

Retail Investors' Rush for IPOs Only for Listing Day Windfall?

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Time to Book Profit

IPOs	No of retail shareholders		Change	% Exit	Listing Day Gains (%)
	On allotment Day	End of quarter post listing			
Indigo Paints	274351	83105	-191246	69.71	109.31
Home First Finance	279289	131362	-147927	52.97	1.81
Dodla Dairy	122089	61730	-60359	49.44	42.31
Nazara Technolo.	45165	23847	-21318	47.20	43.22
Heranba Inds	147944	94192	-53752	36.33	29.55
Craftsman Auto	193165	130519	-62646	32.43	-3.83
Stove Kraft	27757	19002	-8755	31.54	15.83
Laxmi Organic	147932	107699	-40233	27.20	26.62
Barbeque-Nation	31029	23385	-7644	24.64	18.08
MTAR Technologie	141217	106577	-34640	24.53	88.22

Source: CapitalLine



ET ANALYSIS

Mumbai: A majority of retail investors in initial public offerings (IPOs) are only in it for the listing pop, an ET analysis shows — they offload shares allotted to them on the debut day. The number of retail investors in newly-listed companies drops sharply soon after they open for trade.

That isn't surprising. More than half of all IPOs in the last two years did better on listing day compared with returns over a year, analysts said. Short-term retail investors who exit on the first day have been rewarded with big gains if the new listing has enough of a buzz.

For instance, about 70%, or 191,000 retail shareholders, exited Indigo Paints after listing on February 2 at a premium of 109% over the IPO price. The shareholding pattern disclosed by the company on January 29, the allotment day, showed 274,000 small shareholders, which declined to 83,104 on March 31 and 75,058 on June 30.

To be sure, the number of retail investors includes those added between listing day and the end of the

quarter. Participating in IPOs and exiting with listing gains has proven to be a sound strategy for investors over the past few years looking to score big within a short period, said market participants.

"Of late, IPOs are like trading for the majority of the retail investors who shuffle the same money bet-

ween the secondary market and primary market," said B Gopkumar, MD, Axis Securities. "The new strategy is a quick reallocation of cash from secondary to primary for an IPO to generate decent returns on listing day as most of the IPOs have listed with 30-40% premium recently."

Not everybody gets to make it big. As much as 53%, or 148,000, investors in In-Home First Finance Co. sold the stock after its listing on Fe-

bruary 2 at a premium of just 3%. Half the investors in Dodla Dairy, or 60,000, sold their allotment immediately after the listing — this was the case in 20 out of the 22 IPOs listed in 2021.

The optimism at the time of listing doesn't always translate into reality after a period of time for many companies, hence the eagerness to exit on debut.

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"Now IPOs are looked at from the listing gains point of view as retail investors think if they hold on, they may or may not see the same price again," said Pranav Haldea, managing director, Prime Database. "The concept of investing in the primary market has changed from investing in a company or business to investing for listing gains."

Still, holding on may be worth it. So far in 2021, the average listing gain of all IPOs is 31%. That compares with a 51% average return to date since listing. Most companies that listed in 2020 have done exceptionally well on the secondary market. The average return on IPOs recorded in 2020 was 180% compared with a 45% listing day gain.

Some said it makes sense for the investors to get into the stock after the initial euphoria is over or sell it on listing day if they are allotted the shares and subscribe to other IPOs.

"The retail investors usually book profits at an early stage as they possess less knowledge about the companies, and they try to use the same money in fresh IPOs hitting the markets regularly," said Vikas Jain, senior analyst, Reliance Securities. "It is prudent to book profits on a stellar listing and invest in other stocks to get diversification in their investments."

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A majority of retail investors in IPOs are only in it for the listing pop, an ET analysis shows — they offload shares allotted to them on the debut day. The number of retail investors in newly listed firms drops sharply soon after they open for trade. More than half of all IPOs in the last two years did better on listing day compared with returns over a year, analysts said. **Rajesh Mascarenhas** reports.