April 2025

IPO Insights

FOREWORD: IPO MARKET AND CAPITAL ACTIVITY OVERVIEW

As we step into 2025, the capital markets are navigating a cautiously optimistic landscape. Global economic headwinds—such as ongoing tariff tensions, particularly from evolving U.S. trade policies, and potential supply chain disruptions—have contributed to a muted start to the year. However, these challenges have also sparked a more thoughtful and resilient approach among companies and investors alike. The current environment is prompting issuers to refine their strategies, strengthen fundamentals, and approach public listings with greater preparedness.

As a result, IPOs are increasingly viewed not merely as capital-raising events, but as strategic milestones in a company's growth journey. With a robust pipeline of high-quality offerings, market sentiment is expected to improve steadily, laying the groundwork for a more vibrant second half of the year.

In the face of global uncertainties and their ripple effects on the Indian capital markets, the Securities and Exchange Board of India (SEBI) has continued to play a pivotal role. By proactively implementing targeted regulatory measures to curb unchecked volatility, SEBI has succeeded in bringing amendments to the regulations to build market stability and investor confidence.

This edition of our newsletter delves into several key areas shaping the capital markets today. Notably, we shed light on the post-filing journey of the Draft Red Herring Prospectus (DRHP), highlighting an average listing timeline of approximately 190 days. We also take a closer look at IPO-related expenses, which typically constitute around 7% of the issue size. Our analysis reveals a welcome trend of declining costs relative to offer size, with Book Running Lead Manager (BRLM) fees representing nearly half of total expenses.

In addition, we dwelt with recent regulatory developments in the primary market, including significant amendments to SEBI's Issue of Capital and Disclosure Requirements (ICDR) Regulations and the rollout of Key Performance Indicators (KPIs). These initiatives are aimed at enhancing disclosure standards, fostering greater transparency, and driving consistency in the way issuers communicate with investors.

We hope this publication provides valuable insights into the evolving capital markets landscape and encourages informed decision-making in an increasingly dynamic environment.

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IPO INSIGHTS

Global and Indian capital market performance in Q1 2025

After a strong performance in 2024, global markets experienced corrections in early 2025, navigating volatility in the first quarter. The correction continued in April 2025, with the introduction of reciprocal tariff on goods imported into the United States of America (USA) and retaliation tariff imposed by some major economies on USA leading to 'spiraling effect' on the global markets. As uncertainties continue to mount, countries are looking to reshape the supply chain, negotiate trade arrangements and also diversify trading partners.

The Chinese government on the other hand are making policy shifts to support private enterprises and thereby concluding their crackdown on industries. This optimism is reflected in major capital raises by industry leaders, with BYD and Xiaomi securing USD 5.6 billion and USD 5.5 billion, respectively, to fuel expansion in the EV sector.

India's capital markets faced a period of consolidation in the first quarter of 2025, influenced by global uncertainties, including U.S. tariffs and their impact on investor sentiment. Additionally, SEBI's proactive regulatory measures aimed at ensuring market stability—such as increasing lot sizes, reducing the frequency of weekly index expiries, and raising margin requirements—led to a temporary decline in trading volumes, with daily turnover on stock exchanges falling by over 30% in the past six months.

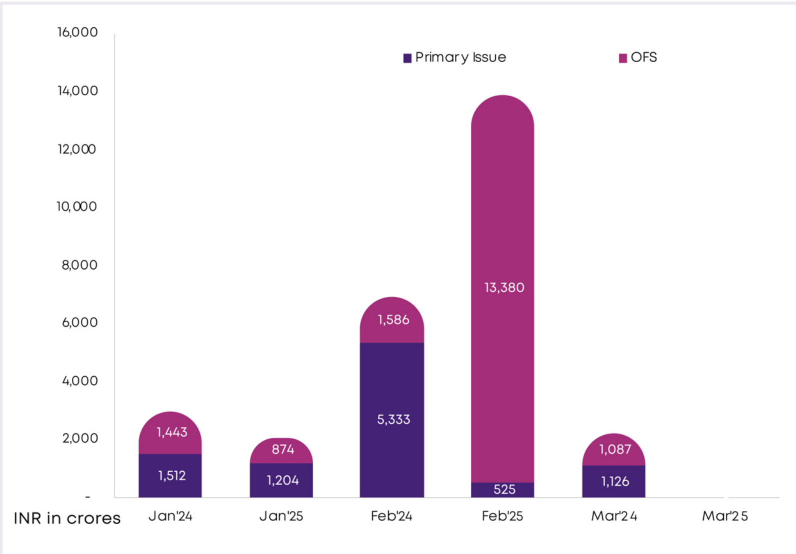
With the appointment of a new SEBI Chairman in March 2025, investors are now anticipating policy adjustments that could enhance liquidity, attract institutional participation, and create a more conducive environment for sustained growth. As economic fundamentals remain strong and corporate earnings continue to show resilience, India's capital markets are well-positioned for a resurgence in the coming months.

Updates for the quarter

IPO Markets Overview – Q1 2025:

The first quarter of 2025 began on a modest note, marked by cautious investor sentiment and subdued primary market activity, largely impacted by a downtrend in the secondary market. Despite these headwinds, the quarter witnessed 10 mainboard IPOs, raising a total of INR 15,983 crores (USD 1.88 billion) — reflecting a 23% increase over the INR 12,990 crores (USD 1.53 billion) raised during the same period in 2024.

January 2025 saw 6 IPOs raising INR 2,078 crores, with Laxmi Dental alone accounting for nearly a third of the capital raised. In contrast, February witnessed a significant uptick with INR 13,905 crores raised across just 4 IPOs, largely driven by Hexaware Technologies (INR 8,750 crores) and Dr. Agarwals, which together contributed 85% of the month's proceeds. March 2025 did not see any listings.

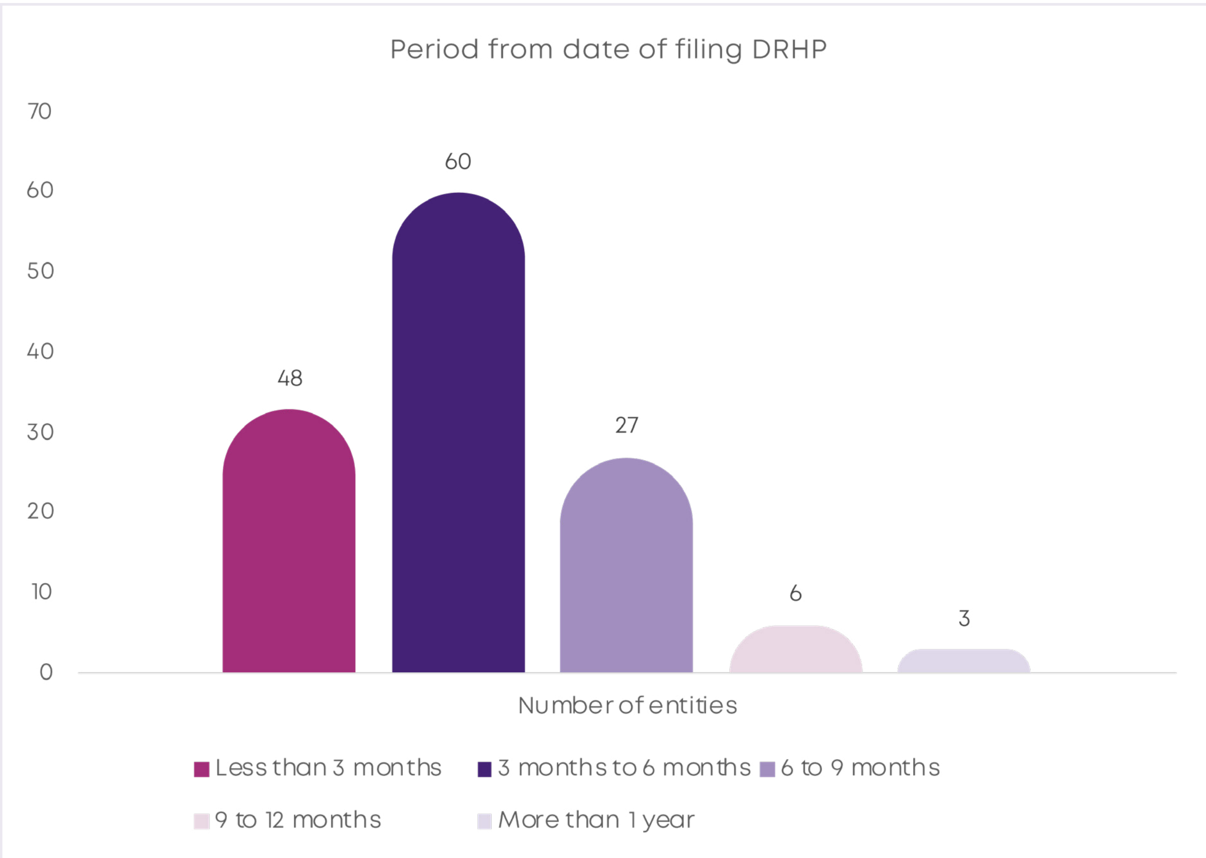


A key trend this quarter was the dominance of Offer for Sale (OFS), which accounted for 89% of the total IPO proceeds (INR 14,254 crores), primarily through the large-ticket issues of Hexaware and Dr. Agarwals. Notably, Hexaware's return to the capital markets after its 2020 delisting marked the largest IPO in the Indian IT services sector to date. Hexaware's IPO is the largest technology services IPO globally over the last decade.

Although the current sentiment in the primary market remains tepid, Q1 2025 outperformed the first quarter of 2024. Looking ahead, with a healthy pipeline of companies that have filed their DRHPs, market activity is expected to pick up once stability returns to the broader market

Listing in Pipeline with SEBI

As of today, SEBI has received approximately 144 draft offer documents, which collectively represented a proposed issue size of over INR 1.47 lakh crores (approximately USD 17 billion).

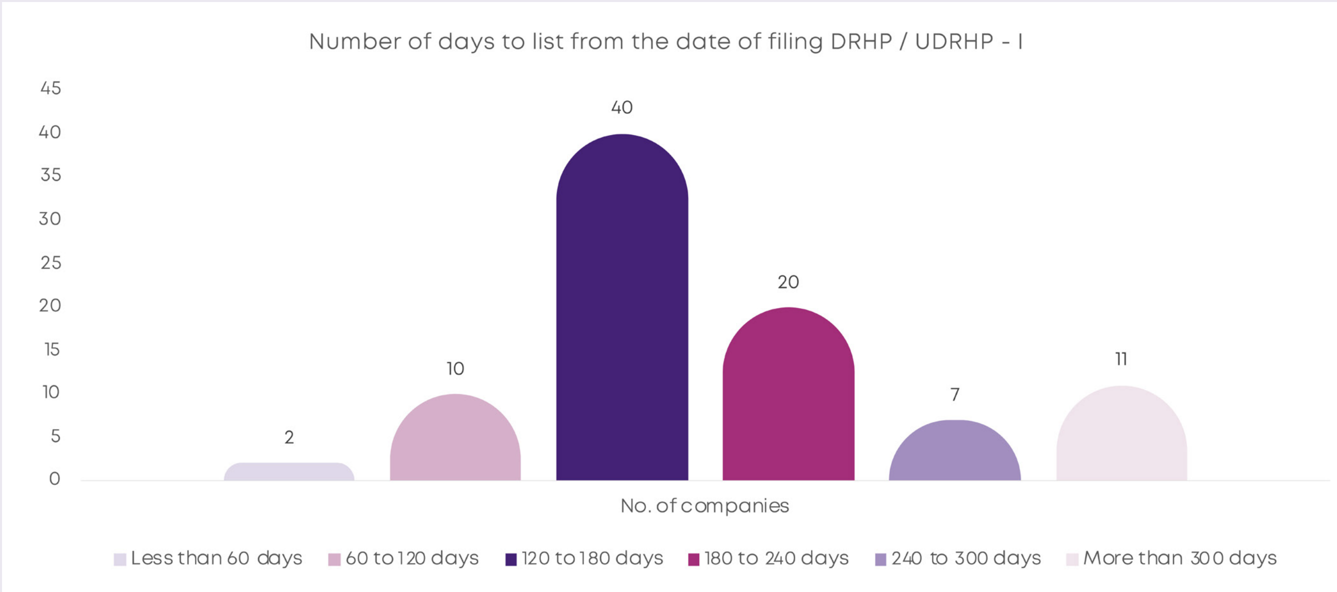


Certain companies would have delayed the listing time considering the current market conditions. With 87 companies falling under the 3-month to 9-month bucket, we can expect these companies to tap the primary market once the market conditions stabilize.

More than 25% of the companies (26 companies) listed in 2024, filed DRHP for the second time to get listed after an unsuccessful attempt in the earlier filed DRHP. This suggests that a significant portion of companies initially postponed or withdrew their IPO plans, likely due to unfavorable market conditions or strategic timing decisions.

Journey from DRHP to listing

Upon analyzing the 90 main board companies that got listed in the year 2024, we have noted that Companies generally take **190 days to get listed on the stock exchange after filing the draft offer document.** The time taken by the companies to get listed is given below:



While most companies complete the listing process within 120 to 180 days, some, like Vishal Mega Mart Limited and Swiggy Limited, have successfully accelerated their timelines to under 60 days. These companies leveraged the confidential filing route, submitting their draft red herring prospectus (DRHP) to SEBI before making an updated DRHP (UDRHP-I) available for public review.

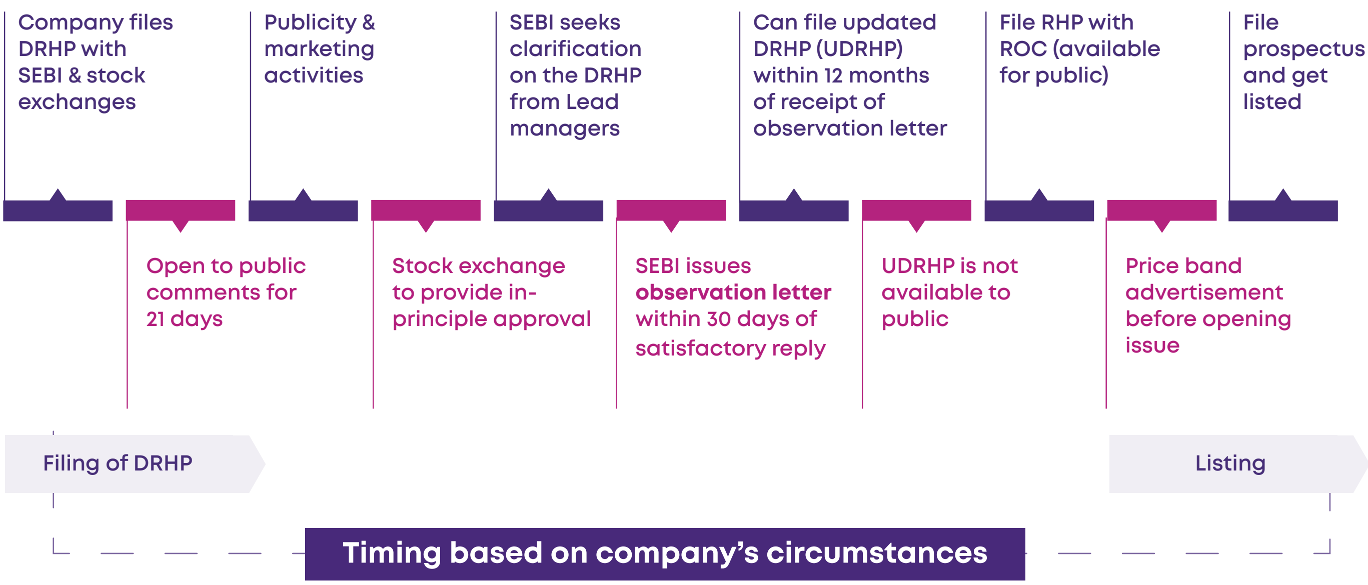
Companies seeking to go public can choose between two filing options:

1. Regular Filing - A traditional route where the DRHP is made public upon submission to SEBI.

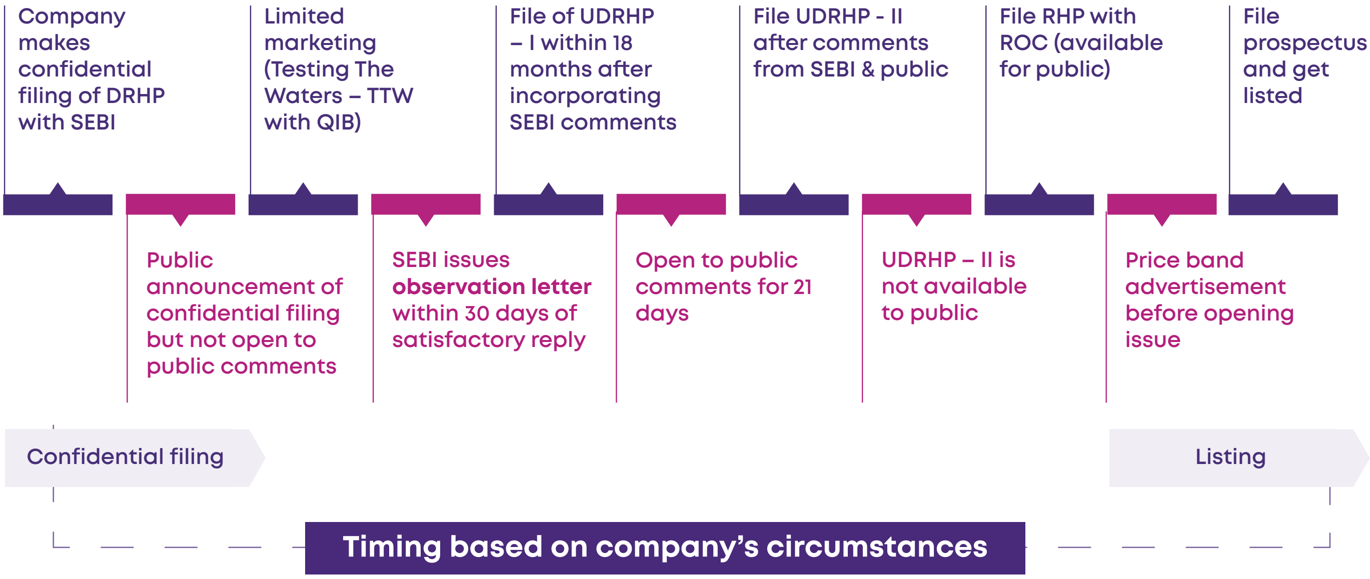
2. Confidential Filing - An option allowing companies to submit the DRHP confidentially before making it public at a later stage, providing greater flexibility and strategic advantages.

These options offers businesses the flexibility to align their listing strategy with market conditions while ensuring transparency and regulatory compliance.

Route for regular filing:



Route for confidential filing:



Some of the advantages of opting for confidential filing include:

- Protecting various sensitive information about the business that will be disclosed in the DRHP at a time when there may not be a certainty that the IPO would be executed as peer competitors might take undue advantage of the information disclosed
- Facilitates disclosure of an information-rich document for investors to consume at an appropriate time when the issuer is ready to go for listing
- Flexibility in complying with certain ICDR regulations at the time of confidential filing till the time of receipt of observations from SEBI:
    - No restriction on issuance of new shares / compulsory convertible securities
    - Changes in matters mentioned under Schedule XVI, such as a change in director, promoter, objects of issue, etc., without the requirement of refiling.
    - Extended time period to list – 18 months after receiving the comments from SEBI (12 months for regular filing)
    - Change (increase or decrease) in fresh issue size after issuance of SEBI's observation proposed to be permitted to the extent of 50% as against 20% in regular filing.

Issue expenses in an IPO

Overview of the expenses incurred

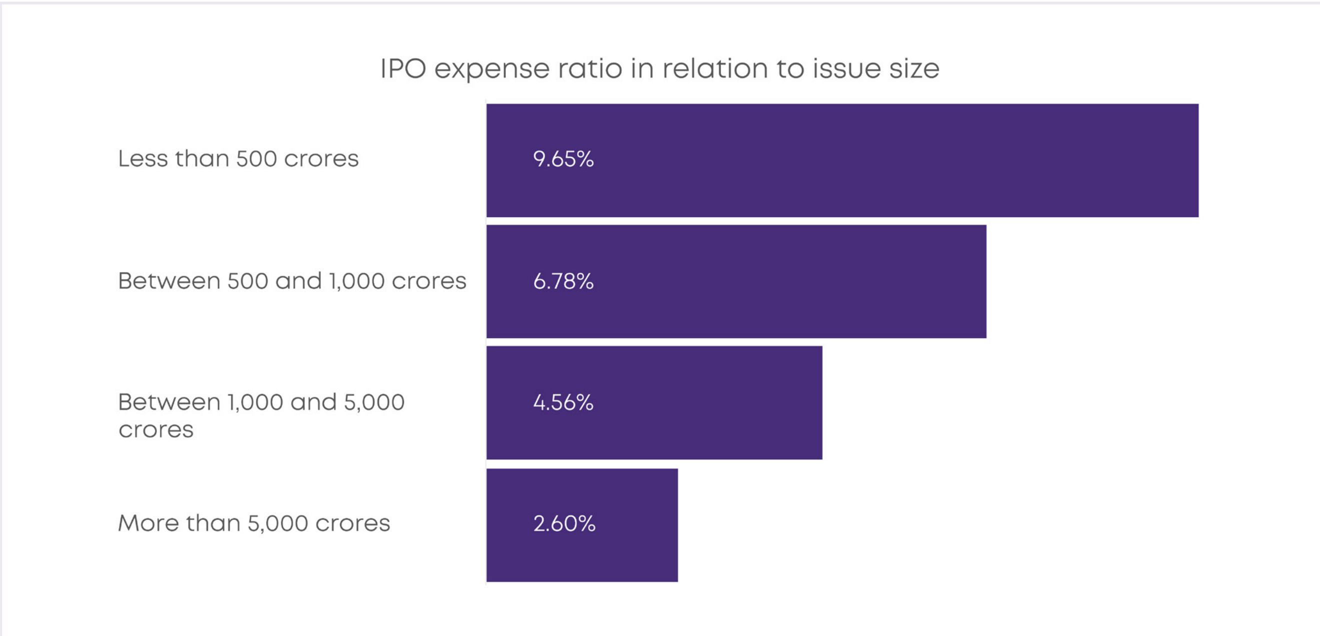
Expenses incurred in connection with an Initial Public Offering (IPO) are categorized as issue expenses. These typically include payments to Book Running Lead Managers (BRLMs), regulatory fees to SEBI, legal counsel charges, advertising costs, statutory audit fees, and other associated expenditures. On average, companies allocate approximately **6.8% of the total issue proceeds** toward these expenses.

However, companies with strong brand recognition and those belonging to well-established, already listed corporate groups tend to have a lower expense ratio due to their market credibility and economies of scale. Notably, in 2024, only four companies managed to keep their expense ratio below 3% due to size of offering as well.

- **NTPC Green Energy Limited** (part of NTPC Group)
- **BhartiHexacomLimited** (part of Bharti group)
- **Bajaj Housing Finance Limited** (part of Bajaj Group)
- **Hyundai Motors Limited**

Additionally, government-owned enterprises tend to incur lower IPO expenses due to reduced marketing costs. This trend highlights how established market positioning and strategic affiliations can significantly impact IPO cost efficiency.

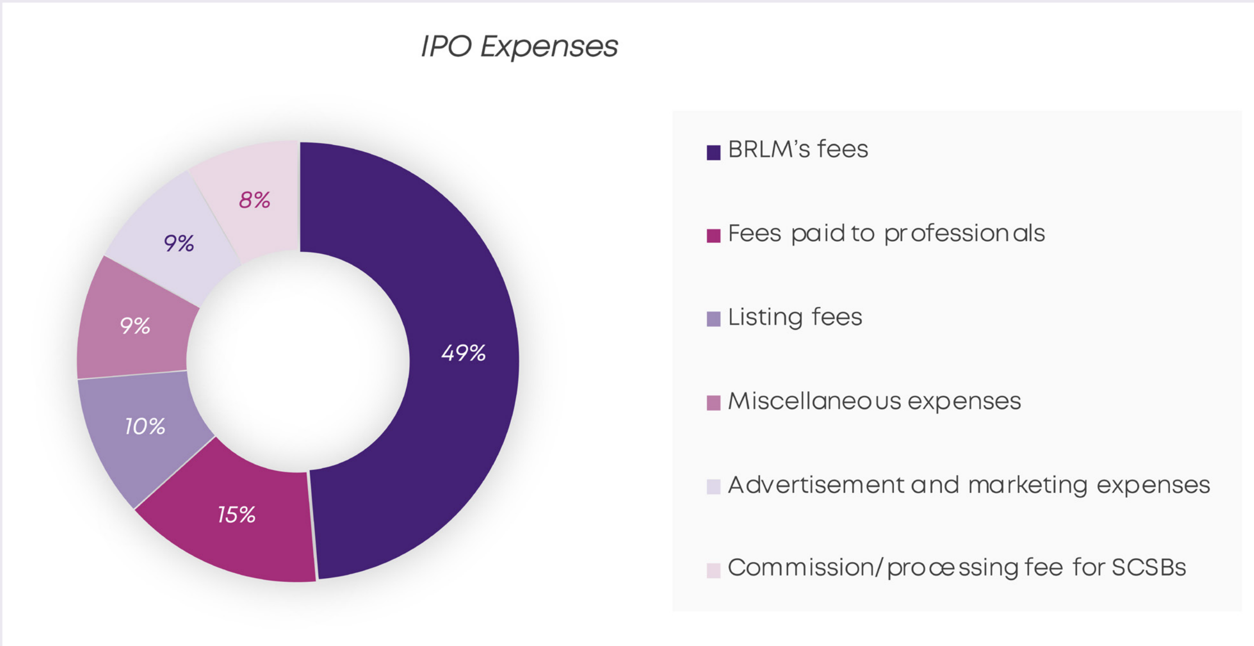
One of the interesting facts to note is that as the issue size increases, the IPO expenses as a proportion of issue size reduces and vice versa.



Considering the companies have to incur expenditure in relation to advertisement, printing, legal counsel fees, SEBI fees, which are mostly fixed in nature, the proportion of expenses for lower issue size increases as against bigger issues resulting in overall increase in expenses as a percentage to issue size.

Issue expenses in an IPO

Nature of IPO expenses



Our in-depth analysis of IPO expenses for companies listed on the main board in 2024 has revealed several key trends and insights. One of the most significant findings is that Book Running Lead Managers (BRLMs) fees account for the largest share of IPO expenses, contributing approximately 50% of total costs.

A strong correlation was observed between BRLM fees and issue size. Companies with an issue size of over INR 5,000 Crores paid an average fee of INR 176 Crores, whereas for companies with an issue size below INR 500 Crores, the average fee was at INR 11 Crores.

Beyond BRLM fees, professional services—including payments to legal counsel and statutory auditors—constitute another 15% of total IPO expenses. Together, BRLM fees and professional service charges represent nearly 65% of the overall costs associated with listing on the capital markets.

Additionally, companies incur miscellaneous expenses, which include printing, stationery, regulatory filings, and other administrative costs. While these expenses are relatively smaller in proportion, they remain an essential part of the IPO process.

The data suggests that companies with larger issue sizes benefit from economies of scale, enabling them to manage their IPO expenses more efficiently. As more companies prepare for public listing, understanding these cost structures will be crucial in optimizing financial planning and execution strategies for IPOs.

Accounting for issue expenses

Expenses incurred in relation IPO should be split between primary issue and Offer for Sale (OFS), generally in proportion of money raised between primary issue and OFS.

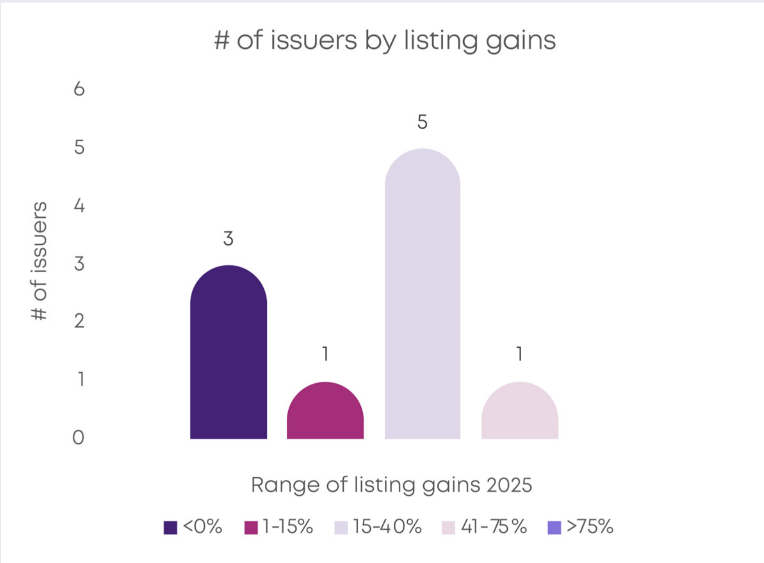
Expenses attributable to OFS will be deducted from the OFS value and net amount will be transferred to the selling shareholders.

Primary issue attributed expenses will be adjusted to the total issue size and the remaining amount will be spent for the purpose stated in the offer document.

Amount spent is not accounted as expenses rather adjusted in the retained earnings.

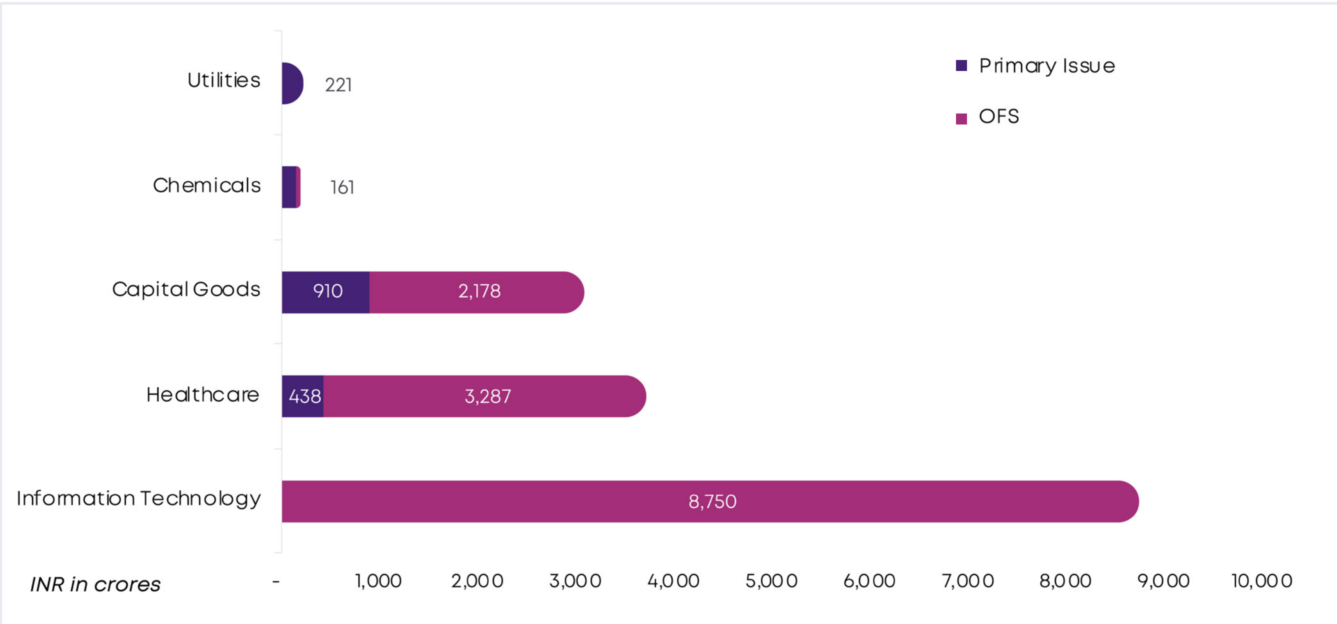
IPO Returns

Distribution of listing gains by number of issuers



The IPO market in India experienced varied trends in the first quarter of 2025, with 100% of the IPOs listing at a premium in January, averaging a 30% gain to the investors. On the other hand, February displayed a complete shift in trend wherein 3 out of the four companies getting listed at a discounted price. Hexaware Technologies, which marked its return to the capital market, was the only company that could list at a premium during this month. The overall average of the listing gains during the quarter remained positive at 17.53%.

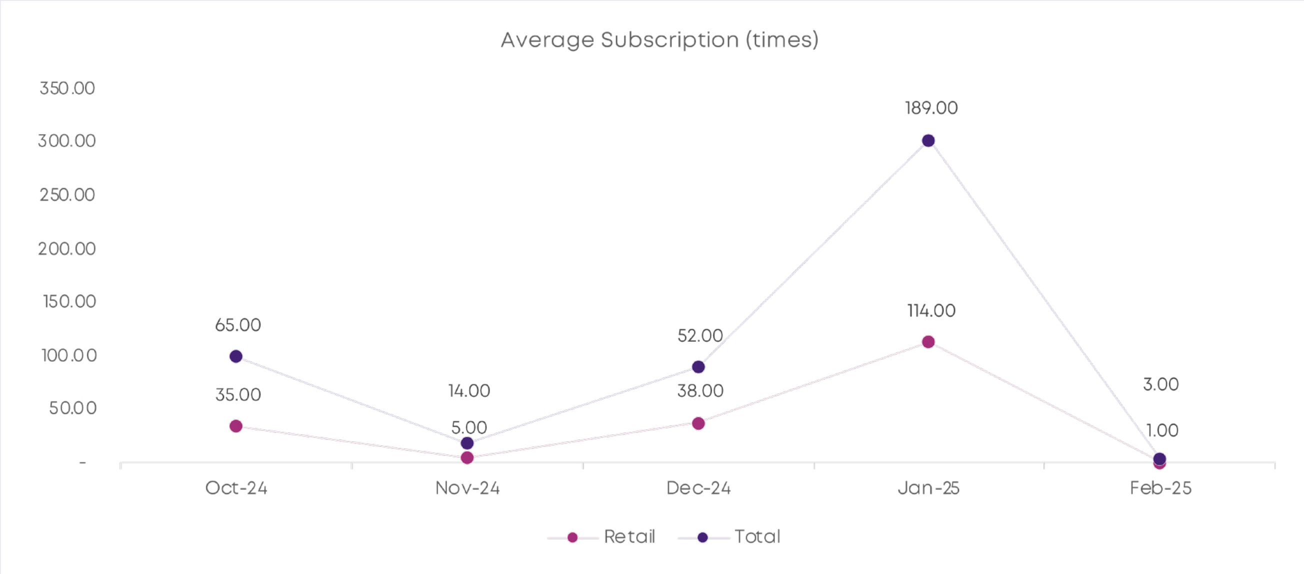
Industry trends



Above analysis pertains to the listings during Jan'25 to Mar'25

Information technology and Healthcare raised the highest amount of capital in the first quarter of 2025 totalling to INR 12,475 crores. This was majorly contributed by the listings of Hexaware technologies and Dr. Agarwals raising a combined total of INR 11,777 crores, interestingly about 97.5% (INR 11,477 crores) of the proceeds was for OFS. Capital goods industry has seen the highest number of listings (5 listings) in the current quarter collectively raising INR 3,088 crores.

Investor Participation



The subscription levels in February 2025 exhibit a sharp fall after a bounce back across all investor categories in the month of December and January reflecting subdued market sentiments.

Months	Average Subscription (Times)			
	QIB	NII	Retail	Total
Oct-24	83.17	113.53	35.37	65.50
Nov-24	22.76	20.49	5.21	14.26
Dec-24	77.96	37.85	38.25	52.41
Jan-25	205.03	353.68	114.38	188.86
Feb-25	**7.00**	**2.13**	**1.07**	**2.91**

Qualified Institutional Buyers (QIBs)

QIB subscriptions in the last 5 months displayed notable fluctuations, The subscriptions dipped in November to a low of 22.76 times and then showcased a rebound in December and peaked in January with subscription of 205.03 times being the highest in the last 15 months reflecting strong institutional interest. However, the momentum slowed in February, with QIB subscriptions dipping to a year-low of **7.00 times**, indicating subdued sentiment.

Non-Institutional Investors (NIIs) and Retail investors

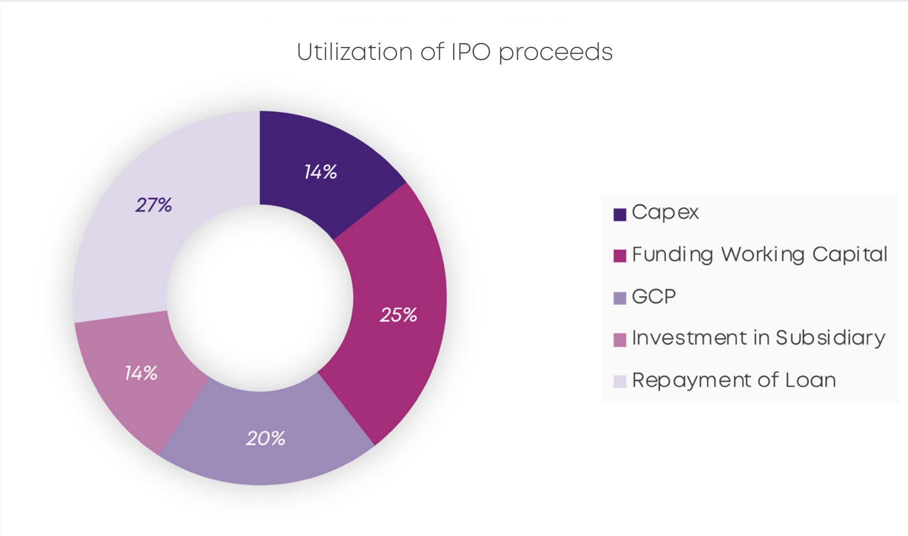
NIIs subscriptions peaked in January with a subscription of **353.68 times**, marking a 289% increase compared to the preceding 6 months (July – December 2024) average of 90.82 times. Similarly, retail subscriptions peaked in January with a subscription of 114.38 times, marking a **286%** increase compared to the preceding 6 months (July – December 2024) average of **29.63 times.** However, the momentum slowed in February, with NII subscriptions dipping to a year-low of **2.13 times.** This steep decline highlights diminished participation from high-net-worth individuals and other non-institutional and retail investors.

Overall subscription

The overall subscription rebounded after falling to a low of **14.26 times** in November. It reached a year-high peak subscription of 188.86 times in January, a 208% increase compared to the preceding six months (July – December 2024) average of 61.24 times. However, the subscriptions hit a year low of **2.91 times** the next month, indicating subdued demand for IPOs in February, likely driven by weaker secondary market sentiment, lackluster offerings and macroeconomic factors.

CLOSER LOOK: USE OF PROCEEDS

Proposed use of proceeds (Jan to March 2025)



The chart analysis shows that the majority of the capital raised during the first quarter of 2025 was proposed to be used for the repayment of loan of the listed entity and its subsidiaries. Other major utilization of the IPO proceeds include use for general corporate purposes and working capital. The trend in the proposed utilization of the capital raised has remained consistent with the previous year, wherein these 3 purposes accounted for 76% of the total IPO proceeds as compared to 72% in the current quarter.

Regulatory update in IPO proceeds (ICDR Amendment):

01

Increased lock-in period where the main object is repayment of the loan:

As we can see from the above chart, loan repayment is one of the objects with the highest allocation. Where the main object of the issue is loan repayment obtained in relation to the capex, the lock-in period for minimum promoter contribution increases from 18 months to 3 years, and holding in excess of minimum promoter holding increases from 6 months to 1 year.

02

Certification for utilization of loan by any peer-reviewed Chartered Accountant

Where one of the issue's objects is repayment of the loan, the statutory auditor should certify that the loans were utilized for their intended purpose. In some instances, this regulation has been amended from statutory auditor to peer-reviewed auditor to ease the certification process.

03

Funding long-term working capital based on standalone restated financial statements

When the issue's object includes funding the company's long-term working capital, the computation for such working capital should be based on the audited standalone financial statements after incorporating the restatements/adjustments, if any, identified in the preparation of restated consolidated financial statements. As a result of this amendment, Companies may be required to obtain a separate audit opinion on the restated standalone financial statements of the Company in addition to the restated consolidated financial statements, which are part of the draft offer document.

KNOWLEDGE CORNER

ICDR Amendments

SEBI has come out with the amendments in SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations") during the first half of March 2025, focusing on main board IPO, SME IPO, and rights issues. Some of the major amendments in main board IPO include:

- Clarification on threshold for the maximum Offer For Sale (OFS) that can be made under Regulation 6(2)
- Disclosure of all criminal litigations involving Key Managerial Personnel (KMP) & Senior Management Personnel (SMP)
- Prescribing materiality threshold for disclosure of litigation in the offer document
- Mandate to prepare all proforma financials as per ICAI guidelines and certified by peer reviewed CA
- Disclosure of all shareholders' agreements and other agreements in the offer document
- Reporting all pre-IPO transactions within 24 hours
- Offer document summary to include top 10 shareholders
- Relaxation on stock appreciation rights granted to employees
- Amendment pertaining to IPO object as highlighted in the earlier page

For in-depth analysis of the ICDR amendments, **click here.**

Key Performance Indicators

Key Performance Indicators (KPIs) play a crucial role in evaluating a company's financial and operational health. Historically, IPO-bound companies had the flexibility to define and present KPIs, leading to inconsistencies, selective disclosures, and difficulties in peer comparisons. To address these gaps, SEBI has introduced a new standardized KPI disclosure framework, aligning India's IPO norms with global best practices followed in the U.S., U.K., and China.

Effective April 1, 2025, these changes mandate structured classification, audit approvals, peer benchmarking, and post-listing disclosures, ensuring greater transparency, investor confidence, and market integrity.

Executive summary:

Aspect	Previous Framework	New SEBI Framework (2025)
Definition & Classification	No standardization	GAAP, Non-GAAP, Operational Measures
Historical Disclosure	18 months	Extended to 3 years
Audit Committee Oversight	Not mandatory	Approval required
Independent Certification	No verification	Certified by auditors/ professionals
Peer Comparison	Not required	Benchmark against 3 listed peers
Post-Listing Disclosure	None	Annual KPI reporting post-IPO

Defining KPIs

To standardize KPI disclosures, issuers must define KPIs in accordance with the following hierarchy:

1. Applicable accounting standards (Ind AS / AS),
2. SEBI ICDR Regulations, and
3. The Companies Act, 2013. If an issuer adopts an alternative definition, the rationale must be clearly disclosed in the offer documents. Where no standard definition exists, issuers should align KPI definitions with common industry practices and internationally accepted standards.

Key Performance Indicators (continued..)

Evaluation of Investor and Board Information

Issuers must compile key financial and operational metrics shared with investors or used by the board of directors and management over the past three years. This Selected Data forms the primary reference for choosing KPIs for disclosure. It must include information shared as part of the following:

- Primary issuances
- Rights issues
- Secondary sales facilitated by the issuer and
- Investor information rights. While SEBI had introduced similar requirements in November 2022, these KPI Standards now formalize the process.

Business-Sensitive Data Exclusions and Peer Comparison

Issuers are not required to disclose confidential or business-sensitive KPIs unless such data is routinely disclosed by listed industry peers. Exclusions may include:

- Projections or forward-looking estimates
- Unverifiable data that cannot be audited
- Obsolete metrics that no longer reflect the business model, and
- Metrics already incorporated within another KPI

Companies must benchmark KPIs against at least three listed industry peers, prioritizing Indian listed peers. If no suitable domestic peers exist, global listed peers may be used. A mix of both may be applied if relevant to the company's industry.

Audit Committee Review and Approval

The SEBI ICDR Regulations require the audit committee to approve the KPIs disclosed in offer documents. The KPI Standards reinforce this by mandating:

- Review of the Selected Data
- Evaluation of shortlisted KPIs for disclosure, and
- Justification for excluding certain metrics from the KPI list

Issuers must also maintain detailed audit committee minutes, ensuring thorough oversight before final KPI approval.

Continuous Disclosure Requirements

Since November 2022, SEBI has required issuers to disclose all KPIs periodically, at least once a year, until:

- IPO proceeds are fully utilized, or
- One year post-listing, whichever is later

Issuers may discontinue KPI disclosures if the metric becomes irrelevant but must provide a clear rationale. All ongoing KPI disclosures require audit committee and board approval, ensuring continued transparency.

Impact on IPO-Bound Companies

- **Stronger Investor Confidence** - Transparent disclosures ensure informed investment decisions
- **Higher Compliance Burden** - More detailed documentation, approvals, and certifications required
- **Challenges for Startups** – New firms must disclose 3-year data, balancing transparency with competitive concerns
- **Role of Market Intermediaries** - Merchant bankers & auditors must oversee KPI benchmarking & accuracy.

Our view

SEBI's revised framework is a transformational step toward greater transparency and accountability in IPO disclosures. While compliance requirements may pose challenges, the long-term benefits like improved investor participation, enhanced price discovery, and a more robust market ecosystem far outweigh the initial hurdles. Companies must prepare early by strengthening internal governance, maintaining detailed financial records, and engaging with auditors and investment advisors to ensure seamless adherence to these new norms.

With these regulations, SEBI is setting a new benchmark for IPO disclosures, reinforcing trust, and promoting a fairer and more efficient capital market.

For in-depth analysis of the KPI amendments, **click here.**

IPO JOURNEY – A SYNOPSIS

IPO journey and how Uniqus can help

Project Management Office (PMO)

IPO diagnostic

- Understand current status using proprietary tools
- Support management in its decision on route of listing i.e. Direct, IPO, SPAC in the USA or conventional or confidential route in India
- Develop plan to address gaps and provide recommendations

Setting the core project team

Financial reporting compliances

- Accounting close assistance, Restatement of financial statements, Preparation of quarterly financial statements
- KPIs mapping and alignment based on company strategy
- Audit support in relation to the financial information included in the offer documents
- Responses to the SEC / CMA / SEBI on comments on the offering documents
- Engagement with the Banks and Lawyers on the comfort letter issuance by auditors

Legal entity and tax structuring

- Conversion to a public limited company
- Evaluation of holding and subsidiary company structures
- Compliance with securities regulations
- Strategy for utilisation of losses and claiming deductions
- Transfer pricing documentation

Benchmarking

- Benchmarking accounting policies, disclosures, processes, specific financial and non-financial data and KPIs in relation to industry peers
- Recommendations to improve processes based on peer comparison

Governance and risk

- Review of Board composition; Committee formation (Audit, Governance)
- Review of Board governance guidelines, committee charters, code of conduct, etc.
- Enterprise Risk Management, Policies & processes

ESG strategy and communication

- Formulating and documenting ESG strategy
- ESG disclosures in the offer document
- Assisting in investor communication strategy and preparation of communication material
- ESG data management
- Tech enabling ESG data flows

IFC implementation and evaluation

- Support in all phases of IFC/SOX implementation and testing
- Focus on areas like management controls, IPE, ITGC reports

Confidential filing / DRHP filing / Form F-1 filing / Form S-1 filing

Roadshows

Listed company reporting readiness

- Periodic financial reporting
- Corporate governance reporting
- Regulator and stock exchange reporting
- Investor relations and communications
- Finance & Risk function uplift

Pre-IPO

IPO preparation and implementation

Post implementation assistance

Scan the QR code and access our IPO Readiness Assessment Tool.

6-9 months for the end-to-end process

A TEAM THAT

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