A STUDY ON IPOs PERFORMANCE IN INDIAN CAPITAL MARKET

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ABSTRACT

In this paper an attempt has been made to evaluate the post issue performance of IPOs in Indian capital market. Capital market constitutes the channel through which the capital resources generated in the society and made available for economic development of the nation. An initial public offering occurs when a company first sells common shares to investors in the public. Generally, the company offers primarily shares this way, although sometimes secondary shares are also sold as IPO's. Going public means a company is switching from private ownership to public ownership. Going public raises cash and provides many benefits for a company. A company that is planning an IPO appoints lead managers to help it decide on an appropriate price at which the shares should be issued. Historically, IPOs both globally and in the US have been underpriced. The effect of initial under pricing an IPO is to generate additional interest in the stock when it first becomes publicly traded. This can lead to significant gains for investors who have been allocated shares of the IPO at the offering price. However, under pricing an IPO results in "money left on the table" i.e. lost capital that could have been raised for the company had the stock been offered at a higher price. The danger of overpricing is also an important consideration. If a stock is offered to the public at a higher price than the market will pay, the underwriters may have trouble meeting their commitments to sell shares.

KEY WORDS: Initial Public Offer, Book Building, Financial Market, Issue price, List price, SEBI,