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Comparative analysis on IPO's (A CASE STUDY OF DLF,VISHAL AND SPICE)

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The economy of India is the eleventh largest in the world by nominal GDP and the third largest by purchasing power parity (PPP) The country is one of the G-20 major economies and a member of BRICS. On a per capita income basis, India ranked 140th by nominal GDP and 129th by GDP (PPP) in 2011, according to the IMF. Currently the GDP of India worth 1.676$ trillion and the GDP growth rate was 6.5% for (fy) 2012.

The Indian Equity market is divided in to two parts Primary market - where the share is first issued in the form of IPO (Initial Public Offering) and after issuing the share it is listed on exchange and share is traded on exchange where shares can be bought and sold this is secondary market. In India mainly there are two exchanges –NSE (National Stock Exchange) BSE-Bombay Stock Exchange. The BSE is the oldest exchange in India (started in 1875).NSE started operation on 1994

Since economic liberalization in 1991 and following SEBI's efforts in spearheading the primary capital markets, IPO activity of Indian companies has witnessed significant growth.

Through this recent study I compare IPO activity with a case study of Dlf, Vishal And Spice)

WHAT IS IPO?

The first sale of stock by a private company to the public is known as IPO. These are often issued by smaller, younger companies seeking the capital to expand, but can also be done by large privately owned companies looking to become publicly traded. IPOs can be a risky investment. For the individual investor, it is tough to predict what the stock will do on its initial day of trading and in the near future because there is often little historical data with which to analyze the company. Also, most IPOs are of companies going through a transitory growth period, which are subject to additional uncertainty regarding their future values.

Comparison is done among DLF,VISHAL AND SPICE

DLF IPO

DLF: A Strong and significant National Leadership position in the Real Estate Industry.

DLF, originally registered as Delhi Land and Finance on 18 September 1946 had its name changed to DLF Universal Ltd. and had been functioning under this brand name for over two decades. Very recently, we have formally changed our company logo with new base line, "BUILDING INDIA",

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which aptly depicts its pan India operations.The DLF Group is founded on the strengths of a strong foundation and lineage. This spans a period of well over six decades, involving the development of as many as 21 premium urban colonies in Delhi and its neighbourhood. This includes well-known destinations such as South Extension, Greater Kailash and Hauz Khas in South Delhi, among others. This vision and foresight subsequently led to the development of DLF City, Gurgaon, home to some of the best known and leading corporate and commercial houses. DLF City is also home to some of the finest residential and retail complexes, which combine the best of design,aesthetics and architecture.

DLF has an impressive portfolio of projects which demonstrate its strong national leadership status as a pioneer and trendsetter in the Real Estate Sector. Commitment to excellence, a fetish for perfection and timelines, zealous pursuit of customer value have overtime built up for DLF a strong track record in terms of reputation, brand and organization that is synonymous with attributes of Trust, Credibility Quality and Innovation. To date, DLF has completed and under development projects of over, 207 million sq.ft. across its residential, commercial and retail businesses with a spread of 54 million sq. ft under Commercial, 19 million sq. ft. under retail and 134 million sq. ft under residential projects. With the economic policies of the country directed towards modern infrastructural development spanning- express highways, roadways, airports and mega projects, the focus is also increasingly expanding to the development of modern Special Economic Zones (SEZs). In line with this, DLF is aggressively pursuing the developments of SEZs across the country with over half a dozen projects secured/identified in northern India including Punjab and Haryana, and many more in the pipeline.

Further, DLF Retail in association with DT Cinemas, an integral part of its multiplexes, is well on its way to enlarging its national leadership presence with firm outlays to develop over 100 malls across some 60 cities nationally in the medium term. This growth will be concurrent with the expanding presence of DT cinemas in all its malls, which will number over 500 during the same period.

Aiming to provide leisure and entertainment of high standards, the DLF Golf and Country club, India's first night Golf course is today ranked as the best in the country as also amongst the leading courses in Asia. An exclusive 18 hole. par 72 Arnold Palmer Signature Golf Course, the unique and picturesque surroundings of this club offers golf enthusiasts a refreshing, entertaining and challenging sporting experience. The internationally acclaimed architect, Belt Collins has exquisitely landscaped the course. To ensure a near zero wastage factor, aspects of water conservation and waste recycling have also been successfully incorporated in the club. All this will reinforce DLF's national presence and its leadership role in the industry.

IPO DETAILS

Symbol - Series DLF EQ

Issue Period June 11, 2007 to June 14, 2007

Issue Size 175000000 Equity Shares

Issue Type 100% Book Building

Face Value Rs. 2/-

Price Range Rs. 500/- to Rs. 550/-

Market Lot 10 shares

Minimum Order Quantity 10 shares

Maximum Subscription Amount for Retail Investor Rs.100000

Date of Listing July 5, 2007

Purpose of the issue : Its clear to invest more into building infrastructure and acquiring Land for

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SEZ.The land acquisition programme will cost Rs 6500 crore, while the completion of ongoing projects will cost about Rs 3100 crore. The company, at present, has loans worth Rs 4,000 crore.

The global coordinators to the issue were Kotak Investment Banking and DSP Merrill Lynch. Lehman Brothers was the senior book running lead manager to the issue. The book running lead manager to the issue were Citi, Deutsche, ICICI Securities Primary Dealership and UBS. SBI Capital was the co-book running lead manger to the issue.

Deutsche Asset Management, HSBC, Dubai Investment Group and DE Shaw were the lead foreign investors in the issue while LIC, SBI, RIL, Reliance Capital and Reliance MF on the domestic front.

Foreign Investors	Amount (USD Mn)	Local Investors	Amount (Rs)
Deutsche Asset Management	500	LIC	500
HSBC	650	SBI	500
Dubai Investment Group	550	RIL	200
TPG Axon (Part of Texas Pacific Group)	250	Reliance Capital	200
Aberdeen	100	Reliance MF	200
Dubai Investment Corp	150		
DE Shaw	250		
Prudential	150		
Blackstone	50		
Blackrock	30		
Nomura	50		

SOME FACTS ABOUT THE DLF IPO

Before you apply for the DLF IPO, here are a few facts that you shouldknow:

1. This is the biggest IPO ever to hit the Indian markets. Total IPO size is more than Rs 9000 crores. If 35% of the shares are reserved for the retail investors, it would mean more than Rs 3000 crore worth of shares. This is an amount equivalent to the market capitalization of many midcap companies on India. Chances of getting an allotment are very high for retails investors in this IPO. Even if DLF gets same retail response that Reliance Petroleum got, it would still be oversubscribed only about 4 times in the retail segment.

2. DLF has more than 50% of it's land bank in NCR -(National Capital Region i.e. Delhi and surrounding areas.). This makes the fortunes of the company heavily dependent on real estate prices in and around Delhi.

DLF issue the shares at Rs 525/sh

The IPO comprised 175 million shares, out of which 1 million shares were reserved for employees resulting in a net issue of 174 million shares. 60% of the net issue was offered to qualified institutional buyers (QIBs), 10% was offered to non institutional investors (including high networth individuals) and 30% was offered to retail investors.

The offering was launched with a price band of Rs 500 to Rs 550 per share. The issue was subscribed approximately 2.75 times at the top end of the price band (Rs 550 per share). At Rs 550 per share, the QIB portion was subscribed 3.94 times. The retail portion was 0.96 times subscribed and the non – institutional was subscribed 1.08 times. The offering received nearly 5,90,000 bids.

Overall, DLF issue subscribed 3.47 times. Qualified institutional investors were the major supporter to the issue, in which contribution was seen from FIIs.

The company could have comfortably priced the issue at the top end of the price band. However, the company chose to price the IPO at Rs 525 per share as a gesture of their appreciation to the

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tremendous response and keeping in mind the long-term relationship with investors. At the issue price, the offering size is Rs. 9, 187.5 crore.
The global coordinators to the issue were Kotak Investment Banking and DSP Merrill Lynch. Lehman Brothers was the senior book running lead manager to the issue. The book running lead manager to the issue were Citi, Deutsche, ICICI Securities Primary Dealership and UBS. SBI Capital was the co-book running lead manger to the issue.

Strengths of the DLF IPO

Reputed and established player in the Indian realty industry, especially in the north, with long successful track record since 1946. Has developed approximately 224 million square feet (sq ft) including 195 million sq ft of plots, 19 million sq ft of residential properties, seven million sq ft of commercial properties, and three million sq ft of retail properties. Final approval has been received for four IT- specific SEZ in the country: two in Gurgaon and one each in Pune and Chennai.

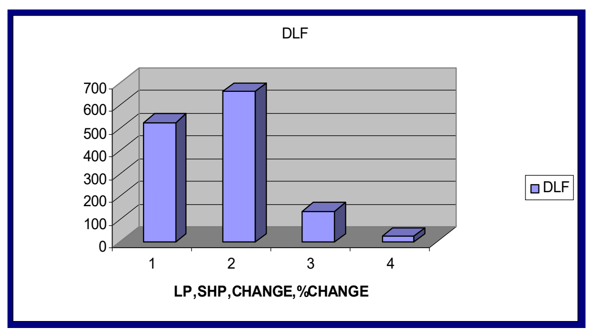
End April 2007, had a land bank of 10,255 acres across various regions of India with an aggregate estimated developable area of approximately 574 million sq ft including four million sq ft of completed development. Residential projects comprised saleable area of approximately seven million sq ft and let-table and saleable are of commercial and retail properties of 27 million sq ft and 10 million sq ft, respectively.

In addition, has entered into arrangement for acquisition of development rights forabout554acres.
About 171 million of the 574-million sq ft developable area is located in or near developed urban areas, and a significant proportion of the balance is in or near areas that will be developed as urban areas under the draft master plans of relevant urban bodies.

Enjoys strong margin upward of Rs 1800 per sq feet due to strong focus on luxury and premium segment and low average cost of land of around Rs 270-300 per sq ft in the National Capital Region (NCR), comprising 51% of its land bank.

The specialised joint ventures (JVs) for engineering design, construction and project management with renowned players imply better control on completion of project as work can be outsourced to owned JV companies managed by global players unlike earlier third-party contractors. This will also help command premium rates and attract premium clients.

		24.07.07		
NAME OF IPO	LP	CP	CHANGE	%CHANGE
DLF	525	659.2	134.2	25.56



The DLF IPO has not given much better returns after being listed. This is because the time when the IPO is brought in the market, that time the infrastructure industry was not at boom. Moreover it was decided to bring the IPOs in the market an year before but due to some reasons it was brought in the market few months back. Above all DLF has gained popularity in the market an year or two year before only.

One more negative point is that its price band of Rs 500-550; it is a very expensive issue. The company should come out with the price of Rs

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200-300 , which is its actual price after looking at its EPS of Rs 11.31 (Unitech at Rs 11.55)

VISHALIPO

The company currently operates 50 retail stores including two stores operated by franchisees located in 18 states across the country and are spread over an area of 12.82lakh sq feet. It sells garments, apparels and FMCG products. It focuses on tier II and tier III cities and follows the value retail strategy. The company has also set up seven regional distribution centres and an apparel manufacturing plant.

The company proposes to invest the proceeds of the issue to establish new retail stores. Of the total 32 stores to be set up this year, the IPO will fund for the establishment of 22 stores. The company will deploy Rs 104.15 crore of the net issue proceeds for setting up the stores in the current year. The setting up of the remaining stores will be funded through internal accruals. The company will lease the real estate space for the stores and not buy the property. The company reported total income at Rs 771.15 crore for the year ended March 2007 and net profit at Rs 24.98 crore.

IPO DETAILS

Issue Period June 11, 2007 to June 13, 2007

Issue Size 110 crores

Issue Type 100% Book Building

Face Value Rs. 10/-

Price Range Rs. 230/- to Rs. 270/-

Date of Listing Wednesday, July 4,2007

BSE Script Code 532867

Purpose of the issue- The proceeds from the IPO will be used to meet the expenses of establishing new retail stores and to meet the expenses of the issue.

Of the total issue, at least 60% will be allotted on a proportionate basis to qualified institutional bidders. Retail investors will be eligible for 35% for the issue, while 10% of the issue has been reserved for high net worth individuals. Further, up to three lakh shares have been reserved for employees.

VISHAL RETAIL ISSUE SHARES AT Rs 270/SH

Public issue of Vishal Retail has received tremendous response from investors, especially HNIs and retail investors. Overall, the issue oversubscribed 81 times. Reserved portion of 4.48 lakh shares of high networth individuals, HNIs subscribed 370 times while retail's portion subscribed 59.7 times, which is huge in recent times.A 26.89 shares reserved for qualified institutional investors, which received subscription of 54 times

Vishal Retail on day one though below analysts' expectations but on the back of huge appetite from HNIs and Retail Investors, it touched a high of Rs 784.40 because at the time of subscription period, HNIs and retail had given heavy response to the issue .

It has listed with 75% premium at Rs 472.5 on the NSE against its issue price of Rs 270 and touched a high of Rs 784.40 on the back of huge buying interest from High Net worth and Retail investors and also strong opening of markets.

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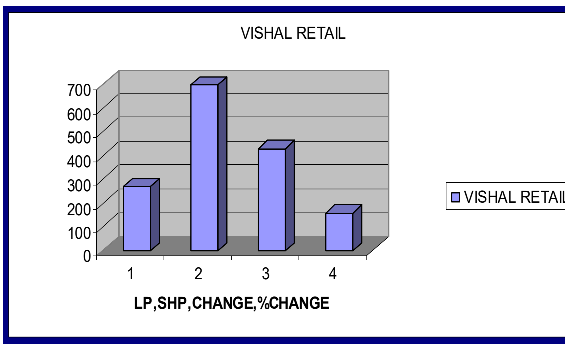
24.07.07				
NAME OF IPO	LP	CP	CHANGE	%CHANGE
VISHAL RETAIL	270	698.1	428.1	158.55



Vishal IPO has given very good results as expected from them. This is because it is popular from last four-five years. Also Vishal is included in the Indian retail market which is at the boom now.

Vishal Retail is also having good brand name in Indian market.

Moreover, Vishal is also fulfilling the expectations of its customers by providing quality product, due to which its IPO was highly demanded.

SPICEIPO

Spice Communications Limited, is a leading Indian GSM telecom service provider. Spice Telecom, is ranked eighth in India among GSM providers, in terms of size. Spice Telecom has about 3.5 million customers.

Spice communications is jointly owned by Telekom Malaysia (Malaysia's official service provider) and B.K. Modi (the chairman of the Modi group) in the ratio of 49:51. Currently, Spice Communications Limited is in an ailing state with its net worth completely wiped off and eroded due to accumulated losses.

Spice Telecom, the brand name of Spice Communications Limited is presently operating Cellular Phone Services in the states of Punjab and Karnataka. Spice Telecom is amongst first cellular operators in Punjab and Karnataka, having business interests in the fields of Information, Communication and Entertainment (ICE).

- The company is an established operator in Punjab & Karnataka circles. To take the full advantage of the growth momentum, it plans to increase its coverage to 937 towns in Punjab circle from the current coverage of 537 towns and in Karnataka circle, it intends to reach-out 932 towns from the current reach of 232 towns.
- After the commissioning of its NLD/ILD network, the company anticipates significant cost savings in outgoing calls and increase in revenues from incoming traffic over its NLD/ILD network.
- As of now, the company is having around 2400 towers comprising owned towers, leased towers and on sharing contracts basis. We believe that as the more and more players would start sharing towers with other operators going ahead, network operating cost would come down significantly, which will help the company to improve the margins going ahead.
- The investment of Telecom Malaysia in spice communication, which is a leading telecom player in Malaysia, would help the Spice Communication to leverage on operational & strategic expertise of Telecom Malaysia to expand its network.

IPO DETAILS

Issue size is 520 crore

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Issue Dates: Opens on June 25th 2007 closes on June 27 2007

Issue Price : Rs 41 - 46 a share

Issue Details : It will issue 11.31 crore equity shares of Rs 10 each and the issue will comprise 16.39% Spice Communications' fully diluted post-issue share capital.

Pre IPO Placement : It raised around Rs 112 crore through a pre-IPO placement of 2.48 crore shares at Rs 45 each.

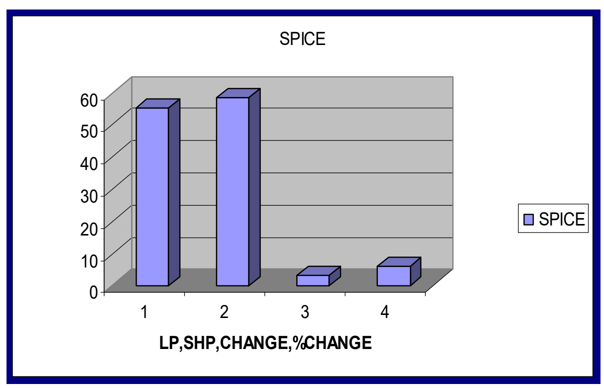
Stake Holders : Malaysia's official service provider Telekom Malaysia (TM) holds 49%,while industrialist and Modi group Chairman B K Modi owns the remaining 51% stake in Spice Communications.

Purpose of the Issue : 50% of the total proceeds to retire part of its Rs 1,000 crore debt, Remaining for foraying into national long distance (NLD) and international long distance (ILD) services in the country.

Listing : Listed only in BSEINDIA , on July 19,2007

The lead managers for the Spice Communications IPO are Enam Financial Consultants and UBS Securities India. The registrar for the Spice Communications IPO is Karvy Computershare Ltd.At least 60% of the net issue to the public shall be allotted on a proportionate basis to qualified institutional buyers (QIBs). Further, 10% of the net issue shall be available for allocation on a proportionate basis to non-institutional bidders, while 30 per cent of the net issue to the public shall be available for allocation on a proportionate basis to retail bidders. For the six months ended December 2006, the company had posted a net loss of Rs 41.81 crore on net revenues of Rs 394 crore. The initial public offer of GSM based service provider Spice Communications has oversubscribed by 37 times on the last day of subscription. The IPO received bids for nearly 425.38 crore shares against 1,13,11,111 shares on offer, as per exchanges data. The reserved portion of QIBs subscribed 57 times, huge demand has seen from foreign institutional investors. Retail and non-institutional investors also helped the issue to got oversubscribed, their portion received 3 times and 19 times subscription, respectively.

		24.07.07		
NAME OF IPO	LP	CP	CHANGE	%CHANGE
SPICE	55.25	58.55	3.3	5.97



Spice Comm is a very good, fancy issue. The price band of Rs 41-46 is very cheap. It is an investor friendly issue and looks attractive.

Moreover, by a small investment a big lot of shares can be bought.

Though it was a good issue but it didn't showed much better results. This is because SPICE is an IT company which is not at boom now.

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COMPARATIVE ANALYSIS

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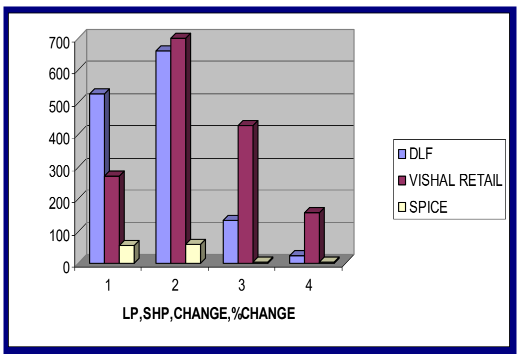

For this analysis I have taken three IPOs into consideration namely,DLF, Vishal

Retail, and Spice Communication.

Out of all the three IPOs we can see that Vishal Retail have shown better results on listing gains than DLF.Retail might be quite excited by this opportunity.

Vishal Retail is a much more exciting play for the pop offer. It is not as sexy as DLF but we have seen in the past that the biggest issues might take up a lot of headline space but they don't often generate the biggest returns on listing and it is a fair bet to say that Vishal delivered better on listing gains than DLF.

Vishal don't have big glass buildings in downtown city but they are very strong in some of the up country places. They are value retailers, they are not one of the big brand retailers. They have their own brands which they sell pretty successfully and in doing that they have better margin profile than many of the other listed players.

As far as Spice is concerned it has shown very low results as compared to DLF and Vishal.

CONCLUSION

1.After analysing it can be concluded that IPOs investment are grooming day by day.IPO is a successful source of raising the funds now a days. The issue of IPO requires proper planning.

2.A company is required to ful fill various regulatory compliances and the reporting requirements of the stock exchange.

3.A company has to follow proper steps for issuing an IPO which are set

by SEBI.

4.There are a number of methods to issue an IPO. All the methods have its own advantages and disadvantages therefore a company before issuing an IPO must analyse the suitability of a particular method to the company.

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