

NSE's flat debut shows why mega IPOs can disappoint

A *Mint* analysis of India's 20 largest public offers, including NSE's, shows a mixed record

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The exchange at the heart of India's stock market made a modest debut of its own. National Stock Exchange of India Ltd (NSE) listed on BSE at ₹1,800 a share on Thursday, a 0.84% premium to its ₹1,785 issue price, and ended the session about 1.8% above the offer price, even as the Sensex fell 1.67%.

For investors in India's second-largest initial public offering (IPO), the gain offered some comfort on a bruising market day. But it also underscored a familiar lesson from mega IPOs: a large offering and a prominent business do not necessarily translate into a blockbuster debut.

A *Mint* analysis of India's 20 largest IPOs, including NSE, shows a mixed record. Several offerings overcame broader market weakness to deliver strong first-day gains. Others disappointed despite heavy subscriptions, while debut-day winners have not always sustained their advantage.

NSE's closing gain placed it near the bottom of the positive debuts in the sample. Of the 13 offerings that ended their first session above their issue prices, only Tata Capital posted a smaller gain, at 1.3%, according to Prime Database.

NSE's ₹22,562-crore offering, subscribed 5.71 times, trails only Hyundai Motor India in size. Its modest debut reflected competing forces: demand for a distinctive market-infrastructure business and selling by existing shareholders sitting on gains, according to analysts.

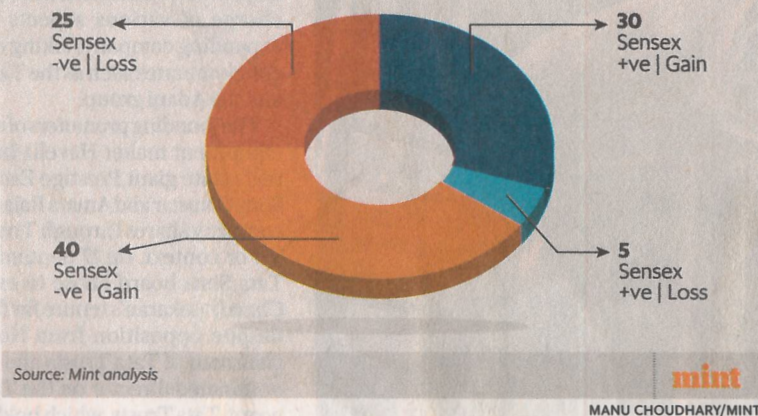
Aman Chowhan, senior fund manager, research and investment, at Abakus Investment Managers, attributed the limited listing gains to NSE's large free float and profit-booking by

The listing reality

Several IPOs bucked market weakness with strong debuts, while others disappointed despite heavy subscriptions and some failed to sustain their gains, a *Mint* analysis shows.

A weak market need not spoil an IPO

Share of India's 20 largest IPOs delivering gains or losses, based on the Sensex's performance on listing day.



existing shareholders. The resulting supply was sufficient to absorb fresh institutional demand, he said.

Santosh Meena, head of research at Swastika Investmart, pointed to the factors aiding demand: strong fundamentals, a distinctive franchise, reasonable valuation and institutional participation.

these strengths need not translate into large immediate gains.

The record of mega IPOs, including NSE's, shows that a falling market doesn't really lead to a weak debut. Of the 13 offerings listed on days when the Sensex declined, eight closed above their issue price while five finished

Kanchan, associate director, Anand Rathi Shares & Stock Brokers Ltd.

Some comfortably overcame the selling pressure. LG Electronics India surged 48.2% on debut despite a 0.4% Sensex decline. Swiggy gained 16.9% as the benchmark fell 1.3%, while HDB Financial Services rose 13.6% against a 0.3% market drop.

Others suffered steep losses alongside a falling benchmark. Paytm parent One 97 Communications fell 27.2% on its first day, Reliance Power lost 17.2% and Hyundai declined 7.1%.

"A large IPO can withstand a weak market when investors are buying something they can't get elsewhere, at a price that leaves room for appreciation. The factors that matter are scarcity, pricing relative to listed peers, the quality of the institutional book, and how much supply hits the market on day one," said Thomas J. Priju, portfolio manager at Karma Capital.

Subscription figures were similarly not a reliable guide to debut-day performance. Seven of the previous offerings attracted double-digit subscriptions, but only five delivered first-day gains. Reliance Power was subscribed 69.6 times and still ended sharply lower. SBI Cards, subscribed 19.1 times, also closed below its issue price.

Chowhan said headline subscription figures can overstate underlying demand because investors inflate bids in anticipation of smaller allotments. What matters is genuine demand and the price at which it exists, he said, arguing that investors should give greater weight to offer valuation than to the overall subscription multiple.

Beyond the listing day, the record offers less comfort. As of 24 September, only seven of the 19 mega IPOs (excluding NSE) traded above their offer prices.

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THE IPO SCORECARD

NSE'S closing gain placed it near the bottom of the positive debuts in the sample

OF 13 IPOs that ended above issue prices, only Tata Capital gained less, at 1.3%.

NSE's modest debut reflected strong demand but also profit-taking by shareholders

THE record of mega IPOs, however, shows that a falling market doesn't really lead to a weak debut

NSE's position in equities and derivatives, high margins and exposure to the expansion of India's capital markets supported its appeal, Meena said. He also cited pricing below earlier unlisted-market peaks and subscription of 12.68 times in the qualified institutional buyer category, while cautioning that

below. "A falling Sensex sets the opening tone, but a large IPO's close depends on institutional appetite for the business, pricing that leaves room for gains, and whether shareholders are long-term investors or leveraged buyers seeking a quick exit. When these align, market mood matters less," said Tanvi