

Esops back in favour as IPOs rise, valuations reset

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MUMBAI: Stock options are back in vogue, especially for middle and senior management positions in both startups and traditional companies. As organizations realign their strategies, conclude their business reshuffles and transformation, and markets calibrate their share values, employee stock options or Esops are increasingly being seen as a lucrative perk for those being hired in top positions.

The period January-May 2024

has seen 340.5 million shares being allotted through Esops by 461 listed companies, according to a Mint analysis of data from Capitaline database. The same period last year had seen 253.9 million Esop allocations by 382 companies.

Zomato led the way with 116 million Esops granted between 8 February and 8 May. Other notable issuances include Eco Hotels with 20.4 million Esops on 10 February, CMS Info Systems with 6.25 million Esops granted between 3 January and 28 February, Infibeam Avenues with 3.6 million Esops issued on 20 March, and Home First Finance

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with 3.1 million Esops granted between 18 January and 8 May.

Multiple factors have contributed to the increased interest in Esops. "The recent surge in the stock market for SMEs, as well as nearly all tech companies, along with the upcoming revival in the startup ecosystem, have reig-

nited interest in startup Esops," said Anirudh Damani, managing partner at Artha Venture Fund, which has invested in startups like LenDenClub, Agnikul, Fantasy Trading League, Onsite, StepSetGo, among others.

The rise in initial public offerings or IPOs is another factor. According to Primedatabase, 76 Indian corporates raised ₹61,915 crore through main board IPOs in financial year 2023-24, 19% higher than the ₹52,116 crore mobilized by 37 IPOs in 2022-23.

"The IPOs have helped employees regain trust in Esops, although some still own shares that have notional values," said

Bharath Reddy, partner at law firm Cyril Amarchand Mangaldas who works on compensation and benefits. "Earlier success stories via IPOs of the likes of Infosys and, later, startups like Zomato are being used to attract employees as ways of sharing the firm's success."

Buybacks are another reason why Esops are regaining popularity. New-age omnichannel furniture startup Wakefit said that it had three successful buyback rounds, which have allowed many of its employees to benefit from their Esops.

(With inputs from Mayur Bhalerao)