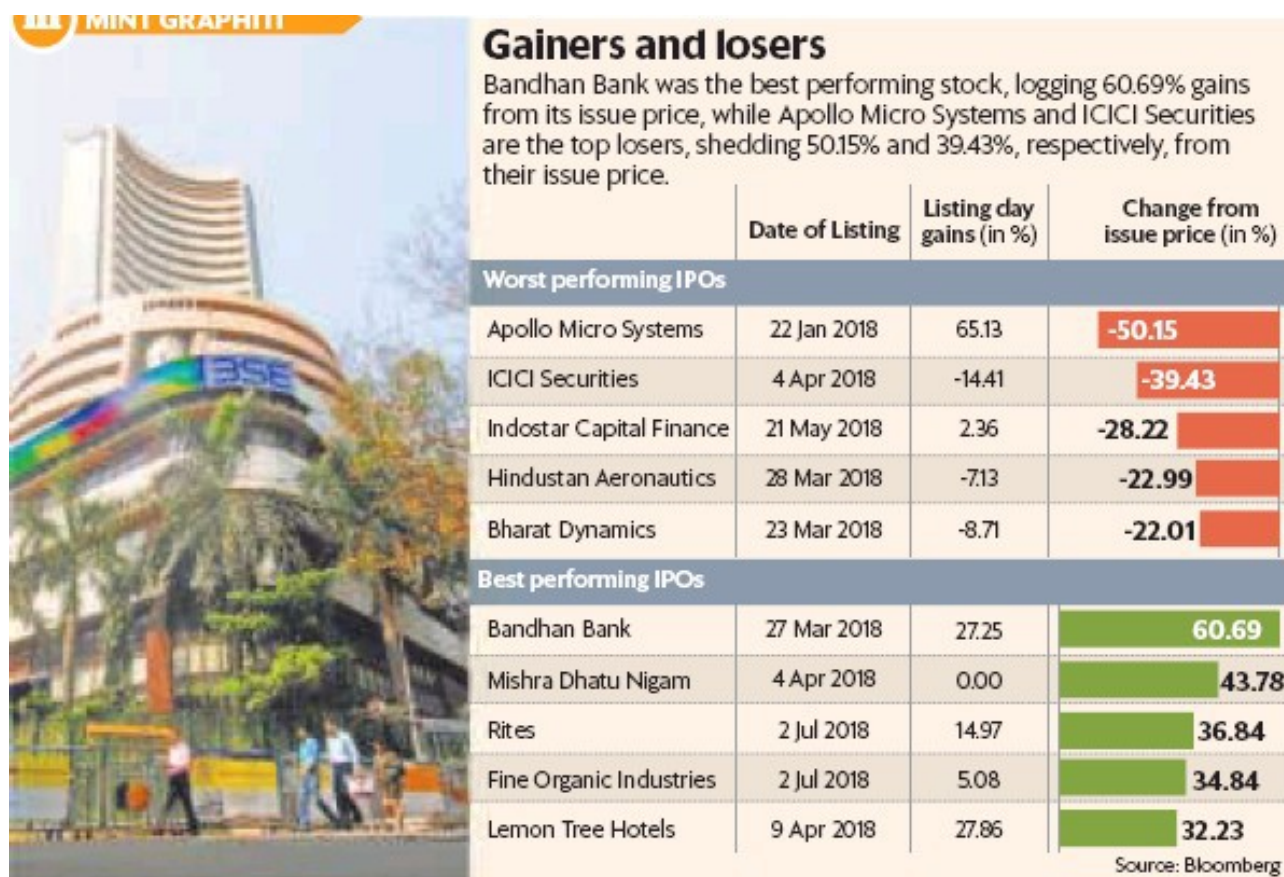


## More than half the stocks listed this year trade below issue price

### Market volatility, aggressive pricing, sector-specific issues weigh on most stocks that debuted in 2018

Out of 21 initial public offers, or IPOs, in 2018, shares of 11 companies now trade below their issue price

Shares of more than half of all companies that went public this year are trading below their issue price, hurt by market volatility, aggressive pricing and sometimes stock and sector-specific issues.



Out of 21 initial public offers (IPOs) in 2018, shares of 11 companies now trade below their issue price.

“As the market went up, so did the expectation and pricing of the IPOs. Pricing issue was in sync with market sentiment,” said Arun Kejriwal, director of Kejriwal Research and Investment Services Pvt. Ltd.

“Greed factor of promoter, merchant banker and PE (private equity firms) rose. All the issues which were priced aggressively and were of low quality were oversubscribed, and that drove up grey market prices, in turn driving up listing gains,” said Kejriwal.

“Eventually, market sentiment caught up and prices corrected where they were stretched,” added Kejriwal.

Top losers in the pack are Apollo Micro Systems Ltd and ICICI Securities Ltd, which are down 50% and 39% respectively from their issue price.

Apollo Micro Systems actually rose 65% at close on 22 January, the day it started trading. However, subsequently, the stock has corrected and is now down more than 50% from its issue price.

ICICI Securities which was listed in April had to cut down the size of its IPO to around ₹3,520 crore after it witnessed low subscription during the share sale on 22-26 March, compared to an earlier target of ₹4,017 crore. Its shares debuted at a 14.4% discount.

The noise around allegations on corporate governance related to Chanda Kocchar, the chief executive officer of the company's parent ICICI Bank also weighed on the stock.

"It's a combination of a number of things," said Pranav Haldea, managing director primary-market tracker Prime Database, pointing to the decline in performance of many debutantes this year.

"The carnage in the small and mid-cap space, along with aggressive pricing, have hurt many debutantes—particularly in that space. Market volatility too is weighing on stocks at large," added Haldea.

Bankers believe the pricing was not too expensive in most cases, but it is the general meltdown in the market sentiment that has weighed on most stocks.

"Barring a few exceptions, most of the other recently-listed companies were not really very stretched on the valuation front," said Debasis Panigrahi, executive director at Nomura's India investment banking unit.

"They saw a price correction largely due to general market weakness and the pullout that most emerging markets are currently witnessing. Volatility in the markets has hit them hard," added Panigrahi.

"That said, good quality IPOs are still doing well, but of course, stock-specific developments have bothered some who performed well to start with," he pointed out.

Asset manager HDFC Asset Management Co. Ltd made a stellar debut on 6 August, rising 65% to close at ₹1,815.15. The stock rose to as much as ₹1,969.50 on 27 August, but has corrected since then and closed at ₹1,408.55 on Wednesday, its lowest ever.

Earlier this week, the Securities and Exchange Board of India (Sebi) capped the expense ratio for mutual funds, hurting the asset manager's stocks.

Private lender Bandhan Bank was the best performing stock, which came up with the biggest IPO in the banking industry ever. The stock logged 27.25% gains on opening day, and currently is up 60.69% from its issue price. The stock, however has corrected from its record high of ₹741.