Equity market in 5M-FY27

There has been a lot of optimism in the capital market as reflected by the equity issuances in the first five months of the year. This is notwithstanding the global environment which is typified by uncertainty and volatility. Some of the largest IPOs have been lined up in the coming months which means that the appetite is high. In this context, it is compelling to look at how the equity issuance market has performed during the last 5 months.

To get a fair picture of the equity issues during the year, one could look at the division of the same into different buckets which is represented in Table 1. Total issuances could be fresh issuances where capital is added to the balance sheet of the company and OFS (offer for sale) where the existing shareholders are selling the stake. The latter is significant because this also is a measure of investors cashing out from the company and earning a profit. When the entities involved are foreign, then it corresponds with a FDI outflow.

Table 1: Progress and structure of equity issuances in 5M-FY27 (Rs crore)

	Total	Total: Fresh	Public	Private Placements	Rights	Offer for sale	o/w IPO
2022-23	**79,631**	***52,466***	12,660	33,223	6,583	***27,165***	*26,530*
2023-24	**57,942**	***37,053***	6,343	23,837	6,874	***20,888***	*9,172*
2024-25	**1,41,157**	***1,12,988***	39,571	56,787	16,630	***28,170***	*21,376*
2025-26	**1,33,410**	***99,070***	31,437	50,592	17,041	***34,340***	*29,049*
2026-27	**2,36,067**	***1,65,528***	29,922	1,32,368	3,238	***70,540***	*26,801*

Source: CMIE

As can be seen in the table FY27 has witnessed the highest equity issuances in the last 5 years with Rs 2.36 lkh crore being raised in the market. Of this Rs 0.70 lkh crore is through OFS which is also the highest during this period and a little over half of what was raised in FY26. Total fresh issuances were Rs 1.65 lkh crore and comprised interestingly of private placements which accounted for 80% of the total. Hence only 20% of the total fresh issuances came to the market in the form of public issues or rights. Again, within the OFS issues, only 38% came into the public domain. Therefore, in sum, around Rs 0.60 lkh crore or 25% of total issuances were for the public.

There has hence been a lot of buoyancy on the equity issuances over the last 5 years or so with the quantum increasing from Rs 0.80 lkh crore in FY23 to Rs 2.36 lkh crore in FY27. This was also the period when two developments took place. The first is in terms of the war with Iran which did cause disruption to begin with as supply chains took a hit. However, clearly, companies have gone ahead with their plans during this period and are positive about the growth prospects of the economy. The second is the secondary market as indicated by NIFTY, which has registered an increase of 7.8% between March and August, which is higher than 3.9% witnessed last year. Hence while the stock indices have been volatile being guided by the economic and political developments on a near real time basis, the direction has been in positive direction which has also been the case with global indices.

Table 2 provides information on the number of companies which have been raising money in the equity market during this period over the last 5 years.

Table 2: Number of companies raising equity in 5M of the year: Number

	Total	Total: Fresh	Public	Private Placements	Rights	Offer for sale	o/w IPO
2022-23	**311**	***293***	46	133	114	***18***	*11*
2023-24	**397**	***367***	75	197	95	***30***	*24*
2024-25	**613**	***575***	134	332	109	***38***	*33*
2025-26	**491**	***426***	131	222	73	***65***	*51*
2026-27	**377**	***312***	116	155	41	***65***	*53*

Source: CMIE

Table 2 shows that the number of issuances has not followed any pattern and peaked in FY25 when there was also a sharp rise in the total issuances from Rs 0.58 lkh crore to Rs 1.41 lkh crore and over 600 companies raised capital in the market. Subsequently the number of issuances has come down. In the first five months of FY27 when the highest equity issues have taken place, the number of companies involved is lower than that in the last 2 years. This does signal to companies coming up with larger issuances.

Table 3 provides information on the ownership pattern of companies which are going in for equity issues. In the last 3 years there has been clear dominance of private companies with the PSUs being lower. However, in FY23 and FY24 the share of PSUs was higher which was associated with the disinvestment policy being pursued by the government. An encouraging takeaway is that as there is a positive correlation between fresh issuances and capex plans (though the proceeds can be used for repayment of loans, working capital or repatriation) the fact that these are coming from the private sector is indicative of higher future investment.

Table 3: Ownership pattern of equity issuances (% share in total)

Cumulative	Government	Private	Indian	Foreign
2022-23	***26.6***	***73.4***	65.7	7.7
2023-24	***25.0***	***75.0***	72.7	2.3
2024-25	***0.4***	***99.6***	96.4	3.2
2025-26	***1.6***	***98.4***	95.2	3.3
2026-27	***18.4***	***81.6***	81.1	0.5

Source: CMIE

Another important facet of these issuances is the industry profile. This is provided in Table 4 for the first 5 months of FY27.

- As is the case with the debt market, the financial services segment is the leading industry in terms of share in total equity issues, which is at 53%. Domination of financial services would also mean that these funds are being deployed for further lending or investment, which is positive from the point of view of growth. For lending institutions this would sharpen their capital adequacy ratios.
- Manufacturing follows next with 18.1% with machinery, metals and automobile companies having a fair share in total. These are also the industries which have witnessed fair traction in growth in credit as well as revealed enhanced investment intentions.

- Services have a share of 16.8% with trading and health services having significant shares. Here too there is reason to believe that a fair portion would be invested for capital formation as trade is investing in warehousing in particular. In case of health services, the focus is likely to be on creating new facilities as well as procurement of medical equipment.

Table 4: Industry wise shares in total issuances for 5M-FY27

All industries	**2,36,067**	100
Manufacturing	***42,765***	**18.1**
Food & agro-based products	2,802	1.2
Textiles	1,873	0.8
Chemicals & chemical products	4,968	2.1
Consumer goods	2,915	1.2
Construction materials	110	0.0
Metals & metal products	7,004	3.0
Machinery	11,838	5.0
Transport equipment	10,415	4.4
Automobiles & ancillaries	9,327	4.0
Mining	***2,982***	**1.3**
Electricity	***4,989***	**2.1**
Services (other than financial)	**39,711**	**16.8**
Hotels & tourism	1,665	0.7
Wholesale & retail trading	17,916	7.6
Transport services	2,776	1.2
Information technology	623	0.3
Miscellaneous services	15,202	6.4
Health services	10,966	4.6
Construction & real estate	**6,439**	**2.7**
Financial services	**1,25,099**	**53.0**
Banking services	26,016	11.0
Asset financing services	45,407	19.2
Other fund based financial services	8,062	3.4
Fee based financial services	11,749	5.0
Diversified	**14,081**	**6.0**

Source: CMIE

Concluding remarks

The coming months will be witnessing some large IPOs which will add to the buoyancy in the market. This would also lead to higher capex by companies to the extent that they utilize these proceeds for this purpose.

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