QIP fundraising plunges in volatile year for stock markets

Swaraj Singh Dhanjal

swaraj.d@livemint.com

MUMBAI: Despite a recent increase in initial public offerings, the market for qualified institutional placements (QIPs), a way to sell shares quickly to institutional investors, has been subdued due to choppy secondary markets.

The QIP market has seen only one deal each in November and December, and 14 overall in 2022, when firms raised ₹11,743 crore through this route, data from primary market tracker Prime Database said. That's a 72% drop in funds raised through this route from 2021, when 35 firms raised ₹41,997 crore through QIPs.

Global macroeconomic challenges, including geopolitical tensions, rising inflation and interest rates, and recession fears, have added to market volatility and reduced QIP market activity.

"QIP is a bull-market product, and historically we have seen QIPs happening when the secondary market is rallying as firms would like to dilute shareholding at a higher valuation. In 2022, there was a fair amount of bearishness, especially in the first half, and markets were choppy, which didn't help the cause," said Pranav Haldea, managing director at Prime Database group.

The largest QIP this year was that of real estate firm Macrotech Developers, which saw investors buy shares worth ₹3,546.9 crore, followed by AU Small Finance Bank and Indian Hotels Co Ltd, both of which raised ₹2,000 crore from their share sales, data show. Other firms that tapped the QIP market include Restaurant Brands Asia Ltd, Indiabulls Real Estate Ltd and Ujjivan Small Finance Bank, among others.

"The soft demand for QIPs is a result of relatively high valuations and signs of soft global markets as well as early indications of recession in the West. This has led to muted demand from investors and hesitancy from promoters to initiate QIPs. This is despite markets showing resilience," said Samir Bahl, chief executive of Anand Rathi Advisors.

Bahl said QIPs have stayed muted even as the IPO market has seen strong activity as the former offers limited pricing flexibility to companies, making it difficult to launch deals in volatile markets. "IPO markets remain strong, but the pricing of recent IPOs have been revised downward, and expectations have been reset," he said.

Haldea said the global macro headwinds and recession woes made firms cautious about fundraising plans, thereby lowering the appetite for QIPs.