

# Anchor investors may play safe after bloody nose from 2021

Ram Sahgal & Sneha Shah

MUMBAI

Primary markets are poised to cool further this year as anchor investors who burnt their fingers in new-age technology IPOs in 2021 turn wary at a time of darkening market mood, investment bankers said. These investors, many of them foreign portfolio investors, might prefer the safety of traditional sectors, that too at discounted valuations.

Sentiments could improve if the US Federal Reserve pauses rate hikes at its meeting in early May, the bankers said, making emerging market equities attractive again for US investors and reviving sentiment for initial public offerings by year-end or the first quarter of 2024.

According to an investment banker, primary market fundraising may plunge 35% from ₹59,412 crore in 2022 to ₹38,000 crore-₹40,000 crore

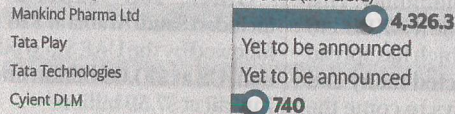
## Interest wanes

With challenging market conditions prevailing, investment bankers predict a slowdown in fundraising through the primary market this year.

### Key IPOs in 2022



### Key IPOs expected in 2023



Source: primedatabase.com and Mint Research

SARVESH KUMAR SHARMA/MINT

this year. While quality IPOs in traditional sectors such as fast-moving consumer goods (FMCG), pharmaceuticals and technology could sail through, valuations could be at a discount, given the heightened volatility and anchor investors' bitter experience with new-age tech companies, the banker said on the condition of anonymity. In 2021, a blockbuster year for primary markets, 63 companies had raised

a record ₹1.19 trillion through IPOs.

"Last fiscal (FY23) saw 37 mainboard IPOs, which was significantly less than those in 2021 and Life Insurance Corp. accounted for good measure of value," said V. Jayashankar, director of Kotak Investment Banking. "This year, select companies with a strong track record and fundamentals will

# Anchor investors wary after bloody nose from 2021

FROM PAGE 1

make their debut on the Street amid the heightened volatility induced by global events. The primary market sentiment will improve if the Fed pauses its rate hike in May," he said.

Anchor investors, including FPIs, mutual funds and insurance companies, provide stability to IPOs. In a company with identifiable promoters, anchor investors can sell half their holding a month after listing and the rest after three months. Retail investors often scan the list of anchor investors to figure out the quality of an IPO. In 2021, a number of new-age tech companies, such as Policy Bazaar, Zomato and Paytm, went public. Many of them listed at a discount and began a long decline soon after, and the anchor investors who had to hold on for 12 months in the absence of identifiable promoters suffered badly as their valuations plunged following repeated quarters of losses.

"It's a case of once-bitten-twice-shy," said the investment banker cited earlier. "With global central banks, especially in the US, hiking rates at the fastest rate in decades to tame inflation last year, equity markets globally became turbulent and have remained so this year, too. Though companies have filed offer documents with Sebi this year, it's the larger and fundamentally more sound ones that will attract anchor investors."

Bankers also said IPOs could be bunched up in the December quarter, as was the case last



IPOs could be bunched up in the December quarter, as was the case last year.

REUTERS

year. Offer documents filed with Sebi so far this year stand at 21 for an estimated amount of ₹28,260 crore, according to Prime Database. Pranav Haldea, managing director of Prime Database Group, said that 17 out of 40 IPOs last year hit the Street in the last two months, as the volatility in most of 2022 was not conducive for IPOs.

**Primary market fundraising may plunge 35% from ₹59,412 cr in 2022 to ₹38K cr-₹40K cr this year**

Last year, the Nifty index swung 24% between a low of 15,183.4 points in June and a high of 18,887.6 points in December. This year, the market fell 8% from a high of 18,265 at the beginning of 2023 to a low of 16,828.35 by mid-March.

Some prominent companies expected to go for IPOs this year include Tata Technologies and Tata Play. Mankind Pharma on Wednesday announced that its maiden issue, comprising a secondary sale worth ₹4,326 crore by PE investors Capital International (5%), ChrysCapital (2.5%) and the promoters (2.5%), would run during 25-27 April.

ram.sahgal@livemint.com