



More zeros than multibaggers! India's SME IPO returns in 2025 crushed under heavy scrutiny

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Synopsis

India's SME IPO market experienced a significant downturn in 2025, with listing gains plummeting to 12.6% and over half of new listings trading below their IPO price. Tighter regulations, including price caps, and weak smallcap sentiment have curbed speculative trading, forcing a reset in investor expectations for quick profits.



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India's SME IPO market has cooled down in 2025. Record listings occurred, but investor returns dropped significantly.

India's once-red-hot [SME IPO](#) market has lost much of its sparkle in 2025, as tighter regulations, weak smallcap sentiment and fading listing-day pops forced investors to reset expectations. Even though a record 257 SME IPOs hit the market this year, raising nearly Rs 11,000 crore -- the highest ever in a single year, for investors chasing quick listing gains, 2025 turned out to be a sobering year.

Average listing gains this year dropped sharply to about 12.6%, which is the lowest since 2020. About 120 of all SME listings delivered returns of 0% or less returns. In contrast, 2024 saw only about 33 IPOs out of 247 deliver flat or near-zero returns on debut, suggesting just how quickly the mood has changed.

Even worse is the news that the post-listing rally hasn't been that great. About 130 IPOs -- over half the year's issues -- are now trading below their [IPO](#) price. This marks a dramatic shift from the exuberance seen over the past two years, when SME IPOs routinely doubled or tripled on listing day and became a playground for speculative traders.

The slowdown is even clearer when viewed against long-term trends. Between 2022 and 2024, average listing gains surged from around 33% to nearly 60%, driven by easy liquidity, strong retail participation and minimal price controls. In 2025, those gains have fallen back to levels last seen before the post-pandemic boom, closer to the low double digits.

Subscription levels, a sign of participation of investors, have also come down sharply this year. For instance, the average subscription rate among all the IPOs this year is down to 70 times, from a massive 224 times the previous year.

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SME IPOs buckle under regulatory checks

India's SME IPO market was introduced to solve a structural gap in the capital markets, that is small and medium enterprises had limited access to long-term equity capital despite being a major driver of employment and economic growth.

Traditionally, Indian SMEs depended heavily on bank loans, informal borrowing or private funding, which restricted their ability to scale and often left balance sheets stretched. The mainboard IPO route, with its stringent profitability requirements, high compliance costs and large issue sizes, was simply not viable for most smaller companies. This created the need for a dedicated public market platform tailored to the realities of SMEs.

However, as the ecosystem evolved, concerns over wild price swings, opaque disclosures and governance lapses surfaced, which prompted regulators Sebi and exchanges to step in and implement a series of checks from late 2024.

One of the most visible changes came from the NSE in mid last year, which introduced a 90% cap on listing-day price movements for SME stocks. Earlier, many SME IPOs had no effective upper circuit on debut, allowing shares to spike several-fold in a single session. The new graduated price bands have sharply limited such moves, reducing the scope for pump-and-dump activity in thinly traded names.

Other changes included higher application sizes, tighter scrutiny of pricing and disclosures, and stronger eligibility norms for companies seeking to list. Together, these steps have made the SME platform more restrictive -- and less forgiving for momentum-driven trades.

At the same time, broader market conditions have also turned less supportive this year. Smallcap stocks have struggled in 2025, weighed down by global uncertainty, foreign fund outflows and a weaker rupee. After years of outperforming, smallcap indices have lagged benchmarks, denting risk appetite across the market. SME IPOs, which sit at the riskiest end of the equity spectrum, have felt the impact more acutely.

Winners and losers

Despite the gloom, the year was not without winners. About 25 SME IPOs have turned into multibaggers, reminding investors that stock selection still matters. Names such as Shri Ahimsa Naturals, Divine Hira Jewellers, [Balaji Phosphates](#), Voler Car, HP Telecom, Exato Technologies, TechD Cybersecurity, Zelio EMobility and [Tankup Engineers](#) delivered outsized gains, often backed by strong earnings momentum or niche positioning.

The list of biggest losers from IPO prices is long. Stocks such as Valencia, Studio LSD, Aten Papers and Foam and Swasth Foodtech dropped more than 70% from their issue prices. Several others have seen steady erosion as liquidity dried up post listing.

Analysts say the message from 2025 is that the SME IPO market has matured, and easy money is no longer guaranteed.

"Return percentages have declined across smallcap, midcap and largecap IPOs," said [Sunil Nyati](#), MD at Swastika Investmart.

"This is primarily due to geopolitical instability, US trade tariffs, a depreciating rupee and continued FII withdrawals. On top of that, Sebi has introduced new SME IPO guidelines, such as increased minimum application lots and listing price caps, to protect investor interests."

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What's next for India's small businesses

The regulatory tightening has changed the character of the SME IPO market but has not killed it, according to some experts. Filings and launches continue at a steady pace, even as investors become more selective.

"As macroeconomic factors improve, market liquidity should return. Stricter exchange eligibility norms should also result in better-quality IPOs coming to market," Nyati said.

"Series of regulatory checks introduced by Sebi and the exchanges has kept SME IPO listings in check. However, while there might be a slight slowdown right now, I do expect issuances to pick up sooner rather than later, especially if some bullishness returns to the secondary market," said [Pranav Haldea](#), MD, [Primedatabase.com](#)

Can investors still expect the kind of [multibagger](#) returns seen in previous years? Nyati urges caution.

"Investors need to select companies meticulously, with thorough fundamental analysis. Businesses with sound models, strong profitability, favourable industry prospects and reasonable valuations can still deliver long-term multibagger returns, but not overnight gains."

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