

'Liquidity moving away from China to high-growth nations'

This year is proving to be the best ever for the initial public offering (IPO) market.

SUMIT JALAN, co-head of India Investment Banking & Capital Markets at Credit Suisse, believes the IPO window will remain structurally open for a longer period. In an interview with Samie Modak, Jalan says investor sentiment, hit by a spate of poor listings in August, shall improve as we see successful listing going ahead. Edited excerpts:

QY21 is set to become the best-ever year for IPOs. What have been the key driving factors?

IPOs happen in windows and batches whenever the secondary market backdrop is constructive. Over the last three decades, each decade has seen an active

"IPO as an asset class" phase.

This year is certainly one such year. Such phases emerge after periods of positive momentum in private equity (PE) investments reach the point

of viable exits, combined with a period of good-performing public capital markets. The past several years of PE investments are finding their way to exit this year. As a result, the IPO activity we are seeing this year is more secondary-oriented, unlike in the past phases when it was more primary-oriented.

What's the outlook for next year? In an event that the Fed turns hawkish, do you see the current momentum losing steam?

We expect the current positive momen-

tum to continue. India has benefitted from the tsunami of liquidity created by the monetary expansion undertaken by the Fed and other central banks. We can receive a further boost as liquidity is moving away from China to other large and high-growth countries like India.

This year we have seen a lot of IPO filings. Many companies will only be able to hit the market over the next 3-6 months. Will sentiment remain buoyant even then for them?

Overall sentiment should remain buoyant, with the IPO window likely to remain structurally open for a longer period, although it may have shorter open and close periods

in the near term. We do see enough liquidity and investor interest, as well as good businesses coming to the capital market, and hence we anticipate a "multi-window phase" for IPOs.

After a spate of poor listing in August, do you think investor sentiment towards the primary market is getting impacted?

We have seen a short-term impact on investor sentiment. However, the immediate aftermarket performance is just one yardstick to gauge sentiment. As the market sees successful listing, overall sentiment will again improve. Generally, institutional investor sentiment is not always as impacted with a short-term pop in an IPO, as retail or high net-worth investors (HNIs) typically are.

What are the lessons from the recent tech IPOs? What does it mean for the start-up ecosystem, as well as the Indian capital markets?

The recent tech IPOs have not just introduced a sector to investors, they have also

IPO AS AN ASSET CLASS

2017's record tally is set to be broken this year

Year	No. of IPOs	Amt raised (₹cr)
2011	37	5,966
2012	11	6,835
2013	3	1,284
2014	5	1,201
2015	21	13,614
2016	26	26,494
2017	36	67,147
2018	24	30,959
2019	16	12,362
2020	15	26,613
2021	36	60,288

Source: PRIME Database; Note: 2021 data until August end

introduced the concept of high growth, cash-burn oriented businesses which are well understood by the capital markets, as well as by private investors. Such deals open up listing options, and also help uplift the entire ecosystem of tech, start-ups, and investments in the country. At Credit Suisse, it's a matter of pride to bring thought leadership and impactful ideas, such as these to the market.

Do you think India needs an enabling framework that allows companies to list overseas?

For an overseas listing, many aspects

must be well-aligned, such as regulatory, tax, and capital account convertibility. While some of these aspects are being addressed as part of the evolution of the country's listing framework, a few more steps are needed for such a framework to become relevant and attractive.

How have deal-making and conducting roadshows been different when compared to pre-pandemic days?

Investment bankers are inherently problem solvers, and that means successfully adapting to ever-changing situations. The financial industry has embraced virtual meetings and digital globetrotting, and with the benefit of security safeguards, we will see a sustainable change in the way roadshows are conducted, and indeed in many facets of deal-making, in the future.

What has been Credit Suisse's approach to the Indian equity capital market (ECM)? Is there any area where you guys dominate?

Credit Suisse has built its India ECM business through thought leadership and world-class execution, supported by a top-rated equities franchise. We focus on delivering differentiated storytelling for entrepreneurs and their businesses, which has, in turn, enabled us to gain the trust of investors and issuers.



SUMIT JALAN

Co-head, India Investment Banking & Capital Markets, Credit Suisse

