

Has NSE's 90% cap killed SME IPO buzz?

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The frenzied first-day pop that attracted investors to new share issues of small businesses last year has settled to what market experts are calling a healthy pattern devoid of speculative runs.

As of June last year, the average monthly listing-day gains of small and medium enterprise (SME) stocks were at 95%. To curb extreme volatility and manipulation in SME initial public offerings (IPOs), the National Stock Exchange (NSE) introduced a ceiling of 90% on orders for SME shares placed before market hours.

This cap, meant to protect retail investors from sharp listing-day swings while ensuring fair valuations, kicked in from 4 July 2024. The gains not only shrank but slipped into the red between February and April 2025, coinciding with the volatility in the broader market fuelled by foreign investor sell-offs and US's reciprocal tariffs.

Since May, though, the trend has steadied—the average listing gain of SME IPOs inched up from 8.25% in May to 12.53% in June and 19.58% in July before easing to 11.90% in August, show data from Prime Database Group.

Between 4 July 2023 and 4 July 2024, SME IPO listing gains were exceptionally high, with the monthly average swinging from 63.8% in August 2023 and 52.3% in November that year to 94.5% in January 2024, 84% in May, and 92.17% in June, the data show.

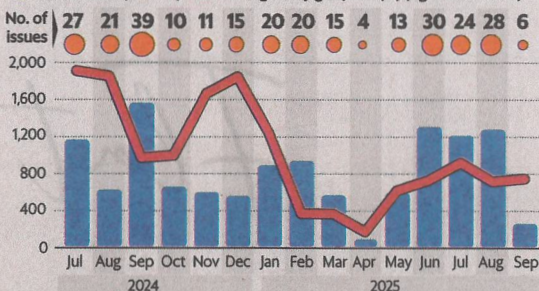
"This is a sign of healthy nor-

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Gains shrank and slipped into the red in Feb–Apr 2025 amid market volatility from FPI sell-offs and US tariffs.

SME IPOs issued, monthly

■ Issue amount (₹ crore) ■ Average daily gain/loss (%) (right-hand scale)



Note: Latest data as of 12 September.

Through the roof

Market experts say SME IPO appetite has not faded but matured, with NSE's cap filtering for quality firms.

Number of SMEs that raised capital, yearly

	Average retail applications	No. of SMEs that raised money	Amount raised (in ₹ crore)
FY20	408	45	435.6
FY21	511	28	244.3
FY22	6,042	70	965
FY23	31,598	125	2,234.9
FY24	113,066	204	5,971.2
FY25	170,069	234	9,120

Source: primedatabase.com

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malization or market correction rather than a collapse of sentiment," said Apoorva Vora, co-founder of Finvolve, a multi-stage growth and late-stage fund that provides capital and strategic support to companies.

The earlier near 100% listing gains in SME IPOs was unsustainable as it attracted speculative flows rather than long-term investors, he said.

Vora added, however, that while NSE's pre-open price ceiling brought much-needed stability and curbed overvaluation, it risked slowing momentum for quality SMEs that depend on strong listings for visibility and liquidity.

However, Tarun Singh, founder of Highbrow Securities, said that far from discouraging investors, NSE's ceiling reassures them that the system is built to protect their capital and foster stability.

The 90% limit recalibrated the market, moving the spotlight from "short-term lottery-style quick gains to long-term investment fundamentals", said Singh, a former official with the Securities and Exchange Board of India. "What we witnessed earlier—near 100% gains on listing—was not a sign of a healthy market but a symptom of a speculative frenzy."

The debate on NSE's ceiling brings up an important question: Are quality SMEs now finding it harder to attract investors at the IPO stage because of the capped listing momentum?

Market experts said the appetite for SME IPOs has not faded but matured, surfacing a balanced and rational investor base with NSE's cap acting as a powerful filter favouring high-quality companies.

Earlier, the market was crowded with speculative listing pops rather than business models, but now SMEs attract investors with merit-based strong fundamentals, growth visibility, and sound governance, market participants said.

"This move has decluttered the space, allowing serious companies to be evaluated seriously and enabling investors to make choices based on prudence and trust, not momentum," said Singh.

Although average listing gains have cooled, the rush of SMEs tapping the IPO market and the flood of retail investors has only soared, said Pranav Haldea, managing director of Prime Database Group.

In 2024-25, 234 SMEs raised ₹9,119.97 crore from IPOs, up from 204 small and medium enterprises mopping up ₹5,971.19 crore in FY24. In FY20, only 45 SMEs went public, raising ₹435.64 crore.

Participation by retail investors in SME IPOs, too, has exploded: from an average of 408 in FY20 to 113,066 in FY24 and 170,069 in FY25, Haldea said.

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