# 'Geopolitics driving valuation discipline for IPOs in H12026'

**Ashokamithran T.**
MUMBAI

Valuations of companies planning to get listed on the stock markets have moderated to more 'disciplined' levels, following increased market volatility driven by geopolitical uncertainties.

"Investors are rewarding firms with strong fundamentals. Clear earnings visibility and reasonable valuations continue to receive strong demand, while aggressively priced initial public offerings (IPOs) are seeing a more cautious response," said Sumeet Lath, associate director and co-head - ECM execution at Anand Rathi Advisors Ltd.

Current pricing may mark the start of the next IPO cycle.

This was not the case last year when several issuers sought to maximise valuations by pricing IPOs at the upper end of listed peer multiples, he added.

Companies that seek listing have adjusted to this reality. Many of the entities, which may have planned to list in the beginning of the calendar year, deferred plans as geopolitical tensions turned stock markets volatile and listing outcomes uncertain.

"This is working well for investors. IPOs with market capitalisation of between ₹8000 crore to ₹40,000 crore are sweet spots for investments as these falls under multiple investment mandates" said Bharat Lahoti, president and co-head, factor investing, Edelweiss MF.

**Race against time**

There is also a race against time to complete the listing as favourable issuance windows are becoming fewer and less predictable, especially with the expiry of the listing application looming, according to Mr. Lath.

"As of June, 176 firms had valid Securities and Exchange Board of India (SEBI) approvals with 74 more awaiting approval."

An IPO is usually a 3-4 year journey with SEBI nod as the last milestone.

Many firms hence choose to proceed despite lower-than-desired valuations or reduced issue size than wait for ideal market conditions and risk letting nod lapse, said Pranav Haldea, MD, PRIME Database.

A slower IPO market has led to the start of the next cycle. This transition period of pricing discipline is the start of the next IPO boom, Mr. Lahoti said.