

Rush for Raising Funds Via QIPs Hints at Pickup in Pvt Capex Cycle

'Funds to be used for new projects, modernisation, infra development and long-term capital needs'

Money Plans

LARGE QIPs IN APR-SEP '23

Company	Amount
Union Bank	5,000
Federal Bank	3,040
Suzlon Energy	2,000
Aditya Birla Capital	1,750
Sheela Foam	1,200
Bank Of Maharashtra	1,000
Blue Star	1,000

FIG IN ₹Cr

PLANNED QIPs

Company	Tentative Amount
Bajaj Finance	8,000-90,000
Chola Investment#	4,000
IDFC Bank#	3,000
Karnataka Bank	1,500
Ramakrishna Forging	1,000
Texmaco Rail	1,000
Jupiter Wagons	700

FIG IN ₹Cr

#Book Opened

FUNDS RAISED FROM QIPs

Year	No of Issues	Issue Amount
2018-19	13	10,489
2019-20	13	51,216
2020-21	31	78,045
2021-22	29	28,532
2022-23	11	9,019
2023-24*	20	18,443

FIG IN ₹Cr

Till Sep '23

Source: primedatabase.com



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Mumbai: An increasing number of listed companies are back in the market to raise fresh capital through qualified institutional placements (QIPs), a trend being viewed as a clear indicator of the rejuvenation of the private capex cycle.

During the first-half of FY24, 20 companies have together raised ₹18,500 crore through QIPs, while another dozen have already announced plans to raise up to ₹25,000 crore through this route.

The Bajaj Finance board will meet Thursday to consider a proposal to raise funds. Market analysts anticipate that the company may seek to secure as much as ₹8,000-9,000 crore via QIP and an additional ₹2,000-3,000 crore through a preferential issue. IDFC First Bank secured about ₹3,000 crore on Wednesday through a QIP, as confirmed by banking sources. Earlier this week, Cholamandalam Invest-

ment and Finance launched a ₹4,000 crore QIP, with an equity component of ₹2,000 crore and compulsory convertible debentures (CCD) of ₹2,000 crore.

According to bankers, most of the QIP funds will be used for new projects, modernisation, infrastructure development, and purchase of capital goods, while lenders would utilize the proceeds for long-term capital requirements.

"The surge in fundraising activity can be attributed to government initiatives aimed at revitalising the economy, which is now manifesting in tangible outcomes such as an upswing in consumer demand and a corresponding resurgence in private capital expenditures," said V Jayashankar, member of board, Kotak Investment Banking. "Robust secondary markets and substantial liquidity have made QIPs a preferred fundraising tool for listed companies."

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Rush for QIPs

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Private sector lender Karnataka Bank's board last month decided to raise about ₹1,500 crore in fresh capital to primarily meet the needs of the growing business of the bank, including long-term capital requirements and for general corporate purposes. Boards of Ramkrishna Forgings, Texmaco Rail, and Jupiter Wagons have already decided to raise funds.

In the fiscal year 2023, Indian corporations secured a total of ₹9,018 crore through QIPs, a notable decline from the previous fiscal year when they had raised ₹28,500 crore. However, the current trend suggests that FY2024 will emerge as one of the most successful years for QIP fundraising, potentially reaching a milestone of ₹40,000 crore.

India Inc raised a record-breaking ₹78,046 crore in FY21, while the previous record was ₹57,524 crore in FY18. The largest QIP in the first-half of FY24 was from Union Bank, raising ₹5,000 crore. QIPs during this period were dominated

by financial services and power generation companies, accounting for 70% of the overall amount. In addition, there was one QIP of a REIT of Brookfield India Real Estate Trust of ₹2,305 crore.

Bankers have indicated that companies are gearing up for an anticipated economic expansion, proactively allocating funds towards capital expenditure to capitalize on the anticipated boom.

"Corporates, driven by a bullish outlook, are meticulously formulating strategies to support their envisioned growth trajectory," said Dharmesh Mehta, MD & CEO of DAM Capital. "These companies are actively pursuing significant capital injections, earmarked for both capital expenditure and potential acquisitions."

QIP is a capital-raising tool whereby a listed company can issue equity shares, fully and partly convertible debentures or any security other than warrants, which are convertible into equity shares to qualified institutional buyers. Sebi defines qualified institutional buyers as institutional investors generally perceived to possess the expertise and the financial muscle to evaluate and invest in the capital market.