Business Standard

Cheaper, fresh-issue IPOs deliver stronger gains for investors who hold on

Low-P/E IPOs delivered strong post-listing gains, while expensive issues saw returns front-loaded at listing

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premium

Low-P/E IPOs delivered strong post-listing gains, particularly those raising fresh capital.

Investors who bought this year's cheaply priced initial public offerings (IPOs) and held on have been well-rewarded, especially when the money raised went to the company rather than to exiting shareholders.

Of the 38 mainboard issues listed between January and August with reported earnings, the 12 priced below 20 times earnings returned a median 45.4 per cent by September 29, against 33 per cent for all such issues, according to Capitaline and Prime Database data. Most of those gains came after the debut: the shares opened at a median premium of only 5.3 per cent and have since risen by a median 35.2 per cent from their listing-day close. Nine of the 12 raised mainly fresh capital, and they returned a median 51.3 per cent.

Pricier issues, valued at 30-50 times earnings, returned more, a median 58.8 per

cent, but their gains came upfront. They listed at a median premium of 23.2 per cent and have added

First Published: Oct 02 2026 | 6:54 PM IST