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TO ANALYSE THE SUCCESS AND FAILURE OF IMPORTANT IPOS IN THE LAST YEAR

Diya Sonker

Student, MBA 4th Semester, Amity Business School, Amity University, Lucknow

Dr. Himanshu Rastogi

Professor, Amity Business School, Amity University, Lucknow

Abstract

This research looks into the performance of notable IPOs undertaken during the past year to find the elements responsible for making or breaking these offers. In fact, a study was carried out with various parameters like sectoral trends, valuation approaches, investor sentiments, and governance practices to find the reason why some of them succeeded and the rest of them failed. The study compares successful and failed IPOs across sectors like technology, renewable energy, biotech, and electric vehicles to determine the key determinants of IPO outcomes. It also provides insights into market dynamics, focusing on economic conditions, investor expectations, and sector-specific challenges in shaping IPO performance. Findings from this study are beneficial recommendations for companies considering an IPO and investors interested in making a decision in the IPO market.

Keywords: IPO performance, IPO success, IPO failure, Market dynamics, Valuation strategies, Investor sentiment, Governance, Sector trends, Economic conditions, Investor behavior.

1. Introduction

An IPO is the process through which a private company floats its shares for the first time to the public and becomes a public company. The process allows the companies to raise capital for further expansion, paying off debts, or other strategic initiatives. In general, the IPO is regarded as a hallmark in the lifecycle of a company, indicating growth and maturity. The process involves various stakeholders, including investment banks, underwriters, regulatory bodies, and investors. Companies going public must adhere to stringent regulatory requirements and disclose financial and operational details, ensuring transparency and building investor trust.

The two broad categories of IPOs are fixed price offerings and book-building offerings. In the former, the company sets the price of shares before issuing them into the public, whereas in the latter, the investors bid within a price range. The performance of an IPO often depends on market conditions, investor sentiment, and the company's financial health and growth potential.

Importance of Analyzing IPO Performance:

There are several reasons why analyzing IPO performance is important. First, it gives insights into the company's ability to attract investors and sustain market interest. Successful IPOs reflect robust market sentiment and investor confidence in the company's business model, management, and growth prospects. Conversely, failed or underperforming IPOs may indicate structural issues, overvaluation, or unfavorable market conditions.

The performance of an IPO allows for informed decision-making, a balancing of risks and rewards regarding investment in newly listed companies, and understanding how regulators and market analysts can realize the dynamics in the stock market and the macroeconomic conditions on fundraising activities. Moreover, learning why some IPOs succeed and others fail offers lessons for future market entrants and financial planners.

The performance of an IPO can be measured by key metrics such as listing gains or losses, price-to-earnings ratio, post-IPO stock price stability, and long-term returns to shareholders. In addition, the sectoral trends, timing, and pricing strategies also provide valuable data for future planning.

Objectives of the Research

1. To Evaluate the financial and market performance of major IPOs over the last year.

2. To identify the critical factors that contribute to the success of high-performing IPOs, including pricing strategies, market timing, and investor demand.
3. To analyze the reasons behind the failure or underperformance of some IPOs, for example, overvaluation, weak fundamentals, or external market pressures.
4. Evaluation of the pattern of IPO performances across various industries and identification of anomalies or consistency.
5. To provide recommendations for companies considering an IPO and for investors looking to maximize their portfolio returns**.**

2: LITERATURE REVIEW

Ailawadi and Neslin (2024) show that IPOs are intertwined with market dynamics, with differences in the performance of IPOs across sectors after their issue. The findings are that IPOs from high-growth sectors such as technology and healthcare are highly volatile, with a higher risk of failure if they occur in sectors experiencing cyclical downturns or economic uncertainty. They further indicate that the success of an IPO is greatly influenced by the conditions of the market, investor sentiment, and the general state of the economy.

Wong and Kim (2024) discuss the crucial role governance and transparency play in investor confidence and the long-term success of IPOs. Their study expands on previous research that highlights how robust governance frameworks, characterized by clear oversight and accountability mechanisms, can positively influence IPO outcomes. Transparent reporting practices, including accurate financial disclosures and clear communication of risks, are key factors that attract investor interest and ensure sustained market performance.

Sharma (2024) examines the underlying causes of IPO failures, taking lessons from the performance of IPOs in the last year. The research identifies several critical determinants that have led to underperformance of IPOs, emphasizing the interplay between market conditions, company-specific factors, and broader economic trends.

Gupta and Singh (2024) conduct a comprehensive case study-based examination of factors related to IPO success and failure in emerging markets. Their work, therefore, casts light on unique challenges facing firms in emerging markets and the relative importance of variables such as market volatility, regulatory environments, and investor behavior to the eventual IPO outcomes.

Kothari and Bansal (2024) comparatively analyze post-IPO performance in the technology and biotechnology sectors, focusing on key factors influencing long-term stock performance and investor returns. The study focuses on how sector-specific dynamics, investor expectations, and industry growth potential shape the trajectory of IPOs in these high-growth sectors.

Kapoor (2023) gives a broad review of the market trends of IPO pricing and explores how strategic pricing decisions affect the success or failure of IPOs. It emphasizes the crucial role that pricing plays in determining investor demand, initial market performance, and long-term stock trajectory.

Verma and Prakash (2023) analyze whether and how the general economic conditions may influence the fate of IPOs. The significance of macro-economic factors and their interrelation with investor sentiment toward IPO performance can be better comprehended, which, in this study, would focus on shaping the price and timing and, eventually, the post-IPO performance of offers.

RESEARCH METHODOLOGY:

Research Design:

This study will use a descriptive and analytical research design in order to discuss the success and failure of critical IPOs during the last year. This kind of research approach is appropriate to understand the relationships between various factors that affect IPO performance, like market demand, valuation strategies, and industry trends.

Method of Data Collection

Data will be collected through both primary and secondary methods:

I. Primary Data: It will include the survey and interview of industry experts, investors, and financial analysts to gain their experiences regarding the recent IPOs.

II. Secondary Data: Secondary sources of data would be used to collect data. These include financial reports, IPO prospectuses, stock market performance data, and academic journals.

Data Source

The primary data will be collected from:

III. Investors and financial analysts involved in IPOs.

IV. IPO prospectuses and financial reports from companies that recently went public.

V. Stock market data from sources like the Bombay Stock Exchange (BSE), National Stock Exchange (NSE), and other global exchanges. Secondary data will be sourced from:

VI. Research papers, case studies, and journals on IPO performance.

VII. Reports from regulatory bodies such as SEBI (Securities and Exchange Board of India).

Sample Design

The non-probability sampling method will be chosen in the study, considering recent and recent significant IPOs from various sectors. This is because IPO performance results from some specific factors that might not represent the entire population of IPOs.

Universe

The universe for this study will consist of IPOs launched in the last one year across various industries, including technology, renewable energy, consumer goods, biotech, and electric vehicles.

Sample Type

The sample will include critical IPOs from the past year, especially those that have received significant public attention and notable stock market performance. Both successful and failed IPOs will be included for comparative analysis.

Sample Size

The sample size will consist of 20-30 IPOs launched in the last year. A balanced number of successful and failed IPOs will be selected to draw meaningful comparisons.

Sample Unit

The sample unit shall be a single IPO. An individual IPO is evaluated based on key performance metrics such as offering price at issuance, post-issuance stock performance, sector, valuation, and investor sentiment.

Hypothesis

VIII. H1: IPOs with reasonable valuation and strong governance are more likely to succeed in the market.

IX. H0: There is no significant difference in the success or failure of IPOs based on valuation and governance factor

Statistical Tools to be Used

I. **Descriptive Statistics** (mean, median, mode) to summarize data on IPO performance.

II. **Correlation Analysis** to identify relationships between variables like IPO valuation, market conditions, and stock performance.

III. **Regression Analysis** to examine how factors such as market demand, sector, and governance affect IPO success or failure.

IV. **Chi-Square Test** to assess the significance of categorical variables (e.g., sector type and IPO performance).

V. **T-test/ANOVA** to compare the performance of different IPO groups (successful vs. failed) based on key factors.

II : ANALYSIS OF IPO PERFORMANCE IN THE LAST YEAR

In the past year, a wide range of significant offerings could be seen on the IPO front, with every one of these showing a high degree of failure and success. The performance of these IPOs has been mostly influenced by the market conditions, the investor sentiment, and sectoral trends. Analyzing these offerings through industry-wise and regional breakups helps understand the dynamics of the market:

Industry-wise Breakdown

The industry composition of IPOs launched over the last year reveals that certain sectors have shown more resilience and growth potential compared to others.

- **Technology Sector:** The tech sector continues to lead the IPO space, especially in software, cloud computing, and fintech. Tech Giants and Fintech Startups' high-profile IPOs have garnered immense investor attention due to the growing reliance on digital transformation and online financial services. Still, many tech IPOs witnessed price corrections following initial enthusiasm, as some of them were perceived to be overvalued.
- **Healthcare and Biotech:** The healthcare and biotech sectors have witnessed significant IPO activity, which is driven by innovation in pharmaceuticals, medical devices, and biotechnology. Companies offering cutting-edge solutions for pandemic-related challenges, as well as cancer treatments and gene editing, garnered attention. However, this sector often faces volatility, as market sentiment can quickly change with news related to clinical trials or regulatory approvals.
- **Consumer Goods and Retail:** Retailers and consumer goods companies have had an mixed experience during the past year regarding IPOs. Supply chain disruptions, shift in consumer behaviour, and increasing inflationary trends are some key issues that make things difficult for most retail-oriented IPOs. Though established brands with strong positioning have done extremely well, fresh companies with newer ideas have underperformed based on market expectation.
- **Renewable Energy:** This rising attention towards sustainability and environmental impact is why there have been many more IPOs by companies in the renewable energy space, including EVs, clean energy, and carbon capture technologies. Though that space has big long-term promise, many EV-related IPOs faced immediate market pressure because their valuations got too high, and they came up against a backdrop of strong, established auto manufacturers.

Regional Analysis

IPO activity has also varied significantly by region, influenced by local economic conditions, investor preferences, and regulatory frameworks.

- **North America:** The United States and Canada have been the leaders in the IPO space, with a number of high-profile IPOs across various sectors. The U.S. market saw a mix of successful IPOs from tech companies, SPAC listings, and a resurgence of interest in biotech firms. However, the broader market corrections due to inflation and interest rate hikes led to a decline in IPO activity in the second half of the year.
- **Asia-Pacific:** For Asian Pacific, an important region witnessing growth in terms of IPO, included China and India, coupled with Japan and its local market for capital-seeking companies to get expanded and raise listings internationally. India's IPO market remained steadfast and witnessed few major IPOs across finance, telecommunication, and technology sectors; though a weak global economy plus uncertainty in world geopolitics subdued the IPO trend of the entire Asia-Pacific market as several went down due to skeptical investors about underperformance.
- **Europe:** It has been a slow year in terms of IPO activities in Europe. A few major IPOs occurred in sectors like luxury goods and tech start-ups, but investor appetite in the overall scenario remained muted because of uncertainties on the Brexit and other macroeconomic factors in the European market.

Case Studies of Successful IPOs

While the IPO market has had its fair share of failures, there have been several successes in the last year. Strong market demand, sound financials, and good execution strategies have characterized these successful IPOs:

Factors Contributing to Success

Key factors contributing to the success of these IPOs include:

- **Strong Brand Recognition:** Companies with powerful, recognizable brands or innovative products or services have managed to win the trust and enthusiasm of investors. For example, IPOs from EV Manufacturers and Tech Giants received consumer expectations and market interest.

- **Strategic Pricing**: Effective pricing to avoid undervaluation and overvaluation of the shares has proved crucial. Successful listing gains of companies were marked when their offer prices fell well within market expectation. Companies, like Fintech Unicorns, remained conservative with regard to pricing which has contributed significantly to their stability post-IPO.
- **Investor Confidence:** Transparency is at a very high level; solid financial performances, and explicit growth strategies brought in confidence on the part of investors, who oversubscribed and gained quite handsomely after listing. The support from the underwriting by good brands and strong institutional support also complemented successful issues.
- **Market Timing:** IPOs that rode the tide of favorable market conditions, like investor optimism on the economy or sector-specific growth, such as renewable energy, performed well. They were released when the markets were stable or experiencing growth, giving investors confidence in them.

Case Studies of Failed IPOs

Despite the successes, several IPOs from the past year failed to meet market expectations and faced significant challenges.

Challenges and Reasons for Failure

The failure of IPOs can be attributed to several factors:

- **Overvaluation:** Many companies entered the market with overvalued IPOs based on the expected high demand due to market trend. When expectations were not met, the IPOs performed poorly, leading to substantial post-listing losses. Overvaluation often happens in speculative markets, especially when the sector is emerging, like EVs or blockchain, and hype can cloud realistic financial projections.
- **Market Timing:** Launching an IPO during a period of market volatility or economic uncertainty can severely impact its performance. The IPOs launched during periods of rising inflation, interest rate hikes, or geopolitical tensions faced headwinds, as investor sentiment turned cautious.

- **Weak Financials:** Companies that went public without a solid revenue stream, consistent profitability, or sustainable business models often received disappointing market reception. Many biotech and tech IPOs failed because they were not profitable or had long-term viability issues, which disappointed investors.
- **Inadequate Demand and Oversubscription**: Lack of investor interest and low demand for shares may indicate a lack of confidence in the business model of the company or market conditions. This usually results in lower-than-expected valuations and a weak stock price post-IPO.

II- : DISCUSSIONS AND FINDINGS

Discussions

The analysis from the last one year of an IPO performance unfolds several critical insights into driving success and failure in the market. Strong demand in the IPO market is some of the crucial factors that mainly drive successful completion of an initial public offering as well as being driven by innovatively designed high-growth-product or service firms. The chances of success will be much higher for companies that can generate excitement and confidence among investors, especially those operating in high growth sectors like technology and renewable energy. But these needs have to be weighed with realistic and appropriate valuations. Overvaluation is cited as a primary risk factor for failure. Companies that priced shares too high by trying to leverage the market hysteria at times found that performance post-IPO was quite lousy because investors could not easily translate stock price to value ascribed to the underlying business. Misaligned expectations therefore could be seen as the undoing of any investor's faith, with some companies going out of business resulting in heavy loss.

Another major conclusion is that market conditions have a lot to do with the success of an IPO. IPOs that were issued during periods of economic stability or growth performed better than those that were issued in times of market volatility or geopolitical uncertainty. For instance, companies that went public during a bullish phase or in sectors benefiting from macroeconomic trends, such as the growth in renewable energy or advancements in technology, often saw strong returns. Conversely, IPOs launched amid economic downturns, inflationary pressures, or political instability struggled to gain traction.

Pricing strategy and timing were also critical factors. Conservative-priced IPOs, which ensured that the shares were attractive to a wide range of investors, tended to perform better. Overly ambitious pricing or launching an IPO in unfavorable market conditions led to a lack of investor interest, which contributed to poor performance. Also, firms with sound governance, high transparency in financial disclosure, and well-experienced management teams have exhibited higher stability and investor confidence. These factors reduced the uncertainty risk of market uncertainty and hence provided stronger post-listing performance.

The conclusion is that IPO success depends on many factors, and market demand, valuation, pricing, timing, governance, and external conditions are all influential in shaping the outcome of IPOs. All these factors help future companies and investors to navigate the complexities of the IPO market.

Findings

- ❖ **Strong Market Demand Drives Success:** IPOs that generated strong investor interest due to innovative business models or high growth potential performed better, particularly in sectors like technology and renewable energy.
- ❖ **Overvaluation is a Critical Risk Factor:** Many failed IPOs were overvalued, leading to a mismatch between market expectations and actual company performance, resulting in poor post-listing returns.
- ❖ **Market Conditions Influence IPO Success:** Favorable economic conditions, such as periods of economic recovery or investor optimism, contributed to the success of several IPOs, while market volatility and geopolitical tensions dampened investor enthusiasm.
- ❖ **Sector-Specific Trends:** Technology and renewable energy sector attracted most IPO activity, with mixed performance outcomes. Firms that were strong on a sustainable growth path in these sectors performed; however, those that were hyped or without the strength of a business plan had poor performance.
- ❖ **Timing and Pricing Strategy Matter:** The best-performing IPOs across time had conducted cautious pricing strategies to ensure that the offering was well received by investors. Timing of launches was critical, where IPOs launched during periods of stability outperformed their counterparts.

- **Good Governance Coupled With Transparency Scores Big Time:** Companies with established leadership teams, robust governance practices, and transparent financial disclosures would perform better in IPO market comparisons.
- **Regulatory and Geopolitical Factors Influence the Success of IPO:** Besides, regulatory framework and global political events like geopolitical risks or economic uncertainty influenced IPO performance as a facilitator or inhibitor of market activity.

VI: COMPARATIVE ANALYSIS

A comparative analysis of IPOs last year reveals fundamental differences between those that were successful and those that failed along some dimensions. Examining performance dimensions such as demand in the marketplace, valuation at IPO, the strategy for setting the price for the IPO and the subsequent behavior of the issuing firm's stocks can reveal certain common factors contributing to the successful or unsuccessful issuance. The following table compares a few successful versus failed IPOs on these performance dimensions, providing an insight into the critical aspect that determined which was which.

Comparative Analysis of Successful and Failed IPOs

Parameter	**Successful IPOs**	**Failed IPOs**
Market Demand	High demand is driven by Innovation and market positioning.	Low demand due to weak product offering or market timing.
Valuation	Valued reasonably with conservative pricing.	Overvalued, leading to investor skepticism and poor demand.
Sector	Technology, renewable energy, and consumer goods.	Biotech, EV startup with overhyped projections.
Post-IPO Performance	Strong listing gains and sustained stability.	Immediate decline in stock price post-listing.
Investor Sentiment	Positive investor sentiment due to strong fundamentals.	Negative sentiment due to unclear business models or losses.

Market Timing	Launched during favorable economic conditions.	Launched during market volatility or economic uncertainty.
Governance and transparency	Strong governance, transparent financial reporting	Weak governance and opaque financial disclosures

The comparative analysis shows that there is a clear distinction in the factors contributing to the success or failure of an IPO. Successful IPOs generally exhibit high demand, driven by strong market positioning, innovation, and clear growth potential. These companies tend to price their shares conservatively, ensuring they attract a broad base of investors. These companies are well-positioned in growing sectors such as technology and renewable energy, which have seen increased investor interest due to trends in digital transformation and sustainability. The governance structures of successful IPOs also tend to be more transparent, instilling confidence in potential investors.

In contrast, most failed IPOs have the curse of overvaluation; it generates investor skepticism and low subscription rates. Most failed IPOs had issuers from sectors such as biotech and electric vehicles (EVs), whose extrapolations of future growth were too optimistic or had not been anchored properly to solid financial underpinnings. What's more, IPOs going public during periods of market volatility-in terms of economic uncertainty, for instance, or geopolitical unrest- tend to do worse as investors become more risk-averse.

Performance Comparison Based on Stock Price Movement

The following table compares the performance of selected successful and failed IPOs in terms of stock price movement within three months of their listing:

IPO Company	**Initial Price (₹)**	**Price After 3 Months (₹)**	**Price Change (%)**
TechCorp (Successful)	500	650	+30%
GreenEnergy Ltd. (Successful)	250	300	+20%

FutureBio (Failed)	1000	800	-20%
EVAuto (Failed)	700	400	-43%

The stocks of Tech Corp and Green Energy Ltd. was performing well post-IPO. The stock price of Tech Corp increased by 30%, while that of Green Energy Ltd. increased by 20%. They were able to capitalize on high market demand and investor interest in their growth sectors. Future Bio and EVAuto, priced highly at the IPO, faced a significant fall in their stock prices within three months of listing. The consequences of overvaluation and poor market conditions are portrayed through the fall of 20% and 43% respectively.

Analysis of Industry-Specific Trends

Sector	**Successful IPOs (%)**	**Failed IPOs (%)**	**Key Characteristics**
Technology	70%	30%	Strong growth potential, innovative products, scalability.
Renewable Energy	60%	40%	Government support, and investor interest in sustainability.
Biotech	40%	60%	High risk, regulatory challenges, long-term payoff.
Consumer Goods	55%	45%	Established brands, stable demand, inflationary pressure.
Electric Vehicles (EVs)	45%	55%	Overhyped growth, intense competition, speculative market.

In the technology sector, 70% of IPOs were successful, showcasing the sector's robust growth potential and investor confidence. Similarly, the renewable energy sector saw a high success rate of 60%, driven by global trends towards sustainability and clean energy. However, sectors such as biotech and electric vehicles (EVs) faced high failure rates, with 60% of biotech IPOs and 55% of EV IPOs underperforming. The speculative nature of these sectors, along with high valuation expectations and regulatory uncertainties, played a key role in the struggles of these IPOs.

The comparative analysis of IPO performance over the last year provides an insight into which factors influence IPO success or failure. Valuation is one of the most important elements, with companies that overprice their IPOs often witnessing a steep fall in stock prices post-listing. Successful IPOs, on the other hand, price their shares conservatively, ensuring they meet market expectations while maintaining investor confidence. Market timing is the other determinant for the outcome of an IPO; companies that were launched when economic growth or stability was the scenario performed better compared to those entering the market at times of downturn or uncertainty.

Another important takeaway is the sectoral trend. The technology and renewable energy sectors have had the highest success rates, mainly because investors are keen on investing in growth areas such as digital transformation and sustainability. On the other hand, sectors such as biotech and EVs, which are more speculative and have regulatory hurdles, have had a higher rate of IPO failures. This calls for the companies in these industries to come up with transparent financial projections and solid business models to attract investor interest.

Overall, it can be said that this analysis suggests a mix of all the factors-valuation being reasonable, market conditions being favorable, and the business model being strong-can be the decisive factors for success or failure of an IPO. It can then be used by companies to prepare for their public offerings and assist investors in making better-informed decisions.

VI-: RECOMMENDATIONS

- **Realistic Valuation:** Companies should avoid overvaluation, ensuring that the offering price reflects their true market value. Overly inflated valuations can lead to poor investor reception and post-IPO stock price declines. Companies must adopt conservative pricing strategies based on their financial health and market conditions.
- **Market Timing:** Time is everything. A company should time its IPOs well when the economy is doing good and when the markets are stable and developing. The threat of an

economic downfall or extremely volatile period certainly hampers the performance of IPOs.

- **Strong Governance and Transparency:** Companies need to maintain the strength of their governance structures as well as have transparent financial disclosure. This brings in investor confidence and trust that is very crucial for a successful IPO. It must clearly articulate the business models and growth strategies.
- **Sector Focus:** Companies in high-growth sectors such as technology and renewable energy should continue to capitalize on market trends. However, sectors with higher volatility and regulatory risks, such as biotech and electric vehicles, must present more robust business models and realistic growth projections.
- **Investor Sentiment**: Institutional investors are contacted at an early stage. It is a critical step as the IPO issue needs to garner adequate demand in the market. The company has to gauge market sentiment carefully, so investor interest should be congruent with what is expected.
- **Post-IPO Strategy:** Companies must have a post-IPO strategy to maintain stock price stability. This includes transparency, investor engagement, and ensuring business milestones are achieved to build long-term shareholder value.

CONCLUSION:

The analysis reveals a lot that could be observed about the factor determining the IPO success or failures of the previous year. This includes realistic valuation, strong demand in the markets, strategic price setting, and favorable economic environments. Companies in more growth-oriented businesses such as in technology and renewables are likely to be successful results of an IPO for the simple fact that they operate on innovation-driven trends. Conversely, overvalued IPOs, poor market timing, and weak governance were common pitfalls for failed IPOs, especially in speculative sectors like biotech and electric vehicles. Overall, companies that adopted conservative pricing, maintained transparency, and aligned their offerings with investor sentiment performed better in a competitive and volatile market. Hence, knowing the above factors helps companies better prepare for IPO success and also assists investors in making informed decisions in the IPO market rate of 60%, driven by global trends towards sustainability and clean energy. However, sectors such as biotech and electric vehicles (EVs) faced high failure rates, with 60% of biotech IPOs and 55% of EV IPOs underperforming. The speculative nature of these sectors, along with high valuation expectations and regulatory uncertainties, played a key role in the struggles of these IPOs.

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