

India's listing feast: IPO window opens, OFS door widens | Explained

The unusual trend is that the IPO process itself has increasingly become an exit mechanism, even as questions remain over whether India has enough “I” in its IPOs—investment, innovation and infusion of fresh capital

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The OFS is no longer a footnote to the IPO story; but its growing dominance demands greater transparency. (Representational image) | Photo Credit: Getty Images/iStockphoto

India Inc. is now having its heyday, with corporates celebrating a coming-out party of initial public offerings (IPOs), while promoters are cashing in through offer-for-sale (OFS) deals.

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—investment, innovation and infusion of fresh capital.

Worldwide, OFS is strictly not a primary market route, but in India, when an unlisted firm lists on the stock exchange, an OFS can be included in the IPO prospectus, also known as a Red Herring Prospectus (RHP). Technically OFS enters through the primary market window, but it behaves like a secondary market transaction.

The OFS was nearly 1.5 times the fresh capital raised in FY26, according to NSE data. Earlier, IPO saw companies raise growth capital, but the current trend is that early investors and promoters monetise ownership. This is not necessarily negative, as a mechanism designed initially to increase public ownership has also become one of the most efficient ways for early investors, which include private equity funds, to convert paper wealth into real cash.

India's public issue boom is real (as can be seen from the number of jackets of business dailies), but its character has changed.

Improving sentiment has been reflected in demand for new issues, with average IPO subscriptions more than doubling to 59.1 times in July and August from 24.5 times in April-June, while average listing gains climbed to 19.5% from 5.7%, according to NovaaOne Investment Banking.

The equity market is increasingly acting as a liquidity and exit platform for promoters and private equity investors, with capital formation becoming only one part of the story.

In FY26, OFS accounted for about 59% of IPO proceeds, while PE-backed listings rose sharply, according to KPMG India data. The trend was visible earlier too. In 2025, mainboard IPOs raised about ₹1.76 lakh crore, but nearly ₹1 lakh crore came through OFS, implying more money went to selling shareholders than to companies.

An Equirus Capital report said as many as 245 companies have filed their draft RHP with the market regulator Securities and Exchange Board of India (SEBI).

According to Prime Database, Indian companies had mopped up ₹5.4 lakh crore through public issues during 2021-25, of which ₹3.37 lakh crore came entirely from OFS.

Major bigwigs like Life Insurance Corporation of India, General Insurance Corporation, Coal India, Indian Railway Finance Corporation and New India Assurance had seen sizeable OFS share in their public offer.

The National Stock Exchange, which recently got a nod from the Securities and Exchange Board of India (SEBI) for its estimated ₹30,000 crore IPO, will be entirely through OFS, which has become the market's express exit lane for promoters and governments to dilute stakes without the complexity of a fresh issue.

SBI Funds Management's more than ₹9,800 crore public offerings were entirely through OFS. Other proposed major public sector issues, like Indian Gas Exchange, Mahanadi Coalfields, and Asset Reconstruction Company India are also taking a proposed 100% OFS route.

While OFS was a divestment tool for public sector companies, it was an exit window for the private sector, and the Hyundai India listing was a clear example. The parent company did not dilute to fund Hyundai India's expansion; instead, it sold shares to Indian investors and unlocked value from its Indian subsidiary. The listing became one of India's largest IPOs, highlighting how global firms increasingly view Indian equity markets as a wealth-unlocking destination.

The existing private sector public issue pipeline, comprising diverse sectors such as quick commerce, logistics, housing finance, dairy, financial services and education infrastructure, signals a sizeable proportion of OFS embedded in the issue.

Companies that were on the fringes amid volatile markets are now seeking to capitalise on improving investor sentiment.

Beginning of OFS

The OFS was formally introduced in India's financial vocabulary in 2012, when SEBI put in place a dedicated exchange-based mechanism for promoters to sell shares of listed companies in a transparent manner.

The aim was to make it easier for promoters of publicly traded firms to reduce their holdings and comply with the minimum public shareholding (MPS) norms. The method was largely adopted by listed companies, both state-run and private, to adhere to the MPS norms.

The government used this to divest its shareholding in central public sector enterprises (CPSEs) to achieve MPS and further dilution beyond MPS. The OFS mechanism has proved to be a big support in achieving big-ticket disinvestment in various PSUs such as ONGC, Hindustan Copper, NMDC, Oil India, NTPC, Rashtriya Chemicals and Fertilisers, NALCO and Steel Authority of India.

Global comparison

Countries such as the U.S., China, the U.K., Japan and parts of Europe have historically had large secondary equity markets, though the structures differ from India's IPO-OFS model. In the U.S. and Europe, secondary sales usually happen after a company is already public; implying that market has already achieved price discovery.

Road ahead

The future of India's capital markets cannot be built on selling yesterday's success stories alone, and a market that only converts private fortunes into public holdings creates liquidity; a market that funds new ambitions creates wealth.

The OFS is no longer a footnote to the IPO story; but its growing dominance demands greater transparency.

A vibrant stock market needs sellers, and a growing economy needs capital. Care should be taken to resist the temptation to count every rupee raised as capital formation; after all, financial markets, like GDP estimates, can make the movement of money appear remarkably like the creation of wealth.
