

06/08/2001

Lipo confident of favourable response to its IPO

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LIPO Corp Bhd, a subsidiary of semiconductor producer THB Industries Bhd, is confident its share's initial public offering (IPO) in October will receive favourable response from investors.

"We believe at RM1.40, the pricing is very attractive even in the current market, and we are quite confident our IPO will be able to attract subscribers," its executive director Lim Swee Chuan told Business Times.

Lipo is expected to issue 13 million shares in its IPO in October. The company had recently scaled down its IPO price from RM1.90 to RM1.40 in a step to better correspond with the market sentiment.

Stanley Ooi of Thong & Kay Hian Securities Sdn Bhd concurred with this, saying that Lipo's revised price of RM1.40 per share, at 7 to 8 times its price earning, is considered a fair value according to current market valuation.

The exercise is estimated to bring in RM18.27 million, as opposed to the original RM24.8 million.

"Lipo is looking at an extensive expansion plan which will include capital expenditure, and instead of utilizing THB's funds, the listing will allow Lipo to tap its own resources through direct access to the capital market," said Lim.

Apart from financing for expansion, the listing exercise will also enable THB Group to reduce its gearing to a minimum level. The group will allocate RM9.98 million to repay its borrowings.

Lipo, a 57 per cent subsidiary of THB Industries, is mainly involved in manufacturing precision machined components and metal stampings for production of goods in sectors such as semiconductors, electronics, telecommunications, automobiles as well as electrical appliances

THB, which last week changed its name to Kobay Technology Bhd, is listed under the Kuala Lumpur Stock Exchange Technology Index with a weighting of 1.7 per cent.

Directors of THB who are also sitting on Lipo's board include Dato' Mokhzani Mahathir, Koay Hean Eng and Koay Cheng Lee.

However, with several discouraging IPOs in recent times, Lipo's timing is still a matter of concern.

Apart from the low market sentiment, technology stocks are also bogged down by uncertainties following the significant slowing down in global electronics and semiconductor demand.

While a recent upgrade of the technology industry by Merrill Lynch has prompted a rise in US technology stocks, which in turn spurred a short rally in KLSE's Technology Index, analysts have cautioned that actual recovery in the sector is still missing.

The Technology Index gained 1.69 points last Thursday before reversing slightly by 0.11 to end at 49.89 point on Friday. THB which rose 11 sen, or 5.3 per cent last Thursday to RM2.20, dropped 10 sen to RM2.10 on Friday.

Despite a comment by Intel's chief executive Craig Barret that the computer industry has bottomed out and future demand expected to rebound, analysts said concrete improvements in the fundamentals are still "scattered" at best.

Nevertheless, Lipo's performance is still expected to fare better than those in prior months.

"For one, investors are not necessarily looking at current performance,

or the short term period of these two to three months, but more at the prospect six months ahead," said Kay Hian's Ooi.

According to analysts, Malaysian electronics demand follows US book-to-bill order in a four-to-six months lag.

While the global computer industry slowdown persists, its magnitude has more or less decelerated, added Ooi.

This, on top of some signs of bottoming out currently evident, Lipo's October debut might just be in time to ride the coat-tails of the industry's initial recovery.

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