

Nifty Internet Shines

Rediff News

Driven by block deals and the Morgan Stanley Capital International (MSCI) rejig, the Nifty India Internet has emerged as the standout performer, rallying 8 per cent even as the benchmark Nifty 50 slipped 1.3 per cent to 24,055.8, underscoring a sharp divergence between new-age digital businesses and the broader market.

The Nifty India Internet closed at 1,458.4. Meanwhile, the Nifty IPO index gained 4 per cent. Both indices have new-age, internet-driven companies among their top constituents.

August was the busiest month for IPOs this year, with 22 mainboard issuances -- the highest for the year -- raising Rs 21,730 crore through fresh issues. However, in terms of value, July remained the highest, with Rs 28,648 crore raised through fresh issues, according to Prime Database.

During the 30-day period ended August 31, the thematic Internet gauge, which tracks 27 platform and technology-enabled businesses, capitalised on strong gains among its key constituents. Urban Company led the advance with a 29.84 per cent surge, followed by Paytm parent One 97 Communications, which climbed 21.63 per cent, and PolicyBazaar parent PB Fintech, which rose 14.22 per cent.

In the IPO index, Lenskart, which has the highest weight of 7 per cent in the index, gained 17.74 per cent over the past month.

Over the month, Eternal, Groww parent Billionbrains Garage Ventures, and Swiggy received a fresh tailwind from the MSCI index rejig.

While Groww was a new entrant to the index, Eternal and Swiggy saw their weights increase. Inclusion in, or an increase in weight within, MSCI benchmarks typically triggers passive fund inflows, as global index-tracking funds are required to rebalance their portfolios accordingly. However, the stock prices of these companies remained subdued, mainly on account of profit booking.

Analysts remain bullish on these companies and other new-age businesses in the Nifty Internet index but want to take a long-term view, as many of these companies are yet to deliver on profitability metrics.

The Internet index trades at a price-to-earnings multiple of 160x, while the Nifty IPO index trades at a 60x multiple. Analysts credit the high valuations to companies whose earnings remain small relative to their share prices. They are currently looking at their long-term growth potential rather than just current earnings.

In that context, the IPO index looks more attractive because one of its key themes is financial services and asset management companies (AMCs), such as Tata Capital, SBI AMC, and ICICI Prudential AMC, where earnings are more visible, as is the growth potential.

In the small and medium enterprise segment too, the number of issuances was highest in June, according to Prime Database.

On the offer-for-sale (OFS) front, August saw Rs 31,446 crore raised through one issuance, while July recorded Rs 1,700 crore through an OFS by one company.

Sixty-one companies raised around Rs 1.06 trillion in 2026-27 as of August 31.

-- Shilpa Rangarajan, *Business Standard*