

FPIs, MFs invest record sum in IPOs

Contribution by funds as anchor investors half of that by FPIs

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Mumbai, 23 November

Foreign portfolio investors (FPIs) and mutual funds (MFs) have put in more money as anchor investors in initial public offerings (IPOs) in 2021, so far, than any other year.

FPIs' share of investments this calendar year (YTD) stands at ₹24,477 crore, nearly six times the amount for the entire 2020, and more than nine times the money invested in 2019, the data from PRIME Database shows.

MFs have invested ₹12,264 crore, so far, in CY21, four times the amount last year and more than 10 times the investment in 2019.

Total investment by FPIs and MFs put together this year is five times the amount invested last year. The amount contributed by

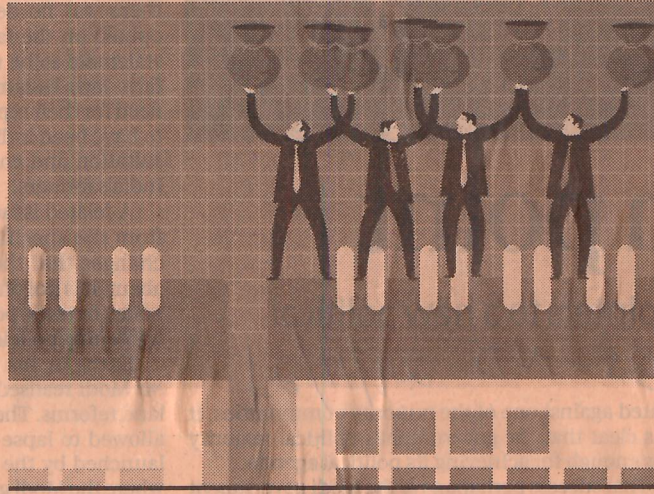


ILLUSTRATION: BINAY SINHA

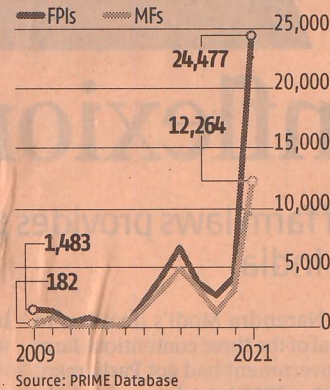
MFs, however, is nearly half of that invested by FPIs.

One97 Communications (Paytm), Zomato, and FSN E-Commerce Ventures (Nykaa) — all new-age digital companies — received the most by way of anchor investment. FPIs pumped in ₹7,185 crore in payments major Paytm's IPO, nearly seven times that invested by MFs. Food delivery firm Zomato's

offering saw FPIs put in ₹2,759 crore, while online beauty retailer Nykaa got ₹1,570 crore.

The top five FPI anchors this year are the Government of Singapore (₹1,570 crore), the Canada Pension Plan Investment Board (₹1,197 crore), BlackRock Global Funds-World Technology Fund (₹868 crore), Morgan Stanley Asia (Singapore) PTE-ODI (₹648 crore), and

ANCHOR INVESTMENTS ON THE RISE (in ₹ crore)



Nomura India Investment Fund Mother Fund (₹599 crore).

The top five MF anchors are Aditya Birla Sun Life MF (₹1,619 crore), HDFC MF (₹1,317 crore), SBI MF (₹1,201 crore), Axis MF (₹1,196 crore), and Mirae Asset MF (₹1,178 crore).

Domestic institutional investors (DIIs) have contributed more than foreigners as anchors only twice in the past

— in 2018 and 2014.

In 2018, the share of domestic investment stood at ₹4,045 crore, a 52 per cent share; in 2014, the share was 63 per cent, albeit on a lower scale as the IPO activity was subdued that year, with 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.

The trend of higher DII participation has picked up in the last four years, driven by mutual funds flush with money from monthly inflows into equity schemes.

This year has seen eight consecutive months of net inflows in equity schemes, with inflows since March totalling ₹73,766 crore. Before that, equity-oriented funds witnessed net outflows for eight straight months, from July 2020 to February 2021, totalling ₹46,791 crore.

According to a study done by domestic brokerage Ventura Securities earlier this year, a sizable number of mutual fund

schemes that invested in IPOs over the past year ended June 30 have not stayed put for the long haul. Of the 1,051 mutual fund schemes that applied for IPOs only 582 schemes are holding on to the shares post listing, the study had stated.

According to experts, IPOs provide an opportunity to be 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 and the allotment can reduce to the extent the issue is oversubscribed.

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 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.