

## A Study on Stock Performance of Initial Public Offerings (IPOS) in India

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### ABSTRACT

Financial system of a country satisfies varied need of economy through its components such as financial markets, financial instruments, financial intermediaries and financial services. To boost economic development of a nation, it is important to accelerate the growth of industries which can be done through assistances and financial assistances is one of them. To satisfy capital requirement of companies' Primary market provides a platform. The company procures its fund by issuing share to the public through IPOs in market. IPOs give an opportunity to both the parties the company and the investors. The study aims to evaluate premium rate of IPOs issued during 2024-25. Further, attempts to evaluate performance of IPOs on listing day. 269 IPOs were issued in 2024-25, out of which 66 IPOs were evaluated. The study found that every selected IPOs were issued at premium and except ten IPOs, every selected company gained on listing day as the closing price of particular stock on listing day was higher than its offer price.

*Keywords: IPO, premium rate, performance on listing day*

An important milestone in a company's life cycle is its initial public offering (IPO), which marks the company's change from a privately held to a publicly traded business and welcomes new investors. The act of moving in addition to giving businesses a way to raise money, the public has a big impact on the dynamics of the financial market as a whole. "An initial public offering (IPO) is an offer of specified securities by an unlisted issuer to the public for subscription and includes an offer for sale of specified securities to the public by any existing holders of such specified securities in an unlisted issue." An IPO is the first time that an unlisted company makes an offer to the public for either a new issue of securities, an offer for sale of existing securities, or both. Information about the company's track record and previous performance is typically not readily available and may not be credible in the case of an initial public offering (IPO). Adverse selection and moral hazard are two issues that could result from this knowledge imbalance. The SEBI has established strict entrance requirements to help investors make educated judgments and safeguard their interests.

### REVIEW OF LITERATURE

(Mohammed Arshad Khan, 2021) attempted to evaluate share premium and performance of twenty-six IPOs for the period of three years from 2016 to 2019. The study found that twenty IPOs had provided listing gain and had a significant difference in short run and long run.

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(K B Nalina, 2021) analysed IPO performance of 138 securities from 2014 to 2019. Further studied under-pricing of the IPO. The study found existence of under-pricing of IPOs due to lack of knowledge of issuing time of IPO.

(Pulikottil, 2023) analysed the impact of thirteen companies' IPOs on the share price of industry rivals. The study revealed that return of industry rivals had significant difference before and after completion of IPOs. There was no association of daily traded volume of IPOs with industry rivals. The results show that a market entrant's IPO significantly affects the share price of competitors in the same industry.

(Prakash Kundnani, 2024) examined short term and long-term return of 500 IPOs in India. The results show significant differences in IPO performance, with average listing day returns varying between 18.98% and 26.35%, with 2020's market volatility showing the highest returns. Long-term returns, however, show a downward trend, with many initial public offerings (IPOs) underperforming five years after listing. According to regression study, IPO performance is highly influenced by firm size and market sentiment, with larger firms and more favourable market conditions producing higher results.

### Objectives

- To evaluate the premium rate of IPOs issued in the year 2024-25
- To examine the performance of IPOs on listing day issued in the year 2024-25

## RESEARCH METHODOLOGY

The present study is descriptive and analytical in nature. Total 269 IPOs are issued by companies in the year 2024-25. Out of which 67 companies issued IPOs of equity share capital. Hence the sample size of the study is 67 companies issued IPOs of equity capital excluding Small and Medium Enterprises' IPO and which are listed on NSE. The secondary data is collected from the website of National Stock Exchange. The analysis is carried out in two sections namely evaluation of premium rate of IPOs and Performance of IPOs on listing day.

To evaluate the premium rate of IPOs, number of times premium received by the company in proportion to face value is calculated. The formula of it is,

$$\text{Percentage of Premium} = \frac{\text{Premium}}{\text{Face Value}}$$

To examine the performance of IPOs on listing day Initial return from security was calculated with the help of following formula:

$$IR_i = (P_{i1} - P_{i0})/P_{i0}$$

Where,  $IR_i$  shows Initial return earned from security by the subscriber on listing day, while  $P_{i1}$  indicates closing price of IPO on listing day and  $P_{i0}$  indicates issue price of IPO.

### Data Analysis, Interpretation and Findings

The analysis of data comprises two parts- evaluation of premium rate of IPOs and performance of IPOs on listing day.

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### Evaluation of premium rate of IPOs

Premium is an amount received excess to face value of shares of the company. Prestigious companies having strong financial issue share at a premium.

**Table No. 5.1.1: Premium rate of IPOs of selected companies**

Sr. No.	Issuer Name	Face Value (Rs.)	Issue Price (Rs.)	Premium (Rs.)	Percentage of premium
1	Bharti Hexacom Ltd.	5	570	565	113
2	JNK India Ltd.	2	415	413	206.5
3	Indegene Ltd.	2	452	450	225
4	TBO Tek Ltd.	1	920	919	919
5	Aadhar Housing Finance Ltd.	10	315	305	30.5
6	Go Digit General Insurance Ltd.	10	272	262	26.2
7	Awfis Space Solutions Ltd.	10	383	373	37.3
8	Kronox Lab SciencesLtd.	10	136	126	12.6
9	Le Travenues Technology Ltd.	1	93	92	92
10	DEE Development Engineers Ltd.	10	203	193	19.3
11	Stanley Lifestyles Ltd.	2	369	367	183.5
12	Allied Blenders and Distillers Ltd.	2	281	279	139.5
13	Emcure Pharmaceuticals Ltd.	10	1008	998	99.8
14	Bansal Wire Industries Ltd.	5	256	251	50.2
15	Sanstar Ltd.	2	95	93	46.5
16	Akums Drugs and Pharmaceuticals Ltd.	2	679	677	338.5
17	Ceigall India Ltd.	5	401	396	79.2
18	Ola Electric Mobility Ltd.	10	76	66	6.6
19	Unicommerce eSolutions Ltd.	1	108	107	107
20	Brainbees Solutions Ltd.	2	465	463	231.5
21	Interarch Building Products Ltd.	10	900	890	89
22	Premier Energies Ltd.	1	450	449	449
23	Ecos (India) Mobility & Hospitality Ltd.	2	334	332	166
24	Bazaar Style Retail Ltd.	5	389	384	76.8
25	Kross Ltd.	5	240	235	47
26	Bajaj Housing Finance Ltd.	10	70	60	6
27	P N Gadgil Jewellers Ltd.	10	480	470	47
28	Western Carriers (India) Ltd.	5	172	167	33.4
29	Arkade Developers Ltd.	10	128	118	11.8
30	Northern Arc Capital Ltd.	10	263	253	25.3
31	KRN Heat Exchanger and Refrigeration ltd.	10	220	210	21
32	Garuda Construction and Engineering Limited	5	95	90	18
33	Hyundai Motor India Ltd.	10	1960	1950	195
34	Waaree Energies Ltd.	10	1503	1493	149.3
35	Deepak Builders & Engineers India Ltd.	10	203	193	19.3
36	Godavari Biorefineries Ltd.	10	352	342	34.2
37	Afcons Infrastructure Ltd.	10	463	453	45.3
38	Sagility India Ltd.	10	30	20	2
39	Swiggy Ltd.	1	390	389	389
40	ACME Solar Holdings Ltd.	2	289	287	143.5
41	Niva Bupa Health Insurance Company Ltd.	10	74	64	6.4
42	Zinka Logistics Solutions Ltd.	1	273	272	272
43	NTPC Green Energy Ltd.	10	108	98	9.8
44	Enviro Infra Engineers Ltd.	10	148	138	13.8
45	Suraksha Diagnostic Ltd.	2	441	439	219.5
46	Sai Life Sciences Ltd.	1	549	548	548
47	Vishal Mega Mart Ltd.	10	78	68	6.8

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48	One MobiKwik Systems Ltd.	2	279	277	138.5
49	Inventurus Knowledge Solutions Ltd.	1	1329	1328	1328
50	International Gemmological Institute (India) Ltd.	2	417	415	207.5
51	DAM Capital Advisors Ltd.	2	283	281	140.5
52	Concord Enviro Systems Ltd.	5	701	696	139.2
53	Sanathan Textiles Ltd.	10	321	311	31.1
54	Transrail Lighting Ltd.	2	432	430	215
55	Ventive Hospitality Ltd.	1	643	642	642
56	Carraro India Ltd.	10	704	694	69.4
57	Senores Pharmaceuticals Ltd.	10	391	381	38.1
58	Unimech Aerospace and Manufacturing Ltd.	5	785	780	156
59	Indo Farm Equipment Ltd.	10	215	205	20.5
60	Standard Glass Lining Technology Ltd.	10	140	130	13
61	Quadrant Future Tek Ltd.	10	290	280	28
62	Laxmi Dental Ltd.	2	428	426	213
63	Dr. Agarwal's Health Care Ltd.	1	402	401	401
64	Ajax Engineering Ltd.	1	629	628	628
65	Hexaware Technologies Ltd.	1	708	707	707
66	Quality Power Electrical Equipments Ltd.	10	425	415	41.5

Table 5.1.1 represents percentage of premium of IPO of selected companies issued shares during the year 2024-25. Every company of sample issued shares at a premium which ultimately points out financial soundness of company. Inventurus Knowledge Solutions Ltd. had issued its share at highest premium rate of 1328%. while, TBO Tek Ltd. had issued its share at premium rate of 919% which shows second highest issue premium among all selected companies. Sagility India Ltd. had issued its share at lowest premium rate of only 2%.

### Performance of IPO on listing day

Excess of issue price over face value generates more amount to the company. But the actual performance of the company can be evaluated on listing day price. The listing of share on both the stock exchanges i. e BSE and NSE generates capital appreciation or loss on the part of investors and it is the real evaluation of IPO performance. To examine this Initial return earned from security by the subscriber on listing day, closing price of share on listing day and issue price were considered. The performance on listing day can be categorised as over-pricing, and under-pricing of share based on increase or decrease of share price on that day.

**Table 5.2.1: Performance of IPOs on listing day**

Sr. No.	Issuer Name	Issue Price (Rs.)	Closing price (Rs.)	IRI
1	Bharti Hexacom Limited	570	813.3	42.68
2	JNK India Limited	415	694.55	67.36
3	Indegene Limited	452	570.9	26.31
4	TBO Tek Limited	920	1406.3	52.86
5	Aadhar Housing Finance Limited	315	329.45	4.59
6	Go Digit General Insurance Limited	272	306	12.50
7	Awfis Space Solutions Limited	383	402.95	5.21
8	Kronox Lab Sciences Limited	136	151.35	11.29
9	Le Travenues Technology Limited	93	165.72	78.19
10	DEE Development Engineers Limited	203	335.32	65.18
11	Stanley Lifestyles Limited	369	474.75	28.66
12	Allied Blenders and Distillers Limited	281	317.9	13.13
13	Emcure Pharmaceuticals Limited	1008	1359.15	34.84

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14	Bansal Wire Industries Limited	256	350.35	36.86
15	Sanstar Limited	95	115.07	21.13
16	Akums Drugs and Pharmaceuticals Limited	679	796.25	17.27
17	Ceigall India Limited	401	386.75	-3.55
18	Ola Electric Mobility Limited	76	91.2	20.00
19	Unicommerce eSolutions Limited	108	210.08	94.52
20	Brainbees Solutions Limited	465	679.1	46.04
21	Interarch Building Products Limited	900	1196.45	32.94
22	Premier Energies Limited	450	839.9	86.64
23	Ecos (India) Mobility & Hospitality Limited	334	443.15	32.68
24	Bazaar Style Retail Limited	389	400	2.83
25	Kross Limited	240	259.81	8.25
26	Bajaj Housing Finance Limited	70	165	135.71
27	P N Gadgil Jewellers Limited	480	793.3	65.27
28	Western Carriers (India) Limited	172	159.44	-7.30
29	Arkade Developers Limited	128	165.86	29.58
30	Northern Arc Capital Limited	263	323.4	22.97
31	KRN Heat Exchanger and Refrigeration Limited	220	478.79	117.63
32	Garuda Construction and Engineering Limited	95	106.36	11.96
33	Hyundai Motor India Limited	1960	1819.6	-7.16
34	Waaree Energies Limited	1503	2338.9	55.62
35	Deepak Builders & Engineers India Limited	203	161.95	-20.22
36	Godavari Biorefineries Limited	352	343.2	-2.50
37	Afcans Infrastructure Limited	463	474.2	2.42
38	Sagility India Limited	30	29.32	-2.27
39	Swiggy Limited	390	456	16.92
40	ACME Solar Holdings Limited	289	253.15	-12.40
41	Niva Bupa Health Insurance Company Limited	74	78.14	5.59
42	Zinka Logistics Solutions Limited	273	260.05	-4.74
43	NTPC Green Energy Limited	108	121.65	12.64
44	Enviro Infra Engineers Limited	148	207.07	39.91
45	Suraksha Diagnostic Limited	441	441	0.00
46	Sai Life Sciences Limited	549	764.65	39.28
47	Vishal Mega Mart Limited	78	111.93	43.50
48	One MobiKwik Systems Limited	279	528	89.25
49	Inventurus Knowledge Solutions Limited	1329	1885.8	41.90
50	International Gemmological Institute (India) Limited	417	471.15	12.99
51	DAM Capital Advisors Limited	283	415.1	46.68
52	Concord Enviro Systems Limited	701	827.1	17.99
53	Sanathan Textiles Limited	321	388.35	20.98
54	Transrail Lighting Limited	432	553.55	28.14
55	Ventive Hospitality Limited	643	704.35	9.54
56	Carraro India Limited	704	636.2	-9.63
57	Senores Pharmaceuticals Limited	391	600	53.45
58	Unimech Aerospace and Manufacturing Limited	785	1376.25	75.32
59	Indo Farm Equipment Limited	215	277.8	29.21
60	Standard Glass Lining Technology Limited	140	163.35	16.68
61	Quadrant Future Tek Limited	290	444	53.10
62	Laxmi Dental Limited	428	550.55	28.63
63	Dr. Agarwal's Health Care Limited	402	401.65	-0.09
64	Ajax Engineering Limited	629	595.4	-5.34
65	Hexaware Technologies Limited	708	762.55	7.70
66	Quality Power Electrical Equipments Limited	425	387.9	-8.73

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Table 5.2.1 depicts the performance of IPO issued by selected companies in 2024-25. The majority of the 66 IPOs that were listed had positive initial return percentages (IRi), meaning that their closing price on the day of listing was greater than the issue price. This demonstrates that investors typically realized gains from listing. As a result of closing below the issue price on the day of listing, certain initial public offerings (IPOs) have negative IRi, which results in listing losses. Bajaj Housing Finance Limited gained highest initial return of 135.71 % whilst Ceigall India Limited, Western Carriers (India) Limited, Hyundai Motor India Limited, Deepak Builders & Engineers India Limited, Godavari Biorefineries Limited, Sagility India Limited, ACME Solar Holdings Limited, Carraro India Limited, Dr. Agarwal's Health Care Limited and Quality Power Electrical Equipments Limited had listing losses which shows over pricing of IPOs. The investors who invested their money in these IPOs faced losses as they generated negative return.

### CONCLUSION:

Long term capital requirement of the company is satisfied by issuing shares through IPO in primary market. IPO provides an opportunity to investors to earn listing gain or holding it for long term to create wealth in the form of dividend and capital appreciation.

The analysis of 66 IPOs shows that the Indian primary market continues to exhibit the phenomenon of under-pricing, where issue prices are generally set below the market valuation, resulting in positive listing gains for investors. Overall, the findings highlight that while IPOs provide attractive short-term profit opportunities for investors, they also carry risks of losses in cases of overpricing. For companies, under-pricing ensures successful subscription and listing, but it also implies leaving potential capital unraised. The study found that Bajaj Housing Finance Limited gained highest initial return of 135.71 %. Out of 66 IPOs 56 IPOs listed on share market at higher price than its offer price which provided listing gain and shed a light on under-pricing of shares.

The study suggests that the investors who invest in IPOs for listing gain only, can sell the share and make profit but in case the share is over-priced, they can sell it to minimise further losses which can be due to falling price in future. But at a same time, the investors should not forget that prices of stocks are affected by many factors.

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### ***Conflict of Interest***

The author declared no conflict of interest.

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