PDB

₹23K CR RAISED

Pg 2

PEs, VCs cash out amid IPO boom

RUCHIT PUROHIT
Mumbai, December 26

THE YEAR 2021 has been a record year not just for companies raising capital from public markets, but also for PE/VC firms that have found exits. As of December 8, more than 55 companies launched IPOs during the year, mopping over ₹1 lakh crore, highest-ever in a decade.

Continued on Page 2

Top 5 IPOs by PE/VC exit

Company	Opening date	Issue size (₹ crore)	Amount of shares sold by PE/VC (₹ crore)
One 97 Communications (Paytm)	Nov 8, '21	18,300	8,809
Cartrade Tech	Aug 9, '21	2,999	2,013
PB Fintech (Policybazaar)	Nov 1, '21	5,710	1,875
Krishna Institute Of Medical Sciences	Jun 16, '21	2,144	1,320
FSN E-commerce Ventures (Nykaa)	Oct 28, '21	5,350	1,160

Source: Primedatabase.com

PEs, VCs cash out amid IPO boom

Overall, 24 companies that raised funds were backed by PE/VC (private equity and venture capital) firms, giving hefty returns to these early investors through the offer-for-sale (OFS) route.

Financial sponsors have sold shares worth ₹23,483 crore via 24 IPOs in 2021, which is 192% higher against shares worth ₹8,028 crore sold through five IPOs in 2020, data compiled by Prime Database shows. A large portion of the total money raised in 2021 was through OFS by existing investors, amounting to ₹70,523 crore, as of December 8.

The confidence among companies raising funds and PE/VCs seeking exits was primarily fuelled by the sharp uptick in the markets, increased retail participation and record flows coming to emerging markets like India. India has emerged as a top investment destination for foreign investors among other emerging markets. India's largest public offering of One97 Communications, the parent company of Paytm, saw the highest offloading by financial sponsors to the tune of ₹8,809 crore in its ₹18,300 crore initial share sale, followed by exits in CarTrade Tech (₹2,012 crore), and PB Fintech (₹1,875 crore).

Speaking to FE, Pankaj Kalra, executive director, sales, Kotak Mahindra (UK), said, "The key reasons that has led to higher number of exits via IPOs are the strong capital markets and robust valuations that some of the companies have been able to achieve in IPOs. This is on account of strong investor flows, both domestic and foreign; investor appetite for high quality companies with good management teams and growth prospects".

According to analysts, PE/VC investors usually invest in companies with a vision of exiting at the best point, typically between a time frame of 2-5 years. India's IPO frenzy encouraged these investors to join the rally as such conditions are unlikely to occur anytime soon. Says Deepak Jasani, head of retail research, HDFC Securities, "Most of the IPOs in 2021 were offer for sale and not fresh issue. VCs and PE investors invest for a limited period with an aim of taking exit in 2-5 years from their investment. The bullish conditions in 2021 encouraged these investors to exit (at least part of their stake - if not fully) as such bullish conditions may not last long or come again soon".

Additionally, a gradual shift of capital allocation in the West from China to India has also led to an increase in PE/VC exits and inbound of capital in technology and e-commerce start-ups in the country. Going forward, despite headwinds in the near term in the overall Indian markets - brokerages have laid out a positive overall outlook for 2022 for the primary markets, as more technology companies and other unicorns are expected to hit the markets, fuelling more exits by private equity investors. However, the state of markets and economic growth over the period will be a key factor to watch out for, analysts say. "The level of exits in 2022 will depend on state of the markets, overall economic recovery and many other factors," Kalra said.

The quality of management team and governance, underlying business and market dynamics, strong competitive/leadership position in their respective industry will also play a role in investors looking for an exit. The growth potential and ability to scale the business will be key factors that will drive successful listings.