Sentiment for deals and IPOs may turnaround post Q4 results; DIIs to drive deal pricing and FIIs scale

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Neha Agarwal, MD & head of Equity Capital Markets at JM Financial.

Summary

Neha Agarwal, MD & head of Equity Capital Markets at JM Financial, expects Trump's tariff talks to ease trade tension and lift investor confidence if they move toward resolution.

Neha Agarwal, MD & head of Equity Capital Markets atJM Financial, expects market sentiment to improve in the next couple of months once the March quarter results are out. With most companies having reset FY26 earnings guidance, meeting those targets could bring stability. She said promoter commentary on capital allocation and strategy will also be key.

“If those signals are positive, we could be in for a strong second half in FY26 (for QIPs, blocks and IPOs)," Agarwal highlighted. QIP or qualified institutional placement and IPO is initial public offering.

She also sees capital becoming more selective. Investors may lean toward traditional, high-ROE (return on equity), cash-generating businesses.

On the global front, Trump's tariff talks could ease trade tension and lift investor confidence if they move toward resolution. So, with a turnaround in sentiment, Agarwal expects mutual funds (MFs) to keep driving deal pricing, with foreign institutional investors (FIIs) adding scale. “That’s the dynamic I see playing out: domestic (institutional) investors driving pricing, and foreign investors bringing in scale."

Edited excerpts:

How was FY25 for you, and what’s the outlook for FY26 given the uncertainty around Trump’s policies?

FY25 has truly been a landmark year for the Indian capital markets. We have seen some of the highest fundraises across various products: IPOs, QIPs, and more. While there was some market volatility in February and March, the numbers are impressive for calendar year 2025.

IPOs alone raised close to $19 billion, while QIPs accounted for another $16 billion. That’s a total of $35 billion (excluding block deals), making it one of the strongest years ever for fundraising in India.

This highlights two key things: First, the resilience of Indian markets in the face of global uncertainty. And second, the strong interest from institutional investors. The $16 billion from QIPs is entirely institutional money. Even if we estimate that 40% of IPO subscriptions came from retail and high networth individuals (HNIs), that still leaves about $10-12 billion from institutions. That’s roughly $28 billion—or around ₹2.5 trillion—institutional capital flowing into corporate India through the primary market. A major vote of confidence.

Last year, we saw that every supply of paper was creating its own demand—that’s how strong the market appetite was. Mutual funds played a big role too, offering consistent support to India’s primary markets. One of the key drivers behind that has been steady Systematic Investment Plan (SIP) inflows, which have remained robust. Apart from a brief dip in the first couple of months this calendar year—mostly due to a shift toward thematic funds—the overall SIP momentum has held up well.

That said, the current market environment is dealing with a pricing mismatch.

Could you elaborate on the pricing mismatch?

There is a widening gap between what issuers hope to price their offerings and what investors are willing to pay. In investment banking terms, this difference is known as the “IPO discount"; lately, that discount has been widening.

Historically, IPO discounts have been in the range of 5-10%. But now, in some cases, the ask has increased to 20%, which is quite a jump. And we are not just talking about companies under financial stress or with heavily leveraged balance sheets. Even corporates without urgent capex needs or funding pressure are facing this mismatch.

Interestingly, some sponsors and promoters are choosing to hold off for now. They seem to be betting that market conditions will stabilize around May or June—once the full quarterly results for the listed companies are out.

Investors are not asking for a 10-20% upside from the market; they are simply looking for stability. And once that stability returns, we believe the IPO discount will start to narrow again, paving the way for a pickup in primary market activity. In fact, we think the pace could accelerate.

When might the sentiment start to turn around?

Not immediately, but in a couple of months. By then, the March quarter results will be out, and most companies have already reset their earnings guidance for FY26. If they meet those revised expectations, that should help stabilize the market. Investors will also closely watch promoter commentary, especially around capital allocation and business strategy.

If those signals are positive, we could have a strong second half in FY26. IPOs will make a comeback, but only when this pricing discount starts to narrow.

That is one part of it. Secondly, I think we will start seeing some polarization of capital. It’s not that IPOs won’t happen, but investors will likely become more selective. Segments tied to traditional brick-and-mortar business models—those with high return on equity (ROEs)and strong cash flows—will start taking priority again when it comes to investments.

Over the next few months, Trump’s tariff negotiations with key global partners are expected to advance, signalling a potential resolution to ongoing trade tension. This progress could significantly reduce global uncertainty and restore investor confidence. As a result, we may witness a resumption of foreign institutional investor (FII) inflows into India, driven by improved global sentiment and a more stable external environment.

I believe mutual funds will continue to play a key role in pricing deals, while FIIs will also be active, especially in helping size the IPOs.

Does that mean value plays will be back in favour?

Yes, definitely. I believe mutual funds will continue to play a key role in pricing deals, while FIIs will also be active, especially in helping size the IPOs. That’s the dynamic I see playing out: domestic investors driving pricing, and foreign investors bringing in scale.

QIPs, in particular, are likely to see a boost. We expect a strong pipeline there, as companies aren't likely to hit pause on their QIP plans.

That is why promoter commentary around capital allocation will be closely tracked during their Q4FY25 result updates. How they approach it will play a big role in shaping investor sentiment.

I don’t think capital allocation is taking a backseat—in fact, it will continue to be a major theme in corporate India’s commentary.

QIPs and block deals also seem to have taken a bit of a breather lately. With IPOs slowing down, too, where are investors looking to deploy capital right now? Are most in wait-and-watch mode, or are some still keen to move ahead? And in those cases, what kind of companies are managing to break through and push forward with their plans?

I would say two or three key trends are playing out. First, many investors are taking a hard look at their existing portfolios. They are reassessing their holdings, and in cases where valuations are attractive, some are choosing to consolidate by increasing their stakes. That's already driving more interest in QIPs and block deals.

Now, when it comes to IPOs in a volatile market, the risk dynamics are quite different. With a block deal, you are only exposed to market risk for about 24 hours. You price the deal on Tuesday, launch it, close it on Wednesday, and the money comes in within two days.

But with IPOs, once the pricing decision is made, you are locked in for nearly two weeks before the funds actually come through. In today's uncertain environment, asking an investor to commit capital for that long introduces risk—hence, the steeper IPO discounts we're seeing, sometimes as high as 20%.Think about it: if you had to put in a large cheque and take a two-week view in a choppy market, you would want a bigger cushion**.**

That is why QIPs and block deals are more appealing right now--they are quicker, more flexible, and have a defined reference price.

I don't think capital allocation is taking a backseat—in fact, it will continue to be a major theme in corporate India's commentary. Given that market risk is relatively limited in a QIP, thanks to the regulatory structure, investors are still willing to participate. That support could come from existing shareholders looking to deepen their position or new investors stepping in.

Either way, alongside portfolio consolidation, this is definitely something we're seeing play out actively in the market.

Are there companies choosing to hold off on IPOs for now? What is their game plan—are they simply waiting it out, or exploring alternative options in the meantime?

Pre-IPO fundraising is gaining traction, with family offices and many alternative investment funds (AIFs) actively investing or engaging in discussions**.** These pre-IPO deals act as a bridge to an eventual IPO. While they can't fully replace an IPO, they help companies raise capital for growth or capex, especially since market conditions have not been supportive.

There is no rush for companies without significant leverage or immediate capex needs. They are waiting for the March quarter results before re-engaging with investors and reassessing their strategies.

What about deals being renegotiated? As you mentioned, some companies are leaning towards pre-IPO growth options—are many companies choosing this route for fundraising instead of going directly for an IPO?

Companies with specific needs are mainly considering this route. For example, companies with small capex plans that they don't want to delay or those facing debt recalls due to a leveraged balance sheet are situations where pre-IPO fundraising becomes a viable option. Otherwise, companies are weighing their options carefully before moving forward.

When it comes to IPOs, is the biggest challenge the mismatch in deal valuations? Or are there other factors at play?

The mismatch in IPO valuations largely stems from the timeline. Once the IPO price is set, there is often a two-week window before the issue closes. In a volatile market, asking investors to take such a long-term view is challenging. Each day brings uncertainty, making it hard for them to commit.

IPOs offer a short window of opportunity but are launched in a volatile market, which naturally leads investors to demand a larger cushion or higher risk premiums. This is why IPOs are taking a backseat for now. However, once market conditions stabilize, we will likely see IPO activity pick up again. It is just about closing the bid-ask spread and navigating the time gap.

Has the uncertainty around tariffs impacted investor sentiment directly?

The impact is more than direct. It's tied to capital allocation. Right now, there's uncertainty about how global shifts will affect India—whether certain countries will dump excess capacity here in Indian markets, how pricing will play out, or whether companies will move manufacturing to India to leverage differential tariffs.

These unknowns weigh down investors. There's also concern over how other countries with excess capacity might affect India. This confusion has caused investors to pause and reassess their portfolios, leading to a lot of unwinding. From my experience, when investors are uncertain, they hold back from new investments and focus on evaluating existing ones.

Which sectors are attracting the most traction?

Investors are responding well to capex-driven sectors, from auto components to precision equipment manufacturing to renewable energy.

I don't think corporate India is looking to pause or stop capex, as that is expected to continue.

Consumption has not been significantly impacted. Yes, there was some noise last quarter about reduced discretionary spending, which is why the March quarter results will be key to watch. We will need to see how spending is divided between rural and urban areas.

What’s the traction from PE firms and VCs for startups and listed companies, especially regarding QIPs and IPOs?

I do not see any slowdown in conversations. The DRHP filing acceleration is on, and the momentum is as strong as last year.

Our advice to issuers is to file their DRHPs with the regulator and keep our momentum towards enabling an IPO on. Once you file the DRHP and receive Sebi’s (Securities and Exchange Board of India) observations, you have up to 12 months to launch an IPO.

This gives the issuer the flexibility to launch their IPO under more stable market conditions. IPO windows are short in volatile environments, so being prepared is key.