

Adani Ent's FPO to be India's largest ever

Board set to approve ₹20K-cr proposal on Friday

SAMIE MODAK

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Adani Enterprises, the flagship firm of India's most valuable conglomerate, is planning to launch a follow-on public offering (FPO) to raise ₹20,000 crore in fresh capital. The board of Gautam Adani's firm will meet on Friday to approve the proposal.

Shares of Adani Enterprises fell 3.4 per cent to end at ₹3,897 on Wednesday. At the last close, the company was valued at ₹4.45 trillion.

If Adani Enterprises indeed decides to launch a ₹20,000-crore FPO, it will be the country's biggest-ever. Currently, Yes Bank holds the record for the largest-ever FPO. In July 2020, the lender had mopped up ₹15,000-crore via FPO to meet its capital requirements. The FPO managed to garner just 93 per cent subscription. SBI Capital Markets, which had underwritten the FPO, had to make up for the ₹730-crore shortfall. The top 9 FPOs are by either lenders or public sector enterprises (PSU), according to the data provided by Prime Database. Baba Ramdev-led Patanjali Ayurved firm Ruchi Soya had launched a ₹4,300-crore FPO – the 10th biggest, earlier this year.

FPOs are not a very popular avenue for raising funds for listed companies. India Inc prefers more flexible options such as qualified institutional placements (QIPs) given the low regulatory compliances. An FPO involves filing lengthy offer documents with the

Securities and Exchange Board of India (Sebi). Further, obtaining a regulatory green-light for an FPO can take two months. QIPs are relatively a fast-track way to raise capital.

Why FPO then?

Adani Enterprises' preference to an FPO could be driven by the objective of having a more diverse shareholding,

said investment bankers. The group is often criticised for having concentrated shareholding.

"We are working on plans to increase [the] free float further and the market will see the development in this direction," the company had told the Financial Times in September.

Doing a QIP would mean issuing shares to a fixed number of institutional investors. In comparison, an FPO requires participation from not just institutional investors but also retail, high networth indi-

viduals and corporates. As of Sep 2022, the promoter shareholding in Adani Enterprises stood at 72.63 per cent.

Analysts, however, believe the "active" free float in the firm is less than 27.37 per cent. This is because over 15 per cent of the public float is with investors such as LIC, Abu Dhabi-based International Holding Company, Elara, LTS Investment, APMS Investment, Vespera Fund and passive trackers (based on FTSE, MSCI and Nifty indices) which typically don't sell actively. Individual investors hold only about 2.22 per cent stake in Adani Enterprises.



GOING BIG

India's five biggest FPOs (amount in ₹ cr)

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|------------|---------|--------|
| YES Bank | Jul '20 | 15,000 |
| ONGC | Mar '04 | 10,542 |
| ICICI Bank | Jun '07 | 10,044 |
| NMDC | Mar '10 | 9,930 |
| NTPC | Feb '10 | 8,480 |

Source: primedatabase.com