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Short-Term Performance of Indian IPO: An Empirical Study

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Abstract:** This study focuses on analyzing the short-term performance of selected Initial Public Offerings (IPOs) between 2022 to 2024. The aim of the study was to research the determinants of listing performance and listing gains and examine how are IPOs generating value for investors in the Indian IPO scenario. This study used a quantitative methodology and relied on secondary data provided by official stock exchanges of India such as National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), as well as by the IPO prospectus, market reports, and further information derived by author's calculation based on the secondary data from the said sources. The analysis included the short-term performance of IPOs from varying sectors to understand the performance thoroughly, this study focuses on returns generated by selected IPOs on their listing day, 1-week post issue, and 1-month post-issue. The results reflect majority of selected IPOs generally produced positive average listing day returns of approximately 50%; further the IPOs tended to continue producing significant returns over the course of 1-week and similarly 1-month solidifying the short-term performance. The analysis also suggests that large subscription multiple, strong retail participation, and a positive market perception positively affected listing gains. Further research also revealed that Grey Market Premium (GMP) proves to be an acceptable and reasonable indicator for understanding pre-listing market sentiment, even though inconsistency was observed while comparing the GMP and actual listing gains, it still proved to be very consistent with the direction of the listing gains. Overall, the study concluded that the idea of short-term IPO performance in India is primarily driven by demand factors such as subscription data, retail and institutional participation, and other identifiable variables. The study provides valuable information and interpretation of Indian IPO short-term performance and insights for retail investors evaluating potential short-term gains by using available data and considering all mentioned variable and factors.

I. INTRODUCTION

The Indian primary equity market has experienced robust growth between 2022 and 2024, majorly due to increased retail participation and a consistent flow of Initial Public Offerings (IPOs) across diverse sectors. Improved digital access to trading platforms, simplified application mechanism such as UPI-based bidding (Application Supported by Blocked Amount), increased financial awareness have invited a broader base of retail investors to participate in IPO subscriptions. During this period, several IPOs were heavily oversubscribed and generated significant listing gains, creating the perception that IPO investments offer attractive short-term profit opportunities.

A well-documented technique of IPO markets is underpricing, wherein the shares are offered to the public at a price below their expected market value at a very attractive valuation, leading to positive returns on the day of listing. In the Indian context, listing gains have become one of the primary and utmost important motivations for retail participation. Majority of retail investors apply for IPOs with the intention of booking profit immediately upon listing, rather than holding the stock as a long-term investment. However, while some IPOs deliver attractive and substantial listing gains, others list a modest gain or even discounts, indicating that short-term performance of IPOs is influenced by multiple underlying factors.

Listing gains are interdependent with demand-supply dynamics of the market, subscription intensity, grey market premium, prevailing market sentiments, issue size, sectoral trends, and valuation levels at the time of offering. IPOs that generate strong oversubscription, particularly in the retail and qualified institutional buyer (QIB) categories, these IPOs tend to generate higher listing day momentum. Similarly, bullish secondary market conditions further boost short-term returns, whereas volatile or bearish market environment may suppress them. These variations highlight the importance of examining the determinants of short-term IPO performance in a structured and empirical manner. Although global financial studies extensively examine and discusses IPO underpricing and post-issue performance, focused empirical study and evidence on short-term IPO behavior in the recent Indian post-Covid environment remains limited. The period from 2022 to 2024 provides a relevant setting to analyze listing dynamics, as it includes diverse IPOs across technology, manufacturing, financial services, and consumer sectors, along with varying market cycles.

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This study aims to empirically examine the short-term performance of select Indian IPOs listed between 2022 and 2024. Specifically, it evaluates listing day, one-week, and one-month returns to assess the short-term outcomes. Further, the study analyses key determinants influencing listing gains and discusses their implications for retail investors seeking to benefit from primary market participation.

II. REVIEW OF LITERATURE

Several studies have researched the behavior and performance of IPOs, particularly focusing on the phenomenon of IPO underpricing and short-term listing gains. One of the earliest explanations was provided by Rock (1986), who introduced the concept of information asymmetry in IPO markets. According to this theory, companies often price their shares slightly below their expected market value in order to attract and invite investors and ensure successful subscription and demand of the issue.

Further research by Ritter (1991) examined the performance of newly listed companies and discovered that IPOs often generate heavy positive returns on the listing day. However, the study also concentrate that the post-listing performance of these companies may vary depending on investor demand, market conditions, and valuation levels at the time of issue.

In developing and emerging markets, demand-related factors play a pivotal role in determining IPO performance. Aggarwal, Leal, and Hernandez (1993) observed that higher subscription levels and strong investor attraction and participation generally result in higher listing gains due to excess demand during the IPO process.

In the Indian scenario and context, many studies have noted the role of investor participation in influencing IPO outcomes. Kumar (2010) discovered that IPOs in India frequently generate positive listing gains due to strong and heavy retail participation and favorable market sentiment. Similarly, Ghosh (2012) emphasized that subscription intensity and investor expectations majorly influence short-term IPO performance.

More recent market analysis suggests that informal indicators such as GMP are widely being used and accepted by investors to gauge expected listing performance. Bansal, R., & Khanna, A. (2021) suggest that GMP is widely being used by retail investors as and indicator of expected listing performance. Although GMP reflects prevailing market sentiment and demand for the issue, it does not always accurately predict the magnitude of actual listing gains.

III. RESEARCH METHODOLOGY

This study is based on a quantitative research design to study the short-term performance of Indian IPOs listed between 2022 and 2024. This analysis is based on data collected from –

1) National Stock Exchange (NSE) official website
2) Bombay Stock Exchange (BSE) official website
3) IPO prospectuses – Draft Red Herring Prospectus (DRHP) and Red Herring Prospectus.
4) Market subscription reports
5) Financial database

The sample consist of 8-10 IPOs selected across different sectors to ensure we cover diversity in issue size and subscription levels. IPOs are included based on availability of complete pricing and subscription data. Short-term performance is measured using:

- Listing Day Return (LDR) - $\frac{Listing\ Price - Issue\ Price}{Issue\ Price} \times 100$
- One-Week Return (OWR) - $\frac{Price\ after\ 7\ trading\ days - Issue\ Price}{Issue\ Price} \times 100$
- One-Month Return (OMR) – $\frac{Price\ after\ 30\ trading\ days - Issue\ Price}{Issue\ Price} \times 100$

Key determinants the study will include to analyze are oversubscription ratio, retail participation, issue size, grey market premium, and prevailing market sentiment. Descriptive indicators and statistical tools such as percentage return calculations, mean comparison, and graphical representation are used to identify patterns between demand indicators and listing gains.

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IV. DATA ANALYSIS AND FINDINGS:

IPO	Issue Price	Listing Price (NSE)	Listing Day Return (%)	1-Week Return (%)	1-Month Return (%)
Life Insurance Corporation of India (LIC)	₹949	₹872	-8%	-15%	-30%
Mankind Pharma	₹1080	₹1300	20%	26%	62%
Tata Technologies	₹500	₹1200	140%	148%	133%
IREDA	₹32	₹50	56%	121%	222%
JSW Infrastructure	₹119	₹143	20%	45%	66%
Cyient DLM	₹265	₹403	52%	91%	109%
Plaza Wires	₹54	₹76	40%	109%	80%
Honasa Consumer	₹324	₹330	2%	2%	25%
BLS E-Services	₹135	₹305	126%	137%	130%

~Table 1.1: IPO price and historical return data

1. Average Listing Day Return = 50%
2. Average 1-Week Return = 74%
3. Average 1-Month Return = 89%

IPO	Total Subscription (x)	Retail Subscription (x)	Issue size (in cr.)	Sector
Life Insurance Corporation of India (LIC)	2.95	1.99	₹21,008	Financial Services
Mankind Pharma	15.32	0.92	₹4,326	Pharmaceutical & Healthcare
Tata Technologies	69.43	16.5	₹3042	Automotive Engineering
IREDA	38.80	7.73	₹2,150	Renewable Energy & Finance
JSW Infrastructure	39.36	10.86	₹2,800	Logistics & Infrastructure
Cyient DLM	71.35	52.17	₹592	Electronic Manufacturing Services
Plaza Wires	160.97	374.81	₹71.28	Capital Goods
Honasa Consumer	7.61	1.35	₹1,701	Fast-moving Consumer Goods (FMCG)
BLS E-Services	162.40	236.53	₹311	Technology-Enabled Services

~Table 1.2: IPO Subscription and Retail Participation Data

The short-term performance analysis of selected IPOs which were listed between 2022 and 2024 reveals dynamic listing gains across companies, suggesting that IPO outcomes are influenced by multiple demand related and market-driven factors. As stated in

Table 1.1, listing returns includes negative return of -8% in the case of Life Insurance Corporation of India (LIC) to record high gains of 140% and 126% recorded by Tata Technologies and BLS E-Services respectively. This wide range of returns indicated that short-term IPO performance is not uniform despite operating in similar market conditions, sentiments and same market period.

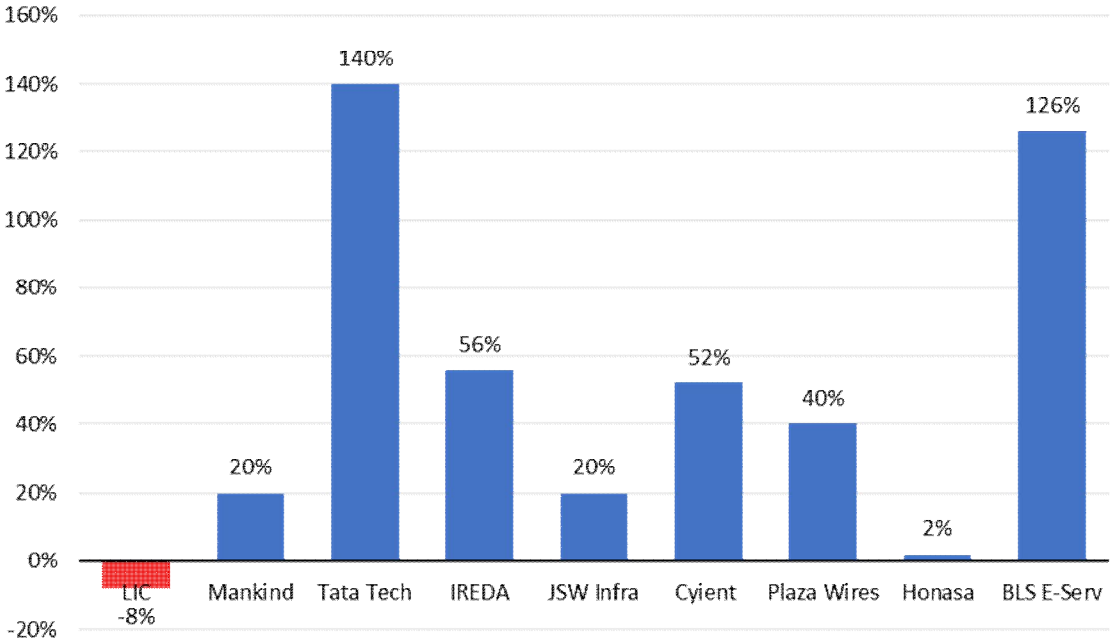


Figure 1.1: Listing-day performance of select IPOs
Source: Author's calculation based on NSE's and BSE's Data

The calculated averages further solidify a generally positive short-term trend in IPO investments. The average listing day return across the sample stood by approximately 50%, with average one-week and one-month returns increased to 74% and 89% respectively. This upward movement suggests that several IPOs experienced strong upward momentum rather than most investors booking profit immediately, indicating sustained investor demand during the early trading period.

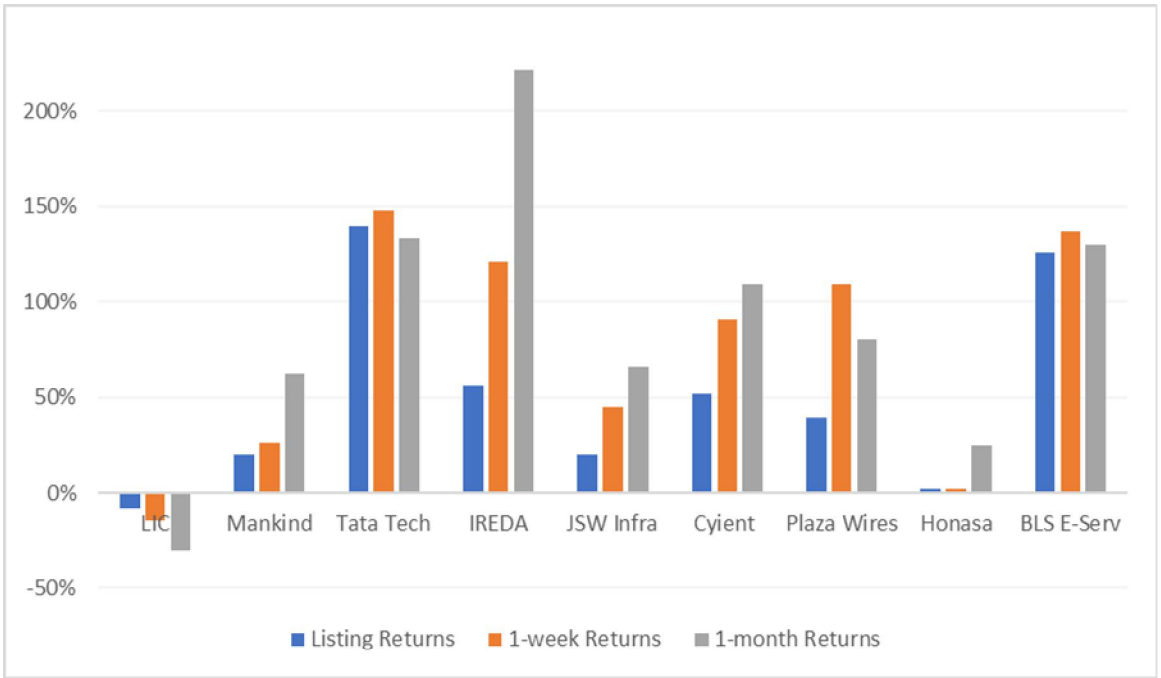


Figure 1.2: Short-term performance across selected IPOs
Source: Author's calculation based on NSE's and BSE's data

A comparison between Table 1.1 and Table 1.2 suggests a clear interdependent relationship between subscription intensity and listing performance. IPOs with higher subscription multiples consistently generated and recorded strong listing gains. For instance, Plaza Wires and BLS E-Services, which recorded subscription levels which exceeded 160 times, delivered market breaking listing premiums and strong short-term returns. Similarly, Tata Technologies and Cyient DLM, backed up by strong institutional and retail participation, displayed strong price appreciation during the first week of trading.

Conversely, IPOs with relatively lower subscription levels displayed weaker performance. LIC, despite being one of the largest IPOs in Indian market history, recorded negative listing and weaker short-term returns, suggesting that large issue size combined with low demand from investors may reduce listing performance. Honasa Consumer also demonstrated below-average listing gains alongside comparatively lower subscription levels, further highlighting the importance of demand-driven pricing techniques and pricing dynamics.

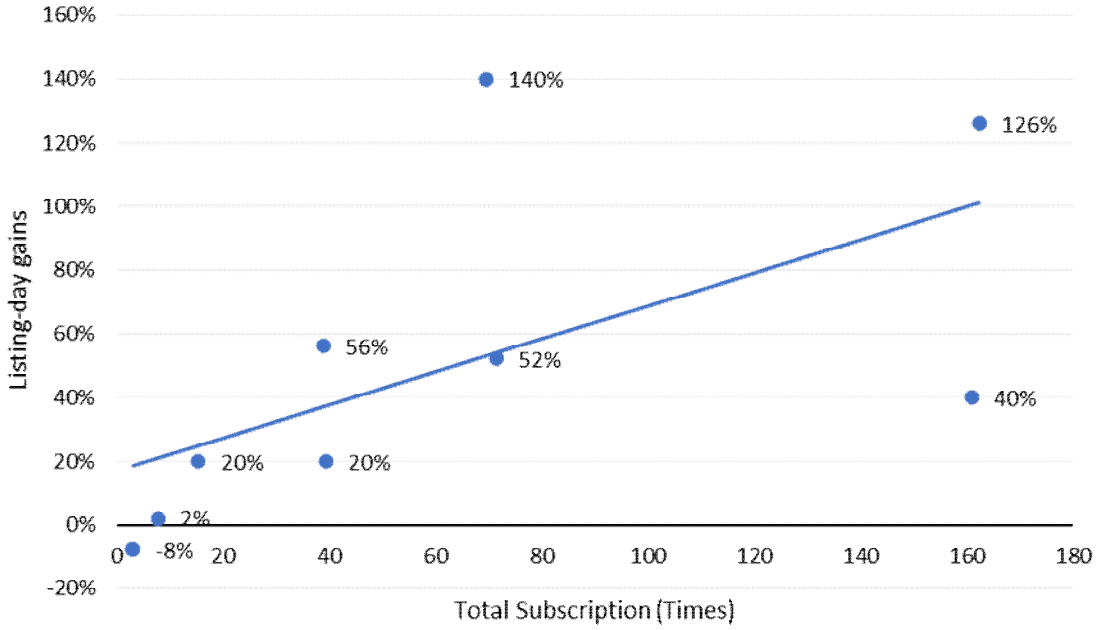


Figure 1.3 – Relationship between subscription levels and listing-day gains
Source: Author's calculations

Sectoral trends also appear to play an important role in short-term and listing day performance of IPOs. Table 1.2 indicates IPOs belonging to technology-enabled and manufacturing-oriented sectors attracting stronger and greater investor demand and enthusiasm compared to traditional large-scale sectors and their offerings. Additionally, smaller issue sizes displayed higher level of volatility and price momentum in the short-term, indicating that lower the number of shares and the speculative demand for these shares further contribute to stronger listing performance.

Overall, the analysis and study suggest that the listing gains in Indian IPOs are primarily driven by subscription demand, retail participation, and the prevailing market sentiment rather than depending solely on issue size alone. The findings from this study support the argument that short-term IPO performance follows certain identifiable market patterns rather than occurring randomly.

V. MARKET SENTIMENT AND GREY MARKET PREMIUM ANALYSIS

IPO	Approx Grey Market Premium (%)	Actual Listing Gain (%)
Life Insurance Corporation of India (LIC)	2%	-8%
Mankind Pharma	11%	20%
Tata Technologies	85%	140%
IREDA	32%	56%

JSW Infrastructure	25%	20%
Cyient DLM	54%	52%
Plaza Wires	45%	40%
Honasa Consumer	4%	2%
BLS E-Services	115%	126%

~Table 2.1: Comparing Grey Market Premium with Actual Listing Gain

In addition to subscription levels, markets sentiments just before the listing also plays a pivotal role in determining the short-term IPO performance. Grey Market Premium (GMP), although unofficial and unregulated, is widely followed by retail investors and an indicator of expected listing performance. To study the influence of market sentiments, GMP levels prior to listing were compared with actual listing gains.

Table 2.1 suggest that GMP focuses and reflects the directional sentiment of the issue rather than precisely pin-pointing listing gains. Although the above data reflects GMP does not accurately predict the actual performance and listing gain but it does predict the sentiment which the IPO will follow. The above data shows that some of the actual listing gains are very close to their GMP while some show significant difference. This further makes GMP a useful indicator for analyzing and predicting the current market sentiment and demand for the IPO.

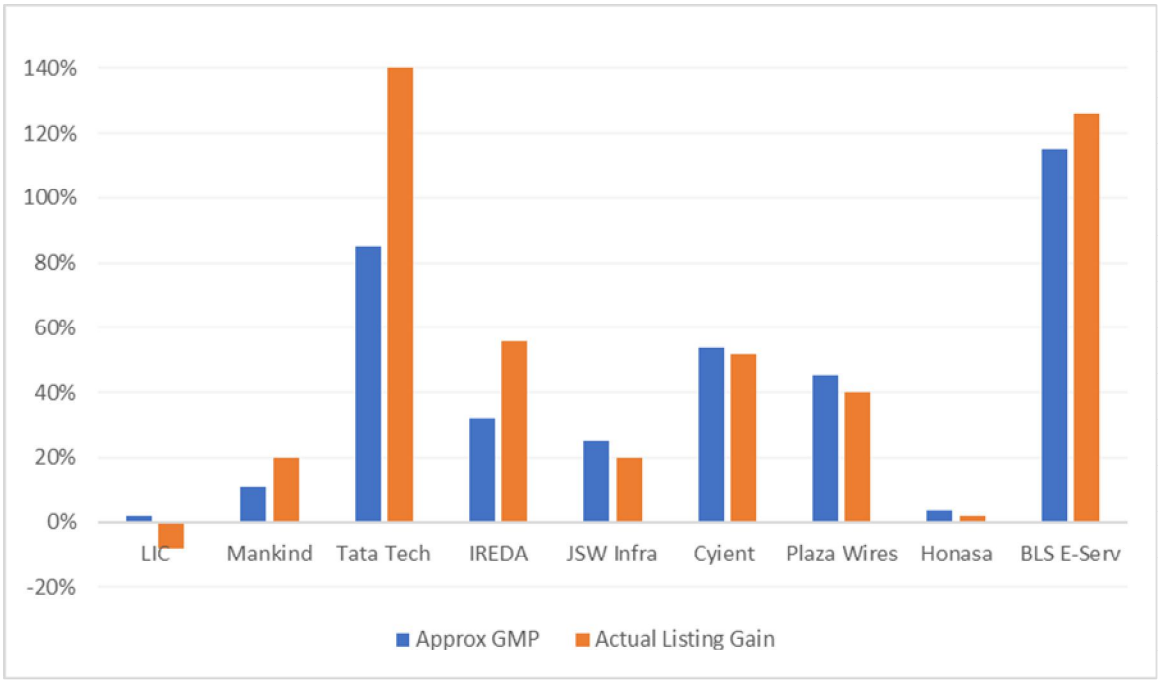


Figure 1.4: GMP versus Listing Gains
Source: Author's research and calculations

When analyzed collectively, subscription intensity, retail participation, and pre-listing market sentiment (GMP) emerge as the primary and strong determinants for analyzing the short-term IPO performance in the Indian primary market.

VI. OVERALL FINDINGS AND IMPLICATIONS

The empirical analysis conducted in this research study indicates clear patterns in the short-term performance of Indian IPOs. The results suggest that listing gains are not random market outcomes or just dependent on one variable but are closely dependent on identifiable demand-side indicators and the prevailing market sentiment. IPOs with stronger subscription base, particularly those IPOs which attracted large interest of retail and institutional investors, consistently delivered higher listing gains and strong short-term returns.

The finding from the study suggests that subscription levels and intensity acts as a primary signal of market demand and investor confidence. IPOs such as Tata Technologies, BLS E-Services, and Plaza Wires, which registered record breaking subscription levels, generated huge listing premiums and even remained very strong and consistent with their short-term performance. In contrast, IPOs with comparatively weaker subscription levels, which includes LIC and Honasa Consumer, exhibited below average or negative listing performance, further highlighting the importance of demand-driven factors influencing the short-term performance of IPOs in Indian primary market.

Further analysis which included Grey Market Premium (GMP) suggests that pre-listing market sentiment plays a pivotal complimentary role in influencing short-term outcomes. While GMP does not precisely predict listing returns, it with good accuracy reflects collective investor expectation and speculative positioning of the IPO prior to its listing. IPOs with high GMP levels generally experienced strong listing performance, indicating that positive market sentiment contributes to early price discovery in the primary market.

From a retail investor perspective, the research study results suggest that retail participation in IPOs can be beneficial when supported by strong demand indicators and favorable market conditions and sentiments. Analysis also suggested that issue size on its own does not influence the listing performance of the IPO. Therefore, informed evaluation of subscription data and sentiment indicators such as GMP may improve short-term investment decision making ability of retail investors in IPO markets.

VII. CONCLUSION

This study researched the short-term performance of selected IPOs listed between 2022 and 2024 with the key goal of identifying patterns and trends in listing gains and understanding the key factors influencing early post-listing returns. The empirical findings suggest that short-term IPO performance in Indian primary market is largely demand-driven rather than being random or unpredictable in nature. The study reveals that IPOs generated substantially positive average returns across listing day, one-week, and one-month periods, suggesting that the Indian IPO market during the study period provided favorable and strong short-term opportunities for investors. However, performance varied significantly across companies, reflecting that listing gains are influenced by multiple interacting variables and factors rather than market timing alone. The study further included the analysis of GMP which establishes that GMP functions as an effective indicator of market sentiment rather than a precise predictor of returns. While deviations between GMP and actual listing gains were observed, it stayed strong with the sentiment of the listing. Overall, the findings of the research study indicates that successful short-term IPO investments decisions require study and evaluation of demand indicators such as subscription data, retail participation and sentiment, and the prevailing market outlook towards the IPO instead of relying solely on issue size or company reputation/goodwill. The research contributes to understanding post-Covid IPO dynamics in India and provides practical insights for retail investors seeking to participate strategically in the primary market.

In conclusion, short-term IPO performance in India reflects identifiable behavioral and market-driven patterns, emphasizing the role of informed analysis in enhancing investment decision-making within the evolving Indian capital market ecosystem.

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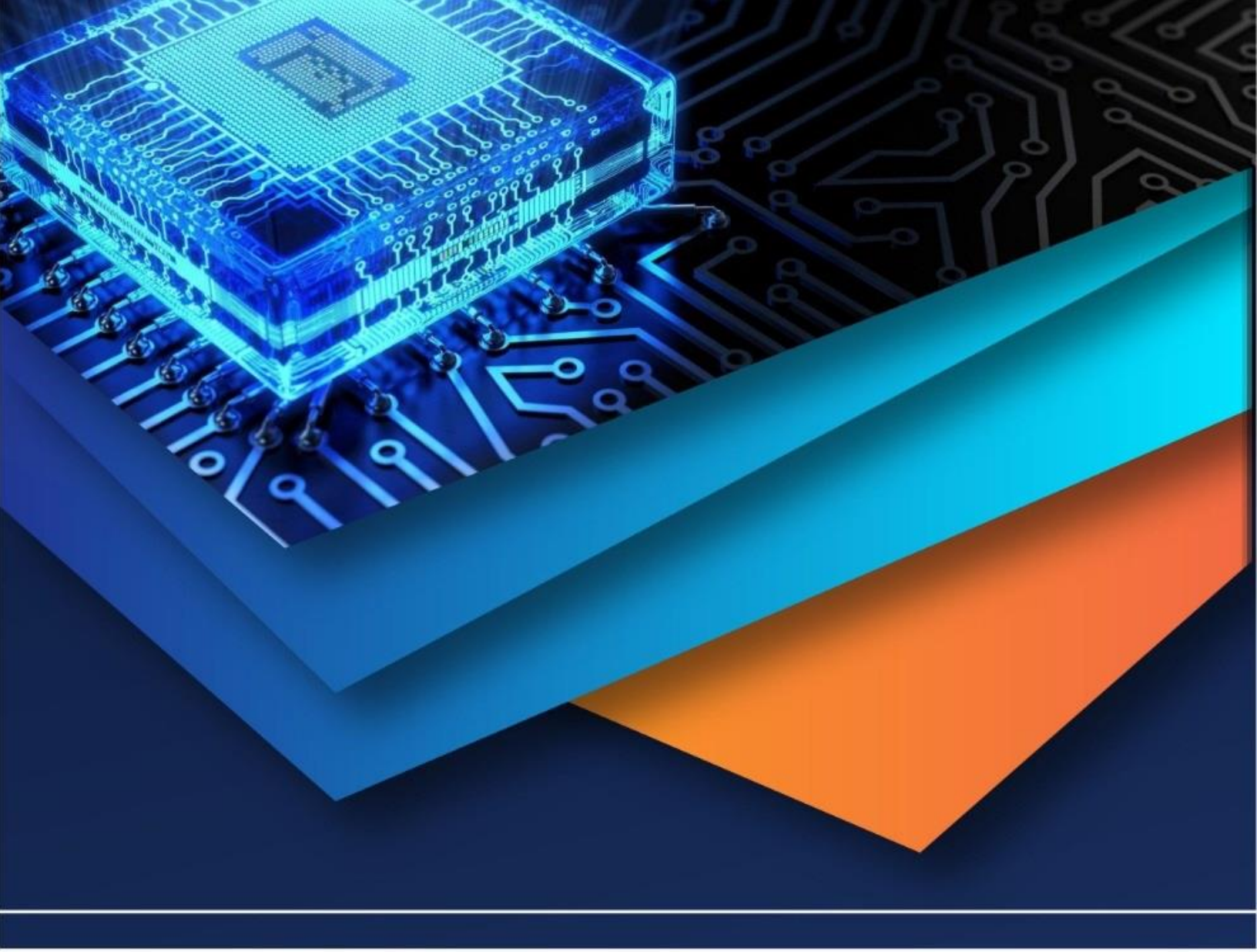
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