



Performance analysis of the 10 biggest mainboard IPOs of 2021

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ABSTRACT

The Indian Primary market has been an important aspect of the economy. It generates capital for companies with the modes of IPOs and FPOs. Every year many new companies issue their Initial Public Offers in the Primary Market. These issued shares are further listed in the Stock Exchanges. Companies fulfilling the SEBI guidelines can benefit themselves by issuing IPOs for the book building purpose. Retail investors find IPOs as one of the most popular avenues of investment in the stock markets. There have been interesting developments in the IPO market and its performance during the last few years. The year 2021 has broken records of capital raising amount through for IPOs.

This research paper intends to analyse the performance of the 10 biggest mainboard IPOs issued in the year 2021. It will study the subscription, listing and further market performance of these mainboard IPOs.

Keywords: IPO, Book Building, QIB, NII

Introduction:

It is understood that the process of the issue of an IPO i.e. Initial Public Offer is one of the most popular ways for the companies to raise capital from the Primary Market. There are several IPOs Issued every year by many Limited Companies in the Indian Capital Markets. It is interesting to study the performance of these IPOs right from their acceptance by the public, this can be understood well by the number of times an issue is subscribed by the public, QIB & NII. Also tracing the performance of an issue on the listing date and further is an interesting aspect. This information would be helpful for those investing IPOs as most of the investors blindly subscribe for several IPOs just in the name of the company or suggestion of the stock brokers.

Book Building:

A company can raise capital in the primary market by way of an initial public offer, rights issue or private placement. An Initial Public Offer (IPO) is referred to the selling of securities to the public in the primary market. For a company, it is the largest source of funds with long or indefinite maturity. The process of raising capital is

popularly known as Book Building Process. Book Building is a process used in Initial Public Offer (IPO) for efficient price discovery. It is a mechanism where, during the period for which the IPO is open, bids are collected from investors at various prices, which are above or equal to the floor price. The offer price is determined after the bid closing date. The concept of Book Building is relatively new in India as compared to most developed countries.

Table 1: Comparison of Mainboard IPOs during last 5 years

	2017	2018	2019	2020	2021
Total Issues Successful	38	24	15	15	63
Total Money Raised (In crores)	75278.57	31731.57	12664.28	26628.06	119881.80
Issues: LTP on Listing < Issue Price	11	11	3	4	19

Source: Compiled using data available with nseindia.com

Table No. 1 compares Mainstream IPOs issued during the last 5 years i.e. from 2017 to 2021. The table clearly states that there was a declining trend in the number of issues and the amount of money raised during 2018 and 2019 as compared to the record-holding year of 2017. However in 2020, the number of IPOs remained constant, but their average ticket size improved substantially. The number of IPOs has fallen by 37% in 2018 as compared to 2017. Also, the number of IPOs has fallen by 37.5% in 2019 as compared to 2018. vis a vis the amount of money raised has also fallen drastically by almost 58% in 2018 as compared to 2017. Also the same has fallen by 60% in the year 2019 and by 65% in 2020 as compared to 2017. However, the number of IPOs increased by 67% to 63 in the year 2021 and the amount of money raised has also increased by 59% to Rs. 1.19 crores, it is worth noting that this amount is more than 4.5 times the amount of the previous year 2020.

10 Biggest Mainboard IPOs

A total of 63 IPOs of 2021 raised a whopping amount of Rs. 1198881.80 crores, according to this the average ticket size of all these IPOs is Rs. 1902.88 crores. However if out of them we consider the 10 biggest IPOs in terms of the issue size, these 10 raised a total of Rs. 67932.99 crores which account for 56.67% of the total capital raised by just 15% of the Issuers. The average ticket size is more than 6800 crores. However, all these 10 IPOs are almost above Rs. 3000 crores mark. One of the major reasons behind this huge average is the presence on Indian History's biggest IPO by One 97 Communications Limited, popularly known as Paytm which topped the list with a capital of Rs. 18300 crores.

A brief introduction of the 10 IPO Companies:

1. One 97 Communications Ltd (Paytm): Incorporated in 2000, is India's leading digital ecosystem for consumers as well as merchants. As of March 31, 2021, the company has a 333 million+ client base and 21 million+ registered merchants to whom it offers payment services, financial services, and commerce and cloud services. In 2009, the company launched the first digital mobile payment platform, "Paytm App" to offer cashless

payment services to customers and now, it became India's largest payment platform and the most valuable payments brand.

2. Zomato Limited: incorporated in 2010, is one of the leading online Food Service platforms in terms of the value of food sold as of Dec 31, 2020. Its B2C offerings include food delivery and dining-out services. As of December 31, 2020, Zomato has established a strong footprint across 23 countries with 131,233 active food delivery restaurants, 161,637 active delivery partners, and an average monthly food order of 10.7 million customers.
3. Star Health and Allied Insurance Company Ltd: Incorporated in 2006, is one of the largest private health insurers in India with a market share of 15.8% in Fiscal 2021. The company primarily focuses on the retail health and group health segments which accounted for 89.3% and 10.7% of the company's total GWP in Fiscal 2021 respectively. Star Health has also built one of the largest health insurance hospital networks in India with more than 11,778 hospitals.
4. PB Fintech is India's leading online platform for insurance and lending products. The company provides convenient access to insurance, credit, and other financial products and aims to create awareness in India about the financial impact of death, disease, and damage. In 2008, PB Fintech launched Policybazaar aimed at catering to consumers who need more information, choice, and transparency in insurance policies. PB Fintech also launched Paisabazaar in 2014 intending to provide ease, convenience, and transparency in selecting a variety of personal loans and credit cards for the consumers.
5. Sona BLW Precision Forgings Limited: Incorporated in 1995, is one of the leading automotive technology companies in India. The company is primarily engaged in designing, manufacturing, and supplying high-quality mission-critical automotive components. As per CRISIL Report, it is among the top 10 auto-component manufacturers. In 2020, Sona Comstar was among the top 10 global players for the differential bevel gear segment and the largest exporters of starter motors in India. The firm supplies its products across the countries such as India, the US, Europe, and China. It has 9 manufacturing and assembly facilities across the USA, India (6), China, and Mexico.
6. Nykaa: incorporated in 2012, Nykaa is a consumer technology platform, delivering a content-led, lifestyle retail experience to consumers. The company has a diverse portfolio of beauty, personal care, and fashion products, including their own brand products manufactured by them. The company operates under 2 major verticals: (a) Nykaa: Beauty and personal care (b) Nykaa Fashion: Apparel and accessories. The company provides an omnichannel shopping experience to its customers by providing both online and offline shopping channels. Online channels include mobile apps, websites, and mobile sites while offline channel consists of 73 physical stores spread across 38 cities in India.
7. Nuvoco Vista Corporation Ltd.: Incorporated in 1999, a part of Nirma Group Company is among one of the largest cement companies and concrete manufacturers in India. It offers a diversified range of products such as cement, Ready-mix Concrete (RMX), and modern building materials i.e. adhesives, wall putty, dry plaster,

cover blocks, and more. The company sells its products in the trade segment (individual home buyers) and non-trade segment (institutional and bulk buyers). It has a strong distribution network with 15,969 dealers and 225 CFAs.

8. Indian Railway Finance Corporation (IRFC): Incorporated in 1986, the is a public-sector enterprise that is wholly owned by the Government of India. IRFC is primarily engaged in financing the acquisition of rolling stock assets, leasing of railway infrastructure assets, and lending to entities under the Ministry of Railways (MoR). Being the borrowing arm of Indian Railways, IRFC is responsible to raise funds for MoR that is required to procure rolling stock assets (wagons, trucks, electric multiple units, locomotives, coaches), its improvement, expansion, and assets management.
9. Chemplast Sanmar Ltd: Incorporated in 1985, is a leading specialty chemical manufacturer in India. The company is engaged in the manufacturing of specialty paste PVC resin, starting materials, and intermediates for agro-chemical, pharmaceuticals, agro-chemical, and fine chemical sectors. It has four manufacturing facilities, among which, 3 are situated at Mettur, Berigai, and Cuddalore in Tamil Nadu, and one is located in Puducherry at Karaikal.
10. CarTrade Tech Ltd: Incorporated in 2000, is a multi-channel auto platform provider company. The company operates various brands such as CarWale, CarTrade, Shriram Automall, BikeWale, CarTradeExchange, Adroit Auto, and AutoBiz. The platform connects new and used automobile customers, vehicle dealers, vehicle OEMs, and other businesses to buy and sell different types of vehicles. The company offers a variety of solutions across automotive transactions for buying, selling, marketing, financing, and other activities.

Subscription of the 10 biggest IPOs:

IPOs are subscribed category wise by the investors. When more applicants subscribe, the shares are generally allotted on a proportionate basis. For example, if the IPO is subscribed 3 times, it means that one share is allotted for every three shares applied. Subscriptions are generally category wise which includes: (a) QIB i.e. Qualified Institutional Investors like Mutual Funds, Insurance Companies, etc. (b) NII i.e. Non-Institutional Investor which includes High Net Worth Individuals (HNIs) (c) Retail i.e. individuals having the application of less than Rs. 200000. (d) Employees are the employees of the issuing company. It is worth noting that the subscriptions by Qualified Institutional Buyers (QIB) and Non-Institutional Investors (NII) were relevantly high for most of the stocks.

Table 2 below shows the detailed statistics of subscriptions of the 10 biggest IPOs. The biggest has an issue size of Rs. 18300 crores and the smallest among the 10 having an issue size of 2998.51 crores (almost 3000 crores). However when we analyse the Retail category, FSN E-Commerce Ventures Limited (Nykaa) tops the list with 12.24 times response followed by Zomato Limited with 7.45 times. All IPOs were successful in achieving overall oversubscription except for Star Health and Allied Insurance Co. Ltd. which was able to manage 0.79 times of the issue. IRFC was able to get the highest employee subscription of 43.76 times.

Table 2: Subscription Performance of 10 Biggest Mainboard IPO's in the Year 2021

Issuer Company	Issue Size (Crore Rs.)	Number of Times Subscribed				
		QIB	NII	Retail	Employees	Total
One 97 Communications Limited (Paytm)	18300.00	2.79	0.24	1.66		1.89
Zomato Limited	9375.00	51.79	32.96	7.45	0.62	38.25
Star Health and Allied Insurance Co. Ltd	7249.18	1.03	0.19	1.10	0.10	0.79
PB Fintech Limited	5625.00	24.89	7.82	3.31		16.59
Sona BLW Precision Forgings Limited	5550.00	3.46	0.39	1.58		2.28
FSN E-Commerce Ventures Limited	5351.92	91.18	112.02	12.24	1.88	81.78
Nuvoco Vistas Corporation Ltd	5000.00	4.23	0.66	0.73		1.71
Indian Railway Finance Corporation Ltd.	4633.38	3.78	2.67	3.66	43.76	3.49
Chemplast Sanmar Limited	3850.00	2.70	1.03	2.29		2.17
CarTrade Tech Limited	2998.51	35.45	41.00	2.75		20.29

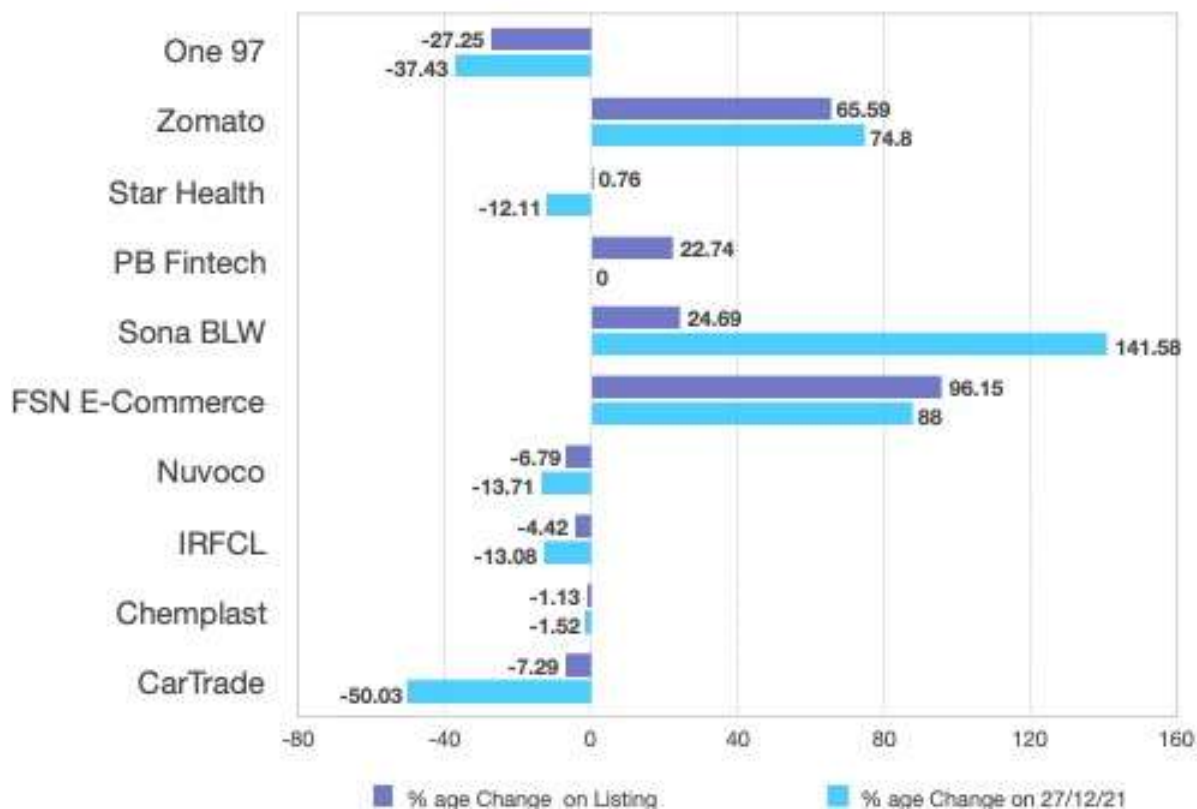
Source: Compiled using data available with Chittorgarh.com

Table 3: Trading Performance of 10 Biggest Mainboard IPO's in the Year 2021

Issuer Company	Issue Open	Issue Close	Issue Price (Rs.)	Listing Day LTP (Rs.)	% age Change on Listing	LTP 27/12/21	% age Change 27/12/21
One 97 Communications Limited	08/11/21	10/11/21	2150	1564.15	-27.25	1345.3	-37.43
Zomato Limited	14/07/21	16/07/21	76	125.85	65.59	132.85	74.80
Star Health and Allied Insurance Co. Ltd	30/11/21	02/12/21	900	906.85	0.76	791.05	-12.11
PB Fintech Limited	01/11/21	03/11/21	980	1202.9	22.74	980.00	0.00
Sona BLW Precision Forgings Limited	14/06/21	16/06/21	291	362.85	24.69	703.00	141.58
FSN E-Commerce Ventures Limited	28/10/21	01/11/21	1125	2206.7	96.15	2115.00	88.00
Nuvoco Vistas Corporation Ltd	09/08/21	11/08/21	570	531.3	-6.79	491.85	-13.71
Indian Railway Finance Corporation Ltd	18/01/21	20/01/21	26	24.85	-4.42	22.6	-13.08
Chemplast Sanmar Limited	10/08/21	12/08/21	541	534.9	-1.13	532.75	-1.52
CarTrade Tech Limited	09/08/21	11/08/21	1618	1500.1	-7.29	808.5	-50.03

Source: Compiled using data available with Chittorgarh.com

Chart 1: IPO Percentage Gain/Loss on Listing and on 27/12/21



Performance Analysis:

Table No. 3 and Chart No. 1, clearly indicates that 5 out of the biggest 10 IPOs issued in 2021 traded in the negative zone as compared to their issue prices on the listing date. This means that almost 50% of the Issues failed to attract new buyers in the Secondary Market. Almost half of the IPOs were not able to sustain above the issue price on the first day itself. It could be suggested that these stocks might have faced this due to profit-booking by the subscribers to the new shares. However, it is interesting to research further and find out whether these stocks could recover in the future.

We have tried to compare their LTP on 27/12/21 with the issue price. It was observed that the losses increased further after listing for all the negative listed stocks and even the positively listed stocks were not able to hold the gains except for the two IPOs i.e. Zomato Limited and Sona BLW. FSN (Nykaa) however managed to be in a strong positive zone with an 88% gain.

The biggest IPO (Paytm) was suffering heavy losses as it traded 27% below the issue price on the listing date and further increased the losses to 37% by the end of December 2021. CarTrade was trading 50% below the issue price which is again a significant loss. It is interesting to note that stocks which were oversubscribed to a great extent by retail investors i.e. FSN (Nykaa) and Zomato were able to perform strongly with a gain of almost 88% and 75% above the issue price. Also, Star health which was undersubscribed could not sustain marginal gains and slipped to a negative zone of 12% losses.

Findings & Conclusion:

A record-breaking number of mainboard IPOs (63) were launched in 2021 and were able to raise a whopping amount of Rs. 1198881.80 crores which are 4.5 times above the capital raised in 2020.

The 10 biggest IPOs in terms of the issue size raised a total of Rs. 67932.99 crores which account for 56.67% of the total capital raised by just 15% of the Issuers.

In 2021 Indian History's biggest IPO was launched by One 97 Communications Limited, popularly known as Paytm of Rs. 18300 crores.

In the case of subscriptions by retail category, FSN E-Commerce Ventures Limited (Nykaa) tops the list with 12.24 times response followed by Zomato Limited with 7.45 times. All the 10 IPOs were successful in achieving overall oversubscription except for Star Health and Allied Insurance Co. Ltd. Which was able to manage 0.79 times of the issue. IRFCI was able to get the highest employee subscription of 43.76 times.

5 out of the biggest 10 IPOs issued in 2021 traded in the negative zone as compared to their issue prices on the listing date. It was observed that the losses increased further after listing for all the negatively listed stocks and even most of the positively listed stocks were not able to hold the gains. The biggest IPO (Paytm) was suffering heavy losses as it traded 27% below the issue price on the listing date and further increased the losses to 37% by the end of December 2021.

Finally, it concludes that the year 2021 was a great year for the primary market with a huge volume of IPOs and the biggest IPO launched in the entire history of Indian markets. Most of them were well treated by the initial investors. But an analysis of the top 10 IPOs shows that most of them were not able to fulfil the investor's expectations and slipped into a negative zone right from the listing leading to losses for the primary market investors.

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