

Investors cash out in startup IPOs

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BENGALURU: When Zomato Ltd issued its highly anticipated initial public offering of shares in 2021 many investors stayed put. While the food-delivery platform's investors sold shares worth about ₹375 crore in the IPO, Zomato issued fresh shares amounting to about ₹9,000 crore. Zomato, however, was among few outliers in that breakthrough year for startup IPOs in India. In most other such public issues, the IPO has been the most favoured exit route for startup investors looking to harvest the faith they had placed in an emerging company.

In all, in 2021-22, offers-for-

sale by investors accounted for 48% of the total startup IPO share sales by value, against 63.3% in the broader IPO market. In FY25 so far, until 4 October, offer-for-sales by investors have accounted for 64% of startup IPO share sales—the highest in four years—against 51.21% in the overall IPO market.

A primary reason for this is that several fund managers backing startups are at the end of their fund lifecycle, which means they need to sell substantial stakes in IPOs so they can return money to their investors.

While this means startups raise less capital from IPOs to fuel their growth, it leaves more money on the table for new investors looking to ride the



OFS by investors accounted for 64% of startup IPO share sales so far in FY25.

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startup wave as India's stock market scales record highs.

"The OFS component will continue being higher as the fresh capital which companies are seeking for their growth has

already significantly come in through PE/VCs (private equity and venture capital firms)," said Pranav Haldea, managing director of Prime Database.

Honasa Consumer Pvt. Ltd (Mamaearth), Go Digit General Insurance Ltd, Awfis Space Solutions Ltd, Le Travenues Technology Ltd (Ixigo), and Brainbees Solutions Ltd (FirstCry)—which went public over the past year—had a higher proportion of OFS as compared to fresh capital issues, NSE data show.

Swiggy, expected to go public shortly, will also have a higher OFS component—of ₹6,664 crore—versus a fresh issue component, of ₹5,500 crore, as per its draft red herring prospectus, the IPO document.