Fresh Issue Versus Offer for Sale in Indian Mainboard Ipos: A Descriptive Comparative Analysis

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Abstract

Initial Public Offerings (IPOs) are an important source of equity financing and capital market development in India. Indian Mainboard IPOs generally comprise two components: Fresh Issue, through which companies raise new capital, and Offer for Sale (OFS), which enables existing shareholders to divest their holdings. This study examines the comparative composition of Fresh Issue and OFS in Indian Mainboard IPOs during 2021–2025, with emphasis on issue proportions, temporal trends, fund mobilization, and listing market dynamics. A descriptive comparative research design was adopted using secondary data collected from Draft Red Herring Prospectuses, Red Herring Prospectuses, SEBI disclosures, and NSE and BSE listing records. Descriptive statistics were employed to analyse IPO composition and fundraising patterns. The findings indicate that IPO activity recovered strongly after a temporary slowdown in 2022, reaching its highest fundraising level in 2025. Throughout the study period, OFS consistently represented the dominant share of issue proceeds, while Fresh Issues accounted for a comparatively smaller proportion, indicating greater reliance on shareholder divestment than corporate capital raising. The study provides a descriptive benchmark for understanding IPO structuring trends and offers valuable insights for investors, regulators, issuers, and future researchers.

Keywords: Fresh Issue, Offer for Sale, Mainboard IPO, Capital Formation, IPO Structure

1. Introduction

An Initial Public Offering (IPO) enables a privately held company to raise capital by offering its securities to the public and obtaining a stock exchange listing. In the Indian Mainboard market, IPOs generally comprise two principal components: a Fresh Issue, through which the company issues new shares and receives the proceeds, and an Offer for Sale (OFS), in which existing shareholders or promoters divest part of their holdings and receive the sale proceeds directly. This distinction is important because Fresh Issue capital contributes to corporate investment, expansion, debt reduction, or other disclosed business objectives, whereas OFS primarily facilitates ownership transfer without generating additional funds for the issuing company (Securities and Exchange Board of India [SEBI], 2025). The composition of an IPO may therefore influence capital formation, investor perception, and market signalling, making it a relevant area for empirical investigation. The structure and disclosure requirements for Mainboard IPOs are governed by the SEBI (Issue of Capital and Disclosure Requirements) Regulations, which prescribe eligibility conditions, disclosure standards, and reporting obligations to promote transparency and investor protection (SEBI, 2025).

Despite the growing volume of Indian IPOs, comparatively limited descriptive research has focused specifically on differences in Fresh Issue and OFS proportions across industries, disclosures relating to the utilization of Fresh Issue proceeds, and their association with listing-day performance. Addressing this gap, the present study aims to provide a descriptive comparative analysis of Fresh Issue and OFS components in Indian Mainboard IPOs. The study examines the proportion of Fresh Issue and OFS, compares their industry-wise distribution, analyses the stated utilization of Fresh Issue proceeds, evaluates listing-day performance between Fresh Issue-dominant and OFS-dominant IPOs, and identifies temporal trends. These objectives are guided by six research questions concerning the prevalence of each IPO structure, sectoral reliance, utilization patterns of Fresh Issue proceeds, differences in listing-day performance, and changes over time. The remainder of this chapter presents the research methodology, variables, analytical framework, descriptive findings, and their interpretation.

2. Review of Literature

2.1 IPO Structuring in India: Fresh Issue vs. Offer for Sale

Indian Mainboard IPOs generally comprise a Fresh Issue, an Offer for Sale (OFS), or a combination of both, with the structure governed by the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations (SEBI, 2025). While a Fresh Issue generates new capital for the issuing company, an OFS facilitates the transfer of ownership from existing shareholders without increasing corporate funds. Regulatory disclosures require issuers to clearly specify issue composition and the intended use of Fresh Issue proceeds, thereby enabling investors to distinguish between capital-raising objectives and shareholder exits.

2.2 Signaling Theory and Capital Formation

The distinction between Fresh Issue and OFS can be interpreted through signaling and agency perspectives. Signaling theory suggests that corporate financing decisions communicate information about firm quality to investors under conditions of information asymmetry (Spence, 1973). Similarly, agency theory highlights how ownership changes may influence investor perceptions regarding managerial incentives and alignment with shareholder interests (Jensen & Meckling, 1976). Consequently, IPOs emphasizing Fresh Issues may be perceived differently from those dominated by OFS because the underlying economic objectives differ, although empirical evidence remains inconclusive.

2.3 Industry-wise Patterns in IPO Structuring

Existing IPO research has largely examined industry effects on pricing, subscription, and post-listing performance rather than on the relative composition of Fresh Issue and OFS. Indian regulatory reports and offer documents indicate that issue structures vary across sectors according to financing requirements, promoter shareholding, and business maturity; however, systematic comparative evidence across industries remains limited (SEBI, 2025).

2.4 Utilization of IPO Proceeds

Prospectuses disclose the proposed utilization of Fresh Issue proceeds for purposes such as capital expenditure, debt repayment, working capital, acquisitions, and general corporate purposes in accordance with SEBI disclosure requirements (SEBI, 2025). Prior corporate finance literature recognizes that transparent disclosure of fund utilization reduces information asymmetry and supports investor decisionmaking, although relatively few Indian studies have descriptively compared utilization patterns across IPOs (Myers & Majluf, 1984).

2.5 Research Gap

The existing literature provides substantial evidence on IPO pricing, underpricing, and disclosure practices but offers comparatively limited descriptive analysis of how Fresh Issue and OFS components differ across Indian Mainboard IPOs. In particular, industry-wise comparisons, temporal trends, stated utilization of Fresh Issue proceeds, and their relationship with listing-day performance remain insufficiently documented. Addressing this gap, the present study adopts a descriptive comparative approach to examine the proportion of Fresh Issue and OFS, compare their industry distribution, analyse disclosed fund utilization, evaluate listing-day performance across issue structures, identify time trends, and answer the corresponding research questions that guide these objectives.

3. Research Methodology

3.1 Research Design

This study adopts a descriptive, comparative, and quantitative research design based on secondary data. The objective is to describe and compare the composition of Fresh Issue and Offer for Sale (OFS) components in Indian Mainboard IPOs, identify industry-wise and temporal patterns, examine the stated utilization of Fresh Issue proceeds, and compare listing-day performance. The study emphasizes descriptive analysis rather than testing causal relationships or hypotheses.

3.2 Data Source and Sample

The analysis is based on secondary data collected from Draft Red Herring Prospectuses (DRHPs), Red Herring Prospectuses (RHPs), SEBI filings, and listing information published by the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The sample comprises companies listed through Mainboard IPOs during 2021–2025**.** SME IPOs are excluded to ensure consistency in regulatory requirements and market characteristics.

3.3 Variables and Measures

The study considers two categories of variables: (i) Listing Year, Fresh Issue Amount, and OFS Amount; The following derived measures are computed:

Fresh Issue % = (Fresh Issue / Total Issue) × 100

OFS % = (OFS / Total Issue) × 100

3.5 Analytical Tools and Scope

The study employs descriptive statistics, including means, percentages, frequencies, and cross-tabulations to examine year-wise patterns. Comparative analysis is conducted between Fresh Issue-dominant and OFS-dominant IPOs without applying inferential statistical tests. The study is limited to Mainboard IPOs and relies exclusively on publicly disclosed information, which may contain variations in reporting practices across issuers.

4. Analysis and Results

4.1 India Mainboard IPO Fundraising: Fresh Issue vs. OFS Split (2021–2025)

Year	Total Mainboard IPOs	Total Raised (₹ cr)	Fresh Capital Share	OFS Share
2021	63	~1,18,723	36.5%	~63.5%
2022	40	~59,302	~29.8%	70.2%

2023	57	49,434	42%	~58%
2024	91	~1,60,000	40%	~60%
2025	101	1,74,379	~37.3%	~62.7%

Source: PRIME Database (via Business Standard/Angel One reporting).

Table 4.1 presents the year-wise distribution of Indian mainboard IPOs, total capital raised, and the relative contribution of Fresh Issue and Offer for Sale (OFS) components during the period 2021–2025. The findings indicate notable fluctuations in IPO market activity across the study period. The number of IPOs declined from 63 in 2021 to 40 in 2022 before increasing steadily to 101 in 2025, reflecting a strong recovery in primary market participation. Similarly, total capital mobilization experienced a temporary decline in 2022 but reached its highest level in 2025, suggesting improved investor confidence and favourable market conditions. Across all years, OFS consistently accounted for a larger proportion of issue proceeds than Fresh Issue, ranging from approximately 58% to 70.2%. Fresh Issue contributed between 29.8% and 42%, with the highest share observed in 2023. These results imply that Indian mainboard IPOs were predominantly driven by existing shareholders' divestment rather than corporate capital formation throughout the study period.

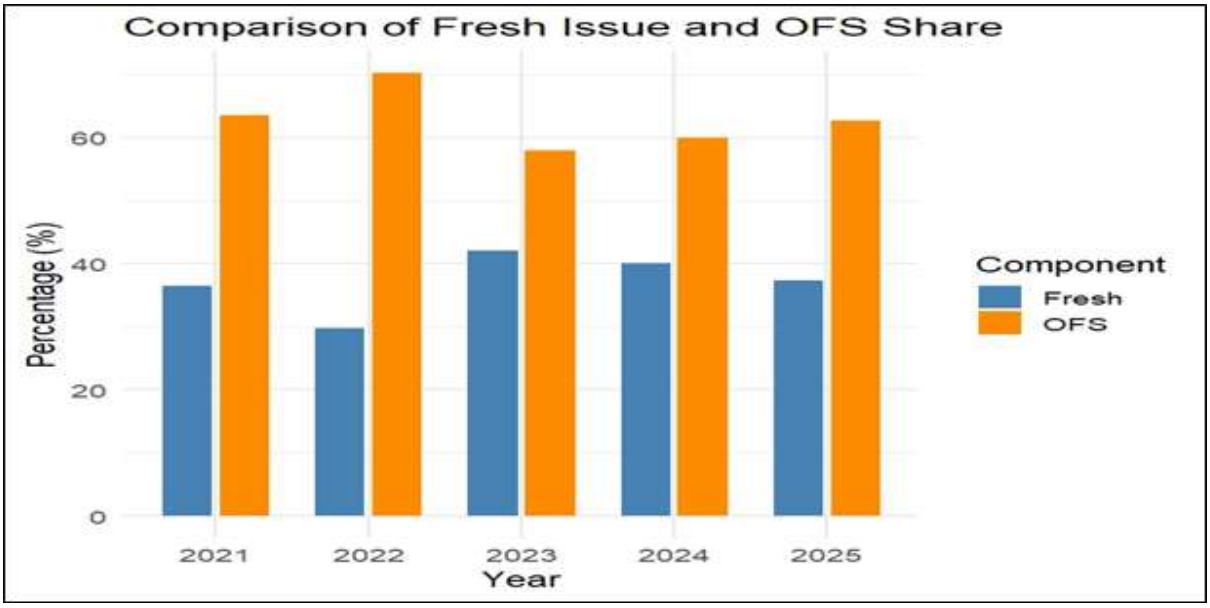

Figure 1: Source(s) R version 4.5.2

Figure 1 represents the comparison between the Fresh Issue and Offer for Sale (OFS) shares in Indian mainboard IPOs during 2021–2025. The figure clearly shows that OFS constituted the dominant component of IPO proceeds throughout the study period, consistently accounting for more than half of the total issue size. The OFS share reached its highest level in 2022 (70.2%), while the Fresh Issue share peaked at 42% in 2023. Although the proportion of Fresh Issues improved slightly during 2023 and 2024, OFS continued to exceed Fresh Issues in every year. This pattern suggests that the Indian primary market was largely driven by the divestment of existing shareholders rather than by firms raising new capital for business expansion, reflecting the continued prominence of shareholder exits in mainboard IPOs.

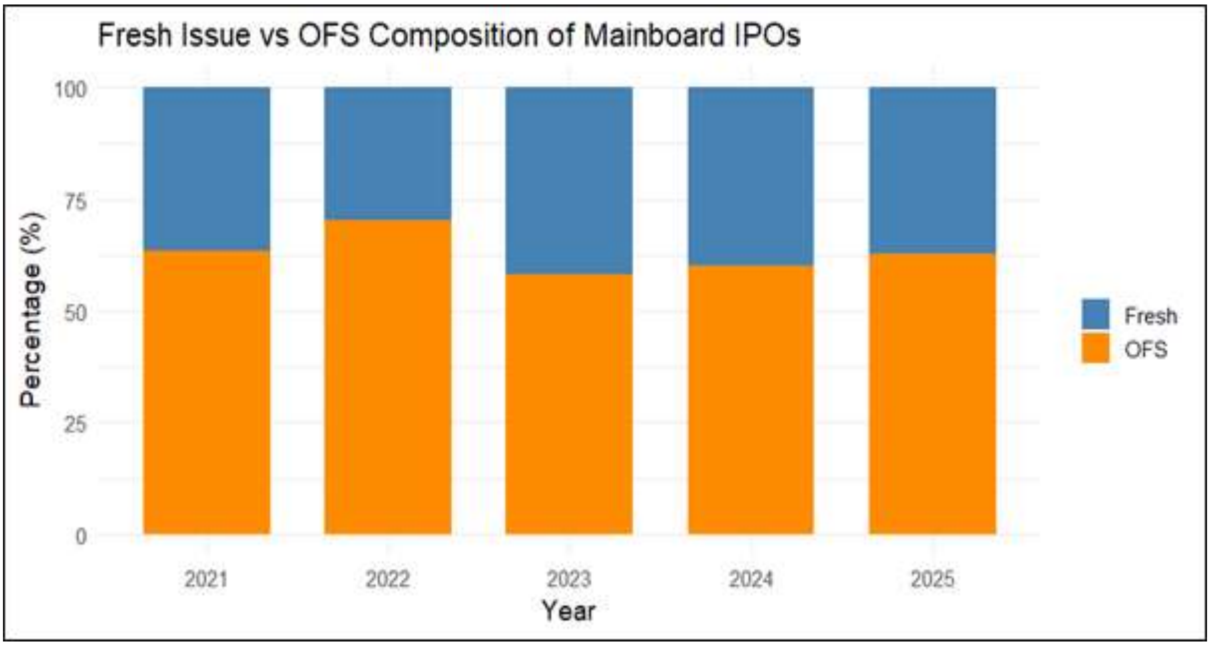

Figure 2: Source(s) R version 4.5.2

Figure 2 represents the composition of Indian mainboard IPOs by illustrating the relative shares of Fresh Issue and Offer for Sale (OFS) during 2021–2025. The stacked bars demonstrate that OFS consistently accounted for the larger proportion of IPO proceeds, ranging from 58% to 70.2%, while Fresh Issues contributed between 29.8% and 42%. Although Fresh Issue participation increased in 2023 and 2024, OFS remained the dominant component, indicating that shareholder divestment continued to outweigh new capital raising across the study period.

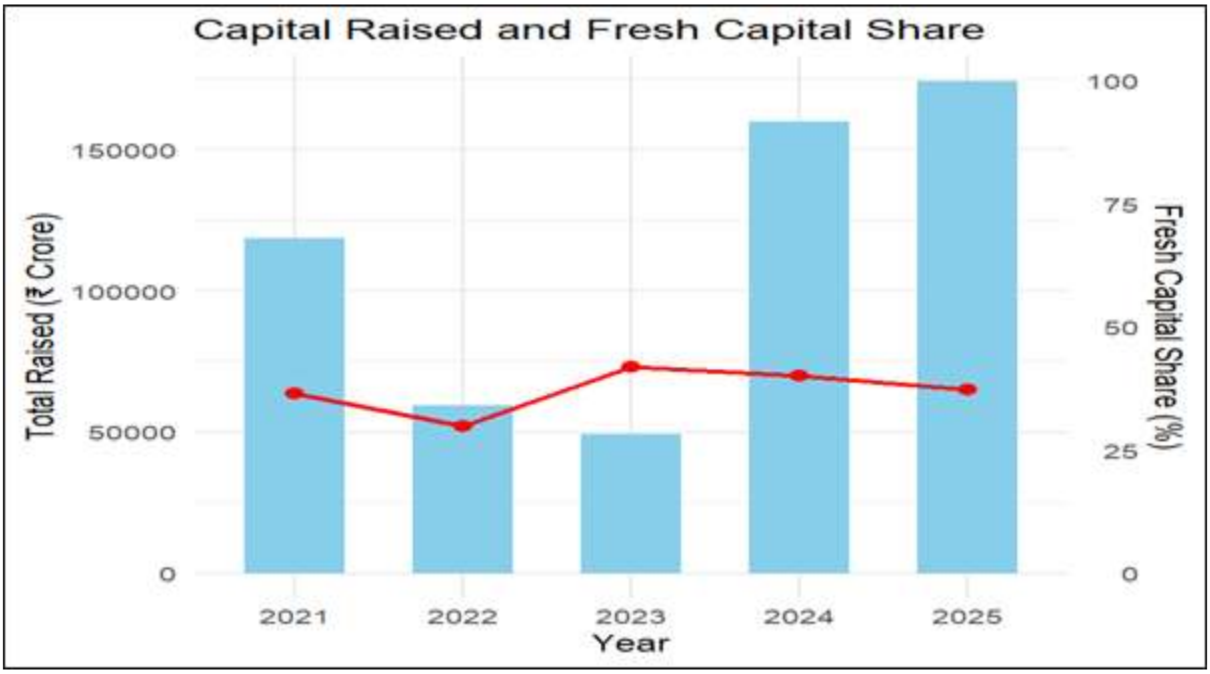

Figure 3: Source(s) R version 4.5.2

Figure 3 represents the relationship between total capital raised and the Fresh Issue share in Indian mainboard IPOs during 2021–2025. The bar chart indicates that capital mobilization declined in 2022 and

2023 before increasing substantially in 2024 and reaching its highest level in 2025. In contrast, the Fresh Issue share remained relatively stable, fluctuating between approximately 30% and 42%, with the highest proportion recorded in 2023. This suggests that higher capital mobilization did not necessarily correspond to a greater reliance on Fresh Issues for fundraising.

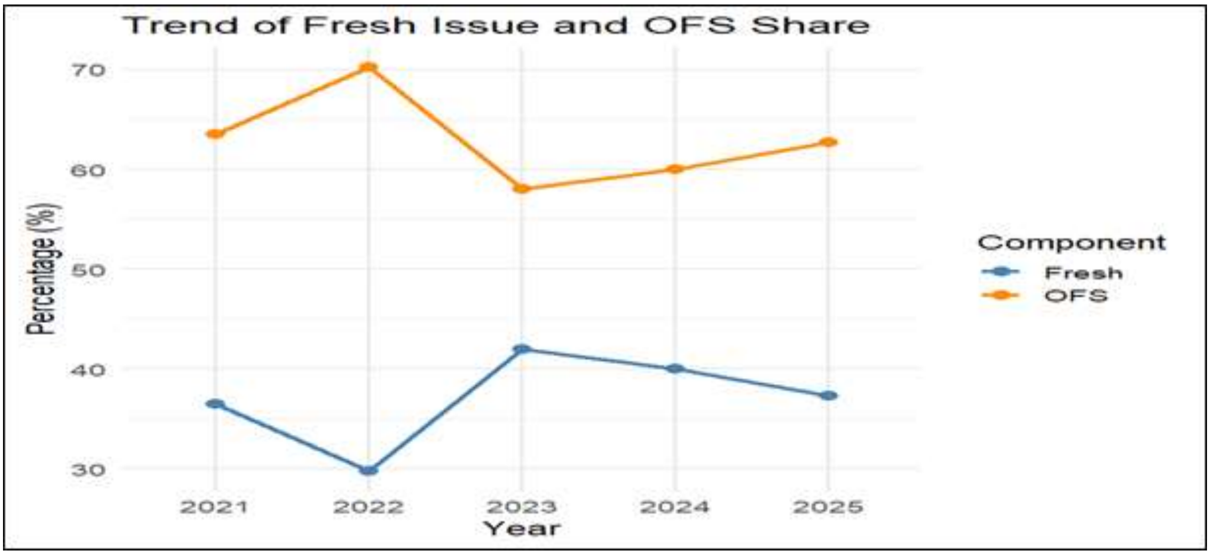

Figure 4: Source(s) R version 4.5.2

Figure 4 represents a line graph illustrating the trend in the Fresh Issue and Offer for Sale (OFS) shares in Indian mainboard IPOs during 2021–2025. The blue line denotes the Fresh Issue share, while the orange line represents the OFS share. The graph reveals an inverse relationship between the two components, as an increase in one corresponds to a decline in the other. The OFS share peaked at 70.2% in 2022 before declining to 58% in 2023 and gradually increasing thereafter. Conversely, the Fresh Issue share reached its highest level of 42% in 2023. Overall, the trend indicates the sustained dominance of OFS in the composition of Indian mainboard IPOs throughout the study period.

Figure 5: Source(s) R version 4.5.2

Figure 5 represents a bubble chart illustrating the relationship between the number of Mainboard IPOs and the total capital raised in India during 2021–2025. In this plot, the horizontal (X) axis represents the total number of Mainboard IPOs, while the vertical (Y) axis indicates the total capital raised (₹ crore). The bubble size corresponds to the magnitude of capital raised, with larger bubbles representing higher fundraising. The figure shows that both IPO volume and capital mobilization increased significantly in 2024 and 2025, whereas 2022 and 2023 recorded comparatively lower activity. Overall, the chart demonstrates a positive association between IPO volume and the amount of capital raised, reflecting the strengthening of the Indian primary market during the later years of the study period

5. Findings and Implications

The analysis of Indian Mainboard Initial Public Offerings (IPOs) during the period 2021–2025 reveals several significant trends in issue composition and capital mobilization. The findings indicate that IPO activity experienced a temporary slowdown in 2022, with only 40 IPOs and reduced capital raised, before recovering strongly in 2024 and reaching its highest level in 2025 with 101 IPOs and ₹1,74,379 crore mobilized. This recovery reflects renewed investor confidence and favourable market conditions. Despite variations in IPO volume and total funds raised, the Offer for Sale (OFS) component consistently accounted for the majority of issue proceeds, ranging from approximately 58% to 70.2%, while the Fresh Issue share remained between 29.8% and 42%. The highest Fresh Issue proportion was observed in 2023, indicating a relatively greater emphasis on corporate capital raising during that year. However, the dominance of OFS throughout the study period demonstrates that existing shareholders primarily utilized IPOs as an exit mechanism rather than companies using the public market predominantly for financing expansion. Visual analyses through bar charts, stacked bar charts, line graphs, and bubble charts further confirm these patterns by illustrating the persistent superiority of OFS, the inverse movement between Fresh Issue and OFS shares, and the positive relationship between IPO volume and total capital raised.
The findings have important implications for policymakers, investors, and issuing firms. Regulators may consider encouraging a higher proportion of Fresh Issues to strengthen capital formation and support long-term corporate growth. Investors should carefully distinguish between Fresh Issue and OFS components, as they convey different strategic objectives of issuing firms. The study also provides a descriptive benchmark for future research examining how IPO composition influences post-listing performance, firm growth, and shareholder value creation in the Indian primary market.

6. Conclusion

The present study provides a descriptive comparison of Fresh Issue and Offer for Sale (OFS) components in Indian Mainboard IPOs during the period 2021–2025. The analysis demonstrates that although IPO activity and capital mobilization fluctuated across the study period, the Indian primary market exhibited a strong recovery after 2022, with record levels of IPOs and funds raised in 2025. A consistent finding is that OFS remained the dominant component of Mainboard IPOs, accounting for a larger share of issue proceeds in every year, while Fresh Issues represented a comparatively smaller proportion. This indicates that IPOs were predominantly used by existing shareholders to monetize their investments rather than by companies to raise substantial new capital for expansion. Furthermore, the graphical analysis confirmed the inverse relationship between Fresh Issue and OFS shares and highlighted a positive association between IPO volume and total capital raised. Overall, the study contributes to the understanding of IPO issue composition in India by offering comprehensive descriptive evidence. The findings establish a useful benchmark for researchers, investors, regulators, and corporate decision-makers in evaluating capital-raising strategies and the evolving dynamics of the Indian primary market.

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