Study the performance of IPO in Indian Capital Market

Chitraben Rajnikant Sheth[1], Dr. Sejal Christian[2]

[1]*Research scholar, Shri D.N.Institute of P.G. studies in Commerce, Anand.*

[2]*Research Guide, Shri D.N.Institute of P.G. studies in Commerce, Anand*

Abstract - **Initial Public offer (IPO) is a process through which an unlisted Company can be listed to a Stock exchange by offering its securities to the public. The aim of study and to measure performance of IPO in Indian market and to measure the initial underpricing or overpricing of IPO's in India. From the research it has been found that the Zomato ltd has highest risk (4.53592) and the G R Infraprojects has lowest risk (1.43869). From the research it has been found that the IRCTC has highest return (127.422) and the Suryoday small finance bank has lowest return (-8.91803). The listing gains of the IPOs are the 17 out of 30 IPOs have very good performance on listing days than other IPOs. The initial public offering (IPO) might be a fantastic way for a regular person to learn how to invest in the stock market. By examining the market and the history of firms, there will be no risk in investing.**

Index Terms - **Capital market, Initial Public Offer, Over pricing Under-pricing.**

INTRODUCTION

Initial Public offer (IPO) is a process through which an unlisted company can be listed to a Stock exchange by offering its securities to the public. The objective of an IPO may differ from company to company. It may be for expansion of existing activities of the company or setting up of new projects or just to get its existing equity shares listed by diluting the stake of existing equity shareholders through offer for sale or any other object as may be specified by the Company in its offer document. In an initial public offering (IPO), a private company becomes a public concern by issuing equity shares to the outside investors for the first time.

IPO is a process through which Companies access the capital from market by selling a variety of securities, such as common stock, bonds and preferred stock. Certainly, companies have other ways of getting finance, such as retention of earnings; bank loan, overdraft etc., but the equity shares are the major source of funding. IPOs often come from smaller, younger companies seeking capital to expand their business. IPOs are quite risky to invest in. SEBI the Capital Market regulator, which was established with the objective of investor protection and regulation of capital markets, has issued many guidelines and introduced structural reforms to bring efficiency in the market and it, has brought out various norms the companies have to adhere to before approaching the primary capital market.

INITIAL PUBLIC OFFERING

The primary offer of stock by a privately-owned business to general society is known as IPO. IPOs are frequently issued by littler, more youthful organizations looking for the funding to grow, yet can likewise be finished by a huge exclusive organization looking to end up traded on an open market. Additionally, most IPOs are of organizations experiencing a short-lived development period, which are liable to extra instability with respect to their future qualities. The methods to issue IPOs are like Fixed Price Method and Book Building Process.

CONCEPT OF UNDER PRICING

Under valuing means when the estimating of an IPO is beneath its estimated worth which implies when the offer cost is lower than the cost of the first exchange, the stock is thought to be under-priced. It is accepted that IPOs are regularly under-priced considering the concerns identifying with liquidity and variability about the level at which the stock will exchange.

Under-pricing is calculated as: Closing Price – Offer price
Offer price
Concept of Over Pricing:
Over pricing is the point at which the offer cost is more than the end cost or when the offer cost is more than

the posting cost. The over estimating of IPO states that the IPOs have manage the great business position. Both under valuing and over evaluating numerous a times prompts the under-execution.

LITERATURE REVIEW

Dr. A. S. Ambily, Gayatri Krishna, Aswathy K, and Deepa Balakrishnan worked on examination used information from the NSE website to conduct a study on the execution of initial public offerings on the NSE from issue cost to last exchanging value in the years 2013-2015. A study on the execution of initial public offerings on the NSE from issue cost to last exchanging cost was the most important factor examined. When the issue price and final exchange price are considered, the clear majority of financial backers prefer to acquire at a cheaper rate. The rate return displays the rate of return over a certain period of time. The investigation's conclusion is that the final exchange rate will always be greater than the issue rate.

"An investigation and execution of beginning public proposal in the Indian Market," conducted by Rishi S Saluja, Shikhar Dam, and Pradeepta Kumar Samanta. To calculate the underlying IPO posting execution over a long period of time, from the date of their first public offering to the date of their first public offering on the National Stock Exchange. From 2009 to 2013, the example size of 117 IPO was used. The study assumes that the cost of a posting day and the times when it is purchased are always inextricably linked, regardless of the company or region.

Dr. Ravi Kiran was working on research where she want to examine the value execution of Indian IPOs listed on the NSE, using an example of IPOs that tapped the NSE market between 1999 and 2008, in terms of their expenses. The analysis reveals that there is room for undervaluing in the Indian stock market. To consider India's administrative system for overseeing initial public offerings. The study is reliant on optional data. The National Stock Exchange of India has provided additional information. Undervaluation is more serious in the short run, it can be deduced.

Thomson Reuters is working on a project to research and implement a new public proposition in the Indian market. The short-run execution of the companies was broken down in this investigation to understand the distinctiveness of unusual returns, as well as long-term execution to analyse the long-term execution of the IPO's. NSE, CMIE PROWESS, and CAPITAL LINE data were used to compile this report. The current investigation was mostly focused on supplementary data. The goal of this analysis was to break down the IPO exhibition in both the primary and secondary markets.

Iqbal (2018) The Indian securities exchange's posting day execution of IPOs, book manufactured and fixed value IPOs, and post posting reseller's exchange execution of IPOs, book assembled and fixed value IPOs were all reviewed by Thonse Hawaldar and Naveen Kumar. They examined that assessment, as well as the execution of 464 Indian initial public offerings (IPOs) that opened to the globe between 2001 and 2011. They assumed that book designed IPOs were associated with negative aggregate normal uncommon returns for up to 5 years, and that beyond that, negative CAARs associated with fixed value IPOs turn positive after a half year and remain positive thereafter.

Ms. Aswini G. K. and Jyothi G. H. conducted an examination of the listing of initial public offerings (IPOs) in the NSE Indian database. Information was obtained from the NSE and BSE websites for analysis. The presentation of initial public offerings (IPOs) was explored in this research based on a comparison of issue cost to closing cost following issue arrival. From 2015 to 2019, according to data from the National Stock Exchange (NSE) of India, the majority of financial supporters have continuously preferred to purchase securities at a lower issue cost, with the final cost being examined. The exhibition of IPOs recorded in the NSE Indian file was investigated using the connection model. The investigation assumes that initial public offerings (IPOs) can be a long-term investment vehicle or a potential opportunity to obtain explosive rewards.

Vaidyanathan (2007) looked at the NSE's value execution of IPOs. According to the findings, the interest generated for a given during book building and the posting delay significantly influence the main day undervaluing, whereas the impact of money spent on IPO advertising is negligible. The inquiry looked at data from 2004 to 2006 and targeted 55 organisations for further scrutiny. The expert has verified that the interest generated for an issue during book building and the posting delay significantly sway the first day

undervaluing, even though the impact of money spent on IPO promotion was insignificant.

Lowry and Schwert (2000) was broke down the total IPO market movement and have analysed the underlying returns at the firm level. The exploration additionally contemplated solid cycles in the quantity of IPOs by figuring the normal starting returns acknowledged by financial backers from 1960 to 1997. The factual measures being utilized in the examination are mean, middle, standard deviation, and auto-relationships. The outcomes have shown that IPOs cycles happen and have an ensuing impact on returns and underperformance.

Madhuri Malhotra and N. Premkumar an endeavor to recognize climate Indian financial exchange shows the underperformance of IPO's over the long haul. The IPO issues have been taken from the National stock trade site for the year 2004 to 2008. This research additionally features the variables which may affect the value responses around IPOs by the firm. Initial public offering execution was addressed by Buy and Hold Adjusted Return. It has been tracked down that the Indian stock trade market shows IPO underperformance the and there was a positive connection between the number of offers presented at the hour of IPO and underperformance.

Prof. Sweety Nishant Shah, Prof. Disha Harshadbhai Mehta They examined posting day execution relating to 113 IPOs in India from January 2010 to December 2014, recorded in NSE India. The fundamental target of this exploration is to gauge the IPOs' posting day execution and to ascertain how much rate the market changed strange return is acknowledged on the absolute first day of exchange. The example utilized in this examination comprises all Indian firms which opened up to the world on public stock trade from January 2010 to December 2014. Information is taken from 113 organizations for the examination. The exploration attempted to discover the underlying day returns and the components influencing undervaluing.

Dr. Satish Mittal, Seema Verma made an investigation on "Initial public contributions and long-run execution". The motivation behind this examination was to illuminate discoveries of past investigations that were led in a setting of breaking down long run execution of IPOs and distinguishing factors liable for horrible showing in since a long time ago run. The audit comprises 42 experimental and theoretical examinations distributed from 1991 to 2014. They

infer that There is still a degree to investigate research work on the since quite a while ago runs execution of IPOs.

Sanjay Desai attempted to identify "The post-listing performance of initial Public Offers in the Indian market". The objective of this research was TO evaluate the sector-wise market price performance of IPOs offered through July 2010 to June 2013 for a period ranging from six months to thirty-six months, TO study IPO market price appreciation post listing. In this study sample selection was done through BSE, Data related to IPOs issue price, sector, and the market price was taken from BSE and money control websites. The study shows that despite Sensex moving from 10000 to 20000 for 3-year overall IPOs has given a negative return for 3 years.

Deb and Marisitty (2011) an endeavor on "The presentation of IPO in an Indian Market". To gauge the presentation of Indian IPOs including and barring introductory returns. In this investigation, optional information has been utilized. Data gathered through NSE etc. They found that IPOs evaluating diminished IPO undervaluing and affected the interest of retail financial backers.

Nurwati A. Ahmad-Zaluki one associated Lim Boon Kect (2012) a trial on "The performance of commerce in an Indian Market" to research whether or not the returns area unit additional in brief term or long run for a higher conclusion. The short-run returns area unit calculated for the listing day exploitation the standard technique of conniving returns. Information has been collected from NSE, CMIE superior skill, CAPITAL LINE. The analysis was principally confined to secondary information. Their results counsel that investors United Nations agency purchase commerce shares on the Mesdaq market gain high positive returns within the short run however don't fare well within the long-term.

Batool K. Asiri and Aalaa J. hadji (2014) They analysis on " The Performance of Initial Public giving of firms recorded in NSE, India and Gulf Base GCC Index." to get the exhibition of Indian IPOs for a quick amount that's the date of a deal to the final population to the date of their initial day of exchanging when posting on a stock trade. during this investigation, nonobligatory info has been utilized the precise discoveries had shown that firm age and deal size were plainly vast and each adversely moderately known with undervaluing and shows that a relationship exists

among financial and commercial enterprise corporations.

RESEARCH METHODOLOGY

The research topic is "To study and performance of IPO in Indian market". The aim of study and to measure performance of IPO in Indian market and to measure the initial underpricing or overpricing of IPO's in India. In this research the Descriptive research design has been used. The data for the study mainly collected from secondary sources like NSE and Money control. The sample size is 30 IPO with period considers 3 years daily data i.e. August 2019 to August 2021. Different statistical tools are used to evaluate the performance of IPO especially Standard Deviation, Return, Beta and Regression.

DATA ANALYSIS AND INTERPRETATION

Under price/Over price Analysis:

Sr No.	Company Name	1st Day Gain
1	Anupam Rasayan India Ltd	-5.08108108
2	Clean science and technology Ltd	76.1388889
3	Craftsman Automation Ltd	-3.65100671
4	Dodla Dairy Ltd	42.5
5	Home First Finance company India Ltd	1.84362934
6	Indigo Paints Ltd	109.204698
7	Macrotech Developers Ltd	-4.26954733
8	Laxmi Organic Industries Ltd	26.5
9	Nureca Ltd	-4.21977674
10	Rolex Rings Ltd	29.6666667
11	Suryoday Small Finance Bank Ltd	-8.91803279
12	Tatva Chintan Pharma Chem Ltd	113.499538
13	Zomato Ltd	65.7894737
14	Angel Broking Ltd	-9.86928105
15	Computer Age Management Services Ltd	-0.01426941
16	Exxaro Tiles Ltd	-0.76335878
17	Happiest Minds Technologies Ltd	123.463855
18	IRCTC	127.421875
19	Krishna Institute of Medical Sciences Ltd	20.8424242
20	Prince Pipes and Fittings Ltd	-6.23595506
21	Rossari Biotech Ltd	74.5058824
22	Route Mobile Ltd	86.0857143
23	Rail Vikas Nigam Ltd	-0.6
24	SBI cards and Payment Services Ltd	-9.74834437
25	Windlass Biotech Ltd	-11.4891304
26	Glenmark Life Sciences Ltd	3.95833333
27	Burger King India Ltd	125
28	G R Infraprojects Ltd	108.733572
29	Kalyan Jewellers India Ltd	-13.5632184
30	Shyam Metalics and Energy Ltd	22.9248366

From the above table it has been found that 17 out of 30 IPOs are i.e. (Clean science, Dodla Dairy,,Home first, Indigo Paints, Laxmi organic, Rollex Rings, Tatva chintan, Zomato, Happiest Mind, IRCTC, KIMS, Rossari Biotech, Route Mobile, GLS, Burger King, G R Infraprojects, Shyam Metalics) are over price.

While the 13 IPOs are i.e.(Anupam Rasayan, Craftsman, lodha, Nureca Ltd, Suryoday small finance bank, Angel broking, CAMS, Exxaro tiles, Prince Pipes, RVNL, SBI card, Windlass, Kalyan jewelers) are under price than its peer price. Which suggest that their current market price are not justified by its earnings outlooks or not supported by company's financial strength and therefore, it is expected to growth in price in near future.

RETURN ANALYSIS

Top 5 companies return	
Name	Return
IRCTC	127.4219
Burger king	125
Happiest Mind	123.4639
Indigo Paints	109.2047
GR Infra	108.7336

Top 5 companies return
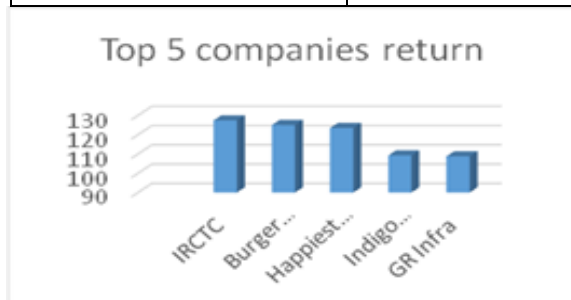
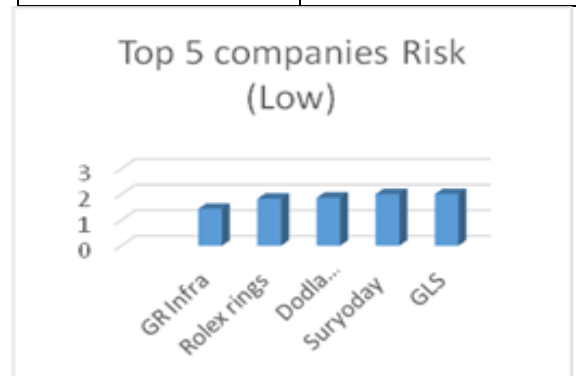| Bottom 5 companies Return	
Name	Return
Kalyan Jewellers	-13.5632
Windlass	-11.4891
Angel Broking	-9.86928
SBI card	-9.74834
Suryoday	-8.91803

Bottom 5 companies Return
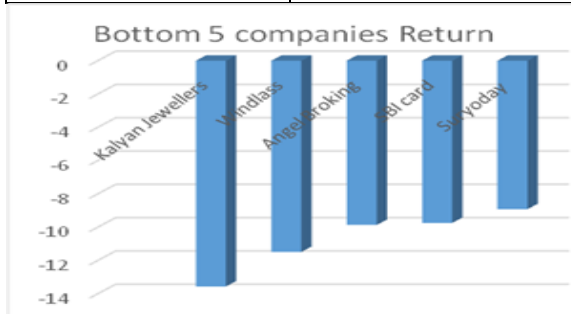
From the above table and graph it can be interpret that the high return of top 5 IPO (IRCTC, Burger King Ltd, Happiest Mind, Indigo Paints, G R Infraprojects ltd) compare to other IPO. It means that the performance of IPO is very good. The highest return of IPO IRCTC is (127.422) from the 30 IPOs. The return of Suryoday small finance bank is low (-8.918) (negative) compare to other IPOs.

RISK ANALYSIS

Top 5 companies Risk (High)	
Name	Risk
Zomato	4.53592
Windlass	4.447505
Nureca	4.091139
Angel Broking	4.088561
Route Mobile	3.925301

Top 5 companies Risk (High)
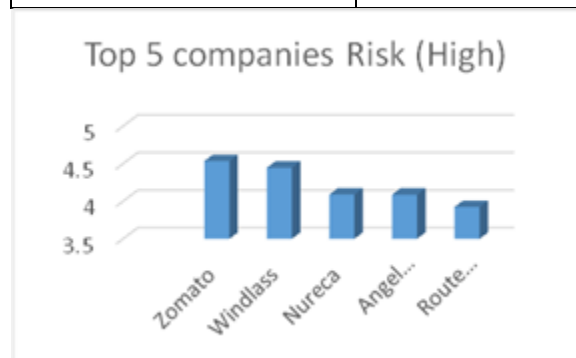
Top 5 companies Risk (Low)	
Name	Risk
GR Infra	1.438694
Rolex rings	1.831271
Dodla Dairy	1.867856
Suryoday	2.010429
GLS	2.012477

Top 5 companies Risk (Low)

From the above table and graph it can interpret that the high risk of top 5 IPO (Zomato ltd, Windlass biotech Ltd, Nureca Ltd, Angel Broking Ltd, Route Mobile Ltd) compare to other IPO. It means that the performance of top 5 IPO is good than other. The risk of Zomato is high (4.5352) compare the other IPO. From the above table and graph it can interpret that the low risk of top 5 IPO (G R Infra-projects, Rolex rings, Dodla dairy, Suryoday small finance bank, Glenmark Life Science) compare to other IPO. The risk of G R Infra-projects Ltd is low (1.43869) compare to other IPO.

CONCLUSION

In India, investment has become more of a security necessity than a way of life. People are shifting to other paths that offer greater results when the rates drop. The risk band that existed previously has been loosened, and people are looking for new and better things. In the past, one could only invest in a few enterprises, but today's technology allows consumers to test a wide selection of businesses. The initial public offering (IPO) might be a fantastic way for a regular person to learn how to invest in the stock market. By examining the market and the history of firms, there will be no risk in investing.

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