

IPOs sail strong on mkt tailwind

IPOs this year stay on course: Only 10 let Sebi approval slip — a three-year low

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The current market buoyancy has sizeably boosted the success rate of companies launching initial public offerings (IPOs). In a remarkable shift, only 10 companies have failed to launch their maiden offerings after securing regulatory approvals. In comparison, 39 companies let their approvals lapse last calendar year, and 30 did so in 2022.

The IPO filing-to-approval lapsing ratio this year is the best in three years, underscoring the improvement in the IPO market's buoyancy. Market players attribute the higher success ratio to favourable valuations in the secondary market. Potential new listings take cues from already listed peers, which, in many cases, are trading at record-high price-to-earnings multiples.

"We hardly see any company letting their Securities and Exchange Board of India (Sebi) approval lapse as market conditions are good and valuation expectations are being met," said Deepak Kaushik, group head of equity capital markets at SBI Capital Markets.

"In our case, we haven't seen a single mandate lapse. When a company wants to go public, they have a certain expectation regarding valuation, and

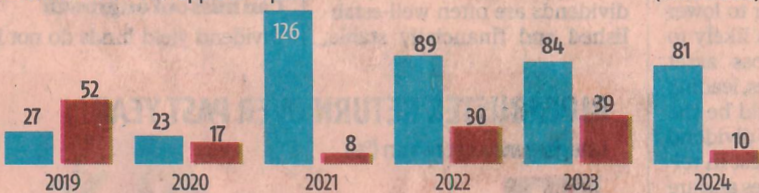


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RIDING THE WAVE

Market is seeing significant improvement in success rate

■ DRHPs filed ■ Sebi approval lapsed



DRHP: Draft red herring prospectus

Source: primedatabase.com

you need demand at that valuation," he added.

Notably, the issuances are not restricted to a single sector or theme, as companies from manufacturing to services find acceptance. "When the economy is buoyant and domestic consumption is rising, the multiples you demand may not seem excessive when viewed from the prism of profit growth. I'd say the current valuations are not very high and are close to meeting the issuers' expectations," Kaushik said.

So far this year, the National Stock Exchange Nifty has gained 15 per cent, the Nifty Smallcap 100 has risen 27.7 per cent, and the Nifty Midcap 100 has increased by 28.2 per cent. In the first eight months of the previous year, the Nifty rose 6.4 per cent, while the Nifty Smallcap 100 and the Midcap 100 each rose by 22 per cent. Some companies that let their approvals lapse in the past are now taking another shot at IPOs amid improved sentiment.

"Some issues this year have been refilings. Many are filing for the second or third time," observed Pranjal Srivastava, partner (investment banking) at Centrum Capital.

Jana Small Finance Bank, Aadhar Housing Finance, and Popular Vehicles & Services are some firms that refiled their offer documents and completed their IPOs. Others, like Go Digit General Insurance and BrainBees Solutions, had to refile for regulatory compliance.

The draft red herring prospectus (DRHP) is a preliminary document filed before an IPO and contains necessary details such as the number of shares being offered, financial results, and risk factors. After vetting the DRHP, Sebi provides its final observations, a crucial step in the IPO process. A company must launch its IPO within 12 months from the date of the final observations.

The companies that let their approvals lapse this year include IndiaFirst Life Insurance, Healthvista India, EbixCash, and FirstMeridian Business Services, among others. So far this year 45 companies have raised ₹48,371 crore through IPOs.

In recent weeks, IPO filings have also gathered pace. Bankers are optimistic about the chances of most of these issues. "One would be surprised if there are many expiries, going forward. In terms of valuation, you are getting quite close to what you have in mind. There could be a 10 per cent difference, which one has to take in stride. We haven't seen much discrepancy between the valuation expectation and demand in our launched issues," Kaushik said.