

# Despite near-term risks for equities, IPO charm to stay

NIKITA VASHISHT

New Delhi, 30 November

Notwithstanding the near-term risks stemming from the Assembly election outcome, which investors may extrapolate to the general election in 2024, along with volatile oil prices, asymmetrical global growth, and geopolitical tensions, analysts expect the buzz in the primary markets to remain intact in 2024.

Subscription numbers, however, are likely to be lower as investors remain choosy and subscribe only to those initial public offerings (IPOs) where there is valuation comfort, analysts said.

“Investors are going to be very selective in the way they approach IPOs. They will back companies with strong fundamentals, a solid business moat, an experienced management team, and sound corporate governance,” said Neha Agrawal, managing director and head-capital markets group, JM Financial.

Last week, four IPOs — Tata Technologies (Tata Tech), Gandhar Oil Refinery (India), Fedbank Financial Services (Fedfina), and Flair Writing Industries — saw cumulative bids exceeding ₹2 trillion. Among the lot, Tata Technologies garnered the most interest with its share sale getting oversubscribed nearly 70 times, with cumulative bids surpassing ₹1.56 trillion.

Thus far in calendar year 2023, 48 companies have launched mainboard IPOs. Of these, three offers were subscribed over 100 times, while 32 offers (65 per cent) got sub-



## ON THE RISE

Month	No. of mainboard IPOs
January	1
February	0
March	3
April	2
May	1
June	4
July	4
August	6
September	13
October	4
November	10

Source: Exchange data

scribed in double digits, ranging from 12.21 times (Global Surfaces) to 97.11 times (Aeroflex Industries).

Apart from this, any price-wise correction in the broader markets, which has seen a maximum number of companies hitting the Street this May, may also ‘temporarily’ halt the primary market buzz.

“The trend over the past 30 years shows that any bull run in the secondary market is followed by euphoria in the primary market. Since the broader markets have seen stellar gains this year, investors are betting big on most IPOs as

they largely belong to smaller-sized companies. Any correction in this segment may, therefore, dent sentiment,” said Chokkalingam G, head of research at Equinomics Research. In the small-and-medium pack, 150 companies have hit the primary markets so far in 2023. Notably, the IPO frenzy gained momentum at a time when the secondary markets were listless. During the two months ending on October 31, the benchmark S&P BSE Sensex dipped 1.4 per cent, while the National Stock Exchange Nifty50 slipped 0.9 per cent.

However, in those two months, 66 IPOs hit the primary markets.

### Liquidity key

From a long-term perspective, analysts expect the strong resilience of the Indian economy amid a turbulent global set-up, coupled with the increased financialisation of savings, to drive liquidity for primary markets. “Deep primary markets are reflective of strong secondary markets. India’s economy has shown a very strong level of resilience amid global turbulence. Therefore, global and domestic investors will continue to chase Indian IPOs from a growth-adjusted returns perspective,” Neha Agrawal, managing director and head of equity capital markets, JM Financial said. According to PRIME Database, the average number of retail applications rose to 1 million in the first half of 2023-24 from 757,000 in the year-ago period.

More on [business-standard.com](https://www.business-standard.com)