SBI MF debuts well; what about others?

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MUMBAI

The broader market closed on a volatile note on Tuesday, but India's largest IPO so far this year managed a decent debut.

Betting big in a volatile environment, SBI Funds Management made a reasonable market debut, closing at 6.2% above its issue price.

The ₹9,813-crore issue drew big demand, attracting bids worth nearly ₹3 trillion. With a massive 42 times oversubscription, it ranks second only to Reliance Power among India's 20 mega-IPOs.

While SBI Funds did well, how have past giants fared on their listing days?

A *Mint* analysis of the 20 largest IPOs (by issue size) showed that the broader market conditions typically dictate the direction of a debut. Of the 11 large IPOs that debuted on days when the Sensex advanced, nine delivered gains.

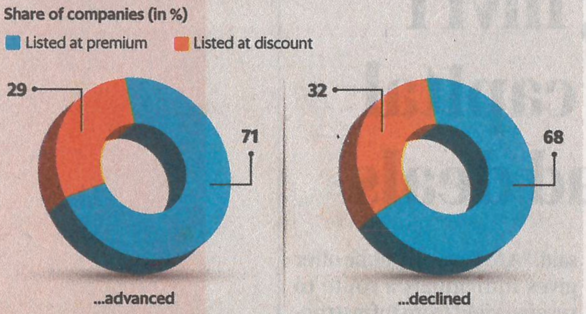
For instance, Coal India surged 40% on a day the benchmark rose 2.1%, while HDFC Standard Life Insurance and ICICI Prudential AMC gained 19% each on the day when the Sensex advanced nearly 1% and 0.5% respectively.

However, a rising market did not always guarantee a successful debut. Life Insurance Corp. fell 8% even as the Sensex gained 2.5% while General Insurance Corp. declined 4.6% despite a 1.3% rise in the benchmark.

The picture flips when the market is in red: of the nine IPOs that listed when the frontline index declined, four gained and five listed at a discount.

Sentiment's effect

The listing performance of IPOs on days when the Sensex...



Based on the analysis of 222 main-board initial public offerings (IPOs) since 2024. Closing prices on listing day were considered.

Source: Primedatabase, Mint analysis

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LG Electronics India gained 40% even as the Sensex declined 0.4%, while HDB Financial Services rose 1.4% despite a 0.3% fall in the benchmark. In contrast, Reliance Power dropped 17% when Sensex tumbled 5% and Hyundai Motor India fell 7% on a day when the benchmark lost 1.3%.

"Large issues require broad institutional participation to absorb the supply, making them more sensitive to the overall market mood," said Vedant Gupte, co-founder and chief executive of investment platform Trackk.

"But SBI Funds had strong buffers. It was heavily subscribed across investor categories, supported by substantial institutional demand and a strong anchor book. That level of conviction created a solid floor for the stock," he added.

Of the 99 firms that listed when Sensex advanced, 71% delivered gains while the rest listed below issue prices

Beyond mega-IPOs, broader markets helped boost the listing pop. A *Mint* analysis of 222 mainboard IPOs since 2024 showed that a favourable market mood helped deliver listing-day gains.

"Market sentiment remains important regardless of whether an IPO is large, mid-sized or small. An IPO being listed cannot be viewed in isolation from the broader market," said Pranav Haldea, managing director, Prime Database Group.

Sample this. Of the 99 companies that listed when the Sensex advanced, 71% delivered gains while the remaining 29% listed below their issue prices. But on weak market days, IPOs showed resilience. Of the 123 companies debuting during a Sensex decline, 68% still posted gains, while just 32% tracked the broader market slump.

To put things in perspective, IPOs that debuted when the benchmark index advanced posted an average listing return of 19.86%, compared with 14.85% gains when the markets declined.

"Fundamentals and valuation matter, but a sharp market correction can weigh on a stock's debut, as seen during recent geopolitical tensions. Likewise, a strong rally can lift listing gains. This relationship is (IPO) size-agnostic," Haldea added.

On the outliers that delivered listing gains regardless of the benchmark momentum, Gupte noted that historically, well-subscribed and sensibly priced IPOs have delivered listing gains regardless of what the market does that morning. "Market direction stretches or compresses the premium; it rarely changes the outcome entirely," he added.

Strong demand, however, did not guarantee that investors would be rewarded. Reliance Power topped the list with a subscription of more than 69 times, yet listed at a 17% discount.

SBI Funds was subscribed about 42 times and gained 6.2%, while LG Electronics and Zomato subscribed about 38 times at 23 times respectively-rose 48% and 66% on debut.

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