

Strong corporate earnings, and stability in the [markets](#) and economy are the key drivers for improvement in [IPO](#) activity, a survey conducted by EY reveals. Meanwhile, respondents, which included [private equity](#) (PE) and non-PE firms, said [cash flow](#) and [return on equity](#) (ROE) were the most important financial factors while evaluating an [IPO](#).

Among the most critical non-financial factors for PE firms were brand strength and market position followed by corporate governance practices. For non-PE firms, management credibility and experience was the most critical non-financial factor, as per EY India's '[IPO](#) Readiness Survey Report' released on Tuesday. Over 60 per cent of the non-PE respondents said companies that were PE-backed companies were better IPO candidates.

"The IPO ecosystem is evolving at a rapid pace in India with several companies looking to list within 2018. Financial sector, infrastructure and consumer companies with strong growth continue to be favourable for increased IPO activity," said Sandip Khetan, partner and national leader, [EY India](#).

According to Khetan, Sebi's recent announcement of reducing the number of years of financial information from five to three years will provide an impetus to more IPO activity.

Top three factors that may lead to improvement in IPO market

- Brighter corporate earnings outlook
- Stabilization in equity markets
- Higher investor appetite

Most important financial factors while evaluating an IPO

- Cash flow
- ROE
- P/E, P/BV or other earnings ratio

Most important non-financial factors while evaluating an IPO

- Brand strength and market position
- Corporate governance practices
- Management credibility and experience

Source: [EY India](#) survey

IPO activity has already been strong in the first half of 2018, with 90 companies raising a cumulative \$3.9 billion. This was 27 per cent and 28 per cent higher than the number of deals and proceeds respectively during the same period a year ago.

Bulk of the fund raising, however, took place in the first three months of 2018, while there

was a drop in activity in the June quarter.

Globally, Indian exchanges recorded the highest IPO activity in terms of number of deals accounting for 14 per cent of total deals in June quarter and 16 per cent for the first half of 2018. In terms of proceeds, Indian exchanges accounted for 5 per cent of global proceeds in both March quarter and the first half of 2018, as per EY.

“Our survey indicates that good quality companies, coupled with attractive pricing and right timing are the key factors for a successful IPO. The outlook for the rest of 2018 looks positive, compelled by somewhat stable equity [markets](#) and sound corporate earnings,” said Vish Dhingra, partner, [EY India](#).