

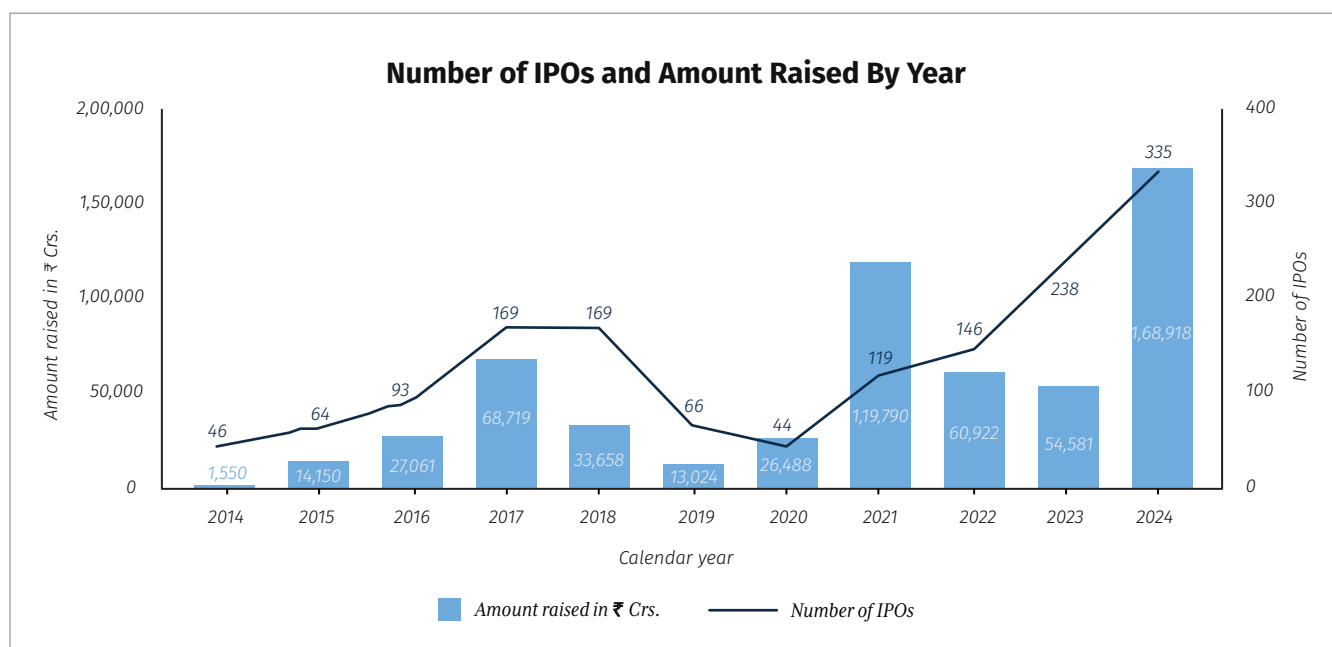
Companies That List Do Not Even Beat The Broader Indices

Research Report on Companies
that Made a Stock Market Debut
Between 2014 and 2024



A. BACKGROUND AND RESEARCH OBJECTIVE

₹6 lakh crores worth of funds have been mobilised through 1,489 Initial Public Offers (IPOs), including both fresh issues and offer for sale (OFS).



Companies prefer going public during a bull market at preferably valuations that are comfortable for investors to exit through an OFS.

The objective of this study is to know how these companies perform for the common shareholders after they debut on the stock exchanges.

This report covers the study of the companies that made a stock market listing debut (both on Mainboard and SME) through an IPO, among other aspects, covering:

a. The listing day returns of companies and their median annualised return date differentiated between those companies that channelised more than 50% IPO proceeds towards OFS vis-à-vis the ones that channelised 50% or less towards OFS,

b. Returns that investors made from those companies that channelised more than 50% IPO proceeds towards OFS vis-à-vis the ones that channelised 50% or less towards OFS,

c. How much of the money raised through OFS was redeemed by overseas investors vis-à-vis domestic investors and

d. Cost of IPO fundraising, including BRLM fees, commissions and other expenses as a percentage of total IPO proceeds.

B. RESEARCH METHODOLOGY

a. Data Collection

To ensure a thorough and reliable evaluation, data was sourced from primary platforms, including:

i. Securities and Exchange Board of India (SEBI):

Red Herring Prospectuses (RHPs) of 1,380 IPOs were reviewed to extract detailed information pertaining to fresh issues, OFS, issue prices, issue expenses and the bifurcation between OFS proceeds being distributed between domestic and foreign investors.

997 (72.3%) companies were listed on the SME Board and the rest were listed on the Mainboard.

However, only 3.4% of total funds (₹20,677 crores) via IPOs were raised by SME-listed companies, while 96.6% of funds (₹5,89,089 crores) were raised by Mainboard-listed companies.

ii. Bombay Stock Exchange (BSE) and National Stock Exchange (NSE):

Listing day prices and the market prices of IPOs as of December 31, 2024, or the last trading day, as the case may be, were retrieved from the official websites of the BSE and the NSE.



b. Calculation Approach for IPO Issue Size Categorisation and Issue Expenses Structure Analysis

To assess the cost structure and the issue sizes of companies, we have categorised fees incurred by issuers into Book Running Lead Manager (BRLM) fees, commission fees and other related costs.

To analyse the distribution of IPOs based on issue size, the study classified IPOs into predefined size ranges, ranging

from issue size of:

- i. ₹0 to ₹50 crores,
- ii. ₹50.01 crores to ₹100 crores,
- iii. ₹100.01 crores to ₹250 crores,
- iv. ₹250.01 crores to ₹500 crores,
- v. ₹500.01 crores to ₹1,000 crores and
- vi. Above ₹1,000.01 crores.



c. Calculation Approach for Listing Day Gain/Loss Distribution:

This study compared each IPO's closing price on the listing day against its issue price to determine whether it ended with a gain, loss or no movement.

A categorisation has been made into predefined percentage brackets to assess the number of companies that gained or lost value on the opening day as of closing vis-à-vis their respective issue price. The categories were as follows:

- i. -50% to -100%
- ii. -25% to -50%
- iii. -10% to -25%
- iv. -10% to 0%
- v. 0% to 10%
- vi. 10% to 25%
- vii. 25% to 50%
- viii. 50% to 100%
- ix. More than 100%



d. OFS Proceeds Distribution: Domestic vs Foreign Investors

The selling shareholders section and their respective declarations from the respective RHPs of the companies were used to understand the residential status.

Where the information wasn't available in the RHPs, we used data from Ministry of Corporate Affairs (MCA) records, various SEBI or other exchange filings made by the companies or selling shareholders to the extent possible. In a few cases, desktop research was done to find the residential status in the case of individual investors.



e. Calculation Approach for Performance (Annualised Returns) Analysis Based on OFS Proportion

To evaluate the long-term performance of IPOs, the study analysed the compounded annual growth rate (CAGR) of stock prices bifurcating the companies between those which:

- i. Channelled more than 50% IPO proceeds towards OFS and
- ii. Channelled 50% or less towards OFS.

The initial euphoria on listing distorts the CAGR calculations and this euphoria may sustain over years. To avoid this anomaly, we have used the median CAGR instead.

The study further compared IPO performance against major market indices such as Nifty 50 and Nifty 500 to determine whether the companies that listed in the last 11 years outperformed or underperformed broader market indices.

Note 1: This report also includes the delisted companies as well that were listed between January 1, 2014 and December 31, 2024. To ensure a correct assessment of their performance, the CAGR for delisted companies has been calculated using the closing price up to their last trading day before delisting.

Note 2: We observed that SEBI's list of final offer documents filed with the ROC for companies that conducted an IPO between January 1, 2014, and December 31, 2024, is incomplete. According to SEBI's disclosures, 897 companies filed offer documents during this period. However, SEBI's monthly bulletins

indicate that 1,489 companies raised funds through IPOs within the same timeframe.

To bridge this gap, we cross-referenced multiple secondary sources to identify additional companies. For those whose RHPs were not available on SEBI's website, we retrieved the documents from their respective company websites. As a result, we were able to compile data on 1,380 companies, covering 97% of the total funds raised during this period.

C. EXECUTIVE SUMMARY

Funds Raised

₹6,09,833 Crs. was raised by 1,380 companies in the last 11 years.

63.6%

of the IPO funds went straight to sellers through Offer for Sale (OFS), not companies.

997 (72.3%)

companies were listed on the SME Board and the rest were listed on the Mainboard.

96.6%

of funds (₹5,89,089 crores) via IPOs were raised by Mainboard listed companies and only 3.4% (₹20,677 crores) were raised by SME-listed companies.

Median Annualised Returns of Companies That List vs. Headline Indices

76.1%

of companies give a positive listing.

15.6%

of companies closed with more than 50% returns on their issue price on the first day of listing.

5.9% vs 12.8%

Companies that listed grossly underperformed the broader indices, giving a median annualised return since listing of just 5.9% vs 12.8% of Nifty 50 and 14.8% of Nifty 500.

Issue Expenses

7.6%

of the issue size was spent on expenses by companies that raised ₹0- ₹50 crores, compared to just 2.9% for those raising over ₹1,000 crores.

3.8%

of the funds raised were spent on issue expenses like book running lead manager fee (BRLM), commission fee, etc.

52%

of the issue expenses were spent on the BRLM fee.

Domestic vs Foreign Investors: Who Banked The Most Out of IPO Proceeds

75.7%

of IPO proceeds from OFS were banked by Indian investors, while foreign investors took home the remaining 24.3%.

72.4%

proceeds banked by promoters out of the total OFS proceeds banked by domestic investors.

0.1%

of the total OFS proceeds banked by domestic investors, a measly sum, went to employees.

D. KEY FINDINGS FROM THE RESEARCH

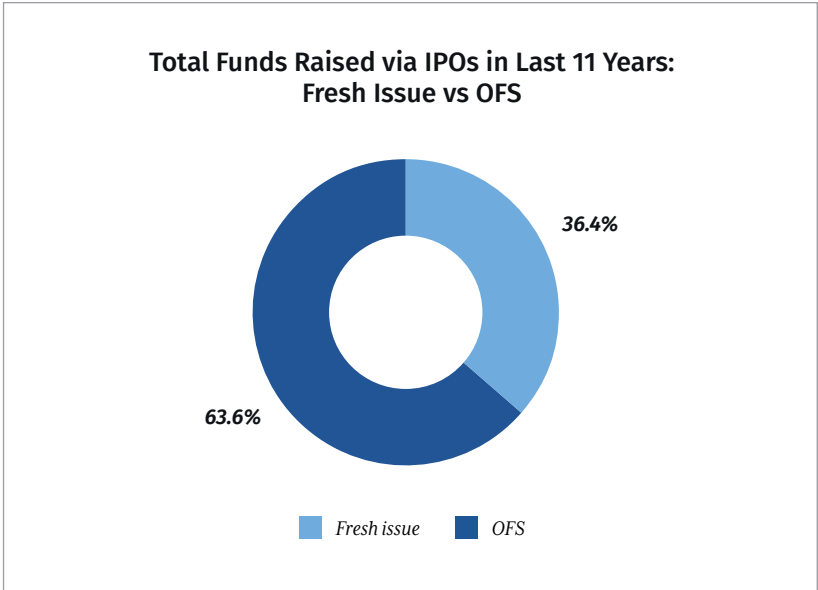
a. Analysis of IPO Fundraising Structure: Fresh Issue vs OFS:

Over ₹6 lakh crores raised through IPOs in the last decade reflect the strong growth of India’s primary markets.

However, the high proportion of OFS (63.6%) compared to fresh issues (36.4%) suggests that many IPOs are being used as exit opportunities for existing investors rather than as a means for companies to raise fresh capital for expansion.

Now, let us compare the returns that investors made in a company that raised more than 50% of IPO proceeds for an OFS vis-à-vis those who raised 50% or lesser IPO funds for an OFS (not covering companies that utilised 100% proceeds towards an OFS).

IPO FUNDS RAISED FOR	AMOUNT (IN ₹ CRORES)	AS A % OF TOTAL AMOUNT RAISED
Fresh Issue	2,21,888	36.4%
OFS	3,87,945	63.6%
Total Amount Raised	6,09,833	100%

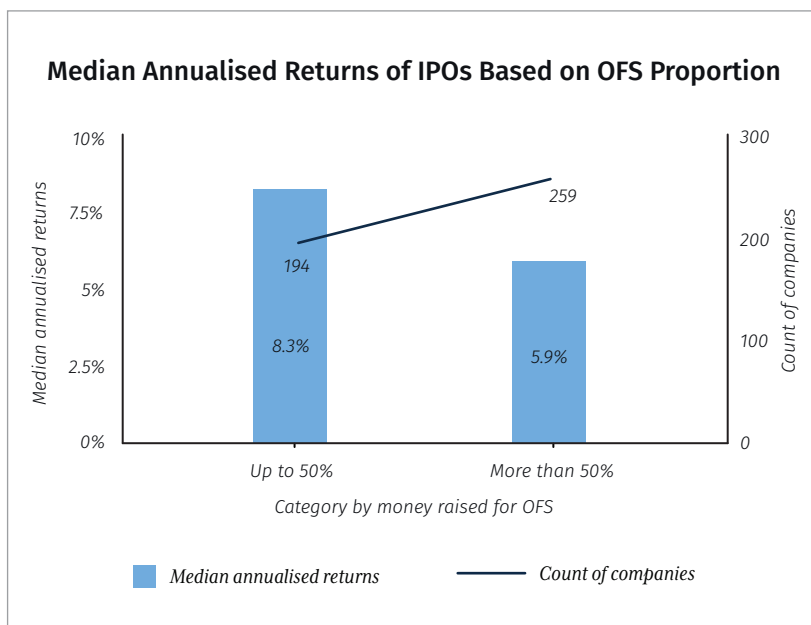


Source: SEBI Data, Company Public Disclosures, 1 Finance Magazine

b. Comparison of Median annualised returns between companies that allocated a major portion of IPO proceeds to OFS and those that did not

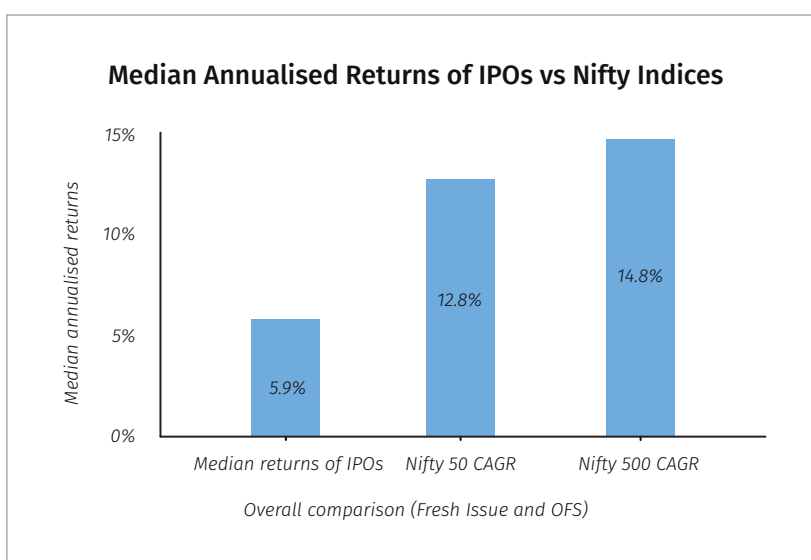
CATEGORY BY MONEY RAISED FOR OFS	COUNT OF COMPANIES	MEDIAN ANNUALISED RETURNS
Up to 50%	194	8.3%
More than 50%	259	5.9%

Comparing between the companies whose proportion of funds raised by OFS was more than 50% and 50% or less, we found that companies that raised 50% or less for OFS made more returns for investors.



c. Analysis of Median Annualised Return of IPOs vs. Broader Nifty Indices

OVERALL COMPARISON (FRESH ISSUE AND OFS)	
Median return of IPOs	5.9%
Nifty 50	12.8%
Nifty 500	14.8%



To understand if this was due to distortion from smaller companies listing in the SME segment, we further drilled down to check median returns by category as per funds raised:

With this data, it can be observed that the underperformance of companies that list on bourses is not restricted to any category or issue size. Companies that list on bourses tend to underperform the broader indices, on median basis, irrespective of funds raised, while companies that raised ₹1,000 crores+ performed better than others.

d. Analysis of IPO Issue Size Categorisation and Fee Structure Analysis

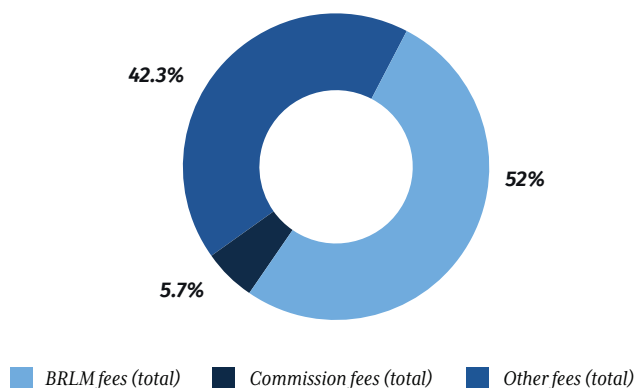
The commission structure for IPOs includes processing fees for **Self-Certified Syndicate Banks (SCSBs)** as well as broking and selling commissions for registered brokers, which together account for **5.7%** of the total IPO expenses.

Average Annual Returns Performance By Issue Size

TOTAL ISSUE SIZE (IN ₹ CR)	COUNT OF COMPANIES	MEDIAN ANNUALISED RETURNS
0-50	915	4.8%
50-100	88	5.3%
100-250	45	6.2%
250-500	76	3.6%
500-1,00	118	9.1%
1,000+	138	10%
Overall	1,380	5.9%

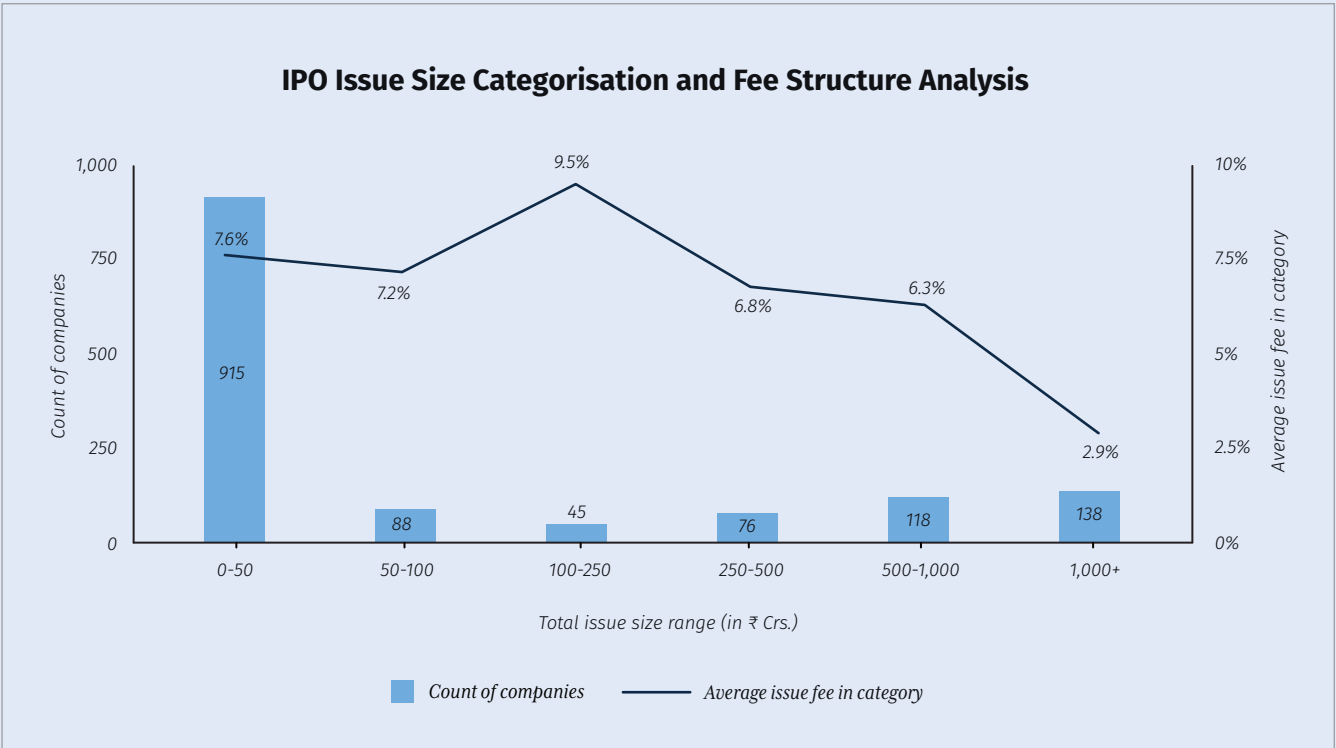
FEES & COMMISSION METRICS	AMOUNT (IN ₹ CR)	% OF TOTAL FEES
BRLM fees	11,912	52%
Commission fees	1,314	5.7%
Other fees	9,694	42.3%
Total Amount Raised	22,920	100%

Breakdown of IPO Fees and Commission Costs



Notably, the total expenditure on IPO fees amounted to ₹22,920 crore, with **Book Running Lead Manager (BRLM)** fees forming the largest share at 52%, followed by other expenses at **42.3%**.

TOTAL ISSUE SIZE RANGE (IN ₹ CR)	COUNT OF COMPANIES	% OF TOTAL COMPANIES	AVERAGE ISSUE FEE AS % OF FUNDS RAISED
0-50	915	66%	7.6%
50-100	88	6%	7.2%
100-250	45	3%	9.5%
250-500	76	6%	6.8%
500-1,000	118	9%	6.3%
1,000+	138	10%	2.9%
Overall	1,380	100%	3.8%



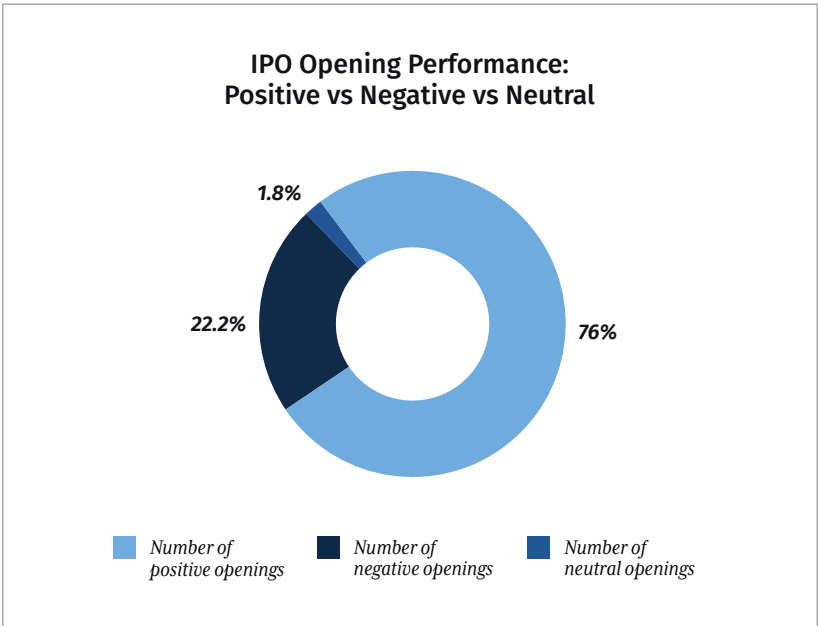
A notable finding is that smaller IPOs (₹0- ₹50 crore) dominate the market, accounting for 66% of total listings, while larger IPOs (₹500 crore +) contribute a smaller share but benefit from significantly lower costs. The average issue

fee as a percentage of total capital raised decreases as IPO size increases, reflecting the economies of scale in IPO cost structures.

e. Analysis of IPO Listing Day
Gain/Loss Distribution:

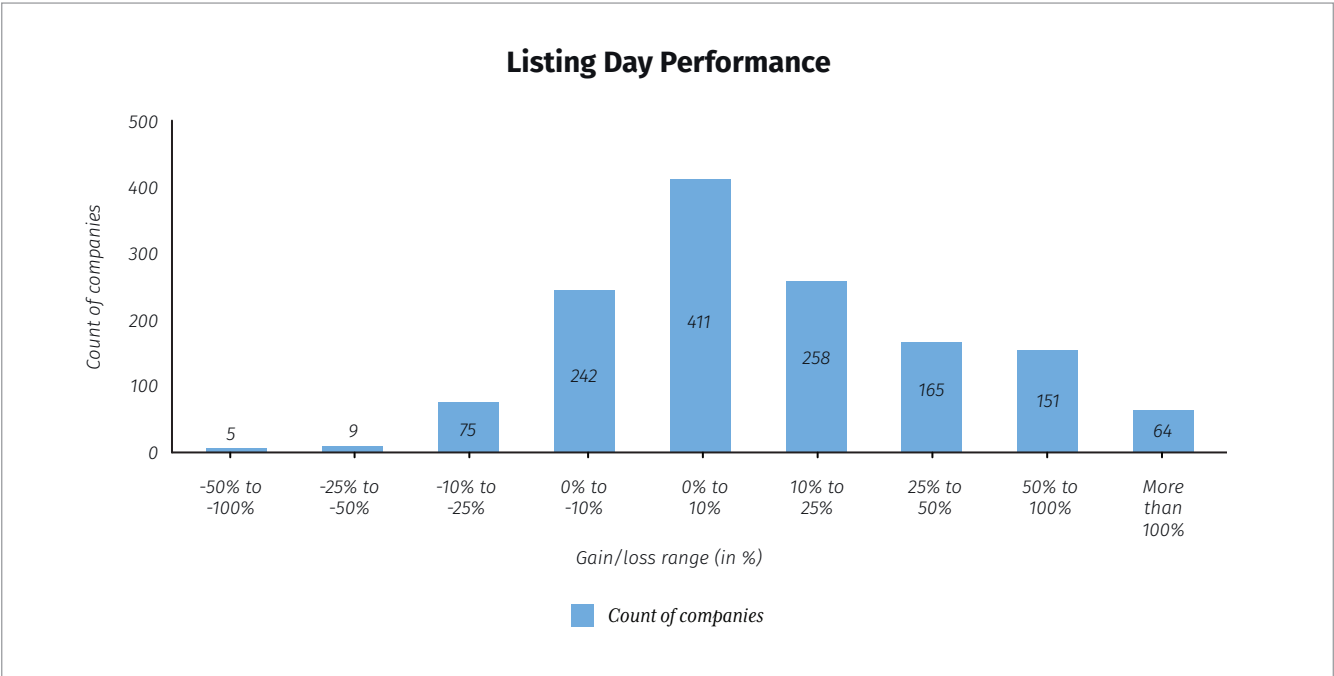
The data on the performance of companies on the first day of listing highlights strong investor sentiment, with 76% of IPOs closing above their issue price on the first trading day. This suggests that a majority of IPOs were perceived as competitively priced, leading to strong demand, buying pressure and post-listing optimism.

NUMBER OF COMPANIES THAT MADE A:	COUNT	AS A % OF TOTAL IPOs
Positive Opening	1,052	76%
Negative Opening	307	22.2%
Neutral Opening	25	1.8%



Listing Day Performance Of Companies

GAIN/LOSS RANGE (%)	COUNT	% OF TOTAL IPOs
-50% to -100%	5	0.4%
-25% to -50%	9	0.7%
-10% to -25%	75	5.4%
-10% to 0%	242	17.5%
0% to 10%	411	29.8%
10% to 25%	258	18.7%
25% to 50%	165	12%
50% to 100%	151	11%
More than 100%	64	4.6%



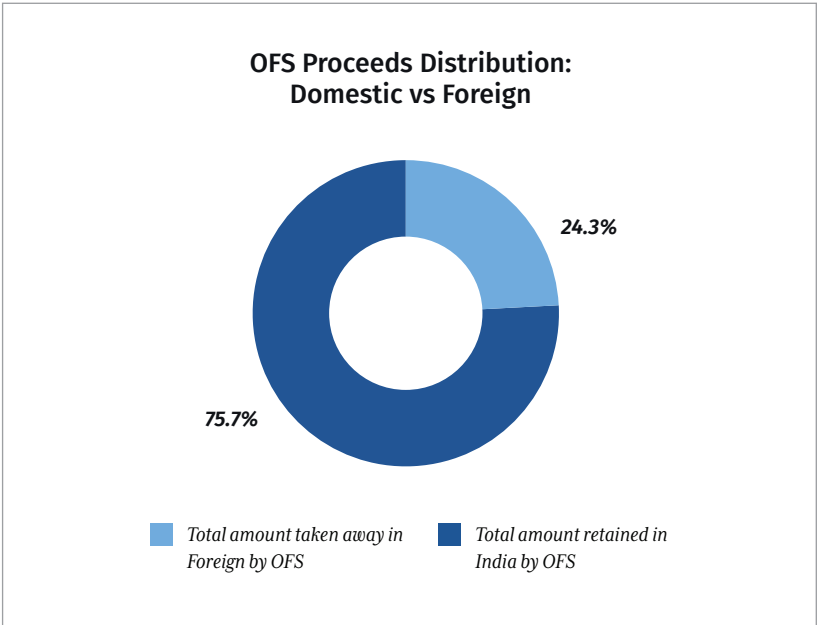
f. Analysis of OFS Proceeds Distribution: Domestic vs Foreign

The distribution of OFS proceeds provides key insights into capital flow trends in Indian IPOs, particularly the proportion of funds retained within India versus those taken abroad by foreign investors.

A majority of OFS proceeds (75.7%) remained within India, amounting to ₹2,94,235 crores, indicating that domestic investors, including Indian institutional investors, promoters and retail participants, absorbed most of the stake sales. This strong domestic retention rate reflects high local demand for IPOs, ensuring capital circulation within the Indian economy and a stable secondary market.

However, ₹94,053 crores (24.3%) of OFS proceeds were taken away by foreign investors.

OFS PROCEEDS RECEIVED BY:	AMOUNT (IN ₹ CR)	AS A % OF TOTAL OFS
Foreign Investors	94,053	24.3%
Indian Investors	2,94,235	75.7%



A significant portion of Offer for Sale (OFS) proceeds retained in India was encashed by promoters, accounting for 72.4% (₹2,12,624 cr). This highlights that many IPOs may have been structured as liquidity events for company founders and early investors.

While employees got only 0.1% of domestic OFS proceeds.

This distribution pattern reinforces the dominance of promoter exits in the Indian IPO market.

Promoters Banked Maximum Domestic OFS Proceeds

PARTICULARS	% OF DOMESTIC OFS PROCEEDS
Institutional Investors	17.5%
Promoter(s)	72.4%
Employees	0.1%
Individual Investors / Others	10%

E. CONCLUSION

Often individual investors get lured by the grey market premium; however, in a bad market situation, they have to stay, after allotment, in securities of such companies that turn their investments negative.

It is critical to note that while 76% of companies gave a positive return on the listing day, at a broader level, companies that listed between 2014 and 2024 gave an annualised median return since listing of just 5.9%. While Nifty 50 gave an annualised return of 12.8%. Nifty 500 returned 14.8% on an annualised basis.

Most of the IPO proceeds are banked by exiting investors of the IPO-bound company and within that, Indian promoters make the most money.

Investors must analyse a company carefully before investing, even if the objective is short-term, as getting stuck with companies that never turn positive may leave investors with a dent in their portfolio.



