

India's IPO boom faces valuation reality check

Heather Ng

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Nearly half of new listings now trade below offer price, as enthusiasm-driven valuations collide with stricter fundamentals.



India's IPO market has climbed to a record 1.77 trillion rupees this year, underscoring both strong investor demand and the growing maturity of the country's capital markets. The surge has been driven by rising retail participation alongside steady institutional interest, positioning India as one of the world's most active fundraising hubs.

Yet post-listing performance has proved uneven, exposing gaps between pricing and fundamentals.

Of more than 300 IPOs, nearly half, including Tata Capital, JSW Cement and WeWork India, now trade below offer price.



Hersh Oberoi
Balfour Capital

Hersh Oberoi, global research department director at Balfour Capital, noted that domestic mutual funds such as SBI, HDFC, ICICI Prudential, and Axis were selective in anchor tranches and disciplined in the secondary market.

"They prioritised balance-sheet strength and predictable earnings," he said, adding that valuations were often set to reflect intense retail demand and strong anchor-book appetite rather

than conservative, margin-of-safety pricing.

Once trading began, institutional investors applied stricter criteria around cash-flow visibility, governance, customer-acquisition costs, and capital efficiency, which led to immediate re-ratings for companies with ambitious projections but limited earnings clarity.

Foreign investors have also been cautious, limiting aftermarket support despite selective participation.

While sovereign funds such as GIC, ADIA, and QIA, along with global asset managers like BlackRock, Fidelity, and Norges Bank, took part in certain deals, their involvement has tapered off in the secondary market.

Oberoi said that “their restraint reflects elevated global rates, geopolitical uncertainty and broader risk repricing in tech and emerging markets.”

He added that the exceptionally heavy issuance calendar has dispersed liquidity, reducing depth in the secondary market.

Pension-linked portfolios have favoured infrastructure, financials and utilities, steering clear of higher-beta sectors.



Brock Silvers
Kaiyuan Capital

Sector-specific challenges have further contributed to the divergence in performance.

Financials are grappling with funding-cost pressures, industrials face global demand headwinds, consumer-tech firms are undergoing valuation resets, and proptech remains constrained by uncertainty in the office market.

Despite these headwinds, Brock Silvers, CIO at Kaiyuan Capital, believes the market is evolving in a healthy direction.

He said there's more than ample Indian liquidity chasing growth and driving market excitement and described India's fundraising this year as surprising and impressive.

He cautioned, however, that investor optimism cannot defy market realities indefinitely.

“That which can't go on forever, won't. Without better IPO performance, investors will inevitably come to their senses,” he said.

Silvers argued that frothy pricing needs a reset and that Indian corporates seeking long-term investor bases may soon temper aggressive equity capital market impulses.

At the same time, he suggested that newly discounted issues could become attractive as the secondary market reassesses value propositions.

“Oberoi echoed this view, noting that “strong fundraising continues, but secondary markets are enforcing discipline – rewarding companies with transparent cash flows, governance strength and realistic valuations, while correcting those priced more on enthusiasm than fundamentals.”

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