FALLING LISTING GAINS LEADING TO LOWER RETAIL PARTICIPATION

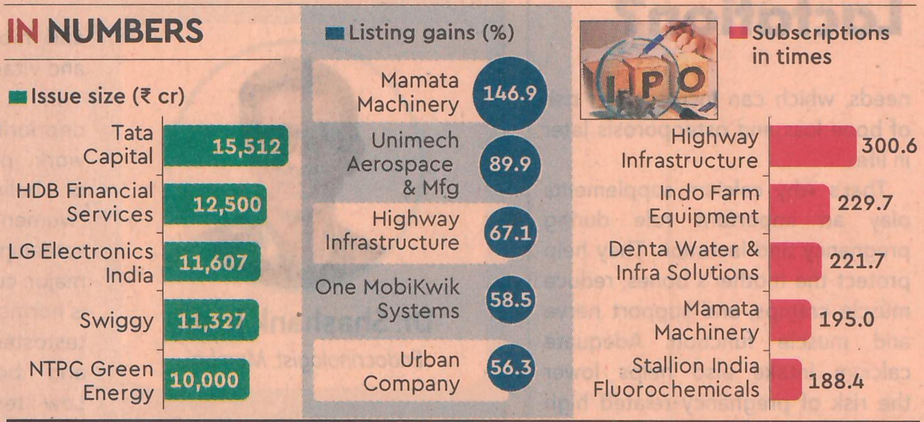
Record IPO mop-up in Samvat 2081

ANANYA GROVER
Mumbai, October 19

IT IS A tale of two markets. While the secondary market in Samvat 2081 faced pressures from global headwinds and earnings decline, the initial public offerings (IPOs) continued to prosper.

According to Prime Database, a total of 104 IPOs raised ₹1.78 lakh crore in Samvat 2081 – the highest ever – compared with 84 offers raising ₹1.19 lakh crore last year. Even the average IPO size this year was higher at ₹1,708.68 crore from ₹1,415.68 crore. The fundraising through this route rose 49% vis a vis last year.

However, the listless performance of the secondary market weighed on the listing premiums. Chirag Setalvad, head of equities at HDFC AMC, said in the Samvat 2082 webinar that IPO reception is not very ebullient, as they are priced in a fashion which leaves only 10-15% on the table.



In the absence of listing gains, the retail participation in this Samvat has come down to 26.42 times from 33.4 times in last Samvat. According to Pranav Haldea, MD of Prime Database Group, the strategy of most retail investors is to capture the listing pop and they track the grey market to do that. He also attributed this fall to the negative sentiment in the broader market.

Various factors weighing on the secondary market this year included elevated valuations, lower-than-expected earnings as well as tariff uncertainty from the US. As a result, the benchmark equity indices delivered around 6% returns, compared with around 10% in Samvat 2079 and more than 20% in Samvat 2080.

This led to many companies cutting their issue sizes from the filings they made when markets had been in the upwards trajectory, as they near the one-year expiration of their Sebi approvals. Experts said for these companies options narrow to either letting approvals lapse and re-filing later, or launching at reduced issue sizes and valuations.

Large issues like Tata Capital, HDB Financial Services, and NSDL were priced at a huge discount in the unlisted market as investors rushed to these names. This increased demand while supply remained low. These companies saw a tepid listing with gains of around 1-13%.

Meanwhile, LG Electronics' ₹11,607-crore IPO made the debut at over 50% premium to the issue price. Other large issues such as Swiggy and NTPC Green also made tepid listings.

The ones that delivered the most were Mamata Machinery (146.9%), Unimech Aerospace (89.9%), Highway Infrastructure (67.1%), One MobiKwik Systems (58.5%), and Urban Company 56.3%.