

Dozen IPOs may raise ₹16K cr in Q4

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The March quarter (January-March 2022, or Q4) is expected to be a busy period for fundraising through initial public offerings (IPOs) despite concerns regarding Fed tightening and Omicron.

According to bankers, around a dozen companies are planning to launch IPOs, and could cumulatively raise up to ₹16,000 crore. This is apart from LIC, whose IPO is also expected to hit the markets in Q4 though it is not confirmed how much it plans to raise.

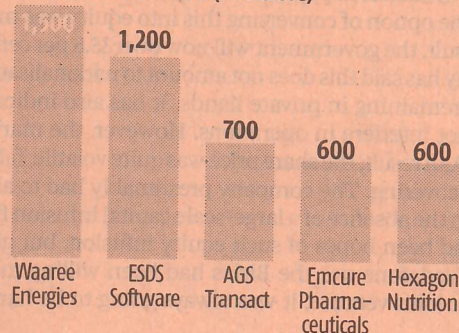
Emcure Pharmaceuticals, ESDS Software Solutions, AGS Transact Technologies, Waaree Energies, Hexagon Nutrition, and Ixigo are among the companies that could launch their issues this quarter.

Around 18 companies have filed their draft red herring prospectus with the Securities and Exchange Board of India since December. Bankers said there is enough liquidity in the market to absorb all IPOs even if LIC launches its issue.



IPO PIPELINE

Amount to be raised (in ₹ crore)



“We have seen transactions worth \$7-8 billion every quarter on average during the last two years. This quarter we may not see many follow-on transactions, it may be dominated by IPOs,” said V Jayasankar, head of equity capital markets and senior executive director, Kotak Investment Banking.

Jayasankar said banking had been the biggest sector raising capital through follow-on issues in the last four years.

“No large banks or NBFCs are planning to raise capital in the current quarter. We will not see any major follow-

on transactions from realty or telecom. Pharma and consumer sectors are cash-generating sectors. And we don’t see any big fundraises unless there is an acquisition on the anvil.”

The benchmark Sensex gained 22 per cent in 2021. The gains in the secondary market helped 63 companies to raise about ₹1.18 trillion through IPOs.

But the expected interest rate hike in the US and the resultant volatility in the domestic secondary market could play a dampener to the IPO plans this year.

Bankers said they are cautiously optimistic about the IPO pricing as markets are bracing for liquidity tightening and interest hikes.

Pricing could get affected if there is heightened volatility this year.

Experts said investors are focusing in Omicron as cases start peaking even as it is not as lethal as the previous variants. And, the market is already expecting three to four rate hikes.

“There won’t be many shocks if Omicron-related fatalities are under control. The only shock element is

inflation. Interest rates will remain elevated if the US is stubborn. And equity investments expectations on valuation will be more demanding,” said Jayasankar.

However, bankers are hopeful that the bouts of volatility will be short-lived.

“The correction will last for a few weeks, and then we will have a new normal. That’s what happened during the first and second phases of Covid. There may be short windows in the market when bringing an issue would be difficult,” said Jayasankar.

Lofty valuations, especially for loss-making unicorns, had been criticised after Paytm’s listing debacle last year. Some experts said it is in the interest of bankers and companies to price IPOs reasonably.

“We have seen in the last three months that not all IPOs are getting oversubscribed and witnessing enormous listing gains. There is selective interest, and companies and bankers need to be wary of pricing,” said Pranav Haldea, managing director, Prime Database.