KIRTANE & PANDIT

# GOING PUBLIC

## INDIA'S GROWTH STORY WITH IPOs

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# EXECUTIVE SUMMARY

Initial Public Offerings (IPOs) have always been a fundamental mechanism for companies across the globe to raise substantial capital, facilitating growth and expansion. The IPO landscape, both in India and internationally, has witnessed dynamic shifts influenced by economic conditions, regulatory changes, and market sentiment. India has certainly emerged as a prominent player in the IPO space, driven by a robust regulatory framework, a thriving entrepreneurial ecosystem, and increasing investor appetite for new and innovative companies.  This trend is mirrored globally, where markets like the United States, China, and Europe continue to see substantial IPO volumes, highlighting the ongoing importance of public offerings as a vital mechanism for companies to access capital, expand operations, and enhance their market visibility. Primary purpose of this report is to comprehend the process of IPOs in India, analyze recent trends and discuss critical contributors to the overall process. Overall, the process involves meticulous planning, compliance with regulatory requirements, and engagement with various stakeholders, including investment bankers, legal advisors, and regulatory bodies etc. The IPO process in India is regulated by the Securities and Exchange Board of India (SEBI), ensuring the protection of investor interests. Companies must comply with multiple regulations, including SEBI's Issue of Capital and Disclosure Requirements, Listing Obligations and Disclosure Requirements, and others related to share acquisition, credit rating, and depository participation.

The report discusses key stages in the IPO process which typically starts with the planning phase, which involves assessing the company's financial readiness, business model, governance practices in light of the regulatory requirements for listing purposes. This is followed or accompanied by the hiring of an investment banker and underwriter to guide through the upcoming IPO stages. The marketing phase involves executives and underwriters conducting roadshows to engage potential investors, highlighting the company's business model and growth prospects to generate interest and support for the IPO. Finally, the pricing of the IPO is determined through methods such as Book Building or Fixed Price, with Book Building being preferred for better price discovery and maximizing IPO success.

Recent years have witnessed significant IPO activity, particularly in SME segment and between the months of September and December, with an extended period of listings in the month of March as well. As evident from the data analyzed, companies across variety of sectors have raised capital through the public listing over the last 5/6 years. However, amongst them, the Capital Goods sector stands out with the highest number of IPOs since 2019. IPOs in the Services sector, Gems, Jewelry and Watches sector, Industrial Products & IT have also seen dominance in the IPO market. While discussing other trends in 2023-24, the report also enlists top IPOs with respect to Issue Size, Subscription status, listing day gains / losses etc. The report also touches upon the very recent IPOs listed in FY 2024-25 showing how the overall process of companies raising money through primary market & people investing money in IPOs has been flourishing over the years.

As discussed in detail in the report, several key players, including the management of the company, key shareholders, legal advisors, peer-reviewed auditors, and regulatory bodies like SEBI, contribute to the successful execution of an IPO – through various critical roles & responsibilities. This report concludes by examining various crucial aspects that must be considered by all these key players to ensure a successful IPO. Regulatory compliance - particularly adhering to SEBI regulations and guidelines, is paramount for legal and smooth IPO execution. Companies must ensure their financial health and preparedness to meet the demands of being publicly traded well before even practically thinking about the public listing.

Optimal timing and favorable market conditions are also critical for maximizing IPO success and these signify the external factors beyond the control of the company. All in all, the importance of meticulous planning, regulatory compliance, and strategic execution by the core team is a true determinant of a successful IPO. The insights provided aim to guide companies considering an IPO, ensuring they are well-prepared with the help of internal as well as external experts to navigate the complexities of going public and leveraging the opportunities it presents for growth and expansion.


Akshay Purandare is a Partner of the Statutory Audit practice at Kirtane & Pandit LLP. He has hands on experience in leading large listed entities across sectors such as Capital Goods, IT and ITES, Chemical, Automobile and heavy engineering. Akshay is also an Independent Director of a large Public Limited entity in India and is a regular speaker and trainer on various forums on audit, IPO, financial reporting & corporate governance matters.

With his extensive experience in IPOs and related services, Akshay discusses various important aspects of IPOs in India. Highlighting the ever growing journey of IPOs, he further elaborates on the overall process involving various phases needing meticulous planning, diligent & timely compliances with regulatory requirements, and engagement with various stakeholders like investment bankers, legal advisors, and regulatory bodies etc. Looking at the relevant data since 2019, Akshay then draws attention to the IPOs listed in the financial year 2023-24. The insights in this report aim to guide companies considering an IPO in the coming months or years.

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# INTRODUCTION

Initial Public Offer, commonly termed an IPO, is the process by which a private company offers its capital to the public for the first time listed on the stock exchange. This process allows the companies to raise capital through selling the shares to other potential investors. In an IPO, the company works with an investment bank or with an underwriter to set the offer price and facilitate the sale of shares to such investors. On the completion of the IPO, the company's shares tend to be traded on the stock exchange and more investors are offered the opportunity to buy and sell the company's shares. Typically, it is an important step in the development of a company. It provides companies with access to capital from the capital market. It provides a sense of credibility and visibility to a company. When a company is made public, either the money flows to the Company in the form of additional share capital or the Company's existing owners can sell their shares to other investors through the IPO commonly known as an Offer for Sale (OFS).

An IPO forms part of the 'Primary Market' within the larger Capital Market. A primary Market is a type of market, where issuers raise new capital from investors by making initial public offers, rights issues, or offers for the sale of equity or debt instruments.

On the other hand, these shares get "re-traded" on the secondary market once listed on recognized stock exchanges through the IPOs. Generally, simultaneous announcements of a number of IPOs indicate a healthy, robust economy in general and a booming stock market in particular.

## Reasons for Companies "Going Public"

Going public is another way of saying the Company initiating its IPO. When a company becomes a public company through IPO, its ownership structure changes from being 'privately held' to being 'publicly traded', which is why the IPO process is frequently referred to as going public. The primary reason for companies going public is to raise money for their expansion. However, the existing investors may also elect to receive a portion of the proceeds whenever a privately owned entity chooses to go public. Generally, a company lists its shares for public trading for any of the below discussed reasons -

## 1 Access to additional Capital

Any entity's initial business operations and expansion phases are funded by its founders/promoters / business owners. However, at times a significant increase in its business activities or broadened array of goods or services may necessitate a sizable capital investment. If the entrepreneur or stockholder is not able to acquire the necessary funds, they could either borrow money or issue additional shares to raise such funds.

## 2 Liquidity & Exit Strategy for Investors & Employees

The options for private company investors or employees to trade their shares may be very limited. When a company prospers, its existing investors/ employees may desire to withdraw the money that has been invested in the corporation by selling their stake totally or partially. The public offering enables investors to liquidate their investments by establishing a marketplace for such shares. Additionally, it increases stockholders' capital by enabling them to get credit with publicly listed shares as a security. Employees that stick around the business would ultimately benefit from an IPO in the long term. Several unlisted businesses arrange their employees' exercise period to coincide with the initial public offerings, allowing their employees to liquidate their stock options quickly.

## 3 Facilitating M&A activities

Large companies frequently look to acquire well-run companies, as mergers can be financed with IPO proceeds. A profitable IPO grants a company value, fame, prestige, and extra funding for merger and acquisition deals. Additionally, being a publicly traded company provides a transparent market valuation for the company, which can be used as a benchmark for future fundraising, M&A negotiations, and employee stock options.

## 4 Brand Visibility and Prestige

Being listed on a stock exchange can enhance a company's visibility and credibility in the market. Liquid trading of the shares can lure additional investors into investing in the business, further leading to an expansion in the company's marketing potential. Additionally, investors frequently learn about the business for the first time at the initiation phase. Buyers start learning about the business as it advertises and displays its public offering by reading about its operations, finances, and other aspects. This might also be used by the company to expand its clientele.

## 5 Reduced Cost of Capital

Publicly traded companies often enjoy lower costs of capital compared to private companies since they can access a broader investor base and potentially lower interest rates for debt financing.

## Primary Limitations/ Disadvantages of IPO

An IPO is a significant milestone in any company's life cycle, offering various advantages, but at the same time, requiring significant additional efforts on the management side. Launching an IPO also involves numerous potential risks, such as valuation uncertainty, price volatility, regulatory compliance, and fluctuating investor sentiment. Therefore, it is crucial for stake-holders to understand even the potential disadvantages of the IPO process, as discussed below -

### 1 Underpricing

Underpricing in an IPO involves selling shares below their true value, resulting in immediate revenue loss. It can erode profit margins, trigger price wars, and signal to investors a lack of sustainable profitability, potentially reducing access to future capital for growth.

### 2 Market Volatility

Market volatility can cause asset prices to deviate from their fundamental values, creating arbitrage opportunities but also risks such as bubbles or crashes, misallocation of capital, and systemic threats. High volatility can lower investment returns, raise risk premiums, and dampen economic confidence, leading to reduced spending and growth. It also fosters investor anxiety and challenges central banks in managing market expectations and policy responses.

### 3 Increased Regulatory Compliance

Regulatory compliance is crucial in an IPO, with significant efforts required to be put to adhere to provisions of regulations including securities laws, financial reporting standards, corporate governance insider trading prevention, conflict of interest management, regulatory filings, anti-money laundering regulations, etc. Non-compliance with such additional requirements can lead to enforcement actions, lawsuits, and reputational damage. Companies typically engage legal and accounting advisors to navigate through these challenges, ensuring adherence to regulations and mitigation of compliance risks.

### 4 Disclosure of Sensitive Information

During an IPO, companies must disclose financial statements, business operations, risks, and material information to potential investors. Balancing of disclosure requirements with the protection of sensitive information, such as proprietary technology and strategic plans can pose a major challenge in some cases. Disclosure exposes companies to competitive risks, including the potential for competitors to use disclosed information to gain an advantage. Companies have to undergo extensive due diligence by advisors to assess and protect sensitive data while meeting IPO disclosure obligations.

## 5 Short Term Focus & additional Expectations

Companies face pressure to meet quarterly earnings expectations and satisfy shareholders, leading to managing earnings pressure, coping with stock price volatility, and making short-term decisions that may detract from long-term value creation. This focus on short-term performance can deter strategic opportunities and impact employee morale and retention. Additionally, the need to outperform competitors for investor attention and capital adds pressure on management to deliver superior returns and demonstrate competitive advantages. New shareholders may seek to influence corporate decisions or strategies to align with their own interests, potentially leading to conflicts with management and existing shareholders. Activist investing can create uncertainty and disrupt the company's operations, hindering its ability to execute its business plans effectively.

## 6 Additional Expenses

IPO expenses, including underwriting, legal, and marketing fees, strain company finances, especially if expectations aren't met or market conditions are unfavorable. The IPO process may divert resources from core operations, affecting the overall performance of the Company. Further, ongoing listing compliance costs can escalate with evolving regulations.

# Types of IPOs

## Based on Company Size & Market Capitalization

| Mainboard IPO | SME IPO |
|---|---|
| Listing and trading on NSE/ BSE | Listing and trading on SME platforms – BSE SME/ NSE Emerge |
| Stricter norms | Relaxed norms |
| Post issue paid up capital should be at least Rs.10 crores | Post-issue paid up capital should not exceed Rs.25 crores |
| Offer document gets vetted by SEBI | Offer document gets vetted by the stock exchange |
| Market making is not mandatory | Market making for 3 years by Merchant Bankers |
| File quarterly accounts | File half yearly accounts |
| IPO underwriting is not mandatory | IPO underwriting is mandatory (15% by Merchant banker) |
| IPO application size is between Rs.13,000 to Rs.15,000 | Minimum IPO application size is Rs.1 lakh |

## Based on the Pricing of the IPO

### Book Building IPO

In Book Building IPO, a price band is defined with two different prices, the Floor price being the lowest price of the band & Cap price being the highest price of the band. Investors need to make a bid within the stipulated time & the specified price band of the IPO and then the company sets the final price. Usually, a 20% range is set by the company and bidding is done within this range. Additionally, in this type of IPO, the number of shares is specified by the company that needs to be sold to the investors.

### Fixed Price IPO

In this kind of IPO, the investors purchase the shares at a price fixed by the company. A merchant banker is appointed to ascertain the company's current value and its future prospects. Based on the risk assessment by the merchant banker of the Company, the price per share is determined. Accordingly, the share price is already known to the investor, even before the company goes public and a total fixed price is paid while subscribing to the IPO of a particular company.

## History of IPOs in India

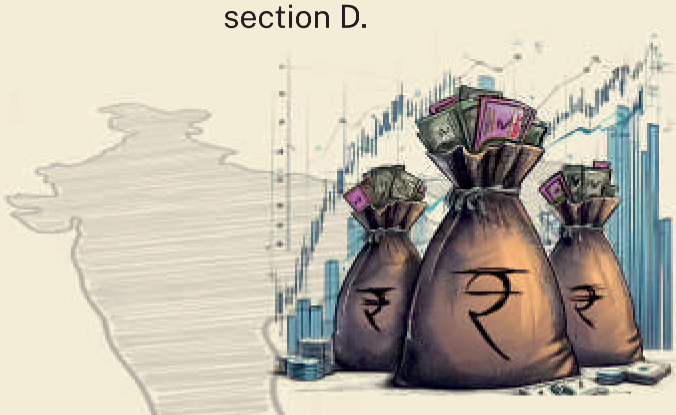
The history of Initial Public Offerings (IPOs) indeed has roots dating back centuries, with notable milestones marking its evolution from time to time. The Dutch East India Company's IPO in 1602 in Amsterdam, Netherlands is often regarded as the first modern IPO, marking the birth of the stock market as we know it today. In India, the concept of IPOs took time to gain traction, with the capital market remaining underdeveloped until the early 20th century. The first Indian IPO is often attributed to the issue of shares by Tata Iron & Steel Company (now known as Tata Steel) in 1907.

However, significant developments occurred in 1977 when Reliance Industries Limited, one of India's largest conglomerates, made history by initiating its IPO. Priced at par value, this offering was a landmark moment, signaling the beginning of a new era for the Indian capital market. The Reliance Industries IPO was a resounding success, being oversubscribed seven times, which underscored the confidence investors had in the company's growth prospects. This overwhelming response not only demonstrated Reliance's ambitions for growth but also highlighted the appetite for investment in the Indian capital market at the time. This widened the investor base of the Indian stock market, democratizing participation in equity investments and laying the foundation for a more inclusive financial ecosystem.

Further, the establishment of the Securities and Exchange Board of India (SEBI) in 1988 was a watershed moment in the development of the Indian IPO market. SEBI's focus on transparency and investor protection has played a pivotal role in enhancing the credibility and integrity of the IPO process. The 1990s marked a turning point for India's economy and its capital markets. With economic liberalization policies introduced, India opened its doors to foreign investment, leading to a surge in IPO activity. This period witnessed the emergence of several iconic IPOs, symbolizing India's growing prominence on the global economic stage.

One such milestone was the listing of Infosys in 1993. Founded by Narayana Murthy and his associates, Infosys became the first Indian company to be listed on a US stock exchange, further enhancing its reputation as a global leader in the IT industry. This event not only marked a significant achievement for Infosys but also highlighted the potential of Indian companies to compete on the international stage.

While Indian capital markets have a lot of history as discussed above, this report focuses on recent trends whereby overall trends in IPO listing over the last 5/6 years and then specifically for the financial year 2023-24 are analyzed in detail. Particulars like subscription status, issue size of IPOs, listing categories, preferences for any stock exchanges / period of listing, etc. are analyzed on the data available in the public domain in section D.



# TYPICAL PROCESS INVOLVED IN AN IPO ISSUE

Currently, the IPO process is regulated by the Securities and Exchange Board of India (SEBI). Its main function is to protect and safeguard the interests of investors, by playing the role of a market regulator, in the securities market. The process of IPO involves compliance with a number of regulatory requirements and following various legal procedures. Companies interested in launching the IPO need to prepare financial statements in a particular manner, and legal documents, and make necessary disclosures as required by regulatory authorities. Below mentioned regulations guide the companies going for IPOs -

- SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018: These regulations outline eligibility norms, disclosure requirements, and conditions for IPOs on the main board. They also specify entities ineligible for making an IPO and provide guidelines for appointing lead managers, intermediaries, and compliance officers.

- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: These regulations specify post-listing norms that companies must adhere to after being listed on stock exchanges.

- Companies Act, 2013: Chapter III of this act addresses IPO-related provisions. It grants SEBI the authority to regulate the issue and transfer of securities. Sections within this chapter cover various aspects such as public offers, private placements, prospectus requirements, criminal and civil liabilities for misstatements in prospectuses, and further issuance of share capital.

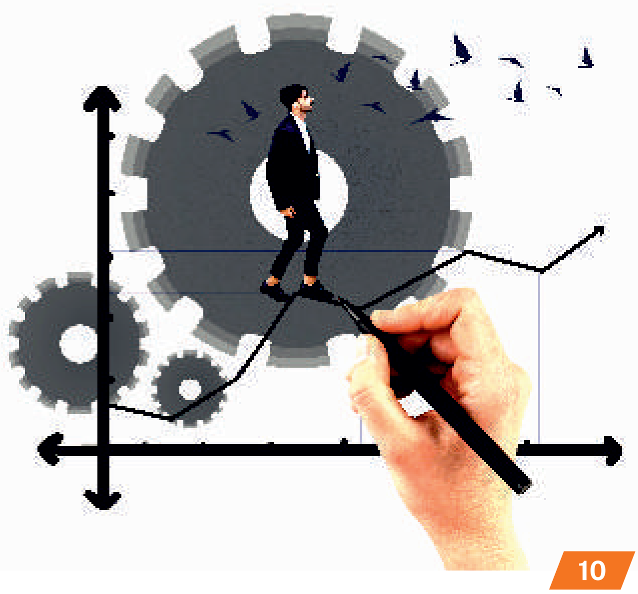
- SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011: These regulations govern the acquisition of shares and changes in control of listed companies, particularly in cases where an IPO results in a change of control or triggers an open offer.

- SEBI (Credit Rating Agencies) Regulations, 1999: These regulations govern the registration and eligibility criteria for credit rating agencies, which play a crucial role in rating securities involved in the IPO process.

- Depositories Act, 1996: This act defines the rights and obligations of depositories, participants, issuers & beneficial owners and facilitates the dematerialization of securities, including IPO shares.

- SEBI (Bankers to an Issue) Regulations 1994: These regulations govern the roles and conduct of bankers to an issue, who actively participate in the IPO process.

- SEBI (Merchant Bankers) Regulations, 1992: These regulations outline the registration process for merchant bankers and underwriters involved in the IPO process.



## 1 IPO decision & IPO Project Management

Currently, the IPO process is regulated by the Securities and Exchange Board of India (SEBI). Its main function is to protect and safeguard the interests of investors, by playing the role of a market regulator, in the securities market. The process of IPO involves compliance with a number of regulatory requirements and following various legal procedures. Companies interested in launching the IPO need to prepare financial statements in a particular manner, and legal documents, and make necessary disclosures as required by regulatory authorities. Below mentioned regulations guide the companies going for IPOs -

- Assess financial readiness in terms of the company's financial performance, stability, and growth prospects. Particularly assess capital structure & funding requirements.
- Understand regulatory requirements & map the potential impact on the company's operations, governance structure, and reporting obligations.
- Review the company's business model, competitive landscape, & market positioning and assess growth opportunities, expansion plans, and strategic initiatives.
- Establish robust corporate governance practices and structures to ensure transparency, accountability, and investor confidence. This would also include implementing internal controls, risk management frameworks, and ethical standards to mitigate risks and safeguard shareholder interests.
- Prepare a strong management team and invest in the necessary infrastructure & technology to manage the increasing demands of being a public company.

## 2 Hiring of Investment Banker & Underwriter

The company selects an investment banker or a team of underwriters to act as its advisors and facilitate the IPO process. This decision is crucial as the investment banker will play a key role in guiding the company through the various stages of the IPO. The investment banker usually conducts a comprehensive analysis of the company's financial situation, including its total assets, liabilities, revenues, expenses, and overall past, current & expected financial performance. This analysis provides the base for determining the amount of capital to be raised through the IPO.

Once the capital-raising target is established, the company and the underwriters enter into an underwriting agreement. This agreement outlines specific terms and conditions of the IPO, including the number of shares to be issued, the offer price, the type of securities offered (e.g., common stock, preferred stock), and the underwriters' responsibilities. It also includes the underwriters' commitment to purchase shares from the company and the company's obligation to issue and deliver the shares. The underwriters play a crucial role in determining the pricing of the shares and the optimal timing for launching the IPO, as they analyze market conditions, investor sentiment, and industry trends to determine the most favorable pricing and timing for the offering. This may also involve deciding on the allocation of shares to institutional investors, retail investors, and other stakeholders, as well as determining any incentives or discounts offered to early investors.

## 3 Red Herring Prospectus (RHP) and Registration with SEBI

The company, with the assistance of its legal and financial advisors, prepares the RHP. This document contains essential information about the company, including its financial data, management details, business plans, risk factors, and other pertinent information that potential investors need to know before making an investment decision. The term "Red Herring" signifies that the document is preliminary and subject to change. It includes a disclaimer warning for investors that certain details may be subject to revision until the final prospectus is issued. Once the RHP is prepared, the company registers it with SEBI. Along with the RHP, the company submits a registration statement to SEBI for approval. The registration statement provides additional details about the IPO, including the proposed offering size, pricing, and use of proceeds. Simultaneously with the registration with SEBI, the company submits the RHP to the local Registrar of Companies (RoC), ensuring compliance with the Companies Act.

After completing the above steps, the company formally applies to SEBI for approval to launch the IPO at least three days before the IPO is scheduled to open for public bidding. SEBI scrutinizes the RHP and registration statement to ensure that the company has disclosed all relevant information that potential investors need to make an informed decision. If any discrepancies or deficiencies are found, SEBI may send the documents back to the company for revisions and resubmission. Once SEBI is satisfied with the RHP and registration statement, it grants approval for the IPO to proceed. This approval allows the company to move forward with the IPO process, including setting a date for the offering and finalizing other details.

## 4 Application of the IPO on the Stock Exchange

Depending on the type of IPO (Mainboard or SME), the company decides on which stock exchange(s) to list its shares. Mainboard IPOs typically get listed on both the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), although there may be exceptions. SME IPOs, on the other hand, may choose to list on either NSE or BSE. The company submits the IPO application to the selected stock exchange(s). This process involves extensive paperwork and documentation, including the prospectus, registration statement, and other required disclosures.

The stock exchange(s) review the IPO application submitted by the company. This review process includes assessing the completeness and accuracy of the submitted documents, as well as ensuring compliance with listing requirements and regulatory standards. Based on the review, the stock exchange(s) decide about the approval of the IPO. Once the application meets all the necessary criteria and regulatory standards, the stock exchange(s) grant approval for the IPO to proceed to the next stage.

## 5 Marketing of upcoming IPO

In this stage, Company executives, along with investment bankers and underwriters, embark on roadshows to major financial centers. They meet with potential investors, including institutional investors, hedge funds, pension funds, and high-net-worth individuals. These meetings provide an opportunity to present the company's business model, financial performance, growth prospects, and other relevant information to interested parties. They highlight key facts and figures that showcase the company's potential for growth and profitability. The goal is to create a positive sentiment among investors and build excitement around the IPO.

Qualified Institutional Buyers, such as institutional investors and investment funds, play an active role during this stage. Companies target QIBs as they represent a significant portion of the investor base and often have substantial capital to deploy. Engaging with QIBs can help generate interest and support for the IPO. In some cases, companies may make pre-IPO offerings to larger organizations or strategic investors. By selling company stocks to these entities before going public, companies can secure capital and establish relationships with key stakeholders. This step can enhance the company's access to capital, profitability, market visibility, and credibility.

## 6 Pricing of IPO

The company then decides on finalizing the offer price for the IPO, either through Book Building Method or Fixed Price Method, as discussed in the earlier section. IPO pricing becomes an important factor in the overall success of the IPOs in terms of their listing gain or loss, subscription status, and overall profit or loss, gained or incurred by it respectively. The Book Building Method is generally preferred due to its ability to facilitate better price discovery and maximize the IPO's success. Under the Book Building Method, the company and its underwriters establish a price range within which potential investors can submit their bids for the IPO shares. The final offer price, also known as the cut-off price, is determined based on factors such as the demand for shares, the level of over-subscription, and market conditions.

Unlike the Book Building Method, there is limited flexibility for investors to bid or negotiate the price under the Fixed Price Method. The price is fixed before the IPO is launched, and investors must either accept or reject the offer at that price. However, on the other hand, the Fixed Price Method allows for a straightforward and relatively simple pricing process, as the price is determined in advance based on various factors considered by the company and its underwriters. While the Fixed Price Method may be suitable for certain IPOs, it is generally considered less preferred compared to the Book Building Method, as it may not fully reflect market demand and may result in underpricing or overpricing of shares.

## 7 Allotment of Shares

After the completion of the above stages, IPO forms or online subscription modes are made available to the public on a stipulated date. Investors who wish to invest in the IPO fill out these forms / subscribe online with their subscription details and desired investment amount. This process is usually available for a period of three to five working days, during which investors can submit their applications. After the subscription period ends, the company and its underwriters determine the proposed number of shares to be allotted to each investor. If the IPO is oversubscribed, partial allotments may be made to ensure a fair distribution of shares among investors.

Within a period of 10 working days from the closure of the subscription period, IPO stocks are allotted to the successful bidders. This time-frame allows for the processing of applications, verification of details, and allocation of shares accordingly. After the closure of the IPO bidding process and the allotment of shares, the company submits the final prospectus to SEBI and RoC, including details such as the number of shares allocated to investors and the final issue price.

## 8 Listing of Shares on Stock Exchanges making the IPO public

Once the IPO offering officially closes, the company receives the proceeds from the IPO. These proceeds represent the capital raised by the company through the sale of its shares to investors, net of underwriting fees, and other expenses associated with the offering. After the closing of the offering, the company's shares are listed on one or more designated stock exchanges, which then provides liquidity and marketability for shareholders, allowing them to buy and sell shares on the open market. Investors can buy and sell shares through the exchange's trading platform, with prices determined by supply and demand dynamics in the market.

## 9 Post IPO Compliance

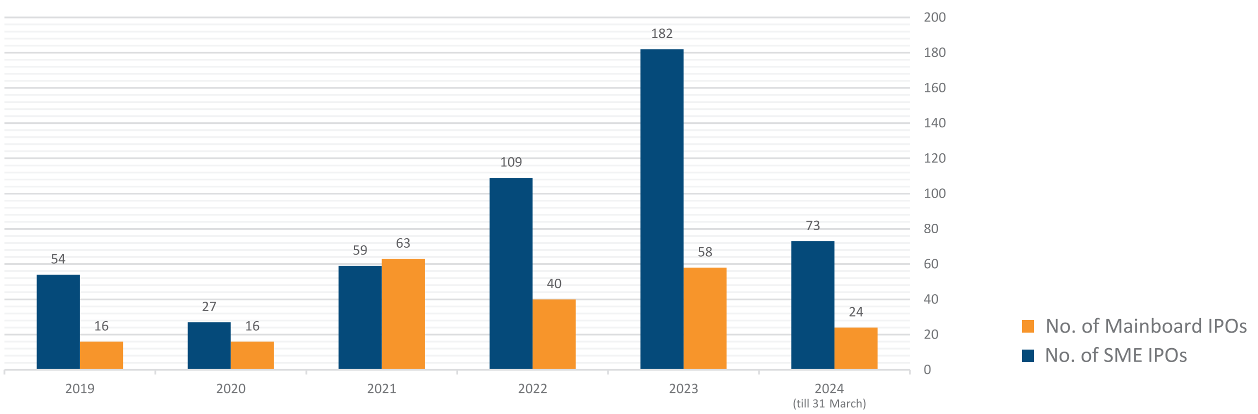
As a publicly traded company, it must comply with ongoing disclosure and reporting obligations. This includes filing periodic reports with regulatory authorities, such as SEBI, and disclosing material information to shareholders and other investors. The company must also adhere to corporate governance standards to ensure transparency and accountability. The company engages in investor relations activities to communicate with shareholders, analysts, and other stakeholders. This includes providing updates on corporate developments, financial performance, and strategic initiatives through earnings releases, conference calls, investor presentations, and other channels.

Throughout the IPO process, the company works closely with its advisors and underwriters to navigate regulatory requirements, market conditions, and investor sentiment to achieve a successful offering and transition to a publicly traded company.

# RECENT TRENDS IN THE INDIAN IPO MARKET

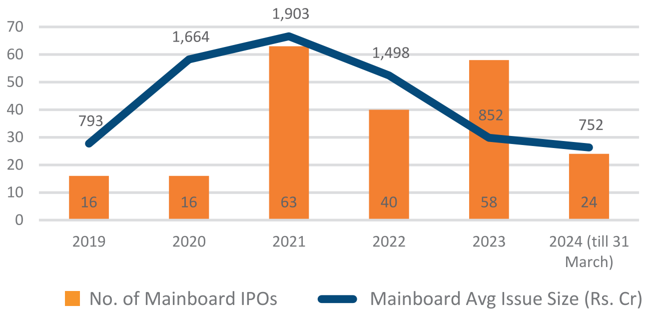
With the above discussed theoretical discussion, it would be pertinent to look at recent trends of IPOs in the Indian capital markets. While a momentous rise could be seen in a number of SME IPOs since 2020, a steady rise in Mainboard IPOs is evident in the last 5 years, with an exception in the year 2022 when the number of Mainboard IPOs reduced to 40 from 63 in 2021. However, the overall trend in the IPO sectors seems positive, as from a modest number of 70 IPOs released in the year 2019, the year 2023 witnessed a total of 240 IPOs. Also, a total of 97 IPOs has already been released in the first three months of 2024 and the figure is expected to surpass that of previous year by the end of the year 2024.

**Total Number of IPOs Over the Years**

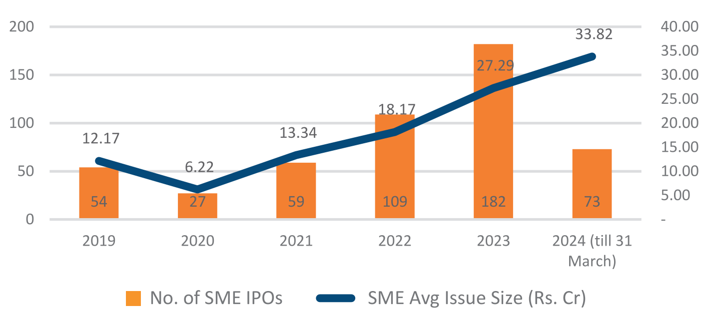



Nonetheless, data from recent years suggests a significant preference to SME IPOs or even an inference can be drawn that companies with smaller capital requirements are getting listed on stock exchanges to raise additional funds for expansion or for the existing shareholders. The following charts provide a further detailed view of the number of IPOs in SME / Mainboard sections along with the respective average issue size, showing vast differences in the amounts of issue size considered in SMEs vis-à-vis Mainboard IPOs.

**Mainboard IPOs**

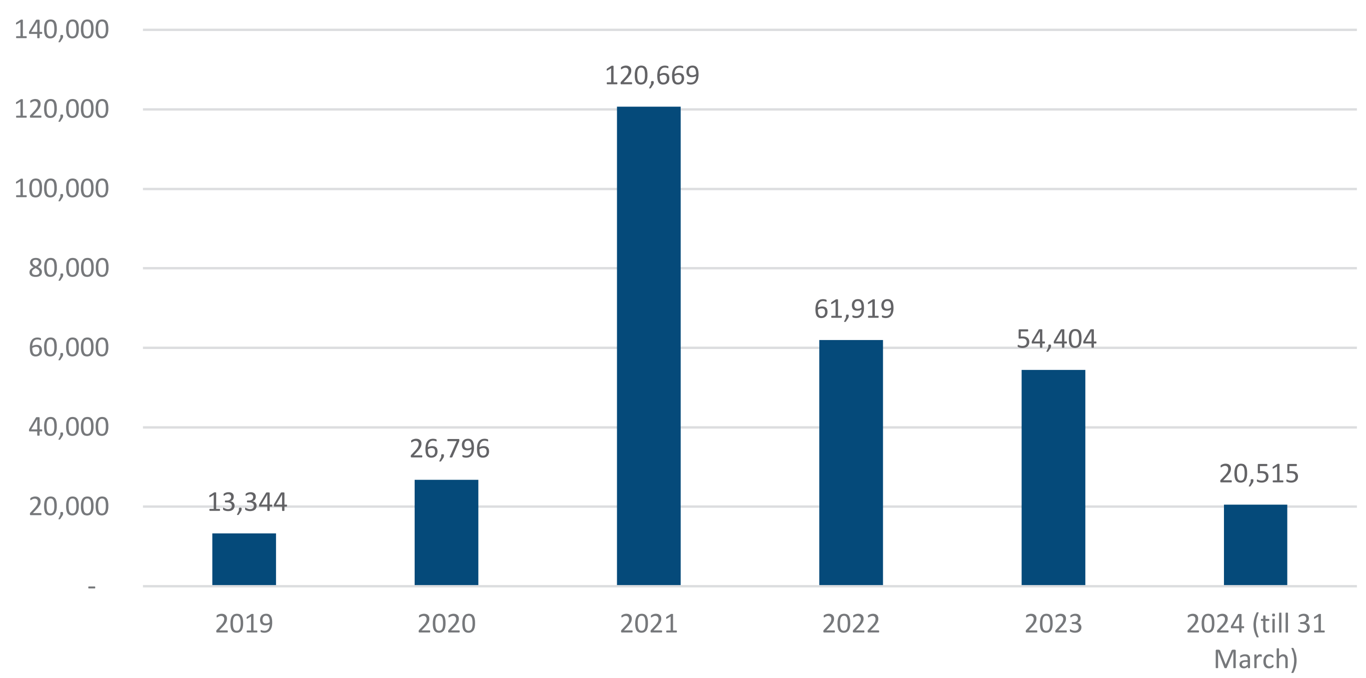



**SME IPOs**




As evident from the above graphs, the average issue size for Mainboard IPOs has been around Rs. 500 Cr as against Rs. 10 Cr of average issue size in the case of SME IPOs. Having said that, an upward trend is visible in the average issue size of SME IPOs with an average issue size of Rs. 6 Cr in 2020 now reaching Rs. 34 Cr in the initial months of 2024. Further, as depicted from the graph below, the total amount raised through IPOs seems to vary significantly over the years, from Rs. 13,344 Cr in 2019 to Rs. 1,20,669 Cr in 2021 and to Rs. 54,404 Cr in 2023. As can be seen, there is a substantial jump in the total amount raised in 2021, indicating a significant surge in IPO activity during that period, which may be an effect of the postponement of IPOs from COVID affected 2020.

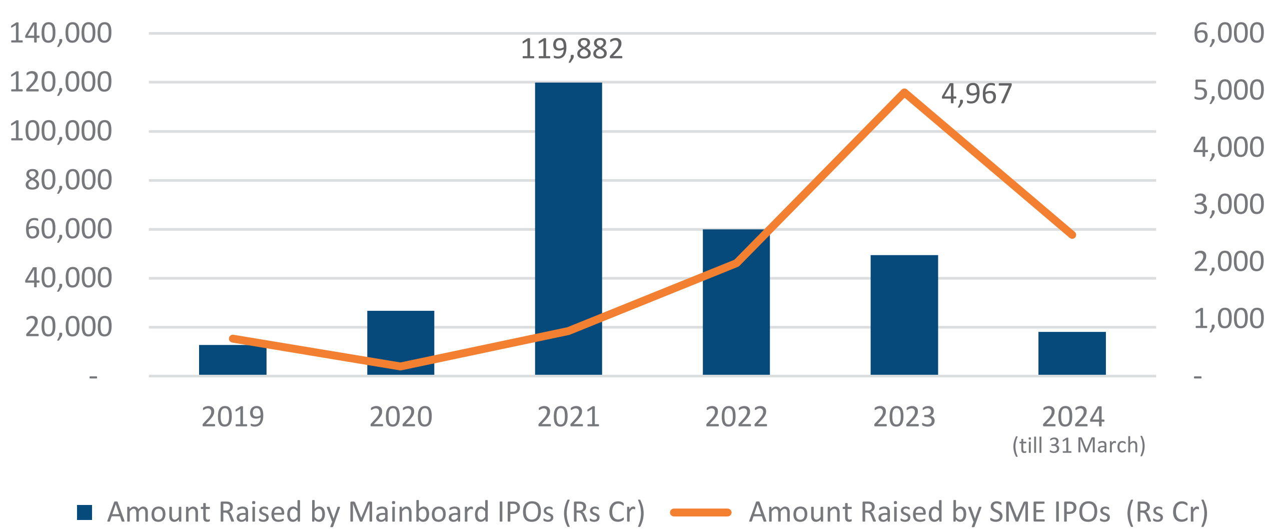
**Total Amount Raised through IPOs (Rs. Cr )**



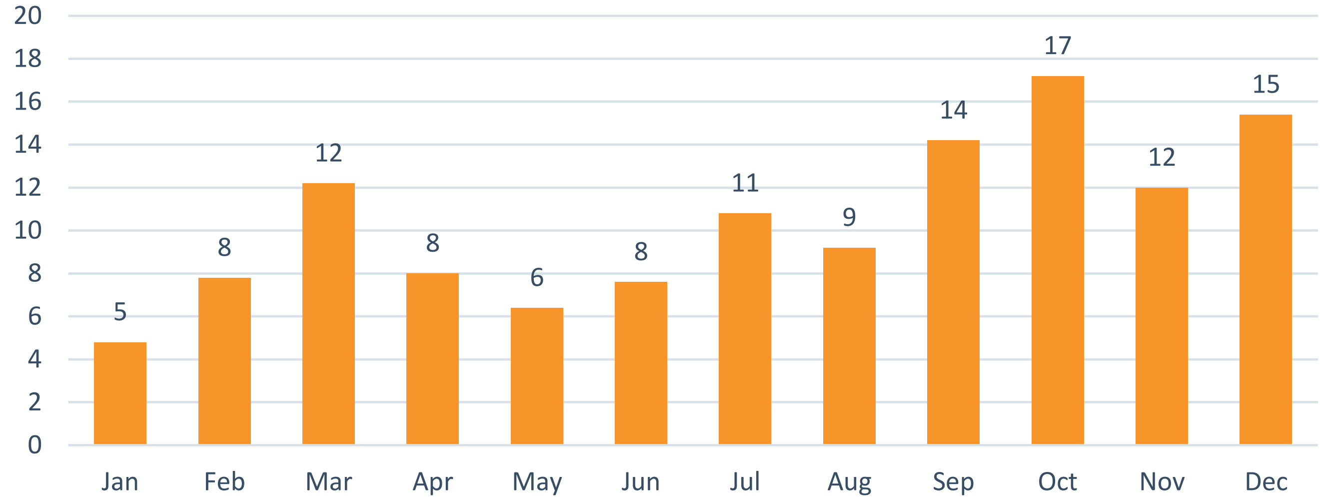

While the increasing average issue size for IPOs suggests a growing appetite for POs among established companies whereas, fluctuations in the average issue size may reflect varying levels of investor interest and market conditions over the years. Additionally, external factors such as economic conditions, regulatory changes, and industry trends may have likely influenced the fluctuations observed in average issue sizes and the total amount raised.

Another interesting aspect coming out from the data analysis of the last few years is a preference for the particular time of the year when companies want to release IPOs. Visibly, there seems to be a pattern of higher average issues during the latter part of the year, with the months of September to December showing relatively higher numbers and in contrast, the earlier months of the year, such as January and February, showing lower average issues.

**Amounts Raised by Both IPO Types**



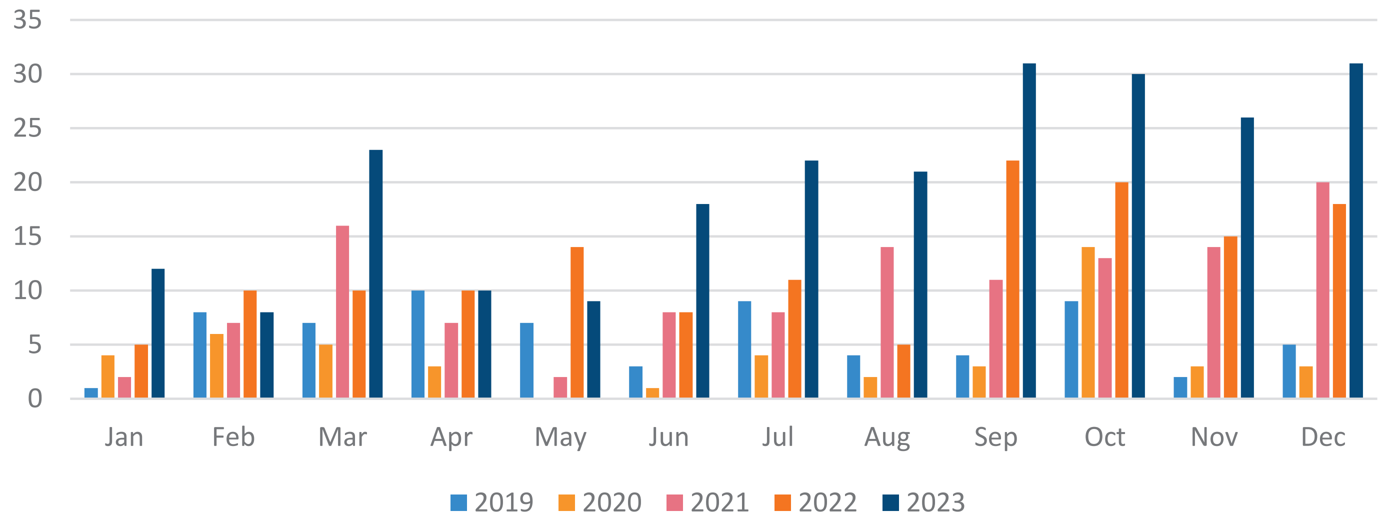
## Monthwise Average IPOs Over 5 Years




Various factors such as market sentiment, economic conditions, regulatory changes, and industry-specific events can influence the monthly variation in average issues, and understanding these dynamics becomes essential for investors, companies, and regulators to anticipate market trends and make informed decisions. However, with almost 50% of IPOs getting released in the last 4 months of the calendar year suggest a clear preference of the companies to list their shares in the period of September to December every year.

There exist several outliers where the number of IPOs significantly deviates from the typical pattern for a particular month of a particular year in the last 5 years, indicating periods of heightened or subdued IPO activity. For example, the years 2021 and 2022 saw significant IPO activity in the months of March & May of the respective years, unlike other years. Overall, the data reflects the dynamic nature of the IPO market, with fluctuations in activity across different months and years.

## Yearwise Date of Monthly Release of IPOs



Another important aspect to be considered in IPOs could be about if there exists any preference for any specific sectors / industries over the years. The below table provides a summary of the top 10 sectors of each year based on the number of IPOs released in each of the years since 2019.

**2024**

Industrial Products | Packaged Foods
Animal Feed | Civil Construction | Other Bank
Computers Hardware & Equipment
Heavy Electrical Equipment | Hotels & Resorts
Iron & Steel Products | IT Enabled Services

**2023**

Capital Goods | Services | Healthcare
Information Technology | Fast Moving Consumer Goods | Consumer Services | Gems-Jewellery & Watches | Media Entertainment & Publication
Chemicals | IT Enabled Services

**2022**

Capital Goods | Fast Moving Consumer Goods
Industrial Products | Residential-Commercial Projects | Trading & Distributors | Construction
Consumer Services | Gems-Jewellery & Watches
Healthcare | Information Technology

**2021**

Auto Components & Equipment | Pharma | Specialty Chemicals | Capital Goods | Civil Construction
Consulting Services | Residential-Commercial Projects | Aerospace & Defense | Computers - Software & Consulting | E-Retail/ E-Commerce

**2020**

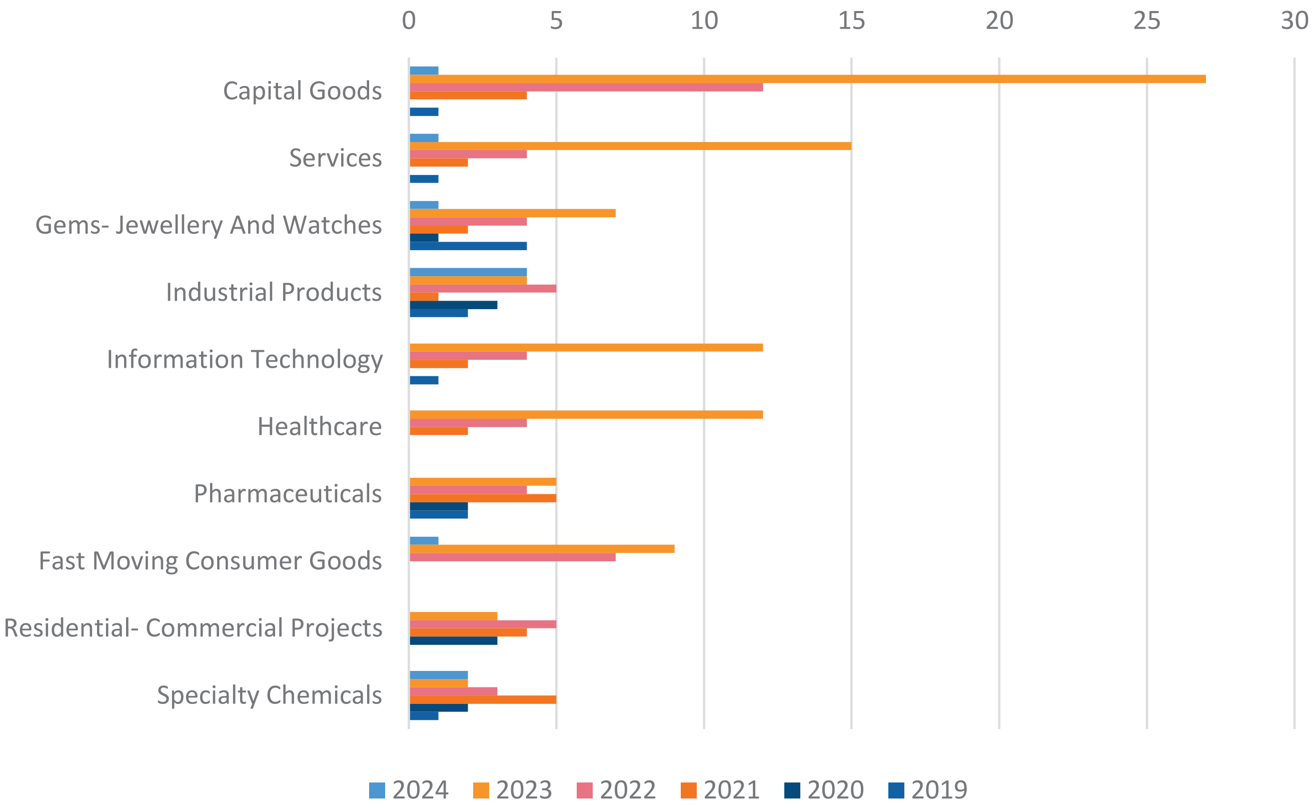
Computers - Software & Consulting | Industrial Products | Residential-Commercial Projects
Diversified | Packaged Foods | Pharma | Specialty Chemicals |Asset Management Company
Cables - Electricals | Civil Construction

**2019**

Gems-Jewellery & Watches | Trading & Distributors
Civil Construction | Construction | Consulting Services | Hotels & Resorts | Industrial Products
Packaging | Pharma | Auto Components & Equipment

As evident from the above, companies across various sectors have raised capital through public listing over the last 5/6 years, with a total of 32 different sectors making it to the top 10 sectors each year. However, amongst such a variety of sectors, the Capital Goods sector has witnessed the highest number of IPOs since 2019, totaling to 45 issues in the last 5/6 years. IPOs in the Services sector stand second with 23 IPOs in the same period. The sectors of Gems, Jewellery and Watches, Industrial Products & IT have seen a similar presence with the release of 19 IPOs in each sector. This indicates significant growth in companies related to these industries / sectors. Healthcare, Pharmaceuticals, FMCG, Realty (Residential-Commercial Projects) & Specialty Chemicals make up the other half of the top 10 sectors for all 5/6 years taken together

**Sector Wise IPOs Since 2019**




The above data presents a number of IPOs for various industries/sectors across the years 2019 to 2024. While certain industries like Capital Goods & Services witness fluctuating numbers from year to year, indicating changing market dynamics and investor interest, certain other industries like Gems & Jewellery, Industrial Products, Pharma, Realty & Specialty chemicals depict consistent additions to the listed companies in these sectors over the years.

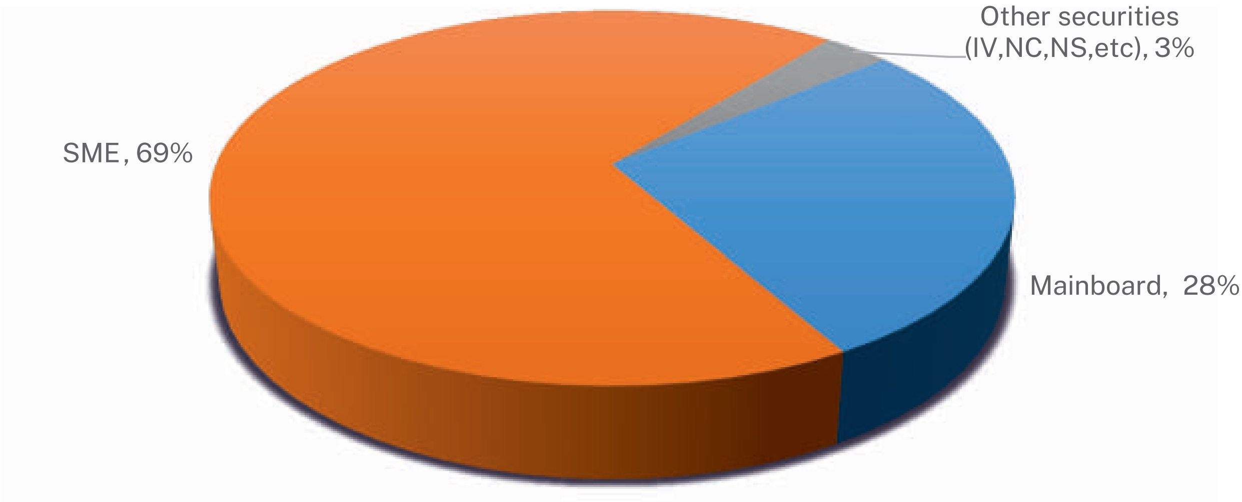
## Details of IPOs in 2023-24

In light of the broad trends in the IPOs in recent years, now we look at the IPOs specifically listed during the last financial year. We have considered various aspects of the IPOs like issue size, level of subscription, types of participants, listing gains etc. to learn further insights therefrom.

### *Listing Category & Exchanges*

As discussed earlier, IPOs in India are listed publicly as either Mainboard IPO or SME IPO. During the Financial year 2023-24, the Indian capital market witnessed the entry of 79 new companies in the Mainboard category and 195 companies in the SME category. During the year, additionally, there were 9 IPOs categorized under other securities, such as Institutional Ventures, Non-Convertible Debentures, Non-Convertible Securities, etc., all of them being traded on the NSE.

**IPO Category**




As discussed above, the Mainboard IPOs typically involve larger, more established companies with a track record of operations and financial performance. These IPOs are often characterized by greater scrutiny from regulatory authorities and higher visibility among investors. However, more than 70% of IPOs, were SME listings, involving smaller companies with relatively lower market capitalization and revenue compared to mainboard companies.

Indian capital market has two primary stock exchanges that cover the majority of primary listing & secondary trading of company stocks – NSE & BSE. In 2023-24, 77 out of 283 companies listed their shares on both the exchanges, 135 were listed only on NSE whereas 57 companies were listed only on BSE.

### *Issue Size*

Starting with the issue size of various companies listed during the FY 2023-24, below is the list of the top 10 IPOs of 2023-24 -

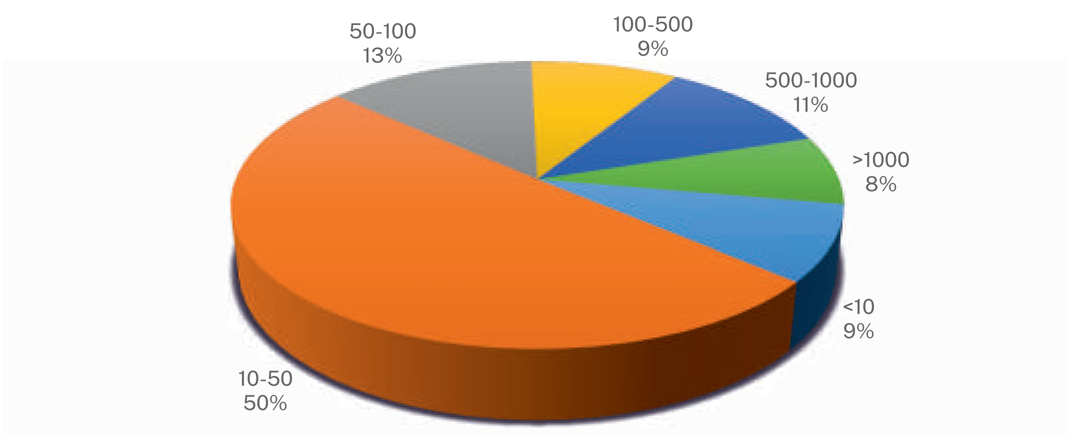
| Top 10 IPOs of FY 2023-24 (w.r.t issue size) | Size (Rs Cr) |
|---|---|
| Mankind Pharma Limited | 4,326 |
| Nexus Select Trust* | 3,200 |
| Tata Technologies Limited | 3,043 |
| JSW Infrastructure Limited | 2,800 |
| Bharat Highways Infrastructure Investment Trust* | 2,500 |
| Indian Renewable Energy Development Agency Ltd | 2,150 |
| R R Kabel Limited | 1,964 |
| Cello World Limited | 1,900 |
| Juniper Hotels Limited | 1,800 |
| Honasa Consumer Limited | 1,701 |

** first listings of REIT and InvITs on stock exchanges*

As seen from the above table, the IPO released by the company Mankind Pharma Limited tops the chart in terms of the largest issue size of Rs. 4,326 crores, with an issue of 4.01 crores of shares. Bidding for this IPO started on April 25, 2023, and ended on April 27, 2023. Its allotment was finalized on May 3, 2023, and the shares got listed on BSE, and NSE on May 9, 2023. While Mankind Pharma develops, manufactures, and markets pharmaceutical formulations, the other two top companies, namely, Nexus Select Trust & Tata Technologies Limited are from the real estate & IT sectors.

To put the top IPOs of 2023-24 with respect to the issue size in the right perspective, the Top 3 Indian IPOs with the highest issue size till now are Life Insurance Corporation of India (Rs. 21,008 Cr), One 97 Communications Limited (Rs. 18,300 Cr) & Coal India Limited (Rs. 15,199 Cr). Below is the summary of issue sizes of all the companies listed during the 2023-24 -

Range of Issue Sizes of FY 2023-24 (in INR Cr.)

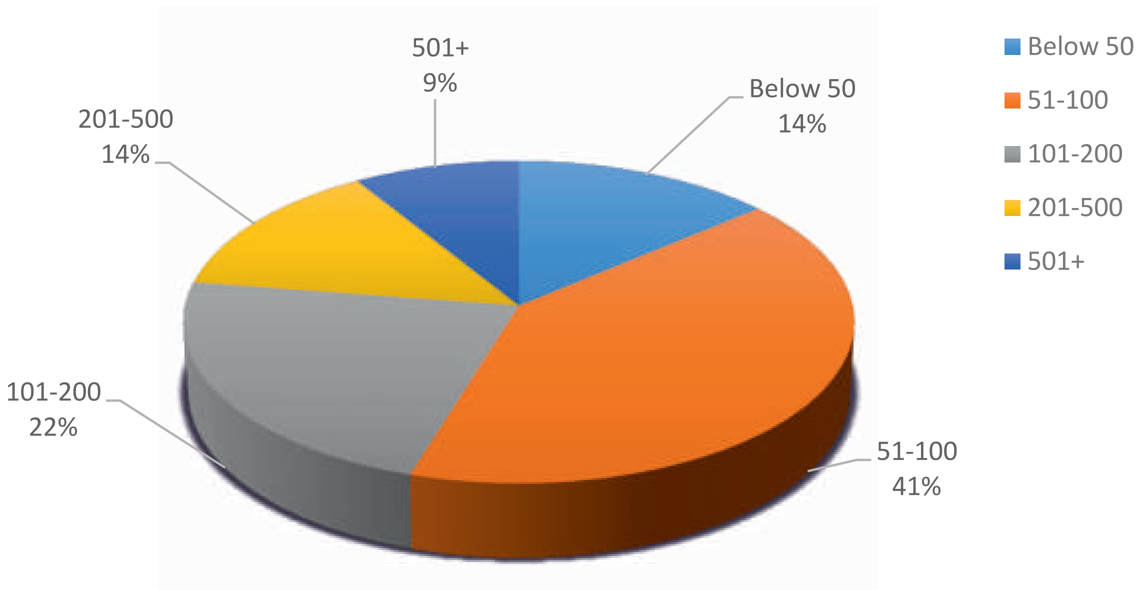


Overall, the data indicates a diverse range of companies accessing the capital markets through IPOs in FY 2023-24, spanning from small startups to large corporations. It reflects the vibrant nature of the Indian capital markets and the varied financing needs of businesses across different sectors and stages of growth. Half of the IPOs, fall in the range of issue size of Rs. 10 to 50 Cr., likely representing a mix of small to medium-sized enterprises across various sectors looking to raise capital for expansion, product development, or debt repayment etc. There seems to be an equitable distribution of companies over other ranges seen in the pie chart. While 23 companies listed during the year 2023-24 had an issue size of less than Rs. 10 Cr, a similar number of companies (21) had an issue size of more than Rs. 1,000 Cr.

### *Issue Price*

Albeit the issue price of any security does not necessarily reflect its value, it may play an important role in the eyes of investors, particularly retail investors. In view of the same issues prices of 283 IPOs issued in 2023-24 were analyzed to see the range of issue prices, which is shown in the figure below -

**Range of Issue Prices**




The data above, shown in the pie chart, reflects the diverse pricing strategies adopted by companies going public in FY 2023-24, catering to different investor preferences and risk appetites. It also indicates the varied valuation expectations and market positioning of these companies, influencing their pricing decisions for the IPOs. As evident from the above, almost two-thirds of companies price their IPOs around Rs. 100 per share. Having said that, more than 50% of total companies set their prices in double digits. There were 25 IPOs priced at 501 INR or above. Companies in this range may include industry leaders, blue-chip firms, or companies with premium offerings, commanding higher valuations and pricing for their shares.

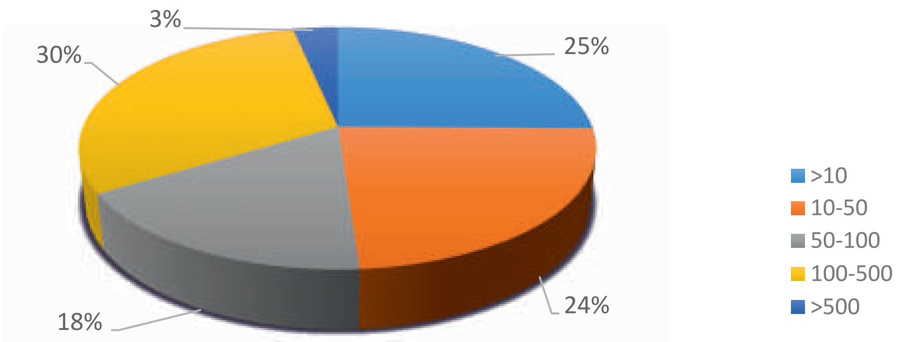
### *Subscription Status*

Perhaps one of the most important aspects deciding the success of an IPO, which can be made out even before its listing on stock exchanges is the level of subscription i.e. how many numbers of shares have been applied by the IPO applicants as against the number of shares offered by the IPO. Below are the most subscribed IPOs of 2023-24 -

| Most Subscribed IPOs of FY 2023-24 | No. of times subscribed |
|---|---|
| Kay Cee Energy & Infra Limited | 1,052 |
| Maxposure Limited | 987 |
| Trident Techlabs Limited | 763 |
| Koura Fine Diamond Jewelry Limited | 733 |
| Kahan Packaging Limited | 730 |
| Signoria Creation Limited | 666 |
| Fonebox Retail Limited | 659 |
| Net Avenue Technologies Limited | 511 |
| Esconet Technologies Limited | 507 |
| Benchmark Computer Solutions Limited | 484 |

The IPO of Kay Cee Energy & Infra Limited was the most subscribed IPO in 2023-24, which got subscribed by more than 1000 times of shares offered. Similarly, the IPO of Maxposure Limited was subscribed just below 1000 times the shares offered. All the top 10 companies mentioned above are listed in the SME category. Mainboard IPOs with the highest subscriptions in 2023-24 are Vibhor Steel Tubes Limited (320 times), BLS E-Services Limited (162 times) & Mukka Proteins Limited (137 times). Overall only 3% of total IPOs listed in 2023-24 have been subscribed for more than 500 times and almost one third of the total IPOs have subscription between 100 to 500 times of shares offered in such IPOs.

No. of Times IPO Has Been Subscribed



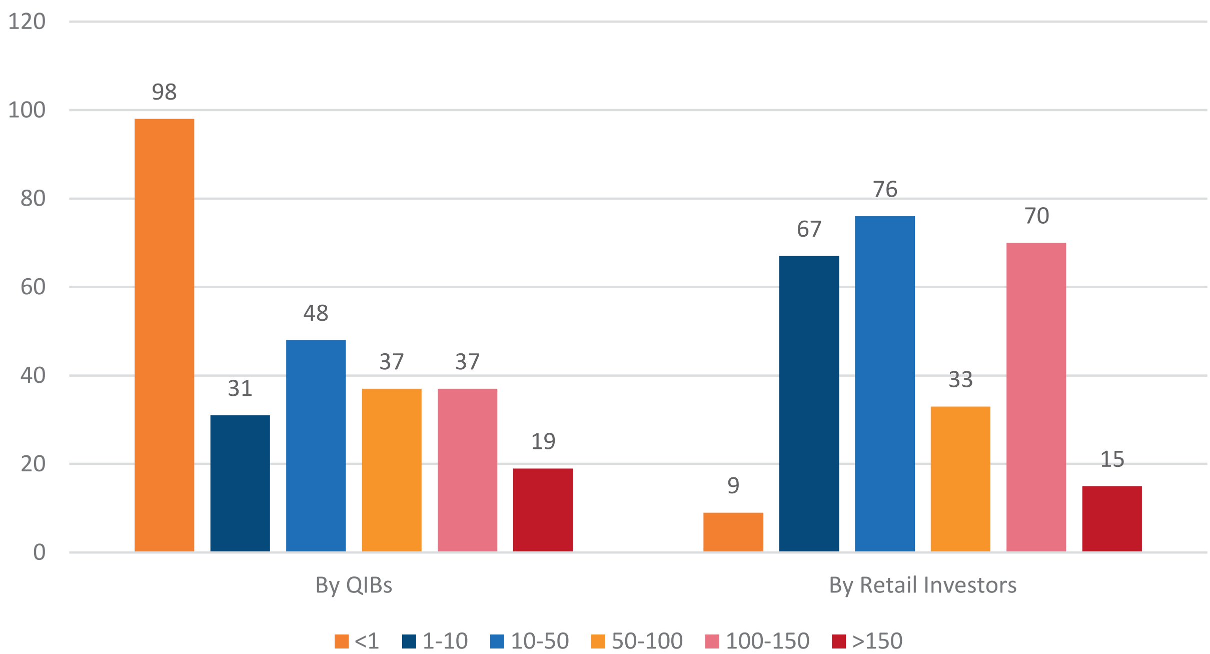

Interestingly, most subscribed Indian IPOs ever are related to the current year only, showing increasing interest of investors in primary markets. Factors such as industry prospects, company fundamentals, market sentiment, and pricing likely influenced investor participation in these IPOs.


### *Preference of Institutional or Retail Investors*

As discussed earlier, the IPOs opened by the Companies get subscribed by institutional players as well as retail investors. While institutional investments may signify subscription in larger values, typically significant retail investment would denote the appeal of the company to the masses. Of course, these two may go hand in hand as notable institutional investments may also increase the appeal for retail investors.

**Participation of Institutions & Retail Investors**

(No of Times Oversubscription)



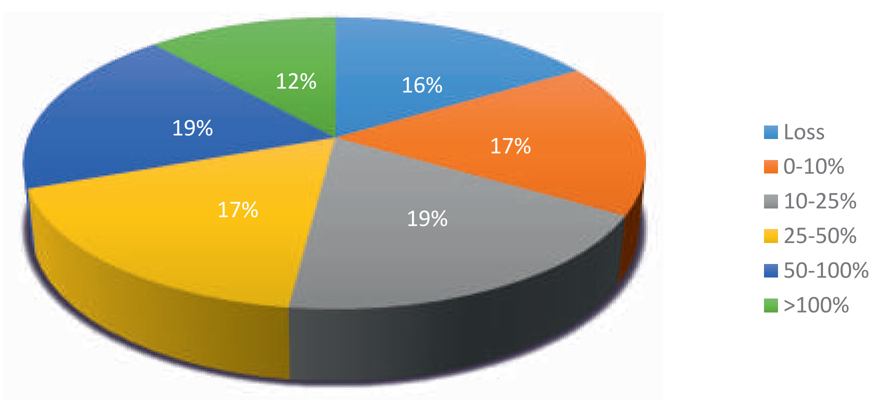
| Most preferred by QIBs | Most preferred by Retailers |
|---|---|
| Netweb Technologies India Limited | Kay Cee Energy & Infra Limited |
| Happy Forgings Limited | Koura Fine Diamond Jewelry Limited |
| Harshdeep Hortico Limited | Trident Techlabs Limited |
| SBFC Finance Limited | Kahan Packaging Limited |
| Tata Technologies Limited | Maxposure Limited |
| Aeroflex Industries Limited | Fonebox Retail Limited |
| Vibhor Steel Tubes Limited | Net Avenue Technologies Limited |
| Senco Gold Limited | Signoria Creation Limited |
| Mukka Proteins Limited | Madhusudan Masala Limited |
| ESAF Small Finance Bank Limited | Benchmark Computer Solutions Limited |

Among 270 companies, the IPO of Netweb Technologies India Limited, belonging to the Information Technology (IT) sector has been subscribed a maximum number of times by QIBs, as high as 221 times approximately, while the Kay Cee Energy & Infra Limited IPO was subscribed to a remarkable 1,311 times by retail investors, indicating an exceptionally high level of demand and interest. The high subscription rates indicate positive market sentiment, perceived growth potential, and investor confidence in these specific companies and sectors. The exceptionally high subscription multiples across these IPOs underscore the robust demand and enthusiasm among retail investors for these offerings. The sectors represented by these IPOs are energy & infrastructure, jewelry, techlabs, packaging, media, retail, technology, e-commerce, creation, spices, and computer solutions, etc attracted notable interest from retail participants.

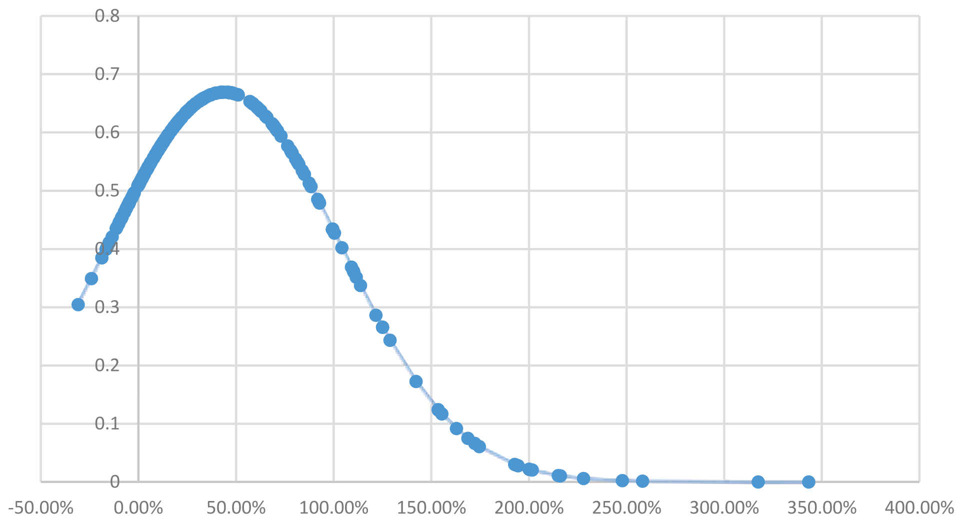
### *Listing Day Gain / Loss*

Another very important parameter gauging the immediate success of any IPO is its debut on the trading platforms i.e. gain / loss incurred by any security on the first day of its listing / trading. While we analyzed 273 companies for their record on the listing day, we found that more than 80% of the IPOs ended their first day on a positive note, with only 16% of IPOs incurring losses on the first day of listing in 2023-24.

**IPOs with Listing Gain / Loss (%)**



Range of Listing Gain - Normal Distribution




On an average, 275 companies listed during the year 2023-24 earned listing day gains of 44%, with 52 IPOs earning gains between 50% and 100% and 32 IPOs with gains exceeding 100%. These IPOs may be considered as particularly successful in the very short term, delivering exceptional returns and thus becoming outstanding performers in the IPO market. Below is the list of the top 10 best & worst performing IPOs considering their gain / loss on the listing day.

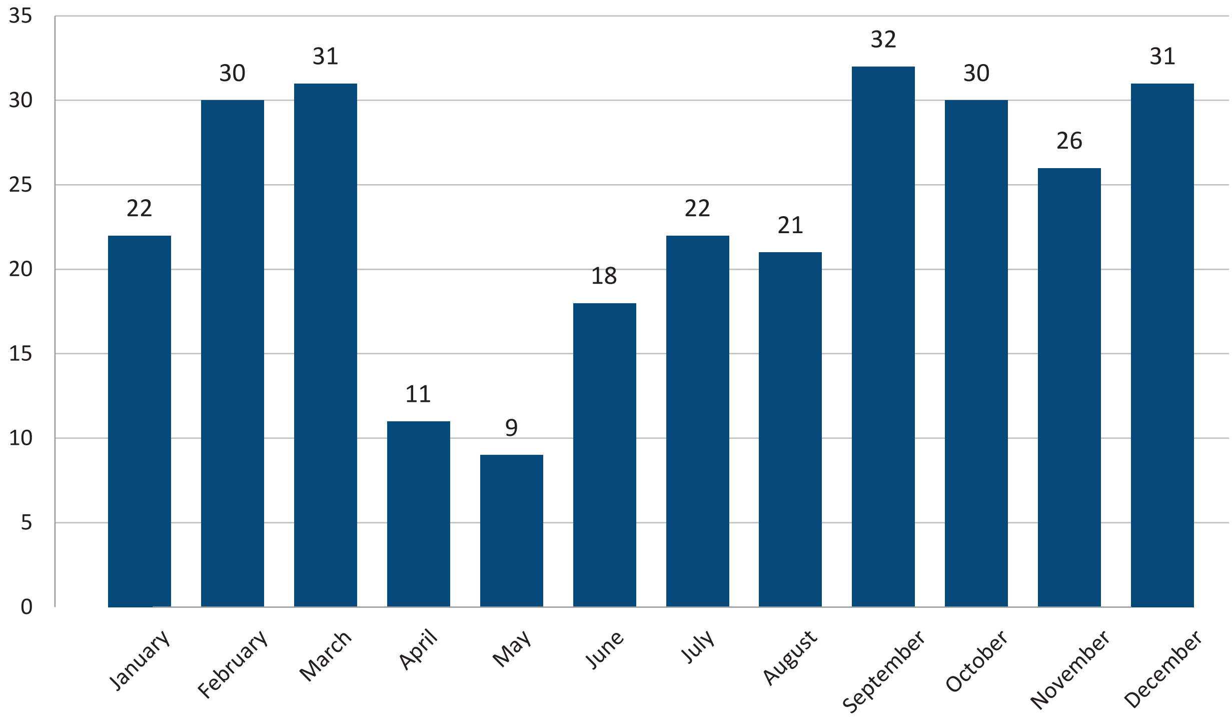
| Companies with the highest listing day gains | Companies with the highest listing day losses |
|---|---|
| Kay Cee Energy & Infra Limited | M.V.K. Agro Food Product Ltd |
| Maxposure Limited | Cosmic CRF Limited |
| Goyal Salt Limited | Saroja Pharma Industries India Limited |
| Purv Flexipack Limited | Vivaa Tradecom Limited |
| Esconet Technologies Limited | JG Chemicals Limited |
| Sungarner Energies Limited | Yasons Chemex Care Limited |
| Konstelec Engineers Limited | Italian Edibles Limited |
| Owais Metal & Mineral Processing Limited | Spectrum Talent Management Limited |
| Alpex Solar Limited | Kundan Edifice Limited |
| Fonebox Retail Limited | Aatmaj Healthcare Limited |

While Kay Cee Energy & Infra Limited IPO has registered the highest listing gain of a whopping 343% on the listing day, M.V.K. Agro Food Product Ltd experienced the highest listing day loss at -30.88%. Of course, gain / loss incurred on the first day does not necessarily result in continuing the same result in the coming days / months and many times, just signifies immediate demand of the same only in the very short term.

### *Timing of Issues*

As we saw a clear preference of the companies to list their shares in the period of September to December every year in the last 5/6 years, it was pertinent to check the inclination of the companies during FY 2023-24 as well.

**Monthwise Distribution of IPOs in 2023-24**




Similar to earlier years, the biggest IPO activity could be seen in the September to December period. However, even the months of February & March 2023 witnessed more than 30 IPOs getting listed, showing an extended period of IPO listings during the current year.

## Upcoming & Recent IPOs

Although the historical data suggests a relatively lower number of companies listing their shares in the initial months of any financial year, 2024-25 is set to witness significantly higher IPO activity till the time of publishing of this report. In all, more than 65 companies would have either already listed their shares on the Indian bourses or would be in the process of listing with the issue start date already passed. Below is the list of such IPOs along with their issue sizes followed by certain observations –

| Company Name | Issue Size (Rs. Cr.) |
|---|---|
| Vodafone Idea Limited (FPO) | 18,000.00 |
| Bharti Hexacom Limited | 4,275.00 |
| Aadhar Housing Finance Limited | 3,000.00 |
| Go Digit General Insurance Limited | 2,614.65 |
| Indegene Limited | 1,841.76 |
| TBO Tek Limited | 1,550.81 |
| Le Travenues Technology Limited | 740.10 |
| JNK India Limited | 649.47 |
| Awfis Space Solutions Limited | 598.93 |
| Kronox Lab Sciences Limited | 130.15 |
| ABS Marine Services Limited | 96.29 |
| Vilas Transcore Limited | 95.26 |
| Aimtron Electronics Limited | 87.02 |
| Emmforce Autotech Limited | 53.90 |
| Ramdevbaba Solvent Limited | 50.27 |
| DCG Cables & Wires Limited | 49.99 |
| TBI Corn Limited | 44.94 |
| GEM Enviro Management Limited | 44.93 |
| Teerth Gopicon Limited | 44.40 |
| Quest Laboratories Limited | 43.16 |
| Indian Emulsifiers Limited | 42.39 |
| Energy-Mission Machineries (India) Limited | 41.15 |
| Premier Roadlines Limited | 40.36 |
| Z-Tech (India) Limited | 37.30 |
| United Cotfab Limited | 36.29 |

| Company Name | Issue Size (Rs. Cr.) |
|---|---|
| Beacon Trusteeship Limited | 32.52 |
| GP Eco Solutions India Limited | 30.79 |
| Storage Technologies and Automation Ltd | 29.95 |
| Rulka Electricals Limited | 26.40 |
| Mandeep Auto Industries Limited | 25.25 |
| Aztec Fluids & Machinery Limited | 24.12 |
| Winsol Engineers Limited | 23.36 |
| Sattrix Information Security Limited | 21.78 |
| Shivam Chemicals Limited | 20.18 |
| Varyaa Creations Limited | 20.10 |
| Refractory Shapes Limited | 18.60 |
| Silkflex Polymers (India) Limited | 18.11 |
| Grill Splendour Services Limited | 16.47 |
| Sai Swami Metals & Alloys Limited | 15.00 |
| Piotex Industries Limited | 14.47 |
| Finelistings Technologies Limited | 13.53 |
| Amkay Products Limited | 12.61 |
| Faalcon Concepts Limited | 12.09 |
| 3C IT Solutions & Telecoms (India) Limited | 11.44 |
| Slone Infosystems Limited | 11.06 |
| GSM Foils Limited | 11.01 |
| Veritaas Advertising Limited | 8.48 |
| Magenta Lifecare Limited | 7.00 |
| TGIF Agribusiness Limited | 6.39 |
| Greenhitech Ventures Limited | 6.30 |
| HOAC Foods India Limited | 5.54 |
| Associated Coaters Limited | 5.11 |
| Aluwind Architectural Limited | NA |
| Aspire and Innovative Advertising Limited | NA |
| Blue Pebble Limited | NA |
| Creative Graphics Solutions India Limited | NA |

| Company Name | Issue Size (Rs. Cr.) |
|---|---|
| K2 Infragen Limited | NA |
| Naman In-Store (India) Limited | NA |
| Radiowalla Network Limited | NA |
| SRM Contractors Limited | NA |
| TAC Infosec Limited | NA |
| Trust Fintech Limited | NA |
| Vishwas Agri Seeds Limited | NA |
| Yash Optics and Lens Limited | NA |

### Important Observations –

- As discussed earlier, the number of companies raising funds from the primary market has been growing and the same is evident in FY 2024-25 as well. April & May 2024 have witnessed 50 IPO listings, significantly higher as compared to 20 IPOs in the same period of 2023-24 & 16 IPOs on average in the preceding 6 years.

- The proportion of small & medium companies willing to raise funds through IPOs despite additional challenges as discussed in this report is also on the rise as 83% of IPOs listing in 2024-25 till now relate to SME type as compared to 69% of IPOs being SMEs in earlier 6 years.

- Average issue size of each IPO also has increased in the latest year. The average issue size of around Rs. 412 Cr in the past 6 years has increased to Rs. 666 Cr in the IPOs listed in 2024-25.

In addition to the above IPOs, some other companies are in the process of listing their shares for public and have filed draft offer documents with SEBI. Many times, after going through the draft offer documents, SEBI seeks further clarifications from such companies before giving the approval. Following are such companies which have shared draft offer documents with SEBI but have not yet received the approval from SEBI as on 20th June 2024 –

| Company Name | Company Name |
|---|---|
| Waaree Energies Limited | Sanathan Textiles Limited |
| Akums Drugs and Pharmaceuticals Limited | Brainbees Solutions Limited |
| Tolins Tyres Limited | Garuda Construction & Engineering Limited |
| Gold Plus Glass Industry Limited | Bajaj Housing Finance Limited |
| Ceigall India Limited | Quadrant Future Tek Limited |
| Orient Technologies Limited | National Securities Depository Limited |
| KRN Heat Exchanger & Refrigeration Ltd. | One Mobikwik Systems Limited |
| Ecos India Mobility and Hospitality Limited | Transrail Lighting Limited |

| Company Name | Company Name |
|---|---|
| Stallion India Fluorochemicals Limited | Interarch Building Products Limited |
| Patel Retail Limited | Baazar Style Retail Limited |
| Deepak Builders & Engineers India Limited | P N Gadgil Jewellers Limited |
| Diffusion Engineers Limited | Afcons Infrastructure Limited |
| Swiggy Limited | Crizac Limited |
| Belstar Microfinance Limited | Premier Energies Limited |
| SK Finance Limited | Emcure Pharmaceuticals Limited |
| Northern Arc Capital Limited | Ola Electric Mobility Limited |
| Unicommerce eSolutions Limited | Shree Tirupati Balajee Agro Trading Company Limited |
| Manba Finance Limited | |
| Gala Precision Engineering Limited | |

# IMPORTANT CONTRIBUTORS TO THE IPO PROCESS

While we have looked upon various aspects of IPOs including process, advantages & disadvantages, etc., now let us look at primary contributors to this whole process. In any IPO, the "object of the issue" i.e. primary objective behind raising funds through public listing provides the strategic direction towards the overall process required & various skill sets which would be required to be involved. Defining & achieving these objectives involves collaboration among diverse stakeholders, including internal teams and external contributors like legal advisors, auditors, underwriters, investors, and regulatory bodies, each contributing unique perspectives and expertise. Each of these stakeholders play an important role in its overall performance, as discussed below.

## 1 Management of the Company

Management of the company, along with the board and key stakeholders, determine whether to pursue an IPO by evaluating readiness, market conditions, and risks. They lead IPO preparation, collaborating with underwriters and advisors, conducting due diligence, and ensuring regulatory compliance. During the marketing process, they present the company to investors, negotiate IPO terms, and oversee the transition to a public company post-listing. Management's leadership and decision-making are perhaps most crucial in navigating the IPO process and creating long-term value for the company.

## 2 Existing Key Shareholders

Before the IPO's launching, existing key shareholders or founders / promoters, collaborate with investment bankers and legal advisors to prepare for the public listing. They disseminate information about operations, finances, and risks to potential investors, ensuring accurate representation and addressing concerns. While the management of the company would be involved in actual working, promoters / founders are often the drivers of the IPO process. Post-IPO, they retain ownership stakes, remaining actively involved in operations and strategy, with a vested interest in the company's performance.

## 3 Potential Investors

Potential investors provide valuable feedback to underwriters and management about market demand, aiding in pricing and share allocation decisions for the IPO. They engage in roadshows and due diligence, assessment of financials, business models, and growth prospects to inform investment decisions. Institutional investors receive IPO allocations based on interest and size, while retail investors access shares through brokerage firms. Investors evaluate long-term potential, industry trends, and management quality pre-IPO. Post-IPO, trading activity in the secondary market reflects investor sentiment and market dynamics, influencing stock price and liquidity.

## 4 Legal Advisors

There exists a huge legal and advisory work which is utilized in helping a company plan and execute an IPO. The entire legal process is a complex one, which takes a huge toll on time, human effort, and resources. Law firms play a crucial role in helping companies in achieving IPO-readiness when they get approached by IPO seeking companies for legal advisory. They assist in preparing an elaborate plan of action that requires legal support for smooth implementation. Capital market specialist lawyers advise and guide companies on issues like disclosure standards, due diligence defense, prospectus liability issues, cross-border legal and regulatory issues, conflicts between the corporate law requirements in two jurisdictions, issues caused due to double taxation on the investments by the international investors, etc. Even in the post-IPO process, they provide legal assistance to the companies with respect to compliance of their IPOs with the established SEBI norms and regulations. They effectively help in making all the necessary disclosures.

## 5 Peer Reviewed Auditors

Auditors ensure the accuracy, reliability, and transparency of financial information for organizations going public. They examine financial statements to verify compliance with accounting standards, conducting due diligence to identify risks that could impact valuation or perception. As per SEBI rules, IPO bound companies need to appoint peer reviewed auditors. Auditors ensure compliance with regulatory requirements, including those by SEBI and help in fostering investor confidence. Auditors provide independent assurance on financial information in the IPO prospectus, ensuring accuracy and reliability. This builds trust among investors and underwriters, crucial for a successful IPO. They communicate findings to stakeholders, promoting transparency and addressing concerns about the company's financial health.

## 6 Regulatory Bodies (SEBI)

As discussed in earlier sections, SEBI regulates the IPO market in India by establishing rules and regulations governing the offering process, including guidelines for companies, disclosure requirements, pricing, and listing criteria. It mandates comprehensive disclosure of financial performance, operations, management, and risks to ensure transparency and investor protection. It reviews and approves offer documents like the DRHP and final prospectus to ensure they provide necessary information for informed decisions. It regulates IPO pricing methods and aims to prevent market manipulation and fraudulent activities, fostering investor confidence. It monitors the IPO market to detect any irregularities and ensure compliance with regulations.

## 7 Financial Advisors & Consultants

Consultants play a key role in structuring and marketing the IPO, determining share allocation, pricing, and facilitating investor communication. Variety of consultants are usually involved in a number of activities like conducting market research, assessing valuation, and ensuring regulatory compliance etc. Advisors assist in preparing documentation, monitoring the book-building process, and determining the final offering price. They may also engage in stabilization activities and provide ongoing advisory services post-IPO, including investor relations and strategic planning.

## 8 Market Analysts

Market analysts conduct thorough research on companies preparing for an IPO, analyzing industry, financial performance, and growth prospects to help stakeholders make informed decisions. They employ valuation methodologies to determine fair share prices and assess market sentiment and trends related to IPOs. Analysts produce research reports, participate in investor roadshows, and provide ongoing coverage post-IPO, aiding investors in evaluating investment opportunities and staying informed about the company's performance and outlook.

Overall, all these stakeholders collaborate to navigate the complexities of the IPO process, ensuring transparency, compliance, and investor confidence, ultimately contributing to the success of the offering.

# IMPORTANT ASPECTS WHILE GOING FOR AN IPO

Certainly, preparing for an Initial Public Offering (IPO) involves numerous critical considerations to ensure a successful transition to a publicly traded company. While data discussed above suggests that majority of the IPOs are listed successfully with positive listing day gains, there are many challenges which need to be addressed by various stakeholders. Here are important aspects to be considered by any Company looking for listing its shares on the public stock exchanges -

## 1 Market Conditions

Assessing market conditions is indeed a most critical aspect of preparing for an Initial Public Offering (IPO). Economic indicators such as GDP growth, inflation rates, and employment figures provide reliable insights into the broader economic landscape. A robust economy with favorable growth prospects generally fosters investor confidence and corresponding appetite for IPOs. During economic downturns or periods of uncertainty, investor sentiment may be more cautious, leading to reduced demand for new offerings. Companies may choose to delay their IPOs during such times to achieve better market reception. Investor sentiment reflects the prevailing attitudes and perceptions of market participants towards investing.

Industry-specific dynamics and trends also play a significant role in shaping investor interest in IPOs. Sectors experiencing rapid growth, disruptive innovation, or favorable regulatory developments often attract heightened attention from investors. Companies operating in high-growth industries with compelling growth prospects may choose to capitalize on favorable market conditions by timing their IPOs to align with sector trends and investor demand. Benchmarking against the performance of comparable publicly traded companies within the same industry provides valuable insights for prospective IPO candidates and investors. Companies may evaluate how comparable firms have fared in terms of valuation multiples, revenue growth, profitability, and market reception to gauge market expectations and assess their own readiness for going public.

## 2 Readiness of the Company

Investors seek companies with a track record of consistent revenue growth over time. Demonstrating a pattern of increasing sales or expanding market share indicates business resilience and attractiveness. Profitability is a key metric that investors assess before investing in any company. While some companies may prioritize growth over short-term profits, demonstrating a clear path to profitability can enhance investor confidence. Positive cash flow signals the company's ability to generate cash from its operations. It's essential for funding growth initiatives, servicing debt, and returning value to shareholders.

Determining a realistic valuation is crucial for attracting investor interest and achieving a successful IPO. Companies should engage financial advisors to conduct thorough valuation analyses, considering factors such as industry benchmarks, growth prospects, and comparable company valuations. Aligning the company's valuation with market expectations is deemed to be critical. Pricing of the IPO too high can demotivate investors, while pricing it too low may leave money on the table. Finding the right balance is key to maximizing investor demand and achieving optimal valuation. Transparency in corporate structure, operations, and financial reporting is paramount. Providing clear and comprehensive disclosures enables investors to make informed decisions and fosters trust in the company's management team.

## 3 Legal and Regulatory Compliance

Companies planning for an IPO must comply with a myriad of laws and regulations at the local, national, and sometimes international levels. These may include securities laws, corporate laws, tax regulations, as well as certain industry-specific regulations. IPO candidates are required to submit various regulatory filings and disclosures to regulatory authorities, including the prospectus or offering memorandum, which provides detailed information about the company, its business operations, financial performance, risks, and the proposed offering.

Stock exchanges also impose listing requirements that companies must meet to qualify for listing of their shares for trading on the exchanges. These requirements typically relate to minimum financial thresholds, corporate governance standards, and ongoing reporting obligations. Companies must ensure compliance with listing requirements of the chosen stock exchange to facilitate a smooth listing process and maintain their listing status post-IPO. Conducting a thorough due diligence is essential to identify and address any legal or regulatory issues that could potentially impact the IPO process or post-IPO operations.

## 4 Underwriting and Syndicate

Underwriters play a pivotal role in the IPO process by assuming the risk of purchasing shares from the issuing company and reselling them to investors. This commitment provides the issuing company with certainty regarding the proceeds it will receive from the offering. Usually they assist in determining the offering price of the shares, considering factors such as market conditions, investor demand, and the company's financial performance. Their fundamental aim is to strike a balance between maximizing proceeds for the company and ensuring attractive returns for investors. They typically form a “syndicate”, consisting of a group of investment banks collaborating to underwrite and distribute the shares of the IPO. The syndicate shares the risk and responsibilities associated with the offering. A strong syndicate enhances the distribution network for the IPO, ensuring broad participation from institutional and retail investors. It also provides additional credibility and support to the offering, bolstering investor confidence. Accordingly, adequate support from the underwriters is very important for any company before going ahead with the public listing activity.

## 5 Investor Relations & Corporate Governance

Investor relations and corporate governance are integral to the success and sustainability of a publicly traded company pre and post-IPO. Establishing transparent and accessible communication channels is crucial for fostering trust and credibility with investors. This includes maintaining a dedicated investor relations website, hosting investor conference calls, and responding promptly to investor inquiries. Providing timely and comprehensive disclosures is essential for keeping investors informed about the company's performance, strategy, and material developments. This includes financial results, operational updates, and regulatory filings. Engaging with investors proactively helps build relationships and understand their perspectives and concerns. This may involve participating in investor conferences, roadshows, and one-on-one meetings to communicate the company's strategic vision and address investor queries.

Ensuring the independence of the board of directors is also very critical for effective corporate governance. Independent directors bring diverse perspectives, enhance oversight, and mitigate conflicts of interest. Implementing transparent governance practices, such as disclosing executive compensation, board composition, and related-party transactions, fosters accountability and builds investor trust. Upholding high standards of ethical conduct and compliance with laws and regulations is paramount. Companies should have codes of conduct, whistleblower policies, and compliance programs in place to promote ethical behavior and mitigate legal and reputational risks.

## 6 Post-IPO Strategy

Planning for the post-IPO phase beforehand is indeed crucial for maintaining momentum and ensuring sustained growth and value creation for shareholders. This includes the following -

- Clearly defined capital utilization i.e. allocation of funds raised through the IPO. This could include highlighting the utilization pockets like expanding operations, research and development (R&D) efforts to drive innovation, strategic acquisitions for boosting market position, or reducing debt to improve financial flexibility etc.

- Liquidity and visibility in public markets needs to be leveraged, in order to fuel growth initiatives and expand market presence. This could involve scaling existing operations, penetrating new geographies or customer segments, or diversifying product offerings to capture untapped opportunities. Potential organic growth opportunities, strategic acquisitions aligning with the company's long-term objectives and complement existing capabilities should be evaluated & documented.

- Risks need to be identified and assessed, which are usually associated with being a public company, including regulatory compliance, market volatility, and shareholder activism. Additionally, companies should implement robust risk management practices to mitigate these risks and safeguard shareholder interests.

By carefully considering these aspects and conducting thorough due diligence, companies can navigate the complexities of the IPO process and position themselves for long-term success in the public markets.

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