

Poll uncertainty looms over IPOs worth ₹126 bn

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Election and market uncertainties are looming large over companies whose regulatory approvals to launch their initial public offerings (IPOs) expire before May 2019.

A dozen companies — planning a cumulative fundraiser of close to ₹126 billion — have market regulator Securities and Exchange Board of India's (Sebi) nod in place. These companies have not been able to launch their IPOs this year due to prevailing volatile market conditions and the uncertainty around the state and general elections, said bankers.

If these companies do not launch their offerings before May 2019, their approvals would lapse.

The Sebi approval for IPOs is valid for a period of one year, after which companies have to re-file their offer documents for fresh approval.

According to reports, the Anil Ambani-led Reliance General Insurance, whose approval lapses later this week, planned to re-file with the Sebi. The company had obtained the Sebi's approval on November 29, 2017. However, it failed to launch its IPO. The volatility in the secondary markets and the liquidity crunch, following the Infrastructure Leasing & Financial Services (IL&FS) crisis, have further compounded the problems of these firms waiting to tap the capital markets, said bankers.

The correction in the markets, especially in mid-cap stocks, has deterred promoters and private equity firms looking to raise funds. The benchmark Sensex and Nifty indices fell by as much as 15 per cent in September and October. The broader-market MidCap and SmallCap indices have been through a turbulent phase for almost the entire year. Most of the IPOs waiting in the wings belong to the mid-cap and small-cap category.

"In the current market, there is a lingering disquiet about valuations. Many of these companies had filed when the valuations were higher. Also, weak foreign flows have affected the way people are looking at issuances. Both IPOs and fundraising by listed companies are affected by the same phenomena. I think the hope remains that once the state election results are out and new foreign institutional investor allocations are made, some of these issues - where the valuations are not that big a challenge - will go through," said Munish Aggarwal, director-capital markets, Equirus Capital. The problems in the IPO market worsened with the crisis in the non-banking financial company sector.

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TIMING THE MARKET

Companies whose Sebi nod lapses before the general elections

	Date of Sebi approval	Issue size (₹ bn)
Reliance General Insurance	Nov 29, '17	16
CMS Info Systems	Nov 30, '17	13
Acme Solar Holdings	Dec 15, '17	22
Barbeque-Nation Hospitality	May 1, '18	7
Indian Renewable Energy Development Agency	Feb 16, '18	9
Patel Infrastructure	May 3, '18	4
Krishna Institute Of Medical Sciences	Mar 7, '18	6
Nazara Technologies	Apr 20, '18	10
Devi Sea Foods	May 11, '18	9
Rail Vikas Nigam	May 17, '18	30

Source: PRIME Database