

IPOs off to best start since '08

Four deals worth ₹7,376 cr launched so far in January

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The initial public offering (IPO) market has kicked off the New Year on its strongest note in over a decade. Four maiden offerings have raised a cumulative ₹7,376 crore — the most since January 2008, when the now infamous ₹11,700-crore issue of Reliance Power was launched.

Uncertainty around the Budget and bullish sentiment in the secondary market has prompted the IPO rush this month, say experts.

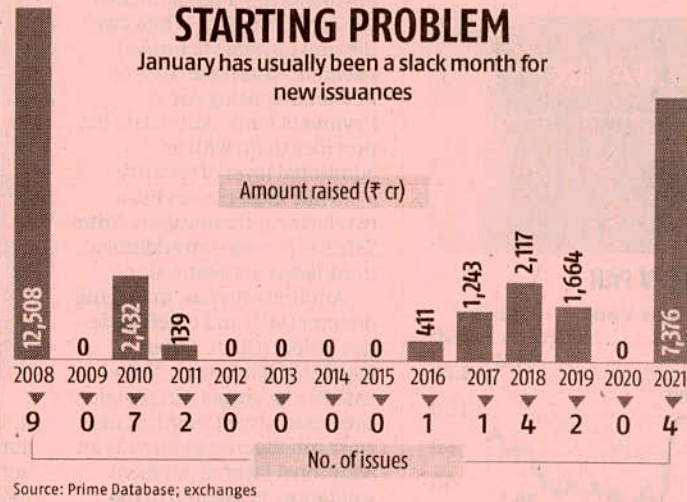
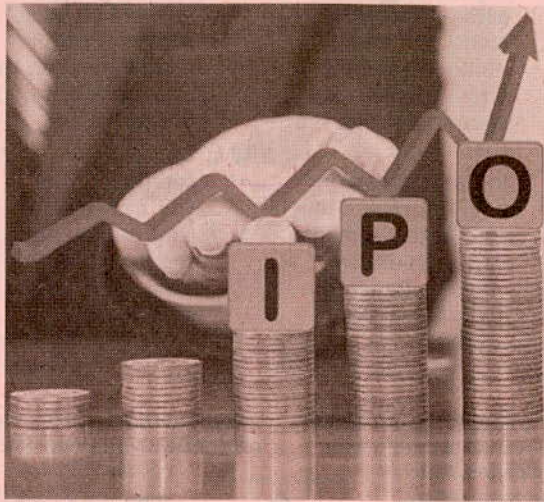
“There is a buzz that the finance minister will tinker with stock market related taxes to make up for the loss in revenues due to the Covid-19 pandemic. To avoid the possibility of higher tax burden or volatile market conditions, promoters have rushed with their listing plans,” said an investment banker.

The IPOs launched this month are Indian Railway Finance Corporation (₹4,633 crore), Indigo Paints (₹1,176 crore), Home First Finance (₹1,154 crore), and Stove Kraft (₹413 crore).

In terms of number of deals, this is the busiest month since September, while in terms of amount raised this is the most since last March.

All IPOs this month performed well thanks to the bullish undercurrent, and this helped the Sensex touch the historic 50,000-mark for the first time.

Industry players say an increase in the capital gains tax could raise the liability on promoters and other shareholders



looking to sell through the IPO. Since the reintroduction of long-term capital gains (LTCG) tax on IPOs in 2018, selling shareholders have to pay 10 per cent gains on their sale proceeds.

To be sure, the markets will have until April 1 for any changes to tax structure to take effect. Experts say more issuers could race to use this window in the event taxes are increased.

Usually, the start of a year is a slack period for IPOs. Six out of previous 14 Januarys drew a blank. The average number deals for the month is 2.4 and average amount mobilised less than ₹2,000 crore.

In both 2008 and 2020, the good start was aided by a rally in the secondary market. On both occasions, the benchmark Sensex topped the psychological barriers

of 20,000 and 50,000, respectively, on the back of stellar gains in the previous few months. However, market players might be hoping the similarities end there, as the markets had crashed in 2008 due to the global financial crisis.

Analysts believe the benchmark indices could see single-digit gains this year. However, the forecasts for the primary market remain positive.

“There is a strong momentum in the IPO markets, and we are seeing an increased interest from companies across sectors looking to raise capital in the near term. Additionally, companies are keenly awaiting the guidelines for direct listing in overseas markets. Market sentiment remains positive for what could be a stellar 2021,” said Sandip Khetan, IPO leader, EY India.

Stove Kraft IPO subscribed 3x

The initial public offering (IPO) of Stove Kraft was subscribed three times on Wednesday, the second day of the offer. The kitchen appliances maker is looking to raise ₹95 crore through the IPO.

The issue also comprises of secondary share sale worth ₹318 crore. Stove Kraft has already allotted shares worth ₹185 crore to anchor investors. The Bengaluru-based kitchen appliances maker is planning to raise ₹412.62 crore from the IPO by selling equity shares in the price band of ₹384-385 per share. At the IPO price, Stove Kraft will have a market cap of ₹1,255 crore. The IPO closes on Thursday.

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