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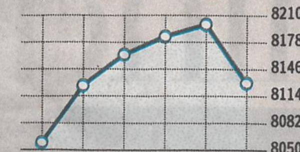
WISE WORDS.

> It's no sin to miss a great opportunity outside one's area of competence.
>
> **WARREN BUFFETT**

MARKET ACTION.

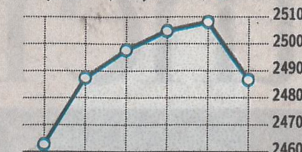
SENSEX

Week ago	Latest	Change (%)
80,598	81,307	▲ 0.9



NIFTY

Week ago	Latest	Change (%)
24,631	24,870	▲ 1.0



Visible risks in the invisible market

BEFORE THE BELL RINGS. Between scarcity and promise, unlisted shares are the new hunting ground for those locked out of IPO jackpots

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Kumar Shankar Roy
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On WhatsApp investor groups, the buzz is less about Dalal Street's next multi-bagger and more about owning NSE or Tata Capital before their IPOs. Prices circulate like hot tips. "NSE trades near ₹2,000 in the unlisted market, up 80 per cent in a year," says one post. Another is a pitch on Tata Capital, citing Tata Technologies' 2023 debut, where the shares priced ₹500 in the IPO closed at ₹1,313 on debut. Such chatter highlights the new obsession: unlisted shares, or pre-IPO stocks.

Sellers include employees monetising ESOPs, VC (venture capital) / PE (private equity) funds and AIF (alternative investment funds) / PMS (portfolio management services) strategies trimming stakes, promoters seeking liquidity, and brokers sourcing blocks. Buyers once limited to wealthy individuals, HNIs and insiders, now include semi-mainstream investors, where unlisted stocks are pushing to become an integral part of the portfolio.

The IPO euphoria adds fuel. In FY25, 78 main-board public issues raised a record ₹1.62 lakh crore, 2.5x the previous year, according to primedatabase. Yet, allotments remain elusive: 56 issues drew bids over 10x, with 33 of them above 50x. With such odds, many investors are turning to the invisible – unlisted market. The pitch is simple: buy early, ride the buzz and cash out at listing.

And, this is no small pool. As Motilal Oswal Financial Services Chairman Raamdeo Agarawal noted in the latest annual report, 1,300 unlisted firms earned ₹100 crore-plus profits in FY24, together raking in ₹7.5 lakh crore. At 20x multiple, this equals about ₹150 lakh crore of potential IPO market cap.

Still, for all the promise, the unlisted space is a grey zone. Markets are loosely regulated, prices swing wildly, liquidity can be shallow, information patchy and exits tricky. Yet the excitement around names such as SBI AMC, Lenskart, Acko, BOAT, Pine Labs, Rapido, HDFC Securities and Hero FinCorp shows why the buzz is growing louder every week. In other words, the market may be niche compared with India's ₹450 lakh crore listed universe, but it is alive with promise, speculation and no shortage of risk.

WHY THE CRAZE

In 2022, a purportedly leaked audio of a furious founder berating a banker over missed IPO shares showed how emotions run high when allocations slip away. A quick scan of IPO forums, X posts or comments in Instagram reels shows retail investors echoing the same anger. Some blame IPO registrars, others mock the lottery system. With huge IPO subscriptions, the odds are stacked against small investors hoping to make a quick buck on listing pop.

This frustration is pushing many to the unlisted space. The logic is simple: if the public issue is inaccessible, try to buy earlier in the private market, even at a premium. What was once a closed, opaque dealer-driven activity, has broadened in recent years. Digital platforms and wealth managers now act as intermediaries, matching buyers and sellers. Firms such as WWIPL, Unlistedzone, InCred-Money, Stockify, Sharescart, and Planify publish price quotes and updates that were earlier unavailable. Entry thresholds have also been lowered.

Another driver is employee stock sales. Start-up staff often monetise ESOPs in unlisted markets, creating steady supply. On the demand side, investors view this as early access to future giants. India has over 110 unicorns worth over $350 billion. Some, like Flipkart and Physicswallah, already trade in the private market.

But risks are evident: several celebrated start-ups have faced valuation markdowns of 50-70 per cent in recent rounds. In 2024, BlackRock marked down its BYJU's stake, once worth $22 billion, to zero. PharmEasy's parent, API Holdings, has also seen valuations collapse from nearly $4 billion in 2021 to about a fraction today.

There is also the pull of exclusivity. Investors like owning what others cannot. Screenshots of holdings in buzzy companies circulate on WhatsApp groups as a badge of early access. With prices shooting up, early investors become advertisers, flaunting paper gains. For instance, unlisted SBI AMC delivered about 64 per cent CAGR in the past two years, according to data from unlisted trading platform WWIPL. This is against 52 per cent gain by listed peer HDFC AMC. Stories of celebrities making 50-100x on pre-IPO bets also catch eyeballs. Artificial scarcity itself adds to premiums.

LIQUIDITY ISSUE

It is true that the private market generates more return. For instance, Primex 40 is up 20 per cent in the last one year, 94 per cent in the last two years and 215 per cent in the last five years. These returns are much higher than Sensex across periods. The Primex 40 index tracks India's top private firms, weighted by market cap; current top constituents include NSE, SBI AMC, Tata Capital, Capgemini Technology Services India, Nayara Energy, CIAL, GFCL EV, Hero Fincorp, HDFC Securities, and Incred Holdings.

But this early opportunity space carries risks just as significant. Unlike listed equities, no centralised exchange exists for price discovery. Quotes vary across dealers and platforms, with opaque spreads as intermediaries price differently. Some merely arrange transfers between large sellers and small buyers, leaving loyalties unclear. Prices of buzzy counters can swing within days, with spikes often fuelled by demand-supply dynamics than fundamentals.

And when unlisted stocks go out of favour, liquidity drops to nil within days. Listed shares can be exited in seconds; unlisted ones can stay stuck for weeks.

Even big names can face long dry spells after negative news; for smaller firms, illiquidity can be total. Exits can become even harder if a company delays its IPO (for example, OYO trying to go public since 2019) or faces valuation markdowns (Mobikwik's IPO valuation was over 50 per cent lower than last funding valuation pre-IPO in 2021). Lately, IPOs such as HDB Financial, Vikram Solar, and NSDL were priced 15-40 per cent below unlisted market expectations, according to reports.

Unlisted shares: Pros & Cons

Pros	Cons
Early entry before IPO valuations	No centralised price discovery; quotes vary widely
Access to promising start-ups and unicorns	Poor liquidity; exits can take weeks or months
Diversification beyond listed equities	High risk of valuation markdowns
Multiple supply channels create buying opportunities	Limited disclosures; patchy and delayed information flow
Potential for outsized returns if listing is strong	Regulatory grey zone; scope for fraud and scams

BIGGER RISKS

The risk-return record of pre-IPO bets underscores the challenge. According to a Client Associates white paper, only nine out of 21 new-age companies that went public between May 2020 and June 2025 generated positive alpha over their pre-IPO price. For every Zomato, Policybazaar, Ixigo or Ather Energy that rewarded early buyers, there were disappointments such as Paytm, Ola Electric, FirstCry, and Mobikwik. The distribution is highly polarised, some delivered exceptional gains, but many destroyed capital. Beyond pricing, liquidity, delays in listing, corporate governance and founder behaviour can also impact investors. Instances have been reported where some start-up founders create new entities, leaving old investors stuck and their value eroded. For investors in young companies, the risk is amplified.

Even larger, older firms are not immune to shocks if the management changes course or regulations become unfavourable.

Take Dream11 for instance. Its unlisted shares were available on some platforms, and earlier this year the Burgundy Private Hurun India 500 report ranked it the eighth most valuable unlisted company in India. But fortunes can turn fast. On August 21, 2025, Parliament passed the Promotion and Regulation of Online Gaming Bill within 72 hours of Cabinet clearance, banning real money games. The law will prohibit firms such as Dream11 from accepting user deposits for games where players risk losing money.

LIMITED DATA

Information asymmetry is a major challenge. Listed firms provide quarterly disclosures, analyst calls and continuous updates. Unlisted companies, governed by the Companies Act, file audited accounts just once a year, often delayed. Public documents are few, and MCA21 access is cumbersome. MCA21 is the Ministry of Corporate Affairs' online portal for company information. It provides public access to filings, records and financials of even unlisted firms. But there's no dependable way to gauge unlisted firms' business momentum or financial health regularly.

Ordinary investors may unknowingly fund exits for insiders with superior knowledge. With such limited disclosures, this asymmetry puts retail investors at a clear disadvantage. Rating agency actions are published at wide intervals, only if the firm is rated.

There is also hardly any analyst coverage in unlisted stocks, who can provide neutral opinion on valuation. Together, these factors – uncertain pricing and listing timelines, poor liquidity, governance risks and patchy disclosures – make unlisted shares a very high-risk space. Investors attracted by the potential upside must weigh these challenges carefully.