



IPOs in India

Performance highlights

FY 2017 to FY 2019



October 2019

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Foreword

The Indian capital markets have seen a fair amount of activity in the last three years. While the markets have moved largely in sync with the ebbs and flows of the economy, there have been several developments on the regulatory front that will enable greater integration of our economy with the global economy and further easing the flow of capital across borders.

On its part SEBI continues to play a proactive role in driving forward reforms and ease of doing business in the Indian capital markets. These include forward looking changes such as enabling issuance of shares with differential voting rights, changes to the start-up listing norms, proposed framework for

direct listing of Indian companies overseas, amongst others. At the same time there is a heightened focus on compliance – not just compliance in letter, but in the spirit of the regulations, and greater accountability for access to and use of public capital. Some examples of this include the continuing evolution of the Regulations related to corporate governance pursuant to the recommendations of the Kotak Committee, prohibition of insider trading, fair market conduct and framework for regulating conduct of intermediaries.

With reference to the global economy, the World Bank recently revised its growth rate forecast for 2019 to 2.6 per cent, down from its 30 bps higher projection

in January 2019. The rate is at its lowest level since 2016. The revision has been driven by the trade tensions involving United States, China, Mexico and European nations, which have impacted global investments. With a number of countries reporting inverted yields on bonds, there are murmurs of another global recession impacting market sentiments globally.

On the positive side, there remains a healthy pipe line of companies looking to raise capital in the primary markets. With a stable government in India, policy reform is expected to pick up pace and should set the stage for a pick-up in primary market activities even as an increasing number of unicorns and startups

mature to becoming public listed entities. SEBI has also pushed for adoption of newer platforms and structures, including the Real Estate Investment Trusts (REIT) and Infrastructure Investment Trusts (InvIT), both of which have now debuted in the Indian market, but still have some way to go before being considered as mature. Both SEBI and the government are working on other initiatives to make the capital markets deeper and attract more sources of capital.

Our inaugural study on the primary issuances in the Indian markets provides some insights. We hope you find this interesting and relevant.



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About the report

This publication is an analysis of the performance of equity IPOs that were listed on the main exchanges i.e. Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) during the three Financial years ended 31 March, 2017 (FY17); 31 March, 2018 (FY18) and 31 March, 2019 (FY19).

The publication analyses the relative performance of IPOs of the 85 companies that were listed during FY17, FY18 and FY19, across various parameters including but not limited to their listing performance, the use of funds raised and cost of issue.

We have used several parameters to assess the data available, including categorising the companies into government backed or Public Sector Undertakings (PSUs) and private sector companies, Private Equity (PE) backed and non-PE backed companies.

The analysis has been done using publicly available data wherever possible. The information presented is only informative and does not promote any product or company.

Executive summary

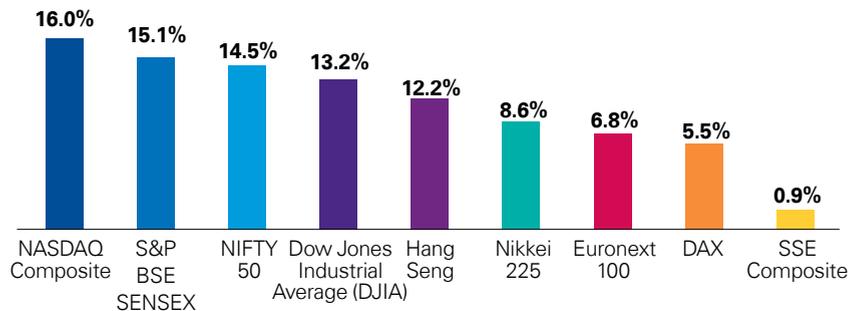
The CAGR of S&P BSE SENSEX over the three-year period was 15.1 per cent, second only to NASDAQ.



The Indian stock market performance in FY19, was marked by outperformance, correction and consolidation, with its fair share of sharp rises and declines. From April to August 2018, the S&P BSE SENSEX gained 17 per cent. This was the all-time high level, post which the market sharply corrected by 14.3 per cent⁰¹ over the next two months. This was driven by foreign fund outflow to the tune of INR27,623 crore⁰² (USD3,953 mn) in October 2018. The markets began to recover in November 2018, with a series of moderate run-ups and corrections.

The S&P BSE SENSEX gained 9.4 per cent⁰¹ towards the end of the fiscal, attaining the highs of August 2018, with the aid of combined FII fund inflow to the tune of INR48,445 crore⁰² (USD6,932 mn) in the months of February and March 2019. Overall the S&P BSE SENSEX delivered a return of 16.3 per cent⁰¹ for the fiscal year, which is the highest, compared to global indices' returns for the same period. During the three-year assessment period⁰³, the S&P BSE SENSEX was second only to NASDAQ in terms of returns, with a CAGR of 15.1 per cent⁰¹.

CAGR index return - FY17-19



Source: KPMG in India's Analysis, 2019 based on data from Capital IQ

The stellar performance of S&P BSE SENSEX and Nifty 50 compared to their peers, can be attributed to the fact that two of the past three years, have witnessed net FII/FPI inflows of INR55,703 crore⁰⁴ (FY17) and INR25,635 crore⁰⁴ (FY18), in the Indian equity market. The inflows were due to several

underlying factors that made the market attractive and hence, better performing. There was a net outflow of INR88 crore⁰⁴ by FIIs/FPIs in FY19, led by the sell-off in October 2018⁰², partially off-set by the late infusion post mid-February and in March.

01. KPMG in India's analysis, 2019 on the basis of data from Capital IQ, 08 April 2019
02. KPMG in India's analysis, 2019 on the basis of data from Money Control, 08 April 2019 USD1=INR69.9 (FY19 - NSE/FBIL)
03. Period under consideration for Returns – 01 April 2016 to 31 March 2019
04. KPMG in India's analysis, 2019 on the basis of data from NSDL, 09 April 2019

18 IPOs in FY19
41 IPOs in FY18
26 IPOs in FY17

56%
in FY19

decline over FY18

Lowest in the last
three financial years



FY19 highlights

Financial services

INR110 billion raised (five IPOs)
Contributed 55 per cent
towards funds raised in 2019

Hospitality

INR27 billion raised (two IPOs)
13% contribution to FY19 total

Subscription

INR2,450 billion total
subscription
INR136 billion average
subscription (9.8x)

PE v/s non-PE backed

INR77 billion raised by PE
backed companies (39%)
INR122 billion by non-PE
backed (61%)

Total funds raised

INR199 billion in FY19
INR762 billion in FY18
INR284 billion in FY17

74%
in FY19

decrease over
FY18



FY18 highlights

Financial services

INR545 billion raised
(12 IPOs)
Contributed 72 per cent to
funds raised during FY18;
Insurance companies alone
contributed 57 per cent

Industrials, manufacturing and metals

INR74 billion raised (five IPOs)
10% contribution to FY18 total

Subscription

INR9,548 billion* total
subscription
INR239 billion average
subscription (44.7x)

PE v/s non-PE backed

INR325 billion raised by PE
backed companies (43%)
INR437 billion by non-PE
backed (57%)

Average issue size

INR11.0 billion in FY19
INR18.6 billion in FY18
INR10.9 billion in FY17

41%
in FY19

decrease compared
to FY18



FY17 highlights

Financial services

INR146 billion raised
(six IPOs)
Contributed 51 per cent to
funds raised during FY17;
insurance companies alone
contributed 21 per cent

Technology, media and telecommunications (TMT)

INR33 billion raised (five IPOs)
12% contribution to FY17 total

Subscription

INR6,254 billion** total
subscription
INR250 billion average
subscription (25.6x)

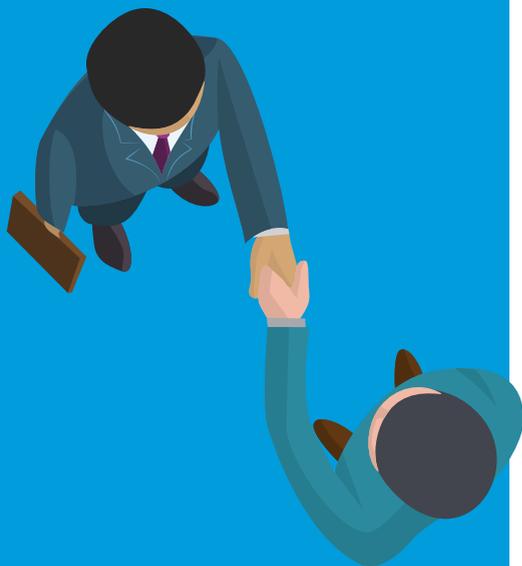
PE v/s non-PE backed

INR194 billion raised by PE
backed companies (68%)
INR90 billion by non-PE
backed (32%)

* Data of 40 companies

** Data of 25 companies

IPO performance - FY17 to FY19



During FY 2018-19, the markets witnessed its fair share of volatility in terms of run-up, downturn and recovery. The steady rise in the S&P BSE SENSEX from the beginning of the fiscal, until the end of August 2018, was negated by sharp sell-off over the next two months and by the end of October 2018, it was at the same level as at the beginning of the fiscal.

FY 16-17 witnessed a similar trend where the steady build-up from April to mid-September 2016, was negated by sell-off over the next 10 weeks, post which it attained its highest level towards the end of the fiscal.

January 2018 was a key month for S&P BSE SENSEX in FY 17-18 when an approximately 2.5k points run-up over 30 days was negated by an approximately 2k points decline within the next 10 days in February; and this slide continued till the end of March.

While the ongoing global trade tensions continue to play on the minds of investors, the domestic NBFC sector continues to work towards tackling the liquidity constraints, a scenario that has sustained longer than expected.

A total of 18 companies were listed in FY19, with five of them being PE backed. Additionally, there were five PSUs amongst the 18 companies. These 18 companies, cumulatively raised INR199 billion⁰⁵. Against this, the 41 companies listed in FY18, raised over INR762 billion⁰⁵ and the 26 companies listed in FY17 raised INR284 billion⁰⁵. The funds raised in FY19 and FY17 were lower by 74 per cent and 63 per cent respectively, compared to FY18.

FY18 and FY17 were amongst the best years for IPOs in India. In terms of funds raised, the largest two listings of FY18 were in the Financial services sector, particularly the Insurance sector. These two companies together accounted for over 27 per cent⁰⁵ of the funds raised during the year. The same pattern was visible in FY17 as well, where the two largest listings, accounting for 32 per cent⁰⁵ of the total funds raised during the year, belonged to the Financial Services sector.

Although Insurance companies have been the biggest participants in terms of funds raised during FY18 and FY17, three out of the six insurance IPOs declined by 8.3 per cent⁰⁶ on an average, on listing day.

05. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

06. KPMG in India's analysis, 2019 on the basis of data from BSE

Listing day performance

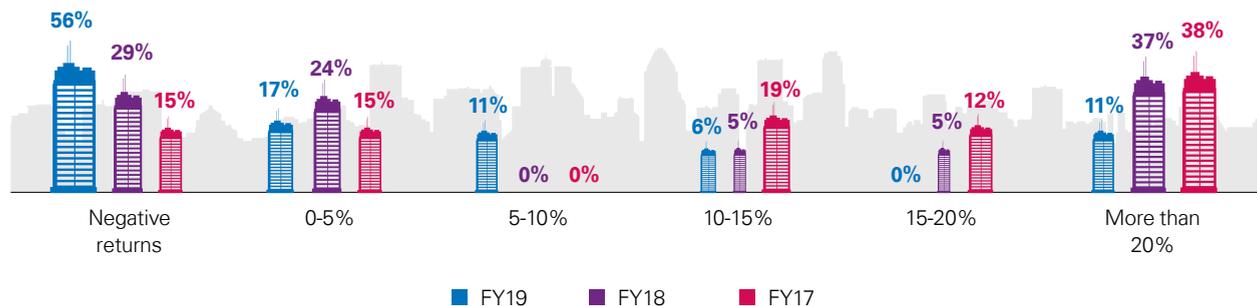
The average listing day return of the 18 companies listed in FY19 was a meagre 2 per cent⁰⁷ as against 21 per cent⁰⁷ for the 41 companies listed in FY18 and 20 per cent⁰⁷ for the 26 companies listed in FY17. Out of the 85 IPOs from FY17 to FY19, 58 ended the listing day at a premium to their offer prices, out of which 40 generated double digit returns⁰⁷. Of these 40, two companies in FY19 delivered 20 per cent plus⁰⁷ listing day return compared to 15 companies in FY18

and 10 companies in FY17. One company ended the listing day, at its offer price. Of the 26 companies from FY17 to FY19 which delivered negative returns, seven companies delivered double digit negative returns⁰⁷.

In FY19, 10 out of the 18 companies yielded 9 per cent⁰⁷ negative return on an average, on the listing day while the remaining eight companies returned 16 per cent⁰⁷.

40 companies generated double digit positive listing day returns, during the three year period.

Distribution of companies by listing gains



Source: KPMG in India's analysis, 2019 on the basis of data from BSE

07. KPMG in India's analysis, 2019 on the basis of data from BSE

In FY18, the average listing day gain of the 41 companies, was 21 per cent⁰⁹. Of these, 29 companies returned an average of 32 per cent⁰⁹ on listing day, including a couple of outliers with 100 per cent plus⁰⁹ returns. The remaining 12 companies ended in red in FY18, with an average decline of 5 per cent.

This set of numbers in FY17, was better than FY18. Only four of the 26 IPOs in FY17 ended the listing day in red with an average of negative 9 per cent⁰⁹. The remaining 22 companies returned an average of 25 per cent⁰⁹.

Sector-wise performance

Out of the nine sectors that saw more than two listings during the three financial years, Personal and Household Goods sector generated the highest listing day return of 72.1 per cent⁰⁸ followed by Construction and Material at 18.1 per cent⁰⁸. The sector at the bottom was Clothing and Apparels with negative 2.1 per cent return⁰⁸. Out of the 26 companies that yielded negative listing day returns, seven were from Financial Services and four each from Industrials, Manufacturing and Metals, Construction and Material and TMT sectors.

PE v/s non-PE backed

In terms of listing day returns, the non-PE backed companies performed better than their PE backed counterparts. On an average, 39 PE backed companies returned 15 per cent⁰⁹ on listing day compared to 23.3 per cent⁰⁹ return delivered by 35 private non-PE backed companies. The 11 PSUs listed between FY17 and FY19, yielded average negative 0.1 per cent⁰⁹ on listing day.

Basis the P/E ratio at which the shares were offered, the 27 PE backed¹⁰ companies, on an average, priced their shares at a premium⁰⁸ to industry, albeit by a small margin, as compared to their 26 non-PE backed¹⁰ counter parts. The sectors that saw a higher P/E ratio for PE backed companies compared to industry average, included Food and Beverages and Financial Services⁰⁸.

In terms of listing day returns, the non-PE backed companies performed better than their PE backed counterparts

08. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

09. KPMG in India's analysis, 2019 on the basis of data from BSE

10. Analysis of 27 out of 39 PE backed companies and 26 out of 46 non-PE backed companies.





Subscription details

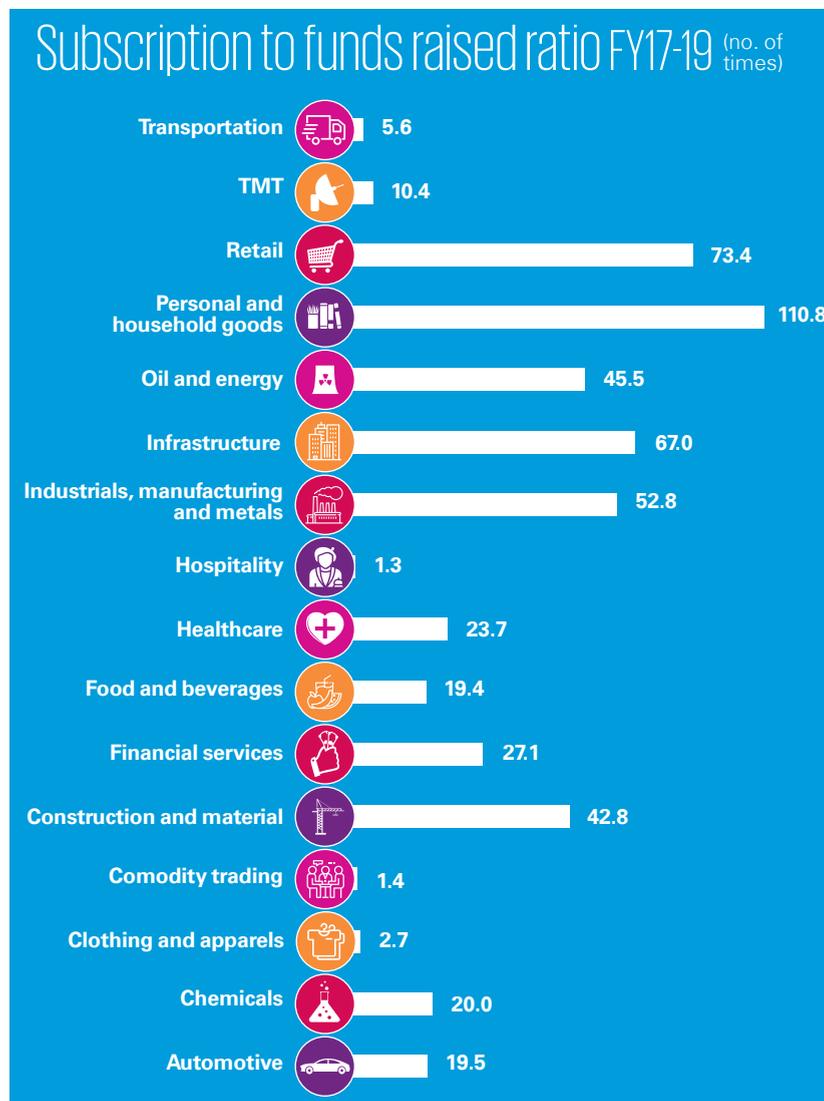
IPOs that cumulatively raised over INR1,213 billion¹¹ from FY17 to FY19, saw subscription of around INR18,252 billion¹¹, putting the subscription to funds raised ratio at 15 times¹².

While Financial Services was the sector with the maximum activity in terms of funds raised and subscription by amount during the three-year period garnering 64 per cent¹² of funds raised and 49 per cent¹² of subscription, it was in the bottom half of the 16 sectors in terms of subscription to funds raised ratio, at 11.4 times¹².

The Personal and Household Goods sector was subscribed over 77 times¹². This was followed by the companies in the Retail and Infrastructure sectors, which were subscribed by over 73 times¹² and 67 times¹², respectively. The Retail and Personal and Household Goods sectors, despite accounting for only 3 per cent¹² of the funds raised, accounted for 15 per cent¹² of subscription by amount, emphasising the demand for consumption stocks.

11. Data of 83 companies

12. KPMG in India's analysis, 2019 based on basis of allotment document (before technical rejections)



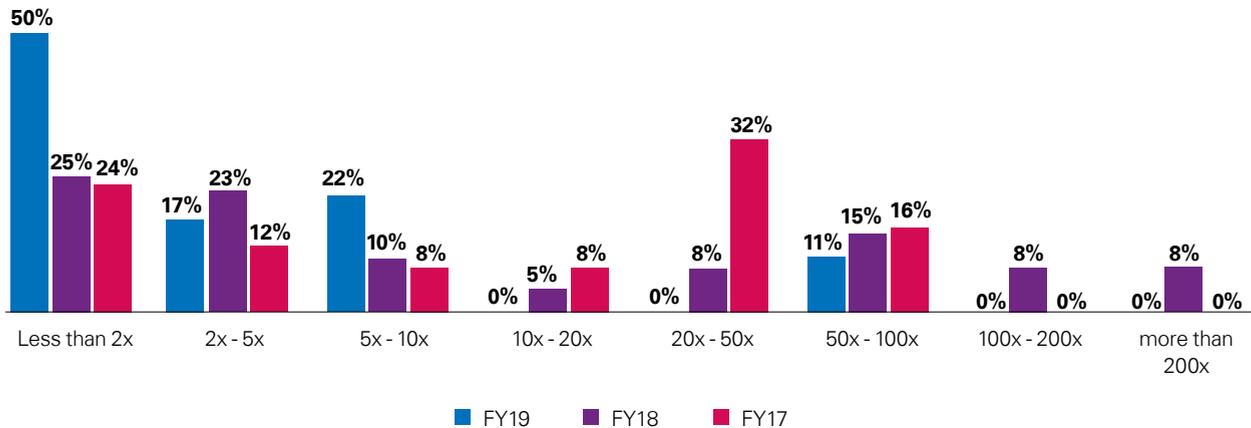
Source: KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI and basis of allotment data published by respective registrars to the issue

IPOs with smaller issue size* in general saw greater subscription by amount compared to IPOs with larger issue size**. The 10 IPOs that had the highest subscription to funds raised ratio, were all below INR6 billion¹³. Of these, six IPOs had subscription to funds raised ratio in triple digits.

Of the top 10 IPOs by funds raised, only two saw subscription to funds raised ratio in double digits, with the average ratio at 5.3 times¹³.



Distribution of IPOs by subscription to funds raised ratio (% of IPOs)



Source: KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI and basis of allotment data published by respective registrars to the issue

13. KPMG in India's analysis, 2019 based on basis of allotment document (before technical rejections)

* funds raised less than INR4 billion
** funds raised more than INR15 billion

Non-PE backed companies¹⁴ saw greater average subscription by amount compared to their PE backed¹⁴ counterparts with a subscription to funds raised ratio of 37.4 times¹⁵ for the former and 24.2 times¹⁵ for the latter. Despite FY18 seeing higher funds being raised and subscription by amount as compared to FY17 and FY19, there was higher inflow of funds, on an average, in each IPO in FY17 as compared to FY18 and FY19.

While the subscription amount per IPO in FY17 was 5 per cent¹⁵ higher than FY18 and 84 per cent¹⁵ higher than FY19, the ratio of subscription to funds raised in FY18 was higher by 75 per cent¹⁵ compared to FY17 and 356 per cent¹⁵ higher compared to FY19.

Retail v/s QIB - Sectoral

In terms of subscription by number of shares for total¹⁶ companies listed, retail investor over-subscription on an average for the three financial years was 6.6 times¹⁵ compared to QIB over-subscription of 36.1

times¹⁵. Both retail investors and QIBs preferred the Personal and Household goods sector, each witnessing over-subscription of 24.6 times¹⁵ and 107.1 times¹⁵, respectively. The sector was over-subscribed by over 110 times¹⁵. Amongst sectors that saw more than two listings, Clothing and Apparel was the least preferred sector, with its three offerings. While the overall subscription was 2.7 times¹⁵ QIBs and retail investors' over-subscriptions were 6.1 times¹⁵ and 1.6 times¹⁷, respectively.

Retail v/s QIB - PE v/s non-PE backed

PE backed companies¹⁷ on an average had marginally higher QIB over-subscription than their non-PE backed¹⁷ counterparts (excluding PSUs) with 38.8 times¹⁵ for the former and 38.6 times¹⁵ for the latter. Contrary to this, average retail investor interest in non-PE backed companies was higher at 8.6 times¹⁵ compared to 5.4 times¹⁵ for PE backed companies.

Total over-subscription was a good indicator of the listing gains made by the IPOs. Of the 45 IPOs¹⁷ that had single digit or negative listing gains¹⁵, only in one instance was the total over-subscription in double digits¹⁵. 32 of the remaining 38 IPOs¹⁷ that had double digit listing gains, witnessed double digit over-subscription¹⁵. This highlights that the post-listing demand for the scrip was driven by investors who faced under-subscription or were not able to participate in the IPO.

32 of 38 IPOs that registered double digit listing gains, witnessed more than 10x over-subscription



14. Data of 38 PE backed companies and 34 non-PE backed companies

15. KPMG in India's analysis, 2019 based on basis of allotment document and on the basis of data form BSE

16. Data of 82 companies

17. Data of 38 PE backed companies and 34 non-PE backed companies

Performance on the basis of size of offering

FY18 was the year of large* IPOs. Not only was the average offering size in FY18 higher by about 70 per cent¹⁸ compared to FY17 and 68 per cent¹⁸ compared to FY19, the three largest IPOs in FY18 raised more capital than all the IPOs in both FY17 and FY19, individually.

18 IPOs were out in FY19, of which seven companies raised less than INR5 billion¹⁸ each while nine companies raised funds in excess of INR10 billion¹⁸.

Out of the 41 IPOs during FY18, 13 IPOs raised less than INR5 billion¹⁸ each while 14 raised over INR10 billion¹⁸ each. The average size of the IPOs during FY18 was INR18.6 billion¹⁸.

During FY17, there were 10 IPOs which were less than INR5 billion¹⁸ each and 11 IPOs over INR10 billion¹⁸. 46 out of the 85 IPOs across all the three fiscal years, FY17 to FY19, were in the range of INR1 billion to INR10 billion¹⁸.



18. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

* funds raised more than INR15 billion

Distribution of IPOs on the basis of size of offering

Issue size (INR billions)	FY19			FY18			FY17		
	Number of companies	Average funds raised (INR billion)	Average listing gains (%)	Number of companies	Average funds raised (INR billion)	Average listing gains (%)	Number of companies	Average funds raised (INR billion)	Average listing gains (%)
<1	2	0.5	145.7	2	0.5	145.7	1	0.7	0.9
1-5	5	3.7	20.3	11	3.7	20.3	9	3.6	16.6
5-10	2	7.1	12.4	14	7.1	12.4	5	7.4	16.5
10-15	3	12.0	17.4	4	12.0	17.4	7	11.9	20.1
15-20	4	17.3	21.2	3	17.3	21.2	1	18.7	114.3
>20	2	74.3	4.2	7	74.3	4.2	3	37.4	9.0
	18	11.0	2.0	41	18.6	20.7	26	10.9	19.8

Source: KPMG in India's analysis, 2019 on the basis of final prospectus of companies submitted to SEBI and data from BSE

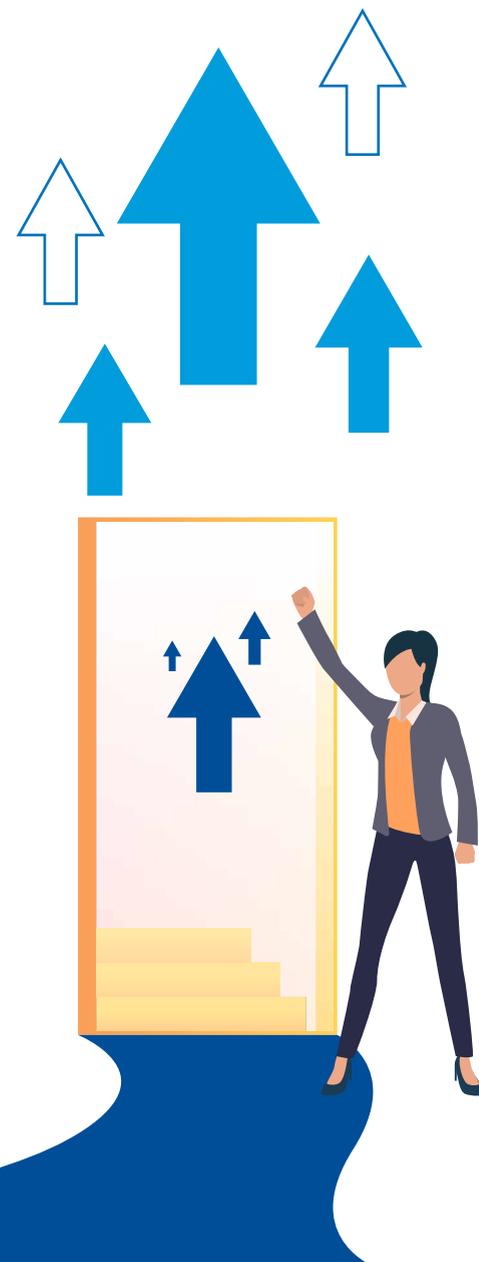


The top five IPOs in FY19 in terms of size of offering, which individually raised between INR17 and 35.2 billion²⁰, returned an average of 11 per cent¹⁹ compared to the negative 9.5 per cent¹⁹ return of the smallest five IPOs of the year, which raised between INR0.2 and 4.4 billion²⁰.

The five largest IPOs in FY18, raised amounts ranging from INR 57 and 111.8 billion²⁰ and returned a meagre 1.8 per cent¹⁹ on listing day compared to 75.2 per cent¹⁹ returned by bottom five companies, which raised between INR0.3 and 2.2 billion²⁰. The corresponding figures for FY17 were 30.7 per cent¹⁹ on the listing day, on an average, for top five which individually raised between INR13.3 and 60.6 billion²⁰, compared to 1.3 per cent¹⁹ for the bottom five which raised between INR0.7 and 3.6 billion²⁰.

During FY19, two out of the five smallest IPOs had negative EPS, while the average Price/Earnings ratio (P/E) of the other three companies was 17.4²⁰ compared to 37.1²⁰ for the five largest IPOs. The five smallest IPOs in FY18 had an average P/E of 17.2²⁰ vs. 57²⁰ for the five largest during FY18. Corresponding figures for FY17 listings were 29.6²⁰ for the bottom five listings compared to 33.2²⁰ for top five listings.

The data highlights the fact that the smallest five IPOs in FY18 were value accretive for investors given their average listing day gain of 75.2 per cent¹⁹, compared to their top five counterparts which listed at a much higher valuation and returned mere 1.8 per cent¹⁹ on listing day.



19. KPMG in India's analysis, 2019 on the basis of data from BSE

20. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

Sectorial view

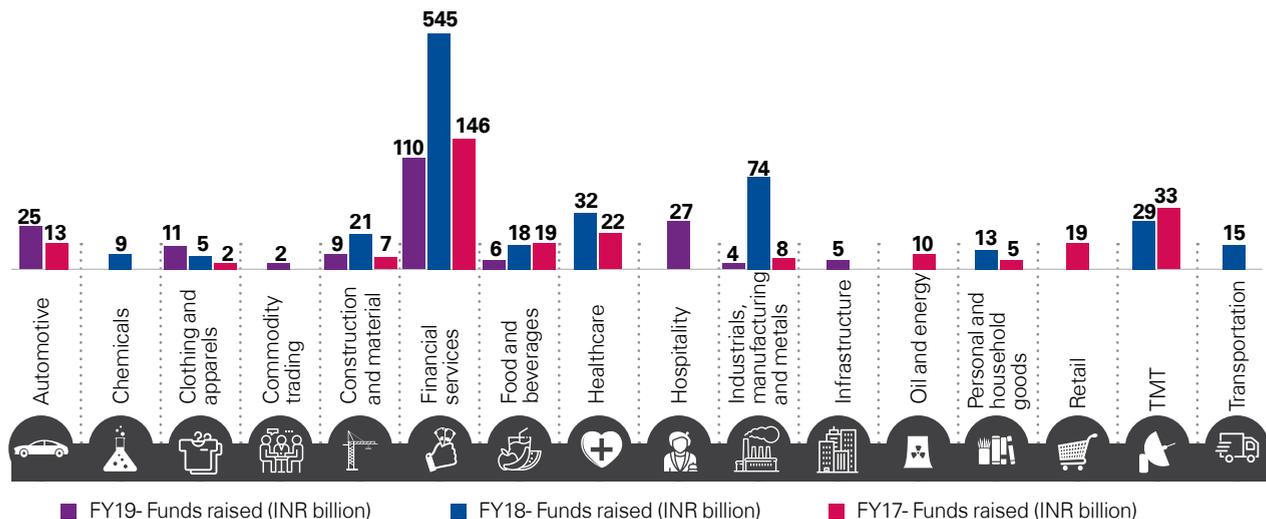
FY19 witnessed a slowdown in the listing space, compared to the two preceding years. Of the 18 listings during the year, the top three sectors in terms of number of listings were Financial Services, Construction and Materials and Hospitality with five, three and two listings, respectively. Financial Services sector leading the pack, raised INR110 billion constituting 55 per cent²¹ of the total funds raised during the year. The top three sectors constituted 56 per cent of the listings, raising 73 per cent²¹ of the year's total funds raised.

Financial Services was again the frontrunner amongst the sectors during FY18 with a total of 12 listings, followed by Construction and Materials at six and Industrials, Manufacturing and Metals at five²¹. The companies in the Financial Services sector also raised the maximum capital at INR546 billion²¹ or around 72 per cent of the total funds raised during the period, with the help of listings of the companies in the insurance space. These three sectors together accounted for 56 per cent²¹ of the listings and around 84 per cent²¹ of the

funds raised, as against 73 per cent²¹ raised by same percentage of listings in FY19.

Though the distribution was relatively less concentrated in FY17, the pattern was repeated. The top three sectors included Financial Services with six, followed by TMT with five and Healthcare with three listings²¹. Together, those companies accounted for 54 per cent²¹ of the listings with 71 per cent²¹ of the funds raised. Financial services alone accounted for over 51 per cent²¹ of the funds raised.

Listings by sector FY17-19



Source: KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

21. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

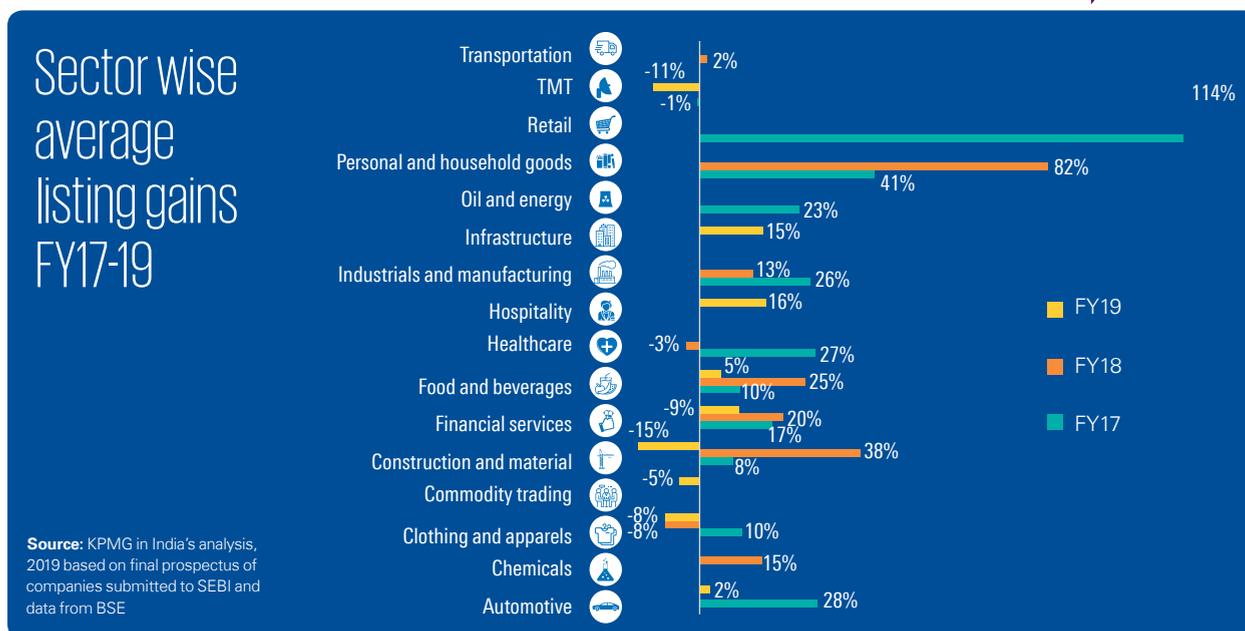
55 out of the 85 companies listed during FY17, FY18 and FY19 provided comparable data in the final prospectus regarding the P/E ratio for the price at which the shares were offered and the corresponding P/E ratio for the industry or peers. Remaining 30 companies either did not have a comparable peer set or did not explicitly mention it in the public documents. Of the 55 companies that shared peer average P/E, two companies had negative EPS²². Only three sectors viz. TMT, Food and

Beverages and Financial Services, on an average offered shares at a premium²² to their industry or peers. Food and Beverages sector IPOs offered shares at the highest average premium of 21.5 per cent²², compared to industry average.

Coming to sectors with more than one IPO which reported negative average listing gains across the three fiscal years, Construction and Material sector yielded negative return²³ in FY19. During FY18, two sectors reported negative average listing gains²³. These included

Healthcare and TMT sectors. FY17 saw only one sector, TMT, report negative average listing gains²³. FY19 witnessed six sectors with single listings, while the same figures in FY18 and FY17 were two and four respectively²³.

Food and Beverages sector companies offered shares at a 21.5 per cent premium over the industry average



22. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

23. KPMG in India's analysis, 2019 on the basis of data from BSE

Private equity exits

A total of INR1,245 billion²⁴ was raised during FY17, FY18 and FY19, with 48 per cent²⁴ raised by the 39 PE backed companies. In general, the non-PE backed companies performed better on the listing day as compared to their PE backed counterparts.

The 39 PE backed companies generated an average 15 per cent²⁵ listing gain compared to an average 17.7 per cent²⁵ listing gain by the non-PE backed companies. After excluding the 11 PSUs which returned an average of negative 0.1 per cent²⁵, the difference

was greater, with non-PE backed companies seeing their average listing gains increase to 23.3 per cent as against 17.7 per cent, including PSUs²⁵.

Financial Services, TMT and Healthcare sectors witnessed maximum PE exits. While the Financial Services sector saw 14 exits over three years, TMT saw five and Healthcare, Food and Beverages, Clothing and Apparel and Construction and Material had three PE exits²⁴, each. While FY18 witnessed 3.8 times²⁴ increase in funds raised in the primary markets

over FY19 and 2.7 times²⁴ over FY17, PE backed companies raised 4.2 times²⁴ of funds raised in FY19, in FY18 and 1.7 times²⁴ of those raised in FY17. The listing day average market capitalisation of the PE backed companies at INR97 billion²⁴, was around 21.2 per cent²⁴ higher on an average than their non-PE backed counterparts, excluding PSUs. The average market capitalisation of the 11 PSUs was INR195 billion²⁴. This was just over two times of the PE backed and more than 2.4 times of the non-PE backed counterparts²⁴.

Breakup between PE and non-PE backed companies

Year	PE backed companies					Non-PE backed companies				
	Number of companies	Funds raised* (INR bn)	Avg. over-subscription**	Avg. market cap*	Avg. listing gains	Number of companies	Funds raised* (INR bn)	Avg. over-subscription**	Avg. market cap*	Avg. listing gains
FY19	5	77	2.8	70.1	4.8%	13	122	12.5	62.6	0.9%
FY18	20	306	32.2	110.8	14.8%	20	437	57.2	159.1	25.2%
FY17	13	194	20.1	81.5	16.5%	12	77	31.4	68.9	25.1%
Total	38	577	24.2	95.4	14.1%	45	637	37.4	107.2	18.2%

Source: KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI and data from BSE

* INR billion | ** No. of times

24. KPMG in India's analysis, 2018 based on final prospectus of companies submitted to SEBI

25. KPMG in India's analysis, 2019 on the basis of data from BSE

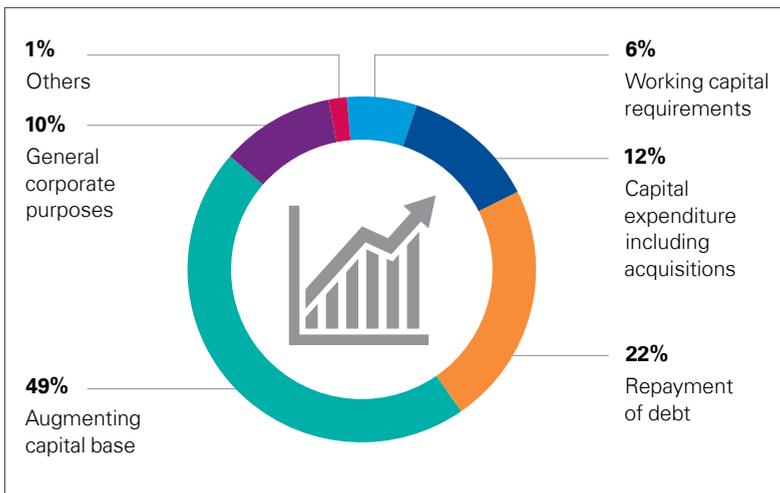
Use of funds

Of the total funds²⁷ raised over the three years, 78 per cent²⁶ were raised through an Offer for Sale (OFS) by existing shareholders including promoters and the remaining 22 per cent²⁶ were raised through fresh issue. In absolute terms, the funds raised via OFS in FY18 were INR615 billion²⁶, which was 2.8 times and 2.5 times of FY19 and FY17 levels, respectively²⁶.

The highs seen in the market in FY18 could also be the reason behind significant fund raising through OFS route; with the existing shareholders (Promoters/PEs) resorting to monetisation of their holdings and profit booking at desired levels. 32 companies²⁷ listed during the three year period under consideration, raised capital only through the OFS route, 39²⁷ opted for both means while the remaining 13²⁷ solely relied upon fresh issue to raise capital²⁶.

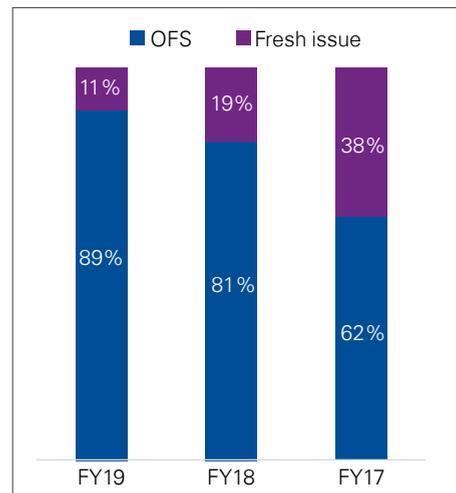
78% of funds raised through OFS - exit for Investors and Promoters

Breakup of use of fresh issue proceeds



Source: KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

OFS-Fresh Issue Breakup



26. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

27. Data of 84 companies

While funds raised through OFS during FY19, FY18 and FY17 were INR162 billion, INR615 billion and INR177 billion²⁸, respectively, the fresh issue capital split was INR21 billion, INR147 billion and INR107 billion²⁸, respectively, for the three years. Excluding the offer related expenses for fresh issue, the total amount raised by companies from fresh issue was around INR263 billion²⁸. 21.9 per cent of the total fresh issue proceeds was spent on repayment of debt, with capital expenditure accounting for another 11.6 per cent²⁸. The largest share of 48.7 per cent²⁸ was related to

augmenting capital base, reflecting the regulatory requirements.

Of the 52 companies that raised fresh capital during the three year period, the top five companies accounted for 43.7 per cent²⁸ of the fresh issue proceeds. Four of the five companies belonged to the Financial Services sector. Five companies accounted for more than half of the total amount of INR57.6 billion²⁸ raised for repayment of debt by 28 companies.

A total of INR30.6 billion²⁸ was raised during the period for capital expenditure projects. These included

spends on purchase of capital assets, setting up of new facilities, expansion or up-gradation of existing infrastructure and acquisitions. The top five companies raised 60.1 per cent²⁸ of capital expenditure related funds.

Funds from fresh issuances were primarily used to enhance the capital base



28. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI [Data of 84 companies]

Costs of issue

An IPO can be a costly exercise in terms of both time and resource commitments. A number of external parties are involved in the IPO process of a company. While some of these viz. underwriters, lawyers, registrars are necessitated by law, a few companies also hire external advisors who work across various areas to support the company and help derive maximum value out of the process.

A total of INR36.1 billion²⁹ was spent on issue related expenses during the three years with INR7.2 billion²⁹ being spent during FY19. In terms of total expenses as a percentage of funds raised, FY19 and FY17 were nearly at par with average expenses of 5.3 per cent and 5.2 per cent²⁹ respectively, compared to FY18 IPOs which incurred marginally lower average costs at 4.9 per cent²⁹.

The average funds raised in FY19 were INR10.7 billion²⁹ for which the average issue expense was INR0.42 billion²⁹. The average issue expenses were similar in FY18 and FY17 at

INR0.43 billion and INR0.44 billion respectively, which were incurred to raise INR18.6 billion and INR10.9 billion on an average, in FY18 and FY17, respectively²⁹. The effectively lower average issue expense in FY18 is highlighted by the fact that similar expense of INR0.43 billion²⁹ per IPO, in FY18, compared to FY19 and FY17, was incurred to raise additional 70 per cent²⁹ funds, compared to FY19 and FY17.

The larger fund raise in FY18, with a stable expense base, was primarily on account of large IPOs with lower issue expenses. The costs incurred by five Insurance sector IPOs in FY18, were INR4.5 billion²⁹, accounting for mere 1.15 per cent of the total funds raised by these five companies, which was in excess of INR430 billion²⁹.

29. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI [Data of 84 companies]



Issue related expenses as a percentage of funds raised



Source: KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

While the average issue expense for private companies was 5.4 per cent³⁰ of the funds raised during the three year period, it was 3.1 per cent³⁰ for PSUs. The PSUs accounted for nearly a quarter of the funds raised during the three years yet paid less than 9 per cent³⁰ of the issue related expenses paid-out during the said period.

The Financial Services sector was the leading sector across the three years, in terms of quantum of funds raised. While the issue expenses in FY19 and FY17 were 5.3 per cent and 5.2 per cent³⁰ of funds raised during the respective years, FY18 proved to be an exception, with the

issue expenses accounting for 4.9 per cent³⁰ of funds raised during the year. This marginal decline was driven by the five Insurance companies that got listed in FY18, with average issue expenses of 1.15 per cent³⁰. Only one of the five, spent more than 2 per cent³⁰ of funds raised as issue expenses. Two of the remaining four spent around 1.2 percent while the other two spent less than 1 per cent³⁰. Industrials, Manufacturing and Metals sector witnessed variance in terms of issue expenses. The average expense to fund raised ratio of two IPOs was 7.1 per cent in FY17, dropping to 3.7 per cent in FY18³⁰, which was the average of five IPOs.

On an absolute basis over the three year period, the IPOs with the highest issue related expenses belonged to the Financial Services sector, with five companies in the sector occupying the top spot, spending over INR1 billion³⁰ each.

While there were certain exceptions, the general trend was that the expenses as a percentage of issue size were inversely proportional to the size of the issues³⁰.

The IPOs with the highest issue related expenses belonged to the Financial Services sector, with five companies spending over INR1 billion each

PSUs raised a quarter of the funds but paid less than 9 per cent of the issue related expenses



30. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI [Data of 84 companies]

PE backed companies on an average spent a tad more on issue related expenses as a proportion of issue size, as compared to non-PE backed

companies including PSUs³¹. PE backed companies in total spent 5.11 per cent of the issue size compared to non-PE backed companies that

spent 5.04 per cent on the issue related expenditure. Excluding PSUs, this figure was 5.67 per cent³¹.

Issue related expenses on the basis of size of offering

Issue size (INR billion)	FY19		FY18		FY17	
	Number of companies	Avg. issue expense	Number of companies	Avg. issue expense	Number of companies	Avg. issue expense
<1	2	10.2%	2	10.1%	1	6.0%
1-5	5	5.2%	11	6.4%	9	6.9%
5-10	2	5.7%	14	5.4%	5	5.0%
10-15	3	4.5%	4	3.2%	7	4.4%
15-20	3	4.7%	3	4.4%	1	1.8%
>20	2	2.4%	7	1.2%	3	3.1%
Total	17	5.3%	41	4.9%	26	5.2%

Source: KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI

31. KPMG in India's analysis, 2019 based on final prospectus of companies submitted to SEBI [Data of 84 companies]



Future outlook

A stable government in India and efforts towards greater formalisation of the economy could fuel the growth of the stock markets in the medium-term. In addition to the economic factors at play, there has also been a pent-up demand for capital, across sectors. While the primary market activity has only picked up in the recent years, resulting in a pipeline of companies looking to go to the market and raise capital, a number of PE investments are also at the end of their investment cycles, with the investors looking for exits. The shifts in lending by banks has also resulted in a liquidity crunch which again led to companies considering the primary markets for raising debt and equity.

On the supply side of money, retail participation especially through mutual funds, has increased. Furthermore, it is expected that bank recapitalisation may drive up the credit disbursal to the companies that could lead to increased business activity/investments and further tapping into the primary markets by companies, in general. The Insolvency and Bankruptcy Code (IBC) will also lead to productive assets being put to use. All of this is expected to enhance the economic activity and growth, and set up a number of companies with a better growth story.

On the flip side, there are several developments taking place in the global economy that could dampen

market sentiment. The improved economy in the USA leading to withdrawal of money from the emerging economies, the increasing prices of crude in the global market and the Indian Rupee depreciating to new lows, are some of the major factors that should cause concern. Additionally, the concerns with respect to the financial sector and the NBFC space in particular, are also impacting market sentiment.

Despite all these headwinds, we expect FY20 to remain attractive, driven by strong economic growth in the country and strong fundamentals.



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KPMG in India's services

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- Evaluate alternatives to fund raising
- Evaluate your readiness to go public including the right listing destination
- Assist you in your preparatory process
- Help you deal with the challenges of being a public company (post IPO).

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