

## Surging retail investors, soaring subscriptions spice up IPO offerings

Retail investors seem to be the real spice of the IPO frenzy, with surging number of applications and record over-subscriptions making the new listings-platter more than full on the Dalal Street

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Illustration: Binay Sinha

2021.

During this period, the market, after tanking over 35 per cent in the first COVID wave, has rallied over 100 per cent and on Wednesday, the benchmark 30-share Sensex scaled the 56,000 peak during the intra-day session. The Sensex crossed the 50,000-mount only in January this year.

A retail investor is the one who has up to Rs 2 lakh exposure and high net worth individuals (HNIs) are those investing over Rs 2 lakh while QIBs (qualified institutional buyers) are part of the institutional portion.

That first-time retail investors are flocking to the market directly like fish to water is also clear from the massive over-subscription of the retail portion of most IPOs this year. This trend is best exemplified by the way they lapped up the Rs 1,513-crore Glenmark Life Sciences issue -- in terms of applications, the number was more than 3.9 million, which is the second highest on record after Reliance Power issue in February 2008 that had 4.2 million retail applications and 82.62 times retail demand.

In terms of retail over-subscriptions, the Glenmark issue got 14.6 times and the overall demand was close to 45 times.

According to Sameer Kaul, chief executive at TrustPlutus Wealth, the retail attraction is driven by the over 100 per cent rally in the markets over the past 15 months on the back of abundant liquidity, globally and in the domestic market.

This is clear from the massive spike in the number of demat accounts opened since the pandemic, he told PTI.

Anu Jain, head of equity broking at IIFL Wealth, said the ongoing IPO frenzy is mostly a question of supply and demand, which is higher given the liquidity floating around.

Market participants chase returns and this can sometimes skew the demand and supply balance. "We saw some really robust listing gains in July. Big issues like Tatva Chintan, Zomato, and GR Infra saw listing gains of around 96, 78, and 97 per cent, respectively," Jain said.

In the HNI category, the nearly Rs 600-crore Mtar Tech IPO was the most oversubscribed at 201 times, followed by the Rs 730-crore issue from Rolex Rings by 130 times, and the Rs 1,838-crore Devyani International by 117 times, where the retail demand was almost 40 times more than the offer.

The Rs 1,546-crore Clean Science issue got a demand for close to 95 times but the retail demand was among the lowest at nine times.

In the retail category, healthcare companies were the most preferred with the Rs 100 crore-Nureca issue getting a retail demand for 165.66 times and the overall demand for 40 times. The Rs 1,213-crore Krsnaa Diagnostics topped the over-subscription list with over 64 times the offer and the retail demand was at 42 times.

Of the total companies that got listed through IPO so far this year, only four had issue size greater than or equal to Rs 5,000 crore.

However, the Rs 9,375-crore Zomato issue despite being the largest so far in 2021, comparatively received less response from retail investors. In fact interest of retail investor was less in all the four IPOs which were above Rs 5,000 crore.

The Rs 500-crore IPO of Tatva Chintan Pharma saw an overwhelming response from retail investors with an oversubscription of 180.35 times. Investors have put in bids for 58.82 crore equity shares against offer of 32.61 lakh equity shares.

Amit Gupta, fund manager-PMS at ICICI Securities, said that high liquidity in domestic and foreign markets is driving the IPOs.

Market is giving value to future growth despite valuations being a little costly. Another reason is the recent massive upsides in the midcaps in the secondary market, which is driving the massive oversubscription in the primary market.

"We have seen returns of 500-700 per cent in some recent IPOs," Gupta said and also cited the lack of other investment options beyond equities as one the key drivers.

According to Prime Database, retail holding in NSE-listed companies hit an all-time high in the June quarter at 7.18 per cent or worth Rs 16.18 lakh crore, which rose more than 16 per cent between the March and June quarters. In quarter ended March, the retail share was 6.96 per cent or Rs 13.94 lakh crore.

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And lakhs of first time retail investors are flocking to the capital markets and joining the IPO (Initial Public Offer) bandwagon.

Experts opine that there has never been so much IPO applications coming in from the retail side with some issues getting as many as over 3 million applications and over 100 times the demand over supply.

Reflecting the rush of the retail investors into the equity market, their total holding in NSE-listed companies hit an all-time high of 7.18 per cent in the June quarter.

So far this year, there have been at least 40 new listings that have raked in around Rs 68,000 crore and more are in the offing. The depth of investor interest, especially from the retail segment, is much visible with many IPOs being oversubscribed over 100 times and offers worth over Rs 75,000 crore in the pipeline. Also, reports say the total number of IPOs may well top the 100-mark this year.

As an article in the latest RBI bulletin puts it, "2021 could well turn out to be India's year of the IPO".

According to NSDL and exchange data, since the pandemic hit the nation in March 2020, over 30 million retail investors have opened demat accounts, taking the overall number of demat accounts to close to 80 million as of June