

The Curious Case Of India's IPO Boom In A Choppy Stock Market

Indias ipo frenzy has lost touch with the stock market

Record IPO fundraising and deep domestic liquidity are powering the primary market even as muted returns, FII selling and valuations weigh on secondary equities



The Curious Case Of India's IPO Boom In A Choppy Stock Market

Summary of this article

India's IPO market raised ₹73,674 crore through 62 mainboard issues in 2026.

IPO liquidity is competing with secondary-market stocks amid continued FII selling.

Rising domestic savings sustain IPO demand despite limited broader market returns.

India's equity market is showing a striking divergence. While the broader stock market has delivered relatively limited returns over the past three years, the primary market has continued to attract companies and investors at a pace that is increasingly difficult to ignore.

Between January and August 2026, 62 mainboard IPOs collectively raised ₹73,673.54 crore, according to data compiled from PRIME Database. Another 126 SME IPOs raised ₹5,738.88 crore during the same period. With September issues included, the total number of mainboard IPOs, including NSE, could reach 82.

If ongoing issues are fully subscribed, IPO fundraising in 2026 could cross the ₹1 lakh crore mark, underscoring the continuing strength of India's primary market. Primary market raised ₹1,75,914.29 crore in 2025, and ₹1,59,783.76 crore in 2024, according to PRIME Database.

The frenzy has become particularly visible in recent weeks. Six IPOs opened on September 9, marking the first time in nearly three decades that six issues opened on the same day. The IPO market also saw 23 issues in August, 12 in July and seven in June.

The pipeline remains large. PRIME Database data shows 159 companies have obtained SEBI approval but have not yet announced opening dates for their issues. This includes Jio Platforms, the digital and telecommunications arm of Reliance Industries (RIL), which is believed to begin investor outreach for its IPO as early as next week, according to Bloomberg.

The contrast becomes sharper when these numbers are placed against the performance of the secondary market.



Stock Market Hasn't Exactly Been Booming

The Nifty 50 has delivered a return of just 6.04% over the last three years, according to NSE data. By comparison, the Nifty Midcap 150 returned 14.60%, while the Nifty Smallcap 250 gained 14.42%.

Yet even the relatively modest Nifty 50 return masks a more nuanced picture. Only 10 of the 50 Nifty stocks have delivered negative returns over the past three years, meaning 40 stocks have remained in positive territory. The index's relatively muted performance has therefore been influenced disproportionately by a smaller group of laggards.

Over five years, only seven Nifty 50 stocks have delivered negative returns, with Wipro the biggest laggard at -12.33%.

The picture over the past year is considerably weaker. Twenty-seven Nifty 50 stocks are in negative territory, with ITC declining the most at 35.35%. The Nifty 50 itself has delivered a negative 6.43% return over one year, while its year-to-date return stands at 10.51%.

That divergence raises the central question: if the broader market has not generated spectacular returns, why are investors continuing to pour money into IPOs?

Investors Still Applying In IPOs

The answer lies partly in the changing nature of investor appetite.

Santosh Meena, Head of Research at Swastika Investmart, said India's IPO market has remained robust despite limited returns from the secondary market over the past two to three years. Record fundraising continued in FY26, at around ₹1.77-1.9 lakh crore, and has remained strong in 2026, he said, driven by deep domestic liquidity rather than secondary-market momentum.

“The divergence exists because primary issues are fuelled by steady SIP/mutual-fund inflows, rising retail participation, and domestic institutions that keep absorbing new paper,” Meena said.

He added that FIIs also prefer IPOs for fixed-price allocations and fresh exposure, while the secondary market is facing FII selling, valuation concerns and supply pressure.

This distinction is important. An investor does not necessarily need to be bullish on the broader market to participate in an IPO. A particular company can still appear attractive because of its growth prospects, pricing or business model even when the broader index is moving sideways.

Puneet Singhania, Director, Master Capital Services, described the IPO boom as increasingly a shift in allocation rather than a broad-based exit from equities.

“The secondary market has remained selective, particularly as midcap and smallcap valuations remain elevated at roughly 29x and 33x earnings, respectively,” Singhania said.

That has made investors more willing to evaluate individual IPOs where pricing and growth prospects offer what they perceive as a better risk-reward balance.



The Attractive IPO Window

The divergence is not being driven by investors alone. Companies have strong incentives to tap the primary market.

Grant Thornton Bharat's report on India's IPO market said fundraising remained robust despite global uncertainty, geopolitical tensions and volatile market conditions. However, investor appetite shifted towards companies with stronger fundamentals, better governance, earnings visibility and more disciplined valuations.

Mainboard IPOs reached an all-time high of 109 in FY26, raising around ₹1.77 lakh crore, compared with 80 IPOs that mobilised ₹1.63 lakh crore in FY25. India accounted for 14% of global IPO listings in March 2026, second only to China, the report said.

The report also points to an important change in the composition of fundraising. Offer for sale transactions continued to dominate mainboard IPO proceeds, accounting for 61%, although the fresh issue component rose to 39%.

That means a significant portion of the IPO boom is not necessarily companies raising new money for expansion. In many cases, promoters and private equity investors are also using the market to monetise their holdings.

Meena said companies are tapping the market for permanent capital, visibility and exits at still-attractive valuations, while investors, particularly retail investors and mutual funds, continue to pursue new names and growth narratives.

“This shows India’s capital markets are maturing and becoming more self-reliant on domestic savings,” Meena said. “It is a sign of depth, yet it also means primary supply competes with secondary stocks for the same money, so selectivity on valuations and quality remains essential.”

The current frenzy is also part of a much larger IPO cycle. In 2025, companies raised a record ₹1.95 trillion through more than 365 IPOs, according to a strategy report by Motilal Oswal Financial Services. It followed an already strong 2024, when ₹1.90 trillion was mobilised through 336 IPOs.

Together, the two years saw ₹3.8 trillion raised through 701 IPOs, far exceeding the ₹3.2 trillion collected during the entire five-year period from 2019 to 2023, the report noted.

Mainboard issues dominated fundraising in 2025, accounting for nearly 94% of the total capital raised. A total of 106 mainboard listings together garnered ₹1.83 trillion.

Over the past two years alone, 198 mainboard companies raised ₹3.6 trillion, underscoring their central role in capital formation. The period also included marquee deals such as Tata Capital's ₹155 billion IPO in October 2025, the fourth-largest public issue in India's history.

The strength of India's primary market was also visible in 2024. According to an NSE report, 268 successful IPOs across the mainboard and SME segments raised ₹1.67 lakh crore, the highest capital raised through IPOs by any global stock exchange that year. Of these, 90 mainboard companies raised more than ₹1.59 lakh crore, while 178 SMEs collectively raised around ₹7,349 crore.



Is IPOs Draining Market Liquidity?

This is where the divergence starts becoming relevant for the broader market.

The sheer volume of IPOs means investors have to repeatedly set aside money to participate in new issues. That capital can remain tied up during the application and allocation process, potentially reducing the amount available for secondary-market purchases.

Meena believes the effect is already visible.

“Yes, the ongoing IPO and OFS boom is diverting liquidity from the secondary market and has acted as a near-term headwind contributing to periods of limited upside or decline,” he said.

Domestic secondary inflows, he added, have fallen sharply from around ₹1.42 lakh crore in March to roughly ₹35,000-40,000 crore in July-August, while primary-market absorption surged as investors reallocated towards new issues.

The structure of an IPO also matters. Meena pointed out that pure OFS deals transfer proceeds to selling shareholders who may exit equities entirely, creating a net drain. Fresh issues, by contrast, send money to the company for purposes such as debt repayment or expansion.

The expected NSE IPO, which Meena estimates could involve around ₹25,000-30,000 crore and would be largely OFS, could therefore have a different liquidity impact from Jio's planned ₹35,000-37,700 crore fresh issue.

IPO Money On The Move

The liquidity effect may also last longer when IPOs are arriving in rapid succession.

Navy Vijay Ramavat, Managing Director, Indira Securities, said subscription data suggests the current trend is not a one-off. Several recent mainboard issues, including ESDS Software, Lumino Industries and Tempsens Instruments, have seen QIB books subscribed 150-300 times.

“With so many IPOs coming to the market, money isn't necessarily finding its way back to secondary markets between issues,” Ramavat said. “It is often just moving from one IPO to the next, which can keep liquidity away from existing stocks for longer than a single listing cycle would suggest.”

Newly listed stocks can also attract significant attention around listing day and during the first week, potentially pulling trading volumes away from older names, he said.

However, Ramavat sees the phenomenon as more cyclical than structural. He pointed to a similar pattern during the IPO rush in November 2025, when liquidity remained tied up in primary markets into early 2026.

FPIs Are Sending a Mixed Signal

Foreign portfolio investor flows make the divergence even more striking.

NSDL data shows FPIs sold Indian equities worth ₹13,918.41 crore in the secondary market in September so far, while investing ₹1,306.03 crore in the primary market during the same period.

For 2026 so far, FPI outflows from the secondary market stand at ₹2,84,208.31 crore, while inflows into the primary market have totalled ₹47,153.50 crore.

Singhanian highlighted a similar divergence over a longer period, saying FIIs sold about ₹3.38 lakh crore of equities in the secondary market in the 12 months through August but invested nearly ₹80,000 crore in IPOs, QIPs and other primary issuances.

The preference does not necessarily mean foreign investors have turned bullish on Indian equities as a whole. Rather, it suggests that investors can remain selective — selling existing listed stocks while participating in primary offerings that they believe offer better opportunities.

The Market's Divergence

The IPO boom can be read in two ways. On one hand, it reflects the growing depth of India's capital markets. Strong domestic savings through SIPs, rising retail participation and large institutional pools have created a substantial base capable of absorbing billions of rupees of new equity.

Grant Thornton Bharat's findings support this interpretation. The resilience of India's capital markets has been supported by strong domestic participation and an expanding investor base, even as global developments, commodity prices and currency movements increasingly influence sentiment.

But the IPO frenzy also reveals that liquidity is not unlimited.

If investors continuously shift money towards new issues while FIIs remain net sellers in the secondary market, existing listed stocks can face an additional source of pressure. The effect

becomes more pronounced when large OFS transactions transfer money to existing shareholders rather than directly funding companies.

This is why the current IPO boom should not automatically be interpreted as evidence of broad-based market strength.

A Boom, But a More Selective One

There are also signs that investors are becoming more discerning.

Average IPO oversubscription fell sharply to 39 times in FY26 from 71 times in FY25, according to Grant Thornton Bharat. Average listing-day gains moderated to 7% from 29%, while the average annual performance of listed IPOs stood at a negative 17%.

The message is clear that investors are still willing to put money into the primary market, but they are becoming more selective about what they buy and at what valuation.

Meena said investor preference for IPOs is largely temporary and cyclical, driven by hopes of listing gains and relative scarcity when secondary markets are range-bound. He expects that preference to moderate as post-listing returns soften and secondary valuations become more attractive.

For the festive season, he expects resilient urban consumption, premiumisation and easier financing to provide selective support to durables, retail, autos and related financing stocks, even if broader markets remain range-bound amid global uncertainties.

Ramavat also expects more stock- and sector-specific moves rather than a broad market rally, with midcaps and smallcaps potentially offering better opportunities.

Large deals such as NSE and Jio could continue attracting FII interest because of their size, quality, liquidity and brand appeal. But as Meena noted, successful IPOs ultimately expand the investable universe and can bolster longer-term market confidence, even as they compete with existing stocks for capital in the near term.

The apparent disconnect between India's IPO market and its secondary market, therefore, may not be a contradiction after all. It is a sign of a market where domestic liquidity is deep enough to keep absorbing new equity even when investors remain cautious about the broader index.

The bigger question is whether that liquidity can continue to support an ever-growing primary-market pipeline without putting sustained pressure on the stocks already listed.