



## A Comparative Study on Performance of IPOs Pre and Post Covid 19 Spike in India: A Short-Term Perspective

*Tara Dhimol*

*Research Scholar, Department of Commerce, Gauhati University, Assam, India*

E-mail: taradhimalgu@gmail.com

### ABSTRACT

*The study examines the performance of IPO's pre and post covid-19 spike in India. Year 2018 was chosen as pre covid-19 period and the year 2020 was chosen as post covid-19 period. All the IPOs issued during the year 2018 and 2020 were selected for the purpose of the study. The study found that IPO's issued during the year 2020 performed well as compared to that of 2018. The study also found that as compared to the year 2018 IPO's issued during the year 2020 provide more positive listing gain. The study lastly suggests the investors to hold investment for longer period for higher returns.*

**Key words:** IPO, Covid-19, listing gain, Investment,

### Introduction

Initial public offering known as IPO provide an opportunity to a private company to raise fund from public by selling its share for the first time on a stock exchange. Dutch East India Co. was the first company to allow public to invest in its shares, which was also known as the world's first IPO (BEATTIE, 2021). After India's Independence Reliance Industries was the first Indian company to lunch it IPO in 1977. Since then numbers of companies listed itself on the stock exchange and raised the capital which help them for growth and development. After 1991 economic reform the Indian stock market developed to new heights (Khan, et al, 2021). Recent decade shows sharp rise in the issue of IPOs as new businesses are increasing and at the same time their financial need for diversification, acquisitions, and expansion are also rapidly increasing. In last 10 years prior to covid-19 i.e till 2019 total of 258 IPOs have been issued and an amount of Rs 2,11,369 Crores was raised (Chittorgarh, n.d).

These things did not remain same till the end of 2019, since the first case of COVID-19 was detected in china's Wuhan district and reported to the World Health Organization (WHO) on 31st December 2019 after which it spread rapidly worldwide. In India first case was reported on 30th January 2020. Prime Minister Mr. Narendra Modi then announced and ordered the first phase of the nationwide lockdown on 24th March 2020, for a period of 21 days in order to prevent the spread of covid-19 (Goyal & Manu K S, 2021). This continued till the fourth phase which ended on 31st may 2020 after which different states imposed lockdown and night curfew unanimously till the situation came to normal.

After the first case reported in the month of January 2020 a total of 82 IPOs has been lunched till date i.e April 2022 by different companies (Moneycontrol, n.d). Through this study a modest attempt have been made to comparatively analyse performance of IPOs pre and post covid 19 spike in India for short term. Year 2018 has been taken for pre-covid analysis and year 2020 has been taken for post covid analysis. Year 2018 has been selected to draw fair view, as those IPOs which were issued in 2019 were impacted due to covid-19 and a clear picture could not be drawn.

### Review of literature:

**Dubey & Shankar (2021)** analyzed in the paper 'Indian Stock Market during the COVID-19 Pandemic: Vulnerable or resilient?: Sectoral analysis' by examining the impact of the COVID-19 pandemic on the performance of the Indian stock market, measured by daily average returns and trading volume. The analysis is aimed at discovering the vulnerability of the general market as well as nine crucial sectors to the pandemic while also checking the impact on overall volatility in the market. Findings revealed that all the sectors followed a consistent pattern of being significantly impacted by the pandemic. However, the benchmark index remained resilient in the context of average returns. The entire market witnessed decreased returns and increased liquidity, which is explained by reduced volatility in the market.

**Jindal et al. (2020)** analyzed in the paper 'Impact of Covid-19 on India's Stock Market' taking the two major stock exchanges in India i.e. Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). For the present research, the top 20 companies from NSE were selected. The impact was measured by observing a change in the share price of these companies over the last three months period since the pandemic started by taking the various factors like changes in the prices of stocks of different companies, and changes in the average volume traded.

**Khan et al. (2021)** analyzed the paper a study of stock performance of select IPOs in India on the companies which are planning to expand, diversify, and grow with better future business prospects. Investors holding shares issued through IPO can consider it a mere speculative opportunity in the short term or an opportunity to earn high dividends with capital appreciation in the long run. The study attempts to evaluate the value of share premium and pricing on listing day, and assess the progressive growth of IPO return. Further, the study compares short-term performance with the long-term performance of IPO returns using Wilcoxon Signed Rank Test. The sample includes twenty-six companies that issued IPOs that were successfully listed in the year 2016. The study considered a period of three years from the date of issue for analysis, i.e., 2016 to 2019. The study revealed that t return on IPO fluctuated during the study period. Among the select sample, twenty IPOs have provided returns on a listing day. The IPOs traded on the stock exchange are found to be promising in the long term when compared to the short term period. It is also found that the companies that have overpriced issue prices have failed to grow during the study period. This study acknowledges the fact that holding an investment for a longer period provides an opportunity to earn higher returns. The study suggests that investors hold an investment for more than one year for better returns. Further, the investors can sell the shares that are overpriced by the end of the listing day to minimize the losses.

**Kumar & Kumara (2020)** studied n the impact of COVID-19 on the Indian Stock Market and shares performance. They analyzed the market capitalization correlation between the performances of shares and the growth of the share market, using the stock market data of Pre and post COVID-19 status by comparing the data from Jan'20 to Jun'20. The research found that the variables have positive and statistically strong significance on the changes in the market's performance and the value of its market capitalization.

**Kumar et al. (2021)** analyzed in the paper "The impact of the COVID-19 outbreak on the Indian stock market – A sectoral analysis" taking a sample of 1,335 firms listed on the NSE India. A standard event study outlined by Brown and Warner (1985) was employed to analyze the price impact on the COVID-19 outbreak. The event windows from -10 days to +10 days were selected. The estimation window is 250 days. The Nifty 50 has been chosen as a proxy for market return. Findings revealed that the shareholders are highly affected in managing their portfolios and mitigating the systematic risk of their investments during extreme events such as a pandemic, wars, and others.

**Sarkar (2020)** analyzed the paper COVID-19 Impact on Stock Market and Economy of India using Secondary data research using google scholar, Open Athens, government and United Nations reports, and online verified news outlets. Findings revealed that The current pandemic has led the market to crash however immediate necessary fiscal implementations of major economies have ensured the markets have also seen one of the fastest recoveries and thus we are presented with a unique opportunity to make the right choices and consolidate the market and economy in such a way that this recovery is sustained on a strong foundation rather than short-term market sentiment.

**Sikdar (2021)** analyzed the paper Sector Wise Stock Market Performance during Pre and Post Covid Era using the paired sample t-test for comparing the arithmetical mean of different capital market parameters for these two sub-periods for each sector separately and the standard deviation of daily return as a measure of volatility. For this study 50 BSE listed Companies covering 5 sectors, viz. Pharma, Automobile, Industrial Products, Banking and Finance, and Consumer Goods were taken. The research found that average daily share price; average daily return; daily no. of transactions and volatility is significantly different from pre and post covid period for most of the sectors. However, we have not perceived any significant difference in the delivery percentage of traded shares of these sectors between the two study periods.

**Varma et al. (2021)** analyzed the Short-Term Impact of COVID-19 on the Indian Stock Market using three different models (constant return model, market model, and market-adjusted model) of event study methodology. The research found that all the sectors were impacted temporarily, yet the financial sector faced the worst. Sectors like pharma, consumer goods, and IT had positive or limited impacts. The results might be useful for investors in safeguarding equity portfolios from unforeseen shocks and making better investment decisions to avoid large, unexpected losses.

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## Research gap

Many research studies have investigated about the performance of IPOs, impact of covid-19 on IPOs, Market capitalization, Pricing and performance of IPOs, Impact of covid-19 on stock market etc. . But a study based on comparatively study on performance of IPOs pre and post covid 19 spike in India with the objective as taken for this study could not be find. Keeping into consideration this gap, the present topic is chosen to address the issue as outlined in the objectives of the proposed study.

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## Need for the Study

Post covid-19 period have lead to massive increase in the discount broking apps which helped laymen to get easy access to demat accounts. But lots of them are very new in the IPO market and invest with the hype of the market with an objective of short term profits.

Therefore, the present study tried to do a comparative analyse of IPOs performance pre and post covid-19 period to help better understand the market and take a rational decision.

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## Objectives of the study

The present study has been undertaken with an objective to do comparative analyses on performance of IPOs pre and post covid-19 spike in India in short run.

## Research methodology

This paper follows a descriptive and analytical research design. The data used for this study are of secondary in nature and have been collected from the website of National Stock Exchange and Bombay Stock Exchange. The period selected for the purpose of the study is the year 2018 (pre covid-19) and 2020 (post covid-19). The IPOs that have been issued during this period have been taken for the study. The data have been analysed for two different periods based on the data of returns on the first day, one month, three months, six months and one year.. and then compared based on the analysed result. The data has not been processed through statistically heavy methods; rather it has been subjected to basic qualitative and quantitative analysis restricted to a limited number of studies. This study was conducted from 15 April 2022 to 20 May 2022. Total of 8 papers and articles were studied in depth.

## Results and discussion

The data has analysed in three parts. At first after listing performance of IPO prior to covid 19 has been analyzed. In second part after listing performance of IPO post covid-19 has been analysed. At last comparative performance has been drawn on the basis of the these data.

**Table 1 IPO Listing 2018 –Listing day price and Short term performance**

Company Name	Issue Price (Rs)	Listing Day - Close Price (Rs)	Listing Day Gain / Loss (%)	1 month (%)	3 months (%)	6 months (%)	1 year (%)
Aavas Financiers Limited	821	773.15	-5.83	-19.85	2.55	38.50	94.76
IRCON International Limited	475	416.65	-12.28	-27.04	-4.51	-16.38	-20.56
Garden Reach Shipbuilders & Engineers Limited	118	105.1	-10.93	-23.05	-21.22	-16.01	43.72
TCNS Clothing Co. Limited	716	657.8	-8.13	-7.44	-15.90	-0.44	0.62
CreditAccessGrameen Limited	422	420.8	-0.28	-21.16	-12.16	-4.92	17.23
HDFC Asset Management Company Limited	1100	1815.15	65.01	53.25	27.53	18.20	84.66
Varroc Engineering Limited	967	1040.55	7.61	2.56	-15.66	-25.34	-51.39
Fine Organic Industries Limited	783	822.8	5.08	2.23	36.58	53.58	97.44
RITES Limited	185	212.7	14.97	11.20	6.83	15.67	28.28
IndoStar Capital Finance Limited	572	585.5	2.36	-1.65	-17.05	-36.25	-37.44
Lemon Tree Hotels Limited	56	71.6	27.86	29.28	30.08	25.00	40.08
ICICI Securities Ltd	520	445.05	-14.41	-28.90	-41.75	-48.76	-56.66
Mishra Dhatu Nigam Limited	90	90	0	60.16	56.38	26.72	53.77
Sandhar Technologies Limited	332	322.55	-2.85	19.59	15.40	-7.34	-20.63

Hindustan Aeronautics Limited	1215	1128.35	-7.13	-7.34	-30.54	-35.81	-40.64
Bharat Dynamics Ltd	428	390.7	-8.71	-4.64	-11.05	-25.32	-33.01
Bandhan Bank Limited	375	477.2	27.25	35.05	39.69	52.09	31.38
H.G. Infra Engineering Ltd	270	270.05	0.02	22.96	11.94	-10.92	-5.57
Aster DM Healthcare Ltd	190	179.85	-5.34	-12.00	-4.97	-8.15	-18.55
Galaxy Surfactants Limited	1480	1698.1	14.74	0.96	-0.84	-15.79	-29.90
Amber Enterprises India Limited	859	1237.25	44.03	27.14	32.56	10.67	-12.78
Newgen Software Technologies Limited	245	253	3.27	-0.61	-2.32	-2.00	17.95
Apollo Micro Systems Limited	275	454.1	65.13	16.81	-12.58	-53.23	-55.63

Note: Based on data obtained from NSE and BSE website.

Table 1 indicates that 24 IPOs were launched in the year 2018 out of which 10IPOs were listed at discount and remaining were listed at premium. After 1 month period and 3 months period of listing Mishra Dhatu Nigam Limited gave highest return while after 6 months period and 1 year period of listing Fine Organic Industries Limited gave highest return.

The IPOs that showed highest negative performance include ICICI Securities Ltd consecutively for 1 month period, 3 months and 1 year period while after 6 months of the listing Apollo Micro Systems Limited showed highest negative performance

**Table 2 IPO Listing 2020 –Listing day price and Short term performance**

Company Name	Issue Price (Rs)	Listing Day - Close Price (Rs)	Listing Day Gain/ Loss (%)	1 month (%)	3 months (%)	6 months (%)	1 year (%)
Mrs. Bectors Food Specialities Limited	288	595.55	106.79	42.30	20.69	39.44	31.42
Burger King India Limited	60	138.40	130.67	139.83	135.08	168.25	166.91
Gland Pharma Limited	1500	1820.45	21.36	48.43	61.27	110.62	127.89
Equitas Small Finance Bank Ltd	33	32.75	-0.76	4.242	30.30	68.18	90.15
Likhitha Infrastructure Ltd	120	136.60	13.83	33.54	61.00	208.54	215.50
Mazagon Dock Shipbuilders Limited	145	173	19.31	21.41	51.03	38.86	85.82
UTI Asset Management Company Ltd	554	476.60	-13.97	-10.83	0.19	-1.55	95.38
Angel Broking Ltd	306	275.85	-9.85	1.69	15.80	-4.62	348.30

Computer Age Management Services Ltd	1230	1401.60	13.95	5.43	45.46	49.30	142.73
Chemcon Speciality Chemicals Limited	340	584.80	72.00	21.05	47.14	21.64	27.63
Route Mobile Ltd	350	651.10	86.03	115.05	205.64	347.32	457.04
Happiest Minds Technologies Ltd	166	371.00	123.49	96.05	95.93	229.75	797.53
Mindspace Business Parks	275	303.87	10.5	10.92	10.90	19.99	4.35
Yes Bank Ltd	12	12.3	2.5	22.58	7.00	31.25	8.75
Rossari Biotech Ltd	425	742.35	74.67	87.24	89.85	107.17	192.88
<a href="#">SBI Cards and Payment Services Ltd</a>	755	683.20	-9.51	-29.52	-22.41	12.78	28.45

Note: Based on data obtained from NSE and BSE website.

Table 2 indicates that 16 IPOs were launched in the year 2019 out of which 4 IPOs were listed at discount and remaining were listed at premium. After 1 month period and 3 months period of listing Burger King India Limited give highest return while after 6 months period of listing Route Mobile Ltd give highest return and while after 1 year of listing Happiest Minds Technologies Ltd give highest return.

The IPOs that showed highest negative performance includes SBI Cards and Payment Services Ltd consecutively for 1 month period and 3 months. For 6 months period of holding Angel Broking Ltd. showed highest negative performance, while after 1 years of issue all share showed positive return.

**Table 3 Comparison of performance of Pre covid-19 and post covid-19 IPOs (in %)**

Indicators	IPOs	
	2018	2020
Listing Gain	+8.75	+43.36
First month return	+5.55	+38.09
Third month returns	+2.99	+53.43
Six months return	-2.88	+90.44
One Year return	+5.53	+173.30

Table 3 reveals the comparative performance of IPOs after issue for different time period in short term. The collected information reveals that the IPOs listed in 2018 and 2020 are found to register a positive growth rate for different period of time except in the case of IPO's listed in 2018 which shows a negative performance of -2.88 % after 6 months of issue.

It can also be seen that IPOs issued in 2020 performed well as compared to that of 2018. During 2020 holding period of 1 year gave maximum return of average +173.30 % and that of 2018 gave a return of average +5.53%.

## Conclusion

The initial public offering has always been an opportunity for companies to procure large capital. Covid-19 outbreak and lockdown impacted the Indian industries. Therefore the IPO issues were also hold by business after covid-19 till the situation came to normal. During pandemic the craze of investing increased because of various advertisement and increase in the stock broking apps. This gave companies additional opportunities to launch their IPOs in the market.

From the study it has been found that the IPOs issued post covid-19 performed better as compared to IPOs issued pre covid-19. The reason behind this can be attributed to world central banks and economies. They had pump in various stimulus packages, which entered India through various routes and lead Indian market to touch all time high.

Finally, the study suggest that, further research is needed in global level for long term to comparatively analyse of the performance of IPOs pre and post covid-19 pandemic. It is also suggested to investors to hold share for longer duration to earn higher return.

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