
General Updates

➤ **How to interpret IPO booms**

- IPO booms don't cause market crashes, but they are reliable late-cycle signals, indicating markets are optimistic, liquidity is abundant, and valuations are stretched.
- Historically (US dot-com era, 2007, 2021), IPO surges peak when sentiment and risk appetite are high, often followed by weaker returns once conditions tighten.
- India is in an exceptional IPO phase, with record numbers and capital raised, driven by strong domestic liquidity, retail participation, steady GDP growth, and a widening pool of IPO-ready firms.
- Unlike global markets—where IPO activity remains muted—India stands out, creating a divergence that suggests resilience but also rising froth, especially in SME and small-cap IPOs.
- These segments show aggressive pricing, thin floats, and heavy oversubscription, historically early warning signs of overheating.
- Major indices may not crash, but valuation compression, sideways markets, or intermittent corrections are likely as liquidity conditions evolve.
- The outlook is two-speed: high-quality large caps may continue to compound, while overvalued recent IPOs, particularly small-cap or concept-driven names, could deliver subdued or negative returns over 1–3 years.

➤ **Bottom line:**

- IPO booms reflect optimism near the top of a cycle—investors should be selective, valuation-disciplined, and cautious about frothy segments.