

Good run for IPOs over the past decade: two-thirds of public offerings since FY2013 have yielded positive returns

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Top value creators since listing

Gain (%)	
V-Mart Retail	1,593.7
Avenue Supermarts	1,286.2
Dixon Technologies	1,167.3
IRCTC	1,135.1
Galaxy Surfactants	840.5
Rushil Decor	791.4
L&T Infotech	767.3
Affle India	756.0
Muthoot Finance	685.4
Neogen Chemicals	673.4
Laurus Labs	606.7
Manorama Indust.	591.9

Source: Capitaline

	No. of IPOs	Amount (₹ crore)
FY13	9	6,289
FY14	1	919
FY15	8	2,770
FY16	24	14,500
FY17	25	28,225
FY18	45	81,553
FY19	14	14,719
FY20	13	20,350
FY21	30	31,268
FY22*	53	111,529
Total	222	312,123

*Three companies are yet to be listed
Source : prmedatabase.com

Two-thirds of companies that entered the market via initial public offerings (IPOs) in the past decade generated positive returns, according to information from Prime Database.

Interestingly, the highest number of value creators was listed in FY21, the first year of the pandemic. While 83% of companies listed in FY21 are trading in the green, the share for FY22 is 62.3%.

However, there have also been notable losers. Shares of One97 Communications, the parent company of Paytm, for example, lost more than 67% from the offer price of Rs 2,150, translating into a loss in market capitalization of Rs 94,119 crore.

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Shares of V-Mart Retail and Avenue Supermarts gained the most among newly listed companies; investors in these retailers made 17x and 14x the investments, respectively. Those who bought shares of Dixon Technologies and IRCTC also fared well; these stocks returned buyers 12 times their investment.

Since FY2013, approximately Rs 3.12 trillion has been raised by 222 companies in the primary market, with FY22 alone contributing over a third of this amount; in the financial year 2018, an amount of Rs 81,500 crore was raised. Only motherboard companies were considered for this study.

In terms of trading day gains, FY17 was the best year in 10 years, with 21 out of 25 stocks generating positive returns. The study excluded fiscal year 2014 because there was only one enrollment that year. While about three-quarters of companies saw listing gains in FY21, the ratio was 68% in FY22.

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Pranav Haldea, MD of PRIME Database, observed that applying for IPOs for listing gains has always been a bit of a gamble. "Every stock that performed well on the day of listing does not necessarily extend its long-term good run and conversely, a stock that does not perform well at listing can generate positive returns over a period of time," said Haldea.

Haldea pointed out that there needs to be a more thorough review of company accounts before listing, as it has been noticed that in some cases financial performance deteriorates sharply after listing. For example, after reporting profits in all four quarters between June 2020 and March 2021, Cartrade Tech slipped into a loss for the remaining three quarters to December 2021, having listed in August of the same year. "Companies may be 'dressing' their books in the months leading up to the IPO," Haldea said.

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