I haven't seen a more interesting and happier time for dealmaking in India than now: JM Financial's Sonia Dasgupta

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Sonia Dasgupta, MD & CEO, investment banking, JM Financial

The current calendar year has seen some hectic deal activity after a lull. There is a strong pipeline of initial public offerings, qualified institutional placements, and private equity (PE) investments. The recent turnaround of new-age tech startups, such as Zomato, has renewed the interest and confidence of retail and institutional investors, as has the shift in focus of founders towards profitability and sustainable growth. India's fast growth trajectory has further improved business outlook.

Sonia Dasgupta, MD & CEO, investment banking, JM Financial says she hasn't seen such vibrant deal activity in 28 years. "I have not seen a more interesting and a happier time for deal making in India than now," she told Forbes India in an interview. "There's a lot of deal flow of every type; capital markets are good and M&A is also up.

Also, there is a pile of cash reserves available for investments. For instance, SEBI data suggests, AIFs focussed on private equity and private credit deals have raised commitments of Rs 9.3 lakh crore as of June 2024 of which Rs 6.5 lakh crore is yet to be deployed. The dry powder is up by 46 percent in comparison to June 2023.

A longstanding woe of PE investors has been the lack of attractive returns on domestic investments because of limited exit options. But the sentiment of PE investors has changed now: “Private equity is very strong. Once the companies become large and profitable, there's a good opportunity for them to exit. Plus, now Indian capital markets have depth where PEs can exit large stakes,” Dasgupta explains as she talks about what is driving the deal momentum across most sectors. Edited excerpts:

Q. How is the deal pipeline looking against the current market and economic backdrop?

I have not seen such deal activity in my career of around 28 years. For the first time, investment bankers must be feeling that they have less capacity to execute. There’s a lot of deal flow of every type; capital markets are good and M&A is also up. Private equity gets comfort and more confidence because they are seeing good exits. I have not seen a more interesting and a happier time for deal making in India than now.

Q. What’s driving the deal momentum?

We’re seeing very strong corporate earnings; therefore, they have the ability to refinance debt, giving them dry powder to either do acquisitions or capex. So build versus buy becomes good as one can raise equity either from private or public markets. Private equity is very strong. Once the companies become large and profitable, there's a good opportunity for them to exit. Plus, now Indian capital markets have depth where PEs can exit large stakes.

Q. Are companies going ahead with capex plans because many have surplus capacity at present?It'll be specific to industries, because today the whole capacity from a lot of industries is not just linked to India. For instance, it can also get linked to excess dumping from some other countries if they start exporting below their cost price because they have excess capacity. That's a huge deterrent for existing players to put up new capacities. But for, say, solar modules or green energy, semiconductors, companies are building capacities because we want to encapsulate on the huge ‘Make in India’ trend.

Q. What sense do you get from foreign institutional investors who have been net sellers in India equity markets so far?

They sit at a point where there're looking at all countries. So relative to some of the other economies, India is pretty richly valued. There was a stimulus in another country (China), they rotated that money, and exited from their investments somewhere else.

But I think they've again come back. If you see the Hyundai IPO, Bajaj Housing, we had very good FII interest again.

Q. What are the top three trends you are seeing?

The market is very buoyant. So I think a lot of IPOs, where the promoter would have said okay, let me wait for some more time to get scale, are getting advanced. So clearly companies want to capitalise on the bullishness in the market.

In the digital and new age tech space, the market clearly is preferring founders who are actually showing strong profit or a very clear path to profitability. In line with all bull markets, people are trying to deleverage, if there's an opportunity, build capacities. They have dry powder for expansion, and also accelerating growth. So they want to build and grow. I would say that the confidence of the Indian corporates and the promoters has definitely gone up.

It’s very heartening to see is that, for most of the deals, there's a very strong domestic buying power. Whether it is through domestic financial institutions, mutual fund insurance or family offices. That has a multiplier effect, in terms of, they are able to have the ability to, say, participate in pre-IPOs, and when those companies list well they are able to get back good returns, which they're able to redeploy. It's a virtuous cycle that is set into place. Large institutions and large economies get built on the back of such trends. We have strong buying power, and that gives a lot of resilience to the country.

Q. From what you say, I’m given an impression that there's a lot of on-ground deal activity happening, and the mood is very upbeat. So after the funding winter some months ago, when most investors were sitting on the fence, are you saying there’s a 180-degree change in investor sentiment now?

That's correct. I'll be a little careful because there are still some pockets (NBFCs) where the regulators are not happy with some of the growth or unsecured lending. Here, investors want to wait and watch. Otherwise, bereft of that, I think all consumption-led stories, whether it is financial services, except lending, all others you can see the super rush to get more mutual fund licenses.

You can see the growth of capital in broking, wealth management, etc. Of course, the favourite sectors are, as always, consumer, pharma, technology. Now of course, manufacturing. There is a lot more bullishness in all those spaces.

Q. How is JM Financial placed to get a sizable chunk of the business?

JM Financial clearly has an ability to become a very significant player and capture this because of a couple of reasons. One, our pedigree. Having seen so many cycles, the deal experience of all the senior bankers is a big asset. We have a lot of depth and width of coverage and understanding of sectors and spaces. Of course, we continue to add and attract good talent.

One of our key things that we are focusing on is to become an integrated investment bank.Which means the investment bank works seamlessly with all our clients to satisfy all their needs, whether it is advisory work, IPO post listing, support in terms of QIPs, blocks, and the whole wealth management piece that is going to be a major focus for us.

Something that is very important for us is the trust that we enjoy from our clients. So we are very cognizant of that and we make sure that we are always giving them first class experience on whenever they deal with us.

Q. Global markets dealt with a few blows recently. What are the big risks for investors?

The real risk today is largely geopolitical. And some of these can play out impacting economies. Whether it is through oil, through deficit financing through inflation… I think these are things where sentiments can quickly turn if there is a very heavy geopolitical mood change and investors can suddenly hide in their barrows and not invest or wait it out. That is an important thing, but otherwise I think there could be some short-term flutters, but the long-term macro trend shows that equity investing is the only anti-inflationary asset class.