

IPO pipeline stirs as markets rebound, but deal size shrinks

Benchmarks have rallied nearly 5% since Budget-day lows

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A sharp rebound in equities, driven by the India-US trade deal, has lifted sentiment in the primary market, with micro-loan provider Aye Finance and AI and analytics firm Fractal Analytics preparing to launch their long-awaited IPOs next week, though at materially reduced sizes. The two firms will launch their maiden share sales on February 9, with issue sizes of ₹1,010 crore and ₹2,834 crore, respectively.

Industry executives said market sentiment has shifted over the past 12-18 months following a sharp correction in broader equities. And only brief windows of opportunity are opening up for launches. The latest window has opened after a boost in sentiment following the India-US trade deal. From the Budget-day lows, both the Sensex and the Nifty have rallied nearly 5 per cent each, improving risk appetite.

“Issuer companies were waiting for the Union Budget to conclude. With the US trade deal, there is greater optimism about market stability than in January. We are likely to see more issuances over the next two months,” said Venkatraghavan S, managing director at Equirus.

In December 2024, Aye Finance filed for a ₹1,450-crore initial public offering (IPO), comprising a fresh issue of ₹885 crore and an offer for sale (OFS) of ₹565 crore. The company has since reduced the fresh issue to ₹710 crore and the OFS to ₹300 crore. Similarly, Fractal Analytics has pared its IPO size, cutting the fresh issue component to ₹1,024 crore from ₹1,279 crore earlier, while the OFS has been reduced to ₹1,810 crore from ₹3,621 crore at the time of filing its DRHP in August 2025.

“A reduction in issue sizes was expected, given the market volatility over the past three months and the sharp correction in small- and mid-cap stocks. Fund houses were more focused on managing their portfolios. If primary issues were to gain traction, some compromise on valuation would have been necessary, leading to smaller issue sizes,” said Venkatraghavan.

After a record year in 2025, IPO momentum slumped in January amid a broader market sell-off triggered by more than \$3 billion in foreign portfolio invest-

Momentum slump

Month	No. of issues	Issue amount (₹ crore)
Jan 2025	6	4,845
Feb	3	10,877
Mar	0	0
Apr	1	2,980
May	6	8,982
Jun	8	17,688
Jul	13	16,124
Aug	12	10,454
Sep	25	13,301
Oct	10	45,187
Nov	9	23,612
Dec	10	21,857
Jan 2026	3	4,764

Source: Prime Database



tor (FPI) outflows. The month saw only three mainboard IPOs, which together raised ₹4,765 crore — the lowest monthly mobilisation since April 2024, when just one deal garnered ₹2,981 crore. “The absence of a US deal had been weighing heavily on FPI flows and delaying FDI commitments from US market-focused firms. The deal should trigger a crucial sentiment shift towards India after a very weak 2025,” said a note by Nomura.

In the absence of strong FPI participation, most IPOs are now relying on domestic institutional investors (DIIs), primarily mutual funds. During calendar year 2025, FPIs pulled out ₹1.66 trillion from Indian equities, while DIIs invested ₹7.9 trillion, including ₹5 trillion from mutual funds alone.

“Equity fund managers are driving a hard bargain when it comes to IPOs. During roadshows, they are forcing companies to scale back valuation expectations. As a result, several deals are falling through,” said another banker. At present, 129 companies have the Securities and Exchange Board of India’s nod to go ahead with their IPOs, while another 83 have filed their offer documents with the markets regulator. Four companies let their approvals lapse last month.