



# Cause for concern? Retail applications in Indian IPOs slump 40% in FY26 after poor returns

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## Synopsis

FY26 India IPOs show signs of retail fatigue, with average listing gains falling to -7% and retail oversubscription halving. Only 34 of 108 IPOs delivered over 10% gains on listing day. While institutional participation, especially by mutual funds, remains strong, retail appetite is cooling. FY27 sees a robust pipeline, with 144 SEBI-approved companies and 83 new-age tech firms preparing to raise capital.



Agencies

India's record-breaking IPO boom in FY26 is showing signs of retail fatigue, with investor participation cooling sharply amid weaker listing gains and muted post-listing performance.

Data from PRIME Database indicates that while companies raised a record Rs 1.8 lakh crore through mainboard IPOs in FY26, retail enthusiasm has softened.

The average number of retail applications per IPO fell to 12.87 lakh in FY26, down steeply from 21.31 lakh the previous year. This decline suggests that individual investors, long the backbone of India's IPO frenzy, are stepping back from aggressive participation.

The trend aligns with returns: average listing gains have collapsed to just 8%, compared with 30% a year ago, reducing IPOs' appeal as quick listing-day trades.

## From listing gains to losses

The shift in investor behaviour is largely being driven by disappointing outcomes. Of the 108 IPOs listed so far in FY26, only 34 delivered gains of over 10% on listing day, compared with 71% in FY25. The broader picture has turned even more negative. As of late March, the average return of these IPOs has slipped to -7%, marking a break from a multi-year trend where IPOs consistently generated positive returns for investors.

This reversal has likely dented confidence among retail investors, who typically chase IPOs for short-term gains rather than long-term allocation.

## Oversubscription frenzy fades

The weakening sentiment is also visible in subscription metrics. The share of IPOs receiving mega subscription—defined as more than 10 times—dropped to 56% from 72% a year ago. Overall, oversubscription levels have cooled as well. The average oversubscription across categories declined to 28 times from 49 times last year, while retail oversubscription fell to 18 times from 35 times.

Even in the SME segment, where retail participation is typically stronger, the average number of applications plunged to 44,553 from 1.70 lakh, pointing to a broad-based slowdown in retail appetite.

### **Institutional money holds ground**

While retail interest has weakened, institutional participation remains relatively resilient. Qualified institutional buyers, including anchor investors, accounted for 61% of the total issue size in FY26, providing stability to IPO fundraising.

Mutual funds, in particular, have emerged as key players, even overtaking foreign portfolio investors in anchor allocations for the first time.

### **Market volatility adds to caution**

Beyond returns, broader market conditions have also played a role. Ongoing volatility driven by global cues and geopolitical tensions has made retail investors more cautious, especially about deploying capital into new listings without clear upside visibility.

Issuers, too, are responding to the changing environment. According to Pranav Haldea, MD, PRIME Database, companies are in a wait-and-watch mode given the recent market volatility.

### **Outlook for FY27**

The FY26 data suggest that the Indian IPO market may be entering a transition phase. While fundraising **remains strong**, the easy gains that fuelled retail participation in previous years are fading.

The pipeline of issues continues to be strong. 144 companies proposing to raise around Rs 1.75 lakh crore presently hold SEBI approval waiting to hit the market, while another 63 companies looking to raise around Rs 1.37 lakh crore are awaiting SEBI approval.

In addition, scores of companies are preparing to file their offer documents in the near future, including 83 new-age tech companies looking to raise Rs 1.38 lakh crore.

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