

Are IPO listings still worth the risk for small investors?

A sharp fall in listing-day gains may limit the quick returns in a crowded 2026 IPO calendar

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2026 could be another big year for initial public offerings (IPOs) with more than 100 companies already receiving approval to raise about ₹1.4 trillion (around \$15.5 billion), according to Prime Database.

Millions of retail investors flock to IPOs in the hope of earning quick profits by 'flipping' shares after listing, but seasoned participants urge restraint, often shaped by hard-earned experience.

"You have to not only learn from your mistakes, but also from the mistakes of others," said Gopal Sharma, a 50-year-old French-speaking tourist guide in Delhi and IPO investor since 2008. "In my experience, one should not invest in seven out of 10 IPOs," said Sharma.

He believes that lately IPOs are being priced at very high levels to provide an exit to angel and venture capital investors, leaving little scope for individuals to make money. "In most cases...small investors are made a fool of," he said.

Sharma learnt this the hard way in 2021, when he got an allotment in the IPO of One97 Communications, which runs Paytm. At the time, it was India's largest IPO and Paytm was a leader in digital payments. The IPO was oversubscribed by retail investors by 1.66 times, and issued at ₹2,150.

Sharma got six shares. They fell 27% on the listing day and kept falling in the next few months. "Still in Paytm shares, I am at a loss," said Sharma. He is holding on to them, hoping for a rebound.

A generation earlier, investors had received a shock in the 2008 IPO of Reliance Power, then owned by Anil Ambani. The IPO was over-subscribed by 70 times overall, and the retail investors' portion was oversubscribed 13.6 times. On listing day, its shares fell 17%.

Falling returns on IPO listings

Average returns from all IPO listings in 2025 fell by 68% over the previous year, according to Prime Database.

Assuming an investor had purchased one lot in each and every mainboard IPO issued in 2025 and had sold them all at the closing price on the day of listing, his average listing gain for the year would have been 9.55%. In comparison, Nifty 50 gained 10.5% in 2025.

Sekar Maruda Gounder, 44, a data architect based in Chennai, who has been investing in IPOs for 10 years, largely steered clear of IPOs in 2025. "Nowadays profit is low, that's the reason why I'm not doing it."

Instead, he now invests in established companies whose shares are down, or that announce a stock split or a bonus.

Allotment uncertain

As more and more people apply in the individual or retail category, it's becoming harder to get an allotment.

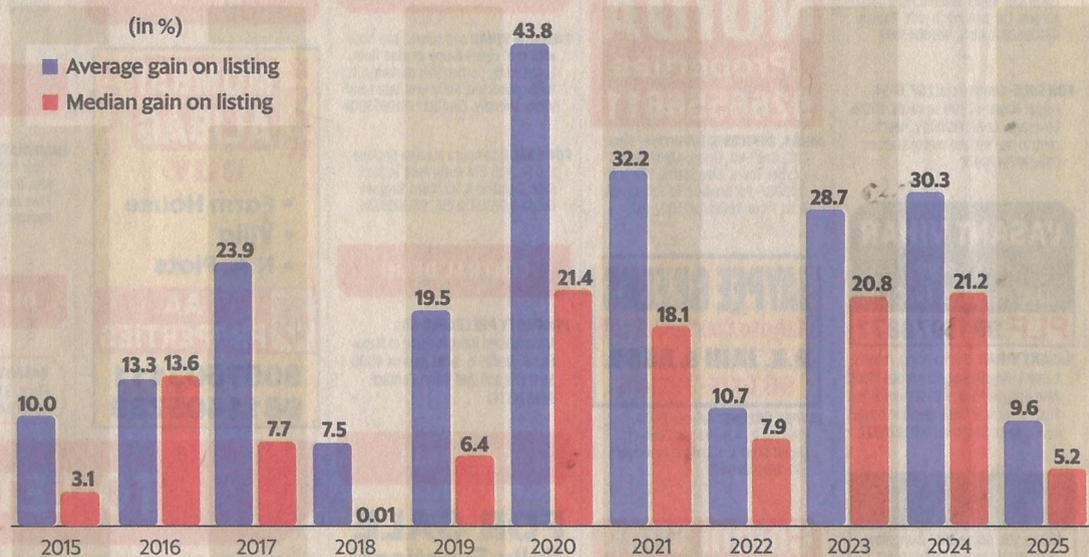
In case an IPO is over-subscribed in the retail category, as per rules, a lottery is conducted, and the maximum number of retail investors are allotted only one lot of shares. So if the lot costs ₹15,000, even in the unlikely event that the stock doubles, the gain would be ₹15,000. "It's not really going to rock your world," said Pranav Haldea, managing director of Prime Database.

Risk of not booking losses quickly

Investors hate to take a loss, so they

Slipping gains on IPO listings

IPO listing gains fell sharply in 2025. A retail investor who was allotted shares in every IPO and sold them at the close of listing day would have earned an average return of 9.55% for the year. The median—reflecting the midpoint of listing gains across all IPOs—was 5.18%, meaning half the issues delivered gains below this level, while the other half returned more.



Sekar Maruda Gounder, Chennai

Gounder has participated in IPOs since 2010, says listing returns have fallen as shares are now priced too high. "Nowadays profit is low, that's the reason why I'm not doing it," said Gounder. He has since shifted to

other strategies, including buying shares of established firms when prices are low or ahead of a stock split. "IPO is not the only option to make money in the stock market," he said. "If anyone wants to invest in the stock market, it's better they buy some good stocks from Nifty 50 when the share value is low."

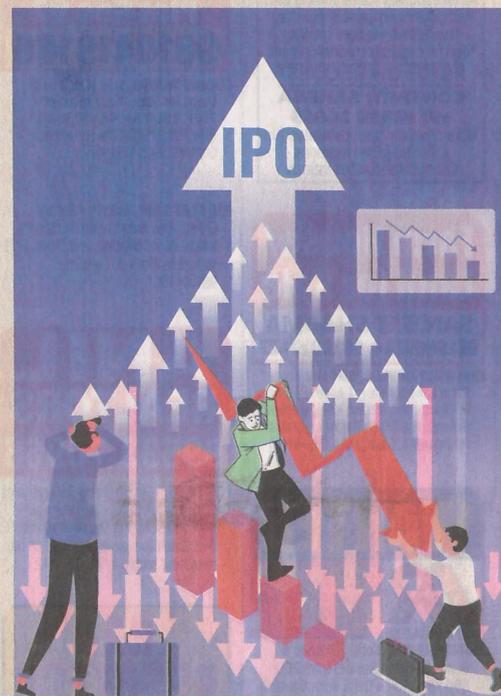


Deepak Kumar, Muzaffarpur,

Kumar bought shares of One97 Communications, which runs the digital payments platform Paytm, in its IPO at ₹2,150 per share. The stock fell 27% on listing day and continued to decline in the months that followed. Kumar regrets not booking

his losses earlier. "If at that time, I would have sold, I would not have lost as much as today."

Data source: primedatabase.com



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hold on to loss-making stocks hoping for a recovery, and that can exacerbate the loss. In a study of investor behaviour in 144 IPOs between 2021 and 2023, the Securities and Exchange Board of India found 23% of shares by value were sold

when returns were negative. In other words, investors held on to losing bets.

"If at that time, I had sold, then I would not have lost as much as today," said Deepak Kumar, a finance manager at a logistics firm in Muzaffarpur, who had invested in Paytm's IPO. It was his first IPO, and he was sure its price would go to ₹3,000 to ₹4,000. Instead, within four months, the shares had fallen by nearly 75%.

By February 2024, when Paytm shares had fallen to around ₹340, Kumar said his manager advised him to

buy more shares to lower his average purchase price. Had he done so, he would have made money as Paytm shares have since risen to around ₹1,330 lately. At that time, Kumar didn't buy fearing things could get worse. "What if the company goes bust?"

The risk of not booking gains quickly

Even IPOs that did well on the listing day have given investors heartache.

Consider the case of LG Electronics India, a consumer appliances-maker, which went public in October at an IPO price of ₹1,140 per share. On listing day, its shares gained, closing at ₹1,682.80.

Sai Ram, a 31-year-old information technology professional in Hyderabad, who was allotted one lot in the LG IPO, held on to it expecting more gain. But

within a few days, the shares started falling, closing at around ₹1,371 recently.

Earlier this week, Bharat Coking Coal was this year's first IPO, listing at a nearly 96% premium. But it gave up some gains, but social media chat boards are abuzz with people wondering if they should buy the shares now.

"Don't have FOMO," said Krishna Rath, a Sebi-registered investment adviser in Bhubaneswar. He said investors should be extra careful this year, as he believes the bull run in stocks in India and globally has passed, and stock valuations are very high.



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