

# ChelPipe Halts London IPO

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ChelPipe's IPO delay could bode poorly for others expected to sell shares.

Steel pipe maker ChelPipe postponed its initial public offering in London on Thursday, making it the second Russian company in the last week to scrap listing plans and further darkening what was expected to be a bright horizon of share offerings this year.

ChelPipe, one of the biggest suppliers of pipes for the oil and gas and other industries, said it had decided to cancel the IPO because of the "current unusual market sentiment."

The decision was made to postpone the IPO because "the market hadn't valued the company's potential in full," a source in the company told The Moscow Times, declining to be identified.

ChelPipe became the second company to cancel its IPO plans following pig-iron and coking coal producer Koks, which postponed its \$480 million London listing late last week "as a result of market conditions."

Marina Shestakova, of Wermuth Asset Management, an investment company focusing

on Russia, said investors got nervous after the Koks postponement, which resulted in reduced interest in ChelPipe.

The company's order book, which was closed late Wednesday, was reportedly covered at the bottom limit of the price range, although ChelPipe didn't confirm the information.

The range for ChelPipe's offering was set at \$3.50 to \$4.60 per ordinary share, which would bring its market capitalization to \$2 billion to \$2.7 billion, the company said in a statement late last month.

The pipe maker was seeking to reduce debt by raising \$472.5 million to \$621 million from the IPO.

"The company appreciates the interest shown by the investor community and wishes to thank investors for taking the time to meet with management over the last few weeks," ChelPipe said in a statement posted on the London Stock Exchange web site.

This year was expected to be very fruitful in terms of listings by Russian companies, said Maxim Rozenblit, business development director of corporate finance at Metropol.

"But one can hardly expect anything good in such an ... environment, with the market demonstrating a declining trend in the recent weeks," he said, adding that ChelPipe's expectations could have been too rosy.

ChelPipe got caught in difficult market conditions, as China's central bank raised its interest rate earlier this week, said Dmitry Smolin, metals and mining analyst at UralSib Capital.

"As a result, shares of commodity companies, especially those in emerging markets, got under pressure," he said.

Smolin also said the pipe maker could have listed shares as planned if it gave a discount, adding, however, that ChelPipe is likely to try the offering again in the fall.

Meanwhile, ChelPipe's decision might affect plans by Severstal's Nord Gold unit, which is seeking to raise up to £933 million (\$1.5 billion) from its London float.

Nord Gold, whose capitalization after the offering is expected to be £2.5 billion to £3.2 billion, is also overvalued but the company hasn't said it will lower the price range yet, Smolin said.

"It's unlikely that the company will be able to list with the current price range," he said, adding that Nord Gold is likely to announce a delay of its IPO in the coming days.

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