Project Dissertation Report on

Initial Public Offering and its trend in India

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CERTIFICATE

This is to certify that **Siddharth Jain**, student of Master of Business Administration, Batch 2020-2022 at Delhi School of Management, DTU has completed the Major Research Project on "**IPO and its Trend in India**", in Partial Fulfillment of the requirement for the Degree of Masters of Business Administration under my guidance.

The report has been checked for plagiarism and it is acceptable.

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DECLARATION

This is to certify that I am a student of the Master of Business Administration program of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi 110042.

I am hereby declaring that this project dissertation report titled “IPO and its Trend in India” is an original work and the same has not been made or submitted to any other institute for the award of any other degree.

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EXECUTIVE SUMMARY

The Initial Public Offering (IPO) allows companies to raise additional capital for expansion while also providing an escape route for some early-stage investors. Companies must first establish solid fundamentals and profitability potential in order to pique investors' interest in a successful IPO. In 2021, a number of enterprises went public, ranging from tech start-ups to chemical manufacturing firms and restaurant franchises. According to investment bankers who watch IPOs, this will be a record year for fundraising.

Thus, the uptrend in Indian equities, which lasted from mid-2020 to late 2021, attracted a slew of companies, including Zomato, Nykaa, and Paytm, all of which sought to take advantage of the rising confidence and get the best price for their stock. Millions of retail investors flocked to Asia's best-performing stock market in search of a piece of the action, and several IPOs benefited from the craze.

This research paper discusses the increasing trend of IPO in India, starting from 2021, why companies are going public just after the pandemic, and what it is for the investor to look into before entering into the IPO markets. The literature review is about four different paper that discusses four different aspects related to the IPO, such as underpricing/overpricing, the method used for arriving at the IPO price, investors' sentiments when investing in IPO, etc, and tries to establish familiarity with and understanding of current research in a much simpler way.

Furthermore, the paper has examined 4 different IPO namely: Barbeque Nation, Nykaa, Paytm, and Adani Wilmar. The reason for selecting these companies is to study them and the reason why the company went in for their IPO, as well as to gain a sense of their financial situation and how they value their business, which can determine whether they succeed or fail in the market. In other words, the goal of this paper is to demonstrate the relevance of valuation and how it affects the successful selling of an IPO as well as its ability to rapidly expand.

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Chapter 1

INTRODUCTION

A country's capital market is its primary economic indicator, reflecting the state of the economy. The first sale of a company's shares to the public and their subsequent listing on a stock exchange is known as an Initial Public Offering (IPO). It is one of the methods for raising funds. Cash is a company's soul, and it is an enabler for a company's success, especially in today's competitive market where enterprises must grow to exist. Companies require capital to conduct out tasks in order to stay afloat and compete.

Increases in market share, customer base, R&D spending to create new products or new uses for existing items, manufacturing capacity, marketing and distribution, and other activities have prompted businesses to continually look for cash. According to recent trends, initial public offerings (IPOs) have become one of the most popular and reliable techniques of obtaining capital. The Initial Public Offering (IPO) helps businesses to raise additional cash for expansion while also providing an exit strategy for some early-stage investors. Companies must first establish solid fundamentals and profitability potential in order to pique investors' interest in a successful IPO.

2021 witnessed a surge in IPOs (initial public offers) in India and globally. According to the Ernst & Young Global IPO Trends Report for 2021, 2,388 IPOs raised $453.3 billion globally in 2021, representing a 60% increase in volume and proceeds over the previous year. In India, 63 firms raised $1.19 billion through initial public offerings (IPOs), more than four times the amount raised in 2020 (26,628 crores).

Fresh issuances, offer for sale (OFS), or both are used to mobilize resources through IPOs. The proceeds of the issue flow to the corporation in new issuance. Securities held by existing shareholders of an unlisted company are offered to the public in the event of OFS. The money raised through the new issue is likely to boost economic activity, create jobs, and increase returns on all means of production. However, the money raised through OFS will primarily go to existing shareholders, who may or may not return for more investment. In the case of new issuance, the company has access to extra money, whereas, in the case of an OFS, current owners pocket the proceeds.

The following is the list of recent Indian IPO: (Source: ***Money Control***)

	Issue Details			Listing Details		
Date	IPO Name	Issue Size (in crores)	Listing Open	Listing Close	Listing Gains(%)
11-04-2022	Veranda Learn	200	171	160.4	17.08
16-02-2022	Vedant Fashions	3149	950	934.85	7.95
08-02-2022	Adani Wilmar	3600	274	265.2	15.3
31-01-2022	AGS Transact	716.87	176	161.3	-7.83
31-12-2021	CMS Info System	1100	242.95	237.4	9.91
28-12-2021	Supriya Lifesci	700	425	390.35	42.46
27-12-2021	HP Adhesives	125.96	319	334.95	22.24
24-12-2021	Data Patterns	601.2	864	754.85	29.03
22-12-2021	Metro Brands	1376.63	436	493.55	-1.29
21-12-2021	C. E. Info Syst	1039.61	1581	1394.55	35
20-12-2021	Shriram Prop	600	94	99.4	-15.76
17-12-2021	Rategain Travel	1354	364.8	340.5	-19.88
14-12-2021	Anand Rathi	660	584.45	583.5	6.09
13-12-2021	Tega Industries	619.23	753	725.5	60.15
10-12-2021	Star Health	7318.15	903	906.85	0.76
26-11-2021	Tarsons Product	1030.22	700	840	26.89
23-11-2021	Latent View	622.11	530	488.6	148.02
18-11-2021	Sapphire Foods	2073	1311	1216.05	3.06
18-11-2021	One 97 Paytm	18915.9	1955	1564.15	-27.25
15-11-2021	SJS Enterprises	816.57	514	509.85	-5.93
15-11-2021	PB Fintech	6273.5	1444	1202.9	22.74
12-11-2021	Fino Payments	1209	548	545.25	-5.5
10-11-2021	FSN E-Co Nykaa	5375	2001	2206.7	96.15
11-10-2021	ABSL AMC	2768	697.5	699.65	-1.73
01-10-2021	Paras Defence	181.13	475	498.75	185
24-09-2021	Sansera Eng	1282	845.05	818.7	10.04
14-09-2021	Vijaya Diagnost	1895.04	542.3	619.3	16.63
14-09-2021	AMI Organics	571.96	902	934.55	53.2
06-09-2021	APTUS VALUE	2790	360	374.05	5.96
24-08-2021	CHEMPLAST SANMA	3929.91	570	534.9	-1.13
23-08-2021	Nuvoco Vistas	5089.29	471	531.3	-6.79
20-08-2021	CarTrade Tech	2998	1600	1500.1	-7.29
16-08-2021	Exxaro Tiles	161.09	126	132.25	10.21
16-08-2021	Devyani Int	1858	141	123.35	37.06
16-08-2021	Windlas Biotech	405.95	439	406.7	-11.59
16-08-2021	Krsnaa Diagnost	1222	1025	990.75	3.85
09-08-2021	Rolex Rings	732.27	1249	1166.55	29.62
06-08-2021	Glenmark Life	1513	752	748.2	3.92
29-07-2021	Tatva Chintan	500	2111.8	2310.25	113.32
23-07-2021	Zomato	9375	115	125.85	65.59
19-07-2021	G R Infra	963.28	1700	1746.8	108.7
19-07-2021	Clean Science	1546	1784.4	1585.2	76.13
07-07-2021	India Pesticide	800	360	335.45	13.33
05-07-2021	Krishna Inst.	2146	1009	1096.8	32.95
28-06-2021	Dodla Dairy	521	550	609.1	42.31
24-06-2021	Sona BLW	5550	302.4	362.85	24.69
24-06-2021	Shyam Metalics	909	380	375.85	22.83
14-05-2021	PowerGrid InvIT	7734.99	104	102.98	2.98
19-04-2021	Macrotech Dev	2500	439	463.15	-4.7
07-04-2021	Barbeque Nat	453.6	492	590.4	18.08
30-03-2021	Nazara	582.91	1971	1576.8	43.22
26-03-2021	Suryoday Small	582.34	274.75	276.2	-9.44
26-03-2021	Kalyan Jeweller	1175	73.9	75.3	-13.45
25-03-2021	Craftsman	823.7	1440	1433	-3.83
25-03-2021	Laxmi Organic	600	173	164.6	26.62
24-03-2021	Anupam Rasayan	760	534.7	525.9	-5.24
19-03-2021	Easy Trip	510	182	104.15	-44.3
15-03-2021	MTAR Tech	596.41	990.05	1082.25	88.22
05-03-2021	Heranba	60	900	812.25	29.55
26-02-2021	Railtel	819.24	109	121.4	29.15
25-02-2021	Nureca	100	634.95	666.65	66.66
05-02-2021	Stove Kraft	412.63	498	445.95	15.83
03-02-2021	Home First	1153.72	612.15	527.4	1.81
02-02-2021	Indigo Paints	1170.56	2607.5	3118.65	109.31
29-01-2021	IRFC	4633	25	24.85	-4.42
01-01-2021	Antony Waste	300.53	430	407.25	29.29

In 2021, fresh issuances totaling 44,146 crores accounted for 36.82 percent of total funds raised (only 4 out of 63 issues were 100 percent fresh issues without OFS component). The declared goal of these new issuances was to obtain capital for production capacity development, general business purposes, reduce total outstanding borrowings, and to reap the benefits of listing. These goals are consistent with the assumption that IPOs help a country's economy expand.

The above table shows a large number of IPOs made in India in FY 2021-22 and even highlights the different issue sizes of the mentioned companies.

There were 59 issues that were a mix of new issues and OFS. In 2021, the OFS component of the issues was worth 75,736 crores. There is no way of knowing how this money will be spent in terms of economic development. The issue size of 49 firms included more than 50% of the OFS component, while 15 companies raised capital entirely through OFS.

In 2021, it is estimated that about half of all IPOs would enable an exit for private equity (PE) and venture capital (VC) companies or early investors. For the past 6-7 years, this tendency has been noticed in the Indian IPO market. This pattern implies that the Indian capital market encourages start-ups by allowing PEs and VCs to exit, which may be beneficial to the next generation of entrepreneurs.

A significant portion of the money collected through public offerings is used to assist PE/VCs and family offices in withdrawing funds. There is no way of knowing whether withdrawn monies are being re-invested in profitable ventures. To solve this issue, Sebi recently proposed that dominant shareholders (defined as holding at least 20% of the pre-issue position) can only sell up to 50% of their ownership in an OFS.

The money raised through public concerns should be put to good use. The percentage of money committed to acquiring unnamed enterprises or state-specific targets in the prospectus was capped under SEBI's reform policy.

More specifically, the combined allocation to future inorganic growth and "general company objectives" would be limited to 35 percent of the overall issue size. The maximum amount of money that can be used for unidentified purchases is fixed at 25% of the issue size. Credit rating firms may also be asked to supervise the use of revenues from public offerings.

Retail participation is another important development. The total number of Demat accounts has grown from 36 million in March 2019 to 77 million in November 2021. Individual retail investor applications grew from 8 million in 2019-20 to over 70 million in November 2021. The question is whether retail investors who invest in IPOs grasp the offer's underlying goal. It's possible that the presence of anchor investors/QIBs gives retail investors the confidence to subscribe to IPOs. SEBI has enhanced the lock-in period for a portion of the shares held by anchor investors from 30 days to 90 days to guarantee that their engagement is not deceptive. Furthermore, since the time between allotment in an IPO and listing on the stock exchange is only seven days, retail investors who do not have a thorough understanding of the issuing company's business model should wait for the listing before deciding whether to buy or sell those shares based on how markets have evaluated the company.

The overwhelming response to recent IPOs demonstrates a shift in retail investors' investment patterns—from the bank and government FDs to real estate to the stock market and IPOs. This shift is primarily motivated by increased profit potential. For example, the Bombay Stock Exchange (BSE) market index climbed by 13.58 percent year-to-date (July 2020-July 2021), while the Nifty 200 increased by 18.50 percent YTD. The IPO market has seen a lot of interest in companies with good fundamentals. For example, the most recent offering, Tatva Chintan Pharma, quadrupled investor money in less than two weeks, and Zomato did so in less than ten days.

Other factors, such as rising household disposable income and the ease with which retail investors can open Demat accounts, have driven retail investors to participate more in IPOs and the stock market.

According to a Fitch assessment, India's consumer expenditure will grow by 9.1% in the second half of 2021, after declining by 9.3% the previous year, surpassing pre-COVID-19 levels. In January 2020, the Central Depository Services Limited (CDSL) had 2.01 crore investor accounts, which had doubled in the last 17 months to 3.96 crore accounts as of June 2021.

The Securities and Exchange Board of India (SEBI) has also made it easier for start-ups to list by relaxing listing requirements and allowing for minimum public offers, streamlining the IPO process.

In the first seven months of 2021, 28 firms went public, raising more than Rs. 42,000 crore (US$ 5.66 billion), with 50 more on the way. PhonePe, MobiKwik, Grofers, PolicyBazaar, Flipkart Internet, and Delhivery are just a few of the notable names. While India's IPO boom continues, experts encourage investors to diversify their portfolios and thoroughly research firms before investing. Investors' risk appetite levels differ. Before making an investment decision, they must assess business growth, profitability, market share, business model soundness, and entry obstacles.

"IPOs are money-raising instruments," noted Mr. Mrinal Singh, CEO, and CIO of InCred Asset Management. When the market is liquid, companies line up for their initial public offering. When there is a lot of liquidity, it's a good idea to group IPOs together to get a better price. Only half of the organizations can meet the expectations that have been built up in their minds, according to historical trends. As a result, I would advise ordinary investors to exercise extreme caution when investing in initial public offerings (IPOs), and valuation prudence is essential."

Chapter 2

LITERATURE REVIEW

Paper 1 - Relationship between Underpricing and Post IPO Performance: Evidence from Indian IPOs

In the financial economics literature, it is well-known that post-IPO operating performance deteriorates. The association between post-IPO performance deterioration and underpricing was explored in this research.

The degree of underpricing is utilized as a signaling surrogate. The research was carried out by separating the entire sample into two categories: low underpricing and high underpricing, and then looking at the pattern in post-IPO performance deterioration for both groups. It was expected that the group with low underpricing would see more performance decline than the group with high underpricing. The belief was that companies purposefully underpriced their issue to indicate to the market their quality.

According to the findings, organizations' overall performance deteriorates dramatically after their first public offering (IPO). When compared to PBDIT/TA, the drop in CF/TA was more pronounced. The same result was obtained using industry-adjusted performance metrics, proving that the decline is not due to an industry effect.

One may claim that a drop in post-IPO performance is due to a lack of sales and investment prospects at that time. As a result, the study looked at the sales and capital expenditure trends around IPOs. The findings indicated that sales and capital expenditure increased significantly following the IPO. As a result, it is possible to argue that the drop in post-IPO performance is not due to a lack of sales and investment possibilities or a reduction in capital spending during the post-IPO era. One could also argue that the impact of an IPO would take longer than one or two years to manifest. The estimations might have been done for longer time frames, but due to a lack of data, the study was only able to look at the link for two years after the IPO.

The authors anticipate that the study will be expanded in the future by looking at the influence over a longer period of time. The median underpricing was 25.13 percent, according to summary figures.

As a result, underpricing of less than 25.13 percent was designated a lower underpricing group, while underpricing of more than 25.13 percent was labeled a higher underpricing group in the study. The percentage change in the median from one year before the IPO to two years after the IPO was used to assess the changes in performance measures for both groups. Both groups' overall performance deteriorates dramatically in the post-IPO period, according to the study. Underpricing, on the other hand, could not be blamed for the decline.

Paper 2: Investor Sentiment and IPO Pricing: Evidence From India

The study's main research topic was whether Indian companies planned their IPOs to coincide with favorable market conditions or not. This paper was chosen due to the increased interest of investors in the Indian primary market, as indicated by the recent surge in Indian company IPO activity.

The first section of this study discusses the emergence of a new issue market around the world. The ongoing need for capital prompted corporations to come up with new ways to generate money, one of which was an initial public offering (IPO). And how investor confidence is affected by volume and return volatility. As a result, a study of the variation in the volume of IPOs over time as well as the variability in the initial return earned by investors was required.

Though the structure of IPO was very crude at that time and the stock market was in the process of development, the process gave a base to modern IPOs.

The majority of the IPOs came from private sector enterprises, according to the trend in the number of IPOs per year and the annual amount raised through IPOs. The trend in IPOs by industry revealed that the majority of IPOs were issued by businesses in the IT sector, followed by those in the banking sector. Investor attitudes and excitement for the new issue market can be shown in the response to IPOs. As a result, the study also shows the trend in IPO response. The years 199-2000 and 2005-06 were found to be the greatest in terms of investor response, whereas the years 2001-2003 were the worst in terms of investor optimism.

The market was divided into hot and cold markets, determined on the basis of monthly IPO volume, to see whether the IPOs were timed with the favorable market or not. Then, using a multivariate regression model, the association between market type and total proceeds was constructed, with the assumption that any attempt at timing should be reflected in the activity of the stock issue. Market timers, defined as companies who go public when the market is hot, aimed to maximize overall proceeds at the time of IPO, according to the multivariate regression result. The hot-market impact is quite strong, and it affects both company and industry-level features. The study's future scope can be expanded by looking over a much longer time frame. More complex statistical techniques can be utilized in the future to capture issuers' market-timing approach.

The response of investors is one of the metrics used to measure the performance of IPOs, according to this research. And whether the issues were oversubscribed or not can reveal a lot about the investors' reaction. The higher the oversubscription, the more investors are interested in the new issue.

Paper 3: IPO Pricing In India: Ethical Practices still far away

The primary goal of this study is to determine whether or not initial public offering (IPO) corporations are ethical in their dealings with IPO investors. Initial gains and long-term pricing of IPOs are examined in order to reach this goal. SEBI, the IPO market regulator, has also experimented with various strategies such as the book-building process and IPO grading in order to improve IPO pricing and assist investors. However, as the data in the article shows, even such strategies are not infallible in protecting long-term investors in IPO markets.

The study's main goal is to answer the following question: Why can't investors achieve consistent average returns from the IPO market? Is it due to a company's lack of ethics, the regulator's lack of regulations, or investors' recklessness? Is it therefore necessary to instill ethics in the company's value system, or is it necessary to have more rules and new legislation connected to ethics in IPOs?

An enterprise that adheres to a code of ethics is more likely to obtain a competitive edge over its competitors. Investors are more likely to trust a corporation that meets ethical guidelines. This increases the company's worth in the eyes of investors. Insider trading is regarded as unethical in the stock market. The argument is that the employee or management stole information that was wholly owned by the firm. Material information is treated unethically when it is used for personal gain by an insider without the owner's authorization. There are a few reasons in favor of insider trading, such as the fact that insiders bear no moral responsibility when non-public information becomes public. Well! This isn't necessarily immoral conduct, but it is unethical for the firm. As a result, the stock market regulator SEBI has issued recommendations to combat insider trading, which is unethical behavior. The question is whether or not the IPO issuance process with the company's underlying goal can be considered ethical.

Is it ethical for IPO businesses to deceive the average or retail investor? The retail investor puts his hard-earned money into the stock market in the hopes of earning at least a minimal return in the future. However, even in the long run, these IPOs are unable to provide a minimum return to investors. Because the literature implies that the IPO market is a long-term market, a company may be unable to give a return to investors in the short term.

However, as the firm matures and gains expertise functioning in a global setting, as well as the ability to capture some market share in its relevant industry, the corporation should pass some profit to the investors. Moreover, the statistics and analyses shown in the research do not reveal such a reason. As a result, there is a need to instill ethics in the company's value system, or there is a need for more rules and compliances. The topic, on the other hand, is still up for debate.

Paper 4: Trend in IPO Method in India: The Bookbuilding Mechanism Article

Book-building for initial public offerings (IPOs) has grown in popularity among underwriters and issuers in Europe and other places where traditional procedures such as fixed-price or auctions were previously used. In India, the tendency has been toward book-built issues, particularly for mega issues, since 2003-04. In the Indian IPO markets, however, fixed-price offerings are also made. This article sought to investigate issuers' IPO methods of choice for small, big, and mega offerings, as well as the attractiveness of the book-building process in India.

This article investigated the trend in IPO procedure in India in light of data from other countries that book-building has emerged as the issuer's preferred mechanism for IPOs. Based on a review of IPOs (both fixed price and book built) issued between 1999 and 2007, they discovered that book built issues have become increasingly dominant in the previous four years, while fixed-price offerings have gained just a small percentage of the market.

When compared to alternatives such as fixed-price offerings and auctions, book building is commonly thought to be an expensive method in terms of issue costs. Fees paid to underwriters and underpricing are referred to as issue costs. Despite the lack of concrete proof of relative issue cost, it appears paradoxical that issuers choose book building when the option is available.

By looking at a sample of 40 IPOs from 2004 to 2007, this study looks into the most common IPO approach for small, big, and mega issues. They discovered that, regardless of the issue size, book-building is the most common mechanism. The flexibility of book building can be utilized to elicit more or precisely less information disclosure, making it appealing to all issuers rather than just a few. Similarly, every issuer or investor who is even mildly risk-averse should be interested in lowering risk.

It's also possible that all issuers chose the book-building technique because the eligibility requirements for an issuer making fixed-price offerings in India's current IPO regulations are more stringent than for an issuer using the book-building route. Unless the project has been adequately funded by financial institutions or tangible assets of at least INR 30 million or an accounting net worth (equity book value) of at least INR 10 million in each of the three preceding years, unlisted firms must meet the track record of profit criteria prior to the offer to take the fixed price route.

Issuers can employ the book-building strategy to make a public offer if the preceding conditions are not met. The 2004 IPO boom, which lasted until 2007, may have prompted promoters to join the IPO party in order to profit from the high valuations. As a result, the book-building mechanism has become the ideal method for small and big publications.

Chapter 3

RESEARCH METHODOLOGY

Research is a phrase that should be used in a technical meaning because it is an academic activity. According to Clifford Woody, research entails defining and redefining problems, formulating hypotheses or suggested solutions, collecting, organizing, and evaluating data, deducing and arriving at conclusions, and finally carefully testing the conclusions to see if they fit the formulating hypothesis.

The practical "how" of any piece of research is referred to as research technique. It's about how a researcher designs a study in a systematic way to produce accurate and reliable results that address the study's goals and objectives.

A research technique is a method for methodically solving and researching a research problem. We examine the various approaches a researcher can take to analyze a research problem, as well as the rationale behind them. During the research process, it refers to the procedures utilized to collect, assemble, and evaluate data. It refers to the tools that are used to acquire relevant data during a research study. Common research methods include surveys, questionnaires, and interviews.

The methodology section is where a researcher outlines and elaborates on the strategies that must be implemented in order to attain the research's goal. Being familiar with research procedures, on the other hand, does not make selecting the best methodology any easier. According to Walker (2006), choosing a research methodology is a difficult phase in the research process. It can be perplexing and overwhelming, especially for newcomers to the field.

For this particular research, a mixture of Quantitative and Qualitative research methodology is used, since the financial statement of 4 different companies is taken to calculate certain ratios, and the prospectus is used to identify crucial details related to the IPO. By ensuring that the limitations of one form of data are balanced by the strengths of another, combining qualitative and quantitative data can improve an evaluation. This will ensure that understanding is enhanced by combining several modes of knowledge.

Research Approach

Research design is a statement of specific procedures and analysis of the information required to solve the mentioned problem. It provides a scientific framework for conducting research.

In my research, I adopted an exploratory technique to see if I could figure out the cause-and-effect relationship. As a result, I'm attempting to add new perspectives to the topic with my analysis and conclusion, in the hopes of providing readers with new perspectives. When only a small amount of information is available, this strategy can assist me in determining why something occurs. It can assist me in better comprehending a topic, determining how or why a particular phenomenon is occurring and possibly predicting future events.

Data Collection and Analysis

After the sample has been taken, the next step is to collect the data. As the data collected is based on what I plan to find out, appropriate care should be taken to minimize errors in the collection of data. The factory availability of time, cost, and human involvement affect the reliability of the data collected.

Primary data are collected afresh and the first time and thus happen to be original. Whereas secondary data means data that are already available, i.e., they refer to the information which has already been collected and analyzed by someone else. These types of data are also known as published data. Collecting data begins after a research problem has been defined and a plan is chalked out.

The choice of which data collection method to use depends on your overall research aims and objectives, as well as practicalities and resource constraints.

For example, if your research is exploratory in nature, qualitative methods such as interviews and focus groups would likely be a good fit. Conversely, if your research aims to measure specific variables or test hypotheses, large-scale surveys that produce large volumes of numerical data would likely be a better fit.

Now, this study is a mixture of both qualitative and quantitative, I have used both primary and secondary data like my ratio calculations made using the company's financial statements, IPO prospectus, previous research papers, and other secondary data to bring my research together.

Nature of Study

This study, like all others, aims to convert facts and data into knowledge by establishing connections between new and existing facts and data, as well as providing explanations, verifications, and logical conclusions.

As a result, this study has a definite goal to achieve, and it is logical, complete, unbiased, and based on credible data, and it attempts to offer a critical assessment of the content.

Chapter 4

ANALYSIS

AND

INTERPRETATION

In this section, I have taken 4 companies namely Barbeque Nation, Nykaa, Paytm, and Adani Wilmar Ltd, which will be discussed and analyzed in detail to see their IPO performance and try to find out the problems/shortcomings faced by the companies in launching their respective IPOs. We will even try to examine the factors responsible for the launch of these 4 IPOs in the finding section of this paper.

➔ ***COMPANY 1: Barbeque Nation Hospitality Limited (Barbeque Nation)***

Barbeque Nation Hospitality Ltd (BNHL) owns and manages Barbeque Nation Restaurants and International Barbeque Nation Restaurants, one of India's top casual dining restaurant groups. Toscano Restaurants and UBQ by Barbeque Nation Restaurant are also owned and operated by the company. In 2008, it opened its first Barbeque Nation Restaurant, and in 2012, it purchased five SHL-owned Barbeque Nation Restaurants.

As of December 31, 2020, it had developed its owned and operated Barbeque Nation Restaurant network from a single location in 2008 to 147 Barbeque Nation Restaurants in 77 locations across India and six International Barbeque Nation Restaurants in three countries outside India. The total customer experience is one-of-a-kind because of the value it provides, the nature and quality of its culinary selections, and the ambiance and service of restaurants.

According to the Technopak Report, BNHL pioneered the 'over the table barbeque' idea in Indian restaurants with Barbeque Nation Restaurants. Guests can grill their own barbeques on live barbecues integrated with dining tables.

In comparison to other fixed-price dining options, its Barbeque Nation Restaurants offer competitive attractions such as a wide selection of vegetarian and non-vegetarian appetizers and main courses, a popular dessert menu, and pleasant and casual dining environment, and prompt service, making it a popular destination for celebrations. It also hosts popular food festivals at its restaurants on a regular basis, where guests can sample a variety of Indian, international, and fusion cuisines.

IPO Details:

The issue opened on March 24, 2021, and closed on March 26, 2021. The issue size was Rs 453 crore — Rs 180 crore in fresh stock and approximately Rs 273 crore via Offer for Sale (OFS) by existing shareholders, and the IPO price band was fixed at Rs 498 to Rs 500 per share.

The company had fixed the minimum bid lot size at 30 equity shares and multiples thereof. Retail investors could invest a minimum of ₹ 15000 for a single lot, and their maximum investment could be ₹ 195,000 for 13 lots. The company further reserved 75 percent for Qualified Institutional Buyers (QIBs), 15 percent for non-institutional investors (NIIs), and 10 percent for retail investors.

The company had also made reservations for employees of 2 crores.

IPO Lot Size:

Application	Lots	Shares	Amount
Minimum	1	30	₹15,000
Maximum	13	390	₹195,000

IPO Opening Date	Mar 24, 2021
IPO Closing Date	Mar 26, 2021
IPO Listing Date	Apr 7, 2021
Issue Type	Book Built Issue IPO
Face Value	₹5 per equity share
IPO Price	₹498 to ₹500 per equity share
Market Lot	30 Shares
Min Order Quantity	30 Shares
Listing At	BSE, NSE
Issue Size	9,057,470 Eq Shares of ₹5 (aggregating up to ₹452.87 Cr)
Fresh Issue	3,600,000 Eq. Shares of ₹5 (aggregating up to ₹180.00 Cr)
Offer for Sale	5,457,470 Eq. Shares of ₹5 (aggregating up to ₹272.87 Cr)

Issue Break-up:

	No. Of Shares	₹ In Cr	% of Issue
QIB	6,773,826 - 6,763,103	337.34 - 338.16	75%
NIB	1,354,765 - 1,352,620	67.47 - 67.63	15%
Retail	1,354,765 - 1,352,620	44.98 - 45.09	10%
Employee	40,160 - 40,000	2.00 - 2.00	-
TOTAL	**9,071,927 – 9,057,470**	**451.78 – 452.87**	**100%**

Shareholding (%):

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	47.80%	37.79%
Public	52.20%	62.21%
TOTAL	**100.00%**	**100.00%**

Objects of the Issue:

- To make prepayment/repayment of all or a part of the company's outstanding borrowings availed on a consolidated basis.

- To meet general corporate purposes.

Key Financials and IPO Review:

Despite top-line growth of 20% CAGR from FY18 to FY20, the company has been losing money on a consistent basis at the PAT level. The Covid-19 epidemic has also had a negative influence on the company's business, therefore profits are expected to remain under pressure in the medium future. The company is seeking a valuation of 2.4x FY20 EV/Sales at the top end of the pricing range, which is believed to be excessive given the present climate.

According to financial records, the company has lost a total of Rs. 154.78 crore in the last 32 months, which is concerning. Management has clarified that it has incurred losses as a result of its continued expansion ambitions and larger provisions for depreciation and other expenses.

Particulars	FY2018	FY2019	FY2020
Revenue From Operations (Cr.)	**586.3**	**739.0**	**847.0**
%Change	-	26.0	14.6
Net Profit (Cr.)	**-6.5**	**-40.7**	**-35.6**
%Change	-	524.0	-12.6
EBITDA (% of RFO)	23.2	19.7	19.4
EPS (Rs.)	**-2.1**	**-13.7**	**-11.8**
P/E (x)	-237.9	-36.5	-42.5
P/BV (x)	9.5	10.6	125.6
ROE(%)	-4.0	-29.2	-295.4
ROCE(%)	11.8	8.9	4.2
EV/EBITDA	**14.2**	**13.6**	**12.6**
EV/Revenue from Operations	**3.3**	**2.7**	**2.4**

However, given the losses incurred in the first eight months of the current fiscal year as a result of the pandemic panic and its reappearance in the last week or so, the immediate future is bleak.

Just two months before the IPO, it conducted a pre-IPO placement at Rs. 252 a share, and now it's asking nearly double that amount. Given all of this, as well as the negative P/E, risk-averse investors may contemplate storing their hard-earned capital at their own risk.

The company's operating margins are at a robust 20 percent. The income has increased at a CAGR of 20% over the last three years, while the retail network has increased at a CAGR of 26%. Furthermore, the Rs 54.6 crore earmarked for capital investment for growth and new restaurant openings - FY22 - 20 outlets, FY23 - 6 outlets - is solely a profit allocation.

➔ **COMPANY 2: FSN E-Commerce Ventures Limited (Nykaa)**

Consumers get a content-led, lifestyle shopping experience from FSN E-Commerce Ventures Limited, a digitally native consumer technology platform. Since the company's inception in 2012, they've dedicated both financial and creative resources to creating a unique brand discovery process for its customers.

The company features a varied portfolio of beauty, personal care, and fashion products, as well as products under its own brand that they manufacture. The company's GMV in the Financial Year 2021 was $40,459.8 million, up 50.7 percent from the Financial Year 2020. In the Financial Year 2021, the company's restated profit was 619.45 million, compared to a restated loss of 163.40 million in the Financial Year 2020.

Nykaa Fashion was founded in 2018 as a curated and controlled marketplace with the goal of inspiring consumers to make fashion and lifestyle decisions that are right for them. The company offered a comprehensive range of products at various price points to appeal to women, men, and children of various demographics. Nykaa Fashion had 1,434 brands and 2.8 million SKUs with fashion products throughout four consumer divisions as of August 31, 2021: women, men, kids, and home.

Nykaa's business plan includes educating consumers through digital content, digital communities, and tech-product breakthroughs, in addition to using its capabilities in comprehensive merchandising, brand connections, and delivery experience.

Nykaa's business has been established iteratively, with a focus on customer pleasure and purchasing behavior optimization. It targets consumers and creates customized browsing and buying experiences to fit their different demands through synergies across touchpoints. Nykaa's business model is based on its value proposition, which sets it apart from the rest of the e-commerce market, which is primarily transactional.

Nykaa opened its first physical store in 2014, and as of August 31, 2021, they have 80 physical stores in 40 cities. Nykaa Luxe, Nykaa On Trend, and Nykaa Kiosks are the three types of physical stores they currently have.

IPO Details:

The issue opened on October 28, 2021, and closed on November 1, 2021. The issue size was Rs 5351 crore — Rs 630 crore in fresh stock and approximately Rs 4721 crore via Offer for Sale (OFS) by existing shareholders, and the IPO price band was fixed at Rs 1085 to Rs 1125 per share.

The company had fixed the minimum bid lot size at 12 equity shares and multiples thereof. Retail investors could invest a minimum of ₹ 13,500 for a single lot, and their maximum investment could be ₹ 189,000 crores for 14 lots. The company further reserved 75 percent for Qualified Institutional Buyers (QIBs), 15 percent for non-institutional investors (NIIs), and 10 percent for retail investors.

The company had also made reservations for employees of around 250,000 shares, which range from ₹24.63 crores to ₹25.63 crores. The employee discount has been ₹ 100/- Per Share.

IPO Opening Date	Oct 28, 2021
IPO Closing Date	Nov 1, 2021
IPO Listing Date	Nov 10, 2021
Issue Type	Book Built Issue IPO
Face Value	₹1 per equity share
IPO Price	₹1085 to ₹1125 per equity share
Market Lot	12 Shares
Min Order Quantity	12 Shares
Listing At	BSE, NSE
Issue Size	47,575,326 Equity Shares of ₹1 (aggregating up to ₹5,351.92 Cr)
Fresh Issue	5,602,666 Equity Shares of ₹1 (aggregating up to ₹630.00 Cr)
Offer for Sale	41,972,660 Equity Shares of ₹1 (aggregating up to ₹4,721.92 Cr)

IPO Lot Size:

Application	Lots	Shares	Amount
Minimum	1	12	₹13,500
Maximum	14	168	₹189,000

Issue Break-up:

	No. Of Shares	₹ In Cr	% of Issue
QIB	35,648,908 - 35,493,996	3,867.91 - 3,993.07	75%
NIB	7,129,781 - 7,098,798	773.58 - 798.6	15%
Retail	4,753,187 - 4,732,532	515.72 - 532.41	10%
Employee	250,000 - 250,000	24.63 - 25.63	-
TOTAL	**47,781,876 - 47,575,326**	**5,181.83 - 5,349.72**	**100%**

Shareholdings (%):

	Pre-Issue	Post-Issue
Promoters	45.99%	44.43%
Promoter Gr	8.23%	8.13%
Public	45.78%	47.44%
TOTAL	**100.00%**	**100.00%**

Objects of the Issue:

- Investment of ₹420 million in certain of their subsidiaries, namely, FSN Brands and/or Nykaa Fashion for funding the set-up of new retail stores;
- ₹ 420 million towards capital expenditure to be incurred by the company and investment in certain of their subsidiaries, namely, Nykaa E-Retail, Nykaa Fashion, and FSN Brands for funding the set-up of new warehouses;
- ₹ 1,560 million towards repayment or prepayment, of outstanding borrowings availed by the company and one of their subsidiaries, namely, Nykaa E-Retail;
- Expenditure of ₹ 2,340 million to acquire and retain customers by enhancing the visibility and awareness of the brands; and
- General corporate purposes.

Key Financials and IPO Review:

Since it filed its DRHP, this IPO has generated a lot of buzzes and has been keenly anticipated. This IPO, like the Zomato IPO, piqued the interest of primary market investors. However, the issue is exorbitantly priced based on its financial parameters, so risk-takers/cash surplus investors may want to consider investing for a long-term gain.

Particulars	FY2019	FY2020	FY2021
Revenue From Operations (Cr.)	**1111**	**1768**	**2441**
%Change	-	59.0	38.1
Net Profit (Cr.)	**-25**	**-16**	**62**
%Change	-	33.4	-479.1
EBITDA (% of RFO)	1.8	4.6	6.6
EPS (Rs.)	**(0.5)**	**(0.3)**	**1.3**
P/E (x)	-	-	848.7
P/BV (x)	228.0	163.2	107.3
ROE(%)	(10.6)	(5.1)	12.6
ROCE(%)	(1.9)	3.0	11.9
EV/Revenue from Operations	**48.1**	**30.2**	**21.8**

On the financial front, FSNEV has reported revenue/net profit (Loss) of Rs. 1111 cr. / Rs. (25) cr. FY19, Rs. 1768 cr. / Rs. (16) cr. FY20, and Rs. 2441 cr. / Rs. 62 cr. FY21, on a consolidated basis. It made a net profit of Rs. 3.52 crore in the first three months of FY22, which ended on June 30, 2021, on revenue of Rs. 821.71 crore.

On a consolidated basis, FSNEV has posted an average EPS of Rs. 0.167 and an average RoE of 1.03 percent during the last three fiscal years. The issue is priced at 72.72 P/BV based on the NAV of Rs. 15.47 per share as of June 30, 2021, and at 40.04 P/BV based on the post-issue NAV of Rs. 28.10 per share (based on the upper cap of the price band).

The asking price is roughly 377.51 P/E after annualizing FY22 earnings and attributing it to fully diluted post-issue equity, making it an exorbitantly priced offer. Moreover, certain contingent liabilities exist for the company, which, if realized, could have a negative impact on its results of operations, financial position, and cash flows.

➔ **COMPANY 3: One 97 Communications Limited (Paytm)**

In August 2010, Vijay Shekhar Sharma founded Paytm in Noida, Delhi NCR, with an initial investment of US$2 million. Sharma is a B. Tech (Electronics and Communications) engineer from Delhi College of Engineering. Born into a middle-class family in Uttar Pradesh to a school teacher father, he developed his first website indiasite.net in 1997, which sold for $1 million two years later.

Paytm (an acronym for “Pay Through Mobile”) is an Indian multinational technology company focusing on digital payment systems, e-commerce, and financial services. Paytm is widely popular and is available in multiple Indian languages. The company offers various online payment services like mobile recharges, utility bill payments, ticket bookings for travel, movies, etc. Moreover, in-store payments at stores, shops, restaurants, and tolls had made it exceedingly popular with the people.

The social distancing surge encouraged e-payments for pharmacies, educational institutions, and hospitals just with a simple Paytm QR code, further enhancing its acceptance. As of 2020, Paytm was valued at US$16 billion, making it one of the highest valued fintech companies in the world.

Paytm was launched to bring millions of Indians into the mainstream Indian economy through banking, commerce, payment, and financial services. The company was focused on enhancing digital excellence and offered a plethora of technology-led digital products and services to merchants and consumers.

The company had created a digital ecosystem and had built one of the largest payment platforms for merchants and customers alike, be it online payments for mobile and DTH recharge, bill payments, financial services, mobile wallets, etc. The company became so popular that “Paytm Karo” became a new verb associated with digital payments in the dictionary.

In July 2021, One97 Communications filed a draft red herring prospectus with India's Securities and Exchange Board to launch its initial public offering (IPO). It launched its IPO in November 2021, raising ₹18,300 crores (US$2.4 billion) at a valuation of US$20 billion. It was the largest ever IPO in India.

IPO Detail:

The issue opened on November 8, 2021, and closed on November 10, 2021. The issue size was Rs 18,300 crore — Rs 8,300 crore in fresh stock and Rs 10,000 crore via Offer for Sale (OFS) by existing shareholders, and the IPO price band was fixed at Rs 2,080 to Rs 2,150 per share.

The company had fixed the minimum bid lot size at six equity shares and multiples thereof. Retail investors could invest a minimum of Rs 12,900 for a single lot, and their maximum investment could be Rs 1,93,500 for 15 lots. The company further reserved 75 percent for Qualified Institutional Buyers (QIBs), 15 percent for non-institutional investors (NIIs), and 10 percent for retail investors. The company had a promising forecast, which made it increase its IPO size by Rs 1,700 crore from the earlier Rs 16,600 crore, with the rise coming entirely from the sale of more stakes by existing shareholders.

Antfin Netherlands holding BV was set to receive up to Rs 4,704.30 crore in the IPO; Softbanit k’s SVF Panther (Cayman) Ltd and SAIF III Mauritius Company Ltd, Rs.1,689 and Rs.1,327.60 crore, respectively; and Paytm founder Vijay Shekhar Sharma, up to Rs 402.70 crore.

IPO Opening Date	Nov 8, 2021
IPO Closing Date	Nov 10, 2021
IPO Listing Date	Nov 18, 2021
Issue Type	Book Built Issue IPO
Face Value	₹1 per equity share
IPO Price	₹2080 to ₹2150 per equity share
Market Lot	6 Shares
Min Order Quantity	6 Shares
Listing At	BSE, NSE
Issue Size	87,980,769 – 85,116,278 Shares Equity Shares of ₹1 (aggregating up to ₹18,300.00 Cr)
Fresh Issue	39,903,846 – 38,604,651 Equity Shares of ₹1 (aggregating up to ₹8,300.00 Cr)
Offer for Sale	48,076,923 – 46,511,627 Equity Shares of ₹1 (aggregating up to ₹10,000.00 Cr)

IPO Lot Size:

Application	Lots	Shares	Amount
Minimum	1	6	₹12,900
Maximum	15	90	₹193,500

Issue Break-up:

	No. Of Shares	₹ In Cr	% of Issue
QIB	65,985,578 - 63,837,209	13,725	75%
NIB	13,197,115 - 12,767,441	2,745	15%
Retail	8,798,076 - 8,511,627	1,830	10%
TOTAL	**87,980,769 - 85,116,278**	**18,300**	**100%**

Shareholding (%):

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	0.00%	0.00%
Public – Founder Selling S/h	9.77%	8.90%
Public – Investor Selling S/h	60.20%	49.79%
Public – Other Selling S/h	1.30%	1.16%
Public – Others	28.74%	40.15%
TOTAL	**100.00%**	**100.00%**

Objects of the Issue:

- Growing and strengthening the Paytm ecosystem, including through acquisition and retention of consumers and merchants and providing them with greater access to technology and financial services - ₹ 4,300 Crores

- Investing in new business initiatives, acquisitions, and strategic partnerships - ₹ 2,000 Crores

- General corporate purposes

Key Financials and IPO Review:

On a consolidated basis, PayTM's total revenue/net profit (Loss) for the last three fiscal years has been Rs. 3232 cr. / Rs. - (4231) cr. (FY19), Rs. 3281 cr. / Rs. - (2942) cr. (FY20), and Rs. 2802 cr. / Rs. - (1701.00) cr (FT21).

It lost Rs. - (381.90) crore in the first three months of FY22, which ended on June 309, 2021, on total revenue of Rs. 948 crore. As a result, even if the top line has been falling, it is still in the red.

Particulars	FY2019	FY2020	FY2021
Revenue From Operations (Cr.)	**3,232**	**3,281**	**2,802**
%Change	-	1.5	-14.6
Net Profit (Cr.)	**-4,231 -**	**-2,942**	**-1,701**
%Change	-	-30.5	-42.2
EBITDA (% of RFO)	-135.1 -	-80.3	-63.1
EPS (Rs.)	**(73.6)**	**(48.7)**	**(28.1)**
P/E (x)	(29.2)	(44.1)	(76.5)
P/BV (x)	21.6	16.0	19.9
ROE(%)	(73.9)	(36.3)	(26.0)
ROCE(%)	(66.4)	(31.8)	(25.8)
EV/EBITDA	**(28.4)**	**(49.2)**	**(73.6)**
EV/Revenue from Operations	**38.4**	**39.5**	**46.4**

PayTM has had a negative EPS of Rs. - (50.13) and a negative ROE of (45.4%) - for the last three fiscal years on a consolidated basis. Based on its NAV of Rs. 104 as of June 30, 2021, the issue is priced at a P/BV of 20.67.

Paytm is also valued at 49.7 times its FY21 revenues at the top end of the price range. While Paytm has become synonymous with mobile payments and is the market leader in the mobile payment arena, it is ideally positioned to benefit from the 5x rise in mobile payments between FY2021 and FY2026. However, valuations may appear to be excessively high, causing the following concerns:

(a) Increase in payment processing charges to financial institutions and card networks.

(b) Failure by Paytm Payments Bank to support services.

(c) Unable to grow relationships, increase transaction volume, and attract new merchants to the ecosystem.

(d) History of net losses and negative cash flows in prior years.

➔ **COMPANY 4: Adani Wilmar Limited (Adani Wilmar)**

Adani Wilmar is an FMCG food company that was founded in 1999 as a joint venture between the Adani Group and the Wilmar Group. It offers most of the essential culinary commodities for Indian consumers, including edible oil, wheat flour, rice, pulses, and sugar. In addition to oleochemicals, castor oil and its derivatives, and de-oiled cakes, the company supplies a wide range of industry needs. The company's products are sold under a variety of brand names and range in price to appeal to a wide range of customers.

The company's product line is divided into three categories: edible oil, packaged food and FMCG, and industry essentials. The company's flagship brand, "Fortune," is the most popular edible oil in India. In line with this, the company has recently focused on value-added products, launching edible oil products, rice bran health oil, fortified foods, ready-to-cook soya chunks, khichdi, and other items. As of March 31, 2021, the company has significant raw material sourcing capabilities and was India's largest importer of crude edible oil.

It has been focusing more on value-added items in recent years, with the goal of diversifying income streams and generating high-profit margins. Functional edible oil goods, such as rice bran health oil, fortified foods, ready-to-cook soya chunks and khichdi, and FMCG are among the value-added items AWL has released in recent years. To increase its margins, AWL plans to focus on the following: Consolidation of market share; Integrated production facilities; Cost-cutting; Leverage scale to improve sourcing and sales ramp-up

The company owns and runs 22 factories in India, including 10 crusher units and 19 refineries, spread across ten states. With a capacity of 5,000 MT per day, the company's refinery at Mundra is one of India's largest single-location refineries. In addition to the 22 plants, Adani Wilmar used 36 leased tolling units for extra manufacturing capacity as of September 30, 2021.

The company's distributors serve approximately 1.6 million retail outlets in 28 states and 8 union territories across India. The company had 88 facilities in India as of September 30, 2021, with a total storage space of around 1.8 million square feet.

IPO Details:

The issue opened on January 27, 2022, and closed on January 31, 2022. The issue size was Rs 3,600 crore — where the whole issue was in form of fresh stock, and the IPO price band was fixed at Rs 218 to Rs 230 per share.

The company had fixed the minimum bid lot size at 65 equity shares and multiples thereof. Retail investors could invest a minimum of ₹ 14,950 for a single lot, and their maximum investment could be ₹ 194,350 for 13 lots. The company further reserved 50 percent for Qualified Institutional Buyers (QIBs), 15 percent for non-institutional investors (NIIs), and 35 percent for retail investors.

The company had also made reservations for employees of 107 crores and for Adani Enterprises Ltd Shareholders of 360 crores. The employee discount has been ₹ 21/- Per Share.

IPO Lot Size:

Application	Lots	Shares	Amount
Minimum	1	65	₹14,950
Maximum	13	845	₹194,350

IPO Opening Date	Jan 27, 2022
IPO Closing Date	Jan 31, 2022
IPO Listing Date	Feb 8, 2022
Issue Type	Book Built Issue IPO
Face Value	₹1 per equity share
IPO Price	₹218 to ₹230 per equity share
Market Lot	65 Shares
Min Order Quantity	65 Shares
Listing At	BSE, NSE
Issue Size	165,660,830 - 156,989,182 Equity Shares of ₹1 (aggregating up to ₹3,600.00 Cr)
Fresh Issue	165,660,830 - 156,989,182 Equity Shares of ₹1 (aggregating up to ₹3,600.00 Cr)

Issue Break-up:

	No. Of Shares	₹ In Cr	% of Issue
QIB	71,857,797 - 68,108,695	1,566	50%
NIB	21,557,340 - 20,432,609	470	15%
Retail	50,300,459 - 47,676,087	1,097	35%
Employee	5,453,618 - 5,169,082	107	-
Shareholders	16,513,761 - 15,652,173	360	
TOTAL	**16,513,761 - 15,652,173**	**3,600**	**100%**

Shareholding (%):

	Pre-Issue	Post-Issue
Promoters & Promoter Gr	100.00%	87.92%
Public	-	12.08%
TOTAL	**100.00%**	**100.00%**

Objects of the Issue:

- Funding capital expenditure for expansion of existing manufacturing facilities and developing new manufacturing facilities ("Capital Expenditure") - ₹1,900cr ;
- Repayment/prepayment of borrowings - ₹1058.9cr;
- Funding strategic acquisitions and investments - ₹450cr; and
- General corporate purposes.

Key Financials and IPO Review:

On a consolidated basis, AWL has posted turnover/net profits of Rs. 28797 cr. / Rs. 376 cr. (FY19), Rs. 29657 cr. / Rs. 461 cr. (FY20), and Rs. 37090 cr. / Rs. 728 cr. in the last three fiscals (FY21). The company achieved a net profit of Rs. 334.83 crore in the first half of FY22, which ended on September 30, 2021, on a turnover of Rs. 24957.29 crore.

Particulars	FY2019	FY2020	FY2021
Revenue From Operations (Cr.)	**28,797**	**29,657**	**37,090**
%Change	-	3.0	25.1
Net Profit (Cr.)	**376**	**461**	**728**
%Change	-	22.7	57.9
OPM (%)	3.9	4.4	3.6
EPS (Rs.)	**3.3**	**4.0**	**6.4**
P/E (x)	70	57.0	36.1
P/BV (x)	12.5	10.2	8.0
ROE (%)	16.8	15.7	19.8
ROCE(%)	23.6	21.9	20.3
EV/EBITDA	**23.7**	**20.6**	**20.1**
EV/Revenue from Operations	**0.9**	**0.9**	**0.7**

The company has had an average EPS of Rs. 4.56 and an RoE of 19.97 percent during the last three fiscal years. Depending on its NAV of Rs. 31.95 as of September 30, 2021, the issue is valued at a P/BV of 7.20, and at a P/BV of 4.12, based on its post-IPO NAV of Rs. 55.78 per share (at the upper cap).

The asking price is at a P/E of 44.66 if we annualize FY22 earnings and assign them to post-IPO fully diluted equity. As a result, the issue has been adequately valued using its financial facts.

Further, Adani Wilmar has a strong brand recall, wide distribution, a solid financial track record, and healthy ROE. Even with all of the favorable conditions in place, raw material price volatility and increased competition may have an influence on the company's profitability.

Chapter 5

CONCLUSION

The Indian IPOs are interesting from a research standpoint for various reasons.

- ★ First, because the capital market as a whole, and the primary market, in particular, play such a large role in the country's economic growth, issuer behavior in relation to issue quality presents an interesting environment to investigate.

- ★ Second, India is the world's second-largest emerging economy, with a growth rate second only to China (World Bank Report, 2005), therefore any attention paid to the Indian capital market could shed insight into the competitive dynamics of capital markets in other emerging nations.

- ★ Third, given the growing interest of foreign investors in the Indian capital market, a better knowledge of issuers' and issues' behavior can help to build and retain foreign investor confidence in the Indian capital market.

Finally, while the Indian primary market's recent success is encouraging, more work must be done to ensure that good trends continue in the future. As a result, the securities market regulator, IPO investors, and finance researchers benefit from a thorough understanding of the post-IPO performance of Indian public companies and its association, if any, with underpricing.

A big number of Indian companies went public in 2021, with a large percentage of them being new-age technology enterprises. This wave has proven that innovators with ideas can start businesses, that private equity investors from around the world will back them up and help them grow, and that they will eventually list their shares on the stock exchange, generating riches for the founders, employees, and early shareholders.

The Securities and Exchange Board of India (SEBI), our market regulator, has been kept very busy by the regular stream of initial public offers (IPOs). Investor safety (especially for retail investors) has always been at the forefront of SEBI's proposed rule modifications as it relates to the growth and development of public markets. SEBI ensured that the year ended with a bang in terms of regulatory changes for IPOs and preferential issues at its board meeting on December 28, 2021.

SEBI has granted companies the flexibility to use a maximum of 35 percent of their equity-issuance proceeds (with a cap of 25 percent) from an IPO to consider acquisitions and the consolidation of businesses that may be strategic, in order to promote the growing need of companies, including new-age tech firms, for sufficient funds to consider acquisitions and the consolidation of businesses that may be strategic.

There had previously been no regulatory cap of the kind proposed last week, albeit there were regulatory inspections in place and the regulator did show some flexibility.

Limits on the proportion of shares that may be offered for sale by an existing shareholder, based on the holder's pre-IPO shareholding in the issuer, have been set for companies that do not meet SEBI's track-record criterion for net worth/profitability and do not have identified promoters (as stated in SEBI's consultation paper on the subject).

While the goal of this proposal is to give investors more confidence by requiring significant investors to keep their "skin in the game" after listing at the same level as a company with identified promoters, such restrictions on investors' ability to participate in an offer-for-sale could lead to pre-IPO investors looking for other ways to exit before listing—especially in cases where investors have a short fund life—and could limit the issue size. For example, under the new rules, shares offered for sale by shareholders (individually or in concert) who own less than 20% of a company's pre-IPO share capital are limited to 10% of the company's pre-IPO share capital. This might mean that a shareholder with ten shares may only be allowed to sell one in a public offering.

Credit rating agencies that have registered with SEBI can now be appointed as monitoring agencies. SEBI has also raised the frequency of audit committee reviews and now mandates that 100% of an issue's proceeds be monitored. Furthermore, issuance proceeds planned for general corporate purposes would need to be supervised, which was not previously needed.

SEBI has mandated that the minimum gap in the offer price range for book-built issuances be such that the cap price is at least 105 percent of the floor price. This is another unusual regulatory intervention, especially when issuers were not providing a 'real pricing band.' Investors will now be able to bid for shares in an IPO at different price points as a result of the move.

Moreover, Half of the anchor investors in an IPO will be locked in for 90 days starting April 1, 2022, while the other half will be locked in for 30 days. The goal may be to keep investors invested in the firm for longer, but if companies are unable to keep anchor investors for more than a quarter after the IPO, this intervention may fail to achieve its goal.

SEBI may also have mandated more extensive disclosures and standards for ongoing monitoring, keeping in mind existing legal obligations such as the necessity for shareholder approval for planned acquisitions. In terms of capital markets, it is hoped that these reforms have little impact on enterprises that want to list their stock on Indian stock exchanges.

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