

Market swings throw 2022 IPO plans off track

Firms will now require to update their financials



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The sustained market volatility and delay in the maiden share sale of Life Insurance Corporation of India have derailed plans of companies wanting to go public.

Those that have received Sebi's nod for their initial public offerings (IPOs) may now file their final prospectus with the regulator based on March financials, which are likely to get finalised and audited only by the end of May, said bankers in the know. This means the offerings will hit the market in the September quarter or at best in June, implying a delay of six months or more for those that were hoping to make a debut early in the year.

As many as 52 companies (excluding LIC) — which have received the regulatory nod — are hoping to mop up ₹75,000 crore via an IPO this year, the data from PRIME Database shows. Another 46 have filed their draft prospectus and are awaiting regulatory approval.

"There's a delay and it's difficult to say when the window will open again," said Pranjal Srivastava, partner-ECM, Centrum Capital.

Foreign portfolio investors (FPIs) have pulled out \$19.5 billion since October last year and are busy realigning their portfolios against the backdrop of the Russia-Ukraine conflict. The lacklustre interest among foreign investors could have a bearing on IPO valuations in the immediate term, which is why companies are waiting for a relatively favourable window for their offerings.

"PE-backed IPOs look unlikely in the next (June) quarter, given the volatility in the mid- and small-cap space and the rethink on val-

IN THE PIPELINE

Estimated issue size (₹ cr)

LIC	65,416
Delhivery	7,460
API Holdings	6,250
Emcure Pharmaceuticals	4,000
Go Airlines (India)	3,600
Five-Star Business Finance	2,752
Gemini Edibles & Fats India	2,500
Paradeep Phosphates	2,200
Rainbow Children's Medicare	2,100
India1 Payments	2,000

Source: primedatabase.com

uations," said a person who works with private equity players.

As many as 47 companies had filed their DRHP with the market regulator between September and December last year, with the intention of hitting the market in early 2022. For an IPO to be marketed in the US, the financials in the red herring prospectus cannot be older than 135 days.

This means that the companies that had filed documents with Sebi had the option to work on December financials and look at a January-to-May window.

The year's start, however, saw wild market swings amid increased FPI outflows. The Russia-Ukraine war broke out in February, exacerbating volatility, and LIC signalled its intention of going public in March, leading companies to rethink their IPO plans and work on March financials. The delay in the insurer's IPO does not augur well for those waiting in the wings as the offering is expected to suck out liquidity from the market and companies will want to steer clear of launching their offering within a few weeks of the insurer's share sale.

Those desperate for an early launch may have to take a haircut on valuations. Oravel Stays, which operates hospitality unicorn Oyo Hotels and Homes, reportedly plans to trim the size of its IPO amid adverse market conditions and its investors shelving plans to offload their holdings through an offer for sale.

Only three companies have managed to launch their maiden share sales this year. In 2021, IPOs had mopped up a record ₹1.2 trillion, and there were hopes that the number would be eclipsed this year on the back of LIC's mega share sale. Chances of that happening now look slim.