

Ahead of LIC IPO, ^{pg 2} Sebi nudges i-banks to ensure success

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Efforts to ensure the success of the mammoth Life Insurance Corp. of India (LIC) IPO are in full swing, with even the markets regulator nudging investment bankers not to crowd the market over the next few weeks, bankers said.

That said, few companies would need to be persuaded against going head to head with an 800-pound gorilla, the investment bankers added, referring to the staggering scale of the state-run insurance behemoth's public offering.

While investors are jittery that the IPO could suck out substantial liquidity from the stock markets, companies planning to access the markets fear it would crowd out their fund-raising plans.

"The markets regulator has communicated informally to merchant bankers that they should not crowd the primary market with other deals at the time LIC hits the market," a banker aware of the workings of the LIC deal said, requesting anonymity. "It is likely that we will see only a few small deals or none being launched in the period of 15 days before and after the LIC share sale."

The success of the LIC IPO is

In the pipeline

LIC's IPO may upset plans of firms that have share sales lined up.

■ No. of firms ● Amount to be raised

LIC IPO (approx) ₹75,000 cr

Companies with Sebi nod for IPO



46

65,752
(in ₹ cr)

Companies awaiting Sebi approval



43

75,475
(in ₹ cr)

Source: Prime Database, Mint Research
SARVESH KUMAR SHARMA/MINT

critical for the government to meet its asset sales goal, which has been slashed by more than half to ₹78,000 crore for the current fiscal. In addition, the proceeds from the government's 5% stake sale, estimated to fetch about ₹75,000 crore, will also ensure there is no further slippage in the fiscal deficit target, pegged at 6.9% of GDP.

However, the IPO comes at a time the funding environment has turned decidedly more challenging, with foreign portfolio investors, the main driver of Indian equities, fleeing risky

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emerging markets amid central banks of major economies raising interest rates, other economic headwinds and geopolitical tensions. The recent stock volatility has also sent shares of newly listed tech startups plunging after a long run of fundraisings at nosebleed valuations.

Soaring crude prices, which can further weaken the import-dependent nation's fiscal position, and impending interest rate hikes by the US Federal Reserve have already led companies to stay away from the primary market, said several IPO advisers.

Even if market volatility subsides in the near term, it is unlikely that companies will rush to go public when the government plans to bring the LIC deal to the market, they added. The government wants to launch the LIC share sale before the end of March.

The LIC IPO may upset the plans of many companies that have already secured Securities and Exchange Board of India (Sebi) approvals for their share sales. As many as 46 are ready to hit the primary market to

raise as much as ₹65,751 crore, shows data from primary market tracker Prime Database. An additional 44 have filed draft IPO papers with Sebi and are awaiting approvals, data shows.

An emailed query to the spokesperson of Sebi remained unanswered till press time.

A second banker, also requesting anonymity, added that the market regulator has not issued an official directive to bankers on providing a traffic-free corridor for LIC but has made an informal request. He said even if the regulator hadn't made the request, bankers and companies on their own would have avoided timing their share sale launches to coincide with the LIC share sale.

"It is a big liquidity-draining event; so, one would anyways not see too many deals around that period. Even last year, bankers were pushing companies to file and launch their deals as early as possible to avoid LIC," the banker said.

A third banker said that in the current volatile environment, there is anyways a wait-and-watch approach being adopted by many companies.