

The great IPO rush set to continue in 2022, with all eyes on LIC

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India's red-hot primary market where companies raised a record ₹1.18 trillion in 2021 is expected to see frenetic activity in the year ahead as well, though a lot would depend on the performance of the secondary markets.

There is a strong pipeline for IPOs in 2022. More than 15 companies have filed their draft red herring prospectus (DRHPs) on the main market in the fourth quarter of 2021, planning to float their IPOs in Q1 2022. Investors are gearing up for the largest IPO in the history of Indian capital markets in the first half of 2022 with the planned IPO of Life Insurance Corp. of India (LIC).

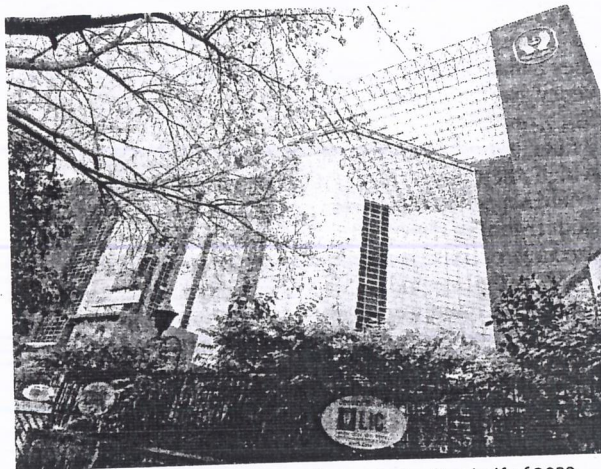
High inflation, rate hikes and the trajectory of the Omicron variant of coronavirus may rock the stock markets in

2022, and the effect may rub off on public share sales as well.

Low interest rates and listing day gains are attracting more retail and high net-worth individual investors to the stock market, said Prashant Singhal, emerging markets, technology media and telecommunications (TMT) leader at EY.

"Additionally, we are likely to see some of the companies promoted by first-generation entrepreneurs, which are also backed up by marquee investors. Traditional investment avenues continue to remain strong," Singhal said.

However, in addition to the traditional investment, we have seen retail participation increase in the stock markets as a result of the covid-19 environment (evidenced by the increase in opening of new share brokerage accounts) and households seeking to capital-



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ize on the bull run of the Indian equity capital markets. Liquidity shifts and change in investment pattern has resulted in more attraction in the stock markets. Similar to global markets, investors are willing to invest in companies with attractive business mod-

els, good corporate governance and quality of management team," he added.

The coming year is likely to see a strong primary market, said Pranav Haldea, managing director, Prime Database Group, pointing to the healthy pipeline of IPO aspirants.

"Around 32 companies have already received Securities and Exchange Board of India (Sebi) approval looking to raise ₹47,000 crore. Another 33 companies have filed for Sebi's approval looking to raise an aggregate ₹60,000 crore. Besides, LIC IPO and NSE IPO are two of the most looked out issues in the upcoming year," Haldea said.

The LIC is planning an initial public offering in the first half of 2022, which would be the largest IPO in the country so far. However, Haldea added that concerns of inflation impacting interest rates and rise of the new coronavirus variant may play spoilsport.

"2021, of course, was marked with abundant liquidity. As inflation rises across geographies, rate hikes can be expected, which shall lead to sucking-up of some of the liquidity. This is assuming Omicron doesn't play truant.

This shall have an impact on the secondary market and consequently the primary market," he added.

Indian companies raised ₹1.18 trillion through IPOs in 2021, compared to ₹26,612.61 crore in the previous year and ₹12,361.55 crore in 2019, according to Prime Database.

A total of 63 issues reached the primary markets in 2021, while there were 15 and 16 in the previous two years.

Despite the pandemic's second wave and delayed economic recovery, investors continued to pump money into equities, making it the best-performing asset class of the year.

Gains from the Indian stock markets outpaced emerging markets (EMs) in the year.

The Sensex and the Nifty rose more than 20%, compared to a loss of 5% by the MSCI Emerging Markets Index in 2021, while the MSCI World index rose 19%.

Some of the biggest issues of 2021 were One97 Communication (Paytm), which raised ₹18,300 crore, Zomato (₹9,375 crore), Star Health & Allied Insurance (₹6,018 crore), PolicyBazaar (₹5,625 crore), Sona Comstar (₹5,550 crore), Nykaa parent FSN Com-

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merce Ventures (₹5,350) crore and Indian Railway Finance Corporation (₹4,633.38 crore).

Among IPOs in 2021, Nureca Ltd (₹100 crore) received the highest retail subscription (140.53 times), followed by Paras Defence & Space Technologies Ltd (100.8

times) and Latent View Analytics (106.09 times).

The high net-worth individual segment of issues like Paras Defence & Space Technologies Ltd, (954.88 times), Latent View Analytics (875.55 times), (MTAR Technologies (643.47 times) and Tatva Chintan Pharma Chemicals (503.11 times) saw some of the highest subscriptions.

"India is witnessing significant momentum in terms of companies which are focused on technology-led solutions and now we have more than 100 unicorns and more in the making, which are likely to raise capital through an IPO route over the next 6 to 12 months," Singhal of EY said.

"If the current market momentum sustains and policy reforms by the central government continues, we believe that we will continue to experience very robust IPO activity," he added.