

Missed Bajaj Housing IPO boat?

Markets often reward patience

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MUMBAI

Bajaj Housing Finance's bumper listing on Monday might have left many potential investors feeling pangs of regret. The stock debuted at ₹150 per share, a staggering premium of 114% over its issue price of ₹70 apiece, possibly igniting a wave of FOMO (fear of missing out) among those unlucky to secure allotments in the company's initial public offering (IPO).

But 'missing out' and having a 'wait and watch' approach may not always be bad. *Mint's* analysis shows you would be better off investing six months or a year after listing than trying to tap the listing day frenzy.

To gauge India's current IPO boom, look no further than 2021, a year of record-breaking fundraising when investors went wild for new offerings. It's a benchmark the market is still trying to eclipse. Of the 46 stocks that were listed at a pre-

After the pop

Among the 46 stocks that made listing-day gains in 2021, the share (%) of stocks on which you'd have made gains* if you had invested:



Adjusted prices considered for analysis as some companies went for stock splits and bonuses after their listing in 2021. *Returns as of 13 September 2024. #Based on closing price on listing day

Source: Mint analysis, Primedatabase.com, Capitaline

mium over their issue price in 2021, 67% have delivered positive returns for investors who waited a year before buying.

About 65% of the stocks would have delivered gains if you had waited for six months post listing to buy them.

In 2021, 64 stocks were listed, of which 46 (or 72%) debuted on a premium, and 14 are seeing an impressive gain of

at least 50% over the issue price. This year, nearly 80% of the 51 stocks listed so far (as on 9 September) have debuted on a premium.

The median listing gains in 2021 (among stocks that registered gains on their debut) were 29.2%, while the same for this year were 31.2%. Apart

IPO success: More than just a day

Top listing-day stocks of 2021, by current gains based on investment date (returns in %)

	Listing day gain#	6 months after listing*	12 months after listing*
Sigachi Industries	270	98	95
Paras Defence & Space Technologies	185	80	78
Latent View Analytics	148	20	30
Tatva Chintan Pharma Chem	113	-60	-58
Indigo Paints	109	-43	-25
GR Infraprojects	109	-16	30
FSN E-Commerce Ventures	96	-15	10
MTAR Technologies	88	23	-10
Go Fashion (India)	82	24	2
Clean Science & Technology	76	-35	-7

#Based on closing price on listing day; *Adjusted prices considered for analysis as some companies went for stock splits and bonuses after their listing in 2021. Latest returns as of 13 September 2024.

Source: Mint analysis, Primedatabase.com, Capitaline

Missed Bajaj IPO boat? There's still time to get on deck.

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from Bajaj Housing Finance, other prominent IPOs this year include Vibhor Steel Tubes, BLSE-Services, Unicommerce Esolutions, and Premier Energies, with listing gains above 80%.

For stocks whose share price doubled on their first day of trading, the long-term outlook is positive. Nearly two-thirds of these high-flying stocks have continued to deliver strong returns even after a year, or in some cases just six months.

This outperformance is noteworthy when compared with their more volatile performance since listing (based on adjusted prices as some companies issued stock splits or bonuses after their stocks listing).

For instance, Singachi Industries would have gained 94.8% till now if one had invested in it 12 months following its listing in November 2021, but compared to its listing day price, the stock is currently trading 6.6% lower. GR Infraprojects would have delivered a 29.6% gain for those who invested in it a year after its listing, but the stock has since fallen 7.5% from its listing price.

"Historical data generally supports the idea that a patient approach to IPO investing can yield better results," said

Sonam Srivastava, founder and fund manager at Wright Research.

The initial surge in a stock's price following an IPO is often driven by hype and speculation, but as the market cools and investors focus more on a company's fundamentals, the stock's price tends to stabilize, she explained. This could provide opportunities for investors to enter the stock at a more favourable valuation.

In Bajaj Housing Finance's case, a combination of a strong brand, robust financials, and favourable market conditions contributed to its meteoric debut. But in many cases, initial price surges are driven by speculation, sentiment and expectations of quick riches.

"By waiting a year or so for the hype to settle down, investors can reduce their exposure to short-term price fluctuations, potentially purchase shares at a more attractive valuation, conduct thorough due diligence on the company's financials and business model, and avoid overvaluation," Srivastava said.



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