

EMERGING TREND OF IPOs IN THE INDIAN CAPITAL MARKET

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ABSTRACT

With a growing trend of progress in capital markets, there has been an upward trend in the economic condition of country as well. An IPO or the Initial Public Offering, as inferred from the name, can be described as the issue of shares to the public when the company is entering the stock market for the first time. This implies that the small-scale companies or the small private enterprises, start-ups are entering the share market and are now going public. They have to undergo a mandate procedure for applying and the same goes with the investors. With cautious examination of the upcoming enterprise, the investors are able to invest their funds as per the lot size of the company. Once the application time is over, there are subsequent dates for listing and allotment. While an IPO investment has major advantages attached to it call mom the growing trend also has the risk which can be ignored by the investors as well as the companies.

INTRODUCTION

Why Are The Investors And Companies Opting For Ipos?

IPOs are gathering a lot of attention in the recent times in the Indian capital market. Although for the people it is quite risky and an unknown trick to apply in a company stepping in for the first time in the share market, but still there are the benefits attached to it (Draho 2004). The major advantage attached to investing in an IPO is its long-term big return benefit. If you invest in a successful IPO, you are able to purchase the share at the lowest share price of the company which will most certainly rise in the future. If not, then after getting the shares you can also sell of a percentage of those or all of them upon allotment (Belyaev, 2021).

With increasing start-ups making entries into the show market therefore it opens the doors for a small enterprise to achieve a bigger growth in the future. If a person invests in an IPO, it is most likely to get big returns as it has obtained the shares at a discounted rate as compared to the opening share price Anderman, & Leake (2005); Darling-Hammond & Ifill-Lynch (2006).

The biggest examples include the successful IPOs of Zomato, Nykaa, Latent View Analytics, Sapphire Foods Kumar, & Ayedee (2019).

If we talk about the advantages of IPO from the company point of you, the major one is associated with spreading the information about the small businesses. Not every company whose IPO is introduced is known by the public. Due to the emerging trends of IPO, the people are willing to apply in even the unknown companies despite the existence of a minimum risk. This induces the investor to search about the company and know about its financials which helps the company to capture a new market share.

Underlying Risks of Issue and Investment of Ipos

The capital market also works on the motive of high-risk and High returns. At such points then Mr needs to be very careful while investing the money in a company's IPO. A person

should not invest only on the basis of secondary information or due to following the trend of investing in IPOs nowadays. The cautious investor should carefully examine the financials of the company, business news is related to it, the trend in the market. Therefore, it may be advised that the investor waits for the three-day allotment time to check with the progress of the IPO and apply on the last day. For example- Paytm being the most anticipated IPOs of 2021, opened to an extreme disappointment with being oversubscribed to only 1.56 times against 600 times of Latent View Analytics.

For the investors, one of the major threats can be from the competitors as they use the information provided publicly by the company for their competitive motives. In order to provide information to the public for introducing an IPO, there are a lot of things which are commonly available and maybe miss used or be extra used by the competitors. So, the enterprises should be prepared for it.

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