

Foreign investors unfazed amid IPO wave

Srushti Vaidya

srushti.vaidya@livemint.com

MUMBAI

Foreign institutional investors (FII), who have been net sellers in India, have cut back on primary market investments, turning selective about initial public offering (IPOs) amid a wave of new share offerings.

The lower FII flows into India's primary markets, according to experts, are a result of high valuations for IPOs, which leaves limited room for investors to make substantial gains.

The primary market is where investors buy newly issued securities such as IPO shares directly from the issuer, while turning to the secondary market to buy and sell existing securities.

Feeble FII investment in the primary market not only signals low confidence in India's equity markets but also doesn't help offset their heavy selling in the secondary market.

Since 27 September 2024, when the Nifty 50 and Sensex hit lifetime highs, FIIs have sold shares worth ₹3.5 trillion in India's secondary market, while buying about ₹98,800 crore via the primary market, per data from the National Securities Depository Ltd.

In effect, over the past year, FIIs ploughed back only about 28% of their secondary market sell-offs in India into primary market investments.

Between 27 September 2023 and 27 September 2024, FIIs had invested ₹1.2 trillion in India's primary market and ₹7,408 crore in the secondary

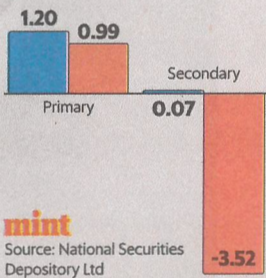
Market inflows

Since 2020, foreign investments in the primary market were the highest in 2024.

FII flows into Indian equity markets (in ₹ trillion)

■ 28 Sep 2023 to 27 Sep 2024

■ 28 Sep 2024 to 27 Sep 2025



SATISH KUMAR/MINT

market. Since 2020, foreign investments in the primary market were the highest in 2024, when FIIs pumped in ₹1.5 trillion to grab newly issued securities even as they sold shares worth ₹1.7 trillion in the secondary market.

This year, while FIIs have been net sellers in India, domestic investments have been robust, fuelled mainly by individuals parking more of their money in mutual funds via systematic investment plans (SIPs).

FIIs net sold ₹2.5 trillion in Indian equities between 27 September 2024 and 27 September 2025, while domestic institutional investors (DIIs) net purchased ₹7.5 trillion in the same period. As per the latest data by the Association of Mutual Funds of India, SIP assets had grown by 13.4% year-on-year to ₹15.18 trillion in

FIIs ploughed back only about 28% of their secondary mkt sell-offs in India into primary mkt investments



FIIs have been net sellers in India this year.

REUTERS

August. According to Prime Database, 75 companies that have received Securities and Exchange Board of India (Sebi) approval for an IPO and whose approvals are still valid are looking to collectively raise around ₹1,21,321 crore.

However, FIIs are not very enthusiastic about IPOs in India as most new share issues are fully priced, said Sid-darth Bhamre, head of research (institutional equities) at Asit C Mehta Investment Intermediaries.

"Long-term investors may still find merit in strong businesses even at higher valuations, but those with a shorter 1-2 year horizon are unlikely to enter IPOs without meaningful upside," Bhamre said.

FIIs' biggest investments in Indian IPOs over the past year were ₹11,719 crore in Hyundai Motors India Ltd, followed by

₹4,505 crore in Swiggy Ltd, and ₹4,389 crore in Hexaware Technologies Ltd, according to primedatabase.com.

But several recent high-profile IPOs have left investors disappointed with lower listing day gains, which experts attribute to high valuations.

In the 12 months to 30 September, the average listing day gain versus the IPO offer price was 16.4%, down sharply from 30% in the corresponding year-earlier period, per primedatabase.com. Pranav Haldea, MD at Prime Database, said FII interest in IPOs has been selective this year, focussing both on the quality of a company and the valuation at which the shares are offered.

Dhrumil Shah, senior fund manager, equity, Nippon India Mutual Fund, said FII participation in IPOs declined also because their overall allocation to Indian equities has shrunk.

"This isn't a primary-versus-secondary preference—it's about their total allocation to India. If their fund size shrinks, or if India's weight within emerging market portfolios is cut, participation in IPO will drop," he said. When India-dedicated or emerging market funds face outflows, FIIs cut exposure in the secondary market and in primary offerings.

"FIIs have been pulling out of Indian secondary markets mainly due to high valuations and weak corporate earnings, which have seen downgrades for three consecutive quarters," said Christy Mathai, fund manager at Quantum Asset Management Co. Pvt. Ltd.

For an extended version of the story, go to livemint.com.