

# IPOs need to deliver listing pop to pique retail interest

In most offers of CY22, investor enthusiasm fizzled out after muted listing: Experts

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**T**he primary market has remained subdued so far in calendar year 2023 (CY23), with just three main-board initial public offerings (IPOs) hitting the Street — Divgi TorqTransfer Systems, Avalon Technologies (Avalon Tech), and Mankind Pharma.

Two of these three IPOs failed to generate interest among retail investors, who have been at the forefront of primary market activity since 2020.

Mankind Pharma's IPO, for instance, saw 92 per cent subscription by retail investors, while Avalon Tech's retail quota was subscribed 88 per cent.

Analysts say retail investor enthusiasm fizzled out after a muted listing of a majority of public offerings in calendar year 2022 (CY22). The sentiment, they add, may continue until they see some promising listing gains in CY23.

"On average, IPOs gave 25 per cent listing gain in 2021-22. By comparison, most companies that went for an IPO in FY23 are trading either below or around the IPO price. This trend, along with subdued market environments both in India and globally, ensured retail investors refrained from participating in recent IPOs," says Gopal Agrawal, managing director (MD) and head-investment banking, Edelweiss Financial Services.

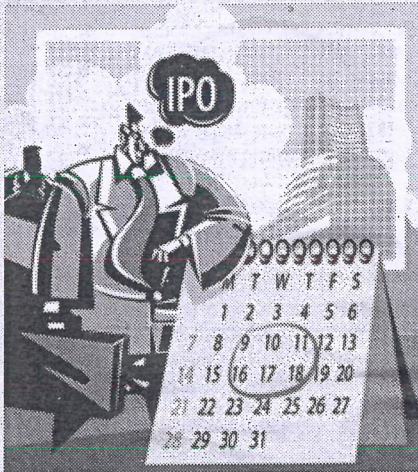
According to data released by PRIME Database, the average listing gain in CY22 (based on closing price on listing date) fell to 10 per cent, in contrast with 32.19 per cent in calendar year 2021 (CY21) and 43.82 per cent in calendar year 2020 (CY20).

Moreover, the average number of applications from retail investors dropped to just 590,000 during the previous calendar year, against 1.42 million in CY21 and 1.27 million in CY20.

By and large, 40 companies approached the primary market last year, mopping up ₹59,412 crore — half of the ₹1.18 trillion (all-time high) mobilised by 63 IPOs in CY21. Of these, 12 IPOs received an overwhelming response of over 10x, while seven IPOs were subscribed over 3x. Analysts believe the correction in the secondary market has made stocks attractive, channelling retail flow through stocks offering better risk/ reward.

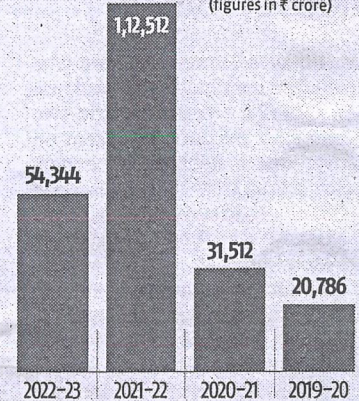
"IPO activity is likely to remain muted for the first few quarters of 2023-24 (FY24). We

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## AMOUNT RAISED BY IPOs

(figures in ₹ crore)



Source: PRIME Database

Public offers this yr	Size (₹ cr)	Subscription level		
		QIB	NII	RETAIL
Mankind Pharma	4,326	49.16x	3.80x	0.92x
Avalon Technologies	865	3.77x	0.43x	0.88x
Divgi TorqTransfer	412	7.83x	1.4x	5.44x

may see some smaller-sized IPOs first. It will be a while before we see larger-sized deals," said Pranav Haldea, MD, PRIME Database Group, in a recent note.

### The road ahead

Analysts say retail investors may come back to the primary market once volatility subsides and subsequent issues register healthy listing gains. "After Mankind Pharma's listing, investors may look favourably at upcoming IPOs, if they are by profitable companies, with their issues being inexpensively priced. One or two more successful issues may ignite retail and high networth investor interest," says Deepak Jasani, head-retail research, HDFC Securities.

Shares of Mankind Pharma, which owns the Manforce brand of prophylactic and at-home pregnancy testing kit Prega News, closed at ₹1,430 on listing day — up 32.4 per cent over its issue price of ₹1,080 on the National Stock Exchange (NSE). The shares, at present, are holding levels of ₹1,397 apiece.

Avalon Tech's shares, conversely, had settled over 9 per cent lower at ₹396.3 on the NSE versus the issue price of ₹436 on debut

day. They continue to trade 17 per cent below the issue price. Agrawal, however, cautions there may be measured primary market action in FY24, given the approaching general elections in 2024-25 (FY25).

"Historically, primary market activity has remained muted in the two/three months preceding a general election. If the general election happens in the first half of FY25, the primary activity in the ongoing financial year will be curtailed to six/seven months until January/February. However, after the election, one can expect markets to bounce back and see a flurry of offers thereafter," he adds.

The pipeline in FY24, according to PRIME Database, remains strong, with 54 companies planning to raise a combined ₹76,189 crore and have the Securities and Exchange Board of India approval in place.

Crayons Advertising (May 22-25), Tata Technologies, Spectrum Talent Management, Ratnaveer Precision Engineering, Mamaearth, Go Digit General Insurance, Snapdeal, and Navi Technologies could be among companies approaching the primary market in CY23, indicate reports.