

Bank investments in IPOs hit a 4-yr high

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MUMBAI



Firms raised ₹27,417 crore via IPOs so far this year, against ₹26,108 crore last year. HT

Flush with liquidity and with few takers for loans, banks and financial institutions have dialled up their investments in initial public offerings (IPO) through the qualified institutional buyer (QIB) route, touching a four-year high so far in 2021.

According to a *Mint* analysis based on data sourced from Prime Database, banks and financial institutions almost doubled their investments in IPOs to ₹870 crore this year from ₹461 crore in 2019. And last year, even though the primary market stagnated for over six months due to covid-related uncertainties, banks and financial institutions pumped in ₹698 crore into IPOs.

In 2017, which saw record funds raised via IPOs, banks and financial institutions had parked a whopping ₹4,548 crore through the QIB route.

Data showed that so far in 2021, IPOs raised ₹27,417 crore against ₹26,108 crore last year,

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Growing interest

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Issue amount (₹ cr)	Allotments (excluding anchor) to banks and financial institutions (₹ cr)
2015 13,614	372
2016 26,494	883
2017 67,111	4,548
2018 30,615	837
2019 11,036	461
2020 26,108	698
2021* 27,417	870

QIB allotment data not available for IPOs of some govt-run firms in 2018-20
*till 21 June Source : primedatabase.com

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₹11,036 crore in 2019 and ₹30,615 crore in 2018, respectively.

The analysis excludes anchor investments and IPOs launched by government-run companies such as Garden Reach, MSTC, RVNL, IRCTC, Mazagon Dock and Lithika Infrastructure.

Banks have been investing in IPOs through their treasury books over the past many years. Most banks take an internal approval for ₹300-500 crore and end up investing ₹50-100 crore in IPOs. However, their primary objective is often to make listing gains. The only exception was in 2019 when

banks bailed out the IPO of Sterling and Wilson after it found it difficult to sail through.

“Earlier, we used to chase banks for investment in IPO. Now, they chase us. Since September 2020, banks have seen a significant uptick in treasury investment by banks. Partly this is because of surplus liquidity and partly because some of the issues are giving good returns,” said Sachin Chandiwala, manag-

ing director, DAM Capital (erstwhile IDFC Securities)

Lenders leading these investments include IDBI Bank, ICICI Bank, SBI, Axis Bank, Bank of India and Bank of Baroda. Most lenders invest in companies that have sound financials. “Banks have invested in the IPOs of companies like Clean Science, Lakshmi Organics, Sonata Comstar. But I doubt if they have invested in Zomato IPO. We will need to wait for the details,” said a banker on condition of anonymity.

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“Investing in IPO is not necessarily for listing gains. We primarily look at the business model and management quality. Banks have invested in IPOs like GR

Infra, MTAR Technologies, Happiest Minds, IndiaMart because of the quality of the IPO. In the case of GR Infra, there is no other good company in the space of infrastructure other than L&T. Hence, banks found it a good offer. Banks may have differing views when it comes to investing in IPOs of startup companies like Zomato,” said a second banker aware of the matter.