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Analysing Enablers of Successful IPOs in the Energy Sector of India

Dr. Vinit Joshi
Assistant Professor
School of Commerce
NMIMS deemed to be University, Navi Mumbai
Dr. Padmashri Patil
Assistant Professor
School of Technology Management and Engineering
NMIMS deemed to be University, Navi Mumbai
Mr. Dhaval Bhatt
Assistant Professor
School of Commerce
NMIMS deemed to be University, Navi Mumbai
Rajalakshmi B
Assistant Professor
School of Commerce
NMIMS deemed to be University, Navi Mumbai

ABSTRACT
Energy sector is one of the important sectors of the economy. Development of this sector is key to the development of other sectors. Traditionally energy sector is capital-intensive and requires a long gestation period. India has very few players in this sector. However, with a change in government policy and a thrust on new sources of energy, this sector saw the establishment of new companies followed by the public offering of their shares. Authors attempted to identify various enablers of successful Initial Public Offers of the companies in this sector and tried to build a model based on interdependence and driving power of those factors using Interpretive Structural Modelling to understand the impact of these factors on the success of IPO.

Keywords : *IPO Enablers, ISM, Energy Sector, MICMAC Analysis*

1. Introduction

In the contemporary global landscape, the economic vitality of any nation is profoundly contingent upon the growth and development of its industrial sectors. This comprises not only the production of goods but also the rendering diverse range of services, including information technology, hospitality, healthcare, transportation, and others. Critically, the continued operation and growth of these industries are inherently dependent on the energy sector, which serves as the basic pillar enabling their constant functionality and progress. The global energy sector landscape is undergoing a major transformation as countries are shifting towards more sustainable techniques to fulfil their energy requirements. This shift is driven by the insistent need to address climate change and reduce greenhouse gas emissions. The landmark international accord held at Paris, popularly known as "Paris Agreement 2015", has played a pivotal role in fast-tracking this transition, compelling national economies to re-evaluate their energy policies and align them with the principles of sustainable development

(UNCC-2015)[1]. This resulted in countries changing their perspective towards energy generation, consumption, and environmental stewardship.

Furthermore, India, with its strategic shift from over-reliance on fossil fuel to renewable energy to meet its growing energy requirements, has emerged as a prominent player in redefining its energy model. Subsequently, the Indian government has introduced a series of energy policies aimed at instituting a robust and sustainable renewable energy infrastructure. These initiatives accentuated India's commitment to fostering a greener and more sustainable energy in future. Till date, the Government of India (GoI) has successfully sanctioned projects for the generation of 153 gigawatts (GW) of renewable energy through various initiatives. Furthermore, financial institutions have committed to providing funding amounting to $386 billion to support the achievement of the target of 570 GW by the year 2030 (Sethuraman, 2024)[2]. As a result, there is a rise in the number of enterprises in the energy sector.

With the resurgence of stock markets in the post-pandemic period, raising capital for further expansion has become gradually viable and financially gainful for these companies and, hence, has resulted in a quantifiable rise in the number of Initial Public Offerings (IPOs) being launched by companies within the energy sector. Since 2022, India's energy sector has witnessed a significant increase in IPOs, with a particular focus on the renewable energy segment. In the year 2024 alone, out of more than 298 IPOs introduced, the collective capital raised was approximately ₹1.4 lakh crore, whereas the energy and manufacturing sectors emerged as the primary drivers of this trend (Puja Tayal, 2025)[3].

Considering the profound success of numerous IPOs within the energy sector, characterized by robust subscription rates and substantial post-listing price appreciation, it is imperative to examine the key factors that contribute to the success of such IPOs. Hence, comprehending these parameters is crucial for obtaining insights into the dynamics that drive successful public offerings in the context of the energy sector. As far as this study is concerned, the research focuses on two companies, namely Premier Energies and Waaree Energies, which have been listed recently on the Indian stock exchanges.

1.1 Successful IPOs in the Energy Sector

Premier Energies Limited, a leading Indian entity in the renewable energy sector, has made a highly impressive debut on the stock market. The stock commenced trading at a significant premium to its IPO price of ₹450, reflecting robust investor confidence. On the National Stock Exchange (NSE), the stock opened at ₹990, while on the Bombay Stock Exchange (BSE), it debuted at ₹991, marking an approximate 120% increase over the IPO price. This strong listing performance was underpinned by the IPO's substantial oversubscription and heightened investor enthusiasm for the renewable energy sector. Overall, Premier Energies' market debut has been a remarkable success, delivering considerable value to its investors on the first day of trading.

Similarly, Waaree Energies Ltd., India’s largest solar panel manufacturer and a key player in the renewable energy sector, demonstrated a robust performance during its IPO listing. The company’s shares debuted on the stock market on October 28, 2024, commanding a significant premium over its issue price of ₹1,503. The shares were listed at ₹2,550 on BSE and ₹2,500 on NSE, reflecting a premium of approximately 70%. This strong market entry was bolstered by the IPO’s high oversubscription rate, underscoring substantial investor confidence and demand. Waaree Energies’ established leadership as a top solar PV module manufacturer in India, combined with the expanding opportunities in the renewable energy sector, played a pivotal role in driving the positive market sentiment surrounding its listing.

2. Literature Review

Singh et al. (2010)[4] According to their research, businesses with higher market capitalizations and better pre-listing grades typically have better stock market performance after going public. This implies that investors give preference to businesses with solid financial foundations, so financial stability is a crucial factor in facilitating successful IPOs. **Michael L. L. P. Leland and David H. Pyle (2009)[5]** Companies with high-quality products or services signal their value to the market, which results in a more successful IPO. **Bain J. S. (1956)[6]** discussed how a limited number of competitors within an industry can create barriers to entry, leading to profitability and growth. **Chamberlin, E. H. (1933)[7]** presents a study indicating monopolistic competition in a sector influencing companies' growth potential and strategic decisions. **Rao, A. R., & Kartono, B. (2004)[8]** identifies that degree of competition in the market (or lack thereof) influences the marketing strategies and growth. **Domonkos F. Vamossy (2023)[9]** identified that how social media platform influences sentiments, which eventually reflect in positive IPO returns. **Jyothi Seepani, K V.R. Murthy (2023)[10]** correlate government policy and the success of an IPO. **Kim, M., & Ritter, J. R. (1999)[11]** wrote in their article that the production capacity of the company can influence investors in investing in an IPO. **J**ain, **S. P. (2015)[12]** investigated the role of capital structure in the financial performance of companies, leading to better performance in IPO. **Bain, M. (2007)[13]** identified importance of the distribution channel in financial success of a company. **Frenkel, M., & Irigoyen, J. M. (2008)[14]** highlighted that a stable business environment is necessary for the growth of the company.

1. **Research Gap:** After conducting an in-depth literature review authors believed that research is conducted to identify various factors affecting the performance of the company, but a holistic study considering all factors responsible for a successful IPO and an attempt to identify inter-relation and driving force of these various factors has not been conducted.
2. **Objective of the Study**
   Identifying enablers of successful IPO in energy sector.
   Building a model identifying enablers and their interrelation with the help of Interpretive Structural Modelling.
3. **Enablers of Successful IPO**
   An IPO could be successful with one or more enablers contributing to its success. Essence of this research is to identify and construct a conceptual model depicting the importance and interrelation of various enablers in the success of an IPO. Authors have identified different enablers responsible for the success of IPO through the literature review given below.

Sr No	Enabler	Description	Author / Citation
1	Market Demand for the product / service of the company	Companies with high quality products or services signal their value to the market, which results in a more successful IPO.	Michael L. L. P. Leland and David H. Pyle, Signalling in Initial Public Offerings, journal of business venturing, 24, 360-372, 2009[5].
2	Promotion of an IPO	Higher levels of pre-IPO media coverage and social media coverage results in positive results for IPOs.	Domonkos F. Vamossy (2023) Social Media Emotions and IPO Returns, arXiv preprint arXiv : 2306.12602[9]
3	Limited Number of same-field competitors	1. This paper discusses how a limited number of competitors within an industry can create barriers to entry, and how such market conditions can influence the profitability and growth of existing companies. 2. This work introduces the concept of monopolistic competition, which influences their growth potential and a positive effect on IPO pricing.	**Bain, J. S.** "Barriers to New Competition." The American Economic Review, 46(2), 284-292, 1956[6]. 2. **Chamberlin, E. H. (1933).** The Theory of Monopolistic Competition[7].
4.	Economic growth of the country	This study highlights that during periods of economic growth, investor enthusiasm boosted, which led to higher initial returns on IPOs.	Bharathi, B., & Gopala, K. R., Investor perception towards initial public offerings and its impact on IPO under-pricing in India. *Journal of Management and Entrepreneurship*, 18(2), 70–78, 2024.[15]
5	Government policy for the industry	The paper correlates Government policy for the industry with the volume of IPO in the Industry, and it is a crucial factor in its success.	Seepani, J., & Murthy, K. V. R. (2023). *Initial public offerings in India – A structural review*. *European Journal of Economics and Finance Research*, 5(9), 1–12[10].
6	Production capacity of the company	1.The paper discusses that firms with greater production capacity are often viewed as having more potential for future growth, influencing investor demand and hence the IPO price. 2. This paper synthesises theory from company-specific factors such as production capacity, financial health, and market positioning and their positive impact on IPO pricing.	Kim, M., & Ritter, J. R. (1999). Valuing IPOs. *Journal of Financial Economics*, 53(3), 409–437[11]. 2. **Brau, J. C., & Fawcett, S. E.,** "Initial Public Offerings: A Synthesis of Theory and Evidence." Journal of Finance, 61(1), 399-436, 2006[16].
7	Rate of profit and capital accumulation of the Company	The findings from this empirical study show that capital structure and firm growth positively affect some aspects of the firm's performance.	Abel, A. B. (2001). The stock market and capital accumulation. *American Economic Review*, 91(5), 1185–1202, 2001[17].
8	Borrowed capital/ Owned capital	This study investigates the role of capital structure in the performance of Indian firms, focusing on how capital accumulation influences profitability and the capacity of companies to expand.	Jain, S. P., The impact of capital structure on firm performance in India. *Asia-Pacific Journal of Management*, 32(4), 989–1017, 2015[12].
9	Distribution channels and marketing areas	This paper examines the importance of distribution channels for companies operating in emerging markets like India, and how effective distribution strategies can enhance profitability.	Bain, M., Distribution Channels and Profitability in Emerging Markets: Evidence from India. Journal of Business Research, 60(6), 622-634, 2007[13].

10	Business climate and investment	1.This paper provides insights into how India's business environment, comprising political stability, legal frameworks, and infrastructure, shapes both domestic and foreign investment flows, which directly affect the growth of companies. 2. The paper explores how the overall investment climate in India, including market liberalization and government policies, impacts the growth of manufacturing firms in the country.	**1.** Frenkel, M., & Irigoyen, J. M., Investment and Economic Growth: The Role of Business Environment in India, World Development, 36(5), 928-948, 2008[14]. 2. **Prasad, K., I**nvestment Climate and Firm Growth: A Study of Indian Manufacturing Firms." International Journal of Industrial Organization, 31(6), 646-655, 2013[18].

5. Building the MODEL with Interpretive Structural Modelling

Authors collected responses from experts and used SmartISM to build the model. The authors attempted to build the model by following the steps given below.

1. Identifying Enablers of the Successful IPO
2. Development of SSIM
3. Conversion of SSIM into Initial Reachability Matrix
4. Developing Final Reachability Matrix
5. Level Partitioning
6. Development of Diagraph
7. Enablers Clustering using MICMAC analysis.

5.1 Identifying Enablers of the Successful IPO

After studying available literature Authors have identified ten enablers for the successful IPO following table depicts the same.

Table 2 : Enablers Code

Sr No	Enabler	Abbreviation
1	Market Demand for the product / service of the company	V1
2	Promotion of an IPO	V2
3	Limited Number of same-field competitors	V3
4	Economic growth of the country	V4
5	Government policy for the industry	V5
6	Production capacity of the company	V6
7	Rate of profit and capital accumulation of the Company	V7
8	Borrowed capital/ Owned capital	V8
9	Distribution channels and marketing areas	V9
10	Business climate and investment	V10

5.2 Structural Self Interaction Matrix (SSIM) Development :

The matrix is developed with codes V, A, X and O. Here, V denotes the linear impact of one variable on the other, A denotes the inverse impact, X denotes the simultaneous impact of both variables on each other, and O denotes no relation / impact of variables. After studying data received from field experts as well as academicians, the following Structural self-Interaction Matrix is developed, as shown below in Table 3.

Source- SmartISM

5.3 Conversion of SSIM into Reachability Matrix

Authors convert SSIM into a reachability matrix. Here, in order to find out the driving power, SSIM is converted into binary numbers for each variable.

ource- SmartISM

5.4 Final Reachability Matrix

Authors created Final Reachability Index with the help of reachability matrix, Final Reachability matrix establishes a correct relationship between variables by removing errors in the responses for further analysis.

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Final Reachability Matrix(FRM)

Variables	1	2	3	4	5	6	7	8	9	10	Driving Power
V1	1	1*	1	1	1	1	1	1	1	1	10
V2	1	1	1	1*	1	1	1	1	1	1	10
V3	1	1	1	1	1	1*	1	1*	1	1*	10
V4	1	1	1	1	1	1	1	1	1	1	10
V5	1	1	1	1	1	1	1	1*	1	1	10
V6	1	1	1*	1*	1*	1	1*	1*	1	1	10
V7	1	1	1	1*	1*	1	1	1	1	1	10
V8	1	1	1	1*	1*	1	1	1	1	1	10
V9	1	1	1	1*	1*	1	1	1	1	1	10
V10	1	1	1	1	1	1	1	1	1	1	10
Dependence Power	10	10	10	10	10	10	10	10	10	10	

Source- SmartISM

5.5 Level Partitioning

Authors attempted to determine the level of impact of each variable based on the final reachability matrix on successful IPO. It helps in drawing the model. It is been observed that all variables are impacting equally, showing their interdependence on each other and having nearly equal impact on success of an IPO.

Level Partitioning(LP)

Elements(Mi)	Reachability Set R(Mi)	Antecedent Set A(Ni)	Intersection Set R(Mi)∩A(Ni)	Level
1	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1
2	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1
3	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1
4	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1
5	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1
6	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1
7	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1
8	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1
9	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1
10	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1, 2, 3, 4, 5, 6, 7, 8, 9, 10,	1

Source- SmartISM

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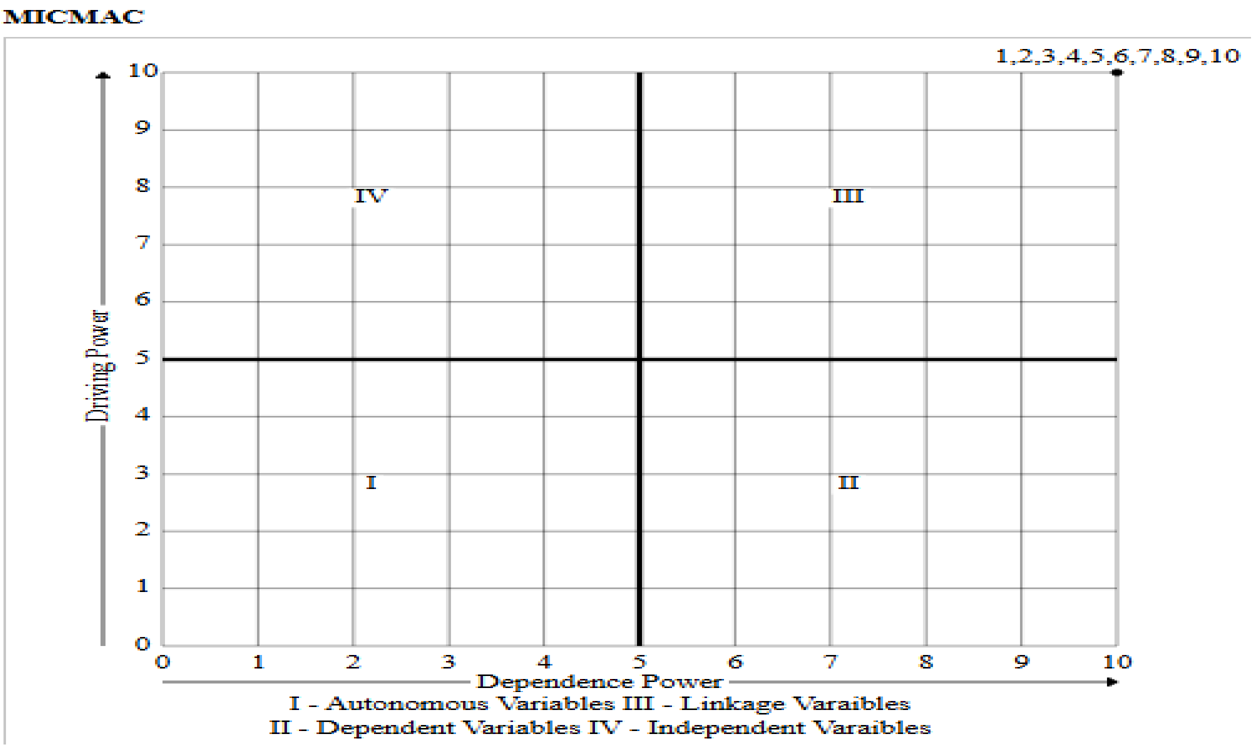
5.6 Diagraph and Model

Authors attempted to make a model considering the level partitioning table of variables mentioned above.

The model indicates interdependence of all variables and equal impact of each variable on the success of an IPO, specifically related to the energy sector in India.

5.7. MICMAC Analysis

Authors made MICMAC analysis to analyse the strength of relationship between variables based on their driving and dependence power.



Source- SmartISM

3. **Conclusion**

The above MICMAC analysis indicates that all variables are placed in the 3rd quadrant of the diagram. It indicates that all the variables are linkage variables. Authors have observed that all variables are linked together with almost equal driving power. This particular scenario indicates that all enablers (variables / factors) identified are responsible for the success of an IPO. It is also observed that all enablers are perfectly interdependent and have the same power of impact on the success of an IPO. Authors recommend that any company in the energy sector planning to launch an IPO must understand the outcome of this research and should make a proper strategy, inculcating all these enablers and make a proper plan to launch its IPO.

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