IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668 PP 52-58
www.iosrjournals.org

IPO Performance in India: A Study of Investor Behaviour and Its Impact on Post-Listing Price Dynamics

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Abstract
An economy's capital markets reflect its economic health and investor confidence in its policies and frameworks. In addition to raising capital for new companies, they serve as platforms for bringing ideas to fruition. One of the popular methods for raising money from capital market is Initial public offer. Though, the journey of IPO market started long back with floatation of first modern IPO by Dutch East India Company in 1602 for raising capital against bonds and stock. However, Reliance was the first Indian company to go public in 1977, before incorporation of Security Exchange Board of India (Dhir, Verma, & Patwardhan, 2024).
IPO has been the most preferred option to make profit in capital market for retailers in last many years due to their under pricing in majority of the cases (Babu & Dsouza, 2021) (Dr. Mercia Selva Malar, 2023) (Gupta, 2014). Further, The IPO market has gained a memento in last many years. Presently India has positioned itself as global leader in terms of hosting maximum IPOs which is around twice the united state and 2.5X of IPO in Europe in Year 2024 (Precize, 2025). Unprecedented growth in the market is driven by several factors that affect investors' preference for subscription of the IPO, listing day gains and post listing pricing performance of IPOs. So, the current study will focus on identifying the various factors like, issue size, Subscription by RII, HNI and QIBs, Investors psychology, and other factors on post listing price behaviour of IPOs
Key words: *IPO, SEBI, Post Listing Price, Listing Day Gain*

I. INTRODUCTION

The IPO market has gained a memento in last many years. Presently India has positioned itself as global leader in terms of hosting maximum IPOs which is around twice the united state and 2.5X of IPO in Europe in Year 2024 (Precize, 2025). Unprecedented growth in the market is driven by several factors that affect investors' preference for subscription of the IPO, listing day gains and post listing pricing performance of IPOs. This research explores whether behavioural biases like herd mentality, overconfidence, and anchoring contribute to sharp price movements immediately after listing. By analysing historical IPO data and investor participation trends, it identifies patterns in market reactions to factors such as subscription levels, grey market premiums, and overall economic sentiment. The research also highlights the need for greater transparency in IPO pricing and the importance of financial literacy in reducing speculative investment behaviour.

EMERGENCE OF IPO

Going back in time if we talk when and where the first IPO was launched, we see that the first ever modern Initial Public Offering (IPO) was offered by Dutch East India Company which was primarily known as VOC, in March 1962 where-in they offered shares of their company in order to raise capital from the public. VOC became the first ever company to offer bonds and shares to public. Talking about India, Reliance became the first ever company to offer its shares to the public in 1977, even before the Securities and Exchange Board of India was established. In 1990s foreign capital was introduced in India embarking a journey of economic Liberization.

As many of us might have already seen or heard about the 2008-09 financial crisis which was later known as Global Financial Crisis (GFC) which drastically impacted the capital market. Although during that time the technology was still evolving the recession soon rose too high which resulted in the collapse and failure of many IPOs. The crisis began its roots from US and later impacted the whole world. Governments and central banks responded with emergency measures, including massive bailouts of financial institutions, interest rate cuts, and unprecedented levels of monetary stimulus.

2010 is the year when the market started its recovery phase and soon more and more IPOs were listed. In 2010 itself the Indian Market made a new record in which approximately 70,000 crores were raised through IPOs, many companies also tried to list again following the crisis and since then the flourish pf IPO began. Between 2010-2019 a total of ₹2,65,709 crore was raised through a total of 272 IPO's where in the highest capital was raised in the year 2017 which was ₹75,279 crore. The QNI and HNI obviously played a major role but the retail investors curiosity increased since 2017 which a turning point as more and more retail investors participation came to play. As the appetite of retail investors increased companies started generating more profits and as a result there a huge surge in FPOs was created. However, in 2019-2020 Pandemic hit which undoubtedly dealt a drastic blow to the capital market. Many IPOs that were about to be listed were either postponed or dropped off. The Indian Stock Market faced yet another crash since 2008. This study has secured IPO performance and impact of post listing dynamics especially after pandemic.

IPOs are primarily listed by two of common methods either Fixed Price or through Book building Process. Although at present most IPOs are listed with the help of book building process'. The Issuer who is planning an offer nominates lead merchant bankers as 'Book runners. The Issuer specifies the number of securities to be issued and the price band for the bids. Syndicate members are then appointed with whom orders are to be placed by the investors. Syndicate members then input the orders into an 'electronic book'. This process is called 'bidding' and is similar to open auction. The book normally remains open for a period of 3 days and bids have to be entered within the specified price band. Bids can be revised by bidders before the book closes. On the close of Book building period the book runners evaluate the bids on the basis of demand at various price levels. The book runners and the Issuer decide the final price at which the securities shall be issued. Generally, the number of shares is fixed, the issue size gets frozen based on the final price per share. Finally, the allocation of securities is made to the successful bidders. The rest get refund orders.

This study investigates the fluctuations in India's Initial Public Offering (IPO) market, influenced by investor sentiment, economic conditions, and company-specific factors. It examines IPO performance, focusing on investor behaviour and its impact on stock prices after listing. Key areas of analysis include IPO under pricing, market volatility after listing, and long-term stock trends to understand the factors affecting IPO valuation and investor decision-making. IPO under pricing—where newly listed stocks trade at a premium compared to their issue price—is a common occurrence in India, drawing interest from both institutional and retail investors looking for short-term profits. This research explores whether behavioural biases like herd mentality, overconfidence, and anchoring contribute to sharp price movements immediately after listing. By analysing historical IPO data and investor participation trends, it identifies patterns in market reactions to factors such as subscription levels, grey market premiums, and overall economic sentiment.

The study also assesses the long-term trajectory of IPO stocks, examining whether initial price gains are sustained or followed by a decline. By analysing IPOs from the past decade, the research evaluates whether early price surges lead to lasting value for investors. These findings are relevant for both retail investors and policymakers. A better understanding of investor psychology can help improve investment strategies, while regulatory authorities can use these insights to strengthen market efficiency and investor protection. The research also highlights the need for greater transparency in IPO pricing and the importance of financial literacy in reducing speculative investment behaviour.

II. LITERATURE REVIEW

(Varsha Gupta, 2016)

The study done by Dr. Varsha Gupta on 'IPO Financing: An alternative source of financing for SMEs in current era' suggests that majority of the IPOs has been fully subscribed by retail investors and majority of IPOs and majority of IPOs has been listed above the offer price and continued to give premium value on investment. So BSESME is a platform which can be chosen by a small and medium companies having good fundamental values so that equity investors may get good return over investment.

(Gupta, 2014)

Further another study by Varsha Gupta and Dr. Himanshu Joshi on "Analysis of IPO market behaviour: Post Listing price Performance" suggests that investors willing to buy new securities of any company enters into the market via initial public offering (IPO) which is considered as one of the most important tools for raining money for corporate houses. The study observed that grading has a great impact on demand schedule of qualified institutional buyers and non-institutional buyers, but still the issues with high subscription could offer only listing day return. Their returns have fallen in long run.

(Prakash Kundnani, 2024)

His study on 'Assessing the Performance of Initial Public Offerings (IPOs) in Indian Stock Markets: A Longitudinal Study from 2014-2023' reveal substantial variations in IPO performance, with average listing day returns ranging from 18.98% to 26.35%, particularly peaking during market volatility in 2020. However, long-term returns exhibit a decline, with many IPOs underperforming five years after listing. Regression analysis shows that firm size and market sentiment significantly affect IPO performance, with larger firms and favourable market conditions driving better outcomes. The technology and pharmaceutical sectors outperformed, while real estate IPOs lagged. The study highlights the importance of due diligence for investors and the need for continued regulatory reforms to improve market transparency and efficiency.

(Dr. N. Subrahmanyam, 2024)

Further another study on 'Relationship Between Pricing and Performance of IPOs: Evidence from The Indian Stock Market' reveals that under-pricing trends, on empirical evidence, it is often found to accompany IPO listing day gains for Indian IPOs, especially when the market is enormously bullish. Investor demand is high and results in oversubscription in such cases. However, long-term performance often goes off the rails with many initial public offerings (IPOs) lagging benchmark indices like NIFTY 50 and BSE SENSEX. Some of the factors that affect both pricing at the time of IPOs and aftermarket performance include market conditions, fundamentals of the company's issuing equity, investor sentiment, and oversight by SEBI. Analysis on sectoral differences in terms of IPO pricing and performance reveals that the performance of technology and finance services tends to be quite different compared to energy and manufacturing sectors. Using data from National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), it has been able to gain a sound understanding regarding the entry in the market in terms of pricing strategy which has eventually emerged over time.

(Kumar, 2023)

The study on 'The Performance Analysis of Initial Public Offer (IPO) In the Indian Perspective for The Calendar Year 2022.' revealed even while IPOs may have a substantial chance of increasing in value, investors must approach them with great caution. It is essential to conduct comprehensive research on the company's finances, business model, competitive environment, and growth possibilities. Out of the 38 companies that got listed on the stock market, 26 gave a positive return on the listing day in the primary market and 16 in the secondary market. 26 companies gave negative return on the primary market,16 companies in the secondary market gave positive return.10 companies amongst the 38 companies that got listed gave negative return to the investors in the primary market and 22 companies in the secondary market gave negative market.

(Sri Devarajappa, 2014)

Her study on 'Post Issue Performance of IPOs in India: An empirical Study' revealed that during the year 2011-12 majority of the IPOs have not performed well as the immaterial of the price fluctuations above the issue prices of those companies have realized negative returns and those stocks whose price fluctuated below the issue price have realized positive returns. Thus, conclusion was made that fluctuations depends not only on the performance of the company but due to the speculations made and external factors.

(Dr. Mercia Selva Malar, 2023)

Her study on 'An Empirical Study on IPO Performance in India' revealed that Price movement was studied by grouping the IPOs into four categories regarding their listing date to analyse if returns are affected by the holding period of the stocks. Monthly, Quarterly, Semi-Annually, and Annual Average returns were calculated to see the changes in returns under the holding period. The result showed a positive effect, meaning that returns are directly proportionate to the stock's holding period. The performance of these IPOs was assessed by calculating the mean difference between their issue prices and listing prices, and it was found issue prices are not the primary factors impacting listing prices. Moreover, for every year, the influence of important news and other events on the price of these IPOs was also documented, and it was found there is a neutral impact on IPO performance. Subsequently, the Price movement of the concerned stocks was studied to analyse the effect of the holding period of the stocks on the returns obtained, and it was revealed that returns were directly proportional to the holding period of the stocks.

OBJECTIVES OF THE STUDY

- To analyse the current status, financial performance and market reception of IPOs listed in the past five years.
- To examine the factors affecting post listing price performance of IPOs.

III. RESEARCH METHODOLOGY

For the proposed study secondary data have been taken from BSE websites. Further this study particularly focuses on BSE IPOs of past five years that were listed between January 2020 till December 2024. All the IPOs that were listed through Book Building Process have been taken for the study. SENSEX data for the calculation of percentage changeover, over the years has been taken from NSE website. To check the impact of retail investors subscription directly on the performance of IPO correlation is used.

IV. PERFORMANCE OF IPO MARKET

Out-Performing IPOs: India has seen many IPOs being listed in the past two decades some of them performing exceptionally well and provided almost 100-1000% return in a couple of years. Some outstanding Performing IPOs includes D-Mart listed at ₹299 per share in 2017 provided 100% listing gain and currently trades at ₹4,040. IRCTC listed at ₹320 per share provide 128% listing day gain as per NSE data. Further Infosys which was listed in 1993 for ₹93 has given over 1000% return since listing and currently trades at a price of ₹1451.65. Similarly, Burger King which was listed at a price of ₹288 in 2020 December debuted a closing day gain of over 100%. Some of the primary factors for these IPO to outperform is because of their brand image in the market and their adaptability to market trends. Market trends constantly evolves and the quick a company adapts itself to the current or the upcoming market trends the more their chances are of outperforming. Further mergers, acquisitions and strategic partnership has also proved as a vital ingredient for these IPOs to outperform than others. Taking example of Infosys who demonstrated resilience during the economic downturns managed to maintain profits and continued to invest in key areas in-spite of having challenging market conditions.

Overall Market sentiments, economic indicators, company fundamentals, industry trends, valuations and Geopolitical factors also greatly impact the performance of IPOs in the market. The interest of Retail Investors vs institutional investors also showed sign that an IPO can get affected by low and high subscriptions of the same.

Under-Performing and Failed IPOs: When we talked about out-performing IPOs there are also cases of down performing IPO and failed IPOs as well. In the recent years although most IPOs remain average and a handful of them can outperform there are cases where in the failed as an IPO by giving more than 50% or sometimes 100% negative return. Cases like recently Hyundai Motor India came with the biggest issue size of ₹27,870.16 crores. However, the shares debuted at a 6% drop from the issue price and currently it gives a negative return of over 16%. Some more examples of failed IPOs are MVK Agro Food Limited which was listed in 2024 with an issue price of ₹120 makes a debut loss of 30.88% on listing day. Jana Small Finance Bank went public with an issue price of ₹414 makes a loss of 11.44 % on listing day. Now some of the most common reasons for these failures or poor listings according to studies are overvaluation, weak financials or profitability concerns, market conditions, Poor investor sentiments or lack of trust, poor brand image and low subscription levels. Low interest from Qualified Institutional Buyers (QIB) is always a red flag. Further Volatility or the bearish nature of market conditions often leads to failure of decent IPOs

Detail of IPOs listing on SME Index

Small and Medium Enterprise (SME) IPOs is a public offering of shares to raise capital from investors by listing on a dedicated SME platform of stock exchange particularly either in BSE or through NSE. SME IPOs allow us to invest in small-sized companies or business who have their assets, revenues or employees lower than a specific cut level. Normally mainboard IPOs follow a set certain guidelines in terms of size of the company. In the case of SME IPOs these guidelines are more relaxed, thereby allowing the companies to access capital directly from the public in stock market. According to BSE SME eligibility requirements, the company must be incorporated under the Companies Act 1956. Further, the company should have a positive net worth where the net tangible assets of the company should be minimum ₹1.5 cr. Also the company should have a track record of operations of minimum3 years and should facilitate trading in demat form, and must have an agreement with both the depositories – CDSL & NSDL. Lastly, the list of promoters should not have changed in the preceding year from the date of applying to BSE for listing under the SME segment.

DATA ANALYSIS

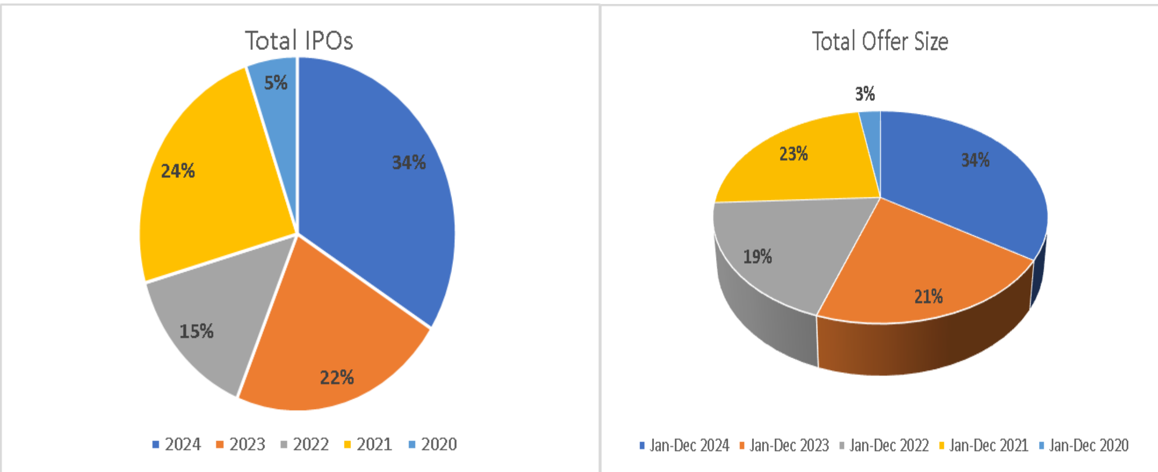

Fig 1 – Status of IPOs and offer Size

In 2020 during the Covid Pandemic merely 14 IPOs were listed which managed to raise ₹10,017.58 Cr from the market. However, post Pandemic there was a sudden surge of 811% in the listing of IPOs from 14 to 64. Although there was slight decline in 2022 but 2024 marked as the record breaking year as the highest number of IPOs listed till date in any accounting year, an 80% increase from 2022.

Table 1 – Year wise listing of IPOs highlighting Listing day Gain / Loss

Year	Total IPO	BSE IPO	BSE-SME IPO	IPO in Gain	IPO in Loss	IPO in gain on Listing Day	IPO in Loss on listing day
2024	158	90	68	135	22	135	22
2023	120	59	61	103	17	96	24
2022	90	38	52	73	17	65	25
2021	91	64	27	68	23	66	25
2020	31	14	17	24	7	22	9
Total	490	265	225	403	86	384	105

The following table highlights the total number of IPOs that were listed per year starting from 2020 till 2025, further categorized as listed via BSE platform and BSE-SME. The table further shows the listing day gain/loss post listing.

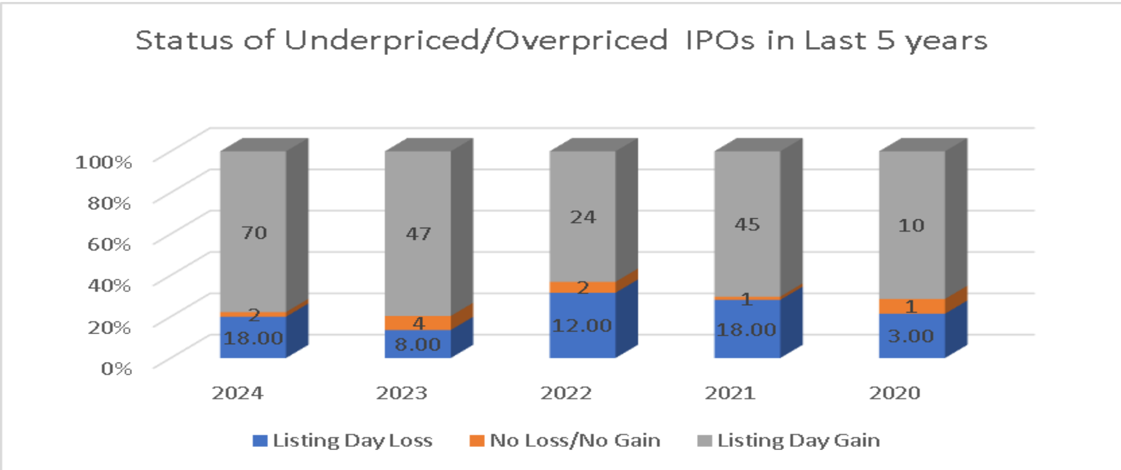

Fig 2 – Status of Underpriced and Overpriced IPOs in last 5 years.

Although the number of IPOs listed in 2020 were mere 14 but 71% of IPOs had listing day gain which increased to upto 350% in the year 2021 as there was a surge of IPOs listing post Covid. Year 2024 marks the highest in terms of lisitng day gain with an exponential growth of 191.6% from 2022.

Table 2 – Year wise total offer size and average offer size

Year	<100	100-200	200-500	500-1000	1000-10000	> 10000	Avg offer Size	Total Offer Size
2024	3	9	19	31	26	2	1492.49	134709.2
2023	2	7	9	21	19	1	1418.3	82051.56
2022	3	4	7	11	11	2	2001.26	74710.99
2021	3	6	12	20	23	0	1426.63	91304.51
2020	0	2	5	4	3	0	715.54	10017.58
Total No	12	27	52	87	82	5		
total Volume	822.95	4232.5	20474.41	60286.59	218824.14	88663.25		

The table 2 highlights the offer size in Crore per year which is categorized as offer size that were less than 100cr, between 100-200cr, between 200-500cr, between 500-1,000cr, between 1,000-10,000cr and above 10,000cr. From the table as we see that 2024 recorded the highest offer size of 1,32,709.2cr

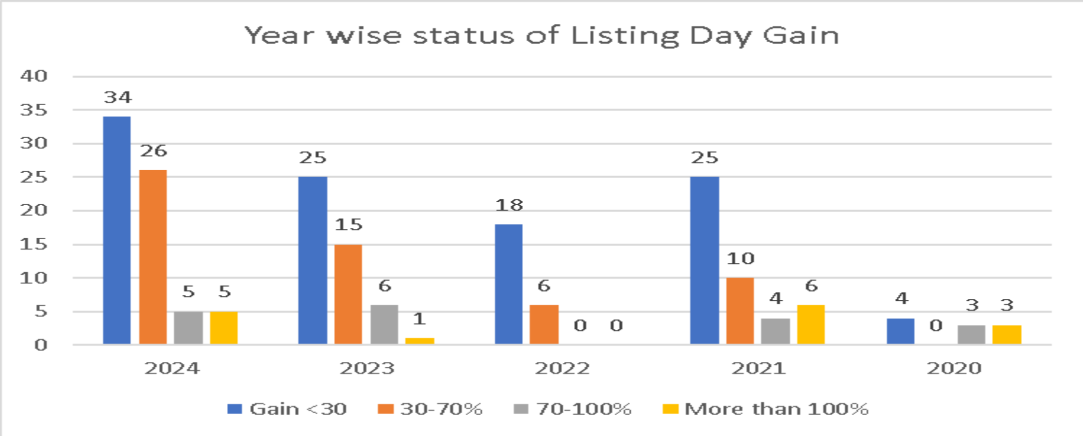

Fig 3 – Shows year wise status of listing day gain

During the pandemic year the number of IPOs listed were merely 14 of which only 10 IPOs had listing day gain, however in 2021 approximately 4.5x more IPOs were listed out-performing the pandemic period with an average listing day gain of 48.96%. 2024 with a total number of under priced IPOs being 70 had a average listing day gain of 41.14% showing a constant momentum with the rise in listing of IPOs.

Table 3 – Year wise Status of IPO Subscription total number of IPOs total subscription levels

Year	Between 2- 10times	Between 10 – 50 times	Between 50 – 100 times	>100 times
Jan-Dec 2024	25	36	16	7
Jan-Dec 2023	15	17	15	5
Jan-Dec 2022	6	17	3	8
Jan-Dec 2021	15	23	12	14
Jan-Dec 2020	3	7	1	3
Total	**64**	**100**	**47**	**37**

This table highlights the number of IPO with their subscription levels in between 2-10, 10-50, 50-100 and above 100 times. Year 2021 had been marked for remarkable preference of investors for IPO as 14 IPOs out of 64 were being subscribed for more than 100 times. Around 1/3 of the ipo during stated period were subscribed more than 50 times and around 75 percent of IPOs were subscribed more than 10 times by all categories of investors.

V. FINDINGS

The year 2020 was marked by unprecedented economic disruption due to the COVID-19 pandemic. Despite this, several companies proceeded with initial public offerings (IPOs) in India, signaling resilience and the need to tap into public capital markets. This section analyzes the performance of key IPOs launched in 2020 based on metrics such as listing day gains/losses, short-term price movements (1-week and 1-month), and 1-year returns.

1. **IPO performance based on Subscription levels –** Year 2024 marked the extraordinary year where in the highest number of IPOs were listed and the subscription levels suggest mostly were between 10 – 50 times subscribed by all (QIB, HNI, RI) which had a positive impact on their performance post listing till date.

2. **Retail Investor Participation -** IPOs analyzed had a Retail Investor Subscription (RI) ratio of less than 5, indicating moderate interest from retail investors during the pandemic-affected year. SBI Cards, despite its strong brand association, had an RI of 2.5. Others like Angel Broking and UTI AMC had RIs of 4.31 and 2.32 respectively, showing subdued enthusiasm possibly due to uncertain market conditions.

3. **Listing Day Performance -** Certain IPOs experienced negative listing day performance like SBI Cards recorded a loss of -12.5% on listing day. Angel Broking fell by over - 10% & UTI AMC and Equitas Small Finance Bank also faced similar declines. This suggests that investor expectations were not met at the time of listing, or that the IPOs were priced aggressively relative to market sentiment.

4. **Short-Term Gains (1 Week and 1 Month) -** Despite weak listing performance, short-term (1-week and 1-month) returns were notably positive for most of the companies. This suggests that investors who held onto

their investments post-listing were able to benefit from short-term rallies, likely driven by improved market recovery and investor confidence.

5. 1-Year Return - The one-year returns remained positive for all companies. These figures highlight strong recovery and value generation potential of IPOs launched in 2020, despite initial volatility.

The IPO market in 2020 exhibited a paradoxical trend. While most IPOs listed at a discount and experienced negative day-one performance, they rebounded strongly in the following weeks and months. The short-term rallies and one-year returns demonstrate investor optimism and the resilience of these businesses. This trend is reflective of a broader recovery in the Indian equity markets post the pandemic-induced crash in March 2020.

A deeper insight reveals that listing day performance may not be an accurate predictor of long-term gains. IPOs that were initially deemed failures (due to discount listings) ultimately proved lucrative for patient investors.

VI. CONCLUSION

The 2020 IPO market defied expectations by delivering strong post-listing returns despite weak initial performance and pandemic-driven economic challenges. Retail participation was moderate, but those who invested and held onto shares post-listing were rewarded handsomely. The findings suggest that investors should consider a medium to long-term view when evaluating IPOs, particularly during uncertain macroeconomic environments.

Furthermore, issuers and underwriters may need to revisit IPO pricing strategies to ensure a balance between valuation and investor enthusiasm. From a policy perspective, this reinforces the need for transparent disclosure and realistic pricing mechanisms to foster a stable and efficient IPO market.

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