

Nervous Signals For Primary Markets After LIC IPO

Retail interest poor, future listings seen slowing down due to high volatility

SUIT JAINSWAL / AFP



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THE COUNTRY'S LARGEST

initial public offering (IPO) from the state insurance giant Life Insurance Corporation of India (LIC) raised expectations for a flood of capital fund raising activity from companies which were on the sidelines for months (see table). They were waiting for the massive LIC fund raising activity to go through smoothly.

However, retail participation in the LIC offering was weak (see table), a clear indication that individual

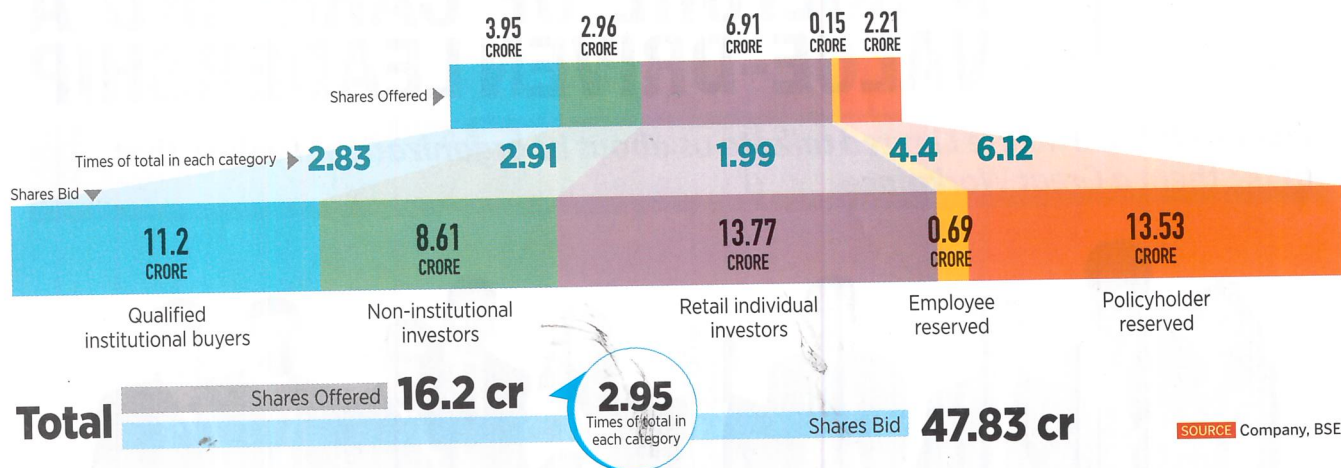
investors have been reluctant to invest—even in quality offerings—either due to lower capital liquidity or weakening risk-taking ability. At the time of writing this piece, retail, institutional and overall demand, for the offerings which came after LIC has also been poor.

Logistics startup Delhivery's ₹5,235 crore IPO saw only 57 percent of the retail book subscribed, for a total 1.63 times oversubscription to the IPO by the last day of the offering on Day 3. Similarly, the demand for the

Prudent Corporate Advisory Services IPO was average; receiving bids for 73.3 lakh equity shares against a total 60.18 lakh offering, indicating a 1.22 times oversubscription by the issue close. Stainless steel pipe maker Venus Pipes fared better with a 16.3 times oversubscription, led by retail investors (19x oversubscription).

Market experts had forecast this year's primary market activity to be as robust as 2021, where 63 corporates raised a record ₹1.19 lakh crore of capital.

Investor Demand for LIC's IPO



Statistically, the numbers in 2022 are impressive; the primary markets have already raised more than double in the year-to-date, compared to a year earlier. Fourteen corporates have approximately raised ₹39,336 crore in the January to May period, compared to ₹17,496 crore through 17 offerings.

But more than half of this amount raised was just from the LIC offering alone.

Around 45 offerings have got approval from the Securities and Exchange Board of India (Sebi) and are ready to launch anytime.

The market fundamentals have increasingly turned bearish in the past couple of months due to a mix of factors. Equities across the globe have been tumbling as inflation continues to jump across various economies due to sharp commodities and oil price gains because of the Russia-Ukraine war. This has raised fears of more interest rate hikes from

central banks. Growth forecasts across economies are being revised and foreign funds have been sustained sellers in emerging markets. It is a tricky road ahead.

Equities in India have slid over 8 percent in the past month, hurt by all the negative news. Sentiment has got

dampened further after the Reserve Bank of India (RBI) surprised investors with an out-of-cycle monetary policy 40 basis points repo rate hike on May 4, in a move to curb inflation.

India's Nifty VIX (volatility) index at 22.8, is up by 39 percent in 2022. With volatility increasing, Pranav Haldea, managing director of Prime Database, forecasts a slowdown in upcoming fund raising activity. "We might see a bit of a pause in new listings, given this latest spate of volatility. It might have created a bit of a dampener in corporate sentiment... as the foreign funds outlook and global markets are also weak," Haldea says.

It is believed that Sebi was keen not to bunch up several offerings alongside LIC and had slowed down clearing more offerings until the LIC IPO sailed through smoothly.

Independent market expert Ambareesh Baliga says the primary market is "still weak" and issuers may find it difficult to match the demand we saw for offerings in 2021. He expects the markets to remain weak for at least two quarters, due to the impact of rising inflation and with more rate hikes expected. "But it could be a great time to keep your ammunition ready," Baliga says, talking about a fresh time to invest.

In coming quarters though the financial performance of the now-listed LIC will continue to be closely watched by analysts and investors. LIC has a market share of 61.6 percent in terms of premiums, 61.4 percent in terms of new business premium and 71.8 percent in terms of number of individual policies issued, for the nine months ended December 31, 2021.

Analysts have made a call for investors to accumulate LIC if it trades below its issue price, due to its strong fundamentals

• SALIL PANCHAL



Large IPOs Awaiting Launch (Sebi approval received)

AADHAR HOUSING FINANCE

Date of filing: **January 24, 2021**

Date of approval: **May 5, 2022**

Issue amount (estd) in **₹7,300 cr**

API HOLDINGS

Date of filing: **November 10, 2021**

Date of approval: **February 17, 2022**

Issue amount (estd) in **₹6,250 cr**

TVS SUPPLY CHAIN SOLUTIONS

Date of filing: **February 14, 2022**

Date of approval: **May 4**

Issue amount (estd) in **₹5,000 cr**

EMCURE PHARMACEUTICALS

Date of filing: **August 18, 2021**

Date of approval: **December 8, 2021**

Issue amount (estd) in **₹4,000 cr**

FABINDIA

Date of filing: **January 24, 2022**

Date of approval: **April 30**

Issue amount (estd) in **₹4,000 cr**

GO AIRLINES

Date of filing: **May 14, 2021**

Date of approval: **August 26, 2021**

Issue amount (estd) in **₹3,600 cr**

SOURCE: Prime Database