

# Mop-up via pre-IPO placements hits at least 6-yr high

## EARLY MOVER

Pre-IPO placements typically take place between DRHP filing and months before IPO opening

Amount close to ₹1,000 crore in 2023; bankers say deals now happening closer to IPO price

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Companies have raised nearly ₹1,000 crore via pre-initial public offering (IPO) placements so far this year — the highest amount since 2017, since when the data is available.

Pre-IPO placements, typically conducted months before a maiden share sale, help establish a valuation base for an IPO and also instil confidence into investors about the company.

In the first nine months of 2023, 11 companies raised ₹960 crore from pre-IPO placements, according to the data from Prime Database, a primary market data tracker. Some of the companies that sold shares through such placements this year include SBFC Finance (₹150 crore), Yatharth Hospital (₹120 crore), Jupiter Life Line (₹123 crore), and Cyient DLM (₹108 crore).

While anchor allotments are done only a day ahead of an IPO, a pre-IPO placement can happen

anytime before the IPO and after the filing of the draft red-herring prospectus (DRHPs).

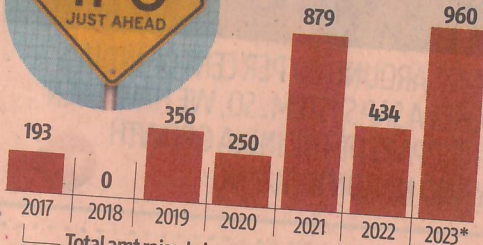
Also, pre-IPO shares can be allotted at any price, unlike anchor allotment, which can only be sold within the IPO price band. Investors subscribing to shares during pre-IPO placements must observe a six-month lock-in period post-listing.

“The quality of companies and limited allocation in anchor book has meant that more and more funds are opting for exposure

through the pre-IPO route,” said Chirag Negandhi, joint managing director and co-CEO of Axis Capital.

Bankers said pre-IPO placements used to happen much earlier in the process, but now it’s closer to the IPO and done at or closer to the IPO price.

“Earlier, pre-IPO shares were sold at a discount because of a six-month lock-in. Now, they are looked at as a valuation benchmarking tool,” Pranjal Srivastava, partner-equity capital markets (ECM), Centrum Capital, said. Turn to Page 7




Total amt raised via pre-IPO placements (₹ cr)

Source: Prime Database; Note: \*Up to Sep 30

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## COMPANIES THAT DID PRE-IPO PLACEMENTS THIS YEAR

	IPO size (₹ cr)	Pre-IPO amt (₹ cr)	
SBFC Finance	1,025	150	
Jupiter Life Line	851	123	
Yatharth Hospital	687	120	
Cyient DLM	592	108	
Zaggle Prepaid	563	98	
Avalon Tech	865	80	
TVS Supply Chain	880	75	
Yatra Online	766	62	
Ideaforge Tech	567	60	
Netweb Tech	631	51	
EMS	312	34	



“There is some structural shift. Historically, pre-IPOs happened with a substantial gap from the IPO launch. Now, pre-IPOs are happening very close to IPOs. Companies are using pre-IPOs to establish valuation benchmarks and give markets the comfort that well-respected investors are comfortable with that kind of valuation,” said Munish Aggarwal, managing director (ECM), Equirus. “In the past, pre-IPO rounds were done to fund business requirements in the run-up to the IPO. This is also reflected in pricing for pre-IPOs, wherein most transactions are happening at par with IPO pricing as compared to ‘discount to IPO pricing’ that was a norm in the past to accommodate higher perceived risk related to pricing and timing of IPO owing to a longer time gap between pre-IPO and IPO,” Aggarwal added.

The pick-up in pre-IPO deals seen this year is a sign of bullish sentiment, said market players. During the first half of 2023-24, 31 IPOs were launched, more than double compared to the same period of last year. Market players said given the robust DRHP filings in recent months, pre-IPO deals would continue to gain momentum. In the past two months, over 30 companies filed their offer documents with market regulator Sebi. Many of these companies had a provision to allot shares via the pre-IPO route to investors. Also, some asset managers have launched alternative investment funds (AIFs) looking to invest in companies at the pre-IPOs stage. Such funds actively scout for pre-IP deals, say market players. “There is confidence in companies as well as the IPO market. The trend is looking positive with many AIFs and other institutional investors participating and it is likely to continue,” said Srivastava.

Negandhi said pre-IPO allotments would continue to remain a popular mechanism as many funds would look to buy at the pre-IPO stage, despite the post-listing lock-in requirements, fearing they may not get adequate allotments at the IPO stage.

However, some bankers feel market conditions will have a bearing on the popularity of this route.