

06/07/1999

9 new listings raked in RM107m in first half (HL)

Roziana Hamsawi

ONLY nine new companies were floated on the Kuala Lumpur Stock Exchange (KLSE) in the first six months of this year.

They tapped a total of RM107.16 million in proceeds compared with 20 initial public offerings (IPOs) which raised RM456.67 million in January-June 1998.

The fall in the number of IPOs was not unexpected given that most industries are still adjusting to the effects of last year's economic downturn, an analyst said.

"In any case, more new companies are now expected to be listed in the months ahead, with the market having improved markedly," the analyst said.

Now that the economic figures have turned positive, more companies can be expected to go for a listing in the second half in tandem with the bullish outlook for the market for the rest of the year, she added.

Many companies had put on hold their flotation plans because of weak market sentiment "and this has changed".

It takes about nine months to a year, from the time approval is secured from the Securities Commission (SC), for a company's shares to reach the market, the analyst noted.

For this reason, assuming sustained economic recovery, IPOs are likely to show a significant increase only from next year, she said.

Another analyst attributed the fewer IPOs in the first half in part to the more stringent requirements imposed by the SC.

It had in fact prompted Prime Minister Datuk Seri Dr Mahathir Mohamad to remind the SC not to be overly strict in its functions to the extent of causing losses to companies applying for a listing. The regulations must be tight but not too tight, he had said in February.

Among the new listing requirements are that companies must have a minimum paid-up capital of RM40 million (up from RM20 million before) to qualify for a second board listing. For main board aspirants, the minimum is RM60 million (RM50 million previously).

A second board listing also requires a pre-tax profit track record of an aggregate of RM12 million in three years, with the most recent profit being at least RM4 million. The company must also be in operation for 3-5 years.

Of the total amount tapped in the first half, RM18.544 million was by a single new issue on the main board and the rest by eight IPOs on the second board.

For the whole of last year, there were only 28 IPOs which raised a combined RM856.8 million, down sharply from 88 new issues and total proceeds of RM5.47 billion in 1997.

Total listings currently stand at 745, 455 on the main board and 230 on the second board.

The currency crisis which hit the region in July 1997, among other things, put an end to the hefty first-day gains posted, almost habitually, by new listings.

Things started to turn around for the bourse towards the end of last year with the KLSE Composite Index (KLCI) slowly regaining its upward momentum. It closed trading on June 30 1999 at 811.10, up 78 per cent from 455.65 a year earlier.

At the same time, the broad-based Emas Index rose 44.42 per cent to 207.56 and the Second Board Index 83.56 per cent to 179.77.

As a result, all nine issues in the first half posted reasonable premiums of between 27 sen and RM1.14 on their first day of trading. Second board company Abric Bhd was the first listing of 1999. It also chalked up the biggest percentage gain on its January 11 debut, closing at RM3.64, or 45.6 per cent (RM1.14) above its offer price of RM2.50. The main board's only new listing, Chin Well Holdings Bhd, was the final IPO to come on to the market in the first half. It was also a big winner on its first trading day on June 15, closing 60 sen higher than its offer price of RM1.60.

The other new listings are Astral Supreme, Takaso Resources, Malaysian AE Models, Seacera Tiles, CB Industrial Product Holdings, Ahmad Zaki Resources and SM Summit Holdings.

Of the IPOs, three were handled by MIDFCCS Sdn Bhd and the rest by Malaysian Issuing House.

(END)