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IPO Surge and Public Market Evolution in Indian Startups: Structural Transformation of India's Capital Markets

The landscape of India's first public offering has radically changed since 2021, shifting towards a less niche exit path of established companies and toward an overall mainstream capital-raising strategy of high-growth startups. This article is a study that explores the IPO boom based on market dynamics, investor participation, as well as development of regulations. Based on the empirical data of India's 80 mainboard IPOs in fiscal 2025, which raised 1.63 trillion, this article concludes that the IPO boom in India signifies a structural change because of three forces, including the emergence of a domestically rooted investor base, increased financial discipline amongst startups, and active regulatory reforms by SEBI. Viewing case studies of some of the unicorns, it can be seen that the investor expectations on profitability and sustainable business models have changed drastically as compared to the growth-at-any-cost mindset of 2021.

Introduction

The global rise of the Indian startup ecosystem has been widely covered, but its development as a market destination has not been properly studied. During the 2010s, Indian entrepreneurs perceived foreign markets, especially those in the United States, as natural destinations of venture-backed exits. In 2021, an online platform for food ordering, restaurant discovery, and dining-out services named Zomato became the first unicorn to seek a domestic IPO; however, the story took a very different turn. The implications of this shift in the domestic market fundamentally altered how the Indian public market was perceived. The change is indisputable five years down the line. In the fiscal year 2025, 80

mainboard IPOs were done in India with a raise of 1.63 trillion, which was the strongest capital mobilization cycle in the country. Most importantly, investors within the domestic market are providing 75% of IPO funds, compared with 25% ten years ago. This reversal is an indication of the development of a self-perpetuating, self-determined capital market, not reliant on foreign flows to be authenticated or liquidated.

The 2021 Inflection Point

In July 2021, Zomato's IPO of 9,375 crores at 76 per share (NSE) had 52.63% first-day listing returns, to 116 (opening price). This premium indicated that homegrown investors had gained confidence in the

unprofitable technology firms, an impressive change. This was followed by an Indian omnichannel retail company, Nykaa, in November 2021, which shot up 79.4% between 1,125 and 2,018, achieving aspirational profitability. Another leading digital payment company, Paytm, which collected 18,300 crore at 2150 per share, listed at 1950 (NSE), a 9.3% loss, an indicator that investors' enthusiasm had definite boundaries.

These three products were important firsts: home investors were able to value technology businesses with global-level multiples; investor interest in startup IPOs was real but discriminating; and valuations without profitability vehicles were still at risk. The fact that Paytm fell by 9.3% in the

short run proved that market discipline had certain limits and that size alone was not going to make investors gung-ho.

Table 1: Major Indian Startup IPOs (2021) - Inaugural Offerings Establishing Market Discipline

Company	IPO Year	Issue Price (₹)	Listing Price (₹)	IPO Size (₹ Cr)	First Day Return (%)
Zomato	2021	76	116.00	9,375	52.63
Nykaa	2021	1,125	2,018.00	5,349.72	79.38
Paytm	2021	2,150	1,950.00	18,300	-9.3

Source: NSE/BSE Official Records, Goldman Sachs IPO Track Record, SEBI-registered data providers

The Profitability Pivot: Financial Discipline as Entry Fee

Between 2022 and 2023, with Paytm stock crashing and start-up funding halting, investor hopes were summarized in profitability timelines. By 2024, this wisdom, which was established with difficulty, had percolated into the ecosystem. Businesses that were planning their 2024-2025 listings: “Swiggy, Ola Electric, FirstCry” had their explicit focus on unit economics and path-to-profitability stories.

Swiggy showed cyclic expansion in EBITDA margins; food delivery was profitable; FirstCry had unit economics, although it incurred losses; even Ola Electric had a runway to profitability, despite cash burn. This openness was a stark contrast to the 2021 growth at all costs positioning. Regulatory adjustments by SEBI strengthened the expectations by introducing higher expectations of profitability of SME IPOs, which indicated that there was a market where profitable or near-profitable businesses could be floated in the public markets as opposed to an open cash burn subsidization.

The Domestic Investor Revolution

The biggest structural transformation regards the inversion of investor identity. As of 2020, 75% of IPO capital came as a result of foreign portfolio investors; by 2025, 75%

was domestically sourced, i.e., retail investors, mutual funds, insurance companies, and pension funds.

This change indicates a trend of several forces: the number of demat account holders has grown by 18.5 crore (December 2024) over 4 crore (2020); the young investor, less than 30, forms 48% of the base; 25% of NSE investors are women. The assets being managed by mutual funds grew by 68.5 lakh crore (Oct 2024), by comparison to ₹12 lakh crore (2020), and this generated efficient aggregation mechanisms.

The numerical scale of such a base transformation of investors is impressive. The recent change in the IPO capital sourcing structure over the past six years demonstrates the shift in the dominance of foreign portfolio investors over domestic investors.

Case Study Analysis: Divergent 2024 Trajectories Profitability Pathway to a leading Online food Ordering, and Delivery Company

An online food ordering and delivery company, Swiggy, went public in November 2024, debuting with a modest first-day listing premium of 7.7% at ₹390 and attracting an oversubscription of 3.59 times. The depressed performance indicated by the scales of investor discrimination alone was no longer charged with premiums. Most importantly, the food delivery segment had become

profitable in terms of EBITDA, and the losses were accumulated in experimental sections. The 34% year-on-year revenue growth and the reduction of the losses gave apparent profitability highway maps.

Growth vs. Reality Check

In August 2024, in the IPO that Ola Electric conducted at 76 at a 19.97% premium, the pre-profit company was valued at 73000 crores by a valuation of 6146 crores. The projections of electric two-wheelers hitting 60-70% of the market by 2030 by a multinational strategy and management consulting firm were an excuse to become a real enthusiast in the long term. However, an increase in losses despite 88% revenue growth casts some concerns on execution. This was followed by trading below the opening prices in the following weeks, indicating that investors were not homogeneous; there was retail trading fuelled by narrative and institutional investors who were disciplined in their analysis.

Brand-Driven Moats

In August 2024, an Indian multinational retail company, FirstCry held an IPO at ₹465 which soared 40% to ₹651 and raised 4,194 crore. Even after incurring losses of 321.51 crore, unit economics increased, and 1,063 physical retail touchpoints served as competitive moats worth the 43,000 crore market cap. Shareholders were aware of true business excellence and not the speculative enthusiasm.

The following three case studies demonstrate the non-uniform investment by investors in mega 2024 IPOs. The correlation between the size of the IPO and the enthusiasm of the investors shows that bigger offerings do not necessarily result in higher first-day returns and shows a higher level of discriminating investor behavior.



Table 2: Major Indian Startup IPOs (2024) - Profitability-Focused Offerings with Market Maturity

Company	IPO Year	Issue Price (₹)	Listing Price (₹)	IPO Size (₹ Cr)	Listing Returns (%)
Swiggy	2024	390	420	11,327	7.69
Ola Electric	2024	76	91.18	6,146	19.97
FirstCry	2024	465	651	4,194	40

Source: NSE/BSE Official Records, SEBI-registered data providers, IPOJI

Regulatory Framework Evolution

The regulatory direction of SEBI during 2021-2025 was becoming more and more sensitive to the idea that active IPO markets must have their balance between investor protection and issuer accessibility. In response to the recognition that deep capital markets do not need large floats to be efficient, the September 2025 amendments reduced minimum public float requirements by a factor of two to 2.5% of ultra-large caps.

The December 2024 reforms of SME IPO proposed explicit profitability requirements (operating profit of 1 crore in two of three previous years), tightened the offer-for-sale rule, and increased disclosures. These are the calibrated guardrails which avoid abuses and do not eliminate access to capital to really growing businesses. The provisions of expanded anchor investors now incorporate insurance

companies and pension funds whose long-term obligations provide inbuilt basic value-investment incentives.

Market Evolution: Quantified Transformation

The development of the market is an expression of maturity that goes through various stages of development and redemption. The curve shows a movement from the sporadic extravagance of speculation to a rigorous tightening to a steady expansion.

Capital Mobilization Through Mainboard IPOs: India IPO market developed during a specific cycle that last between FY2020 and FY2025. Activity level in FY2020-21 was low and was 31,000-31,300 crore/annum. The inflection point emerged in FY 2021–22, when 47 mainboard IPOs mobilised ₹1,09,900 crore, the highest ever in a single year, reflecting heightened domestic investor participation and several high-profile market debuts.

The inflection point came in FY2021-22, when 47 mainboard IPOs had mobilized 1,09,900 crore which is the highest by all times and showed Zomato, Nykaa and Paytm debuts, as well as high domestic investor interest. Activity was reduced in FY2022-23 by valuation corrections, which included 37 IPOs raising ₹52,116 crore. Nonetheless, starting with FY2023-24, the market showed a strong recovery: 76 IPOs raised ₹61,915 crore in FY24, and record activity in FY2024-25: 80 IPOs raised ₹1,63,000 crore, the highest amount of capital raised in any given financial year. This path is the process of maturation out of speculative excess (FY22) to disciplined correction (FY23) to sustainable growth on the basis of better issuer profitability and investor selectivity (FY24-25).

Transaction Volume: Having fallen to 32 IPOs (FY2021) and then 25 (FY2023), followed by 76 (FY2024) and 80 (FY2025), suggests that the market is coming to be dominated by smaller offerings and purely random mega-caps.

Domestic Participation: To be changed to 75% (FY2025) versus 25% (FY2020) and closer to or more mature market ratios.

Subscription Metrics: Unsubscriptions have been normalized with high ratios (25x-30x) in 2021 and brought within 3-4x healthy ratios, which translate to sensible investor positioning and pricing discipline.

Table 3: IPO Market Evolution in India (2020-2025) - Structural Transformation Metrics

Financial Year	Number of Mainboard IPOs	Total Capital Raised (₹ Crore)	Total Capital Raised (₹ Billion)	Average Issue Size (₹ Crore)	Notes
FY 2019-20	30	₹ 31,512	₹ 315	~₹1,050	Pre-pandemic baseline
FY 2020-21	35	₹ 31,268	₹ 313	~₹893	Limited activity during COVID-19
FY 2021-22	53	₹ 1,11,547	₹ 1,115	~₹2,104	All-time high: Zomato, Nykaa, Paytm IPOs; strong domestic investor appetite
FY 2022-23	37	₹ 52,116	₹ 521	~₹1,408	Correction phase; LIC mega-IPO (₹20,557 Cr) drove aggregate

Financial Year	Number of Mainboard IPOs	Total Capital Raised (₹ Crore)	Total Capital Raised (₹ Billion)	Average Issue Size (₹ Crore)	Notes
FY 2023-24	76	₹ 61,915	₹ 619	~₹815	Recovery begins; 76 IPOs (highest count); diversified sectors
FY 2024-25	80	₹ 1,63,000	₹ 1,630	~₹2,038	Record capital mobilization: Ola Electric, Swiggy, FirstCry; PE-backed IPOs (₹562 Bn) prominent

Source: KPMG India (2025). IPOs in India - FY 2025, based on final offer documents filed with ROC, NSE, BSE. PRIME Database Group (2023, 2024) press releases on FY22, FY23, FY24 capital mobilization. All figures in Indian Rupees (₹); financial year = 1 April - 31 March.

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Venture Capital Pipeline and IPO Readiness

The Indian venture capital ecosystem had become symbiotic with the maturity of the IPO markets. In 2024, total VC/growth equity funding had increased to ₹1,19,437 crore (13.7 billion), and the number of transactions (1,270) showed 43% year-over-year growth, a 45% growth that indicates it has been widely participated in.

Those firms that successfully oriented through the 2022-2023 funding downturn did so having gained a better ability to manage their finances and established profitability roadmaps. Small and medium-ticket transactions of 95% dealings formed pipelines of hundreds of high-growth companies with enhanced unit economics; exactly what the public market was gaining greater and greater favor.

The various government policy efforts, such as the abolition of angel taxes, reduction of long-term capital gains



taxes, simplification of foreign VC registration, etc, have further boosted the attractiveness of venture investing and minimized the cost of friction.

The Convergence Thesis: Why 2024-2025

Record IPO activity reflected multiple converging forces:

Retail Investor Maturation: By 2024, pandemic-era account openings had created experienced investor cohorts with 2-3 years of market experience and rational valuation frameworks, contrasting with 2021's less sophisticated participants.

Profitability Achievement: The 2018-2020 venture groups to go to IPO by 2024-2025 had many companies that had already achieved profitability or had been operating at near-profitability; as compared to 2021, when most startups were burning cash as long as they were open.

Regulatory Clarity: Cumulative SEBI developments created increased transparency in IPO procedures, disclosure standards, and investor protections, reducing uncertainty costs for both issuers and investors.

Global Capital Reorientation: The global markets changed to focus on profitable-growth models instead of growth-at-any-cost models. When the revaluation of public technology became apparent throughout 2022, Indian startups that had been showing better performance in profitability worked to their advantage, as the valuation of global technology began to stabilize.

Remaining Challenges

A number of issues are to be addressed in order to have sustainable growth. The sustainability of post-IPO performance is based on the ability of companies to fulfill profitability

“The development of the market is an expression of maturity that goes through various stages of development and redemption. The curve shows a movement from the sporadic extravagance of speculation to a rigorous tightening to a steady expansion.”



promises, but the level of shortfalls would instantly kill retail confidence and limit subsequent issues. Some of the 2024-2025 products are still trading at valuations based on heroic growth assumptions, most notably in quick commerce and electric mobility.

Although the shift in domestic capital is an actual type of strength, there may be some global institutional involvement that can add depth to the market and offer stabilizing large-block investors. The participation of lower-tier cities is still limited; the geographical expansion to smaller areas will further diversify the domestic capital base and will democratize investment.

Conclusion

The IPO boom in India through 2024-2025 will embody structural development to the prevalence of local-investor control, enhanced issuer financial discipline, and regulatory regulations in consonance with fresh market best practices. The progression from an initial breakthrough phase to sustained record performance reflects a broader maturation process, where early enthusiasm gives way to valuation discipline, eventually evolving into a more stable and advanced market equilibrium.

The present IPO market, with features of healthy subscription

multiples, better profitability profile, capital mobilization by domestic sources, and a regulatory environment, can be viewed as being on the path of long-term growth and not the cyclical fluctuations. To the greater Indian economy, thriving domestic IPO markets decrease reliance on foreign capital, allow venture-funded entrepreneurs to find domestic liquidity, and introduce congruence amid start-up development and capital formation.

Mega-technology firms such as PhonePe, Flipkart India, and Reliance Jio Infocomm are possible future products that may easily surpass the existing records, further pushing the boundaries of the Indian market and institutional maturity. The 2024-2025 experience offers the assurance that the capital markets of India have the infrastructure and investment savvy to take such transformational capital raises in a disciplined and well-judged way.

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