

Foreign inflows, local revival may drive IPO boom in 2021

Swaraj Singh Dhanraj
swaraj.d@livemint.com
MUMBAI

More companies in India are expected to line up their initial share sales in 2021, seeking to tap booming investor demand amid a rush of foreign liquidity and stronger-than-expected recovery in Asia's third-largest economy.

According to industry experts, handsome returns reaped by investors, especially in the retail segment, will likely encourage them to look for more IPO bets next year. Indian firms raised about ₹26,000 crore via share sales this year, more than double that of last year.

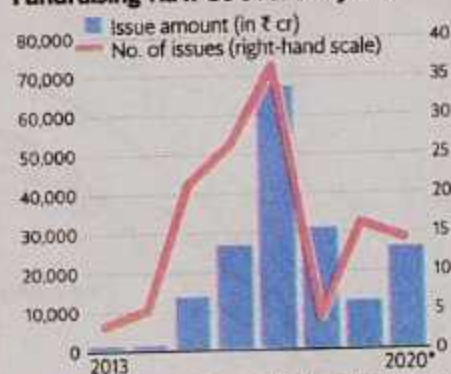
"Next year may be the year for IPOs. In 2020, we witnessed many QIPs, especially from financial services, and while some of that will continue in 2021, IPO activity should definitely be higher than this year," said Anuj Kapoor, managing director and head of investment banking at UBS India.

"Companies that put IPO plans on hold or delayed them due to covid have accelerated their plans, given the positive

Market momentum

High investor demand for initial public offerings (IPOs) this year, despite the pandemic, has reignited the IPO market after a tepid 2019.

Fundraising via IPOs over the years



*Excludes the ongoing Mrs Bectors' IPO. Data also excludes real estate and infrastructure investment trusts

In the pipeline

● Aggregate amount (in ₹ cr)
■ No. of IPOs

Companies with Sebi IPO approval

29,056

Companies awaiting Sebi IPO approval

2,960

Source: Prime Database

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market environment. We have seen better corporate earnings in the recent quarter, and expectations are that the economy will bounce back strongly in 2021. That should also aid IPO plans of many companies. Q1 will be a busy period for IPOs, based on the pipeline," he added.

Of the 13 companies that went public this year, nine delivered listing gains for investors and some such as

Burger King India Ltd and Happiest Minds Technologies Ltd saw share prices more than double on listing day.

"Till the time you continue to see bullishness in the secondary market, you will also see action on the primary market front," said Pranav Haldea, managing director of Prime Database group.

He said firms that are well-

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Liquidity to drive IPO demand

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prepared will look to launch IPOs in the near term to benefit from the current exuberance in the secondary markets.

"Over the last few years, the IPO window has become narrower. While earlier you used to see a few deals regularly, in the last five years, you see a huge bunching up of deals. There are these windows where you find this exuberance in the secondary markets, and companies want to be ready to tap that window. Now as well, the ones ready with Sebi approval will try to launch deals in the near future," he said.

According to Prime Database, around 29 firms currently have Sebi nod for IPOs and aim to raise a total of around ₹29,000 crore. Another five have filed draft documents and are awaiting approval from the regulator. More are expected to approach Sebi this month. To be sure, not all companies that



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receive Sebi approval eventually go public.

One of the major factors that has driven the secondary markets to record highs and the extremely high subscription figures for IPOs has been the continuous flow of liquidity, supported by central banks in developed markets. The last two IPOs—Burger King India and Mrs Bectors Food Specialities—witnessed subscription figures of 157 and 182 times, respec-

tively, as investors flush with liquidity chased these deals.

Industry experts don't see liquidity flow slowing down anytime soon. "Equity market activity will largely be driven by liquidity flows, which are expected to continue as most central banks continue to provide stimulus to push economic growth," said Kapoor at UBS.

On Wednesday, the US Fed said it will continue with its \$120 billion monthly bond purchase till it sees "substantial further progress" in employment and inflation.

Kotak Mahindra Capital Co. said IPO activity will see strong deal flow from technology, healthcare and consumer.

"In CY21, we may continue to see heightened IPO activity dominated by resilient sectors like new-age tech, healthcare and consumer," said V. Jayasankar, senior executive director and head, equity capital markets at Kotak Mahindra Capital, at a media round table on Monday.