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Trends of Initial Public Offerings (IPOs) in India: An Analytical Study

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Abstract

The present study explores the pattern of Initial Public Offers (IPOs) in India from 2010-11 to 2023-24. The study is of secondary data and is descriptive type research and analytical research. It provides data on equity IPOs, capital mobilized, average issue size and the year-on-year and CAGR growth. To ensure consistency in the analysis, follow-on Public Offers (FPOs), Indian Depository Receipts (IDRs), Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) have been kept out of the scope. The results indicated significantly volatile IPO activity as seen in the study period. A total of 422 equity IPOs mobilised ₹4,79,766.85 crore. The year 2023-24 had the highest number of IPOs (76) and the highest capital mobilisation (₹1,10,623.22 crore) was in 2021-22. The study further reveals that the number of IPOs is not necessarily correlating with the capital mobilisation as the average size of IPOs is different by year. The study period saw various times of shrinking, reviving and growing in the Indian IPO market as a whole.

Keywords: Initial Public Offering, IPO Trends, Capital Mobilisation, Primary Market, Indian Capital Market

Introduction

Initial Public Offering (IPO) means the offer to the public of equity shares of an unlisted company for the first time and thereby makes it a publicly listed company. It is significant source of equity financing and allows the companies to raise funds from larger group of investors. An IPO is not a Follow-on Public Offer (FPO) that is a public issue made by a company which already has its shares listed on a recognised stock exchange. The IPOs make up a significant component of the primary capital market. The amount collected during the IPO can be used by companies for business expansion, capital expenditure, paying off debts, making acquisitions, working capital and any other corporate uses. Meanwhile, IPOs offer investors to experience the ownership and future growth of companies. In this way, the IPO market also plays a role towards mobilisation and transferring of savings to productive business. But, the proceeds from an IPO are not always "new money" for the issuing corporation. An IPO can be a new share sale or an Offer for Sale (OFS) or both. In a fresh issue the proceeds are received by the company while in OFS, the existing shareholders who are selling their shares receive the proceeds. This is a distinction to note when referring to capital mobilisation via IPOs. Over the years, there have been significant changes in the Indian IPO market. Regulatory developments, electronic application and trading methods, growing involvement of institutional and retail investors, and market changes have had an impact on IPO activity. Separate platforms are now offering IPOs for Small and Medium Enterprises (SMEs) that further broadened the Indian IPO market. Hence, the consistent classification of the IPOs will be useful in analysing the long-term trend of IPOs. There is no uniformity in the activity of the IPOs over the years. There are certain years which register a lot of IPOs, and big capital mobilisation, and then there are certain years which have a slowdown in the number of IPOs. Furthermore, there is no direct link between the volume of IPOs and the amount of capital mobilisation as the size of IPOs vary widely. The number of relatively small IPOs may have a smaller capital requirement than a few big IPOs. Thus, the number of IPOs, amount mobilised and average size of the issues must be studied in conjunction with each other. In view of the above, the current study aims at analysing the developments of IPOs in India during the past fourteen years from 2010-11 to 2023-24. It examines trends in equity IPOs, money raised, size of the average offering, and the growth of equity IPOs. The study is an effort to get a clear picture of IPO activity pattern in the primary capital market of India.

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Review of Literature

Madhusoodanan and Thiripalraju (1997) studied the short-run under-pricing of IPOs in India and concluded that there exists a considerable level of short-run under-pricing. Their study is one of the pioneer empirical studies on performance of IPOs in India. Sahoo and Rajib (2010) analysed the aftermarket performance of Indian IPOs during 2002–2006. Initial underpricing as well as post-listing IPO performance was analysed. Dhamija and Arora (2017) have studied Long-run Performance determinants of Indian IPOs. They found that post-listing performance of the IPOs is not uniform and affected by firm-related and issue-related factors. Shukla and Shaw (2023) took a look at long run stock returns of IPO firms in India in relation to investments and profitability. In their study, they emphasized that it is significant to assess the performance of IPOs beyond the listing period. Seepani and Murthy (2023) concluded their study on the structure of the IPOs in India. They saw that regulatory reforms and the economy and the global financial market has affected the IPO volume as well as the valuations in the Indian capital market. Chatterjee et al. 2023 have undertaken an attempt to review studies done on Indian IPO market systematically. Their examination of 111 studies revealed that much of the current literature focused on the performance of IPOs and that there was also a need for additional research.

Based on the review of literature it is observed that most of the studies related to Indian IPOs are focused on under-pricing, listing returns and post-listing performance. Much less research has been conducted on the trends of IPO numbers, capital

Data Analysis and Interpretation

Table 1: Equity IPO Trends in India, 2010–11 to 2023–24

Financial Year	Number of IPOs	Amount Raised (₹ crore)	Average IPO Size (₹ crore)	YoY Growth in Number (%)	YoY Growth in Amount (%)
2010–11	55	33,831.60	615.12	—	—
2011–12	31	5,660.74	182.60	-43.64	-83.27
2012–13	10	6,243.03	624.30	-67.74	10.29
2013–14	2	1,189.37	594.68	-80.00	-80.95
2014–15	6	1,375.65	229.28	200.00	15.66
2015–16	24	15,373.26	640.55	300.00	1,017.53
2016–17	26	28,400.01	1,092.31	8.33	84.74
2017–18	41	76,202.36	1,858.59	57.69	168.32
2018–19	18	19,820.79	1,101.15	-56.10	-73.99
2019–20	14	20,827.49	1,487.68	-22.22	5.08
2020–21	30	45,812.62	1,527.09	114.29	119.96
2021–22	50	1,10,623.22	2,212.46	66.67	141.47
2022–23	39	52,549.07	1,347.41	-22.00	-52.50
2023–24	76	61,857.64	813.92	94.87	17.71

Source: Author's calculations based on IPO data compiled from secondary sources and verified with SEBI, NSE and BSE

Table 1 indicates that there were significant variations in the number of IPOs in India in the study period. During the period, the highest number of IPOs took

mobilization and average IPO size. Hence, the current research focuses on these issues of equity IPOs in India from 2010–11 to 2023–24.

Objectives of the Study

1. To examine the trends in the number of equity IPOs and the amount of capital mobilised in India during 2010–11 to 2023–24.
2. To analyse the growth pattern and changes in the average issue size of IPOs during the study period.

Research Methodology

The present study adopts descriptive and analytical research design and secondary data has been used to analyze the trends in IPOs in India. The study span 14 financial years from 2010–11 to 2023–24. The data related to IPOs are taken from the secondary sources and cross checked with the data available from SEBI, NSE and BSE. For consistency, only equity IPOs were analysed and the Follow-on Public Offers (FPOs), Indian Depository Receipts (IDRs), Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) were omitted. The main variables considered are the number of IPOs, amount of capital mobilised and average IPO issue size. Totals, averages, percentages, year on year (YoY) growth rates and Compound Annual Growth Rate (CAGR) were used to analyse the data. Graphical presentation and trend analysis were also applied to give understanding of the changes in the level of IPO activity during the study period. To determine the CAGR, 13 annual intervals were used for the 14-year period of study. The monetary figures are given in ₹ crore.

place in 2010–11 when there were 55, but the lowest number in 2013–14 when there were 2. Activity in IPOs began to rebound from this point, with a robust

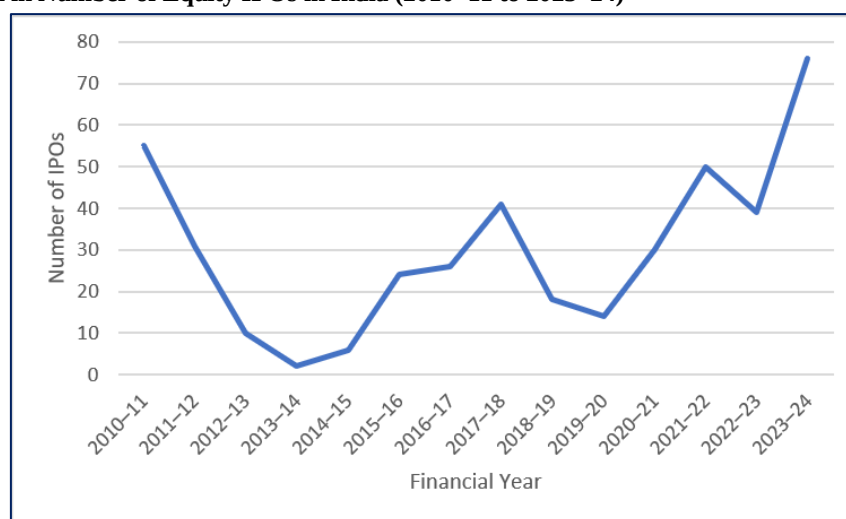
growth from 2015-16 to 2017-18. In 2017-18, 41 IPOs mobilised ₹76,202.36 crore.

A downtrend in the market was seen in 2018-19, 2019-20, and a recovery was observed in 2020-21. Capital mobilisation was at its peak in 2021-22 with 50 IPOs raising ₹1,10,623.22 crore. The average size of the IPOs was highest this year at ₹2,212.46 crore as well.

that there is no direct correlation between an increased number of IPOs and an increase in capital mobilisation.

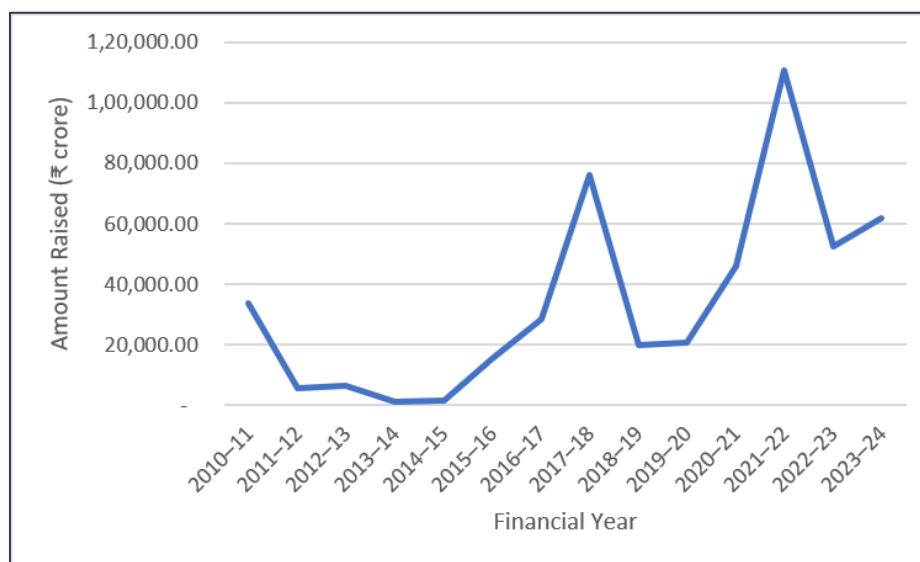
The year with the highest number of IPOs in the study period was 2023-24 with 76. But, the fund raised was ₹61,857.64 crore, and the average size of the issue reduced to ₹813.92 crore. This is because, IPOs vary in size year-by-year which makes it possible to conclude

Figure 1: Trend in Number of Equity IPOs in India (2010-11 to 2023-24)



Source: Author's presentation based on the data presented in Table 1

Figure 2: Trend in Capital Mobilised through Equity IPOs in India (2010-11 to 2023-24)



Source: Author's presentation based on the data presented in Table 1

In the period of 14 years, a total of 422 equity IPOs raised a total fund of ₹4,79,766.85 crore with an average of about ₹1,136.89 crore per IPO. The CAGR of number of IPOs was around 2.52 per cent and of capital mobilisation was around 4.75 per cent. Overall, the analysis indicates that the Indian IPO market experienced different phases of contraction, recovery and expansion during the study period.

Major Findings of the Study

1. The Indian IPO market did not follow a linear pattern of growth throughout the study period and had a lot of fluctuations.
2. A total of 422 equity IPOs mobilised ₹4,79,766.85 crore during the period from 2010-11 to 2023-24.
3. The year 2013-14 had the least number of IPOs with 2 IPOs mobilizing ₹1,189.37 crore.

4. It shows that the maximum number of IPOs have been undertaken during 2023-24 in which ₹61,857.64 crore of funds mobilised.
5. The greatest amount of capital mobilisation occurred during 2021-22 as there were 50 IPOs raising ₹1,10,623.22 crore. The average size of the IPOs was also the highest this year, at ₹2,212.46 crore.
6. The average size of the IPOs was quite diverse over the years. It did not decrease even as the year was the year with the greatest number of IPOs, falling to ₹813.92 crore in 2023–24.
7. Study reveals that the number of IPOs does not always correspond to capital mobilisation; the IPO sizes of each year is different.
8. During the study period, the CAGR of the no. of IPOs was around 2.52 per cent, whereas, the CAGR of capital mobilisation was around 4.75 per cent.
9. Generally, there were several stages of contraction, recovery and expansion in Indian IPO market in the fourteen-year study period.

Conclusion

This study finds that the Indian IPO market was highly volatile in the time frame of 2010–11 to 2023–24. During the study period, a total of 422 equity IPOs mobilized a sum of ₹4,79,766.85 crore. Least IPO's activity was observed in 2013-14 and highest IPO activity was observed in 2023-24. The year with the most capital mobilised was 2021-22, with the 50 IPOs raising ₹1,10,623.22 crore. This indicates that the absolute rise of IPOs does not always correspond to the absolute increase of capital mobilisation due to the fact that size of IPOs varies widely from year to year. The Indian IPO market has been in multiple periods of contraction, expansion and recovery and it did not exhibit steady growth. Results further suggest that a combination of the number of IPOs, the amount of funds mobilised and average size of issues is to be considered as a whole to gain a complete picture of the IPO market trends. Only equity IPOs and quantitative indicators were considered. Future research could be broadened to include SME IPOs, sector-wise trends, fresh issues, Offers for Sale (OFS), IPO under-pricing, listing returns and long-term performance.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of Research paper.

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