

IPO market revival still some time away: Experts

PUNEET WADHWA

New Delhi, 31 August

It has been a slow 2022 thus far for the primary markets. In the last eight months, only 16 companies have raised ₹40,311 crore via the initial public offer (IPO) route, data from PRIME Database shows. In comparison, 63 companies had raised a cumulative ₹1.18 trillion in 2021.

A large part of the funds raised in 2022 were on account of the two IPOs — Life Insurance Corporation of India (LIC) and logistics firm Delhivery — that raised a total of over ₹26,000 crore between themselves.

“There has been a lull in the IPO activity in the second half of the 2021 calendar year (H2CY21) and to some extent in the first quarter of 2022 (Q1CY22), if one excludes LIC and Delhivery offers. Aggressive pricing of IPOs of new-age companies, subdued capital markets and poor listing of IPOs were the main reasons for this. Also, the promoters wanted to wait for higher valuation, hoping for better times in the secondary markets,” said Deepak Jasani, head of retail research at HDFC Securities.

Recently, API Holdings, the parent firm of online pharmacy PharmEasy that counts Tiger Global, Temasek, Eight Roads, and Think Investments among its prominent investors, withdrew its draft red herring prospectus (DRHP) filed with the Securities and Exchange Board of India (Sebi) on November 9, 2021, citing volatile market conditions and ‘strategic considerations’. Instead, API Holdings is now planning a rights issue. According to reports, the company had plans to raise nearly ₹6,250 crore from the IPO, and had raised funds at a valuation of \$5-5.7 billion in a pre-IPO round. Dreamfolks Services, India’s largest airport service aggregator, too, had scaled back its issue size by 20 per cent, citing volatile market conditions.

The volatility in the secondary markets seen recently, according to Dara Kalyaniwala, executive director for investment banking at Prabhudas Lilladher Capital Market, does impact issuer company’s confidence not only about the IPO sailing through, but equally important is the concern that post listing, the company’s shares will be in demand and will not be ignored or dumped by investors.

Given the current market condition, analysts believe a meaningful revival of the primary market is still some time away. This, they said, is largely on account of the uncertainties surrounding the stability of the secondary market



	No. of issues	Issue amount (₹ cr)
2015	21	13,614
2016	26	26,494
2017	36	67,147
2018	24	30,959
2019	16	12,362
2020	15	26,613
2021	63	118,723
2022	16	40,311

(Values till July, 2022)

Source : PRIME Database

that may see promoters defer listing plans for their companies.

“The primary markets may pick up post Diwali, if the second quarter results for the 2022-23 financial year (Q2FY23) for listed companies show an improvement, leading to some stability in the secondary markets. There are about 70 draft red herring prospectuses (DRHP’s) where Sebi has issued its observation letter. These 70 are spread out over diverse sectors; so in my view, there may not be a dominant sector play in the IPO market going further,” Kalyaniwala said.

Inflation trajectory and the actions of global central banks, especially the US Federal Reserve (Fed) will be keenly watched by market participants before taking an investment call over the next few weeks. The primary markets, too, in this backdrop will remain in wait-and-watch mode.

“As and when the markets start a sustainable up move, we may see a spate of IPOs coming in, though the promoters would have to bring down their expectations of valuation in most IPOs. In this queue, we could have companies from power, aviation, BFSI, new-age techs, hotels and FMCGs among others, trying to tap the primary market,” Jasani added.