

Measuring IPO Performance: A Comparative Analysis of Listed Companies

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Abstract

This research investigates the long-term outcomes of certain Initial Public Offerings (IPOs) in India through a comparative and analytical lens. The analysis includes five firms—Coal India Ltd., Reliance Power Ltd., DLF Ltd., Cairn India Ltd., and Interglobe Aviation (IndiGo)—over a decade following their listing. The study emphasizes the generation of shareholder wealth, financial performance, and operational efficiency by utilizing methods such as Total Shareholder Return (TSR), financial ratio assessments, trend analysis, and comparative benchmarking against the Sensex. The results reveal notable differences in IPO performance, with firms like IndiGo exceeding market expectations (TSR of 233.3%), while others, including Reliance Power (TSR of -99.0%) and DLF (TSR of -61.9%), lagged behind due to inadequate financial management and excessive leverage. The research concludes that robust fundamentals, effective capital deployment, and strategic implementation are essential factors for IPO success.

Keywords: IPO Performance, Total Shareholder Return, Financial Ratios, Long-term Returns, Indian Capital Market, Wealth Creation

1. Introduction

Initial Public Offerings (IPOs) are vital for companies to gather funds from the public and enhance their operations. For investors, IPOs offer a chance to engage in the early growth phases of businesses. Nonetheless, the performance of IPOs can differ greatly among various firms and sectors. While certain IPOs yield significant long-term profits, others may not provide the anticipated value. Consequently, it is important to assess IPO performance over an extended period to grasp the actual effectiveness of these investments.

In India, the IPO market has experienced considerable fluctuations throughout the last ten years. Numerous well-known IPOs have generated substantial investor excitement upon their debut, only to yield unsatisfactory long-term returns. On the other hand, some less prominent IPOs have created remarkable wealth over time. This contrast prompts crucial inquiries about the core factors that contribute to IPO success and the criteria investors should focus on when assessing IPO opportunities.

This research examines the long-term performance (over a decade) of specific IPOs in India, with a focus on financial results, returns for shareholders, and comparative analysis. The study looks at five notable Indian firms—Coal India Ltd., Reliance Power Ltd., DLF Ltd., Cairn India Ltd., and Interglobe

Aviation Ltd. (IndiGo)—that effectively conducted their IPOs between 2006 and 2015.

Research Questions: In light of the aforementioned research issue, this study aims to explore the following specific inquiries: "Does the decade following the IPO for major Indian corporations corroborate the anticipated promises and financial capabilities outlined at their inception, or does it uncover a narrative of expectations that were not met and value decline?" Additionally, did the chosen companies apply the funds raised from the IPO as indicated in their prospectuses? How did their profitability and financial stability change over the ten-year period? Did they generate or diminish wealth for shareholders who invested at the IPO price? Lastly, what company-specific or sector-specific elements influenced their long-term performance?

2. Literature Review

The performance of Initial Public Offerings (IPOs) has garnered significant academic and practical attention around the world, as it resides at the crossroads of corporate finance, investor sentiment, and market efficiency. Numerous theoretical models have been established to elucidate the repeating trends observed in IPO markets.

The Information Asymmetry Theory (Beatty & Ritter, 1986) asserts that information is not uniformly available to all participants in the market. Insiders and promoters possess more knowledge about the actual value of the company compared to external investors. To mitigate the risk for less-informed investors in the event they invest in a "lemon," issuers intentionally set a lower price for the IPO, resulting in a notable gain on the first day of trading.

The Signaling Theory (Allen & Faulhaber, 1989) posits that high-quality firms intentionally set their IPO prices lower as an indication of their excellent quality and positive future outlook, anticipating that they will recover this expense through future seasoned equity offerings at elevated prices.

The "Windows of Opportunity" Hypothesis (Loughran & Ritter, 1995) accounts for long-term underperformance by suggesting that firms strategically time their IPOs to align with moments of maximum investor enthusiasm. The ensuing underperformance is viewed as a market adjustment as the company's results revert to their true value.

In the context of India, Sharma (2013) presented a comprehensive outline of the Indian IPO mechanism, highlighting the book-building process which is segmented into a private phase (due diligence, drafting of the Draft Red Herring Prospectus) and a public phase (SEBI approval, roadshows, price discovery). Suresh and Yogalakshmi (2016) conducted a review of IPO research in India and discovered notable gains on the listing day, yet they also noted a trend of long-term underperformance. Nandi and Gupta (2025) validated that the performance on the listing day does not consistently serve as a dependable indicator of long-term gains. A recent study by SEBI (2024) regarding investor behavior indicated that 54% of IPO shares were liquidated within the initial week of listing, suggesting a primarily short-term, speculative approach. This underscores the necessity of assessing IPOs over an extended period to evaluate the creation of fundamental value.

This literature demonstrates that assessing the success of an IPO necessitates examining factors that extend well beyond the initial listing day surge. The genuine measure of success lies in the company's ability to utilize the capital acquired to achieve sustainable growth and enhance shareholder value over the long term.

3. Research Methodology

This research employs a descriptive and analytical design within a longitudinal multiple-case study framework. A quantitative methodology is utilized, incorporating secondary data gathered from company annual reports, IPO prospectuses, stock exchange information (BSE/NSE), and financial databases. The study is longitudinal, monitoring five companies over a decade from their respective IPO dates. The data collected are examined through Total Shareholder Return (TSR) analysis, financial ratio analysis (including Return on Equity, Net Profit Margin, Debt-to-Equity Ratio, and Asset Turnover Ratio), trend analysis, and comparative benchmarking against the Sensex.

The research employs a purposive (judgmental) sampling technique, wherein five companies are deliberately chosen according to established criteria: sectoral diversity, market significance, and data accessibility. The selected sample includes Coal India Ltd., Reliance Power Ltd., DLF Ltd., Cairn India Ltd., and Interglobe Aviation Ltd. (IndiGo). The time frame encompasses a decade for each company. The data utilized is solely secondary data derived from official IPO documents, annual reports, and market data sources.

4) Analysis

Age Group Analysis of Selected Companies (IPO Year)

Table 4.1.1 - Age of Companies at IPO

Company	IPO Year	Age at IPO (Years)
Coal India Ltd.	2010	35
Reliance Power Ltd.	2008	1
DLF Ltd.	2007	61
Cairn India Ltd.	2006	0 (incorporated 2006)
Interglobe Aviation (IndiGo)	2015	9

Source: Company prospectuses

The data indicates that DLF was the oldest company at the time of its IPO, at 61 years, whereas Reliance Power and Cairn India were newly established. This suggests that both young and established companies have entered the IPO market in India.

Total Shareholder Return (TSR) Analysis

Table 4.1.2 - Ten-Year Total Shareholder Return (TSR)

Company	IPO Price (₹)	Stock Price after 10 Years (₹)	Total Dividends (₹)	TSR (%)
Coal India Ltd.	245	142	140	15.10%
Reliance Power Ltd.	450	4.5	0	-99.00%
DLF Ltd.	525	176	20	-61.90%
Cairn India Ltd.	160	220	105	103.10%
Interglobe Aviation (IndiGo)	765	2,250	300	233.30%

Source: IPO prices from Business Standard, Zee Business, Hindustan Times, VCCircle; stock prices and dividends from company annual reports

The data reveals that IndiGo achieved the highest TSR at 233.3%, followed by Cairn India at 103.1%. Conversely, Reliance Power experienced significant wealth destruction at -99.0%, and DLF also had a poor performance at -61.9%. Coal India provided modest returns of 15.1% but did not meet market expectations.

Status of Selected Companies at IPO

Table 4.2.1 - IPO Details of Selected Companies

Company	Sector	Issue Size (₹ Cr)	Oversubscription (Times)
Coal India Ltd.	Mining	15,199	15.28x
Reliance Power Ltd.	Power	11,563	73.04x
DLF Ltd.	Real Estate	9,188	3.5x
Cairn India Ltd.	Oil & Gas	5,789	9.8x
Interglobe Aviation (IndiGo)	Aviation	3,018	12.8x

Source: SEBI, company prospectuses, media reports

The data shows that Reliance Power experienced the highest level of oversubscription at 73.04x, yet it performed the worst. In contrast, IndiGo had a moderate subscription rate of 12.8x and achieved the best performance, suggesting that initial excitement does not reliably predict long-term success.

Profitability and Efficiency Analysis

Table 4.2.2 - Profitability and Efficiency Analysis (IPO Year vs. 10th Year)

Company	Metric	IPO Year	10th Year	% Change
Coal India Ltd.	Revenue (₹ Cr)	50,233	95,435	90.00%
	Net Profit (₹ Cr)	10,242	17,462	70.50%
	ROE (%)	38.5	32.1	-16.60%
Reliance Power Ltd.	Revenue (₹ Cr)	0	8,451	N/A
	Net Profit (₹ Cr)	0	-1,185	N/A
	ROE (%)	0	-5.5	N/A
DLF Ltd.	Revenue (₹ Cr)	12,188	10,435	-14.40%
	Net Profit (₹ Cr)	6,406	1,985	-69.00%
	ROE (%)	25.1	4.2	-83.30%
Cairn India Ltd.	Revenue (₹ Cr)	5,123	8,282	61.70%
	Net Profit (₹ Cr)	2,125	-1,140	N/A
	ROE (%)	28.4	-5.8	N/A
Interglobe Aviation (IndiGo)	Revenue (₹ Cr)	20,181	69,158	242.60%
	Net Profit (₹ Cr)	1,990	8,172	310.70%
	ROE (%)	49.8	58.3	17.10%

Source: Company annual reports, BSE/NSE filings

The data indicates that IndiGo exhibited remarkable growth, with revenue increasing by 242.6% and net

profit by 310.7%, along with an improving return on equity (ROE). Coal India demonstrated top-line growth but faced declining efficiency. DLF suffered a significant contraction, with revenue decreasing by 14.4% and profit dropping by 69.0%. Reliance Power has not achieved profitability even after a decade.

Debt and Leverage Analysis

Table 4.3.1 - Debt and Leverage Analysis

Company	Debt-to-Equity Ratio (IPO Year)	Debt-to-Equity Ratio (10th Year)	Change
Coal India Ltd.	0.05	0.02	Improved
Reliance Power Ltd.	0.8	1.45	Worsened
DLF Ltd.	0.4	0.65	Worsened
Cairn India Ltd.	0.1	0	Improved
Interglobe Aviation (IndiGo)	1.2	0.85	Improved

Source: Company annual reports

The data shows that both Coal India and Cairn India maintained nearly debt-free balance sheets. IndiGo successfully lowered its Debt-to-Equity ratio from 1.20 to 0.85. In contrast, Reliance Power and DLF experienced a substantial increase in leverage, which contributed to their poor performance.

Stated vs. Actual Use of IPO Funds

Table 4.4.1 - Stated vs. Actual Use of IPO Funds

Company	Stated Use of Proceeds	Actual Outcome
Coal India Ltd.	Investment in mining assets, capex	Largely Met
Reliance Power Ltd.	Funding for multiple power projects	Largely Not Met
DLF Ltd.	Land acquisition & debt retirement	Partially Met
Cairn India Ltd.	Exploration & development	Fully Met
Interglobe Aviation (IndiGo)	Aircraft acquisition	Fully Met & Exceeded

Source: Red Herring Prospectus and post-IPO monitoring reports

The data illustrates a clear connection between adherence to stated objectives and long-term performance. Companies that fulfilled their commitments—Cairn India and IndiGo—generated significant value, while those that did not—Reliance Power—resulted in wealth destruction.

IPO Hype vs. 10-Year Performance

Table 4.5.1 - IPO Hype vs. 10-Year Performance

Company	Total Oversubscription (Times)	TSR (%)	Hype-to-Reality Ratio
Coal India Ltd.	15.28x	15.10%	0.99
Reliance Power Ltd.	73.04x	-99.00%	-1.36

DLF Ltd.	3.5x	-61.90%	-17.68
Cairn India Ltd.	9.8x	103.10%	10.52
Interglobe Aviation (IndiGo)	12.8x	233.30%	18.23

Source: Oversubscription data from Zee Business, Business Standard, Hindustan Times

The data indicates that Reliance Power experienced extraordinary hype (73.04x oversubscription) yet yielded the poorest performance. Conversely, IndiGo had moderate subscription levels (12.8x), which were significantly surpassed by its impressive TSR of 233.3%.

Impact of Sector and Promoter Holding on Performance

Table 4.6.1 - Impact of Sector and Promoter Holding on Performance

Company	Sector	Promoter Holding at IPO (%)	TSR (%)	Key Determinant
Coal India Ltd.	Mining	100	15.10%	Government control
Reliance Power Ltd.	Power	90	-99.00%	Project execution failure
DLF Ltd.	Real Estate	87.5	-61.90%	Leverage cycle
Cairn India Ltd.	Oil & Gas	62.4	103.10%	Commodity cycle & assets
Interglobe Aviation (IndiGo)	Aviation	84	233.30%	Operational efficiency

Source: Company annual reports and prospectuses

The data reveals that a high level of promoter holding did not ensure success. The essential factors included execution capability, vulnerability to economic cycles, and the business model.

Net Profit Growth Trajectory (₹ in Crores)

Table 4.7.1 - Net Profit Growth Trajectory

Company	IPO Year	Year 3	Year 6	Year 10	CAGR (%)
Coal India Ltd.	10,242	15,299	13,726	17,462	5.50%
Reliance Power Ltd.	0	-483	-1,022	-1,185	N/A
DLF Ltd.	6,406	1,585	339	1,985	-9.70%
Cairn India Ltd.	2,125	4,948	3,945	-1,140	N/A
Interglobe Aviation (IndiGo)	1,990	2,242	5,029	8,172	15.20%

Source: Company annual reports

The data illustrates that IndiGo demonstrates a steady and accelerating growth trajectory with a robust CAGR of 15.2%. Coal India remained stable but exhibited volatility. DLF has shown a consistent decline, while Reliance Power has incurred losses throughout the decade.

Dividend Yield and Payout Consistency

Table 4.8.1 - Dividend Yield and Payout Consistency

Company	Total Dividend Payout (₹ Cr)	Average Dividend Yield (%)	Primary Return Type
Coal India Ltd.	1,02,500	5.94%	Dividend Income
Reliance Power Ltd.	0	0.00%	None (Loss)
DLF Ltd.	4,200	0.99%	Capital Loss
Cairn India Ltd.	32,150	7.50%	Dividend + Capital Gain
Interglobe Aviation (IndiGo)	9,800	1.80%	Capital Appreciation

Source: MarketsMojo, Value Research, Way2Wealth

The data shows that Coal India primarily served as a dividend investment, returning the majority of its profits to shareholders but providing minimal capital growth. IndiGo represented a pure capital appreciation narrative. Reliance Power offered neither income nor capital gains.

Stock Price Volatility and Risk-Adjusted Returns

Table 4.9.1 - Stock Price Volatility and Risk-Adjusted Returns

Company	Beta (5-Year)	Standard Deviation	Sharpe Ratio	Performance Assessment
Coal India Ltd.	0.7	28%	0.05	Low Risk, Low Return
Reliance Power Ltd.	1.4	65%	-0.45	High Risk, Negative Return
DLF Ltd.	1.6	58%	-0.25	High Risk, Negative Return
Cairn India Ltd.	1.1	40%	0.55	Market Risk, Good Return
Interglobe Aviation (IndiGo)	1.2	35%	1.2	Moderate Risk, Excellent Return

Source: BSE/NSE historical data, calculations by author

The data indicates that IndiGo distinguishes itself with an impressive Sharpe Ratio of 1.20, delivering high returns relative to the level of risk undertaken. Reliance Power was the least favorable investment, presenting high risk alongside substantial negative returns.

Composite Performance Scorecard

Table 4.10.1 - Composite Performance Scorecard (Ranking: 1 = Best, 5 = Worst)

Company	TSR (40%)	Profit CAGR (25%)	Financial Health (20%)	Promise Fulfilment (15%)	Composite Score	Final Rank
IndiGo	10	10	8	10	9.5	1

Cairn India	8	4	10	10	7.7	2
Coal India	4	6	10	7	6.1	3
DLF	2	2	4	5	2.8	4
Reliance Power	0	0	2	2	0.8	5

Source: Author's calculations based on analysis

The data demonstrates that IndiGo is the clear leader, achieving high scores across all metrics. Cairn India follows, bolstered by its strong financial health and fulfillment of promises. Reliance Power received the lowest score (0.8), reaffirming its position as the weakest performer in this group over the long term.

5. Conclusion and Suggestions

The current research concludes that the long-term success of Initial Public Offerings (IPOs) in India is primarily influenced by post-listing execution capabilities, financial discipline, and effective capital allocation, rather than by initial market excitement or levels of oversubscription. An analysis spanning a decade of five significant Indian IPOs—Coal India Ltd., Reliance Power Ltd., DLF Ltd., Cairn India Ltd., and Interglobe Aviation Ltd. (IndiGo)—demonstrates that the theoretical potential of an IPO as a launchpad for sustained growth is realized only when companies exhibit operational excellence, responsible debt management, and a congruence between their stated commitments and the actual use of proceeds. Firms that fall prey to excessive leverage or do not utilize capital efficiently result in severe wealth destruction, whereas those with robust fundamentals and effective execution foster sustainable shareholder value. Consequently, the study addresses its primary research question: the post-IPO decade for India's corporate leaders substantiates promises solely for those with execution capabilities, while exposing a narrative of unmet expectations for those motivated by hype.

The main findings of the research are outlined as follows: IndiGo has emerged as the leading IPO, achieving a total shareholder return (TSR) of 233.3%, driven by a revenue growth of 242.6% and a reduction in leverage. Cairn India reported a strong TSR of 103.1%, which can be attributed to significant dividend payouts of ₹105 per share. In contrast, Coal India posted a modest TSR of only 15.1%, falling significantly short of the market return of 99.2%. Reliance Power faced catastrophic outcomes with a TSR of -99.0%, resulting from a lack of profitability and a worsening debt-to-equity ratio that increased from 0.80 to 1.45. DLF encountered a TSR of -61.9% due to a revenue decline of 14.4% and a profit drop of 69.0%. A notable negative correlation was found between the debt-to-equity ratio and TSR. An excessively high oversubscription rate (73.04x for Reliance Power) was shown to be an unreliable success indicator, while a moderate subscription level (12.8x for IndiGo) correlated with better performance. Companies that effectively utilized IPO proceeds as intended achieved success, whereas those that misallocated capital led to wealth destruction.

In light of these findings, the following recommendations are proposed. For investors, it may be advantageous to look beyond the initial excitement surrounding the IPO and conduct a comprehensive analysis of debt levels as well as the "Objects of the Issue" detailed in the prospectus. For companies, establishing realistic expectations, showcasing a clear trajectory towards profitability, and maintaining transparent communication about the allocation of proceeds could strengthen long-term credibility. For regulators like SEBI, it may be prudent to enhance the monitoring of how IPO proceeds are utilized, increase investor education initiatives focused on long-term fundamentals, and conduct periodic

assessments of the impact of significant IPOs to bolster market transparency and safeguard investor interests.

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