

India's IPO returns beat US by a wide margin

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AMID India's bull market celebration, it's the newcomers that are having the biggest parties.

The 47 IPOs priced this year have returned an average 41 percent, more than four times the climb in the benchmark S&P BSE Sensex, data compiled by Bloomberg show. The gain is double the 19 per cent mean for the US deals, and ahead of the 9 per cent offered by first-time sales in Europe, the figures show.

Microfinance providers, a city-gas supplier, a staffing firm and a diagnostics chain are among companies that have raised \$1.5 billion since January 1, more than twice the amount from a year earlier. That's happened as a buoyant stock market prompted private equity investors including Sequoia Capital to exit from some of these investments. New sales may reach a record in the year to March, the regulator forecasts, as investors chase companies riding the services boom in the world's fastest-growing major economy.

"India has changed and a changing country needs new services and there's demand for them," Sadanand Shetty, a senior fund manager at Taurus Asset Management, which oversees \$476 million, said by phone from Mumbai. "Most of the IPOs are from new high-growth sectors. Their valuations are not cheap but investors are paying a premium." took the PM office in May 2014. Equity funds took in a net Rs 74,000 crore (\$11 billion) in the year ended March, up 4 per cent from a year earlier. Investor accounts reached 48.9 million in June, up from 47.6 million in March, data from an industry body show.

India's isn't the only country seeing a pick up in first-time sales. With the US equities at records, investors are betting on IPOs again after a slow start to the year. Japan's Line raised more than \$1 billion in 2016's biggest technology IPO this month. In China, the waiting list for new issue approvals exceeds 800, as per to the China securities regulatory commission's website.

The difference this time in India is that the first six months have seen private equity investors sell stakes worth 30 billion rupees through IPOs. That's higher than the Rs 2,340 crore of positions they cashed out of in 2015, according to New Delhi-based Prime Database. The outperformance from first-time sales is the most since calendar 2014, when the S&P BSE IPO Index surged 82 per cent after Modi's election win, beating the 30 per cent annual gain in the Sensex.

Quesq began trading July 12 at a 56 per cent premium. Shares in India's biggest IPO of the year were valued at 45 times fiscal 2016 earnings. Yet, the portion kept for wealthy individuals was oversubscribed 397 times, while large investors bid for 61 times the quantity.