

15-year record in IPO filing belies volatility in market

50 firms file DRHP with Sebi in the first half of the calendar year

SAMIE MODAK & SUNDAR SETHURAMAN
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As many as 50 companies filed their draft red herring prospectus (DRHP) with the markets regulator, Securities and Exchange Board of India (Sebi), in the first half of the calendar year. This is the highest number of filing for IPOs since 2007, shows the data compiled by PRIME Database.

This high number of DRHP filing — or intent shown by companies to go public — paints a bullish picture. But investment bankers point out the surge is on the back of strong momentum seen in the initial public offering (IPO) market in 2021 and many companies may have either put on hold or abandoned their issue plan because of volatile market conditions, the broader markets' crash, and drying up of liquidity.

"Preparatory work for an IPO starts at least six months before the DRHP filing. In most cases, the work would have started last year when the markets were buoyant. The current market phase is very challenging. Many of those which had filed their offer documents may no longer be able to launch their transactions anytime soon," said Pranjal Srivastava, partner-investment banking, Centrum Capital.

Earlier this month, key indices closed at their lowest level in over 13 months amid fears of a global recession. The challenging market conditions have started to reflect in both IPO launches and filing.

In June, not one company was able to launch its maiden share sale — the first month of an IPO drought since August 2020. Also, the number

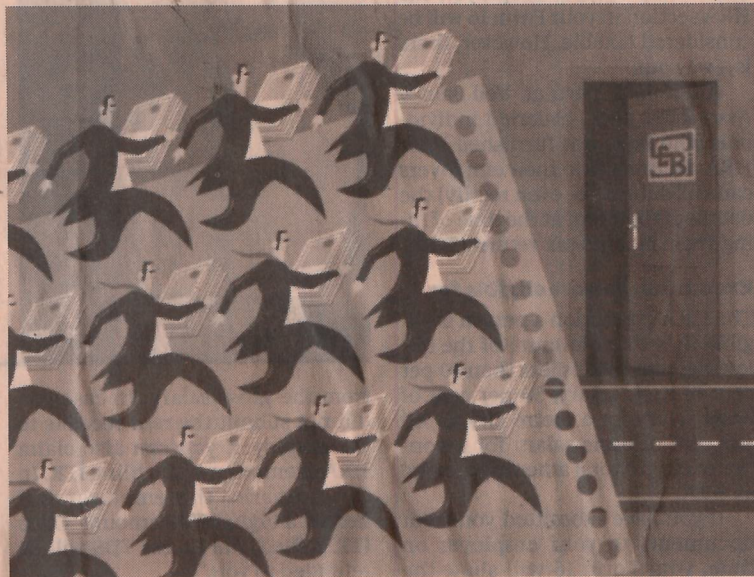


ILLUSTRATION: BINAY SINHA

GLASS HALF FULL

1st half was strong but 2nd wouldn't be rosy, feel experts

	No. of issues	Amt raised (₹ cr)	No. of DRHP filings
2018	18	23,452	47
2019	8	5,509	8
2020	1	10,341	9
2021	22	27,419	38
2022	16	40,311	50

Source: Prime Database

of monthly IPO filing has declined from an average of 10 during the first four months of the year to four each in May and June. "As far as deal launches are concerned, there has been a slowdown. There have been

performance issues with some big IPOs that got listed recently. Moreover, a correction in mid- and small-caps has hit mutual funds. Therefore, many of them will not be keen to look at investing in new IPO

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opportunities at the moment," said S Venkatraghavan, managing director and head of equity capital markets, Equirus Capital.

Just as IPO filing, funds mobilised via fresh issues during the first half of CY22 point to a bullish trend. A record ₹40,311 crore has been raised via maiden share sales, so far, this year -- nearly 50 per cent more than that during the same period of last year. But this number is skewed by Life Insurance Corporation (LIC)'s mega ₹20,500-crore offering.

During the second half, Venkatraghavan said the markets may present a window of opportunities for companies to launch their IPOs. But it remains to be seen which companies can take advantage of this window. "There will be windows available for good quality companies. But it will be a small percentage that may convert into successful IPOs," adds Srivastava.

According to PRIME Database, 66 companies are looking at raising a cumulative ₹1.05 trillion sitting on valid Sebi approvals to launch their IPOs. Of these, nearly 50 have to launch their IPOs worth over ₹60,000 crore during the second half of 2022 or see their one-year validity period for IPO approvals lapse.

Experts say only a handful of these companies may be able to launch their IPOs.

Many are already in talks with private equity investors for alternative fundraising opportunities.