

DII's race ahead of foreign peers as anchors in IPOs

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Domestic institutional investors (DIIs), led by mutual funds, are now playing an active role as anchor investors in initial public offerings (IPOs) apart from the secondary markets, where they have stepped up their purchases.

DIIs contributed nearly 51 per cent of the ₹7,837 crore of anchor money invested in IPOs last year, data from PRIME Database shows. In comparison, foreign portfolio investors (FPIs) invested ₹3,817 crore.

This is only the second time that DIIs have invested more than FPIs as anchors since the anchor book was started in 2009. Prior to 2018, DII participation was higher only in 2014. But, the IPO activity was minuscule that year, with a total anchor book of ₹265 crore.

The anchor book in the last IPO cycle of 2009 and 2010 was driven mainly by foreign players, with domestic players investing merely 11 per cent of the ₹1,674-crore anchor portion.

DIIs have dominated despite the increase in the size of the issuances in the past two years and the preference of FPIs towards large IPOs.

In 2017, for instance, several large IPOs such as GIC, NIA, HDFC Life, ICICI Lombard and SBI Life, with an issue size of greater than \$600 million, hit the market.

The first half of CY18 also saw a spate of large IPOs, including HAL, Bandhan Bank and HDFC AMC.

The trend of higher DII participation has picked up in the last three years, driven by mutual funds flush with mon-

LEADING THE WAY IN 2018

Domestic mutual funds are now calling the shots as anchor investors

Figures in ₹crore

■ Mutual funds □ Domestic institutions* ■ FPIs

	Mutual funds	Domestic institutions*	FPIs	TOTAL
2014	151.5	69.8	44.2	265.5
2015	1,549.7	223.3	2,123.1	3,896.1
2016	3,060.6	699.5	4,167.8	7,927.9
2017	4,916.9	921.3	6,784.7	12,622.8
2018	3,185.3	834.3	3,817.4	7,837.0

Source : PRIME Database

*other than mutual funds

ey from monthly inflows into equity schemes. Flows through monthly systematic investment plans (SIPs) continue to be robust at between ₹6,000 crore and ₹7,000 crore.

"Domestic institutions, led by mutual funds, have seen huge an inflow of money over the last two-three years, which they are beginning to deploy in IPOs. Financialisation of savings and demonetisation has accelerated this trend," said Pranav Haldea, managing director, PRIME Database.

SBI MF, Reliance MF and Sundaram MF were the biggest domestic anchor investors in 2018. Together, they put in a little over ₹1,000 crore.

Among foreign ones, DB International (Asia), Pioneer Investment Fund and Smallcap World Fund collectively invested close to ₹600 crore.

The top 15 domestic investors collectively invested ₹3,169 crore last year compared with ₹1,632 crore by foreign players. Mutual funds dominated the domestic anchor list, as only two insurers — SBI Life Insurance and HDFC Standard Life Insurance — figured

among the top 15.

"IPOs provide an opportunity to be a part of companies that are not represented in the market. Anchor investment allows the buyer to get a fixed allotment at a fixed price without an impact cost. This is not so in the open market, where the allotment can reduce to the extent the issue is oversubscribed," said Mahesh Patil, co-chief investment officer, Aditya Birla Sun Life MF.

HDFC MF, Aditya Birla Sun Life MF and SBI MF are among the biggest domestic anchors in the last five years, having put in excess of ₹1,300 crore each during this period.

Anchors are institutional investors who subscribe to an issue a day before its public opening. They pay an upfront amount, and hold shares for at least a month to boost investor confidence.

The Securities and Exchange Board of India (Sebi) introduced the concept of anchor investors in IPOs in 2009. The companies opting for a public share sale prefer marquee names as anchors, say experts.