

Quess Corp IPO a huge hit; oversubscribed 147 times

MUMBAI: India's primary market is booming as investors can't seem to get enough of initial public offers (IPOs), encouraged by recent stellar listings.

On Friday, Mahanagar Gas, a gas distributor in Mumbai, made a strong debut on the bourses, while investors rushed to apply to staffing solutions player Quess Corp's IPO, which was subscribed 147 times — the highest in almost eight years.

Mahanagar Gas listed at Rs 540 on the BSE on Friday, at a 28% premium to its issue price of Rs 421 a share. The stock closed at Rs 519.90. The Rs 1,040-crore IPO was subscribed 64 times, led by strong appetite from institutional and rich individual investors.

Analysts said Mahanagar's strong debut on the stock exchanges was due to cheaper valuations relative to its New Delhi-based counterpart Indraprastha Gas (IGL).

"There is almost a 25-30% valuation gap between IGL and MGL," said Santosh Yellapu, senior research analyst at Angel Broking.

A top official of GAIL — one of Mahanagar's promoters — said the company has strong growth prospects. "Mahanagar Gas has hardly covered one-third of the geographical area assigned to it. So much is left to be covered which provides a good opportunity to expand," said BC Tripathi, chairman, GAIL (India).

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Bengaluru-based Quess Corp's IPO, which closed on Friday, got bids for 102.5 crore shares as against 70.97 lakh shares on offer. The subscription to Quess is the highest since January 2008 — the peak of the previous bull run — when Future Capital received bids for 132 times the shares for sale in the IPO.

The record for an IPO was for that of Religare Enterprises' Rs 140-crore issue, which was subscribed 160 times in November 2007. In the Quess IPO, high net worth individuals (HNIs) bid for 397 times the shares set aside for them, while the qualified institutional buyers (QIBs) portion was subscribed 61 times.

The retail investor category was subscribed 32 times. Brokers said investors have been encouraged to pump money into IPOs because most of these companies have made strong debuts in the last few years. With retail investors assured of a certain allotment in IPOs, they have put up money to make quick and lucrative returns, some experts suggested.

So far this year, 12 companies have raised about Rs 8,082 crore from the primary market. In 2015, total 21 companies raised Rs 13,615 crore. "Recent IPOs have done well as they have been priced attractively and people are interested in buying new businesses. Also, there isn't much supply of paper in the market," said Dharmesh Mehta, managing director, Axis Capital.