

# Why IPO pops don't tell the whole story

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India's benchmark Nifty 50 index has been on a steady climb since April despite the US's tariff pressures and other macroeconomic issues, but initial public offerings (IPOs) have struggled to deliver consistent listing-day returns to investors.

Listing day is when a firm's shares debut on the stock exchanges following an IPO. The difference between, the share price on listing day and the price at which the shares were sold during the IPO is keenly watched, especially by investors who have bet their money on the firm's growth.

Average listing-day returns have swung from 9.1% in May to 10.8% in June, 15.6% in July, and 10.6% in August, show data from Prime Database.

And while the Nifty 50 has gained 5.2% so far in 2025 (as of 9 September), the Nifty IPO index has declined 1.2%, per Capitaline data.

How important are listing-day returns for investors? *Mint* explains.

## What factors influence listing-day returns?

Listing-day returns are driven by a wider set of factors than just the market's trajectory, said Hari Shyamsunder, vice president and senior institutional portfolio manager at Franklin Templeton Emerging Markets Equity, India.

IPO pricing, sector appetite, anchor investor participation, and retail sentiment all influence a stock's debut performance, making IPO listing-day pops only partly a reflection of

## Up and Down

IPO listing gains have been uneven: 9.1% in May, 10.8% in June, 15.6% in July, and 10.6% in August.

Month	No of issues	Issue Amount (in ₹ crore)	Average listing gain/loss (in %)
Aug-2024	10	17,109.86	▲39.04
Sep-2024	12	11,058.21	▲41.02
Oct-2024	6	38,689.08	▲6.74
Nov-2024	8	31,145.10	▲5.69
Dec-2024	15	25,438.64	▲43.40
Jan-2025	6	4,845.32	▲26.30
Feb-2025	3	10,877.63	▼-2.12
Mar-2025			
Apr-2025	1	2,980.76	▼-5.76
May-2025	6	8,982.89	▲9.10
Jun-2025	8	17,688.47	▲10.77
Jul-2025	13	16,124.92	▲15.64
Aug-2025	12	10,454.27	▲10.60

Source: Prime Database

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index momentum.

Listing-day returns can also be linked to the broader market environment, said Keyur Majmudar, managing partner and chief investment officer (CIO) at Bay Capital.

## Have tighter markets taken the shine off stock debuts?

Over the past year, the Nifty 50 is down about 1% (as of 9 September), which could well be one reason why IPO listing-day gains have been tepid.

Market consolidation has played a big role, said Vinay Jaising, CIO and head of equity advisory at ASK Private Wealth, referring to when equity markets trade within a range, signalling investor indecision.

"We understand some of these IPOs had realistic pricing discovered during the process of listing, and certain investors in the unlisted market could have made negative returns had they acquired the unlisted stocks closer to the listing date (6 months), which would be an impact of market consolidation," said Jaising.

He added that while systematic investment plans by investors into mutual funds accounted for only 7% of the capital inflow in IPOs in May, it increased to 20% in June and 89% in July.

## Should investors be worried about low listing-day returns?

Listing-day returns are a

short-term phenomenon and hardly a reliable measure of a business, experts said. Quarterly earnings and management commentary after an IPO—better indicators of wealth-creation potential—determine how a stock will perform in the long term.

For true long-term investors, listing-day returns are largely irrelevant, said Sahil Kapoor, head of products and market strategist at DSP Mutual Fund. Even for retail participants, or individual investors, chasing listing-day gains does not qualify as investing. "That is trading," he said.

That said, "average listing gains can be a useful guide for investors looking to exit, as they offer a clear sense of market sentiment", Kapoor added.

## Will inconsistent Day 1 pops change a company's IPO plans?

Companies are unlikely to change their listing plans solely on the basis of debut-day gains, said Majmudar of Bay Capital. However, "the broader secondary market environment does play a role in how a company times and prices its IPO".

Secondary market refers to investors trading already issued securities like stocks and bonds on exchanges.

Franklin Templeton's Shyamsunder said companies banking on sentiment-driven demand may hold back IPO plans if listing-day returns are muted. But fundamentally strong companies with credible growth trajectories are less likely to alter IPO plans since their objective extends beyond a one-day pop to long-term access to public capital, he said.