

Banks' non-interest income gets a boost from listing boom

SACHIN KUMAR
Mumbai, November 17

81

STRONG LISTING GAINS of recent stock market debuts of quite a few companies have not only provided retail investors with opportunities to make quick profits but have also contributed significantly to banks' earnings.

Many banks have aggressively invested in these initial public offers (IPOs), thereby boosting their non-interest income. Several major banks have reported an increase of 25-51% in non-interest income for the second quarter of the current financial year, coinciding with multiple IPOs that delivered over 60% returns on their listing day.

"Some of the IPOs have delivered bumper listing gains, and we have benefited from several of them. For example, our investment in the Waaree Energies IPO

has paid off significantly," the head of treasury at a public sector bank told *FE*.

Waaree Energies shares made their debut on the Bombay Stock Exchange on October 28 at ₹2,550, reflecting a 69% premium over the IPO allotment price of ₹1,503. Other major IPOs that saw impressive listing gains include Premier Energies (120%), Bajaj Housing Finance (114%), and KRN Heat Exchanger & Refrigeration (113%).

A recent report by the Securities and Exchange Board of India (Sebi) revealed that nearly 80% of the banks sell off their allotted shares within the first week of listing. The study, covering 144 IPOs listed between April 2021 and December 2023, found that most individual investors apply for IPOs with the aim of securing quick returns.

Continued on Page 5

IPO BONANZA

	Listing date ('24)	IPO size (₹ cr)	IPO price (₹)	Listing price (₹)	Listing gain (%)
Premier Energies	Sep 3	2,830.40	450	991	120.2
Bajaj Housing Finance	Sep 16	6,560.00	70	150	114.3
KRN Heat Exchanger & Refrigeration	Oct 3	341.95	220	470	113.6
Unicommerce Esolutions	Aug 13	276.57	108	230	113.0
P N Gadgil Jewellers	Sep 17	1,100.00	480	834	73.8
Waaree Energies	Oct 28	4,321.44	1,503	2,550	69.7
Dee Development Engineers	Jun 26	418.01	203	325	60.1
TBO Tek	May 15	1,550.81	920	1,380	50

Source- Prime Database

Banks' non-interest income gets a boost

"We applied for shares worth ₹200 crore in a recent IPO, but received a smaller allotment than expected. Despite this, we managed to double our investment by selling the shares at a good premium on the listing day," said a senior official from a bank's treasury division.

According to Prime Database, 32 public issues launched between April and October this year have delivered listing day returns ranging from 10% to 120%.

"Most banks, except for a few very conservative ones, actively invest in IPOs to maximise returns. Better-than-expected listing day gains have further encouraged banks to participate in IPOs, helping to



boost their non-interest income," said V Ramachandra Reddy, the head of treasury at KarurVysya Bank.

Banks bid for IPOs under the qualified institutional buyer (QIB) category, and any profits generated from the sale of these securities are categorised as non-interest income.