

It's raining public offers as markets make a comeback

In August, seven companies filed DRHPs to raise ₹10,425 cr – the most in 5 months

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More companies are harbouring aspirations to go public, following a sharp market rebound after June's nadir.

In August, seven companies expecting to raise a cumulative ₹10,425 crore filed their draft red herring prospectus (DRHP) with the Securities and Exchange Board of India (Sebi).

The amount they are looking to mop up is the highest since March, when 13 companies filed their DRHPs to raise a combined ₹19,494 crore, reveals data provided by PRIME Database – a source of comprehensive information on all capital market offerings.

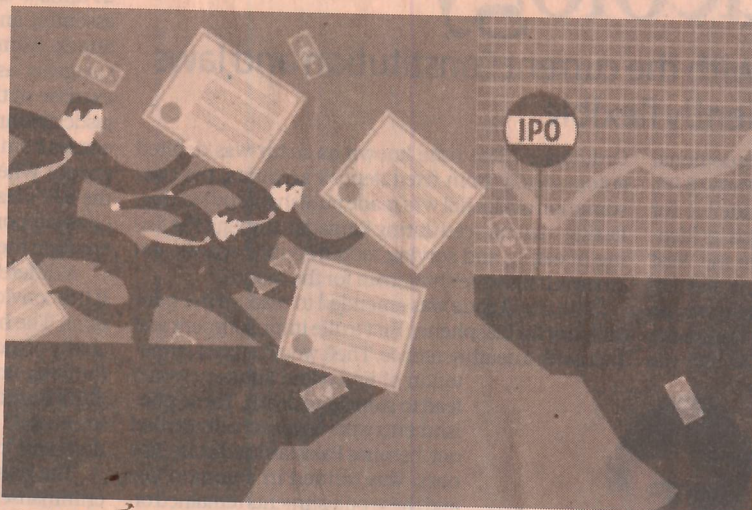
Of the seven filings in August, four were by companies looking to raise over ₹1,000 crore. These included Go Digit General Insurance (estimated issue size ₹5,000 crore), Concord Biotech (₹2,000 crore), and Avalon Technologies (₹1,025 crore).

Investment bankers say a sharp upmove in the market and an improvement in valuations have helped revitalise sentiment.

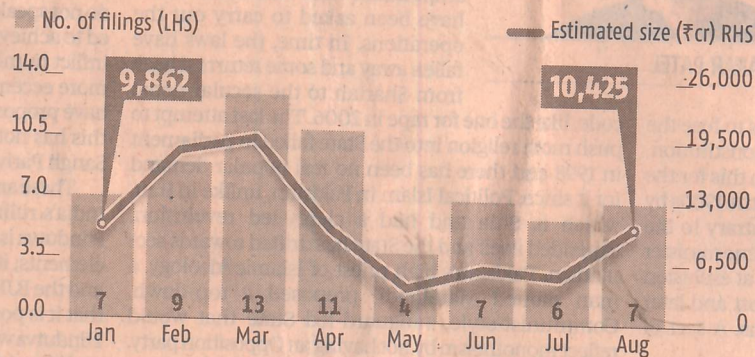
In the preceding three months, nearly six DRHPs hoping to raise an average ₹4,800 crore got filed.

From June lows, the benchmark indices have rebound 15 per cent, defying weak global cues.

Typically, Sebi takes between two and four months to clear a DRHP. Consequently, companies filing their offer documents now will hit the market by the end of this year. Experts say one can expect a robust IPO pipeline in the last quarter of this calendar year (CY22) and early 2023, if secondary markets remain sanguine.



SILVER LINING



Source: Prime Database

"There have been a few good listings. Overseas investor flows have turned positive. This is fertile ground for an IPO if fittingly priced. One is far more upbeat now. In the next few months, we will see greater activity in the IPO market than in the last quarter," observes Nipun Goel, head-investment banking, IIFL Securities.

Only three mainboard IPOs have been launched so far this quarter due to capricious market conditions. However, with Indian markets showing resilience in the face of a global maelstrom, more companies may come forth.

"Valuations have to be reasonable. With the kind of volatility in markets

in seven/eight months, investors want a high margin of safety. Companies and bankers also recognise the need to have prices that are fair to every stakeholder – company/investor notwithstanding. If priced well, if a company is positioned well and has a unique selling proposition, there will be growing appetite. Investors are being selective, but there is a clear desire to invest in new companies," Goel points out.

Currently, there are over 70 companies wanting to raise a cumulative ₹1.1 trillion sitting on valid Sebi approvals to launch IPOs, according to PRIME Database.

Another 50 companies are awaiting Sebi approval to launch IPOs worth ₹60,000 crore.

With domestic and foreign flows turning favourable, some may have a shot at listing, say experts.

Pranav Haldea, managing director, PRIME Database, says there is enough liquidity sloshing in the market, encouraging companies to test the waters.

"Foreign portfolio investors have returned to the market after months of selling. Retail and domestic institutions are also staying invested. There are high levels of dry powder available. We don't need to necessarily look at new filings to gauge the prospect of higher fund-raising from the primary market. There is a vast pipeline of companies bidding time. Even if those companies were to hit the market, the amount raised will be noteworthy," says Haldea.

During the first eight months of CY22, 18 companies have raised ₹41,713 crore through IPOs.

By comparison, 36 companies raised ₹60,289 crore during the same period last year.