

# A Study on Selected IPO Performance for Long-Term Returns

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**Abstract:** *This research paper investigates the long-term performance of selected Initial Public Offerings (IPOs) listed on Indian stock exchanges from 2020 to 2024. The study aims to determine whether IPOs generate sustainable long-term returns or primarily cater to short-term gains. By employing financial performance metrics such as Market Adjusted Abnormal Returns (MAAR), Buy-and-Hold Abnormal Returns (BHAR), and standard deviation, the analysis compares IPOs to benchmark indices such as NIFTY. Results reveal that while IPOs are often underpriced and offer substantial initial gains, their long-term performance is inconsistent. Case studies of Happiest Minds Technologies, Tata Technologies, and Bajaj Housing Finance further illustrate these dynamics. The research concludes with practical recommendations for investors, policymakers, issuing companies, and financial analysts.*

**Keywords:** IPO, Underpricing, Market Efficiency, Long-Term Investment, MAAR, BHAR, IPO Volatility

## 1. Introduction

Initial Public Offerings (IPOs) are a primary mechanism for companies to raise capital and for investors to gain access to early-stage ownership in high-growth companies. While IPOs often witness significant short-term listing gains, their performance over extended periods is less consistent and a subject of intense academic and financial scrutiny. This paper evaluates the long-term performance of IPOs listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), focusing on their viability as long-term investments.

### Research Problem

How do selected IPOs perform in the long run, and what factors influence their sustainability as investment options in the Indian stock market?

## 2. Literature Review

Previous research shows a consistent pattern of IPO underpricing on listing, followed by long-term underperformance. Winner's Curse Theory (Rock, 1986): Suggests that uninformed investors tend to lose out in IPO markets. Signaling Theory (Ibbotson, 1975): Companies underprice intentionally to signal quality. Behavioral Theories (Ritter, 1991): Highlight the role of investor sentiment in overpricing and subsequent market correction. Studies by Loughran & Ritter (1995), Brav & Gompers (1997), and Chahine (2008) provide empirical evidence that IPOs often underperform market indices over three to five years.

## 3. Objectives of the Study

- 1) To analyze the long-term performance of selected IPOs.
- 2) To identify factors influencing long-term IPO returns.
- 3) To assess the extent of underpricing or overpricing.
- 4) To compare IPO performance across sectors and time periods.
- 5) To evaluate investor sentiment and market efficiency.

## 4. Research Methodology

This study employs a quantitative research approach using secondary data to evaluate the long-term performance of selected Initial Public Offerings (IPOs). The research aims to analyze post-listing returns, compare them to benchmark indices, and identify factors influencing their performance.

**Research Design:** A descriptive and analytical research design will be used to assess the financial performance of IPOs over a specified period. The study will utilize historical market data to calculate returns and analyze trends.

### Data Collection Method

- 1) Secondary data will be collected from credible sources such as:
- 2) Stock Exchanges: National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).
- 3) Company Reports: Annual reports, prospectuses, and financial statements. Financial Databases: Bloomberg, Yahoo Finance, or Moneycontrol.
- 4) Market Reports: Industry reports and publications from financial analysts.

### Sampling Method

- 1) A purposive sampling method will be used to select IPOs based on specific criteria: IPOs listed in the last 3 years
- 2) Companies from diverse sectors for comprehensive sectoral analysis.
- 3) Availability of complete financial data for the study period.
- 4) Exclusion of companies with abnormal events like mergers or delistings.

## 5. Data Analysis and Interpretation

**5.1 IPO Returns vs. Index Returns (Day-wise)** Day 1 to Day 22 analysis shows high volatility in IPO returns

Mean Day 1 return = 13.5%; Standard Deviation = 26.7%  
Index returns remain comparatively stable (SD=5%)

Calculation of Under pricing and Over pricing of the Ips  
from the year 2020,2023,2024

Analysis of Selected 3 Companies

S. No	Name of the company	Listed in
1	Happiest mind technologies ltd	2020
2	Tata technologies	2023
3	Bajaj Housing Finance	2024

Happiest mind technologies ltd

Name of the company	Happiest mind technologies ltd
Issue Price	166 per share
Listing Date	17-Sep-20
Listing Price	350

Formula: Initial Return (%) : (Listing Price - Issue Price)/Issue Price) \*100

Applying Figures:  $(351-166)/166 \times 100$  :111.45% (Under Priced)

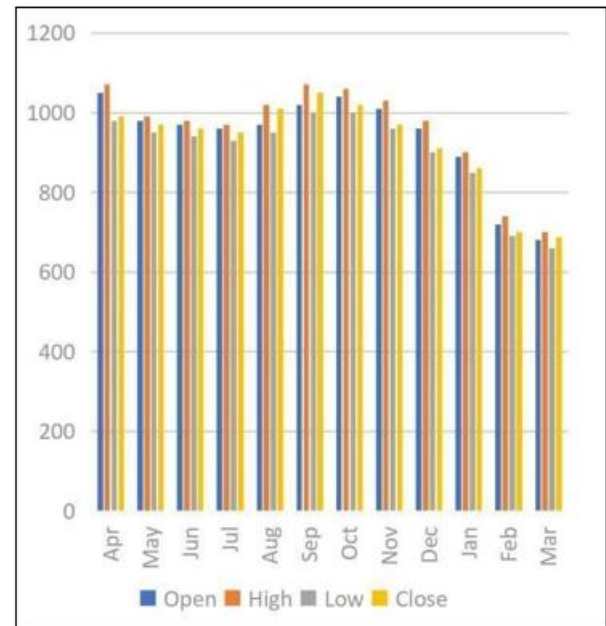
Interpretation: This calculation indicates that Happiest Minds' shares were underpriced by approximately 111.45%, as they listed at a significantly higher price than the issue price. Such a substantial initial return suggests strong market demand and positive investor sentiment.



Tata Technologies Ltd

Name of the company	Tata technologies
Issue Price	500
Listing Date	23-Nov-23
Listing Price	1200

Formula: Initial Return (%) : (Listing Price- Issue Price )/Issue Price) \*100 :  $(1200-500/500) \times 100$  : 1.4% \*100 :140%



(Tata Technologies) Bajaj Housing Finance

Name of the company	Bajaj Housing Finance
Issue Price	70
Listing Date	16-Sep-24
Listing Price	150

Formula: Initial Return (%) : (Listing Price - Issue Price)/ Issue Price) \*100 Applying figures:  $(150-70)/70 \times 100$  :114.29%



(Bajaj Housing Finance)

## 5.2 Underpricing Analysis

Happiest Minds: 111.45% listing gain  
Tata Technologies: 140% listing gain  
Bajaj Housing Finance: 114.29% listing gain  
These indicate significant underpricing during issue.

## 5.3 Long-Term Price Trends

Happiest Minds fell ~19% from its peak post- IPO  
Tata Technologies declined ~34%  
Bajaj Housing Finance stabilized after initial surge

## 6. Discussions

Happiest Minds Technologies Sector: IT & Digital Services  
Issue Price: ₹166 | Listing Price: ₹351 | Current Price: ₹607  
Observation: Short-term enthusiasm followed by gradual decline; influenced by digital demand during COVID.

Tata Technologies

Sector: Engineering Services

Issue Price: ₹500 | Listing Price: ₹1200 | Current Price: ₹687  
Observation: Strong debut, followed by correction due to auto sector pressures and valuation concerns.

Bajaj Housing Finance Sector: Housing Finance

Issue Price: ₹70 | Listing Price: ₹150 | Current Price: ₹121

Observation: Oversubscribed 64 times; reflects strong investor confidence, but shows moderation over time.

### 6.2. SWOT Analyses (Summary)

- 1) Strengths: Brand reputation, sectoral growth, diversified offerings
- 2) Weaknesses: Revenue/geographic concentration, overdependence on key clients
- 3) Opportunities: Expansion, digital innovation, favorable macro trends
- 4) Threats: Regulatory changes, competition, market volatility

### 6.3 Limitations of study

- 1) Sample Selection Bias: The study may focus on specific IPOs, leading to a lack of generalizability. The chosen IPOs may not be fully representative of the entire market or industry trends.
- 2) Limited Timeframe: The study may cover only a specific period, which might not capture the full economic cycles, market fluctuations, or long-term trends affecting IPO performance.
- 3) Market Conditions Impact: IPO performance is influenced by broader economic and market conditions, such as financial crises, policy changes, and investor sentiment, which may not be fully accounted for.
- 4) Survivorship Bias: The study may unintentionally exclude IPOs that failed or were delisted, leading to an overestimation of long-term returns.
- 5) Sectoral Disparities: Different sectors perform differently over time; focusing on selected IPOs may not account for sector-specific risks and variations in returns.
- 6) Regulatory and Policy Changes: Changes in stock market regulations, taxation policies, and government interventions can impact IPO performance, making historical data less predictive of future trends.
- 7) Methodological Constraints: The choice of performance evaluation metrics (e.g., cumulative abnormal returns, buy-and-hold returns) can influence results and may not fully capture the complexities of long-term performance.
- 8) Investor Behavior: The study may not consider behavioral factors such as investor overreaction, market speculation, or institutional trading patterns, which can significantly impact long-term returns.

- 9) Data Limitations: The accuracy and completeness of financial data from stock exchanges, company reports, or third-party sources can affect the reliability of the study.
- 10) Comparison with Benchmark Indices: If the study does not compare IPO performance with relevant benchmarks (e.g., NIFTY, S&P 500), it may lack a meaningful assessment of whether IPOs outperform or underperform the market.

## 7. Findings

- 1) IPOs are often significantly underpriced
- 2) Short-term returns are strong but volatile
- 3) Long-term performance is inconsistent
- 4) IPOs outperform indices in short-term but not always in long-term
- 5) Investor sentiment plays a major role in early price movement

## 8. Recommendations

- 1) For Investors: Prioritize fundamentals; diversify IPO investments
- 2) For Policymakers: Strengthen IPO pricing frameworks, improve disclosure norms
- 3) For Issuers: Avoid excessive underpricing; maintain strong post-listing governance
- 4) For Researchers: Study behavioral finance in IPO markets; assess IPO cycles across sectors

## 9. Conclusion

This study concludes that IPOs in the Indian context often provide impressive initial returns due to underpricing but tend to underperform or stabilize in the long run. Multiple factors influence this trajectory including market timing, firm-specific fundamentals, and investor sentiment. A long-term approach to IPO investments, grounded in financial analysis and strategic foresight, is critical to unlocking sustainable value.

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