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## A Study On Ipo Performance And Its Impacts In Indian Stock Market With Special Reference To Selected Stocks In Nse

**\*Saravanan R, Assistant Professor, School of Management, Sri Krishna College of Technology, Coimbatore**

**\*\*Gurunath L, II MBA - Sri Krishna College of Technology, Coimbatore**

**\*\*\* Dr. E. Muthukumar, Professor, Nehru College of Management, Coimbatore**

### ABSTRACT:

The Indian stock market plays a crucial role in capital formation, with Initial Public Offerings (IPOs) serving as a key mechanism for companies to raise funds and investors to access new opportunities. This study examines the performance of IPOs listed on the National Stock Exchange (NSE) from 2021 to 2024, focusing on short-term and long-term returns, pricing strategies, and market conditions. By analyzing ten of the largest IPOs based on issue size, this research identifies trends in underpricing and overpricing, evaluates post-listing performance, and assesses the impact of company age, issue size, and pricing on investor returns. The findings reveal that while underpriced IPOs tend to generate positive initial returns, sustaining long-term growth remains a challenge. The study provides valuable insights for investors, companies, and policymakers, emphasizing the importance of strategic pricing, market sentiment, and regulatory oversight in enhancing IPO success in the Indian financial market.

**Keywords:** IPO Performance, Indian Stock Market, Initial Public Offerings, Post-Listing Performance.

## INTRODUCTION

The Indian stock market serves as a vital mechanism for economic development, acting as a bridge between businesses seeking capital and investors looking for lucrative opportunities. Within this ecosystem, Initial Public Offerings (IPOs) hold a significant position as a means for companies to raise funds while granting investors access to new and promising ventures. This research paper focuses on the analysis of IPOs in the Indian stock market, with particular reference to the National Stock Exchange (NSE), which has been a critical platform for capital mobilization and investment opportunities.

An IPO marks the transition of a privately held company into a publicly traded entity, offering shares to the general public for the first time. This process not only helps businesses secure the resources necessary for expansion but also provides a transparent and regulated avenue for wealth creation among investors. Despite their potential, IPOs are often accompanied by uncertainties, influenced by factors such as pricing strategies, market volatility, and investor sentiment. A comprehensive evaluation of these aspects is essential to understand the impact of IPOs on the financial market.

The National Stock Exchange (NSE), established in 1992, has played a transformative role in India's capital markets by introducing advanced technology, transparent systems, and a wide array of investment opportunities. As one of the largest stock exchanges globally, the NSE hosts a significant proportion of IPOs in India, making it an ideal focus for analysing trends, performance, and market impact.

This study aims to provide a detailed analysis of IPO performance on the NSE, covering short-term and long-term aspects. It explores critical dimensions such as the level of under-pricing or overpricing, the post-issue performance of companies, and the impact of variables like company age, issue size, and market sentiment. By examining these elements, the research seeks to offer valuable insights into the dynamics of IPOs and their broader implications for the Indian stock market.

The findings of this paper will contribute to the understanding of IPO behaviour, aiding investors, corporate entities, and policymakers in making informed decisions. Through this analysis, the study endeavours to highlight the significance of IPOs as a financial instrument and their role in shaping the trajectory of India's capital markets.

## REVIEW OF LITERATURE

**Khan, M.A., Zeeshan, K., Ahmad, M.F., Alakkas, A.A., & Farooqi, M.R. (2021)**, in their study "*A Study of Stock Performance of Select IPOs in India*," analyze the performance of 26 IPOs issued in 2016 on the NSE over a three-year period. The study addresses two problems: the differences between short-term and long-term IPO performance, and the impact of IPO pricing (under-pricing or over-pricing) on investor returns. The

objectives are to evaluate IPO premiums and compare short-run vs. long-run returns. Using variables such as issue price, closing price, and percentage returns, the study applies the Wilcoxon Signed Rank Test, with data analyzed in MS Excel and SPSS. The findings indicate that under-priced IPOs generate higher returns on listing day and show better long-term performance, suggesting a "buy and hold" strategy for investors, while over-priced IPOs tend to underperform.

**Ravindra and Kanahalli (2016)**, in their study "*Performance Evaluation of IPOs in India*," investigate the performance of initial public offerings (IPOs) in the Indian capital market from 2011 to 2015, specifically analyzing their performance on the listing day, 30th day, and 90th day of trading. The research reveals a consistent pattern of underpricing on the listing day, which leads to a higher proportion of gains for investors at that time. However, the study indicates that this positive momentum does not sustain, as the performance of IPOs declines significantly by the 30th and 90th days, resulting in underperformance. Furthermore, the authors report that of the 67 IPOs evaluated, a substantial portion was found to be underpriced on the listing day, highlighting the inherent volatility and risks associated with investing in IPOs. The findings suggest that while IPOs can offer promising short-term returns, investors are advised to exit the market shortly after listing to maximize their gains, as the potential for profit diminishes over time.

### **PROBLEM STATEMENT:**

The subject addressed in this study is the uncertainty surrounding the success of Initial Public Offerings (IPOs) in the Indian stock market, notably between 2021 and 2024, following the COVID-19 pandemic. The pandemic had a profound impact on global economies and market dynamics, adding additional uncertainty for IPOs. Despite the tremendous level of interest in IPOs, investors struggle to anticipate whether an IPO is underpriced, overvalued, or correctly valued, as well as how it will perform in the medium and long term. Many IPOs endure price volatility, and there is little awareness of the variables influencing their success or failure, particularly in the post-COVID market climate. By examining IPO price, short- and long-term performance, and the effects of variables like issue size, market conditions, and firm age, this study aims to resolve these concerns. The goal of this research is to offer useful insights that will assist investors, businesses, and policymakers in making better decisions in a turbulent market by analyzing IPO trends in the post-pandemic era.

## OBJECTIVES OF THE STUDY

1. To evaluate the return of selected IPOs on listing day.
2. To analyse and compare short run and long run performance of selected IPOs listed on 2021.
3. To study the post-issue performance of selected IPOs during the period 2021- 2024.
4. To study the number of selected IPOs Underpriced / Overpriced during the study period.
5. To evaluate the impact of return, issue size, issue price, and the age of companies on the performance of IPOs.

## RESEARCH GAP:

The research gap for this study highlights the lack of understanding about how Initial Public Offerings (IPOs) have performed in the Indian market since the COVID-19 pandemic. While some studies have looked at IPO performance in general, there hasn't been enough focus on the specific period from 2021 to 2024, which has seen significant changes in the economy, such as rising inflation and shifting investor behaviour.

Most existing research tends to examine either short-term or long-term IPO performance, but not both, especially for IPOs launched during the recovery phase after the pandemic. Additionally, there hasn't been much attention on why IPOs are often underpriced or overpriced and how this affects companies and investors.

The role of factors like the age of a company and its returns on IPO performance also needs more exploration. This study aims to fill these gaps by looking at short-run and long-run performance, assessing pricing accuracy, and investigating how company age and returns influence IPO success from 2021 to 2024. It seeks to provide valuable insights that are currently missing in the existing research on IPOs in the post-pandemic market.

## RESEARCH METHODOLOGY:

This study examines the performance of IPOs in the Indian capital market during the period 2021–2024, with a focus on the top 10 companies listed on the National Stock Exchange (NSE) based on their IPO issue size in 2021. These companies were selected because they raised the largest amount of capital during their IPOs, representing significant players in the Indian financial market across diverse industries. The research aims to evaluate their listing day performance, analyse short-term and long-term trends, and identify IPOs that were underpriced or overpriced during the study period.

The data for the study is secondary in nature and has been collected from reliable sources such as the National Stock Exchange (NSE) and the Chittorgarh website. These sources provided comprehensive information on issue prices, listing day gains, current market prices, and other IPO-related metrics. The study covers the period from 2021 to 2024 to provide insights into IPO performance in the post-COVID-19 market environment.

To analyze the data, various statistical and mathematical tools were employed. These include return analysis to evaluate listing day gains and losses, the Wilcoxon Signed Ranks Test to compare short-run and long-run performance, and regression analysis to assess the impact of factors such as return, issue size, issue price, and company age on IPO performance. This methodology ensures a comprehensive understanding of the trends and factors influencing IPO success in the Indian capital market.

### SELECTED COMPANIES BASED ON THE ISSUE SIZE OF THE IPO'S DURING 2021

ISSUE NAME	ISSUE SIZE (Rs Cr)
One 97 Communications Limited	18300
Zomato Limited	9375
POWERGRID Infrastructure Investment Trust	7734.99
Star Health and Allied Insurance Company Ltd	7249.18
PB Fintech Limited	5625
Sona BLW Precision Forgings Limited	5550
FSN E-Commerce Ventures Limited	5351.92
Nuvoco Vistas Corporation Ltd	5000
Indian Railway Finance Corporation Limited	4633.38
Chemplast Sanmar Limited	3850

## RESULTS AND ANALYSIS:

**Objective 1: To evaluate the Return of selected IPOs on listing day.**

**Table-1 Showing Return of IPOs on the listing day**

S.No	Company Name	Open Price On Issue Date	Close Price On Issue Date	Return On Issue Date
1	One 97 Communications Limited	1,950.00	1,560.80	-19.959
2	Zomato Limited	116	126	8.62069
3	POWERGRID Infrastructure Investment Trust	104	102.99	-0.97115
4	Star Health and Allied Insurance Company Ltd	845	906.85	7.319527
5	PB Fintech Limited	1,150.00	1,202.30	4.547826
6	Sona BLW Precision Forgings Limited	301	361.2	20
7	FSN E-Commerce Ventures Limited	2,018.00	2,205.80	9.306244
8	Nuvoco Vistas Corporation Ltd	485	531.7	9.628866
9	Indian Railway Finance Corporation Limited	24.9	24.8	-0.40161
10	Chemplast Sanmar Limited	550	535.6	-2.61818

The table presents the performance of Initial Public Offerings (IPOs) on their respective listing days based on the difference between their opening price and closing price. The performance of IPOs on their listing day highlights the variability in returns driven by investor sentiment and market conditions. Companies such as Zomato Limited (8.62%), Star Health and

Allied Insurance Company Ltd (7.32%), PB Fintech Limited (4.55%), Sona BLW Precision Forgings Limited (20%), FSN E-Commerce Ventures Limited (9.31%), and Nuvoco Vistas Corporation Ltd (9.63%) delivered positive returns, reflecting strong market reception and investor confidence. Conversely, IPOs like One 97 Communications Limited (-19.96%), POWERGRID Infrastructure Investment Trust (-0.97%), Indian Railway Finance Corporation Limited (-0.40%), and Chemplast Sanmar Limited (-2.62%) posted negative returns,

indicating weaker demand or subdued sentiment. Notably, Sona BLW Precision Forgings Limited emerged as the top performer with a significant 20% return on its listing day. The analysis underscores the mixed outcomes of IPO investments, with some generating substantial gains while others experience losses, emphasizing the need for thorough evaluation and strategic decision-making in IPO participation.

**Objective 2: To analyse and compare short run and long run performance of selected IPOs listed on 2021.**

### Hypothesis

- ❖ **Null Hypothesis (H<sub>0</sub>):** There is no significant differences between the return on one year and the return on three years.
- ❖ **Alternative Hypothesis (H<sub>1</sub>):** There is significant between the return on one year and the return on three years.

The hypothesis test evaluates whether there is a statistically significant difference in the median returns of IPOs after one year and three years. The analysis was conducted using the **Related-Samples Wilcoxon Signed Rank Test**, a non-parametric test suitable for paired data where the distribution of differences cannot be assumed to be normal.

#### Related-Samples Wilcoxon Signed Rank Test

##### Return On 1 year, Return on 3 years

Total N	10
Test Statistic	41.000
Standard Error	9.811
Standardized Test Statistic	1.376
Asymptotic Sig.(2-sided test)	.169

The hypothesis test examines whether there is a statistically significant difference between the median returns of IPOs after one year and three years. Using the Related-Samples Wilcoxon Signed Rank Test, which is appropriate for paired data with a non-normal distribution of differences, the analysis provides the following results:

The test statistic is 41.000, with a standard error of 9.811 and a standardized test statistic of 1.376. The asymptotic significance (2-sided) is 0.169. Since the p-value (0.169) is greater than the commonly used

significance level of 0.05, we accept the null hypothesis ( $H_0$ ). This indicates that there is no statistically significant difference in the median returns of the selected IPOs between one year and three years.

Therefore, the short-run and long-run performance of these IPOs does not exhibit a significant change based on the data analysed.

**Objective 3: To study the post-issue performance of selected IPOs during the period 2021- 2024.**

**Table 3 - Showing the post-issue performance of selected IPOs during the period 2021- 2024.**

S.No	Company Name	Return On Issue Date	Return On 1 Month	Return On 2 Months	Return On 3 Months	Return On 1 year	Return On 2 years	Return On 3 years
1	One 97 Communications Limited	-19.959	-1.3387	-1.3704	-1.3526	-0.6283	-0.4216	-0.3190
2	Zomato Limited	8.62069	0.5631	0.1967	-0.09285	-0.5920	-0.3408	-0.2391
3	POWERGRID Infrastructure Investment Trust	-0.97115	0.1556	-0.0074	0.1331	-0.1007	-0.2190	-0.2774
4	Star Health and Allied Insurance Company Ltd	7.319527	0.02717	-0.1631	-0.4110	-0.2970	-0.3157	-0.3428
5	PB Fintech Limited	4.547826	-0.1819	-0.5387	-0.6544	-0.6663	-0.2724	-0.1456
6	Sona BLW Precision Forgings Limited	20	1.2365	0.5970	0.5871	0.0707	-0.1173	-0.1660
7	FSN E-Commerce Ventures Limited	9.306244	0.5433	0.0180	-0.1599	-0.4140	-0.3482	-0.2800
8	Nuvoco Vistas Corporation Ltd	9.628866	0.3403	-0.1297	-0.0414	-0.3013	-0.2637	-0.2843
9	Indian Railway Finance Corporation Limited	-0.40161	-0.1353	-0.4549	-0.4238	-0.2726	-0.1755	-0.0880
10	Chemplast Sanmar Limited	-2.61818	0.3378	0.1803	-0.2443	-0.3932	-0.2602	-0.2374

The post-issue performance of the selected IPOs from 2021 to 2024 shows considerable variations across different time periods. Returns on the issue date highlight significant disparities, with companies like Sona BLW Precision Forgings Limited (20%) and FSN E-Commerce Ventures Limited (9.31%) exhibiting strong positive performance, while others such as One 97 Communications Limited (-19.96%) and Chemplast Sanmar Limited (-2.62%) faced immediate declines. Over the short term, within the first month, performance was mixed. Sona BLW Precision Forgings Limited (1.24%) and FSN E-Commerce Ventures Limited (0.54%) managed to sustain positive returns, while companies like PB Fintech Limited (-0.18%) and Indian Railway Finance Corporation Limited (-0.13%) showed negative trends. By the third month, a majority of IPOs experienced declining returns, indicating reduced investor enthusiasm.

In the long term, spanning one to three years, most IPOs showed negative returns, reflecting challenges in maintaining growth. For instance, One 97 Communications Limited exhibited gradual improvement from -0.63 (1 year) to -0.32 (3 years), while Sona BLW Precision Forgings Limited, despite its strong initial performance, saw its returns decline to -0.17 after three years. Indian Railway Finance Corporation Limited (-0.09 in 3 years) and PB Fintech Limited (-0.15 in 3 years) were among the few IPOs to show relatively smaller losses, but their long-term returns remained negative.

Overall, while some IPOs performed well initially, sustaining returns over the long term proved challenging. The analysis underscores the need for careful evaluation of company fundamentals, market conditions, and industry trends when considering IPO investments for long-term benefits.

**Objective 4: To study the number of selected IPOs Underpriced / Overpriced during the study period.**

**Table 4 - Showing the number of selected IPOs Underpriced / Overpriced during the study period.**

S.No	Company Name	Open Price On Issue Date	Close Price On Issue Date	Return On Issue Date	Underpriced/ Overpriced
1	One 97 Communications Limited	1,950.00	1,560.80	-19.959	Overpriced
2	Zomato Limited	116	126	8.62069	Underpriced
3	POWERGRID Infrastructure Investment Trust	104	102.99	-0.97115	Overpriced
4	Star Health and Allied Insurance Company Ltd	845	906.85	7.319527	Underpriced

5	PB Fintech Limited	1,150.00	1,202.30	4.547826	Underpriced
6	Sona BLW Precision Forgings Limited	301	361.2	20	Underpriced
7	FSN E-Commerce Ventures Limited	2,018.00	2,205.80	9.306244	Underpriced
8	Nuvoco Vistas Corporation Ltd	485	531.7	9.628866	Underpriced
9	Indian Railway Finance Corporation Limited	24.9	24.8	-0.40161	Overpriced
10	Chemplast Sanmar Limited	550	535.6	-2.61818	Overpriced

The analysis of the post-issue performance of IPOs during the period 2021–2024 provides key insights into their pricing and initial returns. Companies such as One 97 Communications Limited (-19.96%), POWERGRID Infrastructure Investment Trust (-0.97%), Indian Railway Finance Corporation Limited (-0.40%), and Chemplast Sanmar Limited (-2.62%) were found to be overpriced, as they recorded negative returns on the issue date. This indicates that their listing prices exceeded market expectations, leading to reduced investor interest and losses upon listing.

On the other hand, Zomato Limited (8.62%), Star Health and Allied Insurance Company Ltd (7.32%), PB Fintech Limited (4.55%), Sona BLW Precision Forgings Limited (20%), FSN E-Commerce Ventures Limited (9.31%), and Nuvoco Vistas Corporation Ltd (9.63%) were underpriced. These companies delivered positive returns on the issue date, suggesting strong investor confidence and favorable valuation at the time of listing.

The findings emphasize that underpriced IPOs tend to perform better on the issue date by generating immediate returns, while overpriced IPOs often struggle to retain their valuation, leading to negative outcomes for investors. Accurate pricing based on market conditions and company fundamentals is crucial to achieving favourable IPO performance.

**Objective 5: To evaluate the impact of return, issue size, issue price, and the age of companies on the performance of IPOs.**

**Table 5 & 6- Showing the impact of return, issue size, issue price, and the age of companies on the performance of IPOs.**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.860 <sup>a</sup>	.739	.608	6.625683619
a. Predictors: (Constant), ISSUE SIZE (Rs Cr), Age Till Dec 2024, ISSUE PRICE				

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	32.139	8.085		3.975	.007
	Age Till Dec 2024	-.579	.241	-.544	-2.400	.053
	ISSUE PRICE	-.007	.005	-.435	-1.463	.194
	ISSUE SIZE (Rs Cr)	-.001	.001	-.507	-1.805	.121
a. Dependent Variable: Return On Issue Date						

The regression analysis examines the impact of **Age Till Dec 2024**, **Issue Price**, and **Issue Size (Rs Cr)** on IPO returns on the issue date. The model shows a strong correlation ( $R=0.860$ ) with an  $R^2$  value of 0.739, indicating that 73.9% of the variation in returns is explained by the predictors. The model is statistically significant ( $F=5.657, p=0.035$ ).

Among the predictors, **Age Till Dec 2024** has the most notable negative impact ( $B=-0.579, p=0.053$ ), suggesting that older companies tend to have lower IPO returns. However, **Issue Price** ( $B=-0.007, p=0.194$ ) and **Issue Size (Rs Cr)** ( $B=-0.001, p=0.121$ )

show weak and statistically insignificant effects. This analysis underscores the influence of company age on IPO returns while highlighting the need for further research to confirm these findings.

## FINDINGS:

1. Underpriced IPOs, such as Sona BLW Precision Forgings Limited (20%) and FSN E-Commerce Ventures Limited (9.31%), delivered strong positive returns on the listing day, reflecting favorable market reception.
2. Overpriced IPOs, including One 97 Communications Limited (-19.96%) and Chemplast Sanmar Limited (-2.62%), exhibited poor performance on the listing day, indicating a mismatch between issue price and market expectations.
3. Long-term performance analysis showed a decline in returns for most IPOs, with negative returns being prevalent after one to three years.
4. Regression analysis revealed that the age of the company (Age Till Dec 2024) significantly impacted IPO returns, with older companies generally showing lower performance.
5. Issue price and issue size had weaker and statistically insignificant effects on IPO returns compared to company age.
6. The overall variation in IPO returns was well-explained by the model, with an  $R^2$  value of 0.739, indicating that 73.9% of the variation in returns was influenced by the predictors analyzed.
7. The Wilcoxon Signed Rank Test found no significant difference in the median returns between the short-term (1 year) and long-term (3 years) performance of IPOs, suggesting stability in the observed trends.

## LIMITATIONS OF THE STUDY:

There are various limitations on this study. It only looks at the top ten companies according to the issue size of their initial public offerings (IPOs), which provides information about major IPOs but can overlook significant trends in smaller ones. The research may miss information from other markets because it is based on data from the National Stock Exchange (NSE). The study primarily examines performance metrics like stock prices and first-day gains, but it ignores elements that could paint a fuller picture, such as investor sentiment and long-term business success. The time frame of 2021-2024 is likewise limited and may not capture long-term changes. Furthermore, because this time follows the COVID-19 pandemic, market conditions may be exceptional, and observed trends may not reflect typical market behaviour. Finally, the study is based on publicly available data, which may have flaws or inconsistencies that influence the results.

## CONCLUSION:

The study underscores the critical role of accurate valuation, market sentiment, and company fundamentals in determining IPO performance. While underpriced IPOs provide better short-term returns, long-term performance remains a challenge for many. The findings highlight the significance of strategic planning by issuers, careful analysis by investors, and regulatory oversight to achieve favorable outcomes in the IPO market. As the Indian stock market continues to evolve, fostering greater transparency, accountability, and investor education will be vital in leveraging IPOs as a robust financial instrument for economic growth.

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