

ANALYSIS OF PERFORMANCE OF RECENT SME IPOs LISTED ON NSEX AND BSEX

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ABSTRACT

This research paper is specifically aimed at study of the performance of recent Initial Public Offers (IPOs) of Small and Medium Enterprises (S.M.E.) boarded on the National Stock Exchange (N.S.Ex.) and Bombay Stock Exchange (B.S.Ex.) during a carefully selected recent time-period. Let us think of high compliance and cost involved in normal listing of an IPO on any exchange. The introduction of a specially designed listing platform on each of the two major exchanges has provided comparative ease of fund raising from public and also providing liquidity in trading of such stocks on major exchanges. The fund-raising cost of these companies has lowered because of such specific listing arrangement in comparison to main board listing. Such a special facility has also provided opportunities for the investors to go for investing in more IPOs because main board IPOs are less frequent than smaller IPOs. Therefore, more companies can now afford to list and a number of S.M.E. IPOs came up in the market each year to board for listing on the exchanges. S.M.E. IPOs are also becoming popular as it increased the chances of getting allotment of a new issue of shares for various investors whether retail category, High Net Worth (HNI) category or any other category of interested buyer of new shares. At this instance, there arise a common research question in respect of these public offers, whether such offers to public still remain attractive and high rewarding and pour magical gains. Our analysis incorporates the average first-day gain or negative gain (loss) of S.M.E. IPOs which have got listed on the two exchanges during the specific time-period selected by us. A comparative analysis has also been performed to know whether one company issue on one exchange has any comparative advantage or different returns in comparison to the other exchange. Capital is one of the factors in limited quantity. It is always viable and prudent to invest money in those IPOs alternatives which have greater chances of allotment as well as pour attractive returns. Statistical analysis has been made for assessing the performance of IPOs under analysis with respect to the listing first day gains or negative gains and further comparative analysis has been made between S.M.E. IPOs on N.S.Ex. and B.S.Ex. by applying various statistical tools. Updated secondary data available on the public database on websites of N.S.Ex. and B.S.Ex. has been used for our analysis and own calculations have been made for statistical analysis using spreadsheet software and SPSS Data analysis software of I.B.M.

Keywords: SME-IPO, N.S.Ex.-IPO, B.S.Ex.-IPO, IPO Returns, Listing Gains.

1. INTRODUCTION

Companies fulfilling long-term funding requirements by attracting public to their new issues is challenging at least for smaller companies. Normal IPO listing on board of any major exchange comes at huge monetary cost and decent amount of additional compliance burden. N.S.Ex. and B.S.Ex. in India coming up with a separate board for such type of public companies have been a revolution in the secondary capital market at least for small to medium companies. Such companies issuing shares to public may fulfil their equity funding requirements by listing on any such special board and accumulate finances from public. Apart from this, people invest in IPOs of companies may be long-term investors or short-term investors so the purpose of investors may not be the same. In fact, there are numerous investors who look at the IPOs of companies just as instruments to gain from rise in share price on the listing day itself. People don't want to miss the IPOs because they feel that IPOs issued later on shall be over-priced (**Allen and Faulhaber, 1989**). Historically, IPOs have made investors millionaire from small investment in IPOs who held the shares for a long period of time. There are many investors who just see the IPOs as a tool of making big listing gains and exit on the same day or within a week of allotment (**SEBI, 2024**).

The company's initial capital is raised by IPOs which are original primary shares allotted to the shareholders. **Singh**

and Karla (2018) observed that investor can earn normal income on their investment. The market work highly efficiently due to presence of large number of matured players. In such a situation getting magical gains is not an easy fiat. Jalwani, Bhura & Jha (2022) observed that companies must follow best governance policies to gain trust of investors which is lacking these days. However, company's primary offers of shares seems to filter many shortcomings of other alternate investing options. There are still opportunities in such primary issues and it is interesting to study the same. Although getting allotment in IPOs is again depends on luck, these can prove to be giving divine gains once allotted. The pricing of IPOs is important to see because many investors just view IPOs are listing gain instruments there is a risk of investing in an overpriced IPO. In this research paper, attempt has been made to analyse the recent IPOs of SME Segment of N.S.Ex. and B.S.Ex. from the point of view of initial gains. This research paper has included companies in the SME segment of N.S.Ex. and B.S.Ex. which listed their IPOs during second half of the year 2024-25 from 1.10.2024 to 31.3.2025.

Listing an IPO on SME platform of N.S.Ex. and B.S.Ex., subject to fulfilment of certain criteria, is beneficial to a company in comparison to listing on main board. Listing benefits are enjoyed with lower burden of compliances and lower cost of issue of an IPO. SME with a post-issue share capital of up to rupees twenty-five crores can be listed on SME Platform of N.S.Ex. or B.S.Ex.

2. LITERATURE REVIEW

2.1. Signalling theory of new issues

Allen and Faulhaber (1989) suggested 'Signalling theory', new issues are under-priced and it is a signal that future issues may be offered at relatively high issue-price by companies and it creates a psychological environment in the IPO market to grab the IPOs as soon as possible because future IPOs may be issued at high pricing and there may be the fear of missing out attractive pricing.

2.2. Under-pricing due to price fixation pre-issue

Madhusoodanan and Thiripalraju (1997) made an analysis of IPOs market in India for the overview of over/under-pricing of IPOs and the work suggested that over or under pricing of issues is for the reason that prices are already fixed prior to the issue and if prices are arrived at by a scientific method or process overtime then changes of price mismatch of prices may be very low.

2.3. Market timings effect on over/under-pricing

Sahoo and Rajib (2010) observed that highly active times of IPOs favours lesser gains due to the reason that subscribers expect unrealistic gains which results in lower valuation of shares. So, timings of IPO become important factor in over/under-pricing as also investor's psychology plays an important role in their expectations of gains from the IPOs.

2.4. Market conditions affect pricing

Jain and Padmavathi (2012) emphasised that there are various factors which affect pricing of the IPOs and it was observed by their analysis that if investors are educated about the company's issue, it leads to an under-priced IPO. By cumulated thirty days return of the market and standard deviation (S.D.), it was found that highly favourable and less volatile market situations of an IPO will lower the under-pricing of that issue.

2.5. Reasonable gains on first-day

Shah and Mehta (2015) studied the gain pattern of Initial Offers of equity shares in the market(2010-14). This study of first day profits/loss of more than hundred corporates listed on the exchange, concluded that gains exceed normal returns. The Market-Adjusted Abnormal Gains/Return (M.A.A.R.) of the IPOs was averaged at more than seven percent which is considered exceptionally decent initial IPO return.

2.6. Demand and supply role in IPO pricing

Mehta and Patel (2016) made empirical study to the understanding of pricing of IPOs for various time lines. They observed that during the offer period, IPOs are in high demand but the supply is restricted to the size of issue leading to demand-supply mismatch. If the market sentiments are bullish at the time of issue of IPO, there are positive sentiments about the IPOs coming up during that time and company's demonstration and marketing of their past performance and future plans also create positivity in the market about the IPO of that company.

2.7. Liquidity effect

Bhattacharya (2017) studied the issue of over/under-pricing of IPOs and also liquidity of the IPO in the stock exchange and he covered a period from 2012 through 2015. Enough evidences demonstrated that timing of the IPO is important where some IPOs were highly low-priced viz a viz all remaining IPOs for the simple reason that the price of IPO in the initial times ran fast and there was substantial decrease in liquidity because of that available for

other SME IPOs on the stock exchange issued later on. The paper also found that most of the IPOs gave adverse return to investors who kept them till later so there was risk of wrong choice to the non-institutional investors and HNIs.

2.8. Various factors affect share price

Babu and D'Souza (2021) examined various public offers for specific time-period from 2018-2020 and a detailed study of fifty-plus companies with public offering was taken up. The research was related to the initial-returns/initial-performance and further to study the causes of such uncommon returns of such IPOs. The research concluded that if the issue is over-subscribed, it has affected the performance or return of the IPO. They also analysed the effects of other factors like pricing of the issue, company's Earnings/Income Post provision for tax (EAT), average expected market returns and subscription of shares portion to the promoters of the company, interestingly, had no significant effect on the performance of IPO.

2.9. Management of Earnings Theory

Mangla and Dhanda (2022) found that management of the earnings (EM) and accrual of gains on listing day is not the same as regards the year of IPO issue. It also differs based on the classification of the sector of business, to which the company belongs. Also, there were more effect of short-term rises in management of the earnings based on more discretionary accruals (current) (DCA) figures. Furthermore, the total level of ME affects the gains on the listed IPO for that matter, whereas DCA and Discretionary accruals (Long-term) (DLA) studied alone does not significantly affect the listing gains if seen in the context of IPOs in Indian stock market.

2.10. Investors behaviour analysis by SEBI

S.E.B.I. publication on Analysis of Investor Behaviour in I.P.O.s by Department of Economic and Policy Analysis(2024) studied the behaviour of investors who invest in IPOs inter-alia other issues and it was observed that initial subscribers did not keep the shares allotted to them and they disposed of around 50 percent of their allotted stocks within as early as a week or so after the listing of that IPO and there exists numerous investors who just wanted IPOs to generate listing day or listing week gains for them on their investments.

3. RESEARCH DETAILS

3.1. Research gap

From the forgoing discussions it becomes evident that performance of IPOs is dynamic and not static and it is important to study the same with latest IPOs of companies to have a thorough understanding of their dynamics in the present times. This needs continuous assessment of IPOs performance specifically on the listing day.

3.2. Research Objectives

- To make an analysis of how the IPOs of SME companies performed on the first day of their listing on N.S.Ex. and B.S.Ex.
- To make a comparison analysis of first day gain/loss between such N.S.Ex. and B.S.Ex. IPOs.

3.3. Research Methodology

The data of latest-recent IPOs of SME companies listed on N.S.Ex. platform and B.S.Ex. Platform for the period from October 2024 to March 2025 has been considered. Secondary data has been used extracted from the database of N.S.Ex. and B.S.Ex. Our study is projected to know average returns of SME IPOs on first day that is the listing-day on the two exchanges and also to check the existence of difference or similarity between the first day average returns on IPOs on the two exchanges. The statistical averages and coefficients were used and also Hypotheses have been prepared and tested by using t-test (independent samples) for comparing the listing gains on the two exchanges.

3.4. Formulation of Hypotheses

Hypotheses have been formulated consistent with the research objectives as follows:

H.0: There is no difference which can be considered as significant in the average first day or listing day returns of SME IPOs on the N.S.Ex./B.S.Ex.

H.1: There is difference in the average first day returns of SME IPOs on the N.S.Ex./B.S.Ex. and such difference is significantly high.

4. DATA ANALYSIS AND RESULTS

4.1. N.S.Ex. SME IPOs

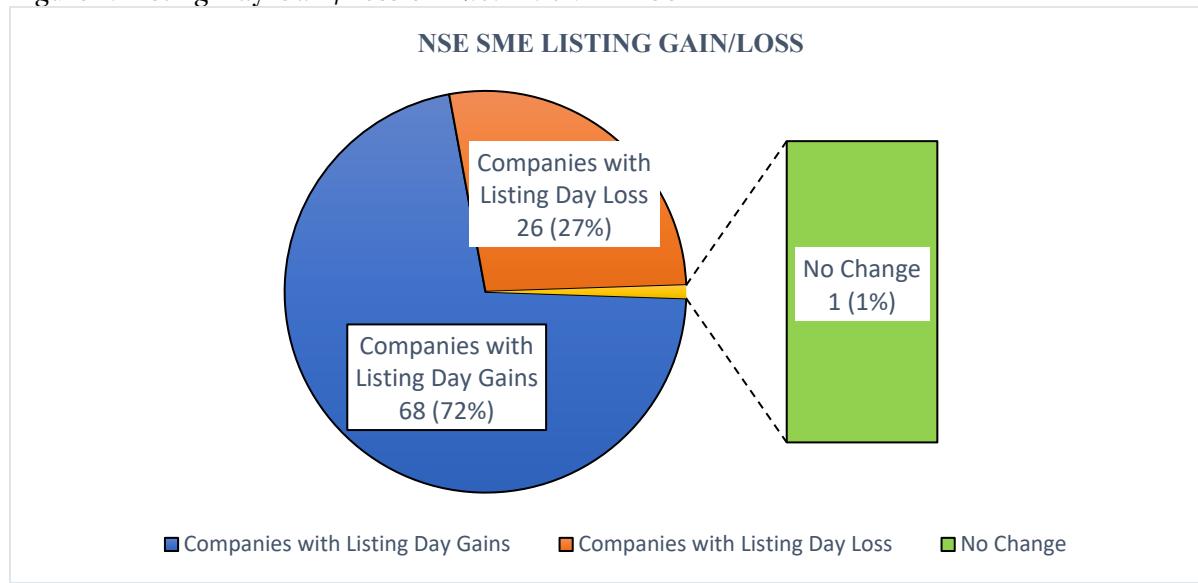
During the time under review, 95 IPOs were listed on the SME Segment of N.S.Ex.. The companies listed were from various sector including manufacturing, services, technology, auto and other industrial segments. The table shows the gain or loss from these IPOs and if individual IPOs are checked, the listing gain has been as high as 159.26% in case of Mamata Machinery Ltd. The highest loss on listing day has been as high as 23.34% (negative) in case of Rexpro Enterprises Ltd. Our calculations are compiled in Table.1 and Table.2 given below.

TABLE.1: PERFORMANCE I.E. GAIN/LOSS OF SME IPOs (N.S.Ex.) FROM 1.10.2024 TO 31.3.2025

Total Companies with IPOs	95
Companies with Listing Day Gains	68
Companies with Listing Day Loss	26
Companies with Listing Day No Change	1

Source: Author's..Compilation from Available Data

Figure 1: Listing Day Gain/Loss on N.S.Ex. SME IPOs



Source: Author's Compilation from Available Data

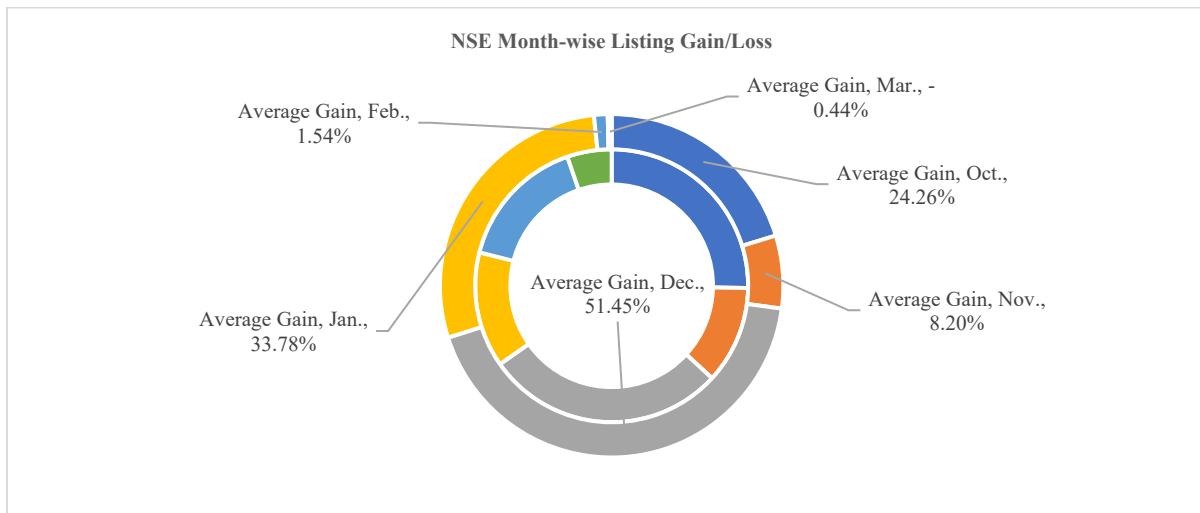
When we analyse the above table and diagram, it becomes clear that 68 out of 95 IPOs have resulted in positive returns and 26 out of 95 IPOs have given negative returns and in one IPO there is no change. Therefore, approx. 72% of the times IPO shall have positive outcome for investor. This is an attractive probability to invest.

TABLE 2: ISSUES PERFORMANCE (MONTH-BASIS) I.E. GAINS/LOSS OF SME IPOs (N.S.Ex.) FROM 1.10.2024 TO 31.3.2025

Month	No. of IPOs	Average Gain or Loss
Oct.	24	24.26%
Nov.	11	8.20%
Dec.	27	51.45%
Jan.	13	33.78%
Feb.	15	1.54%
Mar.	5	-0.44%
Average Gain of IPOs from Oct. to Mar.	95	26.54%

Source: Author's..Compilation from Available Data

Figure 2: Average Gains of N.S.Ex. SME IPOs Month-wise from Oct. to Mar. 2025



Source: Authors'..Compilation from Available Data

The monthly return on IPOs ranges from 51.45% to -0.44% and the average being 26.54%. Here the investors may see a win-win situation where they may aspire for great returns and on the same time, they feel they have nothing to lose. These returns have shown a pattern that the more IPOs one invests in, the more will be the chances of listing gains.

4.2. B.S.Ex. SME IPOs

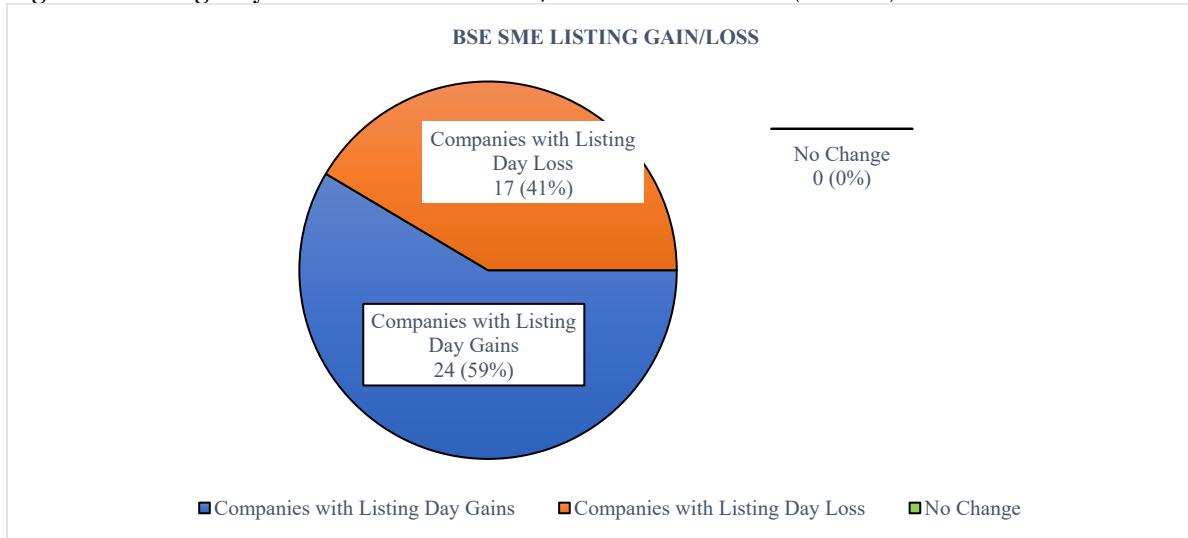
As we can see, during the Oct.-Mar.2025 time period, forty-one total SME Board were got their names on B.S.Ex. The companies were from various sector including manufacturing, services, technology and other industrial segments. Table No. 3 given below demonstrates return in positive and negative of the companies. On analysis of individual IPOs, the listing gain has been as high as 100% in many cases while the highest loss has been 24% (negative) in case of Shreenath Paper Products Ltd. The overall calculations are compiled in Table-3 and Table-4 below.

TABLE 3: SME BOARD IPOs (B.S.Ex.) FROM OCT. TO MAR.2025

Total Companies with IPOs	41
Companies with Listing Day Gains	24
Companies with Listing Day Loss	17

Source: Authors'..Compilation from Available Data

Figure 3: Listing Day Performance or Gain/Loss on SME.IPOs (B.S.Ex.)



Source: Authors'..Compilation from Available Data

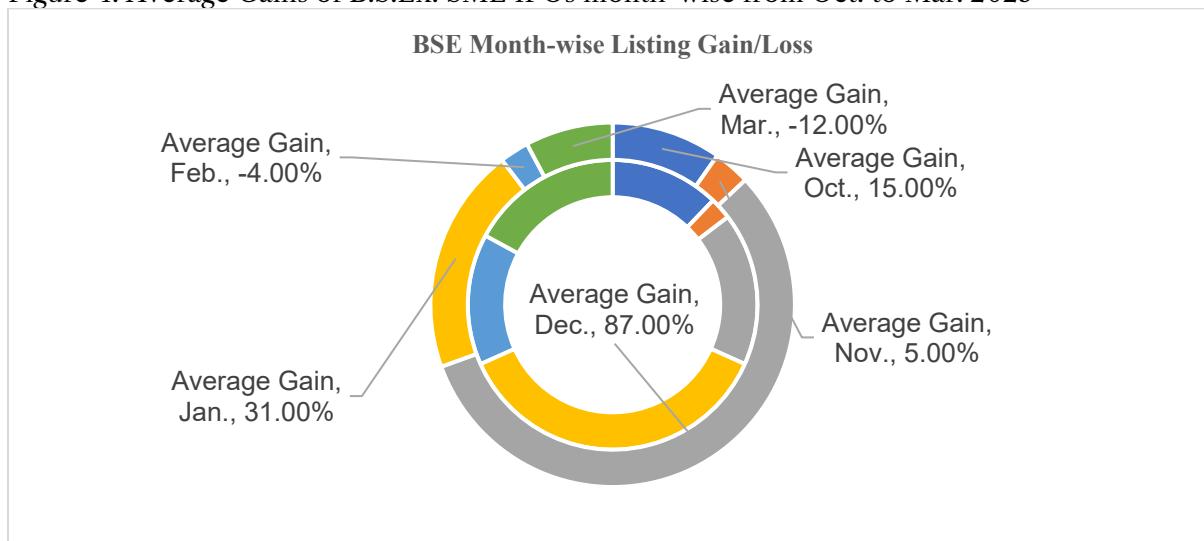
On analysis of above table and diagram, it is evident that 24 out of 41 IPOs have resulted in positive returns and 17 out of 41 IPOs have given negative returns. Therefore, we see that there are good chances of average plus/positive return on IPO (ROI), Approx. 59% (rounded off) chances exist for favourable outcome on SME IPOs (B.S.Ex.).

TABLE 4: MONTHLY GAINS/LOSS OF SME IPOs (B.S.Ex.) FROM 1.10.2024 TO 31.3.2025

Month	No. of IPOs	Average Gain or Loss
Oct.	5	15.00%
Nov.	1	5.00%
Dec.	7	87.00%
Jan.	15	31.00%
Feb.	6	-4.00%
Mar.	7	-12.00%
Average Gain of IPOs from Oct. to Mar.	41	25.32%

Source: Authors'..Compilation from Available Data

Figure 4: Average Gains of B.S.Ex. SME IPOs month-wise from Oct. to Mar. 2025



Source: Authors'..Compilation from Available Data

The average monthly return of all IPOs under review being 25.32%. Here again the investors see a favourable situation where they may aspire for great returns even up to 87% in a month and on the same time, they feel they have not much to lose where average monthly negative return is 12% (negative). These returns have also shown a similar attraction that the more IPOs one invests in, the greater will be the chances of good listing gains.

4.3. Comparative study of SME IPOs N.S.Ex. with B.S.Ex.

As per the research objectives mentioned in the forgoing discussions, an analysis has been made

TABLE 5: DESCRIPTIVE DATA OF COMPARATIVE GAINS OF N.S.Ex.-SME-IPOs VS. B.S.Ex.-SME-IPOs FROM 1.10.2024 TO 31.3.2025

	N.S.Ex. SME IPOs	B.S.Ex. SME IPOs
Total Companies with IPOs	95	41
Companies with Listing Day Gains	68	24
Companies with Listing Day Loss	26	17
Companies with Listing Day No Change	1	-
Average Gains from Oct. to Mar. 2025 time period	26.54%	25.32%

Source: Authors'..Compilation from Available Data

The number of companies issuing securities through IPOs in the SME Segment (N.S.Ex.) is more than double of the B.S.Ex. SME Segment. The average listing first day gain (%) on IPOs (N.S.Ex.) is in sixty-eight cases out of total

ninety-five companies, about 72 percent (rounded off) and that in case of IPOs (B.S.Ex.) is twenty-four from forty-one companies, say 59 percent (rounded off). The SME Segment of N.S.Ex. has more such IPOs than B.S.Ex. and also it has been observed that substantially more first day returns exist in N.S.Ex. compared with B.S.Ex. These are *prima facie* observations only. Average first day gains from Oct.-Mar.2025 time period of the SME Segment (N.S.Ex.) and SME Segment (B.S.Ex.) are at 26.54 percent and 25.32 percent respectively which *prima facie* is not of much significance between them, however detailed further study shows clear analysis on this point.

TABLE 6: ANALYTICAL DATA OF GAIN OF N.S.Ex.-SME IPOs VS. B.S.Ex.-SME IPOs FROM 1.10.2024 TO 31.3.2025

	N.S.Ex. SME IPOs	B.S.Ex. SME IPOs
N	95	41
Mean	26.54%	25.32%
Standard Deviation	0.3845	0.4427
Coeff. of Variation (C.V.)	144.89	174.85

Source: Authors'..Compilation from Available Data

On careful observation of the above analysis, it may be seen *prima facie* that the overall mean returns of N.S.Ex.-SME Segment is more than that of the B.S.Ex. Segment. However, the magnitude of this is not considerable. The Standard Deviation of N.S.Ex.-SME Segment is less than that of B.S.Ex.-SME Segment therefore N.S.Ex. Segment shows comparatively lower variation in returns. The Coefficient of Variation (Standard Deviation divided by Mean return multiplied by 100) is lower in case of N.S.Ex. SME Segment. So N.S.Ex. SME Segment may be producing slightly more returns and with more consistency as compared to B.S.Ex. SME Segment IPOs. However, these *prima facie* observations need proper validation by hypothesis testing technique. The hypotheses test results are given below in Table-7.

Table 7: TEST..RESULTS

Descriptive..Group..Statistics													
		Groups		N		Mean		Std..Dev.		Std..Error. .Mean.			
Returns	N.S.Ex.		95		26.5421		38.65804		3.96623				
	B.S.Ex.		41		25.3109		44.82351		7.00026				
Independent..Samples..t-Test													
		Levene..Testing (Variance..Equalit y Testing)		t.test for Equality..of..Means									
		F	Sig..	T	d.f	Sig.. (2.tailed) p.value	Mean.Diff	Std..Error.Diff	95% Conf..Interval				
									L.L U.L				
Returns	Equality.o f variances (assumed)	3.18	0.077	0.16 2	13 4	0.871	1.23119	7.5859	- 13.772 16.23 4				

Source: Authors'..Compilation from Available Data

As per above table, t test shows that there is no significant difference in mean returns for N.S.Ex. SME IPOs (26.5421 percent) and B.S.Ex. SME IPOs (25.3110 percent). When we have to decide on significance, p.value becomes important. We found a p.value beyond 0.05 (table p-value at 0.871). Therefore, we have to take the Null hypothesis (H.0) as true and this rejects the other hypothesis (H.1).

5. CONCLUSION

An independent samples "t.test" was performed to compare the Listing Returns on N.S.Ex. IPOs and B.S.Ex. IPOs listed from 1.10.2024 to 31.3.2025. On the first note, Testing by Levene-test was conducted and the testing confirms

that “equal.variances” assumption is taken. Also, the “t.test” statistic confirms no significant difference in average returns for N.S.Ex. SME IPOs and B.S.Ex. SME IPOs (p.value more than 0.05). Therefore, we conclude that almost similar average listing day returns are shown by N.S.Ex. SME IPOs and B.S.Ex. SME IPOs during the period under review in the present work. Also, in the earlier discussions in our study, we have seen that average gains on SME IPOs of both N.S.Ex. and B.S.Ex. are quite high and no other instruments can provide such higher gains at least in such a short-period of time than SME IPOs. So, such IPOs are attracting public unlike any other available investment option. Our forgoing analysis explains that attraction of public towards shares issue/offer of SME companies is founded on the fact that in fact such offering provide exceptional gains to those who invest and become successful in getting shares. Also, both the N.S.Ex. and B.S.Ex. have similar features as far as SME IPOs are taken under consideration.

6. LIMITATIONS OF STUDY AND FURTHER SCOPE FOR RESEARCH

The stock markets behaviour is dynamic and any analysis relating to the stock markets specially the IPOs must be continuously taken up for analysis with fresh data time and again because the results may change substantially as we move forward in time. So, any one-time analysis exercise may not be sufficient for come to any strong conclusion about the stock markets. This also gives rise to the need for further analysis and studies in respect of the SME IPOs.

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