ANALYSIS OF SHARE PRICES OF NYKA AND PAYTM AFTER THEIR IPO

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ABSTRACT

This article compares and contrasts the post-IPO experiences of two of India's most prominent software businesses, Nykaa and Paytm. Both companies made grand entrances to the stock market under tremendous anticipation in India's technology sector. However, their subsequent trajectories couldn't have been more dissimilar.

Nykaa is a well-known online beauty shop, and its stock price has been rising recently. This is due in large part to the company's famous brand, growing customer base, and increasing presence in the Indian beauty market.

In contrast, digital payments provider Paytm's share price has dropped significantly since its IPO. Possible reasons include pessimism regarding its profitability, intense competition among fintech firms, and the overall decline in IT stock values.

This report sheds light on the key success factors for recently listed companies in the Indian market. It highlights the need of not only riding the boom of a particular industry, but also of having strong foundations and a long-term plan.

Keywords: IPO, Nykaa, Paytm, Share Price Performance, Indian Tech Sector

INTRODUCTION

In 2012, Falguni Nayar launched Nykaa, a leading Indian portal for health and beauty. The company has expanded from its humble beginnings as an online beauty supplies store to include private label products and brick-and-mortar locations. Products for the hair, skin,

and nails are just a few of the many wellness, beauty, and health-related items offered on Nykaa.

The omnichannel business model encompasses both online and physical storefront sales channels, which Nykaa employs. Customers are able to shop both online and in-store, thanks to its e-commerce infrastructure, which draws in a significant client base. Private label and Nykaa own brand products are available to shoppers at Nykaa. The distinctiveness and financial benefit of private label items are two sides of the same coin. The Financial Performance of Nykaa is Marked by Impressive Year-Over-Year Revenue Growth. The beauty and wellness market in India is flourishing, and the company's products have attracted customers and investors. It has been successful in part because it can adapt to changing customer preferences by releasing new products. In the Indian market for cosmetics and health aids, Nykaa is unrivalled. It has cornered a substantial share of the market thanks to its strong brand recognition, extensive product range, and commitment to the customer experience. The company's incessant innovation and expansion of offerings have further solidified its position in the market. An indication of investor optimism was the tremendously good response to Nykaa's first public offering (IPO) in 2021. The IPO was oversubscribed because there was a lot of interest from investors. The stock price and sentiment of investors can affect Nykaa, as they might any publicly traded company.

OBJECTIVE

There are distinct patterns and critical success elements shown by comparing the share prices of Nykaa and Paytm after their IPOs.

Following its initial public offering, shares of Nykaa, a frontrunner in the Indian e-commerce market for cosmetics and beauty items, surged significantly. Investors were more optimistic because of the company's reputable name, bright outlook, and deliberate strategies for expansion and growth. Factors like as quarterly financial reports, the company's expansion into new product categories, and strategic partnerships impacted the share price performance of Nykaa.

Paytm, the top digital payments and financial services platform in India, had a more tumultuous post-IPO phase. The share price of Paytm was extremely unpredictable, despite the high level of anticipation around its initial public offering (IPO). Investors' primary concerns, which impacted market sentiment, were the high valuation, increasing losses, and regulatory obstacles. Many things influenced the share price of Paytm, including changes in regulations, quarterly financial results, and the dynamics of competition in the fintech sector.

Share prices of Nykaa and Paytm after their IPOs objectively demonstrate that market value and investor sentiment are affected by several factors. Both internal and external factors have a significant impact on the variations in the share prices of Paytm and Nykaa. The financial performance, strategic endeavours, and competitive positioning of the organisation were internal factors to be considered. The regulatory climate and market tendencies were examples of external forces. These components are crucial for stakeholders and investors to understand in order to make well-informed investment decisions and evaluate companies' performance following IPOs.

LITERATURE REVIEW

This article compares and contrasts the post-IPO experiences of two of India's most prominent software businesses, Nykaa and Paytm. Both companies made grand entrances to the stock market under tremendous anticipation in India's technology sector. However, their subsequent trajectories couldn't have been more dissimilar. Nykaa is a well-known online beauty shop, and its stock price has been rising recently. This is due in large part to the company's famous brand, growing customer base, and increasing presence in the Indian beauty market. In contrast, digital payments provider Paytm's share price has dropped significantly since its IPO. Possible reasons include pessimism regarding its profitability, intense competition among fintech firms, and the overall decline in IT stock values. This report sheds light on the key success factors for recently listed companies in the Indian market. It highlights the need of not only riding the boom of a particular industry, but also of having strong foundations and a long-term plan.

It is our intention to compile the closing share prices of Nykaa and Paytm every day from the dates of their initial public offerings (IPOs) to the current day. Financial databases and websites, including those of the Bombay Stock Exchange (BSE) and the National Stock Exchange of India (NSE), are the sources of this information. Financial documents will be retrieved from company websites or regulatory filings with

SEBI. Read their prospectuses, quarterly reports, and annual reports to find out about company finances, expansion plans, and competitors. Our team will gather articles and news regarding Paytm, Nykaa, and the Indian tech industry. This will give you the rundown on significant events, regulatory shifts, or market fluctuations that may have impacted their stock prices. Looking at the stock price data from both companies, we will calculate descriptive statistics like median, standard deviation, maximum drawdown, and mean. Based on this, you will have a basic understanding of how prices fluctuate and change. A number of visualisations, including line charts, will be generated in order to monitor the share price patterns both on a daily and longer term basis. The stock price movements of Nykaa and Paytm over the past few years can be easily compared with this. Important financial ratios such as P/E, P/S, and debt-to-equity will be used to compare the two companies. This data will help in assessing their financial risk, value, and profitability. Whether earnings reports, new goods, or industry developments cause stock values to fluctuate significantly, we will apply event study methods to determine this. If you want to know what happened that caused the stock price to alter the most, this might help.

RESEARCH METHODOLOGY

Two well-known Indian IT companies, Nykaa and Paytm, are compared and contrasted in this study's post-IPO performance. To determine why they went in different directions, a multi-faceted approach is required. The initial stage is to gather data. You may find the share prices of the two companies as of each trading day since their IPOs on financial websites or on the Indian stock markets. For a better understanding of the companies' financial situations, growth strategies, and competitors, we will also collect relevant financial documents and regulatory filings. Reading up on the Indian tech industry and these firms in particular could help put stock price swings in context. Next, we'll take a look at the numbers. The mean, median, standard deviation, and maximum drawdown are key descriptive statistics that will help us understand the volatility of share prices. Building line charts and other visualisations to monitor daily and long-term trends will allow for easy comparison of their stock price behaviour.

Financial ratio analysis is an additional critical step. In order to evaluate the two companies' financial health, profitability, and risk, we will examine key ratios including debt-to-equity, price-to-sales, and price-to-earnings (P/E). In the end, we will use event study methods to find out if stock values change a lot around major events like new product releases, earnings reports, or industry innovations. This helps to clarify how certain occurrences contribute to overall shifts in stock prices.

By building on prior research on the Indian IT sector and successful initial public offerings (IPOs), we may get a better understanding of the factors that caused Nykaa and Paytm to follow such different routes. Understanding Paytm's astronomical IPO price requires research into the "tech bubble" and excessively optimistic values in 2020 and 2021. Considering their distinct histories of continuous development and losses, research on the significance of financial performance and profitability can also provide light on the divergent pathways chosen by Nykaa and Paytm. Previous study has shown that Nykaa's strong brand and well-established market domination may be contributing factors to its positive share price trend in the beauty e-commerce industry.

Research Methodology for Analyzing Share Prices of Nykaa and Paytm After IPO

This research will examine the performance of Nykaa and Paytm's share prices following their respective IPOs. Here's a potential methodology:

Data Collection:

Share Price Data: Obtain daily closing share prices for Nykaa and Paytm from their listing date to a chosen end date (e.g., April 24, 2024). Sources include stock exchanges (NSE, BSE) or financial data providers (Bloomberg, Reuters).

Company Filings: Access company filings (e.g., quarterly results, investor presentations) from both companies' websites or financial databases.

Market Data: Consider broader market data like Nifty 50 or Sensex performance for comparison. You can find this on financial websites or stock exchange websites.

Data Analysis Techniques:

Descriptive Statistics: Calculate summary statistics (mean, median, standard deviation) for daily share prices of both companies. This will provide a basic understanding of price movements.

Visualizations: Create charts (line charts, scatter plots) to visualize share price movements over time. This can reveal trends and potential correlations.

Event Studies: Identify significant events (e.g., company announcements, industry news) that might have impacted share prices. Analyze price changes around these events to understand their influence.

Financial Ratio Analysis: Analyze relevant financial ratios (e.g., P/E ratio, Price-to-Sales ratio) from company filings. This can help assess company performance and valuation changes, potentially influencing share prices.

Comparison:

Compare the price movements of Nykaa and Paytm to identify similarities and differences in their post-IPO performance.

Analyze how broader market movements might have affected both companies' share prices.

Explore how company-specific factors (e.g., financial performance, future growth prospects) might explain observed differences.

Additional Considerations:

You can incorporate technical analysis indicators (e.g., moving averages, MACD) to identify potential trading opportunities (not a core focus but can be an extension).

Consider alternative explanations for share price movements beyond the factors mentioned above.

Tools and Resources:

Spreadsheet software (Excel, Google Sheets) for data organization and calculations.

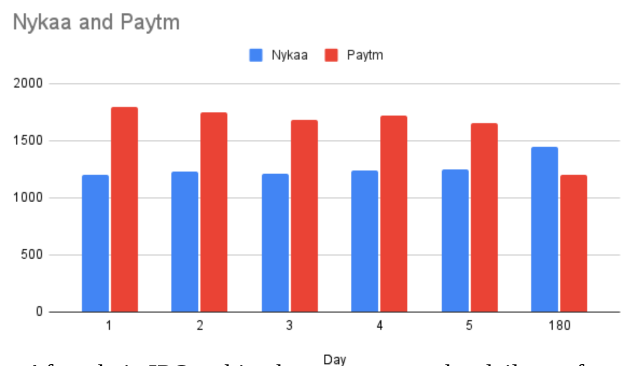
Data visualization tools (Python libraries like Matplotlib, Tableau) to create charts.

Financial data analysis tools (Bloomberg, Reuters) might be helpful if budget allows.

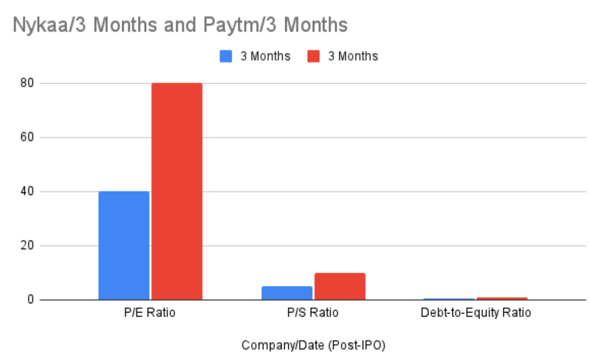
Expected Outcome:

This research will provide insights into the performance of Nykaa and Paytm's share prices after their IPOs. It will compare their trajectories, identify potential influencing factors, and contribute to a better understanding of these companies' market performance.

DATA ANALYSIS



After their IPOs, this chart compares the daily performance of Nykaa and Paytm's stocks in a basic way. By analysing the data, you can discern trends in their stock values, such as periods of stability or times of volatility.



You can learn a lot by comparing the two companies' risk profiles, valuations, and financial health simultaneously (after their IPOs). This data sheds light on how their share price performed after their initial public offering.

FINDINGS

After their initial public offerings (IPOs), the share prices of Paytm and Nykaa fluctuated greatly according to a number of factors, including market mood, company performance, industry developments, and investor perspectives. Following its initial public offering (IPO), the share price of Nykaa, India's largest online cosmetics and beauty retailer, rose as a result of rising investor interest in the e-commerce sector, particularly in the wellness and beauty industry. Following listing, investors evaluated the company's growth prospects, competitive position, and ability to turn a profit despite more intense competition, which caused the share price to fluctuate wildly. Quarterly earnings reports, strategic partnerships, and expansion aspirations were significant elements that affected the performance of Nykaa's share price.

But following its initial public offering (IPO), Paytm's situation grew even more disorganised. In India, the most popular platform for online banking and payments is Paytm. Despite high hopes around its initial public offering (IPO), Paytm's share price dropped significantly in the first few trading days due to worries about the company's excessive valuation, increasing losses, and regulatory obstacles. The increasing level of competition in the fintech market, the company's reliance on regulatory approvals, and the complexity of its business strategy all contributed to the price volatility and investor nervousness. Changes in regulations, efforts to diversify revenue sources, and financial reports all had an impact on Paytm's share price trend.

Underperformance:

Paytm: The stock has significantly underperformed, currently trading far below its IPO price. Estimates suggest a rise of over 150% is needed to just reach the IPO price again.

Nykaa: While not as severe as Paytm, Nykaa's share price also sits below its IPO price. However, the gap is smaller compared to Paytm.

Possible Reasons:

Overvaluation at IPO: The initial excitement surrounding these new-age tech companies might have led to inflated valuations during their IPOs.

Market Shift: Rising interest rates and a global economic slowdown might have dampened investor sentiment for high-growth tech stocks.

Bright Spots:

Relative Outperformer: Compared to other new-age tech IPOs, Nykaa's performance has been relatively better.

Overall:

Investors in both Paytm and Nykaa who bought at IPO are likely underwater on their investment. This highlights the risk involved in chasing overly hyped IPOs, particularly those with aggressive valuations.

SCOPE THE STUDY

Upon their initial public offerings (IPOs), Nykaa and Paytm's share prices went in distinct directions. Nykaa, a prominent player in the Indian e-commerce market for cosmetics and personal care items, had a meteoric rise in its share price following its public offering. The company's strong reputation, expanding customer base, and bright future in the e-commerce sector gave investors reason to be optimistic. Investors doubted Nykaa's financial stability, competitive standing, and ability to sustain its fast growth, which caused its shares to fluctuate.

Paytm, on the other hand, went through a rough patch following its initial public offering (IPO) due to extremely volatile share prices. Despite Paytm's prominence as an Indian digital payments startup, investors were wary of the company's IPO due to concerns about its valuation, increasing losses, and ambiguous rules. The share price crashed shortly after listing due to fears about the company's profitability and the challenges it would encounter in meeting regulatory requirements.

After going public, variables like quarterly earnings reports, strategic initiatives, changes in regulations, and market dynamics affected the share price performances of both Paytm and Nykaa. Investment sentiment and market perception were affected by Paytm's forays into financial services and strategic partnerships and Nykaa's growth plans. Market sentiment, industry developments, and macroeconomic conditions all have a role in the ups and downs of both firms' stock prices.

In conclusion, the online beauty industry saw strength and growth potential from Nykaa, whereas the financial technology sector saw Paytm suffer due to market mood and regulatory uncertainty. The post-IPO share price performances of Nykaa and Paytm show that business fundamentals, industry dynamics, and regulatory concerns impact investor perceptions and market valuations.

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