International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 06 Issue: 07 | July - 2022 Impact Factor: 7.185 ISSN: 2582-3930

PERFORMANCE ANALYSIS OF SELECTED IPOs OF PHARMACEUTICAL SECTOR

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INTRODUCTION

Initial public offering (IPO) is the process through which a private firm or company can become public by selling its stocks to general public. They are often issued by a new, young company seeking capital to expand or may be a well-established corporation which decides to be listed on stock market and therefore becomes public.

During the process of issuing an IPO, An underwriting business may assist an issuer in determining what type of securities to issue (common or preferred), the optimal offering price, and the best time to bring it to market. In India, IPOs are conducted using a variety of strategies, including the book-building approach, the fixed-price method, or a combination of the two. The Issuer of the IPO appoints a merchant banker as a book runner. The firm making the Initial Public Offering (IPO) determines the quantity of shares it will issue as well as the price range in which the shares will trade.

IPOs provides liquidity to the investments of entrepreneurs, so a strong IPO market can assist grow new companies by stimulating the flow of pre-IPO investments. An IPO attracts new investors to a company, allowing it to access future growth capital. Going public minimizes the costs of raising future capital by boosting the flow of information from the investment community.

ADVANTAGES OF IPOs

1. **Access to capital to fund growth**
One of the evident benefits of an IPO is that it raises funds. Public placement of shares on a stock exchange helps the firm to raise funds for fund both organic growth (execution of capital-intensive activities, upgradation and modernization of manufacturing plants, etc) and acquisitive expansion. If debt financing and retained earnings are inadequate, an IPO becomes one of the most cost- effective and feasible strategy to guarantee the sustained growth of the company. It gives the corporation with an access to a strong, consistent pool of cash and strengthens investor's credibility.

2. **Creation of liquidity**
The creation of a public market for the company's shares at a reasonable price offers liquidity and allows the shares to be sold quickly with minimal transaction costs. Once exchanged, the shares have a market value and may be resold. This is particularly beneficial since the corporation offers stock incentive packages to its employees, and investors have the option of exchanging their shares for a fee.

3. **Maximum value of the company**
An initial public offering (IPO) is the offer of a company to a significant number of institutional and individual investors to become its shareholders. The huge number of large investors and their trust in the liquidity of their investment in a public entity promise present owners of a private firm that the business will be valued at the highest feasible level at the time of the IPO or afterwards.

4. **Enhancing public profile of the company**
As a result of its listing on a well-known stock exchange, the company's visibility and awareness of its products and services will grow, which often leads to favorable media coverage. The operations of the corporation will be reflected in the reports of professional financial analysts. A public profile like this helps to boost the share's liquidity as well as the quantity of business contacts. It also contributes to the company's business partners' trust.

DISADVANTAGES OF IPOs

1**. Potential Loss of Control**
One of the most significant drawback of an IPO is that founders may lose control of their company. While there are ways to guarantee that the business's founders retain the bulk of decision-making authority, once a company becomes public, the leadership must satisfy the public with their decisions, even if other shareholders do not have voting power. Going public entails getting significant funds from public shareholders and because shareholders have invested so much in the firm, they want it to operate in their best interests, even if that means heading in a path that the founders don't like.

2. **Huge cost involved**
Offering public shares is not cheap. Underwriters' commissions, accounting and legal fees, advertising costs, and registration fees, etc are the general cost involved in IPO issue process. Even after getting listed on a stock

exchanges, In order to comply with the obligations that arise as a result of the listing, the company will have to invest a large amount of money. Audits, for example, must be undertaken every quarter; financials must be reported every quarter; management assessments must be included with the financials; and so on. All of these activities need the corporation hiring professionals and paying them on a regular basis.

3. **Loss of Privacy**

When it comes to conducting business, privacy may be a valuable asset. The more information a firm releases about itself, the more information competitors may learn about its inner workings and strategies. When a company becomes public, it is required to provide financial information on a regular basis. These financial consequences may be reverse engineered to get an accurate estimate of a company's operational strategy. As a result, becoming public might cost a company its competitive edge, especially if the company's competitive advantage is based on keeping certain facts hidden from shareholders.

LITERATURE REVIEW

1. Singh (2012) conducted research to examine investor perceptions of first public offerings (IPOs). The study shows that when investing in an IPO, investors assess a number of significant aspects, including the company's image, size, prior IPO performance, current pricing, and market environment. It has been determined that the majority of investors invest based on growth and profit, whereas those in the lowest investment group invest based on growth.

2. Alok Pande and R. Vaidyanathan (2007), the author has examined the pricing of IPOs on the NSE. The researchers aim to know experimentally the underpricing of initial public offerings on the first day by looking at the demand produced by the IPO among investors, the time it took for the shares to be listed on the stock market, and the money spent by the firm on promoting the IPO. The researchers are also trying to figure out whether there are any developing tendencies in the Indian IPO market. In addition, the study looks for a month in the post-IPO returns. The study's main results were that the initial public offering's demand and the IPO's delayed listing had a strong beneficial influence on the first day of price. On the first day, the money spent on IPO advertising had no significant impact on price. The investigation also discovered that the IPO's performance after one month has been poor.

3. Srinivas and Rao (2017) investigated the elements that influence retail individual investors' IPO investing decisions. Capital appreciation and investment safety are the driving drivers of the investment, according to the report. Investors are also being enticed to participate in IPOs by higher yearly returns. The majority of responders are investing their money for a relatively short time (less than three months). They buy shares in the main market through an initial public offering (IPO) and then sell them in the secondary market for a bigger profit. Long-term investments lower risk and enhance return, thus investors should make long-term investments.

4. Bagga, Khurana, and Singh (2012), According to the authors, most of the equities in IPOs from January 2001 to August 2011 made listing gains, but most of the firms underperformed the market in the long

run. When it comes to investing in an initial public offering (IPO), the researchers recommended the following three tactics to the investors. The first method is for investors to sell all of their shares on the day of the listing, resulting in listing gains in most circumstances. The second method is for investors to book a portion of their profit on the day of the IPO and keep the remaining shares for a long time. This will aid in the reduction of danger. The third method is for investors to keep their shares for more than five years. If they intend to invest for a long time, they should make sure the firm is essentially sound.

5. Ganesamoorthy, L., and Shankar, H. (2013) focused on the success of Indian firms' Initial Public Offerings (IPOs) based on IPO size. The researchers looked at 219 Indian initial public offers (IPOs) that took place between 2001 and 2010. The research employed the standard event study approach, with an event window set for 75 days after the stock's first public offering. The market-adjusted return was calculated by subtracting market returns from the actual return of shares to exclude market factors. The researchers split the IPOs into three categories based on their size: small, medium, and large. Large-size IPOs beat small and medium-size IPOs, according to research. According to the study, small-cap IPOs were also found to be overpriced when compared to medium and large-cap IPOs.

6. Reddy K S (2015) looked at the underpricing of initial public offerings (IPOs) launched by Indian companies from 2007 to 2009. The paper was driven by the idea that well-developed capital markets are a result of a country's economic progress and a reflection of its financial system. The study's main conclusion was that post-listing IPOs offer a decent return in the short term. However, in the long run, the returns continue to decline and eventually become negative. The best IPO returns were seen in the first week after the first public offering

OBJECTIVES OF THE STUDY

The objectives of the study are:

- To assess the short-term success of Indian initial public offerings.
- To assess the return of IPOs after six months of listing

RESEARCH METHODOLOGY

RESEARCH DESIGN

The performance of the IPOs is examined using a descriptive research approach. Different criteria, such as issue size, lot size, and subscription extent, were used to evaluate the project. The returns of the stock IPO and the return of the NIFTY 50 have been compared.

DATA COLLECTION

The research is entirely based on secondary information. The information was gathered from the NSE's website and utilized in the study. The Red herring prospectus was also meticulously examined in order to determine what the IPOs in the Pharmaceuticals industry will be about. Data tabulation aided research, and charts were created in response, allowing investors to compare IPO results.

1. GLENMARK LIFE SCIENCES

Glenmark Life Sciences, founded in 2011, is a major producer of Active Pharmaceutical Ingredients (APIs). APIs for cardiovascular disease (CVD), central nervous system disease (CNS), pain management, diabetes, gastrointestinal diseases, anti-infective, and other therapeutic fields are developed, manufactured, and supplied by the firm. It also provides services to specialty pharmaceutical firms through Contract Development and Manufacturing Operations (CDMO).
Its products are sold in India and also exported to Europe, North America, Latin America, Japan, and other nations. It now operates four production plants in Gujarat (Ankleshwar and Dahej) and Maharashtra (Mohol and Kurkumbh), with a total annual installed capacity of 725.8 KL as of December 31, 2020.

Objects of the Issue:

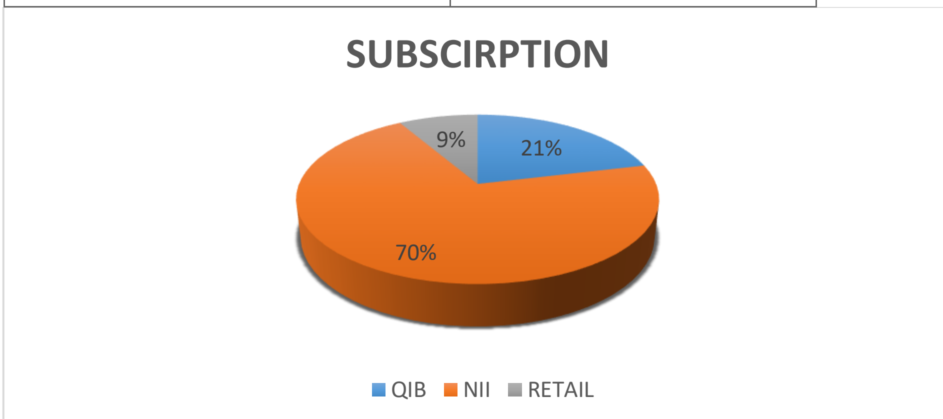
- To pay the promoter the outstanding acquisition money for the API business that the promoter spun off into the corporation.
- To meet the needs for capital expenditures.
- To address the needs of the company as a whole.

Extent of Subscription

The first public offering of Glenmark Life Sciences had a robust response from investors, with the offer being subscribed 44.17 times between July 27 and 29, 2021. The 1.5 crore shares sale attracted bids for 66.33 crore shares, bringing the total amount raised to Rs 47,759.33 crore. The reserved component for non-institutional investors was subscribed 122.54 times, the qualifying institutional purchasers was subscribed 36.97 times, and the retail section was subscribed 14.63 times.

Application Wise IPO Subscription (Retail): 10.74 times

Category	Subscription (times)
QIB	36.97
NII	122.54
Retail	14.63
Total	44.17



Date of Listing: August 6, 2021

Listing Day Trading Information

Particulars	BSE	NSE
IPO Price	₹720.00	₹720.00
Open	₹751.10	₹750.00
Low	₹737.35	₹738.00
High	₹799.95	₹799.00
Last Trade	₹748.20	₹748.50

2. GLAND PHARMA LTD.

Gland Pharma Ltd, situated in Hyderabad, is one of the fastest-growing generic injectable firms in the world. It produces a wide variety of high-quality complicated injectable. Sterile injectable, oncology, and ophthalmic, as well as complex injectable (peptides, suspensions, hormonal products, long-acting injectable), NCE-1s, and First-to-File goods, are among the company's offerings.

The firm sells its products in over 60 countries, including the United States, Canada, Australia, India, and Europe. Some of the important customers are Sagent Pharmaceuticals, Apotex Inc. Athnex Pharmaceutical Division, LLC, Fresenius Kabi USA, LLC, and others. In India, it has seven reliable manufacturing facilities, including four final formulations facilities, 22 production lines, and three APIs.

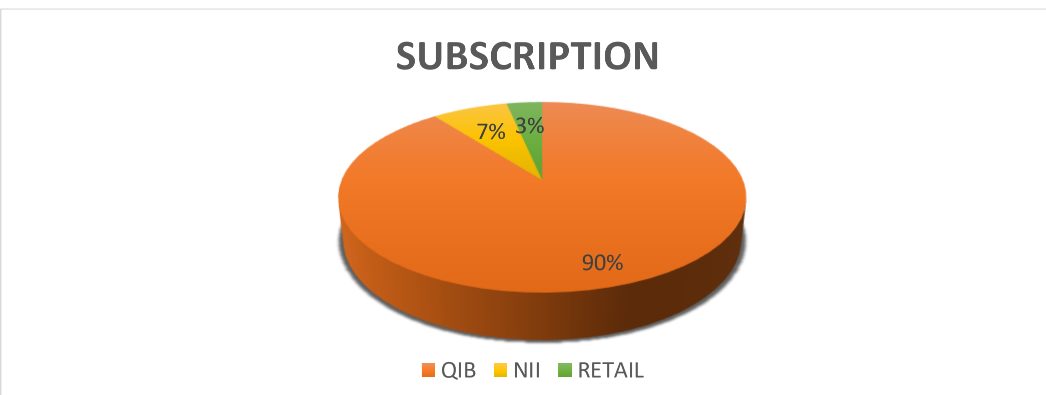
Objects of the issue:

- Funding working capital requirements
- Meet financing needs for capital expenditures
- Meet General corporate expenses.

Extent of Subscription:

On November 11, 2021, the Gland Pharma IPO was 2.06 times subscribed. In the retail category, the public issue was subscribed 0.24 times, 6.40 times in the QIB category, and 0.51 times in the NII category.

Category	Subscription (times)
QIB	6.40
NII	0.51
Retail	0.24
Total	2.06



Date of Listing: November 20, 2020

Listing Day Trading Information

Particulars	BSE	NSE
IPO Price	₹1,500.00	₹1,500.00
Open	₹1,701.00	₹1,710.00
Low	₹1,701.00	₹1,700.00
High	₹1,850.00	₹1,850.00
Last Trade	₹1,820.45	₹1,819.55

Returns of IPOs after 6 month of Listing

Company	Date of Listing	Face Value	Price after 6 months	Returns on IPO (%) after 6 months
Glenmark Life Sciences	**August 6, 2021**	**₹2**	**₹ 568**	**-24.380%**
Gland Pharma Ltd.	**November 20, 2020**	**₹1**	**₹ 3011**	**80.893%**

Fig: Graph showing returns of Gland Pharma and Glenmark IPOs along with that of NIFTY

INTERPRETATION AND CONCLUSION

We conclude from the above table that Glenmark Life-Sciences IPO had an opening price of Rs. 750 at NSE i.e. at 11% premium which is Rs.83 premium. Glenmark intended to use the issue for the outstanding purchase consideration of the business requirements and to fund the capital requirements of the business.
As we see, the price after 6 months is Rs. 568 i.e. Rs. 182 less than the price on listing date. We infer that the returns of the IPO have been negative. The return is -24.38% after 6 months for the Glenmark Life Sciences whereas Gland Pharma has a positive return of 80.89% after 6 months and was trading at Rs. 3011 after 6 months from the listing date. Gland Pharma was listed at Rs.1710 i.e. 14% premium on its issue price of Rs. 1500.

IPOs are a great way for investors who are willing to take risks to earn great profit. IPOs are volatile. While some IPOs are listed at a premium, others might get listed at a discount and so they are highly speculative. As seen above, both the IPOs were listed at premium however one saw positive returns after 6 months while the other saw negative return after 6 months. IPOs are a game of probability and the opening price depends on various factors. An investor should thoroughly go through the finances of the company and depending on the interests of the investor invest money in IPOs for long term investment.

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