INVESTING Exclusives

# Last 5 IPO boom cycles ended with market bust, what's in store for 2026?




Illustration by Sadhana Saxena via AI.

**Synopsis**

From Lenskart's muted debut to Groww's strong listing, India's IPO market is buzzing again — but with mixed signals. Over the past three decades, an IPO boom has always been followed by a bust. Will this be the case this time as well?

Two of India's buzziest startups — Lenskart and Groww — hit the markets this week, but their debuts couldn't have been more different. For Lenskart, the much-hyped listing turned out to be more of a blur. Despite strong institutional appetite ahead of the **IPO**, its shares opened below the issue price — a sobering moment for a brand that's been synonymous with swagger. As soon as the IPO opened for subscription, social media lit up — investors on X and Instagram slammed the pricing and the promoter's handsome exit.

But not everyone saw red. Veteran investor Shankar Sharma argued that the valuation wasn't outrageous — "on a price-to-sales basis, all these issues were coming at the same price tag of around 10x to sales, he said, comparing it with the high numbers of Paytm and Nykaa.

**Shankar Sharma**
@1shankarsharma · Follow

I have never bought any specs ( I don't wear specs) ever but one thing is crystal clear from my lens: there is an organised campaign against LensKart. At ~10x Sales, it's a steal compared to P/ sales valuations of Paytm, Nykaa , Zomato, PB, Car Trade etc who IPOd at 25-50x their Show more

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Institutional buyers seemed to agree — QIBs subscribed 40 times, driving total subscription to 28x. Still, beneath the IPO euphoria some see warning signs.

Since Covid-19 — and especially post-2020 — India's IPO machine has been in overdrive. In five years, 335 offerings have raised INR5 lakh crore. Typically, IPO cycles run for about three years, but this time is different: even as the broader market stayed flat over the last year, the primary market kept pulling in record money.

Year 2024 topped the charts with INR1.59 lakh crore raised, followed by INR1.30 lakh crore in 2025 (till October). What makes this unusual is that these highs came without a roaring bull market behind them.

And for the first time in years, investors are pressing pause and questioning valuations. They've seen enough cycles to know that IPO parties rarely end well.

"The market shows fatigue. Investors are not subscribing to issues as much. Companies are withholding their latest financial numbers until after listing. Merchant bankers and companies are trying to extract as much money from the market as possible because they fear they won't be able to raise funds at higher valuations in the near future. Hence, the rush in IPOs," says Arun Kejriwal, founder of Kejriwal Research and Investment Services.

Experts say year-on-year market moves matter less than the trendline, and over the last three years sentiment has been broadly upbeat. There has always been a story — sectoral, macro, or company-specific — that kept optimism alive. Flush mutual-fund inflows and a wave of startup OFS exits added fuel, ensuring both retail and institutional investors saw healthy returns over that three-year window, even if the


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Varsha Santosh



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past year looked flat.

But history has a rhythm: every time a three-year IPO boom plays out, a market correction has followed — seen in 1996 and repeatedly since.

With another lineup of IPOs waiting in the wings, the inevitable question is back: are we nearing the peak?

There are no easy answers. But if past cycles are any guide, long IPO frenzies in middling markets tend to end the same way — with the onset of a bear phase.

**Primary vs. secondary market**

Between 1994 and 1996, India saw an astonishing 3,400 IPOs raise INR18,000 crore — nearly 8% of the BSE's total market capitalisation. Most issuers were NBFCs specialising in hire purchase and leasing, and they rode a newly liberalising market where private sector mutual funds eagerly subscribed. But the frenzy was short-lived: by the end of 1997, the market had fallen 40% from its peak, and most of those companies disappeared.

A similar pattern resurfaced between 2004 and 2007, when 250 companies — many from real estate and infrastructure —raised INR77,000 crore. Valuations soared as the market's PE climbed from 21x to 28x, and giants like DLF pulled in massive sums. Then came the 2008 global financial crisis, and markets tumbled sharply from their highs.

History repeated again in 2017–2019. This time, INR1.36 lakh crore was raised as the Sensex PE expanded from 22x to 28x. Big-ticket listings like Avenue Supermart and IRCTC dominated the period, during which the market gained substantially — before crashing 40% in March 2020 during the Covid shock.

In 2021, Paytm (One97 Communications) listed in November, just as global liquidity injections were lifting markets out of the pandemic slump and fuelling a fresh bull cycle. Now, the momentum has carried into the latest wave of IPOs from consumer-focused new-age businesses like Lenskart, Groww and PhysicsWallah, all drawing solid subscriptions.

“There is lot of money available with the institutions today. Merchant bankers know that and hence the markets are flooded with IPOs. If you observe a lot of these issues have high institutional subscription rather than retail subscription and this exodus of IPOs is not going to slow down now”, says Ajay Kejriwal, executive director at Choice International.

**IPO fever**

The IPO party just won’t stop — even if the charts are starting to look a little dizzy.

The BSE IPO Index, which tracks stocks for a year post-listing, was flat for most of the past year. But in the last six months, it’s suddenly found its groove — up 13%, with names like Ather Energy, Quality Power Electrical Equipment, and Stallion India Flurochemicals doubling in value.

Meanwhile, valuations have hit overdrive. The NSE IPO Index, once trading at a P/E of 61.5x, now sits at a heady 73x — more than three times the Nifty 50’s 22x. Yet, the enthusiasm refuses to cool.

SIP money is pouring in too. In just six months of FY26, investors shelled out INR1.66 lakh crore through SIPs — a 24% jump from last year. October alone accounted for a record INR29,529 crore, even as it represented a whopping 39% of all IPO proceeds for FY26.

It’s a trend, S. Naren, CIO at ICICI Prudential, had warned about earlier this year — retail SIP flows sneaking into the primary market. That warning sounds louder now.

So far, the numbers justify the frenzy: FY25 saw INR1.62 lakh crore raised through fresh issues and OFS on the mainboard, 46% higher than FY22. In just the first half of this fiscal, fresh issues made up 54% of the total INR60,991 crore raised.

As Kush Gupta, director at SKG Investment and Advisory, put it: “IPO markets are very different from the secondary markets. The risk-reward ratio is very high in the pre-IPO market. So, there are no shortage of investors for this category, and the IPO sentiment will continue to flow in 2026 too. Moreover, the risk appetite for investors has increased from 2021 since the markets have been on a bull run for a very long time.”

The divergence is clear. Over the last five years, Nifty 50 returned 15% annually, while midcap and smallcap indices delivered over 25%. Before 2019, those returns were a fraction of that. And now, as benchmark indices stall, IPOs are still flying — LG Electronics got subscribed 166x, and Orkla 117x in the QIB category.

As Neha Agarwal, MD and head – Equity Capital Markets at JM Financial Institutional Securities, summed it up: “Primary and secondary markets are exhibiting divergent trends. While the secondary markets are flat, the **IPO market** is on steroids. Domestic funds have enough dry powder with them to invest in top-quality IPOs and hence no reason for the IPO velocity to reduce unless company earnings do not meet expectations going forward and returns on IPO as a product fades.”

**Listing reality**

The heady IPO days of 2021 — when every debut felt like a lottery win — are long gone. Back then, IPOs listed at jaw-dropping premiums of 90% or more. Take Latent View, for example — it hit the market at a staggering 169% premium to its issue price.

Cut to 2025, and the fizz has clearly settled. The best performer so far, Highway Infrastructure, managed a 67% listing gain — and that too on a modest INR112 crore issue.

As Amit Kumar Gupta, founder and CIO at Fintrekk Capital, explains, “IPO market is not in a bubble territory despite some ridiculously valued issues. They are not euphoric like the IPOs in 2021. Back then, both primary and secondary markets were at exorbitant valuations but that is not the case now. Nifty has remained flat in the last one year and the listing gains for IPOs are also not as high as they were in 2021.”

Still, the pipeline isn’t drying up anytime soon. For many SMEs, tapping the IPO market has become the go-to route when other funding sources turn scarce. Even if valuations cool, the flow of new issues is expected to stay strong.

But here’s the catch — the IPO Index is now trading at a higher P/E than a year ago, even as the Nifty 50 has barely moved.

That gap should make investors pause — because if history has taught the market anything, it’s that euphoric listings rarely end with happy long-term holders.

This is for the first time the Indian markets are seeing such record breaking money being raised by IPOs. Investors need to be cautious because the past shows that this doesn’t end well.

(*Graphics by Sadhana Saxena*)