‘Fund-raising momentum to be sustained in FY25’

Updated - April 01, 2024 at 09:25 PM.

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Neha Agarwal, Managing Director and head of equity capital markets at JM Financial

The momentum of fund raising through initial public offerings (IPOs) and qualified institutional placements is expected to be sustained in FY25, and the size of IPOs may be higher while that of QIPs could be smaller, according to Neha Agarwal, Managing Director and head of equity capital markets at JM Financial.

The investment bank has topped the league tables in FY24 with respect to fund raising through IPOs and QIPs, according to data from Prime Database. With more than half of the share in terms of the value of the transactions, it has been part of every second IPO that hit the market last year.

Last year saw equity issuances worth ₹1.86-lakh crore, with ₹67,753 crore being raised via IPOs and QIPs worth ₹78,089 crore, Prime Database showed. The IPOs include those of SMEs, while QIPs also include those of real estate investment trusts and infrastructure investment trusts.

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Agarwal told *businessline* that there was a good mix of primary (40 per cent) and secondary (60 per cent) issuances in FY24. Companies raised primary capital to either deleverage their balance sheet or for capital expenditure. She added that this was a marked change from two years ago, when the focus was more on private equity monetisation.

According to filings with the regulator, the Securities and Exchange Board of India, around ₹70,000 crore worth of primary issuances are in the pipeline to hit the market in the current fiscal year. This includes high-profile names such as Afcons Infrastructure, First Cry, OYO, and Ola, among others. Many of the IPOs are mega-sized.

Fuelling markets

Companies are looking for capital to grow, and this is fuelling the primary and secondary markets. Agarwal said that IPO sizes could increase in FY25 from the average size of around $100 million in FY24, as some of the large companies are looking to list post-elections. “On the QIP side, apart from select large issuances, we will see increased velocity from $50-100 million QIPs across sectors,” she said.

Despite the seemingly rich valuations in some of the primary issuances, investors had got decent returns on their investments. “Even with valuations that might optically seem rich, investors have made money. That is one of the reasons we see the momentum continue. Quality franchises with strong business moats and strong profitable growth metrics have justified premium multiples.”