

Print Coverage

'Fund-raising through IPOs hits a nine-year high in June quarter'

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INVESTMENT TREND

Fund-raising through IPOs hits a nine-year high in June quarter

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The first quarter of the current fiscal saw the highest fund-raising through initial public offerings (IPOs) in nine years, as companies made a beeline to raise funds, Prime Database said in a release on Monday, adding that the trend is likely to continue during the rest of the year.

There are 19 companies holding Securities and Exchange Board of India (Sebi) approvals looking to raise over ₹7,705 crore, and five other companies wanting to raise about ₹3,230 crore awaiting the capital market regulator's approval, the primary market tracker said, adding that many more filings are expected in the near future.

According to Prime Database, 19 companies raised a total of ₹5,855 crore through the IPO route in the quarter. The highest-ever mobilization through IPOs in the April-June period was in fiscal 2007-08, at ₹13,083 crore.

According to Pranav Haldea, managing director of Prime Database, despite a volatile secondary market, six main-board IPOs came to the market, collectively raising ₹5,728 crore, whereas in the corresponding period last year, five such IPOs raised ₹2,280 crore.

"Overall market sentiment is positive. In a market like this, IPOs tend to get better response. There is good appetite for issues, which prompts companies to hit the market," said Vikas Khemani, chief executive officer, Edelweiss Securities Ltd.

So far in calendar year 2016, 12 companies have raised close to Rs 8,200 crore through the IPO route.

The largest IPO so far in 2016 was from Equitas Holdings for ₹2,177 crore. The average deal size was a high ₹955 crore.

A striking feature of the IPOs in the June quarter was that several companies that hit the market had prior private equity/venture capital (PE/VC) investment. This was true for three of the six IPOs in the period, and the offers provided them an opportunity to exit.

Offers for sale by such PE/VC investors at ₹2,292 crore accounted for 40% of the total IPO amount in the period.

"There are a lot of companies which are a play on consumption theme. They have good margins, good cash flows, and they have matured enough to be listed. Also, in some cases PEs wish to quit," said V. Jayasankar, senior executive director and head of equity capital markets at Kotak Investment Banking.

According to Jayasankar, the companies that have hit the market also had good management, operating performance and a good track record. Also, they have left money on the table for investors.

"Investors have matured. There is also a lot of retail money coming directly into the IPOs and also through MFs (mutual funds) into IPOs. That has kept the momentum of the primary market going," Jayasankar added.

All the six companies had anchor investors who collectively subscribed to around one-third of the total public issue amount, with domestic institutional investors subscribing to around 21% of the anchor book, compared with 12% by foreign institutional investors.

Retail investors also invested heavily in these IPOs.

The highest number of applications—958,000—was received by Mahanagar Gas Ltd, followed by Thyrocare Technologies Ltd (701,000), Ujivan Financial Services Ltd (636,000), Equitas Holdings Ltd (560,000) and Parag Milk Foods Ltd (81,000).

Five of the IPOs received a mega response, with Quess Corp. Ltd subscribed at 145 times, Thyrocare Technologies at around 52, Mahanagar Gas at 45 times, Ujivan Financial Services and Equitas Holdings at 29 times and 12 times, respectively.

There was also significant activity on the SME (small and medium enterprise) platforms, where there were as many as 13 SME IPOs, which collected a total of ₹127 crore, compared with the corresponding period of the preceding year, where nine IPOs raised ₹42 crore.

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