

## Will FY16 be the year of IPOs?

Investment bankers say fund raising through IPOs could stand at Rs 10,000-20,000 crore

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'It could happen easily,' said a market maven with a domestic bank, known for its investment banking arm. He was fending off questions from the media on the poor turnaround in the primary market, despite secondary market indices hitting all-time highs.

He seemed exasperated at questions on why an initial public offering (IPO) had been withdrawn and two others had a hard time garnering subscription. "I alone pulled in \$4 billion for a single IPO (before the financial crises)," he said, implying the money would come when the market was ready.

An exchange official and another investment banker Business Standard spoke to expressed confidence that there would be Rs 10,000-20,000 crore in IPO money this financial year.

Recent filings suggest companies are well on their way to raising this sum. On the first day of this financial year, six companies filed IPO documents. A look at some of the names suggests at least Rs 5,000 crore could be raised by companies that have already secured an approval to hit the market. If companies manage to raise Rs 10,000 crore, this will be the best year for IPOs since FY11.

In FY15, companies raised Rs 2,769 crore, according to data from market tracker Prime Database. In FY14, they raised Rs 919 crore, the worst year for IPOs since the turn of the century. In 1998-99, companies had raised only Rs 379 crore.

"We could see a large number of companies hitting the market during the pre-Diwali period. A lot of the filings happened in March; these will take some time to be processed. Also, August is typically a lean season because a number of European investors tend to be on vacation... The success of the IPO market will depend on the quality of issuances and valuations," said Mehul Savla, director at RippleWave Equity.

JM Financial Group Chairman Nimesh Kampani said the IPO pipeline was starting to build up. FY16 would be good for IPOs, with issuances likely to pick up from September, he said, adding it took time for an unlisted company to prepare for listing.

Others are more optimistic. "Looking at recent filings with the regulator, I think IPOs worth about Rs 20,000 crore or thereabouts could hit the market in the next 12-15 months. These are medium-sized IPOs from a diverse set of sectors, a number of them from the broader consumption theme," said S Ramesh, joint managing director and member of the board, Kotak Investment Banking.

## ACCHE DIN FOR IPOs?

Year	No. of issues	Issue amount (₹ cr)
2005-06	76	10,797.88
2006-07	76	23,706.16
2007-08	84	41,323.45
2008-09	21	2,033.99
2009-10	39	24,948.31
2010-11	52	33,097.77
2011-12	33	5,885.67
2012-13	9	6,289.28
2013-14	1	919.14
2014-15	8	2,769.28

Source: PRIME Database

A total of 11 companies have already secured an approval to launch IPOs, according to Prime data. These are VRL Logistics, engineering company Uniparts India, media company UFO Moviez, Shree Pushkar Chemicals and Fertilisers, Sadbhav Infrastructure Project, Rashtriya Ispat Nigam, Power Mech Projects, PNC Infratech, MEP Infrastructure Developers, Lavasa Corp and mining company ACB (India). These companies plan to raise a total of Rs 5,010 crore (excluding ACB (India), whose issue size isn't available).

Others such as Prabhat Dairy, Catholic Syrian Bank, construction company Dilip Buildcon, Logistics firm Navkar Corporation, MM Auto Industries and media firm Amar Ujala Publications have filed IPO documents.

Other names are also doing the rounds - an airline, an infrastructure company and a pharmaceutical firm are together expected to raise another Rs 5,000 crore.

Around a dozen companies that have filed documents or are waiting for approval are private-equity backed. This has left some experts wondering whether valuations on the table for investors will be enough.

Of late, valuations have played spoilsport in the case of several IPOs. Cable and internet provider Ortel Communications wasn't able to attract Rs 240 crore for its IPO. Subsequently, private equity investor New Silk Route cut the shares it had hoped to sell for the offer to go through. Adlabs Entertainment reduced its offer price from Rs 221-230 to Rs 180-215, following poor response, while edible oil company NCML failed to go through despite reducing the offer price.

An investment banker partly laid the blame for not leaving enough on the table for investors on exiting funds. Promoters were only partly to blame, he said, adding at times, investment bankers oversold valuations they could offer to secure mandates. "The promoter won't suddenly take a 30-40 per cent cut in the promised offer price after the mandate has already been awarded," he said.

Private equity funds, promoters and investment bankers will have to arrive at a middle ground on valuations, experts say. This might well decide whether FY16 will live up to its promise.

Others feel one shouldn't read too much into the fact that the first two IPOs of 2015 weren't well-received by investors. Bankers say investors will lap up offerings if they think there's money to be made.

The latest offering to hit the market, that of Inox Wind, managed to raise Rs 1,000 crore, the highest through an IPO since December 2012. The issue was subscribed 18 times.