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# A STUDY ON PERFORMANCE OF INDIAN IPO'S DURING THE FINANCIAL YEAR 2010-2011

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## Introduction:

Now-a-days Initial Public Offer (IPO) has become one of the preferred investments for the investor. In the recent years many companies has come up with IPO to raise funds to their requirements. Investing in IPO is considered as one of the risky investments. It is because the market behavior is not known especially in volatile share market. Performance of the IPO varies in accordance with the market i.e. bullish to bearish. Interests of the investors are influenced by the market trend and thus the performance of the IPO. IPOs can be a risky investment. For the individual investor, it is tough to predict about the performance of stock or shares on its initial day of trading and in the near future since there is often little historical data for the technical analysis of the stock. Also, most IPOs are of companies going through a transitory growth period, and they are therefore subject to additional uncertainty regarding their future value.

## Review of Literature:

The underpricing of initial public offerings (IPOs) is referred to in the literature as one of the anomalies observed in primary markets all over the world. The extent of it, however, varies from country to country. Underpricing refers to the positive initial returns over the offer to listing dates of the new issues. It is defined as the percentage difference between the closing price on the listing date from the offer price of the issue. It is a cost to the issuers and has drawn considerable attention in the academic literature over the last three decades.

**GadeSurendar and Dr. S. KamaleshwarRao (2011)** Companies raise capital in the primary market by way of an initial public offer, rights issue or private placement. An Initial Public Offering (IPO) is one through which an unlisted company makes either a fresh issue of securities or an offer for sale of its existing securities or both for the first time to the public. This paves way for listing and trading of the issuer's securities. IPOs deepen the market, diversify investor's portfolios, reduce volatility in stock prices, bring domestic investors money into the market and attract Foreign Institutional Investor funds.

**Qiming Wang (2010)** the price clustering of Initial Public Offerings (IPOs) in the secondary market trading during the first 240 trading days after their IPO dates. The results indicate the huge difference between the integer price frequency of IPOs in the primary market and that of matched stocks in the secondary market almost disappears on the first trading day after IPO.

**S S S Kumar (2010)** this study examines the performance of IPOs issued through the book building process in India over the period 1999 2006. The sample comprises 156 firms that offered their shares through the book building route on the NSE. Upon listing the IPOs on an average offered positive returns (after adjusting for market movements)to investors and a large part of the closing day returns on the listing day were accounted for by the opening returns. In the long run the IPOs offered positive returns up till twenty four months but subsequently they underperform the market.

**Satyendra K. Singh (2008)** The Under pricing phenomenon for the common stock for initial public offerings (IPOs). Book-building company was made compulsory for the companies during the year 2000-2001. In this case 60% of the offer should be allotted to Qualified Institutional Buyers. The main study is to understand the relationship between performance of index and the average returns on the IPO.

## Research design and Methodology

### Objectives of the study

The main objectives of the study include

- To study the methodology of Book-building Issue and Fixed price Issue.
- To analyse the performance of the IPO's in the market during the financial year 2010-2011
- To ascertain the factors contributing to the under pricing or over pricing of IPO in India.

### Research problem

One major source of business financing is through Initial Public Offerings (IPOs). Historically, IPOs received high initial first day gains compared to the market performance. These gains reflect external factors and not the company's true value, thereby suggesting the under-priced IPO. The recent researches on IPOs in different markets for different industries in various countries have focused on under-pricing and show that the under-pricing is evident in case of book-building route as well as fixed price-band offers. This study attempts to identify causal variables behind high initial gains for Indian IPOs using earlier researches and testing them over a sample of Indian IPOs to examine the influence of non-fundamental factors and signaling effects on under-pricing.

### Collection of Data

The main data sources for the present study are the Centre for Monitoring Indian Economy (CMIE) Monthly Reviews and Prowess data set. It contains stock prices, stock returns, and the accounting variables of the listed companies. This analysis is based on 52 IPO companies that got listed on the Bombay Stock Exchange (BSE) in the period of April 1$^{st}$ 2010 to March 31$^{st}$2011.

This study includes the data set of 54 IPOs, out of 2 IPOs got cancelled before listing. Among them, only 2scrips adopted the Fixed pricing Issue route, while the rest were Book Building Issue**.** The secondary data was collected from the various sources available like websites mainly SEBI, RBI, BSE and NSE, magazines, journals etc. wherever necessary.

**Scope of the proposed study**

The scope of the study is limited to only the ipo's issued during the year 2010.

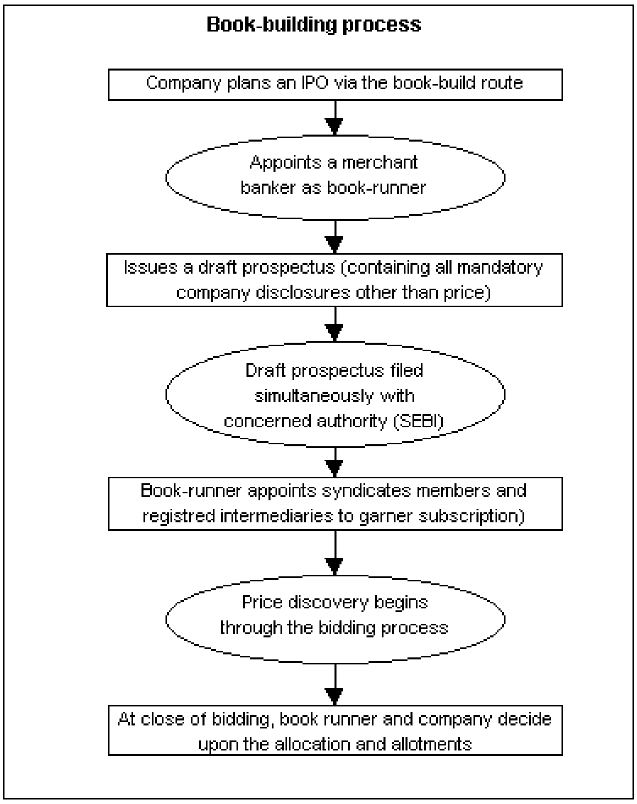
**Book building process :** Book Building is essentially a process used by companies raising capital through Public Offerings-both Initial Public Offers (IPOs) and Follow-on Public Offers ( FPOs) to aid price and demand discovery. It is a mechanism where, during the period for which the book for the offer is open, the bids are collected from investors at various prices, which are within the price band specified by the issuer. The process is directed towards both the institutional as well as the retail investors. The issue price is determined after the bid closure based on the demand generated in the process.

This process is an interactive and exciting one. It is the process of price discovery, i.e. there is no predetermined price for the shares. As an alternative, the firm issuing the shares declares a price band. When a firm is offering shares to the public via book building process, it sets a price band that defines the minimum and maximum price limits at which investors can make bids for acquiring the shares of the company. The floor price signals the minimum price at which the investors may bid for the shares, cap is the maximum price at which investors can make bids. Bids are then offered for the shares. Each investor states how many shares he wants and what he is willing to pay for those shares (depending on the price band). The offer/issue price is then determined after the bid closing date based on certain evaluation criteria.

The Process:

1. The issuer who sets up an IPO will elect a lead merchant banker as a "Book Runner".
2. The issuer spells out the no. of securities that are to be issued and also the price band for orders.
3. The issuer also nominates associate members with whom investors can place orders.
4. Investors make their order with an associate member who keys in the orders in the "electronic book". The process is called "Bidding" and is akin to an open auction.
5. A book must stay open for at least 5 days.
6. One can't submit bids that are lower than the floor price.
7. Bids can be altered by the bidder prior to the closure of the issue.
8. On the completion of the book building phase, the book runner assesses the bids on the basis of the following criteria:- Price Aggression, Investor Quality, Earliness
9. The book runner as well as the firm determines the final price at which it is keen to issue the stock and allocate securities.
10. Normally, the number of shares is fixed; the issue size gets frozen depending on the price per share discovered via the book building process.
11. Allocation of securities shall be made to the successful bidders. Allotment, in simple words, is the mechanism wherein those who apply are given shares.

- Retail Investors and high net worth individuals receive allotments on a proportional basis.
- Suppose that you are a retail investor and have applied for 1000 shares in the issue, and the issue is oversubscribed 10 times in the retail category, you qualify to get 100 shares. (1000 shares/10).
- At times, the over subscription is very large or may be the issue is priced so high that you can’t really bid for too many shares the Rs. 50,000 threshold is reached.
- In that case, allotment shall be made on basis of lottery.




**Benefits:**

1. The price of an instrument is set in much more realistic fashion.
2. The primary aim of book building process is to fix the highest market price for shares and securities.
3. As investors have a voice in the pricing of the issue, they have a greater certainty of being allotted what they demand.
4. The issue price is determined by the market. As there is a distant possibility of the market price of share falling lower than issue price, investor is less likely to suffer from erosion of his investment on listing.
5. Well organized capital rising with enhanced issue procedures, which leads to a reduction in (a) issue costs (b) paper work and (c) lead times.

6. Flexibility to increase/decrease price and/or size of offering the issues is possible.
7. There is transparency of allocations to investors.
8. Instant allotment and listing of placement portion of securities.

**BSE's Book Building System**

- BSE offers a book building platform through the Book Building software that runs on the BSE Private network.
- This system is one of the largest electronic book building networks in the world, spanning over 350 Indian cities through over 7000 Trader Work Stations via leased lines, VSATs and Campus LANS.
- The software is operated by book-runners of the issue and by the syndicate members, for electronically placing the bids on line real-time for the entire bidding period.
- In order to provide transparency, the system provides visual graphs displaying price v/s quantity on the BSE website as well as all BSE terminals.

**Fixed pricing process**

An issuer company is allowed to freely price the issue. The basis of issue Price is to be disclosed in the offer document where the issuer discloses in detail about the qualitative and quantitative factors justifying the issue price. There is only one price and issue will be offered at that price. Such type of issue is known as Fixed Price Issue. A one-time offer to purchase a stated number of shares at a stated fixed price, usually at a premium over the current market price.

Main difference between fixed pricing and Book building process

| Features | Fixed pricing process | Book building process |
|---|---|---|
| Pricing | Price at which the securities are offered/allotted is known in advance to the investor. | Price at which securities will be offered/allotted is not known in advance to the investor. Only an indicative price range is known. |
| Demand | Demand for the securities offered is known only after the closure of the issue. | Demand for the securities offered can be known everyday as the book is built. |
| Issuing | The Issuing company allowed to freely pricing issue. The basis of pricing issue is to be disclosed in the offer document where the issuer disclosed all the details justifying the issue price | It is the process by which a demand for securities proposed to be issued by a body corporate is elicited and build up and price for the securities is assessed on the basis of the bids obtained for quantum for securities offer for subscription by the issuer |
| Issuing opportunity | Fixed price issues have to typically depend upon the retail investors because there is no QIB location. Therefore there is a tendency of under pricing and a huge gain on listing. | Book building allow an opportunity to the issuer or the merchant banker to do any discretionary allotment, which is not possible in fixed pricing issue |
| Payment | Payment if made at the time of subscription wherein refund is given after allocation. | Payment only after allocation |

The below table contain all the IPOs issued during the financial year 1st April 2010 to31st March 2011 and their performance.

| NAME OF THE IPO | Issue open | Issue close | Issue price | Listing price | Method | Performed |
|---|---|---|---|---|---|---|
| Talwalkars Better value Fitness Ltd IPO | 21-Apr-10 | 23-Apr-10 | 128 | 162 | BB | underpriced |
| Nitesh Estates Limited IPO | 23-Apr-10 | 27-Apr-10 | 54 | 50.95 | BB | overpriced |
| Tarapur Transformers Limited IPO | 26-Apr-10 | 28-Apr-10 | 75 | 56.9 | BB | underpriced |
| Mandhana Industries Limited IPO | 27-Apr-10 | 29-Apr-10 | 130 | 133.7 | BB | underpriced |
| SJVN Ltd (SatlujJalVidyut Nigam Ltd) IPO | 29-Apr-10 | 3-May-10 | 26 | 25.05 | BB | overpriced |
| JaypeeInfratech Ltd IPO | 29-Apr-10 | 4-May-10 | 102 | 91.3 | BB | overpriced |
| Parabolic Drugs Limited IPO | 14-Jun-10 | 17-Jun-10 | 75 | 64.8 | BB | overpriced |
| Aster Silicates Ltd IPO | 24-Jun-10 | 28-Jun-10 | 118 | 199.1 | BB | underpriced |
| Technofab Engineering Ltd IPO | 29-Jun-10 | 2-Jul-10 | 240 | 295.7 | BB | underpriced |
| Hindustan Media Ventures Ltd IPO | 5-Jul-10 | 7-Jul-10 | 166 | 189.2 | BB | underpriced |
| Midfield Industries Ltd IPO | 19-Jul-10 | 21-Jul-10 | 133 | 163.1 | BB | underpriced |
| SKS Microfinance Ltd IPO | 28-Jul-10 | 2-Aug-10 | 985 | 1089 | BB | underpriced |
| Bajaj Corp Limited IPO | 2-Aug-10 | 5-Aug-10 | 660 | 758.3 | BB | underpriced |
| PrakashSteelage Ltd IPO | 5-Aug-10 | 10-Aug-10 | 110 | 188 | BB | underpriced |
| Gujarat Pipavav Port Ltd (GPPL) IPO | 23-Aug-10 | 26-Aug-10 | 46 | 54.05 | BB | underpriced |
| Indosolar Ltd IPO | 13-Sep-10 | 15-Sep-10 | 29 | 23.7 | BB | overpriced |
| Career Point Infosystems Ltd IPO | 16-Sep-10 | 21-Sep-10 | 310 | 632.4 | BB | underpriced |
| Eros International Media Ltd IPO | 17-Sep-10 | 21-Sep-10 | 175 | 190.1 | BB | underpriced |
| Microsec Financial Services Ltd IPO | 17-Sep-10 | 21-Sep-10 | 118 | 110.9 | BB | overpriced |
| Electrosteel Integrated Ltd IPO | 21-Sep-10 | 24-Sep-10 | 11 | 11.25 | BB | underpriced |
| Ramky Infrastructure Ltd IPO | 21-Sep-10 | 23-Sep-10 | 450 | 387.4 | BB | overpriced |
| Orient Green Power Company Ltd IPO | 21-Sep-10 | 24-Sep-10 | 47 | 44.9 | BB | overpriced |
| Cantabil Retail India Ltd IPO | 22-Sep-10 | 27-Sep-10 | 135 | 104.8 | BB | overpriced |
| VA Tech Wabag Ltd IPO | 22-Sep-10 | 27-Sep-10 | 131 | 1709 | BB | underpriced |
| GallanttIspat Ltd IPO | 22-Sep-10 | 24-Sep-10 | 50 | 81.6 | FP | underpriced |
| Tecpro Systems Ltd IPO | 23-Sep-10 | 28-Sep-10 | 355 | 407.9 | BB | underpriced |
| AshokaBuildcon Ltd IPO | 24-Sep-10 | 28-Sep-10 | 324 | 333.4 | BB | underpriced |
| Sea TV Network Ltd IPO | 27-Sep-10 | 29-Sep-10 | 100 | 106 | BB | underpriced |
| Bedmutha Industries Ltd IPO | 28-Sep-10 | 1-Oct-10 | 102 | 180.8 | BB | underpriced |
| Commercial Engineers & Body Builders Co Ltd IPO | 30-Sep-10 | 5-Oct-10 | 127 | 112.3 | BB | overpriced |
| BS Transcomm Ltd IPO | 6-Oct-10 | 13-Oct-10 | 248 | 378.5 | BB | underpriced |
| Oberoi Realty Ltd IPO | 6-Oct-10 | 8-Oct-10 | 260 | 283 | BB | underpriced |
| Prestige Estates Projects Ltd IPO | 12-Oct-10 | 14-Oct-10 | 183 | 192.6 | BB | underpriced |
| Gyscoal Alloys Ltd IPO | 13-Oct-10 | 15-Oct-10 | 71 | 81.55 | BB | underpriced |
| Coal India Limited IPO | 18-Oct-10 | 21-Oct-10 | 245 | 342.4 | BB | underpriced |
| Gravita India Ltd IPO | 1-Nov-10 | 3-Nov-10 | 125 | 210.4 | BB | underpriced |
| RPP Infra Projects Ltd IPO | 18-Nov-10 | 22-Nov-10 | 75 | 68.95 | BB | overpriced |
| Claris Lifesciences Limited IPO | 24-Nov-10 | 2-Dec-10 | 228 | 205.9 | BB | overpriced |

| | | | | | | |
|---|---|---|---|---|---|---|
| MOIL Limited IPO | 26-Nov-10 | 1-Dec-10 | 375 | 466.5 | BB | underpriced |
| Ravi Kumar Distilleries Ltd IPO | 8-Dec-10 | 10-Dec-10 | 64 | 80.05 | BB | underpriced |
| A2Z Maintenance & Engineering Services Ltd IPO | 8-Dec-10 | 10-Dec-10 | 400 | 328.9 | BB | overpriced |
| Punjab & Sind Bank IPO | 13-Dec-10 | 16-Dec-10 | 120 | 127.1 | BB | underpriced |
| Shekhawati Poly-Yarn Ltd IPO | 27-Dec-10 | 29-Dec-10 | 30 | 47.5 | FP | underpriced |
| C Mahendra Exports Ltd IPO | 31-Dec-10 | 6-Jan-11 | 110 | 110.9 | BB | underpriced |
| Midvalley Entertainment Ltd IPO | 10-Jan-11 | 12-Jan-11 | 70 | 58.05 | BB | overpriced |
| OmkarSpeciality Chemicals Ltd IPO | 24-Jan-11 | 27-Jan-11 | 98 | 46.2 | BB | overpriced |
| Sudar Garments Ltd IPO | 21-Feb-11 | 24-Feb-11 | 77 | 113.1 | BB | underpriced |
| Acropetal Technologies Ltd IPO | 21-Feb-11 | 24-Feb-11 | 90 | 98.45 | BB | underpriced |
| Fineotex Chemical Ltd IPO | 23-Feb-11 | 25-Feb-11 | 70 | 140.9 | BB | underpriced |
| Lovable Lingeries Ltd IPO | 8-Mar-11 | 11-Mar-11 | 205 | 249.2 | BB | underpriced |
| PTC India Financial Services Ltd IPO | 16-Mar-11 | 18-Mar-11 | 28 | 24.9 | BB | overpriced |
| Shilpi Cable Technologies Ltd IPO | 22-Mar-11 | 25-Mar-11 | 69 | 47.6 | BB | overpriced |

**Underpricing:**

The pricing of an initial public offering (IPO) below its market value, when the offer price is lower than the price of the first trade, the stock is considered to be underpriced. A stock is usually only underpriced temporarily because the laws of supply and demand will eventually drive it toward its intrinsic value.

**Overpricing:**

Overpricing is measured as the difference between the offer or opening price for the IPO's stock and its closing price after the first day of trading scaled by the offer price. When the opening price exceeds the closing price, the IPO is said to be overpriced.

**Why Are IPOs Underpriced?**

IPO underpricing continues to be a global phenomenon despite a vast amount of research that attempts to explain it. Theories based on information asymmetry suggest that high-quality issuers deliberately underpriced their IPOs to signal their quality to outside investors, hoping that it will be too costly for low-quality issuers to mimic. Underpricing also helps to overcome adverse selection problems. Since uninformed investors tend to get a higher allocation of overpriced shares, they will stop participating in IPOs if issues are not, on average, underpriced. In the book-building framework, the theory of partial adjustment suggests that investment banks only partially adjust IPO offer prices upward when they receive positive information about the value of the issue. They purposely leave money on the table to reward investors who truthfully reveal their information about the issue and threaten access to future deals for those that do not.

Some studies suggest that investment banks underprice IPOs to protect their reputation. When new issues are priced lower than they should be, investment bankers reduce their legal liability by lowering the chance of price declines. There is also evidence that greater underpricing leads to more aftermarket trading volume, which increases the revenue of investment bankers when they subsequently become the market-makers for these IPO firms. Investment bankers also benefit from underpricing because it allows them to curry favor with their clients in exchange for their loyalty and continued business. These explanations do not make it clear why issuing firms approve underpricing as it only benefits the investment banks.

There are explanations of underpricing that are based on information production and ownership dispersion which will benefit the issuing firms. If issuing firms want to have a more dispersed ownership, they need to underprice their IPOs so that more investors will be induced to produce information about the issue and subsequently buy the shares. Dispersed ownership increases liquidity and aftermarket trading, and also helps existing owners to retain control of their firms. These explanations predict a positive relationship between underpricing and aftermarket liquidity. However, there is also an explanation that predicts an inverse relationship between these two variables. When aftermarket trading for an IPO is expected to be thin, investors face higher aftermarket trading costs associated with asymmetric information; thus, they demand a higher level of underpricing to compensate them for the liquidity risk.

It has also been argued that underpricing is a substitute for marketing expenditure. Hugely underpriced IPOs tend to receive a disproportionate amount of media attention and publicity. Research shows that an extra dollar left on the table reduces other marketing expenditure by about the same amount. Higher underpricing also attracts more analyst coverage post IPO.

## REASONS FOR UNDERPRICING AND OVERPRICING OF IPO'S:

### Underpricing:

The empirical literature is now fairly mature in claiming sufficient evidence for the underpricing of IPOs. Broadly speaking, some sort of underpricing for IPOs is reported in every capital market globally. The remarkable empirical regularity inspired large sections of theoretical literature to explore the underlying rationality behind underprice. Studies on IPO underprice can be grouped under four different broad headings: (a) Information asymmetry; (b) Institutional reasons; (c) Control considerations; and (d) Behavioral approaches

**Information Asymmetry**: This model argues that investors in the new issue market are vertically split into two categories, i.e., informed and uninformed (or less informed). Informed investors put in a large number of applications for underpriced issues, while uninformed investors apply indiscriminately. As a result, uninformed investors have lesser chance of getting an allotment in profitable IPOs because their demand is partly crowded out by informed investors. Thus, uninformed investors are cursed by getting optimum allocation in an unsuccessful IPO and hence will be losing their interest in the market. To attract the uninformed investors to the IPO market, the issues must be underpriced to some extent so that an assured return can be made. The more the magnitude of information friction, the more likely the issue will be underpriced because of uncertainty surrounding the IPO.

**Institutional Explanations:** deliberately underprice the IPOs to avoid possible lawsuit threats from disappointed investors. Underpricing is used to safeguard the possible lawsuit threat. Other studies supporting institutional approach for IPO underprice include, price stabilization theory and tax arguments

**Ownership and Control Consideration:** Issuing equity through IPO route eventually leads to separation of ownership and control. Underpricing induced ownership dispersion as a large and diverse group of investors bid for the IPOs. Managers then strategically allocate the

IPOs to protect their private benefits. Other studies found evidence in support of the ownership and control consideration as motivation for underprice. Allocating shares to large outside investors is value enhancing, because these investors can effect strict supervision and managerial control on the IPO firm.

**Behavioral Explanations:** Behavioral theories find that investors bid IPOs irrationally. Overenthusiastic investors bet the price of IPO shares beyond their true fundamental value. Investors subscribe to the IPOs by sequentially learning from the response of the earlier investors. Alternatively, latter investors base their investment decision on the initial investors' information and discount their private information.

**Risk, Uncertainty, and Divergence of Opinion.**

Information plays a critical role in virtually all models of initial underpricing. In these models, some form of asymmetrically held information is used to motivate the necessary discounting of the offer price to overcome one or more of the following: agency problems, adverse selection, moral hazard, and signaling, herding and/or irrational behavior.

## Overpricing

The overpricing is starts with the erring bankers with regard to overpricing, unnecessary hype and violations of a standard code of conduct and business ethics

This happens with the matter significance in the backdrop of SEBI warning the merchant bankers against creating a big hype in the case of the recently concluded mega IPO of Coal India, which is looking to raise an estimated over Rs.15,000 crore through the country's biggest ever IPO that was heavily oversubscribed.

Although, the Coal India IPO was widely considered as a well-priced public offer, a number of recent IPOs, especially by private companies, have been criticized severely for being over-priced.

## Findings and Suggestions

### Book building & fixed pricing Issue

1. Book building is suitable only for mega issues.
2. The issuer firm must be fundamentally strong and well known to the investors.
3. The book building system functions very well in matured market conditions. So, the investors are knowledgeable of the various parameters influencing the market price of the securities. But, such conditions are generally not seen in practice.
4. There is a chance of price rigging on listing as promoters shall try to bail out associate members.

### Underpricing and overpricing

- There is a big hype created by the merchant in the case of the recently concluded mega IPO of Coal India, which is looking to raise an estimated over Rs.15, 000 crore through the country's biggest ever IPO that was heavily oversubscribed. Although, the Coal India IPO was widely considered as a well-priced public offer, a number of recent IPOs, especially by private companies, have been criticized severely for being over-priced.

- The Talwalkars Company looks quite interesting more from the point of view that it is the first company in this particular space which is hitting the market. So from that perspective, it will find some amount of inclusion in portfolio. But over and above that, I find that this company is entering with presence of more than 10%, as far as their gymnasiums are concerned compared to industry players in this one year FY10-11.

- The initial public offer of Jaypee Infratech has been subscribed 84% on the first day of its opening. Jaypee Infratech has come out with a public issue in the price range of Rs 102 to Rs 117. The IPO closes on May 4. Through this public issue, the company hopes to raise Rs 2,262 crore and Rs 2,352 crore as per the lower and the upper end of the price band, respectively. Jaypee Infratech will receive Rs 1,650 crore out of the total proceeds this is one of the reasons for stock being overpriced.

- Aster Silicates Ltd IPO had been oversubscribed 4.47 times at the end of the final day. The IPO of Aster Silicates Ltd has received a good response from the investors with the final over subscription figure nearing about 4.47times on an overall basis. QIB categories of investors have shown least support because of oversubscription the IPO was underpriced.

- Research has found that IPOs are underpriced an average of 15 percent. A common explanation for this gap between the initial and close-of-the-first-day prices is that firms going public are risky ventures and investment banks are prudent to set initial prices low.

- An alternative explanation for under pricing is that it is in the interests of some of the parties to the sale -- mainly the institutional investors, venture capitalists, and underwriting investment banks -- to have a low initial price.

- Socials scientists use agency theory to explain the actions and motivations of individuals. In economics, agency theory reveals the conflicts between interests of managers and owners of firms.

- Agency theory predicts that managers will be motivated to prevent IPO underpricing because they typically stay with the firm after the IPO and want it to have the capital needed to succeed.

- Managers who serve on boards of directors can deter underpricing by monitoring the efforts of other players and making the case for higher prices when the IPO is being presented.

## Conclusion

The Analysis from the statistical data that will cover the IPOs of various companies adopting the book-building route also faces underpricing. There is an extent of over subscription of an IPO, which will determine the First Day Gains. The over subscription will leads to larger First Day Gains for the IPOs. The analysis will helps us to find out whether the stocks are underpriced or overpriced. The small-issue-size, stand-alone companies that will show how to grasp the Investors during the booming IPO market and collected as much money as possible from them. The other class represents companies from Indian business groups or government ownership. They underpriced more and came back to investors after their IPOs to raise more funds, irrespective of industry classification.

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