

Investors shun PSU offers, love pvt IPOs

HNIs main driving force behind current euphoria

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THE huge oversubscription in the recent initial public offerings (IPOs) has come as positive surprise for bankers and issuers. It points to strong appetite for good quality stocks from high growth sectors like consumer, healthcare and financial sector, especially from high networth individuals (HNIs).

The last three IPOs proved to be blockbusters with Equitas, Thyrocare and Ujjivan together receiving bids worth over Rs 90,000 crore against the total issue size of Rs 3,500 crore. The HNI category has been the main driver for the recently concluded IPOs' huge oversubscription figures.

There is heightened activity in the domestic retail moneybags with non-institutional investor category seeing huge oversubscription. In case of Thyrocare issue, the non-institutional investor category was oversubscribed 225 times, while in case of the two small finance bank license holders' IPOs — Ujjivan Financial and Equitas Holding — it stood at 136 times and 57 times, respectively.

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Love of Richie Rich

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"Issues from quality companies at reasonable valuations and positive market sentiments are driving these kind of response to IPOs," says Ajay Saraf, executive director, ICICI Securities.

In contrast, response to share offerings from the government stable has not been encouraging in the past few years. Though the government has been setting ambitious targets for

fund mobilisation through stake sale in public sector companies, it has failed to achieve them. Most of the large offer for sale (OFS) of PSU companies like NTPC, Coal India have been bailed out by domestic institutional investors, largely by insurance behemoth Life Insurance Corporation of India (LIC) while the retail participation including HNIs in these OFS were relatively low.

OFS to be driven by FII: feel experts

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But what is baffling is the poor response to offer for sales of PSU companies from the government. "Most of these recent IPOs were quite attractively priced and investors see a lot of value in these stocks unlike in the case of follow-on issues of government-owned companies," says Vimal Bhandari, managing director and chief executive, Indo-Star Capital.

According to experts, the government companies have not been able evoke much response from domestic retail investors due to various reasons, including low discounts offered to them and huge volatility in stocks during the offer period."

"The response to retail investors' OFS is very low, as it is not properly marketed and the offer is given at a very short notice," Saraf said.

This year's budget has set the total target for divestment for 2016-17 at Rs 56,500 crore.

Many analysts feel that the government OFS will be mainly driven by foreign institutional investors and domestic institutions and retail participation will be low.

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