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A Study on the Performance Evaluation of IPO

*Sayam Parasmal Bafna***, *Dr. Taral Patel**

ABSTRACT:

In this paper, we studied listing day performance and 30th day from listing day performance of 118 IPOs from different sectors; which get listed BSE in Indian stock market for a period of 4 years, covering from 1-1-2018 to 31-12-2021. We have applied Correlation model (MS OFFICE TOOLS) and the research reports that 67.79 % of the IPO's were issued at under-priced on its first day of listing and on its 30th day from the day of listing it reported only 46.61% were underpricing. Correlation model has been used to analyse the relationship between the degrees of underpricing with independent variables i.e., delay listing, age of company, offer size, market volatility which are able to explain 15.806 variability of the underpricing. The sector analysis of IPO's provided that Telecommunication, Pesticides & Agro chemicals, Tourism & Hospitality, Consumer Food, Iron & Steel, IT Services & Consulting are the sector where the IPOs were underpriced heavily i.e. above 90 percent companies of these sectors were underpriced on the initial day of listing at BSE (Bombay Stock Exchange). The research interprets that IPO's during the period from 2018 to 2021 (4 years) are risky and thus fail to attract ample interest from the investors. To attract more interest of the investors the companies should deliberately underprice their issue to gain profit from their investors. IPO's might be perceived to be riskier and more uncertain at the time of issue which results in higher/greater underpricing.

Key words: Initial Public Offers (IPO), delay listing, age of company, offer size, market volatility, Underpricing.

I. INTRODUCTION

An initial public offer is selling of security to the public in the primary market. It is largest source of fund with long or indefinite maturity for a company. An initial public offering (IPO) is the process through which a privately held company issues shares of stock to the public for the first time. A public entity involves significant changes for a small business, though, including a loss of flexibility and control for management. In many cases, however, an IPO may be the only means left of financing growth and expansion. The decision to go public is sometimes influenced by venture capitalists or founders who wish to cash in on their early investment. The main reason for IPOs is the need for fresh capital to finance various business activities, such as the development of new products or expansion into new markets. IPOs are considered to be risky for both the issuers and the investors. The issuers may miscalculate the value of the company and choose the wrong time to go public. In this event, the amount of capital raised from the IPO will be less than expected, and control of the company may be lost by diluting the shares of previous stockholders in the new ownership structure after the IPO. However, when an IPO is successful, a company can raise more capital than anticipated, and the original stockholders may still be able to control the company.

The process by which an IPO is issued is called an "underwriting". When a company to go public they contact an investment bank and hammer out the terms of the deal (like how much money to raise, how many shares to issues, etc.). The investment bank agrees to sell the shares to the public. Sometimes the investment bank will agree to buy the shares directly from the company and re-sell them to public. Many times a single investment bank will not want to shoulder the whole risk of an IPO so they will team up with other investment banks to form what is called a "syndicate" where one bank is the lead underwriter. Any investment bank involved in the IPO will earn a commission based on a percent of the money raised in the IPO.

II. LITERATURE REVIEW

Sumit Goyal and Inderpal Singh both have conducted research on the performance of IPO's: An Indian perspective; the study consists of 271 IPOs over period of 1999 to 2021. The objective of the study is to examine performance of Indian IPO's (listed at NSE) on its trading day and 30th day after listing. The study was made by using Multiple Regression Analysis. The study based on secondary data which have been collected from National Stock Exchange (NSE). The study concluded that 79.33% of IPO's issued were underpricing on the day of their listing and on its 30th day after listing 45.38% underpricing.

Dr. Pritpal Singh Bhullar and Dr. Dyal Bhatnagar's have conducted a study on factors affecting short performance IPOs in India over period of 2007 to 2012 years. The objective of study is to examine the factors affecting short performance IPO's. Multiple Regression tool is used to conduct the study. The study based on secondary data which have been gathered from across all the sectors of Indian Economy on the basis of their IPO's. The study concluded that various factors affecting the performance of IPO's such independent variables are oversubscription of IPO, time delay in IPO listed, IPO offer price, Market return in term of Sensex return have been considered, their impact on IPO performance.

Ms. Ashwini G.K and Ms. Jyothi G H have conducted research on the performance of IPO's listed in NSE, Indian index over period of 2015 to 2019. The primary objective of the study is to analyses whether there is relationship exists between issue prices and issue size. The study was conducted by Mathematical & Statistical tools, like Correlation. The study consists of secondary data gathered from BSE and NSE websites. The findings of the study is there is positive relationship between issue prices and issue size.

Mr. Ravindra and Dr. B.H kanahalli have conducted research on performance evaluation of IPO's in India over period of 2011 to 2015. The objective of the study is to find out the number of companies went for IPO's during the 2011 to 2015 period. And secondary objective to find out the success of IPO's in Indian capital Market. The study was framed by using Statistical and Mathematical tools such as Percentage, Mean and Standard

Deviation. The study is based on secondary data which collected from NSE website. The study ends result that 67 IPO offer were made during the period 2011 to 2015 and it is evident the 2011-year maximum number of IPO's. While the year 2013 have witnessed lowest success.

III. Research Design

3.1 Statement of the problem

"To evaluate the performance of Initial Public Offers which get listed in BSE from the period of 2018- 2021 in India". The risk and return have an inverse relationship. When the expected return is high, the risk associated with such return is also high. With the understanding of risk and return characteristics one can make rational decision regarding the investment in which company or Sector one can invest.

3.2 Objectives of the study

The main objective of the study is to evaluate the performance of Initial Public Offers which get listed in BSE from the period of 2018- 2021 in India. And other Supportive Objectives to find out the performance of sector wise IPOs on the first trading day and 30th day of listing. To find out the performance by underpriced and overpriced of IPO's on the first trading day and 30th day of listing. To find out the effect of various determinants which affects the performance of IPO on first trading day and on 30th day of listing. To find out the relationship between various variables like delay listing, age of company, offer size, market volatility.

3.3 Scope of the study

1. This analysis can increase the knowledge of investors.
2. Researcher wanted to aware people or investors about IPO's that which IPO's are best for investment point of view.
3. Through this study investors can know that which IPO's give high or low return & which IPO's having high or low risk in current market.

3.4 Research methodology

The data for the research is mainly gathered from well-known stock exchanges of India that BSE (BOMBAY STOCK EXCHANGE) official website. The analysis of the research is generally based on the companies which get listed their IPOs under BSE during the period 2018-2021.

Secondary data is the information that already exists. The source of secondary data was gathered from various published sources like text books, journals, articles, annual reports and company websites etc wherever required and according need of the study. The Descriptive design is utilized for conducting the research. The Descriptive design is used to evaluate the performance of Initial Public Offers in India as well as to find out the performance by underpriced and overpriced and the effect of various determinants which affects the performance of IPO on first trading day and on 30th day of listing IPO's which are listed in BSE.

3.5 Theoretical Frame Work:

A. Underpricing & Overpricing :

Underpricing is a phenomenon in a finance world where a company, going for IPO (initial public offering), prices its shares below its real value.

Underpricing is the practice of listing an initial public offering (IPO) at a price below its real value in the stock market. When a new stock closes its first day of trading above the set IPO price, the stock is considered to have been underpriced. A stock is said to be underpriced if, on its first day of trading, it closes above the set IPO price.

If the first-day trading closing price is greater than the issue price, then the offering is considered to be underpriced; conversely, if the closing price is lower than the offer price, the IPO is considered to be overpriced.

Underpricing & Overpricing Formula:

The basic formula for calculating underpricing & overpricing is

$$[(P_m - P_o)/P_o] * 100$$

Whereas,

Here P_m is the price of the stock at the end of the first trading day, and P_o is the offering price.

B. Correlation :

Correlation is a statistical measure that helps in determining the extent of the relationship between two or more variables or factors.

• Correlation Coefficient:

The correlation coefficient, r that describes the extent of the statistical relationship between two interval or variables. The correlation coefficient is scaled so that it is always between -1 and +1. When r is close to 0 this means that there is little relationship between the variables and the farther away from 0 r is, in either the positive or negative direction, the greater the relationship between the two variables.

• Types of Correlation:

There can be three such situations to see the relation between the two variables:-

- i. Positive Correlation – when the values of the two or more variables move in the same direction value of the other variable.
- ii. Negative Correlation – when the values of the two or more variables move in the opposite direction.
- iii. No Correlation – when there is no linear dependence or no relation between the two variables.

• Pearson's correlation value:

Pearson Correlation values can range from -1 to 1.

- i. No correlation
- ii. -0.2 to 0 / 0 to 0.2 – very weak negative/ positive correlation

- iii. -0.4 to -0.2/0.2 to 0.4 – weak negative/positive correlation
- iv. -0.6 to -0.4/0.4 to 0.6 – moderate negative/positive correlation
- v. -0.8 to -0.6/0.6 to 0.8 – strong negative/positive correlation
- vi. -1 to -0.8/0.8 to 1 – very strong negative/positive correlation
- vii. -1/1 – perfectly negative/positive correlation

C. Regression :

Regression models are used to describe relationships between variables by fitting a line to the observed data. Regression allows you to estimate how a dependent variable changes as the independent variable(s) change.

Multiple linear regression is used to estimate the relationship between *two or more independent variables* and *one dependent variable*.

Multiple linear regression formula:

The formula for a multiple linear regression is:

$$y = \beta_0 + \beta_1 X_1 + \dots + \beta_n X_n + \varepsilon$$

- y = the predicted value of the dependent variable
- B_0 = the y -intercept (value of y when all other parameters are set to 0)
- $B_1 X_1$ = the regression coefficient (B_1) of the first independent variable (X_1)
- ... = do the same for however many independent variables you are testing
- $B_n X_n$ = the regression coefficient of the last independent variable
- e = model error

The multiple regression has been used to determine the effects of the determinants on IPO and the formula used is as following:

$$Po = \beta_0 + \beta_1 (\text{Delay listing}) + \beta_2 (\text{Age of company}) + \beta_3 (\text{Offer size}) + \beta_4 (\text{Market volatility}) +$$

Where, ε is the error term, Po is the dependent variable for testing the hypothesis that is underpricing of IPO's. Underpricing can be defined as the percentage difference between the first day's listing price and the offer price of the IPO share $[(P1 - Po)/Po * 100]$ where $P1$ is the closing price and Po is the opening price. It captures the difference between investors willingness to pay and the actual receipt of the issuers.

Delay listing = Listing time lag between listing date and offer date, m listing delay is the number of days between offer closing day and listing day, Age of company = Numbers of years in the business, Offer size = Offer size of IPO, Market volatility = The difference in the closing and opening price of market.

3.6 Benefit of the study:

This study helps investors to take better decisions regarding their investments. And guides investors to go for securities on the basis of their risk handling capacity.

3.7 Limitation of study:

- The study is based on available secondary data. So, it may be valid or not.
- The only 4 years (2018-2021) data will be considered to analyse the performance of IPOs.
- It is applicable for limited time period.
- The study is restricted only to the companies which are listed in BSE.
- Past data do not every time not give accurate future information.

IV Analysis and Interpretation

By critical evaluation of overall sector performance during the 1st day of trading, almost of the different sector were under price by 67.7966% i.e., out of 118 companies from different sector, 80 companies were underpriced while 38 companies from these sectors were overpriced (Table No. 1).

After the interval of 30 days from 1st day of listing different sectors IPO's trading on BSE, we can interpret that almost of different sector companies that were underpricing had shown a reversal trend in the performance by declining to 46.61% from 67.7966%. (Table No.2). It can be interpreted that most of the different sectors IPOs were deliberately underpriced their stock initially so higher subscription of the IPO's. In the long period of run they begin to overprice their stocks to gain the higher returns from the market.

Table No. 1: Performance of IPOs on listing day (2018 - 2021)

Sectors	Total	Under-pricing	Over-pricing	Under-priced Percentage	Overpriced Percentage
Miscellaneous	24	18	6	75	25
Financial services	21	8	13	38.0952381	61.9047619
Healthcare Services	7	6	1	85.71428571	14.28571429
Telecommunication	1	1	0	100	0
Pesticides & Agro chemicals	2	2	0	100	0
Aerospace & Defence	4	3	1	75	25
Tourism & Hospitality	3	3	0	100	0
Speciality Chemicals	10	8	2	80	20
Engineering	6	3	3	50	50
Diamond & Jewellery	1	0	1	0	100
Information Technology	7	5	2	71.42857143	28.57142857
Consumer Food	7	7	0	100	0
Construction	6	3	3	50	50
Auto Ancillaries	4	3	1	75	25
Iron & Steel	1	1	0	100	0
Online Services	3	1	2	33.33333333	66.66666667
Automobile	1	0	1	0	100
IT Services & Consulting	3	3	0	100	0
Textiles	2	1	1	50	50
Pharmaceuticals & Drugs	5	4	1	80	20
TOTAL	118	80	38	67.79661017	32.20338983

Table No. 2: Performance of IPO's on 30th day of listing (2018 - 2021)

Sectors	Total	Under-pricing	Over-pricing	Under-priced Percentage	Overpriced Percentage
Miscellaneous	24	19	5	79.1666666	20.83333333
Financial services	21	6	15	28.571428	71.4285714
Healthcare Services	7	2	5	28.571428	71.4285714
Telecommunication	1	0	1	0	100
Pesticides & Agro chemicals	2	0	2	0	100
Aerospace & Defence	4	1	3	25	75
Tourism & Hospitality	3	1	2	33.3333333	66.6666667
Speciality Chemicals	10	7	3	70	30
Engineering	6	2	4	33.3333333	66.6666667
Diamond & Jewellery	1	0	1	0	100
Information Technology	7	5	2	71.428571	28.5714285
Consumer Food	7	1	6	14.285714	85.7142857
Construction	6	3	3	50	50
Auto Ancillaries	4	2	2	50	50
Iron & Steel	1	1	0	100	0
Online Services	3	1	2	33.3333333	66.6666667
Automobile	1	0	1	0	100
IT Services & Consulting	3	2	1	66.666667	33.3333333

Textiles	2	0	2	0	100
Pharmaceuticals & Drugs	5	2	3	40	60
TOTAL	118	55	63	46.610169	53.3898305

- The miscellaneous sector showed on reversal trend from 75% to 79% i.e. companies that were initially overpriced shifted to underprice.
- The financial services sector showed on reversal trend from 38% to 29% i.e. companies that were initially underpriced shifted to overpriced.
- The health care services sector showed on reversal trend from 86% to 29%.
- The telecommunication sector showed on reversal trend from 100% to 0%.
- The Pesticides & agro chemicals sector showed on reversal trend from 100% to 0%.
- The Aerospace & Defense sector showed on reversal trend from 75% to 25%.
- The Tourism & Hospitality sector showed on reversal trend from 100% to 33.33%.
- The Specialty Chemicals sector showed on reversal trend from 80% to 70%.
- The Engineering sector showed on reversal trend from 50% to 33.33%.
- The Consumer Food sector showed on reversal trend from 100% to 14.29%.
- The Auto Ancillaries sector showed on reversal trend from 75% to 50%.
- The IT Services & Consulting sector showed on reversal trend from 100% to 66.67%.
- The Textiles sector showed on reversal trend from 50% to 0%.
- The Pharmaceuticals & Drugs sector showed on reversal trend from 80% to 40%.
- This all sector that were initially underpriced shifted to overprice.
- The Diamond & Jewellery sector, Information Technology sector, Construction sector, Iron & Steel sector, Online Services sector and Automobile sector this all sector have similar trend while on its 1st day of listing as well as on 30th day of listing.

FIGURE 1
Number of IPOs per year (2018 - 2021)



Figure 1 shows that number of companies going for IPO's started from gradually decreasing up to year 2020 (Due to crisis in worldwide market) but there is highly increase in number of companies going for IPO's in year 2021. In the year 2021 shows the highest IPO's get listed in Indian market because the financial market was at its peak.

FIGURE 2

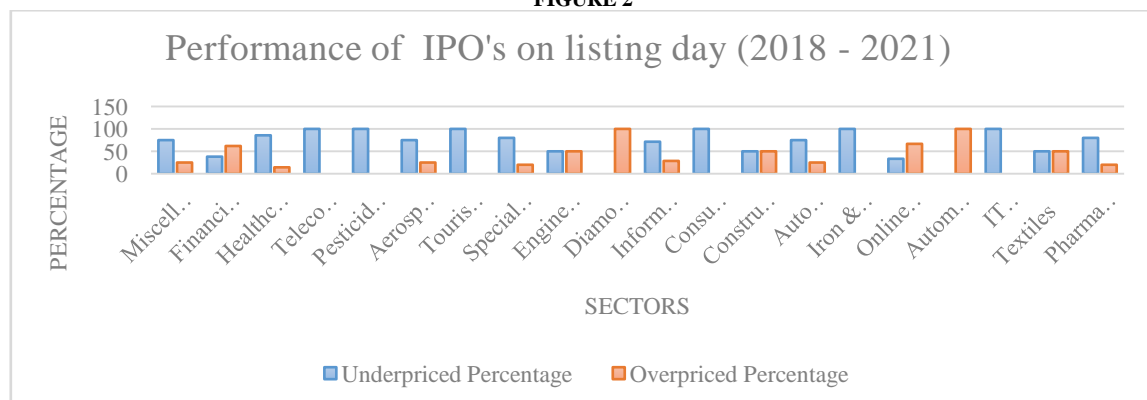


Figure 2 shows that **Telecommunication, Pesticides & Agro chemicals, Tourism & Hospitality, Consumer Food, Iron & Steel, IT Services & Consulting** the following sector IPO's which are completely 100 % underpriced on the first trading day. similarly the respective sectors follow them which are as follow: **Miscellaneous sector** (75% underpriced & 25% overpriced), **Financial services sector** (38.09% underpriced & 61.91% overpriced), **Healthcare Services sector** (85.71% underpriced & 14.29% overpriced), **Aerospace & Defence sector** (75% underpriced & 25% overpriced), **Speciality Chemicals sector** (80% underpriced & 20% overpriced), **Engineering sector** (50% underpriced & 50% overpriced) **Diamond & Jewellery sector** (100% overpriced), **Information Technology sector** (71.43% underpriced & 28.57% overpriced), **Constructions sector** (50% underpriced & 50% overpriced) **Auto Ancillaries sector** (75% underpriced & 25% overpriced), **Online Services sector** (33.33%

underpriced & 66.67% overpriced), **Automobiles sector** (100% overpriced), **Textiles sector** (50% underpriced & 50% overpriced), **Pharmaceuticals & Drugs sector** (80% underpriced & 20% overpriced).

FIGURE 3

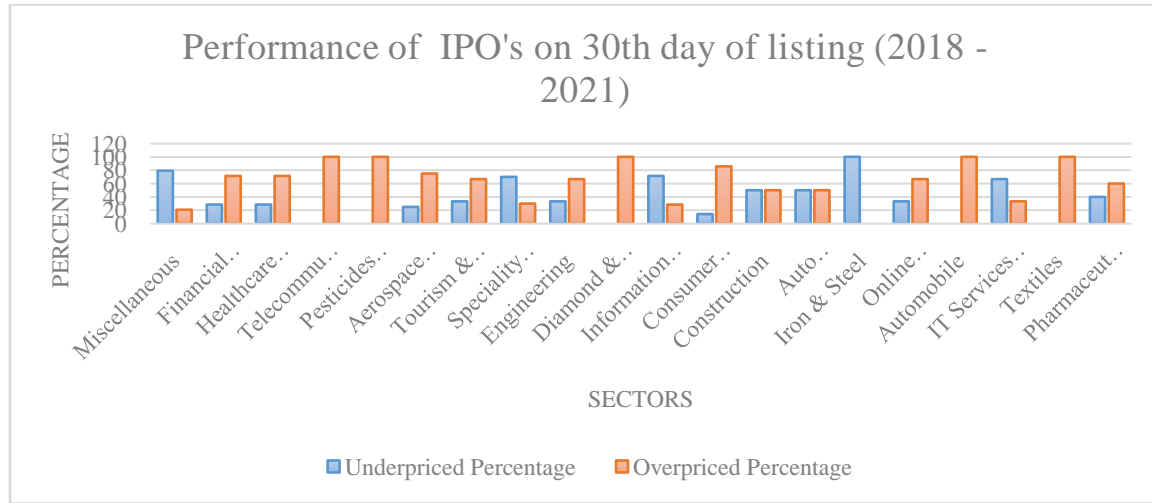


Figure 3 shows that **Iron & Steel** sector IPO's which is completely 100 % underpriced on the 30th of listing day. similarly the respective sectors follow them which are as follow: **Miscellaneous sector** (79.17% underpriced & 20.83% overpriced), **Financial servicessector** (28.57% underpriced & 71.43% overpriced), **Healthcare Services sector** (28.57% underpriced & 71.43% overpriced), **Telecommunications sector** (100% overpriced), **Pesticides & Agro chemicals sector** (100% overpriced), **Aerospace & Defense sector** (25% underpriced & 75% overpriced), **Tourism & Hospitality sector** (33.33% underpriced & 66.67% overpriced), **Specialty Chemicals sector** (70% underpriced & 30% overpriced), **Engineering sector** (33.33% underpriced & % 66.67% overpriced), **Diamond & Jewellery sector** (100% overpriced), **Information Technology sector** (71.43% underpriced & 28.57% overpriced), **Consumer Food** (14.29% underpriced & 85.71% overpriced), **Constructions sector** (50% underpriced & 50% overpriced), **Auto Ancillaries sector** (50% underpriced & 50% overpriced), **Online Services sector** (33.33% underpriced & 66.67% overpriced), **Automobiles sector** (100% overpriced), **IT Services & Consulting sector** (66.67% underpriced & 33.33% overpriced), **Textiles sector** (100% overpriced), **Pharmaceuticals & Drugs sector** (40% underpriced & 60% overpriced).

Table No. 3: Correlation between variables on listing day from the year 2018 to 2021

	delay listing	age of company	offer size	market volatility	underpriced of listing day
delay listing	1				
age of company	0.007937004	1			
offer size	0.048526655	-0.02429160	1		
market volatility	0.122853971	0.194868706	-0.01889590	1	
underpriced of listing day	-0.28363018	-0.06444247	-0.27134765	-0.11956931	1

Table No. 3, shows that there is very weak positive correlation between delay listing and age of company, similarly very weak positive correlation followed by offer size and market volatility with delay listing, while there is weak negative correlation between delay listing and underpriced of listing day. While there is very weak negative correlation between age of company and offer size, age of company and underpriced of listing day. And there is very weak positive correlation between age of company and market volatility. While very weak negative correlation between offer size and market volatility, offer size and underpriced of listing day. Similarly very weak negative correlation between market volatility and underpriced of listing day. Hence, from table no. 3, interpretation which shows that there is very weak correlation between all of them.
 $P_o = \beta_0 + \beta_1 (\text{Delay listing}) + \beta_2 (\text{Age of company}) + \beta_3 (\text{Offer size}) + \beta_4 (\text{Market volatility}) +$

Table No. 4: Determinants of underpricing on day 1 from the year 2018 to 2021

Degree of underpricing	β_1	β_2	β_3	β_4
	1.67802	-.07248	-.00155	-.04247
	(.29890)	(.02424)	(.00259)	(2.32818)
	[5.61404]	[-2.98979]	[-.59864]	[-3.02488]
	{.003427}	{.550611}	{.00308}	{.355791}

Note: $R^2 = 0.15806$, $F = 5.30353$, $\beta_1 =$ delay listing, $\beta_2 =$ Age of company, $\beta_3 =$ Offer Size, $\beta_4 =$ market volatility; Figures in round brackets shows standard error; Figures in square brackets shows t-values. Figures in curly brackets shows P-value.

Table no. 4, shows the determinants of underpricing of IPO on trading day. R-square = 15.806 percent indicates that the underpricing depends around 15.806 percent on delay listing, Age of company, Offer Size, market volatility. The negative sign of the regression coefficient for delay listing, Age of company, Offer Size, market volatility implies that as the fluctuation of closing price of stock, the number of days taken in listing and the market return on listing day decreases, and similarly underpricing gradually start decline. Therefore negative coefficient for delay listing, Age of company, Offer size, and market volatility indicates that IPO's of high value firms were more underpriced. The result is consistent with Shelly and Singh (2008), who found issue size as an insignificant variable of underpricing for IPO's. As index volatility also has a positive impact on underpricing, high market volatility increases the risk in the market; therefore the firms need to underprice to attract investors.

Table No. 5: Hypothesis of listing day

	Hypothesis	Significance Level	P-value	lesser than/ greater than	Accepted/ Rejected
Ho	There is no effect of delay listing on underprice of IPO	0.05	0.003427	lesser than	Ho is Rejected.
H1	There is effect of delay listing on underprice of IPO				
Ho	There is no effect of age of company on underprice of IPO	0.05	0.550611	greater than	Ho is Accepted.
H1	There is effect of age of company on underprice of IPO				
Ho	There is no effect of offer size on underprice of IPO	0.05	0.00308	lesser than	Ho is Rejected.
H1	There is effect of offer size on underprice of IPO				
Ho	There is no effect of market volatility on underprice of IPO	0.05	0.355791	greater than	Ho is Accepted.
H1	There is effect of market volatility on underprice of IPO				

In above hypothesis of listing day,

- Hypothesis of delay listing and offer size is rejected, because there is effect of delay listing and offer size on underprice of IPO. (Ho is rejected).
- Hypothesis of age of company and market volatility is accepted, because there is no effect of delay listing and offer size on underprice of IPO. (Ho is accepted).
-

Table No. 6: Correlation between variables on 30 day from listing day from the year 2018 to 2021

	delay listing	age of company	offer size	market volatility	underpriced of 30th day of listing
delay listing	1				
age of company	0.007937004	1			
offer size	0.048526655	-0.02429160	1		
market volatility	0.122853971	0.194868706	-0.01889591	1	
underpriced of 30th day of listing	0.002658385	-0.01718263	-0.04541102	-0.04934921	1

Table No. 6, shows that there is very weak positive correlation between delay listing and age of company, similarly very weak positive correlation followed by offer size, market volatility and underpriced of 30th day of listing with delay listing, while there is very weak negative correlation between age of company and offer size, age of company and underpriced of 30th day of listing and there is very weak positive correlation between age of company and market volatility, While very weak negative correlation between offer size and market volatility, offer size and underpriced of listing day. Similarly very weak negative correlation between market volatility and underpriced of listing day. Hence, by above table no. 6, interpretation which shows that there is very weak correlation between all of them.

Table No. 7: Determinants of underpricing on 30th day from listing from the year 2018 to 2021

Degree of underpricing	.45595 + .00331 β_1 - .00027 β_2 - 1.35416 β_3 - .03777 β_4				
	(.34694)	(.02813)	(.00300)	(2.70241)	(.072976)
	[1.31420]	[.11769]	[-.09078]	[-.50109]	[-.51757]
	{.906518}	{.927832}	{.617279}	{.60577}	

Note: $R^2 = 0.00478$, $F = 0.13572$, β_1 = delay listing, β_2 = Age of company, β_3 = Offer Size, β_4 = market volatility; Figures in round brackets shows standard error; Figures in square brackets shows t-values. Figures in curly brackets shows P-value.

Table no. 7, shows the determinants of underpricing of IPO on 30th day from listing day. R-square = 0.478 percent indicates that the underpricing depends around 0.478 percent on delay listing, Age of company, Offer Size, market volatility. The positive sign of the regression coefficient for delay listing implies that as fluctuation of closing price of stock, the number of days taken in listing and the market return on 30th day from listing increases, and similarly underpricing gradually start rising. Therefore, negative coefficient for Age of company, offer size, and market volatility indicates that IPOs of high value firms were more underpriced.

Table No. 8: Hypothesis of 30th day from listing

	Hypothesis	Significance Level	P-value	less than/ greater than	Accepted/ Rejected
Ho	There is no effect of delay listing on underprice of IPO	0.05	0.906518	greater than	Ho is Accepted.
H1	There is effect of delay listing on underprice of IPO				
Ho	There is no effect of age of company on underprice of IPO	0.05	0.927832	greater than	Ho is Accepted.
H1	There is effect of age of company on underprice of IPO				
Ho	There is no effect of offer size on underprice of IPO	0.05	0.617279	greater than	Ho is Accepted.
H1	There is effect of offer size on underprice of IPO				
Ho	There is no effect of market volatility on underprice of IPO	0.05	0.60577	greater than	Ho is Accepted.
H1	There is effect of market volatility on underprice of IPO				

In above hypothesis of 30th day from listing,

- Hypothesis of delay listing, age of company, offer size and market volatility is accepted, because there is no effect of delay listing and offer size on underprice of IPO. (Ho is accepted)

V. Conclusions of the Study

The Research study attempts to examine the performance of IPO's which got listed on BSE during the year from 2018 to 2021. The existing study evidence on the performance of IPO's on the initial day of listing i.e. 1st day of listing of 118 companies listed on BSE. The research reports that 67.79661017 percent of the IPO's were issued at underpriced on its first day of listing. It suggests that the initial return may be due to the over expectation of investors. The research study also examine the performance of IPO's on the 30th day from the day of listing it reported only 46.61016949 percent underpricing. By this it can be concluded that on 30th day from the day of listing of those IPO's, the expectation of the investors gets gradually diminished. The independent variables i.e. delay listing, age of company, offer size, market volatility, are able to explain 15.806 variability of the underpricing. The sector analysis of IPO's provided that Telecommunication, Pesticides & Agro chemicals, Tourism & Hospitality, Consumer Food, Iron & Steel, IT Services & Consulting are the sector where the IPO's were underpriced heavily i.e. above 90 percent companies of these sectors were underpriced on the initial day of listing at BSE. The research interprets that IPO's during the period from 2018 to 2021 (4 years) are risky and thus fail to attract ample interest from the investors. To attract more interest of the investors the companies should deliberately underprice their issue to gain profit from their investors. IPO's might be perceived to be more risky and uncertain at the time of issue which results in higher/greater underpricing.

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