

Four out of 5 large CPSE IPOs upset investors

Data show among ₹4,000 crore plus IPOs, only HAL has fared better; stock of LIC sheds more than a fourth of its issue price

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All but one ₹4,000 crore plus initial public offerings (IPOs) from Central Public Sector Enterprises (CPSEs) that hit the market during the last 12 years have disappointed the investors with the current market price ruling below the issue price. Insurance behemoth Life Insurance Corporation (LIC) is the latest one to join the list.

Between 2010 and 2022, a

total of 23 CPSE IPOs hit the market. Out of these, LIC was the largest, followed by Coal India, General Insurance Corporation, New India Assurance, Indian Railway Finance Corporation and Hindustan Aeronautics Ltd (HAL). Barring HAL, shares of all others have been hammered.

According to data collected by Prime Database, the issue size of LIC, Coal India and GIC was ₹10,000 crore or more, while the remaining three (NIA, IRFC

and HAL) had issue size between ₹4,000 crore and ₹10,000 crore. Rest of the 17 IPOs that hit the market had an issue size between ₹120 crore and ₹1,500 crore.

Data from BSE show that among ₹4,000 crore plus IPOs, only HAL has given better returns to investors, while LIC shares have shed more than a fourth of its issue price of ₹949 and gone even below the discounted price of ₹904 (retail investor) and ₹889 (policy holder).

Though the government has termed the fall a 'temporary blip', it claims an upside potential in the LIC scrip. "LIC would update its embedded value by June-end which would give EV as on March 31, 2022," a government official said.

Experts' take

Ravi Singh, President & Head of Research, Share India Securities, said during the last fiscal, private life insurers have grown their individual single premium business by 27 per cent to ₹14,709 crore, group non-single premium business by 40 per cent to ₹356.43 crore and individual non-single premium segment by 24 per cent to ₹44,705 crore.

dependent on agent-led distribution channel whereas "its private peers are benefitting from banking channels for product distribution and digital channels for retail sales."

Private companies shine

While many PSUs have disappointed investors, peer companies in the private sector across segments have done very well. Explaining the reasons, Singh said as unlike private companies, government cannot run firms only for profits. Most of the PSEs are still struggling to work efficiently and transform themselves to adapt to the rapid digitisation. Hence, "PSE stocks will always be undervalued as compared to the private peers," he said.


According to Shah, apart from business objectives, PSUs carry the baggage of "running in public interest". "Private sector units are presumed to be efficient compared to their PSU counterparts. Even the government has admitted several times that its role is to govern and not to run business. In short, there are a number of criteria on the basis of which PSU units will be considered to have lower valuations," he said.

Current price below issue price



Name	Issue price (in ₹)	Price on BSE (As on June 10, 2022)
Coal India	245.00	198.35
Punjab & Sind Bank	120.00	15.00
Housing & Urban Development Corp	60.00	36.00
Cochin Shipyard	432.00	316.90
Indian Railway Finance Corp	26.00	21.15
Life Insurance Corp of India	949.00	709.70

Current price above issue price



Name	Issue price (in ₹)	Price on BSE (As on June 10, 2022)
SJVN	26.00	28.35
Bharat Dynamics	428.00	823.25
Hindustan Aeronautics	1,215.00	1891.65
Mishra Dhatu Nigam	90.00	169.30
Garden Reach Shipbuilders & Engineers	118.00	238.45
MSTC	120.00	277.75
Rail Vikas Nigam	19.00	32.05
Mazagon Dock Shipbuilders	145.00	268.05
Railtel Corp of India	94.00	97.15

Source: Prime Database, BSE

"Compared to private peers, LIC's network is larger and older, but the segment-wise business losses clearly show that LIC struggles to acquire new customers and retain the existing ones," he said. Kamlesh Shah, President of ANMI (Association

of National Exchanges Members of India), felt the timing of the issue was not correct considering the uncertainties brought in by international factors including the Ukraine war, spiralling inflation and high crude prices. Concurring with Singh, he said LIC is

Shares with bonus/split

Name	Issue price (in ₹)	Bonus and split	Price on BSE (As on June 10, 2022)
MOIL	375.00	Bonus: 1:1	154.60
National Buildings Construction Corp	106.00	Split: 10 to 2, 2 to 1 Bonus: 1:2	31.60
General Insurance Corp of India	912.00	Bonus: 1:1	118.20
New India Assurance	800.00	Bonus: 1:1	93.90
Rites	185.00	Bonus: 1:4	243.10
Ircon International	475.00	Split: 10 to 2 Bonus: 1:1	38.65
IRCTC	320.00	Split: 10 to 2	644.40

Source: Prime Database, BSE