

Market correction to hit share sale plans of pre-IPO investors

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The recent correction in stock markets and continuing volatility could hamper the share sale plans of investors who want to exit recently-listed companies after their lock-in period ends.

The shares are primarily held by pre-IPO investors, including promoters, private equity firms and anchor investors.

The lock-in periods of 90 companies will be lifted between February 18 and May 31, which will potentially free up shares worth nearly \$42 billion, for sale.

Estimates are based on shareholder analysis for firms listed up to February 17, ac-

ording to Nuvama Alternative & Quantitative Research.

ON THE BLOCK

The six-month lock-in of Swiggy, for instance, ends on May 13 making 1,897 million shares available for trading. As on Friday, its share price was down 7.6 per cent from the IPO offer price of ₹390. The one-year lock-in for 5,291 million shares of Bajaj Housing Finance ends on April 15. It is trading 66 per cent higher than its issue price of ₹70 but 38 per cent lower than its 52-week high.

"The current market price of many PE backed companies that listed a year ago are significantly lower than their listing price. Investors are unlikely to sell large stakes in a bearish market at significantly

lower prices when the lock-in period ends," said Vivek Soni, Partner and National Leader - Private Equity Services, EY India.

Nearly half of the 102 companies that made their debut since the beginning of last year are trading in the red, according to data from PRIME Database.

Selling now could imply selling at losses or at prices much below the highs. In the absence of adequate demand, large share sales could also push down prices further.

The other alternative would be to hold on to the shares and wait for market conditions to improve before exiting.

"There was ample liquidity in the market from individual and institutional investors

Expiry of key lock-ins

Company	Open date	Lock-in shares (million)	% change over offer price
Bajaj Housing Finance [^]	April 15	5,291	66.4
Hyundai Motor [#]	April 21	508	-12.4
Sagility India [#]	May 12	3,043	46.1
Niva Bupa Health Insurance [#]	May 13	1,045	-2
Swiggy [#]	May 13	1,897	-7.6

Source: Nuvama Alternative & Quantitative Research [#]six-month; [^]one-year lock-ins

last year. So, when the IPO lock-in periods expired and select investors came to the market to sell, there was likely enough demand for the same as there was minimal impact on the share prices," said Pranav Haldea, Managing Director, PRIME Database. "This may not hold true any longer as lower liquidity and overall bearish sentiment may result

in some price correction if the investors decide to exit."

To be clear, a sizeable portion of the shares held by promoters and the promoter group may not be up for sale.

OPEN MARKET EXITS

Open market sales were the largest exit type last year for PE/VC investors as equity prices and trading multiples

were at an all-time high, said Soni. Such sales include PE funds invested in a publicly listed company selling their stake or PE/VC investors in an IPO booking further exits after their lock-in period ends.

"We expect to see a significant correction in this exit type till the buoyancy in trading multiples returns," Soni said.

Open market exits surged after the pandemic, reaching a record high of \$12.9 billion last year, according to EY analysis of VCEdge data. Broader investor base, enhanced liquidity, ability to sell large blocks without material price disruption and greater transparency make this exit strategy more attractive for PE/VC investors. The lock-in period differs for different investors.