

Why investors need to be cautious with IPOs

In 2025, 90 issues have already raised ₹1.51 lakh crore, close to last year's total. But the frenzy hides risks—about 40% of IPOs since 2021 now trade below issue price, and early disclosures may leave gaps. Retail investors must tread carefully.

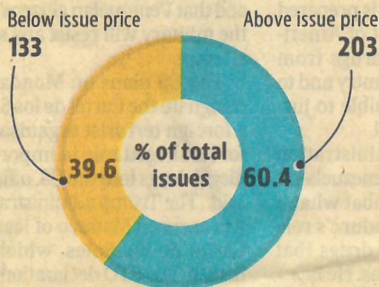
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Funds raised through IPOs

	Number IPOs	Issue amount (₹ lakh crore)
2021	63	1.18
2022	40	0.59
2023	57	0.49
2024	91	1.59
2025	90	1.51

2025 data is as of 13 Nov 2025

How many IPOs listed from 2021 to 2025 are trading above or below issue price?



Note: Market price as of 12 Nov 2025 versus issue price
Source: primedatabase.com



Why IPOs are high-risk bets

- Company disclosures are limited in terms of historical track-record
- Valuations may be stretched, leaving little upside for investors
- All risks may not be clear at the IPO stage
- Retail investors may not have the expertise to analyse

How many IPOs gave steep listing day gains?

Gains	2021	2022	2023	2024	2025
Negative	12	7	6	10	12
0-10%	7	10	9	13	31
10-20%	7	8	10	17	22
20-30%	11	6	8	6	3
30-40%	3	2	6	12	10
Above 40%	23	7	18	33	7

Note: The analysis is based on highest price on listing day versus the issue price; 2025 data as of 12 Nov 2025

Source: primedatabase.com

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Flipping for listing day gains

42.7%

Between April 2021 and December 2023, retail investors on an average sold this percentage of shares (in value terms) allotted to them within a week, showed a Sebi study.

Reading red herring prospectus for red flags

- Steady profits, but negative cash flow
- Sharp swings in sales and profits
- Sudden spike in profit ahead of IPO
- Weak internal control; auditor remarks
- High frequency of related-party transactions
- High promoter pledging
- Customer or supplier concentration
- IPO objective: business growth or only promoter exit

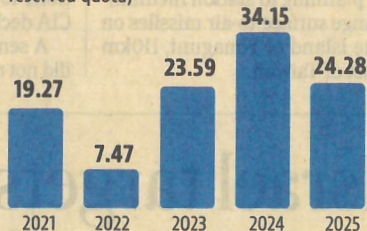
Toolkit of a conservative IPO investor

- Prefer companies with track record of dividend payouts
- Avoid loss-making companies
- See RHP disclosures, compare valuations with peers
- Use simple metrics like P/E, P/B

Note: RHP or red herring prospectus is publicly disclosed by the company ahead of its IPO
P/E is price-to-earnings ratio, P/B is price-to-book ratio and EV/Ebitda is enterprise value-to-earnings before interest, taxes, depreciation and amortization

Retail investors continue to bet heavily on IPOs

Retail subscription (average times of reserved quota)



Note: 2025 data is as of 12 Nov 2025; retail investors are investors with bids below ₹2 lakh

Source: primedatabase.com
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