



# An Analysis of the Interrelationship between PIPE (Private Investment in Public Equity) Investment and Possible Influencers: An Empirical Approach to Selected Indian Firms

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## ABSTRACT:

Private Investment in Public Equity (PIPE) has emerged as an important alternative financing instrument for listed firms in emerging capital markets. In India, PIPE transactions are executed primarily through preferential allotments regulated by the Securities and Exchange Board of India and listed on recognized stock exchanges such as the Bombay Stock Exchange and the National Stock Exchange of India. The growing reliance on PIPE financing reflects changing corporate funding strategies aimed at improving liquidity position, restructuring capital structure and enhancing operational flexibility.

The present study examines the interrelationship between PIPE investments and selected financial influencers in Indian listed firms. The research is based on secondary data collected from financial statements and annual reports. Ratio analysis and correlation techniques are employed to analyse liquidity, leverage, profitability and asset efficiency indicators. The findings reveal that firms with higher leverage and liquidity constraints are more inclined to adopt PIPE financing. Post-investment analysis indicates improvement in solvency and gradual strengthening of profitability. The study contributes to understanding capital restructuring behaviour in the Indian corporate environment.

## 1. INTRODUCTION:

Capital formation is central to corporate sustainability and long-term competitiveness. The dynamic nature of financial markets requires firms to adopt flexible funding strategies to respond to economic uncertainty, competitive pressures and expansion opportunities. While traditional financing avenues such as public equity offerings and debt instruments continue to dominate, Private Investment in Public Equity (PIPE) has gained importance as a strategic financing tool.

PIPE refers to the issuance of equity shares or equity-linked instruments by a publicly listed company to selected institutional or private investors at a negotiated price. Compared to public offerings, PIPE transactions involve relatively lower issuance costs, faster execution and reduced exposure to market volatility. In India, preferential allotment under SEBI regulations facilitates PIPE transactions, ensuring disclosure compliance and minority shareholder protection.

The increasing adoption of PIPE financing in the Indian capital market reflects corporate efforts to optimise capital structure and enhance financial stability. Firms experiencing liquidity pressure or high leverage levels often consider PIPE funding as a mechanism to restore financial balance. Despite its significance, limited empirical evidence exists regarding the financial determinants influencing PIPE decisions in India. This study addresses this gap by analysing the interrelationship between PIPE investments and selected financial indicators.

## 2. STATEMENT OF THE PROBLEM:

The Indian corporate sector has witnessed increasing instances of PIPE transactions. However, there remains insufficient clarity regarding whether such investments are driven primarily by financial distress, growth opportunities, or capital restructuring motives. It becomes essential to analyse whether liquidity constraints, leverage intensity and profitability performance significantly influence PIPE decisions and whether such funding improves post-investment financial stability.

## 3. OBJECTIVES OF THE STUDY:

The study is undertaken with the following objectives:

1. To examine the concept and significance of PIPE investment in the Indian capital market.
2. To analyse the interrelationship between PIPE investment and selected financial ratios.
3. To evaluate the impact of liquidity position on PIPE investment decisions.
4. To assess the influence of capital structure (leverage) on PIPE financing.

## 4. REVIEW OF LITERATURE:

International empirical studies indicate that firms experiencing financial constraints and high information asymmetry are more likely to issue private placements. Research findings show that PIPE funding helps firms reduce financial distress and restore capital balance.

In emerging markets, private placements are often utilised during economic downturns when public offerings become less attractive. Indian literature primarily addresses regulatory frameworks governing preferential allotments but offers limited firm-level financial analysis. The present study extends existing research by empirically examining ratio interrelationships in the Indian context.

## 5. RESEARCH METHODOLOGY:

The study adopts a descriptive and analytical research design. Secondary data were collected from published financial statements and annual reports of selected Indian listed firms that undertook PIPE transactions.

Financial ratios were computed under four major categories:

- Liquidity Ratios (Current Ratio, Quick Ratio)
- Leverage Ratios (Debt–Equity Ratio)
- Profitability Ratios (Gross Profit Ratio, Net Profit Ratio)
- Efficiency Ratios (Total Asset Turnover Ratio)

Correlation analysis was conducted to examine the association between selected financial variables. The results were interpreted to identify possible financial influencers affecting PIPE decisions.

There is only one type of data is used **Secondary Data**. In the present study the secondary data had been collected from different sources of literatures like magazines, newspapers, textbooks, journals and internet. The Secondary Data is collected for 5 Years for analysing the data. It's collected in the annual report of the company.

## 6. ANALYSIS AND INTERPRETATION:

### 6.1 GROSS PROFIT RATIO:

Gross Profit measures the money your goods or services earned after subtracting the total costs to produce and sell them. The formula to calculate gross profit is the total revenue minus the cost of goods sold.

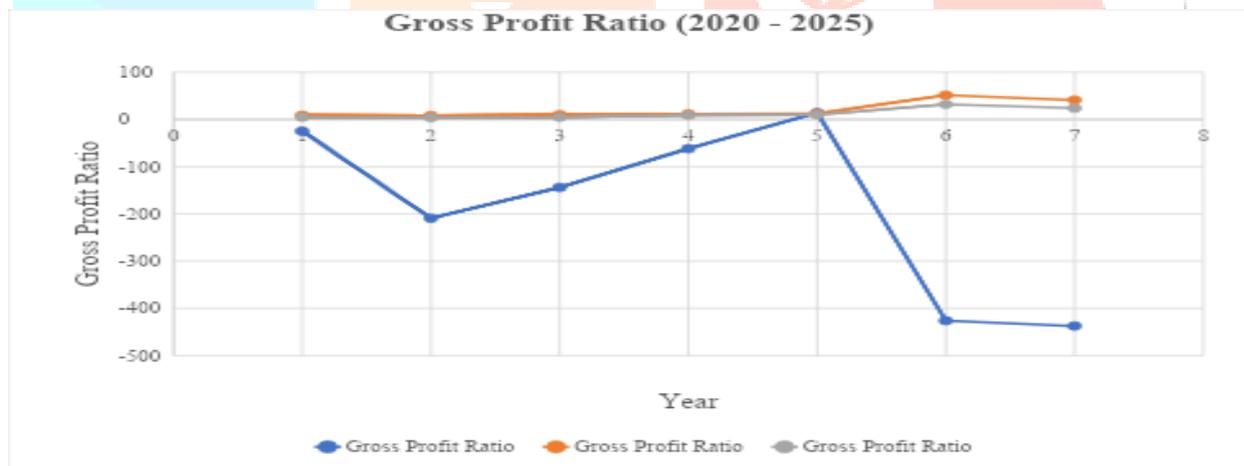
$$\text{Gross Profit Ratio} = \text{Gross Profit} / \text{Net Sales} \times 100$$

Gross Profit Ratio			
Year	Company - 1	Company - 2	Company - 3
2020 – 2021	-24.86	8.61	4.97
2021 – 2022	-209.33	8.26	3.55
2022 - 2023	-143.95	10.03	4.66
2023 – 2024	-61.87	11.67	8.64
2024 - 2025	13.90	12.70	10.25
<b>Total</b>	<b>-426.11</b>	<b>51.27</b>	<b>32.07</b>
<b>Average</b>	<b>-437.23</b>	<b>41.11</b>	<b>23.87</b>

### INFERENCES:

In this above given table Gross Profit Ratio shows negative skewness noticed on Company - 1 and other companies Gross Profit Ratio noticed on positive skewness. While positive kurtosis noticed on Company - 2 were other companies gross profit ratio noticed on Platykurtic since kurtosis values are less than 3 of all companies.

### CHART SHOWING GROSS PROFIT RATIO:



### 6.2 NET PROFIT RATIO:

Profit margin is a financial ratio that measures the percentage of profit earned by a company in relation to its revenue. Expressed as a percentage, it indicates how much profit the company makes for every dollar of revenue generated.

$$\text{Net Profit Ratio} = \text{Net Profit} / \text{Net Sales} \times 100$$

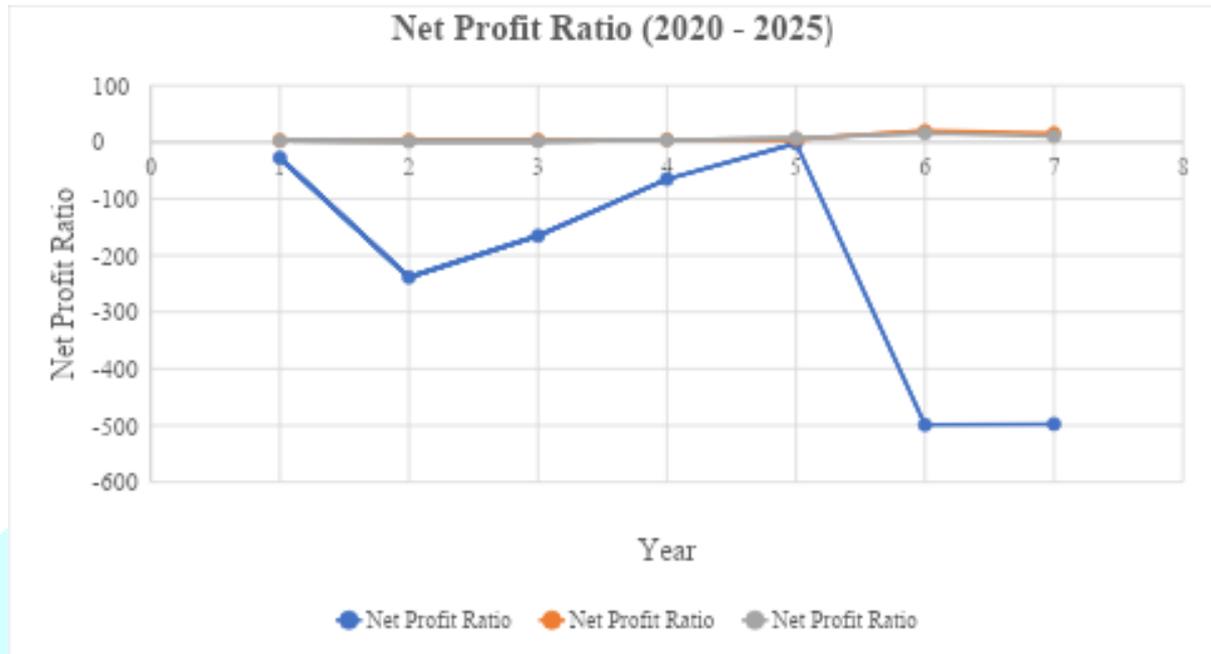
Net Profit Ratio			
Year	Company - 1	Company - 2	Company - 3
2020 – 2021	-27.85	3.05	2.33
2021 – 2022	-238.47	3.10	1.11
2022 - 2023	-165.35	4.15	1.80
2023 – 2024	-65.31	4.30	3.36
2024 - 2025	-2.02	5.07	7.25
<b>Total</b>	<b>-499</b>	<b>19.67</b>	<b>15.85</b>

<b>Average</b>	<b>-497.384</b>	<b>15.614</b>	<b>9.93</b>
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**INFERENCES:**

In this above given table Net Profit Ratio shows positive skewness noticed on Company - 1 and Company - 3 and other companies Net Profit Ratio noticed on negative skewness. While negative kurtosis noticed on Company - 1 were other companies Net Profit Ratio noticed on Platykurtic since kurtosis values are less than 3 of all companies.

**CHART NET PROFIT RATIO:**



**6.3 OPERATING PROFIT RATIO:**

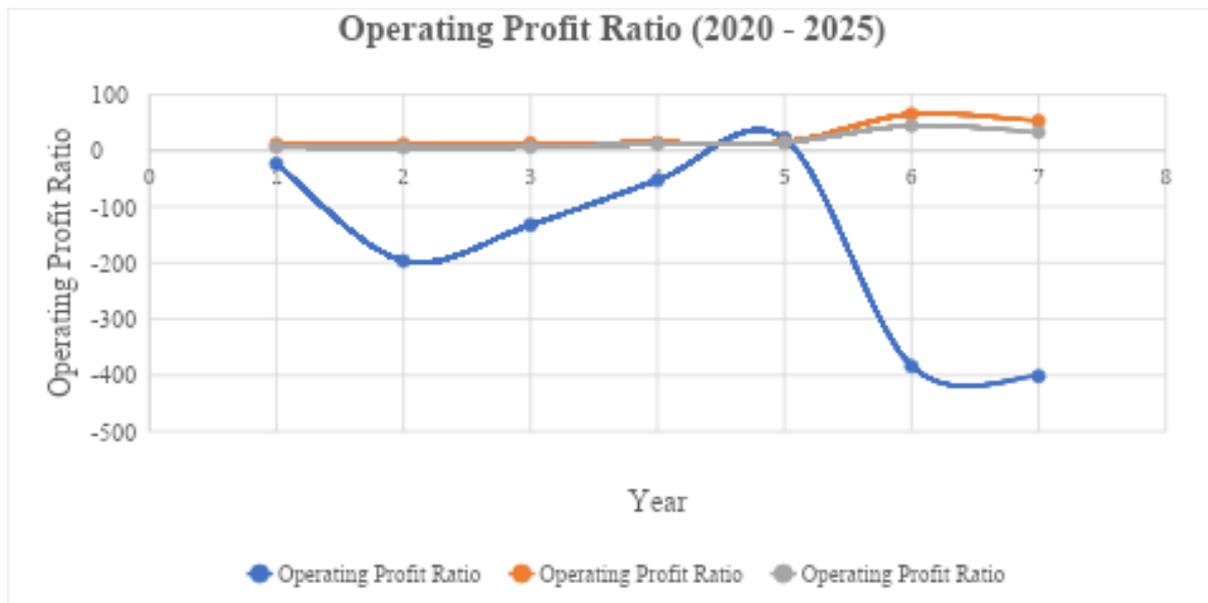
The Operating Profit Ratio (or Margin) shows how much profit a company makes from its core business operations, calculated as indicating the percentage of revenue left after covering operating expenses (like salaries, rent, COGS) but before Interest and Taxes. It's a key metric for assessing operational efficiency, cost control, and management's effectiveness in generating profit from everyday activities, revealing the financial health of a company's fundamental business model.

**Operating Profit Ratio = (Operating Profit / Net Sales) \* 100**

<b>Operating Profit Ratio</b>			
<b>Year</b>	<b>Company - 1</b>	<b>Company - 2</b>	<b>Company - 3</b>
2020 - 2021	-23.55	11.52	6.33
2021 - 2022	-196.55	11.31	5.34
2022 - 2023	-132.33	12.72	6.44
2023 - 2024	-53.33	14.16	11.79
2024 - 2025	21.86	15.08	14.55
<b>Total</b>	<b>-383.9</b>	<b>64.79</b>	<b>44.45</b>
<b>Average</b>	<b>-401.388</b>	<b>52.726</b>	<b>32.81</b>

**INFERENCES:**

In this above given table Operating Profit Ratio shows negative skewness noticed on Company - 1 and other companies Operating Profit Ratio noticed on positive skewness. Leptokurtic noticed on Company - 3 and Company - 2 since kurtosis values greater than 3. Where other companies Operating Profit Ratio noticed on Platykurtic since kurtosis values less than 3 of all companies.

**CHART SHOWING OPERATING PROFIT RATIO:****7. DISCUSSION:**

The empirical analysis indicates that PIPE investment functions primarily as a capital restructuring mechanism. Firms with higher debt exposure and liquidity pressure appear more inclined to adopt private placements. The reduction in leverage and improvement in working capital position post-investment confirm that financial stability is a major motivating factor.

The study supports the argument that PIPE financing enhances financial resilience rather than generating immediate profit gains. Long-term benefits are observed through improved solvency and operational efficiency.

**8. FINDINGS:**

The study reveals that liquidity constraints and high leverage levels significantly influence PIPE investment decisions. Post-investment analysis demonstrates improved capital structure balance and gradual enhancement of profitability. The interrelationship between financial ratios confirms that debt management plays a central role in corporate financing strategies.

**9. LIMITATIONS OF THE STUDY:**

The study is limited to selected firms and relies solely on secondary data. Advanced statistical tools such as regression modelling were not employed. The analysis focuses primarily on short-term financial impact.

**10. CONCLUSION:**

The study concludes that Private Investment in Public Equity serves as an effective strategic financing tool for Indian listed firms seeking capital structure optimisation. Liquidity pressure and leverage intensity emerge as major financial influencers of PIPE decisions. Post-investment financial analysis indicates reduction in debt burden, improved solvency and gradual profitability enhancement.

With continued regulatory supervision by SEBI and adherence to corporate governance standards, PIPE financing can strengthen financial stability and contribute to sustainable corporate growth within the Indian capital market.

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