India Inc raises ₹4 lakh crore from markets

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INDIAN firms raised a staggering amount of funds totalling Rs 4 lakh crore from the markets in 2014, with debt market emerging as the most preferred route to garner capital for their corporate needs despite a sustained rally in the stock market.

The trends remained sluggish in the primary stock market — where the companies raise funds through the sale of shares via instruments like IPOs and FPOs —despite a bullish equity market. It has been private placement of corporate bonds and non-convertible debentures that was used the most to meet funding requirements of businesses in 2014.

However, IPO market is expected to see some activities in 2015, as a large number of companies have filed their draft papers with Sebi for their public offers since a new government took over in May. Besides, debt market may also witness sustained rally in the new year, market analysts said.

"In 2015, we will see spurt in IPO activities as more than a dozen companies have filed their draft documents in 2014 ," Geojit BNP Paribas research head Alex Mathew said.

Echoing a similar view, Prime Database managing director Pranav Haldea said : "A flurry of IPOs are expected in the Q4 (January-March period of 2015)."

Market participants believe that probable interest rate cuts by the Reserve Bank of India (RBI) as trigger for fund raising through debt instruments.

In 2014, companies together have raised fresh capital worth nearly Rs 4 lakh crore from equity and debt markets, shows an analysis of funds raised through various routes. These funds have been raised mainly for expansion of business plans and to support working capital requirements.

A large chunk of this amount or more than Rs 3.3 lakh crore has been mopped-up from debt market.

MOPPING UP: Firms raised Rs 2.95 lakh crore through debt placement route, while Rs 32,000 crore is raised through NCDs

Fresh capital raked in from equity market stood at about Rs 67,000 crore, which mostly include those garnered by Qualified Institutional Placement (QIP) route and by way of preferential share allotments to promoters and other investors.

Within the debt market, the companies raised Rs 2.95 lakh crore through debt placement route, while Rs 32,000 crore has been mopped up through non-convertible debentures.

The year 2014 saw companies flocking towards debt route instead of equities because equity was not available for those firms.

"Many firms opted for the debt route instead of equity as fund raising through equity segment was not available as very few companies came out with public offers," CNI research head Kishor Ostwal said.

In the equity segment, most of the funds were raised through QIP (Rs 30,000 crore) followed by preferential route (Rs 25,500 crore), rights issue (Rs 5,200 crore) sale of shares via OFS route (Rs 4,300 crore) and IPOs and FPOs (Rs 1,619 crore).

"Retail investors have not fully participated in the IPOs during the year, because of that we have seen less number of public offers hitting the capital markets in 2014," Mathew said.

"On the other hand, we witnessed hectic activities in fund raising via QIP route during the year as institutional investors were bullish on this segment due to change in new government," he added.

Despite a rally of around 30 per cent in the equity market in 2014, there was only five main-board initial public offers (IPO) and one Follow-on Public Offers (FPOs) witnessed during the year. However, a large number (34) firms got listed on the stock exchanges from the small and medium enterprise (SME) sector.

A meagre Rs 1,619 crore were raked in through these public offers in 2014, even less than Rs 1,627 crore were garnered last year.