Fresh issue or offer for sale: who gets the IPO money?

Fresh issue or offer for sale? is a free 40-minute lesson for Class 11–12 Commerce on the two parts of an IPO. Students read the offer documents of Bombay Coated, Zepto and PhonePe and find out who receives the money in each.

5-minute prep

- Print one worksheet per student and one set of IPO cards per group of three (end of this guide).
- Decide how students see the facts: the worksheet, the projector or the student page (cityfort.in/class/ipo-who-gets-money).
- Draw a three-column table on the board: Bombay Coated, Zepto, PhonePe. Rows: new shares, existing shares, who gets the money.
- Skim the answer key's note on why Bombay Coated's promoters own a smaller share after the offer.

Class	Senior secondary, Class 11–12 (Commerce)
Time	One 40-minute period. A 10-minute version for a revision class is in the teacher guide.
Edition	2026–27 first edition v1.0
Lesson page	cityfort.in/teachers/where-does-ipo-money-go/fresh-issue-or-offer-for-sale

Objective

Students can tell a fresh issue from an offer for sale, say who receives the money in each, and find both parts in a real offer document.

CBSE units the lesson supports

- Financial Markets Management (805), Class XI, Unit 2 (CBSE Financial Markets Management (805)), in part
- Business Studies (054), Class XII, Unit 10 (CBSE Business Studies (054)), in part

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Timing

Minutes	Step	What happens
0–4	**Hook**	Ask: "When a company has an IPO, who do you think receives the money?" Students write a guess in one line, then share a few aloud.
4–12	**Two ways to sell shares**	Walk through the made-up bakery in Part A. Asha owns all 1,000 shares. A fresh issue adds 250 new shares; an offer for sale moves 250 of Asha's own shares to new owners. (made-up numbers)
12–26	**Three real offers**	Groups of three take one IPO card each: Bombay Coated, Zepto or PhonePe. Each group finds the new shares, the shares for sale and who gets each part of the money (Part B).
26–33	**Fill in the class table**	Each group reports back while you fill a three-column table on the board. Ask what happens to the owners' share of the company in each offer.
33–37	**The one-year rule**	Read out SEBI's rule: sellers must have held their shares for at least one year before the draft offer document. Ask why SEBI might want that.
37–40	**Exit ticket**	Students answer the three exit-ticket questions on the worksheet.

Materials

- The student worksheet (one per student), or the student page on phones or the class projector
- The three IPO cards from the end of the teacher guide (one set per group of three)
- The answer key (teacher only)
- Optional: the slides, projected

Discussion questions

1. PhonePe's offer is up to 5,06,60,446 existing shares, and PhonePe receives none of the money. Why might a company go through an IPO that brings it no cash?
2. Bombay Coated's three promoters owned 97.78% before the IPO and sell nothing. Why does their share of the company still go down after the offer?
3. Zepto's fresh issue of up to ₹8,010 crore may shrink by up to ₹1,602 crore if it raises money in a pre-IPO placement first. Why does the offer document warn about this?
4. In an offer for sale, the company's bank balance does not change. Who else in the company is affected when a large shareholder sells part of its stake?
5. Why might SEBI want sellers to have held their shares for at least a year before the draft offer document?

Adapting the lesson

Students still building their English: Pre-teach four words with the word bank: share, fresh issue, offer for sale and promoter. Let students fill the class table with words or arrows before writing full

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sentences.

Students who need more support: Give the IPO card with the two answers "new shares" and "existing shares" already circled, so students only write who gets the money. Read Part B aloud.

Students ready for more: Of the shares in issue (basic), PhonePe's Walmart unit held 73.33% before the IPO. If every offered share is sold, it would hold 64.27%. Show why the share count does not change, and why its stake still falls.

Extension: Students open Zepto's or PhonePe's UDRHP-I on the SEBI website and read its first pages. They copy the words it uses for each part of the offer, with the page number. Then they explain each part in one sentence.

Teacher background

What is a fresh issue?

A fresh issue means the company creates new shares and sells them to the public. The money goes to the company, and the total number of shares goes up.

What is an offer for sale?

In an offer for sale (OFS), people who already own shares sell some of them to the public. The money goes to those sellers. The company creates no new shares and receives nothing.

What are a DRHP, a UDRHP-I and an RHP?

A draft red herring prospectus (DRHP) is the first offer document filed with SEBI. A UDRHP-I is the public, updated draft filed after SEBI's comments on a confidential first draft (Regulation 59A of SEBI's ICDR Regulations). The red herring prospectus (RHP) comes later and carries the offer dates.

What does SEBI say about shares offered for sale?

Regulation 8 of SEBI's ICDR Regulations sets two conditions for an offer for sale. The shares must be fully paid up, and the sellers must have held them for at least one year before filing the draft offer document. For companies that pre-file confidentially, like Zepto and PhonePe, the year is counted to the UDRHP-I filing (Regulation 59B).

If your class runs a stock-market simulation, these lessons can come before it: they explain what a company does and how it reports results. They do not suggest which companies to choose, and Cityfort does not run, rank or judge simulation picks.

Teaching notes

- Collect the guesses before the bakery: many students expect all IPO money to go to the company.
- If a student asks whether to take part in any of these IPOs, say the lesson is about how an offer works, and that Cityfort gives no advice.

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- Zepto's and PhonePe's documents are drafts. Say "the draft says" for their numbers, and name the date.
- Keep prices out of the room: the lesson needs no price band, issue price or listing figure.

CBSE units this lesson supports

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- Financial Markets Management (805), Class XI, Unit 2, Primary and Secondary Market (issue of shares, kinds of issues, IPO and offer for sale, the prospectus): partial.
- Business Studies (054), Class XII, Unit 10, Financial Markets (capital market and its types): partial.

10-minute version

Use only Bombay Coated and PhonePe: guess (2 minutes), read Bombay Coated (3), read PhonePe (3), one-sentence exit (2).

student page

Scan the code or type: **cityfort.in/class/ipo-who-gets-money**

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Cards to print and cut out

Card 1: Bombay Coated, red herring prospectus (RHP), 21 Oct 2026

- New shares (fresh issue): yes or no? How much?
- Existing shares for sale (offer for sale): yes or no? Who sells?
- Who gets the money?
- Does the company's number of shares go up?

Card 2: Zepto, updated draft red herring prospectus (UDRHP-I), 8 Jun 2026

- New shares (fresh issue): yes or no? How much?
- Existing shares for sale (offer for sale): yes or no? Who sells?
- Who gets the money from each part?
- Are the founders selling?

Card 3: PhonePe, updated draft red herring prospectus (UDRHP-I), 21 Jan 2026

- New shares (fresh issue): yes or no?
- Existing shares for sale (offer for sale): yes or no? Who sells?
- Who gets the money?
- Does PhonePe's number of shares change?

Sources

1. S1: Bombay Coated and Special Steels Limited Red Herring Prospectus, dated 21 Oct 2026, Bombay Coated and Special Steels Limited (offer document filed with RoC; company IPO-documents page), 21 Oct 2026. https://cdn.prod.website-files.com/66dae2d0a835d8d76717f6ea/6ad9ce8b73ad22c98ba71e48_RHP.pdf
2. S2: Zepto Limited - Updated Draft Red Herring Prospectus I (UDRHP-I), dated 8 Jun 2026, SEBI (filed by Zepto Limited), 9 Jun 2026. https://www.sebi.gov.in/sebi_data/attachdocs/jun-2026/1780983427091.pdf
3. S3: PhonePe Limited Updated Draft Red Herring Prospectus - I (UDRHP-I), dated 21 Jan 2026, SEBI (offer document filed by PhonePe Limited), 23 Jan 2026. https://www.sebi.gov.in/sebi_data/attachdocs/jan-2026/1769161833282.pdf
4. S4: Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, amended up to 21 Mar 2026, Securities and Exchange Board of India (sebi.gov.in), 21 Mar 2026. https://www.sebi.gov.in/legal/regulations/mar-2026/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-march-21-2026-_100581.html

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herring prospectus (UDRHP-I), filed with SEBI on 8 Jun 2026; and PhonePe's IPO updated draft red herring prospectus (UDRHP-I), filed with SEBI on 21 Jan 2026.

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