IRCTC may not give fillip to IPO market

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Not much revival is likely in the moribund primary markets even in the afterglow of the huge investor response to the initial public offering (IPO) of state-owned IRCTC.

Industry experts say there may be few IPOs in the remaining part of the year and a pick-up in activity could be seen only during the first half of the next calendar year.

Last week, the ₹640-crore IPO of the state-owned, railway-ticketing company was subscribed more than 110 times, which is one of the highest. Such a good response encourages issuers and investment banks to hit the market.

However, volatility in the secondary market and turmoil in the financial sector, one of the major issuing segments, are proving to be major deterrents.

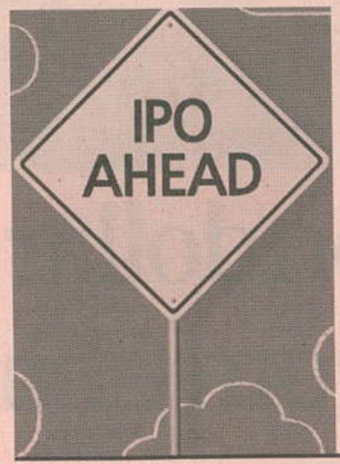
"Sentiment hasn't changed much. The IRCTC IPO was a positive sign for the primary market; however, the state of the secondary market is not conducive. As such, I don't see one deal setting off a big trend," said Jibi Jacob, head of equity capital markets at Edelweiss Investment Banking.

The amount raised through IPOs this year so far has been ₹10,709 crore, a third of what it was last year. "We expect to see positive momentum around IPOs in the first half of 2020. Companies that were considering raising money in the markets will look at the market movement as a positive step," said Sandip Khetan, IPO Leader at EY India.

The benchmark Sensex has seen huge volatility this year. After rising as much as 12 per cent at one point, the index in August had shed all the gains to slip into negative territory.

In September, the index jumped 8 per cent in two sessions following the government's surprise decision to lower the corporate tax rate. However, in the past few sessions, many stocks gave up most of the gains made after the tax cut.

Market players say that the tax cut will help improve the performance of companies over the next few quarters. This will, as a result, make them approach the markets with new vigour.



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IPO pipeline likely to remain tepid for the rest of the year

2019	No. of IPOs	Amount raised (₹ crore)
January	2	1,664
February	0	0
March	2	688
April	3	2,682
May	0	0
June	1	475
July	1	459
August	2	4,051
September	2	690

Source: PRIME Database

Investment bankers say listed firms will be able to tap the markets with secondary share sales, or primary fund-raising plans.

Bankers and investors are more comfortable investing in a security with a reasonable track record.

On the contrary, promoters or private equity investors of an unlisted company are uncomfortable realigning the price to the changing market conditions.

"Follow-on offers have kept the primary market active, despite volatile conditions, with quality names attracting a strong, institutional-investor interest. Pricing expectations have seen rationalisation from both companies and investors. The focus has been a lot more on the certainty of completion and capturing the right execution windows," said Anuj Kapoor, managing director, head of investment banking, UBS India.

"For both OFS (offer for sale) and block trades, bankers can launch accelerated offers where demand is built in one-two days or even overnight. Since these stocks are well-researched and well-held, there is no need for roadshows and extensive marketing," added Gaurav Sood, co-head of equity capital markets, ICICI Securities.

The OFS by SBI Life and Reliance Nippon, which together raised ₹4,500 crore last month, was received well by investors.

"Unlike in IPOs or QIPs (qualified institutional placements), where you require relatively stable markets, for block trades and OFS, the transactions can be done even in short windows which emerge from time to time. We expect that blocks and OFS will continue to have a healthy pipeline, irrespective of market movements," said Munish Aggarwal, director at Equirus.