

'IPO Mkt Growing, Healthy Participation Needed'

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Mumbai: India's IPO market is entering a structurally stronger phase, with a rising pipeline of companies and deepening domestic liquidity expected to keep primary market activity elevated over the next three to five years. The shift will make it more important and challenging for both issuers and investors to outperform benchmarks.

"What's structurally different this time is the depth and consistency of domestic risk capital," Sunder Iyer, partner at Deloitte India, said. "Local institutions today can underwrite a far broader set of IPOs, including mid-sized issues that were earlier dependent on foreign flows."

He, however, noted that a healthy capital market requires active

participation by all investor groups. Also, foreign funds' participation is necessary to support India's relevance in an increasingly integrated global capital markets.

On the supply side, favourable macroeconomic conditions and sectoral tailwinds are driving broad-based corporate growth. As a result, several small and mid-sized companies are reaching IPO scale, particularly across BFSI, consumer and technology sectors where headroom remains significant, Iyer said.

At the same time, strong private equity and venture capital deployment over the past few years is translating into a visible pipeline of exit-led IPOs.

As of June 5, 168 companies have received approval from the Securities and Exchange Board of India (Sebi) for their IPOs. They are

collectively looking to raise around ₹2.60 lakh crore, according to data from Prime Database. In addition,



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about 70 companies are awaiting regulatory approval to raise nearly ₹1.41 lakh crore via IPOs. Demand is also expanding structurally. Domestic institutional investors continue to grow, supported by rising SIP flows and increasing financialisation of household savings. There is significant headroom, with relatively low participation from pension funds and corporate treasuries.

Importantly, domestic investors are more flexible on allocation sizes

than foreign investors, allowing even ₹250–750 crore IPOs to attract broad participation, Iyer said.

The flip side of this confluence is a more crowded IPO market, which could make investors more selective. "The era of 'all boats rise with the tide' is unlikely to persist indefinitely," said Adepto Saha, executive director at Deloitte India.

As IPO supply increases, investors will become far more discriminating, he said. "Companies with strong governance, capital discipline and clear earnings visibility will attract premium valuations, while weaker stories will struggle even when operating in attractive sectors."

According to Saha, the bar for going public is rising. "Success will increasingly depend on demonstrating not just growth, but

readiness for public markets," he said. "The winners will be companies that combine a compelling growth story with institutional-quality governance, transparent disclosures, disciplined execution and the ability to consistently meet expectations long after the listing bell rings."

For investors, the environment will demand greater selectivity. The search for differentiated returns will intensify, with closer scrutiny of earnings quality, business models and valuations.

This could lead to increasing dispersion in valuations, even within the same sector, while also deepening secondary market opportunities through block deals and follow-on activity.

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