

FPIs hit exit, but primary market keeps them hooked

LOW TURNOUT. At ₹22,906 crore, inflows into the market this fiscal is lower than FY22

Narayanan V
Chennai

Even as foreign portfolio investors (FPIs) remained net sellers in India's secondary market for most part of the current fiscal, they have maintained their investment interest in the primary market.

While primary market allows investors to buy securities directly from the companies through initial public offers (IPO), follow-on public offers, bonus issues, rights issues, and Offers for Sale, the secondary market (or stock market) is where securities are traded between buyers and sellers through an exchange.

According to depositories data, foreign investors pulled out as much as ₹40,200 crore from the secondary market on a year-to-date basis in the current fiscal. On the other hand, they invested ₹22,906 crore in the primary market during the same period, restricting the

total net outflow from the equity markets to ₹17,294 crore.

IPO FEVER

Kranthi Bathini, Equity Strategist, WealthMills Securities, attributes the FPI interest in primary markets to a slew of IPOs that came through in 2022.

According to Prime Database, 2022 saw 40 Indian corporates raising ₹59,412 crore through main-board IPOs, including India's largest public issue worth ₹21,000 crore by the Life Insurance Corpora-

tion and ₹5,235-crore IPO of Delhivery. Of these, 34 IPOs worth ₹51,478 crore were listed between April and December.

Prime Database said qualified institutional buyers (including anchor investors) as a whole subscribed to 57 per cent of the total public issue amount. FPIs, on an overall basis — as anchors and QIBs — subscribed to 21 per cent of the issue amount.

FPI inflows in the primary market during the current fiscal is, however, lower than previous years. In FY22, FPIs

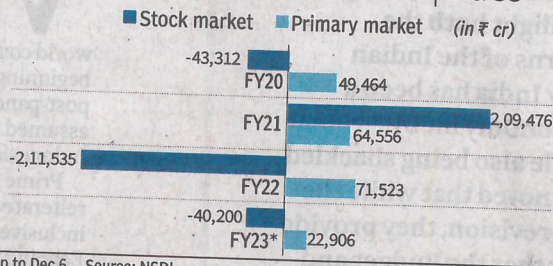
pulled out a record ₹2.12-lakh crore from stock exchanges route while investing ₹71,523 crore in the primary market. In FY21, they invested ₹2.09-lakh crore and ₹64,556 crore in secondary and primary markets, respectively.

2023 OUTLOOK

Market experts predict the FPI interest to remain elevated in the primary market given the ongoing volatility in the secondary market and a huge pipeline of IPOs waiting to hit the capital market in 2023.

According to Pranav Haldea, MD, PRIME Database Group, the IPO pipeline for 2023 continues to remain strong with 54 companies proposing to raise ₹84,000 crore already holding SEBI approval. Another 33 companies, looking to raise ₹57,000 crore, are awaiting approval from the market regulator. He, however, added that it may take a while to see large size IPOs till the market witnesses sustained interests from FPIs.

FPI investments in Indian equities



*up to Dec 6 Source: NSDL