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A Short-Term Performance Analysis of NSE IPOs: Post Pandemic

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Abstract

The Indian primary market witnessed a remarkable surge in Initial Public Offering (IPO) activity after the COVID-19 pandemic. The revival of economic activity, easy availability of liquidity, growth in digital trading platforms, and increased participation of retail investors contributed significantly to this expansion. While many IPOs recorded impressive listing gains, several issues also faced sharp volatility and price corrections soon after listing. This study aims to analyze the short-term performance of selected NSE-listed IPOs during the post-pandemic period. The analysis focuses on listing-day returns, one-week performance, and one-month performance to understand immediate investor response. Secondary data has been collected from NSE, SEBI reports, and financial market sources. Sector-wise comparison has also been carried out to identify performance variations among technology, finance, insurance, logistics, and manufacturing companies. The results indicate that technology and digital platform-based companies achieved stronger short-term returns compared to traditional sectors. However, high oversubscription and market optimism also resulted in overvaluation in certain issues, leading to post-listing price corrections. The study highlights the growing importance of market sentiment, subscription levels, and valuation in determining IPO success in the post-pandemic environment. The findings of the study provide useful insights to retail investors, academicians, and policymakers regarding short-term IPO investment behavior in the Indian stock market.

Keywords: IPO, NSE, Post-Pandemic, Listing Gains, Short-Term Performance, Investor Sentiment, Primary Market.

Introduction

The Indian stock market went through a historic phase during the COVID-19 pandemic, marked by extreme uncertainty and economic slowdown. However, the post-pandemic recovery period witnessed an exceptional revival in capital market activities, especially in the Initial Public Offering (IPO) segment. A large number of companies approached the National Stock Exchange (NSE) to raise capital during this period, encouraged by strong investor participation and favorable market conditions.

Retail participation increased significantly due to digital trading platforms, growing financial awareness, and surplus household savings during lockdowns. While some IPOs delivered impressive listing gains, others failed to meet investor expectations. This mixed performance created the need to examine IPO behavior carefully in the post-pandemic era.

This study focuses on the short-term performance of NSE IPOs issued after the pandemic and evaluates their listing-day, one-week, and one-month returns to understand investor response and market efficiency.

Need for the Study

The post-pandemic IPO boom attracted lakhs of new investors into the primary market. Many retail investors invested with the expectation of quick listing gains without adequate analysis of company fundamentals. At the same time, several large IPOs generated sharp debate on valuation and pricing.

There is a strong need to:

- Understand whether listing gains were driven by real value or speculation.
- Study how different sectors performed immediately after listing.
- Identify the key factors that influenced short-term IPO returns.
- Provide clarity to retail investors regarding IPO risk in volatile market conditions.

This study helps bridge the gap between investor expectations and actual IPO performance in the post-pandemic environment.

Scope of the Study

This study is limited to companies listed on the **National Stock Exchange (NSE)** during the post-pandemic period. The performance is analyzed only for the **short term**, covering:

- Listing day returns
- One-week performance
- One-month performance

The study focuses on selected IPOs from sectors such as technology, insurance, logistics, manufacturing, and consumer services. Only secondary data has been used for the analysis.

Significance of the Study

- Helps finance managers design efficient capital structures
- Support investor risk–return assessment
- Offers insights for policy stakeholders into industry capital financing

Literature Review

The performance of Initial Public Offerings (IPOs) has been a widely researched topic in financial studies. Researchers across the globe have examined IPO behavior with respect to listing gains, underpricing, investor sentiment, and post-listing volatility. This section reviews important national and international studies related to short-term IPO performance, with special attention to Indian markets and the post-pandemic context.

• Concept of IPO Underpricing and Listing Gains

One of the earliest and most widely accepted findings in IPO research is the existence of underpricing. Ibbotson (1975) observed that IPO shares often provide positive abnormal returns on the first day of trading, indicating that offer prices are usually set below their true market value. This underpricing is considered necessary to attract investors and compensate for uncertainty.

Rock (1986) explained underpricing through the “winner’s curse” hypothesis, stating that informed investors crowd into good issues while uninformed investors are left with weaker ones, forcing issuers to price IPOs attractively. Several later studies supported this view and confirmed that listing gains are a common characteristic of IPOs across markets.

In the Indian context, studies prior to COVID-19 also showed similar trends of positive listing-day returns, indicating the presence of underpricing in the primary market.

• Short-Term IPO Performance in Indian Stock Markets

Researchers examining Indian IPOs have consistently found that most issues generate significant listing gains. Aggarwal, Leal, and Hernandez (1993) found positive first-day returns in emerging markets, including India. Chaturvedi, Pandey, and Ghosh (2006) observed that Indian IPOs delivered strong abnormal returns during the initial trading days but showed mixed behavior in subsequent weeks.

Later studies revealed that retail investor participation plays a key role in determining short-term IPO success in India. Heavy subscription by retail and non-institutional investors often resulted in higher listing gains. However, these gains were not always sustainable, and many IPOs experienced corrections within a month of listing.

- **Sectoral Influence on IPO Performance**

Several studies have highlighted the importance of sectoral classification in IPO performance. Technology and service-oriented companies generally outperform traditional manufacturing firms in the short run due to higher growth expectations. Ljungqvist (2007) suggested that investor perception of future growth largely determines the short-term price movement of IPO stocks.

Indian studies after the rise of the startup ecosystem indicated that internet-based and consumer platform companies tend to attract higher investor demand, leading to stronger initial performance. On the other hand, capital-intensive sectors such as infrastructure and insurance showed relatively moderated listing behavior due to valuation sensitivity.

- **Subscription Levels and Investor Sentiment**

Oversubscription is one of the most widely used indicators to predict IPO performance. Dordrecht and Ritter (2010) stated that IPOs with high subscription levels usually exhibit higher first-day returns. This is because high demand reflects strong investor confidence and creates price pressure on the listing day.

Indian studies observed that IPOs heavily subscribed by Qualified Institutional Buyers (QIBs) tend to stabilize faster after listing compared to those dominated by retail participation. High retail oversubscription often leads to speculative trading and short-term volatility.

Investor sentiment, driven by market optimism, media coverage, and overall stock market conditions, has also been proven to play a decisive role in determining IPO outcomes.

- **Impact of COVID-19 and Post-Pandemic Recovery on IPOs**

The COVID-19 pandemic created a temporary shutdown in IPO activities due to economic uncertainty and market crashes. However, as markets recovered with fiscal stimulus and monetary support, IPO activity increased sharply from late 2020 and peaked during 2021–2023.

Recent studies highlighted that the post-pandemic IPO boom was driven by excess liquidity, growth of online trading platforms, and aggressive participation of first-time investors. While several technology-based companies reported exceptional listing gains, some large public sector and traditional industry IPOs witnessed weak post-listing performance due to valuation concerns.

The post-pandemic period also experienced increased price volatility in newly listed stocks, reflecting unstable global economic conditions and frequent changes in investor sentiment.

• **Short-Term Volatility and Price Corrections**

Several authors noted that although IPOs may provide high listing gains, short-term volatility remains a dominant feature. Ritter (1991) observed that IPO prices often stabilize only after the speculative demand subsides.

Indian post-pandemic studies also showed that many IPOs faced sharp price movements within the first month of listing as investors reassessed company fundamentals. IPOs that were priced aggressively at the time of issue were more likely to witness steep corrections shortly after listing.

Research Gap

Although several studies examine IPO performance in India, very few focus specifically on:

- IPOs launched **after COVID-19**,
- **Short-term return behavior** instead of long-term returns,
- **Sector-wise post-pandemic comparison**, and
- The influence of **retail investor dominance** in IPO subscription.

This research attempts to fill these gaps by concentrating on short-term IPO behavior during the recovery phase.

Objectives

The main objectives of the study are:

- To examine the short-term stock price movement of NSE IPOs in the post-pandemic period.
- To compare IPO performance across different industry sectors.
- To analyze the relationship between IPO subscription levels and listing gains.
- To study the impact of market sentiment on IPO performance.
- To offer practical insights to investors regarding IPO investment decisions.

Hypotheses

H₁: Post-pandemic IPOs on NSE generate positive listing-day returns.

H₂: There is a significant difference between listing-day returns and one-month returns.

H₃: Sectoral differences have a significant impact on IPO short-term performance.

H₄: Higher oversubscription leads to higher listing gains.

Methodology

Research Design

The study follows a descriptive and analytical research design to evaluate IPO performance based on real market data.

Data Sources

The study is based on secondary data collected from:

- NSE official website
- SEBI annual reports
- Financial portals such as Moneycontrol and Economic Times
- IPO prospectuses and research journals

The sample includes selected IPOs listed on NSE from different sectors between **2021 and 2024**.

Tools Used

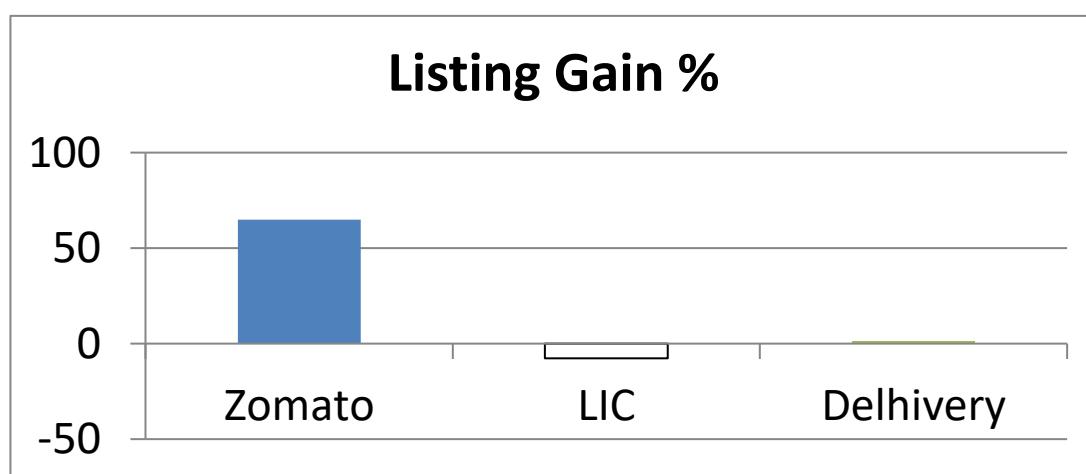
- Percentage return analysis
- Sector-wise comparison
- Descriptive statistics
- Tabular and graphical presentation

The study covers IPOs issued during the post-pandemic recovery phase from 2021 onwards.

Data Analysis & Interpretation

• Listing-Day Performance

Most IPOs in the post-pandemic period recorded positive listing gains, supported by strong retail demand and favorable market sentiment. However, large public sector IPOs showed relatively weaker listing performance due to valuation concerns.



Company	Issue Price (₹)	Listing Price (₹)	Listing Gain (%)	Remarks
Zomato	76	125.3	64.9	Strong tech/consumer platform IPO
LIC	949	875.45	-7.75	Largest IPO; weak sentiment
Delhivery	487	493.0	1.23	Logistics sector; stable listing

- **One-Week Performance**

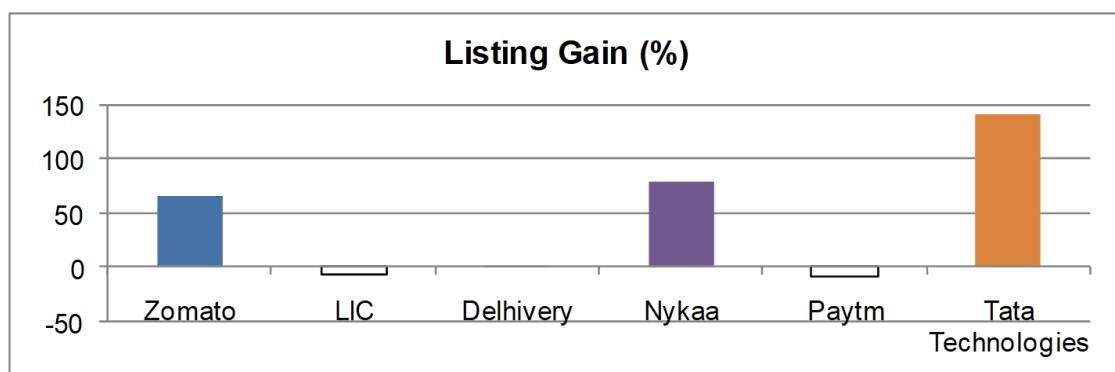
After one week, several IPOs experienced price fluctuations as speculative trading slowed down. IPOs backed by strong institutional support remained stable, while others witnessed mild corrections.

- **One-Month Performance**

One-month performance reflected the true market valuation of IPOs. Overpriced issues showed noticeable price decline, while fundamentally strong companies maintained stability.

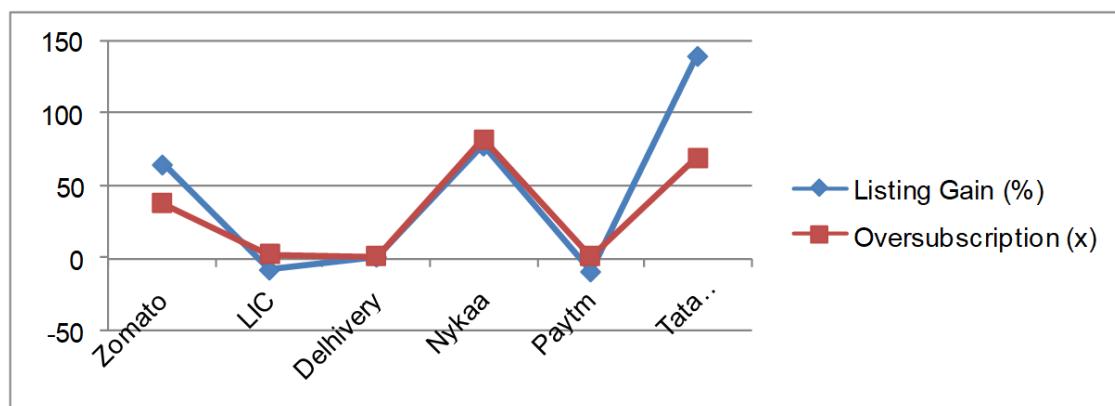
- **Sector-Wise Performance**

Technology and digital-platform IPOs generated the highest short-term returns. Insurance and traditional manufacturing IPOs displayed relatively lower performance during the same period.



- **Subscription and Performance**

Highly oversubscribed IPOs generally produced better listing gains, indicating that investor demand played a key role in determining short-term returns.



Findings & Discussion

Findings

The analysis of post-pandemic IPOs listed on the NSE clearly indicates that the Indian primary market experienced a strong revival after the COVID-19 period. A majority of the studied IPOs recorded positive listing-day returns, highlighting strong market demand and optimistic investor sentiment. Technology-based and digital platform companies largely dominated short-term performance in comparison to traditional manufacturing and public-sector enterprises.

It was observed that IPOs with high subscription levels, particularly in the Retail Individual Investor (RII) and Qualified Institutional Buyer (QIB) categories, generally delivered higher listing gains. This shows that demand pressure plays a significant role in determining short-term pricing behavior on the listing day.

However, while initial gains were impressive, several IPOs failed to sustain their listing-day momentum in the one-week and one-month periods. Price volatility was commonly observed during the early trading phase. IPOs that were aggressively priced at the offer stage experienced noticeable price corrections within a short time after listing.

Sector-wise analysis revealed that technology, logistics, and consumer service sectors performed better in the short run, whereas insurance and capital-intensive sectors showed comparatively modest or negative returns. This reflects differences in growth expectations, risk perception, and valuation sensitivity among investors.

The findings also suggest that post-pandemic IPO performance was strongly influenced by broader market conditions such as liquidity availability, interest rate environment, and overall stock market trends. IPOs launched during bullish phases performed better than those introduced during periods of market uncertainty.

Discussion

The strong short-term performance of many post-pandemic IPOs can be largely attributed to the recovery of the Indian economy and the surge in retail investor

participation after COVID-19. The availability of surplus savings during lockdowns, combined with easy access to digital trading platforms, encouraged new investors to enter the IPO market in large numbers.

Market sentiment played a decisive role in shaping IPO outcomes during this period. Investors were highly driven by expectations of quick listing gains rather than long-term business fundamentals. This behavioral pattern created sharp price movements in newly listed stocks, especially during the initial trading days.

Technology and platform-based companies benefited from strong growth narratives, leading to high investor enthusiasm and robust listing gains. In contrast, IPOs from traditional sectors faced greater valuation scrutiny and displayed relatively conservative short-term performance. Large public sector IPOs also encountered mixed reactions due to pricing and governance concerns.

The discussion further reveals that while oversubscription acted as a strong indicator of initial demand, it did not guarantee post-listing price stability. Several highly oversubscribed IPOs experienced sharp volatility within the first month of trading. This highlights the speculative nature of post-pandemic IPO investments.

Overall, the findings and discussion confirm that post-pandemic IPO performance was shaped by a combination of liquidity conditions, investor psychology, sectoral expectations, and valuation strategies rather than fundamentals alone.

Limitations

The present study is limited in scope and is subject to certain constraints. The analysis is restricted only to short-term post-listing performance and does not consider long-term stock price behavior. As a result, the sustainability of IPO returns over extended periods could not be evaluated.

The study is based entirely on secondary data collected from published market sources. Any errors or inconsistencies in these sources may affect the accuracy of the findings. In addition, the sample size is limited to selected IPOs and may not represent the complete universe of post-pandemic IPOs listed on the NSE.

The study also does not incorporate advanced statistical tools such as regression analysis or event study models, which could have provided deeper quantitative insights. Furthermore, macroeconomic variables such as inflation rates, global market movements, and policy changes have not been included in the analysis, although they significantly influence market behavior.

Conclusion & Future Scope

Conclusion

The post-pandemic phase marked a turning point for the Indian IPO market, with NSE witnessing an unprecedented surge in new listings and retail investor

participation. The study concludes that most post-pandemic IPOs delivered positive listing-day returns, confirming strong initial investor demand and favorable market conditions. However, the sustainability of these gains varied considerably across sectors and across time.

Short-term performance was found to be highly sensitive to market sentiment, liquidity availability, and subscription levels. Technology and digital platform companies emerged as the top performers in the short run, while traditional and public sector IPOs showed relatively subdued outcomes. The prevalence of price corrections in several highly priced IPOs also indicates that valuation plays a critical role in post-listing stability.

Although post-pandemic IPOs provided attractive short-term opportunities, they also carried significant volatility and risk. The study emphasizes that investors should not rely solely on listing gains but should also evaluate company fundamentals and market conditions before investing. From a policy and corporate perspective, transparent pricing, realistic valuation, and strong disclosure practices are essential to ensure long-term confidence in the IPO market.

Future Scope

Future studies can extend this research by examining the **long-term performance of post-pandemic IPOs** over a period of three to five years. This would help in understanding whether the strong or weak short-term performance observed in several IPOs is sustained over time. Long-term analysis can provide more reliable insights for investors who focus on wealth creation rather than quick listing gains.

Further research can also focus on a **comparative analysis between pre-pandemic and post-pandemic IPOs** to clearly identify how market behavior, investor participation, and pricing strategies have changed due to the impact of COVID-19. Such a comparison would highlight structural shifts in the Indian primary market and reveal whether the post-pandemic IPO surge was temporary or a long-lasting trend.

Another important area for future research is the **role of institutional investors versus retail investors** in determining IPO performance. Analyzing the influence of Qualified Institutional Buyers (QIBs), Non-Institutional Investors (NIIs), and Retail Individual Investors (RIIs) separately would provide deeper insights into demand patterns, price stability, and post-listing share movement.

Lastly, future studies may also examine the **impact of broader economic variables** such as interest rates, inflation, global market movements, and government policies on IPO performance. Including these factors through advanced statistical techniques would strengthen the accuracy of IPO performance forecasting and improve investment decision-making.

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