AMID WEAK SENTIMENT

Unwilling to Bear a Bear Scare, Cos Halt IPO Fair

Of the 44 cos with Sebi's nod, most have deferred plans to the next quarter

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Mumbai: India's initial public offering (IPO) market has come to a halt as a slump in stock prices, weak investor sentiment, falling grey market premiums, and the poor performance of recently listed stocks have prompted companies to put on hold their share sale plans for now.

Of the 44 companies that have secured Securities and Exchange Board of India (Sebi) approval for their IPOs, most have deferred plans to the next quarter, with some even considering lowering valuations and issue sizes, according to market participants.

In January, six companies raised around ₹4,845 crore through public issues compared with 15 firms that raised ₹25,500 crore in December, according to primedatabase.com.

On the Back Burner

Some of the cos that got the approval last year but are yet to launch IPOs

	Got Sebi Nod on	Amount (₹ cr)
Schloss Bangalore	Dec 26	5,000
Ather Energy	Dec 23	4,500
Avanse Financial	Oct 23	3,500
NSDL	Sep 30	3,000
Manjushree Technopack	Nov 8	3,000
Ecom Express	Nov 29	2,600
SK Finance	Aug 30	2,200
Kalpataru	Nov 22	1,590
Asirvad Microfin	Apr 22	1,500
Belstar Microfin	Aug 30	1,300

Souce: primedatabase.com

Amount is tentative

Revival likely in H2 of CY25 ▸▸16

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In February, three companies raised ₹10,900 crore, with Hexaware Technologies accounting for about ₹8,750 crore of this. In March, only a few smaller IPOs are lined up but bankers remain uncertain about their launch.

A key reason why companies are deferring IPO plans is the weak response from retail and high-networth individuals of late, said bankers. This was evident in two of this year's largest IPOs—Hexaware Technologies and Dr Agarwal's Health Care—which went undersubscribed except for allocations to qualified institutional buyers (QIBs). All four recent IPOs managed to get fully subscribed only on the last day. Also, 41 out of 91 newly listed companies in 2024 are currently trading below their IPO price.

"The continuous decline in the secondary markets and the weak listing performance of many IPOs have impacted the subscription of recent issues," said investment banker Ravi Sardana. "Retail and HNI investors are steering clear of new IPOs after facing losses. As a result, issuers may need to wait for market sentiment to improve and, in the short term, issue sizes and valuation multiples are likely to decline."

Sentiment in the Indian stock market has weakened amid consistent selling by foreign portfolio investors (FPIs) since October last year of over ₹2.7 lakh crore. The Nifty has declined around 13% since October 1 while the Nifty Midcap 150 and Nifty Smallcap 250 indices have plunged 18% and 22%, respectively.

The time between Sebi approval and the IPO launch date was an average 52 days in 2024, excluding five issues. The ₹3,000-crore public issue of India's largest securities depository, NSDL, is yet to be launched despite receiving Sebi approval on September 30 last year.

The steep value erosion in the secondary market has impacted the institutional investors in terms of the net asset value, said Bhavesh Shah, head of investment banking, Equirus.

"The fund managers have become more inward looking, given the phenomenon, focusing on their portfolio rather than having the ability to make fresh investments, which has impacted the IPO markets and fresh funding like QIPs," said Shah. "There is a broad expectation that the stocks perhaps are getting into an oversold zone, so possibly there would be a revival in the fund-raising market in the next four-six months."

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