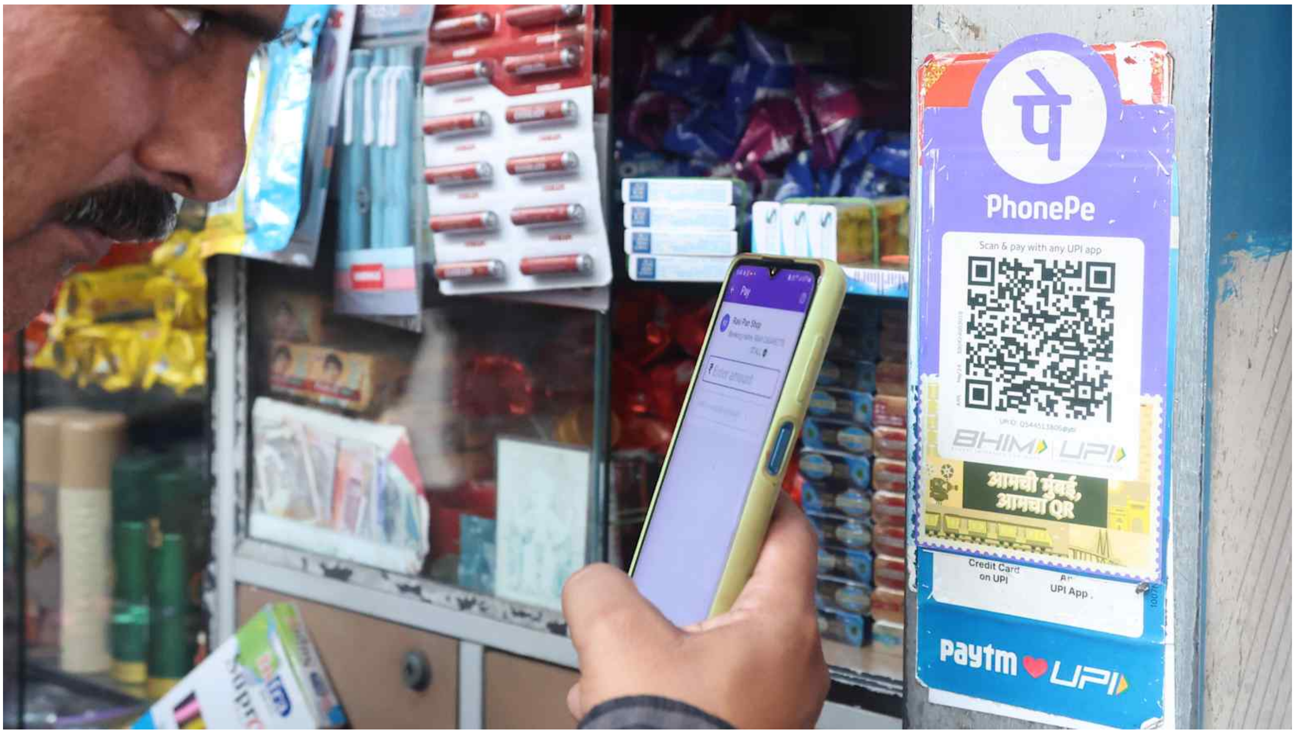
IPO

India startups delay listings on previous IPO flops, Iran volatility

PhonePe among those holding back as investors forced to wait for profitable exits



Financial services firm PhonePe says it has "temporarily deferred" its nearly $1 billion share sale and will resume the process when there is "some stability in global capital markets." (Photo by Yuki Kohara)

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BENGALURU -- Indian startups are delaying initial public offerings as investors, already hurting from the lackluster performance of several such stocks following listings, further raise their guard amid market volatility set off by the Middle East crisis.

Financial services firm PhonePe said earlier this month it has "temporarily deferred" its nearly $1 billion share sale and will resume the process once there is "some stability in global capital markets." Investors such as Walmart, Tiger Global Management and Microsoft are looking to sell shares in the company, which saw losses surge 20% year on year to 14.44 billion rupees ($153 million at current exchange rates) in the six months to September 2025, while revenues grew at the same rate to 41.74 billion rupees.

The parent of audio device maker boAt has also deferred its IPO.

Such moves have put the spotlight on startup IPOs in India, a run of which over the last two years had to some extent allayed fears of venture capital firms about the lack of profitable exits. But several of the most high-profile examples, which had seen their valuations scale new peaks with every private fundraising, have been having a torrid time in the public market, underscoring business challenges. That is likely to put startups aiming to go public under stronger scrutiny as investors turn picky in a bear market, according to analysts.

"Startup IPOs are all about giving exits to investors, more often than not, at very high valuations," said Abhishek Basumallick, founder of investment advisory Intelsense. "Just being a big name doesn't guarantee success [in public markets], we have to evaluate the economics of the business.

"A lot of these companies are evaluated on the basis of promises, but if there are signs that those promises are hard to honor, their appeal will fade," he added. "Simply put, you cannot churn out losses for an infinite amount of time."

Public market tracker Prime Database estimates that 18 Indian startups have gone public since 2024, raising 601 billion rupees, with nearly half the proceeds going to exiting shareholders. Startup IPOs accounted for nearly 17% of the total IPO proceeds. But a Nikkei analysis shows that 10 such companies were trading below their offer price as of Feb. 27, the day before the U.S. and Israel launched their bombing campaign against Iran, as they lost market share amid mounting competition or continued to make losses.

Among them are Ola Electric, once India's largest electric scooter maker, which was trading 67% below its offer price. Shares of SoftBank-backed baby products marketplace FirstCry were down 53%, while Swiggy, another SoftBank portfolio company that was valued at more than $10 billion when it was private, was down 22.56%.

Among the large startups planning an IPO but which have not yet announced a date are SoftBank-backed hospitality startup Prism, quick-delivery startup Zepto and Walmart's ecommerce arm Flipkart, which moved its holding company from Singapore to India in March. While Flipkart's private market valuation hovers around $35 billion, Zepto and Prism are valued at roughly $7 billion and $5 billion, respectively.

The broader stock market selloff triggered by the Middle East crisis is likely to delay exit plans of venture capital and private equity firms, industry executives said. High valuations have made foreign institutions in particular cautious about Indian stocks, with cumulative net sales in the fiscal year through March soaring 50% on the year to 1.8 trillion rupees.

The local stock market has also been underperforming others Asian economies for some time, after stealing a march over them following the COVID-19 pandemic when a boom in government spending on infrastructure propelled economic growth. But India's benchmark Sensex has fallen 5.3% in the fiscal year ending March, while over the same period Japan's Nikkei Stock Average jumped 43.3%, Hong Kong's Hang Seng Index rose 6.8% and the Shanghai Composite Index was up 16.2%.

"The market dynamics right now are such that investors will be closely evaluating new bets, so startups will face some pushback on valuations," said an investment banker on the condition of anonymity as he is not authorized to speak with the media. "So they could either cut valuations and list, or wait it out, but how long they can wait will depend on two things: how soon they need fresh capital and the patience of their existing investors."

However, not every startup is in the doldrums. Shares of electric scooter maker Ather have soared by two-and-a-half times since its IPO as it has gained market share, while one of India's largest stock brokers, Groww, has jumped 16%.

"IPOs are even more risky than investing in already listed companies because there is information asymmetry, no track record or price discovery, and that is true for both startups and legacy companies," said Pranav Haldea, managing director of Prime Database. "That the startup IPOs sailed through shows there were enough takers at that price point. All the same, a great company, new age or traditional, at an expensive valuation makes for a bad investment."