IPO and OFS

# Offer for Sale (OFS)

## *IPO or Exit Route?*

*Understanding What Investors Are Really Funding*

*June 12, 2026*

*Who really benefits from an IPO — the company or its shareholders?*

# Understanding OFS: More Than Just a Share Sale

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Capital Advisors LLP

In any IPO, capital flows in two distinct directions — knowing where the money goes is fundamental fundamental

## FRESH ISSUE

**PUBLIC INVESTOR**
Applies for IPO shares

▼

**COMPANY**
Receives primary capital proceeds

▼

**BUSINESS GROWTH**
Expansion • Debt Repayment • Working Capital

## OFFER FOR SALE (OFS)

**PUBLIC INVESTOR**
Applies for IPO shares

▼

**SELLING SHAREHOLDER**
Receives OFS sale proceeds

▼

**MONETISATION / LIQUIDITY**
Partial Exit • Wealth Diversification

KEY QUESTION • Who ultimately receives the IPO proceeds — and does it align with your investment thesis?

# Decoding the Selling Shareholders

**Not all OFS transactions signal the same intent — context is everything**

## Promoter Selling 5–10%

**Generally Neutral**

Often wealth diversification or estate planning. Promoter continues to retain to retain majority control.

▶ *Promoter retention post-IPO is the key metric to watch*

## PE / VC Fund Exit

**Expected**

Natural investment lifecycle exit after 7–10 years. Fund mandate requires requires capital return to LPs.

▶ *Assess holding period and whether exit is at fair value*

## Strategic Investor Exit

**Context-Dependent**

Portfolio realignment or strategic pivot. May indicate reduced conviction in sector outlook.

▶ *Understand reason for realignment before drawing conclusions*

## Multiple Shareholders Exiting

**Requires Analysis**

Simultaneous exit by multiple parties warrants deeper scrutiny of business fundamentals.

▶ *Evaluate company growth prospects and insider confidence level*

INVESTOR INSIGHT • Promoter stake retained post-IPO is often the single most important signal of long-term alignment with public shareholders.

# Case Studies: Same OFS, Different Investor Perception

**IPO structure alone does not determine investment merit — fundamentals and context determine outcome**

## HYUNDAI MOTOR INDIA IPO

2024

**100%**

**Offer for Sale**

Zero fresh capital raised by the company

- Entire ₹27,870 Cr proceeds went to parent — Hyundai Motor Company
- Company received zero primary growth capital from the IPO
- Indian subsidiary gained listing benefits: visibility & price discovery discovery
- Investors funded an exit, not a growth agenda

**KEY LEARNING • Large IPO ≠ Fresh Capital For The Company**

## SWIGGY IPO

2024

**Mixed**

**Fresh Issue + OFS**

Balanced structure for growth & liquidity

- Fresh Issue component funded operational growth & technology investments
- OFS component provided liquidity to early PE/VC investors (natural exit)
- Balanced structure demonstrates company's genuine capital need
- Investors could assess both growth agenda and exit dynamics clearly

**KEY LEARNING • Balanced Structure Signals Growth + Liquidity Alignment Alignment**

*TAKEAWAY • High OFS is not inherently negative — context, fundamentals, and promoter retention post-IPO are the true indicators.*

# Investor Checklist Before Applying for an IPO

Five questions every investor should answer before committing capital to an IPO

01

**What % of the issue is OFS vs Fresh Issue?** ✓

*Why it matters: Determines whether the company is raising growth capital or solely enabling shareholder exits*

02

**Who are the selling shareholders?** ✓

*Why it matters: Promoters, PE funds, strategic investors or parent entity — each signals a different motivation*

03

**How much stake will promoters retain post-listing?** ✓

*Why it matters: High promoter retention signals long-term alignment; low retention demands deeper scrutiny*

04

**Does the company genuinely require growth capital?** ✓

*Why it matters: Fresh Issue proceeds tied to specific, credible growth plans vs. general corporate purposes*

05

**What is the business growth trajectory?** ✓

*Why it matters: Revenue, profitability, and unit economics must support the IPO valuation independently of structure*

FINAL TAKEAWAY • Every IPO is both a growth story and a liquidity story. Knowing which dominates will make you a more informed investor