

# Indian IPOs Vis a Vis Foreign IPOs

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## ABSTRACT

The principal offer of stock by a privately owned business to the public is known as IPO. These are frequently issued by smaller, more youthful organizations looking for the capital to grow, however should likewise be possible by expansive exclusive organizations hoping to end up publicly exchanged. Initial public offerings can be a hazardous speculation. For the individual investor, it is hard to anticipate the condition of IPO of India and IPOs of different countries. In the present study we have talked about the process of the two IPOs of two different developing nations and find the some similar and different things about them. In our study on "India vis a vis Foreign IPO we have studied about Indian IPO and IPO of China. To make the study more clearly we have taken top IPO the countries and studied over it.

## 1. Introduction

Initial public offering remains for Initial Public Offering. At whatever point a company opens up to the world and offer its stake as shares to normal investors, Investors can apply for the company's shares. The IPO is for the most part open for subscription for a particular day and age. In view of the demand the company at that point distributes shares to the subscribers. When distributions and other administrative conventions are done the IPO is recorded in the stock market. This is the point at which the investor would then be able to offer shares through stock exchanges. Initial public offering (hereinafter - IPO) is where a secretly held company pitches its offer of stock to overall population out of the blue. Initial public offering gives an approach to companies to raise capital by accessing public value, while in the meantime supplying the public with an investment opportunity. A growing economy opens numerous ways for the segments to develop. Putting resources into any forthcoming IPOs in India in positive economic conditions may give you an opportunity to be a piece of the development story of the company. When putting resources into the IPOs you purchase an offer of the company in light of its present valuation. Once the company develops, the valuation of the company will likewise be expanding and in this way expanding the value of your holdings you have in that company. Investors approach a huge number of financial markets and exchanges representing a immense range of financial products. A portion of these markets have dependably been available to private investors; others remind the select domain of real international banks and financial professional until the plain end of the twentieth century. Financial market is isolated into money market and capital market.

Primary market encourage securities to the investors and help the corporate sector in arranging funds in the form of public issue, offer for deal, private position and right issue. Public issue can be further grouped into initial public offer (IPOs) and further public offer (FPO). An initial public offering (IPO) is a company's first offering of equity to the public. IPO is a noteworthy source of capital for firms. The Indian Equity market is partitioned in to two sections Primary market - where

the share is first issued in the form of IPO (Initial Public Offering) and in the wake of issuing the share it is listed on exchange and share is traded on exchange where shares can be purchased and sold this is secondary market. In India mainly there are two exchanges – NSE (National Stock Exchange) BSE-Bombay Stock Exchange. The BSE is the most seasoned exchange in India (began in 1875). NSE began operation on 1994. IPO's are important milestone in any company's growth as it advances from being a start-up/private restricted company to public constrained. Effective IPO can produce colossal measure of wealth for company promoters and additionally pre IPO investors. Historically a lion's share of the IPO's were under-priced with a mean to issue unusual profits on the listing along these lines attracting more investors to buy in to their stocks.

### 1.1 General Terms involved in IPO:

**Primary market:** It is the market in which investors have the main opportunity to purchase a recently issued security as in an IPO.

**Prospectus:** A formal legal document depicting the points of interest of the company is made for a proposed IPO, additionally making the investors mindful of the dangers of an investment. It is otherwise called the offer document.

**Book building:** It is the procedure by which an endeavor is made to decide the price at which the securities are to be offered in light of the demand from investors.

**Over-Subscription:** A circumstance in which the demand for shares offered in an IPO surpasses the number of shares issued.

**Green shoe option:** It is alluded to as an over-allotment option. It is an arrangement contained in an endorsing understanding whereby the financier gets the privilege to offer investors a bigger number of shares than initially planned by the backer in the event that the demand for a security issue demonstrates higher than anticipated.

**Price band:** Price band alludes to the band inside which the investors can offer. The spread between the floor and the top of the price band isn't over 20% i.e. the top ought not be over 120% of the floor price. This is chosen by the company and its merchant bankers. There is no top or

administrative endorsement required for deciding the price of an IPO.

**Listing:** Shares offered in IPOs are required to be recorded on stock exchanges to trade. Listing means that the shares have been recorded on the stock exchange and are accessible for exchanging the secondary market.

**Flipping:** Flipping is reselling a hot IPO stock in the initial couple of days to gain a speedy profit. The purpose for this is companies want long haul investors who hold their stock, not traders

## 1.2 Pros and Cons of an IPO

### Pros:

- A huge, assorted gathering of investors to raise capital
- Gives the company a lower cost of capital
- Increase the company's exposure, prestige, and public image, which can encourage the company's sales and profits
- Public companies can draw in and hold better management and talented representatives through liquid equity participation (e.g. ESOPs)
- Facilitating acquisitions (possibly as a byproduct of shares of stock)
- Raises the biggest measure of cash for the company contrasted with different options

### Cons:

- Company ends up required to unveil financial, accounting, tax, and different business information
- Significant legal, accounting and marketing costs, many of which are progressing
- Increased time, exertion and attention expected of management for announcing
- Risk that required subsidizing won't be raised if the market does not acknowledge the IPO price, sending the stock price bring down directly after the offering
- Public dissemination of information which might be helpful to contenders, providers and clients
- Loss of control and more grounded office issues because of new shareholders, who get voting rights and can successfully control company choices through the directorate
- Increased danger of legal or administrative issues, for example, private securities legal claims and investor activities

An IPO, to recap, is the point at which the company pitches stock to the public. In the event that a firm can persuade individuals to purchase stock in the company, it can collect a great deal of cash. The IPO is viewed as a leave methodology for the company founders and early investors to profit from their initial hazard taking in another wander. Hence, in an IPO many of the shares sold to the public were beforehand possessed by those founders and investors.

The stock market is alluded to as the "secondary market," since trader's purchase and offer stock from other public investors, and not from the company itself. Just preceding the IPO does the company issue stock specifically to shareholders? This means when you purchase shares of a company, you are not handing your investment cash over to the enterprise, however rather to whoever sold you their

shares. At the point when a company pitches shares to the public, the company and its proprietors still regularly hold a significant bit of the aggregate stock, so some early investors and prime supporters may even now affect the heading of the company regardless of there being an extensive number of new shareholders.

## 1.3. IPO Process

### 1.3.1 Indian IPO process

#### *Stage 1: Preparation of Registration Statement*

To begin an IPO process, the company involved must present a registration statement to the SEBI, which includes a nitty gritty report of its fiscal health and business plans. SEBI scrutinizes this report and does its own individual verification of the company. It should likewise observe that registration statement satisfies all the mandatory prerequisites and fulfills all tenets and regulations.

#### *Stage 2: Getting the Prospectus Ready*

While awaiting the approval, the company, with assistance from the underwriters, must make a preliminary 'Red Herring' prospectus. It includes nitty gritty financial records, tentative arrangements and the specification of expected share price range. This prospectus is meant for prospective investors who might be interested in buying the stock. It additionally has a legal warning about the IPO pending SEBI approval.

#### *Stage 3: The Roadshow*

Once the prospectus is ready, underwriters and company officials go on countrywide 'roadshows', visiting the real exchange center points and advance the company's IPO among select couple of private purchasers (Usually corporates or HNIs). They are sustained with nitty gritty information regarding company's tentative arrangements and development potential. They get a vibe of investor response through these tours and endeavor to charm huge investors.

#### *Stage 4: SEBI Approval and Go Ahead*

Once SEBI is happy with the registration statement, it proclaims the statement to be compelling, giving an approval for the IPO to happen and a date to be fixed for the same. Once in a while it requests alterations to be made before giving its approval. The prospectus cannot be given to the public without the changes recommended by SEBI. The company needs to choose a stock exchange where it intends to offer its shares and get recorded.

#### *Stage 5: Deciding On Price Band and Share Number*

After the SEBI approval, the company, with assistance from the underwriters settles on the final price band of the shares and additionally chooses the number of shares to be sold.

There are two kinds of issues: Fixed Price and Book Building  
**Fixed Price** – In a Fixed price issue – the company chooses the price of the share issue and the number of shares being sold. Ex: ABC Ltd public issue of 10 lakh shares of face value Rs. 10/- each at a premium of Rs. 55/- each is available to the public thereby generating Rs. 6.5 Crores.

**Book Building** – A Book building issue enables the company to discover the price of the issue. The company chooses a price band and it gives the investor an option to pick the price at

which he/she wishes to offer for the company shares. Ex: ABC Ltd issue of 10 lakh shares of face value Rs. 10/- each at a price band of Rs. 60 to 70 is available to the public thereby generating upto Rs. 7 Crores. Here the sum created through the issue would rely upon the most elevated sum offered by generally investors.

#### *Stage 6: Available to Public for Purchase*

On the dates mentioned in the prospectus, the shares are available to public. Investors can round out the IPO form and determine the price at which they wish to make the purchase and present the application. This open period for the most part goes on for 5 working days which is a SEBI prerequisite.

#### *Stage 7: Issue Price Determination and Share Allotment*

Once the subscription time frame is over, individuals from the underwriting banks, share issuing company and so forth will meet and determine the price at which shares are to be designated to the prospective investors. The price would be directly determined by the demand and the offer price cited by investors. Once the price is finalized, shares are apportioned to investors in view of the offer sums and the shares available.

Note: if there should be an occurrence of oversubscribed issues, shares are not distributed to all applicants.

#### *Stage 8: Listing and Refund*

The last advance is the listing in the stock exchange. Investors to whom shares were designated would get the shares credited to their DEMAT accounts and for the remaining the money would be refunded

### **1.3.2 Foreign IPO process**

An important change over the most recent couple of years is that the IPO process has transformed into a "one-time bargain" instead of the beginning of a long-term relationship by which companies can fund-raise from their shareholders again over time. While secondary raisings are as yet conceivable (and booming in a few markets), many public companies assume of their listing as not providing them with a permanent relationship with their shareholders. Intermediaries are, to an ever increasing extent, incentivized on an arrangement by bargain premise through transaction expenses, rather than through charges for ongoing guidance. A few intermediaries might be incentivized to assign shares to here and now investors rather than to long-term investors with the ability to give further adjusts of equity investment. The soon-to-be public company has an interest not just in securing the correct price for the shares yet additionally in ensuring the correct profile of shareholder – those with an interest in the company's long term health.

Coming back to the long-term relationship of companies with its investors, an insufficient number of littler companies as of now utilize markets for bonds or additional equity raisings after their IPOs. It is fundamental to make it less demanding for such companies to issue public bonds or embrace an additional equity capital rising where such capital rising is by means of existing shareholders, using only the initial prospectus and then ordinary revelations, for example, annual and interim reports. Right now, many littler companies do placing, yet don't fund-raise from the public by means of

secondary offerings since they are too costly To rearrange the process, automation of the IPO process and standardization of the paying specialist contract would be useful. To roll out those improvements in an appropriate and sustainable way, we have to take a gander at the whole process and (required) biological system: pre-IPO, IPO and post-IPO on one pivot and the environment on the other.

We think that more straightforward communication between investors and companies could be useful in the creation of an equity culture. Therefore, we would prescribe arranging pre-IPO days at a beginning period, involving companies and investors, without intermediaries being available. This would permit an open conversation between the gatherings and help companies to determine the costs and advantages of listing. It could likewise assist investors with having more opportunity to consider the allure of companies 46 from various sectors and with innovative technologies that cannot without much of a stretch be understood in a 45 minute IPO street demonstrate presentation. Investor clubs and/or shareholder associations can be likewise useful in organizing standard street appears during which companies and investors meet and end up occupied with valuable discussion.

### **1.4 Difference between IPO in India and Abroad:**

1. In India the book the book is fabricated directly yet in the west the underwriter takes the shares on his books and then allocates shares to the investors.
2. In India the book building process is transparent while in the US it is confidential
3. In India the book must be open for a minimum of 5 business days and the period should be overhauled if the price band is updated while it can be opened and shut anytime abroad
4. Abroad, the price band is soft – meaning the bidder can offer for a price outside the price band too though in India the band is fixed.
5. Retail investors in India need to put in a check or block an equal sum corresponding to the IPO offer in their DEMAT accounts yet QIB's don't pay any margin. Though abroad, neither classification needs to pay any margin

## **2. REVIEW OF LITERATURE**

**Saurabh Ghosh (2005)** has distinguished the different factors explaining the underpricing of IPO's in an emerging economy like, India, by considering a sample of around 1,842 companies which have recorded in the BSE between the periods 1993 to 2001. Study has discovered that the uncertainty assumed a part in unreasonable underpricing in the primary market of India. The IPO issues which ran with the mass issue estimate and likewise that went for seasoned offering had lesser underpricing. Contrary to the confirmation which is obtained internationally, underpricing was less during the high volume period means the hot period contrasted with the droop period means cool period in the Indian IPO market. The new issues belonging to the business bunch was underpriced more contrasted with their stand-alone counterparts during the hot period. And the little issues belonging to the private standalone firms had less underpricing during the hot period and they didn't go to the market therefore to raise the capital. Huge issues belonging to business groups underpriced progressively and consequently in this way raised assets required from the

market. Results obtained from the examination bolster the predictions of signaling theory for the IPO's which is recorded in the Indian stock markets over the most recent decade

**David R. Williams, W. Jack Duncan and Peter M. Ginter (2010)** have analyzed the relationship among secondary-market, Pre-market, and the primary-market qualities. Signaling theories and the organization theories have been used in the examination. Study examines the high-innovation firms which are seeking for an IPO for the organization and market signals which is identified with a sample decided for the examination. For the reason for examining for IPO offer process in high-innovation firms a model have been tried. The results of the investigation indicates the secondary market factors have not influenced the offer price of the IPO but rather the offer price is influenced by certain primary market and Pre-market factors which is gotten by the business people and the investors.

**François Derrien and AmbrusKecskés (2007)** have featured that the number of firms in UK (United Kingdom) without issuing equity will list the firm and then in the blink of an eye issue the equity thereafter. The examination has tried both the market timing hypothesis and cost reduction hypothesis. The contention made the examination is that contrasted with the issue of IPO the two phase offering technique is less costly. The reason is that the valuation uncertainty is decreased by trading for those listing firms which are listing before the issue of equity. Study has discovered that the initial return which is obtained from IPO are 10 to 30 percent lesser for these organizations than the IPO's of the tantamount firms and likewise the confirmation of the investigation gives that the market in the association's shares brings down the financing costs. So the organizations time the market both when they 35 issue equity for overall population well as when they rundown to exchange as confirm by the investigation.

**Somnath Das, Re-JinGuo and Huai Zhang (2006)** the creators have examined the analyst's capacity with a specific end goal to forecast the performance of future firms which depends on the particular coverage of firms recently recorded. As hypothesized by the investigation that the decision to give the coverage contains information about underlying expectation of an association's future prospects and an analyst. So the IPO's with high leftover coverage have significantly operating performance and better returns contrasted and the low remaining coverage in the ensuing three years as documented by the investigation. So the proof obtained from the investigation indicates that predominant prescient capacities are possessed by the analysts and the coverage is given specifically to the companies for which their actual expectations are good.

**Joel Houston, Christopher James and Jason Karceski (2006)** think about examines the set up target price set by analysts for the issuing firms and whether the organizations which are equivalent are utilized keeping in mind the end goal to hold target prices, which is useful in explaining offer prices of IPO. The average offer price is marked down in respect to the valuations of practically identical firms during the period of bubble 1999 to 2000. On contrast, during the pre-bubble period

the average offer price is set at a little premium which is with respect to comparables. During the period of bubble this move holds great even in the wake of controlling for the difference in the sort of companies issuing IPO. And during the period of bubble the objective prices of issuing firms were set at premium which is higher. So results obtained from the examination propose that during the bubble period underwriters have reduced the offer prices deliberately. An elective explanation for this is move has arised in view of analysts and underwriters have faced incentives which are extraordinary and likewise unique legal exposures during the period of bubble.

**Reena Aggarwal and Pat Conroy (2000)** have examined the price discovery process of IPO's by using a dataset which is very one of a kind. In the five minutes of pre-opening window, which explains an expansive proportion of initial returns notwithstanding for hot IPO's as the 37 initial statements is entered by the lead underwriter in the pre-opening of five minutes. During these initial five minutes with several statements being entered a significant learning and additionally price discovery continues to happen. By observing the quoting conduct of other market creators, the wholesalers in especially and accordingly the statements will be overhauled by the lead underwriters. A strong positive relationship exists between initial returns and the time when trading begins in an IPO as the investigation appears.

**Brett D. Cotton (2008)** the long-run underperformance of IPO firms was first seen by Ritter (1991) first. This underperformance of IPO is named as new issues confound. One conceivable explanation which can be given to confuse of new issue is that before IPO's the managers concerned may manipulate earnings upwards, by 41 inducing the mispricing and during the years following the IPO issue it is turned around (Teoh, Welch, and Wong, 1998). Study has made a comparison between the discretionary collections of performance coordinated and the unusual stock performance of the organizations which is issuing only the primary shares with those companies issuing only the secondary shares or it can be a combination of both primary shares and secondary shares keeping in mind the end goal to examine the above explanation. So finally the proof supporting the hypothesis, which is the earnings management, contributes to the longrun under performance of IPO's as indicated in the investigation.

**Krupa S. Viswanathan (2006)** has examined the pricing of the IPO's which take after the insurance company demutualization. The insurers regularly mention the requirement for capital prerequisite as a key motivation who convert from shared to stock form. The primary regulatory goal of insurers is the capital sufficiency for which one would expect that a given number of shares to be sold; Hence with a specific end goal to augment the offerings continues these organizations would price their offerings in such a way. Nonetheless, as saw in the immense written works on pricing of IPO different theories recommends that to underprice association's offering is to why it might be in the issuing association's best interest. So by examining the long run returns and the initial returns of stock the level of underpricing and the presence of underpricing which is portrayed by initial returns which is very high can be

determined. As the observation made by the investigation that on an average the demutualization insurer IPO's posts considerably higher initial day returns contrasted with non-demutualization insurer IPO's. Finally during the period of initial couple of years after the IPO appealing returns are sustained for both the groups of insurers.

**Paul A. Gompers and Josh Lerner (2003)** by considering that after the formation of NASDAQ stock exchange, examine features that the financial economist has intensely bantered about the performance of IPO's by considering the information. So for a period of five years duration after the listing study examines the performance of 3,661 IPO's of U.S between the duration of 1935 to 1972. The sample considered shows some underperformance when the occasion time purchase and-hold anomalous returns are used. And the underperformance vanished when the total unusual returns are used. So over the whole period, IPO returns are as much as the market which is according to the timetable time analysis. By considering the intercepts in the 42 regressions of CAPM and Fama – French which are insignificantly not quite the same as zero, and subsequently suggesting that the performance obtained isn't irregular.

**Igor Filatotchev, Mike Wright equity and MufitArberk (2006)** have examined the firms which have the funding (VC) upheld IPO's, the advancement of compelling boards. from So from the two sets of agency costs which are identified with principal and principal-Agent relationships between the founders and individuals from the VC syndicate is experienced by e sponsored IPO's as contended by the investigation. By considering a special sample set which is of around the 293 entrepreneurial IPO's in the UK, the VC syndicate which for the most part invests relatively in the more risky firms is as appeared by the investigation. Study finds that contrasted with the IPO's with no VC involvement, the VC sponsored IPO's have more independent boards, and the board independence is very higher for the syndicated VC prepared firms. So these are the governance factors which are utilized to alleviate the agency costs that are related with the VC involvement in IPO firms, as the outcome obtained is consistent with this assumption in the investigation. Finally one might say that there is a nearness of higher equity of uninvolved private equity firms which is investing in an alongside VC firms as it is been very watched that in the syndicated IPO's

**Michael T. Bluff and David J. Denis (2004):** ponder examines that underpricing of IPO which is positively identified with the analyst coverage by a lead underwriter and additionally on the research staff of lead underwriter with the nearness of elite player analyst. The controls of other determinants of IPO underpricing and for the controls of endogeneity of analyst coverage and IPO underpricing the results of study are very vigorous. The cynicism which is identified with the startling measure of analyst coverage of post-IPO is a result of switching the underwriters between initial offering and seasoned equity offering. So the underpricing of IPO is a kind of compensation for analyst coverage of expected post-IPO from those analysts who are ranked high is as proposed by the findings of the investigation which is very consistent with the hypothesis surrounded.

**Chuang Yuang Lin, Hung Ta Lee and Chun Lin Lee (2008)** have investigated during the periods 1997 to 2006 the performance impacts of IPO approaches in Taiwan's 50 stock market. Keeping in mind the end goal to analyze the test performance differences under each model, using non-parameter tests the channels of listing have been separated into six models by the investigation. Study finds that than the direct listing techniques the indirect listing strategies perform better. Results obtained from consider recommends that the longer the process taken for the companies with a specific end goal to terminate from one market and move to the other target market, it will be better for the company's as far as performance. So finally with a specific end goal to channel the capital into the financial markets results obtained from the examination have contributed towards the significant implications of policy for the ability of the as of late settled initiative for the emerging stock market.

**Jay C. Hartzell, Jarl G. Kallberg, and Crocker H. Liu (2008)** have analyzed the effect of corporate governance structures on the issue date of IPO. Hypotheses tested in the investigation point outs that firms with more governance structures which is shareholder situated will have a better performance in the long-term and will likewise get higher valuation during the period of the phase of IPO. A sample size of 107 IPO's of the land investment confides in which is REITs between the duration 1991 to 1998 is been considered by the investigation. So the investigation by considering a singular industry specifically with the REITs has decreased the impacts of confounding which are very potential because of the difference in the risk, transparency and likewise the growth potential. So this combined utilization of IPO's mitigates the issue of endogeneity which is available in the investigations of effect of governance on the valuation of the seasoned association's .So finally the analysis of study indicates that firms will have higher IPO valuations with stronger governance structures and likewise the better long term operating performance than contrasted with their companion groups.

**Swee-Sum Lam, Ruth Seow-Kuan Tan and Glenn Tsao-Min Wee (2007):** Examines the policy risks economic implications on the performance of initial price of the privatized initial public offerings (PIPO). Policy risk explains the crosssectional underpricing of PIPO's in a better manner rather than the information asymmetry. High policy risk issues of the issuers government tends to keep bigger equity stake and underprice further with increased underpricing in the retained equity. So the issuer's government retained equity is the perceptible indication for the policy risk. And a nature of nation's bureaucratic machinery which is a practical policy risk measure and which is more intuitive is discovered from the investigation. Finally absence of 51 symmetrical relationship between the initial profits for PIPO's is better explained by Policy risk.

**Chia-Cheng Ho, Chi-Ling Huang, George Y.C. Lin and Chien-Ting Lin (2010)** have conducted the examination in Taiwan to examine the opportunistic conduct of the public offering. In Taiwan Firms issuing IPO's is important to reveal the forecasts of earnings and no restriction is forced to discharge the information about offerings. Results obtained contributes that, preceding to the offerings, higher earnings

has been reported by the firms issuing the IPO's, the forecasts of inflated earnings was revealed, and more positive news was endeavored to manage. Study announces that the management of news develop as the main principal factor for the prices of stocks in the aftermarket. There is a more prominent inclination for the IPO firms keeping in mind the end goal to discharge positive news relating to policy or the methodology, which gives a vision to the future of firm and it additionally tend to take part in such exercises of window dressing before the colossal deal in the IPO stocks from existing shareholders or the decline in the insiders holdings of share.

**David R. Williams, Peter M. Ginter and W. Jack Duncan (2010)** analyses the relations between secondary-market, pre-market, and primary-market qualities. Considering theories of Agency and also the signaling theories, think about has likewise built up a model which portrays these associations. So identified with a sample of hightechnology firms which is looking for an IPO, contemplate examines the agency and market signals. The investigation has tested a model for IPO offer process in high-technology firms. The results obtained from ponder indicate that by the certain primary market and premarket factors the offer price is influenced which are gotten by business visionaries and additionally the investors, yet the secondary market factors have not influenced the offer price.

**Annette B. Poulsen and Mike Stegemoller(2008)** Highlights the two distinctive approaches to move assets from private ownership to that of public ownership, initially it is through the process of private companies acquisition by the public companies (which are offer outs already) or it might be through the process of public issue. Study has considered the firm particular qualities for around 735 rat firms and for around 1, 074 IPO's to distinguish the differences in asymmetric information between the two sorts of transactions, capital constraints, and growth. Results obtained from the investigation recommends that when the firm have bigger open doors for growth and when they face more constraints on the capital for the firm, then companies move from private ownership to that of public ownership through the process of IPO. Concentrate likewise gives an enhanced understanding of particular normal for the firm as mentioned above which at last leads firms to go for public.

**S. Trevis Certo (2003)** has analyzed the influences on the decision-making processes by the board structures of which the investor make utilize while buying the company's shares that is making a public issue. Firms which are going for public are reasonably obscure to the investors, thus clearly they undergo from a liability of originality in the market. Study depend on the signaling theory, sociological research on prestige, and institutional theory with a specific end goal to prescribe that the expansive prestige flag of legitimacy of organization, investor perceptions, thereby dropping the responsibility of the novelty of the market and additionally improving stock performance of IPO firms. Finally think about suggests that the investor attributes, for example, the prestige influence their perceptions of wide prestige

**Davide Ravasi and Gaia Marchisio(2003)** investigates Italian IPO's with a sample size of around 57 IPO firms. Extant research on IPO's, propose that the accomplishment of the public offering is influenced positively by the reputation of the company. Study investigates an important, despite the fact that which is often dismissed implications of going 56 public by combining diverse confirmations from a progression of preliminary contextual investigations which is considered from the results of the overview of 57 Italian IPO's. Confirmation obtained from the examination proposes that, other than providing a basic inflow of capital for the recorded company, going public may really enhance the social capital and reputation o a company, by increasing its prestige, perceivability and additionally the apparent trustworthiness. Finally examine concludes that going public might be a significant method to hold up the entrepreneurial activity, as it might expand and additionally to reinforce the system of relationships which offer the entrance to correlative abilities, outside assets and distinctive investment opportunities.

### 3. OBJECTIVES OF THE STUDY:

The main goal of the study was to assess the performance of IPOs in India. Keeping the above in consideration, the present study has been conducted with the following objectives

1. To find out the performance of IPOs for short period.
2. To measure the long term performance of IPOs including and excluding initial returns.
3. To analyze whether the returns are more in short term or long term for better conclusion

### 4. RESEARCH METHODOLOGY

**a) Scope of the study:** The scope of the study is constrained to understanding the difference and likeness between IPO of two developing countries i.e. IPO of India and IPO of China. Further the scope is expanded to the degree of the hurdles that the regulatory environment may make while the company gears up for making an Initial Public Offer.

**b) Methodology:** Our study enquires and brings forward the results of indicated targets which identifies with study of two IPOs. This is a descriptive research study that includes the surveys, reports and opinions communicated by authors of different research papers relevant to our subject.

**c) Data Collection:** The present study incorporates the collection of both primary and secondary data for a thorough investigation. Data was gathered from books, existing researches and reports, newspaper articles, internet and magazines available online. The methodology of study is analysis drift and to study the profit revenue made by these IPO.

**e) Data Analysis:** A primary research activity was conducted to understand the seriousness of various conceivable hurdles faced by IPO. Here we will likewise have a relative study on two IPOs

**f) Limitations of the study:** The research has been conducted based on primary and also secondary data. Be that as it may, the primary data has been grouped through an essential and summed up questionnaire. Hence, the findings don't indicate results in particular and total terms. There are procedural complexities and in addition certain external factors that often go about as hurdles in making an IPO and its listing thereafter.

**5. ANALYSIS**

Comparison is done among HDFC and Industrial and Commercial Bank of China

**1. HDFC Asset Management Company**

HDFC Asset Management Company Limited, advanced by HDFC Ltd. in 1999, is a built up support house occupied with providing savings and investment products. HDFC is one of India's leading housing finance companies and has developed as a perceived financial conglomerate in India, with nearness in housing finance, banking, life and non-life insurance, asset management, real estate funds and education finance. HDFC AMC offers a huge suite of savings and investment products crosswise over asset classes. It offers 127 schemes that were arranged into 28 equity-situated schemes, 91 obligation schemes and three liquid schemes, and five other schemes.

The company additionally gives portfolio management and isolated record services, including discretionary, non-discretionary and advisory services to high net worth individuals, family offices, domestic corporate, trusts, provident funds and domestic institutions. The company's average Assets under management ("AUM") as on June 2018 were Rs.3,06,841 crore. The Assets under management in Equity arranged schemes stands at Rs. 92,125 crore, Debt situated scheme with Rs. 81,317 crore, Liquid schemes with Rs. 48,522 crore and Other schemes including ETF and FoF have Rs. 758.43 crore AUM. HDFC AMC has an established track record of delivering robust financial performance. The total revenue increased from Rs. 1587.9 crore in fiscal 2017 to Rs. 1867.24 crore in fiscal 2018 with 2.79% YoY growth. EBITDA grew to Rs. 955.02 crore in FY18 with 2.63% YoY growth. The company had a Net worth of Rs.21, 59.96 crore in March, 2018.

The motivation behind the Offer is to accomplish the advantages of listing the Equity Shares on the Stock Exchanges and to complete the offer of Equity Shares offered for deal by the Selling Shareholders. Further, HDFC AMC expects that the listing of its Equity Shares will enhance deceivability and brand image, and will give a public market to Equity Shares in India. Company won't get any proceeds from the Offer and all the proceeds from the Offer will be gotten by the Selling Shareholders, in proportion to the Equity Shares offered by the particular Selling Shareholders as a component of the Offer HDFC AMC offers a wide range of savings and investment products across asset classes. As of December 31, 2017, it offered 127 schemes categorized into-

- 28 equity-oriented schemes
- 91 debt schemes
- 3 liquid schemes
- 5 other schemes (including exchange-traded schemes and funds of fund schemes).

The company additionally gives portfolio management and isolated record services to HNIs, family offices, trusts, domestic corporate and provident funds and so forth. As of December 31, 2017, it managed a total AUM of 75.78 billion as a feature of its portfolio management and isolated record services' business. A few actualities about HDFC IPO are:

1) HDFC AMC IPO is simply an offer for deal by the promoters; the company does not intend to raise any crisp capital through the issue. Through this IPO, HDFC is pairing 4.05 for every

penny stake in the company while Standard Life is selling 7.96 for every penny stake in the company.

2) HDFC Asset Management Co was set up in 1999 as the asset management arm of home loan bank HDFC. In 2001, Standard Life Investments procured 26 for each penny stake in the company.

3) Analysts say there is immense potential for growth for common store AUM in India which looks good for HDFC AMC. According to Angel Broking, in most recent five years (FY2014-2018), equity AUM for Indian MF industry has increased 4.4x, from Rs 2 lakh crore to Rs 9 lakh crore.

4) For FY2018, HDFC AMC had reported a net profit of Rs 722 crore on revenues of Rs 1,760 crore. Its revenue has developed at a CAGR of 20 for each penny over FY2013-17 while its average return on equity has been 42 for each penny over a similar period.

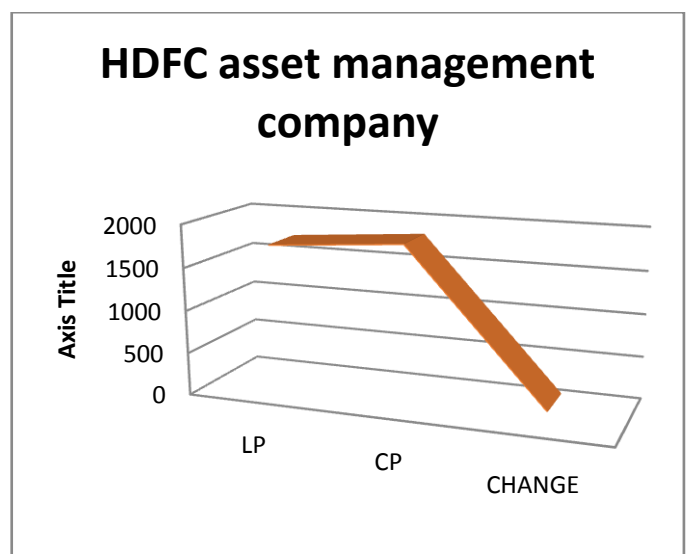
5) Angel Broking has given a "buy in" rating on the IPO regardless of its demanding valuation considering realities that "HDFC AMC is the second biggest AMC combined with immense potential of MF industry growth, strong return ratios, asset-light business, higher profit payout proportion and reputation of unrivaled investment performance".

**Strengths-**

1. Brand reputation of HDFC and SLI helps in earning the trust of customers.
2. Consistent investment performance over the years has helped it set up itself as one of the leading AMC in the nation.
3. Diversified product blend with a multi-channel distribution network encourages it expand its scope.
4. Strong profitable growth, over the years, furnishes it with resources to subsidize future growth.

**Table 1: Percentage change of HDFC asset Management Company**

Name of IPO	LP	CP	CHANGE	%CHANGE
HDFC asset management company	1730	1845	115	6.64



**Figure 1: LP, CP and Change of human asset Management Company**

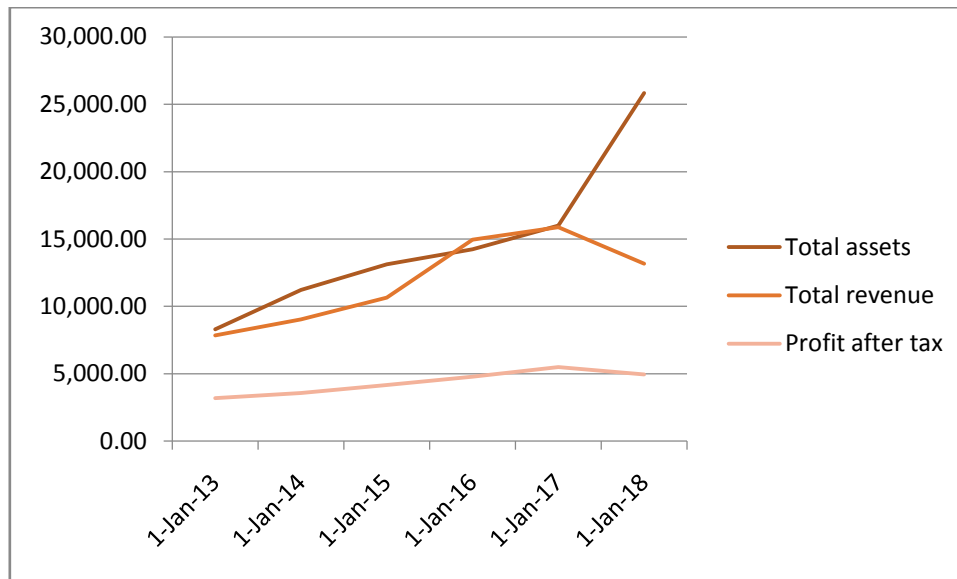
The hdfc asset management company IPO has not given better returns subsequent to being recorded. This is on account of the time when the IPO is acquired the market that

times the infrastructure industry was not at blast. Moreover it was chosen to bring the IPOs in the market multi year before however because of a few reasons it was gotten the market couple of months back. Over all hdfc asset Management Company has gained popularity in the market multiyear or

multi year before only. One negative point is that its price band of Rs1000-1100; it is an exceptionally costly issue. The company should turn out with the price of Rs 600-700, which is its real price subsequent to looking at its EPS of Rs 11.31

**Table 2.Total asset, total revenue and profit after tax of hdfc asset management company for various years**

Particulars	For the year/period ended in millions					
	31- mar -18	31- mar -17	31- mar -16	31- mar -15	31- mar -14	31- mar -13
Total assets	25,831.58	15,995.90	14,227.17	13,117.50	11,213.36	8,294.39
Total revenue	13,167.21	15,879.10	14,943.42	10,642.76	9,031.14	7,839.76
Profit after tax	4,955.55	5,502.46	4,778.80	4,155.00	3,577.70	3,187.46



**Figure 2: Total asset, total revenue and profit after tax of hdfc asset Management Company for various years**

**2. Industrial and Commercial Bank of China**

On the off chance that ICBC's IPO is viewed as a feature of the initial achievement of the Chinese government opening up their banking sector, then it is important to know whether this progression of liberalizing the banking sector brings further improvement and better performance of the involved banks. During the primary year after the IPO, ICBC experienced further change in its profitability and its net profit increased around 60%, higher than the average growth rate in profitability of 30% preceding its IPO. ICBC continues to develop in the two its business expansion and diversification. Its total assets are more than \$1.4trillion. The market value of ICBC continued to ascend for some time, and it remains as the biggest bank on the planet in light of total market capitalization (as of June 2011, ICBC's market capitalization was around \$250billion). Its present stock price is between HK\$4-HK\$5.0.

**Strength**

1. ICBC had a leading market position, quality customer base, diversified business structure, strong innovation and marketing intensity and phenomenal brand value.
2. ICBC has a leading electronic banking platform. There were four customer channels: Net bank, telephone bank, mobile bank and self-service bank which offer fund management, payment, marketing service, financial plan, sales agent and economic services.

3. ICBC has unique services for VIP customers, for instance, VIP bank focus, VIP channel for mobile bank and net bank and professional financial planners

A few realities about Industrial and Commercial Bank of China

- Personal financial service —Personal loan is a progression of products for personal housing, personal spending and personal business loan. —Elite club account is a financial brand for elite top of the line customers.
- Bank card business 47 ICBC has a progression of bank cards named —peony card there are five average —peony cards. They are: —peony and yilong card which customers can get services from Yilong Company. —Golden peony card which permit customers can get pay monthly or yearly. —1872 peony card which offer gold service for customers. —Peony and south airplane card which offer China south airplane service to customers and —peony sport card which offer markdown for thousands of exercise center, club and game shop in China.

ICBC Anhui Anqing branch gives corresponding markdown and extraordinary services to customers who picked ICBC products or services through corporate with other companies. ICBC likewise advance its products or services through commercial.

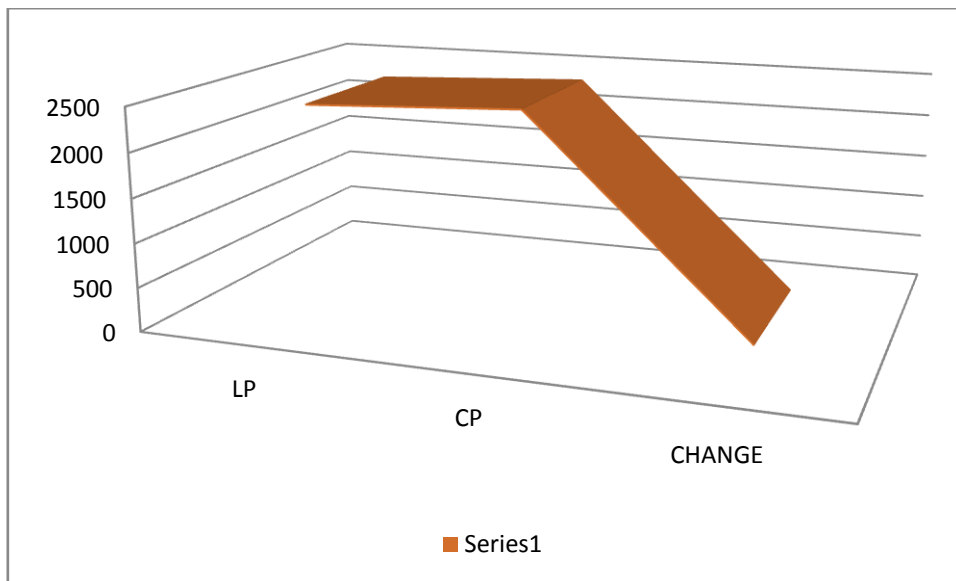
- Fiercely outlets distribution and stable measure of dedication customers influence ICBC to wind up the most important bank in China. Arranged by market capitalization, ICBC is one of the greatest banks in china, it is additionally the biggest bank on the planet. ICBC Anhui Anqing branch as one of ICBC branch, additionally assume the key part in Anqing area. ICBC Anhui Anqing branch has assemble the most punctual wealth management focuses, for example, VIP service focuses, wealth management outlets and financial convenience stores, for the sole purpose of giving customers better service. ICBC Anhui Anqing branch likewise perform well in cash management, asset custody, enterprise annuity, agency and wealth management business. Phenomenal operating performance of ICBC Anhui Anqing branch was conceded by banking industry.
- Card businesses have a fast increase that influences ICBC to have lower reliance on interest income. ICBC Anhui Anqing branch is the greatest card issuing bank

in Anhui Anqing locale. There are so many kinds of Mastercard issuing by ICBC Anhui Anqing branch, for example, theme cards, functional cards and co-brand cards, euro charge card, Peony Express Business Card, Peony Union Pay Card, Peony Sports Card, and new Peony Traffic Card and so on. And it is dependably keep the top position in card issuing and Visa consumption in bank industry.

- Lower business risks are diminished by assortment business strategies. The margin channels of ICBC Anhui Anqing branch are differed. ICBC\_s revenue techniques can be isolated into four sections: investment bank, wealth management, insurance and asset management. Noninterest income increases by different wellsprings of revenues, for example, settlement, clearing and cash management, investment banking, corporate wealth management, asset fiduciary, guarantee and commitment and so on.

**Table 1: Percentage change of ICBC asset Management Company**

Name of IPO	LP	CP	CHANGE	%CHANGE
Industrial and Commercial Bank of China	2340	2445	105	4.48



**Figure 3: LP, CP and Change of ICBC**

The ICBC IPO has not given much better returns in the wake of being recorded. This is on account of the time when the IPO is acquired the market that times the infrastructure industry was not at blast. Moreover it was chosen to bring the IPOs in the market multi year before yet because of a few reasons it was gotten the market few months back. Over all

ICBC has gained popularity in the market multiyear or multi year before only. One more negative point is that its price band of Rs 1100-1200; it is an extremely costly issue. The company should turn out with the price of Rs 600-8000, which is its real price subsequent to looking at its EPS of Rs 11.31

**Table 3.Total asset, total revenue and profit after tax of ICBC for various years**

Particulars	For the year/period ended in millions					
	31- mar -18	31- mar -17	31- mar -16	31- mar -15	31- mar -14	31- mar -13
Total assets	13,417,887	11,785,053	10,557,653	9,757,654	8,684,288	7,509,118
Total revenue	166,324	167,248	157,244	145,301	115,114	71,521
Profit after tax	127,795	129,350	111,141	111,151	81,990	49,336

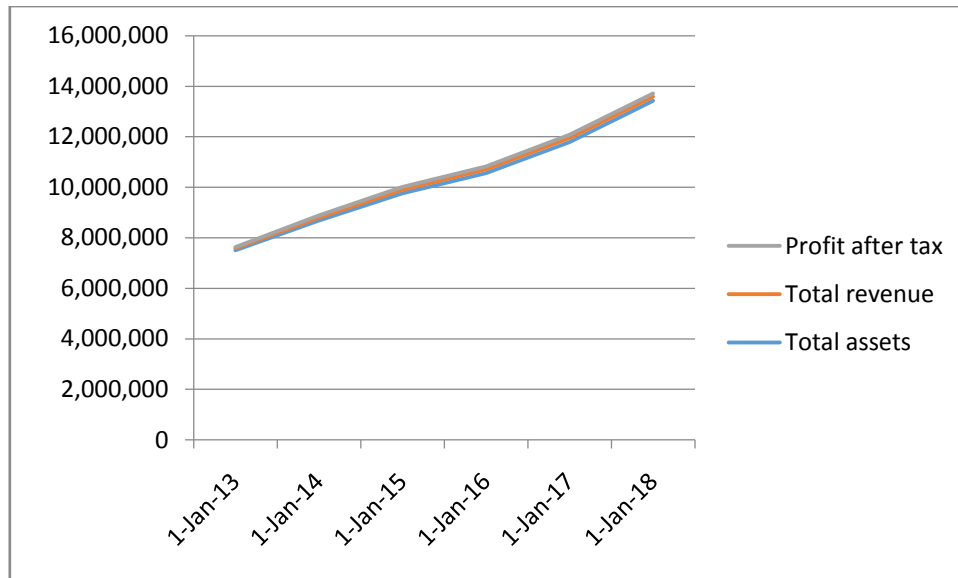


Figure 2: Total asset, total revenue and profit after tax of ICBC company for various years

In the above table we see that there is increment in the total profit, total revenue and profit after tax with the every year passing. There is around increment of around 1,000,000 every year as the year passes on.

**Comparative study**

Name of IPO	LP	CP	CHANGE	%CHANGE
HDFC asset management company	1730	1845	115	6.64
Industrial and Commercial Bank of China	2340	2445	105	4.48

Out of the two IPOs we can see that HDFC management company have demonstrated better results on listing gains than ICBC .Retail may be very energized by this opportunity. HDFC Management Company is a substantially more exciting play for the pop offer. It isn't as provocative as ICBC however we have found in the past that the biggest issues may take up a great deal of headline space yet they don't often produce the biggest returns on listing and it is a reasonable wagered to state that HDFC conveyed better on listing gains than ICBC. HDFC don't have big glass buildings in downtown city however they are exceptionally strong in a portion of the up nation places. They are value retailers; they are not one of the big

brand retailers. They have their own particular brands which they offer pretty effectively and in doing that they have better margin profile than many of the other listed players.

**6. CONCLUSION**

After analyzing it can be concluded that IPOs investment are grooming day by day.IPO is an effective source of raising the funds now a days. The issue of IPO requires legitimate planning. A company is required to fulfill different regulatory compliances and the reporting prerequisites of the stock exchange. A company needs to take after appropriate strides for issuing an IPO which are set by SEBI.

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