

Viral

## IPOs Are No Longer A Darling Of Stock Market, Who Is To Be Blamed?

2 months ago

The Indian stock market remained volatile in 2022 amid various global events and central bank actions to tame high inflation.

On the back of this higher market volatility, the initial public offering (IPO) market also remained subdued. The overall public equity fundraising dropped by 55 per cent to Rs. 90,995 crore from Rs. 2,02,048 crore in 2021, all thanks to market volatility.

### Volatility To Be Blamed

The much-hyped, Life Insurance Corporation (LIC) of India IPO, which was also the largest Indian IPO ever, contributed the major part of total fund raised during 2022.

According to Pranav Haldea, managing director, PRIME Database Group, LIC raised as much as Rs.20,557 crore, or a huge 35 per cent of the total amount raised in 2022. This was followed by Delhivery with Rs. 5,235 crore, and Adani Wilmar with Rs. 3,600 crore. The average deal size was Rs. 1,485 crore.

According to Haldea, as many as 17 out of the 40 IPOs, or nearly half of them, came in the last two months of the year alone, which shows the volatile conditions prevalent through most of the year, which are not conducive for IPO activity.

### Poor Listing Gains

IPO response was further muted by moderate listing performance.

None of the IPOs reached the 50 per cent mark in terms of returns. Of the 38 IPOs, which were listed till December 2022, 17 gave returns of over 10 per cent.

DCX Systems gave a stupendous return of 49 per cent, followed by Harsha Engineers and Hariom Pipe Industries (47 per cent each).

As many as 23 of the 38 IPOs are trading above the issue price (closing price of December 30, 2022).

“Average listing gain (based on closing price on listing date) fell to 10 per cent, in comparison to 32.19 per cent in 2021 and 43.82 per cent in 2020,” says Haldea.

### Absence Of New-Age Companies

Unlike 2021, when seven new-age technology companies, such as Paytm, Nykka, PB fintech, saw the market debut and raised little over Rs 42,000 crore from the market, this time, only one new-age company (Delhivery) launched its IPO in 2022 and raised Rs. 5,235 crore from the market.

### Moderate Public Response

Of the 38 IPOs launched till the end of 2022, 12 received a mega response of more than 10 times (of which two IPOs received it more than 50 times), while seven IPOs were oversubscribed by more than three times.

The balance 19 IPOs were oversubscribed by 1-3 times.

The new high net-worth individuals (HNI) segment (Rs 2 lakh – Rs 10 lakh) saw an encouraging response with 11 IPOs receiving a response of more than 10 times from this segment.

According to data from prime database, the average number of applications from retail dropped to just 5.92 lakh, in comparison to 14.25 lakh in 2021 and 12.77 lakh in 2020.

The highest number of applications from retail were received by LIC (32.76 lakh) followed by Harsha Engineers (23.86 lakh) and Adani Wilmar (18.96 lakh).

## Strong Pipeline For 2023

The pipeline continues to remain strong.

As many as 54 companies proposing to raise a huge Rs. 84,000 crore are presently holding Securities and Exchange Board Of India (Sebi) approval.

Another 33 companies looking to raise about Rs 57,000 crore are awaiting Sebi approval. Out of these 87 companies, eight are new-age technology companies, which are looking to raise roughly Rs 29,000 crore.

According to Haldea, the momentum seen in the last two months of 2022 is likely to continue, at least for the smaller-sized IPOs.

However, it may be a while before we see larger sized deals, especially in light of lack of sustained interest from foreign portfolio investors. It is to be seen how the IPO market behaves in 2023.

