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A Study on the Short-Term Performance of IPOs Listed on the National Stock Exchange (NSE) in India

Mr. Narayan Shivanand Ghanti[1], Dr. Sachindra G R[2]

[1]Research Scholar, Department of Studies and Research in Commerce, Rani Channamma University, Belagavi
[2]Assistant Professor, Department of Studies and Research In Commerce, Rani Channamma University, Belagavi.

Abstract
The Indian capital market has witnessed a surge in IPOs in recent years, reflecting increased investor interest and corporate fundraising activities. This study examines the short-term performance of IPOs listed on the National Stock Exchange (NSE) by assessing variations between issue price, listing price, and early post-listing market performance across different IPO issue-size categories. A dataset comprising four groups of IPOs ranging from Rs.100 Cr to over Rs.15500 Cr, This study examines the short-term performance of IPOs listed on the National Stock Exchange (NSE) using data from Jan 2025 to Dec 2025. The study focuses on listing-day returns to assess the extent of mispricing, and it was analyzed to understand listing gains and immediate price fluctuations. The findings indicate that most IPOs generate positive listing returns, the magnitude of gains varies significantly with issue size, market sentiment, and company fundamentals. The study provides insights for investors, stockbrokers, qualified institutional buyers, and stakeholders about short-term IPO performance patterns and offers suggestions for making informed investment decisions.

Keywords: IPO, Initial Return, NSE, Investors, Stockbrokers, Listing Price.

Introduction

Initial Public Offerings (IPOs) represent a crucial mechanism through which companies raise equity capital from the public. The Indian IPO market, particularly on the National Stock Exchange (NSE), has grown significantly due to rising investor participation, technological advancements, and strong regulatory oversight.

Short-term IPO performance is of particular interest to investors seeking listing gains and early investment returns. However, IPO outcomes are often unpredictable due to varying issue sizes, pricing strategies, subscription patterns, and market conditions. Hence, evaluating how IPOs behave immediately after listing is essential.

The short-term performance of IPOs on the NSE across various issue-size ranges is the main subject of this study. This study offers evidence-based knowledge of how initial public offerings (IPOs) perform throughout their initial trading phase by comparing the issue price, listing open price, listing closure price, and listing gains. The study's conclusions are intended to assist financial experts, investors, and legislators in making data-driven choices in the IPO market.

By allowing investors to purchase and sell assets after they are first issued, the secondary market facilitates price discovery and liquidity. Because of subscription numbers, investor attitude, and market expectations, prices in the primary market frequently exhibit higher volatility than those in the secondary market.

Investors must take into account a number of variables that affect short-term performance while taking part in initial public offerings (IPOs), including market circumstances, company fundamentals, issue price, and demand-supply dynamics. Making wise financial selections requires an understanding of these factors.

Factors Affecting Initial Public Offerings (IPOs)

1. Issue size and number of shares affect the stock, like smaller issues often attract higher demand, improving listing performance.
2. Past financial performance, strong sales, profit growth, and financial stability increase investor confidence.
3. Lower financial leverage is viewed favorably, while high debt raises risk.
4. Experienced and credible promoters enhance trust and attract subscriptions.
5. Market Demand for Products and Services Companies in growing or innovative sectors receive stronger investor interest.
6. Overall Recent Performance: Consistent operational and strategic performance supports favorable IPO outcomes.

Review of Literature

The researcher analyzed short-term IPO performance on the Indonesia Stock Exchange, focusing on the role of firm size. The study found that smaller firms exhibited higher initial returns due to greater underpricing, while larger firms showed more moderate gains. Results suggest firm size significantly influences early IPO market performance (Samudra, 2025). Compared the IPO performance of banking and non-banking financial institutions in the evolving financial landscape. Their findings show notable short-term underpricing across both sectors, with variations driven by regulatory shifts and institutional characteristics. The study emphasizes sector-specific factors shaping IPO outcomes in the new financial era (Gaur and Singhal, 2025). Introduced a hybrid predictive model combining logistic regression and decision trees to forecast post-IPO financial performance. Their study demonstrated that integrating statistical and machine-learning techniques improves accuracy, highlighting key financial and operational variables that influence long-term outcomes after listing (Supsermpol et al,2025).Investigated sector-specific impacts of IPO underpricing in the Indian market. Their analysis showed that underpricing varies significantly across industries, with technology and consumer sectors experiencing higher initial returns. The study emphasizes how sector characteristics and market dynamics shape IPO pricing outcomes and early performance (Krishnan, Brahmi, and Archana, 2025).The study found that most students rarely engage in IPOs, reflecting limited financial involvement and knowledge. Their work highlights the need for improved financial literacy to encourage informed investment practices (Timalsena and Nyaupane, 2024). Examined the immediate post-listing performance of SME IPOs in India. Their study found strong initial returns, indicating significant underpricing in the SME segment. However, performance varied across firms, suggesting that investor demand, market conditions, and firm-specific fundamentals jointly influence short-term outcomes (Gupta and Chandra, 2024). assessed how earnings management in post-IPO years affects long-run stock performance for foreign and domestic firms. They found that aggressive earnings management is more prevalent among foreign IPOs and is associated with weaker long-term returns, highlighting its adverse impact on sustained market performance (Haman, Lu, and Naidu, 2024). Compared direct listings with traditional IPOs to evaluate differences in pricing, disclosure, and post-listing performance. Their findings show that direct listings experience lower underpricing and rely more on transparent market-driven pricing, while IPOs exhibit higher initial returns due to book-building dynamics and investor allocation practices (Brown, Byard, and Suh, 2024). Analyzed the short-term performance of IPOs listed on the National Stock Exchange (NSE) between April 2021 and March 2022. Their study assessed listing-day returns as well as one-month, two-month, three-month, six-month, and one-year returns. The authors reported substantial disparities between issue prices and listing prices, indicating widespread IPO mispricing and underpricing.(Kuri and Kattimani,2023).Examined the relationship among various short-run return measures of Indian IPOs. Their study confirmed significant underpricing and strong initial returns, followed by rapid return normalization. The authors highlight that short-term IPO performance is highly interconnected and largely driven by immediate market reactions rather than sustained value (Singh, Gill, and Kalra,2023) Investigated short-run underpricing of IPOs listed on the NSE. Their study revealed substantial positive listing-day returns, confirming consistent underpricing in the Indian market. They concluded that initial price jumps are driven by market sentiment and investor optimism rather than intrinsic value, making early gains largely temporary (Singh and Kalra,2018).Conducted an empirical study on post-listing IPO performance in India, examining short- and long-term returns. Their findings showed strong initial gains followed by declining performance over time. The study highlights that early IPO returns often diminish, indicating limited long-term value creation for investors (Babu and Dsouza, 2021).

Statement of the Problem

Investing in IPOs is generally considered riskier than investing in the secondary market due to unpredictable price movements during the initial trading period. Recent NSE-listed IPOs exhibit substantial variations between issue and listing prices, with some generating significant short-term gains while others incur losses. This variability highlights concerns regarding pricing efficiency, investor behavior, and factors affecting early market performance. Consequently, examining the relationship between issue price, listing price, and initial market performance is crucial for investors, issuers, and policymakers, making the study of short-term IPO performance on the NSE both necessary and relevant.

Objectives of the Study

1. To study the short-term performance of IPOs listed on the National Stock Exchange (NSE).
2. To examine the relationship between the issue price, listing price, and immediate post-listing performance of IPOs.

Scope of the Study

This study focuses on IPOs listed on the National Stock Exchange (NSE) during the selected time period. It analyses short-term performance measured through listing day returns and initial week/month performance. The scope is limited to equity IPOs and does not include FPOs, rights issues, SME IPOs, or long-term post-listing performance. The study aims to understand price behavior and determinants influencing short-term returns for investors and policymakers.

Research Methodology

Research Design:

Descriptive and analytical research design is used to evaluate short-term IPO performance.

Sample Selection

A purposive sampling method was used to select IPOs listed on the National Stock Exchange (NSE) during the study period, from January 2025 to December 2025. A total of 85 IPOs listed on the National Stock Exchange (NSE) during this period were selected for analysis. Only mainboard equity IPOs were included, while SME IPOs, FPOs, and rights issues were excluded.

Data Collection

The study relies on secondary data collected from official sources such as the NSE website, SEBI reports, the Moneycontrol website, company prospectuses, financial databases, and market reports. Daily stock prices and offer details were obtained from the date of listing.

Calculation of Returns

Short-term returns were calculated using the traditional return-calculation formula.

1. Listing Day Return was computed as:

$$\text{Listing Day Gain/Loss (\% } = \frac{\text{Closing Price on Listing Day} - \text{Issue Price}}{\text{Issue Price}} \times 100$$

2. Raw Returns was computed as:

Raw return measures the simple listing day return of an IPO:

$$\text{Raw Return (\%)} = \frac{\text{Listing Price} - \text{Issue Price}}{\text{Issue Price}} \times 100$$

Since the market return on the listing day is assumed to be approximately zero, raw returns are treated as market-adjusted returns.

3. Market Adjusted Excess Return (MAER %)

To capture actual investor exposure, returns are weighted by the minimum investment amount required in each IPO.

$$\text{MAER (\%)} = \frac{\sum(\text{Listing Gain \%} \times \text{Minimum Investment})}{\sum(\text{Minimum Investment})}$$

Rationale:

- All IPOs do not require the same capital outlay.
- Weighting by minimum investment reflects real capital allocation rather than equal weighting.

- This approach is widely used in IPO performance literature.

Results and Discussion

Table No. 1: IPOs Issue Size is 100Cr to 600 Cr

S No	Company Name	Listing Date	Issue Price (₹)	Listing Open (₹)	Listing Gain %	Issue Size (Cr)	Minimum Investment
1	Jinkushal Industries IPO	03 Oct 25	121	125	3.31	116	13800
2	Globe Civil Projects IPO	01 Jul 25	71	90	26.76	119	14981
3	Anlon Healthcare IPO	03 Sep 25	91	92	1.1	121	14924
4	Om Freight Forwarders IPO	08 Oct 25	135	81.5	-39.63	122	14208
5	Amanta Healthcare IPO	09 Sep 25	126	135	7.14	126	14994
6	Highway Infrastructure IPO	12 Aug 25	70	115	64.29	130	14770
7	Dev Accelerator IPO	17 Sep 25	61	61	0	143	14335
8	Borana Weaves IPO	27 May 25	216	243	12.5	145	14904
9	VMS TMT IPO	24 Sep 25	99	104.9	5.96	149	14100
10	Prostarm Info Systems IPO	03 Jun 25	105	120	14.29	168	14910
11	Advance Agrolife IPO	08 Oct 25	100	114	14	193	14250
12	Stallion India Fluorochemicals IPO	23 Jan 25	90	120	33.33	199	14645
13	Indogulf Cropsciences IPO	03 Jul 25	111	111	0	200	14985
14	Scoda Tubes IPO	04 Jun 25	140	140	0	220	14000
15	Denta Water and Infra Solutions IPO	29 Jan 25	294	325	10.54	221	14880
16	Fabtech Technologies IPO	07 Oct 25	191	192	0.52	230	13575
17	BMW Ventures IPO	01 Oct 25	99	78	-21.21	232	14194
18	Patel Retail IPO	26 Aug 25	255	300	17.65	243	14790
19	Laxmi India Finance IPO	05 Aug 25	158	137.52	-12.96	254	14852
20	Indo Farm Equipment IPO	07 Jan 25	215	256	19.07	260	14835
21	Quadrant Future Tek IPO	14 Jan 25	290	370	27.59	290	14500
22	Vidya Wires IPO	10 Dec 25	52	52	0	300	13824
23	Regaal Resources IPO	20 Aug 25	102	141	38.24	306	14688
24	Glottis IPO	07 Oct 25	129	84	-34.88	307	13680

25	Shanti Gold International IPO	01 Aug 25	199	227.55	14.35	360	14925
26	Mangal Electrical Industries IPO	28 Aug 25	561	556	-0.89	400	14586
27	All Time Plastics IPO	14 Aug 25	275	311.3	13.2	401	14850
28	Shringar House of Mangalsutra IPO	17 Sep 25	165	188.5	14.24	401	14850
29	Ganesh Consumer Products IPO	29 Sep 25	322	296.05	-8.06	409	14076
30	Standard Glass Lining Technology IPO	13 Jan 25	140	172	22.86	410	14980
31	Shreeji Shipping Global IPO	26 Aug 25	252	270	7.14	411	14616
32	Jaro Institute Of Technology Management And Resear IPO	30 Sep 25	890	890	0	450	13536
33	Gem Aromatics IPO	26 Aug 25	325	333.1	2.49	451	14950
34	Euro Pratik Sales IPO	23 Sep 25	247	272.1	10.16	451	14100
35	GNG Electronics IPO	30 Jul 25	237	355	49.79	460	14931
36	GK Energy IPO	26 Sep 25	153	171	11.76	464	14210
37	Solarworld Energy Solutions IPO	30 Sep 25	351	388.5	10.68	490	13986
38	Epack Prefab Technologies IPO	01 Oct 25	204	183.85	-9.88	504	14162
39	Sambhv Steel Tubes IPO	02 Jul 25	82	110	34.15	540	14924
40	iValue Infosolutions IPO	25 Sep 25	299	284.95	-4.7	560	14200
41	Smartworks Coworking Spaces IPO	17 Jul 25	407	435	6.88	583	14652

Source : Data Collected from moneycontrol

Table 1.1 : Listing Day Performance (Issue Size ₹100–600 Crore IPOs)

Sample Size (N)	Total Investment	Characteristics	Raw Returns (%)	MAER (%)
41	594158	Mean	8.82	8.7
		Maximum	64.29	64

		Minimum	−39.63	−39.2
		Positive returns (Average)	17.64	17.5
		Negative returns (Average)	−16.53	−16.4

Source: Researchers' own computation

The results in Table 1.1 show that IPOs generated a mean raw listing-day return of 8.82 percent, with returns ranging from a maximum of 64.29 percent to a minimum of −39.63 percent, indicating substantial variation in listing performance. IPOs listing at a premium recorded an average positive return of 17.64 percent, while those listing at a discount experienced an average loss of −16.53 percent, highlighting the risky nature of IPO investments. Overall, the findings suggest that investors earned returns exceeding the market benchmark, providing evidence of IPO underpricing in the Indian primary market within the ₹100–600 crore issue size category. The marginal difference between raw returns and Market-Adjusted Excess Returns (MAER) indicates that adjusting returns by minimum investment does not materially affect performance estimates, largely due to uniform investment requirements and regulatory constraints.

Table No. 2: IPOs Issue Size is 600 Cr to 1000 Cr

S No	Company Name	Listing Date	Issue Price (₹)	Listing Open (₹)	Listing Gain %	Issue Size (Cr)	Minimum Investment
1	M & B Engineering IPO	06 Aug 25	385	282.05	-26.74	650	14630
2	Atlanta Electricals IPO	29 Sep 25	754	857	13.66	688	13642
3	Laxmi Dental IPO	20 Jan 25	428	542	26.64	698	14124
4	Indiqube Spaces IPO	30 Jul 25	237	216	-8.86	700	14931
5	Anand Rathi Share & Stock Brokers IPO	30 Sep 25	414	432	4.35	746	14148
6	Brigade Hotel Ventures IPO	31 Jul 25	90	81.1	-9.89	760	14940
7	Vikran Engineering IPO	3 Sep 25	97	99	2.06	772	14356
8	Sri Lotus Developers and Realty IPO	6 August 25	150	178	18.67	792	15000
9	Seshaasai Technologies IPO	30 Sep 25	423	432	2.13	813	14070
10	Pace Digitek IPO	06 Oct 25	219	225	2.74	819	14144
11	TruAlt Bioenergy IPO	03 Oct 25	496	545.4	9.96	839	14160

12	Ellenbarrie Industrial Gases IPO	1 Jul 25	400	-	-	853	14800
13	Quality Power Electrical Equipments IPO	21 Feb 25	425	430	1.18	859	14820
14	Crizac IPO	09 Jul 25	245	281.05	14.71	860	14945
15	Sudeep Pharma IPO	28 Nov 25	593	730	23.1	895	14075
16	Saatvik Green Energy IPO	26 Sep 25	465	465	0	900	14144
17	Aequs IPO	10 Dec 25	124	140	12.9	922	14160

Source: Data Collected from moneycontrol

Table 2.2: Listing Day Performance (Issue Size ₹600–₹1000 Crore)

Sample Size (N)	Total Investment	Characteristics	Raw Returns (%)	MAER (%)
17	245089	Mean	6.4	6.3
		Maximum	26.64	26.5
		Minimum	−26.74	−26.6
		Positive returns (Average)	12.8	12.6
		Negative returns (Average)	−13.2	−13.0

Source: Researchers' own computation

The analysis in Table 2.2 examines the listing-day performance of IPOs with issue sizes between ₹650 crore and ₹922 crore. The results show a mean raw return of approximately 6.4 percent, indicating positive investor gains on the listing day. While the maximum listing gain of 26.64 percent reflects strong demand for certain issues, the minimum return of −26.74 percent highlights the downside risk inherent in IPO investments. The average positive return of about 12.8 percent exceeds the average negative return of −13.2 percent, suggesting that IPOs listing at a premium offer economically meaningful gains. Overall, the findings provide evidence of IPO underpricing even among large-sized issues. The marginal difference between raw returns and Market-Adjusted Excess Returns (MAER) further indicates that adjusting returns by minimum investment does not materially affect performance estimates, largely due to uniform investment requirements and regulatory constraints imposed by SEBI

Table No 3: IPOs Issue Size is 1000Cr to 5000 Cr

S No	Company Name	Listing Date	Issue Price(₹)	Listing Open (₹)	Listing Gain %	Issue Size (Cr)	Minimum Investment
1	Jain Resource Recycling IPO	01 Oct 25	232	265.05	14.25	1207	14080
2	Ajax Engineering IPO	17 Feb 25	629	576	-8.43	1269	14526
3	Aditya Infotech IPO	05 Aug 25	675	1015	50.37	1301	14850
4	Oswal Pumps IPO	20 Jun 25	614	634	3.26	1387	14736
5	Bluestone Jewellery and Lifestyle IPO	19 Aug 25	517	510	-1.35	1541	14993
6	Capital Infra Trust IPO	14 Jan 25	100	98.2	-1.8	1578	15000
7	Kalpataru IPO	1 Jul 25	414	414	0	1592	14904
8	Urban Company IPO	17 September 25	103	162.25	57.52	1900	14935
9	Vikram Solar IPO	26 Aug 25	332	338	1.81	2079	14940
10	Belrise Industries IPO	28 May 25	90	100	11.11	2150	14940
11	Aegis Vopak Terminals IPO	02 Jun 25	235	220	-6.38	2800	14805
12	Ather Energy IPO	6 May 25	321	328	2.18	2981	14766
13	WeWork India Management IPO	10 Oct 25	648	650	0.31	3000	14145
14	Dr Agarwals Health Care IPO	05 Feb 25	402	402	0	3027	14580
15	Arisinfra Solutions IPO	10 Feb 25	222	205	-7.66	3299	14964
16	PhysicsWalah IPO	18 Nov 25	109	145	33.03	3480	14111
17	Leela Palaces Hotels & Resorts IPO	02 Jun 25	435	406	-6.67	3500	14790
18	Tenneco Clean AIR IPO	19 Nov 25	397	505	27.2	3600	13986
19	JSW Cement IPO	14 Aug 25	147	153.5	4.42	3600	14994
20	Pine Labs IPO	14 Nov 25	221	242	9.5	3899	14070
21	Travel Food Services IPO	10 Jul 25	1100	1125	2.27	4001	14300

22	Knowledge Realty Trust IPO	18 Aug 25	100	103	3	4800	15000

Source: Data Collected from moneycontrol

Table No. 3.3: Listing Day Performance of IPOs (Issue Size ₹1,000–₹5,000 Crore)

Sample Size (N)	Total Investment	Characteristics	Raw Returns (%)	MAER (%)
22	322415	Mean	9.8	9.6
		Maximum	57.52	57.3
		Minimum	−8.43	−8.4
		Positive returns (Average)	19.6	19.4
		Negative returns (Average)	−5.6	−5.5

Source: Researchers' own computation

The analysis in Table No. 3 evaluates the listing-day performance of IPOs with issue sizes between ₹1,000 crore and ₹5,000 crore. The results indicate a mean raw return of approximately 9.8 percent, confirming the persistence of IPO underpricing even among large-sized issues. The maximum listing gain of 57.52 percent, recorded by the Urban Company IPO, reflects strong investor demand and favorable market sentiment, while the minimum return of −8.43 percent suggests that downside risk is relatively limited in this category. The average positive return of about 19.6 percent substantially exceeds the average negative return of −5.6 percent, indicating that gains from successful IPOs outweigh losses from underperforming ones. Overall, the findings show that investors earned returns exceeding market benchmarks within a short investment horizon, providing strong evidence of systematic underpricing in the Indian IPO market. The marginal difference between raw returns and Market-Adjusted Excess Returns (MAER) further suggests that adjusting returns by minimum investment does not materially alter the performance estimates

Table No 4: IPOs Issue Size is more Than 5000 Cr

S No	Company Name	Listing Date	Issue Price(₹)	Listing Open (₹)	Listing Gain %	Issue Size (Cr)	Minimum Investment
1	Meesho IPO	10 Dec 25	111	162.5	46.4	5421	14175
2	Anthem Biosciences IPO	15 Jul 25	570	723.05	26.85	6792	14820

3	LG Electronics India IPO	14 Oct 25	1140	1710.1	50.01	11607	14040
4	HDB Financial Services IPO	02 Jul 25	740	835	12.84	12500	14800
5	Tata Capital IPO	13 Oct 25	326	330	1.23	15512	14260

Source: Data Collected from moneycontrol

Table No. 4.4: Listing Day Performance of IPOs (Issue Size More Than ₹5,000 Crore)

Sample Size (N)	Total Investment	Characteristics	Raw Returns (%)	MAER (%)
5	72095	Mean	27.47	27.4
		Maximum	50.01	50
		Minimum	1.23	1.2
		Positive returns (Average)	27.47	27.4
		Negative returns (Average)	Nil	Nil

Source: Researchers' own computation

The analysis in Table No. 4 examines the listing-day performance of IPOs with issue sizes exceeding ₹5,000 crore. The results show a high mean raw return of 27.47 percent, indicating substantial underpricing even among very large IPOs. The maximum listing gain of 50.01 percent, observed in the LG Electronics India IPO, reflects exceptionally strong investor demand, while the minimum return of 1.23 percent indicates that all IPOs in this category listed at a premium. As a result, the average positive return equals the overall mean return. Overall, the findings demonstrate that investors earned significantly higher-than-market returns within a short investment horizon, providing strong evidence of systematic underpricing in large and well-established IPOs in the Indian market. The negligible difference between raw returns and Market-Adjusted Excess Returns (MAER) further suggests that adjusting returns by minimum investment does not materially affect performance estimates.

Table No 5: Overall Listing Day Performance of IPOs (All Issue-Size Categories Combined)

Issue Size Category	No. of IPOs	Mean Raw Return (%)	MAER (%)	Maximum (%)	Minimum (%)
₹100–600 Cr	41	8.82	8.7	64.29	−39.63
₹650–922 Cr	16	6.4	6.3	26.64	−26.74
₹1,000–5,000 Cr	22	9.8	9.6	57.52	−8.43

> ₹5,000 Cr	5	27.47	27.4	50.01	1.23
Overall Sample	85	10.4	10.2	64.29	−39.63
Overall Invested value on IPOs	1,233,757				

Source: Researchers' own computation

Across the sample of 85 IPOs, listing day returns are largely positive, confirming the persistence of IPO underpricing in the Indian primary market. In order to evaluate market efficiency and risk distribution, Table 5 displays the listing day performance of 85 initial public offerings (IPOs) grouped by issue size. And the overall invested value is Rs 1233757. The entire sample shows a positive raw return of 10.4%, indicating the ongoing presence of IPO underpricing in the Indian primary market. According to the research, issue size and return stability are positively correlated. Issues valued at more than ₹5,000 crore showed exceptional efficiency, with the lowest return of 1.23% and the greatest average return of 27.47%, thereby eliminating listing-day losses. The ₹100–600 crore group, on the other hand, showed large volatility; although it offered the highest maximum return (64.29%), investors were exposed to a considerable downside risk (minimum return of -39.63%). Importantly, all categories have the same minimum investment criteria (₹15,000), which guarantees a consistent level of capital exposure. As a result, listing price behavior alone—rather than capital weighting is responsible for the performance discrepancy. The tight alignment of MAER (10.2%) and raw returns (10.4%) demonstrates that atypical listing returns are realistic for retail participants and are not only theoretical.

Table No. 6: Descriptive Statistics of IPO Short-Term Returns (N = 85)

Sample Size	Characteristics	RAW Returns (%)	MAER (%)
85	Mean	9.21	6.84
85	Median	5.19	3.92
85	Standard Deviation	18.5	17.12
85	Minimum	−39.63	−42.08
85	Maximum	64.29	58.17
85	Skewness	0.57	0.49
85	Kurtosis	1.36	1.12

Source: Researchers' own computation

The descriptive statistics of short-term IPO performance based on a sample of 85 NSE-listed issues reveal that IPOs, on average, generate positive initial returns. the mean RAW return of 9.21 percent and mean MAER of 6.84 percent attest to the continued underpricing of IPOs Even after accounting for market fluctuations. A right-skewed distribution with a small number of IPOs earning extraordinarily large listing gains is reflected in median returns that are lower than mean values. Significant volatility and uncertainty in listing-day performance are revealed by high standard deviations for both MAER and RAW returns. The existence of both large losses and substantial gains is further highlighted by the large difference between minimum and maximum returns. Extreme positive outcomes without excessive tail risk are suggested by positive skewness and moderate kurtosis. IPOs generally provide positive short-term returns, but their performance is erratic and hazardous, underscoring the necessity for investors to carefully consider their options.

Findings of the study

- The study reveals consistently positive listing day returns across all IPO issue-size categories, confirming the continued presence of IPO underpricing in the Indian primary market.
- Smaller IPOs exhibit pronounced volatility, marked by both exceptionally high gains and substantial listing losses, reflecting higher information asymmetry and speculative activity.
- In contrast, medium and large IPOs demonstrate more stable and predictable listing performance, with fewer negative outcomes and improved valuation efficiency.
- Mega IPOs (above ₹5,000 crore) achieve the highest average listing gains and record no negative listings, indicating strong investor confidence, greater institutional participation, and superior price discovery.
- The negligible difference between raw returns and Market-Adjusted Excess Returns (MAER) suggests largely uniform minimum investment requirements, allowing retail investors to access IPO gains irrespective of issue size.
- Overall, issue size primarily moderates risk rather than return, with larger IPOs offering superior risk-adjusted performance, while listing outcomes are driven more by market sentiment, demand conditions, and issuer credibility than by the amount of capital invested.
- The overall data shows that underpricing is still present in the Indian primary market. Across 85 IPOs with a total invested value of ₹1,233,757, the market generated a constant positive mean return, establishing the IPO market as a viable path for capital appreciation.

Suggestions

- For comparatively steady and predictable listing gains, investors should favor large and mega IPOs, particularly if they have a high level of risk aversion.
- Retail investors are encouraged to continue actively participating in the primary market due to the consistent minimum investment requirement of ₹15,000 and the positive overall MAER. According to the data, the asset class as a whole produces positive abnormal returns on invested capital notwithstanding individual abnormalities.
- Smaller initial public offerings (IPOs) should be handled carefully because they have a high potential return but also a significant downside risk.
- Rather than relying solely on issue size, investment decisions should consider subscription quality, valuation, and issue fundamentals.
- Even at fair valuations, there is strong demand, so large issuers might think twice before underpricing excessively.
- Market efficiency can be increased by bolstering price discovery processes and promoting wider institutional involvement in smaller IPOs.
- Measures to lessen excessive underpricing should be implemented in addition to the ongoing enforcement of timely listing standards.

Conclusion

The present study examines the short-term performance of IPOs listed on the National Stock Exchange using raw returns and Market-Adjusted Excess Returns (MAER). Based on the analysis of 85 IPOs, the findings provide clear evidence of persistent IPO underpricing in the Indian primary market, enabling investors to earn positive abnormal returns on the listing day.

The results indicate that IPOs across all issue-size categories generate positive average listing returns; however, risk and return characteristics vary with issue size. Smaller IPOs exhibit higher volatility, reflecting greater information asymmetry, while larger and mega IPOs demonstrate more stable and consistently positive listing performance due to stronger issuer credibility and institutional participation. The negligible difference between raw returns and MAER suggests that uniform minimum investment requirements ensure equal accessibility of IPO gains to retail investors. Overall, the study concludes that issue size primarily moderates risk rather than return and reinforces classical IPO under pricing theory, consistent with the findings of Loughran and Ritter (2002).

Scope for Future Research

Future research may extend this study by examining the medium- and long-term post-listing performance of IPOs to assess the persistence of underperformance or overperformance beyond the listing day. Incorporating subscription data across investor categories could provide deeper insights into demand-driven pricing dynamics. Sector-wise analysis may help identify industry-specific patterns in IPO performance. Further studies could also explore the influence of market conditions and macroeconomic factors on listing gains. Additionally, behavioral aspects such as investor sentiment and herding behavior may offer explanations for abnormal returns. Finally, a comparative analysis of IPOs listed on the NSE and BSE could shed light on exchange-specific market microstructure effects.

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