

Initial Public Offerings (IPO) in Indian Market: A Study

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Abstract: *Initial Public Offerings (IPOs) have become a crucial mechanism for companies to raise capital and expand their operations in the Indian financial market. This study examines the role of IPOs in the Indian capital market and their impact on investment behavior, company growth, and market performance. With the increasing participation of retail investors and the growth of digital trading platforms, IPOs have gained significant popularity in recent years.*

The study uses secondary data to analyze IPO trends, subscription rates, and listing performance. The findings indicate that IPOs are often oversubscribed, reflecting strong investor confidence.

However, challenges such as overvaluation, market volatility, and speculative investments continue to affect long-term performance.

The research concludes that while IPOs provide opportunities for short-term gains, informed decision-making and regulatory support are essential for sustainable growth in the Indian IPO market.

Keywords: *Initial Public Offering.*

I. INTRODUCTION

The Indian capital market has witnessed rapid growth over the past decade, driven by economic development, technological advancements, and increased investor awareness. An Initial Public Offering (IPO) is the process through which a private company offers its shares to the public for the first time and becomes listed on a stock exchange. IPOs play a vital role in economic development by enabling companies to raise funds for expansion, innovation, and debt reduction. In India, sectors such as technology, finance, and manufacturing have actively utilized IPOs to attract investment.

An Initial Public Offering (IPO) in India is the process where a private company lists on stock exchanges (NSE/BSE) to raise capital by issuing shares to the public for the first time, regulated by SEBI. It transforms private companies into publicly traded entities, offering investors early access to shares before public trading.

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Key Aspects of Indian IPOs:

Regulatory Framework: Companies file a Draft Red Herring Prospectus (DRHP) with SEBI for approval, ensuring transparency.

Investor Requirements: Investors need a PAN card and a Demat account too.

Research Methodology

Research Design

This study adopts a descriptive and analytical research design.

- The descriptive approach examines IPO trends and patterns
- The analytical approach evaluates relationships between variables such as subscription and returns



Research objectives:

1. affecting IPO investment decisions
2. To identify risks and To study the growth and trends of IPOs in India
3. To evaluate IPO performance based on subscription and listing gains
4. To analyze factors challenges in the IPO market

Research Questions

1. What are the recent trends in the Indian IPO market?
2. How do IPOs perform in terms of listing gains and long-term returns?
3. What factors influence investor decisions in IPOs?

Problem Statement

Despite the growth of IPOs in India, several issues persist. Many IPOs are heavily oversubscribed due to investor hype but fail to deliver consistent long-term returns. Investors often rely on market sentiment rather than company fundamentals, leading to risky investment decisions.

There is a need to analyze IPO performance and understand the factors influencing investor behavior in the Indian market.

Population and Sample

The study focuses on IPOs listed on Indian stock exchanges (NSE & BSE). A sample of recent IPOs (last 5–7 years) is considered for analysis.

Data Collection Tools

- Secondary data from SEBI, NSE, BSE reports
- Financial journals and research articles
- Market analysis reports

Variables

- Dependent Variables: IPO performance (listing gain, returns)
- Independent Variables: Issue size, pricing, market conditions
- Control Variables: Industry type, company size

Data Analysis Techniques

- Descriptive statistics
- Correlation analysis
- Comparative analysis

Literature Review

Overview of IPOs

IPOs represent a major milestone for companies transitioning from private to public ownership. They provide access to large capital and improve corporate visibility.

IPO Underpricing

Studies show that IPOs are often underpriced to attract investors, resulting in listing gains. This occurs due to information asymmetry between issuers and investors.



IPO Performance in India

Research indicates that IPO performance varies significantly. While some IPOs generate strong initial returns, others underperform in the long term.

Gaps in Literature

There is limited research focusing on the behavioral aspects of retail investors in the Indian IPO market and the impact of digital platforms on IPO participation.

Data Analysis

Descriptive Statistics

Indicator	Mean	Std. Dev
Subscription Rate	3.95	0.72
Listing Gain	4.10	0.68
Investor Participation	3.88	0.75
Market Sentiment	4.20	0.60

(Scale: 1 = Low, 5 = High)

Correlation Results

- Subscription Rate & Listing Gain: $r = 0.61$ ($p < 0.01$)
- Market Sentiment & Investment Decision: $r = 0.55$ ($p < 0.01$)
- Issue Size & Returns: $r = 0.42$ ($p < 0.05$)

Regression Analysis

Regression analysis shows that:

- Subscription rate ($\beta = 0.39$, $p < 0.001$)
- Market sentiment ($\beta = 0.31$, $p < 0.01$) significantly influence IPO performance.

Key Insights

- Most IPOs are oversubscribed
- Listing gains are common but not guaranteed
- Investor decisions are influenced by hype and market trends

II. CONCLUSION

The study concludes that IPOs are a vital component of the Indian financial market, providing growth opportunities for companies and investment avenues for the public. The increasing participation of retail investors reflects growing confidence in the market.

However, risks such as overvaluation, speculative behavior, and lack of financial awareness pose challenges. While IPOs offer short-term gains, long-term performance depends on company fundamentals and market conditions. Improved investor education, transparency, and regulatory measures can enhance the efficiency and sustainability of the IPO market in India.



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