QIP issuances cross $15 b in FY25 on DII demand

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The insatiable appetite for equity issuances among domestic institutional investors is seen translating into a 50 per cent rise in funds raised through qualified institutional placements (QIP) in FY25 at over $15 billion, according to investment bankers.

"QIPs are shorter lead time products and thus difficult to predict, but we estimate QIP issuance during FY25 to be over ₹1.25- lakh crore," said Munish Aggarwal, Managing Director Head, Equity Capital Markets, Equirus.

QIPS vs IPOs

In FY24, funds raised via QIPs, including those raised by REITs and InvITs, were ₹78,089 crore ($9.4 billion), exceeding the ₹67,753 crore ($8.2 billion) raised via initial public offerings, according to data by Prime Database. In the current year so far, close to ₹16,000 crore have been raised via QIPs, compared to over ₹16,500 crore via IPOs, running almost neck-to-neck.

Investment bankers said that based on exchange filings, company board approvals, and the pipeline on their books, QIPs would outstrip IPOs this year as well.

Two Adani group companies have obtained board approval to raise around $3.5 billion: Prestige Estates is planning to raise over $600 million, and Oberoi Realty plans to raise around $240 million.

While these are some of the larger QIPs, a host of smaller issuances in the range of $80-100 million are seen hitting the market over the next several months.

QIP DRIVERS

"We think that there were a few large transactions that happened in FY24, which skewed the mean transaction size," said Aggarwal.

"However, if you look at the

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median transaction size, it was closer to ₹500 crore. While we expect large transactions to continue to happen, we do not expect the median transaction size to change significantly," he said.

For listed companies, the choice of equity instruments is rights issues, follow-on offerings, and preferential issues through QIPs. Both rights issues and FPOs are long-drawn processes and dependent on retail interest. QIPs, which are through invitation only, are much shorter processes said Mahavir Lunawat, founder of Pantomath Capital Advisors.

"Because it is quicker and it is an institutional process, it is a faster mode," he said. "It also adds to the quality of the investor base in a company, and that's why a lot of QIPs are happening."

The main driver for QIPs is coming from domestic institutional investors, predominantly mutual funds, who are flooded with money coming in through the SIP route every month. On average, over ₹20,000 crore is flowing into mutual funds monthly via SIPs, and this is putting considerable firepower in their hands. All this is getting channelised into equity raises including QIPs, which have seen healthy over-subscriptions. "If Indian economies continue to grow at nominal GDP growth levels of over 12 per cent and exports continue to do well, we expect Indian companies to continue to raise capital," said Aggarwal.