

January likely to see IPOs worth ₹8k crore

SUNDAR SETHURAMAN

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January is going to be a busy month for the initial public offering (IPO) market as several companies are looking to materialise their listing plans to cash in on the boom in the secondary market. At least half a dozen issuers are looking at launching their offerings in the next four weeks to raise as much as ₹8,000 crore, sources said.

RailTel Corporation of India, Indigo Paints, Home First Finance Company, Indian Railway Finance Corporation (IRFC), and Suryoday Small Finance Bank are among the companies looking to tap the market.

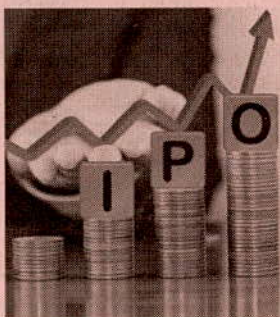
"Investors are bullish because of liquidity in the system, though fundamentals are still playing catch up with valuations," said Skanda Jayaraman, head of investment banking, Spark Capital.

Home First Finance had filed an addendum to its draft prospectus last year with the Securities and Exchange Board of India (Sebi). The company wanted to launch the IPO in March, but Covid-19 forced it to defer the plan.

"The economy seems to be on the right path. Also, allocations coming from foreign investors will be an added advantage. Most of these companies are looking at liquidity from retail, as well as institutional investors. Recent IPOs have posted immediate gains for investors," said Rajendra Naik, MD-investment banking, Centrum Capital.

Many companies are eager to revive their nearly shelved IPOs as the resurgence in the market offers them a fresh stab at the market. Last week, civic services provider Indian Waste Handling Cell got listed at 36 per cent above its issue price. The company's impressive debut came nine months after it withdrew its IPO due to tepid response.

"These companies



SCORECARD

2020	No. of issues	Amount (₹ cr)
January	0	0
February	0	0
March	1	10,340.79
April	0	0
May	0	0
June	0	0
July	1	496.25
August	0	0
September	8	7,127.91
October	1	57.6
November	1	6,479.55
December	3	1,649.16

Source: PRIME database

deferred plans because none had a clue how long the lockdown was going to last. And what would be its effect on businesses? After December, we have some real data on how each of the customer segments has behaved. Any company going public are in a better position to explain Covid's impact on its business," said Jayaraman.

The benchmark indices have gained 86 per cent from its March 23 lows. The gains in the past two months, in particular, have been fuelled by the optimism around the US election result and the progress in clinical trials for Covid-19 vaccines. Foreign portfolio investors pumped in more than ₹62,016 crore into stocks in December.

The liquidity gush, coupled with favourable valuations, is seen as a major booster for the companies ready with approvals but waiting on the sidelines to launch their issues. The

record GST collections have pushed up confidence levels.

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.

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

September 2020 proved to be one of the busiest months IPOs in close to a decade, with eight deals. The successful response and Sebi concessions propelled many firms and investment bankers to remove their IPO plans out of the deep freezer. Burger King India hit the market despite its business being hit by the lockdown.

Most IPOs which hit the market last year had robust subscription and listing. Experts say while the current market conditions are conducive to IPOs, one has to look at the preparedness as well. Launching an IPO is a protracted process, and one that requires months of planning.

The successful roll-out of the vaccination and a recovery in the aggregate demand and corporate earnings will be keenly watched by investors. And the momentum may cool down towards the end of January as the date for Union Budget approaches.

"People want to see the outcome of the Budget before making any fresh investment commitment. So the activity will take a backseat from the last week of January. Towards the end of February, a lot of domestic investors realign their portfolios for tax payment. The first quarter demand will not be as exuberant as the previous quarter, but there will be robust demand," said Naik.