

SME IPOs: Why retail frenzy has cooled

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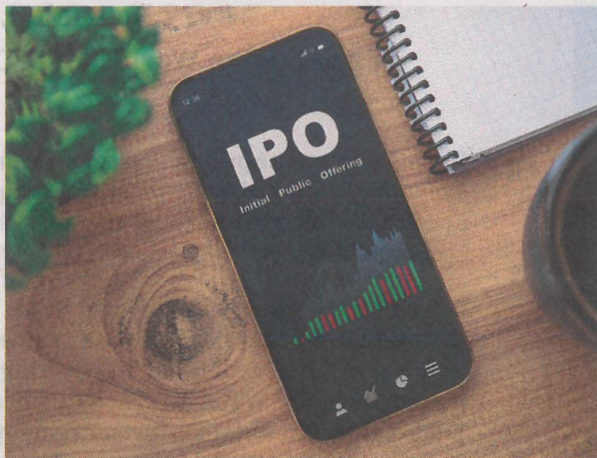
Small and medium enterprises (SMEs) continue to lead India's initial public offerings (IPO) rush in 2025, with 220 firms raising ₹9,453 crore from public markets—7% more than last year's haul, with over a month still to go in the year.

The momentum builds on 2024, when the country saw a record number of IPOs raising an unprecedented amount of capital. The SME segment dominated then as well, with 245 companies mobilizing ₹8,761 crore. That, however, is where the resemblance ends.

In 2024, retail investors drove a frenzy, pushing median subscriptions to a staggering 137 times, which translated into median listing-day gains of almost 40%. This year, the enthusiasm has vanished. Median retail subscription rates have collapsed to just seven times, and listing gains have evaporated, now hovering around only 4%, showed an analysis of primedatabase.com data. The reality of the secondary market has caught up to the hype of the primary market.

Mainboard IPOs also dwindled, but fared better than SMEs. Median listing gain dropped from 21% to 5%, while the retail subscription rate has nearly halved from 14% to 8% between 2024 and 2025.

However, nearly half (48%) of the issues drew less than 10 times subscription in 2025—a sharp increase from just 4% in 2024—indicating that the speculative base has shrunk



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significantly, making way for more cautious subscriptions.

About 28% of SME IPOs were subscribed 10-50 times in 2025, up from 24% last year. While the frenzy at the extremes has eased, a core set of investors is still showing selective optimism towards relatively stronger offerings.

This middle band represents the few investors still focusing on fundamentals, according to Apurva Seth, head of market perspectives and research at discount stock broker SAMCO Securities. "Most SME IPOs are either overpriced or of questionable quality," he said. "Only a handful justify their valuations, and that's where limited genuine interest now resides."

The collapse in speculative intensity is nowhere clearer than in debut-day perform-

ance. In 2024, the market was rampant: 33% of SME IPOs gained over 50%, and close to 11% more than doubled their issue price. Fast forward one year, and that performance has evaporated. The analysis shows that only 12% have managed listing gains above 50%, and not a single IPO has doubled its issue price on its debut day in 2025.

Increasingly more issues are listing at muted gains or discount to their offer price: Around 36% of IPOs listed below their offer price this year, against 11% in 2024.

Listing gains are typically higher in bull runs than in choppy markets, noted Haldia of Prime Database. "The average gain across SME IPOs fell from about 60% last year to barely 12% this year," he said. "That in turn has pulled down retail applications."

Moreover, National Stock Exchange's decision to cap SME listing gains at 90% above the offer price practically killed the listing gain frenzy.

Meanwhile, if listing-day exuberance has faded, long-term performance tells an even grimmer story. Even before completing a year on the market, nearly 47% of the issues listed in 2025 are already trading below their issue price, the analysis showed. Similarly, 46% of issues listed in 2024 are now trading below their offer price. Altogether, close to half of the issues listed since 2024 are trading below their issue price.

At the extreme end, the share of multi-baggers (those with returns exceeding 100%) in the sample stood at 19%, while 15% of issues showed modest returns of 0-25%.

"Liquidity dries up quickly once the hype is gone," said Seth from SAMCO Securities. "A lot of SME counters barely trade after a few weeks. Without credible disclosures and real growth plans, these stocks are just stranded capital."

This stagnation has intensified after Securities and Exchange Board of India's latest curb on retail participation in SME IPOs this year, leading to even flimsier trade volumes in a fragile secondary market.

Despite waning retail enthusiasm, the broader supply of SME IPOs hasn't ebbed much. This apparent resilience stems from excess liquidity, said SAMCO Securities' Seth.

Systematic investment plan (SIP) inflows into mutual funds remain robust, providing the cash cushion that keeps such IPOs afloat, he noted.

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