

# IPOs focus on giving exit route for PEs, not capital expansion

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Despite the rush to launch initial public offerings (IPOs) in 2017, little has changed in investment demand so far.

Like in previous years, the IPO boom is being driven by offers for sale (OFS) that give an exit route to private equity (PE) firms or existing shareholders rather than raising funds or capital expansion.

According to Prime Database, 12 issues have hit the primary markets so far this year, raising a total of RS 9,716.70 crore. However, only one issue was meant for raising capital, with the rest just offers for sale or meant to serve both purposes.

Avenue Supermarts Ltd is the only IPO this year which raised capital through its issue. Radhakishan Damani-promoted Avenues Supermarts, which owns the D-Mart retail chain, was subscribed a staggering 104.48 times.

It raised RS 1,870 crore through the issue and saw a rise of 104% on its debut at the exchanges on March 21.

Other companies that have gone for IPOs in 2017 are BSE Ltd, Music Broadcast Ltd, CL Educate Ltd, Shankara Building Products Ltd, S. Chand and Co. Ltd, Housing and Urban Development Corp. Ltd, PSP Projects Ltd, Tejas Networks, Eris Lifesciences, Central Depository Services (India) Ltd and GTPL Hathway Ltd. The trend was also seen in 2016, which was considered to be one of the bumper years for IPOs in the last five years. Last year, 26 issues raised RS 26,493.84 crore, but only six of them were meant for raising funds.

According to Pranav Haldea, managing director at Prime Database, though firms are making a beeline for IPOs in 2017, what is missing is the confidence in companies to raise capital.

“Fund-raising still needs to pick up pace in India and to some extent it is definitely concerning. Even the qualified institutional placement (QIP) segment has been very tepid in last two-three years. In the last six months, only financial companies have raised funds through QIPs,” he added. However, he said that having IPOs as an exit route provides existing shareholders and private equity investors with opportunities to pump funds into other companies.