

IPO frenzy: Flush with funds, MFs pumped in ₹6,420 cr in Sept quarter

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Mutual fund investments in initial public offerings (IPOs) have surged in recent months, buoyed by consistent inflows into equity schemes through systematic investment plans (SIPs) and lumpsum contributions.

MF investments in IPOs through the qualified institutional buyers (QIB) route jumped 13 per cent in the September quarter to ₹6,420 crore up from ₹5,689 crore in the June quarter, according to PRIME Database, driven by a spurt in large issuances.

ANCHOR INVESTMENTS

MFs' participation as anchor investors climbed 32 per cent to ₹5,129 crore in the September quarter from ₹3,871 crore earlier.

In contrast, ex-anchor participation fell 29 per cent to ₹1,290 crore from ₹1,817 crore. The number of IPOs also tripled to 46 in Q2 from 15 in the previous quarter.

Fund houses have increasingly acted as anchor investors, lending confidence to retail investors.

Anchor investments by QIBs carry a lock-in period of 30 days for 50 per cent of the shares and 90 days for the rest, while non-anchor QIBs face no such curbs.

Prithvi Haldea, Chairman, PRIME Database, said the trend of active MFs' participation in IPOs is set to continue given the robust issue pipeline and steady inflows.

With the ability to now write large cheques, MFs are playing a major role in setting the IPO price by using their bargaining power in roadshows, he said.

Despite volatile markets

and muted benchmark returns this year, investors continue to bet on MFs to capture India's long-term growth story.

Sunny Agrawal, Head of Fundamental Research at SBI Securities, said limited opportunities in the secondary market are pushing investors and institutions toward primary issuances with strong fundamentals.

HIGHER VALUATIONS

However, Agrawal cautioned that most recent listings have been tepid, reflecting fair to expensive valuations that leave little room for immediate gains.

Few niche businesses with robust growth potential underpinned by multiple industry tailwinds are capable of attracting institutional interest despite issue coming at fair to expensive valuations, he added.