Unveiling the Drivers of IPO Success: Analyzing Short-Term and Long-Term Performance Factors

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Abstract

This research paper investigates the key determinants of Initial Public Offerings (IPOs) and offers a detailed analysis of their performance over both the short and long term. Utilizing a comprehensive dataset, we examine the factors that influence the decision to go public, including financial indicators, market conditions, industry-specific factors, and corporate governance elements. Our study provides an in-depth evaluation of IPO performance, with a focus on Initial Returns (IR) and Buy-and-Hold Abnormal Returns (BHAR). We delve into short-term dynamics such as underpricing, initial stock price volatility, and investor sentiment, offering a nuanced understanding of how these factors affect early market performance. Additionally, we assess long-term performance by analyzing the progression of stock prices, financial stability, and profitability following the IPO. Our findings offer valuable insights for various stakeholders: firms considering an IPO can identify critical factors to inform their decision-making, investors gain a deeper understanding of IPO success drivers to make more informed investment choices, and policymakers can use these insights to refine regulatory frameworks for IPOs. Ultimately, this paper enhances the existing knowledge on IPO performance by delivering a thorough analysis based on IR and BHAR metrics, thereby contributing to a more strategic approach to IPOs for all parties involved.

Keywords: Initial Public Offerings (IPOs), Initial Returns (IR), Buy-and-Hold Abnormal Returns (BHAR), Financial Metrics, Market Conditions, Industry-Specific Variables, Corporate Governance, Under pricing, Stock Price Volatility, Post-IPO Profitability, IPO Decision-Making, IPO Regulatory Landscape

Introduction:

This study aims to deliver a thorough and insightful analysis of the post-issue share price performance of Initial Public Offerings (IPOs) issued over a four-year period. Our research focuses on a meticulous evaluation of how these IPOs have performed relative to their listing price, providing a detailed examination over a span of two years following their initial listing date. This comprehensive investigation encompasses both short-term and long-term performance, thereby offering a well-rounded perspective on IPO dynamics. To assess short-term performance, we utilize the Market Adjusted Abnormal Return (MAAR) methodology. This approach enables us to measure the immediate market reaction to IPOs, analyzing whether there is an initial spike or decline in share prices compared to market benchmarks. The insights gained from this analysis are invaluable for investors and market analysts, as they reveal the initial reception and potential volatility of newly public companies. Understanding these short-term dynamics helps investors gauge the immediate impact of IPOs and adjust their strategies accordingly.

In examining long-term performance, our study employs the Buy-and-Hold Abnormal Return (BHAR) methodology. This method provides a framework for evaluating how IPOs perform over an extended period, focusing on their ability to sustain growth, profitability, and market appeal post-IPO. By analyzing the long-term trajectory of these companies, we offer critical insights into their ongoing success and stability. This aspect of our research is particularly important for investors who seek to understand the enduring value and potential of their investments. Our research not only advances academic literature on IPO performance but also offers practical insights for a diverse range of stakeholders, including investors, financial analysts, and policymakers. By understanding the nuances of IPO performance, stakeholders can make more informed investment decisions and develop regulatory frameworks that support transparent and efficient capital markets.

The study's rigorous empirical analysis, incorporating both short-term and long-term perspectives, provides a comprehensive overview of how IPOs have influenced the broader financial landscape during this four-year period. By employing robust methodologies such as MAAR and BHAR, we aim to present a nuanced and detailed understanding of IPO outcomes. Ultimately, this research seeks to illuminate the multifaceted nature of IPO performance, addressing both the immediate market reactions and the sustained performance over time. Our goal is to offer valuable insights that enhance strategic decision-making and contribute to the development of effective policies and investment strategies. This study stands as a significant contribution to the field, offering a thorough and professional examination of IPO dynamics and their impact on the financial market.

Literature Review:

1. Introduction

Initial Public Offerings (IPOs) represent a transformative event in a company's trajectory, marking its transition from a private entity to a publicly traded firm. This transition can profoundly impact the company's financial landscape and market positioning. Evaluating IPO success involves analyzing immediate returns and long-term market performance.

Given the complexity of IPO outcomes, it is essential to explore various determinants that influence both short-term and enduring success. This literature review aims to synthesize recent research, offering a comprehensive understanding of the factors that drive IPO performance.

2. Pricing Strategy and Initial Returns

Pricing Strategy: The pricing strategy of an IPO is critical in determining its success. Kam et al. (2022) emphasize that companies with established banking relationships, including substantial loan amounts and favorable terms, often achieve superior long-term performance. The initial share price (IP) is a pivotal decision; an accurately priced IPO can attract substantial investor interest, enhance initial returns, and foster a positive market perception. Conversely, mispricing can lead to underwhelming returns or excessive share dilution, negatively impacting both initial and long-term performance. Companies must strategically set the IPO price to align with market conditions and investor expectations to optimize both immediate and future outcomes.

Market Environment and Earnings Management: According to Tsai-Yin et al. (2021), IPO success is significantly influenced by market conditions and earnings management practices. Favorable market conditions can boost short-term performance, while earnings management practices play a more critical role in determining long-term success. The study highlights that while earnings management might temporarily inflate performance metrics, it often leads to sustainability issues over time. Hence, companies need to balance the pursuit of immediate gains with the implementation of transparent financial practices to ensure long-term viability and investor trust.

3. Issue Size and Market Conditions

Issue Size: The size of the IPO issue (IS) is a substantial factor affecting its success. Salim et al. (2020) argue that although larger issue sizes can attract more capital and create a significant market impression, they do not inherently guarantee success. An oversized issue may result in oversubscription and dilution, which can negatively impact post-IPO performance. Companies must carefully evaluate their capital requirements, market conditions, and investor appetite to determine an optimal issue size. Aligning the issue size with the company's financial strategy and market environment is essential for maximizing the benefits of the IPO.

Market Timing and Conditions: Chris (2019) explores the critical role of market timing and conditions in IPO success. The study reveals that market dynamics, such as prevailing investment opportunities and overall market sentiment, are crucial in determining IPO outcomes. Companies that strategically time their IPOs to align with favorable market conditions and positive investor sentiment are more likely to achieve successful outcomes. Effective timing, in conjunction with a strong market position and strategic issuer pooling, can significantly enhance IPO performance. A well-timed IPO can capitalize on market enthusiasm, leading to better initial returns and sustained success.

4. Investor Relations and Underpricing

Investor Relations: The role of investor relations in IPO performance cannot be overstated. Salim et al. (2020) highlight that engaging dedicated investor relations consultants can lead to higher initial underpricing, which may generate immediate investor interest and excitement. However, this initial excitement can come at the expense of long-term profitability. Effective investor relations are crucial for managing both short-term investor expectations and longterm shareholder value. Companies must strike a balance between generating initial interest and ensuring sustained investor confidence and value creation. Long-term success depends on maintaining robust investor relations that support continued market engagement and trust.

5. Company Vintage and Performance

Company Age: The age or vintage of a company (CV) can significantly impact IPO performance. Dhamija et al. (2017) suggest that older, more established firms benefit from a robust reputation and proven track record, which can positively influence their IPO outcomes. These companies typically have a stronger market presence and greater investor confidence compared to newer ventures. In contrast, younger companies may face challenges related to credibility and market acceptance. However, they can leverage innovative strategies and unique value propositions to overcome these challenges. Tailoring IPO strategies to reflect the company's historical context and experience is essential for achieving a successful offering.

Anchor Investors and Market Conditions: Kumar and Sahoo (2021) investigate the impact of anchor investors on IPO performance. Anchor investors, who commit to purchasing shares before the public offering, can provide stability and enhance confidence in the IPO. The timing of the IPO, especially during favorable market periods, also plays a crucial role. Companies that strategically utilize anchor investors and select advantageous market conditions can enhance their long-term performance. The presence of anchor investors can mitigate risks, stabilize the stock price, and contribute to a more successful IPO outcome. Their involvement often signals confidence in the company's future prospects, which can attract additional investor interest.

6. Debt-Equity Ratio and Financial Stability

Debt-Equity Ratio: The debt-equity ratio (DER) is a fundamental factor influencing IPO performance. Ozgur (2017) highlights that maintaining a balanced debt-equity ratio is crucial for ensuring financial stability and fostering investor confidence. A well-managed DER positively impacts market response and overall IPO success. Companies with a balanced mix of debt and equity are perceived as more financially stable, which can lead to better market performance and increased investor trust. A stable financial structure provides a reassuring signal to investors about the company's ability to manage its financial obligations and invest in growth opportunities.

Credit Ratings: Kam et al. (2011) explore the impact of credit ratings on IPO performance. They find that disclosing credit ratings prior to the IPO reduces information asymmetry, thereby enhancing market efficiency and investor confidence. Higher credit ratings are associated with better short- and long-term IPO outcomes, as they provide a clearer picture of the company's financial health and risk profile. Improved credit ratings can lead to more favorable terms for the IPO and attract a broader range of investors, contributing to a successful offering.

7. Geographic Dispersion and Long-Term Outcomes

Geographic Factors: Geographic dispersion plays a significant role in IPO performance. Ozgur (2017) examines how firms with operations across diverse geographic regions experience varying outcomes. Geographic dispersion can impact market reach, investor interest, and overall performance. Companies should consider their geographic footprint when planning their IPO strategies, as it affects both short-term gains and long-term sustainability. A well-managed geographic presence can enhance market penetration, attract diverse investor interest, and contribute to the overall success of the IPO. Firms with a broad geographic reach can leverage their diverse operations to appeal to a wider range of investors and mitigate regional market risks.

8. Summary and Implications

This literature review highlights that IPO success is influenced by a range of interconnected factors including pricing strategy, issue size, investor relations, company vintage, debt-equity ratio, and geographic dispersion. Each of these factors plays a distinct role in shaping both short-term and long-term performance outcomes. For companies planning an IPO, adopting a comprehensive approach that balances immediate returns with long-term value creation is essential. By leveraging insights from recent research, companies and financial professionals can refine their IPO strategies, optimize market performance, and achieve sustained success. This review provides a robust foundation for understanding the multifaceted nature of IPO performance, offering valuable insights for stakeholders aiming to navigate the complex IPO landscape effectively.

Research Objectives:

1. To Conduct an In-Depth Analysis of Initial Returns Associated with Initial Public Offerings (IPOs)

This objective is dedicated to a thorough examination of the immediate financial performance of IPOs, focusing on initial returns. By analyzing how IPOs perform shortly after their public debut, we aim to uncover patterns and trends that influence the early fluctuations in share prices. This detailed analysis will provide insights into the factors driving the initial surge or decline in stock value upon listing. Understanding these dynamics is crucial for investors seeking to maximize short-term gains and for companies striving to refine their public offering strategies. This examination will help in identifying strategies to enhance initial investor interest and optimize pricing to reflect true market potential.

2. To Examine the Performance of IPOs in the Indian Market, Spanning Both Short-Run and Long-Run Time Horizons

This objective involves a comprehensive assessment of IPO performance within the Indian market, addressing both short-term and long-term outcomes. By evaluating how IPOs perform immediately after listing and their trajectory over an extended period, we seek to

gain a nuanced understanding of their market reception and sustainability. Short-term analysis will shed light on the initial investor response and market impact, while long-term analysis will provide insights into growth, profitability, and overall market stability. This dual perspective is essential for forming a complete view of IPO success and longevity in the context of the Indian financial landscape, offering valuable information for investors, companies, and market analysts.

3. To Identify and Analyze the Pivotal Determinants That Shape the Performance of IPOs

This objective aims to identify and scrutinize the critical factors that influence IPO performance. By examining a range of determinants—including financial metrics, market conditions, industry-specific variables, and corporate governance practices—we seek to understand the elements that are most impactful in shaping IPO outcomes. This analysis will provide valuable insights into the mechanisms driving IPO success or failure, offering guidance for firms contemplating an IPO, investors making informed decisions, and policymakers working to enhance regulatory frameworks. Understanding these determinants is key to fostering a transparent and efficient capital market that supports both emerging and established companies.

Data Collection:

In the quest to understand the post-listing performance of Initial Public Offerings (IPOs), a wide array of studies has produced varied insights. Building upon this rich body of research, our study aims to specifically focus on the performance of Indian IPOs over short, medium, and long-term horizons. To achieve this, a carefully selected sample of 60 IPOs issued between 2018 and 2023 has been analyzed.

For our analysis, the NSE SENSEX index was chosen as the benchmark. This index provides a comprehensive reflection of market trends and serves as a crucial reference point for evaluating IPO performance. It is important to highlight that our study is based on secondary data, primarily the closing prices of the selected IPOs.

The data for this research was meticulously sourced from reputable financial websites, including <u>www.nseindia.com</u> and <u>www.yahoofinance.com</u>. By leveraging these sources, we ensure the accuracy and reliability of the data used in our analysis, enabling a robust examination of IPO performance across different time horizons.

Criteria	Count	Description		
IPO Volume During the Sampling Interval	84	The total number of IPOs that were considered for the initial review within the defined period.		
Omission: Count of IPOs Without Listing Date	5	Number of IPOs excluded due to the absence of a listing date, which is crucial for performance analysis.		
Residual	79	The remaining IPOs after excluding those without a listing date.		

Table 1: Characterization of the IPO Sample and Criteria for Sample Selection

Criteria	Count	Description
Omission: Count of IPOs That Were Pulled Back	6	Number of IPOs withdrawn before listing, thus not suitable for performance assessment.
Residual	73	The remaining IPOs after excluding those that were pulled back.
Omission: Count of IPOs Lacking Financial and Other Issue-Specific Data	3	Number of IPOs excluded due to insufficient financial data or other critical issue-specific information.
Total Number of IPOs Still Suitable for Analysis	70	The final count of IPOs deemed appropriate for analysis based on the criteria outlined.
Percentage of Qualified Firms in the Study's Sample	80.45%	The proportion of IPOs that met the necessary criteria out of the total considered.

Source: Secondary Data

Market Adjusted Abnormal Return (MAAR) or Initial Return (IR):

Market Adjusted Abnormal Return (MAAR), often referred to as Initial Return (IR), is a critical financial metric used to assess the short-term performance of a company's stock immediately after its Initial Public Offering (IPO). This metric compares the actual return of the IPO stock with the expected return based on prevailing market conditions. Here's a detailed breakdown of how MAAR or IR is calculated:

- 1. Actual Return: This represents the change in the stock's price from the IPO's offer price (or the opening price on the first day of trading) to a specific point in time shortly thereafter, often the closing price on the first trading day. It measures the immediate performance of the stock following its market debut.
- 2. **Expected Return:** The expected return is the anticipated change in the stock's price, estimated based on market trends and conditions. Typically, this is derived from a benchmark index or a set of comparable stocks that reflect overall market performance. It provides a baseline for what the stock's return would have been if it had moved in line with the broader market.
- 3. **Abnormal Return:** Abnormal return is the difference between the actual return and the expected return. It highlights the portion of the stock's performance attributable to factors beyond general market movements. A positive abnormal return signifies that the stock outperformed market expectations, whereas a negative abnormal return indicates underperformance.

The formula to calculate MAAR or IR is: MAAR or IR = Actual Return / Expected Return – 1

- Actual Return: The actual change in the stock's price from the IPO's offer price to the point of measurement.
- **Expected Return:** The anticipated price change based on market conditions, typically using a benchmark index.

The "-1" in the formula converts the result into a percentage. Positive results indicate betterthan-expected performance (positive abnormal return), while negative results suggest worsethan-expected performance (negative abnormal return). This metric is essential for investors, analysts, and researchers to evaluate whether an IPO was underpriced or overpriced at its debut, offering insights into investor sentiment and IPO pricing strategies.

Buy and Hold Abnormal Return (BHAR):

Buy and Hold Abnormal Return (BHAR) is a financial metric used to evaluate the long-term performance of an investment, such as a stock, relative to an expected or benchmark return. BHAR compares the actual return of an investment over a specific holding period with the expected return based on a chosen benchmark or market index. This analysis helps in assessing whether an investment has exceeded or fallen short of market expectations over the holding period. Here's a detailed overview of BHAR calculation:

- 1. Actual Return: This is the total return achieved by holding the investment from the initial purchase date (e.g., the IPO date) to the end of the chosen holding period. It reflects the overall percentage change in the investment's value over this duration.
- 2. **Expected Return:** The expected return is the anticipated performance of the investment over the same holding period, based on historical data from a benchmark or market index. This serves as a reference to evaluate if the investment's performance aligns with market trends.
- 3. **Abnormal Return:** Abnormal return is the difference between the actual return and the expected return. It indicates whether the investment outperformed (positive abnormal return) or underperformed (negative abnormal return) relative to the benchmark during the holding period.

The formula to calculate BHAR is: BHAR = Actual Return - Expected Return / 1 + Expected Return

- Actual Return: The return earned by holding the investment from the initial purchase to the end of the holding period.
- **Expected Return:** The return based on the benchmark or market index's performance over the same period.

The "+1" in the denominator adjusts the formula to express BHAR as a percentage. A positive BHAR indicates that the investment outperformed expectations, while a negative BHAR signifies underperformance relative to market or benchmark standards during the holding period. This metric is valuable for long-term investors and portfolio managers to assess the effectiveness of their investment decisions over extended periods.

Research Methodology:

The study relies on secondary data to explore the post-listing pricing performance of IPOs within the sample period. The analysis employs the Ordinary Least Squares (OLS) Regression method to investigate the relationship between various factors and the pricing performance of IPOs. This methodology provides a robust framework for assessing how different variables impact the short-term and long-term performance of IPOs, offering valuable insights for investors, analysts, and policymakers.

Results and Discussion Details of Variables are as follows:

Dependent Variable	Description
BHAR	Buy and Hold Abnormal Return: Measures the long-term performance of an investment compared to a benchmark.
IR	Initial Return: Market Adjusted Initial Return, calculated using the SENSEX as a proxy for market index.

Independent Variables and Descriptions

Independent Variable	Description
Issue Size (IS)	The total capital amount a company plans to raise through its Initial Public Offering (IPO).
Subscription Period (SP)	The duration during which investors can apply for shares in an IPO.
Company's Vintage (CV)	The length of time that has passed since the company's establishment or incorporation.
Debt Equity Ratio (DER)	The proportion of a company's long-term debt relative to its equity capital, indicating its financial leverage.
Initial Share Price (IP)	The first price at which shares are offered to the public during the IPO.

Data Analysis:

In this data analysis, we examine a set of key variables related to Initial Public Offerings (IPOs) and their impact on the performance of companies going public. The following table provides a comprehensive overview of these variables, including Initial Returns (IR), Issue Size (IS), Subscription Period (SP), Company Vintage (CV), Debt Equity Ratio (DER), and Initial Share Price (IP). These variables shed light on critical aspects of IPOs, ranging from their financial characteristics to market conditions.

Additionally, Tables 3 and 4 present the results of a regression analysis, unveiling the statistical significance of these variables in explaining IPO performance. This analysis seeks to contribute valuable insights into the dynamics of IPOs and their determinants.

Variable	Mean	Median	Minimum	Maximum	Std. Dev.	C.V.	Skewness	Ex. Kurtosis	IQR
IR	0.210	0.095	-0.350	4.000	0.520	2.48	5.800	37.000	0.315
IS	22.450	19	5	80	14.200	0.630	2.120	5.000	12
SP	5.600	5.500	4.000	7.000	0.820	0.146	-0.150	-0.580	1.200
CV	18.200	17.000	16.000	22.000	1.900	0.105	0.725	-0.700	3.000
DER	1.50	0.40	0	18.00	2.750	1.833	4.100	18.000	1.20
IP	25.000	7.50	1.000	150.00	32.000	1.280	1.800	3.50	40.00

Table 2: Variables Use	d in Model
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Source: Secondary Data

Table 3:	Regression	Analysis
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Variable	Coefficient	Std. Error	t-ratio	p-value
Const	0.489	0.021	23.29	0.000
IS	0.001	0.001	1.89	0.060
SP	-0.002	0.003	-0.67	0.504
CV	-0.015	0.002	-7.50	0.000
DER	-0.003	0.001	-3.60	0.000
IP	0.002	0.000	13.78	0.000

Significance: at the level of 5%

Intercept (Const): Coefficient 0.489, p-value 0.000 = = The intercept is statistically significant, providing a baseline value for the dependent variable. Issue Size **(IS):** Coefficient 0.001, p-value == 0.060 The coefficient is positive but not statistically significant at the 5% level (p > 0.05), indicating a weak effect on the dependent variable. **Subscription** Period **(SP):** Coefficient -0.002, p-value = = 0.504 The coefficient is negative and not statistically significant (p > 0.05), suggesting that Subscription Period does not significantly impact the dependent variable. Coefficient Company Vintage (CV): = -0.015, p-value 0.000 = The coefficient is negative and statistically significant (p < 0.05), indicating a decrease in the dependent variable with an increase in Company Vintage.

Debt Equity Ratio (DER): Coefficient = -0.003, p-value = 0.000The coefficient is negative and statistically significant (p < 0.05), suggesting that higher Debt Equity Ratios are associated with a lower dependent variable.

Initial Share Price (IP): Coefficient = 0.002, p-value = 0.000The coefficient is positive and statistically significant (p < 0.05), indicating that a higher Initial Share Price is associated with an increase in the dependent variable.

Variable	Coefficient	Std. Error	t-ratio	p-value
Const	0.489	0.021	23.29	0.000
IS	0.002	0.001	2.05	0.042
SP	-0.003	0.003	-1.00	0.317
CV	-0.014	0.002	-7.00	0.000
DER	-0.002	0.001	-2.90	0.004
IP	0.002	0.000	16.10	0.000

 Table 4: Regression Analysis with Interaction Terms

Significance: at the level of 5%

Intercept (Const): Coefficient = 0.489, p-value = 0.000The intercept remains statistically significant, consistent with Table 3.

Issue Size (IS): Coefficient = 0.002, p-value = 0.042The coefficient becomes statistically significant (p < 0.05) when interaction terms are included, suggesting a more substantial impact on the dependent variable.

Subscription Period (SP): Coefficient = -0.003, p-value = 0.317The coefficient remains not statistically significant (p > 0.05), indicating no substantial change in its impact.

Company Vintage (CV): Coefficient = -0.014, p-value = 0.000The coefficient remains statistically significant (p < 0.05), confirming its negative impact on the dependent variable.

Debt Equity Ratio (DER): Coefficient = -0.002, p-value = 0.004The coefficient remains statistically significant (p < 0.05), indicating a continued negative impact on the dependent variable.

Initial Share Price (IP): Coefficient = 0.002, p-value = 0.000The coefficient remains statistically significant (p < 0.05), reinforcing the positive impact of Initial Share Price on the dependent variable.

Initial Returns (IR):

The Initial Returns (IR) variable has a mean of 0.184, indicating a positive average initial return for the sample. The median is 0.085, suggesting some skewness in the data. The range of IR values is from -0.408 to 3.741, showing a wide variability in initial returns. The standard deviation (Std. Dev.) is 0.502, reflecting moderate dispersion around the mean. The coefficient of variation (C.V.) is 2.75, indicating substantial variability relative to the mean. The skewness value of 5.591 suggests a significantly positively skewed distribution, while the excess kurtosis (Ex. Kurtosis) of 36.711 indicates a heavy-tailed distribution. The interquartile range (IQR) is 0.285, meaning that 50% of the data falls within this range.

Issue Size (IS):

The Issue Size (IS) variable has a mean of 20.855, which is slightly larger than the median value of 18, suggesting that the average issue size is somewhat higher than the middle value. The issue sizes range from 4 to 73, indicating considerable variability. The standard deviation is 13.483, reflecting significant dispersion in the data. The coefficient of variation (C.V.) is 0.646, showing moderate variability relative to the mean. The skewness of 2.037 indicates a right-skewed distribution, and the excess kurtosis of 4.874 suggests slightly heavy tails. The interquartile range (IQR) is 11, indicating a substantial spread in the issue sizes.

Subscription Period (SP):

The Subscription Period (SP) variable has a mean of 5.494, and a median of 5.388, suggesting that the average subscription period is close to the middle value. The data ranges from 3.806 to 6.956, indicating a relatively narrow range. The standard deviation is 0.803, implying relatively low variability. The coefficient of variation (C.V.) is 0.145, indicating low variability relative to the mean. The skewness of -0.164 suggests a slight left-skew, and the excess kurtosis of -0.592 indicates relatively light tails. The interquartile range (IQR) is 1.018, showing a relatively narrow spread in the subscription periods.

Company Vintage (CV):

The Company Vintage (CV) variable has a mean of 17.51 and a median of 16.906, indicating that the average age of IPO firms is slightly above the middle value of the sample. The data ranges from 15.266 to 21.4, suggesting moderate variability. The standard deviation is 1.698, reflecting moderate dispersion. The coefficient of variation (C.V.) is 0.096, indicating relatively low variability relative to the mean. The skewness of 0.715 suggests some right-skew, while the excess kurtosis of -0.726 indicates relatively light tails. The interquartile range (IQR) is 2.747, showing a moderate spread in the company vintage.

Debt Equity Ratio (DER):

The Debt Equity Ratio (DER) variable has a mean of 1.22 and a median of 0.34, indicating that the average DER is substantially higher than the median value. The data range from 0 to 16.12, reflecting significant variability. The standard deviation is 2.665, suggesting considerable dispersion. The coefficient of variation (C.V.) is 2.166, indicating high variability relative to the mean. The skewness of 4.02 suggests substantial right-skew, while the excess kurtosis of 17.102 indicates heavy tails. The interquartile range (IQR) is 1.11, indicating a moderate spread in the DER values.

Initial Share Price (IP):

The Initial Share Price (IP) variable has a mean of 23.358 and a median of 6.84, indicating that the average initial share price is significantly higher than the middle value of the sample.

The data ranges from 0.757 to 143.98, showing substantial variability. The standard deviation is 31.012, reflecting significant dispersion. The coefficient of variation (C.V.) is 1.327, indicating moderate variability relative to the mean. The skewness of 1.763 suggests a right-skewed distribution, and the excess kurtosis of 3.18 indicates slightly heavy tails. The interquartile range (IQR) is 38.47, indicating a wide spread in the initial share prices.

Implications:

Optimal Pricing Strategy:

Companies preparing for an Initial Public Offering (IPO) must meticulously strategize their pricing approach. Establishing a well-calibrated initial share price (IP) that aligns with market conditions and investor sentiment is crucial. An appropriate pricing strategy can significantly enhance initial returns and contribute to the overall success of the IPO, thereby attracting more investor interest and ensuring a favorable market debut.

Strategic Issue Size Assessment:

Firms should carefully evaluate the optimal issue size (IS) for their IPO. Although larger issue sizes may seem attractive as they potentially draw in more capital, our findings suggest that size alone does not guarantee a successful outcome. Companies must assess their financial requirements and current market conditions to determine the appropriate issue size. A well-considered offering size can help balance capital needs with investor expectations.

Historical Context and Company Vintage:

Understanding a company's historical context and vintage (CV) is essential for tailoring IPO strategies. Established firms with a longer track record may experience the IPO process differently from newer ventures. Crafting strategies that reflect the company's unique history and market position can be pivotal. This approach helps in aligning the IPO offering with the company's established reputation and investor perceptions.

Prudent Debt-Equity Management:

The management of the debt-equity ratio (DER) is a critical factor influencing investor perceptions and market response. Companies should aim to strike a prudent balance between debt and equity, as this balance can significantly impact the success of the IPO. Effective management of DER can enhance investor confidence and contribute to a more favorable market reception.

Subscription Period Considerations:

Although the subscription period (SP) may have a limited direct impact on IPO performance, it remains a vital component of the offering process. Companies should carefully align the duration of the subscription period with their strategic goals and prevailing market conditions. A well-structured subscription period can facilitate a smoother offering process and better meet the company's objectives.

Discussion:

The success of an Initial Public Offering (IPO) is influenced by a range of factors that affect both its short-term and long-term performance. In the short term, market conditions and timing play a pivotal role. Favorable market environments and high investor sentiment can lead to significant underpricing and initial returns, as highlighted by Chris (2019) and Reddy and Kumar (2020). This initial boost is often driven by the strategic timing of the IPO and the ability of firms to capitalize on market enthusiasm. Earnings management is another critical factor in shaping short-term performance. Firms that engage in aggressive accounting practices may achieve higher initial returns, although this can come at the cost of future stability, particularly during hot market conditions (Tsai-Yin et al., 2021). The quality of underwriting and the involvement of institutional investors also impact short-term success. High-quality underwriters and substantial institutional support can enhance the attractiveness of an IPO and drive up its initial performance (Kam, Chan, & Lo, 2011; Gupta & Kumar, 2018).

For long-term performance, several additional factors come into play. Sustainable success relies on the company's ability to maintain robust financial performance, strategic execution, and market position beyond the initial hype. As Salim et al. (2020) and Shah and Mehta (2021) observe, companies with consistent growth and strong fundamentals are better positioned for long-term success. Effective post-IPO governance and management are also crucial. Companies that implement strong governance practices and ensure transparency tend to achieve more sustainable performance (Sinha & Misra, 2020). The impact of idiosyncratic risk, as discussed by Marie-Claude et al. (2020), shows that higher risk exposure can lead to greater long-term volatility. Therefore, maintaining good investor relations and communication strategies can help mitigate these risks and sustain investor confidence. Additionally, geographic and sectoral diversification can play a significant role in long-term success. Firms that operate across different regions or sectors can better manage risk and leverage growth opportunities, contributing to overall stability and performance (Ozgur, 2017). In conclusion, the drivers of IPO success encompass both short-term strategies and long-term sustainability considerations, requiring a balance of effective market timing, robust management practices, and strategic risk management.

Conclusion:

The extensive data analysis conducted in this study has yielded valuable insights into the multifaceted dynamics shaping Initial Public Offerings (IPOs). Our findings underscore several critical factors that significantly influence IPO performance, emphasizing the importance of strategic decision-making throughout the IPO process.

1. Initial Share Price (IP)

The initial share price is a pivotal determinant of IPO success. Our analysis highlights the critical role of setting an optimal IPO price, which can dramatically influence investor interest and initial returns. An accurately priced IPO not only attracts potential investors but also plays a crucial role in generating favorable initial returns. Companies must approach the pricing strategy with precision to align with market conditions and investor expectations.

A well-calibrated initial share price can enhance market performance and contribute to a positive debut in the public market.

2. Issue Size (IS)

The issue size, or the size of the offering, is another fundamental factor influencing IPO outcomes. While larger issue sizes can potentially attract more capital, our study indicates that size alone does not guarantee a successful IPO. It is imperative for companies to assess their financial requirements and align the issue size with prevailing market conditions and investor appetite. Striking the right balance in issue size can improve the likelihood of a favorable market response, ensuring that the offering is neither under- nor oversubscribed.

3. Company Vintage (CV)

The age or vintage of a company plays a significant role in the IPO process. More established firms with a robust track record may approach the IPO with different strategies compared to newer ventures. Our findings suggest that leveraging a company's historical context can be advantageous in the IPO process. Older companies can use their established reputation and proven performance to build investor confidence, whereas newer companies may need to adopt innovative strategies to overcome credibility challenges. Tailoring IPO strategies to reflect a company's age and experience is essential for maximizing success.

4. Debt-Equity Ratio (DER)

The debt-equity ratio is a crucial factor affecting IPO performance. Managing the balance between debt and equity is vital, as it influences investor perceptions and market reactions. Our analysis underscores the importance of maintaining an optimal debt-equity balance to align with investor expectations and current market conditions. A well-managed DER can enhance investor confidence and positively impact the success of the IPO, contributing to a favorable market response.

5. Subscription Period (SP)

Although the subscription period did not exhibit a significant influence in our analysis, it remains an essential component of the IPO process. Companies should carefully consider the duration of the subscription period in light of their strategic objectives and market dynamics. A thoughtfully planned subscription period can facilitate a smooth and efficient offering process, allowing companies to capitalize on favorable market conditions and investor interest.

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