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DYNAMICS OF IPO – A STUDY WITH REFERENCE TO SELECTED CORPORATE SECTORS

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ABSTRACT

Initial Public Offering is the first sale of corporation's common shares to public investors While going for IPOs company have to abide by several regulatory norms. The performance of Initial Public Offerings' in India, during the period from April 2003 to October 2008 have been analyzed using Multiple regression, skewness and t-test. This paper is aimed at evaluating how the IPOs under different sectors in India perform during the first few days of listing as well as in the short-run (three months). The study also extends the IPO literature on influence of issue size and listing delay on initial trading activity (initial return on day1). Forty four IPOs from five major sectors viz. Power, Pharmaceuticals, Infrastructure, IT and Banking & Finance were taken for the study. The IPOs were classified as very cold, cold, hot and very hot based on their price performance. Majority of IPOs under all sectors have performed well in near short-term and short-term. Also, initial returns from most of the IPOs are symmetrical. Moreover, IPOs with 'very cold' and 'cold' condition on listing day are performing well in short-term and IPOs with 'hot' and 'very hot' condition have exhibited consistency in giving positive initial return and the initial return after 3 months have been much higher.

KEYWORDS

Price performance, major sectors, different categories.

INTRODUCTION

Initial Public Offering (IPO) (M. C. Kuchhal) is the first sale of a corporation's common shares to public investors. The main purpose of an IPO is to raise capital for the corporation.

The performance of IPOs in India, during the period from April 2003 to October 2008 have been analyzed. Forty four IPO's from five major sectors viz. Power, Pharmaceuticals, Infrastructure, IT and Banking & Finance have been taken for the study. The returns for the first few months of trading are calculated and accordingly they are categorized as very cold, cold, hot and very hot IPO's. Average day-wise returns from IPOs under these four groups are calculated and compared.

The suitability of an IPO depends upon:

- The general stock market condition.
- The industry market condition.
- The frequency and size of all IPO's in the financial cycle.
- The frequency and size of industry IPO's in the financial cycle.

There is a 3-6 months lead time between starting the IPO process and going public. So, the firm needs to forecast the market conditions 3-6 months later. Luckily, for such short-run purposes, stock returns behave almost as if they follow a random walk. So, it is not a bad guess to make decisions about going public based on current stock market conditions.

OVERVIEW OF THE SELECTED SECTORS

The IPOs for the present study has been taken from five different sectors for comparison of performance across these categories. Hence an overview of these sectors in Indian economy ['Survey of Indian Industry (2005&2006) published by The Hindu'] has been outlined below.

PHARMACEUTICALS - The Indian pharma industry ranks among the top 15 drug manufacturing countries. Currently the Indian pharma market exceeds \$4 billion (Rs. 18,000 crores). The industry's turnover is estimated at \$5.5 billion (Rs. 25,000 crores) and an annual growth rate of 8-9 per cent and is expected to reach \$25 billion by 2011.

Its products and performance affect the healthcare of the population and consequently the country's economic development. The evolving environment in the global pharmaceutical sector provides major opportunities as well as challenges for India.

INFRASTRUCTURE - Infrastructure is the back bone of the economy and a key driver of growth. Despite various initiatives and reforms taken so far in India improvements are still required in the areas of infrastructure. With proper support the Indian construction industry will become a global force to reckon with like the software industry.

POWER SECTOR - There exists a link between economic growth and per capita consumption of electricity. India's power sector has shown remarkable growth from about 1400 MWs in 1947 to 1,12,058 MWs by March 2004. The gross generation has increased over hundred fold from 5 billion units to 530 billion units a year.

INFORMATION TECHNOLOGY - IT impacts the national economy in a number of ways. It forms the crux of critical sunrise industries such as ITES, biotechnology, pharmaceutical research and nanotechnology. The IT industry should be developed as a priority sector with a stable policy environment.

BANKING & FINANCE - The banking industry has been experiencing intense competition since the opening up of the economy and the entry of foreign banks into the Indian market. Indian banks have responded positively by upgrading their services and promoting themselves aggressively in the market.

LITERATURE REVIEW

Empirical results of a study carried out by Kevin Keasey and Helen Short (1997) showed that the publications of earnings forecast and the underwriting of the issue has little impact upon how the market values an IPO. The prospectus information is useful in the aftermarket over a short window of a year and to some extent in predicting subsequent survival or failure, although the value of this information declines rapidly with time (Harjeet and Richard, 2003). Also a high level of stock retention by insiders increases an IPO firm's survival rate in the public market (Stavros and Gijoon, 2004).

NEED FOR THE STUDY

Investors demonstrate a growing tendency to invest more in stock markets. Analysts are fervently trying to predict the future value of the stocks through the efficiency of the board of management, market analysis, performance and industry reviews and so on. The first day trading of the IPO's and their initial performance has a considerable impact on its future trading volume. The initial trading of IPO's might also have an impact on the trading of other shares in the same industry. Hence the impact of IPO's are spread wide throughout the stock market. It determines not only the future of the company's shares, but also the prices of other shares in the same trading sector.

OBJECTIVES OF THE STUDY

The study aimed to

- ❖ Analyze the performance of IPO's in the aftermarket, based on the returns of the first few months of trading.
- ❖ Evaluating the extent of impact of listing delay and issue size on initial returns.
- ❖ Categorization of IPO's under very cold, cold, hot and very hot classifications based on their price performance.

METHODOLOGY AND SAMPLE

The principle source of data for the study is the Daily Stock Prices drawn from the "National Stock Exchange" and NSE NIFTY figures. They were accessed from database of NSE website and Centre for Monitoring Indian Economy (CMIE) and other URL's of financial broking firms such as Geojit. For the purpose of evaluating the performance of IPOs, the overall period of study ranges from April 2003 to October 2008.

Multiple regression technique has been used for finding out the effects of listing delay and issue size on the initial day returns. Skewness has been used to ascertain the normality or abnormality of the distribution of returns. T' test has been applied to compare the mean initial returns across various sectors. Other statistical tools such as arithmetic mean, median and standard deviation are also used.

HYPOTHESES

For analysis of the performance of Initial Public Offering in India, the following hypothesis tests were conducted.

1. There is no significant difference between mean initial returns from IPO's of different sectors of the market.
2. There is no significant effect of listing delay on day one return.
3. There is no relationship between Issue size and listing day return.
4. Listing day returns from IPO's is independent of the sectors.

TOOLS EMPLOYED

IPOs of 44 companies from 2004 to 2008 with 10 IPOs each under power and infrastructure, 5 IPOs under pharmaceutical, 11 under IT and 8 under banking & finance sectors were studied. The short-term returns, distribution of mean returns, normality of distribution and the impact of listing delay and issue size on the initial returns from IPOs under each sector are analyzed.

The mean initial returns on first listing day (day 1) has been compared between sectors using t-test to find out if there is any significant difference between mean initial returns of various sectors. Evaluation of the extent of impact of listing delay and issue size on initial returns has been analyzed using Multiple Regression technique. The influence of sectors or industries on individual IPO's has also been analyzed. The results of the analysis with detailed discussion are followed hereunder.

ANALYSIS, INTERPRETATION AND FINDINGS

I. (A) OFFER PRICE OF IPOs

The mean, median and standard deviation of IPO offer price, under the five different sectors have been calculated in table 1. The skewness value of the offer price has been worked out to ascertain the normality of the distribution.

From the table 1, it is understood that the average offer price of selected IPOs under power sector is Rs.120.30 with a median of 61.00 and a standard deviation of 161.31. The minimum and maximum offer prices are Rs.15.00 and Rs.510 respectively.

TABLE 1: DESCRIPTIVE STATISTICS FOR OFFER PRICE OF IPOs', ALLOCATION OF IPOs' AND SIZE OF THE IPOs' UNDER SELECTED SECTORS DURING THE PERIOD FROM 2004 TO 2008 (IN RUPEES)

Company	N	Mean	Median	Standard Deviation	Min.	Max.	Skewness	
							Value	2 SE of Skewness

Power								
Offer Price of IPOs'	10	120.3	61	161.31	15	510	2.05 [@]	1.55
*Allocated of IPOs'	10	2023	879.08	2714.97	82.76	8658.3	1.95 [@]	1.55
**Size of IPOs'	10	1215	483.73	1672.49	81.25	5368.2	2.06 [@]	1.55
Infrastructure								
Offer Price of IPOs'	10	372.1	295.5	237.46	110	685	0.34	1.55
*Allocated of IPOs'	10	186.7	42.77	358.69	27.5	1173.2	2.83 [@]	1.55
**Size of IPOs'	10	391.9	210.39	433.5	50.75	1290.5	1.37	1.55
Pharmaceutical								
Offer Price of IPOs'	5	212.6	175	125.75	68	380	0.4	2.19
*Allocated of IPOs'	5	45.29	34.34	28.21	25.77	95	2.07	2.19
**Size of IPOs'	5	77.07	64.6	29.91	44.87	117.86	0.57	2.19
Information Technology								
Offer Price of IPOs'	11	227.7	120	234.2	64	850	2.21 [@]	1.48
*Allocated of IPOs'	11	188.2	103	223.41	30	693	1.79 [@]	1.48
**Size of IPOs'	11	590	135	1373.99	27	4713.5	3.26 [@]	1.48
Banking & Finance								
Offer Price of IPOs'	8	78.88	71.5	51.09	19	160	0.36	1.73
*Allocated of IPOs'	8	767.6	485.94	1065.39	60	3288	2.36 [@]	1.73
**Size of IPOs'	8	864.8	167.71	1792.21	31.2	5260.8	2.73 [@]	1.73

Source: Computed from NSE Index. *Values in Lakhs **Values in Crores @ - Skewness is statistically significant as it is greater than value of 2 Standard Error of Skewness (SES)

The positive value of skewness, 2.05 has indicated that the offer prices across the firms under power sector are asymmetric and there are more IPOs with low offer price [as skewness is positive and significant, i.e., the scores (offer prices), are punched up on the low end of the score scale].

The similar scenario is visible in the case of IPOs under IT sector (Skew = 2.21). On the other hand, the significant positive values of skewness, 0.34, 0.40 and 0.36 for offer prices of IPOs under Infrastructure, Pharmaceutical and Banking & finance with mean, median, maximum and minimum of Rs.372.10, Rs.295.50, Rs.110.00 and Rs.685.00, Rs.212.60, Rs.175.00, Rs.68.00 and Rs.380.00, and Rs.78.88, Rs.71.50, Rs.19.00 and Rs.160.00 respectively has indicated that the offer prices of IPOs under these sectors are symmetrical.

The offer price of IPOs under Power and IT sectors are asymmetric, whereas they are symmetric in case of the other three sectors.

(B). ALLOCATION OF SHARES

The mean, median, standard deviation and skewness values of the allocation of shares has been calculated in the table 1. The skewness value will ascertain the normality of the curve, while the other values help for sector wise comparison.

From Table 1, it can be observed that the number of shares allocated is 2022.74 lacs on the average with median 879.08 lacs and Standard deviation of 2714.97 lacs under Power sector during the period from 2004 to 2008. The allocation of shares seems to be asymmetrical in this sectors as the obtained skewness, 1.95 is significant statistically. The mean, median, minimum and maximum number of allocated shares are 186.70 lacs, 42.77 lacs, 27.50 lacs, and 1173.17 lacs under Infrastructure sector, 45.29 lacs, 34.34 lacs, 25.77 lacs and 95.00 lacs under Pharmaceutical, 188.15 lacs, 103.00 lacs, 30.00 lacs and 693.00 lacs under Information technology, and 767.59 lacs, 485.94 lacs, 60.00 lacs and 3288 lacs under banking & finance sector during the period. Further, from the observation of significant positive skewness values, 2.86, 1.79 and 2.36 for IPOs under infrastructure, information technology and banking & finance sectors respectively, it is well clear that the shares allocated by IPOs under these sectors are asymmetrical (non-normal). However, the allocation of shares by IPOs under pharmaceutical sector has been normally distributed (Skew = 2.07, not significant).

Except for Pharma sector, where the distribution for allocation of shares is normal, all the other sectors are asymmetrical in nature.

(C). ISSUE SIZE

The mean, median, standard deviation and skewness values for the Issue size is given in the table 1. The skewness value will ascertain the normality of the curve, while the other values help for sector wise comparison.

As far as the size of IPOs in rupees values is concerned, from the results of descriptive statistics portrayed in Table 1, it is well understood that the size of IPOs under Power (Skew = 2.06), Information technology (Skew = 3.26) and Banking & finance (Skew = 2.73) are asymmetrical as the skewness values are more than value of 2 standard error of skewness (SES). The positive and significant skewness values for these sectors have further indicated that the small size IPO are at the low end in most of the cases. On the other hand, in respect of infrastructure and pharmaceutical sectors, the size of IPOs is symmetrical, i.e., normally distributed.

This is because of the fact that calculated skewness values are not statistically significant. It can also be noted from the table that the average size of IPOs is Rs.1215.25, Rs.391.94, Rs.77.07, Rs.589.96 and Rs.864.84 with Median Rs.483.73, Rs.213.39, Rs.64.60, Rs.135.00 and Rs.167.71 under Power, Infrastructure, Pharmaceutical, Information technology and Banking & finance sectors respectively. The minimum and maximum offer size is Rs.81.25 and Rs.5368.15 for power, Rs.50.75 and Rs.1290.48 for infrastructure, Rs.44.87 and Rs.117.86 for pharmaceutical, Rs.27.00 and Rs.4713.47 for information technology, and Rs.31.20 and Rs.5260.79 for banking & finance sectors respectively.

The distribution of IPO issue size is symmetric for pharma and infrastructure, whereas its asymmetric in IT, Power and Banking sectors.

II. COMPARISON OF MEAN INITIAL RETURNS ACROSS SECTORS

The mean initial returns on first listing day have been compared between sectors using t-test in the table 2.

TABLE 2: COMPARISON OF MEAN INITIAL RETURNS ACROSS SECTORS

Power	Infrastructure	Pharma	Info. Tech.	Banking & Finance	t-Ratio	df	p Value	LS
53.19	34.28				0.8	18	0.4346	NS

53.19		50.11			0.08	13	0.9402	NS
53.19			22.89		1.49	19	0.1528	NS
53.19				27.61	1.03	16	0.3172	NS
	34.28	50.11			-0.48	13	0.6418	NS
	34.28		22.89		0.83	19	0.4175	NS
	34.28			27.61	0.39	16	0.7049	NS
		50.11	22.89		0.96	14	0.3533	NS
		50.11		27.61	0.65	11	0.532	NS
			22.89	27.61	-0.38	17	0.7071	NS

Source: Computed from NSE Index.

NS – Difference in means between sectors is not significant statistically

The mean initial returns on first listing day (day 1) have been compared between sectors using t-test. The results of the t-test are presented in Table 2. It is evident from table that the t-values obtained from comparing the mean initial returns between power and infra (t-value = 0.80), power and pharma (t-value = 0.08), power and information technology (t-value = 1.49) and between power and banking & finance (t-value = 1.03) are very low and insignificant. Similarly t-values for the difference in mean initial return between infra and other sectors, between pharmaceutical and other sectors, and between information technology and banking & finance have also been insignificant. From the above results, it is clearly understood that there is no significant difference in mean initial return from IPOs across sectors.

III. MULTIPLE REGRESSION ANALYSIS

Multiple Regression is used to calculate initial return on listing day with IPO size and listing delay for all selected sectors. The analysis in Table 3 is carried to ascertain the unique impact of IPO size and listing delay on the flickers, who fixed the prices for IPOs in the market.

Table 3 portrays the results of multiple regressions for initial return on listing day with IPO size and listing delay for all selected sectors. It is apparent that the regression models for power (F value = 6.28, p < 0.05), pharmaceutical sectors (F value = 43.70, p < 0.05) have been fitted significantly. But for the other sectors, the fit of the models is insignificant. With initial return from IPOs under power sector, listing delay has significant positive coefficient (beta = 13.1642, t = 3.30, p < 0.01). Similarly, the listing delay has significant positive coefficient (beta = 16.6333, t = 2.22, p < 0.10) with initial return from IPOs under infrastructure sector, and it has significant negative coefficient (beta = -43.013, t = -9.07, p < 0.01) with initial return from IPOs under Pharmaceutical sector.

The listing delay has significant unique influence on subscribers and for each day of delay increases the initial return on listing day from IPOs under power sectors. The scenario in

TABLE 3: REGRESSION FOR INITIAL RETURN (DAY 1 RETURN) WITH ISSUE SIZE (IN RS.CRORES) AND LISTING DELAY (IN DAYS)

Independent Variables	Power	Infra	Pharma	IT	Banking	All Sectors
Intercept	-208.70**	-300.78*	865.61***	-133.22	58.3231	-52.248
	(-2.45)	(-1.98)	-9.86	(-1.27)	-0.69	(-0.88)
Listing Delay (in Days)	13.1642***	16.6333*	-43.013***	7.88638	-1.1293	4.6815
	3.3	2.22	(-9.07)	-1.5	(-0.27)	-1.57
Issue Size (in Rs.Crores)	-0.0109	0.00185	-0.3122	-0.0015	-0.0086	-0.0084
	(-1.27)	-0.07	(-0.95)	(-0.31)	(-1.08)	(-1.47)

R ²	0.6424	0.4124	0.9776	0.2236	0.3018	0.084
Adjusted R ²	0.5402	0.2445	0.9553	0.0296	0.0225	0.0393
F Value	6.28**	2.45 ^{NS}	43.70**	1.15 ^{NS}	1.08 ^{NS}	1.88 ^{NS}

Figures in parenthesis are t-values. Source: Computed from NSE Index. *Significant at 10% level; **Significant at 5% level; ***Significant at 1% level. NS – Not significant

The case of IPOs under infrastructure sector has been as same as that of IPOs under power sector (though fit of model is insignificant, the beta coefficient of listing delay is significant at 10% level). However, in respect of pharmaceutical sector, the scenario has been in the reverse. As early as possible the IPOs under this sector are listed, the chances of getting higher initial return are more. Moreover, 64.24 per cent and 97.76 per cent of the variation in the return from IPOs from Power and Pharmaceutical sectors on listing day could be explained by listing delay and size of the IPOs.

Relating to all sector as well as to information technology and banking & finance, either listing delay or IPOs size has significant unique influence on initial return on day 1.

On the whole, it is summed up from the above results that initial return from IPOs under power and pharmaceutical sectors on listing day is influenced significantly by listing delay, whereas it has nothing to do with initial return from IPOs under infrastructure, information technology and banking & finance sectors as well as with initial return from IPOs of all sectors.

Also, the initial return on listing day does not differ from IPOs belonging to one sector to another sector. Finally, it is elicited from the discussion of the regression results that listing delay has unique impact on initial return of power and pharmaceutical sectors and either listing delay or IPO size have unrelated to initial return from IPOs under information technology and banking & finance sector.

CLIMATIC CONDITIONS OF IPOs

The IPOs under each sector are categorized into four groups based on their initial returns, i.e., returns on listing day. The IPOs are categorized 'Very cold' if the initial returns are below or equal to 0 per cent; 'cold' if the initial returns are between 0 per cent and 10 per cent; 'hot' if the initial returns are between 10 per cent and 60 per cent; and 'very hot' if the initial returns are above 60 per cent. Average day-wise returns from IPOs under four groups are calculated and compared in Table 4.

POWER SECTOR

Flipping IPOs on short-time basis has yielded more return than flipping it on listing day. Though maximum return from one-month holding is not attractive compared to the maximum return on flipping between day 1 and 5, it is remarkably higher at 248.75 per cent when sold after three months. In sum, it is found from the above results that the return from IPOs under power sector on listing day is positive but short-term return is more attractive than daily return. Also, return from IPOs under this sector is symmetrical

TABLE 4: DAY-WISE RETURN FROM IPOs OF SELECTED SECTORS UNDER DIFFERENT CLIMATIC CONDITIONS.

Return Period	POWER							
	VERY COLD (n = 2)		COLD (n = 1)		HOT (n = 4)		VERY HOT (n = 1)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Initial Return (Day 1)	-2.5	-2.5	1.89	--	32.85	33.6	134.5	148.75
Day 2	-4.45	-4.45	0.61	--	30.9	31.25	153.6	161.88
Day 3	-5.6	-5.6	-2.56	--	30.84	31.9	168.7	181.56
Day 4	-2.96	-2.96	-1.4	--	26.28	26.7	166	176.88
Day 5	-0.96	-0.96	-2.29	--	27.68	29.66	164.3	182.19
Day 30 (One Month)	17.6	17.6	-19.1	--	33.81	31.24	156.4	177.23
Day 90 (Three Months)	31.2	31.18	-38.5	--	75.31	68.95	139.2	139.22
Return Period	INFRASTRUTURE							
	VERY COLD (n = 2)		COLD (n = 1)		HOT (n = 4)		VERY HOT (n = 1)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Initial Return (Day 1)	-23.6	-23.64	4.34	--	38.63	43.44	77.06	75.47
Day 2	-26	-25.99	4.03	--	53.48	51.47	75.85	72.97
Day 3	-31.4	-31.39	2.94	--	69.51	57.69	74.98	78.57

Day 4	-26.2	-26.17	-15.7	--	69.4	57.4	76.49	74.16
Day 5	-30.2	-30.18	-17.1	--	72.95	62.51	72.25	73.65
Day 30 (One Month)	-46	-45.95	-20.9	--	117.8	108.88	53.56	40.95
Day 90 (Three Months)	-28	-27.98	-6.18	--	128.6	56.02	57.72	57.72
Return Period	PHARMA							
	VERY COLD (n = 2)		COLD (n = 1)		HOT (n = 4)		VERY HOT (n = 1)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Initial Return (Day 1)	-12.2	-12.18	--	--	32.81	32.81	209.3	--
Day 2	-9.94	-9.94	--	--	29.16	29.16	168	--
Day 3	-16.2	-16.16	--	--	28.2	28.2	168.2	--
Day 4	-17	-17.04	--	--	30.89	30.89	172.7	--
Day 5	-23.9	-23.85	--	--	33.04	33.04	171.8	--
Day 30 (One Month)	-26	-25.99	--	--	42.41	42.41	118.9	--
Day 90 (Three Months)	-10.8	-10.84	--	--	436	--	193.1	--

(Continued)

Return Period	INFORMATIONAL TECHNOLOGY							
	VERY COLD (n = 2)		COLD (n = 1)		HOT (n = 4)		VERY HOT (n = 1)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Initial Return (Day 1)	-3.49	-3.49	3.69	3.69	35.91	43.34	--	--
Day 2	-4.32	-4.32	10.15	10.2	35.56	41.59	--	--
Day 3	-8.17	-8.17	12.3	12.3	35.08	34.32	--	--
Day 4	-5.21	-5.21	8.64	8.64	38.87	43.77	--	--
Day 5	-2.3	-2.3	6.15	6.15	44.23	51.55	--	--
Day 30 (One Month)	4.86	4.86	19.55	19.6	40.31	27.25	--	--
Day 90 (Three Months)	40.7	40.71	58.84	58.8	44.23	29.68	--	--
Return Period	BANKING & FINANCE							
	VERY COLD (n = 2)		COLD (n = 1)		HOT (n = 4)		VERY HOT (n = 1)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Initial Return (Day 1)	-11.4	-11.44	8.08	--	38.3	40.05	82.5	--
Day 2	-14.8	-14.84	7.64	--	33.78	33.74	73.27	--
Day 3	-21	-21.01	1.76	--	32.4	34.65	62.31	--
Day 4	-13.1	-13.08	2.97	--	37.21	39.38	79.04	--
Day 5	-10.6	-10.63	-4.73	--	37.32	40.46	81.92	--
Day 30 (One Month)	-25.2	-25.16	1.65	--	49.93	53.58	128.9	--
Day 90 (Three Months)	-24.8	-24.83	46.43	--	182.6	115.22	163.7	--

Source: Computed from NSE Index.

Very cold IPOs performed well in near short-term and short-term, but their performance are well below the level of 'hot' and 'very hot' IPOs, which have performed consistently throughout the period up to 3 months.

INFRASTRUCTURE

The return from IPOs under this sector has increased at mentionable level only in respect of 4 out of 10 firms during short-term. For the remaining, the return is either negative or declined sharply from its level during listing periods. However, all IPOs under infrastructure have

yielded as much as 63.10 per cent on average with a maximum of 375.18 per cent when they are flipped after three months. Also, returns from IPOs under this sector are symmetrical in very short-term (within a month) whereas they are asymmetrical in short-term (3 months).

The initial return from IPOs under 'very cold' and 'cold' conditions on first listing day yielded negative return in near short-term and short-term whereas from IPOs under 'hot' and 'very hot' groups have performed well on all listing days. However, the performance of IPOs classified as 'Hot' is much better than that of IPOs classified as 'Very Hot' under infrastructure sector.

PHARMACEUTICALS

(1) Performance of IPOs under pharmaceutical has been at two extremes, i.e., there are IPOs with very poor performance and much better performance, revealing that subscribers can hold the shares from earlier flipping;

(2) Return from IPOs under pharmaceutical sectors are normally distributed (symmetrical);

(3) The returns on short-term are highly heterogeneous compared to that of during listing periods and during near short-term.

The performance of 'very cold' IPOs have failed to improve its performance in near short-term and short-term, and at the same time, the IPOs under 'hot' and 'very hot' groups have yielded consistent positive return to the flippers.

INFORMATION TECHNOLOGY

IPOs under this sector is somewhat consistent either from near short term or short-term flipping. Also, the values of skewness have clearly indicated the returns from IPOs under this sector are normally distributed (symmetrical). Hence, it is found that IPOs under IT sector have performed well, have been symmetrical and shown consistency in all listing periods.

IPOs classified as 'very cold' has been well in short-term, 'cold' group has been well in both on first listing days and short-term, while IPOs under 'Hot' groups have performed very well with consistency from first listing days to day 5 as well as on day 30 and 90 under information technology sector.

BANKING & FINANCE

The IPOs under banking and finance sector have performed well on initial listing days, near short-term and short-term and have been normally distributed. In short-term, the return is very high but highly inconsistent across firms.

The IPOs, which are very cold on first listing day has been under same condition for 3 months, whereas IPOs classified as 'cold' has shows better performance in short-term. It is further found that IPOs categorized as 'hot' with positive initial return is much less than that of 'Very hot' IPOs from day 1 to day 30, but in the short-term (day 90), 'hot' IPOs have performed much better than 'very hot' IPOs under banking and finance sector.

CONCLUSION

On the whole, it is summed up that initial return from IPOs under power and pharmaceutical sectors on listing day is influenced significantly by listing delay, whereas it has nothing to do with initial return from IPOs other sectors.

Majority of IPOs under all sectors have performed well in near short-term and short-term. Also, initial returns from most of the IPOs are symmetrical. Moreover, IPOs with 'very cold' and 'cold' condition on listing day are performing well in short-term and IPOs with 'hot' and 'very hot' condition have exhibited consistency in giving positive initial return and the initial return after 3 months have been much higher. Also, the initial return on listing day does not differ from IPOs belonging to one sector to another sector. Finally, it is elicited from the discussion of the regression results that listing delay has unique impact on initial return of power and pharmaceutical sectors and both listing delay and IPO size are unrelated to initial return from IPOs under information technology and banking & finance sector.

RECOMMENDATIONS

Investing in major sectors like power, infrastructure, pharmaceuticals, banking, etc., will provide considerable benefits to all investors and especially the small retail investors will benefit. IPOs that perform well during the listing day yield good returns in the short term and the yield is considerably higher in the long term.

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