

Primary mkt roars back as 3 of 4 IPOs sold out on Day One

Mayur Bhalariao

mayur.bhalariao@livemint.com

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Dalal Street is on fire. Three out of four share sales that opened on Wednesday were oversubscribed on the first day itself, a feat last seen 27 months ago, with high net-worth individuals (HNIs) and small retail investors leading the charge.

The initial public offering (IPO) of Tata Technologies Ltd, the first Tata group company to list after 19 years, attracted maximum investor interest, witnessing a subscription of 6.5 times. Gandhar Oil Refinery (5.66 times) and Flair Writing Industries (2.3 times) also attracted substantial interest, while Fedbank Financial Services, a unit of Federal Bank, saw a relatively tepid response, with only 0.39 subscription on Day One.

On 4 August 2021, Devyani International, Windlas Biotech, Exxaro Tiles and Krsnaa Diagnostics were subscribed 1.93 times, 2.52 times, 4.1 times and 1.55 times, respectively.

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23% in Flair, 4% in FedFina and 30% in Indian Renewable Energy Development Agency (Ireda). The Ireda share sale opened on Tuesday.

Moderate pricing of these issues attracted HNI and retail interest, analysts said.

"Merchant bankers and promoters are pricing issues in a way that leaves something for the investor, which is why we are seeing HNI and retail interest," said Viral Shah, head of asset management company 360 ONE Wealth. He cited the valuations of Tata Technolo-

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- ◆ gies at a price-earnings (PE) multiple of 25 times one-year forward earnings against peers like KPIT Technologies (80.3 times) and L&T Technology Services (37.47 times). Similarly, the PE multiple of Flair Writing was around 24 times while that of peer Cello stands at 40.56 times.

The other reason for the higher non-institutional interest is the small size of issues. For instance, in Tata Technologies, it stands at ₹456 crore, while bids on the first day were received for ₹5,334 crore. In the case of Gandhar Oil, against ₹75 crore, the HNI portion received bids for ₹577 crore on day one. On Flair, against the reserved portion of ₹89 crore for HNI portion, bids were received for ₹260 crore.

A third reason is secondary market buying by domestic institutions and retail investors. "Historically, a strong secondary market has been a positive indicator for IPO success," said Pranav Haldea, managing director, Prime Database Group. "IPOs listed in such times tend to list at a premium and see oversubscription by retail investors."

On the institutional side, while foreign portfolio investors (FPIs) have traditionally played a dominant role in IPOs, domestic institutional investors (DIIs), especially mutual funds, have gained prominence of late. This has provided a counterbalancing force to FPIs, ensuring the successful execution of at least the smaller IPOs even in the absence of strong foreign investor support, he added.

The institutional book for Tata Tech was subscribed 4.08 times, with bids for 42.9 million shares against 10.5 million on offer; Gandhar Oil Refinery

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subscribed 1.35 times, with bids for 8.02 million shares against 5.93 million shares on offer; and Flair subscribed merely 0.53 times, with bids for 2.17 million shares

against 4.12 million on offer.

The retail book for Tata Technologies was subscribed 5.4 times with 100 million shares being bid for against the 18 million on offer, Gandhar Oil Refinery subscribed 6.9 times with 74 million shares being bid for against the 10.7 million on offer, and Flair subscribed 2.87 times with 20.6 million shares being bid for against the 7.2 million on offer.