

News monitored for: Kotak Investment Banking

# THE FINANCIAL EXPRESS

## INTERVIEW: S RAMESH

COO, KOTAK INVESTMENT BANKING

# IPOs may come back on improved macro environment

*The 18% fall in equity markets has put the IPO plans of companies off-gear. In an interview with Devangi Gandhi and Muthukumar K. S Ramesh, COO of Kotak Investment Banking says that IPO issuances will come back once the domestic macro-economic situations improve and market volatility starts cools off. Excerpts:*



### Will the correction in equity markets lead to postponement of IPOs?

By and large, primary markets follow sentiments of secondary markets, which are currently facing headwinds on two major fronts. First, being macro economic factors around higher inflation, interest rates and rising input prices and secondly, global sovereign issues in the US and Eurozone.

Additionally, secondary markets, globally and in India, continue to be volatile making it difficult for most investors to take new equity bets.

India may emerge as a good destination for incremental foreign flow into equity market in the medium term. This may propel the primary markets. Indian capital markets are likely to recover faster and new issuance activity will commence once macro factors start correcting.

### What options are companies adopting other than primary market route?

Corporates/promoters are also tapping private equity for funding. Wherever companies have low leverage, they are resorting to ECB/other foreign debt.

### How were the June quarter results?

The June quarter results of companies have shown healthy volume growth, even though margins are compressed due to higher costs. Sectors like Banking and FMCG are preferred by investors. Interest rate sensitive companies will likely get revalued in the secondary markets. The infrastructure sector needs equity financing. It will need policy support to attract equity investment.

### Are you positive on sector from the primary market perspective?

We are probably nearing the peaking of the interest rate cycle. Softer commodity

prices, especially oil would be an additional trigger for the revival of the markets. In my judgment this would be about 1 to 2 quarters away.

Consumption themes and the Banking sector in particular will be liked by equity investors. On the back of new policy reforms, the infrastructure sector could get rerated. Groups and companies with good corporate governance track record will be preferred by investors. Government companies are typically large profitable enterprises with an excellent track record. Government issuances have been the darling of the capital markets.

### Companies have become responsive to investor view point in pricing of IPOs

Currently, it is a buyers market where investors have the upper hand. It is inevitable for corporates to appreciate and understand the investor's view point in pricing new issuances.

### Where do you think IDRs stand as a product?

The first IDR issuance was a success. The policy making on the IDR product amongst regulators is work in progress and will suitably evolve over time. Indian valuations are likely to fuel a few multinationals to look at IDR issuances over time.