



**UNIQUS**  
**IPO Insights**

October 2024

# Foreword: IPO Market and Capital Activity Overview

As India continues its ascent as the world's fastest-growing large economy, with aspirations to become a USD 5 trillion economy in the near future, its capital markets reflect this momentum. In 2024, India's IPO market witnessed significant activity, supported by strong domestic fundamentals and structural reforms.

India has dominated the global IPO market with over 216 listings by August 2024, spanning both Main Board and SME exchanges. The markets have demonstrated a sustainable and consistent post-COVID-19 recovery raising the number of listings to a record high. The total proceeds have more than tripled to USD 7.01 Billion during this first eight months of 2024 compared to USD 2.48 Billion around the same time last year. The Consumer services, Automobile and financial services sector spearheaded India's IPO market, followed by significant contributions from Healthcare and Telecom.

The global capital markets exhibited diverse performance trends. In the United States, there were over 130 IPOs, collectively raising more than USD 23 billion. This surge was notably driven by significant activity in the Real Estate, Healthcare, and Technology sectors. On the other hand, China experienced a downturn in IPO activity, with approximately 70 listings that generated around USD 5 billion.

SEBI has received more than 70 Draft Red Herring Prospectuses (DRHPs) representing a robust pipeline of Issuers and is expected to raise over INR 120,000 crores ( USD 14.67 Billion approx.)

We observed that a significant portion of the proposed allocation of funds were towards repayment of loans, meeting working capital commitments and general corporate expenditure.

This newsletter offers a comprehensive analysis of recent trends, developments, including key performance indicators (KPIs) disclosures mandated by SEBI. These disclosures provide investors with enhanced transparency, enabling them to assess operational efficiency and make informed decisions. The insights and regulatory updates presented herein aim to deliver a thorough understanding of the evolving capital markets and IPO landscape in India.



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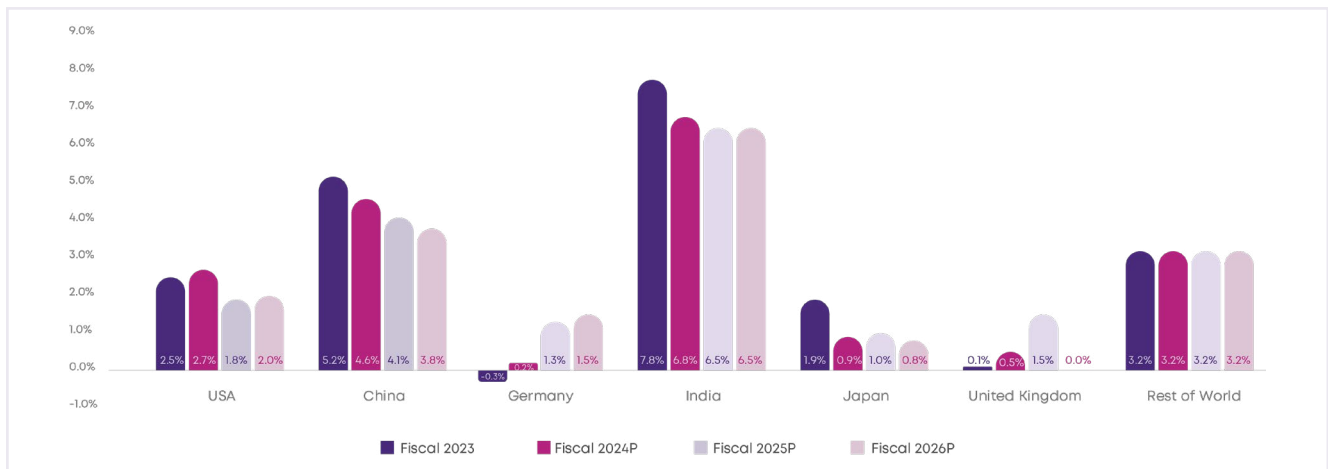


# IPO Newsletter

## IPO Insights

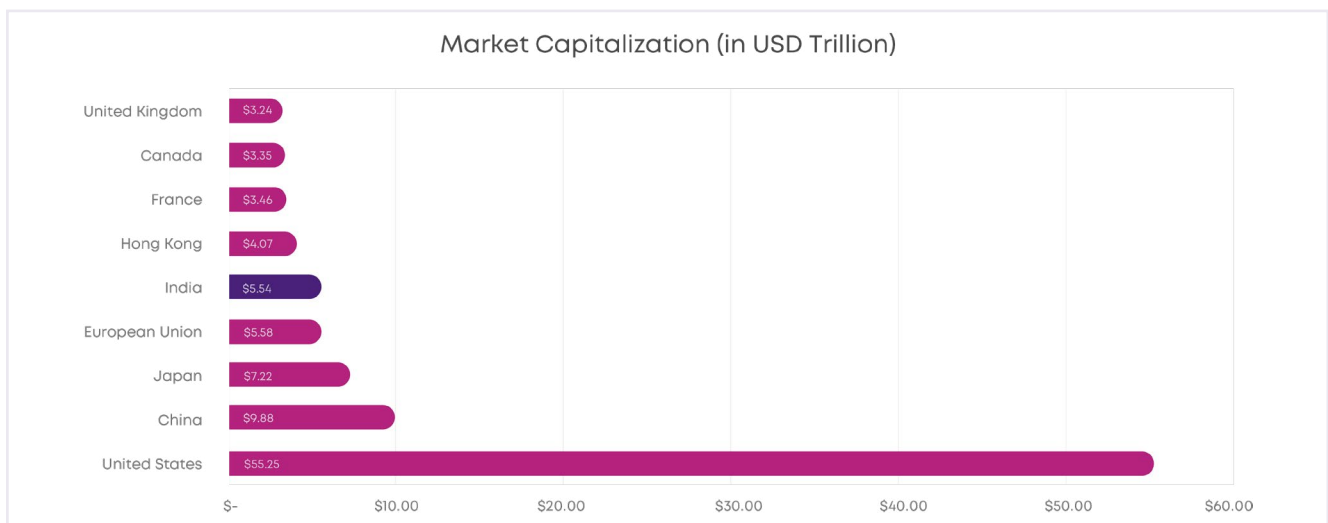
India is the fastest-growing large economy in the world, with a vision to become a USD 5 Trillion economy in the near future. IMF has termed India the “Star Performer,” and it’s contributing to more than 16% of global growth this year, according to its current projections. In 2022, India overtook the UK to become the world’s fifth biggest economy after the US, China, Japan, and Germany. With a robust 7.8% in 2023, India’s resilience amidst global challenges is evident. Strong domestic fundamentals, financial year policies emphasizing capital expenditure, and structural reforms have bolstered economic stability.

### GDP Growth Outlook for Key Economies



[Source: <https://www.imf.org/>]

The market capitalisation of Indian equity market reached USD 5.54 Trillion in 2024, making our country the fifth largest markets globally, surpassing Hong Kong, France, Canada and UK. India is closely inching towards China which currently stands around USD 9.8 Trillion.

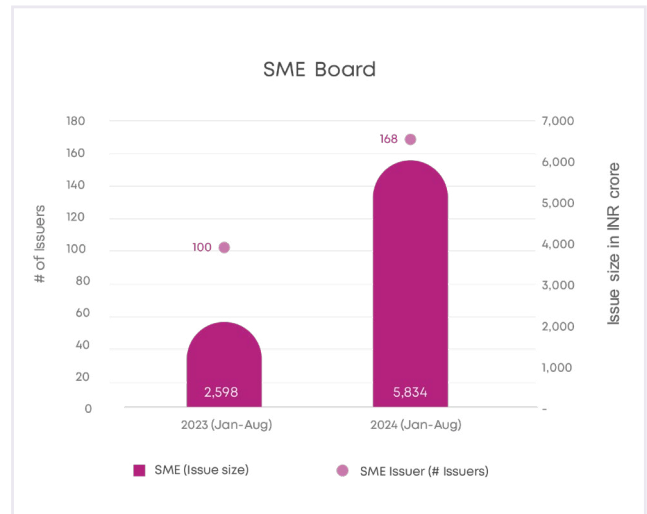
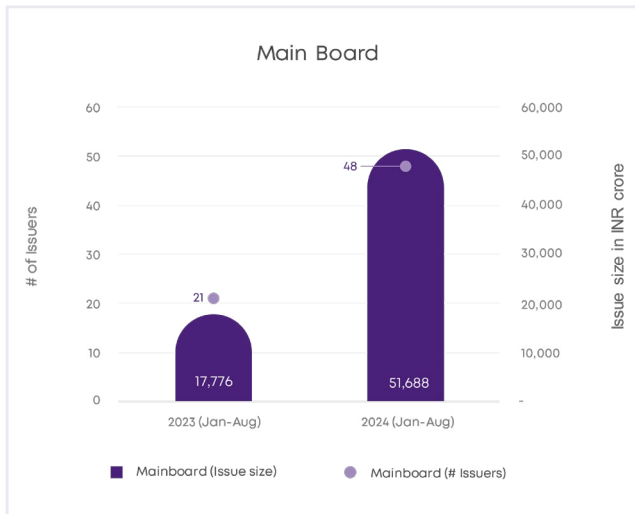


[Source: Ceicdata, Statista, Siblis Research]

With the stock markets performing strongly at present, the momentum in public offers is expected to continue in the coming years. Various companies are planning to file or have already filed their offer documents for their proposed public offers, including for some of the largest IPOs in the Indian capital markets history. As we stand, the Indian markets are going to witness a capital raise of over INR 60,000 crore over the next quarter with Hyundai Motors, Swiggy, NTPC Green Energy, leading the wagon.

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# IPO Insights



As of August 2024, the annual IPO activity in India indicates a robust market environment, particularly when comparing it to previous years. The mainboard has taken the lead, with 48 issuers raising INR 51,688 crore in just eight months. This momentum is on track to significantly surpass the previous number of listings and issue size. The strong performance reflects sustained investor confidence and demand for larger offerings.

The SME exchange has also impressive growth in 2024. With 168 issuers raising INR 5,834 crore to date, the SME market is set to exceed last year's performance, which included 179 issuers and a total issue size of INR 4,822 crore. The significant activity in India's SME listing sector is driven by increased access to capital, regulatory support, growing investor interest, heightened awareness of listing benefits, and a supportive ecosystem for SME.

Year	Main Board		SME		# Total	Total Issue Size
	# Issuer	Issue Size	# Issuer	Issue Size		
2022	39	63,916	109	1,957	148	65,873
2023	60	52,960	179	4,822	239	57,783
2024*	48	51,688	168	5,834	216	57,522

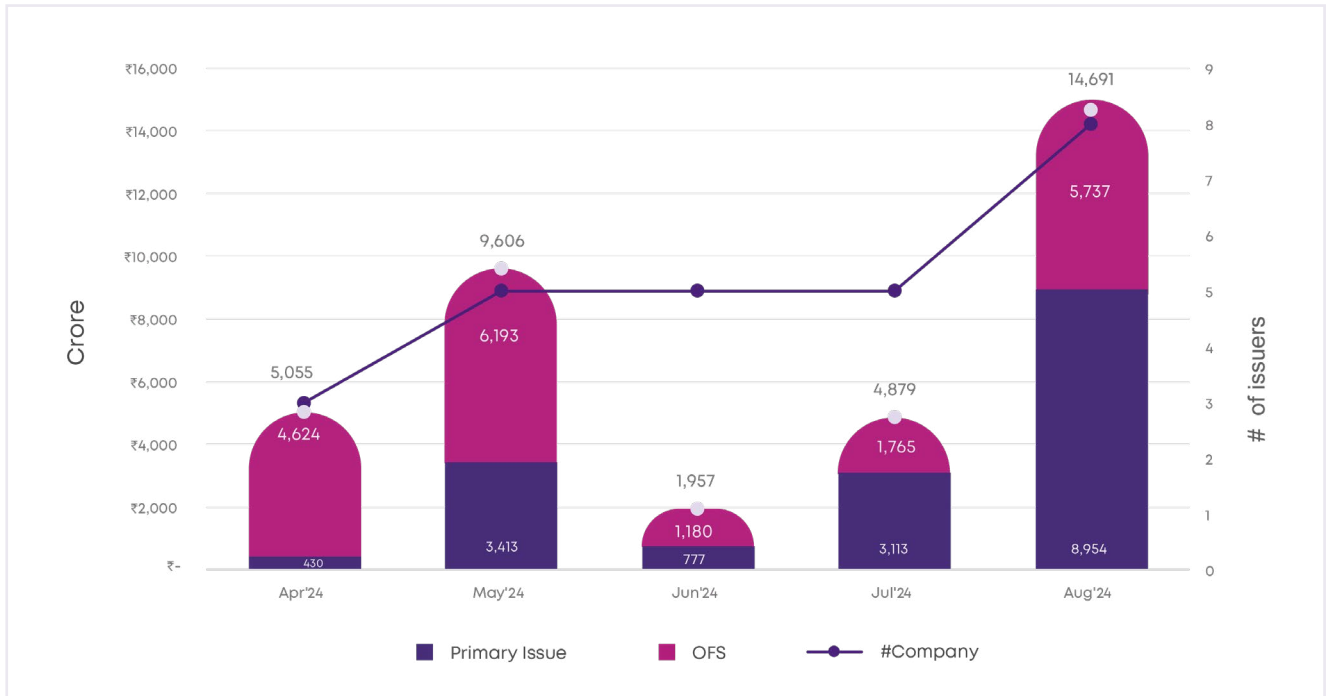
\* Represents data from Jan-Aug 2024

in INR Crore

Overall, the data indicates that 2024 is shaping up to be a year of significant IPO activity, with both the mainboard and SME exchanges contributing to a vibrant capital market. The strong figures, particularly in the mainboard, highlight a favorable environment for new issuances, while the SME segment's growth underscores the expanding landscape of investment opportunities available to smaller companies.

# Key Insights

## Listings on Main-Board



Between April and August 2024, 26 companies successfully listed on the mainboard, collectively raising INR 36,058 crore (approximately USD 4.40 billion). Remarkably, 12 of these companies received backing from private equity (PE) or venture capital (VC) investors, contributing a substantial INR 25,299 crore (USD 3.09 billion). This backing represents nearly 70% of the total capital raised during this period, highlighting the significant role of PE and VC investments in driving the growth of the mainboard listings.

## Listing in Pipeline with SEBI

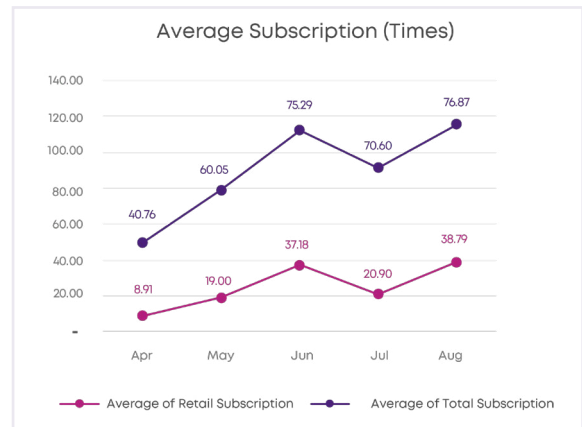
As of August 31, 2024, SEBI had received approximately 50 draft offer documents, which collectively represented a proposed issue size of around INR 80,000 crore (approximately USD 9.82 billion). The momentum continued in September 2024, with an additional 21 issuers submitting draft offer documents. This influx contributed an extra INR 48,000 crore (approximately USD 5.83 billion) to the overall proposed issue size.

As a result, the total pipeline of prospective offerings has surged to around INR 120,000 crore (approximately USD 14.67 billion). The robust pipeline indicates a vibrant market environment, positioning the upcoming months as a potentially significant period for both issuers and investors in India.

# Key Insights

## Investor Participation

Months	Average Subscription (Times)			
	QIB	NII	Retail	Total
Apr'24	87.05	35.00	8.91	40.76
May'24	105.07	51.84	19.00	60.05
Jun'24	85.31	<b>139.34</b>	37.18	75.29
Jul'24	<b>140.37</b>	95.50	20.90	70.60
Aug'24	93.05	137.98	<b>38.79</b>	<b>76.87</b>



The subscription trends for IPOs from April to August 2024 reveal varying levels of investor interest across categories:

### Qualified Institutional Buyers (QIBs):

July saw the highest average QIB subscription at 140.37 times, indicating strong institutional demand. The overall average for QIBs was 102.28 times, reflecting confidence in the IPO market.

### Non-Institutional Investors (NIIs):

NIIs exhibited significant volatility, with notable spikes in June (139.34 times) and August (137.98 times). Their average subscription across the five months was 101.63 times, demonstrating robust interest from high-net-worth individuals.

### Retail Investors:

Retail participation was consistently lower, peaking in August at 38.79 times and averaging 27.79 times overall. This suggests growing confidence among retail investors as the year progressed.

### Overall Subscription:

The total average subscription reached 76.87 times in August, driven by strong demand from both QIBs and NIIs. April had the lowest overall subscription at 40.76 times.

In conclusion, institutional investors dominated the IPO landscape with significantly higher subscription rates, while retail interest increased toward the end of the period, particularly in June and August, indicating a positive trend in the Indian IPO market.

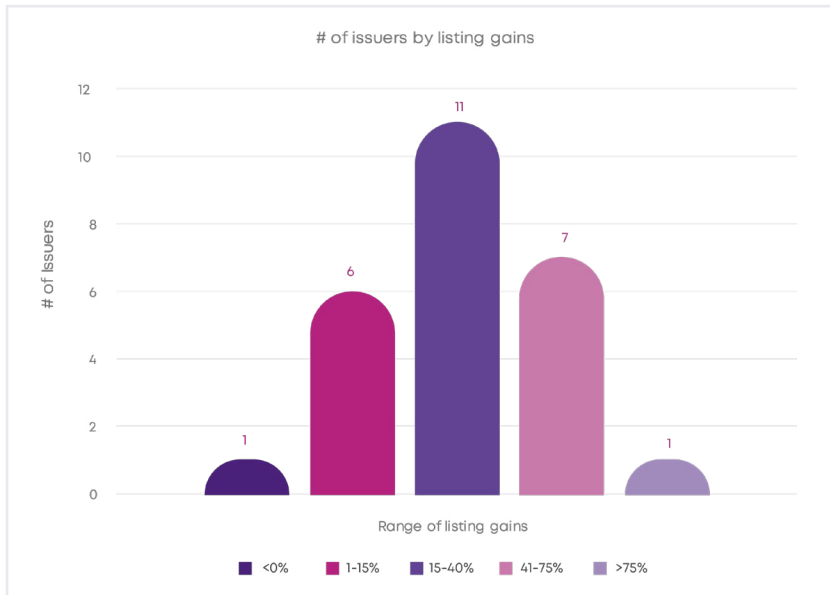


# Key Insights

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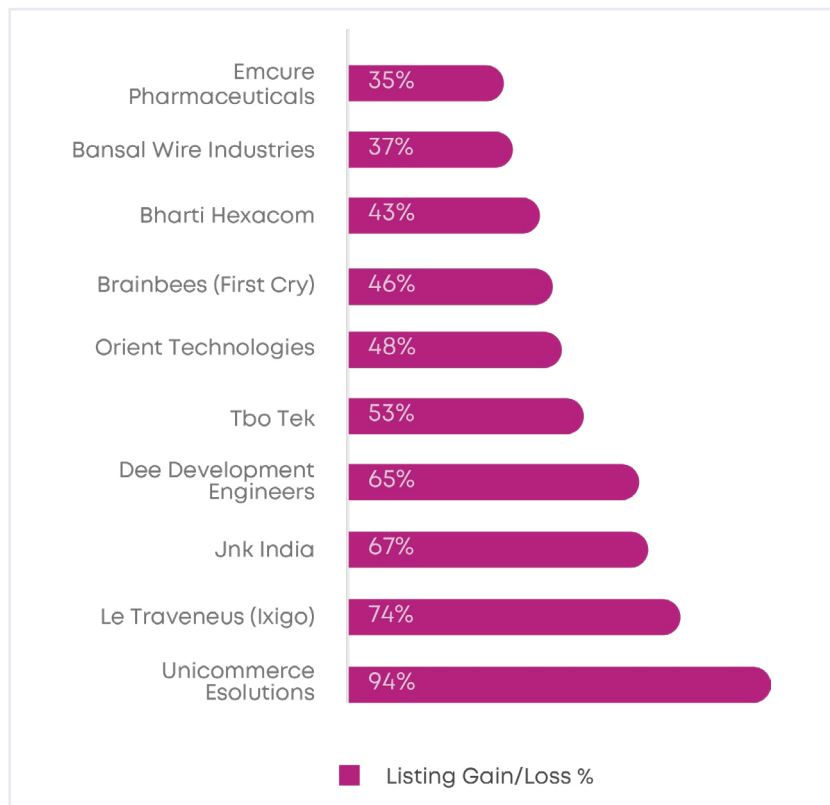
## IPO Returns

### Distribution of listing gains by number of issuers



The analysis of the recent IPO landscape reveals a positive trend, characterized by a significant number of issuers experiencing moderate to high listing gains. With almost 40% of issuers achieving gains in the 15-40% range, several others exceeding 40%, and an **average listing gain of 32%**, the environment appears conducive to successful IPOs.

### Top 10 Issuers by listing gains

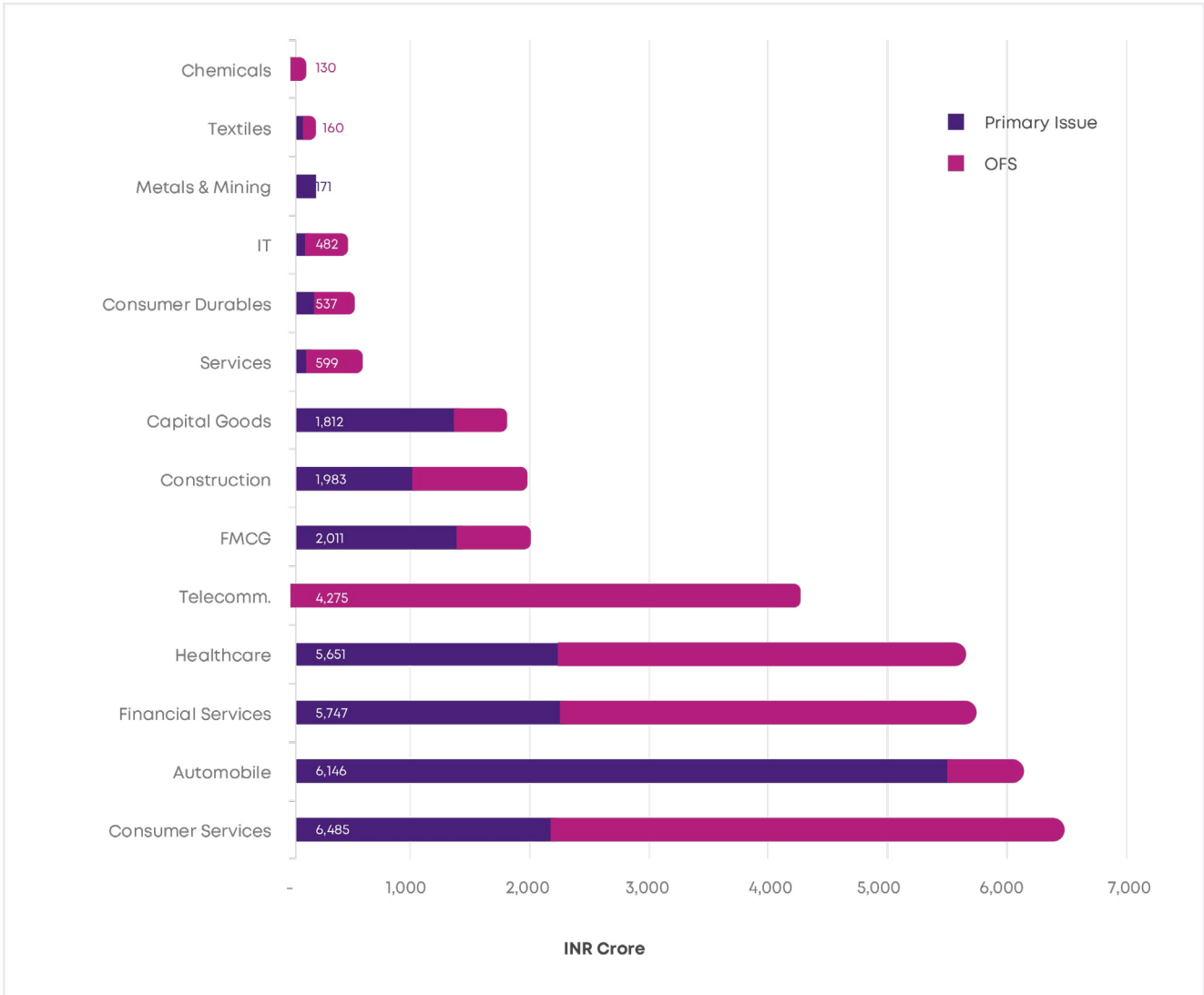


Among the top performers, leading the charge, Unicommerce esolutions achieved a gain with a modest offer-for-sale size of INR 268 crore. Following closely, Ixigo reported a 74% gain from a sizeable INR 7.4 billion total issue, demonstrating strong market confidence. Companies such as Ola Electric and Brainbees Solutions (FirstCry) raised substantial primary funds of INR 5,500 crore and INR 1,666 crore respectively, while achieving gains of 20% and 46%. Notably, Bharti Hexacom Limited also showed strong performance with a 43% gain.

Above analysis pertains to the listings between Apr'24 to Aug'24

# Key Insights

## Industry trends



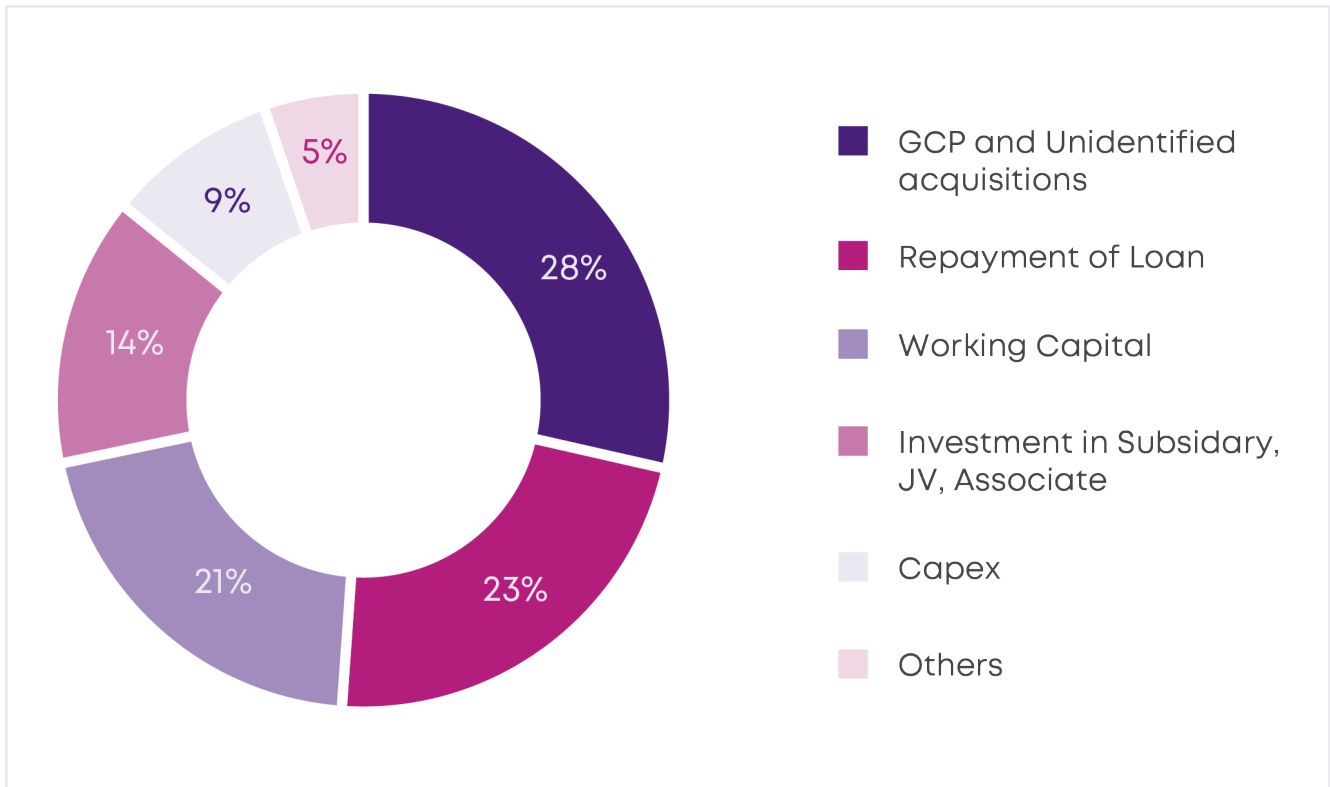
Above analysis pertains to the listings between Apr'24 to Aug'24

The Consumer industry, Automobile, Financial Services, and Healthcare space emerged as the top performers, attracting substantial capital through both primary issues and OFS. In the Consumer Services sector, e-commerce giant FirstCry spearheaded activity, followed by leisure-focused companies like ixigo. Ola Electric's IPO accounted for the entire activity in the automobile sector, highlighting its dominance. In the Financial Services sector, Go Digit Insurance and Aadhar Housing Finance led the charge, particularly in insurance and housing finance. The Healthcare sector saw significant capital raised by companies such as Emcure Pharmaceuticals, Akums Drugs, and Indegene, further establishing its prominence.



# Closer Look: Use of Proceeds

Proposed use of proceeds (Apr-Aug 2024)



Our analysis of the Offer Documents filed until August 2024 indicates that a significant portion of the proposed allocation of the offer proceeds is earmarked for repaying existing loans, fulfilling working capital needs, and covering general corporate purposes (GCP). This accounts for over 70% of the INR 32,400 Crore (~ USD 3.95 billion).

The proceeds towards investments and acquisitions remained lower around 14% while the allocation to capex was less than 10%.



# Knowledge Corner

## Key Performance Indicators

### Background

In offer documents, issuer companies disclose various key performance indicators (KPIs) alongside audited financial numbers. These KPIs, not covered in the financial statements, provide numerical measures reflecting distinct aspects of the company's operational performance. Previously, there was no framework governing the disclosure of these KPIs. To address this, SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, were amended on 21 November 2022, mandating the disclosure of KPIs in offer documents, particularly under the 'Basis for Issue Price' section. This amendment requires companies to provide historical KPI data, such as sales per square foot or meter for entities in the retail sector, to give investors a clearer understanding of operational performance trends and how these trends influence the issue price. The objective is to enhance transparency, allowing investors to assess better the company's operational efficiency and growth potential beyond what financial statements alone can convey.

## Determination of KPIs

ICDR Regulations 2022 does not prescribe a list of KPIs that should be included. The identification and computation of KPIs have been left to the Issuer's judgment. However, they require disclosure of KPIs to the pre-IPO investors during the three years (3) prior to the IPO and provide an explanation for how these KPIs contribute to forming the basis for the issue price.

The following considerations are required to be kept in mind while determining the KPI –

### Sector Specific

Identify KPIs relevant to the company's industry. For instance, retail companies might use sales per square foot, while energy companies might use refinery utilization rates.

### Historical Data Analysis

Analyze historical **operational data** to determine trends and benchmarks. This includes reviewing past performance metrics over multiple years to establish a baseline for current KPIs.

### Peer Benchmarking

The Issuer should conduct a benchmarking exercise to identify the KPIs disclosed by listed companies in India and globally. This will give prospective investors sufficient information to compare the Issuer's performance and informed pricing decisions. It may also be beneficial to engage industry experts or other specialists to determine the KPIs commonly used by companies within the Issuer's industry.

### Consistency and Accuracy

Use consistent methods for calculating KPIs to ensure comparability and accuracy. It is advisable to align KPI definitions and calculation methods with general industry practices. In the absence of established standards, the calculation method and definition should closely match those used by competitors.

### Measurability

The Issuer must assess whether it can realistically measure and report the KPI on a recurring basis.

### Auditability

KPIs must be certified by the statutory auditor of the Issuer, or a peer-reviewed chartered accountant, or a peer-reviewed cost accountant. Therefore, it is imperative for the Issuers to have sufficient evidence available to assess the KPI and there must be adequate internal controls to ensure the accuracy of such KPIs.

### Operational KPIs

Operational KPIs, which are not subjected to the same controls as financial reporting and may be derived from contracts, agreements, or non-financial statement items, require the involvement of specialized professionals. These KPIs should be certified by appropriate experts to ensure their accuracy and reliability.

## Key Regulatory Aspects

### Disclosure

The Issuer company should continue to disclose KPIs disclosed under the “basis for issue price” section periodically at least once a year. The duration of such disclosure should at least be later than:

- i. One year after the listing date or period specified by SEBI or
- ii. Till the utilization of the issue proceeds as per disclosure made in the Objects section of the Prospectus.

### Additional KPIs

The Issuer company, in consultation with the lead merchant banker, may make disclosure of any other relevant and material KPIs as it deems appropriate, that have a bearing for arriving at the basis for issue price.

### Definition

The terms used in KPIs have been defined consistently and precisely in the definitions and abbreviations section of the offer document using simple English terms/phrases to enable an easy understanding of the contents. Technical terms, if any, used in explaining the KPIs shall be further clarified in simple terms.

### Involvement of Audit Committee

Each KPI disclosed in the offer document must be approved by the Issuer's audit committee. While this step is intended to enhance the credibility of KPI disclosures, it places responsibility on the audit committee, which primarily consists of independent directors not involved in the Issuer's day-to-day operations. These directors are now tasked with taking responsibility for historical KPIs.

*Such confirmation should be disclosed under the "basis of issue price section" in the offer document.*

### Impact of acquisition or divestment

In case the Issuer has undertaken a material acquisition or divestment of assets and/or business for the period for which the KPIs are disclosed, the KPIs shall reflect and explain the impact of such acquisition or divestment.

### Period

Each KPI being disclosed in the offer document, the details thereof should be provided for a period that will be co-terminus, with the period for which the restated financial information is disclosed in the offer document.

### Price Band

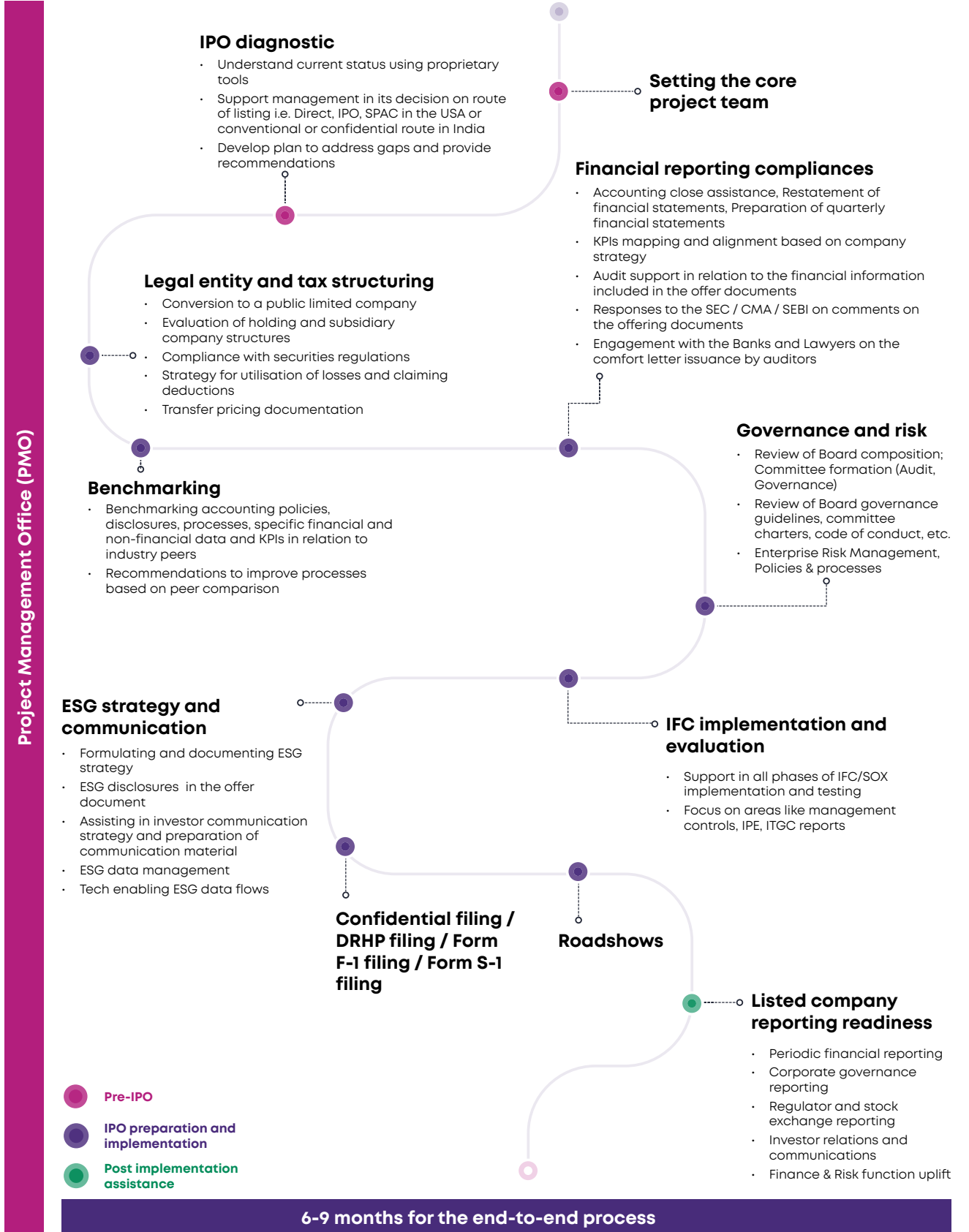
The Issuer company and the lead merchant banker should obtain a recommendation from a committee of independent directors that the price band is justified based on quantitative factors/ KPIs disclosed in the basis for issue price section vis-à-vis the weighted average cost of acquisition of primary issuance/ secondary transaction(s) disclosed in such section.

*Such a recommendation is required to be disclosed in the price band advertisement.*

# IPO Journey – A synopsis

## IPO journey and how Uniquus can help

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- Pre-IPO
- IPO preparation and implementation
- Post implementation assistance

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