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“ANALYSIS OF IPOs AND ITS PERFORMANCE POST LISTING IN INDIA”

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ABSTRACT

Purpose: The paper aims to interpret the performance of a list of IPOs during covid-19. The study analyses the performance of companies on the listing date during pandemic. The overall result focuses on the IPO performance on the listing date and a comparison which measures the gains or losses represented in the IPOs in the midst of pandemic.

Design/Methodology/Approach: The paper focuses on the series of IPOs listed from April 2020 to March 2022. The data and performance of all the companies who went public during this period is taken into consideration for analysis. The study shows the impact of Covid-19 on IPO performance and on the interests of the investors which resulted in either success or failure of these IPOs in India.

Findings: The paper discuss about how covid-19 acted as boon for some companies to raise funds through initial public offering leading to oversubscription of shares and on the other hand as bane to other companies which underwent undersubscription during the pandemic. The paper brings out the prospects for IPOs in India depicting the interest of potential investors.

Originality/value: The research shows both negative and positive impact of covid-19 on the performance of IPO. It also presents the change in the way of thinking of investor due to the developments in m-commerce and investing patterns.



KEYWORDS: Performance of IPO, Oversubscription, Covid-19 pandemic, Listing date.

INTRODUCTION

1.1 Introduction to IPO

An initial public offering is a method of raising additional capital by issuing the shares of the company to the general public. Any private entity who wants to raise funds gets listed on the stock exchange offering its shares to the public investors for the investment. Private companies go public when their fundings from the private equity investors is not sufficient and want to avail extra funds from more investors. IPO is brought to tap funds from institutional investors and retail investors. The company comes up with initial public offerings when it wants to expand its business operations or to pay off the debts or any loans taken by the company. The investment bank plays a major role in the conduct of IPO.

1.2 Process of IPO

The process of IPO takes place with hiring an investment bank which is also called as merchant bank. It is appointed on the basis of its reputation, expertise in distribution and quality of research and its track record of raising funds from IPO. It is the responsibility of the investment bank to make the

document called Red Herring Prospectus (RHP) which includes the details such as business operations, promoters, competitive advantages, capital structure, future business plan, risks and opportunities, past performance and growth and prediction of upcoming growth of the company. This is an important document because investors would invest only when they have complete information about the company.

In the second stage the investment bank has to do due diligence and filings complying with guidelines of SEBI. Deciding the listing of shares either at NSE/BSE and complying with listing requirements stated by security contract regulation Acts.

Step 3 involves pricing and valuation of the IPO, deciding the issue size, issue price, number of shares to be issued, minimum lot size and stating the type of issue whether it is in the form of fixed price or book building issue.

The next step is the distribution and doing the marketing of the issue to the different category of investors such as Qualified Institutional Buyers (QIBs) like mutual funds, pension funds who manage lot of funds, Non-Institutional investors also known as the high net worth investors who put a large sum of money and the retail investors. The company and the investment banker have to work together on attracting these investors.

Once the marketing of the issue is successful the procedure of share allotment is done. And finally the listing of the shares on the stock exchange takes place and the applications for the issue from the interested investors are welcomed. Investors can easily apply for the shares through UPI or stock broker and then on the basis of number of times the shares get subscribed the investment bank decides the issue price.

1.3 Impact of covid-19 on the performance of IPO:

Despite the pandemic and the difficulties associated with the stock market fluctuations, IPOs were done and many companies got listed. Covid-19 acted as a major factor affecting the performance of IPOs. The companies going public during the pandemic focused on understanding the environment and its possible expected returns considering the positive and negative aspects of the deadly disease across the world. Many startups believed that the IPO was the only option to get funds in order to survive in the market. Because many restrictions like social distancing and lockdown was imposed during the pandemic the airlines, real estate property dealings and labor intensive industries suffered adversely, the tech industry gained popularity in this period. For the IPO to become successful the company should have demand for its stock in the market and covid-19 for some companies like healthcare, pharmaceuticals and food delivery markets created that demand and when these companies decided to go public, IPOs got positive response from the investors.

REVIEW OF LITERATURE

(SahilGoyal, KS Manu) international journal management (IJM) 12(4), 2021)

IMPACT OF COVID-19 PANDEMIC ON PERFORMANCE OF IPO'S IN INDIA

(SahilGoyal, KS Manu) studied the impact of covid 19 pandemic on the performance of IPOs in India. The paper offered an analysis of the IPO's response to covid-19 outbreak in India. The study highlighted that the return from the listed IPOs during the pandemic reacted negatively to the total number of deaths during the period.

(BaneswarKapasi, Sappnashaw)

A COMPARATIVE STUDY ON THE PERFORMANCE OF SELECT INITIAL PUBLIC OFFERINGS(IPOs) IN INDIAN CAPITAL MARKET IN THE PRE COVID AND COVID PERIOD.

In the study it was obtained that the companies utilized the opportunity of market liquidity to list their shares on recognized stock exchanges and it was observed that the gains during the covid period were more compared to listing gains of the companies in the pre-covid period. The analysis indicate no significant changes in the gains of the listed companies pre covid and covid period.

OBJECTIVES

- To evaluate the performance of IPOs post- listing in India.
- To understand and analyse the possible factors affecting the performance of IPOs post- listing in India.

DATA ANALYSIS AND INTERPRETATION

Table 4.1- Showing the Top 5 successful IPO's in the year 2020

NAME OF THE COMPANNAME	Issue Price	CLOSING PRICE ON LISTING DAY	GAIN ON LISTING DAY(%)
Burger King India ltd	60	138.4	130.67
Happiest Minds technologies ltd	166	371	123.49
Mrs.Dector Food Specialities	288	595.55	106.79
Route Mobile ltd	350	651.1	86.03
Rossari Biotech ltd	425	742.35	74.67

Analysis:

The year 2020 was the challenging year to all the sectors of the industries facing the difficulty to survive in the market. Though there was uncertainty prevailing a good number of companies decided to list their issue on the stock exchange for the public. The companies involved in food and technology business are observed to earn profits in this year.

Interpretation:

In the above table, the top 5 IPO gainers are listed according to their gains on the listing date. It is observed from the data that Burger king India limited is on the top list though the eating preference of people is shifting to immunity diet but it is hyped among the youngsters resulting in a successful IPO , this indicates the volatility and uncertainty of market. Happiest minds technologies ltd., is a service provider its right and mindful IT strategy attracted the interest of the interest and since government had imposed lockdown in the year 2020, IT companies had to shift their job locations to their home itself which actually positively contributed to their companies. All the 5 mentioned companies offered the investors to buy the shares before its listing on the market that also attracted the investors to invest their money in a profitable venture.

Table 4.2- showing the IPO's resulted in loss during 2020

NAME OF THE COMPANY	ISSUE PRICE	CLOSING PRICE ON LISTING DAY	LOSS ON LISTING DAY(%)
UTI Assets Management company ltd	554	46.6	-13.97
Angel Broking ltd	306	275.85	-9.85
SBI cards and payments services ltd	755	683.2	-9.51
Equitas small Finance Bank ltd	33	32.75	-0.76

Analysis:

During the pandemic people moved back to their native places as the companies were asking their employees to work from home and many people lost their jobs because of which their income reduced and expenses increased. It was difficult for people to meet the expenses of metropolitan cities.

Interpretation:

The table shows the companies who incurred loss from their IPOs. It can be interpreted that since it was a pandemic period and people were struggling because of low incomes, the IPOs of the companies whose business is about property dealings and brokerage have incurred the losses because there was more demand of FMCG products and stocks of those companies.

Table 4.3- Showing the Top 5 successful IPO's in the year 2021

NAME OF THE COMPANY	ISSUE PRICE	CLOSING PRICE ON LISTING DAY	GAIN ON LISTING DAY(%)
Sigachi Industries limited	163	6003.75	270.4
Paras Defence And Space Technologies ltd	175	498.75	185
Latent View Analytics Limited	197	488.6	148.02
TatvaChintanPharma Chemicals ltd	1083	2310.25	113.32

Analysis:

After the series of IPOs in the amidst pandemic, the year 2021 experienced a large number of companies getting listed on the stock exchange. The top 5 IPOs according to their maximum gains on listing date is considered for the analysis. This year has the maximum list of IPOs compared to 2020 and 2022. The healthcare and pharmaceuticals sectors continues to attract the interest of the investors.

Interpretation:

The mentioned companies got good profits. More number of gainers are either from technology sector or pharma sector. The closing prices for the issues are more from that of offering prices. Sigachi industries limited is the highest gainer in the year, having varied applications in the pharmaceutical, cosmetics and food products. Company's monopolistic advantage and perfect future growth predictions are some of the reasons for the oversubscription of the shares. Second on the list is paras defence and space technologies limited, there's no doubt of its getting becoming second highest gainer of ipo because the company's business is attracting to the investors. It is evident from the data that pharmaceuticals n technology sectors are the gainers.

Table 4.4- showing the least 5 IPO'S resulted in loss during the year 2021

NAME OF THE COMPANY	ISSUE PRICE	CLOSING PRICE ON LISTING DAY	LOSS ON LISTING DAY(%)
One 97 Communications limited	2150	1564.15	-27.25
Rate gain Travel technologies limited	425	340.5	-19.88
Shrimam Properties Limited	118	99.4	-15.76
Kalyanjewellers India Limited	87	75.3	-13.45
Windlas Biotech Limited	460	406.7	-11.59

Analysis:

The investors interest regarding the companies having the business operations of high fundings was reduced. Investors were avoiding to invest in such companies IPOs.

Interpretation:

The travel, jewellery and property sectored IPOs have incurred loss, as there is no demand for those products. It is being analysed that pharma sectored companies were all gainers from past data but windlas biotech ltd has incurred loss in 2021.,it couldn't attract the investors..

Table 4.5- Showing the Top 5 successful IPO's in the year 2022

NAME OF THE COMPANY	ISSUE PRICE	CLOSING PRICE ON LISTING DAY	LOSS ON LISTING DAY (%)
Hariom pipe industries limited	153	224	46.86
Ruchi soya industries limited	650	924.85	42.28
Campus active wear limited	292	378	29.66
Uma exports limited	68	84	23.53
veranda learning solutions limited	137	160.4	17.08

Analysis:

In the top gainers of 2022, it is observed that pharma and technology backed companies are not the gainers but different sectors of the industries like education, FMCG, exports and oil have topped the table. It can be interpreted that the people are overcoming the fear of covid-19.

Interpretation:

The highest gainer of IPO in this year is hariom pipe industries ltd, specialized in manufacturing steel and iron products. It has the expanded market across the country and better financial performances attracted the investments. Ruchi soya industries ltd is the second highest gainer in the list of IPOs followed by the companies having expertise in exports and education sector. This can be analyzed as growth in these sectors.

Table 4.6- showing the IPO's resulted in loss during 2022

NAME OF THE COMPANY	ISSUE PRICE	CLOSING PRICE ON LISTING DAY	LOSS ON LISTING DATE(%)
Rainbow children's Medicare limited	542	450.1	-16.96
AGS Transact technologies ltd	175	161.3	-7.83

Analysis:

In the year 2022, it is found that both healthcare and technology sector companies are showing the downward trends though in the past years it was analysed that these sectors are the gainers from the list of IPOs.

Interpretation:

The IPOs of rainbow children's medicare limited is showing the downward trend though it is a healthcare sector, the company needs to attract the investors by marketing the issue. AGS transact technologies is incurring losses from 5 months in the year 2022, the investors may consider its performance make the investment.

FINDINGS:

- The majority of gainers are from the sectors of healthcare, pharmaceuticals, food and technology.
- The IPOs from the sector of real estate, jewellery ornaments and travel agencies have incurred loss.
- The market is highly volatile and uncertain, the companies aiming for successful IPOs need to market the issue to their full strength.
- Companies shouldn't opt for the decision of going public when there is no demand for its stock in the market.

SUGGESTIONS

- The company going for IPO should analyse the market condition thoroughly and interpret the result of IPO based on the factors prevailing in the market.
- The company's appointed investment banker should be capable of attracting the investors and the prospectus pooling the interest of the investors.
- The investment bankers should be appointed after analyzing their tract record, past performance and its capability to raise funds through IPOs.
- The companies reviews should be done accurately which attracts the interest of the investors.

CONCLUSION

The research of this paper is made to give an analysis of performances of IPO's during the covid-19 pandemic. The study tries to emphasize on the understanding of covid -19 impact on the IPOs and interpreting the possible reasons for the obtained results. It also presents the complete idea of evaluating the IPOs before considering it for the investment and it highlights the decision making ability of the companies to go public based on their prediction about the success or failure of an IPO. From the analysis of the data it is observed that the companies majoring in FMCG industry and companies backed by the technology, pharmaceuticals and telecommunication has gained the maximum successful IPOs and the companies managing travel, properties, jewellery have incurred losses. It is evident from this analysis that the companies should properly evaluate the market conditions and study the preferences of the investors along with the presentation of attractive strategies of future growth of the company in the prospectus and take the same into consideration in the decision making process.

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