

Cheaper, fresh IPOs reward patient investors

SHILPA RANGARAJAN

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Investors who bought this year's cheap initial public offerings (IPOs) and held on have been well-rewarded, especially when the money raised went to the company rather than to exiting shareholders.

Of the 38 mainboard issues listed between January and August with reported earnings, the 12 priced below 20 times earnings returned a median 45.4 per cent by September 29, against 33 per cent for all such issues, according to Capitaline and Prime Database data. Most of those gains came after the debut: the shares opened at a median premium of only 5.3 per cent and have since risen by a median 35.2 per cent from their listing-day close. Nine of the 12 raised mainly fresh capital, and they returned a median 51.3 per cent.

Pricier issues, valued at 30-50 times earnings, returned

more, a median 58.8 per cent, but their gains came upfront. They listed at a median premium of 23.2 per cent and have added only 10.5 per cent since. This band was offer for sale (OFS)-heavy, with existing shareholders accounting for 81.8 per cent of the ₹22,998 crore raised. Indo-MIM (priced at 40.8 times, 157.5 per cent above its offer price) and Shadowfax Technologies (43 times, 126.4 per cent above) led the band, while SBI Funds Management (38.1x) and Fractal Analytics (47x) trade 9.8 per cent and 16.2 per cent below their offer prices, respectively. Indo-MIM was 87 per cent OFS, while SBI Funds Management was a pure OFS.

The three pure OFS listings in the band — Central Mine Planning & Design Institute (priced at 18.4x, 24.1 per cent above its price), CMR Green Technologies (19 times, 18.7 per cent above), and Hexagon Nutrition (14.1x, 44 per cent above) — returned a median 24.1 per cent.

The scorecard

Name	Offer price (₹)	Return over offer price (%)	P/E at offer price
Indo-Mim	485	157.5	40.8
Omnitech Engineering	227	146.8	27.0
Milky Mist Dairy Food	140	127.2	85.7
Technocraft Ventures	212	127.1	19.4
Shadowfax Technologies	124	126.4	43.0
Xtranet Technologies	127	114.0	16.5
Onemi Technology Solutions	171	109.9	9.6

P/E: Price-to earnings ratio

Source: Prime Database, Capitaline