Global companies exploit IPO boom to take profits back home

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India's red-hot initial public offering (IPO) market may look irresistible as foreign firms line up for listings, but the rush is not about raising funds to expand in a fast-growing market; it's about sending billions of dollars back to headquarters.

Just one of six foreign-based companies that listed their Indian units in Mumbai since 2024 raised new funds, with all others structured purely as secondary offerings or offer for sale (OFS), where existing shareholders sell their holdings to the public without raising any new funds, according to data from Prime Database, an Indian market research firm.

Foreign-based parents of companies that have long invested in India pocketed nearly $5 billion through such secondary-offering IPOs, with Hyundai Motor and LG Electronics accounting for more than 80 per cent of those payouts, the data showed. Simply put, for each dollar raised in these IPOs taken together, more than $59 went out. And the trend is continuing: The planned $1 billion IPO of Walmart's Indian payments arm and Modern Times Group's $335 million IPO of its local gaming unit will both take the OFS route.

This week, Coca-Cola said the planned listing of its Indian bottler will have the American firm sell a portion of its stake. Banking sources said Carlsberg's planned Indian IPO will also have no new funds raised - it will also be an OFS.

The trend, which bankers and economists say is a result of sky-high stock valuations in India in recent years, shows that the prospect of a lucrative partial exit from Indian investments has become more attractive to many foreign companies than raising new funds to expand.

Global companies are pursuing "India listings as this provides them liquidity as well as a positive impact on the market cap for their parent," said Prashant Gupta, a partner at law firm Shardul Amarchand, which advised both Hyundai and LG on their OFS-structured IPOs.

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