

# Small IPOs dominate the market amid volatility

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Small- and mid-sized initial public offerings (IPOs) were the flavour of the season, with as many as 60 companies raising a total of ₹49,321 crore via their maiden share sales.

In Samvat 2079, while the number of IPOs was 50 per cent more than the previous year, the amount mobilisation was 44 per cent lower. The average IPO size for the Samvat stood at ₹822 crore — the lowest in four years and over 60 per cent below the last year's average of ₹2,212 crore.

The trend of same-sized companies dominating the IPO market was also reflective of the mood in the secondary market, where small- and mid-cap stocks stole a march over the large-caps during the just-concluded Hindu calendar year.

The IPO momentum was underpinned by broad-based gains in the markets and encouraging participation from domestic and foreign investors. In the past 12 months, both foreign portfolio investors (FPIs) and domestic institutions have pumped over ₹1.4 trillion each into domestic stocks. The large flows, however, did not translate into a conducive environment for large issuances, as seen last year.

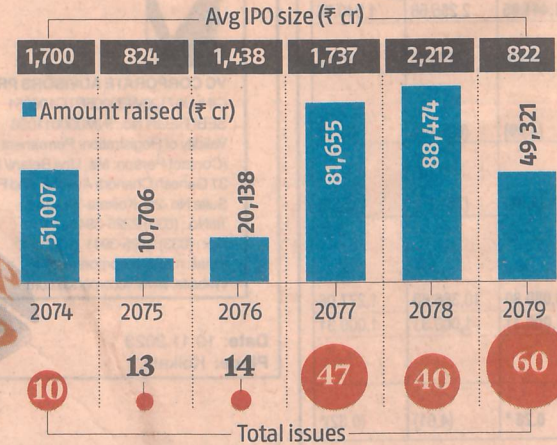
Only 13 of the 60 IPOs had an issue size of above ₹1,000 crore. Mankind Pharma, which raised ₹4,326 crore, was the biggest public issue in Samvat 2079. The other big IPOs were JSW Infrastructure (₹2,800 crore), Global Health (₹2,206 crore), RR Kabel (₹1,964 crore), and Cello World (₹1,900 crore). It was also the year when the owners of well-known consumer brands such as Cello World, Honasa

Consumer (owner of Mama Earth), Sula Vineyards, and Bikaji Foods tapped public funds. Bankers said buoyancy in the secondary market was seen only after March this year, which had a consequent impact on the IPO market.

The market volatility between December 2022 and March 2023, amid rate hike fears and the US banking crisis, had thwarted several companies' listing plans. However, a sharp rebound in the markets from their March lows boosted primary activity later.

"In the last 12 months, smaller issuances with better value on offer got launched. On the other hand, there were a lot of large deals done through blocks and qualified institutional placements. When small IPOs do well, it's a precursor to larger ones hitting the market," said Chirag Negandhi, joint managing director and co-CEO of Axis Capital.

## FLAVOUR OF THE SEASON



Negandhi added that some of the mega issuances in the previous Samvat, such as LIC and Paytm, were the historic ones, and one cannot expect similar issues to hit the market every year.

The outperformance of the small- and mid-cap stocks was another reason for issuers' preference for small-sized issues. In the past 12 months, the Nifty has risen 10.6 per cent, but the Nifty

## TOP 5 IPOs OF SAMVAT 2079



Source: Prime Database  
Compiled by BS Research Bureau

Midcap 100 and the Nifty Smallcap 100 have surged 31.8 per cent and 38.1 per cent, respectively.

Though FPI flows were positive, there were bouts of strong outflows, which led to uncertainty for

bankers and issuers. "Larger IPOs need FPI participation. Smaller issues are easier to manage and can go through with the support of domestic investors," said Pranav Haldea, managing director of Prime Database.

The outlook for the next 12 months remains positive, but some tepidness is expected in the run-up to the elections. "The pricing and launching of an IPO may be difficult before the general elections. The picture will be clear in the second half," said Pranjal Srivastava, partner (investment banking), Centrum Capital. Negandhi said investors would be in a pause mode unless they get clarity about the electoral outcome. "The IPO market will slow down a bit in March-April, and from June, the flurry of activity will start," said Negandhi.

There are over 50 firms that have approached the Sebi to launch an IPO. Bankers say over half will be able to launch share sales if the secondary market and institutional flows remain supportive.