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Equity Capital Markets Group

Monthly Newsletter for November 2022

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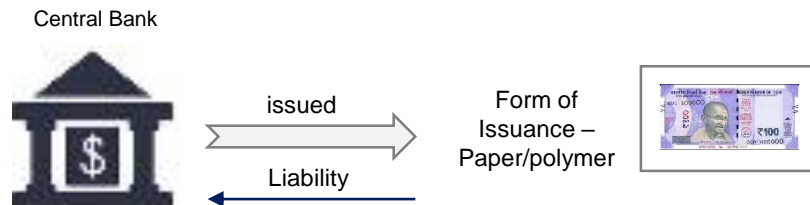
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Digital Currency | The future of money

Digital Currency – A new Evolution

What is Currency?



What is Central Bank Digital Currency (CBDC)?

Only difference is form of issuance, i.e., digital



CBDC is same as a fiat currency* and is **exchangeable one-to-one** with the fiat currency. Only its form is different.

Why this sudden interest in CBDC



Reduction in circulation of physical cash

- Reduction in physical cash can be an issue -
 - For people not accustomed to the digital system, and
 - During crisis situation
- CBDC will help in resolving the above issues to certain extent.



Significant physical cash

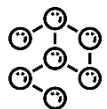
- Significant physical cash usage in jurisdictions like Denmark, Germany, Japan, US, etc.
- Central banks to use CBDC to make issuance of currency more efficient.



To meet public need of Digital Currency

- Digital currency to meet public need manifested by increasing use of private digital currencies like Bitcoin, Ethereum, etc., thereby avoiding damaging consequences due to increasing use of such private currencies.

How is CBDC different from cryptocurrency?



Decentralized

- Crypto currency is a decentralized digital asset not regulated by the central bank of any country and medium of exchange is based on block chain technology and therefore been controversial.
- CBDC is regulated by the Central Government of the country



No intrinsic value

- Crypto has no intrinsic value as compared to digital currency which will have intrinsic value on account of government backing



Not convertible directly

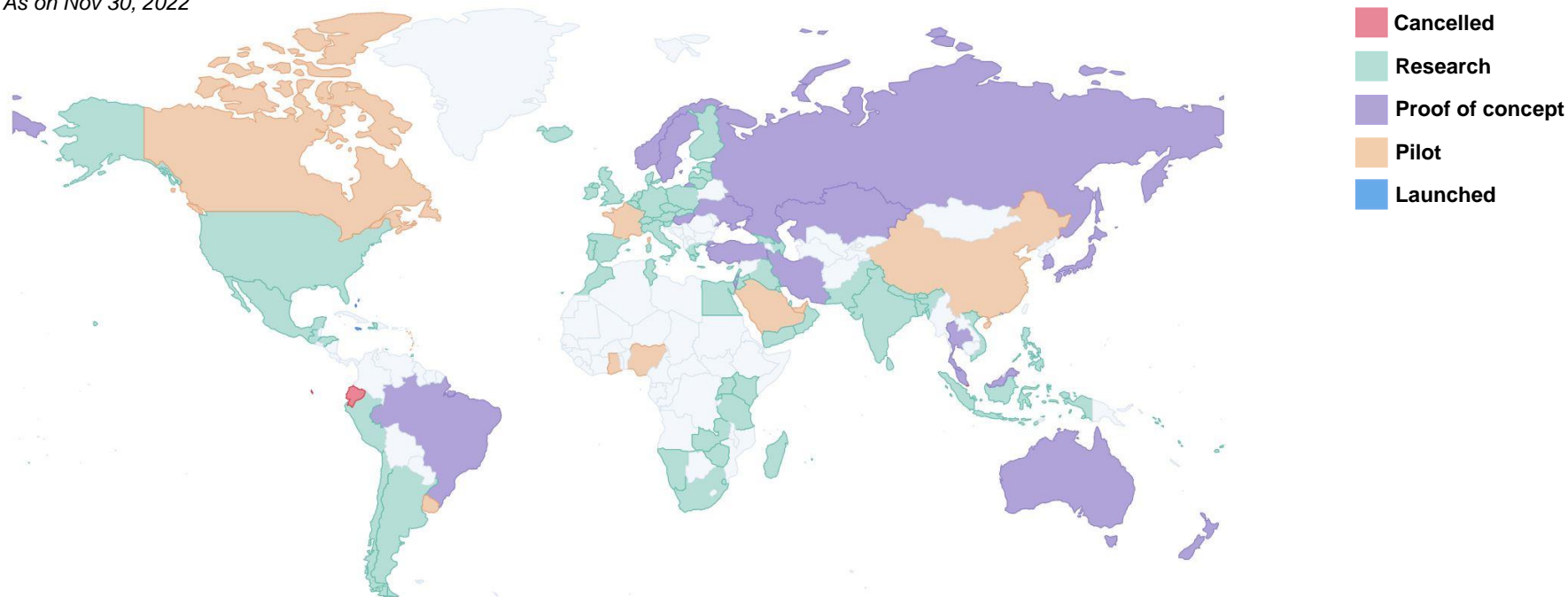
- Crypto are not convertible one-to-one into the sovereign currency like the digital currency which is exchangeable one-to-one with fiat currency

*Fiat Currency is a government-issued currency that is not backed by a commodity such as gold.

Central banks around the global gearing up for CBDC

Central Bank digital currencies status across the globe

As on Nov 30, 2022



Launched in Jamaica and the Bahamas along with 8 other Eastern Caribbean countries* and Nigeria:

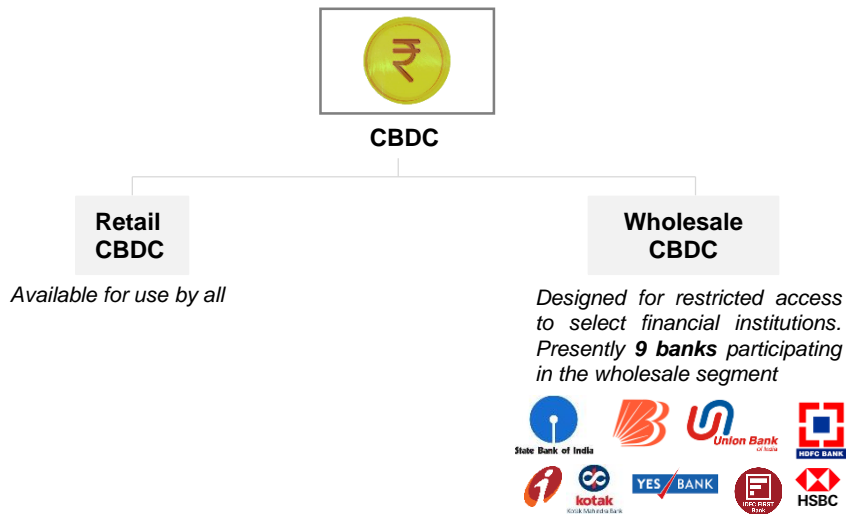
Country / Region	Central Bank	Announcement year	Description
Bahamas	Central Bank of Bahamas	2017	After a successful 2019 pilot on the island conglomeration of Exhume, the Sand Dollar was launched in October 2020 on further islands of the Bahamas. The Sand Dollar is the first ever nationwide Central Bank Digital Currency in the world.
Jamaica	Bank of Jamaica	2022	In early 2021, Bank of Jamaica expressed its interests in exploring a CBDC. In April 2021, it was announced that a pilot will be conducted from May 2021 until the end of the year. The Bank of Jamaica has commenced national rollout of its central bank digital currency (CBDC) platform during the first quarter of 2022

Source : cbdctracker.org

* Anguilla, Saint Kitts & Nevis, Antigua & Barbuda, Montserrat, Dominica, Saint Lucia, Saint Vincent and Grenada

How will RBI's CBDC (Digital rupee) work

CBDC | Retail and Wholesale

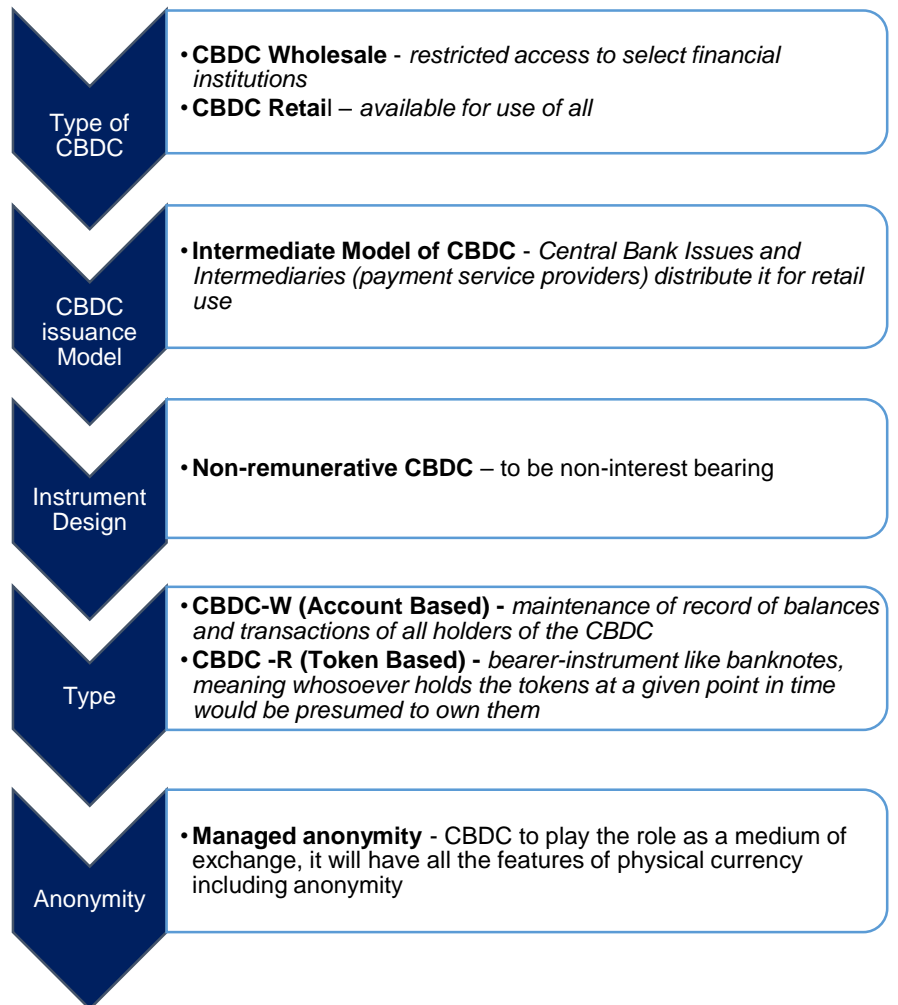


Pilot launch – December 01, 2022

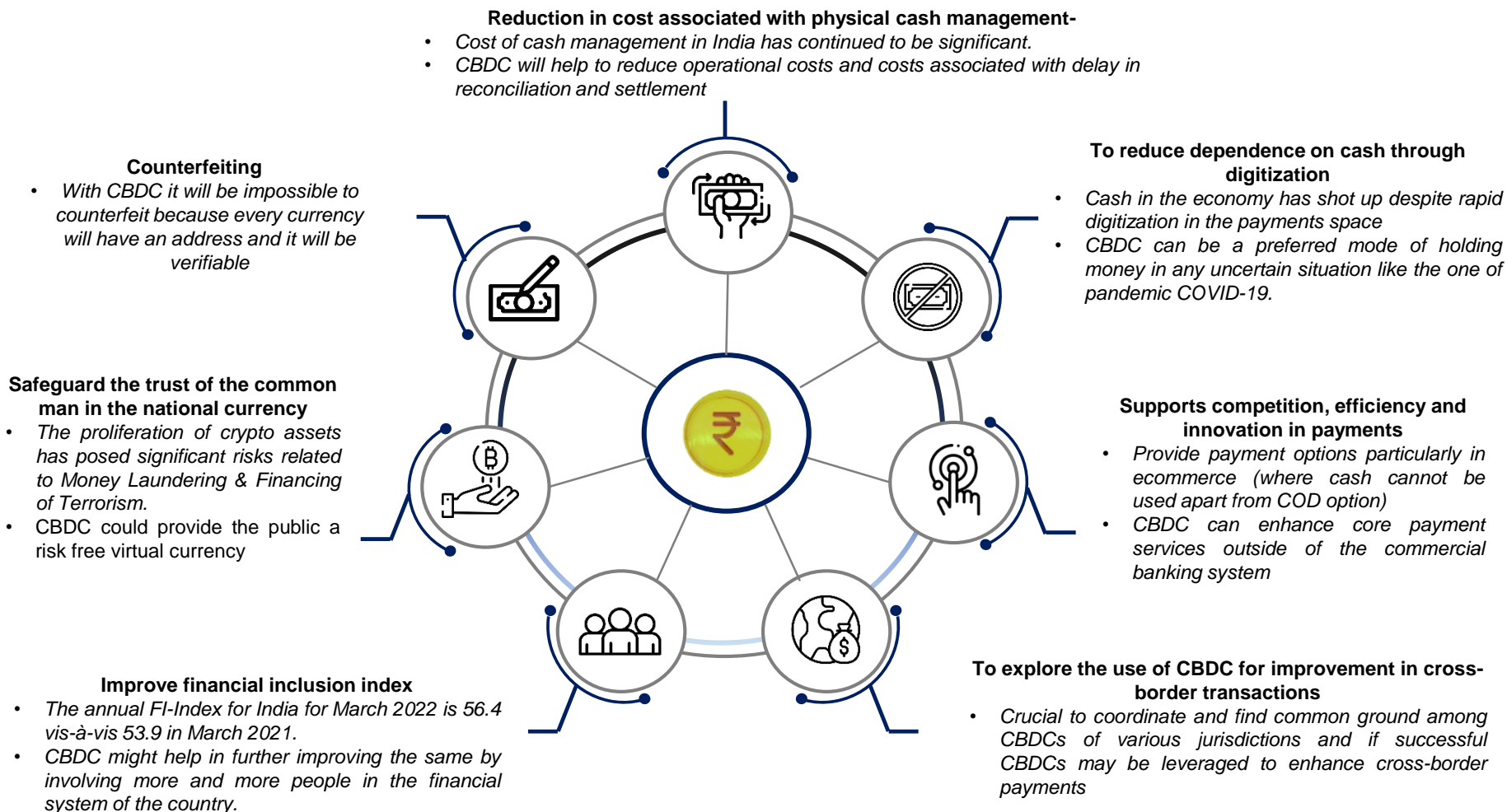


The exchange may be P2P (person-to-person) or P2M (person-to-merchant)

CBDC design Snapshot



Why has the Reserve Bank of India introduced e-rupee?



How is CBDC different from digital payment?

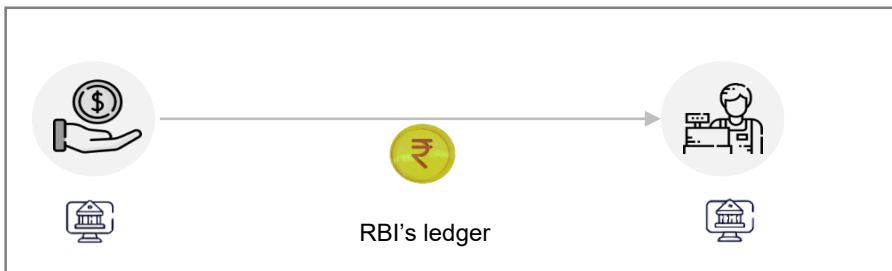
Reduces Settlement- risk of Wholesale participants

Transaction with UPI:



- On the front end, the sender gets a notification that INR 100 has been sent and the shop keeper gets a message that INR 100 has been received.
- In reality, **delta of transaction is settled on a periodic basis** i.e. **net amount** is transferred either at the end of the day or the week between the two banks.

Transaction with CBDC:



- Front end and back end transaction will take place immediately and simultaneously.

Though CBDC seems to have multiple benefits like reduction in settlement risk to wholesale participants, the benefit to retail participants seems minimal like safeguard against theft and mutilation of currency.

Offline Functionality



Digital payments traditionally rely on **online communications** with several intermediaries such as banks, payment networks, and payment processors to authorize and process payment transactions



In India out of the 1.4 billion (143.3 crores) population, 825 million people have internet access. This means many Indians are unable to use digital payment due to connectivity issue



RBI has proposed **offline functionality** of the digital rupee which would allow the users to transact even without the internet to ensure widespread usage of CBDC. Recently, the Bank of Japan has published a research paper exploring the potential offline use



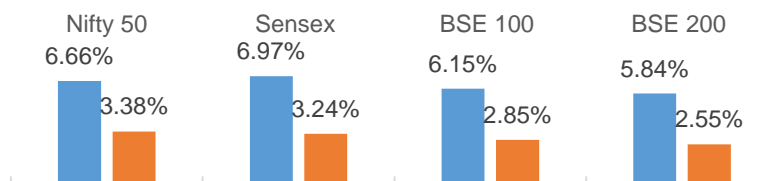
However, there might be a problem of duplication and the risk of double spending since the wallet must be able to independently verify authenticity of transactions without communicating with the server

Index Performance (India & Global)

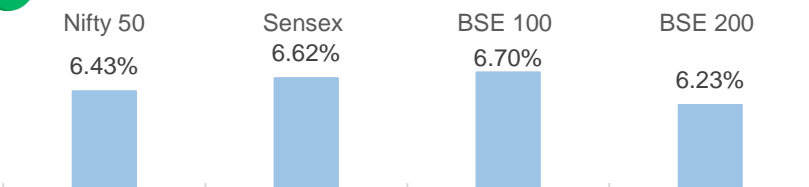
Index Performance | Global and Indian Markets

Index Performance | India

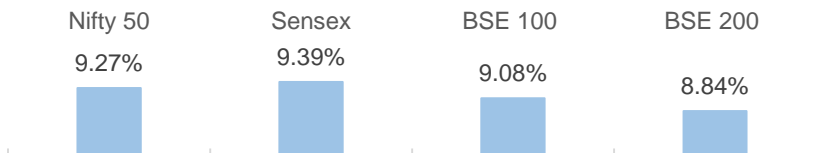
INDIA (MONTHLY) Oct 2022
Nov 2022



INDIA (CY22) January 2022 to November 2022

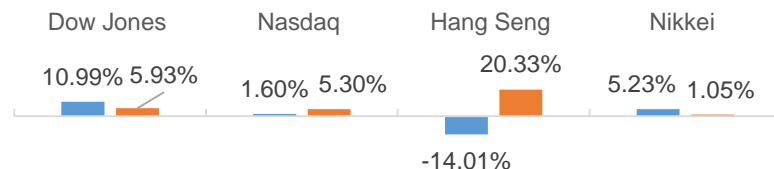


INDIA (YEARLY) December 2021 to November 2022

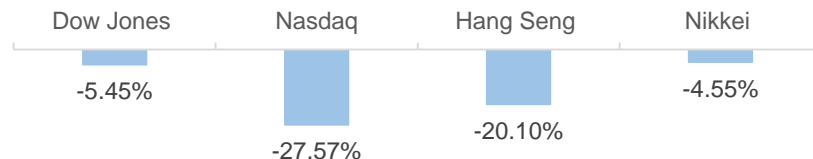


Index Performance | Global

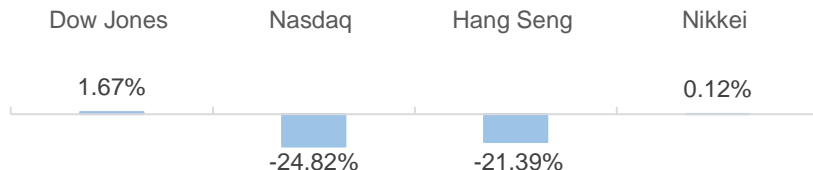
GLOBAL (MONTHLY) Oct 2022
Nov 2022



GLOBAL (CY22) January 2022 to November 2022



GLOBAL (YEARLY) December 2021 to November 2022

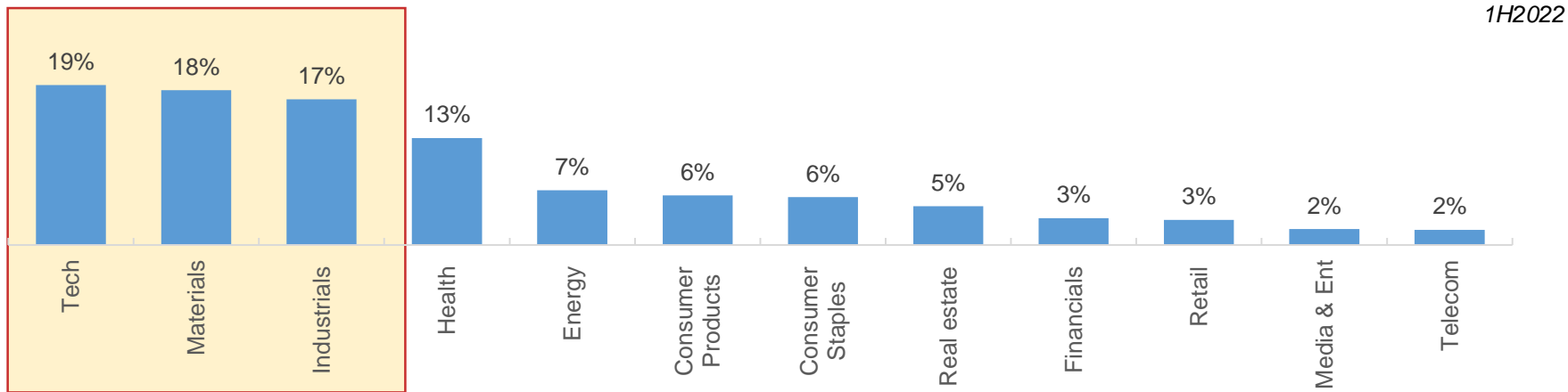


While major indices across the globe were positive, they couldn't match the October levels

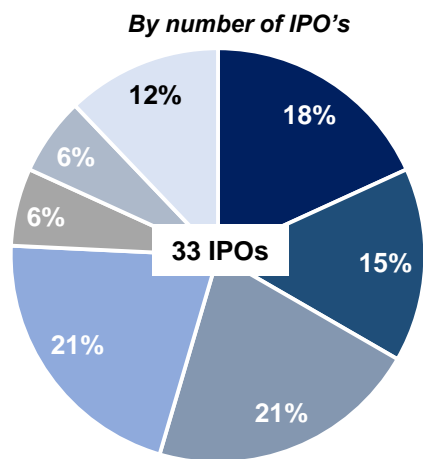
IPO Activity (India & Global)

IPOs by sector

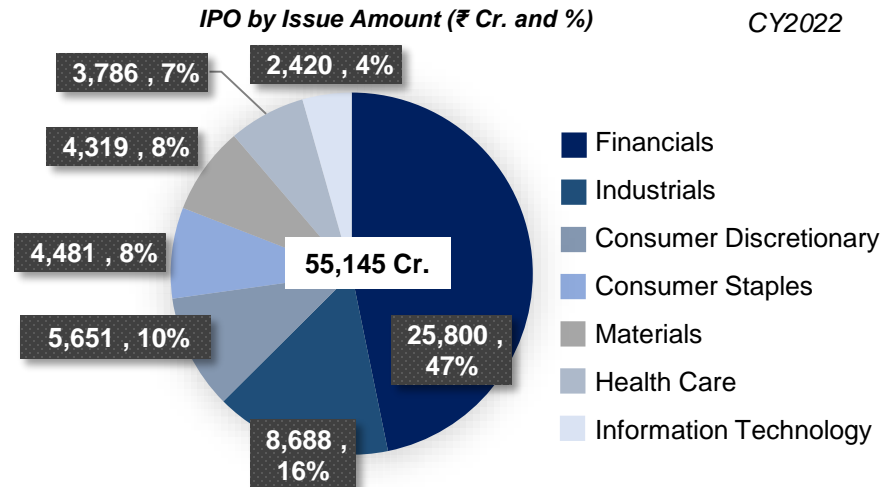
Global IPOs by sector (1H2022)



Indian IPOs by sector (CY 2022)



- Materials
- Consumer Discretionary
- Financials
- Industrials
- Consumer Staples
- Health Care
- Information Technology



- Financials
- Industrials
- Consumer Discretionary
- Consumer Staples
- Materials
- Health Care
- Information Technology

Source: EY Global IPO Trends Q2 2022

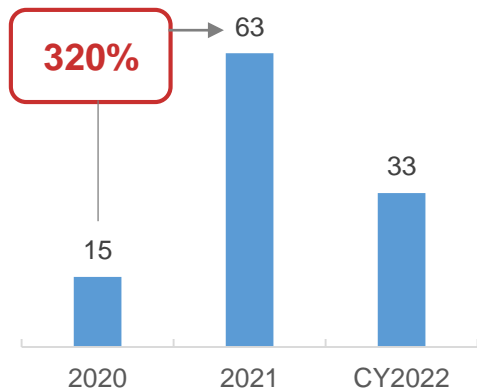
Source: Prime Database

1H2022 refers to Jan – June 2022; CY 2022 refers to Jan – Nov 2022

Sector classification for Indian IPOs is basis Global Industry Classification Standard (GICS)

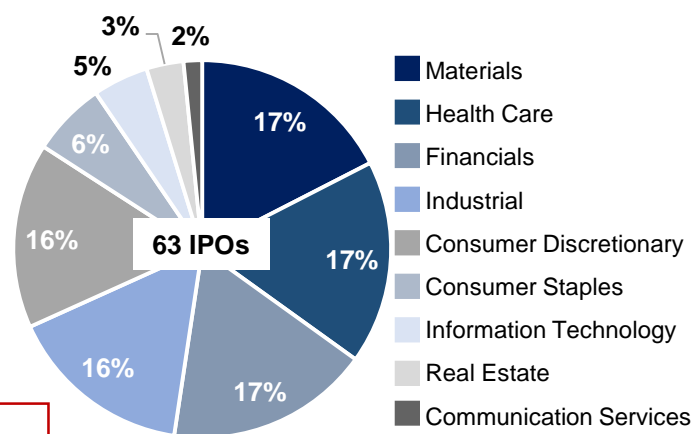
IPO activity in the Indian market

IPO activity (No. of IPOs)

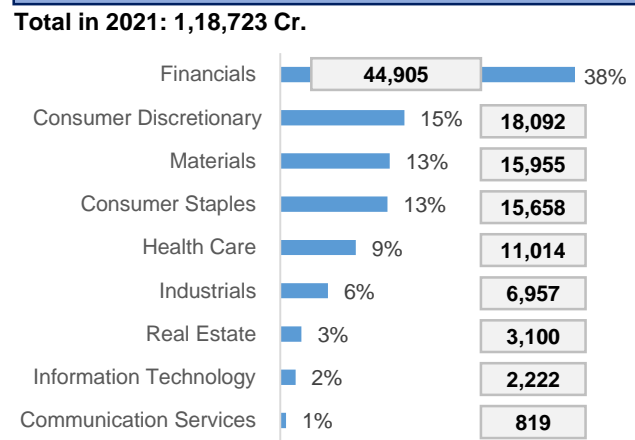


2022 shows low volume compared to 2021 while it picked up compared to 2020

IPOs in 2021 (By no. of IPOs)

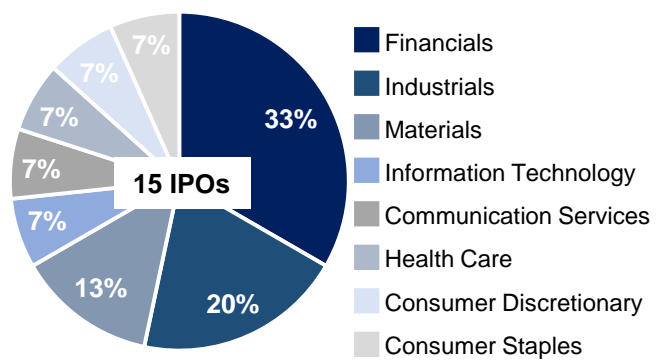


IPOs in 2021 (By issue amount in ₹ Cr. and %)



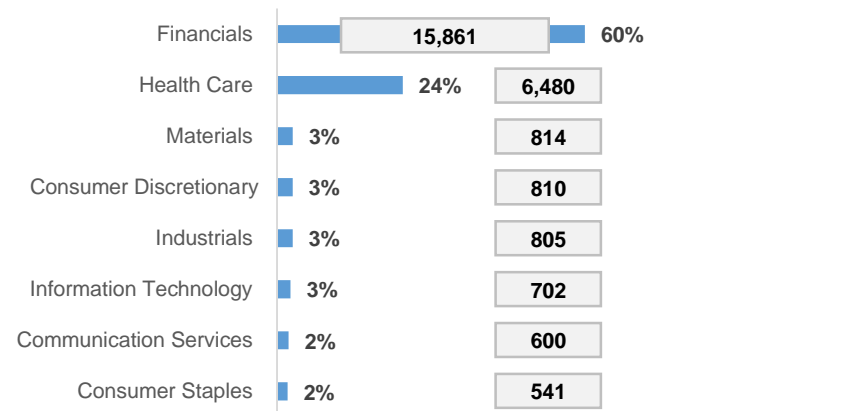
IPOs in 2020

By no. of IPOs



Total in 2020: 26,612 Cr.

By issue amount in ₹ Cr. and %



Source: Prime Database
 CY 2022 refers to Jan – Nov 2022
 2020 refers to CY 2020
 2021 refers to CY 2021

Sector classification for Indian IPOs is basis Global Industry Classification Standard (GICS)

Recent IPOs – Listing Gains and Price Movement (April – November 2022)

As on 30.11.2022

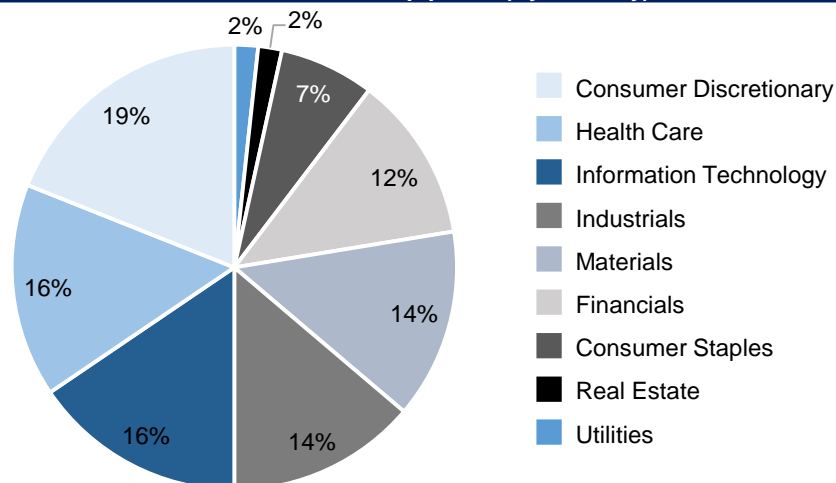
Sr. No.	Name	Issue Size	Issue Price	Listing Price	Listing gain on listing date		Closing Price	Gain	
		(₹ Cr)	(₹)	(₹)	(₹)	(%)	(₹)	(₹)	%
1	Campus Activewear	1,400	292	355	63	22%	451	159	54%
2	Rainbow Children's Medicare	1,581	542	506	-36	-7%	747	205	38%
3	Life Insurance Corporation of India	20,557	949	867	-82	-9%	636	-313	-33%
4	Prudent Corporate Advisory Services	538	630	660	30	5%	887	257	41%
5	Delhivery	5,235	487	493	6	1%	335	-152	-31%
6	Venus Pipes & Tubes	165	326	335	9	3%	695	369	113%
7	Paradeep Phosphates	1,502	42	44	2	4%	57	15	35%
8	Ethos	402	878	830	-48	-5%	916	38	4%
9	eMudhra	413	256	271	15	6%	309	53	21%
10	Aether Industries	808	642	706	64	10%	910	268	42%
11	Syrma SGS Technology	840	220	262	42	19%	282	62	28%
12	Dreamfolks Services	562	326	508	182	56%	367	41	13%
13	Tamilnad Mercantile Bank	808	510	510	0	0%	510	0	0%
14	Harsha Engineers International	755	330	444	114	35%	406	76	23%
15	Electronics Mart India	500	59	89	30	52%	86	27	46%
16	Tracxn Technologies	309	80	83	3	4%	72	-9	-11%
17	DCX Systems	500	207	286	79	38%	255	48	23%
18	Fusion Micro Finance	1,104	368	361	-8	-2%	368	0	0%
19	Bikaji Food International	2,206	300	321	21	7%	415	115	38%
20	Global Health	881	336	398	62	18%	463	127	38%
21	Five-Star Business Finance	1,589	474	450	-24	-5%	512	38	8%
22	Archean Chemical Industries	1,462	407	449	42	10%	513	106	26%
23	Kaynes Technology International	858	587	775	188	32%	725	138	24%
24	Inox Green Energy	740	65	61	-4	-7%	61	-4	-7%
25	Keystone Realtors	635	541	555	14	3%	537	-4	-1%
26	Dharmaj Crop Guard	251	TBA	NA					

- On the listing date, 24% of the companies got listed in red; as on 30th November 2022, approx. 20% of the companies traded below the issue
- While average listing gain on the day of listing for issues mentioned above was 12%, as on 30th November, the average gains went up to 21%

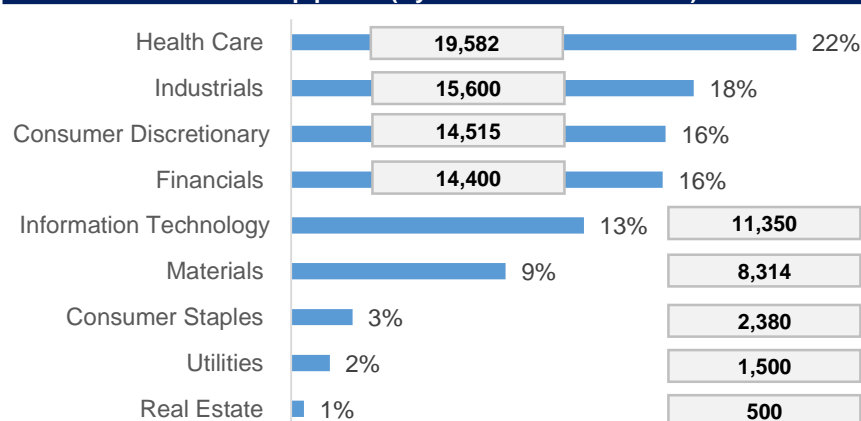
IPOs in the pipeline

58 issues in pipeline | SEBI Approval received; Approval still valid

No. of issues in pipeline (By Industry)



Issues in pipeline (By Amount in ₹ Cr. and %)



Top issues (ranked by issue amount ≥ ₹ 2000 Cr.)

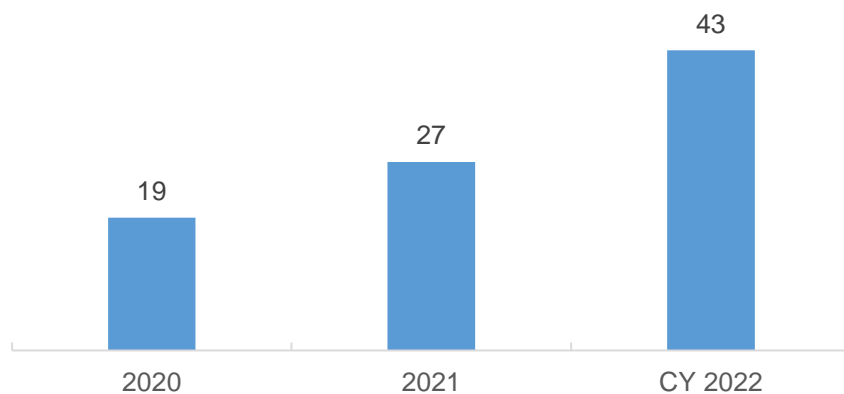
Company	Date of Filing	Date of Approval	Estimated issue amount (₹ Cr.)
Com Green Technologies Ltd.	27-Sep-21	16-Feb-22	2,000
Api Holdings Ltd.	10-Nov-21	17-Feb-22	6,250
Imagine Marketing Ltd.	27-Jan-22	30-Apr-22	2,000
Fabindia Ltd.	24-Jan-22	30-Apr-22	4,000
Tvs Supply Chain Solutions Ltd.	14-Feb-22	04-May-22	5,000
Aadhar Housing Finance Ltd.	24-Jan-21	05-May-22	7,300
Tbo Tek Ltd.	27-Dec-21	19-May-22	2,100
Macleods Pharmaceuticals Ltd.	15-Feb-22	20-May-22	5,000
Bharat Fih Ltd.	24-Dec-21	10-Jun-22	5,000
Vikram Solar Ltd.	24-Mar-22	10-Aug-22	2,000
Navi Technologies Ltd.	14-Mar-22	05-Sep-22	3,350
Hemani Industries Ltd.	29-Mar-22	13-Oct-22	2,000
Kfin Technologies Ltd.	01-Apr-22	07-Nov-22	2,400
Concord Biotech Ltd.	17-Aug-22	28-Nov-22	2,000

58 issues in pipeline that have received SEBI Approval with an estimated issue amount of ₹ 881 Bn.

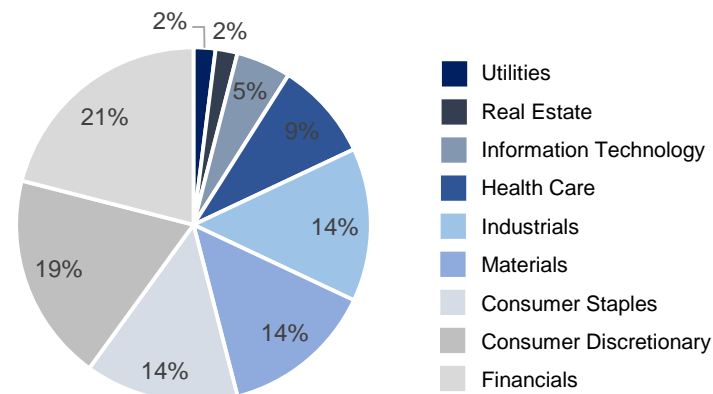
Rights Issue and QIP

Rights Issue

By number of Rights Issues



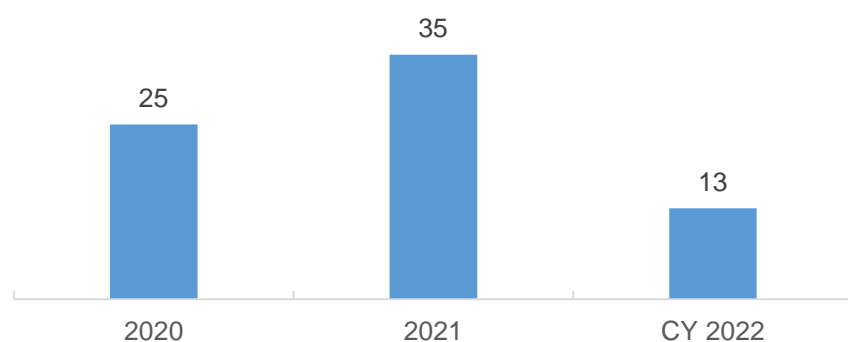
By Sector (CY 2022)



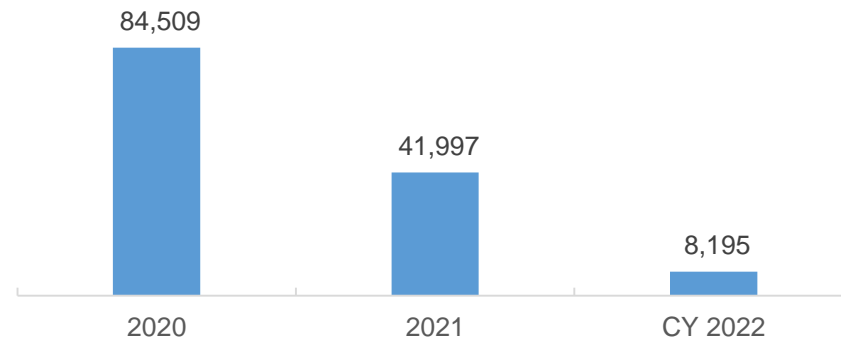
3 rights issues closed in November 2022 with a total issue size of ₹ 456 Cr

QIPs

By number of QIPs



By issue amount in ₹ Cr.



Source: BSE India, The Hans India, Chittorgarh

2020, 2021 represents calendar year

CY 2022 refers to Jan – Nov 2022

Sector classification for Rights Issue is basis Global Industry Classification Standard (GICS)

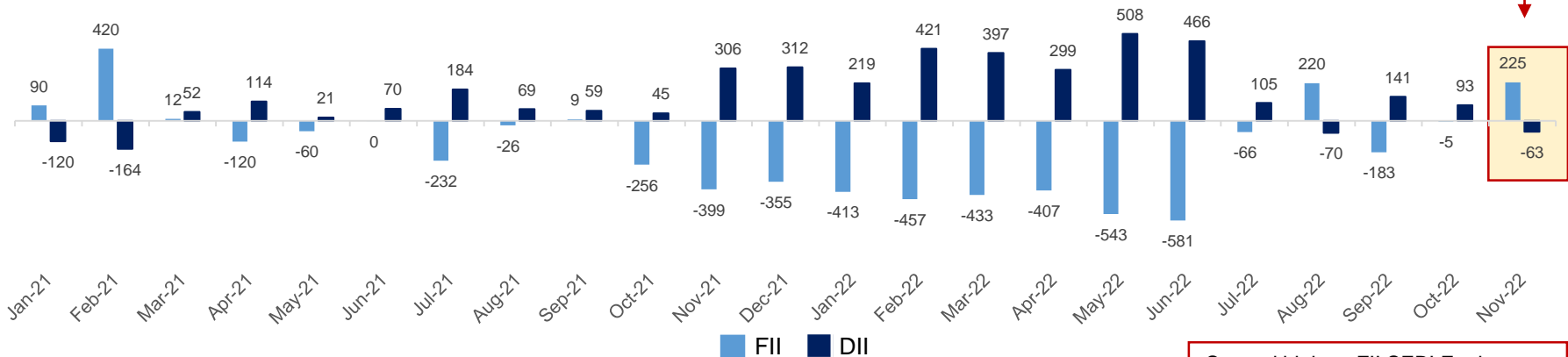
Foreign and domestic institutional flows in secondary markets

FII / DII Investments

FII and DII Net Purchase / Sales

INR Billion

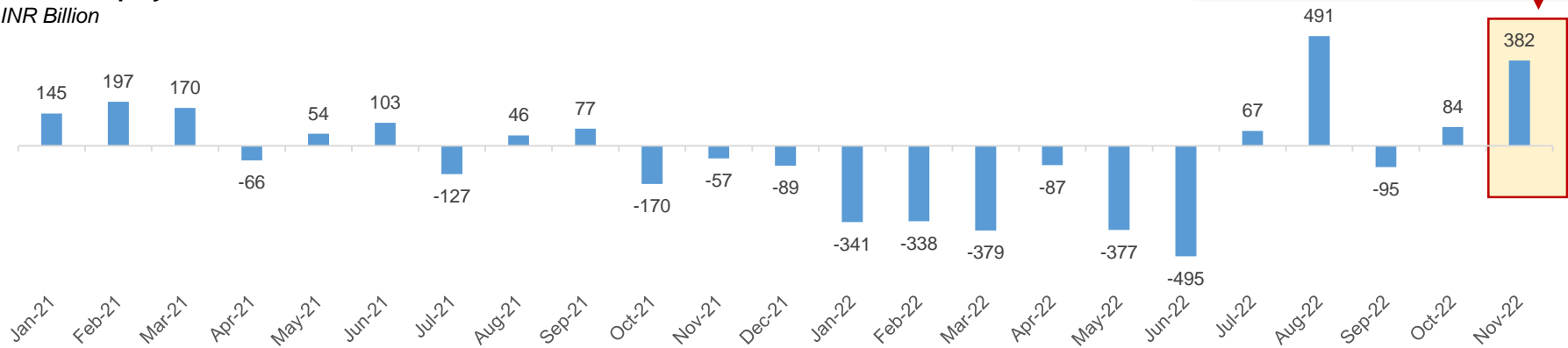
- November month saw strong recovery after selling pressure by FII in the month of October.
- While DII have mostly remained net buyers, they turned net sellers in the month of November



FII SEBI Equity Net Purchase / Sales

INR Billion

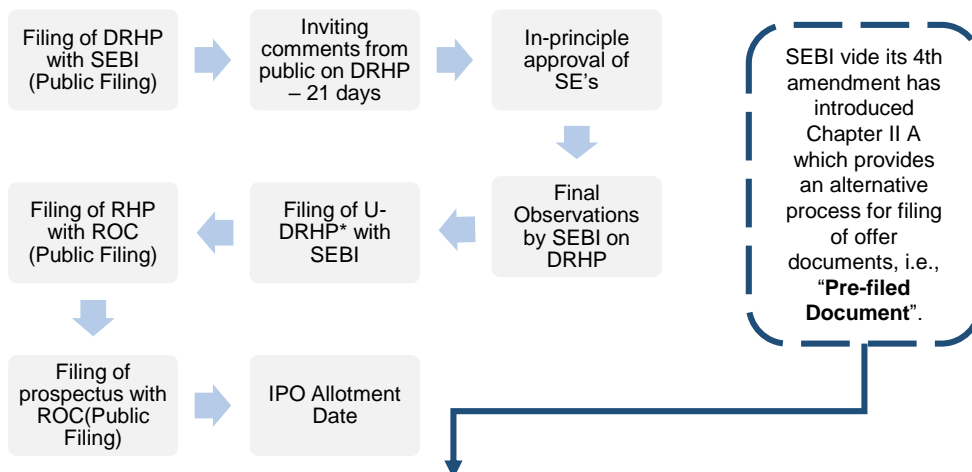
Second highest FII SEBI Equity purchasing this year



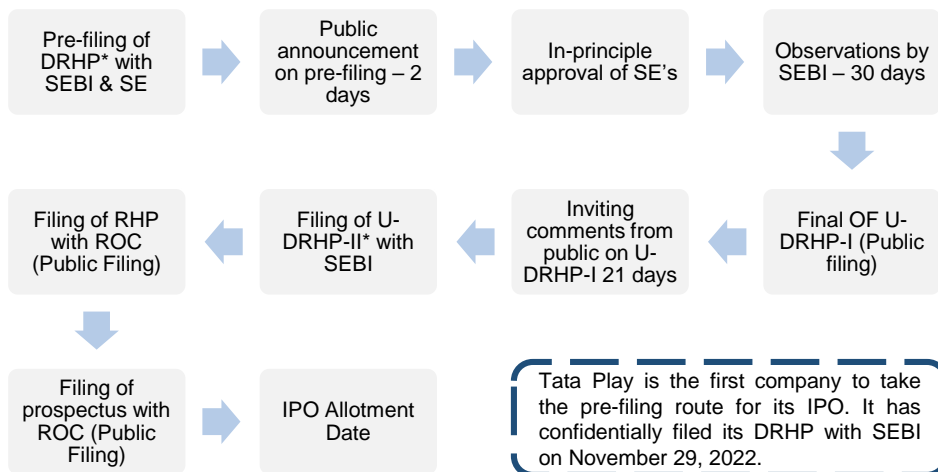
Recent SEBI Updates

Recent amendments in SEBI (Issue of Capital and Disclosure Requirements) Regulations

Existing Process



Process under Chapter II A pre-filing regime



Other Key Amendments:

- Formal **communication with QIB's** for marketing of issue - **Allowed**
- Testing the eligibility of securities for Offer for Sale – not required at the time of pre-filing but only at the time of filing of the U-DRHP-I
- Opening of public issue for subscription within 18 months from the date of SEBI observations on pre-filing as compared to 12 months from receipt of SEBI observations on DRHP
- No flexibility of filing of offer documents with the regional office of SEBI
- Requirement of appointment of a monitoring agency for preferential issues and QIP has been introduced.
- **Key Performance Indicators (KPI) and pricing related disclosure in case of public issues**
 - I. **Disclosure of all KPI's** - 3 years from the date of filing of DRHP/RHP.
 - II. **Certification of SA or ICA and approval of audit committee.**
 - III. **Price per share of primary/ secondary transactions in:**
 - 18 months prior to the to IPO (with size of transaction $\geq 5\%$ diluted paid-up capital) or
 - Last 5 primary or secondary transactions in the period of 3 years prior to IPO
 - IV. **Weighted Average Cost of Acquisition (WACA)**
 - Ratio of the IPO price band to the WACA of shares of transactions mentioned in point (II) above.

*confidential filing

Abbreviations::

- SEBI - Securities and Exchange Board of India
- SE - Stock Exchange
- SA - Statutory Auditor
- ICA - Independent Chartered Accountant
- DRHP - Draft Red Herring Prospectus
- RHP - Red Herring Prospectus

Consultation Paper on Review of SEBI (Buyback of Securities) Regulations, 2018

Particulars	Current Provision	Proposed Changes
General Conditions for buy-back		
Maximum Limit for buy-back in terms of value	25%	40%
Cooling off Period	1 year i.e. only 1 in a year	2 buy-backs on 1 FY - by Net debt free Company and SR passed for 2 nd BB
Buy-back through Tender Offer		
Revision of buy-back price	Not allowed	Allowed
Open Market Buy-backs through Stock Exchanges		
Maximum Limit for buy-back	15%	w.e.f. April; 1, 2023 – 10% w.e.f. April 1, 2024 – 5% w.e.f. April 1, 2025 – 0%
Time Period for completion of buyback offer	6 months	w.e.f. April 1, 2023 – 66 working days w.e.f. April 1, 2024 – 22 working days w.e.f. April 1, 2025 - NA
Creation of a separate window by Stock Exchange to carry out the transaction	Not required	Required
Minimum amount to be utilized for the purpose of buy-back	50%	75%; and at least 40% should be utilized within half of the duration of the buy-back
Requirement of the shares to be frequently traded	Not required	Required
Restrictions on volume	No restrictions	Purchase >25% Avg. daily trading volume in last 10 days Participation by company – First and Last 30 minutes of the regular trading session
Restrictions on price	No restrictions	Shall not be higher than:- a) The highest current independent published bid b) The last independent sale price
Time limit for opening of escrow account	Before opening of the offer	Within two working days of public announcement

SEBI through consultation paper invited comments on suggestive changes in existing Buyback Regulations the last date for which was December 01, 2022.

Thank You

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