

IPO Market in India: The Long and Short of It

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ABSTRACT

The Indian IPO market has displayed many nuances in terms of trends, pricing regimes, policy and structural reforms, in evolving from a highly regulated system to a mature ecosystem led by SEBI since its deregulation in 1992. Beyond doubt, it has invoked considerable academic and research interest for its varied dimensions. The present study, another endeavor in this context, peruses the trends, driving forces, and key regulatory reforms marking the distinctiveness of Indian IPO Market, over the period spanning more than three decades. The findings of the study reveal distinct phases in growth of Indian IPO market, namely, the CCI regime when it was highly regulated in terms of pricing and timing issues; the free pricing regime under the genesis of SEBI which had its own slice of boons and banes; the IT frenzy in 00's when anything remotely connected to information technology would sell like a hot cake; the brunt of global recession of 2008; display of resilience in the aftermath of Covid-19 driven by new-age tech firms and SMEs; and subsequently finding a place amongst global leaders in context of public offerings. On the regulation side, reforms like pricing flexibility, anchor investors, green shoe option, and reduced listing timeline among others, have contributed to making the market robust and investor-friendly, if not completely eliminating the inefficiencies.

KEYWORDS: *Initial Public Offering, CCI, SEBI, Reforms, Trends*

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I. INTRODUCTION

In the ever-evolving world of finance, an IPO plays a key role in shaping the trajectory of an enterprise as it transitions from private to public company. It also marks a major achievement for the promoters and accentuates their vision, ingenuity, and managerial expertise in taking the firm to the next level (Jain & Tabak, 2008). Other than contributing to company's coffers, initial public offering provides liquidity for its shares and generates tremendous wealth for investors (Brau & Fawcett, 2006). It enhances credibility, visibility of a firm which may facilitate its expansion plans nationally as well as internationally. Another plausible benefit which accrues to the firm is the increased market value attributed to enhanced liquidity, access to information and a readily established value. On a flip side, the initial public offerings make for an arduous exercise since there is lack of formidable basis for evaluating the issuing company which eventually leaves prospective investors in a state of uncertainty.

Indian IPO market has drawn considerable interest from academicians and researchers alike, attributed to its distinctiveness in terms of trends, pricing regimes, policy and structural reforms. The abrogation of the Control of Capital Issues Act, 1947; the subsequent formation of Securities and Exchange Board of India as a new regulatory body; and various policy and structural reforms, have contributed in transforming it from opaque system into a mature ecosystem. Against this backdrop, it becomes intriguing to dig deep and explore the key factors navigating the growth of Indian IPO Market since its deregulation in the year 1992. The paper moves ahead with the following specific objectives:

1. Examine the trends in number of issues as well as funds raised from Indian IPO market for a period spanning more than three decades, from FY93 to FY25.
2. Explore the key factors driving aforementioned trends.
3. Analyze select key reforms undertaken by SEBI over the research timeframe.

II. DATABASE & RESEARCH METHODOLOGY

The annual reports of SEBI were the major source of data used to track the reforms undertaken by the regulator as well as for collecting data on frequency of IPOs launched in the market and the corresponding funds raised. The growth rate was then computed to discern the trends for both IPO frequency and proceeds mobilized.

III. RESULTS AND DISCUSSION

The initial public offerings (IPO) markets across the globe have consistently been associated with certain well- documented anomalies which significantly influence the strategic pricing decisions of issuers during IPO process. Among the various anomalies pertinent to IPOs, underpricing and long-run underperformance are the most widely investigated, for which a plethora of explanations have been proposed and empirically tested ubiquitously. Another significant issue is that of cyclical behavior which an IPO market experiences with regard to frequency of new issues and the returns generated by them. There are phases when companies in large number get listed on stock exchanges and yield huge returns, followed by phases when only a few companies go public to mobilize funds for their plans (Ibbotson & Jaffe, 1975; Ritter, 1984 and Allen & Faulhaber, 1989). Indian IPO Market is no exception to this phenomenon. It has exhibited phases marked by heightened participation of investors, large number of issues, abnormal returns followed by periods of subdued market. The changes in regulations, along with the presence of cyclical behavior, growing participation of investors and the urge to attain global recognition highlight the need to delve deep and explore the various facets of the Indian IPO Market. Accordingly, this section is further segregated into two parts: first part weighs up the trends in the Indian IPO market, and part two peruses select reforms brought in by SEBI.

3.1 Exploration of Trends in Indian IPO Market

The New Economic Policy of the Government of India ushered in an era of Liberalization, privatization, and globalization (LPG) thereby marking a significant shift from a regulated economy to a market-driven system. It got traction through launching a flurry of reforms to foster competitive and robust economic environment. Other than covering monetary, fiscal and trade policy matters, the reforms touched upon capital market issues in a bid to vouch for adequate investor service and protection (SEBI, Annual Report, 1992-93). The trajectory of Indian IPO market can be traced through distinct phases, commencing from CCI era to its deregulation in early nineties.

TABLE I: Trends in India's IPO market

Year	Frequency of IPOs	Growth in Number (%)	IPO Proceeds (Rs. Cr)	Growth in Amount (%)
1990-91	109		706	
1991-92	158	44.95	736	4.25
1992-93	467	195.57	3673	399.05
1993-94	692	48.18	7864	114.1
1994-95	1239	79.05	16572	110.73
1995-96	1357	9.52	10924.11	-34.08
1996-97	717	-47.16	5959	-45.45
1997-98	52	-92.75	1048	-82.41
1998-99	18	-65.38	404	-61.45
1999-00	51	183.33	2719	573.02
2000-01	114	123.53	2722	0.11
2001-02	7	-93.86	1202	-55.84
2002-03	6	-14.29	1039	-13.56
2003-04	14	133.33	1412	35.9
2004-05	23	64.29	13749	873.73
2005-06	79	243.48	10936	-20.46
2006-07	77	-2.53	28504	160.64
2007-08	85	10.39	42595	49.44
2008-09	21	-75.29	2082	-95.11
2009-10	39	85.71	24696	1086.17
2010-11	53	35.9	35559	43.99
2011-12	34	-35.85	5904	-83.4

2012-13	33	-2.94	6528	10.57
2013-14	38	15.15	1236	-81.07
2014-15	46	21.05	3039	145.87
2015-16	74	60.87	14815	387.5
2016-17	106	43.24	29104	96.45
2017-18	201	89.62	83684	187.53
2018-19	123	-38.81	16087	-80.78
2019-20	58	-52.85	21286	32.32
2020-21	55	-5.17	31030	45.78
2021-22	120	118.18	112552	262.72
2022-23	164	36.67	54772	-51.34
2023-24	272	65.85	67955	24.07
2024-25	320	17.65	172328	153.59

Source: Author's Calculations

Phase I: [CCI Era]

Prior to liberalization, the Indian IPO market was strictly administered by the Capital Issues (Control) Act 1947. The Act sought to accomplish certain objectives, specifically (a) protecting investors' interests from fly-by-night companies via regulating their timing, pricing, and nature of public issues, (b) ensuring that corporate investment was in sync with plans thereby avoiding wasteful expenditure, and thus supporting the objectives of erstwhile Five- Year Plans, (c) making sure that the capital structure of corporates was not against public interests, (d) restraining the overcrowding of public issues in a year, and (e) monitoring the extent and regulatory stipulations for a foreign investment (Bhole & Mahakud, 2009). Companies aspiring to make their debut in market were required to price their offerings as per the formula specified by CCI. In nutshell, the timing, quantum and pricing of issues were all administered by the CCI. The Act was finally repealed on May 13, 1992, making way for new openings in the Indian Securities Market.

Phase II: FY93 to FY96 [SEBI's Impact]

The Indian Stock Market was hit by multi-crore scam in 1992. Realizing that efficacious regulation and development of Indian Securities Markets was need of an hour, especially when the waves of liberalization had started to impact the Indian financial system, the Government of India decided to establish SEBI, an autonomous regulatory body, to protect investors's rights and interests, and to promote the orderly development and regulation of the securities markets (SEBI, Annual Report, 1992-93). The genesis of SEBI marked the beginning of various policy and structural reforms in consonance with changing times whilst observing the robust standards of integrity and fair practices. The privilege granted by SEBI in terms of removing restrictions on pricing and the frequency of issues provided impetus to Indian IPO market in initial years of financial liberalization of Indian economy (SEBI, Annual Report, 1995-96). This growth is vindicated by findings of Table 1 which reports hike in frequency of IPO listings as well as capital generated through them from FY91 to FY96. The number of issues rose more than ten times from 109 in FY91 to 1357 in FY96. Likewise, amount mobilized was increased to Rs. 10924.11 Crore in FY96 from Rs. 706 Crore in FY91. In nutshell, the removal of restrictions imposed under the CCI regime, led to significant growth in the IPO market.

Phase III: FY97 to FY01 [Stagnation followed by IT Frenzy]

The market-driven pricing of issues, however, had its own share of boons and banes. If on one hand, fundamentally strong companies could generate capital from the market, then on a flip side there were shady companies too, who could fleece the innocent investors. This prompted SEBI reinforce regulations for tapping funds via first issues, at market induced offer price. A negative annual growth was witnessed at -47.16 per cent and -45.45 per cent in FY97, for number of issues and amount raised, respectively. The drop in number of new listings as well as the capital generated could be due to stricter eligibility criteria mandated in 1995-96. Nevertheless, the stricter eligibility criteria also exhibited an improvement in the quality of issues (SEBI, Annual Report, 1996-97). The year witnessed 717 initial public offerings which raised Rs.5959 Crore.

The number of issues dramatically declined by 92.75 per cent to 52 in FY98, alongside a drop of 82.41 per cent in funds mobilized, at Rs.1048 Crore. The slowdown in industrial activity within the country, and

stringent entry point norms which prevented greenfield projects sans performance from accessing the market, could be plausible factors associated with this decline (SEBI, Annual Report, 1997-98). The slackening industrial activity could further be ascribed to decline in export growth triggered by the economic crisis in the South-East Asian countries and slumping growth in international trade (Planning Commission, GOI, 1998). The situation got even worse in FY99, when only 18 IPOs could manage to collect Rs.404 Crore from the market.

The things improved slightly with following year, i.e., FY00, when number of issues rose to 51 and funds were mobilized to the tune of Rs.2719 Crore, recording a positive annual growth rate of 183.33 per cent and 573.02 per cent, respectively. This hike in number of new IPO listings and their successful subscription was manifestation of renewed confidence and willingness of investors while putting their stakes in the knowledge driven industries especially in IT and health services companies that launched IPOs in the market with significant impact (SEBI, Annual Report, 1999-00). This was the worldwide trend which persisted until the year FY01, during which 114 IPOs garnered Rs.2722 Crore in the Indian IPO market. The IT frenzy, in reality, led many companies change their name to appear as tech firms since investors were willing to invest into anything remotely connected to technology.

Phase IV: FY02 to FY09 (Impact of Global Recession)

The illusions surrounding the tech boom soon shattered, when prices of many shady companies plummeted down to reflect their true intrinsic worth, much below than the market's perceived valuation of such companies. In fact, the worst scenario in terms of number of IPOs was observed for the years FY02 & FY03, which recorded mere 7 and 6 issues, respectively. The fund mobilization fell sharply by 55.84 per cent in FY02. It dropped by 13.56 per cent to settle for funds collection at Rs.1039 Crore in FY03.

The subsequent resurrection of the primary market began in FY04, gathered momentum in FY05, and gained further traction in FY06. A number of factors might be navigating this re-emergence, such as, robust macro level fundamentals, consistent growth of manufacturing sector, active support from institutional investors, a conducive investment climate and thriving secondary market (SEBI, Annual Report 2005-06). The momentum so gathered carried through the ensuing two fiscal years until the reality struck once again, this time in the form of global recession in the CY2008, which undermined the confidence of investors and issuers. The FY09 turned out to be a dampener for the Indian Securities Markets. In consonance with slowdown in global markets triggered by the housing bubble crisis in the United States, the Indian Securities Markets were hit hard by failing benchmark indices, plummeting shares prices, slumping market capitalization, lower turnover and extreme volatility (SEBI, Annual Report, 2008-09). The Indian IPO market could manage to raise Rs.2082 Crore through 21 issues.

Phase V: FY10 to FY18 [Transformative Period]

The markets witnessed turn around in the following fiscal year though they remained lackluster for significant part of the CY2009. As the CY2009 progressed, markets started to perk up globally. In India, owing to revived inflows by Foreign Institutional Investors towards the latter half of the year, the new issues market started to tread the path to recovery. Nevertheless, merely 17 issues in CY2009 saw light of the day, in comparison to 103 in CY2007 and 37 in CY2008, respectively, as per the report by financial and investor advisory ARC Financial Services (Menon, 2013). By the end of FY10, 39 issues had hit market, garnering Rs. 24696 crore. Indian IPO market made a strong comeback in following year, which was dominated by disinvestment of public sector undertakings, by Government of India. As a matter of fact, the proceeds mobilized by PSUs accounted for 56.5 percent of total funds raised by all companies in FY11. No doubt, the fiscal year ended on a good note, with 53 issues having mobilized Rs. 35559 Crore (SEBI, Annual Report, 2010-11).

The figures for the FY12 indicate that Indian IPO Market had once again hit a rough patch. The purple patch experienced by the GOI's Disinvestment Programme in previous year seemed to have gradually disappeared. The Indian equity markets took a beating from the deepening crisis in Europe, sovereign downgrade of United States, deadlock over fiscal and debt issues in the US, high oil and commodity prices, the Japanese earthquake, and the Middle East crisis which collectively impeded global growth prospects. Another significant factor which contributed to companies' wariness in offerings issues was restrained demand, emanating from high pricing of issues and poor returns of IPOs listed in past (SEBI, Annual Report, 2011-12). As a matter of fact, out of 37 IPOs that hit the market in the year CY2011, only 9 issues could manage to leave some good taste in investors' mouth. Around Rs. 4000 Crore eroded out of the investors' wealth, which could be ascribed to excessive pricing and lower quality of issues that fleeced the small and innocent investors (ENS Economic Bureau, 2011). This prompted SEBI mandate merchant bankers disclose performance of past issues managed by them. The situation remained grim in FY13. The poor performance of IPOs in previous fiscal year,

coupled with slowdown in economic growth, kept investors at bay. The number of IPOs stood at 38 and 46 in FY14 and FY15, having raised Rs. 1236 Crore and Rs. 3039 Crore, respectively. However, there appeared a flurry of activity on the Small and Medium Enterprises platform, in both years, with 37 of 38 IPOs in FY14 and 39 of 46 IPOs in FY15, got listed at the Small and Medium Enterprises platform (SEBI, Annual Report, 2014-15). The resurgence mode ensued in Indian IPO Market, when 74 IPOs raised Rs. 14815 Crore in FY16. The favourable investment climate, easing inflationary pressures, steady FDI inflows, consistent regulatory reforms contributed to mobilizing Rs. 29104 crore from 106 issues in FY17 (SEBI, Annual Report, 2016-17).

The situation consolidated in the following fiscal, with companies across diverse sectors, namely, manufacturing, insurance, hospitality and banking, hit the IPO market. Notably, the insurance sector witnessed significant activity in IPO market, with five insurance companies having collectively raised 41.3 per cent of the total funds raised via all IPOs in FY18. There were 201 IPOs that hit the market during the year, showing a hike of 89.62 per cent over the preceding fiscal year. Out of these 201 IPOs, 156 issues got listed on SME platform of the exchanges which also contributed to the surge in IPO listings (SEBI, Annual Report, 2017-18).

Phase VI: FY19 to FY25 [Post-Covid Recovery]

During the following FY19, the market in India experienced its fair share of volatility, owing to the rising fears of trade war, surge in crude prices and sliding Indian rupee, in addition to several other macro level factors (SEBI, Annual Report, 2018-19).

The number of issues plunged to 123 in FY19 and further declined to 58 issues in the following fiscal. In March 2020, the pandemic COVID-19 caused havoc with loss of human life the world over, posing unparalleled challenge to public health administration, food system and employment. The economic shocks were so profound that even the strongest of the world's economies could not escape unscathed. The economic turmoil associated with COVID-19, severely impacted the global financial markets. Post experiencing a disturbing month of March 2020, Indian stock market made a sharp V – Shaped recovery, in sync with global markets, given massive fiscal and monetary boost along with cautions easing in pandemic induced restrictions (SEBI, Annual Report, 2020-21). After taking a beating for a good part of CY2020, the Indian IPO market recovered towards the latter half of the year with companies that had delayed their IPOs finally hit the market. The strong investor response to the Rossari Biotech IPO acted as a propelling force, driving others to dive in, thereby keeping the primary market active for the rest of the year. The majority of IPOs were met with tremendous response from the investors, which may be ascribed to the niche business models, significant market share and economic rebound (Matkar, 2020). There were 55 IPOs that hit the market which raised Rs. 31031 crore in the FY21. The buoyancy spilled over into the succeeding financial year, fuelled by robust demand and investor appetite. In fact, FY22 was the year when several new age tech companies and startups hit the market. The notable IPO was from one 97 communications (Paytm) which raised Rs. 18300 crore. Next in line were Zomato, Star Health, PB Fintech (Policybazaar), Sona BLW and FSN E- Commerce (Nykaa) (The Times of India, 2022). With overwhelming response from investors, the year ended up raising the funds to the tune of Rs. 112552 crores, recording a growth rate of + 262.72 percent over the preceding year. The market observed enhanced activity with 164 issues in FY23, however, the amount mobilized declined by 51.34 percent, to settle at Rs. 54772 crore.

The following financial year 2023-24 was a vibrant year in terms of number of IPO listings as well as capital mobilized. The year saw 272 new listings with capital raised to the tune of Rs. 67955 crore. This upsurge could be attributed to infrastructure investment, heightened manufacturing, stable consumer spending, along with buoyant secondary markets and strong institutional flows. A milestone was achieved with record fundraising of Rs. 172328 crore via 320 issues, in the FY25. The year also witnessed the biggest IPO ever in the Indian history from Hyundai Motor India which raised Rs. 27,858.75 crore. The Indian IPO market exhibited tremendous resilience amidst global economic volatility. Significantly, India secured the first position globally in terms of IPO volumes, ascribed to buoyant listing performance, investor confidence and strong macroeconomic fundamentals (SEBI, Annual Report, 2024-25; KPMG, 2025).

3.2 Reforms undertaken by SEBI

Prior to SEBI, the Indian IPO market was regulated by Capital Issues (Control) Act, 1947. The timing, quantum, and pricing of issues were all administered by Controller of Capital Issues (Bhole & Mahakud, 2009). The regulations aimed at shielding investors from overpriced issues, imposed a ceiling on the premium that companies could charge on their new issues. This witnessed the securities being issued at prices below their perceived market value thereby generating huge gains for the shareholders but at the same time raised the cost of equity capital to issuers (Jaitly & Sharma, 2004). The Act was finally repealed on May 13, 1992, making way for the genesis of SEBI, which marked the beginning of various reforms, keeping pace with changing times while observing the robust standards of integrity and fair practices.

This subsection peruses select SEBI's key reforms, aimed at enhancing investor protection and fostering a regulated and vibrant IPO market in India. These reforms are reflective of SEBI's emphasis on increased accountability, transparency and market integrity, considering the interests of all stakeholders associated with the market.

3.2.1 Pricing of Initial Public Offerings

In CCI regime, as mentioned earlier, the issuers were required to determine price as per the formula prescribed by CCI, regardless of their fundamentals. The intent behind the practice was to prevent the concentration of economic power. With the abolition of CCI office, issuers gained pricing freedom; however, they were made to comply with specific disclosure requirements by SEBI, to justify the determination of offer price. These specific disclosure requirements were introduced by SEBI through its (Disclosure & Investor Protection) Guidelines in 1992. At present, they are incorporated in SEBI's Issue of Capital and Disclosure Requirements (ICDR) Regulations, 2018, thereby ensuring transparency behind the issue price to investors.

3.2.1.1 Flexibility in Pricing of Issues

Allowing greater flexibility in pricing of issues and fostering better alignment of the offer price with the market conditions prevailing near the issue date, SEBI dispensed with disclosing the issue price in draft document, way back in FY94, with the purpose of mitigating the mispricing risk whereby a company could either be required to leave money on the table in case of low issue price or could fail to allure enough investors if the issue price is high (SEBI, Annual Report, 1993-94). Facilitating the pricing of offerings closer to the issue date, SEBI permitted Merchant Bankers to mention a price band in the draft offer document, and the final issue price would be mentioned in the final prospectus.

3.2.1.2 Bookbuilding Mechanism

The fact that the fixed price can't be adjusted on real-time basis during the offer period so as to be reflective of changes in market sentiment and demand or that the issuing company does not receive real-time inputs from potential investors with regard to their valuation of the firm, eventually paved the way for SEBI to come up with an alternate pricing mechanism of bookbuilding, following the recommendations of Malegam Committee in 1995 (SEBI, Annual Report, 1995-96). This practice was already a force to reckon with in international markets.

At present, the issuer has an option to determine the offer price after consulting the lead manager or via bookbuilding mechanism (SEBI, 2018).

3.2.1.3 Price and Price Band

As a follow-up to aforesaid discussion, the issuer may specify a price or price band in the offer document in case of a fixed price offering and a floor price or price band in the red herring prospectus in context of book built offerings. The final offer price is to be determined later at the time of filing prospectus with the registrar of companies. An announcement regarding floor price or the price band (along with pertinent financial ratios which justify the basis of issue price), will be made at least two working days before the issue opens. This announcement will be made in the pre-issue and price band advertisement, in one English national daily newspaper, one Hindi daily newspaper and one regional language newspaper at the place where the registered office of the issuing company is situated (SEBI, 2018).

3.2.2 Anchor Investor

Ensuring the presence of committed investors in an initial public offering, regardless of market conditions, SEBI introduced the concept of anchor investor in 2009, for bookbuilt issues driven by the need of creating a significant impact on pricing of initial public offerings. Anchor Investors are typically large qualified institutional buyers (QIBs) who by subscribing to the issue before the bid is open to other categories of investors, are expected to attract others to public offers and serve as an indicator of the firm's soundness of the offer. Their early participation, by committing to buy a significant portion of shares in an IPO before it is thrown open to the general public, provides stability, credibility and assured demand for an issue, thereby encouraging other investors. A few years down the line, in FY15, the maximum allocation for anchor investors was increased up to 60 per cent of the overall QIB bucket from an earlier norm of 30 per cent (SEBI, Annual Report, 2014-15). Within anchor portion, 40 per cent shall be reserved for domestic institutions, thereby broadening the participation of domestic institutional investors. For IPOs, with an anchor portion of upto Rs. 250 crore, at least 2 anchor investors are allowed subject to maximum of 15. If an anchor portion exceeds Rs 250 crore, then 5-15 anchor investors are permitted for the first Rs 250 crore, thereafter, for every additional Rs 250 crore or part thereof, additional fifteen anchor investors are allowed. In any case, every anchor investor is legally required to have a minimum allotment of Rs 5 crore (SEBI, 2018). Since a longer lock-in period

would provide greater confidence to other investors through positive signals, it was decided that with effect from April 10, 2022, 50 per cent of the portion allocated to anchor investors would have a lock-in period of 90 days, whereas, the remaining portion would continue to be locked-in for an earlier norm of 30 days (SEBI, Annual Report, 2021-22).

3.2.3 Application Supported by Blocked Amount (ASBA)

SEBI came up with the facility of Application Supported by Blocked Amount as a new means of payment in book- built issues, wherein application money is blocked in bank account of the applicant until allotment in an issue. The money gets debited from the bank account of applicant upon allotment only. Introduced by SEBI on September 01, 2008, as supplementary facility for all investors except Qualified Institutional Buyers (QIBs), it was subsequently extended to QIBs as well in all public issues, effective May 01, 2010 (SEBI, Annual Report, 2010-11). On January 01, 2016, ASBA was made a mandatory mode of payment for all investors in all public issues (SEBI, Annual Report, 2015-16).

3.2.4 IPO Grading

In 2005-06, a pioneering policy reform came through when SEBI became the first regulatory body in the world to approve IPO grading, a move aiming to protect the retail investors; facilitating informed investment decision; and improve foreign investors' image of the Indian Capital Market (SEBI, Annual Report, 2006-07). It is assigned on a scale of five with higher score indicating stringer fundamentals. It was mandatory with effect from May 1, 2007, whereby companies would be required to obtain grading from at least one credit rating agency and disclose it in the final offer document and every issue specific advertisement (SEBI, Annual Report, 2007-08).

. Contrary to expectations, grades proved to be insignificant for investors' decision making. As per study conducted at SEBI's behest it was found that there was no correlation between the grades and performance of shares post listing. The issues assigned higher grades reported losses while those assigned lower grades performed comparatively better. The analysis revealed indifference of retail investors towards grading as they were reported to have subscribed overwhelmingly in as many as 73 out of 86 issues which had been assigned lower grades. The same held true for institutional investors as well as qualified institutional buyers. After much deliberation, at the recommendation of Primary Market Advisory Committee (PMAC), SEBI decided to make IPO grading optional, again, with effect from February 04, 2014 (Rukhaiyar, 2014)..

3.2.5 Green Shoe Option (GSO)

Also known by the name of overallotment option, it lets issuance of shares over and above the issue size, thereby facilitating the post listing price stabilization. Brought in the year 2003, this option is available for all public issues. It allows the companies to step into the market to stabilize stock market price within the first 30 days's of its listing on the exchange.

The SEBI regulations require a company to appoint a lead manager as a stabilizing agent who is required to monitor stock price movements and carry out stabilization process, if required. By means of GSO clause in an agreement, an underwriter can sell extra shares up to 15 percent of the base issue to the public if the demand is high. These 15 percent extra shares are borrowed from the promoters and the money so received will be kept in a distinct bank account. In case the stock starts trading at a price lower than the issue price, the stabilizing agent starts buying shares, with money kept in escrow account and thus tries to prevent the decline in the falling prices. The shares so bought would be credited to a special account with depository participant, opened specifically for this purpose. And these shares would be returned back to promoters whom they were borrowed from, within 2 days, at the most, when stabilization period ends. If the stabilizing agent has not been able to buy shares equivalent of over-allotted shares upon the expiry of 30 days' the issuing company will allot shares at issue price equivalent of shortfall in the special account within 5 days, and subsequently those shares would be returned to the lenders. The money lying in an escrow account shall be remitted by the stabilizing agent to the issuer company. If the issue price is higher than the trading price, the stabilizing agent does not need to buy any shares from the market. In this case new shares are issued to the stabilizing agent who then hands them over to the promoters (Bantwa, 2020; Saravanan, 2017).

Other than mitigating post listing fluctuations in share prices, the inclusion of GSOs can be rationalized on the grounds of sending out positive signals with regard to the IPO price, protecting credibility of merchant bankers and increasing the aftermarket liquidity.

3.2.6 Merchant Banker's Track Record Disclosure

The calendar year 2011 turned out to be big time wealth destroyer having eroded Rs 4000 Crore out of the investors' wealth. This erosion was attributed to excessive pricing and lower quality of issues (ENS

Economic Bureau, 2011). The role of merchant bankers who were associated with these lower quality issues also came under scrutiny. It was, therefore, decided that investors would be given another handle for assessing IPO offers, which prompted SEBI mandate merchant bankers, in January 2012, to disclose pricing performance of the past public issues managed by them. The disclosure shall be made for a period of three financial years from the listing day for each public issue managed by the merchant banker. It shall be disclosed on the website of merchant banker, the reference of which is required to be made in the offer documents of public issues to be managed in future (SEBI, Annual Report, 2011-12).

3.2.7 Reduction in Listing Time

SEBI shortened the IPO listing timeline to six days from twelve days in November 2015, a move aimed at streamlining the system and lowering costs. The move was also expected to reduce the ex-ante uncertainty surrounding the issues, besides reducing borrowing costs for retail and high net worth individuals (SEBI, Annual Report, 2015-16). In a significant move in November 2018, SEBI brought in the use of Unified Payment Interface as an alternative way of payment alongside facility of ASBA for retail investors, to apply in public issues, expecting that the move would help reduce the listing timeline for public issues from 6 days to 3 days, from the closure of issue. The new mechanism, aiming to enhance the system efficiency and also minimize the need for manual intervention, was planned out to be implemented in three phases (SEBI, Annual Report, 2018-19).

In first phase, effective January 01, 2019, the Unified Payment Interface was made functional for retail individual investors via intermediaries, together with the existing procedure and the listing timeline of T+6 days. Thereafter, in second stage, commencing from July 1, 2019, the need for physical transfer of application forms from intermediaries to self-certified syndicate banks for blocking funds was discontinued.

Only the system of Unified Payment Interface together with the timeline of T+6 days was functional for a period of three months or floating of five main board public issues, whichever is later. Subsequently, the ultimate reduced listing timeline of T+3 days would have been effective in Phase III, using the UPI mechanism. However, to ensure the smooth transition of Unified Payment Interface in ASBA for all stakeholders, the duration of phase II was prolonged up to March 31, 2020. As many as eleven main board public issues, using the UPI mechanism were successfully processed, and the technical aspects of the mechanism, in question, were also streamlined on real-time basis. Nevertheless, owing to the uncertainty induced by Covid-19 pandemic, the phase II was persisted with, beyond March 31, 2020 (SEBI, Annual Report, 2019-20). Eventually, the listing timeline was mandatorily curtailed to three days for all public issues, effective December 01, 2023 (SEBI, Annual Report, 2023-24).

IV. CONCLUSION

An IPO manifests a major accomplishment in the growth of an enterprise as it transforms from a private to public company. Indian IPO market has displayed various nuances in terms of trends, pricing regimes, policy and structural and reforms, thereby drawing considerable academic and research interest for its varied dimensions. It has covered a long journey since the days of CCI era when it was highly regulated market to witnessing plethora of changes under SEBI's governance following its deregulation in 1992. The CCI regime, when all the issuers did not have freedom to fix the offer price of their issues considering the fundamentals, was anti-market practice. The free pricing regime, under SEBI, witnessed a surge in number of new issues as well as total funds raised from the market. The study identifies distinct phases in evolution of Indian IPO market: the CCI regime, the post-SEBI boom which lasted until FY97, followed by dullness until witnessing the IT frenzy in 00's when anything remotely connected to information technology would sell like a hot cake, reeling under the global recession of 2008-09, hitting a purple patch in the form of disinvestment programme of the Government of India, exhibiting strong resilience post-covid pandemic times, and subsequently positioning itself amongst global leaders in public offerings. On the regulation side, key reforms brought in by SEBI, namely, pricing flexibility, anchor investors, ASBA, IPO grading, Green Shoe Option, merchant banker track-record disclosure, and listing timeline of T+3 days via UPI have played their part in making the market robust and investor-friendly, nevertheless, there is still a long journey ahead. It is concluded that persistent stress should be laid on good governance, better disclosure levels, robust infrastructure, and consistent technological integration of the market to navigate and sustain the global leadership of Indian IPO market.

V. IMPLICATIONS OF THE STUDY:

There are certain significant implications pertinent to the findings of the present study for the investors, the issuers, regulators, and other stakeholders associated with IPO market in India:

1. The pricing regulations infer genuine price discovery on the real-time market sentiments. The mechanism of bookbuilding may facilitate revision in price band or even withdrawal from market in face of weak demand. Nevertheless, this market driven framework may backfire under the impact of speculative bubbles, which both the issuers and the investors need to be wary of.
 2. The investors need to be wary of the fact that the presence of anchor investors cannot guarantee positive long-term performance of issues. In addition to this, anchor investors may not be able to overwhelm the weak fundamentals of an issuing company.
 3. That the SEBI required merchant bankers to make disclosure of pricing performance of past issues managed by them has created reputational risk for the lead managers which is a welcome step, and it has incentivized them exercise more diligence before associating with issuers, but even then, past track record may not be of much help in envisaging performance of forthcoming issues especially when market conditions may turn volatile. It further implies for issuers that by attaching reputed lead managers with their offerings, they may endeavor mitigate information asymmetry viv-a-vis investors, thereby lessen the chances of mispricing, but at the end of day market clearing price is beyond control of issuers as well as lead managers.
 4. The inclusion of Green Shoe Option can be rationalized on several grounds like mitigating post listing volatility in prices, signaling confidence to the investors, and protecting reputational capital of lead managers, but it is confined to thirty days of stabilization only. Once the window is closed, issuer and the investors can not overlook the fact that the stock price has to be supported by strong fundamentals and positive sentiments or it may go in for sharp correction.
 5. The combination of Unified Payment Interface (UPI) with T+3 listing timeline implies lesser ex-ante uncertainty surrounding the issues, reduced borrowing costs, quicker funds deployment, greater transparency, more digital efficiency, investor-friendly, and more significantly positioning Indian IPO Market amongst the fastest across the globe. The real challenges, however, remain, pertaining to robust infrastructure, cyber security concerns, investor literacy but these are traditional enough of being dealt with progressively.
- In nutshell, it can be inferred that SEBI is continuously striving to streamline the IPO market, so as to mitigate information asymmetry, reduce opportunity cost of funds, infuse more transparency and efficiency, for which it has put in place various structural and policy reforms, but the fact remains that none of these can dispense with the need of investors first apprising themselves with company prospects, financial position, strength of promoters and risk factors associated before investing in an IPO.

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