



A study on initial public offering and analysis of Post listing Performance in Investment and Finance Industry of India: Evidence from 2007-2017

In India, IPOs seems to be low-hanging fruits for the investors. IPO market encourage the investors to avail the lucrative investment opportunities in the Country and it motivates them to mobilize fund from low growth opportunities to high growth opportunities. Main objective of the Project was to study IPO offerings and post listing analysis specifically in Investment and Finance Industry. Duration of the study would be 10 year (2007 to 2017). While evaluation of the listing day performance seems straightforward on surface, it actually invokes several complications for the subsequent performance measurement.

From 2007 to 2017 total 374 company raised 197045.40 CR rs in the Indian economy. Project is intended to calculate difference of returns in listing day return and L+1 month, L+3 month, L+6 month and L+12 months return. Along with this industry wise average return has been calculated.

The long-run performance of IPOs up to a period of 12 months are measured by using the two most promising evaluation techniques, i.e., wealth relative (WR) and buy-and-hold abnormal rate of return (BHAR), both being adjusted with market index, CNX-Nifty. Further, the results evidence that the underperformance is most pronounced during the initial year of trading, i.e., up to 12 months from the listing date followed by over-performance. These data were cross-checked with the original offer documents. Secondary market price data for all sample IPOs up to a period of study.

All the IPOs in this specific industry will examined and different statistical tools have been used to calculate mean, return and other wealth index return. Outcome of the Project would be useful to Investors, students, broking firms, capital market players and primary market policy maker.

Key Words: *Initial Public offerings, post listing analysis, Wealth Relatives*

Introduction:

In Indian primary market, it is important that the pricing of IPOs should reflect intense value of the company. India is a country where prospect for growth is higher. Even India has strong fundamentals and trade history. Price discovery and process of IPOs will need long time to prove growth prospective. IPOs market is most lucrative market for investors as opportunities of growth is much higher and risk is limited to certain limit.

Literature Review

(Jean-Francois Gajewski, 2012) Studied post listing liquidity in short term and long term. Time taken for the study is 10 years i.e. 1995 to 2004. The study also covers different methods of IPOs and it has found that book building has more importance in these day. (S Trevis cetro, 2009) Found that management and entrepreneurs has significant interest in IPO. He tried to cover other aspect like corporate governance, innovation, upper classes and social influence. (Seshadev Sahoo, 2010) Conducted study on post listing performance of selected IPOs. Time frame chosen for the study was from 2000 to 2006. (Paul, 2000) Concluded that there is no any significant difference in prospect and actual performance. It was considered that financial data and key financial variables are drafted using graphs.

Objectives:

Main objective of this paper to study post listing performance of IPOs specifically in finance industry in India. Post listing one year return is analysed for better conclusion.

Sampling plan

Sample size: The study has been conducted on the basis of 374 companies IPO form different sectors of past 10 Years.

Year	No. of IPOs	Amount Raised (In Rs Cr)	Issue Succeeded	Issue Failed
2007	108	33,946.22	104	4
2008	39	18,339.92	36	3
2009	22	19,306.58	21	1
2010	66	36,362.18	64	2
2011	40	6,043.57	37	3
2012	13	6,770.17	11	2
2013	5	1,283.95	3	2
2014	7	1,200.94	5	2
2015	21	11,362.30	21	0
2016	27	26,372.48	26	1
2017	26	36,057.09	26	0
Total	374	197,045.40	354	20

(Source: NSE India)

From the table-1 we can say that IPO is very essential part of economy from 2007-17 various company raised 197045.40 CR rs from the Indian economy which make India very attractive place for investor around the global so we have taken data of IPO 2007-17 and study the return from the market of economy and return of each sector of the economy and over perform, underperform of IPO.

Table:2 growth In listing day

List Companies in Finance and Investment Industry	Issue price or Offer price	Listing day closing price
BSE Limited IPO	806	1069.2
IRB InvIT Fund IPO	102	101.8
Housing and Urban Development Corporation Ltd IPO	60	72.55
IndiGrid InvIT Fund IPO	100	98.64
Central Depository Services (India) Limited IPO	149	261.6
Au Financiers (India) Limited IPO	358	541.65
Equitas Holdings Limited IPO	110	135.2
Ujjivan Financial Services Ltd IPO	210	231.55
RBL Bank Ltd IPO	225	299.4
PNB Housing Finance Ltd IPO	775	891.15

Repc Home Finance Ltd IPO	172	160.85
ICICI Lombard General Insurance Company Ltd IPO	661	681.2
SBI Life Insurance Company Ltd IPO	700	707.55
ICICI Prudential Life Insurance Company Ltd IPO	334	297.55

(Source: NSE India)

Wealth Relative

The performance of selected IPOs using wealth relative can be evaluated for a specific point of time. Levis(1993) examined the performance of 712 IPOs from 1980 to 1988 in the UK. Following formula was used to determine wealth relative index.

$$WR = R_t / M_t$$

Where R_t denotes return of individual IPO in specific duration and M_t denotes market Index return.

Table:3 Return in IPO

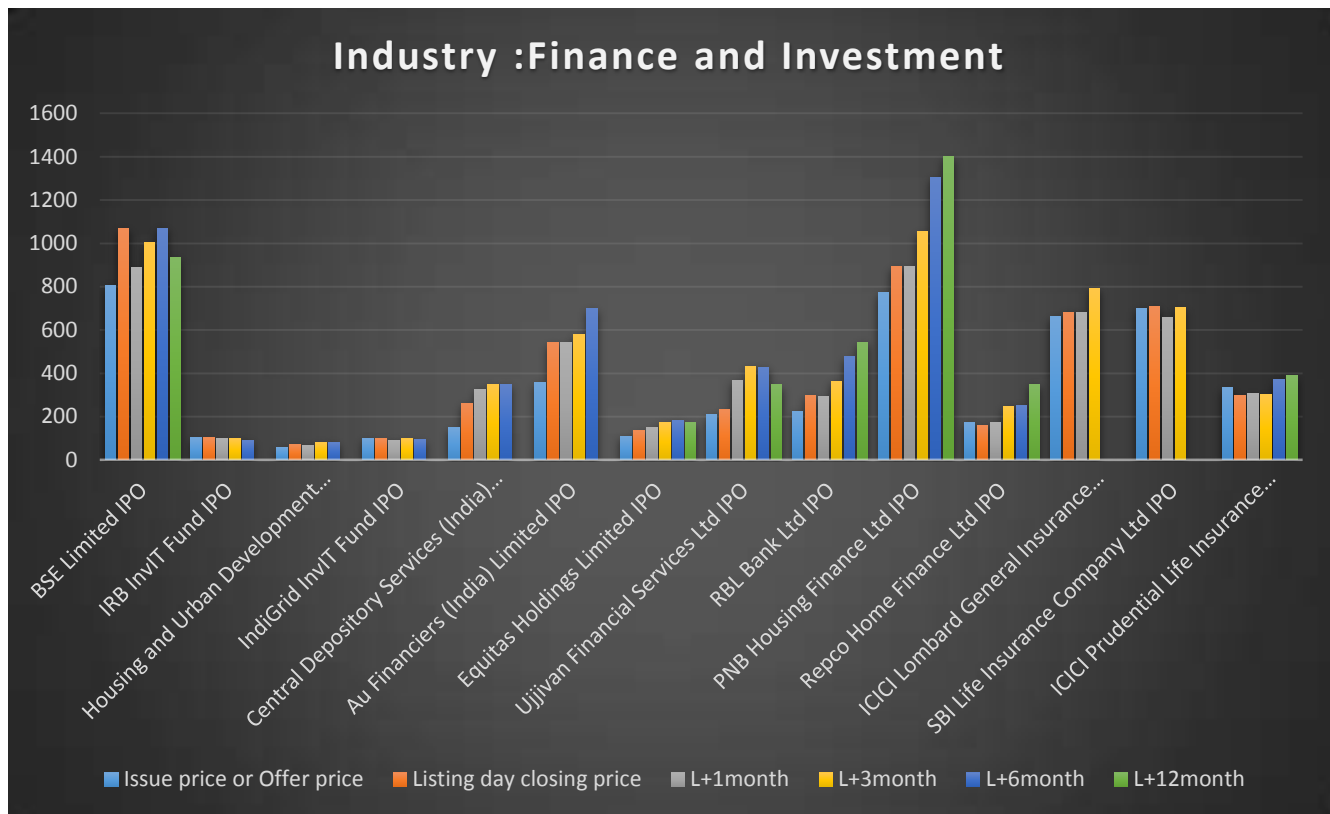
Companies name	L+1m	L+3m	L+6m	L+12mo nth	RETURN
BSE Limited IPO	890.7	1002.75	1069.6	936.4	16.17866005
IRB InvIT Fund IPO	99.3	97.61	90.7	-	-11.07843137
Housing and Urban Development Corporation Ltd IPO	67.9	80.85	82	-	36.66666667
IndiGrid InvIT Fund IPO	91.11	97.57	94.44	-	-5.56
Central Depository Services (India) Limited IPO	327.1	347.4	350.6	-	135.3020134
Au Financiers (India) Limited IPO	542.8	580.8	699.55	-	95.40502793
Equitas Holdings Limited IPO	148.1	173.65	183.3	171.45	55.86363636
Ujjivan Financial Services Ltd IPO	367.55	432.2	428.4	346.75	65.11904762
RBL Bank Ltd IPO	291.2	363.75	476.7	544.6	142.0444444
PNB Housing Finance Ltd IPO	891.8	1053.8	1306.25	1400.5	80.70967742
Repc Home Finance Ltd IPO	172.5	248.9	252	349.75	103.3430233
ICICI Lombard General Insurance Company Ltd IPO	680.2	792.25	-	-	19.85627837
SBI Life Insurance Company Ltd IPO	656.7	704.15	-	-	0.592857143
ICICI Prudential Life Insurance Company Ltd IPO	305.75	300.1	370.9	388.8	16.40718563

(Source: Authors Calculation)

Table:4 Statistic of Return

AVERAGE/MEAN	HIGHEST/MAXIMUM	LOWEST/MINIMUM
53.6321491	142.044444	-11.0784314

(Source: Authors Calculation)



(Source: Self Constructed)

Analysis and Interpretation

Finance and Investment industry have only 14 company who have been issued IPO in Period from 1 Jan, 2013 to 23 sept, 2017. Average return from the industry is around 53% within a year. Highest return is in RBL bank ltd was around 142% and lowest was in Indi grid Invest fund ltd and it was negative 5% within a year. Even in general in the year 2016 and 2017 overall financial sector has given return in double digit.

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