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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	AN ANALYSIS OF THE DETERMINANTS OF MINING INVESTMENT IN ZIMBABWE: BASED ON THE FLEXIBLE ACCELERATOR MODEL <i>LYMAN MLAMBO</i>	1
2.	FINANCIAL PERFORMANCE OF INDIAN GENERAL INSURANCE COMPANIES IN PRE RECESSION PERIOD <i>DR. S.M.TARIQ ZAFAR & RITIKA AGGARWAL</i>	7
3.	POSTAL SAVINGS IN INDIA – A COMPARATIVE ANALYSIS USING REGRESSION AND ARIMA MODELS <i>S.NEHRU & S. RAJARAM</i>	15
4.	FDI IN RETAILING: BOOST EMPLOYMENT OPPORTUNITIES FOR INDIA'S YOUTH <i>DR. V.SELVAM</i>	21
5.	KERALA BUILDING AND OTHER CONSTRUCTION WORKERS WELFARE FUND BOARD - A MACRO PICTURE <i>DR. ABDUL NASAR VP, DR. ABOOBACKER SIDHEEQUE KT & DR. MUHAMMED BASHEER UMMATHUR</i>	25
6.	GROWTH AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN INDIA IN POST GLOBALIZATION PERIOD <i>R. PONMANI & DR. R. ANNAPOORANI</i>	39
7.	MICRO-FINANCE: A CHANGING PARADIGM IN THE NEW ECONOMIC SCENARIO IN THE CONTEXT OF WOMEN EMPOWERMENT <i>DR. V.V. SUBBA RAO & T. MADHUSUDHAN RAO</i>	42
8.	BAMBOO CULTIVATION IN DIMAPUR, NAGALAND – GROWERS PERCEPTION <i>DR. P. NATARAJAN & IMTINUNGSANGJAMIR</i>	47
9.	USE OF Z-SCORE ANALYSIS FOR EVALUATION OF FINANCIAL HEALTH OF INDIAN OIL REFINERIES <i>DR. A. VIJAYAKUMAR & P.GOMATHI</i>	53
10.	IMPACT OF PSYCHOLOGICAL FACTORS ON EMPLOYEE TURNOVER INTENTION <i>MUHAMMAD RIZWAN, MARIA SHAHID, HAMNA SHAFIQ, SUMAIRA TABASSUM, RAFIA BARI & JAVERIA UMAR</i>	63
11.	WOMEN ENTREPRENEURSHIP IN INDIA <i>JYOTI KANDPAL BHATT, NEERAJ SHARMA & DEEPIKA GOEL</i>	70
12.	THE ROLE OF LOCAL INSTITUTIONS FOR SUSTAINABLE LIVELIHOODS: THE CASE OF HAOR FISHERMEN IN BANGLADESH <i>ROMAZA KHANUM</i>	75
13.	STRUCTURAL CHANGE IN NORTHERN STATES OF INDIA <i>TINA SINGH</i>	80
14.	INDIAN IPO MARKET - QUO VADIS <i>RASHI M. GOPLANI</i>	84
15.	FINANCIAL PERFORMANCE EVALUATION OF PRIVATE SECTOR BANKS IN INDIA: A COMPARATIVE STUDY <i>DR. KUSHALAPPA. S & PRADEEP R BHANDARY</i>	91
16.	EMOTIONAL INTELLIGENCE OF FEMALE FACULTY IN COLLEGES <i>P.YASODHA</i>	95
17.	EFFECTIVE EDUCATION FOR DIFFERENTLY ABLED CHILDREN IN REGULAR STREAM: PERCEPTIONS OF TEACHERS <i>DR. K. PARTHASARATHY</i>	99
18.	WOMEN EMPOWERMENT THROUGH SELF- HELP GROUPS IN PUDUCHERRY: A CASE STUDY OF YANAM <i>DR. R.UMA DEVI</i>	104
19.	HINDRANCES TO MICROFINANCE SUSTAINABILITY IN RAJOURI DISTRICT OF JAMMU AND KASHMIR <i>AASIM MIR</i>	112
20.	A STUDY ON FACULTY STRESS IN SELECT COLLEGES IN KANCHIPURAM DISTRICT <i>B.SATHYA & DR. M.MURUGAN</i>	115
21.	GROWTH, PERFORMANCE AND DETERMINANTS OF AGRICULTURAL VARIATION IN PUNJAB: AN INTER DISTRICTS STUDY <i>JASPAL SINGH, NIRMAL SINGH & KULVINDER SINGH</i>	119
22.	PROMOTING ORGANIC FARMING: AN ANALYSIS OF STATUS AND ISSUES OF UTTARAKHAND ORGANIC COMMODITY BOARD <i>SHALINI SINGH & VISHNU SHANKER MEENA</i>	127
23.	RESEARCH ON THE VARIABLES THAT HAVE AN IMPACT ON EMPLOYEE SATISFACTION AND TURNOVER INTENTION <i>MUHAMMAD RIZWAN, NIMRA SHAHZAD, QANDEEL SHEIKH, SANIA BATOOL, MARYAM RIAZ & SAMINA SIDDIQUE</i>	131
24.	THE DETERMINANTS OF LEVERAGE OF THE LISTED COMPANIES IN SRI LANKA: AN EMPIRICAL STUDY <i>S.ANANDASAYANAN, V.A.SUBRAMANIAM, A.SIREERANHAN & M.RAVEESWARAN</i>	139
25.	THE IMPACT OF COMMERCIAL BANKS' ACTIVITIES ON RURAL ECONOMIC DEVELOPMENT IN NIGERIA <i>OKE, MARGARET ADEBIPE & SAMUEL, IYIOLA KEHINDE OLUWATOYIN</i>	144
26.	THE PERFORMANCE OF SMALL MEDIUM ENTERPRISES (SME's) OPERATED BY WOMEN AND MEN IN THE NON AGRICULTURE ROLE ENTERPRISE IN NANDI COUNTY, KENYA <i>STEPHEN K. CHELOGOI & EVERLINE C.TUM</i>	150
27.	ACCESS TO AND IMPACT OF CREDIT ON HOUSEHOLDS WELFARE IN NIGERIA <i>UGWUANYI, HILLARY CHIGOZIE & OMEJE, AMBROSE NNAEMEKA</i>	154
28.	BOARD GENDER DIVERSITY AND PERFORMANCE OF LISTED COMMERCIAL BANKS IN KENYA <i>UMULKHER ALI ABDILLAH & MUGANDA MUNIR MANINI</i>	159
29.	INDIAN TEA PRODUCTION: AN ANALYSIS <i>P.V.ANIL</i>	166
30.	THE IMPACT OF THE BRAND TRUST, BRAND ATTACHMENT, BRAND COMMITMENT ON BRAND LOYALTY <i>MUHAMMAD RIZWAN, WAQAR AHMAD BHATTI, SAMRAIZ TAHIR, CH. SAJID ALI, FARAZEEN HASEEB PEERZADA, AFFIFA NAZ & QURAT-UL-AIN ZAHRA</i>	169
	REQUEST FOR FEEDBACK	175

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INDIAN IPO MARKET - QUO VADIS

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ABSTRACT

Capital market plays an effective and efficient role by channelizing the small and scattered savings of the country to productive investments. Indian investors (risk averse) invest their hard earned money into safe (slow growing) investments. The awareness drive by educational institutions, corporate organizations and the stock exchanges has been able to break through these mental barriers of the middle class but to a very small extent. One such safe but lucrative opportunity came across such small time investor who became ready to enter into a slight risk mode, the Initial Public offer. This offer was aimed at public, where such small time investors (a little ambitious) were lured. Indian primary market witnessed an Influx of IPOs in the period of 2000-2008. Retail investors got good returns on their investments thus drawing many such non risk taking investors in the primary market. Post 2008, the IPO market started declining due to changes in the macro environment (both domestic and global), low commission to brokers, frequent changes by regulatory authorities. The poor and ailing market has worsened the sentiment of companies as well as the investors. The present paper aims to study the trend of returns of IPOs for the period January 2008 to December 2012 for the IPOs listed on NSE and implications of the same on middle class sentiment. Is this an opportunity lost or is it paving a way for better and stronger investment option for such middle class investors is yet to be ascertained.

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KEYWORDS

initial public offer, listing gains/losses, retail investor.

1. INTRODUCTION

The stock exchanges of a country work as a convenient platform for investors and corporate to fulfill their mutual needs. The people of India, majorly the middle class, dread the share market. The volatility of the market is a difficult phenomenon to be understood and analyzed by such people. Rather if the middle class scattered savings are available to the corporate or industries, there is a possibility of more advantages being passed on to them. But there persists a general negative sentiment for share market. A simpler and lucrative option for them is the IPO market. IPO refers to Initial Public Offer. The companies offering their shares for the first time to public to accomplish their financial requirements, is known as the Public Issue or IPO. The Indian IPO market recorded huge participation from retail investors as the returns were lucrative for the period 2000-2008. Many companies introduced IPOs, all of them generally listed at much higher price than the issue price thus giving a momentum to retail investors to earn at the time of listing and then quit safely. From the retail middle class point of view, this seemed to be a safe bet. The aversion towards the share market thus declined and thus a positive wave spread across India luring more such investors. This paper tries to look into the IPO market post 2008 from investor point of view and general conditions which prevailed then and possible reforms in future.

1.2 INDIAN CAPITAL MARKET

Primary market refers to long term flow of funds from the surplus sector to the government and corporate sector (through primary issues) and to banks and non bank financial intermediaries (through secondary issues).

Hence savings play a vital role in development of an economy. Savings in households have considerably increased thus allowing them an opportunity to invest the same in productive as well as riskier options. Though the Indian mentality is anti risk, yet increasing disposable income, education and awareness have helped the investors to build a favorable attitude towards equity market. One of the temptations is the 'positive listing returns' as it minimizes risk of holding losses.

1.3 INDIAN IPO MARKET**1.3.1 INITIAL PUBLIC OFFER**

An initial public offer (IPO) is the selling of securities to the public in the primary market by the unlisted companies either a fresh issue of securities or an offer for sale of existing securities are both for the first time to the public. The Indian IPO market is one of the promising markets for the investors. During the period 1993-94 to 2007-08 4,538 companies had been raised Rs.1,49,671 crore from the primary market through IPOs. Resources rose through public issues declined by 91.5 per cent to Rs. 2,031 crore during April-June 2008 over those in the corresponding period of last year. The number of issues declined from 24 in April-June 2007 to 15 in April-June 2008. The average size of public issues also declined to Rs.135 crore during April-June 2008 from Rs.994 crore during April-June 2007. All public issues during April-June 2008 were in the form of equity. Out of 15 issues during April-June 2008, 13 issues were initial public offerings (IPOs), accounting for 78.4 per cent of total resource mobilization. (Sasi Kumar et al 2010)

1.3.2 RESOURCE MOBILIZATION FROM PUBLIC ISSUES (IPO)

YEAR	NO.	AMOUNT (RS.MILLION)
2000-01	114	2722
2001-02	7	1202
2002-03	6	1039
2003-04	21	3434
2004-05	23	13749
2005-06	79	10936
2006-07	77	28504
2007-08	85	42595
2009-2010	39	246,961
2010-2011	51	333, 853
APRIL-SEPT 2011	29	49,810

(Source: www.sebi.gov.in)

One of the unique features of the Indian IPO market is the transparency in the offer process. Throughout the offer period, information on the participation of various investor categories is publicly available on a real time basis on stock exchange websites, where the IPO is to be listed.

Indian IPOs, a separate quota of shares is reserved for retail investors; they do not have to compete directly with informed institutional investors. This eliminates the problem of being crowded out by informed investors in good offerings. Further, underwriters for Indian IPOs do not have allocation discretion as retail investors receive allocation on a pro rata basis.

In India, middle class retail investors view Initial Public Offer as fast money making opportunity. Generally the trend is that they fill in the applications after being very sure of the reports. Since the appetite for risk is lesser in such segment, they expect to quit the market as soon as they spot profits on the listing day. Usually when the market sentiment is positive, listing price is higher than the issue price which encourages such impatient retail customers to book profits. This phenomenon is termed as 'under pricing'.

The term IPO 'under pricing' means a positive difference in the closing offer price of a security and the closing price of security on first trading day (Agrawal, 2011). Empirical studies indicate that IPO under pricing enables investors to earn abnormal high rate of return in comparison with the benchmark index on the listing day. Usually during the boom period, this may persist up to 3 years maximum and later on the returns start dwindling. It is observed that most IPOs are traded on higher price on listing day, which means that the firm could raise money by higher offer price which they actually didn't. This implies that IPO under pricing is good for investors as a short run investment opportunity but it is a cost for issuer as it missed on the opportunity for making more money.

The public issues managed to generate euphoria among the investors, which can be seen from the fact that 43% of the issues were subscribed more than 5 times as a result of **under pricing**, compared to 17% in 2008-09. Moreover out of the 51 IPOs that hit the market in 2010-11, 33 reported **listing gains**. Only 28% of public issues were subscribed less than 1.5 times, compared to 55% in 2008-09.

2. LITERATURE REVIEW

Agrawal distinctively pointed out the characteristics of Indian primary market. It is characterized by size, large no of firms going for listing and large number of retail participants who apply directly. Such participants are usually uninformed which causes information asymmetry leading to irrational decisions. Since such investors apply both for good and bad issues, there is oversubscription leading to non allotment and problems of rationing and ex ante uncertainty, so under pricing compensates both the risks leading to higher satisfaction among investors.

Ajay Pandey studied the differences between the IPOs following different processes. He described the mechanisms followed in India for pricing and allocation of IPOs comparing the same with processes followed in other countries. Also a comparison was made regarding characteristics of issuers using fixed price offerings and book building method. Data set on IPOs in India was used for the year 1999 to 2002. 178 IPOs were floated, out of which 84 IPOs were analyzed. The unadjusted log and simple returns on listing helped to compute initial returns/under pricing. It was also revealed that fixed price offerings had higher initial returns on an average than book building issues. Due to the sheer size of book build issue, the investment bankers can easily target the uninformed investors. Thus fixed price offerings are preferred by smaller issues offering large portion of stock to retail uninformed investors.

Bhanu Murthy et al conducted a study to show that concept of under pricing is misleading and needs to be termed as overpricing by the IPO market. He segregated the investors in two types a) fly by night investor who invests for listing gains b) short term investor who invests for short term capital gain. He also found a negative correlation between under pricing and volatility. Data of 24 companies was taken from NSE. Case study approach was used to study the trend. They measured and analyzed a) listing gains b) price trends.

Govindrajnan conducted a study on IPOs in India during 2010-11 so as to evaluate the gains or losses to investors. A short run analysis was done for various time periods i.e. listing day, second day, one week, one month, three months and six months. 53 IPOs representing different sectors of economy were made. For analysis of the returns of the same, the author considered day's high, day's low and closing price. Standard deviation and correlation was used for the same. Secondary data was collected from BSE and NSE. The results revealed that investors bagged good returns on first and second day but it declined thereafter.

Sahoo et al analyzed the IPO scenario in India from 2002-2006. It was able to present fresh evidence on IPO performance i.e short run under pricing and long run underperformance for 92 Indian IPOs. The factors significantly affecting on listing day returns were identified as offer size, leverage at IPO date, ex ante uncertainty, issue timing etc. whereas factors like age of IPO firm, rate of subscription, promoter's group retention and price to book value impact on long run performance.

Sasi kumar et al reiterated the fact that IPOs are considered as safe investments by retail investors. His objective was to identify the fundamental risk and returns involved in investment of IPOs and the performance of IPOs of last 5 years. The period of 2004-2008 where 275 IPOs were floated of which 71 issues were studied. Short term performance was studied by examining offer to open returns, offer to high, offer to low and offer to average price which gave a clear idea of how much the IPOs gained or lost on opening day trade and intraday return on listing day. His study revealed the following results: a) first day returns are higher b) second day returns are also gainful c) upto 3 months average earnings was more than 50% d) returns declined in 5 years e) public sector IPOs have better returns than private sector IPOs.

SSS kumar attempted to investigate the short run and long run performances of book built IPOs. 156 IPOs listed on NSE were taken for sample where short run performance was calculated using the data of listing returns. The long run performance was computed using buy and hold market adjusted returns (BHAR) and monthly market adjusted returns (MMAR). His results indicated listing gains of 26.35%. The intra-day returns on the listing date showed an average of 27%. The long run performance was saddening as after two years the returns declined.

3. RESEARCH METHODOLOGY

3.1 OBJECTIVES OF THE STUDY

- a. To identify the listing gains/losses for the period January 2008 to December 2012 for the IPOs listed on NSE.
- b. To evaluate the trend of returns of IPOs for the period January 2008 to December 2012 for the IPOs listed on NSE.
- c. To understand the impact of listing returns on middle class investor sentiment.

3.2 SAMPLE

A total of 138 companies listed on National Stock Exchange (NSE) for the period January 2008 to December 2012 was taken for the study. Various price levels considered for analysis were; issue price, listing price, listing high, listing low, 52 week high and 52 week low. All the prices were obtained from the website www.moneycontrol.com. The above mentioned figures were compared to the issue price so as to calculate Simple returns like listing gains/losses and 52 week gains/losses. Thus both short term and long run simple returns were computed so as to give a fair view of gains/losses for that period.

3.3 DATA ANALYSIS AND RESULTS

The performance of Indian IPO market has been studied from January 2008 to December 2012.

3.3.1 IPOs listed on NSE (January 2008-December 2012)

APPENDIX 1: VARIOUS PRICE LEVELS AND RESPECTIVE RETURNS

Equity Name	Month	Year	Issue Price	Current Price	Listing Price	Listing day HIGH	Listing day LOW	52 WEEK LOW	52 WEEK HIGH	Offer to LISTING	Offer to LISTING HIGH	Offer to LISTING LOW	Offer to 52 week LOW	Offer to 52 week HIGH	Offer to Current Price
Titagarh Wagons	April	2008	540	386.15	540.00	734.70	540.00	275.55	484.70	0.00	36.06	0.00	-48.97	-10.24	-28.49
Sita Shree Food	April	2008	30	8.32	35.00	46.70	33.95	4.30	8.95	16.67	55.67	13.17	-85.67	-70.17	-72.27
Gammon Infra	April	2008	167	13.79	34.00	37.00	29.40	9.30	18.15	-79.64	-77.84	-82.40	-94.43	-89.13	-91.74
Nu Tek India	Aug	2008	192	0.83	97.50	108.50	96.88	0.00	1.55	-49.22	-43.49	-49.54	-100.00	-99.19	-99.57
Tulsi Extrusion	February	2008	85	8.06	90.00	131.36	90.00	6.50	13.50	5.88	54.54	5.88	-92.35	-84.12	-90.52

IRB Infra	February	2008	185	140.50	170.05	209.00	167.30	100.10	210.50	-8.08	12.97	-9.57	-45.89	13.78	-24.05
Bang Overseas	February	2008	207	17.85	250.00	269.90	168.55	13.05	23.00	20.77	30.39	-18.57	-93.70	-88.89	-91.38
Shriram EPC	February	2008	300	73.30	320.00	377.00	251.00	51.20	113.00	6.67	25.67	-16.33	-82.93	-62.33	-75.57
KNR Construct	February	2008	170	109.35	210.00	210.00	151.30	85.40	153.00	23.53	23.53	-11.00	-49.76	-10.00	-35.68
Cords Cable Ind	February	2008	135	26.55	143.00	151.00	110.20	21.05	38.95	5.93	11.85	-18.37	-84.41	-71.15	-80.33
J Kumar Infra	February	2008	110	225.25	109.00	119.00	84.20	145.00	241.70	-0.91	8.18	-23.45	31.82	119.73	104.77
Reliance Power	February	2008	450	100.40	516.53	586.65	334.79	68.50	139.40	14.78	30.37	-25.60	-84.78	-69.02	-77.69
Precision Pipes	January	2008	150	58.75	165.00	175.00	132.00	55.25	78.40	10.00	16.67	-12.00	-63.17	-47.73	-60.83
Aries Agro	January	2008	130	68.30	160.00	261.00	145.10	45.60	102.05	23.08	100.77	11.62	-64.92	-21.50	-47.46
Manaksia	January	2008	160	47.35	175.30	212.00	167.70	36.40	66.45	9.56	32.50	4.81	-77.25	-58.47	-70.41
BGR Energy	January	2008	480	263.50	840.00	922.70	840.00	172.20	378.45	75.00	92.23	75.00	-64.13	-21.16	-45.10
KSK Energy Vent	July	2008	240	60.30	210.05	234.80	176.65	33.35	81.00	-12.48	-2.17	-26.40	-86.10	-66.25	-74.88
Lotus Eye Care	July	2008	38	8.42	40.00	40.00	32.50	6.65	11.25	5.26	5.26	-14.47	-82.50	-70.39	-77.84
First Winner	July	2008	125	9.45	110.00	129.90	81.00	8.00	18.90	-12.00	3.92	-35.20	-93.60	-84.88	-92.44
Archidply Indus	July	2008	74	9.17	72.90	72.90	48.80	7.65	16.75	-1.49	-1.49	-34.05	-89.66	-77.36	-87.61
Gokul Refoils	June	2008	195	48.00	43.98	44.94	35.60	37.55	98.00	-77.45	-76.95	-81.74	-80.74	-49.74	-75.38
V-Guard Ind	March	2008	82	541.40	90.00	98.95	72.60	142.85	547.40	9.76	20.67	-11.46	74.21	567.56	560.24
Rural Elect Cor	March	2008	105	232.50	129.90	129.90	118.75	143.50	252.00	23.71	23.71	13.10	36.67	140.00	121.43
Alkali Metals	November	2008	103	26.90	90.00	179.30	90.00	21.00	46.30	-12.62	74.08	-12.62	-79.61	-55.05	-73.88
20 Microns	October	2008	55	139.30	80.00	80.00	31.60	56.00	172.40	45.45	45.45	-42.55	1.82	213.45	153.27
Adani Power	August	2009	100	63.10	108.00	110.00	98.30	36.80	96.75	8.00	10.00	-1.70	-63.20	-3.25	-36.90
Raj Oil Mills	August	2009	120	3.95	120.00	133.50	115.25	3.20	17.50	0.00	11.25	-3.96	-97.33	-85.42	-96.71
Excel Infoways	August	2009	85	25.05	86.00	110.00	86.00	10.95	31.50	1.18	29.41	1.18	-87.12	-62.94	-70.53
Cox & Kings	December	2009	330	139.75	171.60	216.95	171.60	119.05	207.30	-48.00	-34.26	-48.00	-63.92	-37.18	-57.65
Mahindra Holidia	July	2009	300	327.25	370.00	374.50	311.35	25.30	347.35	23.33	24.83	3.78	-91.57	15.78	9.08
Edserv Softsyst	March	2009	60	16.33	60.00	147.00	58.20	12.50	52.85	0.00	145.00	-3.00	-79.17	-11.92	-72.78
Astec Life	November	2009	82	31.35	83.00	90.70	83.00	21.20	36.90	1.22	10.61	1.22	-74.15	-55.00	-61.77
Den Networks	November	2009	195	190.25	195.00	199.80	149.50	46.50	206.20	0.00	2.46	-23.33	-76.15	5.74	-2.44
IndiaBPOWER	October	2009	45	13.43	44.95	45.50	35.00	8.00	20.90	-0.11	1.11	-22.22	-82.22	-53.56	-70.16
Thinksoft	October	2009	125	85.75	126.00	169.80	126.00	35.55	123.50	0.80	35.84	0.80	-71.56	-1.20	-31.40
EuroMult	October	2009	75	4.00	75.00	80.70	51.65	3.35	7.60	0.00	7.60	-31.13	-95.53	-89.87	-94.67
Pipavav Defence	October	2009	58	96.55	61.10	61.10	53.85	52.60	98.50	5.34	5.34	-7.16	-9.31	69.83	66.47
Oil India	September	2009	1050	440.60	438.40	462.68	436.00	430.45	544.40	-58.25	-55.94	-58.48	-59.00	-48.15	-58.04
Globus Spirits	September	2009	100	129.80	101.00	111.70	89.50	87.20	143.50	1.00	11.70	-10.50	-12.80	43.50	29.80
Jindal Cotex	September	2009	75	76.75	77.00	93.50	76.10	40.05	82.10	2.67	24.67	1.47	-46.60	9.47	2.33
NHPC	September	2009	36	23.45	42.00	42.00	36.65	17.15	24.50	16.67	16.67	1.81	-52.36	-31.94	-34.86
Intrasoft Tech	April	2010	145	51.00	150.00	167.40	124.00	46.65	68.40	3.45	15.45	-14.48	-67.83	-52.83	-64.83
Shree Gan Jewel	April	2010	260	120.85	250.00	250.00	161.75	65.60	132.90	-3.85	-3.85	-37.79	-74.77	-48.88	-53.52
Persisten t	April	2010	310	483.65	361.60	447.30	361.60	295.00	514.95	16.65	44.29	16.65	-4.84	66.11	56.02
Pradip Oversea	April	2010	110	29.30	115.00	122.70	102.15	26.05	124.80	4.55	11.55	-7.14	-76.32	13.45	-73.36
ILandFS Trans	April	2010	258	207.35	266.60	299.00	266.60	142.55	223.90	3.33	15.89	3.33	-44.75	-13.22	-19.63
United Bank	April	2010	66	76.85	74.90	77.00	68.00	45.60	86.90	13.48	16.67	3.03	-30.91	31.67	16.44
Man Infra	April	2010	252	152.85	318.00	375.00	318.00	90.65	228.90	26.19	48.81	26.19	-64.03	-9.17	-39.35
Texmo Pipes	April	2010	90	9.40	92.80	139.90	92.80	7.35	28.00	3.11	55.44	3.11	-91.83	-68.89	-89.56
ARSS Infra	April	2010	450	49.95	630.00	751.80	630.00	36.40	150.75	40.00	67.07	40.00	-91.91	-66.50	-88.90
Prakash Steelag	August	2010	110	145.05	122.00	200.00	117.00	114.80	194.90	10.91	81.82	6.36	4.36	77.18	31.86
Bajaj Corp	August	2010	660	221.50	152.00	163.39	149.53	96.15	243.45	-76.97	-75.24	-77.34	-85.43	-63.11	-66.44

SKS Microfin	August	2010	985	191.95	1040.00	1162.00	1040.00	54.30	198.70	5.58	17.97	5.58	-94.49	-79.83	-80.51
Punjab & Sind	December	2010	120	73.55	144.00	146.70	126.20	58.00	94.50	20.00	22.25	5.17	-51.67	-21.25	-38.71
AZZ Maintenance	December	2010	400	63.05	500.00	500.00	318.60	56.15	144.65	25.00	25.00	-20.35	-85.96	-63.84	-84.24
Hathway Cable	February	2010	240	275.15	250.00	250.00	204.50	104.00	288.90	4.17	4.17	-14.79	-56.67	20.38	14.65
Emmbi Polyrans	February	2010	45	13.00	46.00	48.30	26.65	9.40	16.55	2.22	7.33	-40.78	-79.11	-63.22	-71.11
DB Realty	February	2010	468	134.30	452.10	467.00	412.45	45.55	142.75	-3.40	-0.21	-11.87	-90.27	-69.50	-71.30
Aqua Logistics	February	2010	220	14.91	22.50	24.60	22.38	7.90	16.15	-89.77	-88.82	-89.83	-96.41	-92.66	-93.22
Thangamayil	February	2010	75	323.90	75.70	82.00	70.00	136.95	351.00	0.93	9.33	-6.67	82.60	368.00	331.87
Syncom Health	February	2010	75	19.40	89.90	107.20	85.75	9.00	22.00	19.87	42.93	14.33	-88.00	-70.67	-74.13
VasconEgg	February	2010	165	49.25	156.00	171.95	145.10	35.00	59.40	-5.45	4.21	-12.06	-78.79	-64.00	-70.15
Jubilant Food	February	2010	145	1312.10	160.00	240.90	160.00	696.40	1397.40	10.34	66.14	10.34	380.28	863.72	804.90
Infinite Comp	February	2010	165	141.05	170.00	206.00	170.00	56.20	167.00	3.03	24.85	3.03	-65.94	1.21	-14.52
MBL Infra	January	2010	180	168.50	185.00	219.40	185.00	92.50	218.00	2.78	21.89	2.78	-48.61	21.11	-6.39
DB Corp	January	2010	212	222.05	254.00	274.70	250.55	173.00	235.00	19.81	29.58	18.18	-18.40	10.85	4.74
Godrej Proper	January	2010	490	656.55	511.00	586.80	502.15	500.00	699.00	4.29	19.76	2.48	2.04	42.65	33.99
JSW Energy	January	2010	100	66.10	106.00	106.35	100.00	37.10	76.90	6.00	6.35	0.00	-62.90	-23.10	-33.90
Hindustan Media	July	2010	166	147.50	177.95	191.85	174.15	104.00	153.00	7.20	15.57	4.91	-37.35	-7.83	-11.14
Technofab Engg	July	2010	240	127.00	276.00	307.80	268.00	111.15	179.00	15.00	28.25	11.67	-53.69	-25.42	-47.08
Parabolic Drugs	July	2010	75	10.49	75.00	75.95	63.10	9.50	39.85	0.00	1.27	-15.87	-87.33	-46.87	-86.01
Jaypee Infra	May	2010	102	50.30	98.00	98.80	90.00	32.50	64.35	-3.92	-3.14	-11.76	-68.14	-36.91	-50.69
SJVN	May	2010	26	20.10	27.10	27.10	24.00	18.40	22.80	4.23	4.23	-7.69	-29.23	-12.31	-22.69
Mandhana Ind	May	2010	130	249.30	131.00	139.50	130.00	202.15	280.00	0.77	7.31	0.00	55.50	115.38	91.77
Tarapur Trans	May	2010	75	13.29	75.00	97.45	54.30	11.00	21.00	0.00	29.93	-27.60	-85.33	-72.00	-82.28
Nitesh Estates	May	2010	54	14.80	54.00	58.00	48.40	107.00	223.70	0.00	7.41	-10.37	98.15	314.26	-72.59
Talwalkar's Fitn	May	2010	128	189.25	147.95	168.90	132.00	107.00	223.70	15.59	31.95	3.13	-16.41	74.77	47.85
Gravita India	November	2010	125	166.15	40.22	50.64	40.22	69.01	204.50	-67.82	-59.49	-67.82	-44.79	63.60	32.92
Coal India	November	2010	245	356.20	291.00	344.90	291.00	289.40	386.25	18.78	40.78	18.78	18.12	57.65	45.39
BS Limited	October	2010	248	192.70	257.00	398.40	239.00	112.00	230.70	3.63	60.65	-3.63	-54.84	-6.98	-22.30
Prestige Estate	October	2010	183	161.35	190.00	208.80	188.35	57.55	171.00	3.83	14.10	2.92	-68.55	-6.56	-11.83
Gyscoal Alloys	October	2010	71	13.85	75.15	112.50	75.15	9.00	18.70	5.85	58.45	5.85	-87.32	-73.66	-80.49
Oberoi Realty	October	2010	260	286.40	271.10	299.00	271.10	204.10	325.00	4.27	15.00	4.27	-21.50	25.00	10.15
Commercial Eng	October	2010	127	100.10	119.00	142.55	106.35	98.10	98.35	-6.30	12.24	-16.26	-22.76	-22.56	-21.18
Ashoka Buildcon	October	2010	324	209.30	213.95	213.95	201.05	175.70	283.00	-33.97	-33.97	-37.95	-45.77	-12.65	-35.40
Bedmutha Ind	October	2010	102	14.25	113.50	204.00	98.00	10.75	45.50	11.27	100.00	-3.92	-89.46	-55.39	-86.03
Va Tech Wabag	October	2010	1310	507.65	600.00	722.72	600.00	285.00	559.90	-54.20	-44.83	-54.20	-78.24	-57.26	-61.25
Tecpro Systems	October	2010	355	157.65	380.00	453.80	380.00	143.00	210.00	7.04	27.83	7.04	-59.72	-40.85	-55.59
Cantabil Retail	October	2010	135	19.65	114.70	125.90	101.10	14.00	25.35	-15.04	-6.74	-25.11	-89.63	-81.22	-85.44
Electrosteel St	October	2010	11	7.19	11.15	11.85	9.35	3.70	9.15	1.36	7.73	-15.00	-66.36	-16.82	-34.64
Orient Green	October	2010	47	10.96	45.70	46.65	38.10	8.05	15.25	-2.77	-0.74	-18.94	-82.87	-67.55	-76.68
Ramky Infra	October	2010	450	96.10	471.55	471.55	351.20	86.15	256.00	4.79	4.79	-21.96	-80.86	-43.11	-78.64
Eros Intern	October	2010	175	216.80	213.35	217.70	178.60	153.00	230.95	21.91	24.40	2.06	-12.57	31.97	23.89
Career Point	October	2010	310	176.65	461.10	664.00	436.10	137.20	277.80	48.74	114.19	40.68	-55.74	-10.39	-43.02
Microsec Fin	October	2010	118	39.95	130.10	142.00	108.55	20.00	44.05	10.25	20.34	-8.01	-83.05	-62.67	-66.14
Indosolar	September	2010	29	4.56	29.50	29.50	22.60	3.35	7.90	1.72	1.72	-22.07	-88.45	-72.76	-84.28
Gujarat Pipavav	September	2010	46	49.25	56.10	58.00	52.00	44.25	64.25	21.96	26.09	13.04	-3.80	39.67	7.07
MOIL	December	2010	375	264.15	565.00	590.00	456.65	219.00	300.10	50.67	57.33	21.77	-41.60	-19.97	-29.56
RPP Infra Proj	December	2010	75	41.00	75.00	80.50	67.20	35.60	80.00	0.00	7.33	-10.40	-52.53	6.67	-45.33

Shilpi Cable	April	2011	69	19.25	78.00	84.70	45.40	8.10	25.90	13.04	22.75	-34.20	-88.26	-62.46	-72.10
Tree House Edu	August	2011	135	271.80	132.00	161.50	105.15	140.10	289.90	-2.22	19.63	-22.11	3.78	114.74	101.33
L&T Finance	August	2011	52	91.95	53.85	53.85	49.30	40.40	94.00	3.56	3.56	-5.19	-22.31	80.77	76.83
Inventure Grow	August	2011	117	13.82	29.25	56.25	22.80	13.00	84.70	-75.00	-51.92	-80.51	-88.89	-27.61	-88.19
Omkar Special	February	2011	98	120.00	92.00	101.00	42.05	52.90	132.20	-6.12	3.06	-57.09	-46.02	34.90	22.45
C Mahendra Expo	January	2011	110	82.65	114.00	121.00	110.00	71.15	175.90	3.64	10.00	0.00	-35.32	59.91	-24.86
Shekhawati Poly	January	2011	30	51.40	50.00	69.75	30.70	21.90	60.75	66.67	132.50	2.33	-27.00	102.50	71.33
Bharatiya Glob	July	2011	82	6.27	81.90	83.00	26.10	5.15	10.85	-0.12	1.22	-68.17	-93.72	-86.77	-92.35
Rushil Décor	July	2011	72	287.85	74.50	124.05	74.50	100.85	321.55	3.47	72.29	3.47	40.07	346.60	299.79
Timbor Home	June	2011	63	42.10	72.00	99.00	72.00	19.10	44.90	14.29	57.14	14.29	-69.68	-28.73	-33.17
PTC India Fin	March	2011	28	18.25	26.75	27.00	23.50	9.20	20.35	-4.46	-3.57	-16.07	-67.14	-27.32	-34.82
Lovable Lingeri	March	2011	205	372.40	240.00	278.90	240.00	278.20	479.80	17.07	36.05	17.07	35.71	134.05	81.66
Sudar Industrie	March	2011	77	158.65	80.05	117.35	80.05	43.00	177.00	3.96	52.40	3.96	-44.16	129.87	106.04
Acropetal Tech	March	2011	90	12.07	92.00	140.00	87.40	10.55	19.50	2.22	55.56	-2.89	-88.28	-78.33	-86.59
Aanjaneya a Life	May	2011	234	751.50	218.00	324.00	218.00	380.10	804.00	-6.84	38.46	-6.84	62.44	243.59	221.15
Sanghvi Forging	May	2011	85	38.25	88.00	116.80	86.50	21.00	100.80	3.53	37.41	1.76	-75.29	18.59	-55.00
Innoventive Ind	May	2011	117	126.65	111.95	114.00	86.25	72.00	135.80	-4.32	-2.56	-26.28	-38.46	16.07	8.25
Servalaks hmi	May	2011	29	4.35	29.00	48.70	17.70	3.65	6.00	0.00	67.93	-38.97	-87.41	-79.31	-85.00
Future Ventures	May	2011	10	9.97	9.00	9.65	7.90	7.80	11.40	-10.00	-3.50	-21.00	-22.00	14.00	-0.30
Paramount Print	May	2011	35	2.82	36.50	37.90	24.80	2.75	9.35	4.29	8.29	-29.14	-92.14	-73.29	-91.94
Muthoot Finance	May	2011	175	188.45	196.60	198.90	161.40	112.60	232.00	12.34	13.66	-7.77	-35.66	32.57	7.69
Indo Thai Secu	November	2011	74	11.65	76.00	98.90	18.85	9.55	15.30	2.70	33.65	-74.53	-87.09	-79.32	-84.26
M and B Switch	October	2011	186	233.75	190.00	356.00	121.05	50.40	239.00	2.15	91.40	-34.92	-72.90	28.49	25.67
Flexituff Inter	October	2011	155	230.15	155.00	185.40	142.00	183.40	384.45	0.00	19.61	-8.39	18.32	148.03	48.48
Taksheel Solut	October	2011	150	13.96	157.00	184.30	39.10	9.90	17.90	4.67	22.87	-73.93	-93.40	-88.07	-90.69
Onelife Capital	October	2011	110	825.75	115.00	173.00	114.00	183.30	850.00	4.55	57.27	3.64	66.64	672.73	650.68
PG Electroplast	September	2011	210	281.00	215.00	484.40	176.00	122.30	303.15	2.38	130.67	-16.19	-41.76	44.36	33.81
SRS	September	2011	58	48.50	68.00	68.00	31.50	27.65	51.25	17.24	17.24	-45.69	-52.33	-11.64	-16.38
TD Power System	September	2011	256	243.00	260.00	309.70	242.00	210.25	341.80	1.56	20.98	-5.47	-17.87	33.52	-5.08
Brooks Labs	September	2011	100	20.80	100.00	131.60	58.15	12.45	28.45	0.00	31.60	-41.85	-87.55	-71.55	-79.20
MT Educare	April	2012	80	126.80	86.05	90.36	86.05	75.50	137.70	7.56	12.95	7.56	-5.63	72.13	58.50
NBCC	April	2012	106	170.90	101.00	101.00	95.95	73.00	173.95	-4.72	-4.72	-9.48	-31.13	64.10	61.23
Speciality Rest	May	2012	150	174.50	175.50	175.50	170.70	44.65	183.45	17.00	17.00	13.80	-70.23	22.30	16.33
Tribhovandas	May	2012	120	264.90	115.00	119.80	110.00	88.00	300.00	-4.17	-0.17	-8.33	-26.67	150.00	120.75
Tara Jewels	December	2012	230	217.95	242.00	242.00	229.90	207.10	242.00	0.00	5.22	-0.04	-9.96	5.22	-5.24
VKS Projects	December	2012	55	174.05	55.80	56.00	53.05	45.15	182.75	1.45	1.82	-3.55	-17.91	232.27	216.45

The above table explains the great amount of interest in the IPO market. Empirical studies have found that small and young firms time their offers to use investors' optimism in their favour and get listed during the booming period. There are evidences of high under pricing and industry clustering during the hot periods, though their nature and extent have differed from country to country.

3.3.2 AVERAGE RETURNS OF IPOs

Year	Average of Offer to LISTING	Average of Offer to LISTING HIGH	Average of Offer to LISTING LOW	Average of Offer to 52 week HIGH	Average of Offer to 52 week LOW
2008	1.69	20.10	-16.07	-6.09	-60.00
2009	-2.88	15.39	-12.45	-21.01	-66.38
2010	2.43	18.29	-7.15	9.02	-43.39
2011	2.47	33.19	-22.36	51.36	-41.59
2012	2.86	5.35	-0.01	91.00	-26.92

3.3.3 STANDARD DEVIATION (IPO RETURNS)

Row Labels	S.D. of Offer to LISTING	S.D. of Offer to LISTING HIGH	S.D. of Offer to LISTING LOW	S.D. of Offer to 52 week HIGH	S.D. of Offer to 52 week LOW
2008	32.86	42.41	31.32	142.47	46.44
2009	20.80	41.44	19.08	44.86	26.15
2010	24.72	35.55	24.65	140.34	70.69
2011	19.81	39.01	27.51	155.50	48.06
2012	8.23	8.22	9.16	85.55	23.31

4. RESULTS

4.1 LISTING RETURNS

1. The above table indicates average of listing day returns (gains/losses) for the years 2008-2012. In 2008 the listing gains were **1.69%** which could be increased up to **20.10%** if the investor quit at the listing day high.
2. The **listing returns** were **negative** in 2009. This is indicative of the fact that the IPO bubble burst in 2009 with companies having weaker credentials entered the market to make hay during the hot period.
3. Year 2010 onwards an average of **2.5% listing gains**. Again it indicates the revival of positive sentiment among investors. This was also a result of constant efforts of SEBI to restore and regulate the IPO market.
4. Table 5.2.2 represents the listing day high returns. An average of **20%** could be earned by the investors if they would have invested some portion of their savings in the IPO during 2008-2010

4.2 52-WEEK RETURNS

1. A very striking feature of the IPO was that 52 week reports were negative in 2008-2010. Hence from an investor point of view (short run) listing gain is still a safe bet. If the investor kept holding on to such shares, they may have witnessed a major dip in the trading prices. Rather a drastic downfall was observed in the latest trading prices during the analysis.
2. A major uptrend was witnessed in the IPO sector from January to April 2011 as a result of reforms introduced by SEBI which were intended to regain the confidence of investors. (Appendix 2: SEBI REFORMS)

5. LIMITATIONS

1. Due to lack of information, certain IPOs were not taken into consideration.
2. IPOs listed on NSE were only taken into consideration.
3. Market adjusted returns, brokerage etc was not considered to compute average listing returns.

6. SCOPE OF THE STUDY

The study was conducted to give a fair view of listing returns to a middle class investor. The same can be extended to analyze returns across periods and sectors. A sector wise analysis would guide the investors in choosing the most productive sector for long term investments.

7. CONCLUSION

The study, "INDIAN IPO MARKET - QUO VADIS?" was aimed to study the trend of IPO market from 2008-2012. This market faced major ups and downs for a decade. The study was done with keeping middle class point of view. The literature review for the period before 2008 revealed that lot of factors influenced the investor gains included grey market dominance, lack of vision of SEBI, malpractices by operators etc. Post 2008, with the increasing awareness drives, bad experiences regarding listing gains, increase in number of educated investors and timely reforms by SEBI upped the confidence of small retail investors. Now retail investors are expected to witness growth opportunities in the IPO market and thus book fair profits if invested wisely.

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Note: All the above websites were accessed from June 2012 to December 2012.

APPENDIX

APPENDIX 2: SEBI REFORMS

The Securities & Exchange Board of India (SEBI) has taken a host of steps to protect the retail stock investors. Market analysts expect the trend to pick up in the coming weeks, as the government and SEBI have expressed their intention to revive equity culture in the country and help channelize the household income into stocks, mutual funds and insurance sectors, rather than in idle assets like gold. The same presented below are expected to bring a surge in the investor sentiment;

1. Minimum applications size for retail investors has been increases from Rs.5000-7000 to Rs. 10000-15000.
2. Every retail investor will get a minimum number of shares subject to availability, while the remaining will be allotted proportionately.
3. Retail investors will be able to open a basic demat account that will offer limited services at a reduced cost. However the value of securities in such no frill accounts must not exceed Rs. 200000.
4. Annual maintenance charges
 - Up to Rs.50000 – nil
 - Rs.50000 to 200000 – Rs.100
5. Process for applying for IPOs has become easier as an investor can now apply in electronic form through brokers. Stock exchanges too will provide forms on websites and facilitate viewing of status of IPO applicants.
6. Non retail investors will not be allowed to withdraw bids. This will give more clarity to retail investors. This move will attract only serious investors and thus oversubscription can be controlled.
7. In order to curb the abnormal market movements, the SEBI has directed the exchanges to put a circuit (upper and lower) of 5% on the listing day.

The Times of India, dated December 10, 2012 mentions about the revival of Indian IPO market due to the slew of public issues slated to come. Though BSE index shows underperformance, yet it is supposedly the right time to invest as both the government as well as the issuers are expecting good times to come. The major reasons for this uptrend would be a) SEBI reforms for investor b) fair pricing of issues c) fundamentally strong companies entering the market.

Most of the IPOs set to come in future promise listing gains but the endeavor is to convert such fly by night investors into serious ones. A classic example to be quoted would be stocks of Tribhovandas Bhimji Zaveri Group which did not lure the investors during the issue but showed a tremendous performance later on. Listing gains are a result of hype and volatility (not to forget the grey market of India). Contrary to that short run investments by investors would help them gain returns in real terms. Very important to state that the basic assumption that an Indian investor views IPO as a safe bet, considers overnight gains as more appealing. The SEBI reforms make sure that the gains are not abnormally high and interest of investors can be preserved for long run. This automatically would block companies with weak credential to enter the market. Also the wisdom of investors would reflect in the issue pricing. A wise middle class investor would make sure that his portfolio of investments reflects fundamentally strong companies raising more returns than the slow growing investments. To address the dilemma of investors both the major stock exchanges: NSE & BSE should undertake an awareness drive. This would equip the investors with the required information and keep hold of genuine investors. Also the regulator SEBI is doing its bit to prune the domination of grey market and control the operations to ensure authenticity.

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