

Shrink-to-fit IPOs to 'block'buster deals

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The strong momentum in the secondary market failed to rub off on primary markets, as fund mobilisation through the initial public offering (IPO) route saw an over 80 per cent slump in the first half of calendar year 2023 (CY23). The volatility seen during the first three months of the year thwarted several companies' listing plans, say bankers.

So far in CY23, seven companies have completed their IPOs, raising a cumulative ₹6,910 crore. By comparison, 16 companies raised a record ₹40,310 crore during the same period last year.

Although Indian equity benchmarks have hit new records this year, the last six months have been relatively turbulent due to rate-hike fears, US short seller Hindenburg Research's report alleging Adani Group irregularities, and the US banking maelstrom.

Fundraising through block deals, however, has been relatively robust. Roughly 82 companies have raised ₹44,988 crore this year, including reasonably large transactions like the ₹15,446 crore share sale by Adani promoters in four group companies to US-based GQG Partners.

The other big deals include Canada Pension Plan Investment Board's 1.66 per cent stake sale in Kotak Mahindra Bank for ₹6,124 crore and UK-based investment firm abrdn's share sale in HDFC Asset Management Company and HDFC Life Insurance Company (for a total of ₹6,148 crore).

The spurt in the follow-on offerings was partly due to redemptions by private equity players and promoters off the back of availability of valuation support and liquidity.

Bankers say investors prefer to back a known company rather than suss out a new one coming up with an IPO when the market is tempestuous. "Block deals are happening because they are easier to execute. The price discovery has already happened for a listed stock. There is no documentation required. Bankers can do a quick roadshow to test investor waters. IPOs have to go through the process of book-building and price discovery," says Pranjal Srivastava, partner-equity capital markets, Centrum Capital.

Many companies abstained from launching IPOs as there was a mismatch between the pricing aspirations of promoters and the valuations investors sought, say industry players. They say some promoters

DRY SPELL

IPO mobilisation has seen a big drop this year

Year	No. of IPOs	Amt (₹ crore)
2018	18	23,451
2019	8	5,509
2020	1	10,340
2021	22	27,418
2022	16	40,310
2023	7	6,910

Top 5 IPOs this year

	Amt raised (₹)	Issue price (₹)	Last close (₹)	Chg (%)
Cube Highways Trust	5,226	100	100	0
Mankind Pharma	4,326	1,080	1,700	57
Nexus Select Trust	3,200	100	105	5
Avalon Technologies	865	436	535	23
IKIO Lighting	607	285	449	57

Source: PRIME Database

Compiled by BS Research Bureau

covet conducive market conditions than what were witnessed during the first half before an IPO launch.

Thus far in CY23, 24 companies have let their approval granted by the capital markets regulator lapse. Had their approvals not expired, these IPOs could have raised ₹48,180 crore. Bankers say the IPO market is in revival mode, weighing up the demand for recent launches and some semblance of stability in the secondary market.

"The primary market always takes time to pull through. There will be some action in the next six months before investors turn cautious ahead of elections. The current market is more measured, and there will be interest in differentiated stories and tempered valuations," says Venkatraghavan S, managing director-investment banking, Equirus Capital.

There were a bunch of offerings launched at the tail end of this month. The IPOs of ideaForge Technology, Cyient DLM, HMA Agro Industries, and PKH Ventures got launched in recent weeks, while those of Senco Gold and Tata Technologies are expected to open soon.

Bankers say the second half will be better for IPOs, provided market and liquidity conditions stay favourable.