

# PRICE RIGGING SCARE FOR SMALL IPOs

*Huge volatility in share prices after listing gains causes concern*

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**T**he huge volatility in stock prices of smaller companies, after their listing, has given rise to a general concern in the market about price manipulation.

The trend has been seen in almost all small company initial public offering (IPOs) this year and over 10 IPOs in 2010. Three listings last week saw over 60 per cent rise in share price in just two trading sessions.

Institutional investors have stayed away from almost all small issues in the past few months and market players said there was no fundamental reason for a sharp rise in the share price of these small IPOs.

The share price of Finotex, which was listed on Friday when the markets fell after the Japan disaster, went up nearly 1.5 times its issue price. The market cap of the company, which raised ₹29.48 crore, doubled in just two trading sessions as its share rose to a high of ₹169 on the Bom-

## UNDUE RISE, FALL?

Massive rise (Recent listings)	Issue price	High since IPO	% rise
C Mahendra Exports	110.00	267.40	143.09
Fineotex Chemicals	70.00	169.05	141.50
Sudar Garments	77.00	128.80	67.27
Acropetal Technologies	90.00	121.00	34.44
Massive fall	Issue price	Low since IPO	% fall
Aster Silicates	118.00	22.60	-80.85
Tirupati Inks	43.00	9.80	-77.21
Microsec Financial	118.00	38.00	-67.80
Texmo Pipes & Products	90.00	30.05	-66.61
Syncom Healthcare	75.00	28.55	-61.93
Aqua Logistics	22.00	16.50	-25.00

Price in ₹

Compiled by BS Research Bureau

bay Stock Exchange (BSE) against an issue price of ₹70.

Among other two listings last week, Sudar Garments gained over 62 per cent to ₹128 against its issue price of ₹77. The company had raised ₹68.98 crore. Acropetal Technologies rose 66 per cent to touch a high of ₹150 against the issue price of ₹90.

The share traded at ₹119 today on BSE.

"There is no big reason for such huge gains in these shares. A majority of small company IPOs are pre-sold at a 50-60 per cent discount to the operators, who rig the price to lure retail investors. Once the counter grabs attention, operators exit.

These operators have become distributors of shares in the market for companies that are not sure of enough subscription," said S P Tulsian, a Mumbai-based equity advisor.

Market sources said Gujarat-based operators nicknamed 'Rangeela' and 'Barter', and Mumbai's 'NS' are the key play-

ers involved in the pump-and-dump operation for IPOs.

All three operators are under the regulatory scanner after an Intelligence Bureau report named them for price manipulation in 2010.

In January, Shekhawati Poly-Yarn was listed on the National Stock Exchange (NSE) at a 66.66 per cent premium against the IPO price of ₹30. However, on BSE, the counter opened at 8.33 per cent premium and rose to a high of ₹69 the same day.

Interestingly, in just two trading sessions, the stock fell 44 per cent. It touched a low of ₹20 on the bourses in February. Circular trading in the counter was so high that 225 million shares were traded on BSE and NSE on the first day of the listing as against 10.2 million shares that were offered. The company had raised ₹36 crore. Omkar Speciality, listed in February, fell 62 per cent to ₹37 from its IPO price of ₹98 on BSE, just a day after it was listed. The Sensex gained 260 points that day.

AMONG OTHER IPOs this year, Midvalley Entertainment saw a low of Rs 50 on February 11 and a high of Rs Rs 99 on the BSE on February 25. The issue price of the company was Rs 70. C Mahindra Exports saw a low of Rs 105 on January 21 and a high of Rs 267 on March 11 on BSE against the issue price of Rs 110.

Among the IPOs in 2010, ARSS Infra Projects, Aster Silicate and Aqua Logistics were the most volatile. ARSS rose twofold from the issue price of Rs 450 to Rs 1,416 between March 3 and July 29. The share touched a low of Rs 500 on BSE in February this year. Aster Silicate is down 79.19 per cent from its issue price of Rs 118 to its current price of Rs 24. It had touched a high of Rs 258 on NSE and Rs 250 on BSE. Aqua Logistics has dropped 92.27 per cent from the issue price of Rs 220; Syncome Health Care is down 54 per cent from the issue

price of Rs 75. Both the shares had touched dizzying heights before crashing.

Among others, Tirupati inks is down 76.58 per cent, MicroSec Financial 64 per cent, Texmo Pipes 63 per cent, Midfield Industries 53 per cent and D Q Entertainment is down 21 per cent from the issue prices.