

20% of active investors bet on IPOs

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Close to a fifth of active stock market investors are placing bids in initial public offerings (IPOs), underpinning the buoyancy in the primary market.

For instance, the maiden offerings of Rolex Rings and Glenmark Life Sciences last week saw more than 3.5 million and 4 million retail applications, respectively. To put the numbers in context, the average retail applications in IPOs in 2019 was less than a million, while last calendar it stood at 1.3 million, data provided by Prime Database shows.

The National Stock Exchange (NSE) had an active client base of around 22.4 million at the end of June, representing an 18 per cent increase, which industry participants say is largely on account of investors looking to buy into IPOs.

The spurt in application numbers has been a big confidence booster for companies that wish to go public. Paytm, PB

MAKING A BEELINE

Large number of active investors are applying for IPOs

	Size (₹ cr)	No of applications (mn)	Subscription (x)
Rolex Rings*	731.0	3.5	130.0
Glenmark Life*	1513.6	3.0	44.2
Tatva Chintan	500.0	2.8	124.5
Zomato	9,375.0	2.6	22.6
Clean Science	1,546.5	2.4	66.5
GR Infra	962.4	2.1	72.1

Note: No. of applications after cancellation, provisional figures much higher;

*Provisional figure

Source: PRIME Database; exchanges

Fintech, Nykaa and several others are making a beeline to list. As a result, IPO fundraising in 2021 is widely expected to surpass the 2017 record of ₹67,147 crore, as 28 IPOs have already raised ₹42,000 crore.

The mouth-watering returns generated by recent listings is luring investors to place at least one bid in all IPOs, say industry players.

"Most of the IPOs that have come are giving handsome

returns. It then becomes a short-term return making instrument for customers. Second, the process for applying for an IPO has become extremely simple with UPI. And, the time taken by the company to get listed has been reduced because of the measures by the regulator and exchanges," said Prakarsh Gagdani, CEO, 5Paisa.

The last four companies to list – Tatva Chintan, Zomato, Clean Science Technology, and GR

Infra – have delivered between 65 per and 113 per cent returns on listing day.

Additionally, experts said the primary and secondary markets are complimenting each other at present. The buoyancy in the secondary market is providing the necessary valuation support for companies to launch their IPOs.

Meanwhile, the influx of new investors is boosting trading volumes in the secondary market. The share of individual retail investors in NSE's cash market turnover has shot up from 39 per cent in FY20 to 45 per cent in FY21. "The market has been strong, the volatility has been low, and we have had successful IPOs. Traditionally markets doing well leads to a higher number of IPOs and a rise in applications. The retail interest keeps on building because investors usually enter markets by investing in an IPO. Subsequently, they would trade in secondary markets," said Prasanth Prabhakaran, MD and CEO, YES Securities.