

Follow Us:

**The Indian EXPRESS**

Tuesday, November 09, 2021

[Home](#) [India](#) [World](#) [Cities](#) [Opinion](#) [T20 WC](#) [Entertainment](#) [Lifestyle](#) [Tech](#) [Videos](#) [Explained](#) / [io](#)SUBSCRIBE
₹1999 / year Sign in[Home](#) / [Business](#) / [Economy](#) / 'IPOs galore but failure rate weighs: Investors see losses in 40% of offerings'

'IPOs galore but failure rate weighs: Investors see losses in 40% of offerings'

"Around 23 per cent have outperformed and going at above 100 per cent. Overall, around half have given returns of above 10 per cent so far. Therefore, it has not been a uniform story across the board," said a Care Ratings study.

For a better experience and access to premium articles, create an account on The Indian Express.

[Create account](#)[Already have an account? Sign in](#)

EXPRESS EXPLAIN



Over 2 decac
proportion of
choice late

The interesting point is that the failure rate — defined as proportion of issues that are quoting lower than the issue price -- is high in both the highest and lowest segments, Care Ratings said.

While the queue of companies planning to raise money through initial public offerings (IPOs) is getting longer, investors who put funds in many of the IPOs launched earlier this year are sitting on notional losses. Investments in almost 40 per cent of the issues are going at lower than the issue price. “Around 23 per cent have outperformed and going at above 100 per cent. Overall, around half have

For a better experience and access to premium articles, create an account on The Indian Express.

[Create account](#)

Already have an account? [Sign in](#)

in calendar year 2021. This is in contrast to just around Rs 18,500 crore raised for the 10 months in the past year.

The interesting point is that the failure rate — defined as proportion of issues that are quoting lower than the issue price — is high in both the highest and lowest segments, Care Ratings said. At the Rs 1,000 crore-plus level, 25 per cent are trading at a discount while 61 per cent in the lowest range fall in this category. The Rs 500-1,000 crore category has the lowest failure rate of just one in 13. It is 267 per cent for the Rs 100-500 group and 40 per cent for the Rs 10-100 category.

EXPRESS EXPLAIN



Over 2 decac
proportion of
choice late

Aditya Birla Sun Life AMC, which offered shares at Rs 712, is now quoting at Rs 647.60. CarTrade Tech, which issued shares at Rs 1,618, is now at Rs 1,166. Windlas Biotech is trading at Rs 310.95 as against the IPO price of Rs 460. However, Paras Defence, which offered shares at Rs 185, is now trading at Rs 815. AMI Organics, which priced its IPO at Rs 610, is now trading at Rs 1,057 on the stock exchanges.

“The analysis hence shows that the boom in the IPO market has gone concomitantly with that in the secondary market. There is more diversity in the industries that have raised equity and is well spread across all sectors unlike the debt market,” the rating firm said.

Interestingly, the 87 companies, which have raised equity, fall in all ranges and

For a better experience and access to
premium articles, create an account on
The Indian Express.

[Create account](#)

Already have an account? [Sign in](#)



EXPRESS EXPLAIN

**Over 2 decac
proportion of
choice late**

This website is blocked

[SWG][Care Ratings Domain][Default Block Category]

The web site you are trying to access:

URL : open.spotify.com/embed-podcast/show/0ygP4jm9c9SdqUM3C6DycM

Investors who leverage their way to IPOs earn only if the company lists at a larger premium as compared to the cost of funding. “However, in the second half of 2021, 25 per cent of IPOs listed at a discount, resulting in losses for investors and increased risk for financiers. This, along with the RBI’s move to suck up excess liquidity via VRRR auctions, resulted in borrowing costs almost doubling at the moment,” said Yesha Shah, head of equity research, Samco Securities.

As lending rates have risen, high-net-worth individuals (HNIs) are likely to be more cautious and selective in the IPOs they apply. “Therefore, before subscribing, retail investors should analyse not just the potential listing gains, but also the fundamentals and valuations of the IPOs, and seek for solid companies with a compelling long-term structural growth story,” Shah said.

On the other hand, India Ratings and Research (Ind-Ra) said the Reserve Bank of India’s (RBI) capping of individual borrower’s limit for non-banking financial companies (NBFCs) to Rs 1 crore for IPO financing would affect the oversubscription of IPOs and reduce the issuances of commercial papers.

The agency said this restriction could restrict the use of IPO financing as a tool by large HNI and institutions for equity market participation and garner listing gains, along with lowering subscriptions for forthcoming IPOs post the regulation gets implemented.

For a better experience and access to
premium articles, create an account on
The Indian Express.

[Create account](#)

[Already have an account? Sign in](#)