

IPO fundraising halves to ₹52,116 crore in FY23, 37 firms go public

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The largest IPO in 2022-23, which was also the largest Indian IPO ever, was from LIC. ((iStock))

SYNOPSIS

The largest life insurer in India, LIC's IPO accounted for around 39% of the total fundraising in FY23. Nevertheless, FY23 fundraising in FY23 is still the third highest ever in the IPO market.

The fiscal year FY23 witnessed a lacklustre flow of initial public offerings (IPO) with 37 companies raising upto ₹52,116 crore through the main board. The latest fundraising halved compared to the all-time high performance of ₹1,11,547 crore in FY22. The largest life insurer in India, LIC's IPO accounted for around 39% of the total fundraising in FY23. Nevertheless, FY23 fundraising in FY23 is still the third highest ever in the IPO market.

It needs to be noted that, the number of companies that launched their [IPOs](#) was lower in FY23 compared to 53 IPOs in FY22.

Without LIC's ₹20,557 crore IPO, the overall [fundraising](#) could have been merely ₹31,559 crore in FY23 --- nearly 72% lower from FY22.

LIC is the largest IPO of FY23, and not just that it is the largest public offer ever in the history of this market.

According to Pranav Haldea, Managing Director, PRIME Database Group, ₹20,557 crore or a huge 39 per cent of the amount raised in 2022-23 was by LIC alone, without which the IPO fundraising would have been just ₹31,559 crore. To be sure though, the amount raised in 2022-23 is still the third highest ever in terms of IPO fund raise.

LIC's IPO was followed by Delhivery (₹5,235 crore) and Global Health (₹2,206 crore), as per Prime Database report.

The average deal size in IPOs was a high of ₹1,409 crore.

Haldea further mentioned that as many as 25 out of the 37 IPOs came in just 3 months of the year (May, November and December), which shows the volatile conditions prevalent through most of the year which are not conducive for IPO activity. In fact, the fourth quarter of 2022-23 has seen the lowest amount being raised in the last 9 years.

Of the total, only 2 IPOs (Delhivery & Tracxn) were from a new age technology company (NATC) (in comparison to 5 NATC IPOs raising in ₹41,733 crore in 2021-22) pointing towards the slowdown in IPOs from this sector.

Further, from the total, 11 IPOs received a mega response of more than 10 times (of which 2 IPOs more than 50 times) while 7 IPOs were oversubscribed by more than 3 times. While the rest 18 IPOs were oversubscribed between 1 to 3 times.

Prime Database stated that the new HNI segment (₹2- ₹10 lakh) saw an encouraging response with 11 IPOs receiving a response of more than 10 times from this segment.

Compared to FY22, the response of retail investors also moderated in the 2022-23 fiscal.

Data from Prime Database showed that the average number of applications from retail dropped to just 5.64 lakh, in comparison to 13.32 lakh in 2021-22 and 12.73 lakh in 2020-21. The highest number of applications from retail were received by LIC (32.76 lakhs) followed by Harsha Engineers (23.86 lakhs) and Campus Activewear (17.27 lakhs).

Amount of shares applied for by retail by value (₹41,671 crore) was 20% lower than the total IPO mobilisation (in comparison to being 17% higher in 2021-22), to which, Prime Database said, “showing the lower level of enthusiasm from retail during the period.”

However, the total allocation to retail stood at ₹14,308 crore which was 28% of the total IPO mobilisation (up from 20% in 2021-22).

Further, as per Haldea, IPO response was further muted by moderate listing performance. Average listing gain (based on closing price on listing date) fell to 9.74%, in comparison to 32.59% in 2021-22 and 35.68% in 2020-21. Of the IPOs which got listed thus far, 16 gave a return of over 10%. DCX Systems gave a stupendous return of 49% followed by Harsha Engineers (47%) and Electronics Mart (43%). 21 of the 36 IPOs are trading above the issue price (closing price of 24th March, 2023).

Talking about FY23 IPO fundraising, Krishna Raghavan- Founder of Unlistedkart said, “The drop in IPO fundraising in FY23 is a reflection of the challenging economic environment that the country has faced during the year. The ongoing pandemic and its impact on the economy, along with the rising inflation and slow economic growth, have led to a cautious approach among investors. However, it is also important to note that the amount raised in FY23 is still the third-highest ever in terms of IPO fundraising, indicating that there is still a significant amount of capital available for companies seeking to go public.”

Lastly, Haldea's report explained that 2022-23 saw 68 companies filing their offer document with SEBI for approval (in comparison to 144 in 2021-22) including the first ‘pre-filing’ case of Tata Play in December 2022. On the other hand, 37 companies looking to raise nearly ₹52,060 crore let their approval lapse in 2022-23, 12 companies looking to raise ₹10,386 crore withdrew their offer document and SEBI returned the offer document of a further 9 companies looking to raise ₹20,330 crore.