

PERFORMANCE EVALUATION OF SELECT INITIAL PUBLIC OFFERS (IPOS) IN INDIA

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ABSTRACT

Financial system comprises of financial institutions, financial instruments, financial markets and financial services. Of the four components of financial system financial markets plays a pivotal role in economic development of a country since they channelise the flow of savings from savers to investors. Savers may be individuals or organisations; and the investors are again individuals and business organisations. Savers look for investment avenues that are suitable as per their risk preference. Now-a-days the investment avenues available for investors are plenty. In fact, more alternatives are putting investors in difficult position in choosing right investment alternative. Investors those who are look for funds have various ways to raise funds. There are two types of financial markets they are – capital market and money market. They can raise funds from the capital market for long-term needs and money market for short-term requirements. Long-term funds can be raised in capital market by issue of securities – debt or equity. Equity shares are the prime security issued to the public in the primary market raising long-term funds. There are two categories of investors who invest in primary market. One, who wants to invest for long-term and two, those want to make money in short-term just after listing the securities in the stock exchange. Investors those who can take risk in investing equity through Initial Public Offer (IPO)/ Further Public Offer (FPO) the primary motive is capital gain; particularly after listing shares in stock exchange. The second category of investors are more. Companies list their shares immediately after making IPOs in stock exchanges and later the value of such equity is determined by market. The movement of price on the event of IPO is determined by the perception of the investor's initial return, i.e., return on the first day of IPO plays a vital role in perceiving future value of such equities. Sentimentally shares which have given positive return on the first day may give negative return than positive.

The main aim of the paper is to study the performance of selected IPOs happened

during the year 2009. The study is desk research and analytical study. The population of the study comprises of 21 public issues which were happened before 01-01-2009 to 31-12-2009 and listed in BSE Limited. The researcher excluded eight issues with face value of share is less than 10 rupees and this left 13 IPOs. The study is census survey. The sample IPOs were issued by - Prabhath dairy limited, Sadbhav infrastructure project limited, Pennar engineered buildings system, Navkar corporation limited, Powermech projects limited, Syngene international limited, Manpasand beverages limited, PNC infratech limited, UFO movies India limited, VRL logistics limited, Inox wind limited, Adlabs entertainment limited, and Ortel communications limited. The study purely based on secondary data which are collected from the Stock exchange data base like BSE, NSE. And other supporting data from chittograh.com, and Articles, books, journals and business standard newspaper are used. The study includes the calculations of returns on the basis of daily, one week immediately after listing and also with 15 days, 30 days, and 60 days. The collected data analysed with the calculation of return after listing in stock market i.e., in BSE. Here for this study the return is calculated on daily basis of one week immediately after listing and also for 15 days, 30 days and 60days.

The study reveals during the year (1-1-2009 to 31-12-2009) the performance of IPO was expected to be a good year but the poor show of immediate after list threats the logic. During the year every IPO showed poor performance immediate after listing day except Pennar engineered building system (4.75 per cent), Powermech projects Ltd. (8.96 per cent), PNC infratech Ltd. (10.68 per cent), UFO moviez Ltd. (2.12 per cent), and Manpasand beverages (1.71 per cent). The Other IPOs like Prabhath dairy Ltd. (-2.4per cent), Sadbhav infrastructure (0), Navkar corporations (-2.9 per cent), Syngene international Ltd. (-0.49 per cent), Adlabs entertainment Ltd. (-2.96 per cent), Inox wind Ltd. (0.10 per cent), VRL logistics (0), and Ortel communications (-5.23 per cent) showed

very poor performance. Overall, the performance of IPO in this year showed poor performance. Even though the return immediate after listing day some IPO showed good performance but at the end of the 60 days from the listing day the return was in negative. Every IPO showed negative performance during the study period. For making investment in capital market through IPO individual investors have to know first about company details like prospectus, company background, previous financial

performances, market performance everything should check by the investor. Then only he can achieve his objective towards earning more return through IPO.

Key words: Financial system, capital market, primary market, initial public offer, performance

INTRODUCTION

Financial system comprises of financial institutions, financial instruments, financial markets and financial services. Of the four components of financial system, financial markets play a pivotal role in economic development of a country through channelising savings to investors. Savers look for investment avenues that are suitable as per their risk preference. Now-a-days the investment avenues available for investors are plenty. In fact, more investment alternatives are putting investors in difficult position in choosing right investment alternative. Investors those who are look for funds have various ways to raise funds. There are two types of financial markets they are – capital market and money market. They can raise funds from the capital market for long-term needs and money market for short-term requirements. Long-term funds can be raised in capital market by issue of securities – debt or equity. Equity shares are the prime security issued to the public in the primary market raising long-term funds. There are two categories of investors who invest in primary market. One, who wants to invest for long-term and two, those want to make money in short-term just after listing the securities in the stock exchange. Investors those who can take risk in investing equity through Initial Public Offer (IPO)/ Further Public Offer (FPO) the primary motive is capital gain; particularly after listing shares in stock exchange. The second category of investors is more. Companies list their shares immediately after making IPOs in stock exchanges and later the value of such equity is determined by market. The movement of price on the event of IPO is determined by the perception of the investor's initial return i.e. return on the first day of IPO plays a vital role in perceiving future value of such equities. Sentimentally shares which have given positive return on the first day may give negative return than positive.

Starting and successful running a business needs sufficient resources. Finance is prime resource which needed for procuring all other resources. In other words, Capital is one of the factors of starting a business whether it is trading, manufacturing, or providing services. Business needs capital for acquiring assets, which are essential for running

business. The total capital of any business comprises of two types of capital fixed and working Capital. The assets may be fixed assets or current assets or both. Fixed assets are required for running business and current assets are required for utilising fixed assets. Financing of fixed assets should be with long-term funds since they are long-term assets, and current assets are finance with short-term funds. Any company except service providers requires huge fixed assets for which company need to raise long-term capital by issuing of long- term securities whether they are debt and equity securities. But equity share capital is the prime source of long-term funds, since they are the owners' funds available till the end of the company. Equity share capital is cost free because there is no need commit any funds for payment of dividends. In other words, there is no compulsion of payment of dividend on equity shares like other securities – preference shares on which dividend is generally committed and debentures / bonds on which interest is committed to pay. Equity share capital can be raised in four ways. They are: One, Initial Public Offer (IPO) / Further or Follow-on Public Offer (FPO), Private placement, Offer for sale and Rights issue. IPO is the main method of floating shares to the public to raise equity share capital, but the success of raising funds through IPO depends on the performance of various factors like ensuring necessary visibility of business, selection of relevant merchant / investment banker, selection of banking syndicate, proper projection of balance sheet prior to IPO, making sure about financial projections are sufficiently shown, spending time on developing good investor relations, pricing the issue, valuation of the company, and performance of past IPOs after listing the issue in the given stockexchange.

OBJECTIVE OF THE PAPER

The main aim of the paper is to study the performance of selected IPOs during the year 2009. Performance is evaluated immediately after listing in terms of daily return, average weekly return, average 15 days return, average 30 days return, and average 60 days return.

SCOPE OF THE STUDY

The study covers the performance of initial public offerings of selected companies during January to December 2009. Therefore, it excludes all IPOs before and after the study period.

RESEARCH METHODOLOGY

The study is a desk research and analytical study. The population of the study comprises of 21 IPOs which were happened before 01-01-2009 to 31-12-2009. The

researcher excluded the issues with face value was less than 10 rupees and the price offered is less than 100 rupees and unavailability of historical stock price up to the 60 days from the date of listing day of IPOs. It left 13 IPOs and researcher studied performance of all the 13 IPOs. Table 1 gives the samples companies IPOs.

Table 1 Selected IPOs during the year 2009

Name of IPOs	Offer price	Face value
Prabhath dairy limited	115.00-126.00	10
Sadbhav infrastructure project limited	100.00-103.00	10
Pennar engineered buildings system	170.00-178.00	10
Navkar corporation limited	147.00-155.00	10
Powermech projects limited	615.00-640.00	10
Syngene international limited	240.00-250.00	10
Manpasand beverages limited	290.00-320.00	10
PNC infratech limited	355.00-378.00	10
UFO movies India limited	615.00-625.00	10
VRL logistics limited	195.00-205.00	10
Inox wind limited	315.00-325.00	10
Adlabs entertainment limited	180.00-215.00	10
Ortel communications limited	181.00-200.00	10

SOURCES OF DATA

Source: <http://www.bse.com/ipo>

The study is based on the closing prices of select companies' stock and BSE S&P Index. The study is purely based on secondary data, the required secondary data have been collected from the Stock exchange data base like BSE, and other supporting data from chittograh.com; and articles, books, journals and business standard newspaper are used

PERIOD OF DATA AND TOOL OF ANALYSIS

The study includes the calculations of returns on the basis of daily, one week immediately after listing and also with 15 days, 30 days, and 60 days.

PERFORMANCE OF SELECTED IPOs

As stated earlier the study is aimed at performance evaluation of selected IPOs by calculating returns, average returns and correlation of selected IPOs as well as BSE S&P market. Formulas used for calculations are

$$\text{Return (\%)} = (\text{closing price} - \text{opening price}) / \text{opening price} * 100$$

$$\text{Average return} = \text{Total return} / \text{number of days}$$

$$\text{Correlation (r)} = \frac{n\epsilon xy - (\epsilon x)(\epsilon y)}{\sqrt{(n\epsilon x^2 - (\epsilon x)^2)} * \sqrt{(n\epsilon y^2 - (\epsilon y)^2)}}$$

Performance of each company is in order.

Prabhath Dairy Limited

Listing date: September 21, 2009

Table 2 Performance of Prabhath's Equity and Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	-2.40653	-2.05892	-
Average weekly return	-1.52806	0.06677	0.44586
Average 15 days return	0.107604	0.26329	0.35482
Average 30 days return	-0.895041	0.06853	0.09165
Average 60 days return	0.42469	0.01086	0.12414

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

Performance of Prabhah's equity stock immediately after listing in stock exchange recorded negative performance (-2.41 per cent), but the performance moved as per the BSE S&P return (see Table 2). With referred to the weekly return, market did well (0.067 per cent) when compared to the Prabhath which was supported by low correlation. The return of 15 days, 30 days and 60 days shows positive trend in company as well as market. However, there is very less (0.09165) correlation with referred 30 days return. On the other hand, the company moved from negative performance to positive.

Sadbhav Infrastructure Projects Limited

Listing date: September 16 2009

Table 3 Performance of Sadbhav's Equity and Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	0	1.07745	-
Average weekly return	0.59813	-0.45171	0.477987
Average 15 days return	-0.25003	0.141022	0.35482
Average 30 days return	-0.18525	0.03508	-0.2994
Average 60 days return	-0.13057	-0.02851	-0.13057

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

Table 3 depicts that there was no return immediately after listing day in Sadbhav's equity when compared to BSE S&P return (1.077 per cent), showing that the company stock and market were moved in opposite direction on daily, weekly, 15 days and 30 days return. But, in 60 days return the company and market return was in negative, which is also supported by negative correlation. Therefore, the Sadbhav's performance was poor.

Pennar Engineered Building Systems

Listing date: September 10 2009

Table 4 Performance of Pennar's Equity and BSE Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	4.747505	-0.06125	-
Average weekly return	0.062963	0.469081	0.755138
Average 15 days return	0.095948	0.31998	0.528191
Average 30 days return	0.016976	0.188551	0.473219
Average 60 days return	-0.05956	-0.04112	0.287309

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

Pennar's equity performance immediately after listing day was good (4.747 per cent) when compared to the market the return (-0.062 per cent). Weekly, 15 days and 30 days return was less than the market (See Table 4). But, at 60 days the return was turned in negative in company (-0.059 per cent) as well as in BSE market (-0.041 per cent). The return was getting low day by day and also it was supported by correlations also. The performance of equity declined from 4.747 per cent to 0.01 per cent and negative after 60 days of listing.

Navkar Corporation

Listing date: September 9, 2009

Table 5 Performance of Navkar Corporation's equity and BSE market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	-2.91054	-0.25812	-
Average weekly return	-0.1074	0.45189	0.785078
Average 15 days return	-0.20645	0.285307	0.35482
Average 30 days return	-0.080614	0.179937	0.122629
Average 60 days return	0.291676	-0.02606	-0.13932

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

Table 5 shows Navkar's equity performance immediately after listing IPO. The return was in negative (-2.91) which is higher than the market (-0.258 per cent).

Performance is less than the market on the weekly, 15 days and 30 days return; and better performance after 60 days. However, Navkar's equity stock performance has increased from negative -2.91 per cent on daily to 0.29 per cent after 60 days return.

Powermech Projects Limited

Listing date: August 26, 2009

Table 6 Performance of Powermech's Equity and BSE Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	8.968671	2.152838	--
Average weekly return	-0.83029	-0.3274	0.300846
Average 15 days return	-0.80719	-0.08629	0.393193
Average 30 days return	-0.90543	-0.34436	0.205159
Average 60 days return	-0.07939	-0.02036	0.198435

Source: Calculated from the closing Prices of select stock and BSE S&P Index. Powermech's return on equity return was more by 6.815 per cent compare to market performance. The investors getting nearly nine per cent return immediate after listing date. But, after one week, 15 days, 30 days and 60 days the return declined to negative (-0.79 per cent). The trend is same in the market performance also (see Table 6). During the period the total market was under pressure and incurred loss.

Syngene International Limited

Listing date: August 11, 2009

Table 7 Performance of Syngene's Equity and BSE Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	-0.4974	-1.54909	--
Average weekly return	2.68564	0.39712	-0.48195
Average 15 days return	0.19546	-0.49824	0.35482
Average 30 days return	0.02810	-0.22383	0.58625
Average 60 days return	0.22037	-0.09596	0.51356

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

Table 7 shows the return of Syngene immediate after listing date of the IPO was not good. It is in negative in company as well as in market. But, after one week the return increased to 2.68 per cent compared to the market (0.39 per cent), but later the performance declined to 0.22 per cent. Syngene's performance was positive when market is moving in red on 15 days, 30 days and 60 days. In simple, both are moved in different directions, which were supported by correlation.

Manpasand Beverages

Listing date: July 9, 2009

Table 8 Performance of Manpasand's Equity and BSE Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	1.71361	0.319948	--
Average weekly return	0.38287	0.579352	-0.47698
Average 15 days return	1.09386	0.052433	0.35482
Average 30 days return	0.84046	0.018438	0.12157
Average 60 days return	0.37776	-0.04797	0.191051

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

The equity stock performance of ManpasandBeverages's immediately after listing IPO was good (1.71 per cent) compare to market performance (0.319). The company performance was better than the market on 15, 30 and 60 days after listing day (see Table

8). At the same time Manpasand's equity performance declined day by day and reached to 0.377 per cent after 60 days. This type of performances discourages the investors towards investing in IPO.

PNC Infratech Limited

Listing date: May 26, 2009

Table 9 Performance of PNC's Equity and BSE Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	10.67572	-0.05762	--
Average weekly return	-0.78381	-0.5774	0.494909
Average 15 days return	-0.5139	-0.29233	0.35482
Average 30 days return	0.060147	0.060208	0.493278
Average 60 days return	0.417158	0.027017	0.400397

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

Performance of PNC Infratech's was very good (10.67 per cent) immediately after listing day and the market performance is negative. After one week and 15 day the return was suddenly fallen to negative in company as well as in market (see table 9). But, after 30 and 60 days average return more or less same in both company and market. The equity stock return over the study period declined from 10.67 per cent immediately after listing to 0.42per cent by the end of 60 days. The performance of PNC infratech was sometime in upwards sometime in downwards. It was supported by correlations also. This type of performance might create confusions in investors mind whether to invest or not in this company.

UFO Moviez Limited

Listing date: May 14, 2009

Table 10 Performance of UFO's Equity and BSE Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	2.12053	0.384962	--
Average weekly return	-0.33689	0.424172	0.519324
Average 15 days return	-0.7385	-0.15136	0.35482
Average 30 days return	-0.21803	0.035273	0.645974
Average 60 days return	0.011201	0.064114	0.557716

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

Table 10 depicts the performance of UFO moviez ltd. Equity stock recorded 2.12 per cent immediately after listing day and this was more compared to the market performance (0.38%). Later there was no return up to 30 days and the trend was almost the same in market also. But, after 60 days, the return was recorded in company's return and a slight increase in market return. Finally, there was not constant or up warding return in both company and market. It had volatility in its performance which was also supported by correlation. This type of performances might create negative perception towards investing in IPO.

Adlabs Entertainment Limited

Listing date: April 6, 2009

Table 11 performance of Adlabs's equity and BSE market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	-2.96097	0.215481	--
Average weekly return	-1.27359	0.395251	-0.74004
Average 15 days return	-2.2850	-0.39735	0.35482
Average 30 days return	-0.74055	-0.12318	0.422947
Average 60 days return	0.47446	-0.08304	0.377566

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

The performance of Adlabs entertainment was negative up to 30 days after listing though the market moving with positive returns for seven days after listing. (see Table 11). Only after 60 days Adlabs recorded positive return (0.47 per cent) when market is moving in red. It was supported by correlation also. In this type of performance of company investors do not want to invest because of no return.

INOX Wind Limited

Listing date: April 9, 2009

Table 12 Performance of Inox Wind Ltd Equity and BSE Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	0.102634	0.132098	--
Average weekly return	1.465354	-0.41128	0.000519
Average 15 days return	-0.25971	-0.050437	0.35482
Average 30 days return	-0.036	-0.15472	0.450306
Average 60 days return	-0.0379	-0.07812	0.451167

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

Table 12 depicts the return on equity stock of Inox and market after listing the stock. The return was less when compared to market immediately after listing. The average return in first week was more in company (1.46 per cent) than market. After 15 days, 30 days and 60 days after listing day was recorded negative in both the company and market. The performance of both INOX' equity and BSE market in IPO was very poor.

VRL Logistics Limited

Listing date: April 30, 2009

Table 13 Performance of VRL's Equity and BSE Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	0	0	--
Average weekly return	-0.91803	-0.0462	0.89232
Average 15 days return	-0.06975	0.183867	0.35482
Average 30 days return	-0.14736	-0.11817	0.33888
Average 60 days return	0.328042	0.072137	0.39034

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

The performance of VRL logistics equity was immediately after listing day was zero

the same was in market also. The average returns for one week also same in company as well as in market both in negative (see Table 13). But, after 15 days average return was moved opposite direction in company and market. In company the return was -0.06 per cent and market 0.18 per cent. The average return for 30 days was both company and market was in negative trend. In 60 days average return was in positive trend in both company and market. Totally there was no return up to the 30 day from the listing day in company. But, after 60 day from the listing date the return was in upward which was supported by correlationalso.

Ortel Communications

Listing date: March 19, 2009

Table 14 Performance of Ortel's Equity and BSE Market

Performance	Stock Return (%)	Market Return (%)	Correlation
Daily return	-5.23256	-0.82982	--
Average weekly return	-3.17339	-0.55162	-0.91773
Average 15 days return	-0.40656	0.185231	0.35482
Average 30 days return	0.055963	-0.15407	0.17584
Average 60 days return	0.066576	-0.13065	0.264857

Source: Calculated from the closing Prices of select stock and BSE S&P Index.

Ortel's equity performance was negative up to 15 days after listing the stock, the trend is also in the market (see Table 14). The return was in 15 days, 30 days and 60 days was moved in opposite directions. If company's performance moved towards positive trend, market moved towards negative trend and vice versa which was supported by correlationalso.

FINDINGS ANDDISCUSSION

From the foregoing analysis and review of the secondary data – prospectus the following findings have beenextracted:

1. **Prabhath Dairy Ltd.**, has come with an IPO of 52 crore shares amounting to Rs. 520 crore. The shares were issued with price band Rs.115 to Rs.126 per equity share. The issue was opened on August 28, 2009 and closed on September 1, 2009. Due to poor response the IPO was under subscribed by 24 per cent. The performance of Prabhath Dairy Ltd. was turned to negative immediately after listing day (-2.4%) and

at the end of 60 day from the listing date the return was 0.42%. Overall the performance during the period was poor.

2. **Sadbhav Infrastructure Project Ltd.**, has come up to the capital market with an IPO of equity shares of Rs.10 each aggregating to Rs.450 cr. The price band for the issue was Rs.100 to Rs.103. The issue opened on August 31, 2009 and closed on September 2, 2009. Sadbhav Infrastructure project Ltd.'s public issue sailed through easily on the last day and saw bids for 2.2 times the issue size or was subscribed 1.2 times at the close of the issue. The performance of Sadbhav was very poor, because, there was no return immediately after listing day and at the end of the 60 day the return was -0.13%. The company's performance was very poor.
3. **Pennar Engineered Buildings Systems (PEBS)** was entered in the capital market with an IPO of equity shares of Rs.10 each aggregating to Rs.58 crore. The price band for the issue was Rs.170 to Rs.178. Meanwhile the S&P BSE Sensex was dropped 97.41 points or 0.38 % to settle at 25622.17. The stock debuted at Rs.157.50 and a low of Rs150 in intraday trade. On BSE 25,000 shares were traded in the counter, still the IPO of PEBS had received decent response from investors. The IPO was subscribed 1.15 times. The performance of this IPO immediate after listing day was good because the return was 4.74% but at the end of 60 day from listing date it was turned into negative then the return was -0.05%.
4. **Navkar Corporation Ltd.**, had come with an IPO of Rs.600 crore of Rs.10 per equity share. The issue opened between 24 and 26 August 26, 2009. The price band for the issue was Rs.147 to Rs.155. Navkar Corporation was oversubscribed by 2.8 times. With regard to the performance of IPO was poor immediate after listing day. Its return was -2.91%. But at the end of the 60 day from listing day was little improved. Then the return was 0.29%. Overall the performance of this IPO was not good.
5. **Powermech Projects Ltd.**, was entered in the capital market with an IPO of 42,69,000 equity share of Rs.10 each. The price band for the issue was Rs.615 to Rs.640. The issue opened on August 07, 2009 and closed on August 11, 2009. It is a Hyderabad based company its public issue sailed through easily on the last day and saw bids for 37.97 times the issue size or was oversubscribed by 37 times. Because the investors' expectation was might be more on this IPO. The performance of this IPO immediately after listing day was good. The return was 8.96 per cent. But, by the

end of the 60 day it turned into negative (-0.07%). Overall the performance of this IPO was decreased.

6. **Syngene international Ltd.**, entered the capital market with an IPO of 2, 20, 00,000 equity shares of Rs.10 each. The price band for the issue was Rs.240 to Rs.250. The issue opened on July 27, 2009 and closed for subscription on July 29, 2009. Syngene IPO was fully subscribed on second day from the listing date. Issue subscribed total 1.00 times (1.41 times in retail investors). The performance of Syngene IPO immediate after listing day was very poor. But, at the 60 day from the listing date the return was turned little positive (0.22 per cent). After the one week from the listing date the return was good (2.68%) but it was decreased at the end of 60 day from the listing date.
7. **Manpasand Beverages** had come with IPO worth Rs.400 crore of Rs.10 per equity share. The price band had been fixed at Rs.290 to Rs.302. The issue was opened on June 24, 2009 and closed on 26, 2009. Its IPO subscribed 0.06 times on first day and 0.36 times on second day of the listing date. The performance of this IPO immediately after listing day was good (1.71 per cent). But, performance was declined from to 0.37 per cent by the end of 60day.
8. **PNC Infratech Ltd.**, was entered the capital market with an IPO consisting of 1, 29, 21,708 equity shares of Rs.10 each. The price band for the issue was fixed at Rs.355 to Rs.378. The issue was opened on May 08, 2009 and closed for subscription on May 12, 2009. The IPO infratech was oversubscribed 1.54 times on the last day of the offer day. The PNC's public offer sailed through even as the stock market witnessed severe drubbing where the BSE benchmark Sensex tumbled 630 points and infrastructure stocks were under pressure too. The performance of this IPO over the study period declined from 10.67 per cent immediately after listing day to 0.42 per cent by the end of 60day.
9. **UFO Moviez** had come to the capital market with an IPO, aggregating Rs.600 crore with the face value of Rs.10 each. The price band for the issue was Rs.615 to 625. The issue opened on April 28, 2009 and closed on April 30, 2009. It was subscribed twice compared to the shares on offer. Rs.600 crore issues was subscribed over four times by QIBs while the segments reserved for high networth individuals and retail investors were just about fully subscribed. The performance of UFO moviez immediate after listing day the return was 2.12 per cent. But, at the end of 60 day it

was declined to 0.01 per cent. Overall, the performance was decreased at the end of the 60 days from the listing theday.

10. **Adlabs Entertainment Ltd.**, was entered the capital market with an IPO of 2,03,26,227 equity shares of Rs.10 each. The price band for the issue was fixed at Rs.180 to Rs.215. The issue opened on March 10, 2009 and closed for subscription on March 17, 2009. Adlabs entertainment IPO subscribed 0.18 times on second day from the listing date. The performance of this IPO immediately after listing day was negative. Not only that day but also at the end of the 60 days from the listing day, was the return in negative. Totally the performance of this IPO was poor.
11. **Inox wind Ltd.**, entered the capital market with an IPO, consisting of a fresh issue of equity shares aggregating up to Rs.700 crore. The price band for the issue was Rs.315 to Rs.325. The issue opened on March 18, 2009 and closed on March 20, 2009. The IPO subscribed 0.09 times on first day and 0.59 times on second day from the listing day. The IPO was undersubscribed because of lack of awareness about the company. The performance of the IPO was poor (0.10 per cent) immediately after listing day. It also continued at the end of the 60 days from the listing day. Overall, the performance was very poor.
12. **VRL Logistics Ltd.**, entered the capital market with an IPO, consisting of 2, 31, 16,000 equity shares of Rs.10. The price band of the IPO was Rs.195 to Rs.205. The issue opened on April 15, 2009 and closed on April 17, 2009. VRL equity stock, on the last day saw strong interest from investors across the board for its IPO that was oversubscribed by over 7.42 times on its last day. Might be the investors' expectations were more towards this IPO. The performance of this IPO was bad, since there was no return immediately after the listing day. At the end of the 60 day the return was 0.32 per cent. Overall, the performance was poor.
13. **Ortel Communications Ltd.**, entered the capital market with an IPO, consisting of 1, 20, 00,000 equity shares of Rs.10 each. The price band for the issue was Rs.181 to Rs.200. The issue opened on March 3, 2009 and closed on March 5, 2009. The IPO of Ortel communication was fully subscribed on the final day of book building assuring the company roughly of Rss.220 crore based on the bidding price. The performance of this IPO was very bad and recorded negative return after listing day (-5.23 per cent). At the end of the 60 days from listing day the return was 0.06 per cent. The performance was very poor during the study.

Overall, the performance of the selected IPOs for the study was very poor during the period from 01 January 2009 to 31 December 2009.

SUGGESTIONS

To Investors for Investing in IPO

An Initial Public Offer happens when a company lists on the stock exchange for the first time, shares offered in IPO were traded. Firstly, it is important to understand the reasons for raising capital through IPO. A company wants to raise money for its various needs, typically the capital required for further growth and expansion. Investors hope that company's prospects will be better with the money raised and provide return for shareholders by maximizing value of the company which would increase share price in the market.

Some tips for individual investors for investing in IPO

1. ***Pre-investment Research:*** Successful investment depends on the prior research done. Professionals always do research before investment advice. Therefore, investors always need to do research before any investment decision. But, investor should remember that the research does not give any guarantee of success but, helps improve knowledge and understanding about market. As there is no historical market performance, one way of assessing a company is to use its 'fundamentals'. In essence that is a portrait of the company's health and performance, using the financial indicators found in the prospectus; the strength of a company balance sheet, its profitability, borrowing and cash flow are important clues to how a company is performing in its market and indicates the quality and strength of its management and staff.
2. ***Understand the Risks Involved in:*** Before taking investment decision on equity stock, investor should decide the investment goals, time horizon and the type of return – dividends or capital gain. Investment on equity shall be based on investor's appetite, tolerance and capacity for risk. If one dislike the idea of taking any chances of losing money then direct investing in the stock market is unlikely to be suitable
3. ***Pick a Company with Strong Underwriters:*** Try to select a company that has a

strong underwriter. One cannot say that the big investment banks never bring duds public, but in general, quality brokerages bring quality companies public. Exercise more caution when selecting smaller brokerages, because they may be willing to underwrite any company.

4. ***Read the Prospectus Thoroughly:*** Learner investors can be put off by IPO prospectuses, which sometime resemble mini telephone books. Granted, they are not the easiest document to read but it is well worth the effort. Investor would learn more about the company and its industry in the prospectus than in any other piece of corporate communication. Read the IPO's supplementary or replacement prospectuses information is required.
5. ***Understand the Company Business Thoroughly:*** Like any other investment investor should understand IPO properly, if not understood an IPO, do not invest. After reading the prospectus investor should be able to form a view on how the company makes money, its industry position and the key drivers of its earnings. For a pre-revenue company, such as a mining explorer or emerging technology company, one should understand the pathway towards commercialization and the key risks.
6. ***Capital Structure:*** Understand what the IPO's capital structure would look like if all options granted to executives or investors were exercised. Or what happens when restructured securities are available to be sold in a year or two after listing. And how much debt is involved? Excessive share issuance can dilute existing shareholders and weigh on the organization's earnings per share and return on equity. It may not be an issue if the executive team has to meet tough return hurdles to achieve their performance-related shares or options, but always form a view on the capital structure.
7. ***Management:*** Assessing the executive team is especially important with smaller IPOs that rely heavily on a few key people to create long-term, sustainable wealth for shareholders. Consider the executive team's past achievements. Have they made money for previous shareholders? Are they experienced and well-regarded in their industry? Is there sufficient depth in the executive team or does it rely mostly on the CEO?

CONCLUSION

Companies with need for long-term funds come up to equity market in any one of the four methods - Initial Public Offer (IPO) or / Follow on / Further Public Offer (FPO), Private placement, Offer for sale and Rights issue. Initial Public Offer (IPO) or Further / Follow on Public Offer (FPO). But, the success of the issue depends on the performance of various factors like ensuring necessary visibility of business, selection of relevant merchant / investment banker, selection of banking syndicate, proper projection of balance sheet prior to IPO, making sure about financial projections are sufficiently shown, spending time on developing good investor relations, pricing the issue, valuation of the company, and performance of past IPOs after listing the issue in the given stock exchange. The study aimed at evaluation of selected IPOs during the year 2009. Performance is evaluated immediately after listing in terms of daily return, average weekly return, average 15 days return, average 30 days return, and average 60 days return.

Performance of the select IPOs was poor immediately after listing the stock in stock exchanges except Pennar engineered building system (4.75 per cent), Powermech Projects Ltd. (8.96 per cent), PNC infratech Ltd. (10.68 per cent), UFO moviez Ltd. (2.12 per cent), and Manpasand beverages (1.71 per cent). The Other eight IPOs - Prabhath Dairy Ltd. (-2.4 per cent), Sadbhav Infrastructure (0 per cent), Navkar Corporations (-2.9 per cent), Syngene International Ltd. (-0.49 per cent), Adlabs Entertainment Ltd. (-2.96 per cent), InoxWindLtd.(0.10percent),VRLLogistics(0percent),andOrtelcommunications(-5.23 per cent) recorded negative performance.

Overall, the performance of select IPO during the study period showed poor performance, though the return immediate after listing day some IPO showed good performance but, at

the end of the 60 days from the listing day the return was in negative. Every IPO showed negative performance during the study period.

For making investment in capital market through IPO all individual investors have to know first about company details like prospectus, company background, previous financial performances, market performance everything should check by the investor. Then only investor can achieve his objective towards earning more return through IPO.

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