Mainboard IPOs dry up on West Asia war, SMEs hold up

Mainboard IPO fundraising peaked at ₹45,188 cr in October before declining so far in 2026

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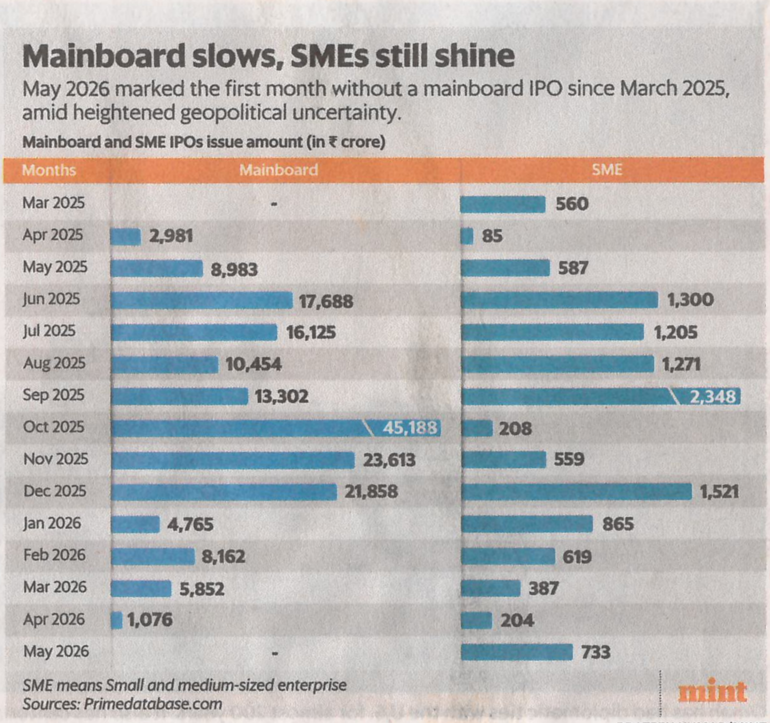
India's previously record-breaking initial public offering (IPO) market is beginning to split into two sharply different stories. After two years of blockbuster fundraising, the mainboard IPO cycle has slowed considerably as the escalating West Asia conflict fuels global uncertainty and risk aversion.

Yet, even as larger issues cool, the small and medium enterprise (SME) segment has stayed active, suggesting investor appetite has not disappeared but become more selective.

The caution is most visible in the mainboard market. May 2026 went without a single mainboard IPO, the first such month since March 2025, when US tariff announcements rattled global markets. The pause comes just months after Indian companies raised a record ₹1.78 trillion through mainboard IPOs in FY26, surpassing the previous peak of ₹1.62 trillion in FY25, according to Prime Database data.

The slowdown has been sharp. Mainboard fundraising peaked in October 2025, when 10 IPOs raised ₹45,187.66 crore, before easing to ₹23,613 crore across nine issues in November and ₹21,858 crore across 10 IPOs in December. It weakened further in 2026: three IPOs raised ₹4,765 crore in January, seven issues mobilized ₹8,162 crore in February, and eight companies raised ₹5,852 crore in March. By April, fundraising had fallen to ₹1,076 crore through two IPOs, before a complete dry spell in May.

"The slowdown is directly traceable to the onset of West Asia geopolitical tensions that triggered a broad-based global market correction," said Samir Bahl, chief executive officer, investment banking, Anand Rathi Advisors.



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He said the Nifty 50 dropped to 22,331 on the last trading day of FY26, with cumulative losses of 7% from the start of the Iran-US war. He added that 51 approved issuers had deferred listings due to timing rather than poor fundamentals. While issuers are choosing to wait out the geopolitical storm, investors waiting on the sidelines have recalibrated their expectations.

Harshal Dasani, business head at INVasset PMS, said the IPO market has moved from excess to selectivity. "After two record years, markets had priced perfection into many new issues. Once volatility, crude uncertainty and West Asia risks rose, weak demand disappeared first," he said.

The sharp fall in mainboard fundraising and the absence of IPOs in May show that the easy-money phase has peaked, he added.

The SME IPO market, however, tells a different story. In January, 19 SME IPOs raised ₹865 crore. February saw 14 SME issues raise ₹619 crore, followed by nine in March raising ₹387 crore. April was softer, with four SME IPOs mobilizing ₹204 crore, but activity picked up in May, when 17 SMEs raised ₹733 crore. In FY26, SME IPOs raised a record ₹10,955.1 crore, compared with ₹9,119.9 crore in FY25.

Bahl said sustained SME activity reflects investor appetite for high-growth companies with smaller issue sizes. Offerings in the ₹10-100 crore range can still find demand even when larger issues struggle for timing and valuation comfort.

Dasani, however, cautioned that SME activity should not be confused with broad-based confidence. "SME IPO activity does show risk appetite, but it should not be confused with deep institutional confidence," he said.

The 17 SME IPOs that raised ₹733 crore in May, even with no mainboard IPO, reflect a narrower and more tactical pool of capital, he added.

Despite selective primary market, the issue pipeline remains strong. As of May, IPOs worth more than ₹2.4 trillion had already received approval from the Securities and Exchange Board of India, while another ₹1.5 trillion are awaiting clearance.

But a strong pipeline does not guarantee immediate listing activity. Weak post-listing returns have already hurt retail and high-net-worth investor (HNI) sentiment.

Bahl said around two-thirds of 2026 IPO listings are currently trading below their issue price, while average listing gains have fallen to about 8%, the lowest since 2019 and sharply below the 49% seen in 2024.

This has hit the 'listing pop' trade that had historically driven retail and HNI demand.

In recent issues, retail participation has remained weak, shifting the absorption burden to qualified institutional buyers. So even as the primary market launchpad is crowded, actual liftoffs will take some time.

MAINBOARD-SME DIVIDE

INDIAN firms raised a record ₹1.78 tn via mainboard IPOs in FY26, against FY25's high of ₹1.62 tn

51 approved issuers have postponed IPO launches on timing concerns rather than weak fundamentals

SME IPOs remained active despite the broader slowdown, with 17 issues raising ₹733 crore in May

IPO pipeline remains strong, with ₹2.4 tn of issues cleared by Sebi and ₹1.5 tn still awaiting approval