

**DULL BOND MARKET** not offering upside, treasury desks are rushing to rake in listing gains with more money set to flood future public issues

# IPO Rush: Banks Fasten Seat Belts and Bet Big to Earn Big

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**Mumbai:** The uber-rich — and the not-so-rich — aren't the only folks making serious money this IPO season on D-Street. The otherwise conservative treasury units at high-street lenders are reportedly raking it in as well through the IPO frenzy, with the average Indian saver finally taking a bite into the likes of Zomato.

Banks are said to have substantially subscribed to recent issues such as Tatva Chintan Pharma, GR Infraprojects, Clean Science & Technology, Shyam Metalics, and Laxmi Organics. The qualified institutional buyers' portions in all these IPOs were subscribed between 150 times and 180 times. With a strong IPO pipeline, bank treasuries are expected to raise their stakes in equities.

Banks and NBFCs got allotments worth ₹1,600 crore between January and July this year compared to ₹698 crore in 2020 and ₹461 crore in 2019, according to primedatabase.com.

Banks have set internal parameters before investing in IPOs that hold huge potential for windfall gains at a time when the bond market is not really offering any upside.

"We have a set of parameters before investing in an IPO," said Ritesh Bhusari, DGM Treasury at South Indian Bank. "We have benefited from listing gains. We closely track

## Racing to D-Street

Investments by banks in IPOs

Year	Banks & FIs (₹ Cr)
2015	372
2016	883
2017	4,548
2018	837
2019	461
2020	698
2021#	1,569

# till July 31

SOURCE:  
primedatabase.com



company fundamentals, corporate governance, business models, topline growth and sectoral themes."

While some public sector banks are looking at a target company's profit growth in the past three years, some of their peers in the private sector look for consistent revenue growth.

Banks have earned up to 100% returns on some of the IPOs. Tatva Chintan listed at a premium of 95% while GR Infraprojects and Clear Science and Technology IPOs almost doubled on the first day.

"If these parameters satisfy our requirements, we apply in IPOs, even if there is no bottom-line (of the company)," Bhusari said.

The supply-demand dynamics, reflected by anchor investors and qualified institutional buyers, play a role. HNI appetite and the IPO funding rate are also helpful decision pointers. All such factors feed into the potential listing gains. HNIs tend to exit immediately after listing.

"Equity markets and more particularly the IPO markets have been quite buoyant in the last couple of months and could well be a big contributor to overall treasury revenue for institutions," said Anand Bagri, head of the domestic markets at RBL Bank. "Savvy investors have been able to book handsome trading profits by subscribing to some of the recent IPOs."

Public sector banks are not investing in any share sale if the company is running in losses. Valuation remains a key for them. "We will not touch any overvalued company with an abnormal P/E ratio," said a chief dealer at a large government-owned bank that made 50-60% overall listing gains recently.

The bond market has been going through a dull spell and dealers do not expect any more rate cuts; rather, rates might rise. When bond yields rise, prices fall. The benchmark yield was a tad higher at 6.24% Wednesday, a level last seen on March 10.