

India's Capital Markets 3.0: Why Rs 5 lakh crore Annual Capital Formation Is Achievable



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India's capital markets are standing at the threshold of what can best be described as **Capital Markets 3.0** - a phase characterised by scale, depth, resilience, and institutional maturity. If Capital Markets 1.0 (the period around the 1990s) was about establishing the foundations of modern securities markets and Capital Markets 2.0 (the period around 2000s) focused on broadening participation through regulatory reforms, digitisation, and financialisation, Capital Markets 3.0 is about transforming India into one of the world's most powerful engines of capital formation.

The evidence is already visible.

Calendar Year 2025 emerged as a watershed year for India's primary markets, with total capital mobilisation through IPOs, SME IPOs, QIPs, Rights Issues and other equity fund-raising routes reaching nearly **₹1.9 lakh crore**, making it the strongest years in the history of Indian capital markets.



While the first half of CY26 has witnessed a relatively slower pace of IPO activity due to global macroeconomic uncertainties, geopolitical developments, and intermittent volatility in global risk assets, history suggests that temporary pauses should not be mistaken for structural weakness. A similar trend was visible in CY25 when the initial months remained subdued before issuance activity accelerated sharply in the second half, ultimately resulting in a record-breaking year.

As macroeconomic concerns begin to ease, interest-rate trajectories become clearer, and investor confidence improves, the second half of CY26 could witness a meaningful revival in primary market activity. More importantly, the structural factors underpinning India's capital markets remain firmly intact.

The larger question is no longer whether India can sustain strong primary market activity. The more relevant question is whether India can consistently support annual equity capital formation of **₹4-5 lakh crore** over the coming decade.

The answer, in my view, is increasingly becoming yes.

The Structural Shift Since 2020

India's IPO ecosystem today bears little resemblance to the market that existed a decade ago.

The post-2020 period marks a decisive inflection point in the evolution of India's primary markets. Mainboard IPO fund mobilisation has expanded at a compound annual growth rate of approximately 29% over the past decade, while SME IPO fund-raising has grown even faster at nearly 46% CAGR.

What is even more significant is that growth has not been driven merely by an increase in the number of issues.

Average issue sizes have risen substantially across categories. Mainboard IPO volumes have multiplied while average issue sizes have increased from roughly ₹1,100 crore during the 2015-2019 period to nearly ₹1,600 crore during the post-2020 phase.

This indicates a fundamental behavioural shift.

Companies are no longer approaching public markets merely for visibility or liquidity events. Increasingly, they view public markets as a strategic source of long-term growth capital, balance-sheet strengthening, and expansion financing.

This transition from episodic issuance to institutionalised capital formation is perhaps the most important development in India's primary market journey.

	MAINBOARD IPOs		SME IPOs	
Year	No of issues	Average Size	No of issues	Average Size
2015	21	648	43	6.05
2016	26	1,019	67	8.02
2017	36	1,865	133	12.63
2018	24	1,290	141	16.22
2019	16	773	51	12.23
2020	15	1,774	27	5.89
2021	63	1,884	59	12.65
2022	40	1,483	109	17.20
2023	57	867	182	25.75
2024	91	1,756	240	36.50
2025	103	1,708	270	43.15
CAGR	15.55%	9.21%	18.18%	19.55%
Source: Pantomath Primary Pulse 2025				

Domestic Liquidity Has Rewritten the Rules

Perhaps the single most important factor supporting India's primary markets is the extraordinary rise of domestic savings flowing into financial assets.

The SIP revolution has fundamentally altered the structure of Indian capital markets.

During FY26, SIP contributions touched nearly **₹3.50 lakh crore**, setting a new annual record. Monthly SIP inflows that were considered exceptional just a few years ago have now become the norm.

In June 2025, SIP inflows crossed ₹27,000 crore for the first time. By September 2025, monthly SIP collections touched record highs of over ₹29,000 crore. By early 2026, monthly SIP inflows consistently exceeded ₹30,000 crore, with March 2026 establishing a new record of over ₹32,000 crore.

Month	SIP Contribution ₹ crore										
	FY 2026-27	FY 2025-26	FY 2024-25	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17
Total during FY	62,069	3,49,589	2,89,352	1,99,219	1,55,972	1,24,566	96,080	1,00,084	92,693	67,190	43,921
March		32,087	25,926	19,271	14,276	12,328	9,182	8,641	8,055	7,119	4,335
February		29,845	25,999	19,187	13,686	11,438	7,528	8,513	8,095	6,425	4,050
January		31,002	26,400	18,838	13,856	11,517	8,023	8,532	8,064	6,644	4,095
December		31,002	26,459	17,610	13,573	11,305	8,418	8,518	8,022	6,222	3,973
November		29,445	25,320	17,073	13,306	11,005	7,302	8,273	7,985	5,893	3,884
October		29,529	25,323	16,928	13,041	10,519	7,800	8,246	7,985	5,621	3,434
September		29,361	24,509	16,042	12,976	10,351	7,788	8,263	7,727	5,516	3,698
August		28,265	23,547	15,814	12,693	9,923	7,792	8,231	7,658	5,206	3,497
July		28,464	23,332	15,245	12,140	9,609	7,831	8,324	7,554	4,947	3,334
Jun		27,269	21,262	14,734	12,276	9,156	7,917	8,122	7,554	4,744	3,310
May	30,954	26,688	20,904	14,749	12,286	8,819	8,123	8,183	7,304	4,584	3,189
April	31,115	26,632	20,371	13,728	11,863	8,596	8,376	8,238	6,690	4,269	3,122

(Source: AMFI)

These numbers are not merely statistics.

They represent the emergence of a permanent domestic capital pool that continuously replenishes market liquidity irrespective of global market conditions.

For decades, India's capital markets were excessively dependent on foreign capital flows. Today, that dependence has reduced materially.

The domestic mutual fund industry, supported by millions of SIP investors, has become one of the most reliable providers of long-term risk capital to Indian equities.

This structural liquidity cushion is among the strongest reasons why India can aspire to consistently support ₹4-5 lakh crore of annual equity capital formation in the years ahead.

FPI Selling No Longer Dictates Market Outcomes

Foreign Portfolio Investors continue to play an important role in India's markets by providing global benchmarking, institutional validation, and incremental depth.

However, the market structure has changed significantly.

Recent periods have demonstrated that even substantial FPI selling does not necessarily derail India's capital markets. Domestic institutions increasingly absorb supply created by foreign outflows, thereby reducing volatility and improving market stability.

In fact, AMFI data and market trends show that robust mutual fund inflows have repeatedly helped offset significant foreign selling episodes. During periods when FPIs remained net sellers, sustained SIP flows and institutional domestic buying continued to provide support to both secondary markets and primary market issuances.

	Anchor Investor	No of Issues	Total Amount (Rs Cr)
1	ICICI Prudential Mutual Fund	25	1,908.65
2	HDFC Mutual Fund	23	1,784.32
3	SBI Mutual Fund	13	1,519.71
4	Nippon India Mutual Fund	18	1,295.81
5	Aditya Birla Sun Life Mutual Fund	20	1,241.72
6	Kotak Mahindra Mutual Fund	19	1,070.54
7	Life Insurance Corp. Of India	3	1,064.00
8	Goldman Sachs	20	1,003.90
9	Axis Mutual Fund	18	993.65
10	Norges	14	985.87
11	Motilal Oswal Mutual Fund	30	949.08
12	Fidelity	10	934.13
13	Govt. Of Singapore	8	885.84
14	Ashoka	20	879.08
15	Capital	6	828.78
16	Nomura	15	733.89
17	Abu Dhabi Investment	12	713.71
18	Mirae Asset Mutual Fund	16	618.58
19	DSP Mutual Fund	10	533.6
20	Whiteoak Capital Mutual Fund	16	524.41

The implication is profound.

IPO demand today is being driven less by transient foreign flows and more by structural domestic participation.

This makes India's capital formation ecosystem significantly more resilient than in previous cycles.

India's Markets Are Deep Enough for Mega IPOs

One of the defining characteristics of Capital Markets 3.0 is the ability to absorb large transactions without disrupting broader market activity.

The data clearly indicates that India's market depth has increased substantially.

The primary market today accommodates a healthy mix of small, mid-sized and large offerings. Between 2020 and 2025, the ₹100-500 crore issue category expanded at nearly 82% CAGR, while the ₹1,000-5,000 crore segment grew at 71% CAGR.

Importantly, growth is not concentrated in one segment.

Issue Size	2025	2024	2023	2022	2021	2020
100-500 cr	40	30	18	13	9	4
500-1000 cr	28	27	21	13	22	6
1000-2000 cr	12	14	12	7	17	0
2000-5000 cr	15	12	4	3	9	2
5000 cr+	8	7	0	2	6	2

Source: Pantomath Primary Pulse 2025

The market is simultaneously supporting SME issuances, mid-market growth companies, and billion-dollar public offerings.

Mega IPOs above ₹5,000 crore continue to represent only a small share of total deal count, yet investor appetite for large, liquid, institutionally governed companies has strengthened materially. Subscription levels for larger offerings have risen significantly, reflecting growing investor comfort with scale.

The successful execution of several marquee transactions over the past two years demonstrates that Indian markets are no longer constrained by size.

This maturation is essential if India is to sustain annual fund-raising in excess of ₹4 lakh crore.

Capital Formation Is Funding the Real Economy

A healthy capital market should do more than create wealth for investors. It should allocate capital efficiently to productive economic activity.

One of the most encouraging developments in recent years is the growing proportion of IPO proceeds being directed towards expansion, capacity creation, debt reduction and working capital requirements.

Data for CY25 shows that nearly 30% of IPO proceeds have been used for expansion and new projects, another 25% for debt reduction, and approximately 25% towards working capital requirements.

Type	Amount (Rs Cr)	Share in %
Capital enhancement/working capital	14,231.03	28.70
Retirement of debt	12,974.82	26.17
Expansion/new project/plant & machinery	8,411.05	16.96
General corporate purpose	4,799.00	9.68
Issue expenses	4,337.25	8.75
Investment in subsidiary/joint venture/associate companies	2,273.42	4.59
Acquisition/strategic investment	956.21	1.93
Brand building & advertising	791.06	1.60
R&D	750	1.51
Others	53.76	0.11
Furniture/fixture/office equipment	5.2	0.01
Total	49,582.80	100.00
<i>Source: Pantomath Primary Pulse 2025</i>		

This is a critical distinction.

The Indian IPO market is increasingly serving as a growth-financing mechanism rather than merely a shareholder exit platform.

Whether it is manufacturing expansion, infrastructure development, financial services growth, digital transformation, healthcare capacity building, or consumer sector investments, capital raised through public markets is increasingly finding its way into productive economic deployment.

That strengthens both corporate India and the broader economy.

Multiple Capital-Raising Avenues Are Expanding the Opportunity Set

Another hallmark of a mature market ecosystem is the availability of multiple fund-raising routes. India is witnessing precisely that evolution.

Alongside IPOs, companies are increasingly accessing capital through QIPs, Rights Issues and selective FPOs.

The rise of QIPs has been particularly noteworthy. QIP mobilisation reached over ₹1.36 lakh crore in 2024 and continued at meaningful levels during 2025. Rights issues have also gained prominence as companies seek flexible capital solutions.

	2025	2024	2023	2022	2021	2020
Rights	46,038.44	21,309.28	7,266.33	3,884.04	27,770.65	64,983.57
QIPs	72,639.94	1,36,060.33	52,349.59	11,743.29	41,997.41	80,816.24

(All amount in Rs Cr)

The significance of this trend cannot be overstated. A market capable of supporting IPOs, QIPs, Rights Issues and FPOs simultaneously is inherently more resilient and scalable.

As India's corporate sector continues to expand, diversified capital-raising mechanisms will collectively contribute towards annual fund mobilisation well beyond the ₹4 lakh crore threshold.

A Broader Investor Base Is Powering the Next Growth Cycle

The geographical diversification of investor participation is another powerful structural trend. IPO demand is no longer concentrated in Mumbai and a few metropolitan centres.

Investor participation from Tier II and Tier III cities has increased meaningfully, supported by digital onboarding, fintech platforms, financial literacy initiatives, and rising household incomes.

The democratisation of equity ownership is creating a much larger and more diversified investor base. As financialisation of household savings continues, this trend is likely to accelerate further.

The long-term implication is straightforward: a broader investor base translates into deeper markets, greater liquidity, and stronger support for future issuances.

Why ₹5 Lakh Crore Annual Capital Formation Is Achievable

Several structural factors support the possibility of India consistently mobilising ₹4-5 lakh crore annually through IPOs, QIPs, Rights Issues, FPOs and related instruments over the coming years:

First, India's GDP is expanding rapidly and creating a growing universe of capital-hungry companies.

Second, domestic liquidity through SIPs and mutual funds continues to rise steadily.

Third, India's regulatory framework is among the most robust globally, with SEBI consistently enhancing transparency, efficiency and investor protection.

Fourth, the market has demonstrated the ability to absorb transactions across issue sizes, including large and mega offerings.

Fifth, public markets are increasingly being used as growth-capital platforms rather than solely exit mechanisms.

Sixth, India's investor base is becoming broader, younger and geographically diversified.

Finally, the country's growing prominence in global supply chains, manufacturing, financial services, technology and consumption sectors will continue generating a strong pipeline of issuers seeking public capital.

Taken together, these factors create a compelling foundation for sustained expansion of India's primary market ecosystem.

The Road Ahead

India's capital markets have entered a structurally stronger phase.

Short-term volatility, temporary issuance slowdowns, geopolitical uncertainties, or intermittent FPI outflows may influence sentiment from time to time. However, they are unlikely to alter the long-term trajectory.

The developments witnessed over the past five years point towards a market that is deeper, broader, more mature and increasingly self-sustaining.

Domestic liquidity has become a powerful stabilising force. Regulatory standards continue to strengthen. Investor participation is widening across geographies and demographics. Companies increasingly view public markets as a strategic source of growth capital. And multiple fund-raising avenues now coexist within a highly evolved ecosystem.

These are the characteristics of a mature capital market.

As India progresses through the next phase of economic growth, capital markets will play an increasingly important role in financing entrepreneurship, innovation, manufacturing, infrastructure and wealth creation.

Capital Markets 3.0 is not merely about more IPOs.

It is about building a sustainable capital formation engine that can consistently mobilise ₹4-5 lakh crore annually while supporting India's aspiration to become one of the world's leading economic powers.

The foundations are already in place. The opportunity now lies in scaling them responsibly, efficiently and sustainably.

India's next decade of growth will be funded not just by banks or private capital, but increasingly by its own vibrant and resilient capital markets.