

EMEIA – India market insight

Government, markets and investors are closely monitoring the impact of COVID-19. Capital markets likely to gain momentum post its elimination.

“The COVID-19 pandemic is the biggest crisis seen in decades. It continues to impact livelihoods and economies worldwide, creating uncertain times. Indian capital markets have experienced significant erosion of market capitalization and companies will take time to recover. While this may present a viable long-term investment opportunity caution is being observed in the short-term. Sectors like life sciences, pharmaceuticals and digital are likely to revive sooner in the current economic climate.”

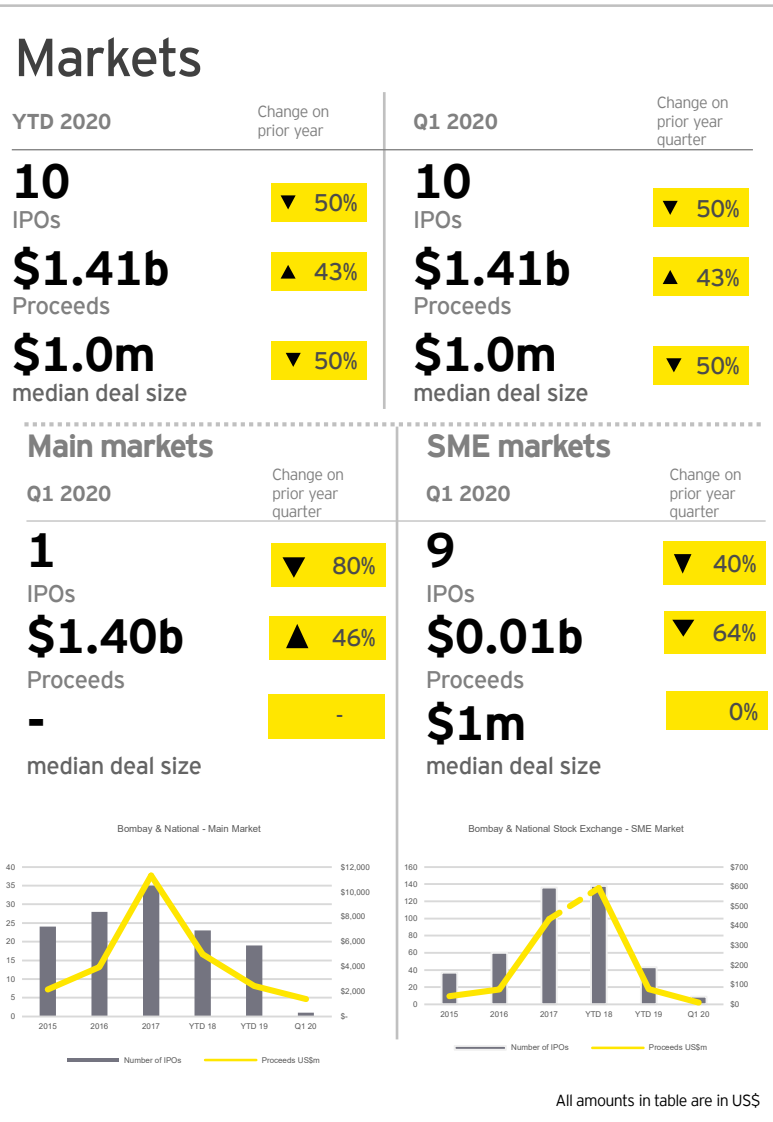


Sandip Khetan
EY India IPO Leader

EMEIA – India IPO market insight

Highlights from the market

- ▶ Indian stock exchanges (BSE & NSE including SMEs) ranked eighth in the world in terms of number of IPOs in Q1 2020. There were no cross-border deals.
- ▶ In the main markets (i.e., BSE & NSE), there was one IPO in Q1 2020 versus five IPOs each in Q1 and Q4 2019. This represents a significant drop of 80% as compared to Q1 2019 and Q4 2019. As regards SME markets, there were 9 IPOs in Q1 2020 versus 15 IPOs and 6 IPOs in Q1 2019 and Q4 2019 respectively, representing a significant drop of 40% as compared to Q1 2019 and increase of 50% over Q4 2019.
- ▶ Consumer products and retail was the most active sector (in terms of number of IPOs) with three IPOs launched on SME markets with approximately US\$1 million each.
- ▶ In March 2020, the IPO of SBI Cards and Payments has been India's largest IPO in over two years, with an issue size of US\$1.4b. It was subscribed over 22 times.
- ▶ As many as 72 changes in 65 sections of the Companies Act have been proposed in March 2020. This will allow Indian companies to directly list on certain foreign stock exchanges, provide easier access to deeper and diversified pools of capital, broader investor base, better valuations and in turn, boost the India brand globally.
- ▶ Following on from the Budget, the Finance Bill 2020 passed by the Lok Sabha on 23 March 2020 has proposed to carry on the amendments so that dividend or income from units are taxable in the hands of the shareholders/unitholders. This will likely make REIT and InVITs less attractive to investors.
- ▶ One of the key requirements of SEBI (LODR) 2018, for a Company's Chairperson, has been deferred by two years and Indian Companies shall be allowed their shares overseas.
- ▶ Governments, companies, investors and markets are closely monitoring the impact of COVID-19. IPO activities are likely to pick up momentum only post elimination of the said virus. Further, the steps government and regulatory authorities take to boost the economy will be key for the revival of capital markets.



Activity Q1 2020

Sectors by highest number of IPOs Consumer products and retail 3 IPOs \$ 3m	IPOs largest by proceeds SBI Cards & Payments Services Ltd \$1.4b Banking & Capital Markets Hindprakash Industries Ltd \$2m Diversified Industrial Products	Bombay & National - Main Market IPO pricing and performance First-day average return -9.7% Share price development since IPO -8.72% <small>+ or - indicates change compared to offer price at IPO</small> Equity index BSE SENSEX -27.6% India
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All amounts in table are in US\$. + or - indicates change since 1 January 2020

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