

MFs pivot to IPOs amid record deals

Invest ₹3,300 crore in maiden offerings, pull out from secondary market

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Equity mutual funds (MFs) pruned their holdings from the secondary markets to create dry powder for investing in maiden share sales.

According to the data provided by Nuvama Wealth Management, MFs pumped in a cumulative ₹3,300 crore into eight initial public offerings (IPOs) that hit the market in November. Their overall equity investments last month stood at ₹1,700 crore (without IPOs, equity MFs would have been net-sellers of ₹1,600 crore).

"MFs preferred deployment in IPOs over the secondary markets," observes Abhilash Pagaria, head-alternative and quantitative research, Nuvama Wealth Management.

According to an analysis conducted by him, MFs invested over ₹900 crore each in Global Health (Medanta) and Archean Chemical Industries (Archean Chemicals).

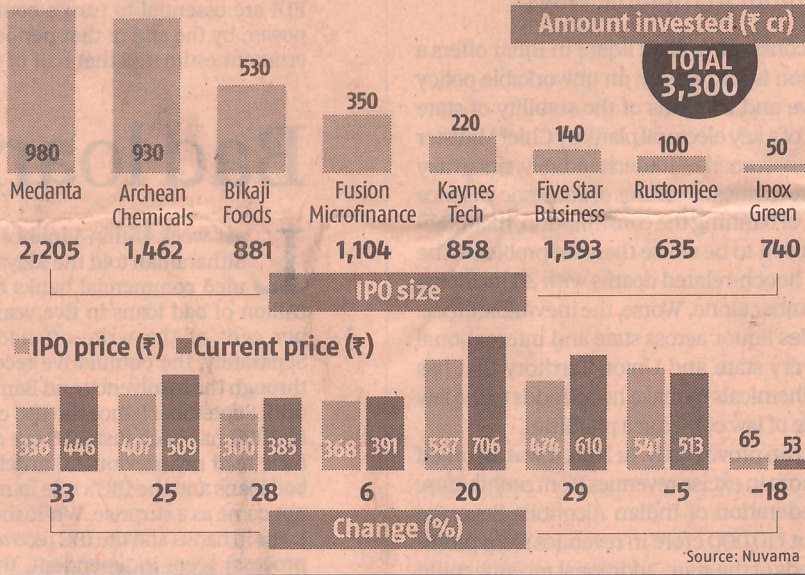
The investment in IPOs comes amid record deals. November was the best month for IPOs in terms of deal volumes since December 2021, according to PRIME Database.

About 10 IPOs have mobilised a collective ₹10,566 crore.

Notwithstanding MFs' pivot towards the primary market, the secondary markets managed to do well, thanks to robust flows from foreign portfolio investors (FPIs).

Overseas funds ploughed nearly ₹35,000 crore into the equities cash segment, helping the benchmark Nifty climb 4.1 per cent to log new lifetime highs. This

GOING BIG MFs pumped in ₹3,300 crore in to IPOs last month



was only the third calendar month of 2022 to chronicle positive FPI flows.

"Domestic liquidity, particularly MF flows, is for the markets. If not for positive FPI flows, the high IPO issuance, in addition to strong MF investments in them, would have squeezed liquidity dry from the secondary market and weighed on their performance," said a fund manager.

In November, net inflows into active equity MF schemes had plunged to a 21-month low of ₹2,260 crore.

"While MF investment in IPOs worth ₹3,300 crore appears undersized on an absolute basis, it assumes significance,

given the overall net inflows for the month and the halfhearted deployment towards the secondary market," said a fund manager quoted earlier.

Domestic fund managers tend to be leaden-footed on investment during bouts of strong FPI flows (as witnessed in November).

Also, the IPO bets in November seem to have played out well. Of the eight companies that MFs invested in, only two are currently below their issue price, while shares of top bets, such as Medanta, Archean Chemicals, and Bikaji Foods International, are currently up more than 25 per cent of their IPO price.