

IPO

India IPO market gains steam, with scooter maker Ola on deck

Foreign investors gravitate toward fast-growing economy as China risks mount



India saw 220 initial public offerings on its two big stock exchanges in 2023, up 48% from the previous year. © Reuters
RYOSUKE HANADA, Nikkei staff writer March 19, 2024 05:51 JST

MUMBAI -- The Indian market for initial public offerings looks poised to remain brisk this year, with planned debuts by companies like Ola Electric Mobility, amid an influx of capital from foreign investors seeking an alternative to China.

JG Chemicals, a supplier of zinc oxide, used in products from tires to cosmetics, enjoyed a dual listing last Wednesday on the BSE and the National Stock Exchange.

"With the Make in India theme and the 'China plus one' theme, we've seen robust demand," Chief Financial Officer Anuj Jhunjhunwala told local media, referring to India's manufacturing initiative and the trend of

companies with China-reliant supply chains diversifying into another country, often India.

"We're looking at growing our business multifold in the next few years," he said.

India logged real gross domestic product growth of 8.4% in the last quarter of 2023, and its stocks have been booming. Benchmark indexes such as the BSE's Sensex have set record highs, creating a favorable environment for companies to use IPOs to fund investments in growth.

Ola in December filed a draft prospectus for its planned IPO with the Securities and Exchange Board of India (SEBI), setting out plans to raise up to 55 billion rupees (\$664 million) via a dual listing on the BSE -- formerly Bombay Stock Exchange -- and NSE.

The ride-hailing company and scooter maker, founded in 2017 by entrepreneur Bhavish Aggarwal, has built up a mass production base in southern India with capital from investors such as Japan's SoftBank Group.

Ola plans to invest money gained from the IPO into vehicle and battery production, as well as repay debt. The company looks to make its stock market debut this year, according to a source familiar with the situation.

Hyundai Motor, the No. 2 player in India's passenger vehicle market, reportedly plans an IPO for its Indian arm within the year, local media said in February. The South Korean automaker said that while nothing has been determined, it is always considering options to increase corporate value, including listings of foreign subsidiaries.

Companies raised a total of \$6.9 billion on the BSE and NSE last year, [outpacing](#) the \$5.6 billion on Hong Kong's exchange, a report released by Ernst & Young in December shows. India also stood out in IPO volume with 220 deals, a 48% jump from 2022.

This reflects demand for capital across a wide array of industries, including manufacturing, pharmaceuticals and IT. Among last year's listings were Mankind Pharma and Tata Technologies, a member of the Tata Group conglomerate that provides automotive and aerospace engineering services.

India has seen many IPOs by small and midsize companies as well, though the scale remains small compared with the U.S. or China.

"The Indian primary market is currently experiencing a robust phase, driven by strong retail participation and significant liquidity from institutional investors," said Prashant Singhal at EY, adding that "market confidence is bolstered by a growing economy, massive listing gains, improved corporate earnings and an increase in the number of listings from the SME segment."

The reshuffling of supply chains amid U.S.-China tensions also has benefited Indian stocks, as has an influx of money from foreign investors seeking alternatives to China amid economic security concerns. Net buying by foreign investors came to 1.71 trillion rupees last year.

"Companies have been drawn to India's strong domestic growth as they seek new markets for growth opportunities and supply chain diversification amid the slowdown in their home markets and growing geopolitical tensions," said Ashok Lalwani, an attorney at Baker McKenzie.

"While we may see a lull in activities over the next few months when issuers and investors take a wait-and-see approach in the lead up to the general elections, this is likely to be temporary," he said.

India's share of global IPOs has been growing, reaching 17% last year, according to EY. This quarter is expected to bring 75 deals, a sharp increase from a year earlier.

Momentum around the startup stage [has slowed](#), however, as global shifts such as monetary tightening make investors more selective. Venture capital

investment in India totaled \$2.2 billion last quarter, one-seventh of its peak in July-September 2021, data from KPMG shows.

Governance concerns hang over Indian equities even amid their recent highs. Shares of companies in the Adani Group conglomerate have been recovering from last year's [fraud allegations](#) by short-seller Hindenburg Research, but Bloomberg reported Friday that Adani faces a bribery investigation in the U.S.

Shares in Paytm operator One97 Communications have languished below their offering price since shortly after the 2021 IPO, most recently amid alleged compliance violations that led the Reserve Bank of India to order the company to halt some operations.

SEBI imposed stricter disclosure rules for IPOs in 2022.

"While the immediate impact on the number of IPOs was a slowdown for a while, the intent by SEBI was for long-term benefit, aiming for a transparent IPO market," said Trivesh D, chief operating officer of brokerage Tradejini.