

FY20 sees best start for primary market in 3 years

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Financial year 2019-20 (FY20) has seen the best start for the primary market in three consecutive years.

The initial public offers (IPOs) of Metropolis Healthcare and Polycab India raised ₹2,550 crore in April alone this year on the back of a strong response from institutional investors. Fund mobilisation during April has been the highest in the last nine months as well (since July 2018) when two companies had raised ₹3,925 crore from the primary market. In April last year, not a single company hit the market to raise funds via this route. But in April 2017, the sole IPO of S Chand & Company had raised ₹728 crore.

As regards the recent offers, the qualified institutional buyers (QIBs) quota in Polycab India was over-subscribed 92 times while that in Metropolis Healthcare it was by nine times, exchange data shows. Analysts attribute this to a renewed buying interest by foreign portfolio investors (FPIs) in the secondary market where the S&P BSE Sensex and the Nifty50 hit their respective lifetime highs last week. In the last one month alone, both these indices have rallied 6 per cent and 5 per cent, respectively. FPIs have pum-

ped in ₹38,018 crore (\$5.5 billion) during this period.

"Investors will lap up issues that are attractively priced, have a good business model and clean management. Things have been improving for such companies (mid-and small-cap market segment) in the secondary market and these companies are also finding takers in the primary market as well," said G Chokkalingam, founder and managing director at Equinomics Research. Experts said the fundraising trend in the primary market will depend on how the secondary market performs in the backdrop of the outcome of the general elections and global cues.

Pranav Haldea, managing director at PRIME Database, for instance, believes that election outcome will have a direct bearing on fundraising plans of companies. According to him, if the elections throw up a fractured mandate, companies are likely to allow their approval to lapse. A stable government, on the other hand, could see a flurry of IPOs being launched.

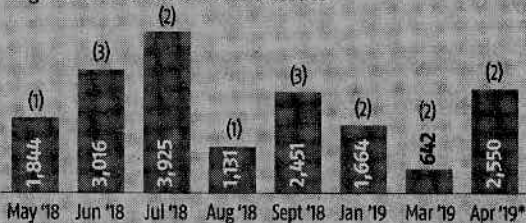
There are 64 companies that have Securities and Exchange Board of India's (Sebi's) approval to raise over ₹63,000 crore and another eight wanting to raise about ₹7,600 crore.

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GOOD BEGINING

Figures in bracket: number of issues

(₹crore)



*Till April 9, 2019

Source: PRIME Database; Compiled by BS Research Bureau