

Atul Mehra explains what has changed in the IPO market and magical listings

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Synopsis

"In Tata Technologies today, around 65 lakh shares got traded in the market. If 65 lakh shares have traded, that means there have been sellers and more importantly there have been buyers at these prices. So, you have to respect the price. As they say in Hindi, bhav bhagwan hai, price is a reflection of the ultimate truth."



Atul Mehra, Joint MD, JM Financial, says: "The money coming into the capital markets is being productively used to set up new companies, to set up new growth capacities and all this in the long run will add and play out to adding to the country's GDP. Market cap is a function of the GDP and today we have a \$4 trillion market cap listed companies in India."

What has changed in the [IPO market](#) and why are we getting these crazy subscription numbers and these [magical listings](#)?

Well, you need to step back a little bit and it is the theme of what we call the [financialisation of savings](#). This is a very important trend which we believed in and which we are seeing play out in India in a very big way. More and more Indians are getting attracted towards putting their money or savings into the capital market either directly or indirectly.

What you are seeing in the market today is a culmination of all this activity and which is a good thing. The money coming into the capital markets is being productively used to set up new companies, to set up new growth capacities and all this in the long run will add and play out to adding to the country's GDP.

As you know, market cap is a function of the GDP so today we have a \$4 trillion market cap. We hope and we believe strongly that in a matter of two to three years' time this will be a \$6 trillion market cap listed companies in India.

The old school thought which both you and me have learned from market gurus is that the excitement in the IPO market is an indication of market top and now it is, if I may use a Hindi phrase, everybody is dancing on a chance, (chance pe dance).

Not really, I would tell you. What has changed in the market? The breadth in the market has changed, number one. And this comes to the point that the participation is more broad based. Number two, the quality of companies which are getting listed, particularly I can speak on behalf of JM Financial, we take great pride in sponsoring high quality companies to market and a combination of the two -- high quality companies along with adequate or more than adequate liquidity in the market is yielding phenomenal listing gains.

There is a view that corporates do not leave too much money on the table. Everybody wants more. An IPO is a price to perfection. But this week, forget about Tata Tech, even IREDA and the other IPOs had a bumper listing. Why is that? In three days, why did these stocks suddenly give 50%, 60%, 100% gains on listing?

Do not get too focussed or too myopic on this one week. What you have to look at this current financial year is a great year for the capital markets. We have done a lot of transactions than the previous year. We are raising a lot more money in the capital markets this year and we see a great year ahead. It is not only these two IPOs, I promise you there are a whole host of issues which are there in the pipeline which JM and few others are also managing.

These are high quality issues and do not be surprised, they will get the same kind of response from the market. SEBI has been working very proactively in reducing the time frame from making an application to listing. Now it is no longer an era where we grew up, where it would take 45 days to 30 days to 15 days, now you have a situation where from start to finish, issue closes and listing happens in three working days. Now, this is a great achievement. And what is happening is the velocity of money coming into play. I can utilise the money better. Investors can utilise the money better and therefore you are seeing a greater response to the IPOs.

Can we dismiss this old school thought that excitement in the IPO market is a market top? Do you think that is a very simple but not right way of looking at the health of the equity market?

My view is any lessons that you have learnt in any business school, we should not discount it. It is a lesson which is very valuable. But you have to accept the reality, the fact that in Tata Technologies today, around 65 lakh shares got traded in the market. Now 65 lakhs is a lot of volume. If 65 lakh shares have traded, that means there have been sellers and more importantly there have been buyers at these prices. So, you have to respect the price. As they say in Hindi, [bhav bhagwan](#) hai, price is a reflection of the ultimate truth.