

An Empirical Study on the Performance Evaluation of IPO's Listed in NSE

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Abstract: Initial Public Offerings are picking up prominence universally as a noteworthy wellspring of raising assets for the organizations for nutriment their development by utilizing assets raised from such issues to either expand or to bring up new creative strategies. IPO are also gaining significance since it lays down a platform for gaining extensive profits on the Listing day.

IPO ranks top amongst the biggest wellspring of boosting resources for the businesses in India. By learning about IPOs it helps the financial specialist choose whether the investment matches their necessities and gain optimum returns. The aim is to comprehend the mechanism of IPO procedure and to assess the execution of the IPO's being listed on National Stock Exchange.

Method utilized for the study is Descriptive study and the information is gathered from official websites of respective organizations and National Stock Exchange. The sample population of the project comprises of 111 IPO's which are been recorded on National Stock Exchange while the period of the study from 01/01/2012 – 31/01/2018.

Raw Returns, Market Returns and Market Adjusted Excess Returns (MAER) are estimated to break down the performance of stock. One way Anova test of hypothesis is utilized to analyze the factors.

With critical Analysis and Interpretation the conclusions are drawn which says that IPOs are one of the possibilities for gaining profits than perceiving it as an avenue of broadening investments.

Key Words: Initial Public Offerings, NSE, Short term & Long term performance, Issue Price

Introduction

IPO – Initial Public Offerings is the procedure through that a non-public company can open up to the world by sale of its ownership shares to general population. They could be a new, youthful or old organization which chooses to be listed on an exchange and consequently goes public. Companies could increase funds with assistance of an IPO by offering new shares to the general population. It is a key instrument to the investors to enter into the market; the IPO's additionally helps in diversification of risks. At this point of time Initial Public Offer (IPO) has turned out to be one of the favoured ventures for the investor. Of – late numerous companies have thought of and come up with IPO to raise funds to their requisites. Putting funds in IPO's is considered as

one of the riskier speculations. It's on the grounds that the market conduct is not known especially in volatile share market.

Execution of IPO's shifts as per the market i.e. bullish to bearish. Interests of the investors are affected by the market pattern and the IPO performance too. It is the biggest challenge for the speculator to predict the performance of the stock or offers on its initial days of trading and in the near future since there is often little historical data for the technical examination of the stocks. The study depends on 111 companies which issued Initial Public Offerings over 7 years from 1st January 2012 to 31st January 2018. Raw Returns, Market Return and Market Adjusted Excess Returns also have been ascertained to dissect the performance of the IPO.

IPO markets in India are booming since the advancement of the Indian Economy. It has turned out to be one of the trending techniques of raising funds from the public for varied needs of the companies. In 2017 the contribution of IPO to Indian Market Cap has gone up to 3% which is high in past 7 years. Currently Indian Market Cap contributing proportion 85% to GDP of which IPO's contribution is around 2.6%

Literature Review

Mayur and Kumar's, **An Empirical Investigation of Determinants of Going Public Decision of Indian Companies**, this paper investigates the factors of the opening up to world of the Indian companies. A probability regression module is applied to assess the influence of fundamental money related data of Indian companies on their turning up public choice. Size, gains, age and leverage have emerged as the significant factors of going opening up choice of Indian companies. This paper depicts the measurably insignificant connection between the financing wants and likelihood of an IPO.

S. Ambily, Gayatri Krishnan, Aswathi K and Deepa: **Study on performance of IPO's under NSE from issue price to last trading price**, this research paper portrays that there's on an median, altogether there is positive come backs and venture tried in IPO are mainly based on Image of the company but not on basic assessment and more number of traders and speculators always like to purchase at a lower price and exchange price is set side by side.

Preethi Thakur's, **Research Paper on Impact of Regulatory Framework on IPO Under Pricing**, Reveals that the underwriting prevails in Indian IPO's and to explore the best way for getting IPO pricing. According to this research done through descriptive method reveals that the average underpricing value is achieved 101% by fixed price and 27% by book building method. Based on comparative method, the value of undreprice is low in case of book building method in comparison with fixed price method. This paper concludes that the book building technique is the best way for IPO evaluation

Dr. Pritpal Singh Bhullar and Dr. Dyal Bhatnagar's, **Analysis of factors effecting Short Term Performance IPO's in India**, this paper examines the one and a half year performance of IPO's propelled by companies of

various sectors of Indian economy. Multiple regressions have been utilized to examine the effect of various autonomous variables on the IPO return for 6 months as well as 1 year. The examination has been done to explore the elements influencing the performance of IPO's. Attempt has been made to weigh the measure the large scale and miniaturized scale elements and also market trend amid the predetermined period. The examination features the effect of different factors on IPO execution on short term basis.

Sumit Goyal and Inderpal Singh's, **A Study on Performance of IPO's: AN INDIAN PERSPECTIVE**, this is an experimental study which aims to break down the performance of Indian IPOs which are recorded on National Stock Exchange, India. The goal of research paper to look at the performance of Indian IPOs on exchanging day and 30th day after the posting, additionally to discover the various determinants on performance of IPOs on 1st day of trading and on 30th day subsequent to listing

Ranjitha. R and Dr. Nirmala Joseph's, **Performance Evaluation of Initial Public Offerings at NSE**, This paper analyses the performance of IPO which is affected through National Stock Exchange of India during the time period starting January 2009 to December 2013. This investigation likewise examinations the short and long phase come backs from IPOs at equivalent intervals of time.

Madhuri Malhotra and N. Premkumar's, **Long Run Performance of IPO's in India**, in this research paper the authors have made an efforts to know whether Indian stock market shows underperformance of IPO's in the long run. This study also highlights the factors which might have an influence on price reactions around IPOs by firms. The study employs data from companies listed in NSE which have gone public from 2004 to 2008. The outcomes demonstrate that Indian Stock Exchange Market shows IPO underperformed in the long run and there is a positive relationship between the number of shares offered at time of IPO and underperformance.

Mr.Ravendra and Dr. B.M Kanahalli's, **Performance Evaluation of IPOs in India**, the research paper evaluate the performance of Indian IPOs on listing day, 30th day and 90th day of trading during the period 2011-2015. The report portrays that there exists underpricing on listing day. The study future reveals that there exists higher proportion of gains on listing day. However, the IPOs underperformed on 30th and 90th day of trading.

P. Ramesh and Poornima Dhume's, **Performance and Analysis of IPO in Indian Context**, the paper intends to examine the price performance of the Indian IPOs listed on NSE, using sample of 150 IPOs that entered the primary capital during May 2007 to December 2011. The finding in the study demonstrates that there exists overpricing in the Indian Primary Capital Market.

Sanjay S, **Valuation of IPOs in India**, in this paper two fundamental recommendations for Indian Equity Market i.e., factors that determine short- run underpricing of IPO and impact of IPOs mispricing on investment banks reputation are examined. The data for the study contained 432 new IPO issues for 2001-2011. The outcome of the study are in conformity that IPO seems to overrated and likewise Indian market takes about half year to completely incorporate data for discovering the fair estimation of IPOs.

Objectives:

The paper aims:

- ✓ To assess the performance of IPO's in India.
- ✓ To quantify the short & long term performance of Indian IPOs after being listed in NSE
- ✓ To understand the mechanism of IPO process in India.

Data & Methodology

The methodology used for the study is Descriptive Research, which encompasses surveys and fact-finding exploration of different types.

Sample Size

Sample size for this study is based on the 111 IPO's that are issued and is been listed on National Stock Exchange. The period of study is limited to 01/01/2012 – 31/01/2018.

Secondary Data

The present study is rooted on the analysis of 111 companies which raised capital through Initial Public Offerings, at par or at premium and are listed from 1st January 2012 to 31st January 2018. The data sources for the study also contains secondary sources; data regarding details of IPO of companies and their price movements have been extracted from the official websites of respective companies and National Stock Exchange.

Research Methodology

The financial tools used in the study are as follows:

1. Raw Return = Closing Listing Price – Closing Issue Price
2. Market Return =
$$\frac{\text{Closing Value of Nifty on Listing Date} - \text{Closing Value of Nifty on Issue Date}}{\text{Closing value of Nifty on Issue Date}} * 100$$
3. MAER = Raw Returns – Market Returns

Other tools used are Anova & SPSS

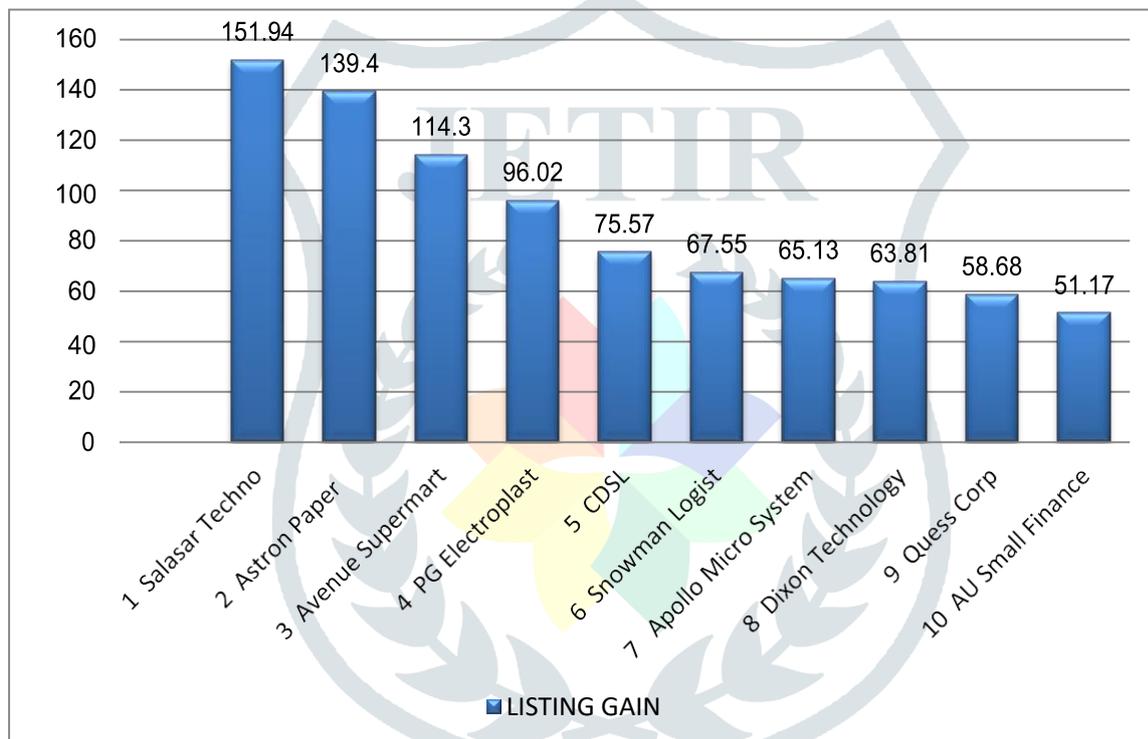
Results & Discussions

Table 1: Showing the Top 10 Gainers of Listing Gain

SL.NO	NAME OF THE COMPANY	LISTING GAIN (Rs)
1	Salasar Techno	151.94

2	Astron Paper	139.4
3	Avenue Supermart	114.3
4	PG Electroplast	96.02
5	CDSL	75.57
6	Snowman Logist	67.55
7	Apollo Micro System	65.13
8	Dixon Technology	63.81
9	Quess Corp	58.68
10	AU Small Finance	51.17

Graph 1: Showing the Top 10 Gainers of Listing Gain

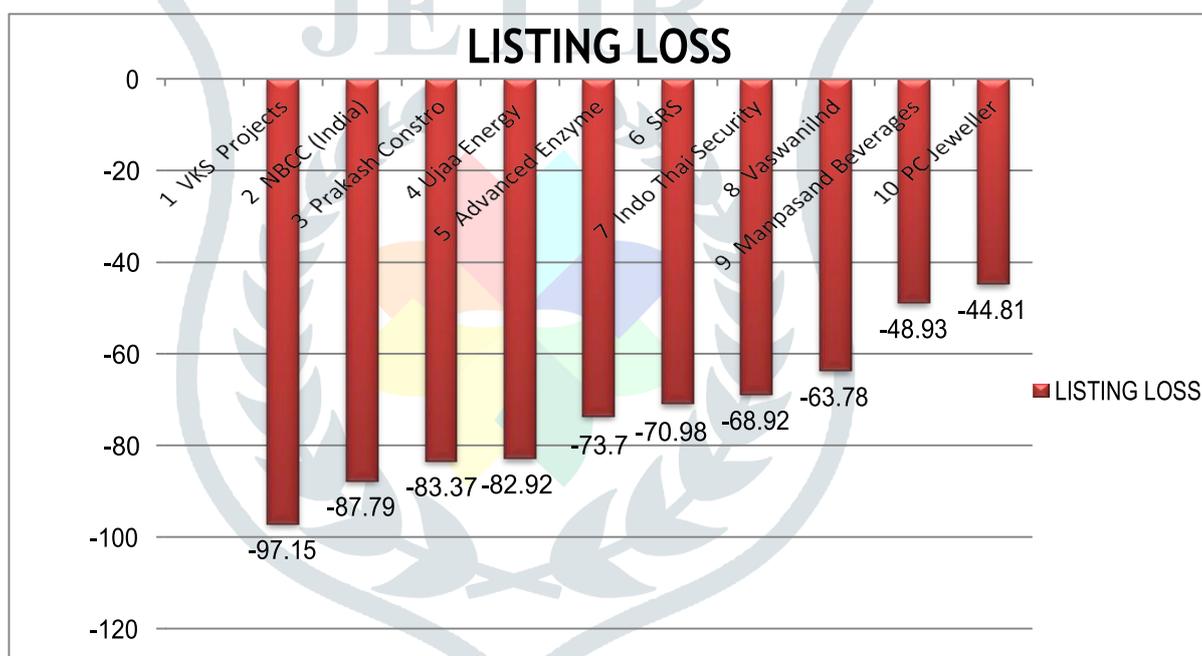


Interpretation:

The above graph represents the listing gain of the Companies over a period of seven years from 01-01-2012 to 31-01-2018. Salasar Techno company has got listing gain of Rs151.94 ranking top, Astron Paper has got a Listing Gain of Rs139.4, Avenue Supermart has got a listing gain of Rs114.3, PG Electroplast has got a listing gain of Rs96.02, CDSL has got a listing gain of Rs75.57, Snowman Logistic has got a listing gain of Rs67.55, Apollo Micro System has got a listing gain of Rs65.13, Dixon Technology has got a listing gain of Rs63.81, Queens Corp has got a listing gain of Rs58.68 and AU Small Finance has got a listing gain of Rs51.17. The listing gain is dependent on factors such as listing price and issue price of each stock.

Table 2: Showing the Top 10 Listing Losses

SL.NO	NAME OF THE COMPANY	LISTING GAIN (Rs)
1	VKS Projects	-97.15
2	NBCC (India)	-87.79
3	PrakashConstro	-83.37
4	Ujaas Energy	-82.92
5	Advanced Enzyme	-73.7
6	SRS	-70.98
7	Indo Thai Security	-68.92
8	VaswaniInd	-63.78
9	Manpasand Beverages	-48.93
10	PC Jeweller	-44.81

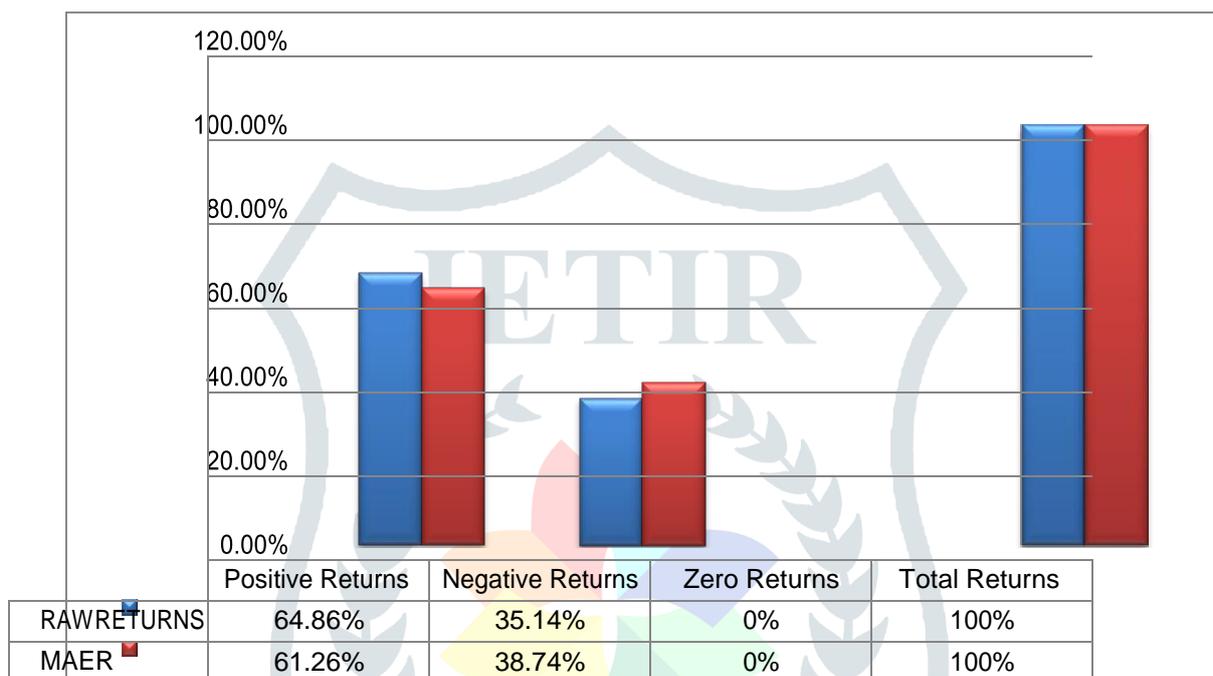
Graph 2: Showing the Top 10 Listing Losses**Interpretation:**

The above graph represents the list of top 10 companies with bearing losses in the listing gain from 01-01-2012 to 31-01-2018. The VKS Projects has highest loss of Rs -97.15, NBCC (India) has loss of Rs -87.79, Prakash Constro has loss of Rs -83.37, Ujaas Energy has loss of Rs -82.92, Advance Enzyme has loss of Rs -73.7, SRS has loss of Rs -70.98, Indo Thai Security has loss of Rs -68.92, VaswaniInd has a loss of Rs -63.78, Manpasand Beverages has loss of Rs -48.93 and PC Jeweller has loss of Rs -44.81.

Table 3: Computation of Scale of Returns and MAER

PARTICULARS	RAW RETURNS	MAER
Positive Returns	64.86%	61.26%
Negative Returns	35.14%	38.74%
Zero Returns	0%	0%
Total	100%	100%

Graph 3: Computation of Scale of Returns and MAER



Interpretation:

The above table shows in case of Raw Returns in IPOs in National Stock Exchange there is a 64.86% of positive returns and 35.14% of Negative Returns. In Case of MAER there is 61.26% of positive returns and 38.74% of Negative Returns. In both the cases the zero returns are nil.

Computation of ANOVA (Raw Returns)

H0 – There exist no significant relation between the means of listing gain and market gain.

H1 – There exist a significant relation between the means of listing gain and market gain.

Table showing calculations of Anova (Raw Returns)

	SOS	Df	Mean Square	F	Sig.
Between Groups	164993.619	106	1556.544	2.181	.288
Within Groups	2141.472	3	713.824		
Total	167135.092	109			

Interpretation

The above table shows that the significance as 0.288 which is more than the significance level of 0.05. Hence we accept the Null Hypothesis (H0) and reject Alternative Hypothesis (H1). Since we accept Null Hypothesis is accepted there is no significant difference in the means of listing gain and market gain.

Computation of ANOVA (MAER)

MAER- Market Adjusted Excess Return is the returns of the Initial Public Offerings over and above the market returns for the same period.

H0 – There exist no significant relation between Listing Gain and MAER.

H1 – There exist a significant relation between Listing Gain and MAER.

Table showing calculations of Anova (MAER)

	SOS	Df	Mean Square	F	Sig.
Between Groups	175688.795	109	1611.824	252.936	.050
Within Groups	6.372	1	6.372		
Total	175695.167	110			

Interpretation:

The above table shows that there is a significance level of 0.05 which is same as the level of significance 0.05. Hence we accept the Null Hypothesis (H0) and accept the Alternative Hypothesis (H1). Since we have accepted

Null Hypothesis there is no significant difference in the means of Listing Gain and MAER.

Conclusion

This paper portrays the performance of the Initial Public Offerings which is been listed in National Stock Exchange during 01/01/2012 to 31/01/2018. Initial Public Offerings help out the businesses which are new or already existing to open up for the first time usually this is done to raise funds from public for various reasons. The fundamental objective for the valuation of IPO is to take up decision by the investors before investing. The Listing Gain and Market Adjusted Excess Return has been computed to depict the performance of the IPOs which are been listed in NSE from 01/01/2012 – 31/01/2018. The outcomes of the study endows to the Research Papers being made which gives a valuable view into the IPO Markets. Nowadays, an ever increasing number of Indian companies are going public. The Initial Public Offerings are considered as one of opportunities for gaining profits rather than looking at it as an avenue of diversification.

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