

# Is India's public offering market buzzing again?

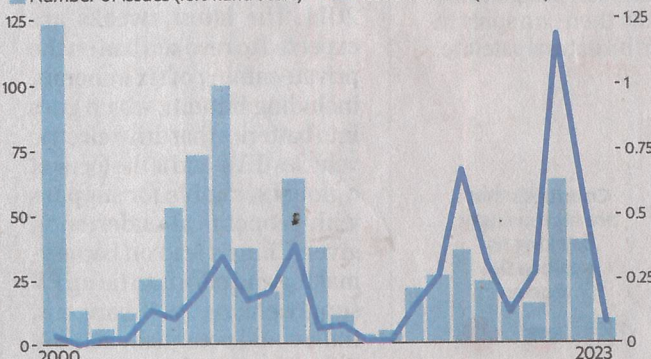
BY NITI KIRAN

After two months of a dry spell at the beginning of 2023, the primary market has seen the action pick up. Nine initial public offerings (IPOs) have hit the markets since March alongside a broader revival in the secondary market. Now, with Indian equities scaling new highs on account of stable macroeconomic indicators, strong corporate earnings and unabated foreign portfolio investment flows, market participants expect the IPO sentiment to change gears. The IPO pipeline is booming with 44 issues waiting in the wings to raise ₹48,879 crore, and another 26 awaiting the markets regulator's approval. This will keep the D-street busy—but will these issues be received with the same enthusiasm as seen earlier?

## Buzzing activity

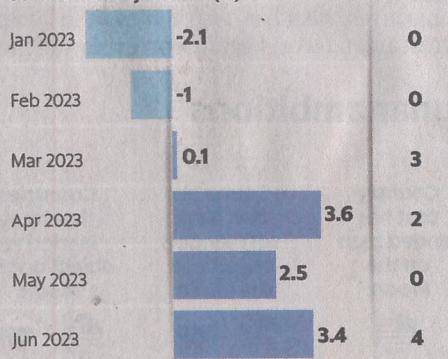
With the secondary markets recovering after the Adani Group debacle, the primary market seems to be fast gearing up to play catch-up. Six issues hit the markets in the June quarter, and a few more are planned this month. However, this year, companies have managed to mobilize only 7% of the all-time high IPO proceeds hit in 2021.

■ Number of issues (left-hand scale) ■ Issue amount (₹ trillion)



Data for 2023 till June.

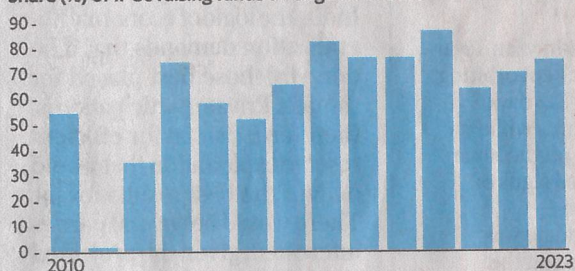
Sensex monthly returns (%)



## Driving trend

The fundraising through IPOs continues to be driven by offers for sale (OFS), a route for existing shareholders to sell their holdings in the firms going public. Over the last decade, 71% of the amount, on an average, was mobilized through this route, and in the year so far, the share has been 75%.

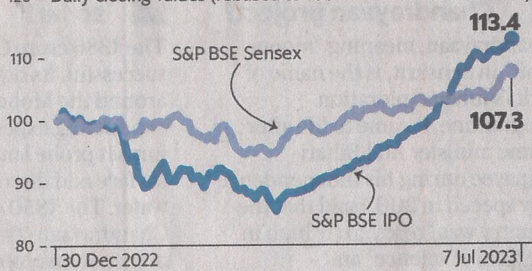
Share (%) of IPOs raising funds through OFS route



## Outpacing the benchmark

Meanwhile, the S&P BSE IPO Index, which measures the performance of companies listed on BSE for one year after the completion of their IPOs, has surpassed the 30-share Sensex by a wide margin in 2023 so far. This indicates the bullish sentiment in capital markets.

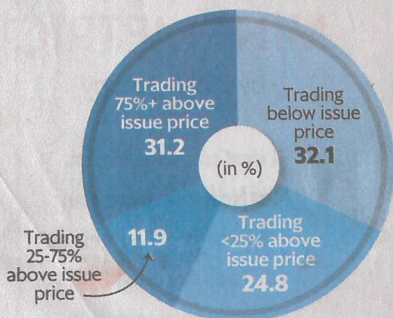
120 - Daily closing values (rebased to 100 = value for 30 Dec 2022)



## Performance tracker

The companies listed this year have had average listing gains of 12%—not as good as 2021 (32%), but slightly better than 2022 (10%). But the decline in IPO fortunes since 2021, the year of the boom, is evident from how they are faring now: Around a third of the stocks listed since 2021 are trading below their issue price.

Listings since 2021, based on stock returns\*



\*Change between issue price and 6 July 2023 closing price.

Top 10 issues since 2021

Life Insurance Corporation of India	20,557	-33.8
One 97 Communications	18,300	-59.5
Zomato	9,375	-1.7
Star Health and Allied Insurance Co.	6,400	-33.6
PB Fintech	5,710	-27.2
Sona BLW Precision Forgings	5,550	80.0
FSN E-Commerce	5,350	-23.2
Delhivery	5,235	-19.9
Nuvoco Vistas	5,000	-37.7
Indian Railway Finance Corp.	4,633	28.4

Issue size (₹ crore)

Change over issue price\* (in %)

**44:** Planned IPOs with Sebi approval, amounting to ₹48,879 crore

**26:** Planned IPOs awaiting Sebi approval, worth ₹35,305 crore

**8/9:** IPOs listed in 2023 that are trading in green

**33.3%:** Share of this year's IPOs that were in loss on listing day\* (the share was 27.5% in 2021)

**18.9%:** Share of listings of 2022 that are now in loss compared to issue price\*

**37.7%:** Average rise in price of IPOs listed in 2023

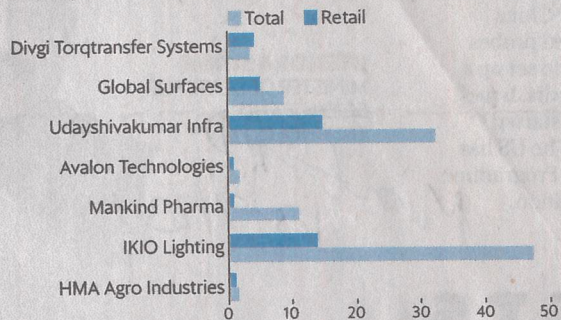
All data as of 6 July.

\*Includes IPOs in SME segment

## Mixed response

Despite the signs of revival in the IPO pipeline, the extreme enthusiasm during the IPO boom in 2021 is no longer there. Muted listing gains have failed to generate interest among retail investors who had joined the boom in droves earlier. Public issues have garnered mixed responses from these individual investors in 2023.

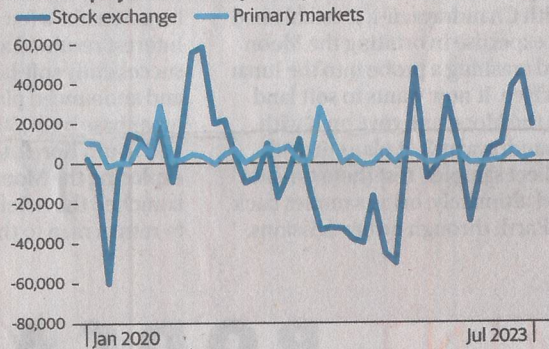
### Subscription ratio (times subscribed) of select recent IPOs



## Sticking around

Foreign portfolio investors (FPIs) have shifted their focus back to India with net investments of over ₹95,000 crore in the year so far. Around 14% of this is invested in the primary market. The IPO market may gain prominence among FPIs if valuations are attractive.

### FPI net equity investments (₹ crore)



Source: Primedatabase.com, BSE, NSDL, Capitaline, Mint analysis



Data clearly indicates that capital raising through the IPO route gathers steam after 1-2 years of rally, and the same fund-raising activity is dull during the bearish phase of equity markets. So, as long as the market continues to gain higher ground, IPOs would continue to hit the market."

**SIDDARTH BHAMRE, head of research, Religare Broking**

The rally in the secondary market seems to be extending to the primary markets as well. Importantly, another reason for IPOs doing well recently is due to the reasonable valuations,"

**PRASHANT RAO, director and head equity capital markets, Anand Rathi Investment Banking**



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