Assessment of Market Performance and Influencing Factors of Indian Initial Public Offerings (IPOs)

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Abstract

Purpose : This study evaluated the short- and long-term market performance of Indian initial public offerings (IPOs) listed on the National Stock Exchange (NSE) between January 2019 and December 2022. The research aimed to assess sector-specific trends, the impact of institutional participation, and the influence of macroeconomic events, particularly the COVID-19 pandemic, on IPO performance.

Methodology : The study analyzed a sample of 138 IPOs using quantitative methods, including regression analysis, to determine key factors influencing subscription trends and post-listing performance. Primary and secondary market returns were examined to assess market resilience, with a sector-specific focus on finance and engineering.

Findings : The findings revealed that the financial sector demonstrated resilience, maintaining positive returns despite temporary downturns during the COVID-19 crisis. Post-pandemic, IPOs exhibited sustained positive performance. Institutional engagement was identified as a significant determinant of IPO subscription levels. The sector-wise analysis highlighted varying performances, with finance and engineering showing notable results.

Practical Implications : The study underscored the importance of institutional participation in IPO performance and provided valuable insights for investors, analysts, and policymakers. Understanding sector-specific trends and macroeconomic influences can enhance investment strategies and market forecasting.

Originality : This research contributed to the existing literature by offering a comprehensive assessment of IPO performance in India, particularly during and after a global crisis. It highlighted the sensitivity of IPO returns to external factors and methodological approaches, offering guidance for future investment decisions and policy frameworks.

Keywords : **initial public offer, primary market return, secondary market return, market adjusted excess return, qualified institutional buyers**

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An initial public offering (IPO) marks a crucial transition for a private company, enabling it to raise capital from public investors and enhance its market visibility (Bancel & Mittoo, 2009). IPOs offer companies access to substantial funding, improve their credibility, and provide early investors with an exit strategy. However, despite their significance, IPOs remain a complex and risky investment avenue, as noted by Ritter and Welch (2002). Investors may experience substantial first-day capital gains or losses, and long-term performance can vary widely. Entrepreneurs, investors, and policymakers must understand IPO pricing, performance, and associated risks. One of the key challenges of IPOs is pricing accuracy. IPOs frequently experience anomalies such as underpricing—where shares are priced below market expectations, leading to high first-day returns—and overpricing, which results in initial losses (Dimovski & Brooks, 2004). These issues stem from information asymmetry between investors and issuers, agency problems in the underwriting process, and market sentiment. Despite extensive research, there remains a lack of consensus on the determinants of IPO mispricing and its long-term effects on firm performance. Existing studies have examined IPO underpricing, overpricing, and short-term price performance extensively. However, gaps remain in understanding how agency conflicts, information asymmetry, and external market conditions collectively influence IPO pricing and long-term success. Furthermore, while research has focused on developed markets, emerging markets remain underexplored.

This study aims to analyze IPO pricing anomalies and the factors influencing their short-term and long-term performance. The research seeks to answer the following question: What are the primary determinants of IPO pricing anomalies, and how do they impact long-term stock performance? By addressing this, the study will contribute to the existing literature by providing a deeper understanding of the role of market conditions, investor behavior, and regulatory frameworks in IPO pricing dynamics. The findings will offer valuable insights for investors, policymakers, and firms considering public listings.

Literature Review

The literature review in this study comprised three sections: General Indian IPOs, short-term IPO performances, and long-term IPO performances. It provided a comprehensive overview of the historical, regulatory, and characteristic aspects of Indian IPOs. This review also explored the factors influencing immediate market reactions and the phenomenon of underpricing or overpricing. Additionally, it delves into the sustained market performance of IPOs beyond the initial listing period. This literature review forms the basis for the study's methodology, offering a concise framework aligned with the research objectives. The IPO literature has identified three major phenomena related to the market performance of IPOs. Ritter (1991) documented these three phenomena in his study as follows:

- The short-run underpricing phenomenon.
- The long-run underperformance phenomenon.
- The "hot issue" market phenomenon.

Short-Run Performance of IPOs

- **Pakistan IPO Market :** Positive abnormal returns are observed on a short-run basis. The average first-day return under normal conditions is 36.75%, while market-adjusted returns reach 95.60% during boom conditions (Agarwal et al., 2019; Sohail & Raheman, 2010).

- **Chinese IPOs (Chan et al., 2004) :** Significant underpricing was observed for A-class shares compared to B-class shares. The average first-day return for A-shares is 178%, while for B-shares is 11.6%.

↳ **Cross-Country Differences :** The short-run IPO market generally shows that investors outperform others, with the underpricing phenomenon observed in various countries.

Long-Run Performance of IPOs

Conflicting Results:

↳ Some studies have found marginal underperformance or no abnormal performance in the long run, supporting market efficiency hypotheses (Gompers & Lerner, 2003; Ibbotson, 1975; Jenkinson & Ljungqvist, 2001).

↳ Others report overperformance or no underperformance in the long run (Aggarwal et al., 2017; Bird & Yeung, 2010; da Silva Rosa et al., 2003; Thomadakis et al., 2012).

↳ Discrepancies in the findings often arise due to differences in methodologies and performance measures used (Abukari & Vijay, 2011; Ahmad-Zaluki et al., 2007; How, 2000).

The following section explores the global IPO market by investigating recent studies. Ahmad-Zaluki and Kect (2012) explored Malaysian IPOs in the Mesdaq market, uncovering significant short-term underpricing and long-term underperformance, particularly in the technology sector during hot issue periods. However, they investigated IPO underpricing in GCC countries between 2000 and 2013, revealing correlations with younger firms and extensive offers while highlighting differences between financial and non-financial sectors. Dhamija and Arora (2017) and Gupta and Arya (2020a) analyzed 399 Indian IPOs from 2005 to 2015, identifying a mean initial excess return of 22%, with 37% of IPOs yielding negative returns, and suggested reconsideration of mandatory IPO grading by SEBI.

Furthermore, Singh and Nayyar (2017) assessed valuation errors and initial price efficiency in 113 NSE-listed IPOs between 2009 and 2016, finding that deliberate discounting and mispricing resulted in 67 underpriced IPOs, 45 overpriced ones, and one trading at its offer price post-listing. In this line, Pandey and Pattanayak (2018) examined firm-specific and macroeconomic factors affecting IPO underpricing in India's National Stock Exchange (1999–2016), identifying issue price, firm age, inflation, market volatility, and economic activity as key determinants. Additionally, Hawaldar et al. (2018) analyzed the listing-day and post-listing performance of 464 Indian IPOs from 2001 to 2011, finding that book-built IPOs exhibited lower underpricing but negative long-term returns, while fixed-price IPOs turned profitable after 1.5 years.

Moreover, Arora and Singh (2017) studied 375 SME IPOs in India from 2012 to 2018, concluding that long-run overperformance was influenced positively by auditor and underwriter reputation and underpricing, while issue size and oversubscription had negative impacts. Furthermore, Singh and Anand (2020) examined 176 BSE SME IPOs between 2012 and 2017, revealing an average 8.66% positive listing-day return, with age, subscription, issue price, and market sentiment playing significant roles, supporting SEBI's efforts to reduce listing delays.

Singh et al. (2021) applied a neural network model to analyze 299 BSE-listed IPOs (2005–2018), finding that technical factors dominated short-term pricing while fundamental factors gained significance over time. Babu and Dsouza (2021) investigated 2018–2020 NSE-listed IPOs, reporting a 13.52% average first-day return, with oversubscription significantly impacting performance. In contrast, issue price, profit after tax, market returns, and promoter holdings were found to have no influence. Srivastava et al. (2022) studied 431 SME IPOs (2012–2020) on NSE EMERGE and BSE SME, identifying issue size, price, and listing delay as negative influences on oversubscription, while firm size and underpricing had positive effects. Biswas and Joshi (2023) analyzed the post-listing performance of Indian IPOs introduced in 2018, finding that speculation rather than fundamentals

drove market performance, with ownership structure having minimal impact. Kumar and Totla (2023) examined IPOs' impact on firms' financial health in India, revealing a post-IPO performance decline despite financial health improvements, while oversubscription and underpricing had no influence, but issue size, offer price, and promoter holdings negatively affected post-IPO performance.

Recent studies by Arora et al. (2024) highlighted retail investors' behavior in Indian IPOs, identifying goodwill, financial position, and IPO grade as key determinants of investment, while fear of loss and lack of knowledge discouraged participation. Siwach et al. (2024) analyzed 383 Indian SME IPOs (2012–2020), finding short-run overperformance but long-run underperformance over 36 months, influenced by issue size, oversubscription, profitability, and market conditions, offering valuable insights for investors and stakeholders.

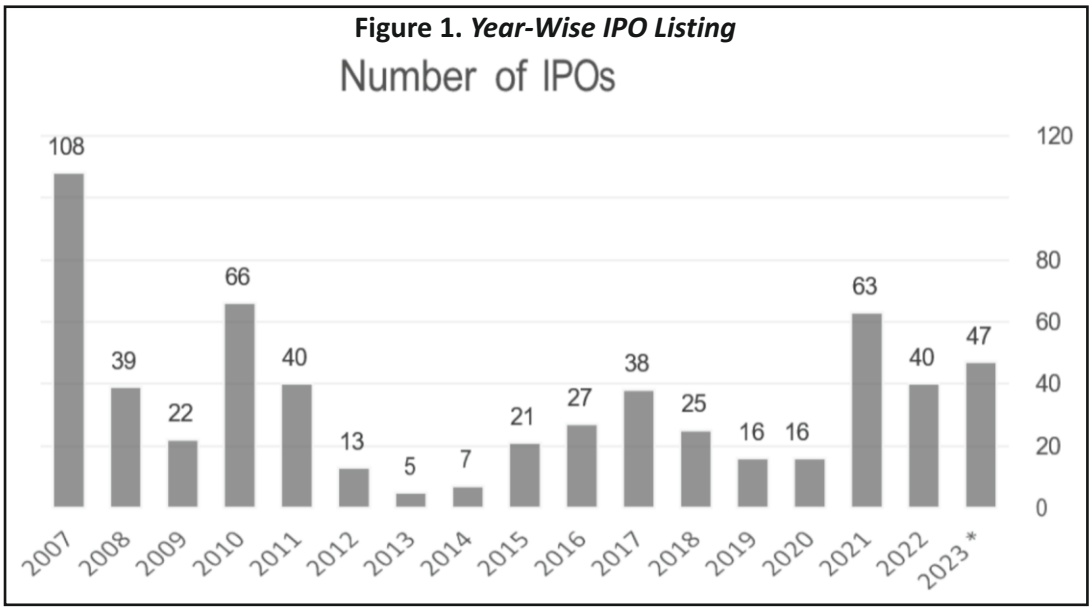
Overview of Indian IPOs

During the period from 2007 to 2023, major IPOs significantly influenced the dynamic environment of the Indian capital market, as referred to in Table 1. This is evident from the listing of 593 firms and the substantial amount of ₹ 530,509 crore raised. The market's resiliency and investor confidence are underscored by the remarkable success rate of 96.2%. The strong performance demonstrates a significant economic influence and fosters a favorable sentiment that incentivizes enterprises to seek financing through public markets. The limited number of unsuccessful IPOs provides an opportunity to examine the various elements that contribute to these difficulties comprehensively. This analysis can assist in enhancing risk management practices and refining regulatory measures. This academic investigation offers useful insights for policymakers, investors, and the market.

Table 1. ***Year-Wise NSE IPO Data***

Year	Number of IPOs	Amount Raised (₹ Cr)	Successful IPOs	Failed IPOs
2023	47	41,098	46	1
2022	40	59,939	40	0
2021	63	119,882	63	0
2020	16	26,628	15	1
2019	16	12,687	16	0
2018	25	31,731	24	1
2017	38	75,279	38	0
2016	27	26,501	26	1
2015	21	13,513	21	0
2014	7	1,201	5	2
2013	5	1,284	3	2
2012	13	6,834	11	2
2011	40	5,977	37	3
2010	66	36,362	64	2
2009	22	19,307	21	1
2008	39	18,340	36	3
2007	108	33,946	104	4
Total	593	530,509	570	23

Figure 1. ***Year-Wise IPO Listing***



IPO History of India

The frequency of IPOs exhibits annual variations, with a significant upsurge observed in 2021 in comparison to the preceding years, as shown in Figure 1. There are notable fluctuations in the quantity of funds raised, with 2021 standing out as a remarkable period in terms of the aggregate capital generated through IPOs.

The majority of IPOs in most years exhibit a notable level of success, as seen by their high success rates. There are relatively few instances of failure. The success rate of IPOs in 2017, 2015, and 2014 is notably remarkable, as all IPOs achieved success during these years. There was a discernible upward trend in the quantity of IPOs, and the amount of capital increased during the years 2020, 2021, and 2023. The number of IPOs anticipated for the year 2023 is nearly parity with the cumulative count observed in 2022, indicating the possibility for a healthy year in terms of IPO activity.

The Rationale of the Study

Previous studies on IPOs have highlighted a significant gap in analyzing short-term market performance. They typically focus on the first-day return while overlooking post-listing performance. Relying solely on first-day returns may not offer sufficient insights for several reasons. First, investors often have limited information about newly listed companies, making it challenging to draw meaningful conclusions from a single day's trading. Additionally, speculative trading on the initial day for quick profits leads to heightened volatility, requiring time for the market to stabilize.

To address these limitations, a more comprehensive approach is proposed, considering both the initial listing day return (PRIM) and subsequent postlisting return (SECON) to assess short-term market performance. Accordingly, Aggarwal and Conroy (2000), Barry and Jennings (1993), Bradley et al. (2009), Chang et al. (2008), Edwards and Hanley (2010), and Schultz and Zaman (1994) used opening price performance, which includes primary (offer-to-open) and secondary (open-to-close) market returns (Aggarwal & Agarwal, 2016). Despite prior research analyzing short-term performance using PRIM and SECON, Indian IPO studies have yet to analyze these components comprehensively. This approach is particularly crucial due to the notable variability in opening and closing prices on the first listing day in India, signaling uncertainty in short-term IPO performance.

Moreover, multiple regression models (Gupta & Arya, 2020b; Nigam et al., 2022) and binary regression models are essential for identifying determinants of short-term underpricing and long-term underperformance. While multiple regression models are adept at identifying determinants, binary regression models excel in estimating the marginal probabilities associated with determinants, which are crucial for IPO investors navigating uncertainty in the market.

Objectives of the Study

- The study of the IPO process in NSEs involves a comprehensive examination of the IPO process, covering aspects such as regulatory requirements, documentation, valuation methods, and the roles of stakeholders such as companies, underwriters, and regulatory authorities.
- Analysis of Sectorwide IPO Performance Pre-, During-, and Post-COVID-19: This objective entails evaluating the performance of IPOs across sectors, considering short-term and long-term trends, particularly focusing on the impact of COVID-19 on IPO performance.
- Analysis of Listing Day Performance: This objective aims to understand the listing day performance of different types of IPOs in India, especially book-built IPOs, to uncover potential insights into the impact of pricing mechanisms on IPO performance.
- Evaluation of Aftermarket Performance of IPOs in India: Beyond the listing day, this objective involves tracking the performance of IPOs in the aftermarket, including stock prices, trading volumes, and market sentiment in the weeks and months following the listing.
- Impact Analysis of Various Factors on IPO Returns: Utilizing regression analysis, this objective investigates the influence of factors such as company age, IPO size, ownership sector, promoter holdings, and oversubscription on abnormal and normal IPO returns. This analysis aims to identify significant factors affecting IPO performance and their effects.

Research Methodology

This study evaluates the short-term market performance by analyzing first-listing day returns, PRIM and SECON and postlisting returns. Previous studies predominantly focused on total first-day returns, but this study considers primary (offer-to-open) and secondary (open-to-close) returns for a clearer understanding of short-run underpricing beneficiaries (Aggarwal & Conroy, 2000; Barry & Jennings, 1993; Bradley et al., 2009; Chang et al., 2008; Schultz & Zaman, 1994). Postlisting returns are assessed for up to nine trading days.

Due to time gaps between IPO offers and listing days in the imperfect Indian capital market, initial returns are adjusted to mitigate market change effects. Market-adjusted excess return (MAER) is calculated by subtracting market returns from raw returns and identifying underpricing (positive abnormal returns), fair pricing (zero abnormal returns), or overpricing (negative abnormal returns). The MAER is calculated as follows:

$$MAERi = \frac{(CPi - OPi)}{OPi} - \frac{(M1 - M0)}{M0} \times 100$$

$MAERi$ = Market adjusted excess return of firm i,
CP = Closing price on the first day of trading for firm i,
OP = Offer price of the IPO of firm i,

M1 = Market index on the first day of IPO trading,
M0 = Market Index on the day of the IPO offer,
Abnormal Return = Raw Return − Market Return

A positive abnormal return indicates underpricing of the IPO. A zero abnormal return suggests that the IPO is fairly priced. A negative abnormal return implies that the IPO is overpriced. Regression analysis is employed to assess factors such as company age, IPO issue size, ownership sector, and promoter holdings' impact on abnormal and normal returns during selected IPOs' 1st, 30th, and 90th days. Hypotheses are tested to determine significant relationships between returns and independent variables, incorporating various models for different periods.

Regression Equations

Equation 1

First-Day Primary Market Return (PRIM) : $PRIM = \beta0 + \beta1(IPO\ Period) + \beta2(Issue\ Size) + \beta3(Lot\ Size) + \beta4(Share\ Holder\ Holdings\ Pre\text{-}Issue) + \beta5(Over\ Subscription) + \beta6(Age)$

Equation 2

Total Returns : $Total\ Returns = \beta0 + \beta1(IPO\ Period) + \beta2(Issue\ Size) + \beta3(Lot\ Size) + \beta4(Share\ Holder\ Holdings\ Pre\text{-}Issue) + \beta5(Over\ Subscription) + \beta6(Age)$

Equation 3

1-Month Return : $1M\ Return = \beta0 + \beta1(Issue\ Size) + \beta2(QIB) + \beta3(NII) + \beta4(Retail) + \beta5(Over\ Subscription) + \beta6(Share\ Holder\ Holdings\ Pre\text{-}Issue) + \beta7(Age)$

Equation 4

3-Month Return : $3M\ Return = \beta0 + \beta1(Issue\ Size) + \beta2(QIB) + \beta3(NII) + \beta4(Retail) + \beta5(Over\ Subscription) + \beta6(Share\ Holder\ Holdings\ Pre\text{-}Issue) + \beta7(Age)$

Equation 5

9-Month Return : $9M\ Return = \beta0 + \beta1(Issue\ Size) + \beta2(QIB) + \beta3(NII) + \beta4(Retail) + \beta5(Over\ Subscription) + \beta6(Share\ Holder\ Holdings\ Pre\text{-}Issue) + \beta7(Age)$

Data, Sample, and Time-Period

This study focuses on Indian IPOs listed on the NSE from January 2019 to December 2022 by analyzing 138 mainstream companies across various sectors. In this study, all the IPO data were individually collected from the NSE website. The analysis reveals diverse companies entering the market, including the technology, healthcare, finance, and consumer goods sectors, as shown in Table 2. In 2019, notable listings included IRCTC Limited in Travel and Tourism and IndiaMART InterMESH, an online B2B marketplace. Despite the global pandemic in 2020, technology companies such as Happiest Minds Technologies and Route Mobile had successful IPOs. In 2021, there was a surge in IPOs across diverse sectors, with Nazara Technologies in gaming and Barbeque Nation

Table 2. ***Year-Wise NSE IPO Data***

Sector	Count
Finance	12
IT - Software	11
Chemicals	10
Auto Ancillaries	8
Banks	7
Miscellaneous	6
Pharmaceuticals	6
E-Commerce/App based Aggregator	6
Healthcare	6
Quick Service Restaurant	4
Retail	4
Engineering	4
FMCG	3
Electronics	3
Construction	3
Steel	3
Consumer Durables	3
Agro Chemicals	3
Leather	2
Insurance	2
Trading	2
Construction	2
Cement	1
Railways	1
Plastic products	1
IT - Hardware	1
Diamonds, Gems, and Jewelry	1
Ceramic Products	1
Alcoholic Beverages	1
Infrastructure Developers & Operators	1
Cables	1
Ship Building	1
Fertilizers	1
Stock/Commodity Brokers	1

Source : NSE.

in casual dining among notable listings. In 2022, the trend continued with Adani Wilmar in food processing and Vedant Fashion in the fashion industry launching their IPOs. This analysis underscores the resilience and diversity of the Indian IPO market despite external challenges.

Data Analysis and Results

Short-Term and Long-Term Analyses

Insights gleaned from the analysis underscore PRIM's higher returns alongside heightened risk and volatility compared to SECON. Recent monthly returns are negative, but longer-term trends demonstrate positive performance. Moreover, the data's nonnormal distribution and volatility suggest potential outliers and returns variability over different periods, as highlighted in Table 3.

The analysis of NSE mainboard IPOs from 2019 to 2022 provides valuable insights into the performance of these offerings across different time frames. Notably, the positive primary returns of 68.46% highlight a general optimism in the market during this period, encompassing both pre-COVID-19 and COVID-19 IPOs. However, the first-day gains after listing reveal a slightly lower positive outcome, with only 55% showing a gain and 45% falling within the 1% to 10% return range. This discrepancy may indicate that while a majority of IPOs exhibit positive long-term potential, the immediate market response varies. In the context of the objective, we can see that out of the 129 IPOs studied, 97 were underpriced, with 25 giving more than 50% returns. These are represented in Table 4.

Table 3. ***Descriptive Analysis of IPOs***

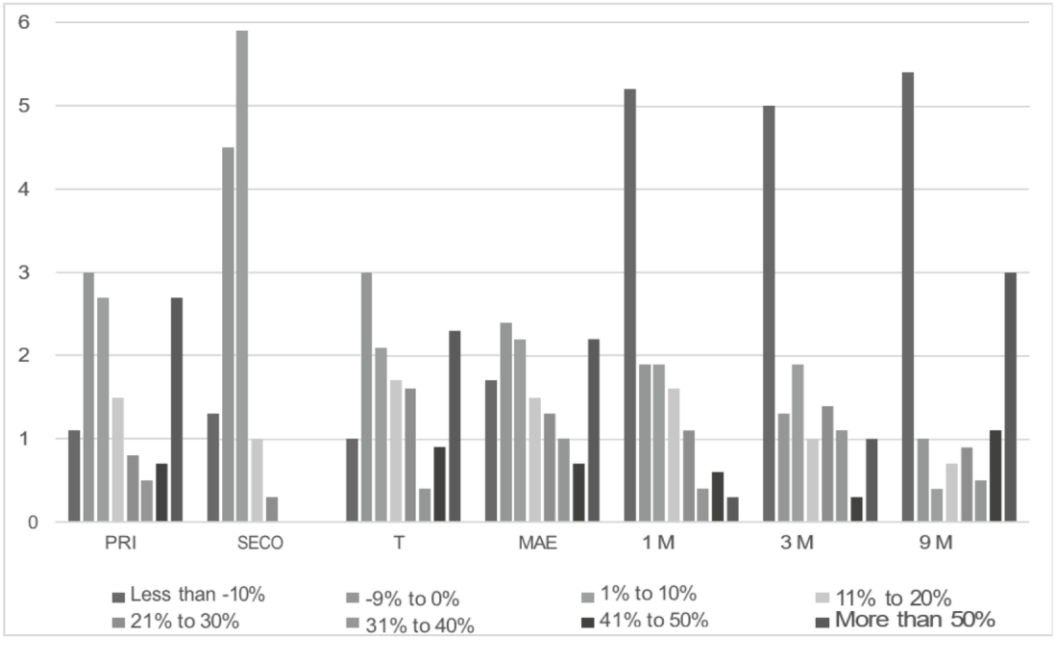
Description	*PRIM*	*SECON*	*Total Return*	*MAER*	*Return 1 M*	*Return 3 M*	*Return 9 M*
Mean	24.08%	1.28%	25.35%	25.06%	–2.93%	1.15%	18.85%
Standard Error	0.0359	0.008288	0.036695	0.036796	0.029738	0.034348	0.061476
Median	0.085985	0.006959	0.131759	0.133927	–0.0351	0.014228	0.056792
Standard Deviation	0.409318	0.094501	0.418389	0.419541	0.339064	0.391626	0.700936
Sample Variance	0.167541	0.00893	0.17505	0.176015	0.114964	0.153371	0.491311
Kurtosis	5.858334	0.343205	4.336819	4.45633	8.588703	1.115505	4.139677
Skewness	2.099958	0.119087	1.922682	1.930638	1.205403	0.401406	1.61936
Range	2.562442	0.491808	2.400402	2.371902	2.876508	2.320387	4.324354
Minimum	–0.23729	–0.20861	–0.27249	–0.21569	–0.93382	–0.94328	–0.94734
Maximum	2.325153	0.2832	2.127914	2.156214	1.942685	1.377109	3.377016
Sum	31.3081	1.667442	32.95195	32.57705	–3.8061	1.497124	24.49899
Count	130	130	130	130	130	130	130

Table 4. ***Frequency Distribution***

Returns		Less than –10%	–9% to 0%	1% to 10%	11% to 20%	21% to 30%	31% to 40%	41% to 50%	More than 50%
PRIM	Frequency	11	30	27	15	8	5	7	27
	Percentage	8.46%	23.08%	20.77%	11.54%	6.15%	3.85%	5.38%	20.77%
SECON	Frequency	13	45	59	10	3	0	0	0
	Percentage	10.00%	34.62%	45.38%	7.69%	2.31%	0.00%	0.00%	0.00%
TR	Frequency	10	30	21	17	16	4	9	23
	Percentage	7.69%	23.08%	16.15%	13.08%	12.31%	3.08%	6.92%	17.69%
MAER	Frequency	17	24	22	15	13	10	7	22
	Percentage	13.08%	18.46%	16.92%	11.54%	10.00%	7.69%	5.38%	16.92%

1 M Return	Frequency	52	19	19	16	11	4	6	3
	Percentage	40.00%	14.62%	14.62%	12.31%	8.46%	3.08%	4.62%	2.31%
3 M Return	Frequency	50	13	19	10	14	11	3	10
	Percentage	38.46%	10.00%	14.62%	7.69%	10.77%	8.46%	2.31%	7.69%
9 M Return	Frequency	54	10	4	7	9	5	11	30
	Percentage	41.54%	7.69%	3.08%	5.38%	6.92%	3.85%	8.46%	23.08%

Figure 2. ***Frequency Distribution for Total Return***



Examining the MAER, which considers market returns on the first day, reinforces the positive trend observed in primary returns, with 68.46% of IPOs demonstrating gains. This metric provides a more comprehensive view of IPO performance by accounting for market conditions at the time of listing, as shown in Figure 2.

Analyzing the longer-term returns, the average one-month return of –2.93% suggests a decrease in performance shortly after listing. A significant portion, 54.5%, shows a negative one-month return, with 40% experiencing more than a 10% decline. However, the three-month average return of 1.15% indicates a stabilization of prices over time. Over half of the listings (51.54%) exhibit positive returns, with 10.77% falling within the 21% to 30% return range. The nine-month period reflects an average return of 18.85%, showcasing the potential for substantial gains over a longer period. Notably, 23% of stocks achieve returns exceeding 50%, emphasizing the possibility of lucrative long-term investments. On the downside, 41.54% of stocks exhibit returns less than –10%, illustrating the presence of extremes in both positive and negative outcomes.

Sector Analysis

The finance sector has 12 IPOs with distinct characteristics in terms of primary (PRIM), secondary (SECON), and market-adjusted effective returns (MAERs). This sector's PRIM, SECON, and MAER values are lower than the average IPO figures, highlighting a pattern worth investigating. Despite weak initial and secondary market

Table 5. ***Sector-Wise Average Total Returns***

Sector	Count	*PRIM*	*SECON*	*TR*	*MAER*	*1 M Return*	*3 M Return*	*9 M Return*
Finance	12	–0.49%	–4.48%	–5.30%	–4.46%	2.66%*	11.01%*	31.76%*
IT - Software	11	48.34%*	–3.13%	42.23%*	43.25%*	–7.20%	–6.24%	19.88%*
Chemicals	10	43.57%*	1.72%*	43.99%*	43.12%*	15.39%*	19.43%*	37.31%*
Auto Ancillaries	8	9.69%	3.63%*	13.43%	14.40%	6.29%*	11.62%*	23.61%*
Banks	7	11.96%	1.01%	13.07%	12.85%	–13.97%	–18.51%	–16.47%
Miscellaneous	6	11.00%	7.93%*	17.77%	18.27%	–16.85%	–5.97%	8.99%
Pharmaceuticals	6	58.09%*	–1.87%	53.69%*	51.36%*	–18.76%	–15.38%	–15.43%
E-Commerce/App Aggregator	6	32.04%*	2.85%*	38.37%*	39.11%*	–14.08%	–6.38%	5.04%
Healthcare	6	8.62%	0.66%	9.50%	9.45%	1.10%*	9.64%*	28.52%*
Quick Service Restaurant	4	39.11%*	5.29%*	47.21%*	47.23%*	15.83%*	34.59%*	38.89%*
Retail	4	21.28%	–0.28%	20.83%	18.24%	8.49%*	–0.86%	20.79%*
Engineering	4	77.22%*	1.90%*	81.59%*	80.60%*	–6.95%	–5.11%	7.47%
Entire IPO	**136**	**24.08%**	**1.28%**	**25.35%**	**25.06%**	**–2.93%**	**1.15%**	**18.85%**

Note. * denotes significant values in Table 5.

performance, the finance sector saw a significant nine-month return of 31.76%, well above the overall IPO average of 18.85%, suggesting a market recovery or improved sentiment. These are referred to in Table 5.

The engineering sector shows strong performance in PRIM, SECON, and MAER, surpassing overall IPO averages and demonstrating its strength in both initial and secondary markets. Conversely, the pharmaceutical sector faces challenges, reflected in negative short-term and market-adjusted returns, likely due to sector-specific challenges or broader market sentiments. The IT-Software sector experienced a strong initial market response (PRIM of 48.34%), but its SECON and MAER are lower than average, indicating difficulty maintaining momentum post-listing. A nine-month return of 19.88% suggests moderate long-term stability. In contrast, the chemical sector outperforms, with PRIM, SECON, and MAER values exceeding overall averages and a robust nine-month return of 37.31%, indicating sustained positive investor sentiment. The auto ancillary sector also shows positive initial and secondary market reactions, with a nine-month return of 23.61%, suggesting resilience and potential for long-term gains. In contrast, the Banks sector struggles, with PRIM and SECON below averages and a negative nine-month return of –16.47%, highlighting possible sectoral challenges.

The miscellaneous sector displays mixed outcomes, with strong initial market responses but divergent long-term returns, including a positive nine-month return of 8.99%. This underlines the need to evaluate both short-term and long-term IPO performance. The pharmaceutical sector, having launched six IPOs, demonstrates strong short-term PRIM returns (58.09%) but consistently negative long-term returns, raising concerns about sustainability. The e-commerce/app aggregator sector also shows positive short-term gains, but its nine-month return of 5.04% indicates modest long-term performance, underscoring the need to consider market dynamics beyond initial listings.

The healthcare sector's moderate initial response contrasts with a positive nine-month return of 28.52%, highlighting the potential for long-term growth. The quick-service restaurant sector outperforms in both short-term and long-term returns, with a nine-month return of 38.89%, significantly contributing to its success in the IPO market. Similarly, the retail sector shows strong initial and secondary market reactions, with a solid nine-month return of 20.79%, further bolstering the IPO market's success. The engineering sector continues to

show high profitability and marketability, with a PRIM return rate of 77.22%. However, long-term returns remain a challenge, raising concerns about the sector's ability to sustain initial gains over time.

Yearly Analysis (COVID and Non-COVID)

↳ **Pre-COVID-19 (2019) :** In 2019, comprising 16 data points, both PRIM and SECON exhibited positive returns of 15.57% and 2.93%, respectively. The total return (TR) and MAER showed robust performances of 19.59% and 19.05%, respectively. However, the one-month return reflects a substantial decline of –13.52%, suggesting a short-term downturn. The three-month and nine-month returns also displayed negative trends, indicating a challenging period leading up to the global pandemic.

↳ **COVID-19 (2020) :** The year 2020, marked by the COVID-19 pandemic, witnessed considerable market volatility. PRIM demonstrated a substantial return of 44.75%, indicating resilience or recovery after the initial market shock. SECON and total returns also show positive returns of 2.02% and 47.24%, respectively. The monthly and three-month returns rebounded significantly, showing a swift recovery. Notably, the nine-month return skyrocketed at 101.15%, indicating a strong market rebound during this period.

In the post-COVID period, from 2021 to 2022, the financial categories displayed positive returns. PRIM and SECON maintained positive mean returns of 31.52% and 1.04%, respectively, in 2021. The subsequent year, 2022, showed a further positive trajectory, with returns for PRIM and SECON of 9.37% and 0.60%, respectively. Total return and MAER also remained positive during these years. However, a notable negative trend in one-month returns in 2022 indicated short-term challenges, as referred to in Table 6.

Table 6. ***Year-Wise Average Total Returns***

Year	Count	*PRIM*	*SECON*	*TR*	*MAER*	*1 M Return*	*3 M Return*	*9 M Return*
2019	16	15.57%	2.93%	19.59%	19.05%	–13.52%	–19.25%	–0.93%
2020	13	44.75%	2.02%	47.24%	46.61%	2.80%	15.05%	101.15%
2021	62	31.52%	1.04%	32.13%	31.62%	–6.47%	–1.47%	0.09%
2022	38	9.37%	0.60%	10.00%	10.26%	5.97%	9.21%	29.54%

Regression Analysis

The regression analysis of PRIM indicated a strong positive linear relationship with a multiple *R* of 0.74, explaining 55% of the variability in the dependent variable (*R*-squared = 0.55). The adjusted *R*-square, considering the number of predictors, is 0.53. The standard error is 0.28, reflecting the model's accuracy. The total variable has a highly significant positive impact on subscriptions (coefficient = 0.0046, *t*-statistic = 11.44, *p*-value < 0.05), while the other predictors exhibit weaker relationships with subscription behavior, as evidenced by the nonsignificant *t*-statistics and *p*-values. These are highlighted in Table 7.

The regression model of total returns exhibited a strong positive linear relationship with a multiple *R* of 0.72, explaining 52% of the variability in the dependent variable (*R*-squared = 0.52). The adjusted *R*-square is 0.50. The standard error is 0.30, indicating the model's accuracy, as shown in Table 8. The total variable has a highly significant positive impact on subscriptions (coefficient = 0.0045, *t*-statistic = 10.71, *p-value* < 0.05), while the other predictors show weaker relationships with subscription behavior.

The regression model of one-month returns demonstrated a weaker relationship with a multiple *R* of 0.36,

Table 7. ***Regression Analysis of PRIM***

Regression Statistics				
Multiple *R*	0.744886			
R-square	0.554855			
Adjusted *R*-square	0.532411			
Standard Error	0.282611			
Observations	126			
	Coefficients	**Standard Error**	***t*-stat**	***p*-value**
Intercept	–0.12501	0.125457	–0.99643	0.321064
Days to Subscribe	0.018323	0.022471	0.815379	0.416485
Issue Size (₹ Cr.)	–1.2E–05	9.5E–06	–1.26668	0.207742
Lot Size	–0.00026	0.000247	–1.05589	0.293158
Total	0.004573	0.0004	11.43774	**0.000034**
Share Holding Pre-Issue	0.224741	0.125258	1.794218	0.075318
Age of firm	–0.00211	0.001395	–1.50968	0.133775

Note. The significant *p*-value < 0.05 is highlighted in bold.

Table 8. ***Regression Analysis of Total Returns***

Regression Statistics				
Multiple *R*		0.723197		
R-square		0.523014		
Adjusted *R*-square		0.498964		
Standard Error		0.298446		
Observations		126		
	Coefficients	**Standard Error**	***t*-stat**	***p*-value**
Intercept	–0.09631	0.132486	–0.72692	0.468704
Days to Subscribe	0.019567	0.02373	0.824554	0.411275
Issue Size (₹ Cr.)	–1.2E–05	1E–05	–1.20704	0.229811
Lot Size	–0.00021	0.000261	–0.79656	0.427292
Total	0.00452	0.000422	10.70545	**0.000038**
Share Holding Pre-Issue	0.210249	0.132277	1.589464	0.114609
Age of firm	–0.00254	0.001474	–1.72135	0.087786

Note. The significant *p*-value < 0.05 is highlighted in bold.

explaining 13% of the variability in the dependent variable (*R* squared = 0.13). The adjusted *R* square is 0.08. The standard error is 0.33, reflecting the model's accuracy. Among the predictors, only QIB, NII, and retail show significant positive impacts on returns, while the total variable exhibits a significant negative impact (refer to Table 9).

The regression model of three-month returns shows a moderate positive linear relationship with a multiple *R* of 0.44, explaining 19% of the variability in the dependent variable (*R* squared = 0.19). The adjusted *R* square is 0.15. The standard error is 0.0036, indicating the model's accuracy highlighted in Table 10. Significant positive impacts are observed for the QIB, NII, and retail variables, while the total variable exhibits a significant negative impact.

Table 9. ***Regression of One-Month Returns***

Regression Statistics				
Multiple *R*		0.361477		
R-square		0.130666		
Adjusted *R*-square		0.079095		
Standard Error		0.328354		
Observations		126		
	Coefficients	**Standard Error**	***t*-stat**	***p*-value**
Intercept	–0.00083	0.126043	–0.00657	0.994766
Issue Size (₹ Cr.)	–5.4E–06	1.1E–05	–0.49014	0.624942
QIB	0.002765	0.001221	2.265116	**0.02533**
NII	0.002631	0.000839	3.134644	**0.002171**
Retail	0.005532	0.002053	2.694216	**0.008085**
Total	–0.01178	0.003403	–3.46259	**0.000746**
Share Holding Pre-Issue	0.1135	0.143157	0.792831	0.429468
Age of firm	–0.0025	0.001658	–1.51097	0.13347

Table 10. ***Regression of Three-Month Returns***

Regression Statistics				
Multiple *R*				0.439337
R-square				0.193017
Adjusted *R*-square				0.145145
Standard Error				0.363803
Observations				126
	Coefficients	**Standard Error**	***t*-stat**	***p*-value**
Intercept	0.180015	0.139651	1.289034	0.199908
Issue Size (₹ Cr.)	–1E–05	1.22E–05	–0.85002	0.397034
QIB	0.004358	0.001352	3.222253	**0.001644**
NII	0.003499	0.00093	3.762521	**0.000263**
Retail	0.008653	0.002275	3.803503	**0.000228**
Total	–0.01641	0.00377	–4.35323	**0.000028**
Share Holding Pre-Issue	–0.00268	0.158613	–0.01687	0.986569
Age of firm	–0.00437	0.001837	–2.37796	**0.019015**

Note. The significant values are highlighted in bold.

The regression model of nine-month returns indicates a modest positive linear relationship with a multiple *R* of 0.28, explaining 8% of the variability in the dependent variable (*R* squared = 0.08). The adjusted *R* squared is 0.03. The standard error is 0.69, reflecting the model's accuracy (refer to Table 11). Significant positive impacts are observed for the QIB, retail, and total variables, while the total variable exhibits a significant negative impact.

Table 11. ***Regression of Nine-Month Returns***

Regression Statistics				
Multiple *R*				0.282665
R-square				0.079899
Adjusted *R*-square				0.025317
Standard Error				0.693751
Observations				126
	Coefficients	**Standard Error**	***t*-stat**	***p*-value**
Intercept	0.314844	0.266307	1.182262	0.239479
Issue Size (₹ Cr.)	–2.6E–05	2.33E–05	–1.11169	0.268531
QIB	0.00522	0.002579	2.023988	**0.04523**
NII	0.002708	0.001773	1.527157	0.129398
Retail	0.010349	0.004338	2.385546	**0.018646**
Total	–0.0152	0.00719	–2.11396	**0.036624**
Share Holding Pre-Issue	0.01274	0.302465	0.04212	0.966475
Age of firm	–0.00353	0.003502	–1.00837	0.315341

Note. The significant values are highlighted in bold.

Conclusion

Examining total and monthly returns reveals insights into financial category performance and risk. A mean total return of 25.35% with low standard error, suggests consistent performance. However, the high standard deviation and range indicate volatility. Monthly returns show a recent negative trend over one month but positive trends over three and nine months, highlighting variable performance periods. Compared to SECON, PRIM offers higher mean returns but with more risk and volatility. PRIM's right-skewed return distribution suggests outliers or high returns, while SECON shows a more balanced performance. The significant range of returns emphasizes the need for effective risk management. Deviations from normal distribution further stress the importance of a nuanced risk assessment. In the finance sector, PRIM, SECON, and MAER show below-average values in initial and secondary markets, with a notable nine-month return of 31.76%, signaling potential recovery. Engineering performs well, while the pharmaceutical industry struggles. IT software shows strong initial performance but weak secondary results. Chemicals and auto ancillaries perform well, while banks and pharmaceuticals face challenges. The e-commerce/app aggregators and healthcare sectors show modest to favorable returns, while the quick-service restaurants and retail sectors excel in profitability. Financial resilience analysis shows positive returns in 2019, with declines before the COVID-19 pandemic. The 2020 crisis led to instability, but PRIM showed resilience with a 44.75% gain, while SECON and total returns recovered quickly. Post-COVID, PRIM and SECON maintained positive returns. Regression analysis indicates that the total variable significantly affects subscriptions, with institutional engagement positively impacting and larger cumulative sums having a negative effect. These findings provide valuable insights for strategic financial decisions.

Managerial Implications

The findings of this study offer valuable insights for various market participants, including investors, regulators, and issuing companies. Understanding the factors influencing IPO performance—such as company age, issue

size, ownership structure, and promoter holdings—can help investors make informed decisions about IPO investments. The research highlights that first-day returns do not always reflect long-term stock performance, emphasizing the importance of evaluating aftermarket trends, including trading volumes and market sentiment. For regulators, the study underscores the need for continuous monitoring of IPO valuation methods and market volatility, ensuring a balanced approach to investor protection and market efficiency. Issuing firms and underwriters can leverage these insights to optimize pricing strategies, improve investor confidence, and reduce excessive volatility post-listing.

Additionally, sector-specific variations in IPO performance suggest that industry dynamics play a crucial role in long-term stock behavior. Companies from sectors like finance, IT, healthcare, and retail should align their IPO strategies with prevailing market conditions to maximize investor interest and sustainable growth. Overall, this research provides a strategic framework for decision-makers in the IPO ecosystem, helping them navigate the complexities of public offerings in the Indian stock market.

Limitations of the Study and Scope for Future Research

This study investigated market performance over nine months following the IPO. This time frame may not be sufficient for accurately assessing the profits and losses of companies that have recently gone public. Furthermore, the study revealed a lack of consistency in long-term performance between the initial two years and the third year. Nevertheless, it was impossible to prolong the post-IPO period beyond three years due to issues related to data availability and the sample size. In addition, the nine-month timeframe is the standard duration used for long-term study and aligns with past research on long-term market performance (Ahmad-Zaluki et al., 2007; How, 2000; Lee et al., 1996; Ritter, 1991). This study quantified the gains in the secondary market on the initial day by analyzing the opening and closing prices. Nevertheless, some studies have computed this yield by considering transactions occurring at various time intervals throughout the initial day of trading (Aggarwal & Conroy, 2000; Barry & Jennings, 1993; Bradley et al., 2009; Edwards & Hanley, 2010; Schultz & Zaman, 1994).

Future research on IPO performance could extend beyond nine months to capture long-term trends, exploring inconsistencies between early and later years. Studies could analyze industry-specific factors, macroeconomic influences, and firm strategies affecting performance. Refining methodologies using real-time trading data and investor sentiment could enhance accuracy. Comparative studies across stock exchanges and regulatory environments would offer deeper insights into governance, disclosures, and market conditions impacting IPO success.

Authors' Contribution

- **Anshika Agarwal** (Writing: Original draft; Conceptualization; Methodology; Investigation; and Formal analysis).
- **Purushottam Kumar Arya** (Writing: Original draft, reviewing, and editing; Conceptualization; Investigation; Visualization; and Supervision).
- **Harshal Patil** (Writing: Original draft; Conceptualization; Methodology; Investigation; and Formal analysis).
- **Vishal Kumar Laheri** (Writing: Original draft; Conceptualization; Investigation; and Methodology).

Conflict of Interest

The authors certify that they have no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in this manuscript.

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