

# IPO street: Busiest month in 9 yrs with eight deals in bag

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This September is proving to be one of the busiest months for initial public offerings (IPOs) in close to a decade, with nearly eight deals being launched.

Previously, September 2011 was when more than eight IPOs were launched in a month.

UTI Asset Management Company and state-owned shipbuilder Mazagon Dock will launch their offerings just before the month ends.

The stellar listings for the last three IPOs have buoyed the prospects for the primary markets, according to experts.

Also, the two issues that closed this week — of CAMS and Chemcon Speciality — witnessed huge subscriptions despite volatility in the secondary market.

Besides favourable market conditions, another factor that has resulted in bunching up IPOs is a rule on disclosing financial results.

"The disclosure of financials in offer documents cannot be older than six months, and hence it is usual for parties to rush for filings at this time (quarter-end). That said, the impact of the pandemic and related lockdown is more prominent in the period from April to June. To avoid a negative impact on price discovery, companies would like to avoid disclosure for the additional quarter ended June 2020," said Moin Ladha, partner, Khaitan & Co.

Some companies that launched their IPOs this month have updated their June quarter numbers.

Manan Lahoty, partner, IndusLaw, said there were two parallel rules at play here.

"While Sebi rules say your accounts can't be older than six months, there is another rule pertaining to the comfort letter from the auditor which says accounts cannot be older than 135 days. The staleness rule for comfort letters is usually relevant for larger deals, and those which are marketed to US-domiciled investors," he said.

Cumulatively, the eight IPOs launched this month will mobilise ₹7,123 crore. While in terms of volume this has been a busy month, the cumulative amount being raised is relatively low.

In March, the IPO of SBI Cards alone had rung up more than ₹10,340 crore. Similarly, the eight IPOs launched in March 2018 had raised ₹15,032 crore.

## SEPTEMBER RAIN

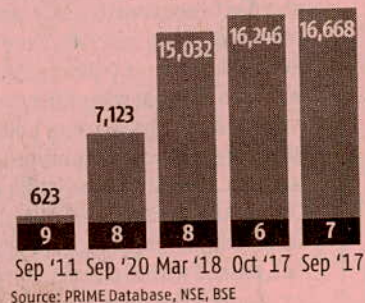
IPOs launched this month

Issue size (₹ cr)

Likhitha Infra	61
Chemcon Speciality	318
Mazagon Dock	440
Angel Broking	600
Route Mobile	600
Happiest Minds	700
UTI MF	2,160
CAMS	2,244

## BIG IPO MONTHS

■ Amt raised (₹ cr) ■ No. of issues



So will the busy IPO season continue? It looks unlikely, despite the sentiment turning favourable. The reason is that there aren't enough issues in the pipeline. Currently, only two companies — Gland Pharma and Kalyan Jewellers — are awaiting Sebi's nod to launch their IPOs.

There are nearly 30 companies that have obtained Sebi's approval to launch their IPOs, worth a cumulative ₹50,000 crore. Most of these companies have let their approval lapse. Burger King, Puranik Builders, Home First Finance, and Easy Trip Planners are some companies that have failed to launch their offerings despite getting requisite approval.

"The companies who filed their offer documents last year or this year have to update their financials. And the financials for the majority of the companies have taken a hit because of the pandemic. If they hit the markets with poor financials, they may not get a good response and the valuation they wanted. Institutional investors might demand a lower price. And since many IPOs are exit vehicles for private equity firms, they will not settle for a lower valuation," said Prithvi Haldea, founder, PRIME Database.