

# YEAR OF RECKONING FOR NEW-AGE IPOs



As investors start looking closely at company bottom lines, the long list of start-up IPOs will have a tough time convincing investors.

By **CHITRANJAN KUMAR**

**AS INDIAN** equity market continues to hit fresh highs, it is witnessing a tsunami of initial public offerings (IPOs), with momentum expected to persist right through 2024. The year kicked off with 23 main board IPOs (including Bharat Highways InvIT) raising a cumulative ₹15,490 crore in January-March, 24 times more than ₹633 crore raised by three firms in Q1 of CY23. For CY24, 19 companies that plan to raise nearly ₹25,000 crore have got approval from Securities and Exchange Board of India (Sebi) while another 37, looking to garner about ₹45,000 crore, are awaiting nod. Of these 56, nine are new-age technology companies looking to raise around ₹21,000 crore. "At present, there is a bit of a pause in IPO activity ahead of elections, but after the results are announced, floodgates will open," says Pranav Haldea, managing director, PRIME Database Group.

The list of new-age companies or start-ups that plan to raise funds from primary market includes established players such

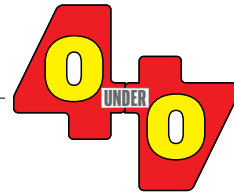
as Ola Electric, Swiggy, PhonePe, Snapdeal, Tata Play, FirstCry, Oyo, PharmEasy, Mobikwik, PayU India and GoDigit. In 2021, many unicorns had gone public, but there was not much action in 2022 and 2023 due to high valuations, global technology sector slowdown and weak performance of heavyweights such as Paytm, Zomato and Nykaa. However, bullish markets, decent listing premiums and strong macros have improved the sentiment this year. "A lot has changed since the first round of IPOs by new-age companies in 2021 starting from Zomato, Patym and

others. But their post-listing performance was not up to the mark because of which not too many similar companies launched IPOs in 2022 and 2023. In 2021, investors seemed to be okay with loss-making companies. Now, they are focusing on unit economics and road to profitability," says Haldea.

Investors are not just looking at top line but bottom line as well. "Given increased focus on profitability, we are seeing companies calibrating growth with unit economics and profitability in the near term and sustainability of their business model in the longer term," says Neha Agarwal, MD & head, Equity Capital Markets, JM Financial Ltd. "In the past, some new-age tech companies did not perform well post IPO, which resulted in value erosion for shareholders. That has made potential investors in new-age tech sector more conscious about IPO valuations. They are scouting for profitable companies with differentiated business models, low cash burns, stable margins and sound corporate governance," she adds.

**₹15,490  
CRORE**

Money raised by 23 main board IPOs (including Bharat Highways InvIT) in first quarter of FY25



**Performance of New Age Tech IPOs**

Company Name	IPO price (adjusted) (₹)	Current market price (₹)	Market cap (₹)	% change - current price over adjusted IPO price
Zomato	76	186.75	1,64,709	145.72
PB Fintech	980	1,230.30	55,512	25.54
FSN E-Commerce Ventures Ltd (Nykaa)	187.5	173.7	49,608	-7.36
Delhivery	487	453.65	33,430	-6.85
One 97 Communications Ltd (Paytm)	2,150.00	391.35	24,878	-81.8
Honasa Consumer Ltd (Mamaearth)	324	382.85	12,414	18.16
C.E. Info Systems Ltd (MapMyIndia)	1,033.00	1,849.15	9,999	79.01
Rategain Travel Technologies	425	666.95	7,855	56.93
MTAR Technologies	575	1,822.90	5,607	217.03
Nazara Technologies	550.5	636.2	4,847	15.57
Zaggle Prepaid Ocean Services	164	284.25	3,482	73.32
Cartrade Tech	1,618.00	698.05	3,273	-56.86
Fino Payments Bank	577	284.75	2,370	-50.65
Yatra Online	142	145.9	2,289	2.75
Tracxn Technologies	80	97.3	1,011	21.63

SOURCE: CAPITALINE

Before we delve deeper into upcoming new-age IPOs, let's look at action in primary markets over last three years.

**IPO Landscape & Trends**

A total of 76 companies debuted on stock markets in FY24, a 16-year high, and raised ₹61,921 crore, 19% more than ₹52,116 crore mobilised by 37 firms in FY23. IPO fund-raising, however, was nearly half the ₹1,11,547 crore (all-time high) raised by 53 firms in FY22.

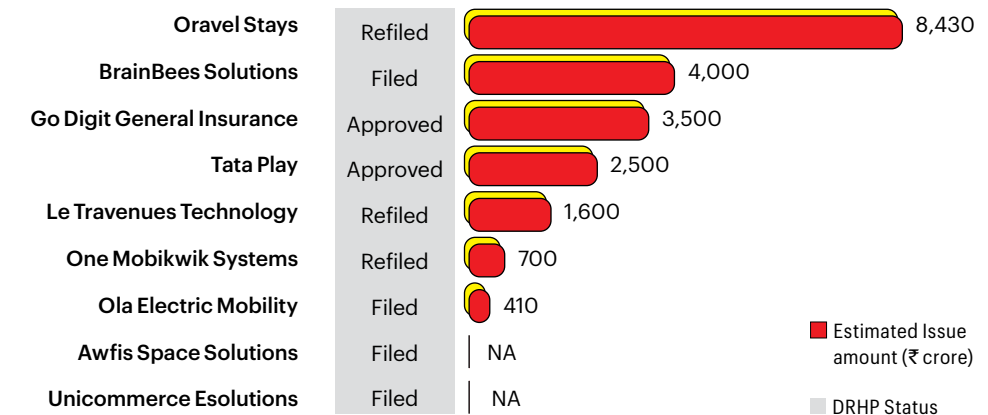
One of the most striking aspects of IPOs last fiscal was record fund-raising via fresh equity issuance, indicating revival in capital

expenditure. In fact, about 46% (₹28,824 crore) was fresh equity, third-highest after ₹40,849 crore in FY22 and ₹38,635 crore in FY08, which will be used to expand and retire debts. Average issue size reduced to ₹815 crore, as against ₹1,409 crore in FY23 and ₹2,105 crore in FY22. The largest IPO in FY24 was Mankind Pharma (₹4,326 crore) while the smallest was Plaza Wires (₹71 crore).

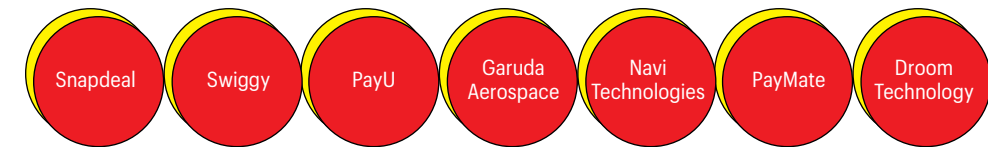
However, the biggest takeaway is that only three new-age companies—Yatra, Mamaearth and Zaggle—debuted on domestic exchanges in FY24, with total issue size of ₹4,326 crore.

**ONLY THREE NEW-AGE COMPANIES—YATRA, MAMAEARTH AND ZAGGLE—DEBUTED ON DOMESTIC EXCHANGES IN FY24, WITH TOTAL ISSUE SIZE OF ₹4,326 CRORE**

**Confirmed New-age Tech IPOs of 2024**



**IPO-bound Start-ups**



SOURCE: MEDIA REPORTS

Start-ups were missing in action in FY23 too, with just two companies, Delhivery and Tracxn Technologies, raising ₹5,544 crore. In FY21, 11 start-ups had gone public to raise a record ₹4,326 crore; these included Paytm, Zomato and beauty e-commerce platform Nykaa. The year 2021 was historic due to strong demand and easing of regulatory norms; Sebi relaxed lock-in conditions for promoter and non-promoter shareholding, eased disclosure norms and allowed companies without three-year profitability to get listed through qualified institutional buyer route. This made it easier for even

loss-making start-ups Paytm (One97 Communications), Zomato and Nykaa (FSN E-Commerce) to raise huge capital through the IPO route. But most investors in these stocks suffered losses over next few quarters, largely due to irrational valuations, weak financials and global headwinds.

The performance of Paytm, Nykaa and Zomato shares, which tumbled up to 70% from IPO prices, forced other tech unicorns such as MobiKwik, PharmEasy, Flipkart, Snapdeal, Ola, Droom, Oyo and BoAt to defer listing plans.

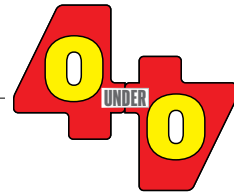
**₹61,915 CRORE**  
Money raised by 76 companies in FY24

**IPOs To Watch Out For**

The dry spell is now getting over. New-age insurer Go Digit General Insurance, backed by Canada's Fairfax Group, last month received final observation from Sebi for its IPO. The insurer, which counts cricketer Virat Kohli and his actress wife Anushka Sharma as investors, had filed preliminary IPO papers with Sebi in April 2023. It received approval on March 1, 2024. Tata Play, previously Tata Sky, got Sebi's observation letter in April 2023. Bengaluru-based electric two-wheeler manufacturer Ola Electric filed draft red herring prospectus (DRHP) in December last year. The IPO of Bhavish Aggarwal-led EV company will be the first public offering by a pure electric vehicle company.

Shortly after, SoftBank-backed e-commerce unicorn Brainbees Solutions, the parent of FirstCry, filed preliminary IPO papers in December 2023. The issue, yet to receive green signal, will be the first public offering by a large e-commerce company after Nykaa in 2021. Awfis Space Solutions Ltd., a flexible workspace solutions provider, and Unicommerce, an e-commerce Software as a Service company, have also submitted draft IPO papers. Oravel Stays Ltd., the operator of travel tech firm OYO, fintech start-up MobiKwik and online travel aggregator brand Ixigo have refiled DRHPs.

The list will become much longer as online



foodtech unicorn Swiggy, Walmart's payments company PhonePe, Aakash Educational Services and homegrown e-commerce company Snapdeal also plan to go public this year; although there's no confirmation of the exact timeline of their plans, which will depend on market conditions.

Market experts say India is fast emerging as a hot destination for start-up investors, thanks to improving market conditions and business performance. Start-ups, too, have realised the benefits of depending on more stable primary market capital. "Private sector's demand for reliable capital and escalating interest in innovative technology businesses are fuelling optimism about public market debuts. We expect new-age technology sector to be one of the key sectoral opportunities over next five years," says Mahavir Lunawat, managing director, Pantomath Capital Advisors.

"Many tech companies are gearing up for IPOs amid funding winter in private markets. Given the strong IPO market environment, we expect to see 8-10 IPOs from new-age tech sector in next 12 months," says Agarwal of JM Financial.

Listing day gain has emerged as one of the catalysts for the rush, says Haldea of PRIME Database. As per exchange data, average listing gain (based on closing price on listing date) was 29% in FY24

compared to 9% in FY23. Of the 75 IPOs listed in FY24, 48 delivered over 10%. Vibhor Steel delivered 193% followed by BLS E-Services (175%) and Tata Technologies (163%). A total of 51 out of 75 IPOs are trading above issue price (closing price of March 21, 2024) with average return of 65%.

"Weak performance of Chinese market, one of the world's largest sources of IPO fund-raising, is also favouring India," says Sandip Raichura, executive director & CEO (Broking and Distribution), Prabhudas Lilladher. In recent past, India has beaten China's growth rate and attracted massive investments from foreign institutional investors seeking to diversify away from Beijing, he adds.

According to Ernst and Young's (EY's) Global IPO Trends 2024 report, China's market has significantly slowed, while India has emerged as a standout performer. China A-share IPO activity "slowed significantly" in first quarter of the year with only 30 offerings raising \$3.4 billion. Number of IPOs and their proceeds were the lowest since 2020. This was attributed to a recent decision to impose stricter rules for share offerings. "Since 2019, India has rapidly gained distinction in number of IPOs. The country's share of global IPO activity surged from 6% in 2019 to 27% in first quarter of 2024, propelling it to the world's leading IPO market by deal volume," as

## INDIA'S SHARE OF GLOBAL IPO ACTIVITY SURGED FROM 6% IN 2019 TO 27% IN FIRST QUARTER OF 2024, MAKING IT THE WORLD'S LEADING IPO MARKET BY VOLUME

**29%**  
The average listing day gain in FY24

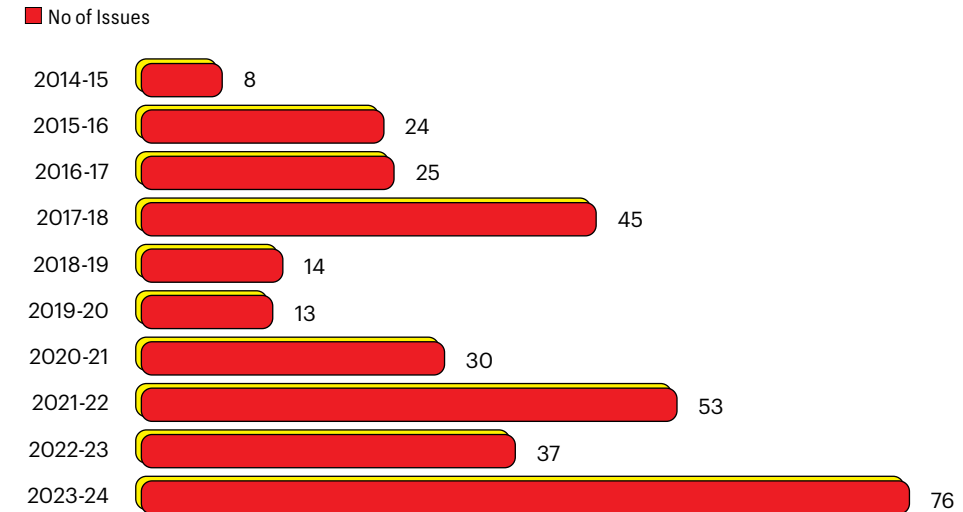
**54**  
Number of IPOs that were subscribed more than 10 times in FY24

per the EY report.

### Investor Interest

Recently, there has been an improvement in valuations and pricing to more reasonable levels, indicating growing confidence of both issuers and investors. People are now willing to invest in companies with solid fundamentals and path to profitability rather than just betting on rising revenues. "Indian capital markets went through a learning curve in last two years in relation to new-age companies. Investors are now clearly focusing on companies that demonstrate near-term growth and clear path to profitability," says Pranjal Srivastava, partner, Investment Banking, Centrum Capital. He adds retail in-

### IPO Activity By Number Of IPOs



SOURCE: PRIMEDATABASE.COM

### IPO Activity By Proceeds (₹)

Financial Year	Issue Amount	Fresh Equity Capital	Offer For Sale
2014-15	2,770	1,646	1,123.93
2015-16	14,500	6,805	7,694.64
2016-17	28,225	10,187	18,037.55
2017-18	81,553	15,010	66,543.59
2018-19	14,718	2,663	12,056.42
2019-20	20,350	2,486	17,864.08
2020-21	31,268	9,502	21,765.39
2021-22	1,11,547	40,849	70,697.87
2022-23	52,116	14,034	38,081.45
2023-24	61,921	28,824	33,097.13

NUMBERS ROUNDED OFF SOURCE: PRIMEDATABASE.COM

vestors have become savvy and take cues from anchor investors.

Lunawat of Pantomath Capital believes the buoyant outlook is based on current market dynamics and favourable regulatory environment. "However,

it's important to consider risks such as market volatility, shifts in global economic conditions, regulatory adjustments impacting investor sentiment and liquidity levels." Lunawat says this optimism is fuelled by a confluence of

factors, including surge in domestic capital, improved governance practices, vibrant entrepreneurship and favourable government policies bolstered by FDI support. "We expect Indian IPO markets to continue outperforming

in FY25 because of strong macros, stable political environment and expected equity market inflows. However, unlike FY24, we expect many large IPOs, including from new-age tech companies post elections. Factors that could impact the flow of IPOs are general election results, wars in Middle East and Europe, higher than expected inflation globally and volatility around U.S. elections," says Agarwal of JM Financial.

Given the strong response to IPOs in 2024 as well as improvement in global macroeconomic environment, this year is expected to be exceptional for most new-age tech stocks, says Sandip Raichura of Prabhudas Lilladher.

In FY24, response from public was excellent, with 54 IPOs receiving a subscription of more than 10 times (22 IPOs were more than 50 times), while 11 IPOs were subscribed more than three times. The remaining 10 IPOs were subscribed between one and three times. The response from retail investors also increased tremendously with average number of applications from retail surging from 5.57 lakh in FY23 to 13.17 lakh in FY24. The amount of shares applied for by retail (₹1,95,399 crore) was 216% higher than total IPO mobilisation.

Such enthusiasm from retail means higher chances of IPOs from new-age companies sailing through. ■