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THE ROLE OF INITIAL PUBLIC OFFERINGS (IPOS) IN THE GROWTH OF THE INDIAN CAPITAL MARKET

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ABSTRACT –An initial public offering (IPO) enables companies that have not previously been listed on the stock market to enter the market. The objective of this paper is to determine whether initial public offerings (IPOs) in India were undervalued and to what extent. G R Infra projects exhibited the lowest risk (1.43869), whereas Zomato Ltd demonstrated the highest risk (4.53592). The findings indicated that the IRCTC yielded the highest return (127.422), while the Suryoday Minor Finance Bank recorded the lowest return (-8.91803). Seventeen of the thirty initial public offerings (IPOs) outperformed the average on their first day. Individuals interested in the stock market may discover that attending an IPO is one of the most effective methods to gain knowledge about it. Risk-free investment is achievable through market analysis and the historical performance of companies.
***Index Terms* -** Capital market, Initial Public Offer, Overpricing Under-pricing.

1. INTRODUCTION

An initial public offering (IPO) is the inaugural occasion when a firm offers its shares to the public. This enables a company that has not previously been listed on a stock exchange to commence trading on one. Every initial public offering (IPO) serves a distinct purpose. To ensure the listing of the Company's existing equity shares, current equity holders may experience a dilution of their rights, allowing proceeds from the sale of equity shares to be allocated towards the objectives outlined in the offer document. These objectives may encompass broadening the Company's present operations, initiating new ventures, or merely listing the Company's current shares on the stock exchange. A private corporation selling stock to the public in a public offering is referred to as an initial public offering (IPO).
In an initial public offering (IPO), a company issues new equity, debt securities, or preferred shares to the public to generate capital. In lieu of stock shares, which often constitute the majority of a company's capital, retained earnings, bank loans, overdrafts, and alternative solutions are all viable selections. Startups and emerging enterprises frequently conduct initial public offerings (IPOs) to secure capital for expansion. Investing in an initial public offering entails significant risk. The Securities and Exchange Board of India (SEBI) regulates the Indian financial markets. It was established to safeguard investors and provide proper regulation of the capital market. SEBI has implemented many regulations and modifications to enhance the market's structure for improved functionality.

2. INITIAL PUBLIC OFFERING

An initial public offering, or IPO, is the inaugural occasion when shares of a previously private corporation become available for public purchase. Initial Public Offerings (IPOs) are typically conducted by nascent, smaller enterprises to secure capital for expansion.

Nonetheless, larger, privately held corporations may also pursue them to become publicly traded. The majority of companies that undergo an IPO are very young, complicating the assessment of their long-term potential. Two prevalent methods for executing an IPO are the fixed price approach and the book building procedure.

CONCEPT OF UNDER PRICING

A stock is considered underpriced if its IPO price is excessively low or if the offer price is below its most recent trading price. Many individuals concur that the valuations of initial public offerings (IPOs) are too low due to concerns over liquidity and uncertainty.

The disparity between the amount paid and the bid amount exemplifies an inexpensive price.

CONCEPT OF OVER PRICING:

Overpricing occurs when the offer price exceeds the final price or the posted price. The IPO market is excessively inflated due to the belief that every initial public offering will result in corporate success. Failing to accurately assess the value of an individual or something may result in inaction.

3. LITERATURE REVIEW

A paper conducted by Dr. A. S. Ambily, Gayatri Krishna, Aswathy K, and Deepa Balakrishnan utilized data from the NSE website to analyze the performance of IPOs on the NSE from the issue price to the final trading price over the period from 2013 to 2015. We examined the NSE's management of IPOs from inception to conclusion, encompassing the share sale price and the closing exchange rate. This was the key aspect of our research. When comparing the issue price to the final exchange price, the majority of investors would opt to purchase at the cheaper price. The rate of return graph illustrates the ROI over a specified duration. The research indicates that the issue rate cannot serve as the definitive exchange rate.

The research conducted by Rishi S. Saluja, Shikhar Dam, and Pradeepta Kumar Samanta, titled "An Investigation and Execution of Initial Public Offerings in the Indian Market," determined that the IPO performance needed to be assessed over an extended timeframe, commencing from the IPO date and concluding on the IPO date on the National Stock Exchange. From 2009 to 2013, a total of one hundred and eleven initial public offerings (IPOs) served as a benchmark. The research indicates that the cost of a posting day is significantly and persistently correlated with the time of purchase, irrespective of the business or geography.

Dr. Ravi Kiran's dissertation aimed to examine the costs associated with Indian initial public offers (IPOs) listed on the National Stock Exchange (NSE) from 1999 to 2008. The results indicate that the Indian stock market may be overvalued. The regulations governing initial public offers (IPOs) in India warrant careful consideration. The paper will proceed solely with information provided voluntarily by individuals. The National Stock Exchange of India has provided additional information. It is logical to assert that undervaluation inflicts greater immediate damage.

Thomson Reuters is exploring strategies to expand its operations in the Indian market and is formulating a fresh public proposal. We examined both the short-term and long-term performance of the companies in this paper to get insight into the factors that distinguish remarkable returns and to evaluate the performance of the IPOs. The present paper primarily utilized secondary data sources, compiling information from the NSE, CMIE PROWESS, and CAPITAL LINE. The objective of the analysis was to examine the presentation of the IPO in both primary and secondary markets.

Iqbal (2018), Thonse Hawaldar, and Naveen Kumar examined the trading of initial public offers (IPOs), book manufactured IPOs (BMOs), and fixed value IPOs (FVOs) on their listing day on the Indian stock exchange. They also examined the trading of BMOs, BMOs, and FVOs by resellers following their listing date. They examined the performance and assessment of 464 Indian initial public offerings (IPOs) upon their debut in the global market from 2001 to 2011. They believed that the Cumulative Abnormal Average Returns (CAAR) would be negative for book-designed IPOs during the initial five years post-IPO. However, it would be advantageous for fixed-value IPOs following the initial six months and continue to be beneficial thereafter.

Dear Ms. Aswini G. K. Conducted an investigation on the incorporation of IPOs into the NSE Indian database. Data from the NSE and BSE websites was utilized for the analysis by Jyothi G. H. This paper examines initial public offerings (IPOs) by comparing the issue cost to the closure cost upon issuance. Data from India's National Stock Exchange (NSE) indicates that investors consistently preferred purchasing shares when the issuance costs were reduced, from 2015 to 2019. The connection model was employed to analyze the public offering of shares in the NSE Indian file. The paper posits that initial public offerings (IPOs) can yield substantial profits or serve as a long-term company strategy.

Vaidyanathan examined the management of initial public offering valuations by the NSE in 2007. The findings indicate that the undervaluation on the inaugural trading day primarily stems from investors' desire to purchase a stock during the book-building process and the subsequent posting delay. IPO marketing costs appear to exert no influence. The data gathered from 2004 to 2006 was analyzed, resulting in the selection of 55 businesses for further investigation. The expert affirmed that the initial day's undervaluation is mostly attributable to interest in the issue during book building and delays in posting, notwithstanding the minimal impact of initial public offering (IPO) marketing expenditures.

Lowry and Schwert (2000) conducted a comprehensive analysis of IPO returns, dissecting the market from the firm level to the whole market level. The paper examined robust cycles in the total number of IPOs by calculating the average initial returns seen by investors from 1960 to 1997. This paper employs empirical measurements such as the mean, median, standard deviation, and autocorrelations. The data indicate that IPO cycles occur, subsequently affecting returns and leading to underperformance.

The research conducted by Madhuri Malhotra and N on the atmosphere of the Indian stock exchange demonstrates that initial public offerings have underperformed over the long term. Premkumar. Between 2004 and 2008, all initial public offerings (IPOs) were sourced straight from the National Stock Exchange's website. This paper examines the factors that may influence the response of a company's share value to its initial public offering (IPO). The issue of initiating an IPO was addressed by Buy and Hold Adjusted Return. A correlation existed between the volume of offers during the IPO and subpar performance in the Indian stock and trade market.

Professors Sweety N. Shah and Disha H. Mehta examined the NSE India database from January 2010 to December 2014 to analyze the execution of 113 initial public offerings (IPOs) on their launch day. The primary objective of this paper is to assess the performance of initial public offerings (IPOs) on their inaugural trading day and to evaluate the speed at which the market acknowledges the substantial returns these securities yield. The analysis encompasses all Indian companies that conducted initial public offerings on international stock exchanges from January 2010 to December 2014. The analysis utilizes data from 113 distinct organizations. The factors influencing daily returns and undervaluation were examined. Dr. Satish Mittal and Ms. Seema Verma conducted a paper on "Initial Public Contributions and Long-Run Performance." The objective of this review was to elucidate the findings of prior research examining the long-term performance of initial public offerings (IPOs) and to identify the fundamental factors contributing to their underperformance over time. The audit examines 42 distinct experimental and theoretical investigations conducted between 1991 and 2014. They conclude that there remain unresolved questions pertaining to the long-standing paper of IPOs.

Sanjay Desai sought to investigate "the post-listing performance of initial public offerings in the Indian market. This paper aimed to examine the fluctuations in market values of IPOs issued between July 2010 and June 2013 over a period of six to thirty-six months post-listing. This analysis employed BSE to select the research samples. The BSE and Moneycontrol websites were utilized to ascertain the issue price, industry price, and market price of initial public offerings (IPOs). Despite the increase in the Sensex from 10,000 to 20,000 throughout the three-year paper period, the overall performance of IPOs was unfavorable.

Deb and Marisitty's 2011 paper, "The Presentation of an IPO in an Indian Market," aims to achieve this objective. Our objective is to examine Indian initial public offerings, regardless of whether they provide initial dividends. The investigation utilized extraneous data. The National Stock Exchange and other venues were utilized to obtain these figures. Their research demonstrated that a comprehensive examination of initial public offerings (IPOs) mitigated undervaluation and altered the enthusiasm of individual investors.

In 2012, Nurwati A. Ahmad-Zaluki and Lim Boon Kect conducted a paper titled "The Performance of Commerce in an Indian Market" to ascertain if returns are superior in the short term or long term. One can ascertain the day's short-term returns by employing the conventional method of calculating returns. The primary component of the paper utilized secondary data from NSE, CMIE expert, and CAPITAL LINE. The results indicate that investors purchasing commercial shares on the Mesdaq market experience substantial short-term gains but incur losses over the long term.

In 2014, Aalaa J. Hadji and Batool K. Asiri conducted a paper titled "The Performance of

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Initial Public Offerings of Firms Listed on the NSE, India and Gulf Base GCC Index." The objective of the paper was to analyze Indian IPOs over a brief duration, specifically the interval between the transaction date and the date of the final allocation, as well as the inaugural trading day following the company's listing on a stock exchange. The precise findings indicated that both the company's age and the deal's size were highly elevated and modestly correlated with undervaluation. Moreover, the analysis identified a correlation between financial institutions and commercial enterprises. This investigation utilized superfluous data.

4. DATA ANALYSIS AND INTERPRETATION

SR NO.	COMPANY NAME	1ST DAY GAIN
1	ANUPAM RASAYAN INDIA LTD	-5.08108108
2	CLEAN SCIENCE AND TECHNOLOGY LTD	76.1388889
3	CRAFTSMAN AUTOMATION LTD	-3.65100671
4	DODLA DAIRY LTD	42.5
5	HOME FIRST FINANCE COMPANY INDIA LTD	1.84362934
6	INDIGO PAINTS LTD	109.204698
7	MACROTECH DEVELOPERS LTD	-4.26954733
8	LAXMI ORGANIC INDUSTRIES LTD	26.5
9	NURECA LTD	-4.21977674
10	ROLEX RINGS LTD	29.6666667
11	SURYODAY SMALL FINANCE BANK LTD	-8.91803279
12	TATVA CHINTAN PHARMA CHEM LTD	113.499538
13	ZOMATO LTD	65.7894737
14	ANGEL BROKING LTD	-9.86928105
15	COMPUTER AGE MANAGEMENT SERVICES LTD	-0.01426941
16	EXXARO TILES LTD	-0.76335878
17	HAPPIEST MINDS TECHNOLOGIES LTD	123.463855
18	IRCTC	127.421875
19	KRISHNA INSTITUTE OF MEDICAL SCIENCES LTD	20.8424242
20	PRINCE PIPES AND FITTINGS LTD	-6.23595506
21	ROSSARI BIOTECH LTD	74.5058824
22	ROUTE MOBILE LTD	86.0857143
23	RAIL VIKAS NIGAM LTD	-0.6
24	SBI CARDS AND PAYMENT SERVICES LTD	-9.74834437
25	WINDLASS BIOTECH LTD	-11.4891304
26	GLENMARK LIFE SCIENCES LTD	3.95833333
27	BURGER KING INDIA LTD	125
28	G R INFRAPROJECTS LTD	108.733572
29	KALYAN JEWELLERS INDIA LTD	-13.5632184
30	SHYAM METALICS AND ENERGY LTD	22.9248366

Under price/Over price Analysis: thirty IPOs presently available, seventeen are overvalued. Entities include GLS, Burger King, IRCTC, KIMS, Rossari Biotech, Route Mobile, and Shyam Metalics. Several additional enterprises are present, including Clean Science, Dodla Dairy, Home First, Indigo Paints, Laxmi Organic, Rollex Rings, Tatva Chintan, Zomato, Happiest Mind, and IRCTC.

Thirteen IPOs are priced below their competitors. The list comprises Anupam Rasayan, Craftsman, Lodha, Nureca Ltd, Suryoday Small Finance Bank, Angel Broking, CAMS, Exxaro Tiles, Prince Pipes, RVNL, SBI Card, Windlass, and Kalyan Jewelers. This indicates that prices are expected to increase in the future, as the current market price does not reflect the company's capacity for profitability or financial stability.

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RETURN ANALYSIS

Top 5 companies return	
Name	**Return**
IRCTC	127.4219
BURGER KING	125
HAPPIEST MIND	123.4639
INDIGO PAINTS	109.2047
GR INFRA	108.7336
Bottom 5 companies Return	
Name	**Return**
KALYAN JEWELLERS	-13.5632
WINDLASS	-11.4891
ANGEL BROKING	-9.86928
SBI CARD	-9.74834
SURYODAY	-8.91803

s

The aforementioned top five IPOs (IRCTC, Burger King Ltd, Happiest Mind, Indigo Paints, and G R Infraprojects Ltd.) shown a significantly superior return on investment (ROI) compared to the average IPO. Examine this as evidence that initial public offerings have generated profit. IRCTC possesses the highest ROI among all IPOs, with a value of 127.522.

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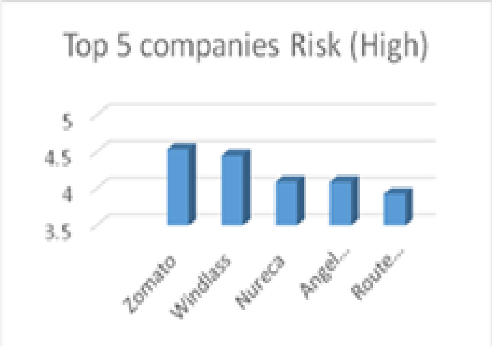
The initial public offering of Suryoday Small Finance Bank yielded a lesser return (-8.918) compared to the average.

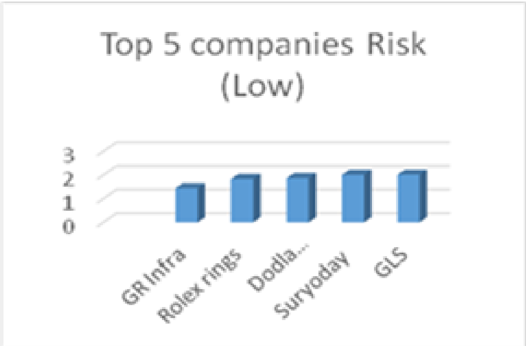
RISK ANALYSIS

Top 5 companies Risk (High)	
Name	Risk
ZOMATO	4.53592
WINDLASS	4.447505
NURECA	4.091139
ANGEL BROKING	4.088561
ROUTE MOBILE	3.925301



RISK ANALYSIS

TOP 5 COMPANIES RISK (LOW)	
NAME	RISK
GR INFRA	1.438694
ROLEX RINGS	1.831271
DODLA DAIRY	1.867856
SURYODAY	2.010429
GLS	2.012477



The data indicates that the five most successful IPOs (Zomato Ltd., Windlass Biotech Ltd.,

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Nureca Ltd., Angel Broking Ltd., and Route Mobile Ltd.) present a higher risk than the average. The top five IPOs are outperforming the others. The risk standard deviation for Zomato is 4.5352, significantly exceeding that of other IPOs. According to the provided information, Glenmark Life Science, Suryoday Small Finance Bank, Dodla Dairy, Rolex Rings, and G R Infra-projects represent the most secure initial public offerings (IPOs). The initial public offering (IPO) of G R Infra-projects Ltd is more secure than the majority of IPOs (1.438669).

5. CONCLUSION

Investing in India has transitioned from a luxury to a necessity for security. When interest rates decline, investors seek alternative avenues for profit. The majority of individuals consistently seek alternatives and are inclined to embrace greater risks. Advancements in technology enable customers to effortlessly compare several service providers. Participating in an initial public offering (IPO) can be an excellent opportunity for anyone interested in the financial system to enhance their knowledge. Investors can secure their financial interests by acquiring knowledge about the economy and analyzing the historical performance of potential investments.

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