

Dry spell in primary mkt may last till Q4

IPOs worth ₹1.6 trillion are in the pipeline, according to Prime Database

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

According to investment bankers, 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. 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 issues include 70 firms with IPOs totalling more than ₹1.05 trillion that have received approval from the Securities and Exchange Board of India, and 43 firms whose IPOs worth ₹58,977 crore are still to get the regulator's nod.

"The backlog in IPOs is historic. We have not witnessed a backlog as large as this one; it may not be cleared so soon," said an investment banker. "In the last year, the markets were quite euphoric; so a lot of issuers were accelerating their plans for listing and they went ahead and filed their documents. However, at the start of this year, market conditions were not favourable. Due to this, 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 has dampened investor sentiment.

Prolonged delays in listings means IPO papers of most companies will expire, which will force them to refile their draft red herring prospectus (DRHP).



Geopolitical tensions and high inflation dampen investor sentiments this year

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"The wounds of the excesses of some mega IPOs are still pretty raw. Sebi, too, has become extra cautious on disclosures and pricing. Worse, the secondary market has been very volatile. Many companies are not getting the valuations that they think they deserve and hence are waiting

Gemini Edibles and Fats India, Five Star Business, Finance, TVS Supply Chain, Penna Cement, and KFIN Technologies.

Analysts said not many companies have shown interest in holding pre-IPO roadshows in the past three to four months, further dampening investor sentiment.

"There are not even ten companies which have shown their readiness to launch their respective IPOs," said an analyst requesting anonymity.

Another key factor contributing to the subdued IPO market is the restriction on IPO financing.

Last October, the Reserve Bank of India directed non-banking financial companies to cap IPO lending to Rs ₹1 crore per borrower starting 1 April, 2022. Until then, some high-net-worth individuals had borrowed more than ₹100 crore from NBFCs to invest in IPOs.

HISTORIC IPO BACKLOG

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43 companies with IPOs worth ₹58,977 crore are yet to get the regulator's nod

IN 2021, companies had raised ₹1.12 tn via IPOs. Global market volatility dampened sentiments this year

for better times. I have seen this cycle many a times, and it will change again," said Pranav Haldea, managing director Prime Database Group.

Some of the major IPOs that are in the pipeline include TBO Tek Ltd, Fab India, Aadhar Housing Finance, Go Airlines,