



Date	09:25:09	Publication	Hindu Business Line	Pg No.	10
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Retail investors turn cautious on IPOs

Risk appetite is low as they are unsure of market direction

Tania Kishore Jaleel

Mumbai, Sept.24

Retail investors have turned IPO-shy this fiscal.

Though the 10 IPOs in the fiscal have mopped up close to Rs 10,000 crore, the attitude of retail investors to the offerings has been one of extreme caution.

While participation by institutional and high net worth investors has been positive, retail interest has waned, said merchant bankers.

The 10 IPOs that hit the market this fiscal have seen their retail portion getting subscribed less than four times on an average.

Rishabdev Technocable was the only IPO that saw retail subscription in double digits (16.63 times).

The IPOs may be getting subscribed multiple times. But the fact that several in-

Once bitten...

2007			2009		
	Total issue size (Rs cr)	No of times retail subscription		Total issue size (Rs cr)	No of times retail subscription
Reliance Power	10260	9.02	Pipavav Shipyard	512	2.89
Edelweiss	691.84	20	Oil India	2777	1.7
Mundra Port	1771	13	NHPC	6048	3.1
Aries Agro	58.5	6.42	Jindal Cotex	84.37	3.09
Power Grid	2984	5	Mahindra Holidays	2779	3.36

vestment recommendations stated that the IPOs were overvalued put retail investors off.

Mr Adeel, a retail investor, said: "A small-time retail investor will look at investment recommendations and most of the IPOs are said to be overvalued. This will keep us away from those IPOs."

Mr Vinod Wadhvani, Director at Ambit Corporate Finance, said: "At the moment QIBs and high net worth in-

dividuals have surplus liquidity, which the average retail investor does not have. The build-up after a bad cycle usually sees the retail investors lacking confidence in IPOs and the like."

The risk appetite of the typical retail investor is low, said Mr Rajnish Rangari, Country Head, Investment Banking-CMG, Karvy Investor Services.

Retail investors are still unsure of the direction the

markets will take and the recent IPOs have not given investors handsome returns. "This has made the average retail investors wary of IPOs," said Mr Dara J. Kalyaniwala, of PL Capital Markets.

"Unless a highly credible company comes out with its IPO, I would not put my money in it. It is a big gamble at a time like this. I would prefer to play it safe," said Mr Mark Jude, a retail investor.