
**STOCK RETURN DYNAMICS OF INDIAN IPOs: COMPARATIVE
ANALYSIS OF PRE-ISSUE AND POST-ISSUE PERFORMANCE
(2023–2025)**

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ABSTRACT

This study examines the stock performance of Initial Public Offerings (IPOs) in India by comparing pre-issue and post-issue returns and benchmarking Indian stock market indices. Using a quantitative approach, the analysis is based entirely on secondary data sourced from the Bombay Stock Exchange (BSE) for the period January 2023 to December 2025. The sample comprises 125 IPOs selected. The findings reveal that pre-issue stock returns were generally stronger and more volatile than post-issue returns. A large number of companies earned very high positive returns before listing, with some achieving exceptionally high gains, including a maximum pre-issue return of 810.30%. In contrast, no company recorded post-issue returns above +10% during the study period, indicating a clear decline in return potential after listing. Post-issue returns were lower and more stable, with most companies concentrated in the 0% to +10% range and only a few experiencing negative returns, typically between 0% and -10%. Negative returns were more common in the pre-issue period, despite the presence of many high performers. The market index remained relatively stable throughout, showing less variation than individual IPO stocks and suggesting that company-specific factors, rather than overall market movements, primarily drove IPO stock

performance. Overall, the study highlights a distinct divergence between pre-issue and post-issue performance and underscores the importance of careful evaluation of IPO investments.

KEYWORDS: Initial Public Offerings, Indian stock market indices, pre-issue and post-issue.

INTRODUCTION

The examination of pre-issue and post-issue stock performance in India investigates behavior surrounding new equity issuance by companies. This analysis offers insights into investor sentiment, market efficiency, and capital-raising strategies. Pre-issue performance reflects market anticipation and pricing efficiency, whereas post-issue performance indicates the company's ability to utilize raised capital and adapt to market conditions. Understanding these dynamics is crucial for investors, companies, and policymakers to make informed decisions regarding equity offerings and market implications. In India, the IPO market has grown over the past decade, driven by investor participation, digital trading platforms, and favorable policies. Consequently, analyzing pre-issue and post-issue performance has become important for investors, companies, researchers, and policymakers. This study evaluates Indian IPO companies before and after issuance. It compares returns in the pre-issue and post-issue periods to determine whether IPOs yield superior returns. The findings will assist investment decisions and provide insights into newly listed companies in the Indian stock market.

Literature Review

The literature review covers various studies on stock market reactions to different corporate actions and market conditions across multiple countries. Li Jiang and Gao Li (2013) found that underwriters partially adjust IPO offer prices based on pre-market sentiment in Hong Kong, with leftover money linked to declining aftermarket sentiment. Jayarathne et al. (2023) observed that share price reactions to rights issues on the Colombo Stock Exchange deviate from semi-strong market efficiency. Kumari and Pushpender (2019) reported no significant share price reaction to bonus share announcements in India. Chen et al. (2000) analyzed Chinese A-share and B-share IPOs, finding greater underpricing for A-shares and poorer long-term performance for B-shares, with differing economic factors influencing each class. Zainudin et al. (2019) studied Malaysian IPOs, showing positive effects of market timing on firm performance and mixed results for other firm-specific factors. Jia and Zhang (2014) identified a U-shaped relationship between pre-IPO social performance and post-IPO

perceived risk. Hatakeda and Isagawa (2004) documented positive stock price responses to repurchase announcements in Japan, similar to U.S. markets. Mollah (2011) examined dividend policies on the Dhaka Stock Exchange, focusing on minority shareholder protection post-financial crisis. Wang et al. (2015) explored stock price-volume relationships in China before and after structural reforms. Nti et al. (2020) used social media and news sentiment with neural networks to forecast Ghana Stock Exchange prices, finding improved accuracy when combining data sources. Olaniyi and Elelu (2015) investigated U.S. firms' capital structure decisions and performance across crisis periods, concluding capital structure explains a limited portion of performance variability.

Research Methodology Summary

The study employs a descriptive research design with a quantitative approach to examine the stock performance of Initial Public Offerings (IPOs) in India. It analyzes earnings and stock performance during the pre-issue and post-issue periods and compares these with the performance of relevant sectoral stock market indices.

The research relies entirely on secondary data obtained from reliable sources, including the National Stock Exchange (NSE), Bombay Stock Exchange (BSE), and company annual reports. The study period spans from January 2023 to December 2025.

The sample consists of 125 IPO companies selected through purposive sampling, ensuring the inclusion of only those firms with complete and consistent stock price data. The year-wise distribution of the IPOs is as follows: 25 IPOs from January 2023 to December 2023, 52 IPOs from January 2024 to December 2024, and 48 IPOs from January 2025 to December 2025, totaling 125 IPOs.

The collected data are analyzed using descriptive statistical tools, including mean, standard deviation, and relevant mathematical measures to evaluate and compare stock performance across the pre-issue and post-issue periods. The analysis is conducted using Microsoft Excel for data organization, computation, and presentation of results.

Overall, the adopted methodology provides a structured and rigorous framework for examining IPO stock performance and benchmarking it against sectoral stock indices over the study period.

Pre issue returns

$$Return = \frac{\text{Closing Price} - \text{Issue Price}}{\text{Issue Price}}$$

Post issue returns

$$Return = \frac{\text{Current Closing Price} - \text{Listing date Closing Price}}{\text{Listing date Closing Price}}$$

Data analysis & Interpretation

Table 01: Showing the summary of returns of IPO pre and post issue performance.

Return range (%)	Year 2025		Year 2024		Year 2023	
	Pre	Post	Pre	Post	Pre	Post
+50 & Above	11	0	15	0	12	0
+40 - +30	3	0	2	0	2	0
+30 - +20	4	0	1	0	2	0
+20 - +10	0	0	5	0	0	0
+10 - 0	2	34	1	42	0	23
0 - -10	4	9	5	7	0	4
-10 - -20	7	0	4	0	0	0
-20 - -30	3	0	4	0	0	0
-30 - -40	4	0	4	0	1	0
-40 - -50	3	0	4	0	5	0
-50 & Below	0	0	4	0	2	0

Table 01 shows the distribution of companies based on their pre-issue and post-issue stock return ranges for the years 2023, 2024, and 2025.

In 2025, the pre-issue performance indicates that 11 companies earned returns of +50% and above, while 3 companies were in the +40% to +30% range and 4 companies were in the +30% to +20% range. However, after the issue, no company recorded returns above 10%, and 34 companies were concentrated in the +10% to 0% return range. A small number of companies experienced post-issue losses, with 9 companies falling in the 0% to -10% category.

In 2024, the pre-issue performance was also strong. 15 companies generated returns of +50% and above, followed by 5 companies in the +20% to +10% range. After the issue, the majority of companies (42) recorded returns between +10% and 0%, while 7 companies reported returns between 0% and -10%. No companies achieved returns above 10% in the post-issue period.

In 2023, 12 companies recorded pre-issue returns of +50% and above, while only a few companies were distributed across the other positive and negative return ranges. In the post-issue period, 23 companies were in the +10% to 0% return category and 4 companies were in the 0% to -10% range. Similar to the other years, no company earned returns above 10% after the issue.

Overall, the table indicates that pre-issue stock performance was stronger than post-issue performance during all three years. Most companies generated high positive returns before the public issue, whereas after the issue, stock returns were largely concentrated in the +10% to 0% range. This suggests that stock performance generally becomes more moderate after the public issue, with only a limited number of companies recording negative returns.

FINDINGS AND CONCLUSIONS

Major Findings

1. Stronger pre-issue performance than post-issue performance

- Pre-issue stock returns of the selected IPO companies were generally higher than their post-issue returns.
- A large number of companies recorded very high positive returns before the IPO, while post-issue returns were comparatively lower.

2. Extremely high pre-issue returns vs capped post-issue returns

- Some companies achieved exceptionally high pre-issue returns, with the maximum reaching 810.30%.
- In all three years, no company recorded post-issue returns above +10%, indicating a clear decline in return potential after listing.

3. Greater variability before the IPO, more stability after listing

- Pre-issue returns showed considerable variation across companies, ranging from very high positive to negative returns.
- Post-issue returns were generally lower and more stable, with most companies falling in the 0% to +10% range.

4. Distribution of positive and negative returns

- A large number of companies earned returns of +50% and above before the IPO, highlighting strong pre-issue performance.
- Negative returns were more common in the pre-issue period than in the post-issue period.
- After listing, only a small number of companies recorded negative returns, mostly within the 0% to -10% range.

5. Moderate and stable post-issue performance

- Most IPO companies generated moderate positive returns in the post-issue period, with limited instances of extreme gains or losses.
- The number of companies earning very high returns was substantially higher before the IPO than after it.

6. Market index stability vs individual stock volatility

- Market index returns remained relatively stable and showed less variation throughout both the pre-issue and post-issue periods.
- In contrast, individual IPO stock returns fluctuated more, indicating that company-specific factors played a larger role than overall market movements.

CONCLUSIONS

The study ultimately demonstrates that strong pre-issue performance does not guarantee sustained gains after listing and that IPO returns are shaped more by firm-specific fundamentals than by overall market trends. Consequently, investors should not rely solely on short-term pre-issue price movements but instead base IPO investment decisions on a thorough assessment of the company's financial health, business prospects, governance quality, and the broader economic and sectoral environment.

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