

HIGH-RISK GAME Smaller issues have got 2,19,000 applications in FY25, up from just 408 on average in FY20; Retail interest on the rise since FY23 driven by strong rallies in some issuances and big listing gains; Experts advise caution

SME IPOs See Manic Rise in Retail Interest

Rajesh Mascarenhas

Mumbai: Ordinary retail investors are now buying big into the initial share sales of high-risk small and medium enterprises (SME), an exclusive HNI bailiwick until recently, seeking to benefit from the stellar listing gains these issuances have lately been generating.

What was seemingly a very shallow and restricted market of less than 500 interested parties for each share sale on average four years ago now draws applications that run into six figures. Statistics show from just 408 applicants on average in FY20 and 511 in FY21, these SME IPOs drew a staggering 2,19,000 applications so far in FY25.

Data from Primedatabase.com also showed higher risks and a minimum commitment of ₹1 lakh failed to deter the number of applicants.

“In a bullish market, investors tend to invest in all IPOs, hoping for allotments in some, due to the high likelihood of listing gains,” said Pranav Haldea, managing director, PRIME Database Group. “The ad-

Big Bets, Large Hopes

Year (FY)	No of Issues	Avg Issue Amount (₹Cr)	Avg Listing Gain (%)	Avg Retail Applications
2015-16	50	6.21	5.63	299
2016-17	80	10.31	5.91	2,685
2017-18	154	14.37	5.87	7,756
2018-19	106	15.28	4.68	2,081
2019-20	45	9.68	2.63	408
2020-21	28	8.72	2.01	511
2021-22	70	13.78	19.01	6,042
2022-23	125	17.88	29.05	31,598
2023-24	204	29.27	51.21	1,13,066
2024-25	105	32.58	75.60	2,18,973

Source: primedatabase.com

vent of trading apps has streamlined the IPO investment process, reducing it to just 3-4 clicks. Now, the funds remain in the bank account until allotment, making it an attractive option.”

The average gain on listing based on closing price in FY25 is 76%, with the number of applications exceeding 218,000. In four IPOs — Hoac Foods India, Medicamen Or-

ganics, Koura Fine Diamond Jewelry, and Maxposure — the retail portion was subscribed more than a thousand times.

Retail interest in SME IPOs surged dramatically starting FY23, driven by significant rallies in some issuances and bumper listing gains. In FY22, the average number of applications was 6,042, with average listing gains of 19%. This

BLOOM OR GLOOM ?



trend accelerated in FY23, with the average number of applications rising to 31,500 and listing gains jumping to 29%. In FY24, the average listing gains exceeded 50%, and the number of applications increased to 113,000 per IPO.

SEBI CAUTION

The frenzy in SME IPOs prompted the market regulator, Sebi, to issue

a cautionary advisory on investments in securities of companies listed in the segment. Sebi said that some SME companies and their promoters have been employing tactics to project a misleadingly positive picture of their operations, then capitalising on this momentum to offload their own holdings at a profit.

To bring more stability to the opening price discovery process for SME stocks, the National Stock Exchange early July put a cap of 90% over the offer price for SME IPOs during a special pre-open session on listing day. About 60 IPOs this year listed between 90% and 400% above the issue price.

Several market experts have also advised retail investors to exercise caution.

Haldea highlights a pressing concern.

“What is even more troubling is that many retail investors today are relatively new entrants, having opened their demat accounts only in the last 3-4 years. Consequently, they have not experienced significant market corrections or major frauds, which make them more susceptible to risks,” he said.