Five of 11 entities on QIP list trading in red

DELICATELY POISED

While some companies have delivered decent returns, investors have lost heavily in some stocks

WORST PERFORMING	Issue amount (₹ crore)	Issue price (₹)	Current price (₹)	Change (%)
Lakshmi Vilas Bank	459	72	19.05	-74
Aarti Industries	750	1,397	782.95	-44
YES Bank	1,930	83.55	50.55	-39
BEST PERFORMING				
DLF	3,172.82	183.4	216.85	18
Axis Bank	12,500	629	715.35	14
Varun Beverages	900	612	690.9	13

Compiled by BS Research Bureau

Source: PRIME Database, exchanges

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Institutional investors using the qualified institutional placements (QIPs) route — an avenue for fresh fund raising by listed companies — have had a mixed year in terms of returns.

So far this year, 11 companies have taken the QIP route. Of these, the share prices of six are above their issue price, while for the remaining five they are in the red. While investors have made decent returns on most deals, they have lost out heavily on three transactions.

Topping the list of losers is Lakshmi Vilas Bank (LVB), the stock of which is down 73 per cent from its QIP price. It had raised ₹460 crore from its QIP, followed by Aarti Industries and YES Bank, which has seen its stock plunge 40 per cent since its QIP.

Market players said investors were caught off guard in the three stocks.

The LVB stock suffered after it was put under the prompt corrective action (PCA) framework by the Reserve Bank of India (RBI), citing a high level of bad loans and negative return on assets for the last two years.

The YES Bank stock declined on account of liquidation of promoter shares by lenders, as well as uncertainty over its fundraising plan.

On the other hand, DLF, Axis Bank, and Varun Beverages have given decent returns to investors.

The average return for the 11 QIPs this year stands at -11 per cent. In comparison, the Sensex has gained 12 per cent this year so far. However, if the three worst-performing QIPs are excluded, the average return tally improves to 5 per cent.

Industry players said the key learning for QIP investors this year has been to invest in companies with earnings visibility and, more importantly, to avoid firms that are facing regulatory and governance issues.

"Most QIPs that have fared badly have done so because of company-specific issues. Overall, it has been a decent year for investors," said a banker.

He said there is decent investor appetite for companies that are projected to do well. Analysts say the decent returns made on DLF have helped improve sentiment towards the real estate sector, which has had trouble accessing capital of late.

In terms of sectors, financial companies continued to dominate, with Axis Bank and Bajaj Finance raising ₹12,500 crore and ₹8,500 crore, respectively. Earlier this month, RBL Bank, too, raised ₹2,025 crore.

Overall, fundraising via the QIP route saw an uptick, compared to last year, with a total of ₹35,238 crore being raised, more than double that of 2018. Market players say more mid-caps could look to raise funds through the QIP route next year.

"Mid-cap companies had not done a capital-raise exercise because there was muted interest in the counters, and they were trading at weak valuations. What had also held back issuers was the lack of need for capital because of a weak capex cycle. We believe that a re-rating in mid-caps, coupled with a revival in demand, will see companies raising capital to cater to that increased demand," said Munish Agarwal, executive director of Equirus.