

BJP's 2nd term set to propel IPO market pipeline this year

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MUMBAI: Prime minister Narendra Modi-led coalition's thumping victory in the general election is expected to revive public market fund-raising activity such as initial public offerings (IPO) and qualified institutional placements (QIP) after three quarters of scant activity.

As of March 31, around 59 companies with plans to raise as much as ₹53,000 crore have secured the approval of regulator Securities and Exchange Board of India (Sebi) to launch IPOs, according to data from primary market tracker Prime Database.

With the sweeping victory of the National Democratic Alliance (NDA) ending political uncertainty and signalling continuity of reforms, fund-raising activity that had slowed down due to stock market volatility is likely to get a boost.

"Companies have already started conversations around the launching of their respective deals. We should see good activity in the IPO market starting early July," said Munish Aggarwal, director at Mumbai-based investment bank Equirus Capital Pvt. Ltd. "The uncertainty that people had in their minds in terms of whether we will have a stable and predictable government is no longer there."

Only seven firms raised ₹5,033 crore through IPOs so far in 2019, compared with 24 that raised ₹30,959 crore the previous year, shows data from Prime Database.



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"IPO-bound companies with Sebi approval that have long kept watchful vigil for stable governance and markets will likely be the first ones to hit the market," said Ravi Dubey, partner at law firm L&L Partners. "This will be followed by issuers refiling their DRHPs (draft red herring prospectus), seeking to quickly pass Sebi muster."

While a significantly large number of IPOs are waiting in the wings, experts say QIP deals are likely to hit the market first, given the relatively simple regulatory regime for the product. A QIP is a capital-raising tool through which publicly traded firms can sell securities such as shares and convertible debentures to institutional buyers.

"In case of QIPs, with a more positive investor sentiment and the Sensex reaching a record high, several trades that could not be launched towards the end

of last fiscal due to liquidity and other issues are likely to be powered soon," Dubey said. "Since IPOs would take some time to traverse the regulatory road, QIPs may launch quicker."

A similar trend was witnessed after the 2014 general election, QIPs being the first to get off the block.

However, the return to power of the NDA government does not mean every company will be able to tap the market.

"Not all companies will benefit from the change in sentiment," Aggarwal said. "While transactions, which were stuck because investors wanted to wait to figure out how the elections will play out, will witness better do-ability, those where valuations in underlying sectors had been hit significantly will be difficult even now."

Aggarwal added that initially, companies from the financial services would tap the markets.