

IPO, OFS boom crimps secondary market inflows



A RUSH OF IPOs, QIPs and OFS is competing with the secondary market for domestic investor money, with primary market inflows surging nearly nine-fold in March-August, even as buying in listed stocks has weakened sharply, reports Kushan Shah.

■ PAGE 7

Secondary market stutters as money moves into IPOs, OFS

● Its share in total equity inflows falls 2.4 times in six months

KUSHAN SHAH
Mumbai, August 25

A RUSH OF initial public offerings (IPOs), qualified institutional placements (QIPs) and offers for sale (OFS) is increasingly competing with the secondary market for domestic investor money, with primary market inflows surging nearly nine-fold between March and August, even as buying in listed stocks has weakened sharply.

In contrast, domestic investor inflows into the secondary market fell from ₹1.42 lakh crore in March to ₹40,587 crore in July. Till August 24, such inflows stood at ₹36,863 crore.

The shift comes at a time when the benchmarks -- Sensex and Nifty 50 -- have risen 7.93% and 8.97%, respectively, so far in FY27. However, in July and August, the indices have risen 1.54% and 1.96%. The growing share of funds being absorbed by new equity supply has raised questions over whether the primary market boom is taking some of the buying support away from existing stocks, limiting the upside in indices and keeping valuations in check.

Market experts, however, largely view this as a near-term competition for liquidity,

IN NUMBERS

Months	Primary market inflows		Secondary market inflows		Total inflows
	(in cr)	Share (%)	(in cr)	Share (%)	(in cr)
Mar-26	6,467	4.33	142,960	95.67	149,427
Apr-26	3,671	6.71	51,064	93.29	54,735
May-26	12,130	12.80	82,669	87.20	94,799
Jun-26	30,775	26.40	85,800	73.60	116,575
Jul-26	55,467	57.75	40,587	42.25	96,054
Aug-26*	54,852	61.48	34,369	38.52	89,222

*Data till August 20;

Source: Prime Database



level rotation indicates that select pockets continue to perform, he said.

The surge in new paper, however, could have implications for valuations if equity supply continues to grow faster than the earnings available to support it.

Srimal said higher supply of shares could cap valuations unless aggregate earnings growth outpaces the influx of new stock.

Khan said the supply of paper is already capping valuations at the margin, but argued that this should not necessarily be viewed as a sign of weakness. If investor appetite thins, issuance windows could narrow, allowing the imbalance to correct itself. Subscription levels for individual issues, he added, may therefore provide a clearer picture of underlying investor appetite.

Over the longer term, experts expect the increase in primary market activity to broaden the market rather than drain it. Fresh capital can finance business expansion, deepen the investible universe and support wealth creation as corporate earnings materialise.

Srimal described the current phase as a temporary balancing act between rising equity supply and domestic liquidity. "Secondary market valuations will likely remain range-bound until FII outflows stabilise or earnings growth accelerates past fresh market supply."

rather than a structural threat.

Uttam Kumar Srimal, deputy head - fundamental research at Axis Direct, said the diversion of flows towards the primary market is a key near-term headwind for the secondary market, but does not undermine the broader bull case.

According to him, the relatively-muted market upside despite healthy earnings growth partly reflects the fragmentation of domestic flows between primary and secondary markets. Persistent selling by foreign investors has added to the pressure, leaving domestic secondary-market flows to absorb both foreign institutional investor (FII) selling and a rising supply of new shares.

Vaqrarjaved Khan, senior analyst - fundamental at Angel

One, said the shift of money from listed stocks to fresh issuances has created competing claims on the same pool of equity capital.

He pointed to an important distinction within primary market fundraising. Money raised through fresh issuance flows to companies and can ultimately finance capital expenditure and growth. In an OFS, however, the proceeds go to existing shareholders selling their stakes and can effectively move out of the market, weakening the immediate bid for listed equities.

Not everyone sees the primary-market boom as the main reason for the secondary market's subdued performance.

VK Vijayakumar, chief investment strategist at Geo-

jit Investments, said booming primary issuances may be diverting some money from the secondary market, but the bigger drag has been concerns over elevated crude oil prices and the lack of clarity over a resolution to the West Asia crisis. Broader-market valuations also remain elevated, while many primary issues have been comparatively fairly priced, he said.

Rishabh Nahar, partner and fund manager at Qode Advisors, cautioned against linking weaker secondary-market activity directly to primary-market flows. He attributed the strong earnings growth in the first quarter partly to a favourable base and expects this benefit to continue through FY27. While the broader market has not rallied strongly, stock- and sector-