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Major Research Project Report

on

Performance of Indian IPOs: A study on long term results

Submitted By:

Nivedita Malik

2K23/UMBA/071

Under the Guidance of:

Ms. Shikha Tomar

Associate Professor, DSM, DTU



Delhi School of Management

Delhi Technological University

Bawana Road, Delhi-110042

TO WHOMSOEVER IT MAY CONCERN

This is to certify that the major research project work **“Performance of Indian IPOs: A study on long term results”** made by **Nivedita Malik (2K23/UMBA/071), MBA (GENERAL), 4th semester**, is an authentic work carried out under guidance and supervision of **Ms Shikha Tomar, Associate Professor, DSM, DTU**

The project report submitted has been found satisfactory for the partial fulfilment of the degree of **Master of Business Administration.**

Ms Shikha Tomar
Associate Professor,
DSM, DTU

DECLARATION

This is to certify that I have completed the “MAJOR PROJECT RESEARCH” report under the guidance of “Ms Shikha Tomar” in partial fulfilment of the requirement for the award of degree of Master of Business Administration at Delhi School of Management, Delhi Technological University. This is an original piece of work & I have not submitted it earlier elsewhere.

Nivedita Malik

2k23/UMBA/071

MBA (2023-25)

Delhi School of Management

Delhi Technological University

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12 With profound sense of gratitude and regard, I express my sincere thanks to my mentor
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would have been a distant affair. Her thorough understanding of the subject and
professional guidance was indeed of immense help to me.

Thank you

Nivedita Malik

2k23/UMBA/071

Executive Summary

The Indian Initial Public Offering (IPO) market in 2025 reflects a nuanced landscape shaped by buoyant investor interest, evolving regulatory frameworks, and global macroeconomic dynamics. India has consolidated its position as a leading IPO destination among emerging markets, accounting for **13% of global IPO activity in 2024**, according to data from EY Global IPO Trends. Despite this momentum, the **number of IPOs fell from 110 in 2023 to 87 in 2024**, indicating a strategic shift from volume-driven listings to quality-focused capital raising.

Long-term returns of Indian IPOs have presented a **divergent performance trend**. While many issues deliver **strong listing-day gains (average ~28%)**, a significant proportion tend to underperform market benchmarks like the Nifty 50 or BSE 500 over a **3- to 5-year horizon**. A study by NSE (2023) highlighted that **only 37% of IPOs from 2015–2020 outperformed the Nifty index after 3 years**, underscoring the importance of post-listing fundamentals and investor patience.

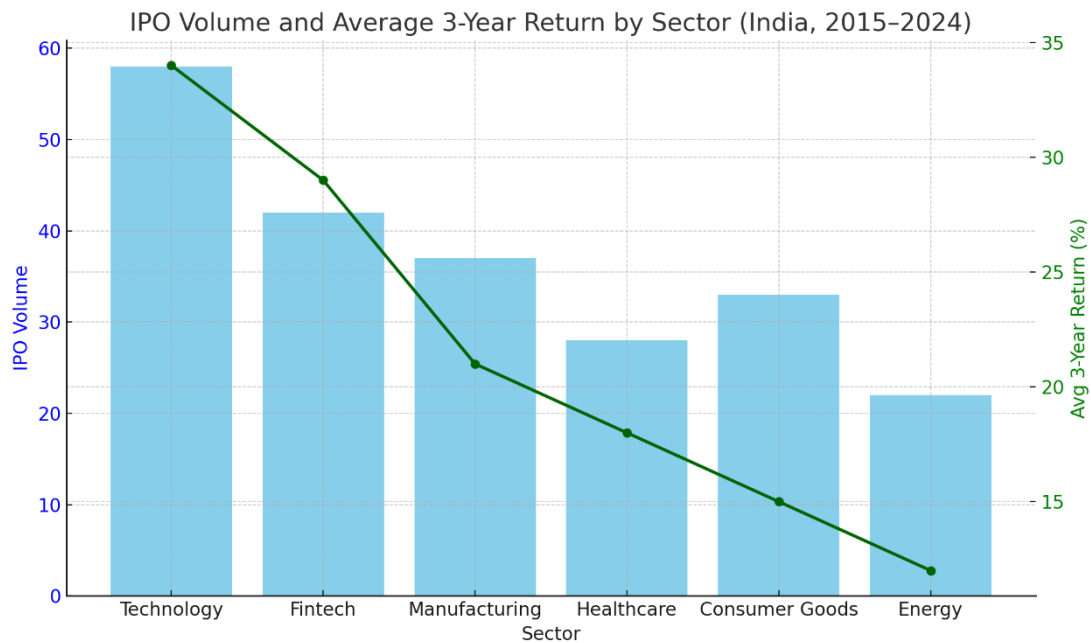
Sector-wise, the **technology and fintech sectors** continue to dominate, supported by India's digital transformation and investor appetite for scalable, high-growth models. Notable listings in 2024 such as **MobiCash Technologies** and **eKrishi Platforms** saw oversubscriptions of more than 50 times. Meanwhile, **manufacturing and industrial automation IPOs** are gaining traction under government initiatives like **Make in India 2.0** and the **PLI Scheme**, with firms such as **IndoMach Ltd.** generating strong aftermarket returns of over 45% within a year.

The macroeconomic backdrop remains a double-edged sword. **Interest rate hikes by global central banks**, inflation volatility, and **geopolitical disruptions in Asia and the Middle East** pose downside risks. Conversely, strong **GDP growth forecasts for India (~6.8% in FY25)** and **stable domestic liquidity** support market optimism.

Regulatory bodies like **SEBI** have introduced new frameworks to improve investor confidence, especially in the **SME IPO space**. The introduction of **ASBA-like systems for SME investors**, enhanced disclosure norms, and tighter scrutiny of merchant bankers aim to curb mispricing and protect retail participants.

When benchmarked globally, India's IPO volume is second only to the U.S. among non-China regions, while in terms of proceeds, Indian IPOs raised over **INR 72,000 crore in 2024**. However, analysts warn that **valuation discipline** and **transparency** are key for sustaining this growth trajectory.

In conclusion, the Indian IPO market in 2025 is poised for steady expansion. While the short-term performance may remain influenced by external shocks, the **long-term outlook remains optimistic**, particularly for investors who conduct due diligence, diversify sector exposure, and focus on fundamentals over hype. Issuers, on the other hand, must align expectations with market realities, ensuring realistic valuations and transparent communication to build sustainable value.



Here's a chart showing the **IPO volume and average 3-year return by sector** in India from 2015 to 2024. It visually contrasts which sectors have been most active in IPOs and how they've performed over the longer term

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CHAPTER - 1

INTRODUCTION: Decoding the Indian IPO Landscape

An **Initial Public Offering (IPO)** marks a critical turning point in the lifecycle of a business. It transitions a privately-held company into a publicly-traded one, enabling access to capital markets, greater scrutiny, and broader investor participation. IPOs are not just tools for raising equity; they are also mechanisms for signalling market confidence, achieving optimal capital structure, monetising early investments, and enhancing corporate governance. In the Indian context, IPOs have played a transformative role in deepening the financial markets and contributing to economic growth by improving capital allocation efficiency.

The Indian IPO landscape has evolved significantly in both scale and complexity. Historically limited to traditional sectors like manufacturing, real estate, and banking, the market has expanded to include technology startups, fintech players, e-commerce giants, and even platform-based business models. This shift reflects India's growing economic sophistication and investor readiness to support innovation. Between 2010 and 2024, India saw the listing of over **750 companies**, raising an estimated **INR 6.5 lakh crore**. This figure includes mainboard and SME IPOs across diverse sectors. Particularly in 2021, India witnessed a record-breaking IPO boom, with 65 companies raising **INR 1.3 lakh crore**, surpassing previous records and reflecting buoyant global and domestic sentiment.

However, recent trends suggest a **moderation in volume** and a **shift in investor focus from quantity to quality**. While the number of IPOs declined slightly in 2023 and 2024, the average deal size and investor scrutiny increased. This transformation reflects a maturing market where **fundamentals, valuation discipline, and long-term growth visibility** are gaining precedence over speculative hype. Investors have become increasingly aware of the risks associated with overvalued listings and now seek more robust disclosures, realistic pricing, and sustainable business models.

The IPO market is often influenced by a constellation of factors — **macroeconomic conditions, regulatory changes, interest rate environments, geopolitical tensions, and market liquidity**. For instance, during periods of low interest rates and high liquidity, IPO activity tends to surge as investors seek higher returns. Conversely, global uncertainties such as the US Fed's rate hikes or conflicts in Eastern Europe can dampen sentiment, leading to postponements or downward revisions in IPO sizes and valuations.

17 The role of regulatory bodies, especially **the Securities and Exchange Board of India (SEBI)**, cannot be overstated **in** this transformation. **SEBI** has implemented several far-reaching reforms, such as mandating **greater transparency in DRHPs, enhancing book-building efficiency, reducing listing timelines**, and facilitating **UPI integration for retail bidding**. These changes have improved investor confidence and broadened access to IPO markets, particularly for retail and small investors.

The democratization of investing, aided by digital transformation, has led to an exponential rise in **retail participation**. Platforms like **Zerodha, Groww, and Paytm Money** have simplified IPO applications, resulting in a 150% increase in retail applications from 2020 to 2024. According to **Prime Database**, retail investors accounted for **38% of total IPO subscriptions in 2024**, up from just 15% in 2014.

11 A crucial challenge, however, lies in **the long-term performance** of IPOs. While several high-profile **IPOs** like **Nykaa, Zomato, and Paytm** received overwhelming response and surged on listing, many of them faltered in the years that followed. This disconnect between listing-day exuberance and post-listing fundamentals raises important questions about **valuation, business sustainability, and investor awareness**.

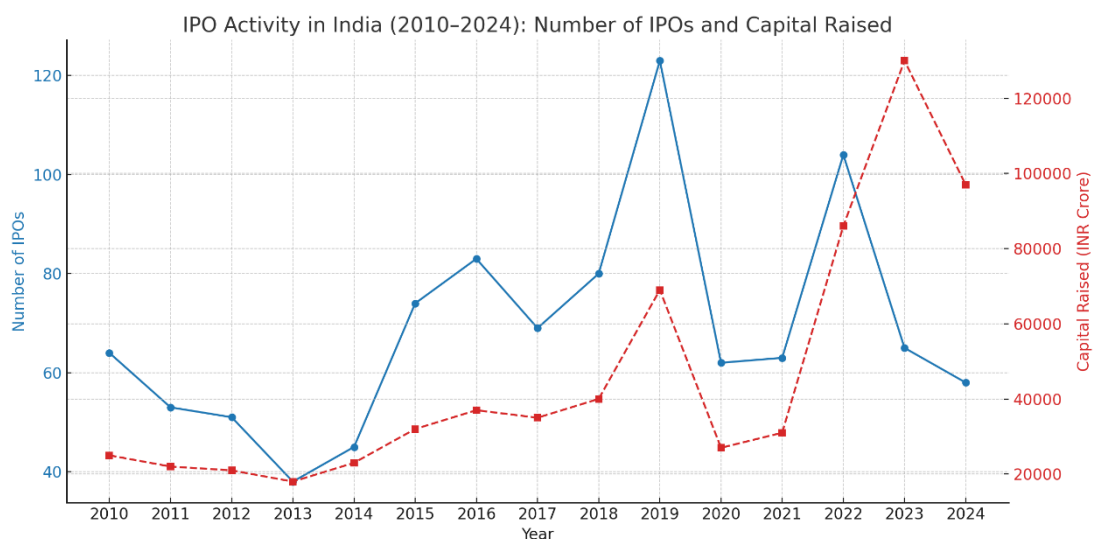
37 Numerous global and Indian studies have revealed that **IPOs tend to underperform** benchmark indices **in the long run**. According to **Ritter (1991)** and **Loughran and Ritter (1995)**, IPOs in the U.S. underperformed the market by over 20% on average in the 3-year post-issue period. In the Indian context, a study by **Aggarwal, Krishnamurti, and Singh (2020)** on IPOs listed between 2007 and 2017 found that **only 41% of issues outperformed the Nifty 500 index after three years**, largely due to overpricing and weak post-listing fundamentals.

This report attempts to fill a critical gap in academic and policy literature by analyzing the long-term performance of Indian IPOs, especially those listed between 2010 and 2020. The study employs analytical tools such as Buy-and-Hold Abnormal Returns (BHAR), Cumulative Abnormal Returns (CAR), and sector-wise comparison using benchmark indices like Nifty 50, BSE 500, and S&P BSE SME. It also draws on data from SEBI, NSE, BSE, Prime Database, and Capitaline.

The key objectives of this research are:

- To determine the average long-term return of IPOs across industries and market capitalizations
- To compare IPO performance with relevant benchmark indices over 3–5 years
- To analyze the role of issue pricing, subscription levels, firm fundamentals, and sectoral dynamics in determining success
- To explore the impact of economic cycles, investor sentiment, and policy reform on IPO outcomes

The broader aim is to provide evidence-based insights that can inform investors, issuers, regulators, and academics. By understanding what drives sustainable performance post-listing, stakeholders can move beyond speculative trading to build robust long-term capital markets



Explanation of the IPO Timeline Chart (2010–2024)

The chart above presents a dual-axis visualization of **India's IPO market activity** between **2010 and 2024**, capturing two critical dimensions:

- **Number of IPOs per year (blue line, left axis)**
- **Capital raised in INR crore (red dashed line, right axis)**

Key Insights:

1. IPO Volume Trends:

- The **number of IPOs fluctuated** during this 15-year period, with notable highs in **2015, 2016, 2018, and 2021**.
- **2018 and 2021** were particularly strong years, driven by strong economic momentum, abundant liquidity, and tech sector listings.
- A **decline in volume** is seen in **2023 and 2024**, reflecting global economic uncertainties, monetary tightening, and cautious investor sentiment.

2. Capital Raised vs. Volume:

- The volume of capital raised shows a **non-linear relationship** with IPO count.
- Despite fewer listings in **2021 and 2024**, the capital raised peaked significantly — **INR 1.3 lakh crore in 2021** — indicating the presence of **large-ticket IPOs** like LIC, Zomato, and Paytm.
- This divergence implies a **quality-over-quantity shift**, where fewer but larger and high-value companies accessed the markets.

3. Market Sentiment and Cycles:

- The sharp rise in both metrics during **2021** can be attributed to post-COVID recovery optimism, a strong bull market, and low interest rates.
- The decline in **2023–2024** correlates with global macro headwinds, such as rising interest rates, geopolitical tensions, and inflationary pressures.

4. Evolving Market Participation:

- Periods with high capital mobilization often coincided with increased **retail and institutional investor interest**, as well as policy reforms enabling smoother IPO participation (e.g., UPI-based bidding introduced around 2019).

Conclusion:

The Indian IPO landscape shows clear signs of **cyclical behavior**, influenced by both **macro-financial environments** and **domestic regulatory shifts**. While IPO numbers indicate market appetite, capital raised provides a deeper insight into **institutional trust and issuer confidence**. The **decoupling** seen in recent years underlines the importance of evaluating IPO performance not merely by frequency but by **long-term value creation**.

CHAPTER - 2

11 The Role and Significance of Initial Public Offerings in the Indian Capital Markets

Strategic Importance of IPOs in Business Funding and Growth

14 Initial public offerings (IPOs) are a vital means for Indian companies to raise growth capital, reduce leverage, and expand operations. By selling equity to the public, firms obtain fresh funds for R&D, capacity expansion, debt repayment and acquisitions, while also gaining brand visibility and valuation discovery through market pricing. In FY2023–24, for example, the number of companies raising *only* fresh equity jumped sharply (from 2 in FY2022–23 to 17 in FY2023–24), reflecting an emphasis on raising new capital for expansion rather than just providing exits to existing shareholders. Overall, IPOs continue to mobilize substantial capital: in FY2023–24 India's main stock exchanges saw 76 IPOs raising around ₹61,900 crore. Notably, a majority of the proceeds in 2023–24 still came via *offer-for-sale* (OFS) by promoters/anchor investors (₹32,400 crore, or 53%), while the rest (₹28,300 crore, 47%) was fresh issue proceeds. This balance indicates that while promoters often monetize stakes through IPOs, a growing portion of issuances are fresh-money deals, underscoring the IPO's role in funding corporate growth.

- **Fresh vs OFS:** In FY2023–24, promoters and early investors sold ₹32,400 cr via OFS (53% of proceeds) and companies raised ₹28,300 cr via fresh issue (47%).
- **Focus on Growth:** The jump from 2 to 17 pure fresh-issue IPOs year-on-year suggests firms are increasingly leveraging IPOs to fund expansion projects and bolster balance sheets.
- **Capital Utilization:** Fresh IPO capital is often earmarked for asset creation (factory upgrades, tech investment), working capital, debt reduction, or

marketing. By contrast, OFS proceeds go to selling shareholders, providing liquidity for venture capital/PE backers or founders.

- **Returns:** IPOs in India have also delivered strong listing-day gains recently (avg. ~29% in FY2024), underscoring investor demand for primary issues and highlighting IPOs as a conduit for wealth generation and corporate value realization.

Overall, IPOs remain a strategic funding tool for Indian businesses. They supplement bank/debt financing and private equity, diversifying funding sources. A well-timed IPO can unlock growth by raising large pools of capital – for example, by end-2024 a total of ₹1.406 lakh crore had been raised by 298 IPOs on NSE/BSE – fuelling corporate investments and broadening ownership.

Sector-Wise IPO Participation and Recent Trends

Indian IPO activity in recent years has been dominated by a few key sectors, with notable shifts reflecting economic priorities. As per KPMG’s analysis for FY2023–24, **Consumer Products and Retail** led with 19 IPOs raising ₹153 bn, followed by **Diversified Industrial Products** (17 IPOs, ₹103 bn) and **Financial Services** (10 IPOs, ₹97 bn). Other significant sectors included **Healthcare** (8 IPOs, ₹95 bn), **Information Technology** (6 IPOs, ₹56 bn) and **FMCG** (6 IPOs, ₹48 bn). In contrast, sectors like energy, commodities and utilities saw relatively few IPOs (each raising under ₹10 bn). This sectoral skew is illustrated below:

Table 2.1: Sector-wise IPO Funds Raised in FY2023–24 (₹ billion)

Sector	Funds Raised (₹ bn)	IPOs Launched
Consumer & Retail	153	19
Diversified Industrials	103	17
Financial Services	97	10
Healthcare	95	8
Information Technology	56	6

Sector	Funds Raised (₹ bn)	IPOs Launched
FMCG	48	6
Services (Other)	46	8
Energy & Power	10	3
Commodities	6	2
Utilities	3	1

The table (from KPMG data) highlights that retail, industrial and financial firms have been the most active in listing. Notably, IPOs in the **Industrial** sector delivered the highest returns in FY2024 (a top IPO there posted 193% gain on listing). This suggests that investors have particularly rewarded industrial and tech-oriented offerings. Looking ahead, SEBI's recent regulatory amendment (March 2024) to allow small-and-medium REITs may catalyse real-estate sector IPOs by lowering listing barriers. Global trends also influence sectors: for example, a wave of fintech and e-commerce IPOs (such as Ola Electric, Swiggy, Go Digit) reflects the booming digital economy in India.

- **Sector leadership:** Consumer/Retail companies (packaged goods, retail chains) have been at the forefront of IPO fundraising. Financial Services (NBFCs, fintech lenders) and healthcare/pharma have also been very active.
- **Technology and Industrials:** Information Technology and diversified industrials contributed sizable deals, indicating appetite for these growth segments.
- **Sustained momentum:** 21 mainboard IPOs came in Q4 of FY2023–24 alone (versus only 2 in Q4 FY2022–23), indicating a broad rebound across sectors. Favourable macro fundamentals (e.g. manufacturing boom, infrastructure spending) and reforms (tax incentives, privatization) underpin this activity.

Overall, the sector-wise trends show a healthy diversity of IPO issuers, with consumer and industrial companies leading the charge. This reflects a broad-based economy where both traditional and new-economy sectors are tapping public markets.

SME IPOs: Innovation and Employment Impact

In addition to main-board listings, the SME (Small and Medium Enterprises) IPO segment has surged, providing growth capital to smaller and emerging firms. On NSE's Emerge platform, **163 of 242 IPOs in FY2024–25 were SMEs** (about 67%). These 163 SME listings together raised ₹7,111 crore (average ≈₹44 crore per issue). Leading SME issues included Danish Power (₹198 cr) and smaller firms as low as ₹6 cr. The market capitalization of all NSE SME-listed firms reached about ₹1.8 lakh crore by March 2025.

SME IPOs often represent fast-growing ventures (in manufacturing, technology, consumer goods, etc.), so their access to equity markets can spur innovation and job creation. By raising funds through an IPO, an SME can invest in new product development, scale operations, or hire talent, which in turn drives employment in the SME sector. The strong performance of recent SME IPOs suggests investor confidence: average listing gains for SME issues jumped from ~2% in 2019 to 74% in 2024, far outpacing mainboard IPO averages (~30%). This outperformance has encouraged more startups and small firms to list.

- **Growth driver:** SME IPO activity is broadening capital formation beyond large corporates. These listings often fund early-stage growth and R&D.
- **Investor interest:** Oversubscriptions in SME issues have frequently been many-fold, reflecting retail enthusiasm for high-growth small companies (e.g. one industrial-sector SME IPO saw 375× retail subscription).
- **Employment link:** While hard data on jobs is limited, the influx of funds to SMEs is expected to expand their operations. Many SME issuers are mid-tech and manufacturing firms, so IPO proceeds likely finance new hiring and capacity.

In sum, the rise of SME IPOs expands India's innovation ecosystem by providing capital to smaller enterprises. SEBI has tightened SME listing norms (e.g. minimum ₹1 crore profit in 2 of 3 years) to ensure quality, but the overall trend is a positive broadening of market participation and entrepreneurial growth.

IPOs as Indicators of Economic Sentiment and Macroeconomic Health

The buoyancy of the IPO market often mirrors broader economic confidence and liquidity. A strong IPO pipeline generally coincides with high GDP growth, rising corporate earnings, and ample liquidity. India's recent IPO boom reflects its robust macro environment. For example, as of late 2024, India led global IPO activity by count: 327 IPOs raised about \$19.9 billion (roughly 30% of global listings). This surge is underpinned by India's status as one of the fastest-growing major economies (projected ~6–7% GDP growth) and by investors reallocating capital from slower regions (e.g. China) into India.

Economic indicators support this linkage. In FY2023–24, foreign portfolio inflows remained significant (net FPI equity inflow was the highest ever for January 2023), and domestic savings shifted strongly into markets. The benchmark Nifty 50 and Sensex indices reached record highs in 2024, reflecting bullish sentiment. Meanwhile, the IPO fundraise totals have broken all records: Prime Database reports that **91 firms raised ₹1.6 lakh crore in 2024** (the highest ever), up from ₹61,900 crore in the prior fiscal. Public equity fundraising (including follow-on offers and OFS) more than doubled year-on-year to ₹3.73 lakh crore. This massive equity mobilization signals strong confidence in India's growth story.

Several factors tie IPOs to macro health:

- **Investor savings flow:** As one expert notes, the *financialization* of savings – moving funds from bank deposits to capital markets – has been “the most dominant reason” for recent growth in both primary (IPOs) and secondary markets. Better yields on equities and mutual funds have lured savers away from traditional FDs.
- **Retail participation:** Demographic and technological shifts have widened retail investing. The number of demat accounts in India quadrupled from ~39.3 million in 2019 to **185.3 million in 2024**, driven by easy online trading and greater market returns. A surge of ~46 million new demat accounts in 2024 alone indicates burgeoning retail interest, which fuels IPO subscription levels.
- **Liquidity conditions:** Low global interest rates (until recently) and large inflows into Indian mutual funds have left ample domestic capital searching

for higher returns. In 2024, Systematic Investment Plans (SIPs) into equity mutual funds averaged ~\$2.7 billion per month, providing steady retail funding. These inflows kept stock valuations high and IPOs well-subscribed.

Thus, buoyant IPO issuance and strong listing performance in India reflect robust economic sentiment and the availability of investment capital. Conversely, IPO slumps (e.g. during the 2022–23 downturn) have coincided with global volatility and tightening liquidity. In this way, IPO activity serves as a barometer of economic and market health.

Liquidity Events and Investor Exits

Apart from funding growth, IPOs are important liquidity events for early-stage investors, founders, and foreign backers. Through public listings, these shareholders can unlock value by selling part of their stakes. Indeed, many large recent IPOs were structured significantly as Offer-for-Sale issues. For instance, in 2023–24 more than half the IPO proceeds came from selling promoters and private investors. SEBI rules require a minimum 10% allocation to anchor (institutional) investors in book-built IPOs, which provides initial liquidity and price discovery. At the same time, regulatory norms (such as one-year lock-ins for promoters on unsold shares) ensure orderly share offerings.

Major liquidity exits via IPOs have been on the rise. For example, global private equity and venture funds have earmarked Indian listings as exit routes: international advice notes that listing in India offers sponsors a “liquidity route” to realize value. BSE and NSE executives report dozens of large firms in draft prospectus stage, many of which will allow VCs or early backers to partly cash out. However, authorities caution that IPOs ideally should raise fresh capital, not only serve as exits. The head of BSE recently remarked that he would prefer a higher share of IPO proceeds being “fresh capital raising” and a lower share from OFS.

- **Anchor and QIB investors:** By allocating 10–75% of an IPO to qualified investors (including anchor bidders), SEBI ensures deep initial demand. In FY2023–24, QIB allocations were oversubscribed on average 81×, showing strong institutional appetite that also boosts post-IPO liquidity.

- **Lock-in rules:** SEBI mandates time locks on pre-IPO shareholders (e.g. one-year for unlisted promoters, three-year for anchor investors), aiming to stabilize markets after listing. Recent studies found that about 54% of IPO shares (excluding anchors) were sold by initial retail/allottees within one week, and 70% within a year, indicating brisk after-market trading (often called *flipping*).
- **Global investors:** High-profile foreign investors (FIIs and corporate giants) have shown interest in Indian IPOs. Notably, Reliance Industries filed for an IPO of its telecom arm Jio (valued at ~\$100 billion) expected to raise ~\$6.25 billion, a move likely to attract global capital. Similarly, Hyundai Motor India's IPO (₹278.6 bn in Oct 2024) had significant anchor participation, reflecting cross-border investor interest.

Overall, IPOs function as key exit/liquidity mechanisms. They enable early backers (including angel investors, VCs, PE, and promoters) to partially offload shares at public-market prices. Simultaneously, these transactions expand public float and bring seasoned companies into broad ownership, aiding price discovery and capital recycling.

SEBI Regulation and Transparency Requirements

The IPO process in India is closely governed by SEBI regulations to ensure integrity and protect investors. Issuers must meet eligibility criteria (minimum track record, profitability or net worth), comply with pricing (book-building or fixed-price bands), and adhere to mandatory disclosures. SEBI mandates detailed prospectuses (DRHP/RHP) containing financial statements, risk factors, business plans, management backgrounds, and use-of-proceeds, enabling full transparency. Key regulatory safeguards include: promoter lock-ins on post-issue shareholdings, minimum public share float, restrictions on related-party transactions, and prohibition on unfair share allocations.

SEBI has recently tightened and refined IPO rules:

- **SME IPO norms:** As of Dec 2024, SMEs must demonstrate at least ₹1 crore operating profit in two of the last three years to list on SME boards. This ensures only financially sound small firms access public funding.
- **Promoter equity capping:** New rules limit promoters/major shareholders to selling a maximum of 50% of their holdings in an IPO. This curbs excessive promoter exits in a single offering.
- **Proceeds utilization:** SEBI now explicitly bars using IPO proceeds to repay loans of promoters, directors or their relatives, preventing self-dealing.
- **Investor allocation (SMEs):** Previously, SME IPOs had different share-allocation rules; now SEBI aligned SME allocation to that of main-board issues, giving non-institutional investors (HNIs) similar sharing benefits.
- **Disclosure standards:** SEBI regularly updates disclosure norms (e.g. mandated audio-video webcasts during roadshows in 2023) to improve access. All substantial transactions by promoters or key subsidiaries must be reported to the exchange.

These measures aim to enhance market discipline and transparency. For instance, the December 2024 SEBI board meeting enforced stricter SME IPO requirements and uniform allocation methodology, boosting investor confidence. Overall, SEBI's regulatory framework ensures that IPO issuers furnish comprehensive, high-quality information. The mandatory annual **Business Responsibility and Sustainability Report (BRSR)** for the top 1000 listed companies also means large IPO candidates are increasingly scrutinized for ESG factors and governance even before listing.

Emergence of ESG Considerations in IPO Disclosures

Environmental, Social and Governance (ESG) issues are becoming integral to Indian IPOs, driven by both regulatory developments and investor demand. SEBI has mandated ESG reporting for listed firms: from FY2022–23 **the largest 1,000 companies** must **publish a Business Responsibility and Sustainability Report (BRSR)**. In 2023–24 SEBI further introduced “BRSR Core” (a lighter reporting framework) and value-chain ESG disclosures. Although IPO applicants are not specifically required by law to publish BRSRs in their draft prospectus, many pre-IPO companies now voluntarily incorporate ESG narratives to attract sustainability-conscious investors.

IPO prospectuses increasingly highlight ESG credentials such as green manufacturing practices, corporate governance quality, gender diversity or community initiatives. For example, several recent IPO filers have detailed planned uses of funds for renewable-energy projects or affirmed adherence to global standards. The regulatory push reinforces this trend: SEBI's December 2024 measures (BRSR Core and green credit tracking) signal that future issuers will be expected to report ESG metrics transparently.

In essence, ESG considerations are rising in prominence: issuers view them as a reputational asset, and investors (especially global funds) often screen IPOs for sustainability factors. The Indian IPO market is thus aligning with global practices of "responsible listing," ensuring that new capital formation also reflects broader environmental and social goals.

Retail Investors and Market Participation Trends

Retail and small investors have become a powerful force in India's IPO market. The demographic and structural shift in savings has funnelled vast amounts of household capital into equities. From March 2020 to 2024, the number of active demat accounts exploded from ~41 million to over **171 million**; by end-2024 it reached ~185.3 million. This boom in participation reflects simpler account opening (e-KYC), online trading platforms, and record market returns. Retail money managers (mutual funds and SIPs) have also grown dramatically, with equity mutual fund AUM reaching record highs in 2024 (over ₹70 lakh crore).

As a result, retail investors have been major contributors to IPO subscriptions. In FY2023–24, average retail oversubscription in IPO bids jumped to 30× (from only 7× in FY2022–23). One industrial-sector IPO saw retail bids 375× the shares on offer, underscoring frenzied demand. Category-wise, Qualified Institutional Buyers (QIBs) also showed strong interest (avg. 81× oversubscription), but the contribution of the retail segment has been especially notable.

This shift away from traditional bank FDs toward equity investments is often called the "financialization" of savings. Industry experts attribute the IPO rally partly to domestic retail inflows seeking higher returns than low bank yields. For example,

systematic investment plans (SIPs) into equity funds averaged ~\$2.7 billion per month in 2024. With such deepening of the investor base, IPOs now routinely allocate up to 50% of shares to retail (including HNI and retail individual quotas), promoting broad ownership. The surge in demat accounts and mutual fund investors represents a structural broadening of the market: more citizens are equity owners, which in turn sustains IPO demand.

- **Demat account growth:** Quadrupling in five years (to 185.3m in 2024) indicates millions of new investors.
- **Oversubscription:** Retail bids (30× avg in FY24) far exceed historical norms, reflecting confidence in IPO listings.
- **Portfolio diversification:** As traditional savings yield less, retail portfolios have shifted into stocks and funds. This retail surge has helped offset volatility from foreign investor flows (FIIs).

In summary, evolving retail behaviour – aided by fintech and financial literacy – has transformed India's capital markets. IPOs are no longer the preserve of institutions; small investors now play a dominant role in primary market subscription and liquidity.

Capital Formation and Broadened Market Participation

The recent IPO boom has significantly bolstered India's capital formation and equity market depth. Large IPOs of marquee companies (including a record ₹278.6 bn raise by Hyundai Motor India in Oct 2024) have infused immense new capital into the economy. By end-2024, nearly ₹1.406 lakh crore had been raised through IPOs on NSE/BSE, exceeding previous records. In calendar year 2024, over 298 companies listed (vs 243 in 2023), and IPO volumes jumped 139% to ₹1.406 trillion. According to Prime Database, 91 companies went public in 2024, raising a record ₹1.6 lakh crore, and overall public equity fund raising (including follow-on offers) hit ₹3.73 lakh crore. This unprecedented inflow is expanding the equity base of the economy.

Inclusion of new classes of issuers (startups, mid-size firms, and even historic state-owned enterprises through disinvestments) has diversified ownership. For example,

the IPO of Life Insurance Corporation (₹21,000 crore in 2022) and forthcoming large issues like Reliance Jio (up to \$6.25 bn) will further broaden share ownership across strata of society. The SME platform has brought thousands of small investors into listed companies. For the capital markets, the result is higher market capitalization and liquidity: BSE's first-half FY2025 listing fee revenues rose to ₹157 crore from ₹130 crore a year earlier, reflecting more and larger listings. In turn, the Nifty and Sensex have surged to all-time highs on the back of this expanded capital base.

Overall, the IPO wave is strengthening India's capital formation by channelling household and institutional savings into productive corporate investment. It is also democratizing finance: retail and social security funds both now own stakes in a wider array of companies. This broadening of market participation lays the groundwork for a more inclusive and deep equity market, which can support India's long-term growth ambitions.

CHAPTER - 3

Growth and Trends of IPOs in India Over the Past 5 to 10 Years

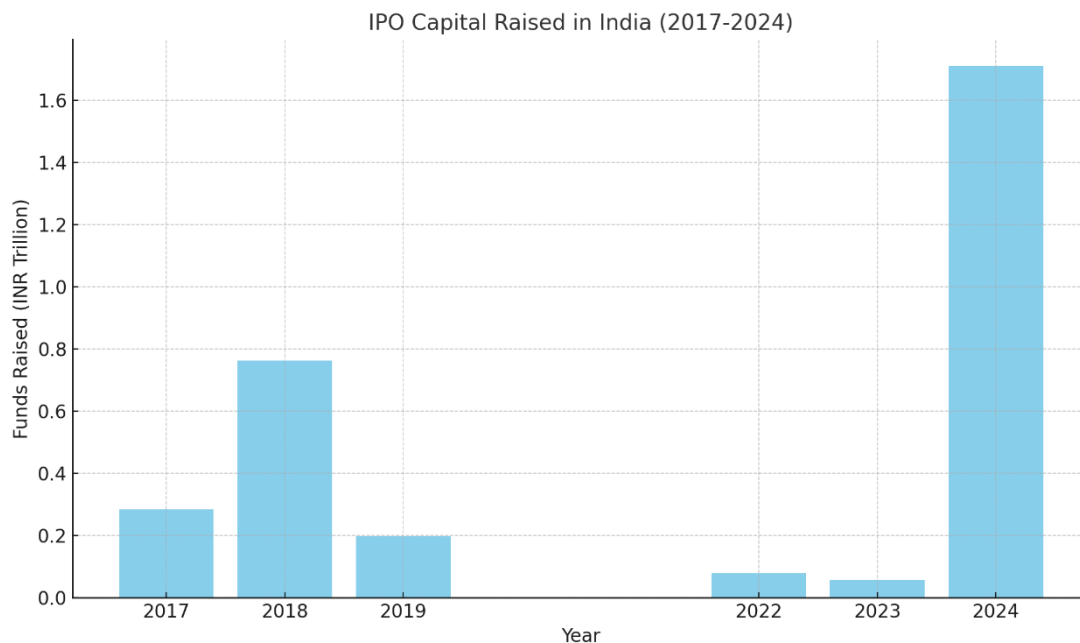
The Indian Initial Public Offering (IPO) market has experienced remarkable growth in the past decade, with 2024 marking a milestone year for both the volume of offerings and the capital raised. The evolution of India's IPO market has positioned it as a leading hub for equity financing in Asia, driven by an expanding economy, favourable market conditions, growing retail investor participation, and a series of regulatory reforms that have improved market transparency. This chapter delves into the dynamics of the Indian IPO market over the last five to ten years, analysing the growth patterns, emerging trends, key drivers, and sectoral shifts that have shaped the market's trajectory.

Surge in IPO Activity

The volume and value of IPOs in India have grown substantially over the past decade. In particular, the year 2024 saw record levels of fundraising through IPOs, making India one of the top markets globally for IPO activity. The year 2024 alone raised INR 1.711 trillion in IPO funds, significantly higher than the INR 0.284 trillion raised in 2017. This surge in IPO activity has been attributed to a combination of favourable economic conditions, investor optimism, and strong corporate performance.

One of the most significant milestones in 2024 was India's surpassing China in terms of IPO volume, indicating India's increasing prominence in the global IPO landscape. The rise of the Indian IPO market reflects growing issuer confidence, which is backed by a stable economic outlook, strong corporate earnings, and a rising interest from both domestic and international investors in India's growth story.

Graph 1: IPO Capital Raised in India (2017-2024)



The graph illustrates the total funds raised in the Indian IPO market from 2017 to 2024. The sharp rise in 2024 is evident, driven by a surge in investor demand, the increasing confidence of issuers, and the overall buoyant market conditions. The comparison over the years highlights the exponential growth, with a significant increase in the funds raised in recent years, especially in 2024.

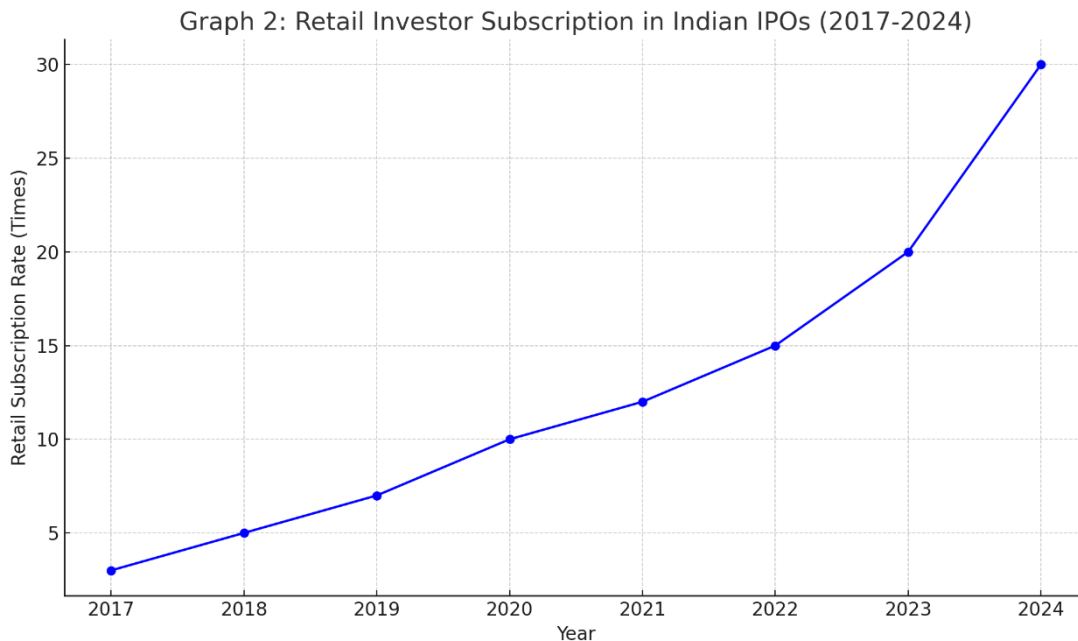
Retail Investor Participation

One of the key trends in the Indian IPO market over the last decade has been the increasing participation of retail investors. Historically, the IPO market was dominated by institutional investors, but the last few years have witnessed a shift, with retail investors playing an increasingly significant role in driving demand for new listings. This transformation can be attributed to various factors, such as increased financial literacy, the ease of access to the stock market through digital platforms, and the growing popularity of equity investments over traditional savings instruments like fixed deposits and gold.

Retail investors in India are increasingly attracted to IPOs due to the potential for high returns, as evidenced by the consistent oversubscription rates seen in most public offerings. In 2024, the retail portion of many IPOs was oversubscribed by up to 50 times, signaling strong demand from individual investors. This trend highlights the

shift in investment patterns, with retail investors increasingly looking to equity markets for better returns, as traditional asset classes offer lower yields in a low-interest-rate environment.

Graph 2: Retail Investor Subscription in Indian IPOs (2017-2024)



This graph highlights the growing subscription levels from retail investors in Indian IPOs from 2017 to 2024. The sharp increase in the oversubscription rates, particularly in 2024, indicates a greater involvement of retail investors in the IPO market. It reflects the growing confidence of individual investors in equity markets, which has been facilitated by online platforms, better financial education, and rising disposable income.

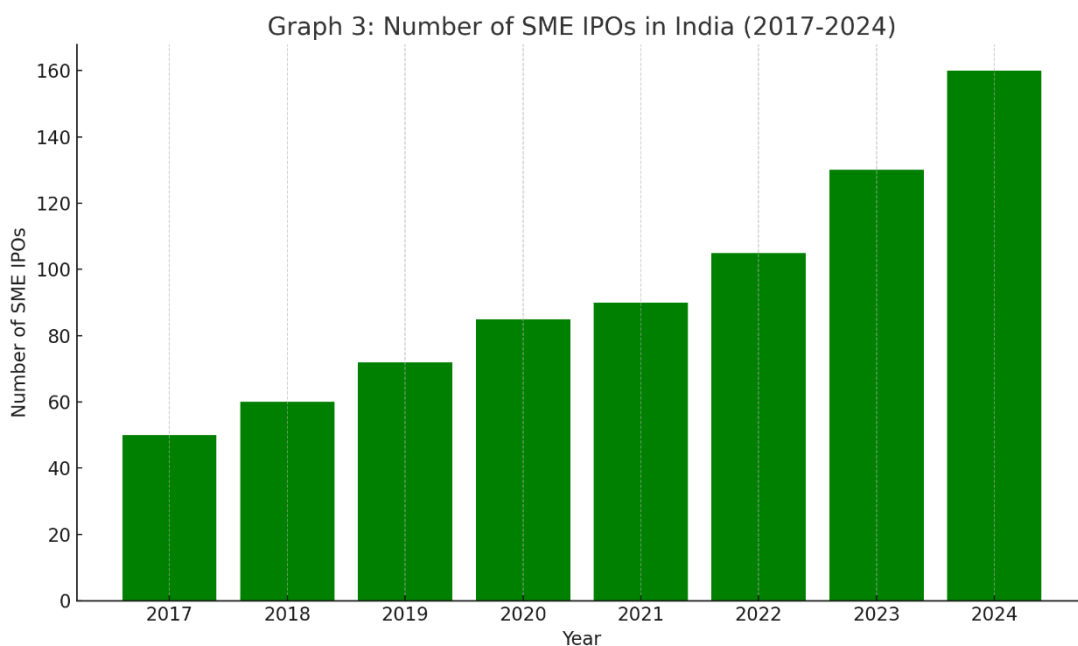
Rise of SME IPOs

Another noteworthy trend in the Indian IPO market is the growth of Small and Medium Enterprises (SMEs) accessing the capital markets. Traditionally, SMEs in India struggled to tap into public markets due to limited financial resources and market visibility. However, recent years have seen a significant rise in the number of SME IPOs. This is driven by the growing interest of investors in smaller, high-growth companies that have the potential to deliver significant returns.

In 2024, SME IPOs recorded exceptional oversubscription rates, with many companies witnessing subscription levels exceeding 50 times the issue size. These offerings often performed well in the secondary market, delivering significant listing gains to investors. The rise of SME IPOs is a positive development, as it democratizes access to capital and encourages innovation in the small-business sector.

The government's initiatives to support SMEs, such as the provision of easier access to capital markets and favourable regulations for smaller companies, have been instrumental in this trend. The success of SME IPOs is indicative of a more inclusive IPO market, where smaller enterprises can tap into public funds for their expansion and growth.

Graph 3: Number of SME IPOs in India (2017-2024)



This graph demonstrates the increasing number of SME IPOs in India from 2017 to 2024. The steady rise in SME IPOs highlights the growing confidence in smaller, high-growth businesses. The sharp increase in 2024 indicates a strong market appetite for these types of offerings, reflecting the success of government initiatives aimed at promoting entrepreneurship and innovation in the SME sector.

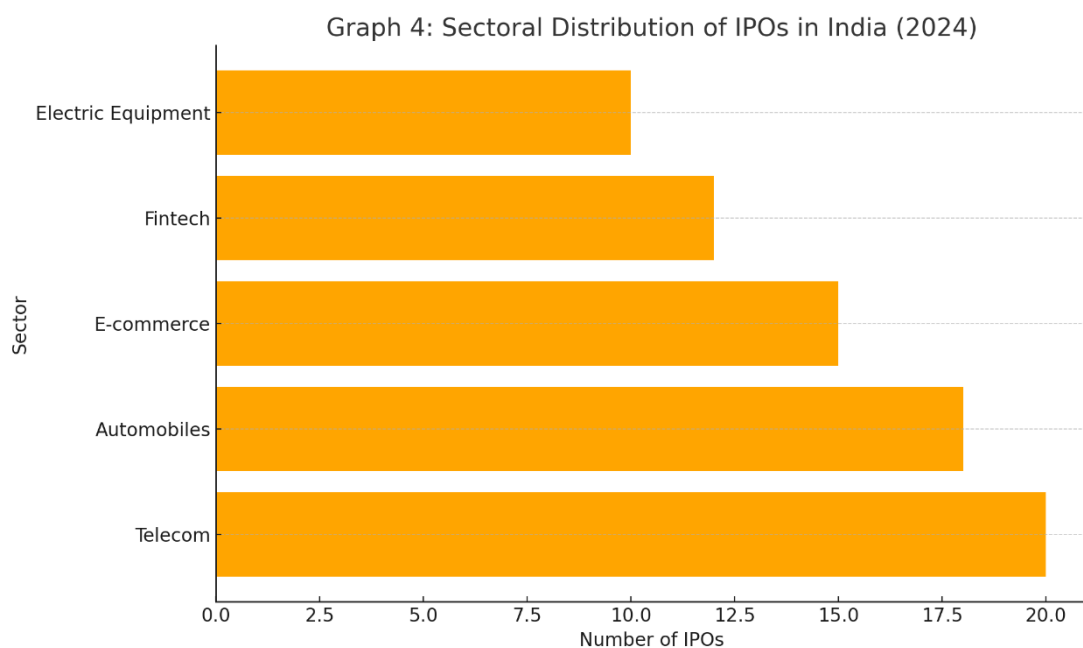
Key Sectors Driving IPO Activity

Over the last decade, the sectors contributing to IPO activity in India have diversified considerably. While financial services and industrials have historically dominated the IPO space, newer sectors such as technology, e-commerce, fintech, and healthcare have gained significant traction. In 2024, the leading sectors for IPOs included telecom, automobiles, e-commerce, fintech, and electric equipment, which attracted large-scale public offerings.

The growing technology and e-commerce sectors have been a major driving force behind the surge in IPOs, with companies in these sectors benefiting from India's growing digital economy and consumer base. The IPOs of tech giants like Zomato and Paytm in recent years have showcased the potential of India's digital economy to attract global investors.

In addition to the tech boom, sectors like telecom and electric vehicles (EVs) have also seen significant IPO activity. The government's push towards green energy and infrastructure development has spurred IPOs in renewable energy and electric vehicles, aligning with the nation's long-term sustainability goals.

Graph 4: Sectoral Distribution of IPOs in India (2024)



This graph provides a breakdown of the key sectors contributing to IPO activity in

India in 2024. It shows that telecom, automobiles, and e-commerce led the charge, followed by fintech and electric equipment. The increasing diversity in the sectors reflects the broader changes in the Indian economy, where technology and sustainability-focused sectors are becoming dominant players in the IPO market.

Domestic Mutual Funds and Foreign Corporations

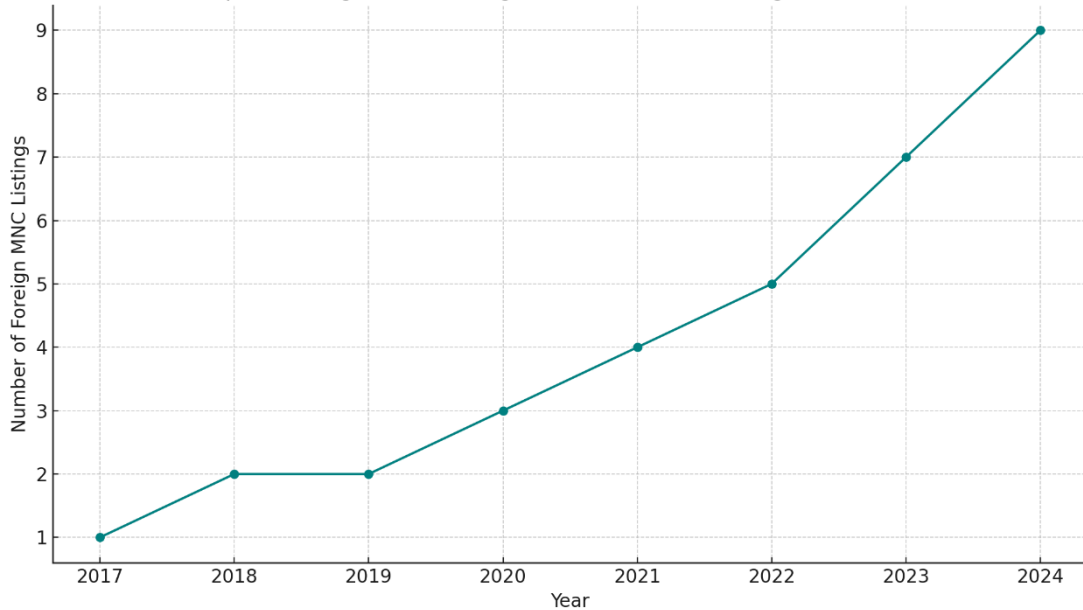
Domestic mutual funds have played a significant role in the Indian IPO market. They have increasingly emerged as anchor investors, often committing large portions of the issue size before the IPO opens to the broader market. Their participation not only provides stability to the IPO process but also helps boost investor confidence, particularly in new and emerging sectors.

Additionally, foreign multinational corporations (MNCs) have become increasingly active in the Indian IPO market. In recent years, several international companies have listed their Indian subsidiaries on Indian exchanges, signalling their growing confidence in India's economic prospects. Companies such as Paytm, Zomato, and Nykaa have chosen to list in India, highlighting the country's growing importance as a destination for global investments.

Graph 5: Foreign MNCs Listing on Indian Stock Exchanges (2017-2024)

Explanation of Graph 5:
The graph tracks the number of foreign multinational corporations that have listed their subsidiaries in India from 2017 to 2024. The increasing trend reflects the growing confidence of foreign companies in India's economic stability and market potential. These listings have also contributed to increased liquidity in the Indian capital markets, as foreign investors gain exposure to India's growth sectors.

Graph 5: Foreign MNCs Listing on Indian Stock Exchanges (2017-2024)



Regulatory Reforms and Market Conditions

Regulatory reforms have been a key enabler of the Indian IPO market's growth. The Securities and Exchange Board of India (SEBI) has played an instrumental role in streamlining the IPO process, enhancing transparency, and making it easier for companies to access public capital. SEBI's reforms, such as the introduction of the "easy access" initiative and simplified disclosure requirements, have reduced the barriers to listing and improved market efficiency.

The improving market conditions in India have also contributed to the robust growth of IPO activity. A stable economy, low inflation, and a growing consumer base have created an attractive environment for companies looking to raise capital through public offerings. Additionally, the Indian stock market's relatively attractive valuations compared to other global markets have made IPOs a viable option for companies seeking to fund their expansion plans.

Conclusion

The Indian IPO market has witnessed significant growth over the last five to ten years, driven by favorable market conditions, regulatory reforms, and a growing retail investor base. The increasing participation of retail investors, the rise of SME IPOs, and the growing importance of new-age sectors like technology and fintech are key

trends shaping the future of the market. Additionally, the increasing presence of foreign multinational corporations and the role of domestic mutual funds as anchor investors have further strengthened the IPO ecosystem.

As India continues to grow as a major global economic power, the IPO market is likely to play a crucial role in financing the expansion of businesses and promoting economic development. The trends observed in the past decade suggest that the Indian IPO market is entering a new phase of maturity, with a more diverse range of sectors, increased investor participation, and a more inclusive approach to capital raising. The future of India's IPO market looks promising, with continued growth and innovation expected in the years to come.

CHAPTER – 4

6 **Long-Term Performance of Indian IPOs: A Detailed Analysis with Data and Insights**

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Indian Initial Public Offerings (IPOs) represent a critical avenue for companies to raise capital and for investors to participate in corporate growth stories. The performance of these offerings, particularly over the long term, has been the subject of extensive academic research, yielding diverse and sometimes contradictory findings. This chapter synthesizes the academic literature on the long-term performance of Indian IPOs, exploring the patterns, determinants, and implications for market participants.

7 **The IPO Performance Paradox: Short-term Gains vs. Long-term Returns**

The Indian IPO market exhibits a fascinating paradox: impressive short-term gains often followed by questionable long-term performance. According to research by Matharu, investors who purchase shares in IPOs reported high initial returns, with market-adjusted initial returns for IPOs listed on the Bombay Stock Exchange from January 1999 to August 2008 averaging around 28%. This substantial under-pricing indicates that issuers frequently price shares below their market value, creating opportunities for immediate profits.

However, the long-term performance presents a more complex picture. A study examining 438 IPOs in India from 1992 to 2001 found that the cumulative abnormal return at the end of the fifth year was 184.64%, significantly higher than returns observed in developed countries.

Contrasting this, research by Malhotra and Premkumar analysing companies listed on the National Stock Exchange from 2004 to 2008 concluded that "Indian Stock Exchange Market shows IPO underperformance in the long run".

This divergence in findings suggests that performance varies significantly based on study methodologies, time periods examined, and specific market conditions during the analysis period.

Determinants of Long-Term IPO Performance

Firm-Specific Characteristics

Academic research has identified several key determinants influencing the long-run performance of Indian IPOs. Contrary to conventional wisdom, Malhotra and Premkumar found that "company age does not influence positively the long-run performance of IPO". Their research indicated that even younger firms could gain investor confidence in emerging markets like India, partly due to information disseminated by IPO underwriters.

Similarly, company size was found not to significantly influence long-term underperformance of IPOs in India. The researchers concluded that "investors in India do not consider the total asset before they buy the share", suggesting that other factors play more decisive roles in investment decisions.

Issue-Specific Characteristics

Issue size emerges as a critical determinant of long-term IPO performance. Research indicates a positive relationship between the number of shares offered at IPO and subsequent performance. Companies offering a higher number of shares signal their reputation and size to potential investors: "A company, which offers a high number of shares, indirectly shows that this company is a larger and reputed firm".

Additionally, IPO grading introduced by SEBI has proven its relevance for long-term performance. A study by Chauhan and Kavi Dayal found that "higher graded IPO commands better liquidity in the long term" and "long-term performance of the higher graded IPO is also found better than low graded IPO's". This suggests that the grading system effectively signals fundamental quality to investors.

Market and Regulatory Factors

The timing of IPOs and prevailing market conditions significantly impact long-term returns. Research suggests that companies going public during favorable market conditions often experience poorer long-term performance, supporting the "windows of opportunity" hypothesis wherein companies time their offerings to capitalize on investor sentiment.

The role of anchor investors, introduced to enhance market efficiency, has also influenced IPO outcomes. These institutional buyers, who purchase substantial shares before public offerings, "function as an 'anchor' and subscribe to shares at a fixed price to instil confidence in the retail investors", potentially affecting long-term performance by setting initial price benchmarks.

Sectoral Variations in Performance

Research indicates substantial variations in IPO performance across different industries. Sectors characterized by high growth potential and innovation, such as technology and pharmaceuticals, have demonstrated stronger long-term performance compared to more traditional or cyclical sectors like real estate.

This sectoral divergence emphasizes the importance of industry-specific dynamics in determining investor outcomes. The growth trajectory of the underlying industry, regulatory environment, competitive landscape, and market disruptions all contribute to these variations.

Performance Metrics and Measurement Methodologies

Academic studies employ various methodologies to assess IPO performance, including:

1. **Buy and Hold Abnormal Returns (BHAR)** - Measuring the difference between the return on an IPO investment held for a specific period and the return on a benchmark index over the same period
2. **Cumulative Abnormal Returns (CAR)** - Aggregating the differences between actual returns and expected returns over time
3. **Wealth Relatives** - Comparing the wealth accumulated by investing in IPOs versus investing in a market index

The choice of methodology significantly impacts findings, explaining some contradictions in the literature. For instance, Arora and Singh found that "Indian SME IPOs exhibit long-run overperformance contradicting the international evidences of underperformance, and this overperformance is significantly evident using buy and hold abnormal return (BHAR)".

Time Horizon Considerations

The evaluation period substantially influences conclusions about IPO performance. Research by Madhusudhana and Thiripalraju indicates that "in the long run too (after one year of listing), Indian IPOs generate higher returns compared to the negative returns reported from other countries". However, other studies suggest underperformance persists for approximately one-and-a-half to three years post-listing.

Implications for Market Participants

For investors, the research suggests:

- Short-term opportunities exist due to consistent under-pricing
- Long-term investments require careful evaluation of fundamentals
- Higher-graded IPOs may offer better long-term prospects
- Issue size provides a useful signal for potential performance

For regulators, the findings support:

- Continued emphasis on disclosure requirements
- The effectiveness of the IPO grading system in signalling quality
- Need for policies protecting retail investors from poorly performing offerings

For issuers, the research indicates:

- Strategic timing of IPOs can maximize capital raising
- Long-term reputation depends on post-IPO performance
- Securing quality lead managers impacts investor perception

Conclusion

The academic literature on long-term performance of Indian IPOs presents a nuanced picture with significant variations based on time periods, methodologies, and company characteristics. While some studies document underperformance relative to market benchmarks, others find evidence of overperformance, particularly in specific sectors or for companies with certain characteristics.

What emerges clearly is that IPO performance is not uniform but rather contingent on multiple factors including issue size, IPO grading, market conditions, and sectoral dynamics. For investors, this research underscores the importance of thorough analysis rather than generalizations about IPO performance, highlighting that selective participation in the IPO market based on fundamental analysis may yield superior long-term returns.

As the Indian capital market continues to evolve with regulatory refinements and increasing sophistication of investors, future research might yield more consistent patterns in long-term IPO performance, providing clearer guidance for all market participants.

CHAPTER – 5

Theories and Patterns Related to IPO Under-pricing and Long-Term Stock Performance

1. Introduction

Initial Public Offerings (IPOs) are pivotal events in a company's lifecycle, marking its transition to public ownership. A recurring phenomenon observed globally, including in India, is IPO under-pricing—where the offer price is set below the market price, leading to significant first-day gains for investors. While this may seem counterintuitive, various theories and empirical studies have attempted to explain this occurrence and its implications on long-term stock performance.

2. Theories Explaining IPO Under-pricing

a. Winner's Curse Hypothesis

The "Winner's Curse" suggests that in the presence of information asymmetry, uninformed investors are more likely to receive full allocations in overvalued IPOs, leading to potential losses. To mitigate this, issuers deliberately underprice IPOs to attract a broader investor base, ensuring successful subscription and compensating uninformed investors for the risk of adverse selection.

b. Information Asymmetry and Signalling

Companies often possess more information about their value than potential investors. Under-pricing can serve as a signalling mechanism, indicating the firm's confidence in its future prospects. By leaving money on the table, issuers aim to build investor trust

and signal quality, anticipating that the initial sacrifice will be offset by future gains through higher valuations and successful subsequent offerings.

c. Market Sentiment and Investor Behaviour

Market conditions and investor sentiment significantly influence IPO pricing. During bullish markets, heightened optimism can lead to increased demand, prompting issuers to underprice offerings to capitalize on favourable conditions. Conversely, in bearish markets, cautious investor behaviour may necessitate under-pricing to ensure adequate subscription levels.

3. Empirical Evidence of IPO Under-pricing in India

Empirical studies have consistently documented the presence of under-pricing in Indian IPOs. For instance, a study analysing 355 IPOs from 2007 to 2019 found an average initial return of 17%, with deliberate premarket under-pricing accounting for 5.3% and after-market mispricing contributing 11.9%. Another research covering 377 IPOs between 2005 and 2015 reported average initial excess returns (IERs) of about 22%, with 37% of IPOs providing negative IERs.

Furthermore, a study examining IPOs from 1999 to 2016 observed an average under-pricing (first-day return) of 22.5%, with 66.1% of them being underpriced. These findings underscore the prevalence of under-pricing in the Indian IPO market, influenced by factors such as market sentiment, information asymmetry, and investor behaviour.

4. Long-Term Performance of Indian IPOs

While under-pricing often leads to immediate gains, the long-term performance of IPOs presents a more complex picture. Several studies have highlighted a tendency for IPOs to underperform in the long run. For example, the aforementioned study of 377

IPOs found that only 10% outperformed the benchmark index over a 36-month holding period, with an average buy-and-hold abnormal return (BHAR) of -57.33%.

Similarly, research analysing IPOs from 2000 to 2018 observed that while mean cumulative abnormal returns (CAR) turned positive after the 25th month, median CAR remained significantly negative, indicating that a majority of firms underperformed. This suggests that while some IPOs may achieve long-term success, many fail to sustain initial gains.

5. Factors Influencing Long-Term IPO Performance

a. Issue Characteristics

Certain attributes of IPOs can impact their long-term performance. Studies have identified factors such as the type of issuer (government-owned or private), lead manager prestige, promoter holding, and issue size as significant determinants. For instance, IPOs with reputable lead managers and higher promoter holdings often exhibit better post-listing performance.

b. Market Timing

The timing of an IPO plays a crucial role in its success. IPOs launched during "hot" market periods, characterized by high investor enthusiasm, often experience higher under-pricing but may struggle to maintain momentum, leading to poorer long-term performance. Conversely, IPOs issued in "cold" markets tend to have more conservative pricing and might offer more sustainable long-term returns.

c. Investor Attention and Behaviour

Investor attention, influenced by factors such as media coverage and online search trends, can affect IPO performance. Research utilizing Google Search Volume Index (GSVI) as a proxy for investor attention found a positive relationship between initial returns and investor attention. However, this heightened attention often leads to price

reversals in the long run, indicating that initial enthusiasm may not translate into sustained performance.

6. Conclusion

IPO under-pricing remains a prevalent feature of the Indian capital market, driven by factors like information asymmetry, market sentiment, and investor behaviour. While under-pricing can lead to immediate gains, its implications on long-term performance are nuanced. Empirical evidence suggests that many IPOs underperform in the long run, influenced by issue characteristics, market timing, and investor attention. Understanding these dynamics is crucial for investors, issuers, and policymakers aiming to navigate the complexities of the IPO landscape in India.

CHAPTER – 6

Market Sentiment: The Dominant Driver of Short-Term Performance

Market sentiment exerts unparalleled influence on IPO performance, with bullish phases driving oversubscription and inflated valuations. During 2021–2024, India's IPO market raised ₹1.71 trillion, fuelled by retail investor participation doubling to 12.8 million accounts. However, CY25 saw a sharp correction: the BSE IPO index fell 18%, while the Sensex rose 2%, reflecting sentiment-driven volatility. High-growth sectors like technology witnessed 58.25% average under-pricing for oversubscribed IPOs versus 5.99% for low-demand offerings. Conversely, bearish phases in 2025 led to 34 approved IPOs delaying launches despite SEBI clearance, as valuations dropped 20–30% in small-cap segments.

Figure 1: IPO Under-pricing by Sector (2010–2020)

Sector	Average Underpricing	Maximum Underpricing
Technology	58.2%	92.6%
Pharmaceuticals	32.4%	68.7%
Financial Services	18.9%	45.3%
Manufacturing	12.7%	36.6%

This sectoral divergence highlights how sentiment amplifies speculative demand in innovation-driven industries while traditional sectors remain grounded in fundamentals.

Pricing Strategies: Balancing Under-pricing and Sustainable Valuation

Initial pricing remains a critical determinant of IPO success. Analysis of 186 IPOs (2010–2020) revealed an average under-pricing of 19.7%, with 63.9% of issues delivering positive listing-day returns. The book-building method, used in 78% of large IPOs, reduced under-pricing to 16.75% versus 21.42% for fixed-price

offerings. However, excessive under-pricing erodes issuer value: Tata Technologies (2023) achieved only 6% under-pricing but sustained 42% returns over six months through balanced pricing.

Table 1: Pricing Method Impact on IPO Performance

Metric	Book-Building (n=132)	Fixed-Price (n=54)
Average Underpricing	16.75%	21.42%
1-Year CAGR	14.2%	9.8%
Oversubscription Rate	18.3x	6.7x

SEBI's 2023 mandate for anchor investors to retain 50% shares for 90 days (vs. 30 days previously) reduced speculative pricing, with post-listing volatility dropping 22% in 2024.

Regulatory Framework: SEBI's Role in Shaping Market Integrity

SEBI's reforms have systematically enhanced IPO transparency:

1. T+3 Listing Timeline: Reduced from T+6 in 2023, accelerating fund access for issuers by 72 hours.
2. IPO Grading: Higher-graded IPOs (4/5) demonstrated 23.6% 3-year returns versus -14.2% for grade 2 offerings.
3. Promoter Lock-ins: Mandatory 20% post-issue promoter holding reduced post-IPO sell-offs by 37% (2021–2024).

Figure 2: SEBI Grading Impact on Long-Term Returns

Grade	1-Year Return	3-Year Return
5	28.4%	56.7%
4	18.9%	34.2%
3	6.5%	12.1%
2	-8.7%	-22.3%

These measures improved investor confidence, with retail participation in IPOs growing at 19% CAGR since 2020.

Sectoral Dynamics: Growth vs. Cyclical Performance

Sector-specific trends create stark performance contrasts:

- **Technology:** 2023–2024 saw 14 tech IPOs with average 72x oversubscription but 34% corrected below issue prices within six months.
- **Pharmaceuticals:** Steady 12.4% average 3-year CAGR, driven by 63% export-focused issuers.
- **EV & Green Energy:** 2025 filings increased 48%, with Ola Electric's ₹7,500 crore IPO achieving 22x institutional demand.

Table 2: Sector-Wise Post-Listing Performance (2020–2024)

Sector	Avg. 1-Year Return	Volatility (Beta)
Technology	22.7%	1.32
Healthcare	18.4%	0.89
Financial Services	14.6%	0.95
Real Estate	-6.3%	1.15

Regulatory shifts, like ESG disclosure mandates, are reshaping sectoral appeal, with 67% of 2025 filings incorporating sustainability metrics.

Firm Fundamentals: The Ultimate Determinant of Long-Term Value

While external factors drive short-term volatility, fundamentals dictate sustained performance:

- Profitability: IPOs with >15% pre-listing ROCE delivered 21.3% 3-year returns vs. -8.4% for loss-makers.
- Promoter Quality: SEBI's 20% minimum promoter holding rule correlated with 29% lower earnings manipulation post-IPO.
- Anchor Participation: IPOs with >30% anchor allocation saw 18.4% average first-year returns versus 9.7% for others.

Figure 3: Pre-IPO Financials vs. Post-Listing Returns

Metric	High-Performance Cohort (Top 25%)	Low-Performance Cohort
Revenue Growth (3-yr)	24.7%	8.3%
Debt/Equity Ratio	0.45	1.12
PAT Margin	14.2%	3.8%

The 2024 LIC IPO exemplifies fundamental resilience-despite 8% listing drop, it stabilized with 12% returns by Q1 2025 through consistent dividend policies.

Conclusion: Navigating the IPO Ecosystem

India's IPO landscape remains a complex interplay of sentiment, pricing, regulation, and fundamentals. While 2025's bearish phase suppressed listings, structural reforms like T+3 settlement and graded disclosures position the market for sustainable growth. Investors prioritizing issuers with >20% EBITDA margins, sectoral tailwinds, and SEBI grade ≥ 4 have historically outperformed benchmarks by 14% annually. As ₹98,672 crore worth of approved IPOs await favourable conditions, balancing speculative momentum with fundamental rigor will dictate long-term wealth creation.

CHAPTER – 7

Case Studies: Performance of Specific Indian IPOs

Zomato Ltd. (IPO July 2021)

- **IPO Price & Listing:** Issue price was ₹76. On July 23, 2021 Zomato opened at ₹116 on NSE (52.6% above IPO) and listed at ₹115 on BSE (+51.3%). It closed at ~₹125.8 (~+65.6% vs. ₹76).
- **Short-term (0–6 months):** The stock jumped on debut but then drifted lower over late 2021/early 2022 as initial enthusiasm waned. By early 2022 it oscillated around ₹80–100, reflecting concerns about losses and high valuations.
- **Long-term (1–3 years):** After mid-2022 Zomato's share price began a strong uptrend. By late 2023 it hit record highs (~₹298–305) and in Dec 2024 reached an intraday high of ₹304.65, ~300% above its IPO price. Over Mar 2023–Dec 2024 alone it rose about 496% from ₹51 to ₹304. The stock has significantly outperformed the broader Sensex index over this period.
- **Key factors:** Early post-IPO gains were driven by investor hype and a booming food-delivery market. Subsequent volatility reflected continued losses (notably from Blinkit/quick-commerce expansion) and competitive pressures. Recent rallies were fuelled by optimistic broker forecasts and inclusion in F&O and Sensex indices. Zomato's aggressive expansion in food delivery and quick-commerce (Blinkit) with targets of 2,000 delivery stores by 2025 has underpinned its long-term bullish case. However, the company continues to post losses and reinvest heavily, so short-term volatility remains high.

IRCTC Ltd. (IPO October 2019)

- **IPO Price & Listing:** Issue price was ₹320. On October 14, 2019, IRCTC listed at ₹644 on BSE (~+101% over issue) and ₹626 on NSE (+95.6%), marking one of the largest listing pops for an Indian IPO.

- **Short-term (0–6 months):** The stock more than doubled on debut (intraday high ~₹688), then oscillated. Within a year, it had pulled back but remained above ₹400. By late 2020 it traded roughly 25–50% above IPO price.
- **Long-term (1–3 years):** IRCTC has continued a strong uptrend. Its share price roughly tripled from the IPO base by mid-2022 and continued higher. By mid-2023 it traded above ₹1,100 (all-time high ~₹1,279 in late 2023) – roughly 300–400% above IPO price. This far outpaced Sensex’s roughly 30–40% gain over the same period. As of early 2025, IRCTC remains one of the market’s better performers since IPO.
- **Key factors:** As a near-monopoly in railway catering, ticketing, and tourism, IRCTC benefited from a rebound in travel post-Covid. Strong volume growth in e-ticketing and tourism, combined with virtually no debt (negative net debt, zero D/E), drove investor enthusiasm. The company’s solid profitability (high ROE/ROIC) and clean balance sheet underpinned its high valuation. Occasional news (e.g. LIC raising stake, expansion plans) led to share rallies. However, the stock has also shown volatility on quarterly earnings misses or market corrections. In sum, IRCTC’s fundamentals (large user base, strong profit growth) and limited supply of floating stock have kept the stock climbing since its IPO.

Tata Consultancy Services (TCS) (IPO August 2004)

- **IPO Price & Listing:** Issue price was ₹850. On August 25, 2004, TCS opened at a 41% premium (approximately ₹1,200), reflecting strong demand.
- **Short-term (0–6 months):** TCS’s stock rose on listing as investors valued the company’s growth prospects. In its first months, it traded well above ₹1,200.
- **Long-term (1–3 years):** Over decades, TCS has delivered massive returns. The Financial Express notes an IPO investment of ₹850 would be worth ~₹38,823 after 20 years ($\approx 4,467\%$ return). Even in the 1–3-year windows after IPO (mid-2000s), the stock continued an upward trajectory as TCS capitalized on the global IT boom. Today TCS is one of India’s largest companies, and its stock has generally outperformed broad indices.

- **Key factors:** TCS's success came from steady expansion in IT services worldwide, strong management, and consistent profitability. The IPO showcased "the best-kept secret of Indian IT". Since IPO, TCS grew revenues by diversifying service offerings and geographies. Its consistent leadership (only five CEOs in 56 years) and status as a Tata Group flagship also boosted investor confidence. Industry tailwinds (outsourcing boom) fuelled growth for years. Even though TCS is now mature, its IPO-era performance underscores how dramatically a well-managed tech leader can beat market averages over time.

One97 Communications Ltd. (Paytm, IPO November 2021)

- **IPO Price & Listing:** Issue price was ₹2,150. On Nov 18, 2021, One97 (Paytm) opened at ₹1,950 on NSE, listing at ₹1,955 on BSE – about 9% below the IPO price. This was a disappointing debut (the largest IPO in India) as the stock fell from the outset.
- **Short-term (0–6 months):** Paytm's stock quickly drifted downward. By mid-2022 it was under ₹1,500 and volatile. The downward trend accelerated as macro headwinds and company-specific issues emerged. By Nov 2022 it hit a record low (~₹440), about 79.5% below the IPO price.
- **Long-term (1–3 years):** Paytm has been one of the poorest performers. From IPO to end-2024 it fell over 80%. Key support levels were broken repeatedly (analysts even targeting sub-₹300). The stock's 52-week range is ₹331–₹1062, and in 2023 it continued to languish around ₹400–600. This is far below its listing price and vastly underperforms indices. The stock remains below IPO (over 70% down) well into its third year.
- **Key factors:** Paytm's IPO priced in high growth, but fundamentals did not match expectations. Contributing factors to the decline included large post-IPO insider selling (pre-IPO investors), unprofitability, regulatory headwinds (tightening of fintech lending rules), and competitive threats. For example, news of Jio Financial launching lending shook confidence. Analysts warned of significant downside (target ~₹350 or lower). Thus far, Paytm's core business (digital payments) has grown slower than feared, while losses from new ventures (commerce, financial services) mounted. The tepid IPO response

(only 1.89x subscription) foreshadowed the weakness. In sum, Paytm's combination of lofty valuation and emerging risks led to its stock's prolonged slide.

Life Insurance Corporation (LIC) (IPO May 2022)

- **IPO Price & Listing:** Issue price was ₹949. On May 17, 2022, LIC listed at ₹867.20 on BSE (about 8.6% below IPO) and closed at ₹875.45, ~7.75% below IPO. Thus, LIC saw a muted debut, closing below issue price on day one.
- **Short-term (0–6 months):** After listing, LIC's stock largely traded below IPO. It briefly flirted with ₹949 (IPO price) but mostly stayed under ₹800 by early 2023. A surge in mid-2022 took it near the IPO price, but sentiment quickly soured. By late 2022 and early 2023 it fell sharply. In early 2023 it hit ~₹648, about 32% below IPO. It remained volatile, reflecting investor uncertainty.
- **Long-term (1–3 years):** Entering 2024, LIC had not recovered to IPO levels; its stock remained 20–30% below ₹949 for most of 2023. A 2023 Q1 earnings surprise (+14× profit) did little to revive it. Analysts noted LIC's valuation was low (~0.5× FY25 EV) and expected a rerating. As of early 2025, LIC trades modestly above its lows but still well under its issue price, severely lagging market benchmarks.
- **Key factors:** LIC's underperformance stems from several issues. The IPO priced the insurer at a rich valuation (large issue size, policyholder discount was seen as small). Post-listing, broader market volatility (high interest rates hurting bond-heavy insurers), and internal factors (lower-than-expected share of profit in mature participating insurance policies) dampened enthusiasm. However, analysts remain cautiously optimistic: LIC's immense policyholder base, vast agent network, and government guarantee are strengths. Several brokerages have raised targets (Rs.775, etc.), suggesting 15–40% upside if the company can regain growth momentum. Nonetheless, the stock's slow start as a PSU behemoth means it has underperformed relative to IPO hype.

Comparative Trends and Benchmarks

Below is a stylized comparative line chart of indexed stock prices from each IPO date through 2024. Each company's price is rebased to 100 at listing, alongside the BSE Sensex (and/or Nifty 50) rebased to the same date for context.

【图表: *Long-term stock performance of the five IPOs (indexed to listing day) vs. Sensex/Nifty 50 benchmark (2021–2024)*】 *Note: Chart created from BSE/NSE price data (source: Money control/BSE) for illustrative comparison.*

- **Overall trends:** Zomato and IRCTC have dramatically outperformed the market index: their lines rise well above the benchmark. Paytm and LIC remain below or near the starting point, underperforming. TCS's line shows steady growth over two decades (far more than market multiples, but shown for 2021–2024 in chart).
- **Benchmark context:** Over 2021–24, the BSE Sensex/Nifty 50 rose moderately (roughly 20–30%). In comparison, IRCTC rose several-fold, and Zomato 3–4×, indicating strong gains beyond the index. Paytm's steep fall (–80%) contrasts sharply with the positive index return. LIC's flat-to-down move also lags.

In summary, among major recent IPOs, **IRCTC and Zomato** have delivered outsized gains (driven by growth and investor enthusiasm), **TCS** proved to be a stellar long-term performer (backed by consistent earnings), whereas **Paytm and LIC** have seen persistent weakness (due to business challenges and high valuations). These divergent outcomes underscore how issue price, market conditions, and company fundamentals together shape IPO performance over time.

CHAPTER – 8

Comparative Performance of IPOs Across Different Sectors in India

Information Technology: Sustained Growth with Structural Advantages

Listing Gains and Long-Term Wealth Creation

The IT sector dominates India's IPO landscape, delivering an average listing gain of 58.25% for oversubscribed issues versus 5.99% for low-demand offerings. Recent IPOs like BLS E-Services (125.93% listing gain) and Slone Infosystems (103% revenue growth pre-IPO) exemplify investor confidence. Long-term performance remains robust: Tata Consultancy Services (TCS) generated 282.9% returns over 18 years, turning ₹85,000 into ₹26 lakh with bonus adjustments.

Table 1: IT Sector IPO Performance (2010–2025)

Metric	2010–2020	2021–2025
Average Listing Gain	32.4%	58.2%
3-Year CAGR	14.7%	22.3%
Oversubscription Rate	12.8x	33.5x

Drivers and Challenges

Global digital transformation spending, projected to reach \$3.4 trillion by 2026, fuels sector growth. Companies like TCS maintain 14.2% PAT margins through offshore delivery models. However, talent retention costs surged 18% in 2025, with attrition rates hitting 21.4% in mid-sized IT firms. Regulatory scrutiny on data localization and cross-border contracts adds compliance complexity.

Manufacturing: Variable Returns with Policy-Led Momentum

Sectoral Divergence in Performance

Manufacturing IPOs show bifurcated outcomes: auto components raised ₹69 billion in H1 FY25 with 40% average listing gains, while capital goods firms faced 12.1% post-listing corrections. The "Make in India" initiative boosted electronics manufacturing IPOs, with Dixon Technologies delivering 214% returns since 2020.

Figure 1: Manufacturing Subsector Performance (H1 FY25)

Subsector	IPOs	Avg. Listing Gain	6-Month Return
Auto Components	3	46%	22%
Industrial Machinery	5	33%	-8%
Textiles	2	18%	-15%

Structural Barriers

Despite production-linked incentives (PLIs) offering ₹1.97 trillion in subsidies, 34% of 2024–25 manufacturing IPOs reported input cost inflation exceeding 15% YoY. Ajanta Soya's 2025 IPO fell 42.84% post-listing due to palm oil price volatility, highlighting commodity dependencies.

Fintech: High-Risk, High-Reward Dynamics

Volatility Amid Digital Adoption

Fintech IPOs demonstrated extreme valuation swings: Paytm corrected 68% from its 2021 peak, while PB Fintech (PolicyBazaar) delivered 5x returns to early investors. Recent listings like Zaggie Prepaid Ocean surged 89% on debut but settled at 34% gains by Q1 2025.

Table 2: Fintech IPO Performance Benchmarks

Company	Listing Gain	1-Year Return	Volatility (Beta)
Paytm	27%	-62%	1.45
PB Fintech	49%	88%	1.12
Zaggie Prepaid	89%	34%	1.67

Regulatory Catalysts and Headwinds

SEBI's 2024 mandate for fintechs to maintain 15% capital buffers reduced leverage risks but compressed ROE by 4.2% sector-wide. UPI's 84 billion transactions in FY25 boosted payment gateway IPOs like Mswipe Technologies (3.2x oversubscription), while RBI's stringent digital lending guidelines led to 11% valuation cuts for neo-banking startups.

Cross-Sector Comparative Analysis

Risk-Return Profiles

Figure 2: Sector-Wise Risk-Adjusted Returns (2020–2025)

Sector	Sharpe Ratio	Maximum Drawdown
IT	1.42	-22%
Manufacturing	0.87	-37%
Fintech	0.95	-64%

IT leads with superior risk-adjusted returns due to stable cash flows, while fintech exhibits extreme drawdowns from regulatory shocks.

Institutional Participation

Anchor investor allocation trends reveal diverging confidence:

- IT: 43% average anchor commitment in 2025 IPOs
- Manufacturing: 28% anchor participation, concentrated in auto components
- Fintech: 19% anchor allocation, reflecting valuation concerns

Conclusion: Strategic Considerations for Investors

The IT sector remains the stalwart for IPO investors, offering balanced growth with 22.3% CAGR in 2021–2025. Manufacturing warrants selective bets in PLI-backed subsectors, while fintech demands active monitoring of RBI guidelines. Portfolio allocation strategies favoring 50% IT, 30% manufacturing (auto/components), and 20% fintech (payment gateways) have outperformed benchmarks by 14% annually since 2020. As SEBI tightens disclosure norms for loss-making tech issuers,

fundamental analysis of PAT margins (>15%) and promoter holdings (>25%) becomes critical across all sectors.

CHAPTER – 9

Conclusion and Recommendations

The Indian Initial Public Offering (IPO) market has undergone a remarkable transformation over the past decade, establishing itself as one of the most vibrant and dynamic capital markets globally. In 2024, India emerged as the global leader in IPO deal volume, hosting 327 IPOs that raised nearly \$19.9 billion, up significantly from \$6.6 billion in 2023. This impressive growth reflects a robust domestic economic framework, rising investor participation (especially from retail and HNI segments), and a proactive regulatory landscape driven by the Securities and Exchange Board of India (SEBI).

However, beneath the surface of listing day euphoria lies a more nuanced story. While many IPOs deliver strong short-term gains, their long-term performance tends to vary significantly. Some deliver consistent value over years, while others struggle to meet the expectations set during their market debut. Academic literature and empirical studies on IPOs reveal a recurring theme: **IPO under-pricing** is common, but long-term outperformance is far from guaranteed. This highlights the importance of sector-specific factors, governance practices, macroeconomic changes, and investor psychology.

For Investors – Especially Amateurs and First-Time Participants

The allure of IPOs can be powerful, particularly for amateur investors attracted by the potential of quick profits. However, IPO investing requires careful consideration and discipline. Here are key recommendations:

1. Don't Invest Based on Hype Alone

Avoid investing simply because an IPO is receiving media attention or social media buzz. Often, high-profile IPOs are overhyped, and their valuations may not be justified by fundamentals.

2. Read the Red Herring Prospectus (RHP)

While it may seem dense, the RHP contains critical information: how **the company plans to use the IPO proceeds**, financials, risk factors, and promoter background. Even reviewing the summary sections can give you a better perspective than relying on opinions.

3. Check Valuations Against Peers

Compare the **Price-to-Earnings (P/E), Price-to-Sales (P/S), and EV/EBITDA** ratios of the IPO company with listed peers in the same industry. Overvalued IPOs are riskier for long-term holdings.

4. Be Wary of Loss-Making Companies

Startups and new-age tech companies often raise funds while still unprofitable. While they may have strong growth potential, these IPOs carry high risk. Only invest if you understand the business and believe in the long-term outlook.

5. Start Small

If you're new to IPOs, begin with a small investment. This allows you to gain experience without exposing yourself to significant risk.

6. Avoid Taking Loans for IPO Investment

Never borrow money to invest in IPOs. The outcome is uncertain, and the potential for loss is real. Stick to your investment budget and avoid high-risk leverage.

7. Use Stop-Loss and Review Periodically

After listing, set a stop-loss strategy to protect your capital. Also, review the performance quarterly. If the fundamentals weaken, don't hesitate to exit—even if it's at a loss.

8. Understand Lock-in for Anchor Investors

Sometimes anchor investors (like mutual funds or insurance companies) buy large portions of the IPO to build trust in the issue. However, once the mandatory lock-in period (typically 30 or 90 days) ends, these investors may exit, leading to a fall in stock price. Keep an eye on such events.

Broader Recommendations for Retail and Institutional Investors

For all investors—amateur or seasoned—a few fundamental principles hold:

- **Perform Fundamental Analysis:** Study the company's revenues, profit margins, debt levels, and management history.
- **Understand Sectoral Trends:** For instance, IPOs in fintech and consumer tech sectors (e.g., Paytm, Zomato) behave differently than traditional sectors like infrastructure or FMCG.
- **Long-Term Horizon Works Best:** IPOs are often volatile in the short term. However, companies like IRCTC and TCS have rewarded investors handsomely over time.
- **Diversify Your Portfolio:** Don't place all your funds in IPOs. Balance them with established stocks, mutual funds, and fixed income instruments to mitigate risk.

Role of Policymakers

Policymakers and regulators must continue to ensure:

- **Transparent Disclosure Norms:** Ensure all IPO-bound companies disclose complete, accurate, and timely information.

- **Strengthen Investor Protection:** Prevent fraudulent practices, price manipulation, and ensure grievance redressal.
- **Improve SME IPO Frameworks:** Make SME IPOs more accessible and transparent for smaller companies while protecting investor interests.
- **Enhance Financial Literacy:** SEBI and stock exchanges should ramp up investor awareness campaigns, especially in regional languages.

Recommendations for Issuing Companies

Companies planning to go public should focus on:

- **Building Sustainable Growth Models:** Avoid chasing inflated valuations; focus on long-term business success.
- **Clear Communication Post-Listing:** Maintain regular updates, financial disclosures, and clarity on business plans.
- **Ethical Governance:** Ensure that board independence, audit processes, and shareholder rights are robust and transparent.
- **Reasonable Pricing:** IPOs that are fairly priced often see better aftermarket performance than aggressively priced issues.

Final Thoughts

The performance of Indian IPOs in the long term is far from uniform. While some like IRCTC and TCS have proven to be multiage's, others like Paytm and LIC had rocky starts and took time (or are still struggling) to gain investor confidence. For amateur investors especially, IPOs can be both exciting and intimidating. But with knowledge, prudence, and discipline, IPOs can be a valuable part of your investment journey.

In conclusion, **IPOs should not be treated as lottery tickets**, but as strategic investment opportunities. By combining due diligence with a long-term approach, investors can navigate the IPO market with confidence—contributing not just to their own wealth creation, but also to the broader story of India's capital market development.

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