

# QIPs gain traction as India Inc looks for growth capital

Supportive outlook ensures adequate demand for new paper supply

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Mumbai, 26 February

ILLUSTRATION: AJAY MOHANTY

**E**quity fundraising through qualified institutional placements (QIPs) has gained traction, thanks to supportive equity markets and the need for fresh fundraising to meet capital expenditure (capex) requirements. So far this year, 12 companies have raised ₹10,655 crore through this route, involving the issuance of fresh shares to a handful of institutional investors at a price slightly below the prevailing market rate.

Several more deals are on the anvil, with companies sitting on board or having in-principle approvals to raise more than ₹30,000 crore, say industry players.

"When the economy is growing at a certain level, companies need capital for growth, whether to absorb working capital or capex, and one continuously needs to raise capital. For public companies, QIPs are one of the easiest ways to raise money. When you see heightened capital market activity with many companies raising money, it reflects the need for growth capital," said Ajay Garg, founder of Equirus.

This year's buoyancy is in sharp contrast to last year. There were no QIPs in the first two months of calendar year 2023 amid a volatile start to the year. It took six months for the first 12 QIPs to happen.

However, a sharp rally in the market from March 2023 lows has made it favourable for companies to raise fresh capital with less dilution.

The National Stock Exchange Nifty 50 has gained 31 per cent from its March 2023 lows, while the Nifty Midcap 100 and Nifty Smallcap 100 indices have rallied 68 per cent and 85 per cent, respectively.

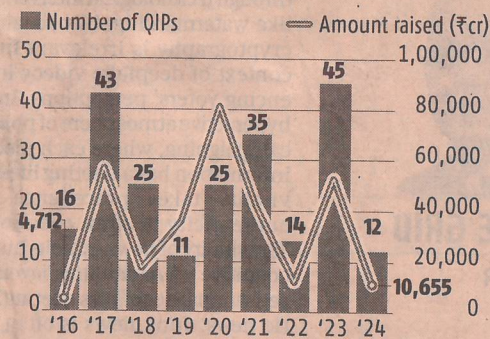
Bankers said there was some fear initially that incremental paper coming to the market would not get absorbed. But after the success of block deals last year, companies and bankers are convinced of healthy demand for even fresh paper raised for expansion and growth.

"From November 2023, QIPs are happening at break-neck speed. As bankers, we are focusing on transactions that have a quick turnaround. There is a lot of appetite on the issuer side, which was earlier reflected in blocks. Companies realised that if selling shareholders can come to the market and dilute their holdings at a good price, they can also raise funds on their balance sheet to make sure that whatever they intend to do over the next year can be taken care of," said a banker.

Banks are typically the most active in the QIP market as they constantly need capital to meet their capital adequacy requirements.



## NEED FOR CAPITAL



2024 data as on February 24

Source: PRIME Database

In 2023, more than 40 per cent of the total funds through QIPs were by banks. Even this year, the biggest QIP has been Union Bank of India, which raised ₹3,000 crore last week. However, Swan Energy might top that number with its ₹4,000 crore QIP.

Also, Punjab National Bank obtained its board nod for a ₹7,500 crore QIP in January. Angel One, too, is soon expected to roll out its ₹2,000 crore QIP.

After cleaning up their balance sheets over the past few years, banks are reporting healthy growth with a rise in net profit and improvement in asset quality, which has attracted investor attention. Moreover, banks need capital because of credit growth in recent years as companies are putting large capex, especially manufacturers.