

IPOs raise ₹27,417 cr in 2021, highest in 10 years

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Indian companies raised ₹27,417 crore through initial public offerings (IPOs) this year, the highest in at least a decade compared to six months of previous years, driven by abundance of liquidity and investor euphoria.

Private equity and venture capital funds took advantage of buoyant stock markets to exit their investments.

Data showed that amid the robust liquidity chasing primary markets, most of the funds raised through IPOs were used to offer an exit to existing PE or VC funds or existing shareholders and promoters—rather than for growth capital for companies.

Investors and promoters raised around 62.5% or ₹17,140 crore through offer-for-sale (OFS) out of the total money raised through IPOs, according to data from primary market tracker Prime Database. The remaining ₹10,278 crore, or 37.5%, went towards fresh capital raising by companies.

The dominant contribution of secondary share sales in the overall fundraising in the first six months of 2021 is a continuation of a trend seen in the past

IPOs raise ₹27,417 crore so far this year, highest in 10 years

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few years, with PE or VC funds, which have invested large sums of capital in Indian companies in the past decade, increasingly using the primary market route to exit their mature investments.

As a result, most IPOs hitting the primary markets have had a PE/VC backer in recent times, thus leading to a higher proportion of secondary share sales in IPOs.

It was the same story in the past two years. In 2019 and 2018, too, the proportion of OFS in the total IPO fundraising was 73.8% and 72.5%, respectively.

In the first six months of 2020, there was only one IPO—by SBI Cards and Payment Services Ltd—due to the covid outbreak. A total of ₹5,509 crore and ₹23,452 crore were raised

via IPOs in the first six months of 2019 and 2018, respectively.

According to Gaurav Dua, head of capital market strategy, Sharekhan by BNP Paribas, promoters and other institutional investors have used favourable market conditions to exit or book partial profits rather than raise fresh capital for business growth.

“The trend is not ideal but not necessarily negative for retail investors. The listing has enabled retail investors to participate in some fast-growing companies. At the same time, there are cases of IPOs priced at high valuations with little left on the table for retail investors. Consequently, it is essential to be very selective in investing in the medium-to-long term. We believe that the hyperactivity in the IPO market will continue in the near future—many mega-IPOs are in the pipeline, includ-

IPO deluge

How new listings have dominated markets in 2021

(Jan-Jun)	Amount raised (₹ crore)	Number of IPOs
2016	8,183	12
2017	11,774	13
2018	23,452	18
2019	5,509	8
2020	10,341	1
2021	27,417	22

Source: primedatabase.com
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ing Zomato, LIC and Paytm,” Dua said.

Favourable market conditions have made it attractive for companies to raise equity capital at relatively higher valuations, and many companies have taken advantage of the situation, he added.

Despite the pandemic's second wave in India and delayed

economic recovery, investors continued to pump money into equities, making it the best-performing asset class in the six months to 30 June.

Gains from the Indian stock markets outpaced emerging markets (EMs) in the first six months of 2021.

In dollar terms, benchmark indices—the Sensex and the

Nifty—rose 8.26% and 10.8%, respectively, compared to 6.94% gains by the MSCI Emerging Markets Index during the period, while the MSCI World index rose 12.5%. In rupee terms, the Sensex and the Nifty have gained 10% and 13% since January, the best six-month performance in the past five years. On the other hand, the benchmark indices shed 15% in the year-ago period.

So far this year, India has seen 22 IPOs. MTAR Technologies was subscribed 139 times, the highest in these six months. Others that drew high subscriptions included Nazara Technologies Ltd (96 times), Easy Trip Planners (88 times), Shyam Metals and

Energy (85 times) and Indigo Paints (82 times).

The biggest IPOs in this period were Sona BLW Precision Forgings or Sona Comstar (₹5,550 crore), Indian Railway Finance Corp. (₹4,633 crore), Macrotech Developers (₹2,500 crore) and Krishna Institute of Medical Sciences (₹2,120 crore).

“We are witnessing high momentum in the capital markets. A significant amount of activity is driven by huge dry pow-

der awaiting investment and companies exploring a listing in India or overseas. The markets continue to reward companies with robust, scalable and technology-led business models,” Sandip Khetan, EY India IPO leader, said in a note.

Most of the funds raised via IPOs were used to offer an exit to PE/VC firms or existing investors and promoters

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