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'Robust listing whet retail appetite in IPOs'

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Robust listings whet retail appetite in IPOs

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Retail participation (meaning, by individuals) in Initial Public Offers (IPOs) of equity has risen this year, with a number of issues seeing good demand from this category.

In 2016, six of the 12 issues that hit the market have seen retail investors bidding for more than three times the shares on offer. In calendar year 2015, only five of the 21 issues had seen a subscription of over three times, shows data from Prime Database.

The recently concluded Quest Corp issue got subscribed 31 times in the retail segment. Other offerings that saw robust demand include Mahanagar Gas (6.6 times), Ujjivan (3.8 times), Thyrocare (8.5 times) and TeamLease Services (10.3 times).

Retail investors are classified as those who do not apply for more than ₹200,000 worth of shares in an IPO and are typically given an allocation of 35 per cent of the total issue size.

The general buoyancy in the secondary market, as well as strong institutional participation in recent issuances, is attracting retail investors, said experts. "It is difficult for these investors to assess the quality of an IPO. Even if they pore through the company finan-

ISSUES WITH HEALTHY RETAIL PARTICIPATION Subscription (numbers of times)

	Listing date	Issue size (₹ cr)	Total	Retail	Listing day gain (%)
Dr Lal PathLabs	Dec 23, '15	638.0	33.4	4.1	49.8
Alkem Laboratories	Dec 23, '15	1,349.6	30.9	3.0	31.6
TeamLease Services	Feb 12, '16	423.7	38.8	10.3	20.2
Quick Heal Tech.	Feb 18, '16	451.3	8.0	3.7	-20.7
Thyrocare Tech.	Jun 9, '16	479.2	52.3	8.5	38.6
Ujjivan Fin. Services	May 10, '16	882.5	28.8	3.9	10.3
Mahanagar Gas	Jul 1, '16	1,039.6	45.5	6.6	23.5
Quest Corp	NA	400.0	143.9	31.2	NA

Compiled by BS Research Bureau

cial, it is difficult to examine the promoter background, as well as the pricing of the issue. So, they usually follow cues set by institutional investors," said Pranav Haldea, managing director, Prime Database, a primary market tracker.

The benchmark BSE Sensex has gained four per cent in the year to date, on the back of improved last quarter numbers and prospects of a good monsoon.

Despite the buoyancy, however, it has become difficult to make money in the secondary market, believes Arun Kejriwal, director, KRIS, an investment advisory firm. "Retail investors are scouting for better options and IPOs are being viewed as one of the options to make gains."

Gains made on the first day by recent debutants could be another factor getting retail investors interested. Six of 11 issues this year have listed with double-digit gains. The previous three debuts, for instance, of Equitas Holdings, Ujjivan Financial Holdings and Parag Milk Foods, ended with day-one gains of between 10 per cent and 23 per cent. The stocks also rallied handsomely after listing and are now up 61 per cent, 103 per cent and 40 per cent, respectively.

Retail participation was high in 2006, 2007 and 2008. Experts believe these investors have grown wiser, having burnt their fingers in a number of issues in 2008. "There was a mad dash for IPOs that ended

in a disaster for many investors. That memory is still fresh, which is why not every issue is seeing high retail participation," said Kejriwal.

Added Haldea: "Unlike 2007-08, investors know there is no assurance of making robust listing gains on every issue. So, there are a lot more picky."

The good run is likely to continue. "Brexit is behind us and we expect a strong pipeline of companies to hit the capital market in the next few months. Investors are primarily looking to invest in companies with good management, strong operating cash flows and growth prospects," said V Jayasankar, head of equity capital markets, Kotak Investment Banking.

