

Tepid listing gains, result updates put brakes on IPO rush

SUNDAR SETHURAMAN

Mumbai, 28 September

After strong mobilisation in July and August, September was expected to be another strong month for initial public offerings (IPOs), given the buoyancy in the secondary market and ready regulatory approvals. But a rule that requires IPO-bound companies to update their quarterly financial numbers, coupled with a spate of poor listings, have acted as speed bumps.

So far this month, only four issues cumulatively raising ₹3,918 crore have concluded. The amount is less than a fourth of the average sum raised in the previous two months. August saw the launch of eight IPOs, which cumulatively mopped up ₹17,841 crore — the most since November 2017.

Some bankers said the delay in offerings could be to include the June quarter results of the IPO-bound companies. According to Sebi's regulations, financials are valid for up to six months. However, bankers said companies prefer to report their financial statements of the quarter preceding the listing date in a bid to attract investors from certain jurisdictions, such as the US.

"The March numbers (in many cases) have expired. Bankers will be looking to upgrade to the June numbers in the red herring prospectus (RHP)," said Pranjal Srivastava, partner-investment banking, Centrum Capital.

Venkatraghavan S, managing director and head of equity capital markets, Equirus, said a similar lull in IPOs was seen in April for the same reason. April was also the month when India was battling the second Covid wave.

"Companies that failed to launch before August 30 would now do their June audit and launch their issue. But it's not as if there is a lull in September. We continue to



WAITING IN THE WINGS

IPOs with valid Sebi approvals

	Approval date	Size* (₹ cr)
Go Airlines	Aug 26, '21	3,600
Arohan Financial	Apr 23, '21	1,800
Utkarsh Small Finance	Jun 3, '21	1,350
Fincare Small Finance	Jul 28, '21	1,330
Supriya Lifescience	Jul 23, '21	1,200
Jana Small Finance	Jul 9, '21	1,100
Shriram Propertie	Jun 15, '21	800
Shri Bajrang Power	Aug 26, '21	700

Note: *As per estimates; Fully concluded IPOs considered; Source: PRIME Database

APPLYING BRAKES

IPO mop up in Sept 80% below previous month

	No of IPOs	Amount raised (₹ cr)
Jan	4	7,369
Feb	3	1,544
Mar	9	6,081
Apr	1	2,500
May	0	0
Jun	5	9,923
Jul	6	14,629
Aug	8	18,242
Sep*	4	3,918

*Data till September 28

do roadshows for various companies. We had some IPOs bunched up together in the recent past. It's all just a question of readiness to launch," he said.

In March 2021, nine IPOs were launched but only one IPO hit the markets in April.

Industry players said the current pause is partly due to the bunching up of many large IPOs in August.

"Because a few got bunched up last month, there were fewer IPOs this month. We need to look at a quarterly trend instead of a monthly trend for IPOs," said Ajay Saraf, executive director, ICICI Securities.

Also, some tepid listing in August soured investor sentiment, forcing some companies to delay their

listing plans, said industry players. Five of the eight companies that hit the market were listed at a discount.

"The volatility index has gone up since the middle of August. That has made the issuers a bit cautious. Though the last two listing did well, some preceding these were a bit tepid," said Venkatraghavan.

Bankers are optimistic that the next two months will be a busy one vis-à-vis IPOs. "In October, we will see a robust pipeline again,"

said Saraf. "Demand remains for IPOs; they should be priced well, and there should be no issue in the company. If the secondary market is largely where it is now, the pipeline will be robust," added Srivastava.

So far this month, only four issues cumulatively raising ₹3,918 crore have concluded