India IPO
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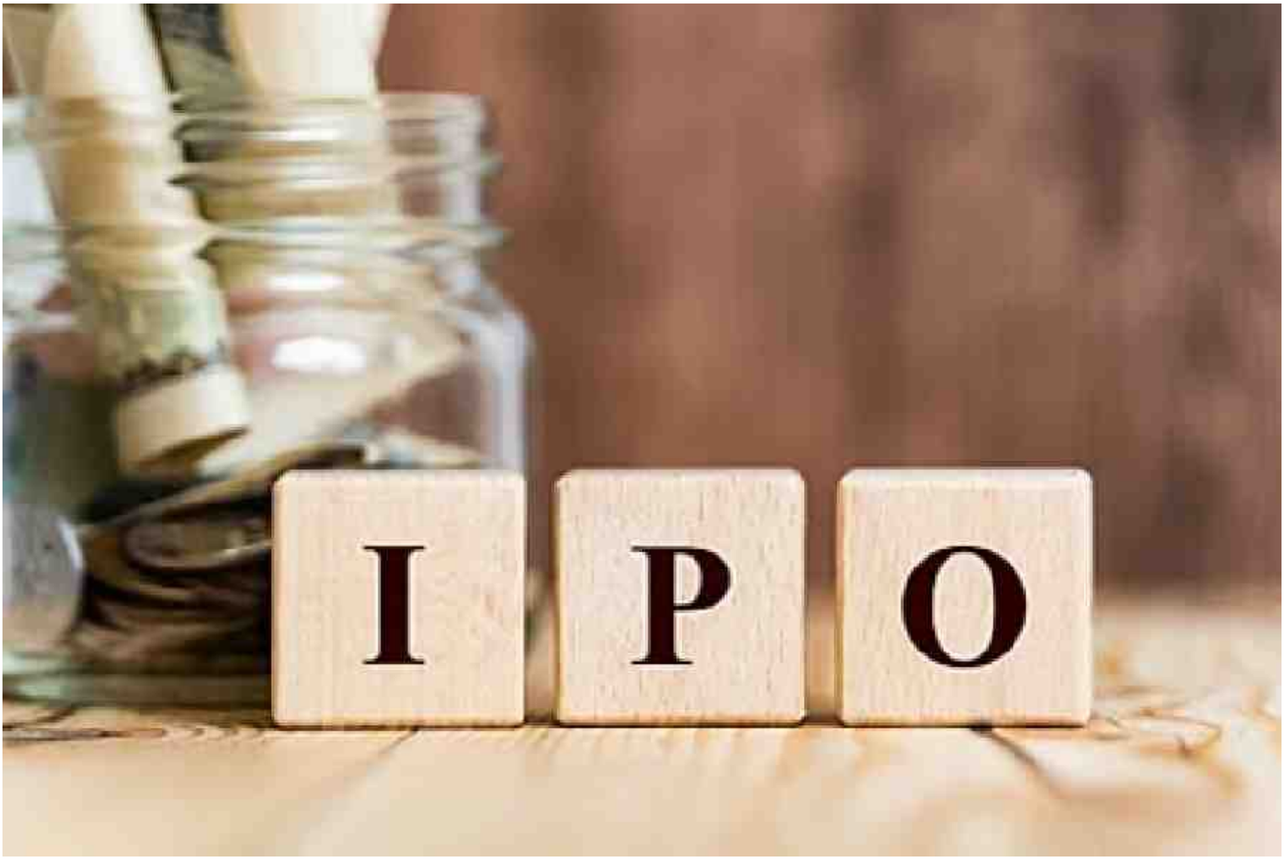

Rising crude prices FII outflows and valuation concerns prompt firms to delay issues as investors turn cautious despite a strong pipeline and regulatory flexibility

India IPO market slowdown

India’s red-hot primary market, which clocked back-to-back record fundraising years, is likely to lose steam in FY27 as geopolitical tensions, elevated valuations and weak listing performances dent investor appetite — despite a robust IPO pipeline exceeding ₹3 lakh crore.

Escalating conflict in West Asia has disrupted oil supplies, pushing crude prices sharply higher and stoking inflation concerns. The Indian crude basket has surged from $69 per barrel in February to $110.63 as of April

16. This has weighed on equities, with the Nifty 50 falling 7.5 per cent from its January 2 peak of 26328.55 to 24353.55 on April 17, eroding investor wealth and confidence. Foreign institutional investors (FIIs) have pulled out a record $13.6 billion in March, with an additional $6.24 billion exiting markets so far in April.

Pause on plans

Market volatility has made it difficult for companies to command favourable valuations, prompting several to defer public issues. Fintech major PhonePe, which was targeting a ₹12,000–13,000 crore raise, has postponed its IPO citing geopolitical uncertainty and market instability.

Meanwhile, Reliance Industries is reportedly looking to file draft papers for the IPO of Jio Platforms in May, incorporating full-year earnings. The move — delayed from March due to market conditions — aims to present a stronger investment case. The issue is projected to be India's largest ever, with an estimated size of ₹35,000 crore to over ₹50,000 crore ($4–6+ billion).

Weak sentiment has also impacted other sectors, with five jewellery companies also deferring IPO plans worth ₹3,840 crore. To provide flexibility, Sebi has allowed companies to reduce IPO sizes by up to 50 per cent without refiling a draft prospectus. The relief will apply to IPOs opening on or before September 30, 2026, offering a temporary but meaningful window for firms planning to tap the markets.

Cautious investors

Recent listings have further dampened enthusiasm. Shares of CIL subsidiary Central Mine Planning and Design Institute, logistics firm Shadowfax Technologies and analytics company Fractal Analytics declined 10.43 per cent, 11.31 per cent and 5.87 per cent, respectively, on listing debut.

Market participants expect the "wait-and-watch" approach to persist until macroeconomic conditions stabilise and secondary markets recover. "The pipeline of issues continues to be staggering. Around 144 companies looking to raise ₹1.75 lakh crore have Sebi approval, while 63 firms targeting ₹1.37 lakh crore are awaiting clearance. However, given the volatility, issuers may prefer to delay rather than launch in a weak market," said Pranav Haldea, MD, PRIME Database Group.

Vaqarjaved Khan, senior fundamental analyst at Angel One, highlighted a valuation disconnect: "Promoters remain anchored to bull-market expectations, while investors are pricing in geopolitical risks."

Analysts said investors have turned selective. "Recent IPOs have seen muted subscription and disappointing listings. Apart from geopolitical uncertainty, high valuations, limited retail participation and cautious investor behaviour have contributed. The market is no longer chasing issues blindly," Khan added.

Apurva Sheth, head of market perspectives and research at SAMCO Securities, said the shift reflects a maturing market. "Investors are prioritising free cash flow and earnings visibility over growth narratives. Issuers are also increasingly using confidential filings to test demand before committing to pricing."

While strong domestic institutional flows from mutual funds and insurers have offered some support, they too have become more selective amid the crowded pipeline, Sheth said.

Selective listings

Over the medium term, however, valuation corrections could provide a healthier foundation. "The Nifty 50 is trading at a 12-month forward P/E (price earnings) of 17.7x, about 15 per cent below its long-term average of 20.9x, leaving room for re-rating. Any easing in geopolitical tensions and sustained market recovery could improve sentiment," said Sneha Poddar, VP–research, wealth management, Motilal Oswal Financial Services.

She added that a stable secondary market would likely have a positive spillover on primary issuances. "In this backdrop, FY27 may not deliver high volumes, but it could see selective, high-conviction listings. The pipeline remains strong, but execution will depend on improved stability and investor confidence," Poddar said.

Global trend

The trend in India reflects a broader global pattern. Data compiled by EY shows that in the first quarter of 2026, the number of IPOs globally declined by 23 per cent over Q1-2025, marking the lowest level in six years. The issue volumes, however, have increased by 36 per cent year-over-year to $40.6 billion, indicating fewer but larger deals.

"In an environment of increasing uncertainty, investors prefer issuers with strong earning power, clear market positioning and robust growth prospects. This is widening the gap between IPO-eligible companies and those with weaker profiles. For the coming months, this means fewer transactions overall, but at the same time, some very large, attention-grabbing IPOs," EY said.