

# QIPs back in favour as overall economic sentiment improves

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**MUMBAI:** With the economy showing signs of a pick-up, a number of companies including DCB Bank and Canara Bank are mulling fund-raising options mainly through the qualified institutional placement (QIP).

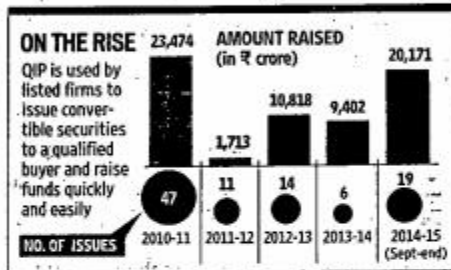
DCB Bank (formerly Development Credit Bank) recently announced that it had raised ₹250 crore through a QIP.

Rival state-owned lender Canara Bank will raise ₹85 crore via the same route in 2014-15.

"There are practically very few restrictions for QIPs as the target is institutional shareholders and not retail investors. Also, proceeds from a QIP issue can be used for a variety of purposes without the restrictions normally seen in other issues," said Mahesh Singh of Singh Advisors.

According to Prime Database, which tracks primary markets, companies raised little more than ₹20,000 crore through in the first half (April-September) of the current financial year. The number of QIP issues so far this year is also higher than the total number of issues in last three years.

The clear mandate given to



Source: Prime Database

the Narendra Modi-led government in the general elections earlier this year and the reform measures announced so far by the government have boosted overall sentiment and many companies are looking to raise funds to spur growth.

Reliance Communications raised a little over ₹4,800 crore earlier this year, the biggest QIP issue during the April-September period.

"There was a pent-up demand for capital and that is now being released," said Pranav Haldea, managing director of Prime Database. The pipeline of QIP issues is also robust, he added.

A bullish market can also boost prospects of foreign currency convertible bond (FCCB)

offerings. However, several companies such as Wockhardt, Suzlon and Shiv-Vani Oil among others who had raised funds through FCCBs ended up in defaults as the crash in stock markets in 2009 led to share prices falling to well below their conversion rates.

Recently Tata Power received board approval to raise ₹3,700 crore through the issue of non-convertible debentures (NCDs), while IFCI plans to garner ₹2,000 crore through its NCD issue.

"This is the best option for us as it reduces our borrowing costs," said Malay Mukherjee, CEO and MD of IFCI. "We can then lend to infrastructure companies who are looking for a longer tenure," he added.