

After bumper FY21, fundraising may be lower in FY22: Report

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Despite the pandemic, fund mobilisation via the primary market route was the highest ever in financial year 2020-21 (FY21) with India Inc raising ₹1,88,900 crore (₹1.88 trillion) through public equity markets as compared to ₹91,670 crore raised in FY20, suggests a report from Prime Database, a leading provider of capital market database.

The previous record was ₹1.75 trillion in FY18, the report said. Combined with equity and bonds, the amount raised in FY21 was a staggering ₹1.99 trillion. Among the lot, the largest initial public offering (IPO) was of Gland Pharma, which raised ₹6,480 crore.

"Thirty main-board IPOs came to the market collectively raising ₹31,268 crore. This was an increase of 54 per cent from the ₹20,350 crore raised through 13 IPOs in FY20," said Pranav Haldea, managing director, PRIME Database Group.

Retail investors, according to Haldea, were the drivers of this momentum. The highest number of applications was received by Indigo Paints (2.6 million), followed by Mtar Technologies (2.59 million), and Mazagon Dock (2.35 million).

"The response to IPOs was further buoyed by strong listing performances this year. Of the 28-IPOs that were listed, 19 gave a return of over 10 per cent (based on closing price on listing date). Burger King gave a stupendous return of 131 per cent, followed by Happiest Minds Technologies (123 per cent), and Indigo Paints (109 per cent). Eighteen of the 28 IPOs (listed thus far) are trading above their issue price (closing price of March 26, 2021)," Haldea said.

Offers for sale (OFS) meant for dilution of promoters' holdings nearly doubled from ₹17,326 crore in FY20 to ₹30,114 crore raised in FY21. "Of this, the government's divestment



FUND MOBILISATION

(₹ crore)

	IPOs (incl. SME IPOs)	Total Equity	Total Equity + Bonds
2020-21	31,511	188,900	199,088
2019-20	20,786	91,670	106,816
2018-19	16,340	57,362	94,150
2017-18	83,767	175,680	180,848
2016-17	29,050	51,120	80,667
2015-16	14,811	48,991	82,803
2014-15	3,019	58,812	68,526
2013-14	1,205	29,381	71,764
2012-13	6,497	46,073	63,056
2011-12	5,893	26,172	61,783
2010-11	33,098	72,143	81,574

Source: PRIME Database

accounted for ₹19,927 crore, or 66 per cent of the overall amount. The largest OFS was that of Tata Communications (₹5,386 crore), followed by Hindustan Aeronautics (₹4,961 crore) and IRCTC (₹4,408 crore). OFS accounted for 11 per cent of the total year's public equity markets amount," the report said.

Road ahead

The pipeline for FY22 looks strong with 18 companies having received the Securities and Exchange Board of India's (Sebi's) approval for raising about ₹18,000 crore and 14 applications pending approval for raising nearly ₹23,000 crore, the report suggests.

That said, analysts believe raising funds from the primary market will not be a cakewalk, as investors are likely to become choosier. Pricing of

the issues will also be key.

"After the roaring success in FY21, investors will latch on to only those IPOs that are priced attractively and where companies operate in a niche segment. The easy run of liquidity and stupendous returns is ending," said A K Prabhakar, head of research at IDBI Capital.

The road ahead for the primary market in FY22, according to V K Vijaykumar, chief investment strategist at Geojit Financial Services, will depend on the buoyancy in the secondary market.

"A healthy secondary market should rub off on the primary markets. A lot will depend on how bond yields play out over the next year. That said, investors should be careful while applying for IPOs in FY22 given the inherent risks to the secondary markets," he said.