

# 'Retail investors, HNIs will be choosy on IPOs in 2023'

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Retail and high net-worth investors' participation in initial public offerings (IPOs) is likely to be subdued and selective in 2023, HDFC Securities MD and CEO, Dhiraj Relli, said. In the last two years about ₹1.8-lakh crore worth of money was raised in IPOs, with about two-thirds of it coming in 2021, which was a record year for IPOs.

Several high-profile IPOs launched in 2021 such as that of beauty and fashion retailer Nykaa, payments platform Paytm, and insurance services aggregator Policybazaar performed dismally since they listed. In 2022 too, IPOs of LIC

and Delhivery disappointed with negative returns. With their fingers well and truly scorched, retail and high net worth investors' (HNIs) participation in the IPO market in 2022 was predictably muted, thought towards the year-end some IPOs did well.

## **IPOs TO SHINE IN H2**

Relli said that in 2023, the IPO market would see some momentum only towards the middle of the year, though retail investors as well as HNIs are likely to be more selective while investing. "The memories of the recent new-generation companies' IPOs are still fresh," he said.

He said that there would be more activity in the equity markets in the second half of



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**DHIRAJ RELI**  
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the year and IPOs were likely to be in sync with that.

There are around \$10-billion worth of IPOs on the anvil. "I think the IPOs will come but more so in the second, third and fourth quarters, not so much in the first quarter," he said.

The pricey valuations of IPOs have been partly to blame for the poor performance of many of them, especially those with high brand positioning. Relli said that even now private valuations of many of the companies planning IPOs are on the higher side, much more

than what they can get in the markets. "This is another reason why they will wait for six more months.. till the time markets are more buoyant, so that they can price it at decent levels." Though private valuations had corrected, they were still on the higher side.

Relli said that companies were responsible for the high pricing as they tended to create a hype around that. Anchor investors worked on a business model looking for 10-30 times return on their investments. "Even if three out of 10 investments are able to get them that return, they are good with that."

On the performance of the equity markets in 2023, Relli said returns from the markets would be in low single digits,

with momentum picking up only towards the second half. The first half of the year was likely to be volatile with a negative bias primarily due to valuations. "We are not out of the woods yet so far as global macro economics are concerned," Relli said.

Inflationary challenges still remain. "It hasn't peaked properly or it may hover around the same levels. We may have one or two shocks coming back, if there is some increase in commodity prices with demand coming in from China or some setback in crude prices." With the pace of election activity and related expenditure picking up as the year progresses, "I believe the second half will be good for Indian markets," he said.