Unemployment, A Global Problem
The world needs 600 million jobs in the next 15 years **P/14**

Oh Captain, My Captain
From the Field: What it takes to build champions and leaders of the future **P/16**

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Online school Terra.do's mission is to create 100 million 'climate crusaders' **P/20**

ECONOMY

Record High IPO Fever

Market flotations are at an all-time high. How long can this party last?

FOR A CERTAIN SET OF investors, it's all about the listing day pop. Bid aggressively, corner a chunk of shares and sell on the day it becomes accessible to the wider public via the stock market. Repeat this over a myriad bunch of businesses across sectors and the chances of a 20 to 50 percent gain (on listing day) are in your favour.

That pretty much sums up the IPO market over the last six months. As the chances of a quick buck have grown, an increasing number of speculators have rushed in. The market is divided among retailers (anyone who bids for shares up to ₹2 lakh), high net worth individuals (HNIs, anyone who bids for shares of more than ₹2 lakh) and institutions.

"We have seen that whenever the secondary market does well for a while, the primary market also picks up," says Sunil Damania, chief investment officer of Marketsmojo.com.

The IPO market frenzy is partly a result of easy liquidity and the fact that financing for IPOs at a rate of 7 to 9 percent is the lowest in a decade. As a result, it's not surprising to see sought-after issues receiving bids far in excess of the number of shares on offer (see table).

Once the allotments are out, HNI investors typically receive no more than 1 to 2 percent of the shares they would bid for. So, a ₹100 crore bid would work out to an allotment of ₹1-2 crore. Money borrowed at 7 to 9 percent would attract an interest of 0.4 percent for those 10 days or a payout of ₹40 lakh for the ₹100 crore borrowed. This is why allotment numbers and listing day gains are eagerly watched. An allotment of 1 percent or ₹1 crore for a ₹100 crore bid would mean no gains for the first 40 percent pop. A 2 percent allotment would need only a 20 percent pop for gains to be made. On the other hand, a 100 percent pop can easily allow an HNI to make 18 percent annualised gains in a 10-day span for which the money has been borrowed.

Issues that are heavily oversubscribed are usually the ones that see a large listing day pop. Nazara Technologies, which listed on March 30, was oversubscribed 96 times. HNIs bid for 387 times the number of shares on offer. Its shares listed at ₹1,971, a 79 percent premium from the offer price of ₹1,101. MTAR Technologies—oversubscribed 136 times—listed at 84 percent premium.

There have, however, been some laggards. Suryoday Small Finance Bank, Barbeque Nation and Macrotech Developers saw oversubscription of 1.7 percent, 3.35 percent and 1.14 percent respectively. They all opened for trading on listing day at below their offer price. Leveraged investors would have lost money here.

As time goes on and market valuations rise, investors need to take into account the falling odds of the listing day gains strategy succeeding.

How IPOs Have Fared

The majority of public market listings have received subscriptions in excess of shares on offer

COMPANY	OFFER PRICE (₹)	TIMES SUBSCRIBED	LISTING DETAIL		MARKET PRICE (₹) (20.08.2021)
		TOTAL	OPEN	CLOSE	
MTAR Technologies Ltd	575.00	138.70	1,063.90	1,082.25	1,236
Nazara Technologies Ltd	1,101.00	96.22	1,971.00	1,576.80	1,650
Suryoday Small Finance Bank Ltd	305.00	1.70	293.00	276.20	146.55
Barbeque Nation Hospitality Ltd	500.00	3.35	492.00	590.40	1,083.95
Macrotech Developers Ltd	486.00	1.14	439.00	463.15	852.5
GR Infraprojects Ltd	837.00	72.11	1,700.00	1,746.80	1,610.05
Zomato Ltd	76.00	22.58	115.00	125.85	137.45
Rolex Rings Ltd	900.00	89.88	1,249.00	1,166.55	1,088.35
Devyani International Ltd	90.00	64.01	141.00	122.8	118.3

SOURCE primedatabase.com

Damania points out that a key risk to the market, both primary and secondary, is the inflation. Like in the past when money supply is tight and central banks start the rate hike cycle, some issues may struggle to get even one time subscription.

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