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SEBI study shows 54% of IPO Shares allotted to Investors (excluding anchor investors) are sold within a week

In light of the increasing participation of retail investors and the heightened oversubscription in recent IPOs, SEBI conducted an in-depth study to analyze investor behavior in Main Board IPOs. The study encompasses data from 144 IPOs listed between April 2021 and December 2023.

Key findings of the study include:

1. **"Flipping" behavior among Individual Investors:** Individual investors sold 50% of the shares allotted to them by value within a week of listing, and 70% of shares by value within a year.
2. **Disposition effect evident among Investors:** The study found a strong disposition effect, with investors showing a greater propensity to sell IPO shares that posted positive listing gains, compared to those that listed at a loss.
3. **Returns influencing the selling behavior:** When IPO returns exceeded 20%, individual investors sold 67.6% of the shares by value within a week. In contrast, only 23.3% of shares by value were sold when returns were negative.
4. **Surge in Demat accounts post-COVID:** Nearly half of the demat accounts that applied for IPOs between April 2021 and December 2023 were opened during the post-COVID period (i.e., 2021-2023).

5. Following SEBI's policy interventions regarding Non-Institutional Investor (NII) share allotment process and RBI's guidelines on IPO financing by NBFCs in April 2022, the following trends were observed:

- **Significant reduction in NII category oversubscription:** Oversubscription under the NII category halved from 38 times to 17 times.
- **Sharp decline in applications from “Big Ticket NII Investors”:** The average number of applications from NII investors applying for more than ₹1 crore in IPOs dropped from approximately 626 per IPO in the pre-policy period (April 2021 - March 2022) to around 20 per IPO in the post-policy period (April 2022 - December 2023). Note that the total funds raised during the two periods were comparable.

The [study](#) is available on the SEBI website at www.sebi.gov.in

Mumbai
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