

# FII's balancing profit-booking, IPO bets

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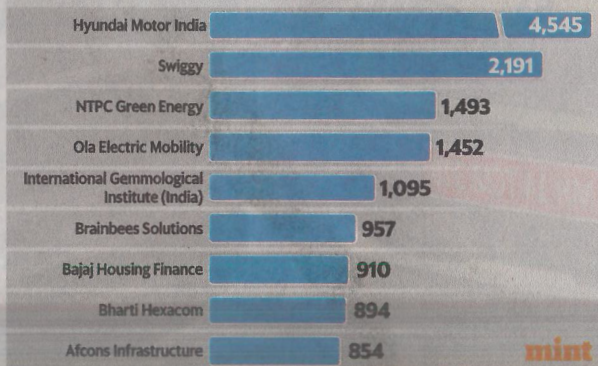
In 2024, foreign institutional investors (FIIs) didn't flee India entirely, after all. They adopted a two-pronged strategy: booking profit in the secondary market while placing bets in the equity capital market (ECM) via initial public offerings (IPO) and follow-on offerings (FPOs), besides qualified institutional placements (QIPs). Though FIIs were net sellers in the secondary market, they contributed to about 47% of anchor allocations in IPOs in calendar year 2024, said Mahesh Natarajan, head-equity capital markets, Nomura. Natarajan added that even in October-November, when FIIs sold shares worth \$13 billion in the secondary market, their share of the anchor book for the 14 IPOs executed in the period remained at about 47%, demonstrating resilience in supporting India ECM deals.

FIIs sold ₹6,823.19 crore of equities amid weak global and domestic cues in 2024. But, record local investor buying compensated for the sell-offs. Domestic institutional investors (DIIs) made net purchases worth ₹5,24,541.81 crore, data from the National Securities

## Strategic positioning

IPOs with notable FPI participation via anchor allocation in 2024.

Amount FPIs bought in anchor allocation (in ₹ crore)



Source: Prime Database

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Depository Ltd showed.

Meanwhile, 91 main-board companies collectively raised ₹159,784.16 crore last year, up by over threefold from 2023's ₹49,436 crore, showed data from Capital Market.

"Overall, India saw ECM activity worth \$65 billion in 2024, with IPOs worth about \$20 billion. That

is keeping in mind, the average IPO listing return has been around 20+% while large cap indices have returned approximately 9% in the year," said

Natarajan.

He said as the average size of IPOs doubled between 2023 to 2024, FIIs looked at IPOs and

**The Indian market's robust outperformance in past four years led to a valuation premium vis-à-vis peer economies**

FPOs as opportunities to pick up higher exposure to growth stocks at reasonable valuations without major price impact (if they were to buy in secondary markets). It effectively means FIIs are churning portfolios, Kaushal Shah, managing director and the head of ECM at Kotak Investment Banking, said. "Even as FIIs

consider the valuations in the secondary market high, they remain upbeat on the India's market narrative, compelling them to seize every opportunity."

Besides, impressive day-one listing gains, seen with Vibhor Steel Tubes Ltd (181.5%), BLS E-Service Ltd (126%), Unicommerce Esolutions Ltd (118%), and Bajaj Housing Finance Ltd (114%), prompted FIIs to switch ships. Lower risk involved in investing in listed companies enhanced their confidence in QIPs and sell-downs, he said.

As of 28 December, Indian firms raised ₹1,37,560 crore from 95 QIPs in 2024, against ₹54,350 crore from 45 issues a year earlier, *Mint* reported quoting data from Prime Database. Indian market's outperformance in the last four years has resulted in a valuation premium compared to the peers, said Milind Muchhala, executive director, Julius Baer India.

This prompted FIIs to book profit in existing holdings and wait for better entry points for fresh purchase. FII ownership of Indian equities fell to below 17% from 24% before covid-19, he said. "With better liquidity, etc. valuation gap saw increasing investment by FIIs."

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