

Record-breaking year for IPOs but outlook turns cloudy

SUNDAR SETHURAMAN

Thiruvananthapuram, 23 October

Samvat 2078 proved to be a record-breaking year as far as fundraising through initial public offerings (IPO) are concerned. Despite the turmoil in the secondary market, the year witnessed two of India's largest IPOs.

40 companies raised a record ₹88,474 crore through IPOs in Samvat 2078, surpassing last year's numbers. Previously, Samvat 2077 held the record for highest-ever IPO mobilisation at ₹81,655 crore by 47 companies.

A combination of strong participation from local investors and global liquidity aided the robust fund-raising since Samvat 2077. However, with overseas liquidity drying amid aggressive monetary action by the US central bank, the outlook for Samvat 2079 has turned cloudy with question marks over whether the companies that have already filed their draft red herring prospectus (DRHP) will be able to hit the markets.

In Samvat 2078, state-owned Life Insurance Corporation (LIC) raised ₹21,008 crore in India's largest-ever IPO. It topped One97 Communications (Paytm) which, by mopping up ₹18,300 crore, had smashed more than a decade-old record of Coal India (₹15,000-crore).

The year also witnessed large floats by the late Rajesh Jhunjhunwala-led Star Health and

TOPPING THE CHARTS

Samvat year	Total number of issues	Amount raised (₹cr)
2074	30	51,007
2075	13	10,706
2076	14	20,138
2077	47	81,655
2078	40	88,474

Source: Prime Database
Compiled by BS Research Bureau

Allied Insurance, which raised ₹7,249 crore; logistics major Delhivery (₹5,235 crore), and Adani Wilmar (₹3,600 crore).

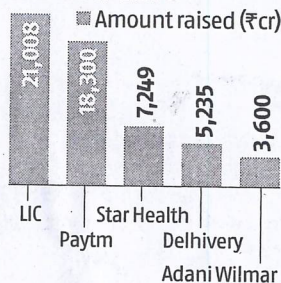
The top five issues accounted for nearly two-thirds of the IPO fund raise.

Notably, most of the bigger issues happened during the first half of Samvat 2078 when sentiment was still supportive.

The latter half was marked by intense bouts of volatility due to the unwinding of the stimulus measures and low-interest rates. The BSE IPO Index, a gauge tracking newly-listed companies, declined 29.6 per cent in the last 12 months against Sensex's 2.5 per cent. Post-listing performance of marquee start-ups listed in Samvat 2077 dragged the gauge for the performance of IPOs down.

The disastrous post-listing per-

TOP 5 IPOs OF SAMVAT 2078



formance led to tightening of regulatory framework by the Securities and Exchange Board of India (Sebi).

"We have seen Sebi coming down heavily on the pricing and coming with norms for the basis of pricing. Investors have become skeptical and selective in terms of which issue they would like to bet on," said Pranav Haldea, managing director, Prime Database.

Bankers added that change in liquidity dynamics has made investors skeptical of backing firms without a clear path to profitability.

"The path to profitability has now become sacrosanct and those companies which can demonstrate that will see investor interest," said Ajay Saraf, executive director of ICICI Securities

The Indian market last year saw a flight of foreign capital to the tune of

₹1.96 trillion. Though part of this has been offset by buying by domestic mutual funds and direct retail flows, it has hit the IPO market and has made large-sized issues unfeasible.

"Hardly anything has happened in the past six months. Some of the larger issues (\$700 million to \$1 billion) will need more stability in the market. The volatility has to come down. But there are a lot of mid-sized (\$300-500 million) transactions which are lined up for the next three months. We need to see how the interest rates and the geopolitical situation gets settled," said Saraf.

Ajay Garg, founder, Equirus Capital said that larger issues will be difficult to implement till foreign turn supportive.

"Domestic investors are keeping good faith. But we need strong FPI flows for larger-sized issues to hit the market."

Fundraising in Samvat 2079 is likely to moderate compared to last year. However, some experts hope that India's position as a growing economy will attract flows from foreign portfolio investors and aid in robust fundraising.

"We do expect the headwinds to settle down in some months. Growth in India will ensure that capital markets see a period of boom," said Rajendra Naik, managing director of investment banking at Centrum Capital.