A study on Performance of Ipo’s under NSE from issue price to last trading price in the year 2013-2015

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Abstract

In this paper, researcher studied the performance of IPO’S from issue price to last trade price in India during, 2013 to 2015, listed in National Stock Exchange(NSE) India. Researcher found that there is, on the average, significantly positive return. The investment done in the securities by the investors is mainly done only by the image of the company but not on the basis of the fundamental analysis. Most of the investors always prefer to purchase at a lower rate when issue price and last trade price is compared. The percentage return shows the return for a particular period of time. The last trade price will always be higher than the issue price. The last trade price comes after the issue price in the study.

Key words: Initial public offering, Last trading price, National Stock Exchange, Issue Price, Market Price

INTRODUCTION

Initial Public Offering means when a company sells its share or offer its share in public for the first time. The offer generally issued by the new and smaller companies to expand their capital but it can also be done by the large privately companies to become public company. The new companies mostly don’t have resources to conduct the IPO. So, they generally depend on the other private funding like personal loans, family and friends. Therefore, they look for the investors which help them for their IPO process. Investors offer finance to the company for the stake in the company. The investor is liable in the decision making process and also advice the management in most of the company issues. When the investors of the company want to liquidate their investment they have options like sell the equity to different company, sell the whole company to another company as an acquisition, or sell the equity in the Initial
Public offering of the company. Also, when a company in needs of finance for the
development of their company then they have options like private market equity, issue
debt in the market or offer equity in the public which means initial public offer in the
market. IPOs performance can be affect by different factors like issue size, delay in
listing time etc. Some advantages for going public are like significant access to
investment capital, some stock price support after the listing etc. While some
disadvantages for going public are like for small companies the cost incurred for IPO
is very high etc. SEBI is the regulator of the Indian Capital market including the
primary market i.e. IPOs. IPOs have some fixed process and which every company
has to follow when it comes for the IPO in the market.

The most important objective of an IPO is to raise capital for the company. It helps a
company to tap a wide range of investors who would provide large volumes of capital
to the company for future growth and development. A company going for an IPO
stands to make a lot of money from the sale of its shares which it tries to anticipate
how to use for further expansion and development. The company is not required to
repay the capital and the new shareholders get a right to future profits distributed by
the company.

The IPO trend came in India in the eighties when a large number of companies,
organization came out with public issues, which triggered a growth in the primary
market. An entire industry of Merchant Bankers, Brokers, Agents and Retail Investors
grew in the primary issues market. During eighties and nineties many of the
companies just disappeared without a trace after the listing was done. There were
estimated of over hundreds of companies which disappeared from the market after
raising funds in the primary market. People lost all their income as the fundamentals
of the company were not known by them. But in late nineties did not see much
activity in the primary market. The primary issues market resurrected itself after 2003
largely triggered by the divestment program of public sector companies in the
beginning of year in January 2008. Many investors lost their income, saving which
they invested in the company.

India saw a dramatic recovery in its IPO markets in 2010. This revival has been a
domestic consumption led–growth story, driven by an influx of capital from Western
economies and a booming local stock market. India saw a growth of 21.5% in the
number of IPOs compared to 2009.

In 2010, India saw a string of IPOs and follow-on offerings from many previously
state-owned enterprises in the materials sector such as steel, oil and gas which helped
the Indian Government raise funds to build roads, ports and power plants. The global
IPO market is off to a very good start in 2014. This has been the best performing first
quarter since 2011 in terms of both number of IPOs and capital raised.

Three sectors that led globally by capital raised in 2014 Q1 were energy, technology
and real estate. Although technology may not always be the leading sector in any
geography, it is often the new or innovative technology which is the driving force
behind the popularity and success of the leading sectors. As boundaries blur between
technology and industries, companies may move away from traditional sector
categorization in an effort to maximize valuation as they come to market. The present
study focuses on the performance of ipo’s under NSE from issue price to last trading price in the year 2013-2015.

**REVIEW OF LITERATURE**
Gadesurendar and Dr. S. Kamaleshvari Rao (2011) stated that Companies raise in the primary market by way of initial public offers, rights issue. An initial public offering is one through which an unlisted company makes either a fresh issue of securities of an offer for sale of its existing securities or both for the first time to be public. IPS’s deepen the market diversify investors portfolio, reduce volatility in stock prices bring investors money into the market.
Qiming Wang (2010) The price clustering of initial public offerings in the secondary market trading during the first 240 trading days after their IPO DATES. The result indicates the huge difference between the integer price frequency of IPS’S in the primary market and that of matched stocks in the secondary market almost disappears on the first trading day after IPO.
S.S.S.KUMAR (2010) stated that the performance issued through the book building process in India over the period 1999-2006.the sample comprises 156 firms that upon listening the IPO’s on an average offered positive returns up till twenty four months but subsequently they underperform the market.
Arwah Arjun Madan(2010) stated that in the long run there is a drastic fall in the returns on IPO’s return is found to be negative from the second to the fifth year of listing.
Anand adthikari(2010) stated that companies with unique business models got listed in the year 2009-10 and made their inventors rich.

**OBJECTIVES OF THE STUDY**
- To study about the performance of IPO’s from issue price to last trading price in the year 2013-2015.
- To study the percentage change of IPO’s from issue price to last trading price in the year 2013-2015.

**RESEARCH METHODOLOGY**
The data for the study is mainly collected from NSE website. The analysis is based on the companies listed under NSE during the years 2013 to 2015. The secondary data was collected from the various sources available like websites wherever necessary.

**RESEARCH PROBLEM**
One major source of business financing is through Initial Public Offerings (IPOs). Historically, IPOs received high initial first day gains compared to the market performance. The study was undertaken to analyze the financial performance of IPO companies. The study is mainly based on the detailed profit & loss account of the IPO
companies. Data collected was secondary in nature. The study was mainly analytical and partly descriptive in nature.

ISSUE PRICE
Issue Price is the price at which a company’s shares are offered to the market for the first time, which might be at par or at a premium or discount. When they begin to be traded, the market price may be above or below the issue price.

LAST TRADING PRICE
The last traded price is the last closing price, last traded time is the time at which transaction occurred, Volume is the number of shares traded 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.

ANALYSIS AND INTERPRETATION
The following tables contain both primary data and secondary data. The table shows the ipo’s listed under NSE during the period of 2013 to 2015 and its issue price and last trading price and the percentage change in issue price to last trading price.

TABLE NO: 1: IPO’s DURING 2013: PERFORMANCE FROM ISSUE PRICE TO LAST TRADING PRICE

<table>
<thead>
<tr>
<th>S.NO</th>
<th>COMPANY NAME</th>
<th>ISSUE PRICE</th>
<th>LTP</th>
<th>PERCENTAGE CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Power Grid Corporation Of India Limited</td>
<td>90</td>
<td>138.15</td>
<td>53.5</td>
</tr>
<tr>
<td>2.</td>
<td>Just Dial Limited</td>
<td>757.20</td>
<td>530.00</td>
<td>42.86</td>
</tr>
<tr>
<td>3.</td>
<td>Repco Home Finance Limited</td>
<td>172.00</td>
<td>585.00</td>
<td>240.11</td>
</tr>
<tr>
<td>4.</td>
<td>V-Mart Retail Limited</td>
<td>210.00</td>
<td>468.00</td>
<td>122.85</td>
</tr>
</tbody>
</table>

Source: Primary data, Secondary data

LTP – Issue price
Percent change = \( \frac{\text{LTP} - \text{Issue price}}{\text{Issue price}} \) * 100

INTERPRETATION
From the above table, it is observed that Repco home finance Limited has highest percentage return of 240.11 percent. The average difference of the year 2013 is 114.83 percent. The percentage change shows the return for a particular period.
TABLE NO: 2: IPO’s DURING 2014: PERFORMANCE FROM ISSUE PRICE TO LAST TRADING PRICE

<table>
<thead>
<tr>
<th>S.NO</th>
<th>COMPANY NAME</th>
<th>ISSUE PRICE</th>
<th>LTP</th>
<th>PERCENTAGE CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Monte carlo fashions limited</td>
<td>645.00</td>
<td>366.00</td>
<td>-43.25</td>
</tr>
<tr>
<td>2.</td>
<td>Shemaroo entertainment limited</td>
<td>170.00</td>
<td>297.00</td>
<td>74.70</td>
</tr>
<tr>
<td>3.</td>
<td>Sharda cropchem limited</td>
<td>156.00</td>
<td>241.70</td>
<td>54.93</td>
</tr>
<tr>
<td>4.</td>
<td>Snowman logistics limited</td>
<td>47.00</td>
<td>54.20</td>
<td>15.31</td>
</tr>
<tr>
<td>5.</td>
<td>Wonderla holidays limited</td>
<td>125.00</td>
<td>353.00</td>
<td>206.4</td>
</tr>
<tr>
<td>6.</td>
<td>Engineers india limited</td>
<td>150.00</td>
<td>170.50</td>
<td>13.66</td>
</tr>
</tbody>
</table>

Source: Primary data, Secondary data

INTERPRETATION

From the above table, it is observed that wonderla holidays Limited has shown the highest positive return of 206.4 percent and monte carlo fashions limited has shown highest negative difference of -43.25 percent. The average difference of the year 2014 is 53.625 percent. The negative return shows that the company faces a loss.

TABLE NO: 3: IPO’s DURING 2015: PERFORMANCE FROM ISSUE PRICE TO LAST TRADING PRICE

<table>
<thead>
<tr>
<th>S.No</th>
<th>Company Name</th>
<th>Issue Price</th>
<th>LTP</th>
<th>PERCENTAGE CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Narayana Hrudayalaya Limited</td>
<td>250.00</td>
<td>290.00</td>
<td>16</td>
</tr>
<tr>
<td>2.</td>
<td>Alkem Laboratories Limited</td>
<td>1050.00</td>
<td>1319.00</td>
<td>25.61</td>
</tr>
<tr>
<td>3.</td>
<td>Dr. Lal PathLabs Limited</td>
<td>550.00</td>
<td>947.00</td>
<td>72.18</td>
</tr>
<tr>
<td>4.</td>
<td>S H Kelkar and Company Limited</td>
<td>180.00</td>
<td>226.50</td>
<td>25.83</td>
</tr>
<tr>
<td>5.</td>
<td>InterGlobe Aviation Limited</td>
<td>765.00</td>
<td>910.00</td>
<td>18.95</td>
</tr>
<tr>
<td>6.</td>
<td>Coffee Day Enterprises Limited</td>
<td>328.00</td>
<td>229.10</td>
<td>-30.00</td>
</tr>
</tbody>
</table>

Source: Primary data, Secondary data

INTERPRETATION

From the above table, it is observed that Dr. Lal pathalabs limited has shown the highest positive difference of 72.18 percent and coffee day enterprises limited has shown highest negative difference of -30 percent. The average difference of the year 2015 is 21.42 percent.

FINDINGS

The investment done in the securities by the investors is mainly done only by the image of the company but not on the basis of the fundamental analysis. Most of the investors always prefer to purchase at a lower rate when issue price and last trade price is compared. The average difference for the year 2013 regarding IPO’s performance from issue price to last trading price is 114.83 percent. The average difference for the year 2014 regarding IPO’s performance from issue price to last
trading price 53.625 percent. The average difference for the year 2015 regarding IPO’s performance from issue price to last trading price 21.42 percent. The percentage return shows the return for a particular period of time. The last trade price will always be higher than the issue price. The last trade price comes after the issue price in the above study.

**SUGGESTIONS**
1. The investment in IPO can prove too risky because the investor does not know anything about the company because it is listed first time in the market so its performance cannot be measure.
2. On the other hand it can be said that the higher the risk higher the returns earned. So we can say that the though risky if investment is done then it can give higher returns as well.
3. Primary market is more volatile than the secondary market because all the companies are listed for the first time in the market so nothing can be said about its performance.
4. “We can fairly predict the future, but can’t make it happen as it is.”

**CONCLUSION**
Investment in India has become more of a security necessity than a business lifestyle. As the rates all were dropping, people are switching to other avenues which fetch better results. The risk band that initially existed as been eased pot and people are on the outlook for new and better stuff. In olden days, one invest only in few companies, but the present day gas given people to try a wide range of companies. The IPO can be a good guide for a common man to invest in share market. There won’t be any risk in investment by analyzing the market and history of companies.

**REFERENCES**