

An Empirical Evidence of Primary Equity Issues in Indian Stock Market: Post listing Assessment and Evaluation

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Abstract

Initial public offerings (IPOs) have a special place in finance, probably because they are the first opportunity to value a number of financial assets of company by various participants of capital market.

In India, initial public offerings (IPOs) have attracted many investors. Because companies coming out with IPOs are new and have no historical data to analyze. The success of IPO is critical for stockholders, companies, and the economy.

Objectives:

1. To Study different IPOs during 2020-22
2. To analyze performance of Indian IPOs in short Run time frame.

Research Approach

The work in this research paper is carried out on the basis of empirical evidence. The study encompasses 33 IPOs which got listed on NSE of India for the period between 2020-2022. The work is based on data collected from sources which are secondary in nature. The data required for research work is taken from website of National stock Exchange of India in the form of price quotes of shares and Nifty values. The market adjusted short term performance model, wealth relative index model along with other statistical measures is used for the study.

Scope of work- The research work is restricted to companies which came out with public issues during the above specified period and got listed on NSE of India.

Period -Year 2020-2022

Limitations of Study-The study covers external factors which affects the IPO performance.

Originality-This research work is original and examines stock's listing profit or loss and its performance after the listing on recognized stock exchange.

Key words-Initial public offer (IPO), IPO performance, listing gains, Market index, market adjusted return.

Introduction

An Initial Public Offering (IPO) is a public offering made by an unlisted issuer of specified securities for subscription. After the public offering process is completed, securities are listed and further traded in secondary market. Company's decision to go public is important turning point from the perspective of an organization. An initial public offering (IPO) allows a retail investor to purchase shares in a promising firm and diversify his investment portfolio. Initial public offerings are high-risk investments. Companies going public encounter a hurdle in deciding the offer price to general investors during initial public offerings. In most circumstances, the issuer uses underwriters to determine and underwrite the IPO value.

Initial public offerings (IPOs) have a special place in finance, probably because they are the first opportunity for various participant of capital market to value a collection of business assets. The pricing of IPOs become important from the perspective of economic efficiency. The IPO gives business manager of company the first opportunity to monitor the message in the form of price movements of the stock from the participants of capital markets. Such indications can either confirm or refute the assumptions of management about the future growth opportunities of company, with clear ramifications in terms of employment and capital investment for real economic activity (Abdou & Dicle, 2007) [1]. (Rajesh Aggarwal, Summer 2009) [2]. The volatility of initial public offerings (IPOs) is significant (Durukan, 2002) [3].

Literature Review:

(Rashid, Abdul-Rahim, Hadori, & Tanha, 2015) From January 2000 to December 2010, the variety in early returns, IPO volumes, and market circumstances of IPOs listed on Bursa Malaysia were examined [4]. Over a three-year holding period, the underperformance of IPO stocks relative to the market is less severe for IPOs managed by more prominent under-writers. (Carter, Dark, & Singh, 1998) [5].

The returns on a company's first public offerings (IPOs) and subsequent issuance affect the performance of IPO stocks. Returns are calculated by comparing price changes (volatility) to the allotment price, with positive change indicating positive returns and vice versa. (Bruce & Thilakaratne, 2014)[6]

IPOs with a high predicted skewness earn greater negative abnormal returns in next one to five years. High predicted skewness is also linked to a higher percentage of small trades on the first day of trading, indicating a greater shift in holdings from institutions to people. (Green & Hwang, 2011) [7]. Even when offering prices are set at expected market value, IPOs with zero one-day returns lose value, implying that underwriter price support may explain the skewed distribution and consequently the frequency of positive average initial IPO returns. (Ruud, 1993) [8].

IPO trading volume is susceptible to current changes in market environment. (Banerjee, Güçbilmez, & Pawlina, 2013) [9]. IPO volume fluctuates substantially during trading time. (Lowry, Why Does IPO Volume Fluctuate so Much, 2003) [10]. There is positive relation between IPO underpricing (Jegadeesh, Jegadeesh, Weinstein, & Welch, 1993) and the probability and size of subsequent seasoned offerings [11]. The volume of initial public offerings and the average initial returns are significantly connected. Furthermore, following times of great initial returns, more companies tend to go public. (Lowry & Schwert, IPO Market Cycles: Bubbles or Sequential Learning?, 2002) [12].

When investor demand is strong, the IPO generate big positive early returns but gives negative long-run excess returns, whereas weak investor demand for IPOs generate negative initial returns but positive long-run excess returns (Agarwal, Liu, & Rhee, 2008) [13].

We can examine different groups of investors in terms of the timing and subscription pattern and we can divide the return generated by the IPO into two specific parts: one relating to underpricing of issue by the underwriters of the issue and listing day return on first day of listing on stock exchange, thanks to some unique characteristics of the Indian book building process (Khurshed, Pande, & Singh, 2009) [14].

(Firth, 1998) The role of profit estimates in prospectuses for initial public offerings is investigated. While such estimates are uncommon in US market IPOs but in other markets this practise is widespread.

The new offer prospectuses have a long history of presenting point estimates of post-listing profitability, and Singapore Stock Exchange has required profit predictions since 1993. Earnings estimates are thought to be an indication of a company's value, and forecast correctness is thought to explain post-listing returns. Various tests are used to analyse the correlations between profit

estimates disclosed in issue documents and valuations applying data from new offerings from 1979 to 1992. Forecast accuracies are linked to post-listing returns in a positive way [15].

(Hwang & Jayaraman, 1993) Examine 292 stocks listed on the Tokyo Stock Exchange between 1975 and 1989 in terms of trading volume and performance after listing. For the entire sample, although the unusual returns are remarkable positive, the IPOs, which do not begin trading immediately, are the primary drivers of these returns. The non-IPO firms that list in the first segment have a post-listing return pattern that is negative and like that of NYSE-listed equities. The equities listing in the second part have negative but negligible post-listing abnormal returns, as opposed to considerable negative unusual returns for stocks that debuts on the US Exchanges [16].

(Gupta & Jindal, 2016) Initial Public Offerings (IPOs) have generally produced positive returns on listing day throughout world, including in India, according to financial literature. The stock market crash had a negative impact on the initial public offering (IPO) market, resulting in a decrease in both the number of IPOs and money raised. In June 2009, SEBI introduced the notion of an anchor investor to increase investor confidence in initial public offerings [17].

(Kumar N. S., 2012) In India, initial public offerings (IPOs) have attracted many investors. Because IPO stocks are new to market and have no historical data to analyse. IPO performance in the market is critical for various stakeholders. Academicians and investors debate the various elements of the stock market in an economy, such as its growth, volume of transactions, and fluctuations, as well as its prospects and repercussions. This reflects the public's expanding stock market awareness and habit, as well as the stock market's and its activities' increased relevance in the economy for both corporate bodies and investors. The stock or shares of a public company [18].

(Auret & Britten, 2008) Examine 391 enterprises that listed on the JSE between 1990 and 2003 and observed change in operating performance of the enterprises in this study. The parameters such as investment and growth, cost of credit, leverage, tax, and changes in profitability are studied using a fixed-effects panel data regression model [19].

(Perera & Kulendran, 2016) From 2006 to 2011, the market performance of 254 Australian initial public offerings (IPOs) in short run by industry, year of listing, and issue year was studied. The return on first day of listing are bifurcated into primary market, for which the calculation is based on the beginning prices of day one and offer price of issue, the secondary market, the calculation is based on closing and opening prices on the day one, and the total market calculation is based on closing prices and offer price of the issues, to calculate the short-run performance. Then it's expanded to include post-day listing analysis, which considers returns for up to ten days. The study

uses binary and multiple regression models with offer, business, and market characteristics to determine the factors of under-pricing [20].

(Gresse & Gajewski, 2006) This survey examines several aspects of the European IPO market from 1995 to 2004 using a sample of 15 European countries: listing requirements, IPO-mechanism options, performance, and secondary market liquidity. First, despite the commonly observed segmentation between Main, Parallel, and New Markets, a comparison of national primary market regulations reveals a wide range of listing obligations and affirms investments banks continuously monitoring the primary market mechanisms, which manages initial pricing and new issues allocation [21].

(Trivedi, A Study on Short Run and Long Run Analysis of IPOS Listed in 2007 to 2011, 2013) IPOs are critical tools for corporations to raise funds from the public. IPOs are one of the important sources of raising long term funds by companies from the public at large. An Initial public offering is the securities issued by the private limited company for the first time to the public. After the issuance of securities through IPO, the company becomes public limited company. The purpose of this paper is to investigate the short-term returns accessible to IPO subscribers. It also seeks to divide the returns obtainable by short-term investors into two categories: listing day gains and intra-day gains. The return and performance of IPOs issued over a five-year period, from 2007 to 2011, are used as the foundation for calculating the return and observations based on the performance of IPOs. The document also aims to emphasise the profit potential of investors who keep IPO shares for a long time [22].

(Trivedi & Soni, Initial Public Offerings (IPOs) - A Boon or Bane?, 2012) Regarding short-term investors, the concepts of listing gains and intra-day gains are investigated. The return and performance of IPOs issued over a five-year period, from 2006 to 2010, are used as the basis for calculating the return and observations based on the performance of IPOs. The factors behind IPO's high and dismal success are examined in general in this paper. The research emphasises the usefulness of IPO grading as a tool for learning about the company's fundamentals as part of a study of pre-subscription IPOs. The amount of listing gains gained by investors on IPO listings is highlighted in the report [23].

(Kumar C. V., 2017) If the promoters own a large amount of the public offering, it signals to investors that the company can develop, and the IPO shares can be sold with less under-pricing. The Effect of Issue Size on the Degree of Under-pricing The amount expected to be raised through the IPO is referred to as the size of the offering. IPOs with a larger issue size typically under-price less

than those with a smaller issue size. Smaller issues must be under-priced significantly to ensure that the entire IPO is easily subscribed [24].

(Smitha V Shenoy, 2018) An initial public offering (IPO) allows a retail investor to purchase shares in a desirable firm and diversify his investment portfolio. Initial public offerings (IPOs) are high-risk investments. If IPOs are under-priced on the day of listing, they are profitable in the short term. As a result, an empirical study was done to determine the level of under-pricing of issues on the day of their initial public offering (IPO) and its drivers. Academicians, investors, capital market intermediaries, and policymakers will find the study useful in making informed policy decisions [25].

(Kumar K.S , 2015) The study examines the performance of 211 Indian companies who have come out with initial public offerings from 2007 to 2012 for short and long run basis. The indicators like Market Adjusted Abnormal Returns (MAAR), Wealth Relatives (WR), and Buy and Hold Abnormal Returns (BHAR) is used to examine the performance of IPOs in the short and long run in order to have understanding of the factors influencing IPO long-term performance. The researchers used a multiple regression analysis to look at factors such as issue size ex-ante uncertainty , promoter holding post-issue , subscription rate, longevity of the IPO firm , initial return , leverage ratio, and IPO activity period (TIME), among others [26].

(Sahoo & Rajib, 2010) This research examines the price performance of initial public offerings (IPOs) for the first 36 months after the IPO date. It also looks at the utility of IPO characteristics at the time of issuance to find a reason for the price performance after the IPO. For 92 Indian initial public offerings (IPOs) issued between 2002 and 2006, the study gives new information on performance of IPO , including underpricing in short term and underperformance in long term. According to reports, Indian IPOs are under-priced by 46.55 percent on listing day relative to the market index (listing day return vis-à-vis issue price) [27].

(Mumtaz & Ahmed, 2021) From 1995 to 2010, this study looks into the price performance of 90 companies over long term time frame which has gone public and listed on Karachi Stock Exchange. This research finds evidence that IPOs underperform three years after listing due to under-pricing; nevertheless, the pattern of underperformance observed in the study is statistically not always that significant. The calendar-time analysis and equal-weighted buy-and-hold anomalous returns indicate the importance of underperformance of the IPO after three years of listing on the exchange.

For buy-and-hold return calculations, under-pricing, financial leverage, firm age, and oversubscription are all strong predictors of IPO underperformance; for cumulative abnormal return calculations, under-pricing, holding of promoters after the public issue, IPO proceeds, hot activity period and aftermarket degree of risk are all strong predictors of IPO underperformance [28].

(Zheng, 2007) Many IPOs are overvalued in terms of value measures based on industry peer price multiples at the offer price. He explains some potential flaws in their valuation methodology and conclude that IPOs are not expensive once the flaws are addressed. More crucially, while comparing the long-run IPO performance of firms with their sectoral peers, it is found that IPOs do not lag behind their sectoral competitors in the five years following their initial public offering [29].

(Puri, 2012) To evaluate short-term performance of IPOs, Wealth relative models was also used, yielding similar results. For the first, seventh, and thirty-first days, the wealth relative index was 1.07, 1.02, and .91, respectively. The performance of initial public offerings (IPOs) on annual basis has been evaluated. The results confirm that the year 2009-10 was extraordinary, and that IPO investors can get an average return of 7.03 percent, 6.44 percent, and 4.21 percent if they sell these equities at the conclusion of the first, seventh, and thirty-first days, respectively [30].

Problem statement

Most of Individual investor view IPOs as speculative opportunity to profit on listing day. The success of IPOs depend on various factors which includes amount of funds to be raised, number of times the IPO subscribed, longevity of firm, promotor stake post issue, fundamentals of companies, market sentiments etc. IPO investors also face dilemma of whether to keep the shares for short run or exit it on the first day of trading for listing gains. Investors will find it difficult to analyse the stock in order to formulate suitable investment strategy if the above mentioned factors are not addressed.

Objectives of Study:

1. To Study different IPOs during 2020-22
2. To analyze performance of Indian IPOs in short Run time frame.

Research Design

Random sampling method is used in research design. The research design includes following characteristics of IPOs during the period 2020-22, IPO issue date, listing date, IPO issue price, IPO returns for first 22 days. Statistical tools were used to analyse short term IPO returns and performance.

Data Collection

The NSE website was used to gather prices on various days and listing date information.

The sample includes the National stock exchange listed companies who have come out with initial public offerings during the period between January 2020, 2021, till April 2022. The table below show the number of companies which got listed on the exchange using IPO route.

Sample Details

| Year | Number of IPOs Listed at NSE |
|-------|------------------------------|
| 2022 | 2 |
| 2021 | 25 |
| 2020 | 6 |
| Total | 33 |

Table 1 IPO details

| Sr No | Name of the Issue | Year of Issue |
|-------|--|---------------|
| 1 | Anthony Waste Handling Cell Limited | 2020 |
| 2 | Bector Food Specialities Limited | 2020 |
| 3 | Gland Pharma Limited | 2020 |
| 4 | Lithika Infrastructure Limited | 2020 |
| 5 | Mazgaon Dock Shipbuilders Limited | 2020 |
| 6 | UTI AMC Ltd. | 2020 |
| 7 | CMS Info System Ltd. | 2021 |
| 8 | HP Adhesives Limited | 2021 |
| 9 | Med plus Health Services Ltd. | 2021 |
| 10 | Metro brands Ltd. | 2021 |
| 11 | Sriram Properties Limited | 2021 |
| 12 | Anand Rathi Wealth Limited | 2021 |
| 13 | Tega Industries Limited | 2021 |
| 14 | Star Health and Allied Insurance Company Limited | 2021 |
| 15 | Go Fashion India Limited | 2021 |
| 16 | Tarson Products Limited | 2021 |

| | | |
|----|--|------|
| 17 | Latent View Analytics Limited | 2021 |
| 18 | Sapphire Foods India Limited | 2021 |
| 19 | Sigachi Industries Limited | 2021 |
| 20 | PB Fintech Limited | 2021 |
| 21 | Fino Payments Bank Limited | 2021 |
| 22 | Paras Defence and Space Technologies Limited | 2021 |
| 23 | Sansera Engineering Limited | 2021 |
| 24 | Vijay Diagnostic Centre Limited | 2021 |
| 25 | Ami Organics Limited | 2021 |
| 26 | Aptus Value Housing Finance India Limited | 2021 |
| 27 | Rate Gain Travel Technologies Limited | 2021 |
| 28 | Nuvoca Vistas Corporation Limited | 2021 |
| 29 | C.E.Info systems Limited (MapmyIndia) | 2021 |
| 30 | Supriya Life Sciences Limited | 2021 |
| 31 | Data Patterns India Limited | 2021 |
| 32 | Adani Wilmar Limited | 2022 |
| 33 | Vedant fashion Limited | 2022 |

Source : Self drawn table

Data Analysis and Interpretation

To examine performance of IPOs in short-term , methodology adopted has been kept basic and is based on that of many previous academic theories.

The formulas below are used to determine the stocks as well as market index returns for the initial twenty two trading days.

The stock return for the particular stock (s) at the end particular day (d) is calculated using the formula: $R(s,n) = (P(1) - P(0)) / P(0)$.

Where , $R(s,n)$ is the return for the stock s at closing of the nth day. P_1 is the closing price of the stock on nth day. $P(0)$ denotes the issue price of that particular stock.

During the same time-period, the return on the market index (NIFTY 50) is:

$$R(m,n) = ((I1) - (I0)) / (I0)$$

Where,

$R(m,n)$ is market index return on n th day on closing basis.

I_1 denotes closing value Nifty50 index on the n th day and

I_0 denotes the value of Nifty50 index on the day of stock's initial public offering

Table 2-Stock Average Return

| | Average Return | Standard deviation | Highest Return | Lowest Return |
|------------------|----------------|--------------------|----------------|---------------|
| Day1 IPO Return | 0.428423 | 0.724003 | 0.503602 | 0.344779 |
| Day2 IPO Return | 0.463677 | 0.843442 | 0.519243 | 0.395975 |
| Day3 IPO Return | 0.491342 | 0.927574 | 0.538569 | 0.424568 |
| Day4 IPO Return | 0.495179 | 1.002785 | 0.545943 | 0.443203 |
| Day5 IPO Return | 0.516187 | 1.094415 | 0.557333 | 0.473218 |
| Day6 IPO Return | 0.497436 | 1.048395 | 0.560110 | 0.472706 |
| Day7 IPO Return | 0.487470 | 1.001757 | 0.528699 | 0.460453 |
| Day8 IPO Return | 0.480846 | 0.948831 | 0.520786 | 0.455669 |
| Day9 IPO Return | 0.475692 | 0.899710 | 0.508056 | 0.444066 |
| Day10 IPO Return | 0.466004 | 0.862680 | 0.501013 | 0.446478 |
| Day11 IPO Return | 0.451281 | 0.826998 | 0.491544 | 0.424029 |
| Day12 IPO Return | 0.452174 | 0.788220 | 0.480917 | 0.428763 |
| Day13 IPO Return | 0.436060 | 0.746440 | 0.493740 | 0.409518 |
| Day14 IPO Return | 0.445464 | 0.745792 | 0.484848 | 0.410327 |
| Day15 IPO Return | 0.445028 | 0.714421 | 0.490659 | 0.413489 |
| Day16 IPO Return | 0.451397 | 0.754002 | 0.487142 | 0.415444 |
| Day17 IPO Return | 0.451258 | 0.749914 | 0.496125 | 0.422880 |
| Day18 IPO Return | 0.429465 | 0.737648 | 0.482036 | 0.405575 |
| Day19 IPO Return | 0.410748 | 0.728688 | 0.458429 | 0.377391 |
| Day20 IPO Return | 0.412980 | 0.736230 | 0.453733 | 0.377627 |
| Day21 IPO Return | 0.406677 | 0.729381 | 0.447556 | 0.377686 |
| Day22 IPO Return | 0.409899 | 0.710680 | 0.450344 | 0.379928 |

Source : Self drawn table

Table 3 -Index Mean Return

| | Average Return | Standard deviation | Highest Return | Lowest Return |
|-----------------|----------------|--------------------|----------------|---------------|
| Day1 IPO Return | 0.000931737 | 0.009159248 | 0.006503774 | -0.004969732 |

| | | | | |
|------------------|-------------|-------------|-------------|--------------|
| Day2 IPO Return | 0.00071367 | 0.011691017 | 0.007820422 | -0.004431004 |
| Day3 IPO Return | 0.003112057 | 0.015745055 | 0.008061571 | -0.003265499 |
| Day4 IPO Return | 0.004716064 | 0.018266752 | 0.010935504 | -0.002372085 |
| Day5 IPO Return | 0.00618245 | 0.021411224 | 0.011616302 | -0.001773285 |
| Day6 IPO Return | 0.006942135 | 0.027620148 | 0.012975969 | -0.001211033 |
| Day7 IPO Return | 0.007410535 | 0.030619642 | 0.012979673 | 0.000857042 |
| Day8 IPO Return | 0.012367937 | 0.029754574 | 0.017274664 | 0.005844594 |
| Day9 IPO Return | 0.016672022 | 0.031027927 | 0.020034349 | 0.009255328 |
| Day10 IPO Return | 0.018794969 | 0.034641043 | 0.022853856 | 0.012816253 |
| Day11 IPO Return | 0.020441638 | 0.037296257 | 0.025592658 | 0.01323799 |
| Day12 IPO Return | 0.021454191 | 0.041495671 | 0.026481728 | 0.015221881 |
| Day13 IPO Return | 0.019689736 | 0.04591102 | 0.024655916 | 0.013360576 |
| Day14 IPO Return | 0.022159768 | 0.04331407 | 0.027162161 | 0.015957272 |
| Day15 IPO Return | 0.023361655 | 0.040924673 | 0.029004082 | 0.01662072 |
| Day16 IPO Return | 0.023371164 | 0.040512617 | 0.029371286 | 0.016756957 |
| Day17 IPO Return | 0.022401911 | 0.041715759 | 0.029330546 | 0.016061485 |
| Day18 IPO Return | 0.022581748 | 0.041560598 | 0.028865378 | 0.015286423 |
| Day19 IPO Return | 0.019982291 | 0.043941248 | 0.026860398 | 0.012900695 |
| Day20 IPO Return | 0.018278235 | 0.041281065 | 0.025354997 | 0.010143385 |
| Day21 IPO Return | 0.017702231 | 0.040923887 | 0.024149102 | 0.009694574 |
| Day22 IPO Return | 0.019174191 | 0.042920898 | 0.026166858 | 0.012233525 |

Source : Self drawn table

Analysis and Discussion

The table 2 &3 depicts statistical measures like mean return, maximum return, minimum return, and standard deviation for the stocks as well index for the first 22 trading days. It is found that average stock return for 1st trading day is 42.84% ranging from -15.59% to 329% and standard deviation of 0.72. Similarly, index return on 1st trade day is around 0.0% ranging from -2.91% to 1.37%. with standard deviation of 0.009.

It is evident that maximum returns are on 5th trade day. The mean returns were 51.61 % hovering between -29% and 585% and standard deviation of 1.095. for the same 5th trade day, the average return given by market index was 0.60 % ranging from -3.20 % to 4.13% and standard deviation of 0.021.

On the 11th trade day, it was observed that stock mean return was 45.12% ranging from -27% to 403% with standard deviation of 0.82. Similarly, average index return on 11th trade day was 2 % ranging between -4.92% to 8.19 % and having standard deviation of 0.038.

On the 22nd trading day, it was observed that average return on stock was 41% with range of -31% to 330% having standard deviation of 0.71. Similarly, the index average return on 22nd day was 2% with rang of -7.18% to 10.57% with standard deviation of 0.041.

From the above, it was observed that on 5th trading day the return was highest and thereafter return started showing decreasing trend due to profit booking or in line with market conditions.

Graphrepresenting MeanReturn for Stock IPO and Market Index

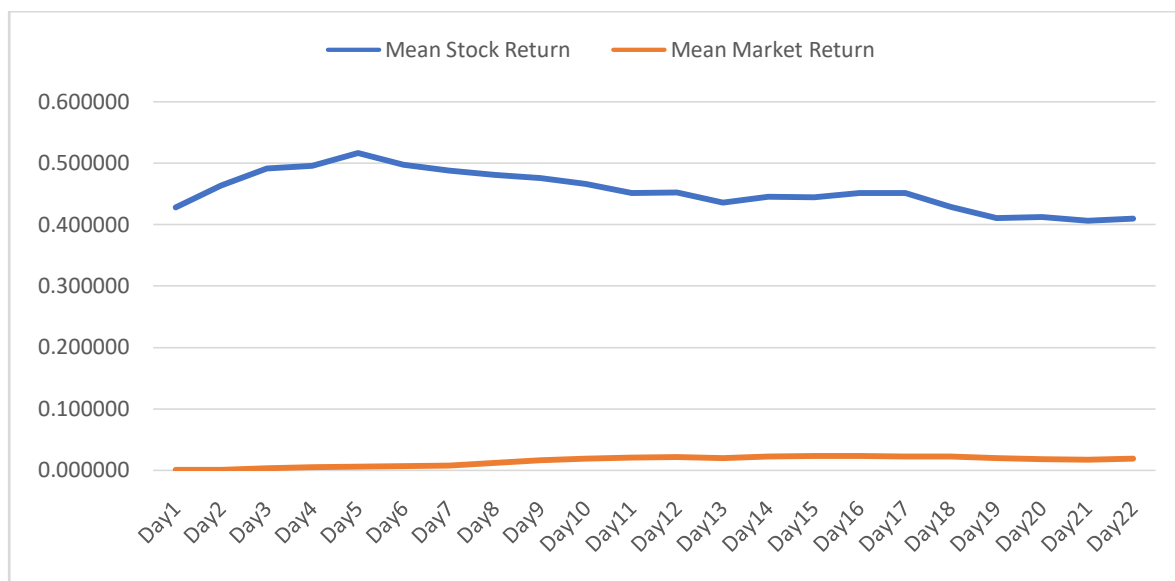


Figure-1:Graph representing MeanReturn for Stock IPO and Market Index

Source : Self drawn graph

Analysis and Discussion

From the graph shown in figure 1, we can notice that the IPOs returns are more than the index return which implies IPOs outperform the index in the short run. The highest return was seen on 5th trading day. Thereafter, we can observe that returns are gradually falling till 13th trading and thereafter again it slightly increases till 17th trading day. After 17th trading day, returns start falling again. The fall in return may be due to profit booking or due to declining market conditions.

Towards the end of 22nd trading day, we can observe that returns are slightly lower than the initial trading period returns.

Table 4-Market-adjusted Short Run Performance & Wealth Relative Model

| Day | MASRP | Standard Deviation | T Statistics | Wealth Relatives |
|-------|-------------|--------------------|--------------|------------------|
| Day1 | 0.42591853 | 0.717189 | 3.411536253 | 1.427093664 |
| Day2 | 0.461273484 | 0.838356 | 3.16072546 | 1.462633319 |
| Day3 | 0.486431174 | 0.929112 | 3.007530885 | 1.486714963 |
| Day4 | 0.488256492 | 1.007690 | 2.783416387 | 1.488161098 |
| Day5 | 0.508564104 | 1.104320 | 2.645498979 | 1.506871323 |
| Day6 | 0.487091483 | 1.053851 | 2.655146056 | 1.487112585 |
| Day7 | 0.473780992 | 0.996727 | 2.73060184 | 1.476528504 |
| Day8 | 0.461681652 | 0.947717 | 2.798472198 | 1.462754623 |
| Day9 | 0.454437537 | 0.915662 | 2.850991068 | 1.451492355 |
| Day10 | 0.444131347 | 0.886910 | 2.876661312 | 1.438958906 |
| Day11 | 0.426095797 | 0.838610 | 2.918799973 | 1.422208372 |
| Day12 | 0.426755527 | 0.803475 | 3.051150194 | 1.421672728 |
| Day13 | 0.414675411 | 0.765057 | 3.11366036 | 1.408330742 |
| Day14 | 0.420877267 | 0.763052 | 3.168531485 | 1.414127002 |
| Day15 | 0.418041071 | 0.726648 | 3.304851856 | 1.412040027 |
| Day16 | 0.424487669 | 0.766236 | 3.182436738 | 1.418250808 |
| Day17 | 0.426723477 | 0.764544 | 3.206278453 | 1.419459671 |
| Day18 | 0.406847774 | 0.757786 | 3.084199568 | 1.397897861 |
| Day19 | 0.391014277 | 0.743323 | 3.021842185 | 1.383110031 |
| Day20 | 0.395219503 | 0.749662 | 3.028516424 | 1.38761685 |
| Day21 | 0.389868025 | 0.745319 | 3.004915099 | 1.382208873 |
| Day22 | 0.390856307 | 0.727073 | 3.08813445 | 1.383373932 |

Source : Self drawn table

Analysis and Discussion

Table No-4 depicts the market adjusted initial returns, standard deviation, and wealth relative index along with t-statistic. Returns measured in terms of MASRP for the 1st, 5th, 11th and 22nd day are

42.59% ,50.85%, 42.60% and 39.08 % respectively. The MASRP simply means that unusual returns are showing gradual declining trend toward the end of the month. It was also observed that the wealth relative index showing similar trend and are 1.42, 1.50, 1.42 and 1.38 for respective days. The return on first trading day is significant as seen by the t-statistic and on 5th ,11th and 22nd trading day they are not. Therefore, it can be inferred that returns earned are important.

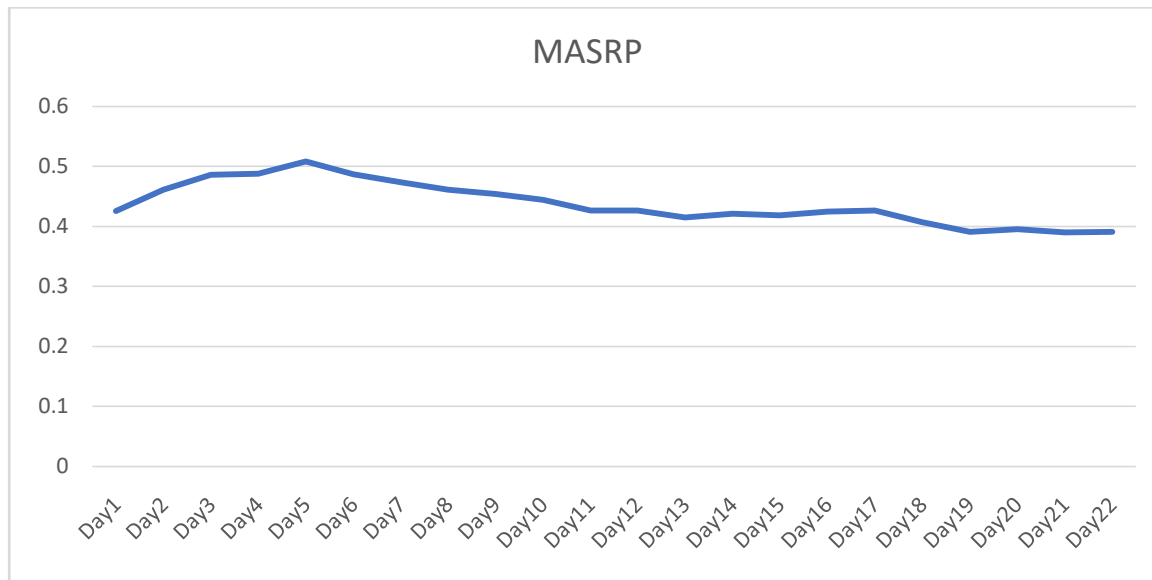


Figure 2: Graph representing Market Adjusted Short Run Performance

Source : Self drawn graph

Analysis and Discussion

From the graph shown in Figure 2, it is evident that MASRP of an IPO improves between 1st and 5th day of trading. On 5th trading day one can observe highest performance.

At the close of 22nd day, it was evident that MASRP is gradually declining signifying that IPO return when compared with market return is slowly coming down.

Conclusion

Based on above observations, it is evident that primary public issues are a huge opportunity to short term investors for making quick gain. Investors also take advantage of this and indulge in speculation by selling equity stocks on listing day of IPO. The oversubscription is one of the important factors to be considered while applying for new IPOs as it has got huge bearing on the success of IPOs.

Scope for further Research

1. The research focus on performance of the primary public offering in short term time frame. Further research on long-run performance of IPOs and the elements determining long-term success can be done.
2. A study can be carried out to determine the elements that impact investor to make investment decisions in primary issues and numerous criteria which need to examine in assessing initial public offerings.

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