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

Name: _____ Class: _____ Date: _____

When a company has an IPO, two kinds of shares can be sold. This page shows you how to tell them apart, and who gets the money from each.

Ground rule: In this lesson there is no winner. We explain differences; we don't rank companies or say which is better to own.

What to do

1. Write your guess: in an IPO, who receives the money?
2. Read how the made-up bakery sells shares in two ways.
3. Read the facts about your group's IPO and fill in Part B.
4. Answer the questions. Every number you need is on this page.

Part A. Two ways to sell shares

A made-up bakery has 1,000 shares, all owned by Asha. It brings in new owners by selling 250 shares for ₹25,000, in one of two ways.

1. Fresh issue: the bakery creates 250 new shares. Who receives the money? How many shares does the bakery have now?

2. Offer for sale: Asha sells 250 of her own shares. Who receives the money? How many shares does the bakery have now?

3. What share of the bakery does Asha own after each one? Show your working.

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Groups: take one IPO each. Every group reports back to the class.

Name: _____ Class: _____ Date: _____

Part B, group 1. Bombay Coated

Bombay Coated's red herring prospectus (21 Oct 2026) offers new shares worth up to ₹183.06 crore. No existing shareholder is selling. Its three promoters owned 97.78% before the IPO.

1. Is this a fresh issue, an offer for sale, or both? Who gets the money?

2. The promoters sell nothing. Why will they own a smaller share of the company after the offer?

Part B, group 2. Zepto

Zepto's updated draft red herring prospectus (8 Jun 2026) offers new shares worth up to ₹8,010 crore. Six investors, led by two Nexus Ventures funds, sell 11,34,66,566 existing shares. The founders are not selling.

1. Name the two parts of Zepto's offer. Who gets the money from each part?

2. Which part changes the number of shares Zepto has?

Part B, group 3. PhonePe

PhonePe's updated draft red herring prospectus (21 Jan 2026) offers no new shares. Walmart's WM Digital Commerce Holdings sells up to 4,59,42,496 shares, Microsoft up to 36,78,790 and Tiger Global up to 10,39,160.

1. Is this a fresh issue, an offer for sale, or both? Who gets the money?

2. How much new money does PhonePe receive? Does its number of shares change?

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Part C. The class table

1. Copy the class table: for each IPO, new shares (yes or no), existing shares (yes or no), and who gets the money.

2. SEBI says shares offered for sale must have been held for at least a year before the draft offer document. Give one reason for this rule.

Exit ticket

1. In your own words, what is the difference between a fresh issue and an offer for sale?

2. Name one of the three IPOs and say who receives its money.

3. Why does a fresh issue lower the owners' share of a company even when they sell nothing?

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Word bank

Share	One small part of a company. Owning shares means owning part of the company.
IPO (initial public offer)	The first time a company's shares are offered to the public, before they are listed on a stock exchange.
Fresh issue	New shares the company creates and sells. The money goes to the company.
Offer for sale	Existing shares that their owners sell. The money goes to the sellers, not the company.
Promoter	The founders, family or parent company that control a company and are named as promoters in its offer document.
Offer document	The document a company files with SEBI before an IPO: the DRHP, the UDRHP-I or the RHP.

Sentence starters

- In ___'s IPO, the money from the new shares goes to ___.
- In an offer for sale, the money goes to ___ because ___.
- After a fresh issue, the owners' share of the company goes down because ___.

student page

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