



# IPO Listings Deliver More Post Issue Losses Than Profits In 2025

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# IPO 2025

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*Despite strong debuts, a growing number of IPOs are falling flat on listing day as investors demand profitability, governance and credible business models over inflated valuations*



GNG Electronics shares made a stellar debut on 30 July 2025 with a sharp premium over their issue price. On the National Stock Exchange (NSE), the stock opened at Rs 355 per share, nearly 50 per cent higher than its issue price of Rs 237. On the Bombay Stock Exchange (BSE), it was listed at Rs 350 with a gain of around 47.68 per cent. However, the early excitement didn't last long. Soon after listing, the stock witnessed profit booking and fell by 7 per cent from its opening price.

And this is not the only instance. In recent years, several hyped initial public offerings (IPOs) have followed a similar pattern. A closer look at the post-listing performance of IPOs this year reveals a troubling trend: a majority of the newly listed companies delivered negative returns on day one itself. And this wasn't limited to a handful of weak issues; it is widespread.

By mid-year, more than two dozen companies (more specifically, 25 companies) had already listed with significant losses on debut. The average listing day decline among these names hovered between 15 per cent to 25 per cent, with some wiping out nearly half of their issue price value.

For example, Arunaya Organics, which was listed on 7 May, closed its first trading day down by 45.52 per cent. Others like Jainik Power Cables, Marc Loire Fashions and Valencia India each saw listing day declines of 24 per cent or more. Even Arisintra Solutions, the largest issue in this list with a sizeable Rs 499.60 crore offering, failed to leave an impression. Despite being a mainline IPO, its stock fell by 21.45 per cent on debut.

**Viral Mehta, Lead, M&A and Private Equity, Nishith Desai Associates,** notes, "In recent times, we have seen certain large-sized IPOs struggle with post-listing performance. This has to do with public demand being

driven more by hype than by strong fundamentals. Another important factor at play is getting the timing and the cycle of the IPO right.”

#### Why Are IPOs Falling Flat In 2025?

**Aggressive Pricing:** One of the clearest patterns in 2025 has been overvaluation at the IPO stage. Companies are pricing their shares at aggressive multiples, possibly encouraged by strong grey market premiums or general bullish sentiment. This is especially true in the SME segment. But once listed, the buying momentum simply doesn't match the price. The result is a sharp fall, often within the first hour of trade.

This gap between issue price and investor willingness to hold the stock post-listing has widened throughout the year.

**Retail Crowd And Short-term Speculation:** Retail investors have participated enthusiastically. However, a large portion of this interest appears speculative, with many investors aiming to book quick listing gains. When these gains don't materialise, panic sets in and stocks tumble. This was evident in issues like GNG Electronics, where the stock debuted with a 50 per cent premium but dropped 7 per cent intraday due to quick profit booking.

**Saturation And Fatigue:** Another issue this year has been IPO congestion. There were several instances where multiple IPOs opened and listed within days of each other (more than ever in June and July). For example, June 30 alone saw at least four SME IPOs listings on the same day - Marc Loire, Cedaar Textile, Pushpa Jewellers, and Eleganz Interiors. The retail market simply doesn't have enough liquidity or appetite to absorb so many offers in such a short span.

When every week brings a fresh round of IPOs, investors become choosy. Many issues end up undersubscribed in the aftermarket.

**Grey Market Disconnect:** In many cases, grey market premiums (GMPs) failed to reflect the real risk of the issue. Investors saw strong GMPs as a sign of confidence, but in practice, these premiums turned out to be misleading. Indo Farm Equipment is a perfect example - it had a strong GMP and opened well, but collapsed soon after as real demand dried up.

**No Margin For Error:** Unlike previous years, where IPOs were backed by strong narratives or robust sectoral tailwinds, many companies in 2025 entered the market without clear differentiators. Without an edge or strong post listing updates, these companies struggled to justify their valuations.

According to Mehta, “It is true that investors are now prioritising sustainable revenue models, cash flow visibility, and a clear path to profitability over pure growth narratives. To that extent, there is a shift in investor psychology.”

Reuben Chacko, Partner and Regional Co-head– Capital Markets (South) at Cyril Amarchand Mangaldas, adds, “The IPO market is no longer driven purely by momentum or hype. As the ecosystem continues to mature, on both the investor and regulatory side, issuers who can articulate strong fundamentals, have high governance standards and sustainable execution capabilities are more likely to succeed. Institutional investors are now more informed and discerning.”

They engage more deeply with growth narratives, demand clarity on business models and are quicker to identify red flags in governance or financial matters. Retail investors, too, have access to more data, analyst commentary, and digital platforms that enable better decision-making. Investors expect companies to demonstrate a clear, time-bound path to profitability. Governance, transparency, and credible disclosures have become equally important, with well-governed companies commanding a premium, Chacko adds.

#### Lessons From The Past

However, this trend is not something new. Paytm, for example, was once celebrated as the face of India's digital revolution. The company launched its IPO in 2021 at a valuation of Rs. 1.6 lakh crore. But soon



after listing, its shares fell by over 40 per cent. Today, the stock is down nearly 65 per cent from its issue price.

This has been the trend with many new-age tech companies. Startups like Delhivery, Nykaa, and PB Fintech did have exciting stories, large markets and plenty of investor backing. But post-listing, the company faced the striking reality. Most of these companies entered public markets with inflated valuations, primarily driven by venture capitalists looking to secure big returns. The early investors often push for high valuations to meet exit goals, without always considering long-term public market performance.

As Chacko points out, "While IPO may be a milestone for many, it is also an important step towards long-term value creation and not just the end goal. Startups aspire to list to provide liquidity to early investors, enhance public profile and access capital for growth. That said, the real challenge begins after listing. Once public, the onus on the listed company increases significantly: delivering on growth and profitability projections, maintaining transparent disclosures, building investor trust, and staying focused on long-term strategy while navigating quarterly scrutiny."

Mehta observes that startups are beginning to shift their perspective on IPOs. "It's no longer seen as the final destination," he notes, "but rather a step along the journey." He points out that going public now means navigating heightened public scrutiny, meeting quarterly earnings expectations, and managing long-term reputation.

The problem is not just limited to startups, SMEs, or even large companies face a similar problem. Even government-backed giants like LIC and Coal India have seen weak post-listing performance. LIC, which raised over Rs 21,000 crore, barely reduced the government's shareholding. With the requirement under Sebi Regulations to bring down promoter stake to 75 per cent, the stock faces a supply overhang that continues to weigh down performance. A similar pattern was seen with Coal India, where stake reduction took over eight years.

Retail investors often fall into the trap of hype. There's a fear of missing out when a company with a strong brand name or government backing announces its IPO. But underneath all this noise, the numbers often do not add up.

On the question of whether regulatory norms need a rethink, Chacko explains, "While India follows a free pricing regime, the market regulator, Sebi ensures that disclosures are comprehensive and transparent, enabling investors to make informed decisions. The shift in regulatory scrutiny post-2021 reflects SEBI's intent to balance innovation with investor protection, especially in the era of startup IPOs. Sebi has introduced several regulatory norms and measures to bring transparency, fairness, and investor protection in IPO pricing and valuation, especially in response to concerns around aggressive pricing by loss-making companies, such as tighter norms on disclosure of key performance indicators, comparison with listed peers, cap on offer for sale, etc."



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