

WHY RETAIL INVESTORS SHUN SOME IPOs

Hyundai Motors India's listing is the latest in a trend seen over the years

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The main board initial public offering (IPO) market is quite bullish with 64 such issues being listed on stock exchanges till Tuesday this year, the highest in more than five calendar years. A total of 63 IPOs were floated in 2021, in the entire year.

As many as 43 IPOs were issued till October 29 in 2021 with an aggregate amount of ₹73,525 crore compared to ₹92,631 crore in the same period roughly this year.

Only Hyundai Motors India IPO did not get full subscription from retail investors this year despite being the biggest public offer. In the pandemic year of 2020, one IPO — of Gland Pharma — was shunned by retail investors but that time only 15 such offerings hit the market. (Chart 1)

Main board IPOs can only be issued by companies which meet certain eligibility criteria, such as having paid-up capital of ₹10 crore and an average annual profit of ₹15 crore for the past three years.

When it comes to IPO amount, Gland Pharma constituted around one-fourth of the total size of such public offers in 2020. Hyundai accounted for a bit over 30 per cent of the total amount this year.

As many as five IPOs in the past five years and ten months have tried to garner more than ₹5,000 crore from the market but could not enthuse retail investors. (The combined IPO size of four of them was less than what Hyundai has mopped up). (Chart 2).

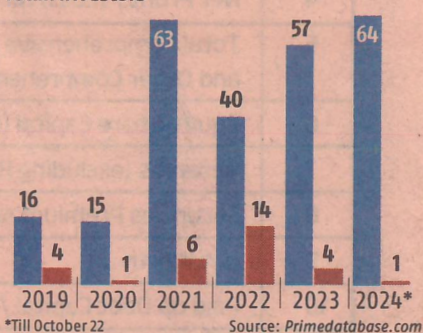
Why do retail investors shun some IPOs?

Pranav Haldea, managing director of PRIME Database Group, says retail investors primarily come in for listing gains, citing a

study by market regulator Securities and Exchange Board of India. Retail investors look at the grey market for gauging premium on the listing day. In the case of Hyundai, there was no grey market premium which supposedly indicates the expected listing pop, says Haldea. This is buttressed by chart 3, but not for all such shares.

RETAIL INVESTORS SKIP SOME IPOs

■ Total floated ■ Not fully subscribed by retail investors



BIG IPOs, WEAK DEMAND

Companies with more than ₹5,000 cr of IPO

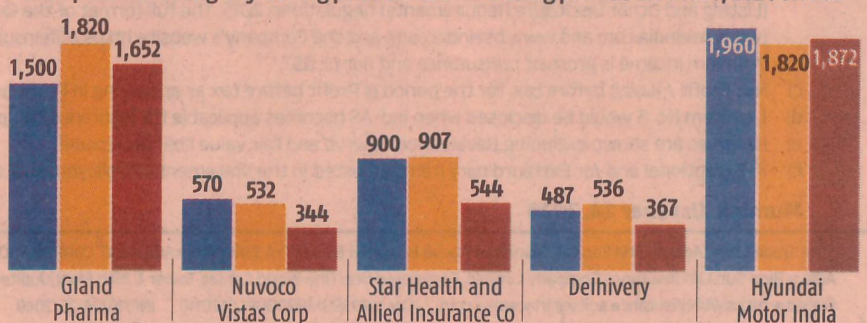
Year	Company	IPO amount (₹ cr)
2020	Gland Pharma	6,480
2021	Nuvoco Vistas Corp	5,000
2021	Star Health & Allied Insurance Co	6,019
2022	Delhivery Ltd	5,235
2024*	Hyundai Motor India	27,856

*Till October 22

MUTED RESPONSE FROM RETAIL INVESTORS

Tracking the share performance (₹)

■ Issue price ■ Listing day closing price on NSE ■ Closing price as on Oct 24, 2024 on NSE



Source: Bloomberg, compiled by BS Research Bureau