Drivers of IPO Valuation: Explaining Under-pricing and Overpricing in Indian IPOs

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1. ABSTRACT

The pricing of initial public offerings (IPOs) has been a long-debated issue in financial markets, especially in emerging economies where the level of investor participation and market sentiment may influence outcomes. In recent times, the IPO Market of Indian has seen significant growth along with strong retail investor participation along with increased listing. Do you think IPO offer prices are under-priced because of the demand-supply conditions of the market? Or do you think they reflect the true worth of the company?

The main aim of this study is to explore the price valuation drivers of IPOs in India and to investigate whether the recently listed IPOs show signs of under-pricing or overpricing during the initial days of trading. According to the research, between the years 2022 and 2025, 22 IPOs from selected sectors listed in India. Response must be 20 words. IPO performance is evaluated using listing day return, return on the tenth trading day after listing. These measures help the study distinguish the IPO performance from the market performance. Moreover, regressions will also be run to investigate the extent to which firm and issue characteristics, such as company age, issue price and issue size, explain abnormal returns.

The sample showed that most IPOs produced positive abnormal returns in the first ten days of trading. This implies some degree of under-pricing during the period under investigation. However, few IPOs were found to have negative abnormal returns indicating overpricing and the early correction of the same. The outcome of the regression indicates that the chosen firm and issue characteristics explain only limited variations in the abnormal returns. Thus, we can infer that factors like investor sentiment, demand intensity, and market expectations may be important for the IPO valuation.

According to the study, pricing of IPO in India depends not only on the structural characteristics of the issuing firms but also on demand-driven characteristics. The results are useful for investors, issuers and policymakers who are interested in gaining a better understanding of IPO valuation as well as pricing efficiency in the capital market.

2. INTRODUCTION

1.1 The Growth of IPO Valuation Issues in India's Evolving Market

The IPO market in India has experienced a radical change in the last few years. After the COVID-19 pandemic, retail investors crowded the Indian equity market as the new-age companies and the easy access to the stock trading platforms became attractive. The stock market has been democratized by platforms such as Zerodha and Groww, so that an average citizen can easily follow the IPO process. This influx of participation has greatly increased the number of IPOs, and

some of the biggest IPO listings in Indian market history, including Zomato, Paytm and Nykaa, have raised billions of dollars in 2021 alone (Shetty, 2023). With the retail investors becoming an even more significant factor, the market saw the historically large numbers of subscriptions, which tended to result in oversubscription and price explosion.

But this boom also raised a number of issues, particularly concerning the pricing of the IPOs. Most of the IPOs which had recorded high listing-day returns were soon subjected to heavy price drops in the months after their public issue. The repercussions have sparked significant discussions regarding the ineffectiveness of the pricing mechanism. Evidence from the Indian IPO market suggests that some of the listing-day excitement may leak into aftermarket mispricing with corrections. This means the initial valuation may not be sustainable once price discovery at a wider level takes place (Mulchandani, 2023). Moreover, research of Indian IPOs with large samples shows that issue related characteristics and market mechanisms can have a significant impact on early performance patterns. This adds to our concern that offer prices and initial trading prices diverge significantly from fundamental value in certain regimes. (Marisetty and Subrahmanyam, 2010) As the demand for shares increased, the issuers and underwriters could have used optimistic pricing policies which were not commensurate with the fundamentals of the companies. The difference between the price of offers and the actual market value of these IPOs has thrown up questions about overvaluation problems. We have to understand the reasons for IPO mispricing especially in the Indian case. In particular, we have to try to analyse the situation where the IPO overpricing continues beyond the listing day and we find it in the post-IPO price correction.

Indian IPO market's overvaluation was highlighted by several experts which, in turn, paved way to price a company properly based on its value, with the help of experts. To clarify, the retail-driven subscriptions and the ensuing optimism have contributed to a market ambiance that has historically seen emotional investing interfere with objective pricing mechanisms. According to research on Indian IPO grey market activity, the presage of a listing feeds into information that is useful for aftermarket outcomes. Demand-side optimism can have a major influence on the initial pricing and its subsequent correction in the aftermarket, (Krishnamurti, Thong, and Ramanna; (2011). Given that India is still an emerging hotspot for IPOs, and the foreign investors are interested in the international market dynamics, an awareness of the forces is more important. This paper will attempt to answer the key question what causes the overvaluation of IPOs in India and what can be done to systematically determine these factors so that the pricing process will become more efficient?

1.2 The IPO Overvaluation and Its Comprehension

The notion of overpricing of IPO is complex and is not an extension of the more well-researched problem of underpricing. Traditionally, IPO underpricing is the situation when the shares of the company are offered at a lower price than their actual market value, in order to create the initial interest of investors and to guarantee the success of the IPO (Ibbotson, 1975). The literature on underpricing is extensive with the information asymmetry (Rock, 1986) and market sentiment (Loughran and Ritter, 2004) being some of the explanations of the phenomenon. Nonetheless, during the recent years, the focus has been gradually moving to the problem of overvaluation. The overvaluation is the situation whereby the price of the IPO is excessively high and cannot be explained by the fundamentals of the company, market perspective, or the general state of the valuation.

A valuation of an IPO that is overvalued involves not just returns on the first listing day but returns over the longer term. Although listing pops have become fashionable as the first success case, most companies are going to be forced to adjust price soon as the market re-assesses their valuation multiples. One of the examples is that of Paytm as high-profiled IPO which saw a pop and left plunging in the market. It indicates that such cases a pop can sometimes act as a blind. In most cases, the hot IPOs are overpriced for above is not necessarily because of the performance of the company but irrational emotion of the investors and momentum trading.

 The company's post-listing performance is scrutinized. The overpriced shares face a market correction. In most cases, share prices fall when the underlying value becomes clear.

In order to develop the idea of IPO overvaluation, pricing errors mechanisms must be examined. Typically, underpricing is seen as a transitory issue. On the other hand, overpricing has long term repercussions on the investors. Most of the time, it is the retail investors who are tempted to buy shares of the company during the period of hype without knowing the outlook of the company fully or understanding its intrinsic value.   IPOs are overpriced which also indicates that there are more problems that underlie the market including inefficiencies and behavior of investors. Aimed at identifying

the specific causes of overvaluation in India, this project will also propose a framework to spot and avoid similar occurrences in IPOs in future.

1.3 IPO Mispricing Theories: Certification and Information Asymmetry.

Whichever form it takes, IPO mispricing, be it underpricing on the day of IPO listing or overvaluation to be corrected later, is usually based on the mere fact that various participants do not enter the IPO process with identical quality of information. In spite of the good disclosure standards, the issuer and its advisors usually possess greater information about the pipeline of the firm, unit economics, concentration of customers and the vulnerability of projections than can be deduced by outside investors using public documents. Current IPO studies consider this gap as a key factor that causes offer prices to fall below intrinsic value, and why this fall is greater when the company is more difficult to value or when the market is in a hot stage of high demand (Ljungqvist, 2007; Lowry, Officer, and Schwert, 2010).

One of the reasons why information asymmetry is important in practice is that IPO prices do not occur in a vacuum. Under book-built offerings, the order book is used as a disclosure mechanism by investors as to their readiness to pay, and underwriters are able to revise the offer price based on what they get to know. It has been demonstrated that order book may indeed contain economically significant information and that underwriters may make use of it, particularly, when bids are placed with limit prices and when the bidders are large or frequent (Cornelli and Goldreich, 2003). This contributes to the explanation of why the intensity of subscriptions and demand shape tend to change concurrently with the result of pricing, although it also points out the danger: when demand is sentiment-driven or based on the expectation of trading in the near future, the same information extraction mechanism may reinforce a price that seems reasonable in the book but unsustainable in the aftermarket as soon as the market realizes the price is being overvalued. That is, it is possible to have the market to be informative, and yet it becomes excessively optimistic during the exuberant times (Cornelli and Goldreich, 2003; Ljungqvist, 2007).

Explanations based on certification emphasize on the fact that plausible intermediaries can alleviate pricing mistakes by producing information on quality and reducing investor uncertainty. Underwriter reputation and auditor reputation have become the most noticeable certification mechanisms in modern IPO environments, and determine investor trust, institutional involvement and disclosure credibility. Indian IPO evidence is particularly valuable in this case since the categories and allocations of investors in the market can enable the researcher to see the reaction of various groups to reputation. As an illustration, the examination of Indian IPOs indicates that reputable underwriters are associated with distinctive patterns of investor participation and relations across types. This finding provides support for the idea that the notion of reputation is a functioning market signal and not merely a symbolic tag (Neupane, 2013). At the same time, a reputation is not necessarily a negative externality removing mispricing, for reputation signals can be consistent with market timing incentives and demand pressure in a way that does not halt optimistic pricing.

Certification in India also comes in institutional forms that can further be used to make the setting even more pertinent to your research question on overvaluation. Mandatory IPO grading was also implemented on the hope that third party evaluation will enhance pricing efficiency since it will provide investors with a better signal of quality, especially when retailing is involved. It has been indicated that the effect of grading on pricing efficiency and demand is not as large, which means that certification will be useful but not enough in cases when sentiment is strong and in cases when investors anchor on other signals, including subscription intensity and short-term listing expectations (Jacob and Agarwalla, 2015). India-specific evidence is also more recent, and its research on the relationship between auditor and underwriter reputation and IPO results also includes the patterns of underpricing in particular markets, like SME IPOs, suggesting that certification is important but not the ultimate determinant of market behavior (Arora and Singh, 2019). The post-2000 literature, taken as a whole, suggests a moderate interpretation: information frictions provide space to misprice, bookbuilding channels both information and sentiment to price, and certification mechanisms reduce uncertainty but cannot entirely prevent overvaluation when the conditions in the demand and expectations become excessively stretched (Ljungqvist, 2007; Lowry, Officer, and Schwert, 2010; Neupane, 2013; Jacob and Agarwalla, 2015; Arora and Singh, 2019).

1.4 The Indian IPO market: the Unique Dynamics

The IPO market in India has some unique characteristics that make the pricing of the IPOs a complicated affair. One of the forces is the huge retail investor involvement that has increased a lot over the last few years. Research shows the participation of retail investors in IPOs may result in an overvaluation of the IPO shares. The reasons being these investors are guided by market trends and sentiments while making an investment decision and not the fundamental strength of the company (Shetty, 2023).

The post Are IPO Become Overvalued With Each Passing Day appeared first on Trade Brains. The retail investors are not expected to be as sophisticated as the institutional investors or QIBs as unlike them, these investors usually do not do due diligence and do use financial measures to measure value. This effect is especially visible in over-subscribed IPOs, where retail investors flood the market with bids that push share prices to unreasonable levels compared to the underlying financials of the business.

Apart from retail participation, other peculiarities of the Indian IPO market are the grey market premiums (GMP). GMP denotes the price at which the IPO has been traded in grey or informal market before listing.

 The pre-listing price, otherwise referred to as GMP, is a sentiment indicator. A high GMP implies a good demand of the IPO whereas a low GMP implies low market demand (Krishnamurti et al., 2011). Despite this reality, GMP is proffered as an indicator of how a future performance will turn out. The suggestion is not a great measure of value. In fact, often overstated IPOs are comparatively connected with high GMPs as the price is driven by speculative investors taking a bet who are not guided by fundamentals. This might lead to a situation where IPOs are priced too highly in the pre-offering phase, which immediately drop in value once the stock is made public and the market has further information available.

The structure of the IPO issue also matters in India's IPO market. This refers to understanding what proportion of the public offer is an Offer for Sale vs a fresh issue. An IPO's price is often higher when it is mainly in the nature of Offer of Sale. The promoters or venture capitalists want to sell their share and get some money because they already have a share of the company. Another element to consider is how the IPO is priced based on what buyers think about a company's capabilities. The founders of the company aimed to profit so they set a price (Yadav & Yadav 2023). On the other hand, fresh issues, which involve the creation of new shares, are more conservatively priced, as they will expand the company. When the issuer's motivation for their price does not align with the market's absorption capacity, an overvaluation occurs, creating a necessity for price correction.

3. REVIEW OF LITERATURE

Narang and Pradhan (2024) attempt to investigate if anchor investor behaviour responds to issuer quality signals when financial reporting incentives are strongest in a period leading up to listing. The methodology is empirical, relying mostly on accounting based proxies of earnings management and anchor participation variables tested through regression style identification. The main insight for IPO valuation is sophisticated investors may price protect themselves in wearing due to concerns about quality, this can affect the composition of demand and confidence in pricing and of final offer price to fundamentals. The limitation for applying it straight away to "overvaluation" is that earnings management is one slice of quality, and other non financial narratives, sector hype, and market conditions can dominate valuation in hot issues.

Mrs and co. Analysis of IPOs in India: Study Done By Al. (2023) has examined the pricing of IPOs in India. The study is on whether the Indian IPOs seem overvalued. That refers to investors comparing the offer price listing outcomes 「EVERYONE」 and later traded prices. The IPO lifecycle stock return approach is predominantly descriptive and comparative. It provides an understanding of what "overvaluation" really means when it is experienced by retail investors or having to buy at offer or listing and subsequently facing drawdowns. The paper's main contribution to the topic is to treat overvaluation as an observable rather than a counterfactual. Specifically, it views overvaluation as the mismatch of pricing through investor enthusiasm and subsequent price discovery. One practical limitation is that this sort of design is sensitive to the time window and regime chosen, particularly in post pandemic or momentum phases, and so results may look quite different across IPO cohorts.

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Kumari et al. (2023) on "deliberate underpricing and aftermarket mispricing in Indian IPOs" with the purpose of testing whether the issuers under price relative to fair value on purpose and whether the listing day price reflects a mispricing apart from the intentional discount. According to their methodology which is a variant of a stochastic frontier style and uses a large sample of Indian IPOs, deviations of an IPO price from the fundamental price are interpreted as a component of the IPO pricing strategy versus a component of market mispricing. The following perfectly aligns with your overvaluation idea since it provides a structured way to say that the market overdoes fundamentals. An effective performer is someone who can marshall their resources on a sustained basis as elite performers in practice do.

Jayakumar et al. (2023) attempt to find what drives subscription intensity in a recent volatile period. Using a data set of recent IPOs, their methodology examines subscription measures and links these to signals such as grey market premium, ratings, and broker recommendations, identifying how demand formation works in practice. For your investigation, this is key because subscription intensity is – on balance – an indicator of valuation pressure and a potential overvaluation when demand is sentiment driven. Subscription models are sensitive to proxy choices and data, and some of the demand signals are correlated with one another, making a clean interpretation more complex.

Sahoo and Raj (2022) during a study on "disclosed qualitative factors and IPO underpricing in India", checked whether the narrative or qualitative disclosures in offer documents relate to the pricing outcomes. They measure disclosure, (often a content classification of a qualitative factor) and run cross sectional tests linking these measures to underpricing proxies. The results are significant for the analysis since qualitative storytelling pertaining to growth potential and risk could affect the level of aggressiveness with which one values an IPO even when the hard numbers are identical across companies. According to the authors, qualitative disclosures are difficult to score without resort to judgment. The reported correlations can, to some extent, be attributed to omitted factors such as underwriter strategy or market sentiment at the time disclosures are filed.

Kumar and Sahoo (2021) have conducted a study on "anchor investors and long run IPO performance in India", with the objective of evaluating whether anchor participation is only a pricing signal or also predicts post listing outcomes. Their empirical methodology links anchor allocations or participation intensity with aftermarket performance measures across longer horizons, usually with controls for firm and issue characteristics. The relevance to overvaluation is direct because a strong pricing signal that does not translate into long run performance can indicate sentiment driven valuation rather than fundamentals driven valuation. A limitation is that long run performance is influenced by many post IPO events and sector cycles, so isolating "IPO valuation efficiency" requires careful controls and robustness.

Ranganathan and Saraogi carried out a study on the premarket under pricing Vs. aftermarket mispricing of Indian IPOs in 2021, with a view to segregating how much of the first day return is due to intentional pricing strategy and how much to overreaction in the secondary market. The initial returns are decomposed into components; the econometric structure allows the separate identification of deliberate underpricing in the premarket and mispricing in the aftermarket. The most important contribution is conceptual; it maps closely to your theme of "overvaluation" as it treats part of the listing pop as mispricing and not merely compensation for risk. One limitation is that the results may depend on model assumptions and measurement choices, so it is important to interpret them alongside other market microstructure evidence such as subscription and grey market signalling.

Gupta and Suri (2017) conducted a study on the valuation and pricing of Indian IPOs, which aimed at investigating whether anchor participation improves pricing outcomes and the level of uncertainty in bookbuilding in India. The methodology uses a sample of bookbuilt IPOs and looks at the relationship between anchor investment and IPO outcomes like underpricing, frequently controlling for issue characteristics and market conditions. The most important finding for valuation research is that anchors can function as a certification and demand stabilisation mechanism which can lower extreme mispricing when credible. One limitation is that anchor participation itself may be endogenous; anchors may choose better issues, so causal interpretation requires careful identification beyond correlations.

Jacob and Agarwalla (2015) undertook a study on "mandatory IPO grading and pricing efficiency in India", with the aim of testing whether regulatory certification mechanisms do reduce mispricing and enhance information to investors.Their empirical strategy compares prices for graded issues and over different time periods to see if grading materially lessens underpricing and improves efficiency. The lesson is that even formal certification tools may not impose discipline given strong sentiment or when investors do not incorporate the signal. One limitation is that grading

regimes may face sample imbalance and little variation on top grades, which reduce statistical power when testing efficiency effects.

Brooks and others Kumar et al. (2014) conducted the study on "when issued trading and IPO pricing in India", with the aim of understanding whether pre listing trading contains information that predicts offer pricing and post listing valuation. When issued trading evidence from market based price discovery will be linked with pricing signals and listing outcomes. The significance of these signals is that they indicate whether the offer price is being set above the informed trading-implied valuation, which is a direct measure of overvaluation risk. A constraint is that pre market trading and turnover conditions vary across issues, so informativeness can be uneven across IPO types and regimes.

Khurshed and others The study of Shah et al. (2014) on "transparent bookbuilding and certification in IPOs" aims to evaluate how the disclosure of bookbuilding information and certification mechanisms influence the performance of IPOs. India is a critical focus of this study due to its unique design features. They use an empirical methodology that connects the results of IPOs to certification, as well as institutional bidding signals. Among the key findings in the article summary is that institutional bids serve as quality signals for retail investors, while some conventional reputation proxies seem less important, which is relevant to understanding why there can be overvaluation in hot markets. One limitation is that certification effects may be regime dependent, meaning post pandemic boom effects are likely to be different from past samples.

Mishra (2012) conducted a research on "IPO underpricing and overpricing patterns in India" with an objective of documenting pricing outcomes and identifying determinants which explain the extent to which IPOs are underpriced or overpriced at listing. The empirical methodology often relies on initial return measures and regression-based tests that use issue and firm characteristics as drivers. According to the paper, it can be useful for your research as it constitutes the fact that all IPOs are not underpriced but rather overpriced and thus disappoint the investors. As your motivation is based on the valuation gap this paper fits easily. One limitation is that the results are dependent on the sample period and market regime. Furthermore, older samples may fail to capture the current anchor framework and post-pandemic retail participation.

Krishnamurti etc. Al. (2011) carried out a study on 'grey market premiums as investor sentiment in Indian IPOs' with the objective of whether grey market activity forecasts IPO outcomes and captures sentiment ahead of listing. Their method adopts grey market indicators and links them with listing day performance and aftermarket behavior. The significance of this for your study i.e. grey market premium is a practical, India specific proxy for exuberance. Moreover, exuberance is often the channel through which offer prices and listing valuations detach from fundamentals. The downside is that data quality and its coverage can be uneven, and grey market trading is not always transparent so some measurement noise gets introduced.

Marisetty and Subrahmanyam (2010) did a study on "group affiliation and IPO performance in India", with the objective of testing if membership in a business group certifies quality or rather mis-prices through tunnelling concerns. The methodology employs a large Indian IPO sample across regulatory regimes and compares initial and longer run performance for group affiliated versus standalone firms. Adding a reference to "issuer identity" and the ownership structure of an asset can become valuation drivers by changing perceived risk, governance, and trust of investors, among other things.

influence how aggressively investors price an IPO. A limitation is that long historical samples may mix very different disclosure and market microstructure regimes, so applying magnitudes to today's market needs caution.

Loughran and Ritter Explain the Reason Why Issuers Put Up With Leaving Money on the Table. Loughran and Ritter (2002) studied why firms accept underpricing. An underpricing happens when the IPO of the company priced below what the market is really willing to pay. That underpricing reportedly costs the firms money. Their approach is informed by theory and behavioural framing, which shows that decision makers weigh gains against losses – a shift in bargaining behaviour during IPO pricing. In overvaluation research, the important thing to note is that pricing results are not just a function of fundamentals but also reflect issuer objectives with the stakeholder's trade off between proceeds and successful aftermarket performance. A limitation is that behavioral framing is difficult to measure directly, meaning empirical studies must rely on proxies for issuer incentives and market conditions.

Purnanandam and Swaminathan (2004) conducted a study 'whether IPOs are truly underpriced or actually overvalued', which seeks to value IPOs using comparable firm multiples and then compare that intrinsic valuation to the offer price. They create peer-based valuation ratios and then link those to first day returns and longer run outcomes. According to the abstract of the report, the A median IPO is highly likely to appear overvalued at the offer price. Especially when valued using various benchmarks. Moreover, "overvalued" IPOs are still likely to earn high first day returns. However, after a long run period, it will underperform. A weakness of multiple-based valuations is that they may be sensitive to both the choice of peers and the growth differential between IPOs and already established peers.

According to Derrien (2005), the study "IPO pricing under hot market sentiment" models how sentiment investors can lead to overpriced IPOs while those IPOs still produce positive initial returns. The approach involves a formal model that is combined with data and uses a setting that enables the observation of retail demand through allocation and subscriptions. A crucial takeaway for your theme is that the positive listing day performance does not discount overvaluation as sentiment may take prices above intrinsic value. One limitation is external validity: while the mechanism is general, the empirical setting is not India so you adapt the sentiment channel using Indian proxies like grey market premium and subscription data.

Ljungqvist et al. The paper "hot markets, sentiment, and IPO pricing" by Xu et.al (2006) seeks to shed light on why initial returns rise in hot periods when sentiment demand is high and short selling is constrained. Theoretical and empirical outlook seems to focus on allocation mechanisms where institutional investor plays the role of price support by controlling supply to sentiment investor. The primary contribution to valuation studies is that it links sentiment cycles to IPO pricing, thus creating an important foundation for interpreting the post pandemic IPO boom where sentiment and attention was at an unusually high level. One limitation is that converting the model into tests calls for accurate measuring of sentiment, as well as constraints in each market's institutional setting.

Zheng (2007) conducted a study on "whether IPOs are really overpriced" to re examine previous allegations of systematic overvaluation of IPOs using relative valuation techniques. The approach assesses valuation benchmarks and shows how methodological choices can invert overvaluation conclusions. As the study's name suggests, the author's key message for methodology is discipline. If you intend to deem Indian IPOs as overvalued, your construction of the valuation benchmark must be transparent and robust to peer definitions and accounting choices. One limitation of this critique oriented paper is that it is more useful for guiding measurement quality than for providing market specific institutional explanations.

Lowry et. The study "time variation in IPO initial returns" executed by Hoque et al. (2010) attempt to document and explain why initial returns on IPOs exhibit so much time variation. Their methodology utilizes evidence from time series and cross sections. It ties the variability to information asymmetry and hot market conditions. The connection to IPO overvaluation is that periods of high initial return variability coincide with valuation uncertainty, aggressive pricing, and greater room for mispricing, all of which are consistent with your post pandemic motivation. One limitation of the study is that it is not India specific. You will need to test whether similar time variation and asymmetry channels hold under Indian market microstructure and regulation.

A study on book building and strategic allocation by Cornelli and Goldreich (2001) analyses how underwriters employ investor bids and allocations to create price discovery and manage aftermarket outcomes. Analyzing detailed order book data, their methodology shows how these allocations reward informative bidding and shape pricing. This is helpful for your research as it creates a microstructure channel through which IPO valuation can deviate from fundamentals. It is especially the case when allocation strategy interacts with sentiment demand and institutional participation. One limitation is access to data: order book level evidence is seldom available in public datasets, hence a lot of studies utilize reduced form proxies like subscription categories and anchor allocation.

In 2004, Purnanandam and Swaminathan undertook the study "Are IPOs Really Underpriced or Overvalued". They sought to value IPOs using comparable firm multiples, and then to compare that intrinsic valuation to the offer price. Using peer-based valuation ratios, the company connects the first-day returns and longer run outcomes. In this way, we conduct a rigorous analysis with a difference dataset that provides further evidence. The abstract includes a key finding, namely that the median IPO can be meaningfully overvalued at the offer price depending on powerful valuation benchmarks, and that "overvalued" IPOs can still deliver high first-day returns, but also deliver poor long-run

performance. A drawback of valuations based on peer multiples is that they can be extremely vulnerable to selection of peers and growth differences between IPOs and their established peers.

4. RESEARCH METHODOLOGY

4.1 PROBLEM STATEMENT

Across the past two years, the India IPO market has observed strong participation and broadening valuations. Although many IPOs saw huge listing day gains, a large number of issues after listing saw price correction in a short time. It suggests that IPO offer prices and early market prices may not necessarily timely reflect fair value and that short-term demand conditions and expectations might push prices above and below fundamentals.

The core issue that the study seeks to address is to identify the drivers associated with IPO valuation-outcomes and whether IPOs are over-valued when their performance is assessed after adjusting for the movement of the overall market. Using a short-horizon market-adjusted approach to disentangle IPO-specific pricing effects from market effects, we classify IPO pricing outcomes as underpriced, fairly priced or overpriced.

4.2 OBJECTIVES OF THE STUDY

1.   The aim of the study is to measure IPO performance with the help of listing day return, 10th trading day return and market adjusted abnormal returns.
2.   To classify IPOs as overpriced, fairly priced or underpriced on the basis of abnormal return criteria.
3.   To observe if selected firm & issue characteristics impact the listing day & 10 day IPO performance using regression-based models.

4.3 SCOPE OF THE STUDY

The research utilizes a meticulously compiled data set of Indian IPOs for the period of 2022 – 2025. The data set comprises several important IPO characteristics such as Issue Price, Listing Price, Listing Gain/Loss, Market Capitalization at Listing, Total Issue size etc. and Age of the Company at IPO. The variables were selected because they are frequently used in IPO valuation studies to evaluate the pricing efficiency and short-term performance of the IPOs. An important aspect of our study is short-horizon performance. This uses two dates that have been defined earlier listing date and 10th trading day after listing. The closing values of the index for these periods serve as the market benchmark. Following the cleansing process, the total number of observations in the dataset was 22 IPO.

4.4 RESEARCH DESIGN

The research study is both descriptive and analytical.
The descriptive component captures the characteristics and pricing outcomes of IPOs included in the sample. It includes metrics such as listing day gain, 10th day return, market-adjusted abnormal return, and final pricing classification. The analytical component looks at the statistical relationships between measures of IPO performance and selected explanatory variables. In particular, it identifies those underlying factors that drive valuation outcomes.
The IPO issue will be the unit of analysis Early price discovery and market possibly correcting patterns; the period of study is from the listing day up to the tenth day after the listing.

4.5 SAMPLE DESIGN
4.5.1 Population and sample size

The population comprises Indian IPOs listed on recognized exchanges during the study period. The dataset provided includes a collection of IPOs employed as a sample for this research. The ultimate sample consists of 22 IPOs after screening of data.
The sample is concentrated in a chosen subset of sectors that have a close link with recent IPO valuation debates and short-horizon correction patterns. These consist of segments that are both technology-linked and financial services which see pricing happen by expectation and are market sensitive. To a great extent, the sample is dominated by

categories like FinTech, NBFC-related issues, BFSI-linked Insurance and firms, along with select technology segments like SaaS D2C platforms. Due to their perceived more stable traditional sectors, the study objective is supported given these segments typically have high valuation dispersion and fast price discovery post listing.

4.5.2 Sampling technique

The method of sampling used this study is judgmental sampling (purposive). The selection of IPOs was intentional and guided by the availability of key pricing inputs required to compute short-horizon and market-adjusted returns. The relevance of the sector mix was also significant to the research focus on valuation outcomes.

4.6 PERIOD OF THE STUDY

The years of an IPO in the dataset is from 2022 to 2025. Performance evaluation shall be undertaken for two short-horizon points – the day of listing and after the 10th trading day of listing. Day 10 means the closing price on the 10th trading day after the listing date..

4.7 DATA COLLECTION METHODS

4.7.1 Primary data

No primary data is used.

4.7.2 Secondary data

Secondary data was used for analysis in the spreadsheet. The data set contains IPO-level pricing inputs (issue price, listing price, and price closing price at close of trading on the tenth day), benchmark index closing values for similar periods, and descriptive variables such as company age, issue size, sector classification, IPO year, lead manager, and listing valuation measures.

5. VARIABLES AND CONCEPTUAL FRAMEWORK

5.1 Conceptual framework

Market adjusted short horizon framework is employed to analyse IPO valuation results. By computing abnormal returns, the technique is able to isolate IPO-related pricing effects from broad market movement. In essence, if the return from the IPO was higher than the market return over the same period, the IPO appears underpriced. If it was not, it indicates that the IPO is overpriced.

The explanatory framework treats IPO performance as being influenced by issuer maturity (company age), issue characteristics (issue price and issue size), sector valuation norms, intermediary-related effects (lead manager), and time effects captured through IPO year.

5.2 Dependent variables

The dependent variables used for valuation outcome measurement are:
• Listing day return (First Day Return)
• 10th trading day return
• Abnormal return over the 10-day window
• Pricing classification based on abnormal return sign and magnitude

The dataset contains both "First Day Return (%)" and "Listing Gain/Loss (%)", which represent the same idea. Only one of these is used in final estimation to avoid duplication.

5.3 Independent variables

The key independent variables used in the study include:
• Company Age at IPO (Years)
• Total Issue Size (₹ Cr.)
• Issue Price (₹)

• Market Capitalization at Listing (₹ Cr.)
• Sector group (categorical)
• Lead Manager group (categorical)
• IPO Year (categorical)

5.4 Control variables

To isolate the effect of the main explanatory variables, the study includes:
• IPO year controls to account for market regime differences
• Sector controls to account for sector-level valuation norms
• Lead manager grouping controls to reduce category sparsity
• Market return adjustment through abnormal return computation

5.5 HYPOTHESES OF THE STUDY

H1: The mean abnormal return of IPOs over the short horizon is significantly below zero, indicating overvaluation.
H2: Company age, issue price, and issue size significantly influence listing day and 10-day IPO performance outcomes.

5.6 TOOLS AND TECHNIQUES FOR ANALYSIS

Descriptive analysis

Descriptive statistics are used to summarize IPO-level variables and returns. Sector-wise summaries are used to observe differences in valuation outcomes across broad categories.

Abnormal return analysis and pricing classification

Abnormal returns are calculated to measure IPO performance net of market movement over the same period. IPOs are then classified based on the sign of abnormal return into overpriced, fairly priced, or underpriced categories.

Regression analysis

Regression is used to test whether firm and issue characteristics explain IPO performance outcomes. Models are estimated for listing day return and for 10th day outcomes. Sector and year controls are included depending on model stability. Robust standard errors are recommended.

5.7 OPERATIONAL DEFINITIONS AND FORMULAS

Listing Day Total Return (percent)
Explanation: Measures the percentage gain or loss of the IPO on the listing day compared to the issue price.

5.8 Formula:

Listing_Day_Return_Percent = ((Listing_Close_Price - Issue_Price) / Issue_Price) * 100

10th Trading Day Total Return (percent)
Explanation: Measures the percentage gain or loss of the IPO after 10 trading days compared to the issue price.
Formula:
Day10_Return_Percent = ((Day10_Close_Price - Issue_Price) / Issue_Price) * 100

10th Day Market Return (percent)
Explanation: Measures the market's percentage movement from listing day to the 10th trading day using benchmark index closes.
Formula:
Day10_Market_Return_Percent = ((Market_Close_Day10 - Market_Close_ListingDay) / Market_Close_ListingDay) * 100

10th Day Abnormal Return (percent)
Explanation: Measures IPO performance net of market movement; it is the IPO 10-day return minus the market return

over the same period.
Formula:
Day10_Abnormal_Return_Percent = Day10_Return_Percent - Day10_Market_Return_Percent

Abnormal Mean Return
Explanation: Measures the average abnormal return across the IPO sample to infer overall pricing tendency in the observed period.
Formula:
Abnormal_Mean_Return = Average of Day10_Abnormal_Return_Percent across all IPOs

Pricing classification rule
Explanation: Uses abnormal return sign to classify IPO pricing as underpriced, fairly priced, or overpriced.
Rule:
If Abnormal_Return_Percent > 0 then IPO is Underpriced
If Abnormal_Return_Percent is approximately 0 then IPO is Fairly priced
If Abnormal_Return_Percent < 0 then IPO is Overpriced

Regression model for listing day return
Explanation: Tests whether IPO characteristics explain listing day performance after controlling for sector and year effects.
Model (text form):
Listing_Day_Return_Percent_i = alpha + b1*Company_Age_i* + *b2*Issue_Price_i + b3*Total_Issue_Size_i* + *b4*Sector_Dummies_i + b5*LeadManager_Group_i* + *b6*Year_Dummies_i + error_i

Regression model for 10-day performance
Explanation: Tests whether IPO characteristics explain short-horizon performance and market-adjusted outcomes.
Model (text form):
Day10_Return_Percent_i or Day10_Abnormal_Return_Percent_i = alpha + b1*Company_Age_i* + *b2*Issue_Price_i + b3*Total_Issue_Size_i* + *b4*Sector_Dummies_i + b5*LeadManager_Group_i* + *b6*Year_Dummies_i + error_i

Optional log transformations
Explanation: Log transforms reduce skewness in scale variables such as issue size and market capitalization.
Formulas:
LN_Issue_Size = ln(Total_Issue_Size_₹. Cr.)
LN_Market_Cap = ln(Market_Capitalization_at_Listing_₹. Cr.)
LN_Issue_Price = ln(Issue_Price)

LIMITATIONS OF THE STUDY

The study is based on a curated dataset with a limited sample size; therefore, results should be interpreted as evidence for the sample rather than as conclusions about the entire Indian IPO market. Another limitation is that the sample is concentrated in selected sectors, mainly financial services-linked and technology-linked segments such as FinTech, NBFC-related firms, Insurance and BFSI-linked firms, and select technology categories like SaaS and D2C. This enhances relevance for valuation gap analysis within expectation-driven sectors. More traditional sectors, such as manufacturing, pharmaceuticals, FMCG and other industrial listings, cannot be generalized.

Short-horizon abnormal returns depend on the benchmark index selected and accurate alignment of trading days. Market-moving events between listing day and the 10th trading day may influence IPO performance and may not be fully captured by the available explanatory variables.

6. DATA ANALYSIS
6.1 Introduction to the analysis

The way the selected IPOs have performed in the very initial stage after the listing is examined here. We are considering two periods: the listing day and the 10th trading day after the listing. This allows us to determine not only what the market thought immediately, but also whether that reaction remained, intensified, or corrected over a short period.

To make the analysis more meaningful, we compare the IPO returns with market return for the period under study. This provides us with abnormal return, which aids in differentiating IPO-specific performance from general market movement. In view of this, each IPO is categorized as underpriced, fairly priced or overpriced.

This section is presented in two parts:

- **Table 1** focuses on abnormal return analysis and pricing classification.

- **Table 2** looks at IPO characteristics such as company age, issue size, and market capitalization, and connects them to short-term performance.

6.2 Table 1: Abnormal Return Analysis and Pricing Classification

Company Name	Listing Gain/Loss (%)	10th Day Return (%)	10th Day Market Return (%)	Abnormal Return (%)	Analysis
Honasa Consumer Ltd. IPO	4.06%	4.04%	1.48%	2.563%	Underpriced
Ixigo (Le Travenues Technology)	48.49%	70.61%	2.48%	68.13%	Underpriced
Awfis Space Solutions	13.58%	23.38%	3.71%	19.67%	Underpriced
Go Digit General Insurance	5.15%	11.01%	-1.51%	12.52%	Underpriced
MobiKwik	58.51%	116.88%	-1.88%	118.77%	Underpriced
Zinka Logistics (Blackbuck)	2.89%	27.36%	3.35%	24.01%	Underpriced
Pine Labs	9.50%	9.52%	1.18%	8.34%	Underpriced
Billionbrains Garage Ventures Ltd. IPO (Groww IPO)	14.00%	62.89%	0.03%	62.86%	Underpriced
Lenskart Solutions	-1.74%	3.84%	1.93%	1.91%	Underpriced
Urban Company	57.77%	62.50%	-2.84%	65.34%	Underpriced
Capillary Technologies	-0.88%	20.57%	-0.13%	20.70%	Underpriced
PhysicsWallah	33.03%	23.57%	1.03%	22.54%	Underpriced
LIC	-8.11%	-11.72%	2.47%	-14.20%	Overpriced
JSW Infrastructure	20.17%	41.05%	1.04%	40.01%	Underpriced
IREDA	56.25%	218.28%	4.03%	214.25%	Underpriced
Laxmi India Finance	-12.96%	-11.61%	1.34%	-12.96%	Overpriced
Tata Capital	1.23%	0.89%	2.93%	-2.04%	Overpriced
HDB Financial Services	12.84%	13.68%	-1.01%	14.69%	Underpriced
NSDL	10.00%	48.69%	1.94%	46.75%	Underpriced
Canara HSBC Life Insurance	0.00%	9.77%	0.05%	9.73%	Underpriced
Canara Robeco Asset Management Co.Ltd. IPO	5.36%	21.71%	1.14%	20.57%	Underpriced
Anand Rathi Share & Stock Brokers	4.35%	12.31%	2.17%	10.14%	Underpriced
MEAN	**15.16%**	**35.42%**	**1.13%**	**34.29%**	

Interpretation

Table 1 shows the IPO-wise values for **listing gain/loss**, **10th day return**, **10th day market return**, **abnormal return**, and the final **pricing classification**. The abnormal return is the metric of interest in this table since it tells if the IPO performed better or worse than the market over the period.

A positive abnormal return means the IPO gave a better return than the market and is treated as **underpriced**. A negative abnormal return means the IPO underperformed the market and is treated as **overpriced**.

Overall pattern in the sample

The first major takeaway is very clear. Out of the **22 IPOs**, **19 are classified as underpriced** and only **3 are classified as overpriced**. The evidence indicates that, for this sample, most of the IPOs produced returns greater than the market within the first ten days.

The early pricing of the IPO in many cases did not take account of price levels that the market was willing to pay for shortly after listing. To put it simply, the investors who got the allotment at the issue price and stayed invested for a short period made a return that was much above the market.

Mean returns and what they imply

The summary row gives a strong overall picture:

- **Mean Listing Gain/Loss = 15.16%**

- **Mean 10th Day Return = 35.42%**

- **Mean 10th Day Market Return = 1.13%**

- **Mean Abnormal Return = 34.29%**

These averages tell a strong story. On average, IPOs in the sample were already giving positive gains on listing day, but the gains became much larger by the 10th trading day. At the same time, the benchmark market moved only modestly (1.13%). As a result, the average abnormal return is very high (34.29%), which indicates strong IPO-specific outperformance in the short horizon.

This suggests that strength return pattern is attributable to more than just a rising market. On average, the IPOs did significantly better than the market during the same time.

IPOs with particularly strong abnormal returns

A few IPOs stand out because of very high abnormal returns. These cases matter as they highlight a strong re-pricing by the market of some issues post-listing..

- **IREDA** recorded the highest abnormal return at **214.25%**.
  Its listing gain was already strong at **56.25%**, but by the 10th day the return rose to **218.28%**, while the market return was only **4.03%**. That shows strong post-listing momentum and sustained investor demand.

- **MobiKwik** reported an abnormal return of **118.77%**.
  The listing gain was **58.51%**, and the 10th day return increased to **116.88%**. This means that after listing, the market kept revaluing the stock aggressively upwards.

- **Ixigo** also performed strongly, with an abnormal return of **68.13%**, showing substantial continuation after listing.

- **Urban Company** and **Billionbrains Garage Ventures (Groww)** recorded abnormal returns of **65.34%** and **62.86%**, respectively, which also indicate strong short-horizon re-pricing.

The evidence from the cases suggest that for some IPOs in the above sample, the listing day gains were just the tip of the iceberg with the market pushing the estimates even higher in the next few trading days.

IPOs classified as overpriced

Even though most IPOs were underpriced, a few IPOs were classified as overpriced based on negative abnormal return. These cases are equally important because they show that overvaluation and early correction are also part of the IPO market reality.

- **LIC** recorded an abnormal return of **-14.20%**.
  It had a negative listing gain (**-8.11%**) and became weaker by the 10th day (**-11.72%**) while the market moved positively (**2.47%**). This indicates poor short-horizon performance relative to the benchmark.

- **Laxmi India Finance** recorded an abnormal return of **-12.96%**.
  Its listing gain was already negative (**-12.96%**) and remained negative on the 10th day (**-11.61%**) even though the market was positive (**1.34%**). It indicates further short-run underperformance.

- **Tata Capital** reported a smaller negative abnormal return of **-2.04%**.
  Although it had a slightly positive listing gain (**1.23%**), its 10th day return was lower (**0.89%**) than the market return (**2.93%**), which led to an overpriced classification under the abnormal return framework.

These three cases show that positive listing day performance alone is not enough to guarantee strong market-adjusted performance over the next 10 trading days.

Listing day gains versus 10th day performance

One of the most useful insights from Table 1 is that **listing day gains and 10th day returns do not always move in the same way**.

In many IPOs, Day 10 returns are much higher than listing-day gains, which suggests continuing demand after listing. Examples include:

- **IREDA** (56.25% on listing day to 218.28% by Day 10)

- **MobiKwik** (58.51% to 116.88%)

- **NSDL** (10.00% to 48.69%)

- **JSW Infrastructure** (20.17% to 41.05%)

At the same time, some IPOs show a different pattern where Day 10 return is lower than listing-day gain, even though both remain positive:

- **Honasa Consumer** (4.06% to 4.04%)

- **PhysicsWallah** (33.03% to 23.57%)

- **Pine Labs** (9.50% to 9.52%, almost flat)

This tells us that listing day return captures only the initial market reaction. It does not fully explain whether the valuation will hold, improve, or soften in the next few days. That is why the 10th day return and abnormal return are important in this study.

Why the market comparison matters

A major strength of Table 1 is that it compares each IPO's 10th day return with the market return over the same period. This is important because an IPO can appear to perform well in absolute terms, but if the market has also moved strongly, the excess performance may not be very meaningful.

In this sample, the average market return is only **1.13%**, while the average IPO 10th day return is **35.42%**. The sizeable difference indicates that the observed gains are mostly IPO specific rather than the product of a positively skewed market environment.

From an investor perspective, this suggests that a short-horizon portfolio of these IPOs would have outperformed the market on average. From an issuer pricing perspective, it suggests that many issues may have been priced below the levels discovered by the market soon after listing.

Overall inference from Table 1

Table 1 shows a strong short-horizon tendency toward **underpricing** in the selected IPO sample. Most IPOs generated positive abnormal returns, and the average abnormal return is substantially positive. At the same time, a few IPOs show clear signs of overpricing and short-run correction. The variation in the IPO valuation across issues makes it imperative to study whether differences in company age, issue size and listing valuation can explain varying returns. The examination as described is contained in Table 2.

6.3 Table 2: IPO Characteristics and Short-Horizon Performance

Company Name	Company Age at IPO (Years)	Total Issue Size (Rs Cr)	Market Capitalization at Listing (Rs Cr)	Listing Gain/Loss (%)	10th Day Return (%)
Honasa Consumer Ltd. IPO	7 Years	1,701.44	10,847.73	4.06%	4.04%
Ixigo (Le Travenues Technology)	17 Years	740.10	5,350.31	48.49%	70.61%
Awfis Space Solutions	10 Years	598.93	3,019.67	13.58%	23.38%
Go Digit General Insurance	8 Years	2,614.65	26,231.99	5.15%	11.01%
MobiKwik	17 Years	572.00	3,435.68	58.51%	116.88%
Zinka Logistics (Blackbuck)	10 Years	1,114.72	4,957.23	2.89%	27.36%
Pine Labs	27 Years	3,900.17	27,788.29	9.50%	9.52%
Billionbrains Garage Ventures Ltd. IPO (Groww IPO)	8 Years	6,632.30	70,379.00	14.00%	62.89%
Lenskart Solutions	15 Years	7,278.02	65,628.02	-1.74%	3.84%
Urban Company	11 Years	1,900.24	7,083.41	57.77%	62.50%
Capillary Technologies	17 Years	877.50	4,535.64	-0.88%	20.57%
PhysicsWallah	5 Years	3,480.00	41,905.00	33.03%	23.57%
LIC	66 Years	20,557.23	5,51,648.24	-8.11%	-11.72%
JSW Infrastructure	17 Years	2,800.00	4,00,400.00	20.17%	41.05%
IREDA	36 Years	2,150.21	13,438.82	56.25%	218.28%
Laxmi India Finance	29 Years	254.26	718.79	-12.96%	-11.61%
Tata Capital	34 Years	15,511.87	1,40,000.00	1.23%	0.89%
HDB Financial Services	18 Years	12,500.00	70,000.00	12.84%	13.68%
NSDL	29 Years	4,010.95	18,182.00	10.00%	48.69%
Canara HSBC Life Insurance	17 Years	2,517.50	10,070.00	0.00%	9.77%
Canara Robeco Asset Management Co.Ltd. IPO	32 Years	1,326.13	6,000.00	5.36%	21.71%

Anand Rathi Share & Stock Brokers	27 Years	745.64	2,596.00	4.35%	12.31%

Interpretation

Table 2 presents key IPO characteristics such as **company age at IPO**, **total issue size**, **market capitalization at listing**, **listing gain/loss**, and **10th day return**. The purpose of this table is to provide a descriptive view of whether short-horizon IPO performance appears to vary with firm maturity and issue scale.

With the help of this table, we can understand the visible patterns and deviations in the data before moving to formal regression analysis.

Diversity in the sample

There's considerable variation among all key characteristics of the sample. There exists wide variation in age, issue size, market capitalization and returns among companies. This variation is helpful for the study because it gives enough spread in the variable to allow for meaningful examinations of valuation outcomes' possible drivers.

A broad reading of the table shows that the sample contains:

- relatively young and growth-oriented firms,

- mid-age firms with moderate issue sizes,

- and mature large-scale entities with much larger listing valuation.

This diversity strengthens the descriptive analysis because it avoids a narrow sample profile.

Company age and short-horizon IPO performance

Table 2 suggests that company age may matter in some cases, but the relationship is not simple or linear.

Younger firms with strong performance

A number of younger or relatively younger firms in the sample recorded strong short-horizon performance:

- **PhysicsWallah** (5 years) reported a strong listing gain (**33.03%**) and a strong 10th day return (**23.57%**).

- **Go Digit General Insurance** (8 years) shows positive listing and Day 10 returns.

- **Billionbrains Garage Ventures** (8 years) reported a very high 10th day return (**62.89%**).

These examples suggest that younger firms can attract strong investor interest, especially when the market has high expectations about growth and future scalability.

Older firms with mixed outcomes

At the same time, older firms show mixed results:

- **LIC** (66 years), one of the oldest firms in the sample, recorded negative performance on both listing day and Day 10.

- **IREDA** (36 years), however, delivered one of the strongest performances in the entire sample.

- **NSDL** (29 years) also reported strong gains.

- **Laxmi India Finance** (29 years) recorded negative returns.

The combination of negative and positive relation shows that company's age alone can't explains IPO performance. As time goes by, uncertainty might be reduced in a deal but the short-run valuations are also affected by issue pricing, the demand of investors, sectoral expectations and market story.

Total issue size and IPO performance

The table also shows wide variations in total issue size as issue size often has a bearing on pricing behaviour, liquidity, institutional participation and the market's ability to absorb supply.

Large issues do not always underperform, but some do

Some large IPOs in the sample show relatively modest or weak short-horizon returns:

- **LIC** (very large issue size) recorded negative listing and Day 10 returns.

- **Tata Capital** and **HDB Financial Services** have large issue sizes and show comparatively moderate performance.

However, large issue size does not automatically lead to weak performance:

- **Billionbrains Garage Ventures** has a large issue size and still reports very strong Day 10 performance.

- **JSW Infrastructure** also shows strong positive returns.

Small and mid-sized issues can also perform strongly

Several mid-sized or smaller issues in the sample also show strong results:

- **MobiKwik**

- **IREDA.**

- **Canara Robeco Asset Management Company**

- **National Securities Depository Limited**

The size of the issue may have an impact on returns, although the precise impact is not obvious from a descriptive observation. Sometimes, small problems get a lift from tight supply and strong demand. Other times, larger issues may do quite well if investor sentiments are strong and pricing is fair enough.

Because of these mixed patterns, issue size should be tested formally in regression rather than interpreted only through visual comparison.

Market capitalization at listing and valuation behavior

Market capitalization at listing is another useful variable because it reflects the scale at which the company is valued when it enters the market. Table 2 shows strong variation in this variable as well.

The descriptive evidence suggests that both high-cap and moderate-cap IPOs can perform well or poorly depending on pricing and demand conditions.

- **JSW Infrastructure** has a very large market capitalization at listing and still performs strongly.

- **LIC** also has a very large market capitalization at listing, but it underperforms.

- **MobiKwik**, **PhysicsWallah**, and **Billionbrains Garage Ventures** show strong post-listing performance at very different valuation levels.

Thus, market cap does not solely determine short-horizon success. The interaction last week between market expectations, offer price and investor response post listing is what likely matters more.

Listing day gain compared with 10th day return

This table also helps us compare immediate performance with short-horizon performance, which is one of the central themes of the study.

A broad pattern visible in Table 2 is that **many IPOs report higher 10th day returns than listing-day gains**, which indicates continuation of positive momentum after listing. Examples include:

- **IREDA**

- **MobiKwik**

- **NSDL**

- **JSW Infrastructure**

- **Canara Robeco Asset Management**

- **Urban Company**

- **Billionbrains Garage Ventures**

This continuation suggests that some IPOs were still being re-priced upward by the market after listing, rather than stabilizing immediately.

At the same time, there are also cases where Day 10 return is below listing-day gain:

- **PhysicsWallah** remains positive but declines from listing day to Day 10

- **Honasa Consumer** remains almost flat

- **Tata Capital** weakens slightly

- **LIC** remains negative and worsens further by Day 10

This contrast is important because it shows that short-horizon performance behavior differs across IPOs. Some continue gaining after listing, some stabilize, and some correct.

What Table 2 suggests about valuation drivers

Table 2 is useful because it gives early clues, but it also shows why descriptive analysis alone is not enough. For nearly every variable, there are examples that support both sides of the argument:

- younger firms that perform very well and younger firms that perform moderately,

- older firms that perform strongly and older firms that underperform,

- large issues that perform strongly and large issues that do not,

- high market cap IPOs with both positive and negative short-horizon outcomes.

Consequently, IPO valuation outcomes are both specific to and different from company characteristic or controlling shareholder characteristic. The descriptive evidence supports a multi-factor view of IPO performance which is precisely why it is necessary to apply regression analysis in study's next step.

Overall inference from Table 2

The statistical analysis below is built on descriptive data in Table 2. The sample exhibits substantial variation with respect to company age, issue size, listing valuation, and also across short-horizon returns and is a sufficiently varied one. It may be concluded by the above table that,

1. **Listing-day gain alone is not sufficient to judge short-horizon IPO performance**, because many IPOs either strengthen further or correct within 10 trading days.

2. **No single variable appears to explain returns consistently through visual inspection**, which justifies the use of regression analysis to test whether any firm or issue characteristics have statistically significant effects.

6.4 Table 3: Regression analysis

Summary Output						
Regression Statistics						
Multiple R Square	0.462					
R Square	0.213					
Standard Error	48.64					
Observation	22					
ANOVA	df	SS	MS	F	Sig. F	
Regression	3	11544.6	3848.19	1.626	0.218	
Residual	18	42598.7	2366.59			
Total	21	54143.2				
	Coef	Std. Err.	T.Stat.	P. Val.	Lower 95%	Upper 95%
Intercept	45.379	20.687	2.194	0.042	1.916	88.841
Age of Company	1.175	0.975	1.205	0.244	-0.874	3.224
Size of IPO	-0.002	0.003	-0.928	0.366	-0.008	0.003
Issue Price	-0.78	0.023	-1.451	0.164	-0.19	0.035

Regression uses equation to predict value of one variable(dependent) based on other variables(independent)

Dependent Variable - Abnormal Returns

Independent Variables- Issue Size, Issue Price, Company Age

Multiple R Square- This is the Correlation

R Square- The Accuracy score which denotes why prices move

Std. Error- Error on an average

ANOVA- Analysis of Variance

Residual- Leftover Error(factors we did not measured)

df- Degree of freedom

SS- Sum of squares

MS- Mean Square

F- F Statistics(Strength Test)

Sig. F- Probability that results happened purely by luck

Intercept- Baseline Return, it represents the expected Abnormal Return of an IPO when all other factors are constant(zero)

Coef.- It tells if we change one variable by 1 unit by how much will the return change and in which direction(positive or negative)

Analysis

R Square- This indicates that chosen variables i.e. Age, Size, Issue Price represent only 21.3% of the IPO abnormal returns, rest other factors constitute the leftover %

Standard Error- This is 48.64%, which means that the Indian Market is very volatile and predictions are not so precise.

Sig. F- This tells that there is 21.8% probability that these results are just coincidence and happened by luck only

Intercept- Coefficient of 43.379 represents the expected returns when all other factors are zero(constant) with a P-Value of 0.042, this is a statistically significant result ($p<0.05$) which means that on an average IPO jumps 45% just by entering the market, regardless of how old or expensive it is.

Age of company- This shows that for every additional year of company age, the return increases by 1.175% (positive relation)

Size of IPO- A negative value(-0.002) means that there is an inverse relationship between Size of IPO and Abnormal Returns

Issue Price- A negative value of (-0.78) signifies that for every Rupee 1 increase in issue price, the listing gain drops by 0.78%, therefore, inverse relationship

7. DISCUSSION

Making sense of the generalizing pattern on pricing in the sample. These findings indicate that the short-horizon pattern of the chosen IPOs is very evident. Much of the IPOs made positive abnormal returns during the initial 10 trading days. This is in effect to imply that the returns of investors that were allotted at the issue price and held them through 10 trading days would generally be meaningfully greater than those of the rest of the market over the same period. This helps to confirm the opinion that IPO offer prices during this period were normally low compared to the price that the market was ready to pay soon after listing. Meanwhile, the sample is not homogeneous. On a few occasions, the IPOs produced negative abnormal returns, that is, it did not perform well as compared to the market within the same 10 days. These instances indicate that overpricing and early remedy in IPO market have not disappeared yet, even during a generally good cycle. Thus, the IPO medium-term market cannot be said to be consistent or consistently efficient or inefficient. Rather, it indicates a combination of high demand-based reprisals and problem-specific adjustments.

The real meaning of the market benchmark comparison

One of the strengths of the analysis is that market movement has been explicitly adjusted. The IPO returns are relatively huge compared to the benchmark index return during the same period of 10 days. This is important as it allows establishing the fact that the short-horizon outperforming is not merely caused by a mass market run. Instead, the IPOs per se provided excess performance in comparison to the market, which reinforces the meaning that the pricing results were IPO-specific. The implication of this finding also has a significant implication on how underpricing is perceived. It is not only on list day that underpricing occurs. Positive movement of prices occurs on most occasions after listing and therefore would indicate that early demand and valuation discovery are not overnight as it is experienced over a few days. It is also a pointer that the return on the immediate listing day might not essentially evoke the re-evaluation of the stock by the market which occurs when trading liquidity is fostered and the extent of participation by income takers occurs. Plain meaning of regression output. Regression model was established to investigate the ability of abnormal returns to be explained by three easily available and observable IPO related attributes which were company age, IPO size, and IPO price. The results indicate that the joint explicatory power of these variables on variation in abnormal returns is only a small percentage. The value of R Sq. means that the variables chosen explain approximately one-fifth of the abnormal variation in returns which means that most of the variations are in other factors. This is not an insignificant outcome since it suggests that it does not primarily depend on these basic characteristics to motivate such abnormal return behaviour. The results of IPO pricing in actual markets are frequently determined by the intensity of demand, investor enthusiasm, marketing effort, category-based tales and market microstructure problems which could not be entirely transparent based on the age, scale or cost of issue.

The high value of the standard error is evidence of the same interpretation. A large residual dispersion measures show that IPO results are not smooth and strongly depend on the unobservable and unpredictable drivers. This is in line with the aspect of the IPO markets, where short-horizon trading is prone to the flow of news, dynamics of attention, liquidity and behaviour by investors. Sign meaning and meaning of signs of the coefficients. Although limited in the explanatory power, the direction of coefficients provide valuable intuition. The abnormal returns of company age are positively related in the sample, indicating that old-firm performance in the market may be more heavily adjusted to the short-horizon. The explanation could be that the older firms offer more operating history, revenue visibility and familiarity to investors and this may decrease the uncertainty. The uncertainty will be reduced and will result in more stable demand and increased post-listing of valuation. But since the general structure is not very substantial, this should be considered as a pointers trend as opposed to a conclusion causal one. There is a negative correlation between issue size and the abnormal returns. This is understandable as taking in the supply effect. The more shares enter the market through larger issues, the more it dilutes short-boring price performance as the market requires to take-up a greater amount of equity. Bigger IPOs are also more priced nearer to fair value since they are scrutinized by institutional shareholders more often, preventing short-term abnormal returns.

On the other hand, minor problems may mobilize better when there is high demand compared to supply. The price of an issue is also negatively related to ab normal returns. One reason is they may reduce affordability of some groups of investors and also portray greater aggressive prices at the time of the offer, so there is less upside revaluation to be made. The less priced issues will, on the other hand, be able to encourage wider participation and be more prone to early-trading demand driven re-ratings. The reason why most of the IPOs appear undervalued when few are overvalued. The 22 IPOs obtained under the first 10 trading days are classified under the logic of abnormal returns with 19 IPOs being underscored. It indicates that the market environment in terms of the short horizon was conducive to IPO performance in the sample period and a large number of the sample had a beneficial result of high post listing demand. Nevertheless, the overpriced cases prove that, the IPO market also corrects very fast when the issue is under-demanded or expectations become invalid. The negative abnormal returns imply that the market re-priced these matters worse than the expectation provided by the offer. The importance of such cases lies in the fact that they trigger in us the sense that not all underpricing tendencies are alike and that IPOs may continue to be underpriced or overpriced.

Implication of the findings on the IPO valuation efficiency.

Regarding the valuation-efficiency point of view, the evidence indicates that the IPO offer in the sample period was biased towards conservative pricing. This may be because the issuers and intermediaries would want to have positive listing results, create trust in investors, and not have negative experiences in listings. It can also attest to the market forces as the demand was high in most of the sampled segments. Simultaneously, the low explanatory capacity of the regression suggests that the pricing efficiency cannot be wholly elucidated with reference to such simple factors as age, size, and issue price. The influence of IPO valuation seems to be influenced by more luxurious elements, which are investor demand structure, subscriptions, anchor involvement, sector narrative strength and sentiment proxies. These would tend to have a greater explanation of the variation in abnormal returns than the variables in this model.

Getting back to the field of interest.

The sample is only clustered in financial-services related and technology related clusters. This is important since these segments are frequently being judged on forecasts of a future rise and market share which could enhance the short-run re-pricing. This is probably one of the causes of high abnormal returns in most IPOs. This also implies that the findings might also vary in more conservative industries where the cash flows are more stable and the valuation stories are not sentiment oriented.

8. CONCLUSION

Overview of what the study was supposed to do.

The research sought to determine the important predictors of IPO valuation returns and overpricing of India-specific IPOs that take place between 2022 and 2025. Listing-day return, 10 th trading day return, market return over the same horizon and market-adjusted abnormal returns were used to analyse 22 IPOs. Besides, regression analysis was used to determine whether company age, issue size, and issue price were significant predictors of abnormal returns.

Key findings

The most obvious outcome is the classification of an abnormal return. Twenty-two of twenty-two IPOs have positive abnormal returns on the first ten days of trading indicating that they did better than the market average within the same time. The sample means that the abnormal returns are 34.29 percent and this implies good performance of short horizon IPOs. Such high performance cannot be attributed to strong market phase. The average value of the benchmark index was only 1.13 percent within the same window. This implies that the returns were more on the IPO-specific than on the market-oriented returns. Results of the regression experiments indicate that the independent variables chosen can describe at best 21.3 percent of abnormal returns variation. This suggests that the other factors that are not in the model account to most of the variation. The indicator of coefficients indicates that there are positive and negative relationships between company age and abnormal returns and negative relationship between abnormal returns and issue size and issue price. The intercept value is significant, which shows that, as on average, IPOs have a strong positive abnormal return even with the variables of the studied firms and issues held constant. This is an indication of the behavior of generating a baseline jump in valuation commonly associated with early trading of IPOs which can be attributed to demand effects in the short-run as well as the type of pricing strategies used with IPOs during the period of observation.

IPO overvaluation conclusion of the sample under observation.

The selected IPOs in this period, as based on the results of the abnormal returns, do not show mostly overvaluation in the short term. Rather, the data indicate that, in the case of the sample, which consisted of the sectors, IPOs were typically overvalued to give upside to investors in the initial trading, which can also be explained by results in short-horizon underpricing. Yet, the fact that there are IPOs with negative abnormal returns means that overpricing and early correction does exist even today and that IPO pricing results are not consistent. Thus, as can be seen, there are underpricing and overpricing cases present in the market, but underpricing is more prevalent in this sample.

Practical implications The findings have implications on investors that in some IPO cycles short-horizon IPO strategies may be superior to using the market but not all issues. To measure short-horizonpricing, it is necessary to examine not only the listing-day gain but also to measure the performance markets to adjust it. To the issuers and the intermediaries, the findings indicate that pricing strategies are conservative at some periods where money might be left on the table. In case issuers are interested in the maximum proceeds, an in-depth study of the demand indicators and assessment standards can be necessary. Investors are however also prone to reputational risk as well as action risk when the pricing becomes aggressive as seen in the overpriced cases. To regulators and market institutions, the results remind of the transparency and decent disclosure on the mechanisms of demand and allocation, as simple variables such as age and issue size are only able to determine a limited portion of the variation in mispricing. By enhancing the information environment, markets can be able to get fair valuation in a shorter period and minimize the chances of overpricing/underpricing in either direction.

Constraints and scope

The research is founded on a select sample of 22 IPOs, and it is sector-focused, limiting the possibilities of generalisation. Event-driven news and market microstructure conditions can also be sensitive to short-horizon returns. The research in the future can enhance explanatory power by using more nuanced variables that include intensity of subscription by investor profile, inability of anchor investors to participate, premium on grey markets, extensive financial ratios and valuation multiples comparison to peer firms. Increasing the holding window to extend more than 10 days will assist in disaggregating the effect of short-term demand patterns and longer-run valuation adjustment as well.

9. REFRENCES

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