

FOREIGN PORTFOLIO INVESTORS TURN TO PRIMARY MARKET AMID SOARING STOCK VALUATIONS

Foreign portfolio investors (FPIs) are increasingly turning to the primary market as a preferred route for investing in Indian equities given dwindling opportunities in the secondary market amid soaring valuations.

FPIs have invested \$6.4 billion (₹53,568 crore) in Indian equities through initial public offerings (IPOs) and qualified institutional buying (QIB) in the current year up to August 19, highest in four years. In contrast, they have been net sellers of \$4.5 billion (₹38,007 crore) in the secondary market, according to NSDL data compiled by ETIG. On a net basis, FPIs have been net buyers of \$1.9 billion (₹15,560 crore) in 2024 so far.

Typically, companies price their public share offerings 10-35% below the valuations of listed peers, providing valuation comfort to large investors. In addition, primary market allows investors to participate in companies with potential earnings growth that has not yet been priced in by the market. Buying through IPO market also ensures a sizable stake for institutional investors with low impact costs.



IPO MARKET

The IPO market provides opportunities to invest in companies with unique business models. The recent interest in the IPO of Ola Electric suggests FPIs' affinity to own concept or narrative stocks.

With consistent inflows and market appreciation, the equity portfolio value of FPIs has reached a record high of \$890 billion, accounting for 16% of the total market capitalisation.

FPIs have been net buyers in the primary market for eleven consecutive months, investing a total of \$8.3 billion (₹74,451 crore). On the other hand, they have been net sellers in the secondary market in seven of the past twelve months, investing \$2.7 billion (₹22,879 crore).

Report: ET Intelligence

UNLISTED SECTOR

Companies in the unlisted sector which are planning for IPO in the coming months will see more FPI participation. Considering this, more and more Indian investor will look for opportunities to invest in Unlisted Shares, Startups & Pre-IPO companies.

