# Dark clouds hang over QIP equity fund-raising

## Slumps over 80%; titans of India Inc in wait-and-watch mode to see how economy navigates a torrent of headwinds

ILLUSTRATION: BINAY SINHA

**SUNDAR SETHURAMAN**
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Equity fund-raising through qualified institutional placements (QIP) slumped over 80 per cent to ₹5,039 crore in a cloudy economic environment. The sharp deceleration follows two years of strong mobilisation.

QIPs are one of the most-preferred avenues for listed companies for raising fresh capital. Typically, the funds raised through this route are used for fuelling expansion and growth.

Financial firms are the largest issuer of QIPs since they are constantly in need of funds to lend and expand their balance sheets.

Experts say a sharp drop in funds raised via QIPs could be an indication that India Inc captains remain in a wait-and-watch mode to see how the economy navigates a torrent of headwinds, such as rising interest rates, elevated commodity prices, and worsening macroeconomic parameters.

"The environment was a lot more bullish around the same time last year. This encouraged companies from forging ahead with their expansion plans. More importantly, there was enough liquidity waiting on the idelines that made the fund-raising environment favourable. Things have taken a 180-degree turn, with capital turning scarce and companies becoming more cautious due to economic uncertainty," said an investment banker with a global bank.

Mid-June, the benchmark Nifty had declined to its lowest level in 13 months, while the broader market Nifty Midcap 100 and the Nifty Smallcap 100 indices entered bear-market territory.

"The past three/four months, especially after April, have not been conducive to capital-market activity. Even the initial public offering fund-raising over the earlier six months will be much smaller if we remove Life Insurance Corporation of India. Everyone is in a wait-and-watch mode to see how markets stabilise and come back for a QIP fund-raise," says Ajay Saraf, executive director, ICICI Securities.

Industry players say institutional investors prefer to invest in a QIP in an upward trending market. Volatility in stock prices and a bearish outlook discourage investors.

QIPs are typically priced closer to the prevailing market prices. In a weak market, investors can suffer mark-to-market losses. QIP fund-raising had picked up after the pandemic as companies searching for 'Covid capital' raised money through QIPs and rights issues to shore up their balance sheet. In the first half of 2020 and 2021, companies raised ₹28,573 crore and ₹28 177 crore, respectively.

This was underpinned by substantial capital flows into the Indian market. In 2020, foreign portfolio investors (FPIs) bought shares worth ₹1.7 trillion. In 2021, they were net-buyers of ₹25,572 crore. By comparison, FPIs have sold equities worth ₹2.2 trillion so far this year.

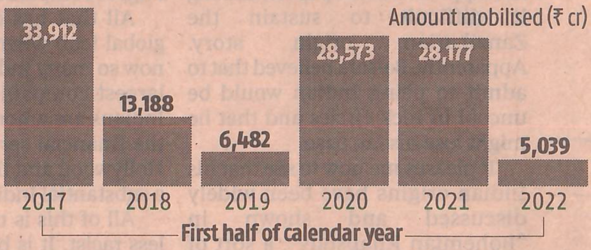
Abhijit Tare, managing director and chief executive officer, Motilal Oswal Investment Advisors, said corporates have reconciled to the new reality of market volatility and those in urgent need of capital are waiting for a window of opportunity for better valuations.

"I feel it will be a good six months ahead. We will see many companies using QIP as a fund-raising instrument, but deal sizes could be smaller than before."

From June lows, the market has recovered nearly 9 per cent.

### APPLYING BRAKES

**This year's slump comes after two years of strong mop-up**

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