

Business Standard



THE MARKETS ON TUESDAY

		chg#
Sensex	81,820.1	▼ 152.9
Nifty	25,057.3	▼ 70.6
Nifty Futures*	25,118.3	▲ 61.0
Dollar	₹84.0	₹84.1**
Euro	₹91.7	₹91.9**
Brent crude (\$/bbl)	73.3	## 74.9**
Gold (10 gm)###	₹75,626.0	▼ ₹71.0

* (October) Premium on Nifty Spot; ** Previous close;
 # Over previous close; ## At 9 pm IST;
 ### Market rate exclusive of VAT; Source: IBSA



BACK P12
INDIA SIGNS \$4 BILLION DEAL TO PROCURE 31 US PREDATOR DRONES

WORLD P8
JAISHANKAR ARRIVES IN PAK TO ATTEND SCO MEET

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Fresh vs OFS: Hyundai IPO to upend '24 skew

Share of fundraising via fresh issuances so far is highest in 12 yrs

SUNDAR SETHURAMAN
 Mumbai, 15 October

The initial public offering (IPO) landscape in India is set to witness a change because of Hyundai Motor India Limited's (HMIL's) mega issue. So far this year, primary share sales have commanded the IPO space, accounting for 52 per cent of total issuances — the highest share since 2012. However, HMIL's entirely secondary share sale, worth ₹27,870 crore, signals a reversal.

Following HMIL's offering, the primary share sale component in 2024's IPO activity is expected to drop to 36.5 per cent. Despite this decline, experts maintain that the robust fundraising of over ₹33,772 crore via fresh share sales reflects continued strong demand for growth capital.

"In the past few years, capital expenditure has largely been driven by the government. Private players haven't participated as much. Over the past 10 years, capex by the private sector has been relatively subdued, but with the economy now looking up, fresh capex by the cor-

FRESH WAVE

Share of fundraising via fresh issue is above 50% for the first time since 2012



	IPO mobilisation (₹ cr)		
	Fresh fundraise	Total	Fresh fundraise as % of total
2012	4,431	6,835	65
2013	328	1,284	26
2014	499	1,201	42
2015	6,540	13,614	48
2016	9,176	26,494	35
2017	11,680	67,147	17
2018	7,444	30,959	24
2019	2,960	12,362	24
2020	3,531	26,613	13
2021	43,329	118,723	36
2022	17,659	59,302	30
2023	20,663	49,436	42
2024	33,772	64,761	52

Note: 2024 data as on Oct 14; Doesn't include Hyundai IPO

Source: PRIME Database

India's biggest IPO bought 18% on Day 1

Hyundai Motor India's public offer, which is India's biggest ever initial public offering (IPO), garnered 18 per cent subscription on Tuesday, the opening day of the issue. The IPO received bids for 17.81 million shares — three fourths of which came from retail investors — as against 99.77 million on offer.

► BIG IPOs WEIGH ON MARKET PERFORMANCE

11, 1

porate sector has increased. This year, companies in the manufacturing and infrastructure sectors are hitting the markets," said Deepak Kaushik, executive vice-president and group head of equity capital

markets at SBI Capital Markets.

A company can raise funds through an IPO either by issuing fresh shares, selling existing shares, or a combination of both.

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Fresh issues made up over 50% of total IPO size in 1989-2012

Between 1989 and 2012, apart from two exceptions, fresh issues made up more than 50 per cent of the total issue size. However, since 2013, secondary issuances have become more prevalent, thanks to a rise in private equity investments.

Market analysts point out that fundraising patterns have evolved over the past decade, with private equity (PE) and venture capital increasingly replacing IPOs as the primary source of initial funding. Consequently, companies are now turning to the IPO market later in their lifecycle.

“Private equity investors typically have a five to seven-year horizon, after which they aim to monetise their investment,” said Kaushik.

PE players have also adopted aggres-

sive post-listing share sales, leveraging the robust liquidity available. Analysts note that the offer for sale (OFS) component of IPOs might have been even larger if not for the alternative of secondary market exits.

“PE players usually don’t make a full exit during the IPO,” said Kaushik, explaining, they instead tend to make a partial exit and then, after the lock-in period, sell the remaining shares via block trades when valuations are richer.

While the high proportion of fresh issuances is viewed positively by market watchers, the success of IPOs involving secondary share sales is also being seen as a sign of market maturity.

This trend provides PE investors with exit opportunities, which in turn frees up capital for investment in new ven-

tures. It also allows promoters to liquidate some of their holdings, which can be an incentive for listing, as exemplified by HMIL.

Experts further note that IPO valuations are closely tied to secondary market valuations. Currently, the price-to-earnings multiples in Indian markets rank among the highest globally, encouraging a growing number of companies to go public.

Looking ahead, the OFS component is likely to dominate, as full or partial exits play a larger role in major issuances. “Larger companies will increasingly opt for OFS. In terms of the amount of funds raised, OFS will continue to dominate,” said Pranjal Srivastava, partner, investment banking, Centrum Capital.