

# Helped by SBI issue, qualified institutional placements on path for record breaking year

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**MUMBAI:** Qualified institutional placements (QIPs) since the beginning of 2017 have crossed ₹31,000 crore, powered by large issues from banks, and appear poised to set a record this year.

QIP is a capital-raising tool through which listed companies can sell shares, fully and partly convertible debentures, or any securities other than warrants that are convertible into stocks, to a qualified institutional buyer.

According to data from Prime Database, a primary market tracker, in less than six months, 13 companies managed to raise ₹31,406 crore through QIPs. This compares with ₹31,684 crore in

all of 2014 and just a couple of thousand crores short of the record ₹34,675 crore in 2009. "QIPs are a bull market phenomenon. In a depressed market, you will hardly see QIPs; but in a bull market, when the markets are seeing new highs, you will definitely see high activity. It is a very good time for issuers," said Prithvi Haldea, chairman of Prime Database group.

The surge in QIPs has been driven by record-breaking offerings by public sector bank State Bank of India, which raised ₹15,000 crore last week in the largest QIP in the country and Kotak Mahindra Bank Ltd's ₹5,803 crore offering, the largest ever by a private sector bank.

Investors who are convinced

financial services will be the primary beneficiary of the country's growth prospects and expected political stability over the next few years are pumping money into bank QIPs, said experts.

"Investors believe that the Indian economy is doing very well and are also convinced about political stability over the next few years, leading to India emerging as the favoured nation among several emerging markets. Institutional investors believe that India's nominal GDP (gross domestic product) can grow in the 10% to 12% range, adjusted for inflation, and if that is the case, then the financial services sector will grow even faster at around 1.5 times nominal GDP

translating to around 15%-17% growth," said V. Jayasankar, senior executive director and head of equity capital markets at Kotak Mahindra Capital Co. Ltd.

"As private sector investments are yet to take off in any significant way, we believe that banks and financial services will be at the forefront of fund-raising this year," he said. "Well-positioned private sector banks, public sector banks and NBFCs can benefit significantly if they need to raise growth capital," he added.

On the issuer side, the need to recapitalise balance sheets, hopes of a gradual pick-up in lending and expected resolution of bad loans at banks, are some of the factors driving fund-raising.