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Firms likely to delay IPO plans on market volatility

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Firms looking to go public turn cautious as falling rupee, rising oil prices roil markets So far this year, 14 companies have raised Rs18,591.73 crore from IPOs, and 37 companies have filed draft IPO papers

Several companies that had prepared to list on stock markets may choose to wait as a falling rupee, rising crude oil prices and volatile stocks cast uncertainty, market experts said.



In April, Mint had reported that at least a dozen companies were preparing to launch their initial public offerings (IPOs) in the April-June quarter, looking to raise a total of around Rs17,000 crore. These included HDFC Asset Management Co. Ltd, auto parts maker Varroc Engineering Ltd, non-banking financial company IndoStar Capital Finance Ltd, microfinancier CreditAccess Grameen Ltd and women's apparel maker TCNS Clothing Co. Ltd.

It's more than half way through the quarter, but only IndoStar Capital Finance has launched its IPO so far. The company raised Rs1,844 crore through its initial share sale, which closed on 11 May, which was subscribed 6.8 times. The company listed on the stock exchanges with a 5% premium on 21 May.

"The secondary markets have been very volatile in the recent weeks. First, there was the Karnataka elections and now, the bigger worry for the markets is rising crude price and a depreciating rupee. The volatility is making companies cautious and thus, launch plans of several companies are likely to be impacted," an investment banker advising several companies on IPOs said on condition of anonymity.

The rupee has lost 6.65% to close at 68.43 against the dollar on Wednesday, while crude oil has gained 18.08% to \$78.96 per barrel since the start of 2018, shows data from Bloomberg.

Also, since the start of the year, the benchmark Sensex has gained just 0.85% to close at 34,344.91 points, against a gain of 27.91% in the previous calendar year. According to a second investment banker, who too requested to be anonymous, the volatility and deteriorating macros will impact not just the launch timelines but also the pricing of the IPOs.

"Volatility is a big issue. People are trying to figure out what are the price points at which deals can be done, whether both sides are comfortable. Promoters want an X price and they might seem to be getting it, but when market gets volatile, investors will try to see if they can get a better deal," he said.

"Everyone is looking to launch a trade, but we have to see whether now there is demand at an ask price that seemed to be right few weeks ago," he added.

According to Prithvi Haldea, chairman of Prime Database group, despite the current market conditions, quality companies will be able come to the market, but the pricing will be more reasonable.

"When the markets are buoyant and going up, more people can launch IPOs and (according to them) at better prices. Investors will look at each company individually and if the pricing is right, I believe the appetite is huge. IPOs will happen but the pricing will be much more reasonable," said Haldea. "We are in a volatile market, which is not obviously conducive for IPOs; but we are not a market where things are falling apart," he added.

In 2017, 36 companies raised Rs67,147.4 crore through the IPO route, according to data from primary market tracker Prime Database. So far this year, 14 companies have raised Rs18,591.73 crore from IPOs, and 37 companies have filed draft IPO papers with Sebi.