

Retail, FII interest take IPOs to new peak in 2024

BY MAYUR BHALERAO

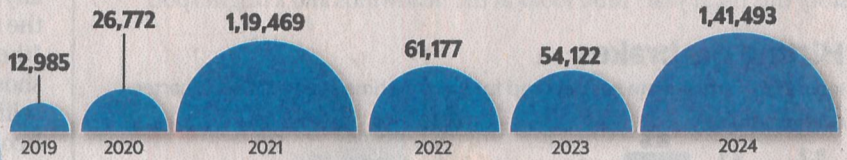
2024 has been a landmark year for the Indian initial public offering (IPO) market, with an unprecedented surge in fundraising and retail participation. The allure of quick wins has led to massive oversubscriptions, especially in the small and medium enterprises (SME) segment. Strong listing gains have further fuelled this frenzy.

While foreign institutional investors (FIIs) have pulled back from the secondary market, they continue to show interest in the primary market. With over ₹1 trillion worth of IPOs in the pipeline, the outlook looks promising. However, the sustainability of this momentum amid potential market volatility remains a key question.

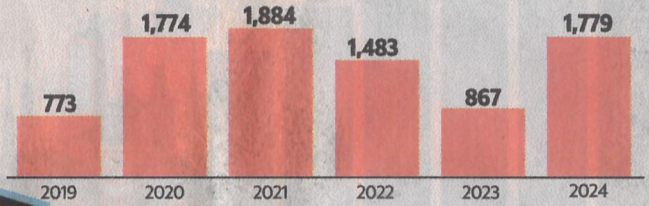
A hot streak in 2024

IPO activity in India has hit a new record this year with a staggering ₹1.4 trillion raised through both main-board and small and medium enterprises (SMEs) segment. It was also the year of big deals with the average IPO size doubling to nearly ₹1,800 crore, signalling a surge in investor confidence and paving the way for even larger deals to come.

Amount (in ₹ crore) raised through IPOs*, yearly



Average size (in ₹ crore) of main-board IPOs

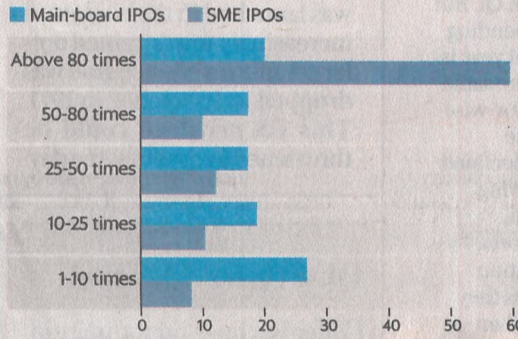


*includes both main-board and SMEs

Little giants dominate

The recent wave of primary market offerings has captivated investors, who have responded overwhelmingly. While over a third of the mainstream IPOs saw a bumper response with subscriptions of over 50 times, the SME segment, in particular, outdid its larger counterparts with nearly 70% of issues receiving this level of mega response.

Share (%) of public issues, by overall subscription in 2024



Quick flip

IPO response was further buoyed by strong listing performance. Retail investors flocked to IPOs in 2024 mostly for quick wins. While mainstream IPOs offered limited listing gains, the smaller segment experienced a surge in listing gains, attracting significant retail interest.

Median listing gains of IPOs (%), yearly



% of shares sold by retail investors (in value terms) after listing



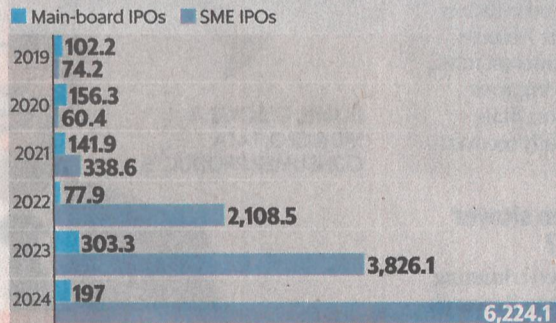
Data from 144 IPOs listed between April 2021 and December 2023

Source: Securities and Exchange Board of India study released on 2 September 2024

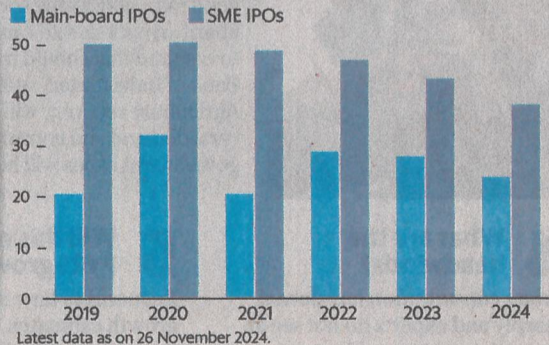
More spinners and fewer winners

Retail investors are taking the IPO market by storm. Their enthusiasm has led to record-breaking activity and a new era for both main-board and SME offerings. That said, the odds of securing allocations have also dwindled due to this overwhelming demand.

Value of shares applied for by retail investors, as a % of total funds being aimed by IPOs



Total allocation for retail as a % IPO mobilization

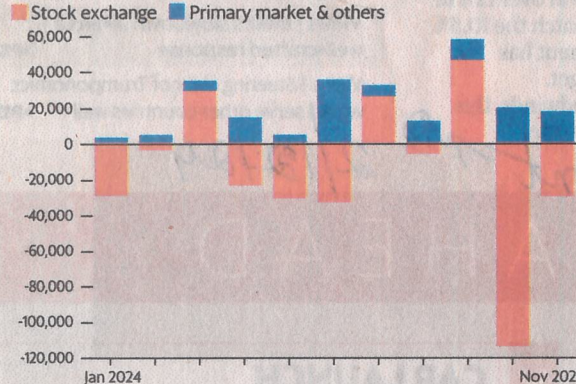


Latest data as on 26 November 2024.

Foreign funds' dichotomy

While overseas investors remain cautious about India's secondary market and are shifting their focus to other countries like China, they continue to show strong interest in the primary market. Some of this primary market buying is offsetting the selling in the secondary market.

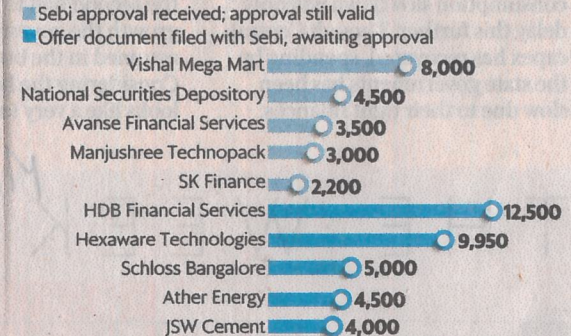
Foreign portfolio investors' investments (in ₹ crore) in equity markets



Strong pipeline

With over ₹1 trillion worth of IPOs in the pipeline, India's primary market continues to thrive. Strong economic growth across sectors and rising opportunities for SMEs have boosted investor confidence. However, the question looms large: Can this IPO frenzy endure in the face of potential market corrections and increased volatility?

Estimated issue amount (₹ crore)



Latest data as on 26 November 2024

Source: primedatabase.com, National Securities Depository Ltd and Mint analysis