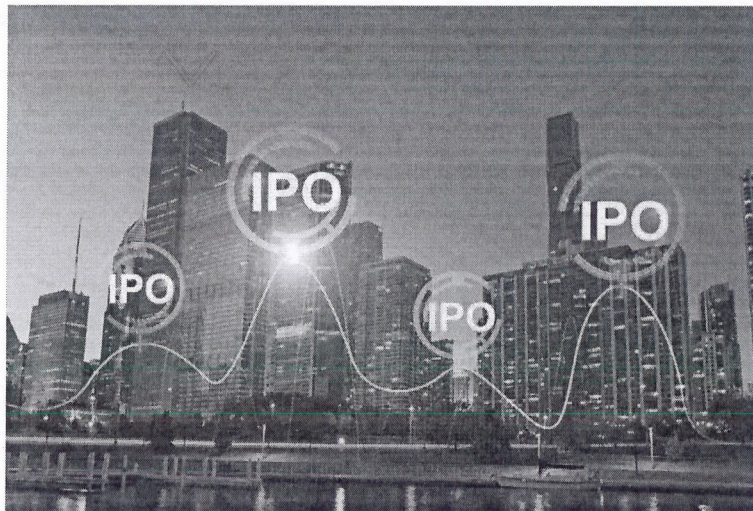


Stock News

Startup IPO Frenzy: Investors Rush for Exits as Fund Managers Seek Liquidity, OFS Soars in 2024

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In recent years, many startup investors in India have used Initial Public Offerings (IPOs) as a way to sell their shares and recover their investment. While Zomato was an exception during the major wave of startup IPOs, most other startup IPOs saw investors rush to exit by selling their stakes.

Between 2021-2022, offers-for-sale (OFS) by investors made up 48% of the total startup IPO sales. As of October 2024, this has jumped to 64%, the highest in four years. This trend is higher than the overall IPO market, where OFS currently accounts for about 51% of total sales.

Why Investors Are Focusing on OFS

The main reason for this shift is that many investors are nearing the end of their fund lifecycle. They need to sell their shares in startups to return money to the people who invested in their funds. As a result, startups raise less money from IPOs to grow their businesses, but more money is left for new investors in the stock market.

Also Read [Blume Ventures Treads Cautiously: Why VCs Are Playing Safe Amid IPO Surge and Liquidity Crunch](#)

Pranav Haldea, managing director of Prime Database, explained that many startups have already raised a lot of money from private equity (PE) and venture capital (VC) firms. So, when these startups go public, there is less need for fresh capital and a higher focus on OFS.

Examples of Recent Startup IPOs with High OFS

Companies like Mamaearth (Honasa Consumer), Go Digit, Ixigo (Le Travenues Technology), and FirstCry (Brainbees Solutions) had higher OFS compared to fresh capital in their IPOs. Swiggy, expected to go public soon, will also have more OFS than fresh capital.

Repaying Investors Through IPOs

The increase in OFS highlights that investors are looking to sell their stakes and generate liquidity. Many fund managers, whose funds are nearing the end of their investment period, rely on OFS to return money to their investors.





Investor exits from Indian startups rose to \$6.6 billion in 2023, almost 1.7 times more than before. Secondary and strategic sales, where investors sell shares to other investors, have also grown, particularly in companies like Flipkart and Lenskart.

In the current financial year, startups have raised ₹5,385 crore through OFS, compared to ₹3,039 crore through fresh capital. Of the eight startups that went public since September 2023, five had higher OFS components.

How IPO Strategies Have Shifted Over Time

Back in the 1990s, most IPOs in India were primarily to raise fresh capital, with little or no OFS. But as PE and VC funds became more prominent, startups raised private money before going public. This allowed them to grow before entering the stock market.

Also Read [IPO News: Ixigo's Rs 740 Cr Launch & 4 Listings Coming Next Week](#)

Now, with investors looking for exits, OFS in the broader IPO market is starting to normalize. Karthik Reddy, co-founder of Blume Ventures, believes that over time, IPOs will likely have an equal split between OFS and fresh capital. This shift will benefit the overall ecosystem, as public investors such as mutual funds take over from private investors.

In FY24, OFS made up about 53% of the total IPO share sales, the lowest in eight years, down from 73% in FY23.

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