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IPO PERFORMANCE FROM 2019 TO 2023:AN EMPIRICAL STUDY

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ABSTRACT :

To identify the factors that influence IPO success and investor returns, this empirical study examines the performance of IPOs in the Indian capital market from 2019 to 2023. By examining many indicators, including listing gains, industry-specific patterns, correlation coefficients, post- listing returns, and portfolio development, the study offers vital information to investors, decision-makers, scholars, and the general public. By utilizing theoretical frameworks such as the Efficient Market Hypothesis, Information Asymmetry Theory, Portfolio Theory, Behavioral Finance Theory, and Market Microstructure Theory, the research provides a more profound comprehension of the dynamics of initial public offerings (IPOs). This, in turn, aids in improving market efficiency, fostering investor confidence, and facilitating the development of the capital market in India.

INTRODUCTION:

The first time a corporation sells its stock to the general public is known as an IPO. A firm's decision to go public is influenced by a variety of factors, but the main drivers of an IPO are oftento raise capital or to provide an exit plan to part of the company's current owners. The decision- making process sheds light on a company's objectives when it issues an IPO, which is crucial in assessing the possible causes of the underpricing we see. Rarely do start-up businesses have the assets, track record, or legitimacy to carry out an IPO. In actuality, businesses that are just gettingstarted typically obtain all of their early funding from personal loans, savings, friends, and family. A company will seldom try to go public, even when it starts to grow and exhibit some promise; instead, it will turn to venture capital or angel investors. Rich people who have experience starting their businesses, known as angel investors, are willing to lend money in exchange for shares in thebusiness.

Although venture capital is provided by companies rather than by individuals, the idea behind it isstill the same: investors provide funding in exchange for a share of the business. Angel investors and venture capital firms often play a proactive role in the company, offering advice to management on a wide range of topics. Naturally, the original investors are reluctant to provide the entire amount up front, and different private equity investors target businesses at various phasesof their expansion. Because of this, prosperous businesses usually go through several funding rounds and build a network of investors who want to sell their shares at some point. Investors can choose to sell their equity in an initial public offering of the company, sell the company to a largercorporation looking to make an acquisition or sell their equity to a larger or later-stage investmentfirm when they believe it's time to cash in on their investment.

Mergers and acquisitions are further facilitated by trading on an exchange because stock can be issued as part of the agreement. Companies that go public may get more prestige as a result of theirincreased visibility. This could enhance their credibility with suppliers and consumers, leading tobetter financing conditions and more price flexibility. Even said, there are benefits to the enhancedscrutiny of public corporations, as it typically enables them to issue loans at reduced interest rates.

REVIEW OF LITERATURE

India's IPO performance has been thoroughly studied using a variety of methodologies. Some significant works in this field are listed below.

Blum (1973) inspected the issues of the general presentation of the over-the-counter market with the underlying normal stock contributions, undervaluing, and the gamble included thereof covering a period from Jan 19, 1965, to June 30, 1970, with an irregular example of 400 introductory normal stock contributions. The market returns and dangers related with these 400 issues have been determined for 16 time spans, going from multi week to one year after the contribution date. According to the study, the IPOs in which investment bankers had the greatest financial interest have either been underpriced or pushed into the aftermarket.

Mill operator (2000) frames the explanations behind the lackluster showing of Initial public offerings in the US financial exchange. He recommended that a financial backer's assumptions for a stock's gamble changed return decide if to contribute. As a result, overperforming stocks are more likely than

underperforming ones to be included in a portfolio. Therefore, returns on stocks subject to consideration in a portfolio are generally lower than anticipated. This impact is especially significant for beginning public contributions (Initial public offerings) where there is a ton of conflict.
Gompers and Lerner (2001) analyzed 3,661 Initial public offerings started somewhere in the range of 1935 and 1972 in their investigation of Initial public offering accomplishments after the establishment of the NASDAQ.

DATA INTERPRETATION

conclusions and insights regarding the performance of selected IPOs in India during the period from 2019 to 2023

Data collection

Research starts with secondary data. The Bombay Stock Exchange website in India provided the past stock prices of the firms under investigation as well as the previous values of the market indices (BSE Sensex).

Study period

To investigate the performance of IPOs on their launch dates, necessary information was collected from companies that launched initial public offerings (IPOs) between January 2019 and December 2023

Source of data

This study was fully supported by secondary sources. The NSE website and other linked websites provided data to examine Market Return (Mi), List Day Return (Ri) and Market Adjusted Abnormal Return (MAAR). Books, publications, and magazines were also searched to find suitable materials.

KEY ELEMENTS

Examination of IPO Listing Trends: Understanding the general trend and variations in IPO listings from 2019 to 2023 was made easier with the assistance of a graph showing the trend of IPO listings over time.
Correlation Analysis between Listing Gain and Issue Size: To help display the correlation coefficient between Listing Gain and Issue Size and better comprehend the link between these two variables across various sectors, heatmaps were proposed.
Top IPOs by Average Listing Gain: An Analysis The IPOs that ranked highest and lowest in terms of average listing gain were arranged in a table. This research showedhow much each company's listing gained, with the top achievers showing very largeaveragelistingincreases
Sector-wise Distribution of Companies: Based on their names, companies were grouped into sectors, which gave us insight into the dataset's sector distribution. Thebasis for more research into the characteristics of risk and return in various industrieswas established by this classification.
Possibility of Building a Portfolio: Using the study of top IPO performers and sector-wise distribution, it was proposed that a portfolio of five to ten stocks might be builtdepending on the risk and return of these firms. Month-wise Returns after Listing: Although specifics on this study were not supplied in the context offered, it was indicated that it is possible and feasible to analyze month-wise returns after listing for equities listed each month. All things considered, the integration of quantitative and qualitative methods allowed for a thorough examination of India's initial public offering (IPO) performance from 2019 to 2023, offering insightful information to both investors and scholars.

Through robust data analysis and interpretation, this study aims to offer valuable insights into the performance dynamics of selected IPOs in India, contributing to a deeper understanding of the IPO market and informing investment decisions and policy formulations.

CONCLUSION

Based on the comprehensive data analysis and interpretation conducted on the performance ofselected IPOs in India from 2019 to 2023, the study offers several key conclusions:

- Performance Trends: Through rigorous data analysis, the study illuminates significant performance trends within the Indian IPO market between 2019 and 2023. These trends encompass various facets such as the frequency of IPO listings over time, the magnitude of listing gains, and the distribution of IPOs across different sectors. By identifying and dissecting these trends, the study offers a comprehensive view of the IPO market's dynamics during the specified period, enabling stakeholders to grasp the market's ebbs and flo

- Correlation Analysis: By delving into correlation analysis, the study uncovers meaningful relationships between IPO performance metrics and key independent variables. For instance, it elucidates how issue size, oversubscription rates, and market volatility correlate with listing gains or post-listing returns. This nuanced understanding of correlations empowers investors, analysts, and policymakers to make data-driven decisions, whether in assessing investment opportunities or formulating market regulations.
- Sector-wise Analysis: Through sector-wise analysis, the study delineates performance disparities across different industry segments within the IPO market. By categorizing companies into sectors, it unveils sector-specific nuances in IPO performance, shedding light on sectors that outperform or underperform relative to others. This sectoral perspective equips stakeholders with actionable insights for sector-specific investment strategies and risk mitigation measures.

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