

IPOs becoming exit vehicles for early investors, rather than tool for raising long-term capital: CEA

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WITH A surge in companies going public, Chief Economic Advisor V Anantha Nageswaran on Monday raised concerns that initial public offerings (IPO) are increasingly being used as exit routes for early-stage investors rather than an instrument for raising long-term capital.

"India's equity markets have grown impressively, but initial public offerings have increasingly become exit vehicles for early investors, rather than mechanisms for raising long-term capital. This undermines the spirit of public markets," Nageswaran said during the CII Financial Summit.

When asked about his comments on the issue during the same event, Securities and Exchange Board of India (SEBI)

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CHIEF ECONOMIC ADVISOR

Chairman Tuhin Kanta Pandey said all types of options should be made available to investors in the capital market.

"In an IPO, there is an exit and money is also raised. In our view, a lot of companies are made with (investors') money, and when

they reach a certain scale and come (with IPOs) then some people exit. Also, there are greenfield companies that raise money (from investors) and then attain a size... those are different types of IPOs. In our opinion, all types of varieties and possibilities should be there in the capital markets," Pandey said.

Nageswaran's statement comes amid a flurry of IPO activity in the domestic capital markets where promoters and pre-IPO investors have divested their holdings at good valuations. So far in 2025, 84 companies have raised Rs 1.30 lakh crore through IPOs. Of this, 64 per cent, or Rs 82,976 crore, raised through the OFS route, indicating an increase in promoters and early stage investors partially exiting their holdings, according to primedatabase.com.

Nageswaran said that India

cannot rely predominantly on bank credit for long-horizon financing, and pressed for a deep and reliable bond market to meet this funding requirement. Insurance and pension funds, whose horizons naturally align with long-term investments, must play a larger role, he added. The CEA said that capital flows, traditionally driven by market signals and macro-fundamentals, are now increasingly influenced by political alignments and strategic considerations.

He said that while India remains among the world's fastest-growing major economies with strong macroeconomic fundamentals, foreign investors continue to demand a higher country risk premium from India compared to many of its developing peers.

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