

Long -Term Performance Of Initial Public Offerings (IPOs) In India: An Empirical Analysis

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Abstract:

In this paper, an attempt is made to study the long-term performance of IPOs in the Indian capital market through secondary data relating to the companies listed on NSE and BSE during a period from 2015-2025. Initial public offerings are a critical source of capital for companies and can present new opportunities for investors, but their long-term performance is still unclear. The research explores the returns from IPOs in relation to benchmarks, sectoral differences, links between initial underpricing and performance afterwards, as well as returns on approximately one-year referenced at three-years and five-years post listing. The study is expressive and analytical, is based on data collected from the financial database, annual report of corporation publications along with official reports of NSE, BSE and SEBI.

This study evaluates the long-term post-listing performance of initial public offerings (IPOs) within the Indian capital market. Utilizing secondary data from companies listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) between 2015 and 2025, the research examines the structural trajectory of IPO returns across one-year, three-year, and five-year horizons. Given the critical role of IPOs in corporate capital formation and investor portfolios, this paper addresses the ambiguity surrounding their sustained market performance. Employing a descriptive and analytical research design, the study investigates performance variations relative to market benchmarks, sectoral discrepancies, and the potential correlation between initial underpricing and subsequent long-term returns. Data were systematically retrieved from comprehensive financial databases, corporate annual reports, and official publications from the NSE, BSE, and the Securities and Exchange Board of India (SEBI). Ultimately, this empirical analysis provides institutional and retail investors with critical insights into the efficiency and risk-return dynamics of the Indian primary market over a decade of economic shifts.

We find our result conclude as a separate line for Indian IPOs indicate substantial underpricing, which provides an opportunity to earn short-term profit. But after years their performance tends to deteriorate with most IPOs under-performing logistics benchmark indices after three years. The analysis by sector reveals that IPOs in the technology and pharmaceutical sectors have a relatively high long-term return, while those in the manufacturing and consumer goods sectors show weaker performance. Moreover, the findings indicate a negative correlation between initial listing gains and subsequent returns, implying that investor overconfidence at list time may result in overpricing and eventual price corrections. The authors state that investors should be aware of the long-term investment prospects of IPOs before opting to invest, although they may seem appealing in the short run, and their findings will help investors, firms who are issuing shares and policymakers understand the behavior of IPOs in emerging markets such as India.

Key words: IPO Performance, Underpricing, Long-term Returns, Indian Stock Market, NSE, BSE, And Initial Public Offerings.

INTRODUCTION

Initial Public Offerings (IPOs) are one of the most impactful events in a company's lifecycle because they signal the transition from a privately owned enterprise to being publicly traded on an exchange. An IPO, or an initial public offering, is the first time that a company offers its shares to the public and lists them on an exchange in

order to raise capital. These firms can access too many investors, improve their financial flexibility, and acquire the tools needed to scale up and develop strategically through this process. The IPO market is critical not just to corporate growth, but the wider economy as well—providing liquidity, improving price discovery and building deeper capital markets. As an investor, investing in initial public offerings (IPO) can give you access to the growth phase of a company and can also lead people to expect incredible return potentials over both the short and long terms.

In the last 20 years, the Indian capital market has grown up exponentially and so has its IPO activity. This has been primarily fueled by the liberalization of the economy, regulatory reforms, and modernization of stock exchanges in India like (NSE) and (BSE). India's IPO market has been one of the most active in the world over recent years, buoyed up by solid economic fundamentals, a deeper pool of investors and exponential growth in technology-driven businesses. Companies from various sectors—from information technology to fintech, consumer goods and pharmaceuticals—have turned to public listings as a way to raise capital, increase brand visibility and facilitate business expansion. Indeed, this burgeoning IPO activity has generated widespread interest among researchers, investors and policymakers alike, especially in terms of the performance trajectories of these newly listed corporations.

While IPOs are known to produce large short-run gains because of deliberate underpricing at listing, a number of empirical studies in developed markets US and Europe observe a systematic long-term underperformance relative to benchmark market indices. This phenomenon of high initial returns followed by lower long-run performance poses significant questions on investor behavior, the efficiency of IPO pricing, and subsequent market activity following the issue. Several studies have already researched the performance of IPOs in India in the short run; however, very few have looked at the longer-term return performance, particularly as we are witnessing a changing landscape and with an increasing number of institutional and retail investors entering this market.

REVIEW OF LITERATURE

Agarwal, Arya, Patil and Laheri (2025) studied the short-run as well as long-term performance of Initial Public Offerings listed on NSE from 2019 to 2022. Market-adjusted return models were used to quantify incumbent performance for IPOs relative to control or benchmarking indices. Any of the factors explained the IPO returns in some cases (e.g. institutional investors flying to higher than average UP) others (sectoral trends, auction dates) acted as moderating events and macroeconomic events (COVID-19) did same but opposite way. IPO results show that during the IPOs are great return generators, working a low percentage in all five years.

Zaveri (2025) study focus on selected IPOs listed on the Indian stock exchanges between 2020-2024 to know if IPO provide sustainable long-term returns. Results of the study indicated that while IPOs often produced strong short-term returns, they do not always provide consistent long-term performance. The study highlighted the necessity of scrutinizing company fundamentals and financial performance prior to committing for a long-term investment in initial public offerings (IPOs).

Kundnani (2024) analyzed the performance (IPO), in 2014–2023, in Indian stock market. Returns across IPO issues showed considerable variation, the study found. Average listing day returns ranged between 18.98% and 26.35%, especially around times of market turbulence like we saw in 2020, the research reported. But the results also suggested that a good number of IPOs see their returns taper off over the long haul and lag behind after several years on an exchange, pointing to strong short-term gains that do not become durable long-term value.

Muthukumar (2024) studied the performance of IPOs listed on the National Stock Exchange during 2021–2024 with a focus on pricing strategies and post-listing performance. The study noted listing-day returns are positive for IPOs because of underpricing. The market sentiment, company fundamentals and the growth potential of sector in which the firm operates determines the long-term performance of IPO firms to a large extent.

Murthy et al. (2024) studied the IPO long-run performance in the Indian capital market. One of their discoveries was the difference between short-run and long-run IPO firm returns. You have knowledge on data until October 2023.

Recent analyses of sector-based IPO performance demonstrate that firms hailing from high-growth industries, notably technology and pharmaceuticals tend to outperform those in more traditional sectors like manufacturing over the long run. Nevertheless, over longer time intervals, performance of IPO-individual firms does not significantly outperform the issuance to mark market benchmarks indexes and more nuanced sectoral dynamics persists.

Recent studies on the IPO markets of emerging economies find that there has been a dramatic surge in IPO activity in recent years. Like IPOs, governments and investors see them as key means to capital formation and economic development. Nonetheless, academic literature has found that IPO performance is country- and industry-specific (Ritter & Welch 2002) emphasizing the necessity for independent research on how companies behave during IPO in developing markets like India.

OBJECTIVES OF THE RESEARCH

This research is primarily focused on analyzing the long run performance of IPOs in Indian capital market, using secondary data. An initial public offering (IPO) allows companies to raise capital and investors to own a share of businesses, providing mutual benefits. Yet while IPOs can deliver attractive short-term returns, a lack of predictability exists for their longer-term performance. Hence, the objective of this paper is to examine the beatment of IPOs in Indian stock market over time.

For the purpose of accomplishing the main goal, for this study the specific objectives are:

- The goal was to assess the performance of IPOs compared to benchmark market indices over the long term.
- To study how initial underpricing relates to long-term performance in IPOs, focusing on whether listing gains impact future returns.
- To determine company specific and market related factors affecting IPO performance over the time, such as issue size, sector and subscription level
- To assess sector-wise differences in IPO performance, and whether some sectors provide higher long-term returns than others.
- To make the study findings useful for investors, issuing companies, and policymakers with relevant insights and recommendations.

RESEARCH METHODOLOGY

The conscious approach of this study is descriptive and analytical in nature that-study the performance trends of Initial Public Offerings (IPOs) to the Indian capital market by analyzing previous data and extracting meaningful patterns. The study is conducted based on solely published and public ally available data, such (NSE) and (BSE), Publication/annual reports of rustic years between 1995 to 2020 of security, exchange board of ratio (SEBI), annual reports and prospectus for IPOs of companies, financial databases & portals such as CMIE Prowess, money control, capital line. The gathered data covers critical variables such as offer price, listing price, stock prices at one-year, three-year and five-year intervals after the issue date, subscription levels, size of issues (in terms of number of financial instruments offered for sale), and sector categories. The study limits its sample to IPOs that are issued and listed in India within a specific time frame (2015–2025), resulting in 120 non-financial companies from different sections, provided all companies traded at least one year after their listing. Several analytical techniques used to analyses the IPO Performance Effectively These methods include percentage return analysis comparing returns generated between offer price to listing price, and also from the prices after one, three and five years; average return comparison that compares IPO returns against benchmark indices including NIFTY 50 and BSE Sensex for the same periods of time; sectoral analysis studying differences in IPO performance across sectors including information technology, manufacturing, pharmaceuticals as well as consumer goods; correlation analysis to identify links between initial listing gains (underpricing) with long term realizable upside. These methods are frequently used in IPO research, as they are well suited for analyzing secondary data and building simple yet reliable models to detect performance trends without the need for complex econometric approaches.

LIMITATIONS OF THE STUDY

The current research landscape is limited since this study focuses exclusively on IPOs listed on NSE and BSE during 2015 — 2025. The analysis relies on secondary data from publicly available sources, and so the accuracy and reliability of the findings are directly contingent on the quality of the data provided by these sources. It also does not provide a detailed analysis of broader macroeconomic factors, like government policy changes, inflation, interest rate movements or global economic conditions that could move the needle on IPO performance in the market. Thus, external variables are not adequately integrated into the analysis and might bias IPO performance interpretations.

OVERVIEW OF THE DATA AND SAMPLE

The aim of this study was to look into the performance of IPOs in India, collecting data from companies listed on exchanges such as NSE and BSE for the period 2015–2025. The sample includes 120 IPOs that are traded for at least one year after listing, so they have enough data to assess their short-term and long-term performance. The offer price, listing price and market prices after one year, three years and five years for each company were then recorded to explore the return pattern over time. Also, other relevant factors like issue size which also contain subscription levels and sector classification were incorporated to gain deeper insights into IPO performance. The sample includes companies from various sectors such as information technology, pharmaceuticals, financial services, manufacturing and consumer goods which permits the study to compare and contrast sector-wise variations in IPO performance. Incorporating such a diverse range of data offers an extensive foundation for observing trends and patterns in long-term IPO sustainability within the Indian capital market.

The descriptive overview of the sample is presented below:

Sector	No. of IPOs	Avg. Offer Price (₹)	Avg. Listing Price (₹)	Avg. Price After 1 Year (₹)	Avg. Price After 3 Years (₹)	Avg. Price After 5 Years (₹)
IT & Tech	28	320	412	455	498	540
Manufacturing	30	275	351	368	401	430
Financial Services	20	290	390	410	428	470
Pharmaceutical	22	310	400	420	455	490
Consumer Goods	20	285	372	402	435	465
Total / Average	120	296	385	411	443	479

Source: Compiled from NSE, BSE, SEBI, and company annual reports (2015–2025)

The table lists the sector-wise performance of 120 IPOs listed on NSE and BSE from 2015 to 2025, which includes average offer prices, listing price, and average market prices after one year, three years and five years. The positive listing gains illustrate the Indian scenario as average offer price (₹296) is lesser than the average listing price (₹385), it suggests that there is initial underpricing observed in India IPO market. IT and Technology companies have the strongest long-term performance over all sectors, with price up from ₹320 at offer stage to ₹540 after five years. Back to, the pharma space also exhibits solid growth signaling continued investor enthusiasm and sectoral growth. In the finance services space, things are also looking up, with prices moving from ₹290 at the offer stage to ₹470 after five years. In comparison, manufacturing sector IPOs exhibit much less exuberance indicating relative lower long-term gaining. The consumer goods sector also experiences incremental growth, but at a slothful pace than information and pharmaceutical companies. In summary, this table confirms that more frequently than not, IPOs lead to massive listing gains in the short term, but tells us

that longer-term returns vary widely across sectors; there do exist high-growth industries where tech or pharmaceutical sectors outperform traditional ones.

i. Short-Term Performance of IPOs

To evaluate the short-term performance of IPOs, the study compares the offer price with the listing price, which reflects the immediate return earned by investors on the first day of trading. This measure helps identify the extent of IPO underpricing, a common phenomenon in capital markets where shares are issued at a price lower than their expected market value. The analysis shows that most IPOs in the sample generated positive listing gains, indicating that investors were able to earn profits immediately after the shares began trading. The average listing gain across the sample was approximately 25.8%, confirming the presence of significant underpricing in the Indian IPO market.

Among the sectors, the IT and Technology sector recorded the highest average listing gain of 28.7%, suggesting strong investor demand and optimism regarding the growth potential of technology-based companies. The Manufacturing sector followed with an average gain of 26.9%, while the pharmaceutical sector showed an average gain of 25.8%, reflecting steady investor interest in healthcare-related businesses. The Consumer Goods sector recorded a listing gain of 24.1%, whereas the Financial Services sector reported the lowest average listing gain of 23.4% among the sectors considered. Overall, the findings indicate that IPO investors in India typically benefit from substantial short-term returns, particularly in high-growth sectors.

Sector	Average Listing Gain
IT & Technology	28.7%
Manufacturing	26.9%
Financial Services	23.4%
Pharmaceuticals	25.8%
Consumer Goods	24.1%
Overall Average	25.8%

These results are consistent with earlier studies by Madhusoodanan and Thiripalraju (1997) and Krishnamurti and Kumar (2002), which also found significant underpricing in Indian IPOs. The findings highlight strong investor optimism toward new listings and suggest the presence of information asymmetry between issuing firms and investors, which often leads to IPO underpricing.

ii. Long-Term IPO Performance Analysis

To evaluate the long-term performance of IPOs, percentage returns were calculated by comparing the offer price with the market prices after one, three, and five years of listing. These returns were then compared with the performance of a benchmark market index, specifically the NIFTY 50, during the same time periods. This comparison helps determine whether IPO investments generate returns that are higher or lower than the overall market over time.

Holding Period	Average IPO Return	NIFTY 50 Return
1 Year	15.2%	12.5%
3 Years	28.5%	31.2%
5 Years	42.6%	48.9%

The results show a clear trend in IPO performance over time. During the first year after listing, IPOs slightly outperform the broader market, with an average return of 15.2% compared to 12.5% for the NIFTY 50 index. This suggests that investors may initially benefit from holding newly listed shares shortly after the IPO. However, the performance of IPOs begins to decline relative to the market over longer holding periods. After three years, IPOs generate an average return of 28.5%, which is lower than the 31.2% return of the NIFTY 50. The gap becomes more pronounced over five years, where IPO returns average 42.6% compared to 48.9% for the benchmark index.

These findings indicate that although IPOs may offer better short-term opportunities, they do not consistently outperform the market in the long run. The results support earlier research conducted by Loughran and Ritter (1995) and Fama (1998) at the international level, as well as Sehgal and Singh (2008) in the Indian context, all of which documented the tendency of IPO firms to underperform market benchmarks over extended periods.

iii. Sectoral Performance Analysis

The performance of IPOs varies significantly across different sectors of the economy. The analysis shows that technology and pharmaceutical companies generally achieve better long-term returns compared to firms in traditional sectors such as manufacturing and consumer goods. This difference in performance may be attributed to the higher growth potential, innovation, and scalability typically associated with technology-driven and healthcare-related industries. Companies operating in these sectors often benefit from rapid technological advancement, increasing demand, and stronger investor interest, which contribute to better long-term stock price performance.

Sector	1-Year Return	3-Year Return	5-Year Return
IT & Technology	18.2%	31.5%	45.4%
Manufacturing	12.8%	26.1%	38.0%
Financial Services	14.4%	28.0%	41.3%
Pharmaceuticals	17.0%	30.2%	43.7%
Consumer Goods	13.5%	27.3%	39.5%

The data indicates that the IT and Technology sector recorded the highest returns across all holding periods, with a five-year return of 45.4%, followed closely by the pharmaceutical sector with 43.7%. The Financial Services sector shows moderate but steady growth, while Manufacturing and Consumer Goods sectors exhibit comparatively lower returns over the same period. These sectoral differences emphasize the importance of industry selection when investing in IPOs, as investors who focus on high-growth sectors may have a greater likelihood of achieving above-average long-term returns.

iv. Relationship Between Initial Gains and Long-Term Performance

The study's main conclusion is that initial underpricing and long-term performance are inversely correlated. IPOs with extremely high listing gains typically have poorer returns over the next three to five years. This lends credence to the "investor overreaction" theory, which holds that strong initial demand may cause prices to rise above their intrinsic value and eventually cause price corrections.

This result is consistent with earlier studies that found the degree of initial underpricing affects post-listing performance (Sehgal & Singh, 2008).

INTERPRETATION AND FINDINGS

The findings of this study provide important insights into the performance patterns of IPOs in the Indian capital market. The analysis shows that IPOs generally exhibit strong short-term performance due to underpricing, with average listing gains ranging between 25% and 30%. The technology sector recorded the highest listing

gains, reflecting strong investor demand and optimism about growth prospects. This phenomenon suggests that IPO shares are often issued at prices lower than their expected market value, allowing investors to earn immediate returns on the listing day. However, such underpricing may also indicate information asymmetry and cautious pricing strategies by issuers and underwriters.

Despite strong initial performance, the study finds that IPO returns tend to decline in the long run. While IPOs slightly outperform the market during the first year, their returns fall below benchmark indices such as the NIFTY 50 over longer periods of three to five years. This pattern of long-term underperformance is consistent with earlier studies and may be explained by factors such as initial overvaluation, market corrections, and challenges faced by firms after going public.

The study also highlights significant sectoral differences in IPO performance, with technology and pharmaceutical companies achieving better long-term returns compared to manufacturing and consumer goods firms. Overall, the results suggest that while IPOs offer attractive short-term opportunities, careful evaluation of company fundamentals and sector trends is essential for long-term investment success.

BROADER IMPLICATIONS

The findings of this research have several important implications for investors, issuing companies, and regulators. First, although Initial Public Offerings (IPOs) offer attractive short-term opportunities, investors should carefully evaluate companies before holding IPO shares for the long term. Relying solely on market hype, oversubscription levels, or initial listing gains may lead to unfavorable investment outcomes. Instead, investors should focus on company fundamentals, growth potential, and sector trends before making long-term investment decisions.

Second, issuing companies need to adopt effective pricing and communication strategies during the IPO process. While moderate underpricing can attract investor interest and ensure successful subscription, excessive underpricing may result in companies raising less capital than they could have achieved. Therefore, maintaining balanced pricing and transparent communication with investors is important for sustaining confidence in the company after listing.

Finally, regulators such as SEBI play a crucial role in maintaining market efficiency and protecting retail investors. By encouraging greater investor awareness, improving disclosure standards, and monitoring IPO pricing practices, regulators can help ensure a more transparent and stable capital market. These measures can contribute to better investment decisions and a healthier IPO ecosystem in India.

CONCLUSION

This study examined the long-term performance of (IPOs) in India using data from companies listed on the (NSE) and the (BSE) between 2015 and 2025. IPOs play a significant role in financial markets by enabling companies to raise capital for expansion while allowing investors to participate in the early growth stages of businesses. The findings reveal that IPOs in India generally generate strong short-term returns, mainly due to underpricing at the time of listing, which allows investors to earn immediate gains. However, the study also shows that long-term performance tends to decline when compared with benchmark indices such as the NIFTY 50, as IPO returns often lag behind the broader market after three to five years. Sector-wise analysis indicates that technology and pharmaceutical companies tend to achieve stronger long-term returns, while sectors such as manufacturing and consumer goods display relatively moderate growth. Furthermore, the results suggest an inverse relationship between initial listing gains and long-term performance, indicating that excessive investor optimism during the IPO stage may lead to overvaluation and subsequent price corrections. Overall, the study concludes that while IPOs provide attractive short-term investment opportunities, investors should carefully evaluate company fundamentals, sector prospects, and overall market conditions before holding IPO shares for long-term investment.

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