

In search of Covid capital, firms raised ₹1.7 trn



BEST IN A DECADE

(₹crore)

Year	IPOs	Rights	QIPs	Total
2011	5,966	7,665	3,459	17,091
2012	6,835	7,295	4,705	18,834
2013	1,284	4,101	8,075	13,460
2014	1,201	5,191	31,684	38,076
2015	13,614	12,568	24,065	50,247
2016	26,494	1,914	4,712	33,120
2017	67,147	6,548	61,148	1,34,843
2018	30,959	18,827	15,587	65,373
2019	12,362	52,053	35,238	99,653
2020	26,611	64,984	79,286	1,70,881

Source-primedatabase.com

TOP FUNDRAISERS

(₹crore)

Company	Amount	Mode
■ Reliance Industries	53,124	Rights Issue
■ ICICI Bank	15,000	QIP
■ Bharti Airtel	14,400	QIP
■ SBI Cards and Payment Services	10,340	IPO
■ Piramal Enterprises	3,630	Rights Issue

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Despite turbulence, the equity capital market (ECM) activity in 2020 was the best in a decade, driven by follow-on transactions.

Funds raised through initial public offerings (IPOs) and follow-on transactions, such as qualified institutional placements (QIPs) and rights issues, totalled ₹1.7 trillion in 2020 — most in 10 years. Of this, ₹1.44 trillion was raised through QIPs and rights issues.

Though fundraising activity almost came to a standstill for a month after the Covid outbreak, it gathered momentum from May onwards. In the new phase of fundraising, known as "Covid Capital", companies raised money through QIPs and rights to shore up their balance sheet and for consolidation began.

"Some companies raised money to shore up their balance sheet, some for growth opportunities. Top private lenders and sectoral leaders did fundraising," said V Jayasankar, senior executive director and head of ECM, Kotak Investment Banking.

May saw QIPs of Avenue Supermarkets and Kotak Mahindra Bank, and the rights issue of Reliance Industries (RIL). RIL's rights issue was the biggest-ever in the Indian market and saw huge demand, helped by attractive discount over RIL shares' market price at the time and improving sentiment towards its

consumer businesses. The success of RIL's rights issue and tweaks to the regulatory framework by the Securities and Exchange Board of India (Sebi) gave a fillip to rights issues. The correction in the market during the time also prompted other companies to go for rights issues.

"Prices were battered, and promoters did not want to dilute at that time, and rights issue was the best way to do it," said Chirag Negandhi, co-CEO, Axis Capital. The next three months saw 18 companies raising ₹52,353 crore through rights and QIP issues. Bankers said investors were willing to overlook one or two quarters of weak results, given the track record of firms that raised money during that period.

"Rather than looking at new companies, investors craved for the comfort of existing ones they believed will survive through the pandemic," said Negandhi. This year, 20 firms raised ₹64,983 crore through rights issues, and 23 raised ₹79,286 crore through QIPs. Bankers feel fundraising via QIPs and rights will moderate in CY21. "No top lender seems to need capital at least for the next 12-18 months," said Jayasankar.

IPOs

The IPO activity virtually came to a standstill for a few months after the lockdown. Worried about the

lacklustre IPO market against the backdrop of the pandemic, Sebi gave concessions to companies, extending their IPO approval's expiration date and permitting them to change the fresh issue size up to 50 per cent of the earlier estimate without requiring to file new draft offer document.

"For an IPO, it takes two-three quarters to get a transaction done. The momentum was broken and it helped when Sebi provided relaxations," said Jayasankar.

Buoyed by the follow-on transactions, the secondary market's stability, and strong fund flows, the IPO market saw a slow revival from the second half of the year.

September was one of the busiest months for IPOs in a decade, with eight offers launched. The successful response led to more firms hitting the market. Burger King India hit the market despite its business being hit by the lockdown. Likewise, Mrs Bectors Food saw strong investor response and listing. Antony Waste Handling, which withdrew its IPO in March, re-filed and wrapped it up last week.

"This momentum will carry through. Investors are looking for some good quality papers and this time around the quality of management and businesses is certainly better than what we have seen in the past," said Jayasankar.

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