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KARACHI: Pakistan stock market has posted a gain of 48 percent (38 percent in dollar terms) in 2012. However, the trend of equity public offerings at Karachi bourse remained depressed with only three Initial Public Offerings (IPOs) issued in the year, said a research report. Pakistan equity market saw only three IPOs in the outgoing calendar year. This low level of listing is seen after a gap of six years, while also compares unfavourably with the last 10-year average of seven a year, said a report of Topline Research.

With capital markets a potent tool to raise capital, the subdued trend of IPOs indicates reduced demand of fresh capital on account of a slowdown in economic activity. During the last five years, average GDP grew by three percent while investment to GDP fell to 12.5 percent of GDP in FY12, said the report.

A small amount of Rs500 million was raised in 2012. Two companies that offered the IPOs were oversubscribed. These include TPL Trakker and Aisha Steel. Next Capital that was related to financial service received a comparatively low response. TPL Trakker was technology related while Aisha Steels belonged to industrial concerns. TPL public offer was over subscribed by 1.2 times whereas Aisha Steel was oversubscribed by 2.7 times.

Khurram Shahzad, head of research at Arif Habib Ltd, said capital gains tax had affected the volumes in the stock market, which were not encouraging for companies to issue new IPOs.

There were several issues including documentation and becoming accountable to the board and stakeholders and there was no incentive on tax for the companies, he said.

He said that the SECP was taking positive steps and volumes were raised. That would invite more IPOs next year. The market environment was improving through corporatisation, he said.

COO Escorts Capital, Hasnain Asghar Ali, said that unfriendly government policies regarding trade and investment were a major obstacle in issuance of IPOs, which remained low this year. People are unsure whether the new government will continue the policies of the previous one or not, he said.

The Topline Research report said normally listing planning took time and they might see improvement in IPOs in 2013 as issuers might realise that the market could be tapped to raise funds. During outgoing 2012, a total of Rs500 million (five million dollars) was offered to the general public, High-Net-worth Individual (HNWI) and local and foreign institutions, which is substantially lower than Rs4.8 billion (\$56 million) offered in 2011.

Of Rs500 billion offered in 2012, Rs225 million (\$2.4 million) was offered to the general public whereas Rs275 million (three million dollars) was offered to HNWI and local/foreign institutions through private placement and book building, it said.

Courtesy: The News