



A STUDY ON IPO PERFORMANCE AND ITS INFLUENCE ON STOCK MARKET DYNAMICS

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ABSTRACT

Initial Public Offerings (IPOs) represent a crucial mechanism through which companies raise capital from the public market and expand their business operations. The dynamics of IPOs have gained significant attention among investors, financial analysts, and researchers due to their impact on market performance and investment decisions. This study aims to analyze the behavior and performance of IPOs in the capital market and examine the factors influencing their success and post-listing performance.

The research focuses on evaluating key aspects such as pricing strategies, investor demand, market conditions, and company fundamentals that affect IPO performance. It also examines the short-term and long-term market performance of IPOs by analyzing parameters such as listing gains, return on investment, and market volatility. The study utilizes analytical methods and secondary data collected from financial reports, stock exchanges, and market databases to assess trends in IPO performance.

The findings of the study indicate that market sentiment, company reputation, issue pricing, and economic conditions play a vital role in determining IPO success. While many IPOs generate significant initial returns due to high investor demand, their long-term performance often varies depending on the financial stability and growth prospects of the issuing companies.

I. INTRODUCTION

Initial Public Offerings (IPOs) play a vital role in the development of capital markets by enabling companies to raise long-term funds from the public. Through an IPO, a privately held firm becomes a publicly traded company, allowing it to expand operations, reduce debt, enhance visibility, and improve corporate governance. For investors, IPOs offer an opportunity to participate in the early growth stage of a company and potentially earn higher returns. However, IPO performance is often characterized by uncertainty, price volatility, and information asymmetry, making it an important area for analytical research.

The dynamics of IPOs are influenced by multiple factors such as market conditions, investor sentiment, issue pricing, company fundamentals, and regulatory frameworks. One of the most widely observed phenomena in

IPO markets is underpricing, where the issue price is lower than the market price on the listing day, leading to abnormal initial returns for investors. While this benefits short-term investors, it raises questions about pricing efficiency and long-term performance. Some IPOs show strong listing gains but underperform in the long run, while others demonstrate steady growth based on financial strength and industry prospects.

Analyzing IPO performance requires both short-term and long-term perspectives. Short-term performance is usually measured through listing gains and immediate market response, whereas long-term performance is evaluated using indicators such as buy-and-hold returns, market-adjusted returns, and financial stability. Market timing, oversubscription levels, promoter holding, and institutional



participation also play a significant role in determining post-issue performance.

In emerging markets like India, IPO activity has increased significantly due to economic growth, digital trading platforms, and greater retail investor participation. This has made it necessary to study IPO dynamics in a structured and analytical manner. Understanding the relationship between issue pricing, market conditions, and post-listing performance helps investors make informed decisions and assists companies in designing effective pricing strategies. Therefore, an analytical study of IPO market performance provides valuable insights into capital market efficiency, investor behavior, and wealth creation opportunities.

NEED OF THE STUDY

The need of studying Initial Public Offers (IPOs) and their analysis lies in understanding how companies use public markets to raise capital and how investors assess these opportunities. IPOs play a crucial role in driving economic growth by channeling funds from investors into productive ventures. However, not all IPOs perform well post-listing, which makes it important to study the factors influencing their success or failure. This study aims to analyze the process, pricing, and performance of IPOs to help investors make informed decisions. It also seeks to understand the company fundamentals, market conditions, and investor sentiments that affect IPO outcomes. By evaluating real cases and market trends, the research will provide valuable insights for both corporate decision-makers and individual investors. The study contributes to better investment planning, improved financial literacy, and effective participation in the capital market.

OBJECTIVES OF THE STUDY

- To understand the concept and process of an Initial Public Offer (IPO) as a method for companies to raise capital.
- To analyze key IPO performance indicators such as pricing, subscription levels, and post-listing performance.

- To evaluate investor sentiment, market conditions, and company fundamentals affecting IPO success.
- To assess regulatory, financial, and strategic implications of going public for businesses.

SCOPE OF THE STUDY

The study on Initial Public Offers (IPOs) and their analysis is significant as it helps understand the functioning of the primary capital market and the factors that determine the success of an IPO. It provides valuable insights into how companies raise funds and how investors can evaluate investment opportunities effectively. By studying IPO performance, pricing mechanisms, and investor responses, this research highlights the key elements that influence market behavior. The findings will assist potential investors in identifying profitable IPOs and avoiding risky ones. For companies, it offers guidance on designing better issue strategies and improving transparency. Moreover, the study contributes to financial education by enhancing awareness about market operations and investment analysis. Overall, this research benefits investors, policymakers, and financial analysts by supporting informed decision-making and promoting the healthy development of the capital market.

II. RESEARCH METHODOLOGY

An Initial Public Offering (IPO) is the process through which a private company offers its shares to the public for the first time, transitioning into a publicly traded entity. The healthcare sector, comprising pharmaceuticals, hospitals, biotechnology, and medical devices, has witnessed significant IPO activity, driven by increasing healthcare demands and innovation. This report analyses IPO trends in the healthcare sector, their impact, and factors influencing their success.

Data Collection

- **Primary Data:** Collected through surveys and interviews with investors, financial analysts, and healthcare professionals.



- **Secondary Data:** Sourced from stock market reports, financial statements, regulatory filings, and research articles.

Sampling Method

Stratified random sampling is used to ensure diverse representation from investors, healthcare companies, and analysts.

LIMITATIONS OF THE STUDY

- The study is based on limited IPO samples, which may not represent the entire market performance accurately.
- Data collected from secondary sources may contain inconsistencies or outdated information affecting the accuracy of analysis.
- Market conditions and investor sentiments are unpredictable, which may influence IPO performance beyond analytical control.
- The study does not include in-depth qualitative factors such as management efficiency or future business prospects.
- Time constraints limit the scope of analysis, preventing long-term performance evaluation of the selected IPOs.

III. REVIEW OF LITERATURE

Shanthi Kumari (2025) The Indian capital market has seen a spurt in Initial Public Offerings (IPOs), and so it has become a critical research area for investors as well as policymakers. The current paper analyses the performance of main-board IPOs listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in 2022, with a focus on listing day performance and their subsequent financial performance. The research examines major determinants like issue size, issue price, firm age, subscription rate, and market conditions in general. Secondary data of 40 IPOs were statistically analyzed with the help of statistical software like linear regression and paired t-tests in SPSS 28. The results show that although approximately 62% of IPOs listed at a

premium to the issue price, close to 38% either listed at par or at a discount, indicating the uncertainty of success of IPOs. Sector-wise analysis indicates that engineering, advertising, healthcare, and telecom sectors performed better, while traditional sectors such as steel, industrial products, and hotels performed poorly. The study verifies the existence of underpricing in a number of instances, although results were quite different across sectors. These findings suggest paying close attention to thorough consideration of company fundamentals and market environments prior to investment. The findings produced will help investors in making sound decisions and give regulators evidence to make better policies promoting efficiency and transparency in the Indian primary market.

Xunhua Su (2025) We provide novel evidence on the loan market benefits of high IPO underpricing. We show that greater underpricing is associated with a significantly larger within-firm reduction of post-IPO borrowing costs. This benefit of underpricing is less pronounced for firms with high ex-ante information asymmetry and is concentrated in firms with a high demand for advertisements. In addition, neither price revision before the IPO nor the short-term or long-term stock return after the IPO has a similar effect. Our results suggest that underpricing affects borrowing costs through an attention channel and highlight a real economic effect of underpricing from the loan market.

Aryan Mishra (2025) Initial Public Offering (IPO) is the process of issuing shares to the public for the first time by an issuing company to the public directly (McDougal et al., 2019). To raise the required capital for the business, most organizations go for public issues, and IPO is an important source among them. But sometimes there will be a huge difference between the issue price and listing price, as happened in a recent Hyundai Motors IPO, post-listing on stock exchanges, and one-month, two-month, and three-month performance of IPOs. Therefore, this paper aims to study the short-term performance of



IPO listed on the NSE. The data has been collected from the NSE official website from 10th Feb 2024 -10th Oct 2024. The Listing Day, One month, Two Months, Three months, Six months, and One-year average returns are calculated for analysis. This paper found that most of the IPOs are mispriced, and it was found that there was a massive difference between the Issue price and the listing price. Thus, this paper suggests that before investing in any IPOs, investors should evaluate the past performance of a company and should be cautious enough to decide on investments in IPOs. This paper is helpful for investors, stock broking houses, QIBs, etc., in making proper investment decisions. In addition to the analysis of short-term performance, this study also explores the underlying reasons for the mispricing of IPOs, examining factors such as market sentiment, investor behavior, and economic conditions at the time of the offering.

Mazin Alahmadi (2025) Addressing resource scarcity and climate change necessitates a transition to sustainable consumption and circular economy models, fostering environmental, social, and economic resilience. This study introduces a deep learning-based ensemble framework to optimize initial public offering (IPO) performance prediction while extending its application to circular economy processes, such as resource recovery and waste reduction. The framework incorporates advanced techniques, including hyperparameters optimization, dynamic metric adaptation (DMA), and the synthetic minority oversampling technique (SMOTE), to address challenges such as class imbalance, risk-adjusted metric enhancement, and robust forecasting. Experimental results demonstrate high predictive performance, achieving an accuracy of 76%, precision of 83%, recall of 75%, and an AUC of 0.9038. Among ensemble methods, Bagging achieved the highest AUC (0.90), outperforming XGBoost (0.88) and random forest (0.75). Cross-validation confirmed the framework's

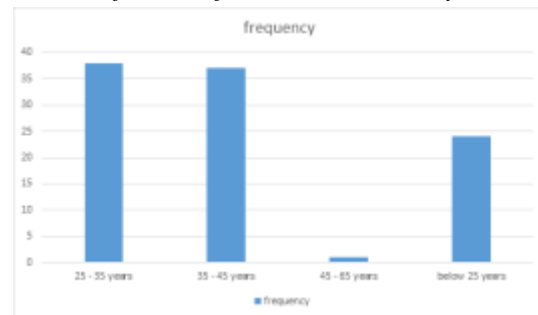
reliability with a median AUC of 0.85 across ten folds. When applied to circular economy scenarios, the model effectively predicted sustainability metrics, achieving R² values of 0.76 for both resource recovery and waste reduction with a low mean absolute error (MAE = 0.11).

IV. DATA ANALYSIS & INTERPRETATION

1.What is the age group of investors investing in listing of securities?

Age group	Frequency	Percent
25 - 35 years	38	38
35 - 45 years	37	37
45 - 65 years	1	1
below 25 years	24	24
Total	100	100

Source of data: - from investor survey

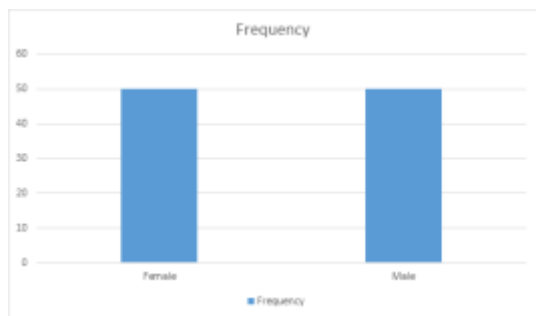


INTERPRETATION: -From the above analysis 38% investors age group between 25 - 35 years, 37% investors age group between 35-45 years, 1% investors age group between 45-65 years, 24% investors age group below 25 years.

2. Who are interested in investing in securities

=Gender	Frequency	Percent
Female	50	50
Male	50	50
Total	100	100

Source of data: - from investor survey

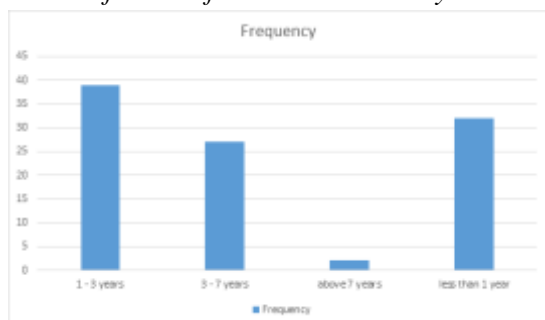


INTERPRETATION: -From the above analysis 50% investors are females,50% investors are males.

3.How many years of experienced investors are investing in securities

Year(s) of experience in investing in IPO(s)	Frequency	Percent
1 - 3 years	39	39
3 - 7 years	27	27
above 7 years	2	2
less than 1 year	32	32
Total	100	100

Source of data: - from investor survey



INTERPRETATION: -From the above analysis 39% investors are responded 1-3 years of experience in investing in IPO,27% investors are responded 3-7 years of experience in investing in IPO,2% investors are responded above7 years of experience in investing in IPO,32% investors are responded less then 1-year experience in investing in IPO.

V. FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

1. 1% of investors are unemployed, 22% of investors work in business, 10% of investors are housewives, 29% of investors are

professionals, and 38% of investors are students.

2. 39% of investors stated that they preferred not to invest in Promoters of the firm. Background: 4% of investors said they would rather not invest in the company's rate of subscription, while 34% said they would rather not invest in the company's sector performance.

3. Investors replied with 11% Investors were asked whether they were aware of SBI Cards and Payment Services Ltd's first public offering (IPO), and 89% said they were.

4. Investors replied with 42% Most investors' perceptions of IPO subscription have been impacted by the agee with offer for sale element; 31% of investors replied in a neutral manner. The impression of an IPO's offer for sale has the most impact; 24% of investors replied. Strongly Agee with Offer for Sale has largely affected how people see the need to subscribe to an IPO.

5. Investors reacted with 38% Agee with IPO prospectus factor has primarily influenced perception to subscribe for an IPO, 25% investors are neutral with IPO prospectus factor has primarily influenced perception to subscribe for an IPO, 34% investors are responded Strongly The age with IPO prospectus element has largely affected how an IPO is perceived.

6. There is a strong correlation between the QIB Status and Company Type components.

SUGGESTIONS

1. Businesses must educate and inspire trust in their investors when it comes to IPO investment.

2. Investors have to pay attention to credit rating agencies

3. All Stock Broking Ltd. must realise the challenges that their clients experience while investing in initial public offerings (IPOs).

4. Every company is required to have investor meetings whenever a new IPO is announced.

5. Every investment management firm requests that its customers increase their investment throughout the IPO process.



6. Investors in the IPOs of Burger King India Ltd. and SBI Cards would see positive returns on their investments over the medium to long term.

7. Prospectuses should be studied by investors before they proceed. Investors should be aware of the planned list of uses for the funds obtained via the IPO.

8. Careful attention must be paid to the QIB Ratio and subscription. Selecting the firm is the first step in the IPO investing plan. When an investor chooses a business they think they may invest in, they should make sure it has a reliable underwriter.

CONCLUSIONS

The investigation and research analysis show that an IPO is one of the least expensive ways of funding. Small, medium, and large investors of various sizes participate in IPOs. Because of the worldwide economic downturn and anticipated recovery in the IT and other industries, the performed quite well. not forthcoming The success of the IPOs is greatly dependent on the timing of the offerings. Price bands for IPOs are crucial, and on general, mid cap price bands have performed well. The whole process of IPO marketing has become quite quick and easy thanks to the extensive use of electronic media and the high level of IT adoption in IPOs. Performance of the IPOs is heavily influenced by sector performance as predicted by investors. The success or failure of IPOs has, in the end, been attributed to their marketing.

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