

The Cost of not doing an IPO!



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The Indian capital markets are witnessing an historical phenomenon, with over Rs 4 tn being raised by Initial Public Offerings (IPOs) in the first 5 years of this decade (2021 to 2025 so far) itself, compared to around Rs 4 tn raised in the first 20 years of the century (2001 – 2020). The growth in the fund raising through IPOs has been on the back of growing investor participation – both retail and institutional, as well as retail through institutional, particularly Mutual Funds.

The Indian mutual fund industry is currently managing assets of over Rs 74.4 tn, with equity or equity-oriented schemes accounting for over 60% of the total assets under management. In addition, over Rs 27,000 cr gets added in each month by way of Systematic Investment Plan (SIP).

On the supply side, we have been witnessing very high-quality businesses from across the country and across the sectors tapping the IPO market for fund-raising either for more investments in the differentiated high growth businesses or to monetize and list the companies to avail the benefits of listing. A big trend we are witnessing is that good quality companies are emerging from Tier 1, 2, 3 and even beyond. These companies have been under the radar and now are emerging as they have been deriving scale with their growth oriented business models.

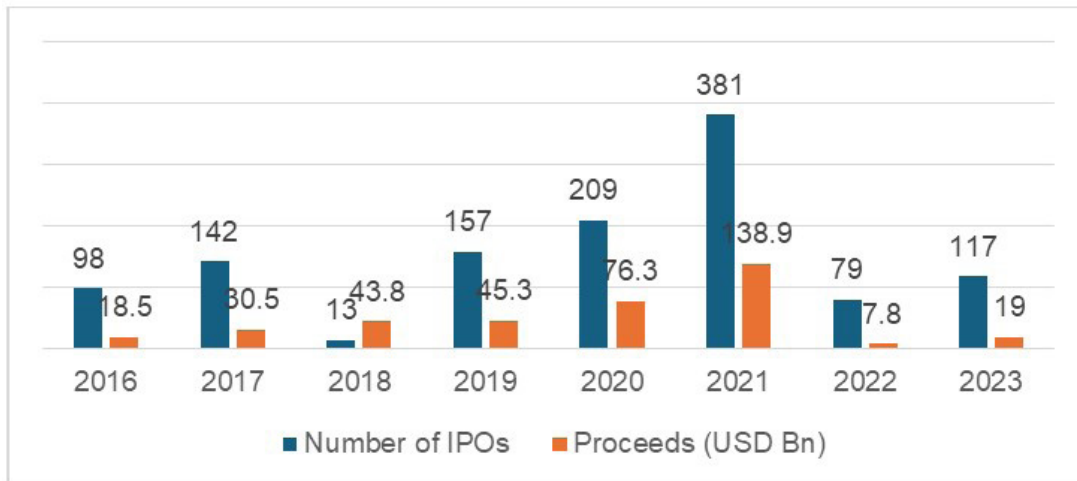
The IPOs have enabled a value creation platform for all stakeholders – institutional investors, HNIs, retail investors, employee/ management shareholders of the companies, private equity investors and the promoter themselves. IPOs in India, the ones floated since January 2021 till date, have provided an average return of over 63% (current market price to IPO price), creating value for all stakeholders.

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The current trends and the overall macro story of India of growth, governance, regulations and opportunity suggest that the period of at least next three years (i.e at least till 2028) is going to be Golden for the Indian capital markets, in our view. The estimates suggest a fund raising of over Rs 6 tn during the period. Its very important for the unlisted corporates in India, who are contemplating to go public and have the wherewithal to do so, to take advantage of this period, else be left behind.

This phenomenon draws parallel to what happened in US in the years 2016 to 2021 where funds raised from IPOs were over USD 350 bn. After a peak of USD 138 bn raised in calendar year 2021 through 381 IPOs, the IPO markets in US have seen a significant dip. Calendar years 2022 – 2023 combined saw a fund raise of just 196 IPOs raising about USD 27 bn. See Exhibit 1

Exhibit 1: IPOs in US



Many firms postponed, staying private longer (e.g., CoreWeave, Klarna, StubHub) but at the cost of missing peak valuations and public funding access. Case in point is Affirm Holdings, which chose to make an IPO debut in Jan 2021. The company's valuation has more than doubled – from USD 12 bn to currently USD 30 bn. On the contrary, Klarna, which hit a valuation of USD 45.6 bn, did not or wasn't able to do an IPO, saw a decline in valuation which crashed to USD 6.5 bn.

Another example is Instacart, which hit a private valuation of USD 39 bn during March 2021. Chose to wait, also postponed 2022 filing. Eventually IPO Filing was done in 2023, at a USD 9.3 bn valuation. Just after its debut, valuation zoomed above USD 14 bn. Doordash, on the other hand, was valued at USD 39 billion in IPO in 2020. Shares ended

just over 91 percent above its IPO price, delivering an initial valuation of more than USD 72 billion.

The cost of not doing an IPO, apart from the loss in valuations is also losing out on the crucial equity funds, which allow companies to grow. Especially true, if the companies which compete or are in the same sector, raise funds and get the equity funding to growth their businesses. Over reliance on debt, can skew the capital structure of the business leading to more leverage and interest costs. Missed liquidity events diminish employee morale—stock options lose meaning. Early investors (PE/VC) pressured to exit within 7–10 years need a timely public path. Delays can lead to strained relationships, down rounds, or forced M&A. Competitors who list earlier gain brand visibility, access to capital, and higher valuations. Latecomers may face tougher valuations in stale markets—and heightened scrutiny.

India is in the midst of a rare IPO prime-time—driven by economic stability, investor appetite, regulatory support, and US dollar huge pipelines. As history shows—from the U.S. IPO hangover of post 2021 —missing a public-window can cripple growth and delay expansion by years.

For India's next-generation unicorns, the 2025–2028 window is a once-in-a-decade opportunity. Companies should move now to secure equity for growth, exit horizons for investors, and visibility for employees and brands—lest they risk being locked out of sustained expansion.
