

# White-knuckle volatility forces firms to let IPO approvals lapse

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While the initial public offering (IPO) market has gained some momentum, not everyone is able to ride the bus. Market volatility has forced several companies to let their approval granted by the markets regulator — the Securities and Exchange Board of India (Sebi) — lapse.

After vetting the IPO draft red herring prospectus (DRHP), Sebi offers its final observations. A company has to launch its IPO within one year from the date of the final observations.

About half a dozen such approvals have lapsed over the past two months. Another half a dozen are staring at expiry by the end of this month. These IPOs could have cumulatively raised ₹14,000 crore. The issues expiring this month could have mopped up about ₹6,000 crore. Industry players say some companies plan to re-file their DRHPs, so that they can have another stab at listing. Meanwhile, some are looking at alternative ways of raising capital, including availing of debt.

ESAF Small Finance, Penna Cement, and Inspira Enterprise are a few companies that have seen the one-year approval period lapse. Companies whose approvals are set to expire this month are Healthium MedTech, VLCC, and India1 Payments. DRHPs are a preliminary prospectus filed ahead of an IPO containing key details such as number of shares being offered, financial results, and risk factors, among others.

“There is a lot of volatility in the market right now. From the time you decide to launch a deal to listing, things can

Illustration: Binay Sinha



change dramatically,” says Dharmesh Mehta, founder, DAM Capital.

Four IPOs have cumulatively mopped up ₹4,120 crore in the past week, making it the busiest week for IPOs this year, particularly in terms of the number of deals launched. Meanwhile, four more IPOs worth ₹5,000 crore will be launched this week. The flurry of launches is underpinned by a surge in the secondary market, with the Sensex and the Nifty jumping 5 per cent in the past month and getting close to ratcheting up fresh record highs.

“The IPO generally tracks the secondary markets. Until the secondary markets come back strongly, we will see some companies putting their plans on the back burner. But if the secondary

markets move positively in the next few weeks, it may embolden some companies to try their luck,” says a banker.

Latest gold rush notwithstanding, the year 2022 has been a lukewarm one for IPOs. Sustained outflows from foreign portfolio investors (FPIs), spike in volatility, and correction in the broader markets have weighed on deal-making this year. FPIs have been net-sellers in seven of the 10 months this year. Until October, they were net-sellers to the tune of ₹1.6 trillion. The US Federal Reserve’s hawkish pivot, recession fears, and war in Ukraine have made FPIs sellers. Moreover, DRHPs were filed last year when the IPO market was robust and valuations were benign. Bankers say promoters who had filed their

## MISSING THE BUS?

	Date of Sebi approval	Estimated issue size (₹ cr)
India1 Payments	Nov 24, '21	2,000
One Mobikwik Systems	Oct 7, '21	1,900
Northern Arc Capital	Sep 3, '21	1,800
Penna Cement Industries	Oct 14, '21	1,550
Healthium Medtech	Nov 24, '21	1,350
Puranik Builders	Nov 18, '21	1,000
Esaf Small Finance Bank	Oct 20, '21	998
Inspira Enterprise India	Nov 1, '21	800
VLCC Health Care	Nov 25, '21	800
Popular Vehicles & Services	Sep 29, '21	750
Skanray Technologies	Oct 8, '21	500
Godavari Biorefineries	Nov 26, '21	500

Source: Primedatabase

documents last year will have to lower their expectations. As a result, many would prefer to wait than sell at depressed valuations.

“For months, the IPO pipeline has been dominated by smaller-sized issues. Larger-sized IPOs are not getting enough support. The FPI presence in IPOs is insufficient. Moreover, some sectors are now out of favour with investors and the firms in these sectors no longer command the valuations they expected at the time of their filing. Not everyone would want to cut their valuations for the sake of getting listed,” says Rajendra Naik, managing director, Centrum Capital.

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