

Union Bank IPO scores 350 times!

Union Bank of Colombo's Initial Public Offering (IPO) has been oversubscribed by an unprecedentedly massive over 350 times, the Daily FT learns.

The latest assessment suggests that the Rs. 375 million worth IPO had drawn applications worth a staggering Rs. 131 billion. An official announcement is expected today or early next week.

The previous official provisional figure was an oversubscription of 225 times or Rs. 84.3 billion worth of applications. By that count itself, Union Bank IPO beat the previous highest 135 times set by Singer Finance IPO worth Rs. 400 million in December.

As per last week's disclosure Union Bank IPO had drawn 30,100 applications requesting for 3.3 billion shares. The IPO was for 15 million shares at Rs. 25 each. The issue closed on its official opening day itself, which was Thursday, 24 February.

Union Bank intends to utilise the raised funds before the end of June 2011. The objectives of the issue were: To comply with the regulatory requirements of the Monetary Board of the CBSL by obtaining listing for the entire Ordinary Shares of Union Bank on the CSE by 31 December, 2011; To part finance its loan disbursements during the first half of FY11 through a range of products in retail/SME banking and corporate banking. Estimated disbursements during that period would be approximately in the range of Rs. 3.5 – 4.0 billion and Through IPO, UBC plans to broad base the public ownership of the Bank resulting in increased visibility and brand image which will enable the Bank to expand its deposit base and eventually lead to growth in business operations.

The IPO follows Rights Issue and private placement of 10 mn shares that evoked substantial investor interest in December 2010 was oversubscribed by four times. Thereafter, the issue of 12.5mn shares via unique tender and book building process and a private placement of another 7.5 mn shares to a foreign institutional cornerstone investor was oversubscribed three times. The two issues along with the IPO will collectively raise funds to the value of Rs. 1.1 billion. The Bank is undergoing the capital raising exercise to comply with the Central Bank Capital Adequacy norms until year 2015.

Financial advisor and Joint Managers to the issue was NDB Investment Bank whilst Acuity Partners was the other joint manager.

Source: <http://www.ft.lk/2011/03/04/union-bank-ipo-scores-350-times/>