

Fund mop-up through IPOs at a record high

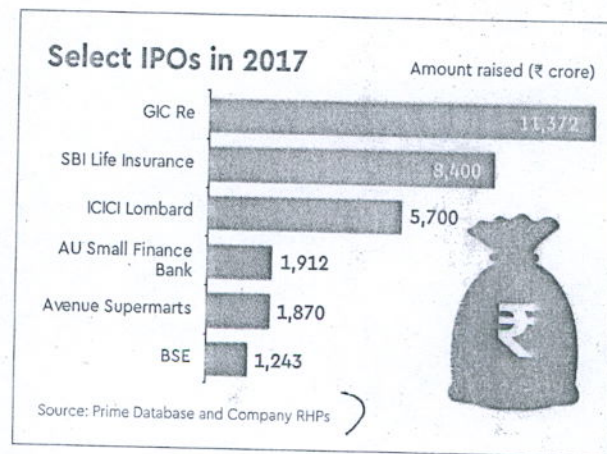
● Fund-raising crosses ₹44,000 crore in 2017, the highest in past 28 years

SUNDAR SETHURAMAN
Mumbai, October 21

EVEN AS THE BENCHMARK indices scale new peaks, the action in the primary markets is at near-record highs as well. With the offering of General Insurance Corporation (GIC) fully subscribed last week, fund-raising through initial public offerings (IPO) has crossed ₹44,000 crore in 2017. Since January, 28 debutants on the bourses have together raised an amount of ₹44,342 crore. This is the highest amount raised in the past 28 years, data shows.

However, given the big pipeline of issuances and the strong appetite from institutional and retail investors, 2017 could see as much as ₹65,000 crore being mopped up via IPOs. The last time the primary markets witnessed such frenzied activity was in 2010, when 64 companies raised ₹37,535 crore.

Reliance Nippon Asset Management's ₹1,542 crore offering will hit the markets next week and in the next two months, more than half a dozen companies are expected to follow suit. These include a couple of insurance firms, a leading footwear manufacturer, a hospital chain, a logistics firm and a leading jeweller. These IPOs are



expected to raise close to ₹15,000 crore-₹20,000 crore between them.

Meanwhile, the government will launch the IPO of New India Assurance later this month. Among the private sector companies, HDFC Life, Mahindra Logistics, Khadims and Shalby Hospitals are expected to hit the markets this year.

Market participants said an abundance of liquidity in the market and the desire of private equity players to exit their holdings have created action in the primary market.

Listing gains and returns by newly listed companies, as also the positive sentiment in the

broader market, are also among the reasons attributed to the trend.

Of the 25 companies that made their debut on the exchanges this year, 18 have listed at a premium. Avenue Supermarts, the owner of the D-Mart brand, listed at a whopping 102% above its issue price. This is the biggest listing day opening in 12 years after Nandan Exim, whose stock opened at 140% premium to its issue price of ₹20 in June 2005.

Consumer electronics manufacturer Dixon Technologies, which got listed last month, listed at a premium of 54% to its issue price. Prataap Snacks,

which made its debut on the bourses on Thursday, listed at a premium of 35%.

Godrej Agrovert, which made its debut earlier this week, listed at 33% above its issue price. The newly-listed companies have given good returns to investors.

The BSE IPO index, a gauge of newly-listed companies, rose by 43% year to date, while benchmark Sensex rose by 22% during the same period.

More than half of the total money raised through IPOs was by financial services companies. GIC Re, BSE, HUDCO, ICICI Lombard, SBI Life, AU Small Finance Bank and CDSL are some of the financial services companies that completed their IPO in the last 10 months.

However, a huge chunk of funds raised through IPOs was via offer for sale (OFS). The initial share sale of SBI Life and ICICI Lombard, the biggest issues so far this year, entirely offered for sale. While SBI Life raised ₹8,400 crore, ICICI Lombard garnered ₹5,700 crore.

Eric Lifesciences, BSE, and AU Small Finance Bank entirely offered for sale. The offerings of CL Educate, Shankara Building Products and S Chand and Company had a significant OFS portion.