

Sebi lens on steep IPO valuations of startups

Tighter scrutiny and volatile markets have shelved ₹24K cr of IPO plans

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The stock market regulator is in internal discussions on why many high-profile companies have slipped far below their issue price, while nudging IPO aspirants to reconsider their valuations, two people aware of the matter said.

Tighter scrutiny and disclosure norms and volatile markets have put public offer plans close to ₹24,000 crore on hold, and many of these companies might now go public in the second half of this fiscal year, experts said. Many IPO aspirants may have to settle for lower valuations, given that industry leaders like Paytm and Zomato are trading at steep discounts to their offer price.

“The regulator is engaged in extensive discussions on many such startup listings to understand what went wrong and if there is a need for tighter regulations,” one of the two people cited earlier said on condition of anonymity.

According to research firm Prime Database, among companies planning to go public are One Mobikwik systems (₹1900 crore) Le Travenues Technology (₹1600 crore), API Holdings (Rs 6250 crore), Oravel Stays (₹8430 crore), Droom Technology (₹3,000 crore), Snapdeal (₹1900 crore) and Yatra Online (₹750 crore).

“After investors lost money in recently listed tech startups, Sebi has started actively scrutinizing the draft red her-

ring prospectus (DRHP) on minute details of a lot of these companies. The regulator is seeking a lot of explanation on the comparables of companies or how the valuation has been arrived at,” said a market analyst, one of the two people cited above.

In some cases, Sebi is even asking companies to bring down valuations; and this is one reason for the delay in approving



Many of the companies that have put their IPO plans on hold for now are likely to go public in the second half of this fiscal year, according to experts.

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DRHPs, the analyst said. “A lot of these factors combined is why it is likely that these new tech firms may defer their plans of going public,” the analyst said, acknowledging that markets have gone soft due to various factors, not only in India, but globally too.

An email query sent to Sebi was not answered immediately.

Sandip Khetan, partner, EY, said, “Due

“We may see a lot of companies getting approvals; whether they launch it or not will be a function of the investors’ appetite. Markets are nowhere close to where they were in the last year especially for new-age companies. Moreover, FII interest too has come down significantly. Markets have been buoyant and now, they are fairly soft; therefore, a launch will depend on the market conditions”, the analyst said.

An investment banker who did not wish to be named said, “A lot of these companies are trading/exchanging hands in the private market. In the case of known pharma startups, the valuations have already been cut in half in the private

UNDER RESTRAINTS

MANY IPO aspirants may have to settle for lower valuations, given the poor show of industry leaders

AMONG companies planning to go public are One Mobikwik systems, Snapdeal and API Holdings

SEBI started minutely scrutinizing DRHPs after investors lost money in listed startups

to the meltdown in valuations, a lot of the startup IPOs will possibly take a backseat. Many such companies are keen on going public; however, the activity in that space is likely to slow down in the near future. The slowdown could be for 6-9 months. One of the reasons is the mismatch in valuations, having said that, a lot many profit-making firms will tap the markets.”

market.”

“Sebi has been scrutinizing these companies as a result of which approval is taking far more time. Probably because of the internal guidance, Sebi has become more cautious. Earlier, it took three months to approve a DRHP; however, now it takes more than three months,” the investment banker said.