

IPO filing hits century this year

Mobilisation by way of initial offerings is already near the 2017 record tally of ₹67,147 crore

SAMIE MODAK
Mumbai, 1 October

The number of companies filing their draft red herring prospectus (DRHP) with the Securities and Exchange Board of India (Sebi) has crossed the 100-mark, highlighting the rush among companies to go public amid favourable market conditions.

The latest firms to file draft papers of their initial public offerings (IPOs) are Softbank-backed Oravel Stays, which operates OYO Hotels, and Adar Poonawalla-backed Wellness Forever, which operates retail pharmacy stores.

IPO filing has gathered pace in recent months amid the ebbing of Covid-19 infections and ramp-up in the vaccination rate. 28 DRHPs were filed with Sebi in August and another 21 in September, shows the data compiled by PRIME Database.

Already, mobilisation by way of IPOs has neared the 2017 record tally of ₹67,147 crore. This year so far, around 40 companies have raised close to ₹64,000 crore.

Companies that have filed their DRHP since July are looking to raise over ₹1 trillion. This number may double after insurance giant Life Insurance Corporation of India (LIC) launches its offering.

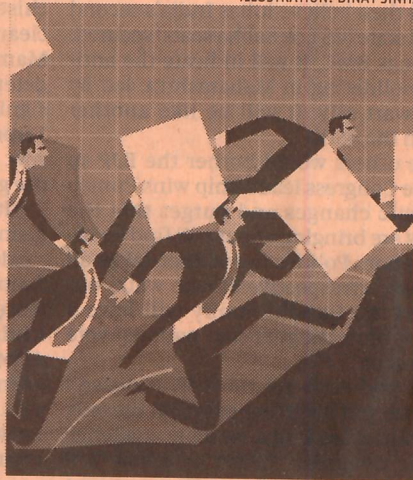
Fundraising via IPOs this year has been dominated by secondary share sales, mainly exits by private equity (PE) investors or selling by promoters. "Past several years of PE investments are finding their way to exit this year. As a result, the IPO activity we are seeing this year is more secondary-oriented," said Sumit Jalan, co-head of India Investment Banking & Capital Markets at Credit Suisse.

The unique aspect this year has been start-ups looking to go public. In July, food delivery firm Zomato became India's first start-up to list. Its ₹9,375-crore IPO had garnered bids worth over ₹2 trillion and its stock is currently up more than 80 per cent over its issue price.

Paytm, Nykaa, and Paisabazaar are some of the other start-ups looking to go public.

"The recent tech IPOs have not just introduced a sector to investors, they have also introduced the concept of high growth, cash-burn-oriented businesses which are well understood by the capital markets, as well

ILLUSTRATION: BINAY SINHA



THE MILESTONE JOURNEY

Expect more filing in coming days



Source: Prime Database
Note: Includes only mainboard IPOs

as by private investors. Such deals open up listing options, and also help uplift the entire ecosystem of tech, start-ups, and investments in the country," said Jalan.

On average, 40 DRHPs are filed with Sebi each year. The record for most filing in a year is 160 in 2006, followed by 121 in 2007.

Some see the record number of IPOs as a sign of the markets getting overheated. In 2008, the benchmark Sensex had dropped 52 per cent following the global financial crisis.

In the previous year, 100 companies had raised ₹34,179 crore, a record back then.

Up 185%, Paras Defence sets best debut record

SUNDAR SETHURAMAN
Mumbai, 1 October

Shares of Paras Defence and Space Technologies jumped 2.85 times the issue price during their stock market debut on Friday. The stellar gains follow its blockbuster IPO, which was subscribed 318 times.

The company — engaged in manufacturing and testing of defence and space engineering products — now holds the record for best-listing day performance, as well as most-subscribed IPO at least in the past decade.

Its stock ended at ₹499 versus the issue price of ₹175 per share. The scrip could gain more next week as it ended at its upper trading limit.

Paras Defence's IPO, which closed on September 23, had generated bids worth ₹38,021 crore compared to its total issue size of ₹170 crore. It surpassed the previous record of Salasar Technologies' IPO, which had garnered 273 times subscription.

High net-worth individuals (HNIs) bid aggressively in the IPO, with their quota seeing 974 times subscription with bids of nearly ₹25,000 crore. After factoring in the huge oversubscription and interest cost, the cost of acquisition of one share for HNI worked out to about ₹420 per share. The huge listing day pop, however, saw the stock surpass the break-even threshold.

"On the back of a strong order book of ₹300 crore, Paras Defence is one of the few players having an edge in

WELL BEGUN IS HALF DONE

Firms that delivered the best listing day gain during each CY

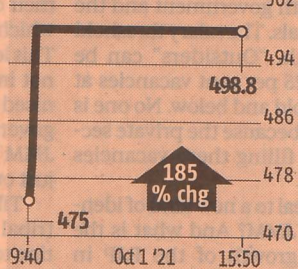
Year	IPO	Change (%)*	
		Listing day	So far
2021	Paras Defence	185	185
2020	Burger King India	131	171
2019	IRCTC	128	1087
2018	Apollo Micro Systems	65	-58
2017	Salasar Techno	140	162
2016	Quest Corp	59	190
2015	Dr. Lal PathLabs	50	569
2014	Snowman Logistics	68	-9
2013	Power Grid	16	122
2012	MCX	26	61
2011	Fineotex Chemical	101	804

Source: BSE, NSE, Chittorgarh.com



PARAS DEFENCE: STELLAR GAINS

(Price in ₹) Issue price: 175



Source: Bloomberg
Compiled by BS Research Bureau

defence deals because some of its products are on the embargo list. Also, the IPO pricing was reasonable at 15 times its FY22E earnings. But after listing, the valuation has stretched to 45

times. Hence, it is advisable to book profits. No fresh buying is advised at these levels," said Geetanjali Kedia, senior research analyst, SP Tulsian Investment Advisory Services.