Startup IPOs face profitability test as investors shift focus to fundamentals

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Snapdeal parent AceVector listed nearly 12% below its IPO price despite strong demand, highlighting the growing gap between private valuations and public market expectations amid shifting startup IPO trends.



For companies still posting large losses, the public-market test has prompted some to delay their listings. (Image/Canva)

Snapdeal parent AceVector listed on the stock exchanges on Monday nearly 12% below its IPO price, despite its issue being subscribed almost five times. Valued at about Rs 1,741 crore ($182 million) at the IPO price, a fraction of the $6.5-billion valuation commanded by Snapdeal in 2016, the debut underscored the growing gap between private-market valuations and public-market expectations.

The gap is becoming more visible across the startup IPO pipeline. Of 10 new-age companies that have filed IPO papers with Sebi since September 2024 and remain in the pipeline, six are loss-making and four are profitable, according to Prime Database. Four of the loss-making companies have seen their valuations marked down from their previous private rounds, while profitable companies are generally seeking higher valuations. The pattern suggests that public investors are

becoming less willing to carry forward valuations built during the easy-money years without corresponding improvement in earnings.

Razorpay illustrates the pressure on loss-making companies. The payments company was valued at $7.5 billion in December 2021, when it was making a small profit. It subsequently slipped into the red, with its net loss widening from Rs 1,141 crore in FY24 to Rs 1,206 crore in FY25 even as revenue grew 60% to Rs 3,932 crore, according to Tracxn. Its reported valuation expectations have since fallen to $5-6 billion, with some investors valuing it at below $3 billion, according to sources.

The contrast is sharper with Kuku FM. The audio and microdrama platform moved from a net loss of Rs 153 crore to a net profit of Rs 183 crore in FY26, while revenue rose nearly sixfold to Rs 1,484 crore, according to filings with the Registrar of Companies. Its reported valuation target of about $1.8 billion is more than three times its October 2025 private valuation of $500 million.

For companies still posting large losses, the public-market test has prompted some to delay their listings. Zepto doubled revenue to Rs 22,624 crore in FY26, but its net loss widened to Rs 5,905 crore from Rs 4,700 crore. It paused its IPO after domestic mutual funds were willing to value it at about $3 billion, below the $7-billion valuation of its October 2025 funding round. It subsequently raised about Rs 1,000 crore from existing investors at a valuation of around $4.5 billion.

PhonePe has faced a similar reset. Its revenue rose 22% to Rs 3,919 crore in the six months to September 2025, but its net loss widened to Rs 1,444 crore from Rs 1,203 crore. Its reported IPO valuation expectations fell from about $15 billion to $9-10.5 billion before the company put the offering on hold, citing market volatility.

Some companies have opted to reset valuations before approaching public markets. Used-car retailer Spinny raised $170 million in February at a valuation of about $1.5 billion, down from $1.7 billion in March 2025 and $1.8 billion in December 2021. Its FY25 revenue rose 25% to Rs 4,657 crore and loss narrowed to Rs 424 crore. It has since filed confidentially for an IPO of Rs 2,500-3,000 crore.

Profitability, meanwhile, is giving companies greater room to seek higher valuations. Digital lender Fibe more than doubled profit to Rs 257 crore in FY26 as revenue rose 31% to Rs 1,585 crore and is reportedly targeting a valuation above $1 billion, against its latest private valuation of $648 million. StockGro, which swung to a Rs 35-crore profit in FY25 from a Rs 101-crore loss, is also reportedly seeking a valuation above its latest $378-million private valuation.

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Yet profitability does not mean a return to peak 2021 valuations. Oyo, now seeking a listing through parent Prism, is reportedly targeting $7-8 billion after becoming profitable, including a reported net profit of about $104 million in FY26. That is above its latest private valuation of $3.8 billion, but still about a third below the roughly $11.2-billion valuation it commanded in 2021.

The message from the IPO pipeline is therefore less about a blanket rejection of loss-making

startups than a sharper differentiation between them. Companies that can demonstrate profits, narrowing losses or a credible path to earnings can still command higher valuations. For those that cannot, the private-market prices of the easy-money era are proving increasingly difficult to take to the public market.

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