

Expect IPO boom this yr, \$110 bn could be raised from Asia: HSBC

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Technology-related companies are likely to lead the revival of primary markets in India, according to a recent report by HSBC, which expects 'a flurry of initial public offerings (IPOs)' in the last four months of calendar year 2022 (CY22).

"IPO activity has slowed across exchanges, except for mainland China and Korea. From a historical perspective — in which the second half of the year accounts for 60 per cent of all IPO money raised — we could see IPO activity catch up later in the year. After an issue size of \$70 billion in the first half of 2022 (H122), based on historical trends, we estimate a further \$110 billion could be raised over the rest of this year. In India and ASEAN, it's likely that new tech platforms could come to the stock market," wrote Herald van der Linde, head of equity strategy for Asia Pacific at HSBC, in a recent co-authored note.

The IPO market, HSBC estimates, has grown considerably in Asia in the past few years as over 300 Asian companies have raised in excess of \$300 billion from primary offerings since 2020, an amount equal to the total amount raised between 2014 and 2019. "More than three quarter of this capital has been raised by Chinese companies coming from new tech sectors like internet, tech, and communication services," the report said.

Thus far in calendar year 2022, Indian companies have raised over ₹40,000 crore from the primary markets via the IPO route, data from PRIME Database showed. The top-10 largest IPOs in India and ASEAN since 2020, according to HSBC, were mostly new internet platforms.

The secondary market, according to G Chokkalingam, founder and chief investment officer (CIO) at Equinomics Research, is showing some signs of sta-

LEADING THE REVIVAL



Company (sector)/country	Offer size (\$mn)
LIC (Financials) India	2,728
One97 Communications (Tech) India	2,441
Central Retail (Discretionary) Thailand	2,321
Bukalapak (Discretionary) Indonesia	1,512
SBI Cards (Financials) India	1,439
PTT Oil & Retail (Consumer Discretionary) Thailand	1,427
Mitratel (Commercial Services) Indonesia	1,326
SCG Packaging (Materials) Thailand	1,306
Zomato (Discretionary) India	1,254
Ngern Tid Lor (Financials) Thailand	1,238

Note: Top 10 largest IPOs in India and ASEAN since 2020 were mostly new internet platforms; Source: HSBC report

bilising after a choppy start in 2022. This, he believes, will go a long way in revival of primary markets and boosting retail investor confidence to start investing again.

"There is still a lot of appetite left in retail investors for good issues that are priced right. Companies, too, have under-

stood this and are now willing to tap the primary markets for funds. In the last few days alone, we have seen a good response to select IPOs such as Dreamfolks Services and Tamilnad Mercantile Bank (TMB). I think IPOs of financial and auto sector companies will find takers as the economy is improving. IPOs of new-age internet companies will also do well, provided the pricing is attractive and companies seek a reasonable valuation, based on their earnings' projections," he said.

That said, HSBC cautions that a revival in the IPO activity will have implications for overall liquidity. India, analysts feel, could still be an outlier here.

"If the company (that seeks to raise funds via the IPO route) is good and the valuation is attractive, there is plenty of liquidity in the (Indian) market. The liquidity argument was also given in H12022, but it still did not impact the markets much. There is ample liquidity, but the only thing one needs to bear in mind before investing in IPOs is that the company has to be on a strong footing, valuations have to be reasonable and the pricing of the IPO has to be attractive for investors," said Gaurang Shah, head-investment strategist, Geojit Financial Services.