

# Boat joins PharmEasy, Droom to shelve listing plans amid valuation concerns

Rising Sebi scrutiny, poor investor response during roadshows seen as key reasons

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Imagine Marketing, the company that owns wearable brand Boat, has become the latest domestic technology (tech) company to shelve its listing plans. The popular consumer tech brand joins the PharmEasy parent API Holdings, and online automobile marketplace Droom Technology, to withdraw its draft red herring prospectus (DRHPs). Industry players don't rule out more tech firms following suit. A drop in valuations of listed tech firms, increased regulatory scrutiny and poor investor response during roadshows are seen as reasons for suspension of listing plans by tech companies.

"Sebi has increased scrutiny, particularly in relation to valuations, and has also introduced various disclosure requirements requiring companies to provide explanations about change in valuation between the pre-IPO placements and the issue price in an IPO. This has compelled new-age tech companies to reconsider their valuations, strategies, and also the timing of going public. Additionally, it seems that certain companies are also experiencing poor demand in the bid process and roadshows. This has also led to the postponement or withdrawal of some listings," said Gaurav Mistry, Partner, DSK Legal.

Boat had filed its DRHP with the Securities and Exchange Board of India (Sebi) in January and obtained a go-ahead in April. The company was looking to raise ₹900 crore in fresh capital through the IPO. On Friday, it announced it has raised ₹500 crore from an affiliate of Warburg Pincus, and Malabar Investments.

Companies that are unable to launch their IPOs are instead raising capital from private equity (PE) investors. "Financial conditions are currently choppy and we thought that it would be prudent to wait to do an IPO," said Vivek

Gambhir, chief executive officer (CEO), Boat.

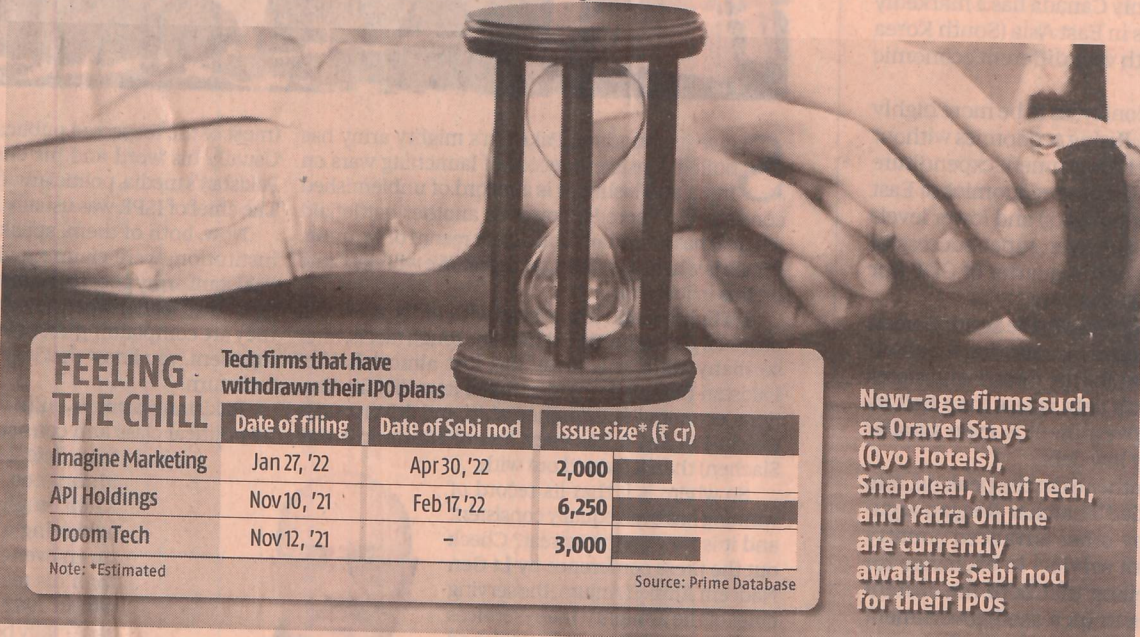
In August, PharmEasy decided to shelve its ₹6,250-crore IPO and instead raise money from existing investors via rights issue. The online pharmacy had filed its DRHP in November 2021 and obtained Sebi approval in February. Droom, which had filed for a ₹3,000-crore IPO in November 2021, pulled out its IPO earlier this month. Sources said the company was targeting a valuation in excess of ₹15,000 crore and didn't find enough takers amid the meltdown in prices of listed tech firms.

Shares of Zomato, Paytm, Nykaa and Policy Bazaar are down between 50 and 75 per cent from their highs, forcing companies waiting on the sidelines to rethink their valuations.

"I believe that this is a reflection of the current market environment where tech companies are seeing their valuations soften, particularly in public markets, as a result of tightened capital flows due to geo-political tensions, and fears of a recession looming over some of the world economies," said Murtaza Zoomkawala, partner, Saraf & Partners.

New-age firms such as Oravel Stays (Oyo Hotels), Snapdeal, Navi Tech, and Yatra Online are currently awaiting Sebi nod for their IPOs. Sources said that the sharp erosion in investor wealth has prompted the regulator to take a cautious approach towards approving the IPOs of loss-making companies. Last month, the Sebi board approved changes to the IPO framework requiring companies to justify pricing through disclosure of key performance indicators (KPIs), and by referencing it to the most recent capital raise.

"While this may make the already onerous IPO disclosure more cumbersome, it may not necessarily be a deterrent to new-age tech companies from floating their IPOs in India, should a market for their stock be available," said Zoomkawala.



## FEELING THE CHILL

Tech firms that have withdrawn their IPO plans

	Date of filing	Date of Sebi nod	Issue size* (₹ cr)
Imagine Marketing	Jan 27, '22	Apr 30, '22	2,000
API Holdings	Nov 10, '21	Feb 17, '22	6,250
Droom Tech	Nov 12, '21	-	3,000

Note: \*Estimated

Source: Prime Database

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## LOADING NOW: BUSIEST WEEK FOR IPOs THIS YEAR

As many as four initial public offerings (IPOs) looking to cumulatively mop up ₹4,120 crore would hit the market next week — making it the busiest week for IPOs this year in terms of the number of deals launched. Previously, December 2021 saw four IPOs open in a single week. Global Health, which operates the Medanta hospital chain, FMCG major Bikaji Foods, financial services firm Fusion Micro Finance and defence sector player DCX Systems are the companies that will launch their share sales next week. The bunch of IPOs come at a time when secondary market sentiments have improved. The Sensex has rallied 6 per cent in the past one month. But, the latest rush notwithstanding, the year 2022 has been lukewarm for IPOs. Sustained FPI outflows, spike in volatility, and a correction in the broader markets have weighed on dealmaking this year. So far this year, 22 companies have raised ₹44,000 crore via IPOs. In comparison, 63 companies had raised a record ₹1.19 trillion by way of IPOs during calendar year 2021.

COMPILED BY SAMIE MODAK



## BRAVING THE WINTER

Four companies looking to raise ₹4,120 cr will launch their IPOs next week

	Open	Close	Issue size (₹ cr)
Global Health	Nov 3	Nov 7	2,206
Bikaji Foods	Nov 3	Nov 7	1,104
Fusion Micro	Nov 2	Nov 4	500
DCX Systems	Oct 31	Nov 2	309

Sources: Companies, investmet bankers