

Are investors losing their taste for IPOs? Tuesday’s listings raise alarm

Dipti Sharma | 3 min read | 01 Oct 2025, 06:00 am IST



Some market watchers believe that a large IPO, such as Tata Capital's, could crowd the market, potentially weighing on listing-day gains for other issues.

SUMMARY

With Tata Capital’s massive IPO looming, experts warn of crowding risks and valuation pressures.

 Gift this article

Of the four companies that made their debut on the mainboard on Tuesday, three closed below their issue price. Could this be an early signal of similar sentiment for upcoming listings in the near term?

On debut, Solarworld Energy Solutions, Jaro Institute of Technology Management and Research, and Seshaasai Technologies wrapped up the day at 7.9%, 16.3% and 2.7% below their issue price, respectively, as the chart shows. The lone exception was Anand Rathi Share and Stock Brokers, which bucked the trend to close 7.6% higher than its issue price, National Stock Exchange (NSE) data showed.

Some investment bankers noted that when markets witness a string of weak listings, it inevitably gives both investors and companies pause, prompting investors to rethink **IPO bets** and issuers to consider whether it’s wiser to hold off on debut plans.

“Such subdued listings are clearly a sentiment check for both investors and issuers,” said an investment banker at a foreign brokerage on condition of anonymity.

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According to Prime Database, 75 companies that have received Securities and Exchange Board of India (Sebi) approval for an IPO and whose approvals are still valid are looking to collectively raise around ₹1,21,321 crore. The largest of these is LG Electronics India, with an IPO size of ₹11,500 crore, followed by Pine Labs at ₹5,950 crore.

Last week, Ganesh Consumer Products saw retail investors subscribe 1.17 times, non-institutional buyers 4.41 times, and **Qualified Institutional Buyers** (QIBs) (excluding anchors) 4.03 times, according to the Chittorgarh website.

IPO listing day closing price

Name	Issue price (₹)	Listing close (₹)	% chg
Solarworld Energy Solutions	351	323.2	-7.92
Anand Rathi Share And Stock Brokers	414	445.65	7.64
Jaro Institute of Technology Management and Research	890	745.0	-16.29
Seshaasai Technologies	423	411.5	-2.72

Retail investors subscribed 10.76 times in Atlanta Electricals, while non-institutional buyers were 55.82 times and QIBs 194.77 times.

Urban Co., which was listed on 17 September, saw retail investors subscribe 41.49 times, QIBs 147.35 times, and non-institutional buyers 77.82 times. **BlueStone Jewellery's** IPO recorded a **retail** subscription of 1.38 times, QIBs at 4.25 times, and non-institutional buyers at 0.57 times, the data showed.

Meanwhile, 92 companies have filed their offer documents with Sebi and are awaiting approval, with the largest being PhonePe (₹11,000 crore) and ICICI Prudential AMC (₹10,000 crore), according to the data.

Experts believe that fundamentally strong companies, priced attractively, will continue to draw traction.

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That said, IPO sentiment is shaped by both regulatory actions like Sebi's tighter disclosure norms and caps on SME IPO listing gains, and macroeconomic factors like **tariff-related uncertainty** and geopolitical tensions, all influence investor confidence.

There is a section of the market that believes that the IPO's pricing ultimately drives demand. If the issue is well-priced, it is likely to attract good traction from investors.

Noting the current volatility, Pranav Haldea, managing director of Prime Database Group, says valuation and volatility can both be at play, resulting in subdued listings.

"The Indian market has historically shown the ability to absorb high-quality issues at attractive valuations. Liquidity is not a problem," he added.

Overall, concerns about oversupply persist. Some market watchers believe that a large IPO, such as Tata Capital's, could crowd the market, potentially weighing on listing-day gains for other issues.

Tata Capital, the much-awaited Tata Group firm, is set to hit the market on 6 October, with an IPO price band of ₹310-326 per share. The announcement has cooled investor enthusiasm, especially for those who bought in the unlisted market.

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The IPO price is significantly below the unlisted peak of around ₹1,125, putting early investors on track for losses of up to 71% and raising questions about whether they will recoup their original investment.

Meanwhile, another concern with this large IPO is the risk of creating an oversupply in the market.

Within the Tata Capital offer for sale (OFS), Tata Sons is offloading approximately 230 million shares, while the International Finance Corporation (IFC) is divesting 35.8 million shares, creating a substantial secondary supply, said Vipin Singhal, director at Anand Rathi Investment Banking.

At the upper price band, this translates to an OFS of over ₹8,650 crore from existing shareholders, which is nearly 56% of the total ₹15,511 crore IPO size, he explained.

The major supply overhang, he added, comes from this sheer volume: "With Tata Sons and IFC together putting ₹8,650 crore worth of shares on the block, the market could get flooded, potentially dampening listing-day momentum."