

IPO fundraising to remain subdued in second half of 2022

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The second half of 2022 will be another subdued period for equity capital markets, especially for initial public offerings (IPOs) with a volatile stock market being one of many macroeconomic headwinds, experts said.

Overall fundraising in the equity capital markets dropped to ₹1.01 trillion in the first half of calendar year 2022, compared to a fundraising of ₹1.26 trillion the same period last year, according to data from primary markets

tracker Prime Database.

This includes fundraising across IPOs, qualified institutional placements (QIP), rights issues, InvITs, REITs, and preferential allotments.

HI 2022 registered higher fundraising in areas such as IPOs (₹40,311 crore in HI 2022 compared with ₹27,418 crore in HI 2021) and preferential allotments (₹45,726 crore in HI 2022 compared with ₹36,610 crore in HI 2021) because of one-off large deals such as the ₹21,000 crore initial share sale of Life Insurance Corp of India and around ₹15,400 crore raised by three Adani group companies in



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preferential allotments. However, there wasn't much fundraising for most other products such as QIPs, rights and

InvITs/REITs.

Industry experts believe that while some companies will be able to tap the markets despite the volatile conditions, the overall activity will be muted, especially for IPOs.

"IPO activity will be muted. Relatively new sectors will see more interest. It is a buyer's market and thus valuation expectations will have to be tempered," said Venkatraghavan S, managing director and head, equity capital markets, at Equirus Capital.

"As far as sectors go, Indian IPOs will not see extreme binary situations such as Good-No Good. The experi-

ence of the last year indicates that investors will look at profitability / visibility of profits, in addition to growth and thus even tech / new age stocks could be in play. The usual suspects such as consumer and pharma will see more traction than others," Venkatraghavan contended.

The IPO window may open up after September for good quality companies, according to Abhijit Tare, managing director and chief executive officer, Motilal Oswal Investment Advisors.

"After September, I see a window of opportunities for a few good IPOs to go through

successfully. There will be two types of IPOs, First, where we need a robust tailwinded market. Second, where in a relatively damp market condition there will be takers for the new stories. We believe, currently, an overall market pipeline has both these types of opportunities and the second half will be more promising than the first half experience," he said.

Products such as rights issues and QIPs have not seen much activity so far this year, but experts said there will be opportunities in both these tools of fundraising in the coming months.