

# Annual Review of the Indian Primary Equity Market : 2019 – 20

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## Abstract

This paper sought to carry out a comparative annual review of the Indian primary equity market for the year 2019 – 20 over 2018 – 19 and found that the year 2019 – 20 recorded a sharp recovery in the primary market in terms of resource mobilization. The paper covered aspects such as SEBI initiatives and policy changes in the primary market, global perspective of primary market, Indian perspective of the primary equity market, and market outlook for 2020 – 21. It concluded by stating that SEBI has brought well intended reforms in the primary market, which proved their fruitfulness during the year 2019 – 20. However, the onslaught of COVID - 19 in March 2020 almost put a break on the market activities. The future has become uncertain. The outlook for the rest of 2020 – 21 seems to be very bleak. Only the end of the COVID - 19 pandemic can bring back an enthused activity in the primary market.

**Keywords :** FPO, IPO, IPO price, listing price, listing gain (loss), primary equities market, public issues, rights issue, SEBI, SME

**JEL Classification :** G11, G15, M10, N25

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Primary equity market, or just the primary market, as it is more popularly known, acts as a channel that provides fresh capital to the corporate sector either directly or through the mutual funds and thus plays the role of a catalyst in promoting the industrial and economic development of a country. This role becomes all the more pervasive in view of the scarcity of funds with the term lending institutions, their mounting NPAs, and highly choosiness about the borrowers.

## Key Terms and Their Meanings

Before proceeding further, key terms used in this paper have been defined and presented in Table 1 for the

**Table 1. Key Terms and Their Meanings**

Term	Meaning
AIF	Alternative Investment Fund
ASBA	Applications submitted through blocked accounts.
BSE	Bombay Stock Exchange
Capital market	The part of a financial system concerned with raising capital by way of shares, bonds, and other long-term investments and their subsequent trading on stock exchange.

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FPO	Follow-on public offering
FVCF	Foreign venture capital fund
ICDR Regulations	SEBI (Issue of Capital and Disclosure Requirements), Regulations
IGP	Innovators growth programme
InvITs	Infrastructure investment trusts
IPO	Initial Public Offering by a company. It is the first sale of shares by a private company to public to get listing.
Listed company	Company having floated an IPO and traded at stock exchange.
Listing date	The date on which stock is first thrown open for trading.
Listing gain	Excess of listing price over IPO price.
Listing loss	Deficit in listing price below IPO price.
Listing price	Listing day's close price on the stock exchange.
NCD	Non-convertible debentures
NPAs	Non-performing assets
OFS (SE)	Offer for sale of shares through stock exchange mechanism.
Preferential issue	An issue of equity shares by a listed issuer to any select person or group of persons on a private placement basis.
Primary equities market	The part of the capital market concerned with raising capital by way of shares and convertibles.
Public issues	IPOs and FPOs
QIB	Qualified institutional buyer
QIP	Qualified Institutions Placement. (Issue of equity by a listed issuer to QIBs on a private placement basis).
RBB	Reverse book building
ReITs	Real estate investment trusts
Rights issue	Issue of equity to existing shareholders as per their entitlement by a listed company.
SEBI	Securities and Exchange Board of India (capital market regulator)
SME	Small and medium enterprises
UPI	United payment interface

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Source : Compiled by the author from various publications available on the subject.

convenience of the readers. It is expected that these terms and their definitions will help the readers develop a proper understanding of the subject matter of this paper. Extensive search on Google did not result in any paper on the annual review of Indian primary equity market 2019 – 20.

## Objectives of the Paper

This paper aims to achieve the following objectives so as to present a holistic view of the market during 2019–20 and analyze the developments therein vis-à-vis 2018–19 :

- (1) To investigate and analyze the policy initiatives taken by SEBI for the development of the primary securities market during 2018–19, having spillover impact in 2019–20.
- (2) To develop an understanding of the operations in global IPO market.

(3) To carry out a review of the resources mobilized in the Indian primary market during 2019–20.

(4) To analyze the returns from the IPOs.

## Information and Data Collection

Information and data pursuant to the objectives of this paper were gathered from the following sources : PRIME database, SEBI's *Annual Report 2018–19*, Bombay Stock Exchange, and [www.chittorgarh.com](http://www.chittorgarh.com), a financial website offering information about the stock market in India.

## Research Methodology

The paper uses descriptive and qualitative methodology. It starts with analyzing the policy initiatives of SEBI in the primary market, then reviews the global perspective and in that background, carries a review of the Indian market for 2019–20. Review of the Indian market is focused on resources mobilized through public issues, average IPO size, resources mobilized by listed companies through rights issues, resources mobilized by listed companies through other alternative routes, overall annual IPO returns and outlook for 2020–21.

## Policy Initiatives of SEBI in the Primary Market

The *2019–20 Annual Report* was not available at the time of writing this paper. Hence, policy measures taken by SEBI during the year 2018–19 have been analyzed here. Moreover, as we will see later, most of these measures became effective during the latter part of the year, which means that their compliance effectively started in the year 2019. Our period of study is 2019–20, and therefore, the developments that took place in the market are in perfect sync with these measures.

### *The Backdrop*

The Chairman's Statement in the *2018–19 Annual Report* of SEBI points out that the main thrust of various policy measures undertaken for the primary market during the year were aimed towards (Securities and Exchange Board of India (SEBI), 2019) :

- ↳ Revisiting the procedures followed in the primary market.
- ↳ Enhancing the ease of doing transactions in primary equity market.
- ↳ Helping raise investible resources for the industry.

Section 1 'Primary Securities Market' of Part 2 'Review of Policies and Programmes' of the *2018-19 Annual Report* of SEBI stated that in order to further refine the primary market design and boost investor confidence, various measures have been undertaken by SEBI in 2018–19. This section throws light on the policy measures initiated during the financial year.

### *Brief Details of Initiatives and Measures Taken*

This section highlights in brief the major initiatives and measures taken by the SEBI for boosting the growth of the primary market.

## New SEBI (ICDR) Regulations, 2018

(1) ICDR regulations are the heart and soul of primary market regulation. Entire resource raising in the primary market is governed by these regulations.

(2) Old SEBI (ICDR) Regulations, 2009 repealed and replaced by the new SEBI (ICDR) Regulations, 2018 in November 2018.

(3) New regulations issued in view of:

↳ **Technical Requirements** : The need to prepare a comprehensive document incorporating the various amendments made over the intermittent 9 years at relevant places, aligning it with the provisions of Companies Act, 2013, categorizing the various chapters on the basis of the type of public offerings, rearranging the various provisions based on their sequence in the public issue process and relevance, etc.

↳ **Policy Change Requirements** : SEBI has specified in the annual report (p.11) some of the key policy changes introduced in ICDR regulations. Table 2 provides reproduction of these changes.

(4) Relaxed the norm of fresh filing of offer document requiring refiling only when there is a change in either the number of shares offered for sale or the estimated issue size by more than 50% as against 20% as at present.

A review of these policy reforms reveals SEBI's emphasis on rationalizing the disclosures, making higher

**Table 2. Key Policy Initiatives/Changes in the ICDR Regulations**

No.	Policy Change
1	Alignment of the definitions of Promoter and Promoter Group with the Companies Act, 2013.
2	Restriction on the disclosures of group companies to information related to related party transactions and do away with the requirements pertaining to financial information, litigations, etc.
3	Increase in the threshold for filing of draft letter of offer for rights issue from the current size of INR 50 lakh to INR 10 crore and above.
4	Enable issuers to undertake public issues whose directors were debarred by the SEBI in the past and such directors have completed the debarment period.
5	In case of IPOs, the requirement that the aggregate of the proposed issue and all previous issues made in the same financial year does not exceed five times the issuer's pre-issue net worth done away with.
6	To allow FVCs to contribute towards minimum promoter's contribution in addition to AIFs.
7	Requirement of announcing floor price/ price band reduced from 5 working days to 2 working days for IPOs.
8	Extension of issue period, in case of IPOs and FPOs, even without modification in price band.
9	Application size for non-institutional investors capped at total issue size less QIB portion.
10	Rationalization of the requirements and contents of due diligence certificate.
11	Introduction of a new section on "Prospectus Summary" in place of the sub-section "Prominent notes" to risk factors.
12	Extension of the requirement of disclosing the shareholding of 10 largest shareholders to shareholders holding 1% and above.
13	Reduction of the disclosure of financials to latest 3 years on consolidated basis and

	disclosure of the standalone financials of the issuer company and the financials of the subsidiaries on the website of the issuer company.
14	Rationalization of the issue advertisements and prescription of a format for advertisement on hoardings.
15	Reducing the minimum application size for anchor investors from INR 10 crore to 2 crores for SME issues in view of the smaller size of SME public issues.
16	Merging of the provisions of IIP with those of QIP.

Source : Reproduced from, "Annual Report 2018 – 19," by SEBI (2019) ([https://www.sebi.gov.in/reports/annual-reports/jul-2019/annual-report-2018-19\\_43670.html](https://www.sebi.gov.in/reports/annual-reports/jul-2019/annual-report-2018-19_43670.html)). In the public domain.

issue raising easier, easing of doing business in the market, widening of subscribers' base for promoter funding, rationalizing market procedures, enabling summary information in the offer documents, enabling wider anchor investor participation, and rationalization of issue advertisements. These reforms are expected to go a long way in strengthening the primary market further. Many of these reforms will also reduce the overall issue costs and lead to faster and more economical issue process.

### **(5) Innovators' Growth Programme (IGP)**

Facility of listing without public issue allowed wef 5-04-2019 to an issuer which is intensive in the use of technology, information technology, intellectual property, data analytics, bio-technology, or nano-technology to provide products, services, or business platforms with substantial value addition.

It is a step in the right direction to boost the start-ups by making them float in the capital market without much hassles. This will help them to discover their value, which will enable them to float regular issues in future at the right price.

### **Speedier Listing of Equity Issues**

Effective from January 2019, Unified Payment Interface (UPI) with ASBA facility, was introduced as an alternative payment mechanism for retail investors in issue offerings. This significant process reform aims at reducing the time period for listing of issues from T+6 days to T+3 days.

The consequent early listing and trading of shares will benefit both issuers as well as investors. Issuers will have faster access to the capital raised, thereby enhancing the ease of doing business, and the investors will have early liquidity. Capital will become more productive at both ends.

### **SEBI (Delisting of Equity Shares) Regulations, 2009**

**(1)** A review of RBB carried out and these regulations amended in November 2018, allowing counter offer by promoters, in case of voluntary delisting, if the price discovered through RBB not accepted by the promoters. Detailed timelines for the counter offer provided in March 2019.

**(2)** Delisting regulations amended requiring the promoters to give exit to public shareholders within 3 months (as against no time limit) of delisting from recognized stock exchange in case of compulsory book building.

- ✎ Provision of further facility to the promoters for making their delisting efforts successful.
- ✎ Interest of the public shareholders protected. Uncertainty about exit time removed.

## New SEBI (Buy - Back of Securities) Regulations, 2018

(1) Old Buy-back regulations issued in 1998 replaced in September 2018.

(2) The relevant provisions of buy-back outlined in the Companies Act, 2013 incorporated in the new regulations.

Regulations consolidated and updated in view of developments that took place during the last 20 years, making them wholesome and comprehensive.

## Global Perspective of Primary Market

As a precursor to review of resource raising activities in the Indian primary market, let us have an understanding of global trends in primary market and share of the Indian primary market in the global primary market. SEBI *Annual Report 2018–19* provides the details.

### Global Trends in Primary Markets

Table 3 provides details of number of IPOs and FPOs floated globally during the year 2018 together with the corresponding amount of resources raised. Global break-up has been done among Americas, Asia-Pacific, and EMEA countries.

**Table 3. Global Trends in Primary Markets**

	Calendar Year 2018				Calendar Year 2017				Change in Total Over 2017
	Americas	Asia – Pacific	EMEA	Total World	Americas	Asia – Pacific	EMEA	Total World	
1. Number of IPOs	350	976	284	1610	255	1263	364	1882	–14.45%
2. Resources raised through IPOs (USD billion)	52	92	37	182	49	106	52	207	–12.08%
3. Number of FPOs	104	499	193	796	103	442	493	1038	–23.31%
4. Resources raised through FPOs (USD billion)	118	270	140	528	139	365	224	728	–27.47%
5. Total number of public issues (IPO+FPO)	454	1475	477	2406	358	1705	857	2920	–17.60%
6. Total amount of resources raised (IPO+FPO) (USD Billion)	170	362	177	710	188	471	276	935	–24.06%

**Note.**

• EMEA : Europe, Middle-East, and Africa.

**Source :**

1. Item Nos. 1 – 4 excluding their last column : World Federation of Exchanges, as cited by SEBI (2019).

2. Rest : Author's computations.

### Analysis

(1) Overall, heavy global decline in the primary market activity during the year December 2018 as compared to 2017. Both number of IPOs and FPOs along with the corresponding amount of resources raised declined substantially by 17.60% and 24.06%, respectively during 2018.

(2) Within this, performance of Americas in relation to IPOs, both in numbers as well as resources raised, is showing a positive growth. However, in terms of total amount raised through public issues, its performance is also down. Amount is the crux and not the numbers.

(3) Asia-Pacific also performed miserably, but for number of FPOs.

(4) EMEA performed miserably on all the four parameters.

### ***Share of the Indian Primary Market in the Global Markets***

Table 4 provides details of India's share in number of IPOs and resources raised through IPOs in the Asia-Pacific region and the world as a whole.

Table 4. Share of the Indian Primary Market in the Global Markets				
	Asia – Pacific		World	
	Calendar Year			
	2018	2017	2018	2017
India’s share in number of IPOs	9.9%	9%	6%	6.1%
India’s share in resources raised through IPOs	5.2%	11.1%	2.7%	5.7 %

Source : SEBI (2019).

### **Analysis**

(1) Asia-Pacific : India's share in number of IPOs increased, but resources raised declined sharply. Ticket size came down heavily.

(2) World : India's share in number of IPOs is more or less the same, but a sharp decline is witnessed in amount raised.

(3) Comparative performance of India in terms of resource raising in 2018 much down from 2017.

## **Indian Perspective of the Primary Equity Market Operations**

In the backdrop of global trends in the primary market, I now turn to resource raising activity in the Indian primary capital market.

### ***Resources Mobilized Through Public Issues***

Table 5 contains past 3 years' data on resource mobilization in the Indian primary market through public issues, including SME issues, both IPOs and FPOs.

### **Analysis**

(1) In line with the global trend, as noted above, the Indian primary market also declined sharply both in terms of numbers of public issues as well as the total resources raised during the year 2018–19 over the year 2017–18. Numbers went down by a huge 40% and mobilization by a mind-boggling 80.50%. India was way behind the



**Table 5. Resources Mobilized Through Public Issues in India**

		2019–20		2018–19		2017–18		Change : 2019–20 over 2018–19		Change : 2018–19 over 2017–18	
		No.	INR Crore	No.	INR Crore	No.	INR Crore	No.	INR Crore	No.	INR Crore
<b>A. IPOs</b>											
• Mainboard		13	20,350	14	14,719	45	81,553	–7.14%	38.26%	–68.89%	–81.95%
• SME		45	436	106	1,620	154	2,213	–57.55%	–73.09%	–31.17%	–26.80%
<b>Sub-total</b>		<b>58</b>	<b>20,786</b>	<b>120</b>	<b>16,340</b>	<b>199</b>	<b>83,767</b>	<b>–51.67%</b>	<b>27.21%</b>	<b>–39.70%</b>	<b>–80.49%</b>
<b>B. FPOs</b>											
• Mainboard		0	0	0	0	0	0	...	....	.....	.....
• SME		2	35	0	0	1	12	...	....	–100%	–100%
<b>Sub-total</b>		<b>2</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>12</b>	<b>....</b>	<b>0.21%</b>	<b>–100.00%</b>	<b>–100.00%</b>
<b>Total....</b>		<b>60</b>	<b>20,821</b>	<b>120</b>	<b>16,340</b>	<b>200</b>	<b>83,789</b>	<b>–51.67%</b>	<b>27.42%</b>	<b>–40.00%</b>	<b>–80.50%</b>

**Note.** NA=Not available.

Source :

1. Raw data : PRIME Database (2020).

2. Rest : Author's computations.

global average of 17.60% and 24.06%, respectively. This shows that the Indian market is much more vulnerable to negative changes in the market as against the rest of the world as a whole.

**(2)** The year 2019–20 however bounced back. Though the number of public issues further plummeted in comparison to 2018–19, the amount raised shot by 27.42%, showing confidence of large ticket issuers and recovery of appetite among the investors. There was buoyancy due to high listing gains as we will see a bit later.

**(3)** FPO activity in India is almost nil. However, looking at Table 3, it is noticed that globally against 1610 IPOs, a high 796 FPOs were floated during the year 2018. What is further eye-opening is the fact that the amount raised by these FPOs (USD 528 billion) was 2.90 times the amount raised through IPOs (USD 182 billion). The message is clear that listed companies outside India are performing so well that they are able to frequently approach the capital market for their ongoing fund requirements and the investors respond to them in the same zeal.

### **Average IPO Size**

Table 6 provides the details.

### **Analysis**

**(1)** Not only the total resource mobilization came down in 2018–19, average size of mainboard IPOs also declined sharply to INR 1051.36 crore per IPO from INR 1812.29 crore in 2017–18. This is a startling decline of 41.99%.

**Table 6. Average IPO Size**

	2019–20	2018–19	2017–18
	INR Crores	INR Crores	INR Crores
Mainboard IPOs	1565.38	1051.36	1812.29
SME IPOs	9.69	15.28	14.37

Source : Author's computations based on data available in Table 5.



(2) It is seen that 2019–20 again shot back. The average IPO size improved by 48.89% over 2018–19.

(3) SME IPOs are meant for small businesses. The Mainboard IPO trend is not visible in them.

### ***Resources Mobilized by Listed Companies Through Rights Issues***

Table 7 provides the details.

<b>Table 7. Resources Mobilized Through Rights Issues</b>			
	<b>2019–20</b>	<b>2018–19</b>	<b>2017–18</b>
Numbers	13	8	20
INR Crores	55,998	1,999	21,397

Source : PRIME Database Group (2020).

### **Analysis**

(1) Trend here is the same as noticed in public issues above.

(2) Sudden spurt in 2019–20. So much so, that amount raised through rights issues this year is 2.69 times of total public issues (INR 20,821 crores).

(3) This was primarily on account of two large issues of Vodafone Idea (₹ 25,000 crore) and Bharti Airtel (₹ 24,939 crore).

### ***Resources Mobilized by Listed Companies Through Other Alternative Routes***

Table 8 provides details of funds mobilized by the listed companies through other routes allowed by SEBI as an alternative to FPOs and rights issues. These issues are primarily meant for investment by the institutional investors.

### **Analysis**

(1) Trend here is again the same as noticed in public issues above.

(2) Resources raised through these alternative routes are 3.40 times of total public issues.

(3) This shows large scale institutionalization of resource raising in the capital market.

<b>Table 8. Resources Mobilized Through Other Alternative Routes</b>						
	<b>2019–20</b>		<b>2018–19</b>		<b>2017–18</b>	
	<b>No.</b>	<b>INR Crores</b>	<b>No.</b>	<b>INR Crores</b>	<b>No.</b>	<b>INR Crores</b>
QIPs	13	51,216	13	10,489	52	62,520
OFS (SE)	26	17,326	28	21,686	36	17,431
InvITs/REITs	1	2,306	3	7,971	2	7,283
Preferential allotments	0	0	0	0	2	4,668
<b>Total.....</b>	<b>40</b>	<b>70,848</b>	<b>44</b>	<b>40,146</b>	<b>92</b>	<b>91,902</b>

Source : PRIME Database Group (2020).

## Average Return and Issue wise Returns from IPOs

**(1) Year 2019–20 :** Table 9 provides the details of gains/losses to IPO investors during 2019–20 from the mainboard IPOs floated during the year.

**Table 9. Details of Average and Issue Wise Returns from Mainboard IPOs During 2019–20**

Sl. No.	Company Name	Listing Date	Issue Price (₹)	Listing Day – Close Price (₹)	Listing Day Gain / Loss (₹)	Listing Day Gain/Loss (%)
1	2	3	4	5	6	7
1	SBI Cards and Payment Services Ltd.	Mar 16, 2020	755	683.20	–71.80	–9.51%
2	Prince Pipes and Fittings Ltd.	Dec 30, 2019	178	166.60	–11.40	–6.40%
3	Ujjivan Small Finance Bank Ltd.	Dec 12, 2019	37	55.90	18.90	51.08%
4	CSB Bank Limited	Nov 22, 2019	195	300.10	105.10	53.90%
5	Vishwaraj Sugar Industries Ltd.	Oct 15, 2019	60	60.35	0.35	0.58%
6	IRCTC Limited	Oct 14, 2019	320	728.60	408.60	127.69%
7	Sterling and Wilson Solar Ltd.	Aug 20, 2019	780	725.35	–54.65	–7.01%
8	Spandana Sphoorty Financial Ltd.	Aug 19, 2019	856	848.40	–7.60	–0.89%
9	Affle (India) Limited	Aug 8, 2019	745	875.10	130.10	17.46%
10	IndiaMART InterMESH Limited	Jul 4, 2019	973	1302.55	329.55	33.87%
11	Neogen Chemicals Limited	May 8, 2019	215	263.55	48.55	22.58%
12	Polycab India Limited	Apl 16, 2019	538	655.00	117.00	21.75%
13	Metropolis Healthcare Limited	Apl 15, 2019	880	959.55	79.55	9.04%
	<b>Aggregate....</b>		<b>6532</b>	<b>7624.25</b>	<b>1092.25</b>	<b>16.72%</b>
	<b>Average....</b>		<b>502.46</b>	<b>586.48</b>	<b>84.02</b>	<b>16.72%</b>

**Source :**

1. Chittorgarh.com (IPO Database), except column 6.
2. Column 6: Author's computation.
3. Aggregate/average: Author's computation.

**(2) Year 2018 – 19 :** Table 10 provides the details of gains/losses to IPO investors during 2018–19 from the mainboard IPOs floated during the year.

## (3) Analysis

**(i) Year 2019–20** scored a superior performance over the year 2018–19 in terms of average issue price, average listing day close price, and average listing day gain.

➤ Average issue price went up from ₹ 477.21 to ₹ 502.46.

➤ Average listing day close price went up from ₹ 527.59 to ₹ 586.48.

➤ Average listing day gain went up from 10.56% to 16.72%, registering a mind boggling growth of 58.33%.

➤ This shows the renewed confidence of the issuers and the subscribers in the IPO market.

**Table 10. Details of Average and Issue Wise Returns from Mainboard IPOs During 2018–19**

Sl. No.	Company Name	Listing Date	Issue Price (₹)	Listing Day – Close Price (₹)	Listing Day Gain / Loss (₹)	Listing Day Gain/Loss (%)
1	2	3	4	5	6	7
1	MSTC Limited	Mar 29, 2019	120	114.20	–5.80	–4.83%
2	Chalet Hotels Limited	Feb 07, 2019	280	290.40	10.40	3.71%
3	Xelpmoc Design and Tech Limited	Feb 04, 2019	66	59.85	–6.15	–9.32%
4	Garden Reach Shipbuilders & Engineers Limited	Oct 10, 2018	118	105.10	–12.90	–10.93%
5	Aavas Financiers Limited	Oct 08, 2018	821	773.15	–47.85	–5.83%
6	IRCON International Limited	Sep 28, 2018	475	416.65	–58.35	–12.28%
7	Credit Access Grameen Limited	Aug 23, 2018	422	420.80	–1.20	–0.28%
8	HDFC Asset Management Company Limited	Aug 06, 2018	1100	1815.15	715.15	65.01%
9	TCNS Clothing Co. Limited	Jul 30, 2018	716	657.80	–58.20	–8.13%
10	Varroc Engineering Limited	Jul 06, 2018	967	1040.55	73.55	7.61%
11	BITES Limited	Jul 02, 2018	185	212.70	27.70	14.97%
12	Fine Organic Industries Limited	Jul 02, 2018	783	822.80	39.80	5.08%
13	IndoStar Capital Finance Limited	May 21, 2018	572	585.50	13.50	2.36%
14	Lemon Tree Hotels Limited	Apr 09, 2018	56	71.60	15.60	27.86%
	<b>Aggregate.....</b>		<b>6681</b>	<b>7386.25</b>	<b>705.25</b>	<b>10.56%</b>
	<b>Average.....</b>		<b>477.21</b>	<b>527.59</b>	<b>50.38</b>	<b>10.56%</b>

Source :

1. Chittorgarh.com (IPO Database), except column 6.
2. Column 6 : Author's computation.
3. Aggregate/average : Author's computation.

(ii) Number of 'listing day gain' issue was nine in 2019–20 as against a low of seven in 2018–19.

(iii) Range of gain varied from a high of (0.58% to 127.69%) in 2019–20 against a very low (2.36% to 65.01%) in 2018–19.

(iv) Number of 'listing day loss issues' was just four as against seven in 2018–19.

(v) Range of loss varied from a low of 0.89% to 9.51% in 2019–20 against a high of 0.28% to 12.28% in 2018–19.

### **Overall Annual IPO Returns**

Table 11 provides the details of gains/losses to IPO investors during 2019–20 in the backdrop of preceding 4 years' returns as per the S&P BSE IPO Index, which was launched in September 2009.

### **Analysis**

(1) The year 2018–19 reversed the chain of handsome gains from the IPOs in earlier years.

**Table 11. Details of Gains/Losses to IPO Investors as per S&P BSE IPO Index**

S&P BSE IPO Index			
Year	Closing Value	Absolute Gain/Loss	% Gain/Loss
2019–2020	4449.48	55.13	1.25%
2018–2019	4394.35	–541.22	–10.97%
2017–2018	4935.57	971	24.49%
2016–2017	3964.57	1067.11	36.83%
2015–2016	2897.46	–53.55	–1.81%
2014–2015	2951.01	.....	.....
<b>Aggregate.....</b>		<b>1498.47</b>	<b>50.78%</b>

Source :

- Basic Data : Bombay Stock Exchange.
- Gain/loss computed by the author from the basic data.

(2) The year 2019–20 returned to positive gains, but gains were negligible. Actually, the IPO index closed at a high of 7052.14 as in February 2020 end, but sharply plummeted towards the end of March 20 to 4449.48 due to the effect of COVID - 19. Had the same figure of 7052.14 been maintained as in March 20 end, the gain for the year would have been a staggering 60.48%. Those investors who exited by February end, therefore, made unusually high gains. That is one reason why the primary market bounced back in 2019–20 as noted earlier.

(3) Overall, gains over 5 years was a simple 50.78%, which would have been much higher but for the COVID effect.

## Market Outlook for 2020 – 21

The outlook for current year 2020–21 is very bleak due to onslaught of Corona virus. Only two IPOs of Mindspace Business Parks REIT and Rossari Biotech, and one FPO of Yes Bank have raised capital from the primary market by end of July 2020. All the three opened and closed in July. Thus, there was no activity in the mainboard IPOs during the 1<sup>st</sup> quarter of the current year. Likewise, only three SME IPOs could raise money by July end. All the three opened and closed in June. Thus, there was no activity in the SME IPOs for the first two months of first quarter and again in July (Chittorgarh.com, n.d.).

## Main Findings

### SEBI Initiatives and Policy Changes

(1) Old flagship SEBI (ICDR) Regulations, 2009 repealed and replaced by the new flagship SEBI (ICDR) Regulations, 2018 in November 2018 in view of technical and policy change requirements.

(2) Innovators' growth programme (IGP) introduced to boost the start-ups by making them float in the capital market without much hassles.

(3) Reducing the time period for listing of issues from T+6 days to T+3 days to enhance liquidity of both the investors as well as issuers.

(4) Allowing counter offer by promoters, in case of voluntary delisting, if the price discovered through RBB not accepted by them. Another chance to them to complete the delisting programme.

(5) Delisting regulations amended, requiring the promoters to give exit to public shareholders within 3 months (as against no time limit) of delisting.

(6) Old Buy-back regulations issued in 1998 replaced in September 2018, making them wholesome and comprehensive.

### ***Global Perspective of Primary Market***

(1) Overall, there was heavy global decline in the primary market activity during the year December 2018 as compared to December 2017. However, Americas showed better performance.

(2) India's share in the world market in number of IPOs was more or less the same, but sharp decline in amount raised.

### ***Indian Perspective of the Primary Equity Market***

(1) The year 2019–20 bounced back after a sharp decline in 2018–19. Though the number of public issues further plummeted in comparison to 2018–19, the amount raised shot by 27.42% to ₹ 20,821 crores, showing confidence of large ticket issuers and recovery of appetite among the investors.

(2) The year 2019–20 again shot back in terms of the average IPO size, which improved by 48.89% to ₹ 1565.38 crores over 2018–19.

(3) Sudden spurt in 2019–20. So much so that the amount raised through rights issues this year was 2.69 times of total public issues (INR 20,821 crores). This was primarily on account of two large issues of Vodafone Idea (₹ 25,000 crore) and Bharti Airtel (₹ 24,939 crore).

(4) Resources mobilized by listed companies through other alternative routes (QIPs, OFS (SE) InvITs/ReITs, Preferential allotments) at INR 70,848 crores was 3.40 times of total public issues. This shows large scale institutionalization of resource raising in the capital market by the listed companies.

(5) The year 2019–20 scored a superior performance over the year 2018–19 in terms of average issue price, average listing day close price, and average listing day gain.

↳ Average issue price went up from ₹ 477.21 to ₹ 502.46.

↳ Average listing day close price went up from ₹ 527.59 to ₹ 586.48.

↳ Average listing day gain went up from 10.56% to 16.72%, registering a mind boggling growth of 58.33%. Range of gain varied from a high of (0.58% to 127.69%) in 2019–20 against a very low (2.36% to 65.01%) in 2018–19.

↳ This shows the renewed confidence of the issuers and the subscribers in the IPO market.

(6) Overall, as measured by S&P BSE IPO Index, the year 2019–20 returned to positive gains but negligible. Actually, the IPO index closed at a high of 7052.14 as in February 2020 end, but sharply plummeted towards the end of March 20 to 4449.48 due to the COVID effect. Had the same figure of 7052.14 been maintained as in

March 20 end, the gain for the year would have been a staggering 60.48%. Those investors who exited by February end, therefore, made unusually high gains. That is one reason why the primary market bounced back in 2019–20 as noted earlier.

## **Conclusion**

(1) SEBI had brought well intended reforms in the primary market, which proved their fruitfulness during the year 2019–20.

(2) However, the onslaught of COVID in March almost put a break on the market activities. Future has become uncertain. The outlook for the rest of 2020–21 seems to be very bleak. Only the end of the COVID-19 pandemic can bring back an enthused activity in the primary market.

## **Research Implications**

(1) This paper has discussed the characteristics of the Indian primary capital market and its comparative growth during 2019–20. It has clearly charted the changing profile of the Indian primary market both quantitatively as well as qualitatively. The growth over 2018–19 has been very well established.

(2) The study is expected to add to the existing knowledge base on the Indian primary market and help the capital market researchers with more researched inputs on the market.

(3) The study also brings to fore the vulnerability of the market to various non-financial risks, in this case, the sudden onslaught of COVID-19, which can bring widespread destruction, restraining the issuers as well the investors from entering the capital market and in the process, causing heavy losses to the economy.

(4) The study has implications for SEBI's approach towards policy changes. It may work out a framework for integrating such sudden risks in its policy frameworks to provide adequate safety to the market.

## **Limitations of the Study and Scope for Further Research**

(1) This study is based primarily on public issues of equity only. Its scope can be widened by including IPOs of NCDs and private placements of bonds.

(2) Further research can also attempt a demographic analysis covering sector-wise performance, industry-wise performance, and IPO size – wise performance.

(3) Country comparison research can also be carried out on the subject.

## **Author's Contribution**

Dr. Ambrish Gupta, the sole author of this paper, singularly conceived, designed, developed, prepared, and wrote the whole paper.

## Conflict of Interest

The author certifies that he has no affiliations with or involvement in any organization or entity with any financial interest, or non-financial interest in the subject matter, or materials discussed in this manuscript.

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