

# IPO slowdown looms on rising US rates, Trump tariffs

**ON EDGE.** Uncertainty of foreign participation threatens to cool India's fresh issue market

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Is a slowdown looming for initial public offerings? Market pundits seem to think so.

While the number of filings remains robust, the market volatility, rise in US interest rates and Trump tariffs have led to heightened uncertainty for issuers, merchant bankers and investors alike, particularly the global funds.

"We may see a temporary, volatility-induced slowdown in IPOs," said Venkatraghavan S, Managing Director - Investment Banking, Equirus.

## BUMPY ROAD AHEAD

Global funds have been selling in the past few months and may not be keen to actively invest in the Indian market, say experts. This is especially a factor for issues over ₹3,000 crore, where foreign participation is crucial.

"The rising rates in the US

and the Trump factor has created an uncertainty for IPO launches. If the US interest rates are closer to 5 per cent, which is risk-free and dollar index near highs, the dollar-adjusted returns become unattractive for foreign funds," added Pranjal Srivastava, Partner - Investment Banking, Centrum Capital.

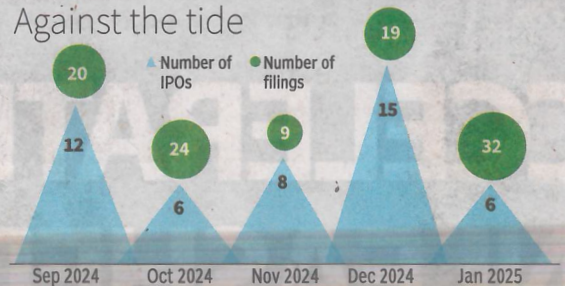
Overseas investors have pulled out ₹1.55 lakh crore in the secondary market in the December quarter but invested about ₹30,000 crore into IPOs.

"Long-only FPIs may still be interested in buying into IPOs but it will become an increasingly difficult sell. Bankers may find it more difficult to price deals in this volatile market," Srivastava said.

Issuers are trying to figure out how the Trump policies will impact them.

"Companies in certain sectors, especially those that depend on the US market for revenues or raw material, may have to account for a

## Against the tide



Source: primedatabase.com

possible slowdown while computing their balance sheet numbers. IPO valuations are likely to be more tempered going forward, especially in the mid and small caps space," said Venkatraghavan.

India's exports, especially in IT, pharmaceuticals and defence, could face rough days ahead.

## PAUSE OR SLOWDOWN?

"A few smaller issuances, which can go through on the back of support from domestic investors, may get launched. Larger sized issuances, which require support

from overseas investors, are likely to see a bit of a pause till things stabilise," said Pranav Haldea, MD, PRIME Database.

Both the IPO pipeline and launches have held up despite volatility in the secondary market since September. IPOs typically get impacted when the sentiment is bearish or there is excessive volatility.

"Once the market settles, we may get back on track," said Venkatraghavan. "The India story is still intact and unless there's a major slowdown investor interest will remain."