Missed Bajaj Housing IPO boat? Markets often reward patience

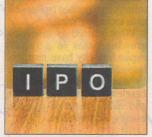
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MUMBAI: Bajaj Housing Finance's bumper listing today (16 September) might leave many investors feeling pangs of regret. The stock debuted at ₹150 per share, a staggering premium of 114% over its issue price of ₹70 apiece, possibly igniting a wave of FOMO (fear of missing out) among those who were unable 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 premium 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



The stock debuted at ₹150 per share, a high premium of 114% over its issue price of ₹70 apiece. ISTOCKPHOTO

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, the gains are at 31.2%. Apart from Bajaj Housing Finance, other prominent IPOs this year include Vibhor Steel Tubes, BLS E-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.