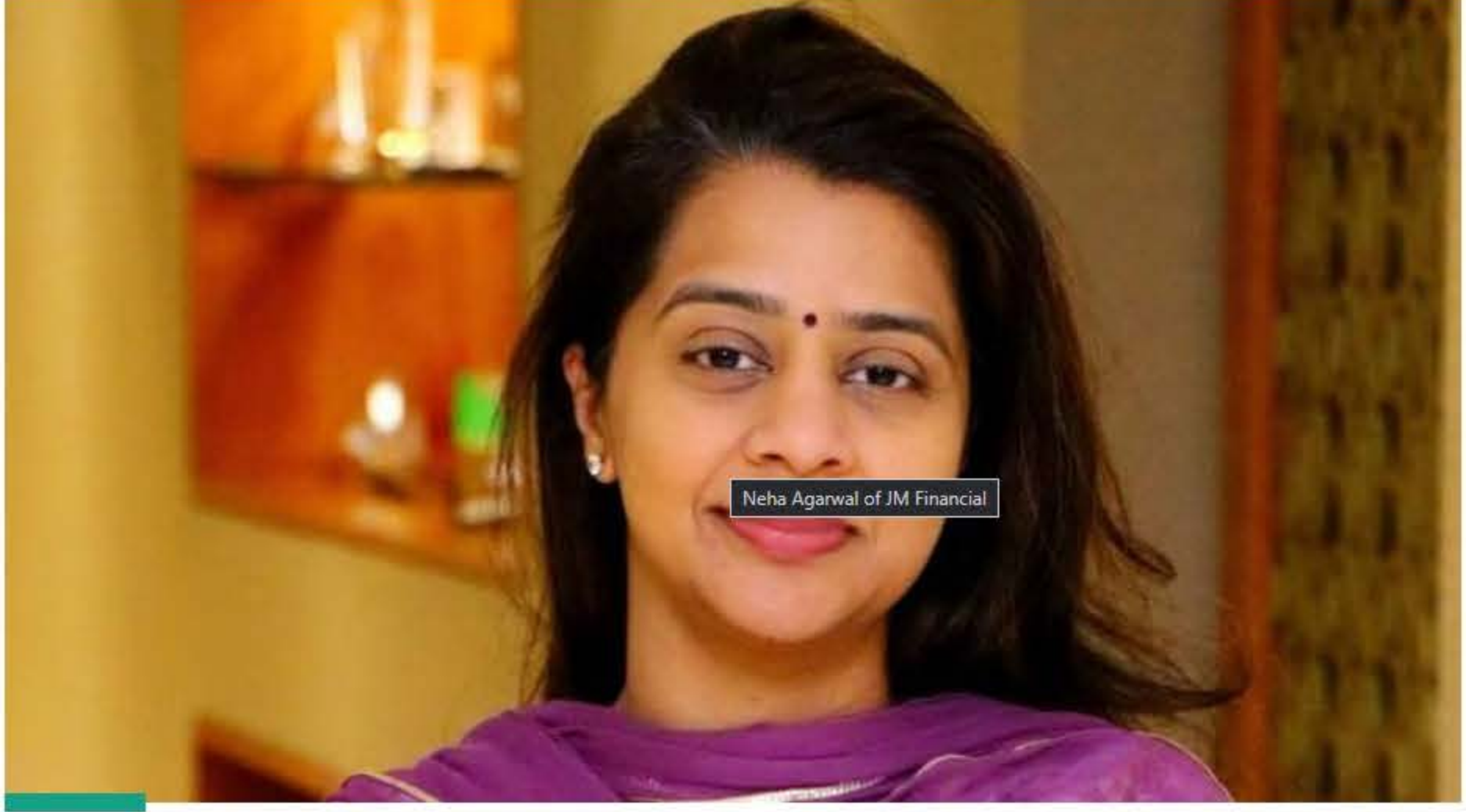


MC Interview: India will continue to outperform in FY25, see many large IPOs post polls – Neha Agarwal, JM Financial

With strong GDP growth and improving market cap-to-GDP ratio, Agarwal expects that India's market cap will hit the \$5 trillion mark soon.

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Neha Agarwal is the MD & Head of Equity Capital Markets at JM Financial

Neha Agarwal of JM Financial believes that India will continue to outperform in FY25 because of a strong macro environment, earnings growth trajectory, and equity market inflows in the backdrop of a slowing global economy.

On the primary markets side as well, she expects FY25 to be another great year for India.

"Unlike FY24, we expect to see many large IPOs post elections. Some of the the firms that have already filed a DRHP with SEBI and who could have an IPO in the next six months are Ola Electric, Firstcry, Go Digit General Insurance, etc.," says the MD and Head of Equity Capital Markets at JM Financial, who has over 17 years of experience in the equity capital markets space.

Do you see Indian equity markets hitting the \$5 trillion mark in the new financial year?

India's GDP has grown 7+ percent CAGR to \$3.6 trillion over the last 10 years – jumping from the 8th largest to the 5th largest economy. Apart from favourable demographics, it is the continuous reforms (GST, RERA, demonetisation, digitisation, etc.) in the last decade that have been among the key reasons for this growth. By 2027, as the fastest growing large economy, India's GDP will likely touch \$5 trillion, making it the 3rd largest economy, overtaking Japan and Germany.

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India's market cap is currently the 5th largest globally (\$4.5 trillion), but India's weight in global indices is still low at 1.6 percent (10th rank). Also, India's current market cap-to-GDP ratio is 1.3X, which is low compared to major economies such as the US and Japan, which are at 1.9X and 1.5X, respectively. With strong GDP growth and improving market cap-to-GDP ratio, we expect India's market cap to hit the \$5 trillion mark soon.

It took about 46 months to move from \$2 trillion market cap (July 2017) to \$3 trillion (May 2021), whereas the last \$1 trillion, i.e., from \$3 to \$4 trillion, took only about 30 months. We expect the next trillion will take much less, and India will be able to hit the \$5 trillion mark in next 1-2 years.

Which are the sectors likely to take the market higher in the year ahead?

India being the world's largest and fastest growing economy offers a promising growth story, and will attract relatively more foreign investment compared to other emerging markets. We will continue to see the primary market rise thanks to the manufacturing and consumer sectors, due to favourable sector tailwinds, growing consumer demand, and rising income. Other sectors such as power, renewables, healthcare, and finance will also comprise a chunk of the primary markets.

How do you summarise the primary market for FY24?

Despite muted primary capital globally, Indian primary capital markets showed resilience and were one of best performing markets. We saw around 75 IPOs and 55 QIPs in FY24, the highest in the last decade.

The main reason behind this was strong liquidity and keen investor interest in fresh public issue offerings. JM Financial maintained its leadership in equity capital markets in FY24, and ranked #1 in terms of capital raised for IPOs and QIPs.

In terms of sector performance, we saw that the industrial and consumer sectors saw the maximum number of IPOs, while BFSI, especially PSU banks, raised the maximum capital through QIPs.

However, we witnessed a reduction in deal size as many smaller IPOs got listed in FY24, with bigger companies waiting on the sidelines for a stable macro environment post elections. The average IPO size in FY24 reduced to \$100 million, versus \$170 million in FY23.

Do you see a significant number of IPOs in FY25 despite likely consolidation in the secondary market? Which are the big names planning to launch IPOs during the year?

We believe India will continue to outperform in FY25 because of a strong macro environment, earnings growth trajectory, and equity market inflows in the backdrop of a slowing global economy. On the primary markets side as well, there is a strong pipeline of issuances and we expect FY25 to be another great year for India. Unlike FY24, we expect FY25 to see many large IPOs post elections. Some of the companies that have already filed a DRHP with SEBI and who could have an IPO in the next six months are Ola Electric, Firstcry, Go Digit General Insurance, etc."

A lot of funds were raised by way of QIPs in FY24. Does it mean that private capex is going to pick up pace in the coming year?

We witnessed the highest number of QIPs in the last decade in FY24, with 55 companies mobilising Rs 68,933 crore, nearly seven times higher than the Rs 9,019 crore raised in FY23. With improved market sentiment and strong underlying demand, companies looked to raise primary capital to seize growth opportunities by investing in capex.

The BFSI sector dominated QIPs in FY24, accounting for 58 percent of the amount raised. Indeed, six of the top eight QIPs were from this sector. With investor interest coming back to the PSU sector in FY24, many PSU banks raised funds through QIPs. PSU banks alone accounted for 27 percent of the total QIP value. Another key theme in FY24 was capital raised by REIT and Invits, which accounted for 13 percent of the funds raised.

Do you think the QIP flow will be large in FY25 too?

In a time of economic development aided by pro-business reforms and macroeconomic stability, India is set to become 3rd largest economy globally by 2027, and will continue to see strong flows. Given this, we expect FY25 to also be a very strong year as companies will continue to look to raise capital for capex, once the elections are over.

Please share one of your big learnings. What is your advice to the young generation, who are attracted to equity markets?

One of my biggest learnings is the importance of timing and market conditions. The success of a transaction can be significantly impacted by the prevailing market sentiment, economic conditions, and overall investor appetite. Understanding these factors and being able to adapt your strategy accordingly is key to navigating the complexities of equity capital markets.

My advice would be to start with a solid understanding of fundamental analysis, diversify your investments, and always be prepared for volatility. Additionally, it's crucial to set clear financial goals and regularly reassess your investment strategy to ensure alignment with those goals.

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