INDIA PRIMARY MARKETS | IPO COHORT ANALYSIS | MAY 2026

Are Indian IPOs Overpriced?

TOTAL LISTINGS FY2021-FY2025

1,232

367 Mainboard
+ 865 SME

BELOW ISSUE PRICE (MAINBOARD)

47.96%

176 of 367 Mainboard IPOs

OVERSUBSCRIBED YET NEGATIVE

59%

Mainboard IPOs >10x oversubscribed

The Scale of India's IPO Boom: Volume vs. Valuation

FY14–FY25 EQUITY ISSUANCE: THE ACCELERATION

TOTAL RAISED FY14-FY25
Rs 10.77L Cr
Full 13-year equity issuance total

RAISED IN FY22-FY25 ALONE
Rs 4.98L Cr
56% of 12-yr total in just 4 years

TOP SECTOR FY22-25
Automobile
Rs 44,494 Cr - led sector breadth expansion

TOTAL IPOs (2021-2025)
1,232
367 Mainboard + 865 SME listings

RETURN OUTCOMES: 2021-2025 COHORT - NEAR COIN-FLIP ODDS FOR INVESTORS

MAINBOARD POSITIVE RETURNS
191 / 52%
Of 367 Mainboard IPOs studied

MAINBOARD NEGATIVE RETURNS
176 / 48%
Near coin-toss across the full cycle

SME POSITIVE RETURNS
430 / 49.7%
Of 865 SME IPOs - near-perfect split

SME NEGATIVE RETURNS
432 / 49.9%
Effectively a zero-sum lottery

MAINBOARD GAINED >+30%
121 / 32.97%
Strong winners - highly concentrated gains

MAINBOARD LOST >-30%
85 / 23.16%
Significant tail-loss cohort

SME GAINED >+30%
330 / 38.15%
High-dispersion barbell return profile

SME LOST >-30%
281 / 32.49%
Equal and opposite tail-loss risk

Key Finding: FY22-FY25 raised 56% of a 12-year issuance total in just 4 years - the fastest acceleration in India's capital market history. Yet speed and scale came at the cost of pricing discipline. With 48% of Mainboard and 50% of SME listings delivering negative returns, the cohort data confirms a structural, not cyclical, overpricing problem.

The Subscription Illusion: Demand Did Not Predict Performance

MAINBOARD (367 IPOs)

Metric	Count	% of 367
Total IPOs studied	**367**	**100%**
Delivered positive returns	191	52.04%
Delivered negative returns	176	47.96%
Gained more than +30%	121	32.97%
Declined more than -30%	85	23.16%
Advance / Decline ratio	1.085x	-
Losers with >10x subscription	103	59% of losers

SME SEGMENT (865 IPOs)

Metric	Count	% of 865
Total IPOs studied	**865**	**100%**
Delivered positive returns	430	49.71%
Delivered negative returns	432	49.94%
Gained more than +30%	330	38.15%
Declined more than -30%	281	32.49%
Advance / Decline ratio	0.995x	-
Losers with >10x subscription	245	57% of losers

Critical Insight: Oversubscription is a sentiment signal, not a valuation signal. 59% of losing Mainboard IPOs and 57% of losing SME IPOs had subscription rates above 10x. In 2024, SEBI found 54% of non-anchor shares were sold within one week. FOMO and liquidity surplus - not fundamental conviction - drove subscription multiples.

Why IPOs Are Structurally Overpriced: Three Interconnected Forces

FORCE 1: OFS DOMINANCE - THE MARKET AS AN EXIT VEHICLE

FY	OFS (Rs Cr)	Total Issues	OFS %
FY2021	Rs 21,520	Rs 31,030	69.35%
FY2022	Rs 71,052	Rs 1,12,553	63.13%
FY2023	Rs 38,310	Rs 54,773	69.94%
FY2024	Rs 36,749	Rs 67,956	54.08%
FY2025	Rs 1,05,624	Rs 1,72,328	61.29%
FY2026	Rs 1,08,395	Rs 1,88,617	57.47%

FY2026 OFS RECORD

Rs 1,08,395 Cr extracted - highest absolute OFS ever

THREE STRUCTURAL FORCES BIASING IPO PRICING AGAINST RETAIL

01 - OFS Dominance

Promoters sell via OFS to maximise exit price at IPO. The company receives no capital. Floor OFS share: 54% (FY2024); peak: 70% (FY2023). Conflict is structural - seller sets price, buyer bears risk.

02 - Merchant Banker Misalignment

Banks are paid on issue size, not post-listing performance. H1 2024: Rs 2,038 Cr in IPO fees - 17-year high (LSEG). SEBI's WTM formally flagged 'inflated IPO valuations' in Nov 2025. No fee-for-performance mechanism exists.

03 - SME Liquidity Trap

Thin post-listing float means investors who need to exit on deteriorating fundamentals often cannot - severe price impact. Median SME listing gains compressed to single digits; tail-loss risk has risen. Retail's 'listing gains' strategy has structurally broken down.

Structural verdict: These three forces compound each other. OFS pricing sets a ceiling on fair value; merchant bankers extend it; and SME illiquidity prevents escape. The result: IPO pricing is systematically biased against the investor who enters at listing.

PE/VC Exits: By the Time Retail Buys, Institutions Have Already Won

THREE CASE STUDIES: IDENTICAL PATTERN - INSTITUTION EXITS AT IPO, RETAIL HOLDS AT THE TOP

Company	IPO Price	Inst. Exit	Post-Listing Fall	Current Status (May 2026)	Retail Experience
Zomato Jul 2021	**Rs 76**	***Info Edge: 64.50x return (Rs 1.16/sh avg cost); Sequoia at 12.5x return exit***	**63% crash within Year 1**	+116% from listing (5 years to materialise)	Most retail sold in drawdown, did not hold
Nykaa Nov 2021	**Rs 1,125**	***TPG / Lighthouse exited at multiples after lockin expiry***	**65% decline at lock-in expiry**	-22% vs listing price (May 2026)	Capital never recovered in 4+ years
Vishal Mega Mart Dec 2024	**Rs 104**	***Partners Group $630M exit at IPO***	**52-wk low Rs 99.68 (below listing price)**	+17% from listing (largely sideways)	PE booked gains; retail largely flat/loss

The Pattern: In 2024, PE/VC investors pulled $19.1Bn from India via public market exits alone, the highest since 2008. In 2025, total PE/VC exits reached $32.9Bn. The mechanism is identical: institutions price the IPO at peak multiples, exit at listing or lock-in expiry, and retail holds stock at a valuation the market cannot sustain.

The Investor Framework: Three Pillars + Six Red Flags

THREE PILLARS OF THE WINNING FRAMEWORK

01 - Valuation Comfort

Defensible pricing relative to growth and return metrics. At or below what listed sector peers trade at - not at 30-50% premiums. The market eventually prices to fundamentals.

02 - Business Quality

Scalable models with competitive moats, capital efficiency, and transparent governance. FY22-FY25's best sectors (Auto, Healthcare, Telecom) offered genuine quality - but stock selection determined outcomes within each.

03 - Liquidity Planning

Realistic assessment of post-listing trading volumes. Pre-defined exit criteria (partial profit booking at listing, full exit on red flags) are essential, especially for SME IPOs where exit windows close fast.

SIX RED FLAGS - WALK AWAY CRITERIA

1 OFS component exceeds 50% of issue size - proceeds go to sellers, not the company

2 Loss-making company with no credible path to profitability in 2-3 years

3 Issue P/E or P/Sales at 30-50% premium to best-performing listed sector peer

4 High GMP with muted QIB subscription - retail excitement without institutional conviction

5 SME IPO with thin float - post-listing exit liquidity will be structurally impaired

6 Proceeds earmarked for 'general corporate purposes' or repayment of promoter-related debt

Selection discipline: The 2021-2025 data does not invalidate IPO investing. It validates a secondary-market mindset applied to primary markets: value-led entry, quality filter, defined exit. The question is not 'are Indian IPOs overpriced?' - they are. The question is: 'how do I identify the 30% that are not?'

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