

After a gap, realty, hospitality companies line up to tap markets

The revival of these sectors in the IPO market is an indication that fortunes are changing both for the real estate industry and the broader infrastructure sector, said analysts. **See Page 3**

Realty, hospitality firms line up to tap markets

Builders, hotel chains move to raise capital via IPOs, other routes after several years

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After a gap of several years, the Indian equity capital market is seeing real estate and hospitality companies lining up to raise capital in significant numbers.

In April, Mumbai-based real estate developer Lodha Developers Ltd filed its draft prospectus for an initial public offering (IPO), which will see the company raise ₹3,750 crore in primary capital, and an offer for sale by promoters is expected to fetch another ₹1,250 crore.

Besides Lodha, Bengaluru-based

Shriram Properties Pvt. Ltd and Mumbai-based Puranik Builders, too, have started work on their respective initial share sales. Last week, Oberoi Developers had raised ₹1,200 crore from institutional investors through a so-called qualified institutional placement (QIP) offering.

Private sector real estate firms had last hit the primary market in 2010 with DB Realty Ltd, Prestige Estates Projects Ltd, Oberoi Realty Ltd, Nitesh Estates Ltd and Man Infrastructure Ltd floating their IPOs.

According to investment banking experts, the revival of these sectors in the IPO market is a sign of changing fortunes of the real estate industry as well as the broader infrastruc-

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► **IPOs in the real estate sector were last seen in 2010**, when DB Realty, Oberoi Realty and others went public

► **Hospitality firms Chalet Hospitality, Bharat Hotels and Vatika Hotels** are also said to explore IPO option

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ture sector.

"After several years, we are seeing infra coming to the market. It is not just real estate, but broader infrastructure, too, is meaningfully com-

ing to the market after a long time. Most of these companies have gone through their deleveraging cycle. Lot of the growth was getting stunted either due to leverage or just

because of slow take up," said Subhrajit Roy, executive director and head—equity capital markets origination, Kotak Investment Banking.

Roy added that these sectors would have come earlier to the market if demonetization, goods and services tax (GST) and real estate regulation and development act (RERA) had not happened.

Real estate companies have performed relatively well in the last couple of years and the government's push for housing schemes have provided additional tail-winds for the sector, said experts.

"In the last two financial years, cash flows have been good for larger players in real estate except some interim impact caused by demonetisation. Then there have been additional sops around affordable housing, and RERA also has benefited the bigger, branded players," said Roy.

Experts said investor interest in the sector too has revived. Although, they cautioned that investors are selective and only strong names will be able to tap the markets to raise funds. "Most companies that are

coming to the market are relatively well off companies, these are not companies that you have seen go through stress. The money is not available to anyone and everyone. Investors are selective, they are looking at cash flows,

the certainty of those cash flows, inventory sold etc," said Munish Aggarwal, director at Equirus Capital.

Hospitality companies too are lining up to tap the capital markets on the back of a revival in the sector.

Earlier this year, Lemon Tree Hotels had raised around ₹1,000 crore through its initial public offering, which was well received by investors. Several hospitality companies such as K Raheja Group's

The revival of these sectors in the IPO market signals changing fortunes of realty as well as broader infra sectors

Chalet Hospitality, The LaLiT owner Bharat Hotels and Delhi-based Vatika Hotels have been reported to be looking at initial public offerings.

"Hospitality has taken off significantly, occupancy has improved dramatically

over the last two years. All that has a bearing on the way companies in the sector are looking at avenues for growth capital and deleveraging, and the way investors are looking at these companies," said Aggarwal of Equirus.