Sumit the performance of initial public offering. apeejay

SumitGoyal, Inderpal Singh (2014). A Study on the performance of Initial PublicOffering.

Apeejay Journal of Managementand Technology, Volume 9. Through this paper, an attempt has been made toempirically explore the performance and determinants of under-pricing ofInitial Public Offerings (IPOs) in the Indian market. Research attempts toexamine the performance of IPOs listed on NSE. The study presents evidence onperformance of IPOs on the initial day of listing i. e. 1st day of listing of271 companies listed on NSE.

The study reports that 79. 33 percent of the IPOsissued were under-priced on the day of listing. It suggests that the highinitial return may be due to the over expectation of investors. The study alsoevaluated the performance of IPOs on the 30th day from the day of listing whichreported only 45. 38 percent under-pricing. It concludes that on 30th day theexpectation of the investors gets decreased. The independent variables i.

e. ageof the firm, ex-ante, market volatility, leverage ratio, are able to explain23. 8 variability of the under-pricing. The sector analysis of IPOs providedthat information technology, power, steel, real estate are the sector where theIPOs were under-priced heavily i.

e. 90 percent and above companies of these sectorswere under-priced on the initial day of listing. It can be interpreted thatIPOs are risky and thus fail to attract more interest from the investors. Toattract more interest of the investors the companies deliberately under-pricetheir issue to gain profit from their investors. IPOs might be perceived to bemore risky and uncertain at the time of issue which results in greater under-pricing. Issuing firms could be able to make a trade-off in the short-term under-pricingand long-run underperformance. Dr.

Anuradha Sheokand (2015). A comprehensive study on Under Pricing in IndianInitial Public Offerings, InternationalJournal of Informative & Futuristic Research. The above analysissupports the existence of significant under-pricing in Indian IPOs market andconfirms the results of other Indian studies (Shah 1995), Krishanmurti (1999), Jaitly (2004) and Singh (2008). It can be concluded that average high rawreturns and MAERs and large IPO volume during the boom period might beindicative of the investors? optimism resulting from the liberalizationinitiated by government and SEBI during the first half of 1990s. It wasdocumented in the IPOs literature that small and young companies were likely togo public during the hot period to take advantage of investor’s enthusiasm.

Signally theory claimed that the good firms would get listed during the hotperiod and under-priced more to win investor’s confidence. The main objectivewas to find out the performance of Indian IPOs for short period, i. e. from thedate of offer to the public to the date of their first day of trading afterlisting on stock exchange.

Also comparison was made between the boom period(1992-96) and the slump period (1997-2007) to draw a better conclusion. Theshort term performance has been calculated by using the traditional method, i. e. the difference between the closing price on the first day of trading andoffer price and divided by the offer price.

PaulA. Gompers and Josh Lerner (2003). The Really Long-Run Performance of InitialPublic Offering. The Journal of Finance. This paper has sought to assess the performance of IPOs by examining the periodbefore the creation of Nasdaq. The author says that by considering a periodwhere returns of IPOs have not been systematically examined, we hope to shedlight on whether the poor performance is driven by some fundamental behaviouralanomaly or rather is just an idiosyncratic feature of the recent time periodthat has been the focus of prior academic studies. Pre-Nasdaq IPOs represent apotentially powerful out of-sample test of IPO underperformance. Most papersthat examine IPO performance in other countries, as works such as Rouwenhorst(1998) highlight, may be finding similar patterns because of common economicfactors or common investor biases across countries at the same time.

In asample of 3, 661 IPOs between 1935 and 1972, we find underperformance when eventtime buy and hold abnormal returns are used, but even this result is notconsistently statistically significant. The underperformance disappears when weuse cumulative abnormal returns. A calendar-time analysis shows that IPOsreturn at least as much as the market over the entire sample period. Finally, the intercepts in CAPM and Fama-French three-factor regressions are insignificantlydifferent from or even greater than zero. In short, the relative performance ofan IPO sample depends on the method of examining performance.

One methodologysuggests that this sample underperforms; others suggest superior performance. Our analysis of pre-Nasdaq IPOs serves to underscore the questions about IPOperformance raised in Brav and Gompers (1997). The weakness of the evidence forunderperformance and the failure to observe a consistent pattern raise doubtsabout whether a unique IPO effect indeed exists. Is there a real behavioralanomaly at work here, or rather is the poor performance of the offerings in theNasdaq era simply a historical accident? Fama (1998) suggests that spuriousanomalies can be anticipated when stock returns are examined repeatedly. Alternatively, systematic underperformance may be present in the data, but thissystematic underperformance would then affect a much larger class of companies. Future tests of market efficiency need to look beyond individual anomalies andaddress broader market movements if they are to shed more light. DanielDorn (2009).

Does Sentiment Drive the Retail Demand for IPOs? Journal of Financial and QuantitativeAnalysis. The main focus to infere if sentiment drives the demand forIPO's. Based on his findings the author concludes that sentiment drives IPOpurchases made by a sample of clients at a German retail broker. This can beinferred from the clients' willingness to trade against institutional investorsin the WI market and pay a substantial WI premium relative to prices in theimmediate aftermarket.

The inference that investors act on sentiment istherefore not based on long-horizon returns as in prior work. Although theperiod during which I observe individual-level WI transaction data only spansAugust 1 999 to May 2000, the poor performance of retail investors in the WImarket can be confirmed out of sample, using publicly available WI dataprovided by a leading WI market maker for the subsequent period from June 2000to April 2001 . Specifically, I document that retail investors remain willingto pay the WI premium even after the crash of mid-2000. This suggests thatsentiment investors do not simply disappear during periods of poor returns. Thepoor performance of IPOs aggressively bought by retail investors, either in theWI market or in the aftermarket or both, is consistent with retail sentimentinitially pushing aftermarket prices above fundamental values.

In particular, variation in retail IPO purchases explains variation in aftermarket returnsduring my sample period, after controlling for IPO characteristics that havebeen previously related to aftermarket returns. Dr. S. Poornima, Aalaa J. Haji and Deepha. B (2016) talk about the importance of initial publicofferings worldwide as a source of funds for the companies to accelerate theirgrowth by using the mobilised funds to implement innovative strategies as wellas its consideration as an important tool for investment since it offers hugeprofits on the listing day. In this study the short run performance of thecompanies is analysed to understand the anomaly of abnormal returns as welllong term performance to analyse the performance of the IPO’s in the long run. This study further talks about the added pressure of the market faced by thecompanies which decide to go public which may cause them to focus more onshort-term results rather than long-term growth.

“ The actions of the company’smanagement also become increasingly scrutinized as investors constantly lookfor rising profits. This may lead management to perform somewhat questionablepractices in order to boost earnings. Before deciding whether or not to gopublic, companies must evaluate all of the potential advantages anddisadvantages that will arise and fix prices that are in the best interest ofthe company and investors”. This study helps the investor to decide thesuitable investment strategy to get maximized returns. K. Hema Divya (2013) states that a major source of business financing is throughInitial Public Offerings (IPOs). Historically, IPOs received high initial firstday gains compared to the market performance.

These gains reflect externalfactors and do not show the true value of the company thereby giving evidenceof an under-priced IPO. The recent researches on IPOs in different markets fordifferent industries in various countries have focused on under-pricing andshow that the under-pricing is evident in case of book-building route as wellas fixed price-band offers. The study defines under-pricing as pricing of aninitial public offering below its market value.

When the offer price is lowerthan the price of the first trade, the stock is considered to be under-priced. A stock is usually only underpricedtemporarily because the laws of supply and demand will eventually drive ittoward its intrinsic value. It defines overpricing as the difference betweenthe offer or opening price for the IPO’s stock and its closing price after thefirst day of trading scaled by the offer price.

When the opening price exceedsthe closing price, the IPO is said to be overpriced. The research concludedthat “ The empirical literature is now fairly mature in claiming sufficientevidence for the underpricing of IPOs. Broadly speaking, some sort ofunderpricing for IPOs is reported in every capital market globally. Theremarkable empirical regularity inspired large sections of theoreticalliterature to explore the underlying rationality behind underprice. Studies onIPO underprice can be grouped under four different broad headings: (a)Information asymmetry; (b) Institutional reasons; (c) Control considerations; and (d) Behavioral approaches.

Dr. A. S.

Ambily, Gayatri Krishna, Aswathy K and Deepa Balakrishnan (2016) studiedthe performance of IPO'S from issue price to last trade price in India during, 2013 to 2015, listed in National Stock Exchange (NSE) India. Initial PublicOffering means when a company sells its share or offer its share in pubic forthe first time. The offer generally issued by the new and smaller companies toexpand their capital but it can also be done by the large privately companiesto become public company. The data for the study is mainly collected from NSEwebsite. The analysis is based on the companies listed under NSE during theyears 2013 to 2015.

The secondary data was collected from the various sourcesavailable like websites wherever necessary. The study defines Issue Price as" the price at which a company's shares are offered to the market for the firsttime, which might be at par or at a premium or discount. When they begin to betraded, the market price may be above or below the issue price".

According tothis study the last traded price is " the last closing price, last traded timeis the time at which transaction occurred, Volume is the number of sharestraded and also may be the value of the stocks, Open the price opened, High, Low the price for the day / for 52 weeks, Previous day closing". The studyfound that the investment done in the securities by the investors is mainlydone only by the image of the company but not on the basis of the fundamentalanalysis. Most of the investors always prefer to purchase at a lower rate whenissue price and last trade price is compared.

The average difference for theyear 2013 regarding IPO’s performance from issue price to last trading price is114. 83 percent. The average difference for the year 2014 regarding IPO’sperformance from issue price to last trading price 53. 625 percent.

The averagedifference for the year 2015 regarding IPO’s performance from issue price tolast trading price 21. 42 percent. The percentage return shows the return for aparticular period of time. The last trade price will always be higher than theissue price. LeilaBateni and Farshid Asghari (2014) focus their study on the main questionwhether pricing the initial offering exchange on Tehran stock exchange is lessthan actual and what factors affect pricing of initial shares on stockexchange. For this purpose, 115 stock exchange companies from 2006 to 2012 werestudied. Data gathered from these companies were analyzed with SPSS. Resultsindicated that only P/E variable has a significant relation with price changeson initial offerings and had highest impact on price of initial offerings.

A1999 study by Criegman believes company’s first day transactions indicateshare’s future performance and he categorize shares to 4 types: 1. cold 2. cool3. hot 4. very hot. Shares with 10-60% efficiency on the first day arecategorized as hot shares, these shares have highest offering requests thussome applicants can’t afford this shares therefore demand shares in higherprices. Hot initial public offerings have high future performance (priceincrease) while abnormality return of cold offerings is equal or lower thanzero and its future performance is weak (price reduction).

Very hot offering iswhen share’s initial return is more than 60% and its future performance will beserious. According many conducted researches on different countries, under-pricingand price drop in long-term or long-term performance phenomenon have occurred(as cited in Leila Bateni and Farshid Asghari, 2014). This study defines under-pricingas the phenomena when the publishing company on the first day, offers itsshares very lower than its true value leading to massive return gain forbuyers.

The study concluded that “ In Iran’s stock exchange average days thatprice is stabilized is 287 days. This number is a very high amount comparing toother countries, one of its reasons is investment market efficiency, the moremarket is efficient, information transfer is done with more clarity thus, shares initially offered will be transacted with price close to its actualprice and it takes less time for initially offered shares to reach stabilizedprice in market. Khan Adil Mushtaq (2014). Factors that Influence the performanceof initial public offering at the Nairobi securities exchange in Kenya. Schoolof Business, University of Nairobi. This study focuses on the factors that influencethe performance of initial public offering in the Nairobi Securities Exchange.

The objectives of the study were to determine; the relationship between salesvolume turnover, the relationship between profitability and the relationshipbetween asset base and the performance of initial public offering. The studyadopted a descriptive research design. The sample size of the study was 8companies who issued initial public offering between the periods of 2001-2011and were listed at the Nairobi Securities Exchange. The data obtained wasanalyzed using the multiple regression analysis method through the use ofstatistical package for social sciences (SPSS) which was applied to code, enterand compute measurements of the multiple regressions for the study.

Theresearch further revealed that the regression model predicting the relationshipbetween the IPO performance and the independent variables deduced that holdingall the other factors constant, a unit increase in asset base would lead to anincrease in IPO performance, a unit increase in sales volume turnover wouldlead to a increase in IPO performance and a unit increase in profitabilitywould lead to a decrease in IPO performance. From the study conducted it can beconcluded that the variables which were under study (profitability, asset baseand sales volume turnover) played a small role in influencing IPO From thestudy conducted it can be concluded that the variables which were under study(profitability, asset base and sales volume turnover) played a small role ininfluencing IPO. Dr.

Pritpal Singh Bhullar, Dr. Dyal Bhatnagar, Analysis of Factors affecting Shortterm Performance of IPO’s, Pacific Business Review International Volume 7, Issue 5, November 2014. This paper examines the one year & six monthperformance of IPOs in terms of average return to that of Sensex pertaining toall companies of various sectors of Indian economy. Multiple regression hasbeen used to analyze the impact of various Independent variables on the IPOreturn for 6 months as well as 1 year. The study has been done to analyzefactors affecting IPO’s performance in India. Also other

Independent variableshave been implied including Oversubscription of IPO’s, time delay in IPOlisted, IPO offer price, Market return in terms of Sensex return for the sametime period have been considered to gauge their impact on IPO performance. Also multiple attempts have been made in order to weigh the macro as well asmicro economic factors and also market trend during the specific time period.

The analysis also focuses on highlighting the impact of various factors on theIPO performance on short term basis. The research methodology includes a samplesize of 265 companies which have launched their IPOs in 6 years ranging from2007 to 2012. 5 independent variables considered are Market return for 6 monthsand 1 year from date of listing, No of times IPO is subscribed, IPO issue size, Time delay between IPO offer closing date and listing date and IPO offer price. Also 2 dependent variables have been considered including IPO return for 6months and IPO return from 1 year of date of listing. For the analysis, variousstatistical techniques employed are multiple regression and rate of return usedto analyze the Impact of independent variables on dependent variables.

All thisthe paper aims to arrive at the conclusion that short term performance of IPOis influenced by no of times IPO subscribed, time delay between offer losingdate and listing date and size of IPO issue. Indian macroeconomic factors thataffected the performance were food inflation, hike in oil prices, increase inpolicy rates by RBI, FII flow in stock market, Rupee depreciation, financialscams and sentiments of Indian investors etc. YuanTian 2012, An Examination of factors influencing underpricing of IPO’S on theLondon stock exchange, MFIN 6692, September 2012, Saint

Mary's University. The IPO is an important financing channel and this function's rational usehelps in determining the healthy development of China's capital marketdirectly. The rationality of IPO primarily reflects on the IPO pricing . Byreviewing previous IPO pricing theory, the authors try and establish the IPOpricing multi factor model and lead in macroeconomic early warning index tomodel for the first time. The empirical results validate the rationality of themodel, and the relevant statistics statistical test effect is good. Theempirical results have positive reference meaning to IPO pricing of our countrystock market.

The article uses theresearch methodology to study some related factors effect by using the factorregression analysis method from the macroeconomic operation, the stock marketoperation and company fundamentals three research directions. Method design. This paper adopts the multiple linear regression analysis, and we establish acorrelation regression model including five factors: IPO pricing, early warningindex (YJ), CSI 300 index (SS), Issuing scale (IS), Earnings per share (EPS)and Net assets per share (BPS). In conclusion, through the regression analysisof the early warning index, the CSI 300 index, issuance, earnings per share andnet assets per share five internal and external factors, this papercomprehensive interpret IPO pricing. And we establish the multivariateregression model of IPO pricing of listed companies. The test results show thatthe model is statistically significant, and the statistical test effect isbetter. Through the regression analysis of the early warning index, the CSI 300index, issuance, earnings per share and net assets per share five internal andexternal factors, this paper comprehensive interpret IPO pricing.

And weestablish the multivariate regression model of IPO pricing of listed companies. The test results show that the model is statistically significant, and thestatistical test effect is better. ObjectiveTostudy the short the short term and long term performance on an IPO. To studythe effects of underpricing on the performance of an IPO. To compare the BoomPeriod and Slump Period after the IPO is issued.