

Friday, August 23, 2024

mint

livemint.com

Easy money, hard life:
Capitalism's conundrum ► P10

Govt set to tighten rules for
import of key EV parts ► P2

SENSEX 81,053.19 ↑ 147.89

NIFTY 24,811.5 ↑ 41.30

DOLLAR ₹83.95 ↓ ₹0.02

EURO ₹93.52 ↓ ₹0.21

OIL \$76.31 ↓ \$1.64

POUND ₹110.19 ↓ ₹0.85

Startups skip stake sale, eye IPO as markets climb

The ongoing funding winter in private fundraising is also pushing startups to list

Sneha Shah & Mayur Bhalariao

MUMBAI

At least half a dozen startups are junking private stake sale deals and opting for a public listing, industry experts and bankers told *Mint*.

This comes on the backdrop of the rise of valuations that listed startups are seeing in the stock market.

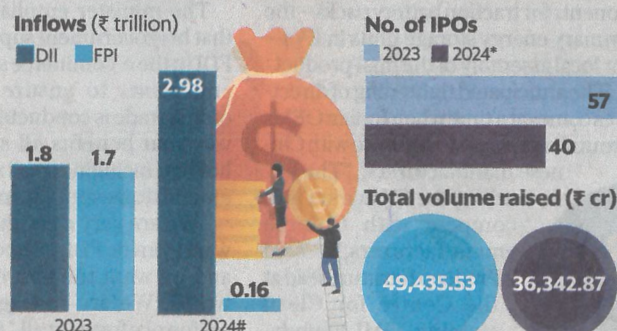
For instance, investors in companies such as Lighthouse Learnings and Piramal Glass have discarded their stake sale plans due to valuation mismatches in the private markets, two people with direct knowledge of the matter told *Mint*.

KKR-backed Lighthouse Learnings (formerly EuroKids) earlier this year appointed investment banks JP Morgan and Aven- dus to look for a buyer for its 94% stake in the education company it acquired in 2019. However, the firm is now exploring either an IPO or listing the company as an REIT (real estate investment trust), one of the persons cited above said on the condition of anonymity.

As for Piramal Glass, majority owner Blackstone is mulling a

UNABATED FLOW

Inflows from domestic institutional investors have kept the markets in a bull phase in 2024, even as foreign investor inflows have dipped



BULLS EYE

MANY firms have moved into IPO mode from private fundraising

THIS indicates that the stock markets are firmly in bull market territory

IN 2024, so far, 40 IPOs have mopped up ₹36,342.87 crore

potential listing after calling off a stake sale process that ran for more than five months starting last November, the second person cited above said.

KKR declined to comment, while a Blackstone spokesperson denied any exit plans for Piramal Glass.

Then, after exploring a complete sale, Everstone, the majority owner of healthcare services provider Everlife, has decided to take the initial public offering (IPO) route for the company, according to news reports.

Packaging company Manjushree Technopack is the other exam-

ple of M&A being junked in favour of IPO, as reported by *Mint* earlier.

Other companies, too, have moved into IPO mode from private fundraising. For example, Aadhaar Housing Finance, which briefly explored a majority stake sale, turned to an IPO given the positive market sentiment. The company listed earlier this year and the stock has performed well since. Then, Sai Life Sciences, which explored a sale and then filed documents with Sebi for an IPO in July, is awaiting a nod from the market regulator.

Klaas Oskam, chief executive of global investment bank DC Advisory said that the current bull market IPO valuations are at times at such a significant premium to private market M&A valuations that "taking 30-40% liquidity through an IPO and working towards additional liquidity on the investors balance ownership over a 1-3 year period post-IPO becomes the more attractive option in comparison to taking full liquidity upfront through a private market M&A exit".

However, Oskam said that it remains to be seen how long this IPO bull market and material dis-

TURN TO PAGE 6

Startups skip stake sale, eye public float as markets climb

FROM PAGE 1

parity between Indian public and private market valuations will continue.

“Until it does, we will continue to see PE and VC backed businesses that were planning an M&A exit at times opt for an IPO instead,” he said, adding that this clearly indicates that the Indian stock markets are in bull market territory driven mostly by robust domestic liquidity inflows.

In 2023, domestic institutional investors (DIIs) in India bought shares worth ₹1.8 trillion, and in 2024 so far, they have bought worth ₹2.98 trillion. This was higher than the FPI (foreign portfolio investor) inflows of ₹1.7 trillion in 2023 and just ₹15,731.6 crore up to 20 August this year.

“Vibrancy of Indian equity capital markets is giving large PE investors that own controlling or large stakes the necessary liquidity and depth to absorb large sell-downs,” said



The Indian stock market is being driven mostly by robust domestic liquidity inflows. HT

V. Jayasankar, managing director and head of equity capital markets at Kotak Mahindra Capital Co.

Jayasankar added that the option to exit via capital markets or M&A route is creating a “virtuous cycle of great divestments of earlier investments and fresh investments in many outstanding companies run by promoters or founders with strong track record”.

“The bulls of Indian public markets are now playing tiger,

as the global hedge funds are keeping some distance from Indian startups,” said Anand Lunia, founding partner at India Quotient, an early-stage investor. “But the best companies of our times have been built in public—Infoedge being the first and then Indiamart. Even Zomato continues to innovate and scale massively while being listed. I think this is the next stage of the evolution of startups.”

According to data from Primedatabase, in calendar year 2023, there were 57 mainboard IPOs that raised ₹49,435.53 crore. This year, so far (January to July), 40 mainboard IPOs have mopped up ₹36,342.87 crore from the market.

This trend also comes amidst a larger funding winter in the private market with early- and growth-stage investors going slow on dealmaking even as late-stage and buyout investors continue to be bullish.

sneha.shah@livemint.com