

DRY SPELL IN PRIMARY MARKET MAY GO ON TILL Q4

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MUMBAI: The current dry spell in India's primary market may continue for the next two quarters despite a slight rebound in the activities, according to market experts.

The backlog in public listings may persist until the March quarter as investors and companies have turned cautious following a slew of lacklustre mega initial public offerings (IPOs), especially that of LIC and Paytm, investment bankers said. Several of the newly-listed stocks are trading below their issue price.

Market research firm Prime Database said IPOs worth ₹1.6 trillion are in the pipeline. These include initial share sales of 70 firms with IPOs totalling more than ₹1.05 trillion that have received approval from the Securities and Exchange Board of India (Sebi) and 43 whose IPOs worth ₹58,977 crore are still to get the regulator's nod.

"We have not witnessed a backlog as large as this one. It may not be cleared soon," said an investment banker. "Last year, the markets were euphoric. So issuers were accelerating plans for listing and filed their documents. However, at the start of this year, market conditions were not favourable. Thus, the backlog kept increasing," the banker said.

In 2021, companies raised ₹1.12 trillion via IPOs. However, this year, global market volatility sparked by geopolitical tensions and high inflation in several nations dampened investor sentiment. Prolonged delays in listings means IPO papers of most companies will expire, forcing them to refile their draft red herring prospectus.

"The wounds of the excesses of mega IPOs are raw. Sebi, too, has become cautious on disclosures and pricing. The secondary market has also been volatile. Many companies are not getting the valuations that they think they deserve and hence are waiting for better times. I have seen this cycle many a times, and it will change again," said Pranav Haldea, managing director Prime Database Group.