

A Study of the Performance of Initial Public Offerings (IPOs) of the Indian Capital Market

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Abstract

Objectives: The performance of IPOs differently noticed at different time. Different factors affect the performance of IPOs. Overall market performance, market liquidity, the performance of the economy, and the performance of the respective industry and firm are some of the common factors which affect the performance of the IPOs. Indian capital market has experienced a large number of listing of IPOs in the last five years. In the present study, the main objectives were to analyze the short-term as well as the long-term performance of the selected IPOs.

Methodology: To conduct the study the researchers selected 25 IPOs listed on both the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in the year 2018. Although because of the unavailability of data only 23 IPOs among 25 are analyzed. To analyze the short-term performance the researchers calculated listing gain and listing daily return for one month, two-month, three months, and six months. For the long-term performance analysis, they have calculated the listing gain after one year, two years, three years, and four years. And finally, they compared the performance with the help of paired T-test.

Conclusion: The result of the study revealed that after six months of listing, 11 IPOs give a positive return to the investors while after four years of listing the performance of eight IPOs was satisfactory and among them, Fine organic industries Ltd was the best performer who's closing price was 725% of issue price after four years. From the paired T-test it was also found that there is a significant difference between the long-term and short-term performance of the selected IPOs.

Keywords: Aftermarket performance analysis, initial public offerings, short-term analysis, long-term analysis, paired T-test.

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