

Fairy dust year for equities: ₹1.8 trillion raised in 2021

Initial public offerings to get the biggest slice of fund-raising pie in 2022

SUNDAR SETHURAMAN
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ILLUSTRATION: AJAYA MOHANTY

Year 2021 was another great year for fund-raising through equities. A total of ₹1.8 trillion was raised through initial public offerings (IPOs), qualified institutional placements (QIPs), and rights issues, against the ₹1.7 trillion raised in the previous year.

Funds raised through IPOs quadrupled, while those from rights issues and QIPs reduced. Last year, ₹1.7 trillion was raised through equities (IPOs, QIPs, and rights issues combined); ₹1.44 trillion came from QIPs and rights issues.

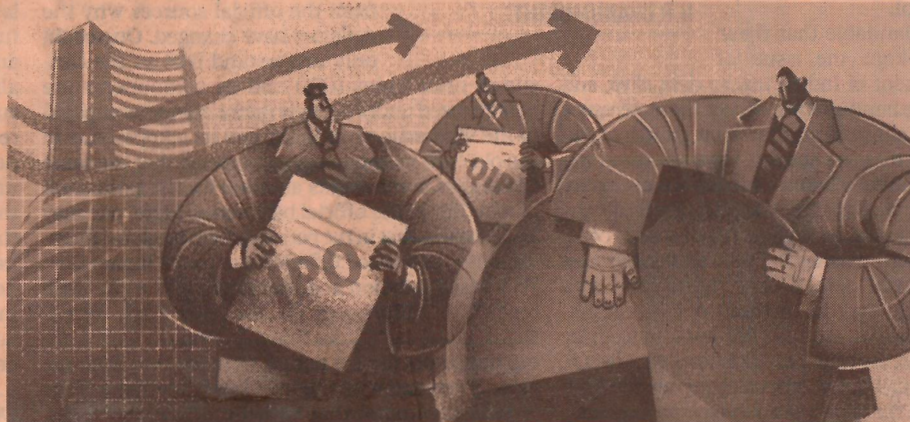
This year, ₹1.8 trillion came from IPOs. Funds raised through IPOs was almost double the previous best of ₹68,827 crore raised in 2017.

The IPO of One97 Communications (Paytm's parent company) of ₹18,300 crore was the biggest this year. While digital technology (tech) companies have dominated the IPO market in 2021, similar to other global markets, the split has been far more distributed across sectors.

In 2021, 38.7 per cent of the IPOs by deal value was cornered by digital tech companies, followed by financial institutions, industrial, health care, chemical, real estate, and other sectors, according to a report by Kotak Investment Banking. This year saw greater acceptance for new-age companies, enjoying dominant position in their industry and paving the path to profitability.

Apart from Paytm, Zomato, PB Fintech (owner of PolicyBazaar), and FSN E-Commerce Ventures (Nykaa's parent entity) raised funds through IPOs.

"There is increasing digital adoption in the country. The pandemic accelerated this process, where employing digital tech has become a core part of doing business. There has been a huge amount of funding over the past seven-eight years, when companies like Zomato and PolicyBazaar were seeded. What we see in tech listing in India is similar to what happened in the West several years ago. India is following a global trend, albeit with a lag. This trend will grow manifold in the years to come, and new-age digital companies could corner the single largest segment in the IPO market," said V Jayasankar, head of equity capital markets, Kotak Investment Banking. Retail investors have



ON THE RISE

Figures in ₹crore

Year	Main board IPOs	Rights issues	QIPs	Total
2016	26,493.84	1,913.97	4,712.16	33,119.97
2017	67,147.44	6,547.67	61,148.27	134,843.38
2018	30,959.07	18,826.64	16,587.43	66,373.14
2019	12,361.56	52,053.06	35,238.14	99,652.76
2020	26,612.62	64,983.57	80,816.24	172,412.43
2021	118,722.03	27,770.65	41,997.41	188,490.09

Source: PRIME Database

enthusiastically participated in IPOs, with several being oversubscribed on Day One. More than half the IPOs received more than 10x, half a dozen received 100x responses.

"A combination of a lack of better investment options, surplus time, and income revival after an initial slump during Covid-19 attracted retail investors to IPOs. All bull markets are followed by the IPO market, which gives attractive listing gains and reels in retail investors. Till the bull-run continues, this trend of retail investors lapping up IPOs is here to stay," said Pranav Haldea, managing director, PRIME Database.

The sum of fresh capital raised in IPOs in 2021 stood at ₹43,324 crore - more than the last eight years combined. Last year, the fresh issue portion was the lowest in a decade. But despite

the fresh issue formation, fewer entities are entering the market from capital-intensive sectors. Bankers said the rise in fresh capital portion was due to new-age companies wanting to expand their businesses.

"Digital tech companies are investing for growth. We are only beginning to see companies move to peak capacity utilisation. The trend may pick up in the next few years," said Jayasankar.

Thirty-five companies raised ₹41,997 crore through QIPs - 50 per cent lower than ₹84,501 crore raised in the previous year. Fund-raising through rights issues stood at ₹27,771 crore in 2021 - 57 per cent lower than the ₹64,984 crore raised in 2020. Bankers said the follow-on dominating issue of fund-raising last year was a consequence of the pandemic.