

HNI, retail interest in IPOs wanes after a 2-month blitz

The stocks of five companies closed below their issue price on the first day of trading

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After a two-month blitz of initial public offerings (IPOs) with heavy subscriptions and steep listing gains, retail investors and wealthy individuals have slowed down the pace of investing in the primary market in the last couple of weeks, with lacklustre listings and weakness in the small and midcap segments eroding investor interest.

Since mid-June, as many as 19 companies have launched IPOs, with eight deals launched in just a week in early August. However, after the eye-popping subscriptions and listing gains in the early days of this rally, when the shares of GR Infraprojects and Tatva Chintan Pharma Chem Ltd more than doubled on debut, the latest deals have received a lukewarm response from investors, leaving many of these companies disappointed.

Among the 10 stocks that listed this month, five companies closed below their issue price on the first day of trading, while the rest eked out meagre gains, with Devyani International delivering the best performance of closing 37% higher.

The IPOs of Nuvoco Vistas and Chemplast Sanmar, on the other hand, saw the weakest demand from high net-worth individuals (HNIs) and retail investors, with the former offer failing to see these segments completely subscribed, while the latter saw just 103% and 229% subscription in the HNI and retail categories, respectively.

“You have seen a bit of weakness in the last few weeks in the small and mid-cap space, which is where most of the IPO companies belong. In the past, too,



The BSE MidCap index is down 0.6% so far in August, even as the benchmark Sensex is up 6.4%. HT

we have seen that if the sentiment changes in the secondary market, then there is a consequent impact on the primary market,” said Pranav Haldea, managing director of Prime Database.

The BSE MidCap index is down 0.6% so far in August, while the BSE Small-

However, the current break in activity or the recent underperformance of IPOs is not a sign of fatigue, according to Haldea of Prime Database.

“I don’t think there is a fatigue in the primary market just yet. There are enough investors and enough money

thus far,” he said.

Others feel that the recent lacklustre performance could have a bearing on the plans of other companies that may want to wait for an improvement in investor sentiment.

“IPO demand, to a large extent, is a game of listing day pop. If retail and HNIs don’t see strong returns, then they won’t be that enthusiastic for upcoming deals. Especially for HNIs, as there is a lot of leverage in their bets, good listing day gains are very important to drive their appetite,” said a Mumbai-based investment banker who advises companies on IPOs.

“The interest will return soon once you see a couple of good-quality and well-priced IPOs hit the market and manage to deliver a good listing pop,” he said.

LOSING STEAM

SINCE mid-June, 19 firms have launched IPOs, with eight of them being launched within a week in Aug

HOWEVER, a tepid response for the recent IPOs has left many of these firms disappointed

BUT some of them eked out meagre gains, with Devyani International posting the best performance

NUVOCO Vistas and Chemplast Sanmar have recorded the weakest demand for their IPOs

Cap index has lost 3.1%, even as the benchmark Sensex is up 6.4%.

Year-to-date, the BSE MidCap index is up 28%, while BSE SmallCap is up 43.45%, compared to the Sensex, which has climbed 17.16% so far this year.

available to chase good quality IPOs at attractive valuations. On the supply side, of course, you have seen a spate of filings with Sebi (the Securities and Exchange Board of India) for approval, 12 in July and (as many as) 27 in August