

Sharp Listing Gains of IPOs in a Weak Market Raise Eyebrows



Post-Listing Gains Could be Misleading

PERFORMANCE OF RECENT IPOs

	OFFER PRICE (₹)	CMP (₹)	SUBSCRIPTION (NO OF TIMES)			
			%PREM	QIBs	NIIs	RETAIL
C Mahendra Exports	110	251.7	129	1.00	3.59	4.59
Midvalley Enter	70	84.1	20	0.38	1.46	9.31
Acropetal Tech	90	101.4	13	1.13	1.30	1.22
Sudar Garments	77	113.1	47	0.17	2.90	2.23
Fineotex Chemical	70	140.9	101	0.00	0.09	1.50

SOURCE : ETIG DATABASE/CAPITALINE

Five out of six IPOs, which received poor institutional support, have listed at a premium since January

VIJAY GURAV
MUMBAI

Listing gains generated by some of the recent IPOs are raising eyebrows in the market. Despite a volatile market, five out of six IPOs since January listed at a premium, with these stocks moving up in subsequent trading sessions. Some of the offers had received poor institutional response, causing concerns that the post-listing trading pattern may have been influenced by operators and retail investors who may soon lose interest on the scrips.

"If IPOs with huge retail but minimum or no institutional subscription are listing at a huge premium, then it's a disturbing trend," said GS Ganesh, president of Mumbai-based category-I merchant banker Collins Stewart Inga. The post-listing trading pattern in such offers could be misleading as there is a possibility that a large portion of the IPO may have been cornered. Within weeks after listing, such stocks are often palmed off to smaller, gullible investors with little knowledge about the company and its prospects.

Among the six IPOs that have listed in the current year so far, C Mahendra Exports has offered investors the highest return of 129% since its debut on January 20. The stock closed 1% down at

₹251.7 on Friday against the IPO price of ₹110 per share. The QIB portion of the ₹165-crore issue was subscribed only one time, though retail investors bid 4.6 times the shares reserved for them.

Fineotex Chemical, which listed on Friday, closed at ₹140.9 — double the offer price on the BSE. The ₹29-crore offer did not receive any subscription from QIBs though retail portion was subscribed 1.5 times, according to allotment details sourced from CapitalLine. Sudar Garments also listed on the same day with a 46% premium to the offer price. The QIB portion of the ₹70-crore IPO was undersubscribed heavily (0.2 times), though retail subscription was 2.2 times.

The sustained gains in some of the recent new listings, according to Almondz Global Securities associate director and head of i-banking Sharad Rathi, could be because large investors have been holding on to their investments in anticipation of better returns as and when sentiment for mid-caps improves. He, however, did not attribute any major buying in these counters.

According to market circles, the hectic day trading in last week's new listings has also put a question mark on the quality of trading in the stocks. For instance, Fineotex saw volumes of 3.5 crore shares on Friday, which was three times higher than the post-IPO equity of 1.12 crore shares. But only 12% of the traded quantity actually resulted in deliveries while the balance positions were squared off on the same day. Similarly, Sudar Garments' volumes at 3.4 crore shares were two times the company's equity base. Of this, only 11% shares changed hands between buyers and sellers.