

## IPO Market in FY22

The IPO market was a big success story of FY22 with a plethora of issuances as companies rushed in to raise funds. A rising Sensex helped the cause as investors were optimistic in their outlook. There was a slowdown for sure when the war like environment developed in the beginning of February which also made the government defer the big LIC disinvestment.

There were 127 issuances for Rs 1.14 lakh crore. Of these issuances data is available on the prices for 91 companies which accounted for Rs 1.13 lakh crore. While the issuances were large and several stocks witnessed phenomenal gains in this period, it was not uniformly spread. The table below gives a frequency distribution of the percentage gain or fall from the issue price for these 91 companies.

### **Frequency distribution of companies based on price gain/loss as of March end over *issue price***

Range % change	Number	Share (%)
Discount	35	38.5
Less than 10%	15	16.5
10-20%	5	5.5
20-50	11	12.1
50-100	11	12.1
Above 100	14	15.4
Total	91	100.0

Source: BOB Research

As can be seen above almost 40% of the issues gave investors negative returns over the issue price, while another 17% less than 10%. Attention clearly is on the big gainers and hence more than a quarter (27.5%) gave returns of above 50%, which is impressive.

The conclusion that can be drawn is that not all issues gave comparable returns to the boom seen in the secondary market. The Sensex had increased from 49,509 in March 2021 to 58,568 in March 2022, which is an increase of 18%.

Interestingly some of the companies made a splash on the day of listing but could not maintain the momentum subsequently and delivered lower returns as at the end of March 2022.

### **Frequency distribution of companies by change in price in March end over *listing price***

Range % change	Number	Share (%)
Discount	46	50.5
Less than 10%	19	20.9
10-20%	6	6.6
20-50	9	9.9
50-100	1	1.1
Above 100	10	11.0
Total	91	100.0

Source: BOB Research

When looked at post listing, half the companies delivered negative returns while another 21% less than 10%. A little less than a quarter actually gave returns of above the Sensex (though the base for calculating returns would vary for companies depending on their listing).

The conclusion that may be drawn is that the IPO market though robust did not give equivalent returns to all companies. While some gained a lot on the day of listing 20 companies ended the day at a discount. The timing was however critical as during the phase when the Sensex crossed 60,000 the IPOs too benefited substantially.

In terms of spread across industries, the IPOs were fairly even as the table below shows.

Industry	No.	Amount	Share
Auto Ancillary	2	6,833	6.1
Automobiles - Dealers & Distributors	1	2,999	2.7
Bank - Private	1	1,209	1.1
Bearings	1	731	0.6
BPO/ITeS	2	1,104	1.0
Cement & Construction Materials	1	5,000	4.4
Ceramics/Marble/Granite/Sanitary ware	1	161	0.1
Chemicals	6	6,188	5.5
Construction - Real Estate	4	3,111	2.8
Consumer Food	4	4,436	3.9
Defence	1	171	0.2
e-Commerce	4	36,606	32.4
Educational Institutions	2	3	0.0
Electronics - Components	2	606	0.5
Engineering	5	1615	1.4
Finance - Asset Management	1	2,768	2.5
Finance - Housing	1	2,780	2.5
Hospital & Healthcare Services	4	4,400	3.9
Hotel, Resort & Restaurants	1	453	0.4
Insurance	1	6,401	5.7
IT - Software	5	2,385	2.1
Medical Equipment/Supplies/Accessories	1	27	0.0
Miscellaneous	14	7,123	6.3
Packaging	1	4	0.0
Pesticides & Agrochemicals	1	800	0.7
Pharmaceuticals & Drugs	7	4,597	4.1
Plastic Products	3	1,030	0.9
Retailing	2	2,388	2.1
Solvent Extraction	2	2,830	2.5
Steel & Iron Products	1	909	0.8
Textile	1	3,149	2.8
Trading	7	50	0.0
TV Broadcasting & Software Production	1	8	0.0
<b>Grand Total</b>	<b>91</b>	<b>1,12,876</b>	<b>100.0</b>

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