



PRESENT STATE AND FUTURE OUTLOOK OF THE PRIMARY MARKET OF INDIA

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Abstract

The primary market constitutes the fountainhead of long-term capital formation for corporate enterprise, government, and financial institutions in India, and its efficiency has a direct bearing on industrial growth, employment generation, and the depth of the wider securities market. This article presents a descriptive and analytical examination of the present state and future outlook of the Indian primary market up to the year 2020. Using secondary data drawn from the Securities and Exchange Board of India (SEBI), the National Stock Exchange (NSE), the Bombay Stock Exchange (BSE), the Reserve Bank of India (RBI), and peer-reviewed literature, the study traces the chronological development of public offerings, examines the allocation and pricing mechanisms prescribed under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, and evaluates the impact of two major systemic shocks — the 2008 Global Financial Crisis and the 2020 COVID-19 pandemic — on primary market performance. Three worked mathematical models illustrate, respectively, proportional retail allotment, book-building cut-off price discovery, and the balance-sheet mechanics of a bonus issue. The findings indicate that while the Indian primary market has matured considerably since liberalisation, it remains acutely sensitive to global liquidity shocks, and that reforms in pricing discipline, IPO grading, and electronic application processing (ASBA) are necessary to deepen investor confidence going into the post-2020 period.

Keywords: Primary Market, IPO, SEBI, Book Building, ASBA, Bonus Issue, Global Financial Crisis, COVID-19, Capital Mobilization, India.

1. Introduction

1.1 The Conceptual Framework



The securities market is conventionally divided into the primary market, where new securities are issued for the first time, and the secondary market, where previously issued securities are traded among investors (SEBI, 2018). The primary market — also termed the new issue market — performs the economic function of channeling household and institutional savings into productive investment through instruments such as Initial Public Offers (IPOs), Further Public Offers (FPOs), Rights Issues, Bonus Issues, Qualified Institutional Placements (QIPs), Preferential Allotments, and Offers for Sale (OFS). Unlike the secondary market, the primary market results in a net addition to the stock of outstanding securities and, in the case of fresh issues, a net inflow of capital to the issuing entity.

In India, the conceptual and regulatory architecture of the primary market was fundamentally transformed by the economic liberalisation of 1991, which replaced the erstwhile Controller of Capital Issues (CCI) regime of administered pricing with a regime of free pricing overseen by SEBI, established as a statutory authority in 1992 (Insights IAS, 2021). Since then, the market has evolved through the introduction of book building (price discovery through competitive bidding within a price band), dematerialisation of securities, the Application Supported by Blocked Amount (ASBA) mechanism, IPO grading, and dedicated SME exchange platforms — BSE SME and NSE Emerge, both launched in 2012 — that extended primary-market access to smaller, high-growth entities.

1.2 The Statement of the Problem

Despite substantial regulatory modernisation, the Indian primary market has historically exhibited a markedly cyclical character, with phases of exuberant issuance activity abruptly followed by prolonged periods of near-total dormancy. This volatility is compounded by episodic pricing controversies — where issues are perceived by retail investors as being aggressively priced by issuers in consultation with merchant bankers under the free-pricing regime (Gupta, 2013) — and by acute vulnerability to exogenous shocks originating outside the domestic economy, as vividly demonstrated by the 2008 Global Financial Crisis and the 2020 COVID-19 pandemic. The central problem addressed by this study is, therefore, twofold: first, to document how capital mobilisation



through the Indian primary market has evolved chronologically till 2020; and second, to understand how the market's own allocation, pricing, and regulatory mechanisms have interacted with systemic shocks to shape its performance.

1.3 The Significance of the Study

An efficient and resilient primary market is a precondition for capital formation, entrepreneurship, and the transmission of household savings into productive assets. Given India's stated ambition of sustaining high rates of economic growth, an evidence-based understanding of how the primary market has performed — including its response to systemic crises — is of considerable value to policymakers, regulators, merchant bankers, institutional and retail investors, and academic researchers. This study is significant because it consolidates chronological resource-mobilisation data, worked regulatory-pricing mechanics, and crisis-impact analysis within a single descriptive-analytical framework, thereby providing a reference base for both classroom instruction in commerce and applied policy discussion.

1.4 Research Questions

RQ1. What have been the chronological trends in capital mobilization through the primary market in India?

RQ2. How do the allocation and pricing mechanisms of primary market issues operate under the regulatory framework prescribed by the Securities and Exchange Board of India (SEBI)?

RQ3. What has been the impact of major systemic market shocks, particularly the 2008 Global Financial Crisis and the 2020 COVID-19 pandemic, on the performance of the Indian primary market?

1.5 Research Objectives

O1. To examine the chronological trends in capital mobilization through the primary market in India.

O2. To analyse the allocation and pricing mechanisms of primary market issues in India under the



regulatory framework prescribed by the Securities and Exchange Board of India (SEBI).

O3. To evaluate the impact of major systemic market shocks, with particular reference to the 2008 Global Financial Crisis and the 2020 COVID-19 pandemic, on the performance of the Indian primary market.

1.6 The Delimitations of the Study

- The study is delimited to the Indian primary market and does not extend to a comparative analysis of foreign primary markets, except where international literature is used for contextual comparison.
- The temporal scope of the empirical discussion; subsequent regulatory amendments and IPO cycles fall outside the analytical scope, although occasional forward references are made for continuity.
- The mathematical models are illustrative, constructed with realistic but hypothetical numerical inputs to demonstrate SEBI-prescribed mechanics; they are not drawn from the disclosed allotment records of any identified, real issuer.
- The study relies exclusively on secondary data; no primary survey or interview-based data collection was undertaken.

2. The Review of Related Literature

2.1 International Studies

International researches underscore that primary market capital creation and pricing efficiency across emerging and global economies are heavily dictated by a combination of macroeconomic stability, institutional governance, and financial intermediation. Quaiyyum (2013) demonstrates that macroeconomic drivers like GDP growth act as primary catalysts for capital market expansion across South Asia, whereas systemic inflation and currency volatility severely dampen long-term primary issuance. At the micro-structural level, Haska (2017) finds that persistent information asymmetry in developing markets leads to significant short-term initial public offering (IPO)



underpricing, highlighting that long-term primary market sustainability requires strong corporate governance, third-party underwriter certification, and transparent book-building mechanisms. Expanding this across global landscapes, Zhang and Neupane (2019) confirm that emerging primary equity markets suffer from acute price volatility and speculative retail behavior compared to mature markets, concluding that cross-border capital integration and tech-driven electronic bidding systems are vital to establishing fair value discovery in new listings.

2.2 National Studies

Within the Indian landscape, national literature highlights structural bottlenecks and the institutional dynamics that shape domestic equity offerings. Gupta (2013) evaluates the evolution of India's primary securities market, emphasizing that while book-building mechanisms improved participation, operational delays between issue closure and listing eroded wealth creation, making simplified regulatory frameworks and SME-dedicated equity platforms essential for future growth. Similarly, Udasi et al. (2019) analyze mainboard IPOs on the NSE and BSE, revealing that intense institutional demand (QIB/HNI over-subscription) heavily drives short-term underpricing and leaves substantial capital on the table for issuers. Collectively, this literature reveals a prominent **Research Gap**: existing studies focus almost exclusively on short-term micro-anomalies—such as listing-day underpricing and institutional subscription metrics—while neglecting how primary market capital-raising connects to long-term macro-level capital formation and domestic economic growth. Furthermore, current research lacks an analysis of how modern digitised retail brokerage platforms and algorithm-driven investor behaviors alter post-listing valuation dynamics in India's modern primary market landscape.

3. The Methodology of the Study

Research Method

The study adopts a Descriptive research method, seeking to systematically document and characterise the state of the Indian primary market till the year 2020 without manipulating any variable.

Research Design



A Descriptive and Analytical research design has been employed, using a quantitative approach. The descriptive component chronicles resource-mobilisation trends and regulatory milestones, while the analytical component applies worked numerical models to SEBI-prescribed allocation, pricing, and capital-restructuring mechanisms, and quantitatively compares pre- and post-shock market indicators.

Data Collection Procedure

All data used in this study have been collected exclusively from secondary sources. No primary data collection (survey, questionnaire, or interview) was undertaken. The principal secondary sources consulted include:

- Annual Reports and Monthly/Handbook Bulletins of the Securities and Exchange Board of India (SEBI, various years).
- Indian Securities Market Review (ISMR) reports published by the National Stock Exchange of India Ltd.
- Reserve Bank of India Weekly Statistical Supplements and related publications on capital flows.
- Working papers of the Asian Development Bank Institute and the Bank for International Settlements on the 2008 Global Financial Crisis.
- Peer-reviewed journal articles indexed in outlets such as Finance Research Letters, the International Review of Financial Analysis, the Journal of Financial Reporting and Accounting, the Indian Journal of Finance, and JETIR.
- Financial press reportage (Business Standard, and comparable financial dailies) for dated, event-level market data.
- SEBI's Issue of Capital and Disclosure Requirements (ICDR) Regulations, 2009 and 2018, and related regulatory circulars.

Tools of Interpretation

Data have been organised into comparative and time-series tables and interpreted using simple



descriptive statistics (percentages, ratios, and growth comparisons), supplemented by three fully worked numerical models that replicate SEBI's prescribed retail-allotment, book-building, and bonus-issue mechanics.

4. The Analysis and Interpretation

Section 4.1: Analysis and Interpretation of Objectives

Trends of Capital Mobilisation (Objective O1)

The chronology of public offerings in India traces a path from the subdued, IPO-scarce years immediately following the dot-com correction of the early 2000s, through a resource-mobilisation boom associated with the pre-2008 bull run, a sharp post-crisis contraction, a gradual mid-decade recovery, and a renewed surge from the mid-2010s onward as retail participation, SME platforms, and digital application infrastructure matured.

SEBI's own Annual Report for 2001–02 records that the IPO segment was distinctly subdued that year, with only seven IPOs accounting for a mere 16 percent of total resources mobilised, compared with a 40 percent IPO share in 2000–01 (SEBI, 2002). Correspondingly, NSE's Indian Securities Market Review for the same year notes that resources raised by already-listed companies rose to about 84 percent of the total, from 55.4 percent the year before, as the number of IPOs collapsed from 114 in 2000–01 to a fraction of that level (NSE, 2002). This period illustrates how quickly new-company entry into the primary market can dry up even without a global systemic shock, driven purely by weak secondary-market sentiment following the technology-stock correction.

By the middle of the following decade, the market had matured considerably. During 2015–16, 108 companies accessed the primary market and mobilized approximately ₹58,166 crore through a combination of 95 public issues and 13 rights issues, compared with 88 companies raising ₹19,202 crore in 2014–15 (SlideShare presentation on Recent Trends in Primary Market, n.d., citing SEBI data). Table 4.1 summarises this comparison.

Table 4.1: Resource Mobilization through the Primary Market, 2014–15 vs 2015–16 (₹ Crore)

Particulars	No. of Issues (2014-15)	Amount (2014-15)	No. of Issues (2015-16)	Amount (2015-16)	% Share 2015-16
Public Issue	70	12,452	95	48,927	84.1%
Rights Issue	18	6,750	13	9,239	15.9%
Total	88	19,202	108	58,166	100%

Source: Compiled from SEBI-based data presented in an industry review of recent trends in the primary market

Two structural developments deserve particular emphasis for the period up to 2020. First, public-sector entities and financial institutions — notably the National Highway Authority of India, Indian Railway Finance Corporation, and NABARD — emerged as dominant issuers of debt instruments through the primary market during years of subdued equity issuance, reflecting a shift in the market's composition toward bond-financed infrastructure funding. Second, the launch of dedicated SME exchange platforms — the BSE SME Exchange on 13 March 2012, with the listing of BCB Finance Ltd, and NSE Emerge later the same year — created, for the first time, a formal, lighter-compliance route for smaller enterprises with reduced track-record and IPO-grading requirements to access public equity (Vinod Kothari Consultants, 2020; Chittorgarh, n.d.). Table 4.2 summarises the structural comparison between mainboard and SME issuance routes as they stood by 2020.

Table 4.2: Mainboard versus SME Primary Market Routes in India (Position as at 2020)

Parameter	Mainboard (BSE / NSE)	SME Platform (BSE SME / NSE Emerge)
Year of Platform Launch	Pre-existing (BSE 1875; NSE 1994)	2012 (both BSE SME and NSE Emerge)
Minimum Post-Issue Paid-up Capital	Higher threshold; full ICDR compliance	₹1–25 crore paid-up capital range
IPO Grading	Historically encouraged/mandatory disclosure	Not mandatory



Track Record Requirement	Generally 3 years, stringent profitability norms	Relaxed track-record and allottee norms
Regulatory Approval Route	SEBI vetting of offer document	Exchange-level (in-principle) approval, lighter SEBI oversight
Migration Pathway	Not applicable	Provision to migrate to Mainboard on meeting criteria

Source: Compiled from Chittorgarh (n.d.) and Vinod Kothari Consultants (2020).

Interpretation: The data confirm that Indian primary-market resource mobilisation is not a smooth, monotonically rising series but rather a cyclical one, with issuance volumes closely tracking secondary-market sentiment, macroeconomic liquidity conditions, and periodic regulatory recalibration. The addition of the SME route from 2012 onward widened the base of eligible issuers without materially altering the cyclicity of the mainboard segment, a pattern that persisted through to 2020.

4.2 Mathematical Mechanics and Pricing Models (Objective O2)

Three fully worked models are presented below to demonstrate, respectively, how SEBI's proportional retail-allotment rule operates under heavy oversubscription, how the book-building mechanism discovers a market-clearing cut-off price, and how a bonus issue restructures a company's balance sheet without altering its net worth.

Model 1: SEBI Proportional Retail Allotment

Assume ACB Company Ltd. makes a mainboard public issue of 10.00 crore equity shares at a price of ₹120 per share. In accordance with SEBI's ICDR Regulations, 35 percent of the net offer is reserved for Retail Individual Investors (RIIs), with a minimum application (lot) size fixed at 125 shares (approximately ₹15,000 at the issue price, consistent with SEBI's prescribed minimum application value band of ₹10,000–₹15,000).

Table 4.3: Step-wise Computation of Retail Allotment for ACB Company Ltd.

Step	Formula / Basis	Value
Total Issue Size	Given	10,00,00,000 shares
Retail (RII) Quota (35%)	$35\% \times 10,00,00,000$	3,50,00,000 shares



Minimum Lot Size	As fixed by issuer/BRLM	125 shares ($\approx$ ₹15,000)
Lots Available in Retail Quota	$3,50,00,000 \div 125$	2,80,000 lots
Retail Subscription Ratio (SR)	Given	8.25 times
Total Shares Applied (Retail)	$8.25 \times 3,50,00,000$	28,87,50,000 shares
Total Lots Applied (Retail)	$28,87,50,000 \div 125$	23,10,000 lots
Assumed Distinct Retail Applicants	Given (avg. 1.925 lots/applicant)	12,00,000 applicants
Probability of Allotment (Lottery)	$2,80,000 \div 12,00,000$	23.33%

Because total lots applied for (23,10,000) far exceeds the lots available (2,80,000), SEBI's ICDR Regulations (Regulation 49 read with Schedule XIII) require allotment to be made on a proportionate basis subject to a minimum lot per successful applicant, executed through a computerised draw of lots. In practice, each retail applicant — regardless of the number of lots originally applied for — is treated as a single lottery entry once the minimum-lot-equivalent demand exceeds supply, and each successful entry receives exactly one lot.

Applying this rule to three hypothetical investors:

Table 4.4: Outcome for Investors A, B and C under the Retail Lottery Mechanism

Investor	Lots Applied	Amount Blocked (ASBA)	Probability of Selection	Shares Allotted if Selected
Investor A	1 lot (125 shares)	₹15,000	23.33%	125 shares (₹15,000)
Investor B	4 lots (500 shares)	₹60,000	23.33%	125 shares (₹15,000); balance ₹45,000 unblocked
Investor C	12 lots (1,500 shares)	₹1,80,000	23.33%	125 shares (₹15,000); balance ₹1,65,000 unblocked

Interpretation: The model verifies that, once retail oversubscription is high enough that even minimum-lot demand exceeds supply, applying for additional lots does not improve an investor's chance of allotment or the quantum allotted — it only increases the amount temporarily blocked under ASBA, which is released automatically for the unallotted portion. This confirms the small-



investor protection intent embedded in SEBI's minimum-lot proportional-allotment methodology (SEBI, 2018; Share.Market, 2020; Wikipedia, 2020).

Model 2: Book-Building Cut-Off Price Discovery

Consider an issue of 1,000 equity shares offered through the book-building process within a price band of ₹100 (floor price) to ₹120 (cap price) — a spread of exactly 20 percent, the maximum permitted under SEBI's ICDR Regulations. During the three-day bidding window, the following demand schedule (bid book) is received from the syndicate members:

Table 4.5: Reconstructed Bid Book and Cumulative Demand Schedule

Bid Price (₹)	Shares Bid at this Price	Cumulative Demand (Shares)	Demand $\geq$ Offer Size (1,000)?
120 (cap)	100	100	No
118	150	250	No
116	200	450	No
114	560	1,010	Yes — first crossing
112	180	1,190	Yes
110	140	1,330	Yes
Bid Price (₹)	Shares Bid at this Price	Cumulative Demand (Shares)	Demand $\geq$ Offer Size (1,000)?
108	100	1,430	Yes
106	90	1,520	Yes
104	80	1,600	Yes
102	60	1,660	Yes
100 (floor)	40	1,700	Yes

Interpretation: Working from the cap price downward, cumulative demand first equals or exceeds the offer size of 1,000 shares at a bid price of ₹114 (cumulative demand of 1,010 shares). At any price above ₹114, cumulative demand (a maximum of 450 shares at ₹116) is insufficient to absorb the entire issue. The cut-off price is therefore discovered at ₹114 per share — the highest price at



which the issuer can place the entire offering. Retail investors who bid at the 'cut-off' option are allotted shares at this discovered price of ₹114, consistent with SEBI's book-building guidelines (SEBI Investor Education website, n.d.; Share.Market, 2020).

Model 3: Balance Sheet Restructuring in a Bonus Issue

ABC Company Ltd. has an existing paid-up equity share capital of ₹1,000 crore (100 crore equity shares of ₹10 face value each) and free reserves and surplus of ₹25,000 crore, of which the Board resolves to capitalise a portion by issuing bonus shares in the ratio of 5:1 (five new shares for every one share held), in accordance with Section 63 of the Companies Act, 2013 and SEBI's ICDR Regulations governing bonus issues.

Table 4.6: Pre- and Post-Bonus Balance Sheet Position of ABC Company Ltd. (₹ Crore)

Balance Sheet Head	Pre-Bonus (₹ Cr.)	Movement	Post-Bonus (₹ Cr.)
Existing Equity Shares (100 cr. shares × ₹10)	1,000	—	1,000
New Bonus Shares (5 × 100 cr. = 500 cr. shares × ₹10)	—	+5,000	5,000
Total Paid-up Equity Capital	1,000	+5,000	6,000
Free Reserves and Surplus	25,000	−5,000	20,000
Total Net Worth (Capital + Reserves)	26,000	0	26,000

Interpretation: The computation confirms that the bonus issue capitalises exactly ₹5,000 crore of free reserves (500 crore new shares $\times$ ₹10 face value), which is transferred to the paid-up equity capital account. The company's total net worth remains unchanged at ₹26,000 crore both before and after the bonus issue, verifying the textbook proposition that a bonus issue is a pure balance-sheet restructuring — redistributing existing shareholders' funds between the reserves and capital heads — and not a fresh inflow of capital, in contrast to an IPO, FPO, or rights issue.

4.3 Impact of Market Shocks and Volatility on Primary Markets (Objective O3)

The 2008 Global Financial Crisis

The failure of Lehman Brothers in mid-September 2008 triggered an abrupt reversal of the foreign capital flows that had underpinned India's pre-crisis primary-market boom. Against a net Foreign Institutional Investor (FII) inflow of US\$20.3 billion in FY2007–08, India recorded a net outflow of approximately US\$15 billion in FY2008–09, as foreign investors liquidated emerging-market positions to shore up parent-company balance sheets (ADBI, 2010). The BSE Sensex, which had peaked at 20,873 points on 8 January 2008, fell to a 35-month low of 8,701 points on 24 October 2008 — a decline of more than 50 percent within ten months (IIBF, 2009). The Reserve Bank of India responded with a cumulative 250-basis-point cut in the Cash Reserve Ratio and extended total liquidity support of roughly ₹1,85,000 crore to the banking system, including a special ₹20,000 crore facility for mutual funds (IIBF, 2009). Contemporary research places aggregate investor wealth erosion during the crisis period at approximately ₹10,00,000 crore (Gavesana Journal of Management, 2017).

Table 4.7: Key Indicators of the 2008 Global Financial Crisis Impact on India

Indicator	Value	Source
FII Net Inflow, FY2007–08	US\$20.3 billion	ADBI (2010)
FII Net Outflow, FY2008–09	US\$15.0 billion	ADBI (2010)
Sensex Peak (8 Jan 2008)	20,873 points	IIBF (2009)
Sensex Trough (24 Oct 2008)	8,701 points (35-month low)	IIBF (2009)

RBI Cumulative CRR Cut	250 basis points	IIBF (2009)
Total RBI Liquidity Support	≈ ₹1,85,000 crore	IIBF (2009)
Indicator	Value	Source
Estimated Investor Wealth Erosion	≈ ₹10,00,000 crore	Gavesana Journal of Management (2017)

The primary market's response mirrored the crisis intensity: risk-averse book-runners and issuers deferred or withdrew planned offerings, IPO pricing became markedly more conservative, and research on the 133 IPOs launched between 2007 and 2009 found that aftermarket pricing performance deteriorated sharply through the crisis window (Reddy, 2018.). The episode illustrates a persistent structural vulnerability: the Indian primary market's issuance pipeline is highly sensitive to foreign portfolio sentiment, such that even a domestically well-capitalised banking sector could not insulate new-issue activity from a global liquidity shock (BIS, 2010).

The 2020 COVID-19 Crashes

The onset of the COVID-19 pandemic produced the most compressed and severe sequence of single-day equity market declines in Indian stock-market history, culminating in a near-total, if temporary, freeze of the IPO pipeline. Table 4.8 reconstructs the principal dates.

Table 4.8: Timeline of the 2020 COVID-19 Market Crashes in India

Date (2020)	Triggering Event	Sensex Movement	Source
1 Feb	Post-Union Budget sell-off amid weak growth signals	Sharp single-day decline	General market record
28 Feb	Global sell-off on spreading pandemic fears	≈ 1,448-point fall	Contemporary market reportage
9 Mar	Yes Bank moratorium/reconstruction scheme; oil price war	1,941.67-point fall	Popular Timelines (2020)
12 Mar	'Black Thursday' — WHO pandemic declaration, global circuit breakers	2,919-point fall (−8.18%)	Angel One (2020)



23 Mar	Nationwide lockdown announcements across Indian states	3,934.72-point fall (–13.15%), worst-ever single-day crash	Business Standard (2020)
7 Apr	Market bottoms and gradual recovery begins	Trend reversal	Angel One (2020)

Within a single week around the WHO's pandemic declaration, the Sensex fell from a January 2020 high near 42,273 points to below 28,300 points (Groww, 2020). The compounding of the



Yes Bank reconstruction scheme with the pandemic sell-off placed acute stress on the banking, financial services, and insurance (BFSI) segment specifically (Groww, 2020). The 23 March crash alone triggered a pre-market circuit breaker that froze trading for 45 minutes upon reopening, and the Indian rupee depreciated by 90 paise against the US dollar on that single day (Business Standard, 2020).

The consequence for the primary market was immediate: draft offer documents already filed with SEBI were held in abeyance, merchant bankers advised issuers to withdraw or postpone roadshows, and mainboard IPO activity for the remainder of FY2019–20 and the first quarter of FY2020–21 slowed to a trickle, as institutional anchor investors — whose participation is a precondition for large book-built issues — turned overwhelmingly risk-averse. It was only in the second half of calendar year 2020, as global central-bank liquidity injections stabilised secondary-market indices, that a fresh, liquidity-driven primary-market revival began to take shape, a cyclical pattern consistent with the broader observation that Indian primary-market issuance has moved in boom-and-lull cycles across 2016–18 (NISM, 2020).

Section 4.4: Future Outlook and Suggested Reforms

Synthesising the trends and shocks documented above with the diagnostic critique offered by Gupta (2013) of SEBI's primary-market policy architecture, the future outlook of Indian primary listings as they stood at the threshold of 2020 rested on four interlinked reform priorities.

From Free Pricing to Valuation Discipline

Gupta (2013) argues that SEBI's free-pricing regime — under which the issuer and merchant banker jointly determine the offer price without regulatory intervention — has, in practice, permitted systematic overpricing of equity issuances, to the detriment of retail investors who lack the analytical resources of institutional participants. The suggested reform is not a return to administered pricing, but the introduction of stronger valuation-disclosure discipline: mandatory, standardised presentation of comparable-company multiples, sensitivity analysis of key valuation assumptions, and closer merchant-banker accountability for the reasonableness of pricing parameters disclosed in the offer document.



Enhanced, Multi-Dimensional IPO Grading



IPO grading, introduced by SEBI as a mandatory disclosure requirement and typically assigned by credit rating agencies on a simple five-point scale reflecting the fundamentals of the issuer relative to other listed peers, is critiqued by Gupta (2013) as insufficiently granular to meaningfully guide investor decision-making. The suggested reform is a shift toward multi-dimensional grading that separately scores business fundamentals, corporate-governance quality, and pricing reasonableness, rather than compressing all three into a single composite grade.

Institutional Placement Programme and Offer-for-Sale Mechanisms

The Institutional Placement Programme (IPP) and the stock-exchange-based Offer for Sale (OFS) auction mechanism, both aimed principally at helping listed companies meet SEBI's minimum public shareholding norms, are identified as under-utilised tools whose scope could be widened to support broader primary-market liquidity, particularly for public-sector undertaking disinvestment (Gupta, 2013).

Optimising ASBA and Electronic Onboarding

Finally, the transition of application processing toward a fully electronic Application Supported by Blocked Amount (ASBA) regime — under which an applicant's funds remain blocked, and continue to earn interest, in the applicant's own bank account until allotment is finalised, rather than being debited upfront — is identified as central to reducing retail-investor friction and eliminating refund delays (Wikipedia, 2024; Share.Market, 2020). By 2020, SEBI's ICDR Regulations, 2018 (as periodically amended) had made ASBA mandatory for all investor categories, laying the groundwork for the subsequent introduction of UPI-based, near-instantaneous blocking mechanisms that would further shorten listing timelines in the years immediately following the period under study (SEBI, 2018; ICICI Direct, 2020).

5. The Findings of the Study

1. Capital mobilisation through the Indian primary market till 2020 has been markedly cyclical rather than steadily rising, with issuance volumes closely tracking secondary-market sentiment: subdued activity following the early-2000s dot-com correction, a pre-2008 boom,



sharp post-crisis contraction, and a mid-to-late-2010s recovery aided by the 2012 launch of SME exchange platforms.



2. SEBI's retail-allotment mechanism, illustrated through Model 1, functions as a small-investor protection device: under heavy oversubscription, allotment is effectively a lottery for a single minimum lot, so that applying for additional lots increases blocked ASBA funds without improving the probability or quantum of allotment.
3. The book-building mechanism, illustrated through Model 2, reliably discovers a market-clearing cut-off price at the highest price level at which cumulative institutional and retail demand meets or exceeds the offer size, validating the price-discovery rationale for its adoption over the earlier fixed-price regime.
4. The bonus-issue mechanism, illustrated through Model 3, is confirmed to be net-worth-neutral, redistributing free reserves into paid-up capital without altering shareholders' aggregate claim on the company, and is therefore analytically distinct from capital-raising instruments such as IPOs, FPOs, and rights issues.
5. The 2008 Global Financial Crisis demonstrated the Indian primary market's acute sensitivity to foreign portfolio flows: a US\$35.3 billion swing in net FII flows between FY2007–08 and FY2008–09 coincided with a more than 50 percent collapse in the Sensex and a documented deterioration in IPO aftermarket pricing performance.
6. The 2020 COVID-19 pandemic produced an even more compressed shock, with three single-day Sensex declines exceeding 1,900, 2,900, and 3,900 points respectively within a six-week window (9–23 March 2020), triggering a near-total, temporary freeze of the primary-market IPO pipeline that only began to reverse in the second half of 2020.
7. Both crisis episodes, despite differing in origin (a credit and banking crisis in 2008 versus a public-health and lockdown-induced shock in 2020), produced structurally similar effects on the primary market: withdrawal or deferral of planned issues, heightened risk-aversion among anchor and institutional investors, and a subsequent liquidity-driven recovery once monetary and fiscal stabilisation measures took hold.
8. The literature reviewed indicates that pandemic-era IPOs, both globally and by extension in India, tended to exhibit elevated underpricing linked to information uncertainty, even though gross issuance volumes recovered strongly once markets stabilised, suggesting a trade-off



between issuance volume and pricing efficiency during periods of systemic stress.



6. Recommendations

9. SEBI should continue to strengthen valuation-disclosure requirements in offer documents, mandating standardised comparable-company benchmarking and explicit sensitivity disclosure, to address the overpricing concerns raised in the literature regarding the free-pricing regime.
10. IPO grading methodology should be revised toward a multi-dimensional score that separately reports business fundamentals, governance quality, and pricing reasonableness, rather than a single composite number, to improve its decision-usefulness for retail investors.
11. Regulatory and exchange infrastructure should build in explicit contingency protocols — such as pre-cleared extension windows for Red Herring Prospectus validity and anchor-investor lock-in flexibility — that can be activated automatically during periods of extreme systemic volatility, drawing on the operational lessons of both the 2008 and 2020 episodes.
12. SEBI and the depositories should continue to widen and streamline electronic ASBA and UPI-based application infrastructure to all investor categories and issue sizes, reducing retail-investor friction and shortening listing timelines.
13. Given the demonstrated GDP-linkage weakness reported in national studies (Vani, 2021), policy attention should extend beyond aggregate issuance volume toward the productive deployment of IPO proceeds, encouraging a higher proportion of fresh-issue (as opposed to pure offer-for-sale) capital raising among mainboard issuers.
14. SME platform regulators should monitor for speculative excess — as observed in later years — through measures such as price-movement circuit limits and extended lock-ins, to preserve the platform's original objective of genuine growth-capital access for small and medium enterprises.
15. Future research should extend the present descriptive-analytical framework with firm-level econometric modelling of Indian IPO underpricing across the 2008 and 2020 shock windows, following the methodological approaches demonstrated in the international literature reviewed in this study.



7. Conclusion



This study has examined the present state and future outlook of the primary market of India up to the year 2020 through a descriptive and analytical lens, addressing three research objectives concerning chronological capital-mobilisation trends, SEBI's allocation and pricing mechanisms, and the impact of the 2008 and 2020 systemic shocks. The evidence assembled confirms that the Indian primary market, though considerably deepened and modernised since the post-liberalisation introduction of free pricing, book building, dematerialisation, ASBA, and dedicated SME platforms, remains a cyclical and shock-sensitive segment of the wider capital market. The worked mathematical models presented demonstrate that SEBI's regulatory mechanics for retail allotment, price discovery, and bonus-issue restructuring function broadly as designed, protecting small investors and ensuring transparent price formation. At the same time, both the 2008 Global Financial Crisis and the 2020 COVID-19 pandemic exposed the market's continued dependence on foreign portfolio sentiment and institutional risk appetite, with each crisis producing a temporary but severe freeze in new-issue activity. Looking beyond 2020, the reforms proposed by Gupta (2013) and echoed in this study's recommendations — greater valuation discipline, richer IPO grading, and continued electronic-infrastructure investment — remain directly relevant to strengthening the resilience and efficiency of the Indian primary market as it enters its next growth phase.

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