

Primary mkt surge fuels investor, promoter exits; a concern for cos

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THE YEAR 2025 marked a big surge in primary market activity, with one trend standing out — the increase in the share of the so-called offers-for-sale (OFS). An OFS is a type of initial public offering (IPO) where a company's promoters or early investors sell their existing shares on the primary market, rather than issuing new shares to raise fresh capital. For instance, India's largest IPO, Hyundai, was a pure OFS issue.

But such transactions have faced criticism. In OFS issues, no new money goes to the company. It goes only to promoters and early investors as they partly or completely exit the companies.

Experts feel this exit route for early investors is a sign of a maturing and evolving market and will strengthen the initial funding ecosystem.

But they have also raised concerns over such large-scale dilution by promoters. There is a growing trend of next-generation promoters setting up family offices abroad and investing in markets worldwide rather than investing in their business. A study by Prime Database showed that the share of OFS in primary market activity has been increasing steadily over the decades. In

the period from 1989 to 2012, OFS made up an average of 13 per cent of the total issue amount, with the remaining 87 per cent being fresh capital. From 2013 onward, however, about 68 per cent of the total IPO amount has been offers-for-sale, while the remaining 32 per cent being fresh capital.

Here's where the analysis gets more interesting. Since 2015, over 102 pure OFS issues have delivered, on an average, an absolute return of over 350 per cent. The 80-odd pure fresh capital issues delivered a return of around 170 per cent — roughly half of what the OFS IPOs generated.

Fresh capital vs OFS

In the primary market, an IPO involves a fresh capital component where a company issues new shares to raise funds for growth or debt repayment, while an OFS is when existing shareholders (such as promoters or early investors) sell their shares. An OFS can also sometimes be a part of an IPO. The key difference is who gets the money: In a pure IPO, the company gets the proceeds and in an OFS, the selling investors do.

In 2024, a total of 91 mainboard IPOs raised more than Rs 1.59 lakh crore. In 2025, a total of 103 mainboard IPOs raised over Rs 1.75 lakh crore. This was the highest volume ever.

• 'OFS CONSTITUTE BULK OF IPO FUNDRAISES'

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According to Prime Database, 19 out of the 103 IPOs that hit the market had a prior PE/VC investor who sold shares in the IPO and accounted for Rs 20,643 crore or 12 per cent of the total IPO amount. While offers-for-sale by private promoters stood at Rs 79,030 crore and accounted for 45 per cent of the IPO amount, government divestment amounted to around Rs 7,600 crore.

Concerns are being raised from various corners about the fact that IPOs are now becoming a tool for OFS issues, which provide an exit to existing investors and allow promoters to dilute their holdings. Some market experts say this is a part of the evolution of the equity market.

The chief executive officer of a leading mutual fund, who

did not wish to be named, told *The Indian Express*: "In the early 1990s and 2000s, when most of the amount raised was fresh capital, it is important to

note that the PE (private equity) and VC (venture capital) funding was not prevalent. In the mid-2000s, PEs and subsequently VCs started entering the Indian equity markets and funded businesses with seed and initial capital, and handheld them in their growth phase. It is good to see that they are getting exits after having helped the company grow and the fund generated through liquidation is now getting routed into a fresh set of companies. This is a healthy cycle, and it is not a cause of concern."

The chief investment officer of another mutual fund, requesting anonymity, said that since the risk capital to a lot of new-age companies is provided by angel investors,

venture capital investors and private equity investors, "it is important to see them getting exit as it will create a strong funding environment for future ventures and new age companies".

Where does the concern lie?

Put simply, the high volume of promoters diluting their stake in their businesses. Data shows that offers-for-sale issues by private promoters stood at Rs 79,030 crore and accounted for 45 per cent of the total IPO amount raised in 2025.

"This is where the concern lies. The traditional risk takers were the promoters, however, what we are witnessing is that the next generation of promoter family is not willing to invest in the business and instead they are setting up family offices abroad and looking to invest in global markets and other asset classes," said the CEO of a leading brokerage firm, who did not wish to be named.

Another concern experts raise is the lower percentage of the fresh capital raised going towards expansion.

Data shows that while the amount of fresh capital raised in initial public offerings in 2025 amounted to Rs 64,406 crore or 37 per cent of the total amount, only 31 per cent of that amount raised through fresh capital was utilised for expansion, new project, or plant and machinery. Around 26 per cent of it was utilised for retirement of debt (26 per cent) and 23 per cent for capital enhancement or working capital.