Indian Stocks Lure Individual Investors Hoping to Get Rich

By Shefali Anand

India's booming stock market is attracting millions of individual investors hoping to get rich quick.

The benchmark S&P BSE Sensex Index is around 16% higher this year and hit a record high this month. The surge encouraged investors to open more than 11 million new accounts with the National Stock Exchange of India in 2023 through the end of August, and has led to record flows into mutual funds that buy stocks. The most popular play: subscribing for shares in new listings, which sometimes surge in value during the first few days of trading.

"It's the lure of quick money," said Pranav Haldea, managing director of Prime Database, a Delhi-based research firm. "In my gym now, people are asking for CNBC to be put on in the morning. That is a sure sign of a market frenzy."

Investors placed orders of around $172 billion for Indian initial public offerings worth a total of about $5.3 billion, according to calculations by **IIFL Securities**, a local broker. This huge demand hasn't been restricted to hot new growth companies. A state-owned energy agency, a hospital operator and a small bank are among those whose shares have jumped more than 50% after their listings this year.

"In normal stocks it will take a long time to get such gains," said Jitin Kaushal, a 27-year-old executive at a lending company in Meerut, a city in northern India. Kaushal recently placed an order of about $175 for the IPO of Inox India, a maker of storage tanks for liquefied gases. He had already planned what to do if the stock doubled in value on its listing—withdraw half the money and put that in the next IPO.

"Only equity investments can make you money; by saving you can't make money," he said. Kaushal didn't get any shares in the Inox IPO, which was heavily oversubscribed. The stock started trading this week and closed more than 40% above its listing price.

India's army of individual investors are being encouraged by the country's strong economy—and its politics. The economy is on course to grow around 6.3% this year, according to the International Monetary Fund, making it one of the fastest-growing in the world. Recent state election wins by Prime Minister Narendra Modi's Bharatiya Janata Party have raised expectations that his government will hold on to power when federal elections are held next year.

"The market...is going to boom with Modi winning," said Charanjiv Kalha, an information technology consultant in Delhi.

Kalha, 51, said he has been investing in mutual funds for more than a decade but has only lately been paying attention to IPOs. "The reason why it maybe came to my head was because there was so much news about it," he said. Kalha said he plans to hold shares for the long term.

More companies have issued new shares in India this year than in any year for at least a decade, although most of these deals have come from small companies, limiting overall volumes.

The $7.3 billion of shares sold in Indian IPOs and follow-ons this year puts the market ahead of Hong Kong, Japan and the U.K. in a poor year for global listings. The amount is still far from the $18.4 billion raised in 2021, India's record year for share sales.

India's securities regulator and the rise of trading apps have made things easier for individual investors. In the past, they had to fill out physical forms to apply for an IPO, but now doing so only takes a few clicks, said Haldea of Prime Database, the research firm. He warned that many of the new investors haven't endured a market downturn.

"It will be interesting to see how they react when something happens," said Haldea.

The number of individual investors trading every month in stocks on the National Stock Exchange jumped from three million in early 2020 to around 11 million in September, according to NSE data.

> **Trading apps have made things easier for individual investors.**

The number of Indian IPOs each year*

Performance of S&P BSE Sensex Index
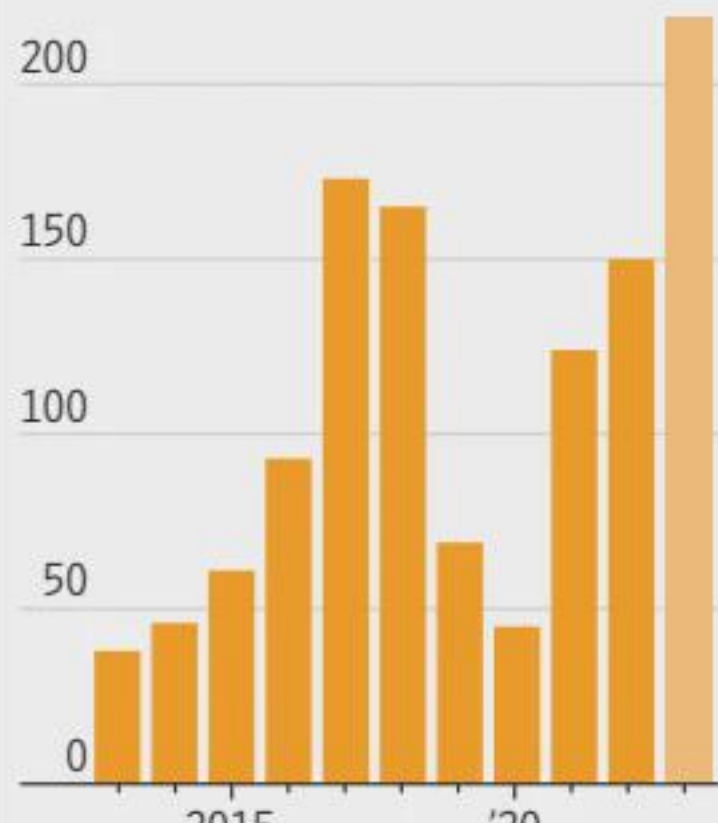
*2023 figure is as of Dec. 21.
Sources: Dealogic (IPOs); FactSet (index performance)