

Market chill forces many to put IPOs in deep freeze

59 companies raised ₹59,332 crore in 2022 via IPOs; 28 approvals lapsed

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In 2022, 59 companies raised ₹59,332 crore through initial public offerings (IPOs). However, not everyone was lucky enough to realise their fund-raising plans. Market volatility forced several companies to let approval granted by the capital markets regulator — the Securities and Exchange Board of India (Sebi) — lapse.

A company has to launch its IPO within one year after Sebi's final observations.

In 2022, 28 such approvals lapsed. Together, they could have raised ₹38,828 crore.

The offer documents which expired in December could alone have raised ₹10,350 crore.

Industry players say some companies plan to re-file their draft red herring prospectus (DRHP) so that they can have another stab at listing.

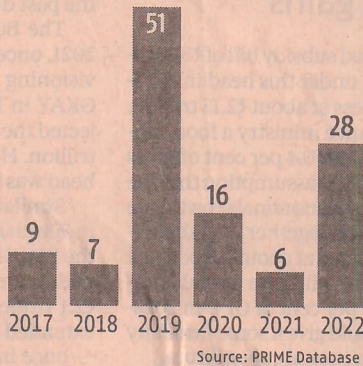
Meanwhile, some are looking at alternative ways of raising capital.

Go First, One Mobikwik Systems, ESAF Small Finance Bank, VLCC Healthcare, Sterlite Power Transmission, and Keventer Agro are some of the companies that let their DRHP lapse.

DRHP is a preliminary prospectus filed ahead of an IPO, containing key details such as the number of shares being offered, financial results, and risk factors, among others.

MISSED OPPORTUNITY

Number of DRHPs which expired



Bankers say heightened volatility is the reason for a large number of companies not coming to the market to raise money.

Although Indian equities have been an outperformer in 2022, the year was characterised by sharp volatility.

"A lot of deals happened despite volatility. There was only one IPO in February. In June and July, no issue happened. In an uncertain environment, you cannot launch a large IPO. Deals take time to hit the markets. It takes a minimum of seven to nine months," says Dharmesh Mehta, managing director (MD) and chief executive officer, DAM Capital Advisors.

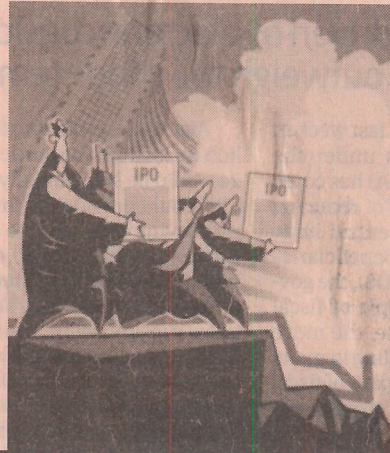


ILLUSTRATION: BINAY SINHA

POINTS TO PONDER

► A firm has to launch its IPO within a year after Sebi's final observations

► Although Indian equities have outperformed, 2022 saw sharp volatility

► Bankers say the DRHPs were filed last year when the IPO market was robust and valuations benign

► The whole process of IPO takes 7 to 9 months before hitting the market

► 2022 could be a tumultuous one for IPOs, say bankers

A combination of factors, such as interest rate hikes by major central banks, weakness in the rupee, fears of global recession, and a spike in commodity prices, kept investors on tenterhooks and weighed on deal-making this year.

Foreign portfolio investors (FPIs) have been net-sellers so far this year. FPIs sold shares worth ₹1.21 trillion. Bankers said the DRHPs were filed last year when the IPO market was robust and valuations benign.

Bankers say promoters who had filed their documents last year will have to lower their expectations. Moreover, some sectors are now out of favour, with investors and firms in these sectors no longer commanding

the valuations they expected at the time of filing.

As a result, many would prefer to wait than sell at depressed valuations.

"For a company to go public is a big milestone. Companies want market conditions to be propitious when they launch an IPO. They would rather let approvals lapse than launch at a time when they do not get the valuations they aspire to," says Pranav Haldea, MD, PRIME Database.

Bankers say next year is likely to be tumultuous for IPOs.

"It will be challenging, but we will see some large deals next year. It depends on how the global market situation is," observes Mehta.