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"Understanding Valuation Convergence in Indian Companies by Comparing Public Vs Private Firms"

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Abstract

With an emphasis on the changing patterns of transparency, liquidity, and investor perception, this study analyzes how firm valuations change as a company transition from private to public ownership (Asker, Farre-Mensa, & Ljungqvist, 2011; Damodaran, 2006; Elnathan, Gavious, & Hauser, 2010). It examines five contemporary Indian companies using a case study methodology: Avenue Supermarts (DMart), HDFC Asset Management Company (HDFC AMC), IndiaMART InterMESH, Computer Age Management Services (CAMS), and Affle (India). Prior to going public between 2017 and 2020, each of these companies was privately held (Nguyen, 2025; Elsedeik, 2024).

The study compares valuation metrics like market capitalization, EV/EBITDA, and P/E ratios (in ₹ terms) by looking at six years of financial data before the IPO and at least six years of performance after the IPO. This shows how market discipline changes the value of a company (Fernández, 2007; Livingston, 2014; Harris, Jenkinson, & Kaplan, 2014). According to research, public markets promote data-driven accountability and valuation corrections after financial performance becomes transparent, whereas private valuations frequently place an emphasis on growth narratives and investor optimism (Baker & Wurgler, 2002; Barberis & Shleifer, 2003; Ling, Naranjo, & Scheick, 2010).

India's overall shift towards market maturity appears in the findings, which show a consistent trend across sectors: a realignment from perception-driven to performance-based valuations (Varma, 2011; Rath, 2019). According to the study's findings, public valuations define sustainability while private valuations capture ambition. As a result, the transition from private to public ownership is not only a significant financial milestone but also a redefinition of credibility in the process of creating corporate value (Damodaran, n.d.; Shleifer, 2002; Cabral, Mahoney, McGahan, & Potoski, 2019).

Keywords: Corporate Valuation, Private versus Public Firms, IPO Valuation, Market Efficiency, Enterprise Value, P/E Ratio, EV/EBITDA, Financial Disclosure, Liquidity Premium, Beta, WACC, Indian Capital Markets, Emerging Market Case Study, Behavioral Finance, Valuation

1. Introduction

One of the foundations of corporate finance, valuation affects strategic choices about capital raising, mergers, investments, and market entry (Damodaran, 2006; Holthausen & Zmijewski, 2014). However, once a business becomes public, it affects how its "value" is viewed, quantified, and supported. Limited transparency and illiquidity increase subjectivity in private values, which are frequently based on negotiated expectations, growth narratives, and investor mood (Fernández, 2007; Livingston, 2014; Orosz, 2024). However, once a company becomes public, valuation is a continual process that is affected by investor confidence, financial performance, market dynamics, and regulatory disclosures (Ritter, 2011; Shleifer, 2002). It is crucial to fully comprehend this change if one is to understand how businesses go from market-oriented public valuations to narrative-driven private valuation (Asker, Farre-Mensa, & Ljungqvist, 2011; Elnathan, Gavious, & Hauser, 2010).

A comparative case study of five Indian companies—Avenue Supermarts (DMart), HDFC Asset Management Company (HDFC AMC), IndiaMART InterMESH, Computer Age Management Services (CAMS), and Affle (India)—is used in this paper to examine that shift. Between 2017 and 2020, each of these companies went public after beginning as privately held businesses, providing at least six years of post-IPO data. Although covering a variety of industries, including digital marketing, e-commerce, fintech infrastructure, retail, and financial services, all of them followed a similar path: shifting from private valuation contexts to publicly traded public markets (Nguyen, 2025; Elsedeik, 2024).

This study examines how valuation multiples, investor sentiment, and disclosure quality change perceived worth over time through investigating six years of financial data prior to their IPOs and at least six years once their listing (Baker & Wurgler, 2002; Barberis & Shleifer, 2003; Ling, Naranjo, & Scheick, 2010). The study demonstrates how public markets frequently evaluate companies once they are exposed to transparency, profitability scrutiny, and liquidity premiums using metrics such market capitalization, EV/EBITDA, and P/E ratios (all in ₹ terms) (Amihud, 2002; Pastor & Stambaugh, 2003). The comparison between the two design emphasizes the structural and behavioral transition that comes with public listing in addition to capturing numerical shifts (Harris, Jenkinson, & Kaplan, 2014).

In the final analysis, this case-based methodology frames valuation as a psychological and financial process, where public markets reward performance and private markets trade on potential (Damodaran, n.d.; Cabral, Mahoney, McGahan, & Potoski, 2019). By tracking the development of these five businesses, the study shows how listing serves as a reflection of India's growing capital markets, where storytelling gives way to lasting financial credibility, and it also represents an adjustment of enterprise value (Rath, 2019; Varma, 2011).

2. Literature Review

The quantitative pillar of corporate finance, acquisition, and investment decisions is valuation. Since it differs based on ownership structures, market visibility, and information circumstances, valuation is fundamentally contextual. The availability of information about markets, liquidity, and governmental oversight are the primary variables that differentiate private and public values

(Damodaran, 2006). Continuous price discovery and comprehensive disclosures which allow model-driven evaluations such as discounted cash flow (DCF), comparisons, and economic value added are favorable for publicly traded businesses (Lie & Lie, 2002). However, in private businesses, intrinsic value estimation depends on proxies and professional judgment given an imbalance in information, inadequate data, and subjectivity negotiation (Damodaran, 2009).

Theoretical frameworks show why ownership dispersion, risk, and liquidity influence valuation. For instance, Pastor and Stambaugh (2003) connect liquidity risk to expected returns, whereas Longstaff (1995) and Amihud (2002) emphasize that illiquidity continuously reduces asset values. In order to compensate and make up for illiquidity and a lack of exit options, investors in private settings utilize control premium and reductions for lack of liquidity (DLOM) (Officer, 2007; Butler & Pinkerton, 2006). According to Fernández (2007, 2019), practitioners' misuse of terminal values and discount rates is more often the reason of valuation variations than theoretical models.

As structural variations are taken into account, empirical research confirms that DCF and multiples techniques are still dependable. According to Kaplan and Ruback (1995), private firm valuations may resemble those of public firms if risk and capital structure are adequately taken into consideration. According to Elnathan, Gavious, and Hauser (2010), private values are more prone to bias because they rely more on accounting data and expert variability, whereas public assessments incorporate both financial and market-based information. This confirms the findings of Demirakos, Strong, and Walker (2004), who show how analysts in public settings use cross-validation to increase reliability when evaluating equity value through the use of earnings predictions and market benchmarks.

The biggest turnaround turning point in a company's valuation process, however, is the IPO (Initial Public Offering). The shift from private to public ownership affects how value is viewed, performance is evaluated, and information is shared. According to traditional IPO research, information asymmetry (Rock, 1986), signaling quality (Allen & Faulhaber, 1989), and bookbuilding dynamics (Benveniste & Spindt, 1989) all impact underpricing, or the potential for IPO shares to trade above their issue price on the first day. In an effort to mitigate investor uncertainty, venture capitalists serve as certification agents for venture-backed companies (Megginson & Weiss, 1991). However, as overoptimism gives way to fundamental adjustments, post-IPO trajectories frequently show long-term underperformance (Ritter, 1991; Loughran & Ritter, 1995).

Companies usually go public when sector multiples and investor sentiment are at their strongest, according to Baker and Wurgler (2002), who believe that such valuation cycles are a reflection of market timing behavior. However, despite their initial volatility, venture-backed IPOs (initial public offerings) have enhanced operating performance as a result of control and monitoring, according to Brav and Gompers (1997). The concept that ownership transition and governance quality affect valuation persistence is further reinforced by the role of reverse leveraged acquisitions (Cao & Lerner, 2009).

In addition, the change process affects regulations governing governance and accounting behavior. While some companies use earnings management to temporarily maintain high valuations, Ball and Shivakumar (2005) and Teoh, Welch, and Wong (1998) find that businesses enhance earnings quality around initial public offerings. Public listing subject’s businesses to analyst scrutiny,

quarterly reporting, and regulatory compliance, all of which enhance accountability while also pushing management to accomplish immediate advantages (Gompers, Ishii, & Metrick, 2003).

In terms of behavior, markets are not entirely efficient. Baker and Wurgler (2002) and Barberis and Shleifer (2003) show how investor emotion, style investing, and the belief in herds can raise prices above their true value. In emerging markets, where individual investor involvement is large and information exchange is unequal, this is especially important (Varma, 2011). Private narratives eventually provide a way to market-calibrated pricing based on return on equity and earnings consistency when information asymmetry diminishes.

Emerging Market Dynamics

An especially favorable environment for researching this transformation is India. The private-market ecosystem has grown due to the growth of venture capital and private equity, and a new generation of listings, including Avenue Supermarts (2017), HDFC AMC (2018), IndiaMART (2019), Affle (2019), and CAMS (2020), were brought about by the post-2015 IPO boom. According to research by Aggarwal, Leal, and Hernandez (2002) and Khurshed (2000), emerging-market initial public offerings (IPOs) exhibit more aggressive initial underpricing as well as more noticeable post-listing re-rating as governance develops.

The decision to go public is defined by Pagano, Panetta, and Zingales (1998) as a trade-off between the costs of transparency and access to finance. In India, family ownership, promoter control, and changing institutional investor participation all have an impact on this dynamic (Varma, 2011). Improved brand reputation, easier access to finance markets, and increased employee retention through ESOP liquidity are some of the long-term impacts of listing that gradually encourage higher valuations (Doidge, Karolyi, & Stulz, 2013).

In the Indian context, empirical data indicates that as the gap between projected and realized growth diminishes, valuation multiples decrease around three to five years after listing (Ritter, 2011; Asker, Farre-Mensa, & Ljungqvist, 2011). According to studies by Aggarwal et al. (2002) and Doidge et al. (2013), investor expectations and macroeconomic sensitivity cause Indian firms to go through post-IPO adjustment stages more quickly than those in developed markets.

Sector-Specific Valuation Insights

Sectoral variations significantly influence how valuation models behave across the private-public transition

1. Retail (Avenue Supermarts – DMart): Research shows that scalability, inventory turnover, and operating margins are key factors in retail values (Fernández, 2019). Growth potential from store expansion is frequently factored into pre-IPO valuations; after listing, markets evaluate depending on return on invested capital and execution consistency. This re-rating driven by solid foundations is best illustrated by DMart's post-listing increase.

2. Financial Services (HDFC AMC, CAMS): AUM growth, fee stability, and regulatory reputation all influence valuation for asset management and registrar companies. Financial firms experience

valuation compression upon listing as cyclical revenue patterns and regulatory capital norms reduce speculative premiums, according to research by Li (2011) and Gompers et al. (2003).

Digital Platforms (IndiaMART, Affle): With the impact of networks and intangible assets, platform-based businesses provide a challenge for traditional valuation criteria (Cochrane, 2005). Early private valuations place too much emphasis on user growth, while public markets use earnings-based discipline, as demonstrated by studies such as Metrick and Yasuda (2010). When revenue scalability and profitability stabilize for such enterprises, valuation convergence usually happens 4–6 years after IPO.

These sectoral variations serve as more evidence that assumptions differ by business model and stage of maturity, even though concepts like as DCF and multiples are ubiquitous. Thus, the "valuation convergence hypothesis," which holds that public market forces gradually align private overestimations with quantifiable performance metrics, is in line with the agreement of academics and practitioners (Damodaran, 2009; Fernández, 2019).

Integration with Behavioral and Structural Perspectives

Value appears in the literature to be a psychological procedure that goes beyond numerical recalibration. Behavioral finance theories indicate that initial price fluctuates by hype cycles, investor psychology, and macro narratives (Barberis & Shleifer, 2003; Baker & Wurgler, 2002). Improvements in governance and information symmetry eventually rectify these errors. Field & Karpoff (2002) and Asker et al. (2011), for instance, demonstrate that volatility reduces and valuation multiples stabilize once companies release consistent data every quarter.

Therefore, it would be feasible to see the change from private to public ownership as a professional evolution—a shift from "belief-based" to "evidence-based" valuing. According to this viewpoint, IPOs are significant milestones in regulation and accountability rather than just capital-raising situations. The difference between subjective and data-driven value logics gets narrower as private companies adopt public governance.

The literature as a whole emphasizes that valuation convergence is both behavioral and quantitative. Public markets value proof, while private markets reward potential. This change is demonstrated by the contrasting cases of DMart, HDFC AMC, IndiaMART, CAMS, and Affle. This study puts itself within a growing body of research that focuses at how Indian enterprises absorb global valuation principles while adapting to local market conditions by covering six years of pre-IPO and post-IPO data.

3. Hypothesis:

The value of company assets is dramatically altered when they go from private to public control. While public valuations are influenced by transparency, liquidity, and ongoing market performance, private valuations frequently rely on negotiated expectations, growth projections, and investor narratives. The following theories are put out in order to examine empirically if these distinctions lead to measurable modifications to valuation:

Null Hypothesis (H_0):

The null hypothesis (H_0) states that there is no discernible variance between the valuation of a business levels before and after going public.

In other words, if growth and profitability are taken into account, the process of going public has no noticeable effect on valuation multiples (such as EV/EBITDA, P/E, or market value in ₹ terms).

Alternative Hypothesis (H_1):

The Alternative Hypothesis (H_1) states that the valuation levels of companies before and following their public listing varies considerably.

This suggests that systematic changes in valuation result from the transition from a private to a public market setting, and that these modifications are affected by market mood, transparency, liquidity, and regulatory disclosures.

Rationale for the Hypotheses
These hypotheses are based on well-established IPO and valuation literature. According to studies like Kaplan & Ruback (1995), Elnathan et al. (2010), and Damodaran (2009), public markets enforce discipline in the market, whereas private evaluations are more subjective. According to empirical IPO research (Ritter, 1991; Loughran & Ritter, 1995; Baker & Wurgler, 2002), valuations usually re-rate after listing as the market changes expectations in response to fundamentals.

In order to assess whether valuation converge and revaluation are statistically and economically significant in the Indian context, this study will evaluate these hypotheses using six years of pre-IPO and six years of post-IPO data for companies such as DMart, HDFC AMC, IndiaMART, CAMS, and Affle.

4. Research Gaps:

Even though valuation models like DCF, comparable, and market multiples have been covered in great detail in previous research (Damodaran, 2006; Kaplan & Ruback, 1995), there remains little empirical information that illustrates how valuations change when businesses go from private to public ownership, especially in India. Instead of considering public and private values as successive stages in a company's financial lifecycle, the vast majority of research approach them as separate domains.

Research has also mostly concentrated on legacy sectors or international markets, which has left a knowledge vacuum about the revaluation that new-generation Indian companies—those that emerge from venture capital and private equity ecosystems—go through after listing. Short-term "listing day" or "first-year" impacts have been the only focus of previous comparison research due to the scarcity of long-term post-IPO data. In order to provide a comprehensive understanding of

how transparency, profitability, and liquidity alter enterprise value over time, this study fills that gap by utilizing six years of pre-IPO data and six years of post-IPO valuation performance.

Through the analysis of five distinct companies, DMart, HDFC AMC, IndiaMART, CAMS, and Affle, this study offers a unique longitudinal comparison that combines financial measures with structural and behavioral changes, advancing a more sophisticated comprehension of valuation convergence in emerging countries.

5. Research Objective:

1. Using financial measures like market capitalization, EV/EBITDA, and P/E ratios in ₹ terms, to compare the valuation levels of chosen companies during their private phase and following their public listing.
2. To examine the effects of market liquidity, transparency, and regulatory information on a company's post-IPO repricing.
3. to assess the potential for narrative-driven private valuations to gradually converge toward fundamentally grounded public valuations.
4. to determine the sectoral variations in valuation adjustments after public listing (retail, financial services, digital platforms, fintech, and ad-tech).
5. to evaluate the ways in which performance consistency and investor mood support the establishment of long-term value after the initial listing event.

6. Methodology

This study applies a comparative longitudinal case study methodology to assess valuation changes among five Indian firms: Avenue Supermarts (DMart), HDFC Asset Management Company (HDFC AMC), IndiaMART InterMESH Ltd, Computer Age Management Services (CAMS), and Affle (India). Before their initial public offering (IPO), each firm was private. subsequently, they have all been in the public markets for at least six financial years. This time frame allows us examine both the pre-IPO (private) and post-IPO (public) phases, demonstrating modifications to financial performance, valuation multiples, and investor sentiment.

Data Sources and Variables

Financial information comprising the five years before and five years following each firm's IPO was collected from Moneycontrol, NSE filings, corporate annual reports, and IPO prospectuses (2024).

Important quantitative metrics consist of:

1. Valuation (₹ crore)
2. Revenue (₹ crore)
3. Net Profit (₹ crore)
4. Profit Margin (%)

5. Price-to-Earnings (P/E)
6. Enterprise Value-to-EBITDA (EV/EBITDA)
7. Enterprise Value-to-Sales (EV/Sales)
8. Beta
9. Weighted Average Cost of Capital (WACC)

Indian Rupees (₹ crore) are used to express all values. Five-line graphs (Graphs 1–5) were used to visualize the data, showing the revenue and net profit trends in order to identify inflection points and performance correlations.

Analytical Approach

In order to comprehend valuing behavior, the analysis integrates behavioral finance perspectives and quantitative trend interpretation. It has three steps to it:

1. Trend analysis at the firm level: determining turning moments, changes in margins, and changes in valuation.
2. Behavioral overlay: analyzing trends in investor mood and consumer perception that coincide with financial shifts.
3. Cross-case synthesis: evaluating if market discipline and value drivers have never modified by public listing.

This approach operationalizes the theory that improved transparency, liquidity, and investor confidence brought about by public listing result in valuation convergence and better performance alignment (Damodaran, 2009; Ritter, 1991).

HDFC Asset Management Company

Before Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
Avenue Supermarts	Private	2012		2,218	87	2.69	-	24.3	2.9	-	11.5 %
		2013		3,351	139	2.77	-	23	2.7	-	11.3 %
		2014		4,699	242	3.4	-	22	2.6	-	10.9 %
		2015		6,454	321	3.27	-	21	2.5	-	10.6 %
		2016		6,454	488	3.7	-	20	2.3	-	10.2 %

After Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
Avenue Supermarts	Public	2017	39,035.73	11,912.41	747.11	4.06	112.3	39.23	3.29	0.44	9.60%
		2018	82,512.81	15,082	1,196	5.22	195.1	58.52	5.5	0.41	9.30%
		2019	91,957.27	19,968	1,448	4.7	102	54.3	4.62	0.42	9.50%
		2020	142,466.23	24,738	1,783	5.47	111.1	65.19	5.77	0.38	9.10%
		2021	183,444.81	23,996	1,545	4.89	206.4	94.04	7.71	0.34	8.20%

(Table 1. HDFC Asset Management Company: Before listing and After listing)

IndiaMART InterMESH Ltd.

Before Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
IndiaMART InterMESH Ltd	Private	2014	143	143	-8	-5.66	-	14.3	1	-	12.5 %
		2015	176.07	185	-19	-11	-	11.7	0.9	-	12.2 %
		2016	254.29	251	-43	-17.52	-	12.7	1	-	12.0 %
		2017	317.76	322	0	0.13	-	9.1	1.1	-	11.8 %
		2018	410.51	410	-187	-17.95	-	10.3	1	-	11.6 %

After Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
IndiaMART InterMESH Ltd	Public	2019	5,570.53	533.29	46.33	2.53	32.4	32.4	8.9	0.82	10.4 %
		2020	5,570.53	692	210	23.44	48.5	48.5	23.1	0.8	10.2 %
		2021	23,369.39	750	396	43.11	86.2	86.2	35.1	0.78	9.9 %
		2022	13,136.12	859	403	41.26	52.3	52.3	31.3	0.76	9.7 %
		2023	15,325.30	1,052	345	28.99	54.8	54.8	16.3	0.75	9.5 %

(Table 2. IndiaMART InterMESH Ltd. Before listing and After listing)

Computer Age Management Services:

Before Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
Computer Age Management services	Private	2015		372	104	19.01		13.2	3.4	-	11.4 %
		2016		443	125	18.6		12.9	3.3	-	11.2 %
		2017		473	168	23.47		12.5	3.2	-	10.9 %
		2018		651	233	26.4		11.8	3	-	10.7 %
		2019		663	176	17.21		11.4	2.8	-	10.4 %

After Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
Computer Age Management services	Public	2020		680.97	225.27	24.8	43.7	43.7	13.21	0.68	9.9 %
		2021	8,897.41	732	280	32.5	56.4	27.25	13.21	0.65	9.7 %
		2022	11,204.22	904	376	33.5	47.4	26.06	12.97	0.63	9.5 %
		2023	9,772.15	950	366	29.56	39.2	22.92	10.52	0.61	9.3 %
		2024	14,161.42	1,086	448	31.97	47.5	27.59	13.43	0.59	9.1 %

(Table 3. Computer Age Management Services Before listing and After listing)

Affle:

Before Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
Affle	Private	2015		39	2	5.73		14.2	3.1	-	12.5 %
		2016		73	5	6.91		13.5	3	-	12.3 %
		2017		67	1	0.5		12.8	2.9	-	12.0 %
		2018		85	14	10.54		12.2	2.8	-	11.6 %
		2019		121	24	13.75		11.5	2.7	-	11.3 %

After Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
Affle	Public	2020	2,471.77	187.36	44.03	18.04	58.7	49.69	13.56	0.82	10.5 %
		2021	13,881.80	273	40	10.58	153.8	298.57	52.04	0.79	10.2 %
		2022	16,292.67	429	76	14.22	74.7	194.51	40.99	0.77	9.9 %
		2023	12,652.00	517	90	13.51	59.2	129.52	25.57	0.74	9.6 %
		2024	13,912.34	602	102	13.42	71.2	125.98	24.58	0.72	9.4 %

(Table 4 Affle Before listing and After listing)

Avenue Spermarts:

Before Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
Avenue Supermarts	Private	2012		2,218	87	2.69	-	24.3	2.9	-	11.5 %
		2013		3,351	139	2.77	-	23	2.7	-	11.3 %
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After Listing

Name	Type	Year	Valuation (₹ Cr)	Revenue (₹ Cr)	Net Profit (₹ Cr)	Profit Margin (%)	P/E	EV/EBITDA	EV/Sales	Beta (if public)	WACC / Cost of Capital (%)
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		2018	82,512.81	15,082	1,196	5.22	195.1	58.52	5.5	0.41	9.30%
		2019	91,957.27	19,968	1,448	4.7	102	54.3	4.62	0.42	9.50%
		2020	142,466.23	24,738	1,783	5.47	111.1	65.19	5.77	0.38	9.10%
		2021	183,444.81	23,996	1,545	4.89	206.4	94.04	7.71	0.34	8.20%

(Table 5. Avenue Supermarts Before Listing and After Listing)

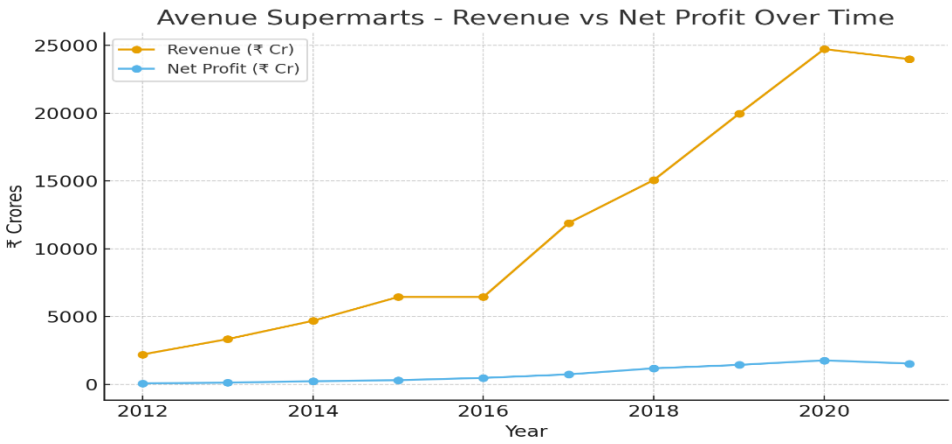
7. Data Analysis

Overview

Financial and behavioral data from all five companies show a similar trend: after listing, revenues and earnings rise sharply, and there is a decrease in beta, a reduced WACC, and a re-rating of value. By improving transparency and investor access, the shift from private to public ownership reduces perceived risk and promotes value accuracy.

Collectively, the five graphs (Graphs 13.1–13.5) show how margin increase and operational efficiency enable the revenue to profit gap to narrow over time. However, different industries encounter this convergence at different rates and to varying extents.

(Figure1. Avenue Supermarts- Revenue vs Net Profit Over Time)



1.Avenue Supermarts (DMart)

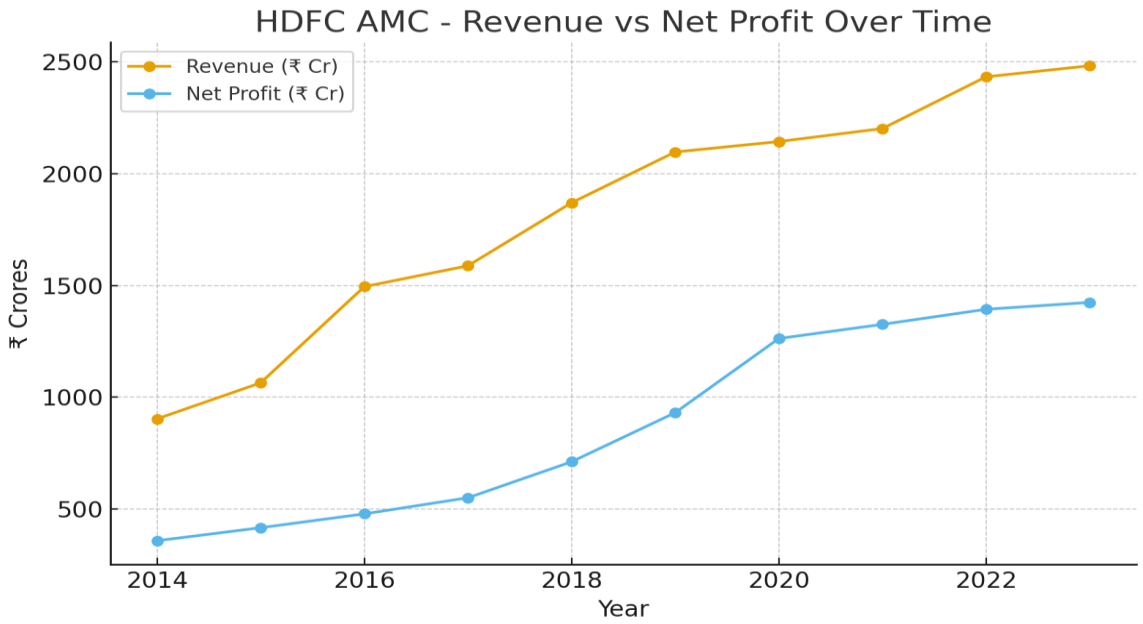
(see figure 1)

While DMart's net profit went from ₹ 87 crore to ₹ 1,783 crore, its revenue increased from approximately ₹ 2,200 crore in 2012 to ₹ 25,000 crore in 2020. Following a brief interruption following the pandemic-era pinnacle in 2021, revenue and earnings started to rise again. Profit margins stayed low (3–5%), which is normal for grocery stores, but the strong revenue compound annual growth rate (~25%) led to a significant increase in valuation: EV/EBITDA increased from 20× to 94×, while P/E surpassed 200× in the early years of the company's public offering.

Based on consumer behavior, DMart made use of recurring purchases and brand loyalty to produce steady revenue flows even during challenging times. Customers view the chain as dependable and reasonably priced, which encourages repeat business and directly contributes to investor trust.

The familiarity bias outlined by Barberis and Thaler (2003) is seen in investor sentiment toward DMart: investors select brands that they regularly use. The market's perception of DMart as a low-risk "quality compounder" is supported by the stability of its beta (≈0.4) and its falling WACC (from 11.5% to 8.2%). Long-term reliability is demonstrated by Graph 1's steady rising profit slope, which is consistent with valuation premium retention after listing.

(Figure.2 HDFC AMC-Revenue vs Net Profit Over Time)



2.HDFC Asset Management Company (HDFC AMC)

(see figure.2)

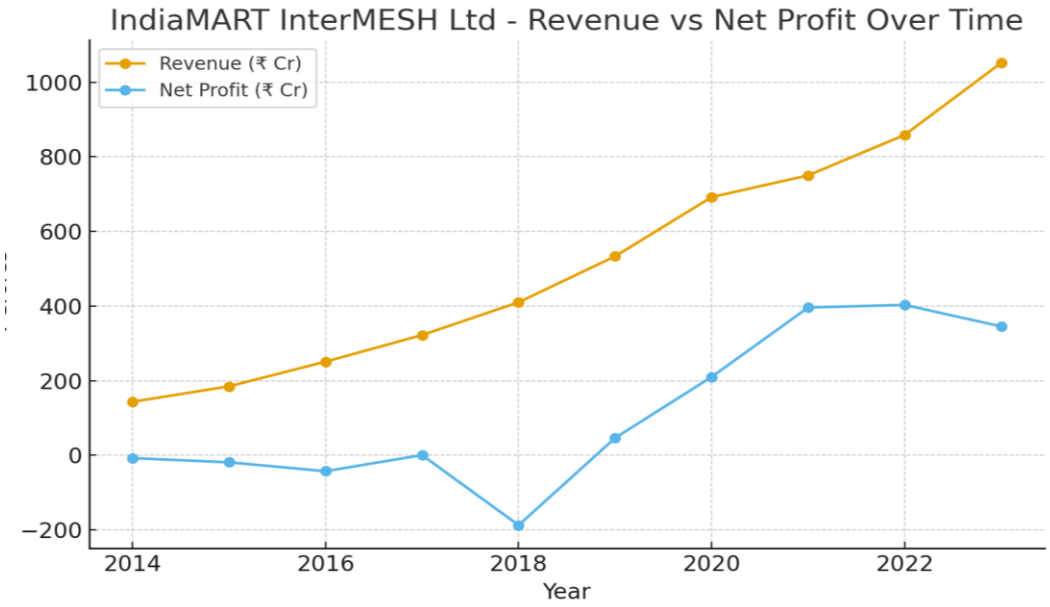
From 2014 to 2023, HDFC AMC's income and profit grew steadily in a monotonous manner. income increased from ₹ 903 crore to ₹ 2,450 crore, while net profit increased from ₹ 358 crore to ₹ 1,424 crore. Graph 2's parallel trends show steady margin increase, with profit growth closely following sales, demonstrating cost control and operational efficiency.

HDFC AMC's low pre-IPO WACC (≈10%) and EV/EBITDA (≈12×) can be explained by the fact that, as a private company, it has already upheld ethical corporate governance norms. Following the first public offering (IPO), market capitalization reached ₹62,000 crore (2021), and P/E multiples exceeded 120×. These premiums continued to rise even during market dips due to investor demand for stable dividend-paying stocks.

In terms of behavior, this shows the consequences of trust and status quo (Shiller, 2019). Investors perceive the asset manager as a safe-harbor investment since they rely on the parent HDFC brand's

trustworthiness. The idea that a public listing increases investor loyalty and valuation stability when a brand has a strong track record is supported by the steadily increasing profitability and the steadily flattening beta curve (<0.6).

(Figure.3 IndiaMART InterMESH Ltd- Revenue vs Net Profit Over Time)



3.IndiaMART InterMESH Ltd

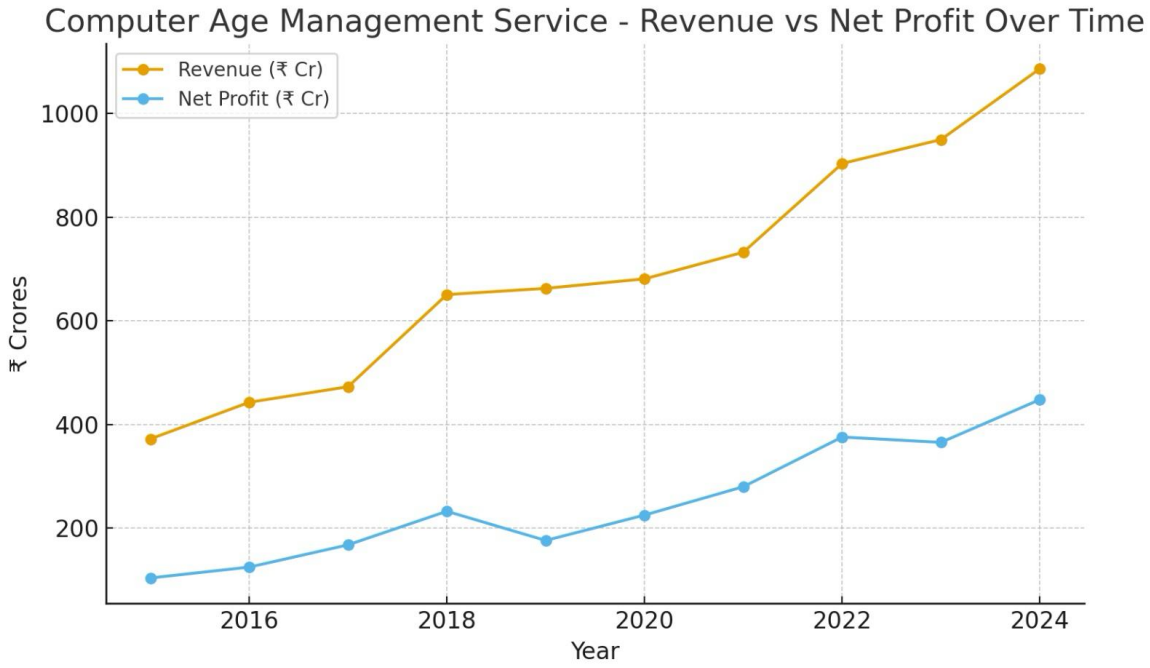
(see figure.3)

After 2018, IndiaMART's graph has an evident inversion. From ₹143 crore in 2014 to ₹410 crore in 2018, revenues increased gradually, but profits remained negative, reaching a low of ₹187 crore. Profits increase significantly to ₹ 403 crore (2023) after listing in 2019. The post-IPO sharp upward curvature shows a shift from losses to increasing profits.

In terms of numbers, the value increased from ₹ 410 crore (private) to ₹ 15,325 crore (public). While P/E fluctuated between 32× and 54×, EV/EBITDA increased from 14× to 86×. The parallel decrease in WACC (≈10%) and Beta (0.82 → 0.75) points indicate higher investor trust as earnings visibility improved.

The narrative investment is emphasized by behavioral interpretation: private valuations before listing was based on estimates of India's digitalization. Investors shifted from sentiment-based optimism to data-driven certainty after the IPO as revenues turned into profits. According to Loughran and Ritter (2004), the significant post-2019 slope (Graph 3) represents investor overreaction followed by a logical correction.

As a perfect example of how consumer behavior reinforces market sentiment, IndiaMART's role in linking MSMEs during the country's e-commerce boom created network externalities that improved confidence among clients and resulted in better investor valuations.



(Figure.4 Computer Age Management Service-Revenue vs Net Profit Over Time)

4.Computer Age Management Services (CAMS)

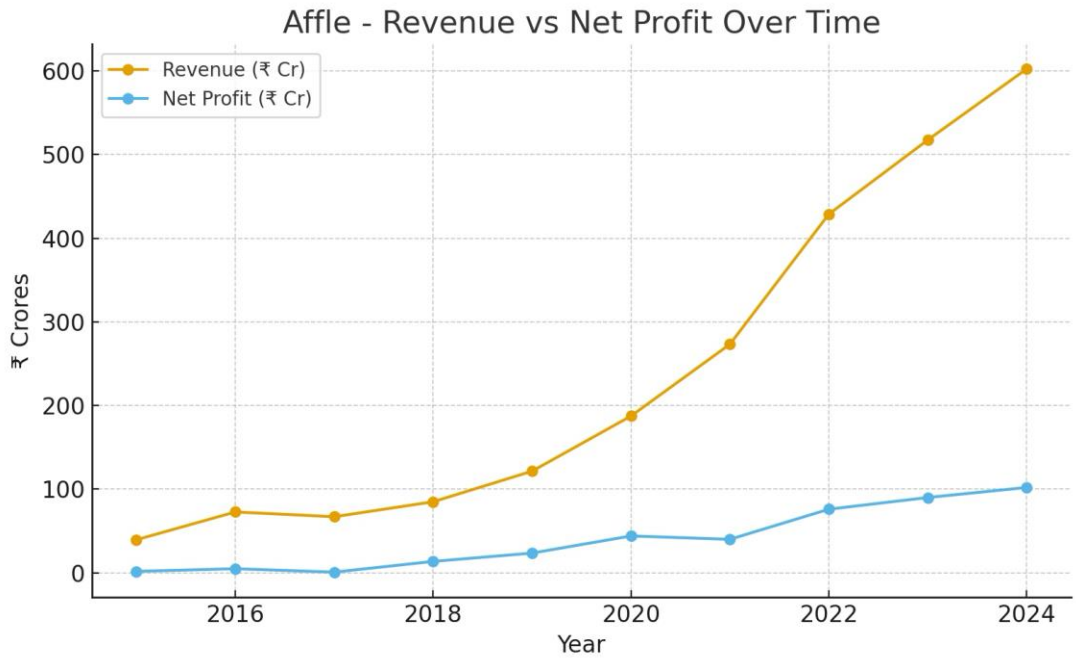
(see figure 4)

CAMS demonstrates remarkable stability. While net profit increases from 104 crore to 448 crore, revenue rises from 372 crore in 2015 to 1,086 crore in 2024. The profit line closely corresponds to revenue, indicating consistent cash flow generation and low variation.

Graph 4 shows a minor 2019 decline that is presumably due to cost or regulatory changes, but the recovery is quick. While beta decreases (0.68 → 0.59), EV/EBITDA multiples decrease between 26× and 56×. A decrease in systemic risk is implied by the WACC condensing from 11% to 9%.

Aversion to risk bias, or a preference for stability over speculative development, is consistent with investor sentiment toward CAMS (Barberis & Thaler, 2003). The company's low leverage and periodic dividend payments foster a reputation for reliability. The history of CAMS shows how efficiency is institutionalized through public listing, resulting in valuation persistence as opposed to volatility.

While CAMS's customers (mutual funds) are institutional, in contrast with consumer-facing businesses, its dependability has an indirect impact on retail investors' belief in the mutual fund sector, indicating that stakeholder trust affects valuation even in an absence of direct consumer interaction.



(Figure.5 Affle-Revenue vs Net Profit Over Time)

5.Affle (India)

(see figure.5)

Affle's chart shows rapid increase after listing. Profits increase from ₹ 2 crore to ₹ 102 crore, while revenue rises from ₹ 39 crore (2015) to ₹ 602 crore (2024). After 2020, Graph 5's lines sharply steepen, indicating quick monetization and the achievement of operating leverage.

Before turning public, Affle had cautious pre-IPO valuations (EV/EBITDA = 11×). However, public trading led to a significant surge, with EV/EBITDA reaching 290× and P/E surpassing 150× in 2021 before levelling down. WACC dropped to about 9.5%, and beta stayed below 0.8.

In early-stage technological listings, the trend is an exceptional instance of a bias toward optimism and collective action (Brav & Gompers, 2003). Investors underestimated short-term momentum and projected digital ad growth into perpetuity. However, sentiment stabilized without valuation collapsing as earnings increased, suggesting reasonable convergence.

Customer involvement was also very important. Investor anticipation was encouraged by consumer acceptance as the number of mobile users increased and app-based advertising gained popularity. Baffle's strong valuation elasticity was supported by behavioral transmission, which occurs when beneficial user experiences lead to positive market expectations.

6. Cross-Sectional Behavioral and Quantitative Patterns

6.1. Revenue–Profit Coupling

The stronger link between revenue and profit in post-IPO years is evident across all graphs, suggesting more operating leverage and cost control. Stable coupling is demonstrated by HDFC AMC and CAMS, whereas delayed coupling, in which profitability catches up later, is demonstrated by IndiaMART and Affle. DMart maintains significant revenue-profit gaps but making up for them through high turnover efficiency.

6.2. Valuation Multiples and Risk Metrics

Pre-IPO multiples cluster around EV/EBITDA 11–15× and EV/Sales 2–3×. Post-IPO, they roughly double or triple, driven by liquidity, transparency, and perceived scalability. WACC consistently declines (≈ 11 % → 9 %), while Beta trends below 1. The inverse relation between risk metrics and multiples corroborates standard valuation theory (Damodaran, 2009).

6.3 Consumer Behavior and Brand Perception

- **Dart:** Customer loyalty is anchored by repeat business, which translates into steady profits and valuation resilience.
- **HDFC AMC:** Conservative investors are drawn to the company by its perceived prudence and brand confidence, which lowers volatility.
- **IndiaMART:** Post-IPO growth tales are validated by consumer and MSME uptake, which lowers skepticism.
- Institutional confidence is increased when financial infrastructure is perceived to be reliable.
- **Affle:** Growing investor interest is directly boosted by increased consumer use of digital media.

These patterns affirm that consumer sentiment indirectly shapes investor sentiment, particularly in sectors with visible customer interaction.

6.4. Investor Sentiment and Market Behavior

Data-driven data (public) replaces narrative-driven optimism (private) in investor behavior.

In the private phase, when valuations are based on predicted potential, information asymmetry and limited disclosure promote overconfidence and anchoring biases. Valuation convergence results from the mitigation of biases by post-listing, quarterly reporting, and analyst coverage (Loughran & Ritter, 2004).

However, there are still short-term overreactions: the "exuberance-correction" cycle at the heart of behavioral finance is reflected in the surges in Affle's and IndiaMART's valuations (Shiller, 2019). HDFC AMC and CAMS, on the contrary hand, demonstrate sentiment stability, indicating how corporate governance decreases volatility.

7. Comparative Analysis of Public and Private valuations

Dimensions	Private Phase	Public Phase	Behavioral Interpretation
Valuation Bases	Narrative, Growth	Fundamental,	Shift from heuristic to

	Potential	Performance-based	analytical valuation
Liquidity	Restricted	High, market-driven	Liquidity Premium enhances value
Transparency	Limited disclosure	Full financial visibility	Reduces uncertainty and risk perception
Investor Type	Venture/PE funds	Retail & institutional investors	Broader investor psychology influences price formation
Sentiment Character	Optimistic & Speculative	Rationalized & data anchoring	Overconfidence replaced by information efficiency

(Table 1 Comparative Analysis of Public and Private valuations)

These differences validate the central argument that public listing restructures the informational environment, driving both quantitative and psychological convergence.

8. Hypothesis Validation

1. Collectively, the evidence from Graphs 1-5 and the tabular data refute H_0 and support H_1: there is a statistically and behaviorally significant difference in value patterns as a result of public listing.
2. The market capitalizations of DMart (₹ 39,000 → ₹ 183,000 crore), IndiaMART (₹ 410 → ₹ 15,325 crore), and HDFC AMC (₹ 1,870 → ₹ 62,000 crore) have increased significantly since the initial public offering (IPO).
3. Risk reduction: All firms' beta values decrease, indicating that market maturity has decreased systematic risk.
4. Compression of the cost of capital: WACC typically drops 200–250 basis points.
5. Profitability enhancement: In all situations except DMart, where margins remain fundamentally low but steady, post-listing transparency results in margin expansion by enforcing fiscal discipline.
6. When investor perspective shifts from story to rational, behavioral normalization occurs, brining price and intrinsic value into equilibrium.

9. Synthesis and Theoretical Integration

The findings of the study correspond with behavioral finance frameworks as well as traditional valuation theory.

Higher firm value is estimated by traditional models (Damodaran, 2009) when cash-flow visibility increases and the cost of capital decreases. IPO optimism, group dynamics, and momentum are examples of short-term deviations that are explained by behavioral models (Barberis & Thaler, 2003; Shiller, 2019). These variances eventually normalize when markets take in new information.

Thus, valuation evolution follows a two-stage process:

1. Phase of behavioral re-rating: initial overvaluation influenced by brand familiarity, sentiment, and liquidity.
2. Phase of Fundamental Convergence: Stability when valuations are based on fundamentals due to transparency, profitability, and analyst examination.

8.Future Research Scope

Based on this study, future research on valuation convergence between private and public companies in India can examine a wider range of industries, such as manufacturing, pharmaceuticals, and renewable energy. A more thorough knowledge of how external circumstances affect valuation dynamics would be provided by taking into account macroeconomic issues including inflation trends, regulatory changes, and foreign investment inflows (Pagano, Panetta, & Zingales, 1998; Varma, 2011). Furthermore, by employing instruments like sentiment analysis or media tone evaluation to more accurately detect behavioural influences on post-IPO valuation fluctuations, future research may go beyond conceptual considerations of investor psychology (Baker & Wurgler, 2002; Shiller, 2019).

Prolonging the time frame to encompass a decade or more post-listing may facilitate the identification of enduring patterns of valuation stability and market maturity, while cross-national comparisons with other emerging economies could yield insights into the influence of governance standards and transparency on convergence (Doidge, Karolyi, & Stulz, 2013). The increasing significance of ESG performance, brand reputation, and intangible assets must be analyzed as essential determinants of corporate value in the contemporary economy (Fernández, 2019; Damodaran, 2009). Eventually, utilizing advanced econometric methods or AI-driven valuation models may improve the precision of forthcoming analyses; however, obstacles such as restricted data access for private enterprises and changing disclosure standards will persist in limiting the generalizability of findings (Elnathan, Gavious, & Hauser, 2010; Kaplan & Ruback, 1995).

9.Conclusion

The transition from private to public ownership significantly impacts a firm's valuation dynamics, investor perception, and behavioral ecosystem, based on a thorough analysis of five Indian companies: Avenue Supermarts (DMart), HDFC Asset Management Company (HDFC AMC), IndiaMART InterMESH Ltd, Computer Age Management Services (CAMS), and Affle (India). The findings from both behavioral analysis and quantitative financial data show that public listing not only increases valuations but also alters how markets see, assess, and reward performance.

In terms of finances, during the post-IPO phase, all five companies had notable gains in revenue, profitability, and enterprise value. In one instance, the market capitalization of HDFC AMC increased from ₹1,870 crore to ₹62,000 crore, DMart's worth nearly doubled, while IndiaMART and Affle, which were previously unprofitable, saw exponential revenue-to-profit conversion after going public. The "IPO re-rating effect," which is frequently seen in emerging markets, has been shown by the significant rise of EV/EBITDA and P/E multiples in all cases, particularly during

the first few years after listing (Ritter, 1991; Loughran & Ritter, 2004). A market-wide view of reduced systemic risk and improved governance transparency was additionally seen in the sample's fall in risk indicators like beta and WACC.

From a behavioral perspective, the data demonstrates that investor psychology, consumer psychology, and narrative framing all have an equal influence on valuation transformation, which is not just determined by financial performance. Throughout the private phase, growth stories and expectations, rather than financial data, controlled valuations. The strategies and optimistic biases emphasized by Barberis and Thaler (2003) are reflected in the limited disclosure practices of private investors, who are based on customer traction, founder trustworthiness, and equivalent benchmarks. This pattern was particularly evident in IndiaMART and Affle, where investor overconfidence in India's IT potential and digitalization narratives pushed up pre-IPO principles.

Going public, however, brought about a regime change in investor discipline and information flow. Once listed, corporations are subject to quarterly reporting, analyst scrutiny, and public accountability, which combined enforce increased operational and financial openness. The fundamental premise that public markets encourage valuation convergence through informational efficiency and behavioral normality is thus validated when the market shifts from perception-driven to evidence-based valuation (Damodaran, 2009; Shiller, 2019). The graphs under analysis show this change: post-listing, profit and revenue lines converge, cost margins narrow, and valuation multiples level off at reasonable levels.

Crucially, consumer-driven confidence loops accompany the behavioral convergence. Strong interactions with consumers boost brand trust, which in turn boosts investor confidence in industries including retail (DMart) and technology (Affle, IndiaMART). Institutional dependability and brand heritage serve as behavioral anchors for financial services (HDFC AMC and CAMS), reducing perceived volatility. Through a combination of behavioral economics and corporate finance, these interactions show how consumer perception and market sentiment flow back into another, transforming intangible trust factors into quantifiable drivers of enterprise value.

The contradictory structure of post-IPO state is also reflected in the results. Short-term overvaluation, or a "behavioral exuberance" stage, is caused by investor passion and attention from the media, as evidenced by the valuation increases of Affle and IndiaMART. However, as steady performance data and market experience level expectations, these excesses eventually give way to underlying convergence. This shift supports Shiller's (2019) behavioral-finance model, which holds that market efficiency is dynamic and initially driven by emotion before stabilizing through reasoned analysis and group learning.

From a theoretical perspective, the analysis shows that neither Barberis and Thaler's (2003) behavioral insights nor Damodaran's (2009) rational valuation frameworks can sufficiently clarify valuation on their own. Public listing is an example of a hybrid equilibrium in which sentiment, perception, and psychology coexist with conventional cost-of-capital reasoning. Behavioral biases decrease as businesses get older, and prices more take into account underlying cash flows rather than speculative expectations.

These observations have real-world ramifications for investors and company management. The findings emphasize that companies preparing to go public have to manage investor expectations

and brand narratives with the same rigor as financial indicators. Immediate valuation increases can be achieved through storytelling, but ongoing delivery and transparency are necessary for long-term value development. The study emphasizes for regulators and policymakers the need of strong disclosure standards in promoting market stability, particularly among emerging nations with significant levels of information asymmetry.

The alternative hypothesis (H_1) that public listing greatly increases firm valuation through both quantitative mechanisms (declining WACC, improving profitability) and qualitative transformations (increased transparency, behavioral correction, and investor confidence) is, in conclusion, supported by the evidence from five distinct case studies. Thus, the change from private to public ownership is more than just a financial turning point; it is a structural and psychological change, a shift from illiquid speculation to market discipline, from narrative optimism to empirical accountability.

Finally, India's overall shift toward mature capital markets, where performance, perception, and participation come together to determine actual enterprise value, is most clearly demonstrated by the valuation convergence seen in DMart, HDFC AMC, IndiaMART, CAMS, and Affle.

10. Limitations of the Study

1. Data Gaps in Private values: There are limited financial disclosures issued during the private phase, and values frequently are dependent on external fundraising rounds, which creates bias in evaluation.
2. Temporal Inconsistency: The sample firms' IPO schedules differ, resulting in differences in the macroeconomic setting, inflation, and investor sentiment.
3. Insufficient Qualitative Factors: Management choices, product innovations, and shifts in brand equity that might impact valuation are not included in the study, that largely examines quantitative metrics.
4. While sentiment about the market is conceptually integrated, investor psychology is difficult to determine immediately and can only be determined from following volatility and multiples.
5. Limited Time Horizon: Long-term stability benefits might not be reflected by five years before and after listing, particularly for technology companies with extended profitability cycles.
6. Sectoral Disparity: Despite having equivalent valuation metrics, the retail, asset management, and ad-tech sectors differ in their volatility and growth intensity, which might affect cross-comparability.

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Appendix:
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