

# IPO roulette has fewer winners. What's your fate?

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MUMBAI

Retail investors have taken initial public offerings (IPOs) by storm, leading to a record surge in activity and reshaping the landscape of both mainboard and SME offerings.

A *Mint* analysis of data sourced from primedatabase.com showed that over five years, around 45.5% of IPOs across both the mainboard and SME segments have been oversubscribed by more than 10 times in the retail segment.

The share of mainboard IPOs that saw such a response jumped from around 38% in 2019 to 58.2% this year so far, while for SMEs the share saw a massive jump from 27% in 2021 to 97% year-to-date.

In 2024 in particular, retail investors' unprecedented participation has led to massive oversubscriptions across IPOs, especially those of small and medium-sized enterprises (SMEs). The recent offering of Bajaj Housing Finance, which drew 5.9 million retail applications (this year's highest), underscores the incredible investor enthusiasm that has ignited the primary market.

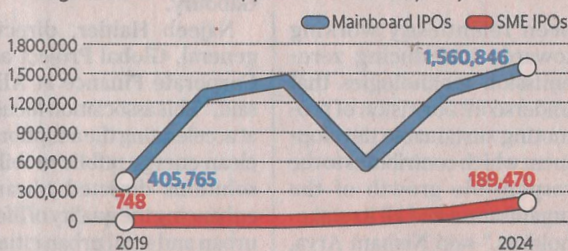
Retail investor interest in IPOs reached new heights this year, with an average 1.56 million applications for mainboard IPOs and 180,000 for SME IPOs compared to 1.32 million and only 78,450 applications on average in the previous year for the respective categories.

The top five mainboard IPOs of 2024 by retail participation included Bajaj Housing Finance with 5.9 million applications, Premier Energies (3.5

## The short-lived euphoria in securing IPO allotments

Investors go berserk as retail demand explodes

Average number of retail applications in IPOs, yearly



Latest data as on 16 September 2024.

Strong listings are fuelling the IPO craze...

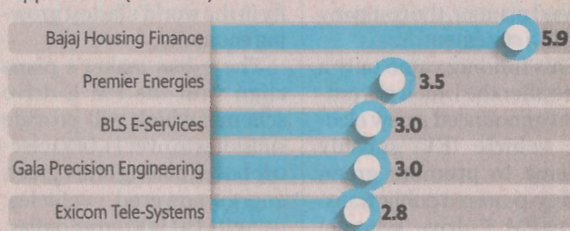
Median listing gains of IPOs (%), yearly



Latest data as on 16 September 2024.

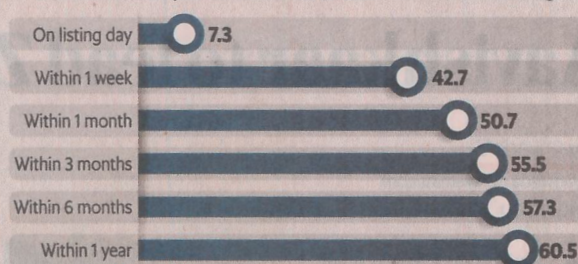
Here are the most sought-after offerings for individual investors

Top five mainboard IPOs of 2024 so far by number of retail applications (in million)



...but investors also race to sell soon after listing

% of shares sold by retail investors (in value terms) after listing



Source: primedatabase.com, Mint analysis, Securities and Exchange Board of India study released on 2 September 2024

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million), BLSE-Services (3 million), Gala Precision Engineering (2.99 million), and Exicom Tele-Systems (2.78 million), according to data from primedatabase.com.

The mega response is also visible in the significant value of shares applied for by retail investors as a percentage of total IPO mobilization. For mainboard IPOs it was nearly 280% higher, while it was more pronounced for the SME segment, at a whopping 7,224% in 2024.

Pranav Haldea, MD, Prime

Database Group, expressed concern about the rising interest in SME IPOs, saying just 408 retail applications were received per SME IPO on average in 2019-20. In the current fiscal, that number has shot up to 213,000.

"The allure of higher returns is the major factor," Haldea said. "This is despite both exchanges and regulators having already taken several steps to make the market aware of the risks involved."

However, despite the increasing retail fervour, the odds

**Retail investor interest in IPOs hit a record this year, with an average 1.56 mn applications for mainboard IPOs**

of securing IPO allocations have become slimmer, with total allocation to retail as a share of total IPO mobilization being just 27.8% and 22.8% for mainboard in 2023 and 2024, and 43.2% and 38.3% for the smaller segment.

Further, according to the *Mint* analysis, mainstream IPOs saw median listing gains of 18.1% in 2021, which rose to 21.2% by 2024. The smaller segment, although more volatile, experienced a dramatic increase in listing gains, rising from 3.1% to 46.9% in 2024.

Haldea said that such interest from retail investors will continue as long as significant listing gains persist. "Most

retail investors are driven by the potential for quick profits; hardly do retail investors invest in IPOs as a long-term investment," he said. "The ease of applying for IPOs, with money not being blocked either, further fuels this trend."

Meanwhile, a recent study by the markets regulator Securities and Exchange Board of India (Sebi) observed that 42.7% shares allotted to retail shareholders were sold within a week of listing. This figure rises to 50.7% within one month and 60.5% within a year.

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