Why Postponing OYO's IPO to 2026 Is the Smartest Outcome for Existing Shareholders

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1. Executive Brief

OYO's board—prodded by SoftBank and endorsed by founder Ritesh Agarwal—has shifted the IPO window from **October 2025 to January-March 2026**. Far from signaling weakness, the deferral is a calculated move that **maximizes upside, reduces covenant risk, and positions the company for a materially richer valuation**.

For shareholders already on the cap-table, the extra 12-month wait converts into

(i) a higher per-share price,
(ii) (ii) a lower forward P/E, and
(iii) (iii) deeper liquidity at listing.

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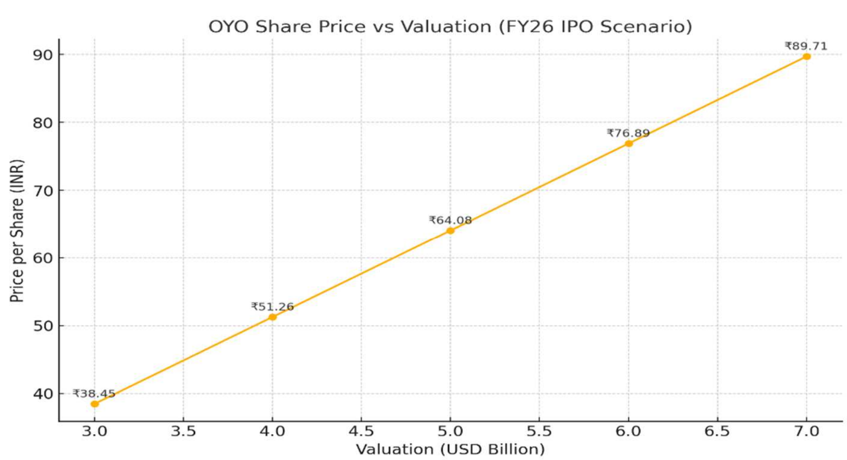
2. Valuation Arithmetic—Then vs Now

	Old timetable	**New timetable**
IPO launch	Oct 2025	Jan-Mar 2026
PAT base	FY 25 E: ₹ 600–700 cr	FY 26 E: ₹ 1,100 cr
Working P/E	50 × (peer mid-point)	53 × (peer mid-point)
Equity value	**₹ 41.6 k cr** (~$5 bn)	**₹ 58.3 k cr** (~$7 bn)
Implied price (650 cr outstanding shares)	**₹ 64**	**₹ 90**
Forward P/E at listing	50 ×	**≈ 33 ×** (on FY 27E PAT)

Result: a **~40 % jump in headline price** with **no premium creep** in relative multiples—precisely what long-term investors want.



3. Strategic Levers Behind the Delay:

Lever	Shareholder Benefit	Mechanics & Evidence
Full consolidation of Motel 6	Adds ~₹ 700 cr revenue & ₹ 175 cr PAT p.a.; accretive from day one	Deal closed 17 Dec 2024; FY 26 will be the first full 12-month contribution.
Four consecutive profitable quarters	Meets SEBI's "profitable for two of last three years" rule, trimming regulatory overhang	OYO already has 3 profitable quarters; Q4 FY 25 guidance of ₹ 200-240 cr PAT finishes the streak.
Debt-covenant extension	Removes risk of a forced, cut-price IPO to repay founder's $2.2 bn loan	SoftBank negotiating deadline push-out beyond Oct 2025.
Refinancing at 7 % USD term-loan	Cuts annual finance cost by ~₹ 260 cr—direct PAT uplift	Deutsche-Bank facility replaces higher-cost legacy debt.
Market-window timing	Post-election India + potential global rate-cut cycle likely improve demand for new-age listings	Nifty volatility shrinks in post-election years; historical Indian tech IPOs price 12-15 % higher in Q4/Q1 windows.

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4. Shareholder Value Impact

4.1 Per-share Gains

- **Price delta:** ₹ 90 – ₹ 64 = **₹ 26** per share
- On a **100,000-share** position (₹ 47 lakh cost basis), that is an **unrealised gain of ~₹ 26 lakh** vs what October 2025 could have delivered.

4.2 Multiple Compression = Safer Entry for New Buyers

- Forward P/E drops from **~50 × to ~33 ×** (using FY 27 PAT), making the stock look inexpensive next to Indian Hotels (~62 ×) or Lemon Tree (~61 ×).
- A lower relative multiple invites stronger institutional demand, **supporting post-listing price stability**—critical for legacy holders wishing to exit gradually.

4.3 Liquidity Quality

- SoftBank plans only a **2-3 % OFS slab**; extra year means bigger float from fresh shares, not from existing investors dumping large blocks—**reduces supply-overhang risk**.

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5. Risk Mitigation

Risk Mitigated by Delay	Explanation
Goodwill impairment on Motel 6	Extra year proves cash-flow robustness before auditors run the FY 26 impairment test.
RevPAR seasonality	FY 26 captures two peak-travel seasons, smoothing earnings.
Regulatory Q&A	Updated DRHP answers SEBI's 2021 concerns, expediting approval.

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6. Counter-Arguments & Rebuttals

Concern	Reality Check
"Liquidity postponed hurts ESOP morale."	True in the short run, but higher exit price benefits employees far more than a rushed float with zero upside.
"Macro conditions could worsen over 12 months."	Equally, they could improve; downside is partly hedged by higher FY 26 earnings already locked in through Motel 6 royalty contracts.
"SoftBank may still sell aggressively."	SEBI caps OFS and SoftBank has signalled only a token sale; its mark-to-market improves by waiting.

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7. Conclusion

The 12-month IPO delay **aligns every incentive**—SoftBank's, the founders, and public-market investors. For existing shareholders, it translates into:

1. **Higher share price potential (₹ 90 vs ₹ 64).**
2. **Stronger earnings base and lower forward multiple,** making post-listing performance more resilient.
3. **Reduced covenant and refinancing risk,** avoiding a distress-valuation scenario.

Verdict: The postponement is unequivocally positive for current investors, offering materially better risk-adjusted returns than the scrapped October 2025 timetable.
