

Market sees flurry of QIPs in Dec

10 companies, highest in 7 years, follow this route to raise funds this month

DEEPAK KORGAONKAR & PUNEET WADHWA
Mumbai/New Delhi, 26 December

There is a rush to tap funds through the qualified institutional placement (QIP) route, with 10 companies, including banks, having launched QIP issues in December so far — highest in the past seven years in terms of number of issues.

Total eight companies, including Punjab National Bank, Mahindra & Mahindra Financial Services, Natco Pharma and Union Bank of India, have raised ₹11,037 crore via QIPs this month. Most of these intend to use the proceeds primarily to repay or prepay outstanding indebtedness and towards capital expenditure. The financials proposed to use funds to augment their long-term resources for meeting capital requirements and to augment their capital adequacy ratios.

In April 2010, total 10 companies had raised ₹2,723 crore, while in September 2009 (₹6,245 crore) and in December 2008 (₹9,412 crore) 10 firms had mobilised more than ₹6,000 crore through QIPs. In value terms, during June 2017, three companies had raised ₹17,505 crore via this route, the PRIME Database data shows.

Kridhan Infra and Srikalahasthi Pipes have opened their QIP issues on Wednesday, December 20. These two companies proposed to raise ₹400 crore, taking the total tally by 10 QIPs to ₹11,437 crore. Of these 10 firms, eight have mobilised ₹9,667 crore in the past two weeks alone. "After a very long time, buoyancy in markets has sustained. Investors, both domestic and foreign, have redeployed funds in the equity market. Till the markets remain vibrant, people/promoters will like to collect money for future growth, and this trend is likely to continue in 2018 as well. We can expect this to change only if there is a change in market conditions," said A K Prabhakar, head of

research, IDBI Capital.

QIPs, after two muted years, have shown signs of revival, with capital raised via 41 QIPs reaching a new high of ₹56,800 crore (12 times higher than in 2016) so far in 2017. This number has surpassed the previous year's ₹4,712 crore, and is the highest till date, beating the earlier peak of ₹34,676 crore raised by 53 companies in 2009.

In the banking space, HDFC Bank, the country's second-biggest lender by assets, had said it would raise up to ₹24,000 crore to fund growth by selling shares to investors, including a preferential issue to its parent Housing Development Finance Corporation (HDFC). Canara Bank, too, is reportedly considering raising funds via this route.

"As regards HDFC Bank, I think it is creating a war chest for the next five years. Promoters want to make the most of the market conditions right now," Prabhakar said.

And, the investors who subscribed to these issues have been rewarded well in some cases. Given the market conditions, stocks of 28 of the 40 companies that raised funds via this route are trading above their QIP price. Minda Industries (up 208 per cent), Deepak Nitrite (122 per cent) and Delta Corp (101 per cent) have seen their market price more than double compared with their QIP prices. Ramkrishna Forgings and Camlin Fine Sciences

have rallied 65 per cent and 51 per cent, respectively. "The trend of raising money via QIPs is likely to continue. From a period where people were doing a lot of off-market transactions to give private equity players an exit route, we are now talking about growth capital. This underlying trend is likely to continue. Public sector banks took this route as they wanted to position themselves before the recapitalisation by the government," said Munish Aggarwal, director (capital markets), Equirus Capital.

MONEY MATTERS

Calendar Year	QIP Issues	
	Number	₹ crore
2006	16	3,935
2007	41	23,339
2008	8	3,586
2009	53	34,676
2010	59	26,147
2011	9	3,459
2012	12	4,705
2013	10	8,075
2014	33	31,684
2015	32	19,065
2016	16	4,712
2017*	41	56,800

* Till December 26

Source: Prime Database/BSE

