



IPO Momentum in 2018 After a Stellar 2017

Stock Markets in 2017

Broadly, whenever a Company and/or PSU come out with a Public Issue(IPO)/Offer for Sale(OFS) for raising funds from Public and Institutional Investors that process is called Primary Market route whereas Buy/Sell transactions that take place through Stock Exchanges are called as Secondary Markets. Let us have a look at the growth of the Indices on the Stock Exchanges BSE and NSE during 2017. NSE NIFTY had closed on 31st December 2016 at 8186 whereas BSE SENSEX had closed at 26626 on the same day. Upon taking closing figure of NIFTY and SENSEX as on 31st December 2017, the actual stood at 10531 and 34057, thereby recording a rise of 28.6% and 27.9% respectively. In other words, it has been an excellent year, in terms of returns, for investors betting on good performing stock in these indices.

Performance of IPOs in 2017

Buoyancy in the Indian Primary Markets continued throughout the year 2017 when 36 IPOs and Qualified Institutional Placements raised capital to the extent of Rs 160,000 crores, which was 260% higher than funds raised in 2016.

GIC of India was the biggest IPO in terms of funds raised to the tune of Rs 11,257 crores. The year witnessed many Insurance Companies raising funds through IPOs, notable amongst them were; ICICI Prudential Life Insurance Company, SBI Life Insurance, ICICI Lombard General Insurance, New India Assurance Company and HDFC Standard Life Insurance. Some of the IPOs gave handsome/windfall gains to the investors post listing. Government of India also raised Rs 72,000 crores through divestment of equity by way of IPOs, OFS, ETFs, Block Deals, participating in Buyback and Issuance of shares to Employees.

The SMEs also raised a record Rs 1,679 crores through 133 IPOs. This year Infrastructure Investment Trusts (INVITs) also raised, for the first time, close to Rs 7,300 crores. The 44 Companies, through QIPs, raised Rs 61,100 crores, which was highest ever. The SMEs also raised a record Rs 1,679 crores through 133 IPOs. This year Infrastructure Investment Trusts (INVITs) also raised, for the first time, close to Rs 7,300 crores. The 44 Companies, through QIPs, raised Rs 61,100 crores, which was highest ever.

Best Performing IPOs of 2017 (Table 1)

Company	Issue Date	Offer Price	Listing Price	Holding Period on 31.12.2017	Market Price	Annualised Returns
Avenue Supermarts Ltd	21-03-2017	459	660	271	1181	376%
Shankara Building Prod Ltd	05-04-2017	460	545	256	1799	415%
CDS (India) Ltd	30-06-2017	149	250	185	358	277%
Au Small Finance Bank Ltd	10-07-2017	358	530	175	667	180%
Salasar Techno Eng Ltd	25-07-2017	108	250	159	302	412%
Dixon Techno-logies (India) Ltd	18-09-2017	1766	2725	105	4191	477%
Capacit'e Infraprojects Ltd	25-09-2017	250	399	98	396	218%
Godrej Agrovet Ltd	16-10-2017	460	615.60	77	579	123%
MAS Financial Services Ltd	18-10-2017	459	660	75	627	386%
HDFC Standard Life	17-11-2017	290	310	45	386	262%

Moderate or Negative Returns from IPOs (Table 2)

Company	Issue Date	Offer Price	Listing Price	Holding Period on 31.12.2017	Market Price	Annualised Returns
BSE Ltd	03-02-2017	806	1085	332	909	14%
Music Broadcast Ltd (Radio City)	17-03-2017	333	420	290	383	19%
Cochin Shipyard	11-08-2017	432	435	143	552	71%
Matrimony.com	21-09-2017	985	985	102	938	-17%
ICICI Lombard GIC Ltd	27-09-2017	661	650	96	695	66%
SBI life Insurance	03-10-2017	700	735	90	695	-3%
GIC of India	25-10-2017	912	850	68	754	-93%
Mahindra Logistics Ltd	10-11-2017	429	432	52	438	15%
New India Assurance Co	13-11-2017	800	750	49	601	-185%
Khadim India Ltd	17-11-2017	750	730	48	680	-71%

On perusal of the table 1, it is noticed that excepting Godrej Agrovet Ltd and MAS Financial Ltd, all other companies share price appreciated on the bourses post listing. For the sake of the simplicity, parity and comparison, annualised return has been arrived at as on 31.12.2017 post issue date. Salasar Techno Engineering Ltd and Avenue Supermarts Ltd (DMart) gave more than 100% return to investors at the time of listing itself.

Upon taking a closer look at the table 2, it could be construed that these companies had not left anything on table for investors to gain on listing although some of them could be a good long term bet. Radio City had listed 25% above offer price then settled down at 19% annualised return. IPOs of Cochin Shipyard and ICICI Lombard got listed almost flat or marginally negative but later moved up to post moderate gains.

IPO Benefits to the Retail Investors

- A novice could start investing through IPO route for direct equities.
- A portion of the Issue is reserved for Retail Investors where application size does not exceed Rs 2 lakhs.

The funds get blocked under ASBA and debited when there is allotment otherwise blocked funds are released.

Online applications for IPO make it simple for investors to apply sitting at any place in no time.

Irrespective of the size of application for retail investors basis of allotment finalized, in consultation with Stock Exchanges, is same for all market lots upto Rs 2 lakhs.

Listing time, in case of IPOs, is curtailed to just 7 days. This means funds could be recycled by Retail Investors more number of times.

IPO momentum in 2018

The pace of IPOs continues in the first month when as many as 4 companies raised funds from the primary markets. These were Apollo Micro Systems, Newgen Software Technologies, Amber enterprises and Galaxy Surfactants. Barring Newgen Software Technologies, all other IPOs have received overwhelming response to the issue. NSE and BSE Indices have been scaling new highs in January 2018, as a part of pre-budget rally. With the Bank deposit interest rate continuing southward momentum, more retail investor funds are likely to find entry into stock markets.

A good number of companies have filed Draft Red Hearing Prospectus (DRHP) for clearance of the IPO. Other prominent issues to hit primary markets are likely to be NSE, ICICI Securities Ltd, HDFC MF, Hindustan Aeronautics Ltd, Reliance General Insurance, Bharat Serum and Vaccines Ltd, Continental Warehousing Corporation, ReNew Power, Aster DM Healthcare Ltd. According to sources, Government of India is also planning a record divestment of Rs 100,000 crores in FY 2018-19.

The Economic Survey released by the Government estimates GDP growth of 7-7.5% in 2018-19. Indirect Tax collection has risen by 50%, which is a good sign for the economy.

35 Lakhs new employers have registered under GST, which would mean increase in the indirect tax collections. Q3 FY17-18 results have been better than expected with significant increase in top line and bottom line that augurs well for the Stock Markets. Indian Stock Market rally is driven by the global clues as well as domestic inflow of funds through SIP route amounting to Rs 6,200 crores in December 2017. Overall, it is quite likely to be another splendid year for stock markets as well as IPOs hitting the market during the course of the year.

Deepak Pande CFP
PGPMX 2016-18 batch
IIMI, Mumbai Campus