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# Indian power privatization sells out in minutes

## Investors desperate for quality Indian paper ensure stiff pricing for billion-dollar NTPC offer.

*By Nick Ferguson*

Investors filled the order book for National Thermal Power Corporation's initial public offer within minutes of its opening on Thursday (October 7). The intense demand ensures the offer is certain to price at the top end of its marketed range when the book officially closes on October 14 and will put it on a par with Tata Consultancy Service's record-breaking IPO in August.

By pricing at the top of the Rs52-62 price band the government will earn Rs53.7 billion ($1.17 billion) in return for a 10.5% stake. That would make it India's second-biggest IPO ever, just a fraction behind the Rs54.2 billion TCS sale. It would also be a relief for the bookrunners — ICICI Securities, Kotak Mahindra Capital and Enam Financial Consultants — given the market's post-election collapse in the summer.

In fact, investors say that Rs62 is pretty rich pricing. NTPC's March 2004 net profit was Rs52.6 billion, which puts the company's historical price-earnings ratio at about 10, while Tata Power trades at around 11.

That reflects a significant turnaround in sentiment since the summer. After the Congress Party's surprise election victory in May and its scrapping of the disinvestment ministry, investors feared that privatization offers would be off the menu and the market plunged. Amid the gloom few would have predicted that the next six months would bring two billion-dollar IPOs, much less that they would be so well received.

**"NTPC was once considered quite a big offer and everyone was wondering whether people would ante up the money," says Jon Thorn, a fund manager at India Capital Fund. "But now it looks very small compared to the high demand."**

Bombay's Sensex, the leading market index, is now back to pre-election levels and P Chidambaram, the finance minister, has talked about relaxing foreign investment rules and in his budget projected significant revenues from privatization. Even if the government retains majority stakes in companies such as NTPC and ONGC investors will still have plenty more large deals to look forward to. NTPC, for instance, will likely have a market cap of over $11 billion after listing and the government still retains 89.5% of the company.

**Investors are hungry for good quality stocks to buy and the government could certainly do with the cash. "Investing in infrastructure would be a better legacy of this government than holding shares in these enterprises," says Thorn.**

Although the deal, which is split 50:50 between retail and institutional investors, is already over-subscribed the books will stay open until October 14 thanks to Indian IPO rules.

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