Despite tepid IPO mkt, 71% newly listed firms trading at a premium

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The primary markets are likely to be busier in 2023, after a tepid 2022 when saw 32 companies raised around ₹55,000 crore via initial public offerings (IPOs).

Around 55 companies this year received the Securities and Exchange Board of India's (Sebi's) approval to raise about ₹84,000 crore via IPOs and are currently waiting in the wings, according to PRIME Database. These companies include Aadhar Housing Finance, TVS Supply Chain Solutions, and Macleods Pharmaceuticals which have proposed to raise between ₹5,000 and ₹7,300 crore. Also, around two dozen IPO applications, including those by SoftBank Group backed-Oyo Hotels and Tata Play, are currently with Sebi, according to reports.

"CY23 is expected to be a promising year with many relatively good businesses entering the primary market. Retail investors will remain excited about the offerings, especially from profitable companies," said Deven Choksey, managing director, KR Choksey Securities.

Tepid showing

As rising rates and the Russia-Ukraine war roiled the equity markets across the world, India's primary market activity slowed down in 2022 and the number of new listing nearly halved compared to 2021.

Around 32 companies have made their debut on the main bourses, so far, this year, against nearly 65 in 2021. The cumulative amount raised via IPOs this year (until mid-December) was ₹55,000 crore versus ₹1.2 trillion in 2021, data shows. Still average returns on IPOs have outweighed the gains in the benchmark Sensex index. In 2022, while the Sensex has risen 7.6 per cent, the returns on IPOs have averaged 17.7 per cent, according to a note from Bank of Baroda.

Three sectors -- edible oil, insurance, and hospital & health-care services -- accounted for 56 per cent of the ₹55,000 crore fundraise, the note said. Of the 32 newly listed stocks in 2022, around 71 per cent are currently trading above their respective issue prices.

Among the lot, Adani Wilmar, Venus Pipes & Tubes, Hariom Pipe Industries, and Veranda Learning Solutions are the top multi-bagger debutants that have delivered 100-117 per cent returns over their offer prices, while 10 others grew their investors' wealth by 20-80 per cent.

On the other hand, India's largest listing of state-owned insurer Life Insurance Corporation of India (LIC), which is down 31 per cent against its issue price, was the biggest letdown. Delhivery and Inox Green Energy are the other poor performers, currently down 34 and 37 per cent against their respective offer prices, data shows.

New-age start-ups which listed last year, including Zomato, Paytm, Nykaa and PB Fintech, have shed 29-87 per cent against their respective issue prices this year as rising rates, concerns about expensive valuations, and anchor investors' exit sparked a sharp sell-off.

Word of caution

That said, given the sharp slump in some of the recent big newly listed companies, including new-age technology start-ups, experts advise investors to exercise caution going ahead and carefully evaluate the companies and the sectors they operate in before investing.

"New-age loss-making companies created excitement in the market before their listing which later fizzled out as investors began asking for profit performance. PE investors have also exited these players, which are still many years away from becoming profitable. This leaves important learnings for investors that a brand may be better for you as a consumer but not as an investor. Hence, it is crucial to be careful if the investment proposition for a company is weak," Choksey said.

ILLUSTRATION: BINAY SINHA

LOOKING AHEAD

Sebi's approval for IPOs (as on Dec 9, 2022)
ESTIMATED ISSUE AMOUNT (₹ cr)

Aadhar Housing Finance	7,300
TVS Supply Chain Solutions	5,000
Bharat FIH	5,000
Macleod Pharmaceuticals	5,000
Fab India	4,000
Navi Technologies	3,350

Source: Primedatabase

IPOs OF 2022

GAINERS (price in ₹)	Offer	CMP	% change
Adani Wilmar	230	500	117.4
Venus Pipes & Tubes	326	706	116.6
Veranda Learning Solutions	137	288	110.2
Hariom Pipe Industries	153	307	100.7
Vedant Fashions	866	1,303	50.5
LOSERS			
AGS Transact Technologies	175	65	-62.9
Inox Green Energy Services	65	41	-36.9
Delhivery	487	323	-33.7
LIC	949	659	-30.6
Keystone Realtors	541	478	-11.6

Source: BS Research Bureau