

INVESTORS SEEN TO BE MORE SELECTIVE NOW

Cos Look to Shrink Issue Sizes to Get IPOs Pass Through

Move follows Sebi letting companies prune offer size without refiling IPO papers

Himadri Buch

Mumbai: At least 10 companies are planning plans to slash the size of their planned initial public offerings (IPOs) to ensure that these succeed amid shrinking risk appetite that's made investors more selective about fund deployment, according to investment bankers and valuation experts.

This follows the capital market regulator allowing companies with approvals to prune issue sizes by as much as half without re-filing papers for IPOs opening before September 30. The companies have been in talks with institutional investors to gauge their interest in smaller IPO sizes, the bankers said.

"We are aware of at least eight to 10 companies which are open to cutting the issue size," said Dev Chandrasekhar, founder of Transcendium—a Mumbai-based valuations and strategic advisory firm.

The companies are said to be in the non-banking finance company (NBFC), jewellery, food, packaging, healthcare and steel sectors. They plan to push through with their IPOs over the next 2-4 months if the secondary market remains stable, said the people cited.

"This is particularly beneficial for large issuers," said Bhavesh Shah, MD and head of investment banking at Equirus Capital. "Their deals depend heavily on institutional participation, which can shift quickly with market sentiment, so flexible sizing helps avoid under-subscription or pricing pressure."

As many as 146 companies have received Sebi approval to raise a total over ₹2 lakh crore. Of this, approvals of 43 companies are valid only until September, according to Prime Database. Out of the

Float & Figures

IPO Details

Issue Size Band	Number of Companies
upto 1000	55
1001-2000	70
2001-3000	11
3001-9000	10
Total	146

(In ₹crore) Source: Prime Database



146 companies, a significant chunk is targeting large fundraises. As many as 45 plan issues of ₹1,000 crore and above, according to Prime Database. Within this, 77 companies fall in the ₹1,001-2,000 crore bracket, while 20 are looking at ₹2,001-5,000 crore issues. One is aiming as high as ₹9,000 crore.

In a one-off move in April, the Securities and Exchange Board of India (Sebi) allowed companies with IPO approvals to increase or decrease the fresh issue size by up to 50% without submitting a new draft offer document, giving them more flexibility to adjust to volatile market conditions and lower investor appetite amid the West Asia war and other pressures.

The rules otherwise require companies to refile a draft prospectus if the issue size changes by more than 20% from the original estimate. At the mid-sized level, 27 companies have issue sizes between ₹500 crore and ₹950 crore, while 22 are in the ₹150-500 crore bracket.

Continued on ►► Smart Investing

Cos Cut Issue Sizes to Get IPOs Pass Through

►► From ET Markets Page 1

"Smaller companies will use this Sebi window to recalibrate, not retreat," said Chandrasekhar. "The smart move is to trim the OFS (offer-for-sale) portion when promoter exits look greedy against weak demand, while keeping the fresh issue intact so the business still gets funded."

For these entities, it could mean trimming the offer to better align with real-time investor demand, which should improve subscription levels, under subscription or last-minute withdrawal, said Samir Bahl, CEO, AnandRathi Advisors.

"Smaller companies in the ₹200-400 crore range are indeed more likely to use this provision to recalibrate their issue sizes," he said.

Generally, companies consider cutting the IPO size closer to the launch of the issue. Sebi rules stipulate that companies going public should have provided financial data that's only up to six months old. Companies with the December quarter as the latest earnings period in the draft red

herring prospectus (DRHP) must launch their IPOs by June. "Uncertainties owing to the geopolitical crisis are having an impact on the IPO market and if this continues, we might see some issuers recalibrate deal sizes closer to launch," said Prashant Singhal, partner and India markets leader, EY.

However, this change would be less about cutting deal sizes and more about getting valuation right, he said.

According to Abhishek Sharma, founder and managing director of GYR Capital Advisors, a merchant banking firm, "Several

companies, at least four or five that I am aware of, are already considering reducing their issue sizes."

Chandrasekhar said eventually many more companies, especially large companies, will look to push through the IPOs by cutting the IPO size.



Cos with the Dec-quarter as the latest earnings period in the DRHP must launch their IPOs by June

◆ ◆ ◆ ◆