Govt fails to tap IPO boom

Share of PSU IPOs less than 5% in 2021, the lowest during the five best years for fundraising

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Buoyancy in the secondary markets has turbocharged the primary markets, with more than 50 companies raising a record ₹1.1 trillion until November by way of initial public offering (IPO).

The Centre, however, has failed to join the bandwagon, missing a golden opportunity to shore up its disinvestment kitty.

Only two public sector undertakings (PSUs) have managed to launch their IPOs, together raising less than ₹5,500 crore, which is below 5 per cent of this year's IPO mop-up.

If one looks at the five best years of IPO mobilisation, this is the lowest share of PSU IPOs. (See table.)

In 2017 — the previous best year for IPOs — PSU IPOs had accounted for over a third of the fund raise. In 2010, they accounted for nearly half of it.

Industry players say the Centre lacks the agility of the private sector, which is quick to tap opportunities.

"The Centre can never be as nimble-footed as private players. There is so much red tape involved. Ideally, the LIC IPO, which was first announced last year, should have happened this year, given the positive sentiment and gush of liquidity that was available," said an investment banker.

MISSING THE BUS

Five best years for IPOs

Year	No. of IPOs: PSUs	No. of IPOs: Overall	Amount raised: PSUs	Amount raised: Overall	PSU share* (%)
2021	2	52	5,453	1,10,244	4.9
2017	4	36	23,495	67,147	35.0
2010	3	64	17,500	37,535	46.6
2007	2	100	3,981	34,179	11.6
2018	6	24	6,722	30,959	21.7

Note: 2021 data till Nov; *Share in total amount raised

Source: Prime Database

"Forget IPOs, there weren't any major IPO filings by PSUs this year," he added.

The government is aiming to launch LIC's IPO, estimated to be of ₹1 trillion, before March.

While the primary markets will continue to remain conducive to IPOs next year as well, there could be some moderation in liquidity as central banks are scaling back their post-pandemic stimulus programmes.

Experts say a key reason for few PSU IPOs is that the focus has shifted to raising capital via other means.

"The disinvestment strategy has shifted to strategic sales. Besides LIC, there aren't any major unlisted PSUs that can be attractive to the markets. In the last few years, we saw a lot of IPOs by rail PSUs. Railways was one sector that had not seen any major isting till then," said Pranjal Srivastava, partner (equity capital markets), Centrum.

Some say the government needs to re-think its disinvestment strategy.

"Methods such as buybacks and sale of one PSU to another should be avoided as it is not divestment in the true sense. It only helps in resource mobilisation. In my view, complete exit via privatisation from non-strategic sectors should be the main priority. If this is not feasible, then at least all profit-making PSUs must be listed," said Pranav Haldea, managing director, Prime Database.

During the 2007 market frenzy, the share of PSU IPOs was less than 12 per cent. Back then, experts say, the government's hands were tied owing to political compulsions.

"The government's inability to ride the IPO boom in 2007 was due to the adversarial position of an ally towards disinvestment," said a market watcher.