

# Coming flood of new shares sparks worries of market fall

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The stock market is set to face a bout of share supply, at a time of relentless foreign investor selling and persisting concerns around lofty valuations and tariffs.

The flood of new shares—from mega maiden offers, government divestments and selling by promoters and private equity firms—has some market experts worried about whether institutional investors shifting attention to new shares will trigger a market correction.

“Sure, there is an abundant supply of equity,” says Pranav Haldea, managing director of PRIME Database Group. Just in initial public offerings (IPOs), 75 companies with valid approvals plan to raise ₹1.16 lakh crore, while another 95 await approval to mop up ₹1.64 lakh crore. Several large ones are yet to file their papers. “However, I believe that there



Equity markets are set to face a bout of oversupply. **HT**

is no dearth of demand for good-quality paper and attractive valuations.”

Rising mutual fund and retail inflows have bolstered Indian markets. That has given confidence to the likes of Tata Capital Ltd to LG Electronics India Pvt. Ltd to line up mega IPOs. There has also been a surge in block deals and qualified institutional placements (QIPs) as promoters and large investors seek to sell at high valuations.

Siddhartha Bhaiya, managing director & chief investment officer (CIO) of Aequitas Investment Consultancy, however, warns the markets are headed for a fall and expects suboptimal returns over the next 3–5 years, citing rampant mis-selling as a key red flag. Too many investors are being mis-sold products at inflated valuations, with risks downplayed.

“The smart money is selling, the dumb money is buying. What we’re witnessing is a transfer of wealth from the middle class to the rich.”

While bouts of buying may keep sentiment alive in the short term, Bhaiya says an eventual decline could trigger a consumption slowdown, squeezing household incomes and dampening demand.

When stacked against other countries in the MSCI World index, India has been one of the biggest laggards. The Philippines’ PSEi Composite slumped

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11.5%, earning the tag of the worst performer, just below India, where benchmarks Nifty 50 and S&P BSE Sensex slipped 2.4% and 2.5%, respectively, over the year up to 29 August.

The damage was deeper in the broader markets, with the Nifty Smallcap 250 tumbling 9% and the Nifty Midcap 100 losing more than 5%.

Nifty 50 is staring at a flat spell over the next 3–5 years, according to Shankar Sharma, founder of GQuant. There may be the odd bounce or a fleeting technical rally, but structurally, he sees India lagging global peers. “We’re in the last lap of a bull run that has stretched nearly five years.”

According to Sharma, India’s underperformance risk stems from a supply glut of equity. Vast promoter and private equity exits, a pipeline of big IPOs, and surging domestic mutual fund and retail flows have created a pool of liquidity that’s being fully tapped.

According to Prime Database, several big-ticket IPOs have Sebi’s nod—among them LG Electronics (₹15,000 crore), Credila Financial Services (₹5,000 crore), Dorf Ketal Chemicals—India (₹5,000 crore), and PhysicsWallah (₹4,600 crore).

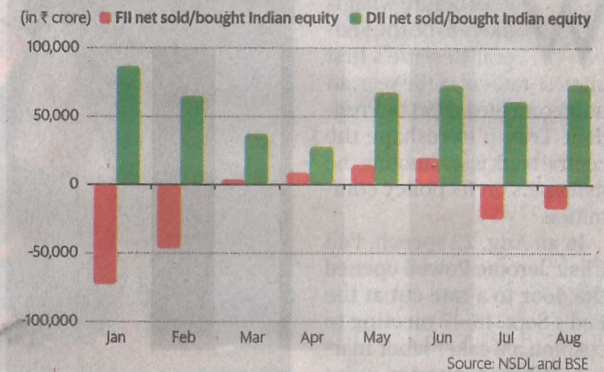
Some of the biggest promoter exits of 2025 have been chunky. At Bharti Airtel, Pastel offloaded shares worth ₹12,879.97 crore, while Indian Continent Investment exited with ₹11,227.05 crore. The Chinkerpoo Family Trust sold its stake in InterGlobe Aviation for ₹10,407.68 crore, and Samayat Services LLP cashed out ₹10,220.40 crore from Vishal Mega Mart.

PE and venture capital players, too, have been cashing out. The biggest deal came from ANTFIN (Netherlands) Holding BV, which sold its stake

# Indian stock market’s supply glut sparks correction fears

## At odds

FIIIs have been inconsistent while DIIs have been buying all throughout 2025.



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in One97 Communications Ltd for ₹3,980.76 crore. TPG Asia VII SF Pte sold ₹2,675.64 crore worth of shares in Sai Life.

The irony, Sharma says, is that while everyone else is making money, retail investors are left shortchanged: SIP returns over the past two years have barely matched fixed deposits at 7–8%, that too with volatility. Capital gains taxes have also lessened the appeal of equities overall.

Meanwhile, foreign investors have resumed selling in July and August. Domestic institutions, however, have kept the throttle steady.

Mutual fund assets under management have been on a steady climb, rising from about ₹33.16 trillion in April–June 2021 to around ₹72.1 trillion in April–June 2025. Meanwhile, new SIP registrations have surged from about 18.6 million in 2022 to 68.3 million in 2024, with about 37.7 million already added in 2025 so far.

Haldea of Prime Database also highlighted that individuals—including retail and high-net-worth clients—took advantage of the upswing to book profits and turned net sellers to the tune of ₹24,000 crore and ₹9,000 crore in the June and March quarters, respectively. This came after pumping in

₹49,000 crore in the December quarter.

Tariffs imposed by the US on India have been an overhang for the Indian market.

“Still...the reason the stock market has not yet reacted more negatively of late to the 50% tariff threat, particularly consumption-related stocks, is the escalating policy response of the government,” said Christopher Wood in a note.

The February budget already delivered income tax cuts. But the bigger positive now is the proposed overhaul of GST—reducing the current four slabs (5%, 12%, 18%, 28%) to just two (5% and 18%). GREED & fear learnt from senior Delhi officials that while this rationalisation had been in the works for a while, the Trump-triggered tariff tussle has fast-tracked its rollout, Wood said. The aim is to implement the new GST rates by September-end, he said.

Another overhang could be the Centre’s plan to cut its stake in Life Insurance Corp. and several public sector banks beyond Sebi’s mandated levels.

Haldea, however, says there have been several announcements on disinvestments and stake sales, but little action.

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