

A Rise in the No. of Initial Public Offer's in the Indian Public Markets

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Abstract

The research paper is an analysis of the Indian stock market and analyses an increase in Initial Public Offerings (IPOs) made between 2012 to 2024. The growth is also attributed to factors such as positive economic data, growing investor interest, and regulatory softening. No doubt that there has been some change, but the trend has overall remained stronger riding high on bullish market sentiment as well as confidence from investors. The study stresses that this growth is only possible if the continued regulatory oversight and investor protection measures in place remain following the growth.

Key Words: Indian stock market, Initial public offering (IPO), IPO growth, Investor participation, Economic growth, Market sentiment, IPO performance, Investor protection

I. INTRODUCTION

The Indian public market has seen a notable rise in Initial Public Offerings (IPOs) in recent years, marking a transformative phase in the country's financial landscape. This increase in IPOs is driven by multiple factors, including the growth of innovative companies, supportive government policies, and strong interest from investors. Companies across various sectors, from technology to consumer goods, are increasingly choosing IPOs to secure funding, expand operations, and enhance their visibility in the market.

This trend has been significantly influenced by India's quickly evolving business environment, particularly in the startup industry. A lot of businesses are now at a point where they need a lot of money to grow, and going public gives them a practical way to get money from a large number of investors. Thanks to this access to public financing, businesses can invest in development, pursue expansion plans, and improve their competitive advantage.

The Indian government is promoting IPO activity by implementing reforms to simplify the listing process and create a more favourable environment for capital markets. These efforts have opened doors for more companies to enter the public market, making it easier to attract diverse investors and build confidence in India's capital markets.

Investor's interest in IPOs has been strong, with retail and institutional investors drawn to the potential for growth and returns. Factors like economic growth and rising disposable incomes have boosted investor's participation, further IPO momentum. This surge in IPOs not only supports individual companies but also contributes to the growth of India's financial markets, reflecting the country's evolving position in the global economy.

II. LITERATURE REVIEW

1. N Jain, C Padmavathi (2012) conducted a study on an under-pricing of initial public offerings in the Indian capital market. This paper examines the determinants of under-pricing in Initial Public Offerings within India's developing capital markets. Under-pricing, where the IPO price is set below true value, often results in substantial losses for issuing firms while providing generous returns for early investors. Such a phenomenon can discourage companies from accessing public equities, particularly smaller businesses unable to withstand costs, and may fuel arbitrage activities producing instability. While book building introduced in 1998 aimed to curb under-pricing by soliciting market feedback, an examination of 227 book-built IPOs from 2004 to 2009 revealed an average under-pricing of 28% with some exceeding 242%, highlighting that under-pricing remains a considerable issue. Accessing public capital through equities proves crucial for business growth and economic development, yet under-pricing continues dampening India's ability to allocate resources efficiently and optimize potential.
2. A Bubna, N Prabhala (2014) conducted a study on Anchor investors in IPOs. This paper examines the impact of anchor investors in India's IPO process following the 2009 SEBI guidelines instituting pre-market book building. It analyzes share allocation records from anchor-backed IPOs and finds these patrons profoundly sway near-term outcomes, particularly by affecting other institutional bidders, most saliently for opaque ventures. While anchor-supported IPOs exhibit comparable underpricing levels as others, they tend to perform better across one year. The examination underscores the import of anchor backers' reputations, with transparent book building proving more gainful than alternative allocation schemes, underlining transparency can help counterbalance underwriters' negative influences.
3. Agarwal B. (2014) conducted a study on Foreign institutional investors and the Indian IPO market. An investigation from 2009 to 2011. The Indian capital market post liberalisation underwent various reforms and deregulations which heavily attracted foreign investments particularly the portfolio investments. The Indian primary market on the other hand is an integral part of the capital market which infuses fresh capital into the system by mechanisms like Initial Public Offering (IPO). This article thus attempts to make an understanding of few major causes like IPO size and market capitalisation as major forces in attracting foreign institutional investors (FII) inflows into the Indian primary market and thereby analysing the role of FIIs into capital formation.
4. Handa R & Singh B. (2017) conducted a study on Performance of Indian IPOs: an empirical analysis. This study aims to contribute to IPO under-pricing literature by examining the link between corporate governance and under-pricing in the Indian context. Analyzing 404 Indian IPOs, it finds that board size and board committees positively influence listing day returns, supporting signaling theory. In India's family-owned firms, promoter ownership acts as a key signal for investors. However, corporate governance measures have minimal impact on under-pricing, indicating that investors do not prioritize these factors in their decisions.

5. Dessai D. S. S. (2016) conducted a study on Post Listing Performance of Initial Public Offers (IPOs) in Indian Capital Market. This paper analyzes the performance of Initial Public Offerings (IPOs) listed on the Bombay Stock Exchange from July 2010 to June 2013, amid the Indian economy's slowdown and rising gold prices. It examines sector-wise price appreciation in the secondary market over six to thirty-six months following the IPOs, highlighting the impact of these economic factors on their performance after a period of significant foreign investment and primary issues.
6. Samanta P.K, Dam S, Saluja R.S, Bansal S, & Chhabra N. (2018). Short-Run Performance Analysis of IPOs in the Indian Market. This paper examines the short-term performance of 117 Initial Public Offerings (IPOs) in India from 2009 to 2013, focusing on Market Abnormal Excess Returns (MAER). IPOs enable private companies to raise equity capital and provide public shareholders the opportunity for short-term gains or long-term investment. While prior research suggests that IPOs typically perform poorly in the long term but offer strong short-term returns, this study aims to identify the factors affecting short-term performance in the Indian context. By analyzing these IPOs, the paper contributes to understanding the dynamics of investor returns and decision-making in the IPO market.
7. Singh A.K, Mohapatra A.K, & Kalra S. (2020). Behavior of Indian IPO market: An empirical study. This study analyzes changes in the IPO market after the Controller of Capital Issues (CCI) era using semi-log equations and a dummy model across four policy periods: liberalization, globalization, recovery, and crisis. It found that from 1991, the amount raised through IPOs grew at an annual rate of 11.54%, while the number of issues declined by 9.91%. The average size of IPOs increased by 21.46% annually, reflecting improved quality. Structural changes in 1995 negatively impacted both the number of issues and amounts raised during the globalization period. Despite these challenges, the market matured and remained resilient during the crisis.
8. Ajay R. & Shashank T. (2021). A Study on Performance of Initial Public Offering (IPO) in Indian capital market during the pandemic. This study examines the performance of Initial Public Offerings (IPOs) in the Indian capital market during the pandemic, focusing on retail subscription, total subscription, and listing day returns for IPOs listed in the financial year 2020-21. The average listing day return was 37.08%, significantly higher than previous years. Retail investors were notably active, contributing to high levels of oversubscription, and strong correlations were found between retail subscription and listing day returns, as well as total subscription and listing day returns. Additionally, the study indicates that retail investors consider institutional investor subscription levels when making their bids for IPOs.
9. Biswas S, & Joshi N. (2023). A performance-based ranking of initial public offerings (IPOs) in India. This paper conducts a comparative performance assessment of IPOs listed in the Indian Stock Market in 2018, focusing on their market-based indicators and fundamental efficiency over three years post-listing. Using the Logarithmic Percentage Change-driven Objective Weighting (LOPCOW) method, the study finds that market performance does not necessarily correlate with fundamental efficiency, and equity ownership structure has minimal impact on market performance. It concludes that initial IPO performance is largely influenced by investor speculation and short-term goals, with validation tests showing that LOPCOW rankings align well with the Entropy model.
10. Deb S.G & Banerjee P. (2024). Performance of VC/PE-backed IPOs: new insights from India. This article analyzes the long-term equity and operating performance of 173 Indian IPOs backed by venture capital and private equity from 2000 to 2016, finding unimpressive market performance and declining operating results compared to peers. It concludes that this underperformance is not due to factors like information asymmetry but rather excessive capital chasing too few successful firms and potential rent-seeking by managers. The study emphasizes that sustained

post-IPO monitoring by VC/PE can enhance performance, highlighting important implications for investors in the Indian equity market.

11. Mulchandani P, Pandey R, Debata B & Renganathan J. (2023). Investor attention and IPO returns: evidence from Indian markets. This study explores how investor attention influences short-run returns and long-run performance of Initial Public Offerings (IPOs) in the Indian stock market, categorizing initial returns into premarket under-pricing and post-market mispricing. The findings reveal a significant positive relationship between initial returns and investor attention, validating attention theory while highlighting the role of behavioural factors in IPO performance.

III. OBJECTIVE OF THE STUDY

- 1. Analysing Year-on-Year Growth in IPO's:** This study aims to evaluate the annual growth trends in the number of IPO's offered from 2012 to 2024, identifying key shifts in the growth of SME's participation and entry into the stock market.
- 2. Examining the Impact of favourable macro factors:** The research will investigate how several reasons like strong economic growth, good industrial policies, rising domestic consumption, Low-interest rate environment, digitization and tech driven growth, FII (Foreign Institutional Investors) inflows, demographic dividend and improving market infrastructure that have contributed to this phenomenon.
- 3. Examining key regulatory changes that have facilitated increased IPO activity:** Initiatives by SEBI, including regulatory relaxations and streamlined processes, have made the IPO process smoother and more attractive for companies.
- 4. Analysing the role of retail investor participation and digitalization in driving IPO growth:** Over recent years, platforms like Zerodha, Groww and Upstox have democratized stock market participation by offering low-cost, easy-to-use trading platforms. This has made investing accessible to a larger base of retail investors, who are now participating more actively in IPOs.
- 5. Assessing the performance of recent IPOs and their impact on market sentiments:** Evaluating the sectoral distribution of new listings and emerging trends in the markets and comparing the current IPO boom with historical patterns in Indian markets.

IV. RESEARCH METHODOLOGY

- 1. Research Design:** This study adopts a quantitative approach to analyse secondary data on the number of IPO's in the Indian stock market from 2012 to 2024. The research focuses on year-on-year growth trends in the public offers from mainly SME companies, examining the increase in listings in the Indian stock exchanges over the years.
- 2. Data Sources:** The data used for this research is sourced from the official website of chittorgarh, as provided in the dataset. The dataset includes annual figures for the number of IPO listings from 2012 to 2024. This secondary data serves as the foundation for the analysis.

3. Data Analysis Techniques:

- **Trend Analysis:** Year-on-year changes in the number of IPO's will be analysed to understand the growth patterns from 2012 to 2024. A line graph will be used to visualize these trends.
- **Percentage Growth Calculation:** The study will calculate the annual growth rates of the number of IPO's using the formula:

$$\text{Percentage Change} = \{(\text{New Value} - \text{Old Value}) / \text{Old Value}\} \times 100$$

This will help highlight significant increases or declines in IPO listings.

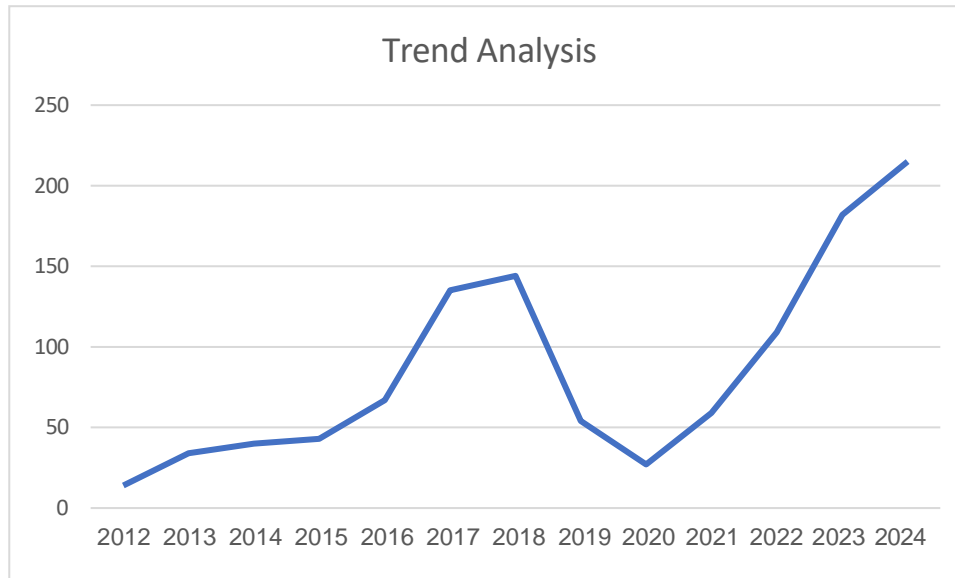
- **Qualitative Analysis for Significant Growth Years:** Significant jumps in number of IPO's offered, such as in 2024 will be qualitatively linked with key events or fintech innovations that could have influenced retail investors growth and frenzy for the stock markets due to an increase in influencers (finance creators) and penetration of financial literacy.
- **Limitations of the Study:** The study is limited to secondary data analysis and does not include primary data collection methods such as surveys or interviews. It only covers the public markets and does not take into consideration the grey markets.
- **Tools for Analysis:** Microsoft Excel will be employed for data visualization and percentage change calculations. Graphs and charts will be used to present the trends in increase in the quantity of IPO's offered for sale clearly.
- **Scope of the Research:** The research covers the period from 2012 to 2024, with a focus on understanding the changes in the Indian economic environment that led a large number of SME's (small medium enterprises) and also large enterprises to list their businesses on the Indian stock markets, based on data from Chittorgarh. The study aims to provide insights into how listings have evolved over time, especially in relation to the significant market after the 2008 financial crisis.

V. DATA ANALYSIS

We have done trend analysis for the year-on-year changes in the number of IPO offerings to analyze the growth patterns from 2012 to 2024 where we plotted a line graph that will be used to visualize these trends on the given data below:

Year	Number of IPOs	Amount Raised (Rs Cr)	Successful IPOs	Failed IPOs
2012	14	127	14	0
2013	34	362	34	0
2014	40	289	40	0
2015	43	275	43	0
2016	67	562	67	0
2017	135	1,738	133	2
2018	144	2,409	141	3
2019	54	657	51	3
2020	27	168	27	0
2021	59	787	59	0
2022	109	1,980	109	0
2023	182	4,967	182	0
2024	215	8,111	215	0

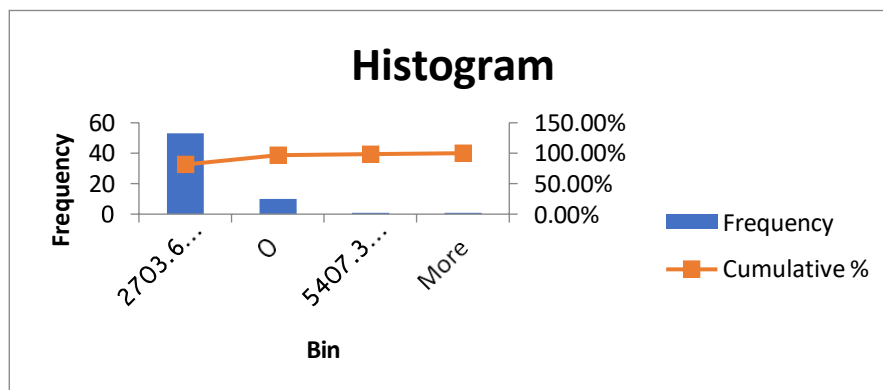
Source: <https://www.chittorgarh.com/report/list-of-sme-ipo-by-year-fund-raised-success-failed/86/>



Key Observations:

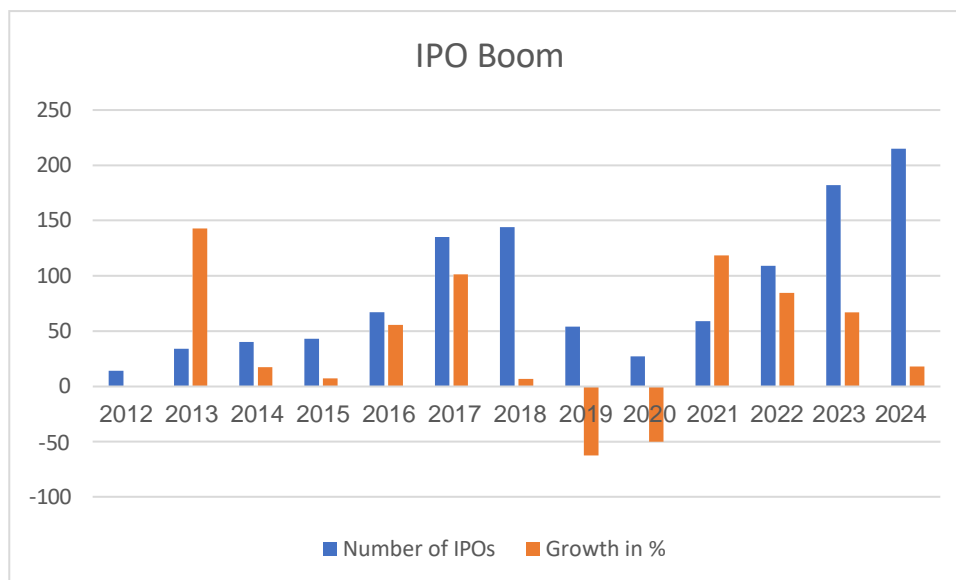
- The overall trend is upward despite significant volatility
- The post-2020 growth surpasses all previous peaks
- The market has shown strong resilience in bouncing back from downturns
- The current trend suggests strong market confidence and favourable listing conditions

Bin	Frequency	Cumulative %	Bin	Frequency	Cumulative %
0	10	15.38%	2703.667	53	81.54%
2703.667	53	96.92%	0	10	96.92%
5407.333	1	98.46%	5407.333	1	98.46%
More	1	100.00%	More	1	100.00%



Percentage Growth is Calculated which calculates the annual growth rates of the number of IPO's using the data given below:

Year	Number of IPOs	Growth in %
2012	14	
2013	34	142.857
2014	40	17.647
2015	43	7.5
2016	67	55.814
2017	135	101.493
2018	144	6.667
2019	54	-62.5
2020	27	-50
2021	59	118.519
2022	109	84.746
2023	182	66.972
2024	215	18.132



From the Descriptive Statistics:

<i>Number of IPOs</i>	
Mean	86.38462
Standard Error	17.83059
Median	59
Mode	#N/A
Standard Deviation	64.28911
Sample Variance	4133.09
Kurtosis	-0.44465
Skewness	0.868692
Range	201
Minimum	14
Maximum	215
Sum	1123
Count	13
Confidence Level (95.0%)	38.84952

Carried out the ANOVA and Regression Analysis for which we got output:

Anova: Single
Factor

SUMMARY

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Year	13	26234	2018	15.16667
Number of IPOs	13	1123	86.38462	4133.09

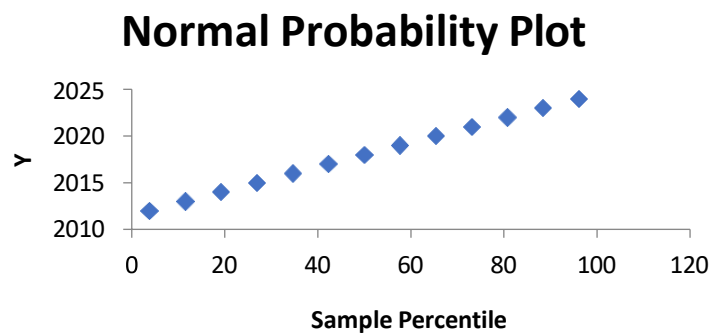
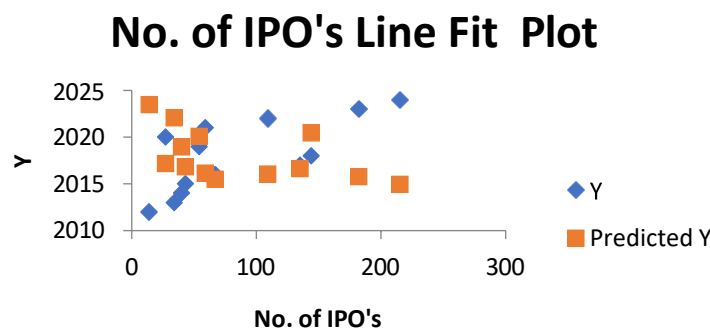
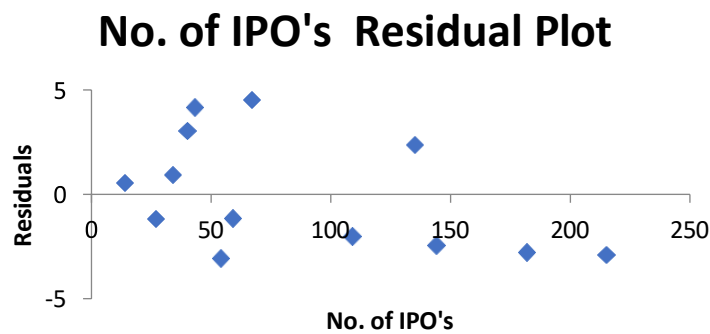
SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.701960775							
R Square	0.49274893							
Adjusted R Square	0.446635197							
Standard Error	2.897015623							
Observations	13							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	89.68030529	89.68031	10.68551	0.007480174			
Residual	11	92.31969471	8.3927					
Total	12	182						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	2014.326696	1.381428698	1458.147	1.98E-30	2011.286192	2017.3672	2011.286192	2017.3672
X Variable 1	0.042522667	0.013008367	3.26887	0.00748	0.013891444	0.071153891	0.013891444	0.071153891

RESIDUAL OUTPUT

<i>Observation</i>	<i>Predicted Y</i>	<i>Residuals</i>
1	2023.469069	0.530930793
2	2022.065821	0.934178813
3	2018.961666	3.038333525
4	2016.835533	4.164466889
5	2015.474808	4.525192241
6	2016.62292	2.377080225
7	2020.44996	-2.44995983
8	2020.067256	-3.067255825
9	2017.175714	-1.17571445
10	2016.15517	-1.155170435
11	2016.027602	-2.027602433
12	2015.772466	-2.772466429
13	2014.922013	-2.922013084

PROBABILITY OUTPUT

<i>Percentile</i>	<i>Y</i>
3.846154	2012
11.53846	2013
19.23077	2014
26.92308	2015
34.61538	2016
42.30769	2017
50	2018
57.69231	2019
65.38462	2020
73.07692	2021
80.76923	2022
88.46154	2023
96.15385	2024



Here Y being years in the above illustration. The above outputs were generated from the data of number of IPO's corresponding to the respective years.

VI. RESULTS

The analysis of the rise in the number of IPOs in the Indian public markets reveals several key trends and factors contributing to this phenomenon:

1. **Increased Market Participation:** There has been a significant increase in retail investor participation, driven by improved access to technology and financial literacy. This has led to heightened demand for new investment opportunities.
2. **Economic Recovery:** Following the economic disruptions caused by the COVID-19 pandemic, India experienced a robust recovery, bolstered by government stimulus measures and a revival in consumer spending. This favourable economic environment has encouraged companies to go public.

3. **Sectoral Growth:** Certain sectors, such as technology, pharmaceuticals, and green energy, have seen substantial growth, prompting many startups and established companies to capitalize on market conditions through IPOs.
4. **Regulatory Support:** The Securities and Exchange Board of India (SEBI) has introduced reforms to streamline the IPO process, making it more accessible for companies to raise capital. Initiatives such as the introduction of the "Innovator Growth Platform" aim to support new-age businesses.
5. **Market Sentiment:** Positive sentiment in the equity markets, fueled by rising stock indices and investor confidence, has created an attractive environment for companies to launch IPOs.

VII. CONCLUSION

The surge in IPOs within the Indian public markets reflects a confluence of favourable economic conditions, increased investor participation, and supportive regulatory frameworks. As companies seek to leverage the current market dynamics, this trend is likely to continue, facilitating greater capital inflow and diversification of the investment landscape. However, potential investors should remain cautious, considering market volatility and the inherent risks associated with newly listed entities. Policymakers and regulators must also focus on sustaining this growth through ongoing reforms and by ensuring robust investor protection measures to maintain market integrity and confidence.

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