

Performance Evaluation of Initial Public Offering Share Prices of Healthcare Companies Listed in NSE

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Abstract

This study aims to evaluate the share price performance of Initial Public Offerings (IPOs) of healthcare companies listed in National Stock Exchange (NSE). The study focuses on analysing the initial returns, market behaviour, and key determinants influencing IPO share price performance. The analysis is based on secondary data collected from NSE. For data analysis, descriptive statistics, T-test, and correlation analysis are employed to examine the relationship between IPO returns and various factors, including financial metrics, investor demand, and market conditions. The study reveals that IPOs in the healthcare sector exhibit varying levels of listing gains, indicating mixed short-term performance. The findings highlight that selected financial, demand-side, and market-based factors have a significant impact on the initial share price performance of healthcare IPOs. The study contributes to understanding how sector-specific IPOs behave in the Indian capital market and provides insights for investors, issuers, and policymakers regarding short-term IPO performance dynamics.

Keywords: **Initial Public Offering (IPO), IPO returns, IPO influencing factors**

Introduction

An Initial Public Offering (IPO) refers to the process through which a company offers its securities to the public for the first time in the primary market. It represents a crucial stage in an enterprise's growth, as it enables the company to raise long-term or indefinite-maturity capital from a broad base of investors. The capital market consists of two inseparable segments primary market, where new securities are issued, and the secondary market, where existing securities are traded. A well-functioning secondary market provides liquidity and confidence to investors, thereby supporting the growth of the primary market and facilitating capital formation. In the primary market, companies may raise capital through initial public offerings, rights issues, or private placements. Among these, an IPO serves as a major source of funds that allows businesses to expand their operations, improve credibility, and gain wider public recognition. A vibrant IPO market is often viewed as an indicator of economic strength, reflecting investor confidence and a healthy capital market environment.

Review of Literature

Madan (2003)¹ analyzed 1,597 IPOs issued between 1989 and 1995 on the BSE. The study found that 79.4% of IPOs gave positive returns on the listing day, while 20.6% showed negative returns. This indicates strong short-term performance in the pre- and post-liberalization period. The findings highlight high investor optimism during this phase. Overall, the study shows that IPOs generally performed well upon listing.

Ghosh (2005)² examined IPOs from 24 public and private sector banks in India. The study found no significant difference in stock return performance between the two groups. Profitability and efficiency improved after listing, indicating post-IPO growth. Risk-adjusted and market returns showed consistent patterns across banks. Overall, the results suggest that bank IPOs positively influence operational performance.

Chauhan (2011)³ studied IPOs issued between 2003 and 2010 to identify factors affecting performance. The analysis showed that financial strength, industry type, IPO size, and pricing strongly influence outcomes. Regression results

confirmed these as significant determinants. The study offers clear insights into how company characteristics affect IPO success. It provides guidance for issuers and investors in the Indian IPO market.

Khanna (2012)⁴ analyzed the effect of a stock market crisis on IPO underpricing. The study used variables like firm age, issue size, market value, subscription rate, shares offered, and pricing mechanism. Results showed that these factors significantly influence IPO pricing during crisis periods. The research highlights how market disruptions alter investor demand. It emphasizes the importance of external conditions in determining IPO performance.

Ramesh et al. (2015)⁵ evaluated 150 IPOs issued between 2007 and 2011. The study found consistent overpricing in the Indian primary market. Overpricing was more common in the long run than in the short run. This indicates weak long-term IPO performance compared to initial gains. The findings suggest that investors may face lower returns over extended periods.

Dhume (2015)⁶ examined the short-term price performance of 150 IPOs listed on NSE. The analysis covered listing-day returns and performance up to six months. The study found strong evidence of overpricing in the market. Short-term returns often declined after initial listing performance. The results imply that IPOs may not sustain their early momentum over time.

Statement of the problem

The year 2024 witnessed a rise in IPO activity, especially in the healthcare sector, but their short-term performance varied greatly. Some IPOs delivered strong listing gains, while others failed to maintain their issue price, creating uncertainty for investors. Although factors like financial metrics, investor demand, and market conditions are often considered, their actual influence on first-day IPO share price performance remains unclear. Therefore, the problem lies in understanding what truly drives the short-term price performance of healthcare IPOs and whether investors can expect meaningful returns on the first day of trading. This lack of clarity makes it difficult for investors to assess risks accurately. Hence, the study aims to identify the key determinants that influence short-term IPO share price performance in the healthcare sector.

Objectives of the Study

- To evaluate the short-term performance of IPO share prices from the date of issuance to their first trading day post-listing on the stock exchange.
- To analyze the first trading day returns and ascertain whether investors make a profit by the end of the day.
- To assess the relationship between various factors, such as financial metrics, investor demand, and market conditions, with the overall performance of IPO share prices.

Hypotheses of the Study

H⁰¹: There is no significant difference between the Initial Return of IPO companies on the first trading day from the NIFTY 50 benchmark Return

H⁰²: There is no relationship between IPO Initial Return and Financial Metrics

H⁰³: There is no relationship between IPO Initial Return and Investor demand

H⁰⁴: There is no relationship between IPO Initial Return and Market conditions

Methodology of the Study

Source of Data

The study is based on secondary data, which includes information gathered from various published sources, such as academic journals, statistical databases, and websites such as NSE, Chittorgarh, Money Control, etc.

Method of Sampling

The study analyzes all healthcare sector IPOs listed on the NSE in 2024. Since every IPO from this sector during the year is included, the census method is used for data collection. A total of nine healthcare companies were listed, and all nine were selected to ensure a complete and comprehensive evaluation.

Tools Used

For the analysis of data, tools like Descriptive statistics, Returns calculation: Initial Return (IR), Market Return (MR), Market Adjusted Abnormal Return (MAAR), T-test, and Correlation are used.

Period of Study

The study involves a period of one year, from January 2024 to December 2024.

Analysis and Interpretation

Objective 1 - To evaluate the short-term performance of IPO share prices, from the date of issuance to their first trading day post-listing on the stock exchange.

Table 1 - Calculation of Initial Return, Market Return, and Market Adjusted Return of IPO Share Price of Healthcare Companies listed in the National Stock Exchange

Initial Return = (First Day Closing Price–Issue Price) / Issue Price×100

Market Return = (Market Index on Listing Date–Market Index on Issue Date) / Market Index on Issue Date×100

Market Adjusted Return – Initial Return – Market Return

Name of the IPO Companies	Initial Return (%)	Market Return (%)	Market Adjusted Return (%)
Medi Assist Healthcare Service Lmt	11.065	-1.526	12.590
Entero Healthcare Solutions	-8.621	1.350	-9.971
GPT Healthcare	7.903	-0.663	8.566
Indegene	26.305	-2.365	28.671
Emcure Pharma	34.836	0.692	34.144
Akums Drugs and Pharmaceuticals	17.268	-2.615	19.883
Suraksha Diagnostic	-5.385	3.353	-8.739
Sai Life Sciences	39.281	-1.310	40.591
Senores Pharmaceuticals	42.468	-0.684	43.152
Mean (Average)	18.347	-0.419	18.765
Standard Deviation (SD)	18.738	1.915	19.784
Coefficient of Variation (%)	102.136	-457.58	105.43

Source: Compiled and computed using MS Excel

Table 1 shows that most IPOs generated strong positive initial returns, indicating high investor demand and positive sentiment, even though the overall market recorded a slightly negative average return. Companies such as Senores Pharmaceuticals, Sai Life Sciences, Emcure Pharma, Indegene, and Medi Assist performed exceptionally well, delivering high market-adjusted returns, while a few IPOs like Entero Healthcare Solutions and Suraksha Diagnostic underperformed, reflecting weak investor confidence. The high average market-adjusted return suggests that, on the

whole, healthcare IPOs outperformed the broader market during the listing period. However, the large standard deviation and high coefficient of variation indicate considerable variation in performance across companies, showing that IPO outcomes were not uniform and were influenced by factors such as pricing strategy, company fundamentals, investor sentiment, and prevailing market conditions.

OBJECTIVE 2 - To analyze the first trading day returns and ascertain whether investors make a profit by the end of the day.

Table 2- First Day Return and NIFTY 50 Benchmark Return of IPO Share Price of Healthcare Companies listed in the National Stock Exchange

First Day Return (%) = (First Day Closing Price–Issue Price)/Issue Price×100

Nifty 50 Return (%) = (Nifty Closing Index–Nifty Opening Index)/Nifty Opening Index×100

Name of the IPO Companies	First Day Return (%)	Nifty 50 Return (%)
Medi Assist Healthcare Service Lmt	11.065	-2.201
Entero Healthcare Solutions	-8.621	0.093
GPT Healthcare	7.903	0.217
Indegene	26.305	0.345
Emcure Pharma	34.836	-0.554
Akums Drugs and Pharmaceuticals	17.268	-0.816
Suraksha Diagnostic	-5.385	-0.209
Sai Life Sciences	39.281	-0.408
Senores Pharmaceuticals	42.468	-0.639

Source: Compiled and computed using MS Excel

Table 2 compares the first-day returns of healthcare sector IPOs with the NIFTY 50 benchmark returns on the same days. It reveals that most IPOs significantly outperformed the NIFTY 50 index, which mostly recorded negative or marginally positive returns.

Test of the difference between the First Day Return and the NIFTY 50 return

H_0 : There is no significant difference between the Initial Return of IPO companies on the first trading day from the NIFTY 50 benchmark Return

TABLE 3 - Independent Sample T test for Initial Return of IPO Companies on the First Trading Day from the NIFTY 50 Benchmark Return

T Test: Two-Sample Assuming Unequal Variances	First Day Return	NIFTY 50 Return
Mean (%)	18.347	-0.463
Variance (%)	351.129	0.584

Observations	9	9
df	8.026	
P(T<=t) Value	0.008	

Source: Compiled and computed using MS Excel

Table 3 shows the Independent Sample T-test. It highlights that the average first-day return of IPOs (18.35%) is significantly higher than the NIFTY 50 return (-0.46%) on the same day. The p-value of 0.008, which is below 0.05, confirms a statistically significant difference between the two returns. Therefore, the null hypothesis is rejected, indicating that IPOs outperform the broader market on their listing day, offering investors higher short-term gains.

OBJECTIVE: 3 To assess the relationship between various factors, such as financial metrics, investor demand, and market conditions, with the overall performance of IPO share prices.

H₀: There is no significant relationship between IPO initial returns and Financial Metrics.

Table 4- Correlation Matrix of IPO Initial Return and Financial Metrics (Company-Specific and IPO Specific Factors)

Correlations								
	Issue Size (In Cr)	Lot Size	Offer Price	Promoter Holding (%)	EPS Before IPO (Rs)	ROE (%)	P/E Ratio	IPO Return (%)
Issue Size (In Cr)	1							
Lot Size	-.585	1						
Offer Price	.420	-.810**	1					
Promoter Holding (%)	-.237	-.248	.491	1				
EPS Before IPO (Rs)	.076	-.174	.137	.290	1			
ROE (%)	-.449	.648	-.723*	-.236	.495	1		
P/E Ratio	.284	.132	-.392	-.549	-.011	.312	1	
IPO Return (%)	.376	-.080	-.178	-.120	.499	.414	.231	1
**. Correlation is significant at the 0.01 level (2-tailed).								
*. Correlation is significant at the 0.05 level (2-tailed).								

Source: Compiled and computed using SPSS

Table 4 shows that none of the financial metrics such as issue size, lot size, offer price, promoter holding, EPS before IPO, ROE, or P/E ratio have a statistically significant relationship with IPO initial returns. Although EPS before IPO and ROE show moderate positive correlations, these are not significant and may be due to chance. Significant correlations are observed only among other variables, not with IPO returns. Therefore, the null hypothesis is accepted, indicating that the selected financial metrics do not meaningfully influence IPO return performance.

H₀: There is no significant relationship between IPO Initial Return and Investor demand.

Table 5 - Correlation Matrix of IPO Initial Return and Investor Demand (Subscription and Trading Activity)

Correlations						
	Subscription (Retail X)	Subscription (QIB X)	Subscription (NII X)	GMP Before Listing	GMP (%) Before Listing	IPO Return (%)
Subscription (Retail X)	1					
Subscription (QIB X)	.218	1				
Subscription (NII X)	.847**	.697*	1			
GMP Before Listing	.489	.898**	.825**	1		
GMP (%) Before Listing	.673*	.705*	.874**	.897**	1	
IPO Return (%)	.521	.620	.689*	.737*	.674*	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Compiled and computed using SPSS

Table 5 shows that IPO returns have a strong and significant positive relationship with NII subscription, QIB subscription, and Grey Market Premium (both value and percentage). This means higher investor demand and stronger grey market activity before listing lead to higher IPO returns. Retail subscription also shows a positive, though weaker, association. Overall, the results indicate that investor demand significantly influences IPO performance, leading to rejection of the null hypothesis.

H₀: There is no significant relationship between IPO Initial Return and Market conditions.

Table 6 - Correlation Matrix of Initial Return and Market Conditions (External Factors)

Correlations					
	Nifty % Change (Listing Day)	Sector Index (% Change)	VIX % Change on Listing Day	Inflation Rate (%) (Latest Before IPO)	IPO Return (%)
Nifty % Change (Listing Day)	1				
Sector Index (% Change)	-.034	1			
VIX % Change on Listing Day	-.160	.840**	1		
Inflation Rate (%) (Latest Before IPO)	-.174	.386	.461	1	
IPO Return (%)	-.115	.427	.316	.032	1
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Compiled and computed using SPSS

Table 6 shows that IPO returns are not significantly related to any of the market condition variables, including Nifty change, Sector Index change, VIX movement, or inflation rate. Although the sector index shows a moderate positive correlation, it is not statistically significant. Overall, market conditions did not meaningfully influence IPO performance in the healthcare sector. Therefore, the null hypothesis is accepted, confirming no significant relationship between IPO initial returns and market conditions.

Findings

- The healthcare IPOs showed mixed first-day performance, with both strong gains and notable losses.
- The average initial return of 18.35% indicates that most IPOs delivered strong listing gains.
- High volatility in returns (SD = 18.73%) shows that first-day outcomes were highly unpredictable.
- Some IPOs generated exceptional returns due to strong investor confidence, while negative returns were linked to overpricing or weak interest.
- IPOs significantly outperformed the NIFTY 50, which recorded a negative return during the same period.
- A p-value of 0.008 confirms that IPO returns are statistically higher than market returns.
- Investor demand had the strongest influence on IPO returns, especially NII subscription ($r = 0.689$).
- Grey Market Premium (GMP), both value and percentage, showed a strong, significant positive correlation with IPO returns.
- QIB and retail subscription levels also showed positive correlations, indicating overall investor interest impacts listing gains.
- Financial metrics such as EPS and ROE showed moderate positive correlations but were not statistically significant.
- Market conditions like Nifty change, sector index movement, VIX, and inflation showed no significant effect on IPO returns.

- Overall, investor enthusiasm and grey market activity played a major role, while financial factors and market conditions had minimal influence on first-day IPO performance.

Suggestions

- To Investors
 - Investors should define their investment objectives whether for short-term listing gains or long-term capital appreciation. This clarity helps in evaluating the IPO based on relevant parameters such as company growth prospects or first-day return potential.
 - Instead of relying solely on first-day gains, investors should assess long-term fundamentals before investing in an IPO.
 - Understanding which sectors perform well in IPOs, investors should analyze sectoral trends before making investment decisions
- To Companies Going Public
 - Companies should avoid excessive underpricing or overpricing, as both can negatively impact post-listing performance.
 - Improving profitability, revenue stability, and debt levels before the IPO can increase investor confidence.
- To Analysts and Researchers
 - Future researchers can enhance the depth of analysis by increasing the number of IPOs studied across multiple sectors. Additionally, extending the study period beyond the initial trading day can offer deeper insights into long-term IPO share price performance and market behavior.

Conclusion

This study found that healthcare IPOs in 2024 showed mixed short-term performance, with many delivering strong first-day returns and outperforming the NIFTY 50. Investor demand especially subscription levels and grey market activity had a significant impact on IPO returns, while financial metrics and market conditions showed little influence. Overall, the results highlight that short-term IPO share price performance is driven mainly by investor sentiment, listing-day demand, and sector-specific expectations rather than company fundamentals. These insights help investors and analysts better understand IPO behavior in the healthcare sector.

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