%
Mid - 45.91%
Small - 24.93%
Tiny - 0.08%

Investment Details	
Minimum Investment Amount	Rs.5000
Additional Purchase	Rs.1000
Minimum Withdrawal Amount	Rs. 500
Minimum Additional Amt. In SIP	Rs. 500

Options	
Systematic Investment Plan (SIP)	Available
Systematic Transfer Plan (STP)	Not Available
Systematic Withdrawal Plan (SWP)	Not Available

IPO's Terms Simplified

Last issue, we took a pep into the various amendments that has been effected by the Securities and Exchange Board of India (SEBI). This issue we shall discuss in detail the commonly used IPO terms.

An Initial Public Offer (IPO) is the selling of securities to the public in the primary market. The price for the issue can be decided through the following two methods

- Fixed Price Metho
- Book Building Method

Fixed Price Method

In this method, the price at which the securities are offered and would be allocated to the investors is determined by the company in advance and the same is intimated to the investors before the issue opens.

Book Building

Book Building is basically the process of generating a book of investor demand for the shares during an IPO for efficient price discovery. The process of book building aids in price and demand discovery, . In this mechanism, during the period for which the book offer is open, the bids are collected from investors at various prices, which are within the price band specified by the issuing company. The bids can be revised by the bidder before the book closes. The issue price is determined after the bid closure based on the demand generated in the process. The process of book building taps both the wholesale and retail investor segments.

Process of Book Building

The Issuer who is planning an offer nominates lead merchant banker(s) as 'book runners'

- The Issuer specifies the number of securities to be issued and the price band for the bids.
- The Issuer also appoints syndicate members with whom orders are to be placed by the investors.
- The syndicate members input the orders into an 'electronic book'. This process is called 'bidding' and is similar to open auction
- The book normally remains open for a period of 5 days.
- Bids have to be entered within the specified price band.
- Bids can be revised by the bidders before the book closes.
- On the close of the book building period, the book runners evaluate the bids on the basis of the demand at various price levels.
- The book runners and the Issuer decide the final price at which the securities shall be issued
- Generally, the number of shares are fixed; the issue size gets frozen based on the final price per share.
- Allocation of securities is made to the successful bidders. The rest get refund orders.

Guidelines for Book Building

Rules governing Book building are covered in Schedules XI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Both the Bombay Stock Exchange and the National Stock Exchange has the necessary infrastructure to conduct the book building process.

GREEN SHOE OPTION

A provision contained in the underwriting agreement that gives the underwriter the right to sell investors more shares than originally planned by the issuer. This would normally be done if the demand for a security is higher than expected. Legally, this option is referred to as an over-allotment option. A green shoe option can provide additional price stability to an IPO because the underwriter has the ability to increase the supply and smooth out the price fluctuations if demand for a particular security surges.

Green shoe options typically allow underwriters to sell up to 15% more shares than the original number set by the issuer, if demand conditions warrant such action. Not all issues contain the green shoe option. Some issuers prefer not to include green shoe options in their underwriting agreements, such as if the issuer wants to fund a specific project with a fixed amount of cost and does not want more capital than it originally sought.

The term Green shoe is derived from the fact that "Green Shoe Company" was the first to issue this type of option in its IPO. Green shoe option helps in boosting the price of an issue. The option is best understood with an example:

Suppose a company X wants to go public and it appoints its underwriters to divest say 1 lakh shares. Underwriters have the responsibility to find buyers for these 1 lakh shares. Now, under the Green Shoe option, 15% additional shares in addition to the 1 lakh shares are at the underwriter's discretion. So this means that the UNDERWRITER can sell the 1.15 lakh shares and out of these 1.15 lac shares 15 thousand would be a kind of Short Sell** positions.

**Short sell basically is selling the shares without actually owing them. This will be clearer with the below mentioned example:

When a public offering trades below the offering price, it can lead to further selling and the price may go down further. To manage this situation, the underwriter initially oversells, the additional 15% he is offered. This selling is called short selling, as the underwriter will not own the securities at the time of selling the same. He then covers his position, by buying the shares from the open market, thus covering his position and in the process also stabilizing the price of the stock.

On the contrary, if the IPO is successful and the price of the stock goes up and stays above the offering price, the underwriter exercises his option and buys the shares from the company at the offering price.

Green shoe options are guided by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, and the companies opting for this option should disclose the complete details of the green shoe arrangements in their Prospectus.

So, next time you are filling an IPO application form, it will be worthwhile to find out the pricing mechanism and if a green shoe option exists. Though these would not guarantee the success of an IPO, it sure gives the investor more knowledge about the company and the demand vagaries of the issue as perceived by the issuing company.

Book Building vs. Fixed Price

Particulars	Fixed Price Issues	Book Built Issues
Offer Price	Price at which the securities are offered and allotted to the investors is known in advance	A 20% price band is offered by the issuer company within which the investors are allowed to bid. The final price is determined by the issuer only after the closure of the bidding
Demand	Demand for the securities offered is known only after the issue closes	Demand for the securities offered and at various prices are available on a real time basis on the websites both the Bombay Stock Exchange and the National Stock Exchange.
Anchor Investors	Subscription by Anchor investors is not mandatory	There should be a minimum of 2 investors for issue size of Rs. 250 crores and 5 for allocations of more than Rs. 250 crores
Payment	100% advance payment is required to be made by the investors at the time of application	10% advance payment is required to be made by the QIB's along with the application; while other categories of investors have to pay 100% advance along with the application. The Anchor investors would have to pay 25% of their subscribed amount on application and the balance 75% within 2 days of the date of closure of the IPO.
Reservations	50 % of the shares offered are reserved for applications below Rs. 1 lakh and the balance for higher amount applications.	50 % of shares offered are reserved for QIBS, 35 % for small investors and the balance for all other investors.

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