

New year set to break new initial share-sale records

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A total of 49 companies raised ₹81,615 crore in Samvat 2077, more than the preceding four years and almost double the amount raised in the previous year. Samvat 2078 appears even more promising, with mega issues of Paytm and Life Insurance Corporation (LIC) of India.

Next week, Paytm will break over the decade-old record of Coal India for India's largest-ever initial public offering (IPO) by launching its ₹18,300-crore offering. However, Paytm's record could be short-lived as state-owned LIC is planning to launch a ₹1-trillion IPO by March 2022.

A combination of strong participation from local investors and global liquidity aided the robust fund-raising in Samvat 2077. Experts believe the momentum will sustain going into next year.

The returns given by newly-listed companies have also lured a lot of first-time investors into IPOs. The BSE IPO Index, a gauge tracking newly-listed companies, rose 91 per cent in Samvat 2077, against Sensex's gain of 38 per cent.

"Liquidity in the market and new investors have helped the public markets," said Chirag Negandhi, co-chief executive officer, Axis Capital.

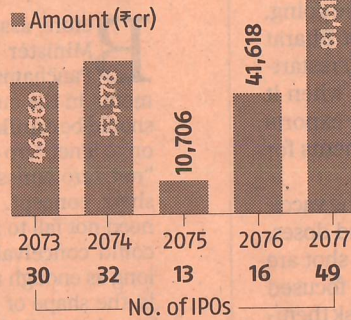
Zomato, which raised ₹9,375 crore, was the biggest public issue in the year.

The other big IPOs were PB Fintech (parent company of PolicyBazaar), which raised ₹5,708 crore, FSN E-Commerce Ventures (Nykaa), which raised ₹5,184 crore, and Nuvoco Vistas Corp, which raised ₹5,000 crore.

"The flow of liquidity into the secondary market and a positive sentiment on account of good returns

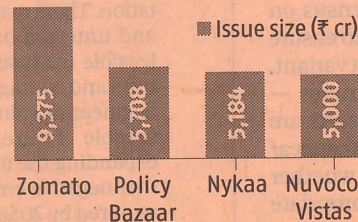
CRACKER OF A YEAR

Amount mobilised via IPOs in Samvat 2077 was almost double from that of previous Samvat



BIGGEST IPOs OF SAMVAT 2077

Zomato's IPO was the most landmark issue of the year



Source: PRIME Database

have rubbed off on the primary market. Investors are accepting valuations that are not based on price-to-earnings or profit growth. Retail investors actively investing in IPOs is proof of equity culture spreading," said Pranjal Srivastava, partner (ECM), Centrum Capital.

Buoyed by the success of Zomato, several start-ups have filed IPO documents with the Securities and Exchange Board of India. When the IPO fund-raising was robust in the earlier years, the issuances were

dominated by one or two sectors. In the last few years, the IPOs have been dominated by companies from the banking, financial services and insurance sector.

Bankers said the retail participation this year has been an encouraging sign, particularly in loss-making unicorns.

Experts said the revenues of these companies tend to compound. Consequently, even if most are not making profits, investors can foresee those making profits at some point in time. They added that retail investor enthusiasm is also an effect of Covid-19 since people have more time to research and make well-informed decisions.

Going forward, bankers said the outlook for the IPO market will remain positive. The central banks in developed countries, including the US Federal Reserve, are gearing up to withdraw their easy-money policy. Moreover, global inflation is threatening to move up living costs and hurt the margins of companies. Furthermore, there are concerns that Indian equity market valuations are stretched.

However, some bankers said valuation concerns will not have much effect on the IPO market.

"Indian markets have always been robustly valued. Great stocks are never cheap. There are a lot of tailwinds for the Indian markets at the moment, corporates are far less leveraged, and consumer spending is picking up. There will be windows when markets are volatile, and bankers may hesitate to take companies to the market, but those windows are likely to be for a short time," said V Jayasankar, senior executive director and head of equity capital markets, Kotak Investment Banking.