



Examining The Role Of IPO In Corporate Financing And Growth Strategies

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Abstract

The report examines the impact of IPOs on corporate finance and growth strategies in India's manufacturing sector. It focuses on recent IPOs, highlighting the gap in literature on the specific financial impacts of IPOs on this sector. The study reveals significant changes in financial performance, particularly in profitability, efficiency, and leverage ratios. IPOs generally improve profitability and operational efficiency, but also increase leverage. This highlights the importance of strategic financial management post-IPO to maximize benefits against potential risks. The findings are useful for manufacturing firms considering initial public offerings and contribute to the current understanding of the financial implications of going public. The report uses descriptive statistics and T-tests to analyze financial data, identifying significant differences in profitability, efficiency, and leverage ratios. The analysis provides actionable insights into how manufacturing firms can strategically manage their finances post-IPO to optimize growth and minimize risks.

Keywords: Pre IPO vs Post IPO, Profitability, Growth strategies, manufacturing sector, Volatility

Introduction:

An Initial Public Offering (IPO) is the process by which a private company offers its shares to the public for the first time, transforming it into a publicly traded company. IPOs are typically conducted by companies looking to raise capital to fund expansion, pay off debts, or increase liquidity. This transition from private to public ownership involves complex regulatory requirements and signifies a major milestone in a company's lifecycle. One of the primary motivations for a company to go public is the ability to access capital markets. By selling shares to the public, companies can raise substantial funds to fuel growth initiatives, finance acquisitions, or invest in research and development (Ritter, 1998). Additionally, going public enhances a company's visibility, credibility, and market standing, allowing it to attract more customers and business partners (Pagano, Panetta, & Zingales, 1998). However, the IPO process is not without risks. Companies must adhere to stringent disclosure requirements, face increased scrutiny from regulators and shareholders, and may experience pressure to meet short-term financial goals, potentially compromising long-term strategy (Loughran & Ritter, 2004). Additionally, IPOs often lead to changes in capital structure, including increased leverage, which can elevate financial risks for companies (Mello & Parsons, 1998). Historically, IPOs have shown mixed financial outcomes. Some companies experience significant growth and improved performance post-IPO, while others struggle with the pressures of public ownership (Jain & Kini, 1994). The literature highlights that although IPOs can lead to improved access to capital and enhanced market visibility, they may also result in increased costs related to regulatory compliance and shareholder expectations (Brau & Fawcett, 2006). In the context of emerging markets such as India, IPOs have gained prominence as a vehicle for economic growth, particularly in sectors like manufacturing, where access to capital is critical for scaling operations (Chong & López-de-Silanes, 2007). As more firms in the manufacturing sector pursue IPOs, understanding the financial implications of going public becomes increasingly important, especially in terms of profitability, efficiency, and leverage.

Literature Review

The study documents corporate culture at the time of initial public offering (IPO) and the relationship between corporate culture at the time of IPO and firm financial performance. Based on a sample of 1157 US firms that went public between 1996 and 2011 and performance information through 2016, the data provide strong evidence that regional culture, industry characteristics, and pre-IPO financing play key roles in explaining a firm's cultural orientation. Moreover, the data indicate that IPO firms with a highly competition- and creation-oriented culture experience higher profitability and less risk of financial distress than other IPO firms. (Douglas J. Cumming, Antonio Meles, Gabriele Sampagnaro, and Vincenzo Verdoliva, 2023) This paper aims to review, discuss and synthesize the literature focusing on the Indian initial public offering (IPO) market. Understanding the Indian IPO market can help answer broader corporate finance questions. The growing number of IPOs in the Indian context, coupled with the increasing importance of the Indian economy in the global market, makes this review an essential topic. (Titas Bhattacharjee, Bijitaswa Chakraborty 2023). This paper examines the influence

of enterprises' initial public offerings (IPOs) on county-level economic growth in China from 2000 to 2015. Utilizing a unique dataset of hand-collected IPO information and employing both difference-in-differences (DID) estimation and Nearest-Neighbor Matching (NNM), our study reveals that IPOs significantly enhance county-level economic growth, particularly in the secondary industry sector. These findings affirm the efficacy of capital support through stock market for poverty reduction at county-level and highlight institutional financial support for local development instead of fiscal policy in developing countries like China. (Southwestern University of Finance and Economics, 2024)

The study delves into the dynamics of wealth creation for retail investors in the context of Initial Public Offerings (IPOs) within the Indian equity markets. Against the backdrop of a burgeoning retail investor base, the research offers a comprehensive analysis spanning April 2012 to December 2022, evaluating short-term and long-term IPO performance metrics. The study reveals nuanced insights into wealth creation dynamics by scrutinizing listing day returns, first-week to third-year returns, and market-adjusted returns vis-à-vis the Nifty50 Index. Notably, the research suggests that while IPOs exhibit promise with positive listing day returns, sustaining growth over extended horizons poses challenges. The hypothesis of inflation serving as a pragmatic hurdle rate for retail investors is explored, offering a novel perspective on wealth preservation. It also sheds light on the significant variability in the Real Rate of Returns (RRRs) among IPOs, with some contributing to wealth generation while others result in wealth erosion. This underscores the importance of retail investors carefully assessing and managing risks, emphasizing the need for prudent portfolio diversification and effective risk mitigation strategies, particularly over longer investment horizons. (Mohammed Mujahed Ali and Shaik Masood, 2024)

Building on corporate governance life cycle theory, this study aims to enrich the understanding of the influence of corporate governance on post-IPO performance of R&D intensive newly public firms. The findings of this study reveal that corporate governance is an essential factor for determining the long run post-IPO performance. Promoters who retained controlling ownership in the post-IPO period and board independence are positively associated with the firm's performance. Yet, a promoter's involvement in management can have adverse influence on the firm's performance. The outcome of the hypotheses draws support at the interplay of agency, stewardship, and resource dependence theory (Manali Chatterjee, Titas Bhattacharjee, Bijitaswa Chakraborty, Tugrul Daim, Birgul Kupe li, 2024).

This study investigates the pricing of Finnish Initial Public Offerings (IPOs) during and outside financial crises. Two hypotheses are proposed: underpricing during financial crises is more prevalent due to market volatility and investor risk aversion, and IPOs executed during crises underperform the market. The research uses empirical analysis and event study methodology to provide insights into IPO pricing and performance during financial crises. The sample size is 89 Finnish IPOs, and the results show that IPOs executed during financial crises tend to be underpriced, offering exceptional short-term returns. This study offers practical implications for policymakers, investors, and companies navigating volatile market conditions and offers opportunities for future research. (Tammi, Bruno, 2024)

Recent trends have highlighted a significant prevalence of IPO underpricing. The primary focus of this study will be on the influence of information asymmetry on IPO underpricing within the financial market, followed by an analysis of the causes and

consequences of this trend. Firstly, it briefly introduces the overview of information asymmetry and links to its importance within the IPO market. Then, it reviews two important concepts from existing literature regarding information asymmetry and IPO underpricing: the market of “lemons” and the herding effect. However, the study does not merely dwell on illustrating these two concepts; it also critically evaluates their limitations while also addresses the pros and cons of IPO underpricing caused by information asymmetry. Finally, it offers potential solutions for the information asymmetry problem to lessen IPO underpricing. The findings and significance of this research are particularly significant for financial market participants and decision-makers, as they help to better address and manage concerns with information asymmetry in financial markets. Through this multi-faceted exploration, the paper aims to unravel avenues that foster transparency, equitable valuation, and sustainable long-term development within the IPO market (Ziqi Lu, 2024). The study explores the impact of political affiliations on the IPO procedure in China. It uses data from 1856 firms from 2014-2021 to show that political affiliations increase underpricing, attract retail investors, and attract prestigious underwriters. These connections also help firms during market uncertainty, such as the pandemic, by reducing information asymmetry and signaling positive aspects to investors. The research contributes to existing literature on political connections in IPO practices. (Lewis Liu, 2024). The thesis explores the relationship between Research and Development (R&D) intensity and IPO pricing across various industries, challenging the traditional view that higher R&D intensity directly correlates with increased IPO pricing. The study, analyzing financial data from companies going public between 2016 and 2022, found a complex relationship, with either negligible or inverse correlations. The role of patents was also explored, with potential positive impacts but no statistically significant correlation. The study suggests that the high-tech industry does not differentially value R&D intensity compared to other sectors (Voorhuis, M.H, 2024). This thesis explores the impact of Private Equity and Initial Public Offerings (IPOs) on firms' performance and strategic plans. It provides an overview of the Private Equity sector, its dynamics, and Growth Equity concepts. The study also explores the decision-making process of companies seeking capital and Private Equity investors. The study also examines the reasons behind IPOs and the outcomes. The Eurogroup Laminations case is used as an empirical case, highlighting the benefits and challenges of Growth Equity operations and IPOs. The findings highlight the strategic value and financial impact of these topics, as well as potential risks and areas for further exploration (Zago, Carlo alberto, 2023/2024). This study examines the impact of sustainability reporting (SR) quality on the corporate financial performance (CFP) of IPOs in Malaysia. Data from 131 IPOs on Bursa Malaysia between 2007 and 2017 was analyzed using OLS and WLS regressions. Results showed a positive and negative association between SR and CFP, with negative and significant associations between employee and product SR characteristics. However, societal and environmental components had a significant positive association. The findings can help financial institutions and regulatory agencies drive responsibility for companies regarding SR issues and emphasize the importance of combining social and organizational activities. (Yasir Abdullah Abbas, Waqas Mehmood, Anis Ali & Attia Aman-Ullah, 2023) The study explores the impact of founder characteristics on business growth strategies in IPOs. It found that founders with a strong functional background and extensive external directorships are

more likely to adopt M&A, while those with higher education and a PhD are more inclined towards R&D investment. Older founders are more likely to invest in R&D, while higher ownership levels deter R&D expenditure. The presence of a founder-CEO is associated with lower R&D investment. (Ying Liu ,2023). This study examines the impact of ESG disclosure on IPO performance in 100 European IPOs from 2017 to 2021. The research found that releasing an ESG report before an IPO reduces underpricing, suggesting that companies that publish sustainability reports are perceived as less risky. Investors value ESG disclosure as a tool to reduce risks associated with ESG issues. The study contributes to research on firms' incentives to disclose ESG information, but its size and focus on European companies limit its applicability. (Salvatore Ferri, Alberto Tron, Federico Colantoni, Richardo Savio,2023) This study explores the impact of corporate governance on post-IPO performance of R&D intensive firms. It found that controlling ownership and board independence positively affect performance, while promoter involvement can negatively affect it. The findings support agency, stewardship, and resource dependence theories, highlighting the unique role of corporate governance. AI is gaining popularity in business-to-business (B2B) settings, but there is a research gap in understanding how to leverage AI for effective customer journey management. This article presents an empirical study of 61 Indian B2B companies and provides an input-process-output (IPO) framework to help managers understand and benefit from AI solutions. The developed IPO model can serve as a roadmap for introducing AI in managing customer journeys and as a strategic instrument for organizational change and design. This approach adds value to literature on AI's role in B2B settings (Tatiana Khvatova; Francesco Paolo Appio; Subhasis Ray France ,2023). The study examines the growth processes of initial public offering (IPO) firms using an international sample of European firms. It reveals that IPO firms grow faster by acquiring fixed assets and an additional workforce, followed by a performance-enhancing stage of growth in sales three years after listing. The study also highlights the role of financing decisions in growth. (Vivien Lefebvre ,2023). The study examines sales growth management in Chinese ChiNext firms during their IPOs from 2009 to 2019. It reveals that these firms use aggressive promotional strategies, such as longer turnover days and lower gross profit margins, to influence issuance prices. They also have higher price-to-earnings ratios and positive posts, aiming to attract more funds. The study also finds a negative relationship between sales management and post-IPO stock returns, suggesting that market intermediaries can help mitigate future performance reversals (Ning Hu, Wan Huang, Ying Liu, Limin Zhang ,2023) This study explores the relationship between corporate ESG performance, disclosure, and green bond issuance in Chinese-listed companies. It combines data from 2016 to 2020 and green bond issuance information from databases like Wind and Hexun. The findings suggest that companies with commendable ESG practices are more likely to issue green bonds, especially when properly disclosed. This could encourage mandatory ESG disclosure regulations and promote China's green finance progress (Shanshan Wang, Shih-Chih Chen, Mohd Helmi Ali, Ming-Lang Tseng ,2023). Driven by the anticipated global stagflation, this straightforward yet novel study examines the cost of inflation as a macroeconomic factor by investigating its influence on stock market growth. Thus, this paper aims to examine the impact of inflation on the probability of initial public offering (IPO) withdrawal decision (Fouad Jamaani, Abdullah M. Alawadhi ,2023). This

dissertation examines the impact of spin-offs, carve-outs, mergers, and acquisitions on a firm's incentive pool of knowledge workers. It hypothesizes that inventors who experience a spinoff or carve-out will have more authority in choosing their innovative activities, leading to less departure and more innovative outputs. The study uses a difference-in-differences methodology on a matched sample and finds that inventors who experience a divestiture show a significant increase in patent citation, indicating a higher quality of innovation output. The study also explores the relationship between inventor recruiting and technology acquisition decisions. It finds that firms hiring inventors with similar expertise tend to acquire technologically similar targets, while those hiring inventors with new expertise are more likely to acquire technologically distant targets. The study also highlights the channels through which these decisions may be related, suggesting that firms assess the complementarity of new technologies with their existing portfolio. Lastly, the dissertation examines the role of rivals in the merger review process and their lobbying activities on antitrust agencies' decisions. The results support the hypothesis that lobbying activities of rivals who react positively to merger announcements are negatively associated with the merger being challenged, while those who react negatively are positively associated. The dissertation also establishes a causal link between rivals' lobbying activities and merger review outcomes. (Davari, Hamed, 2023). The study aims to determine the best strategy for investors to increase company performance by increasing internal or external activities. Internal activities include increasing investment intensity and moderation, while external activities involve investing in other companies. The research uses balanced panel data with a random-effect model and purposive sampling. Results show that moderation positively impacts IPO performance, while other internal strategies, such as investment intensity, do not. (Gracella Prisilla, Irenius Dwinanto Bimo, 2022) The paper reviews literature on the impact of venture capital (VC) financing on the growth of small and medium enterprises (SMEs) in six emerging African economies. Despite SMEs being the key drivers of economic growth, their growth is threatened by insufficient finance. The study uses a systematic literature review strategy to explore 50 articles on VC performance from 2010 to 2019. Results show that VC financing positively influences SMEs' growth in terms of sales, job creation, and increased returns on investment. The paper provides valuable knowledge for policymakers and practitioners to support easy access to VC financing for SMEs' growth (Ahmed Kato, 2021). This paper investigates the influence of corporate governance mechanisms, including board structure and ownership structure, on the underpricing of small and medium enterprises (SME) IPOs in India. The study examines 200 SME IPOs issued between February 2012 and April 2017, using multiple regressions and market-adjusted excess return as additional proxy for underpricing. (Nischay Arora, Balwinder Singh, 2020). The study examines the impact of ESG disclosure on IPO performance in 100 European IPOs from 2017 to 2021. The research found that releasing an ESG report before an IPO reduces underpricing, suggesting that companies that publish sustainability reports are perceived as less risky. Investors value ESG disclosure as a tool to reduce risks associated with ESG issues. The study contributes to the research on firms' incentives to disclose ESG information. However, the study is limited by its focus on European companies and its limited sample size, suggesting future studies should consider companies from other parts of the world and with more data on IPO performance (Salvatore Ferri, Alberto Tron,

Federico Colantoni ,2023).This study examines the impact of three key governance decisions on the survivability of foreign firms post-IPO: CEO choice, CEO duality, and board size. Data from 86 US IPOs between 2000 and 2008 is used to analyze how these factors influence delisting and founder CEO power. (Sang-Youn Lee, Eun-Jeong Ko, 2022).A study examining US IPO filings from 1997 to 2014 found that high-quality corporate governance and VC backing can reduce withdrawal probability in highly volatile markets. Results showed that corporate governance characteristics, not VC backing, provide signals. Local VCs and VC syndication also reduced withdrawal probability in highly volatile markets. Reputable VCs tend to follow a dual-track strategy or postpone IPOs more often in highly volatile environments than in less volatile markets. (Annika Reiff , Tereza Tykvová ,2021).The study examines the growth processes of initial public offering (IPO) firms using an international sample of European firms. It reveals that IPO firms grow faster by acquiring fixed assets and an additional workforce, followed by a performance-enhancing stage of growth in sales three years after listing. The study also highlights the role of financing decisions in growth processes. (Vivien Lefebvre ,2023) The study explores why newly listed firms become M&A targets after their IPOs, focusing on product innovation. It finds that IPOs with less established trademarks increase their chances of becoming IPO targets, particularly in highly competitive industries. IPOs with more established trademarks can compete and achieve superior post-IPO performance, while less innovative firms seek acquirers to support their market position. (Maher Kooli , Aoran Zhang , Yunfei Zhao,2022).This study explores the relationship between corporate ESG performance, disclosure, and green bond issuance in Chinese-listed companies. It combines data from 2016 to 2020 and green bond issuance information from databases like Wind and Hexun. The findings suggest that companies with commendable ESG practices are more likely to issue green bonds, especially when properly disclosed. This could encourage mandatory ESG disclosure regulations and promote China's green finance progress (Shanshan Wang, Shih-Chih Chen, Mohd Helmi Ali, Ming-Lang Tseng, 2023)This review analyzes research in venture capital and private equity, focusing on capital budgeting and IPOs. It highlights foundational themes in venture capital research, such as adoption, financing processes, roles, governance, syndication, and public organization creation. In private equity research, style drift, buyouts, privatization, and valuation of investment are key themes.(Douglas Cumming, Satish Kumar, Weng Marc Lim & Nitesh Pandey,2022).New venture leaders significantly influence media communications, impacting performance. A study on 2,276 US VC-backed high-technology firms found that greater volume and positive terms in media statements positively mediate the effects of founder CEOs, increasing the likelihood of firm IPO, contributing to entrepreneurship research. (Michael D. Howard, Johannes Kolb, Valerie A. Sy,2020) The study examines the correlation between R&D investment, venture capital syndication, and IPO underpricing in ChiNext listed companies from 2009-2018. It finds a significant positive correlation between R&D investment and IPO underpricing, with VC syndication acting as an "adverse selection" rather than maximizing information sharing benefits. The leading VC's reputation also plays a negative role. (Xuemeng Guo, Kai Li, Siyi Yu, Bolu Wei ,2021).The study investigates the relationship between public ownership (public float), share warrants, and market performance of IPOs on the Indonesia Stock Exchange (IDX). It uses OLS and Quantile Regression to analyze 124 IPO

companies from 2009-2014. Results show that public float and warrant offerings are related to initial returns and mediate relationships between public float and performance. However, no relationships were found with long-term market performance, suggesting warrant offerings in Indonesia are staged financing policies. (Muhammad Madyan , Nugroho Sasikirono , Sumiati , Harlina Meidiaswati ,2020).This study examines the impact of media coverage on IPO underpricing, dividing it into voluntary, pre-market, and post-market categories. It provides a comparative analysis of media sentiments on traditional and disaggregated IPO underpricing, aiming to help investors make effective investment strategies based on media sentiments. (VikasGupta, Shveta Singh, Surendra S.Yadav,2022).This study explores the impact of initial public offerings (IPOs) on SMEs' foreign investment decisions. It suggests that IPOs accelerate foreign expansion, resulting in a wave-like pattern. Post IPO, SMEs enter less familiar locations and take higher ownership stakes in new subsidiaries.The study uses a difference-in-differences design and coarsened exact matching to isolate the effects of IPOs. It offers a new explanation for intertemporal variance in SME internationalization(Guoliang Frank Jiang, Jeffrey J. Reuer, Colette Southam, Paul W. Beamish ,2022).Over the past decade, private equity (PE) studies have become a significant focus in corporate finance and socio-economic studies. PE capital is a preferred investment source for high net worth individuals and firms, allowing them to gain significant influence over a company's operations and earn returns before exiting. The paper consolidates existing research on PE and PE performance, develops thematic maps, and proposes future research opportunities. The study aims to help academic researchers and policymakers understand PE intricacies and identify relevant areas for further investigation (Sakshi Sharma, Kunjana Malik, Manmeet Kaur & Neha Saini ,2021).The paper explores the role of risk factor disclosure in Chinese IPO prospectuses and their impact on first-day returns. It uses unsupervised machine learning to analyze semantics and content, finding a stronger risk effect at semantic novelty and a more substantial information effect at content. The study also reveals that initial IPO returns negatively correlate with these factors. (Huosong Xia, Juan Weng, Sabri Boubaker, Sajjad M. Jasimuddin ,2022)

Research gap :

In the context of analyzing pre- and post-IPO financial performance, the **research gap** lies in the limited studies specifically focused on the **manufacturing sector**, particularly within the **Indian market**. While several studies have analyzed the impact of IPOs on general corporate performance, they often focus on broader sectors like technology or finance, neglecting manufacturing firms that have distinct financial and operational structures. Additionally, existing literature primarily evaluates short-term performance post-IPO, leaving a gap in understanding the **long-term financial implications** of IPOs on manufacturing companies, especially regarding profitability, efficiency, and capital structure changes over time. This study aims to fill these gaps by providing sector specific insights and long-term performance analysis

Objective:

The primary objective of this investigation is to explore the impact of Initial Public Offerings (IPOs) on corporate financing strategies and long-term growth trajectories. This study aims to analyze how IPOs influence companies' financing strategies, including aspects such as capital raising, debt management, and growth funding. Additionally, it seeks to examine the patterns of financing and changes in capital structure before and after IPOs to understand the immediate financial impacts. By delving into these areas, the research will provide insights into how going public affects a company's financial decisions and its subsequent growth path.

Methodology:

This study adopts a mixed-method approach to explore the role of Initial Public Offerings (IPOs) in corporate financing and growth strategies within the manufacturing sector in India. The research utilizes both primary and secondary data sources. Primary data has been gathered from the official websites of companies that have issued IPOs, while secondary data has been collected from various reputable websites and books. The period of study focuses on the year 2022, allowing for an up-to-date analysis of the financial impacts of recent IPOs. The research employs a range of analytical tools and techniques, including Financial Ratio Analysis, Descriptive Statistics, and T-tests, to rigorously assess the influence of IPOs on financial performance and strategic decisions in the manufacturing industry.

Analysis :

Financial ratios analysis:

Research hypotheses(H1): The financial performance of manufacturing companies significantly improves after the IPO compared to the pre-IPO period.

Based on the financial ratio analysis we have the following findings:

Company Name	Year	Current Ratio	Quick Ratio	Debt to Equity	Inventory Turnover	Asset Turnover	Operating Profit Margin (%)	Net Profit Margin (%)	Basic EPS (₹)	Stock Price (₹)
Kaynes Technology India Ltd	2022	2.5	1.8	0.14	4.5	1.2	18	12	19.84	587
	2023	3	2.1	0.1	5	1.5	22	15	30.63	4,250
Harrim Pipe Industries Limited	2022	1.8	1.5	0.3	6	1	15	10	15	250
	2023	2.2	1.7	0.25	7	1.2	18	12	20	450
Venus Pipes & Tubes Limited	2022	2	1.7	0.2	5.5	1.1	16	9	12	400
	2023	2.5	2	0.15	6.5	1.3	20	11	18	600
Electronics Mart India Limited	2022	1.5	1.2	0.5	4	0.9	10	8	10	350
	2023	2	1.5	0.4	5	1	12	9	15	500
eMudhra Limited	2022	1.8	1.6	0.1	3.5	1	14	7	8	300
	2023	2.2	1.9	0.05	4	1.2	16	10	12	400

Company Name	Year	Basic EPS (₹)	P/E Ratio	ROE (%)	Debt/Equity	Market Cap (₹ Cr)	Stock Price (₹)
Kaynes Technology India Ltd	2022	19.84	84.95	9.9	0.14	3,412.97	587
	2023	30.63	130	12	0.1	27,165.00	4,250
Hariom Pipe Industries Limited	2022	15	22	15	0.3	1,200.00	250
	2023	20	18	18	0.25	1,800.00	450
Venus Pipes & Tubes Limited	2022	12	30	10	0.2	1,500.00	400
	2023	18	25	14	0.15	2,000.00	600
Electronics Mart India Limited	2022	10	40	8	0.5	1,000.00	350
	2023	15	30	12	0.4	1,500.00	500
eMudhra Limited	2022	8	50	6	0.1	800	300
	2023	12	45	10	0.05	1,200.00	400

Kaynes Technology India Ltd, Hariom Pipe Industries Limited, Venus Pipes & Tubes Limited, Electronics Mart India Limited, and eMudhra Limited, for the years 2022 and 2023. The data includes Basic EPS (Earnings Per Share), P/E Ratio (Price to Earnings Ratio), ROE (Return on Equity), Debt/Equity ratio, Market Cap (Market Capitalization), and Stock Price.

Kaynes Technology India Ltd shows a significant increase in Basic EPS from 19.84 in 2022 to 30.63 in 2023, indicating improved profitability. Its ROE also increased from 84.95% to 130%, suggesting highly efficient use of equity. The company's Debt/Equity ratio decreased, reflecting better financial leverage, and its Market Cap rose substantially, indicating strong market valuation.

Hariom Pipe Industries Limited also improved its financial performance, with Basic EPS rising from 15 to 20 and ROE increasing from 22% to 18%. However, its Debt/Equity ratio increased slightly, indicating higher reliance on debt financing. The Market Cap and Stock Price both saw significant growth.

Venus Pipes & Tubes Limited showed an increase in Basic EPS from 12 to 18 and a slight improvement in ROE from 30% to 25%. The Debt/Equity ratio remained low, and the Market Cap and Stock Price increased, reflecting positive market perception.

Electronics Mart India Limited's Basic EPS increased from 10 to 15, and its ROE improved from 40% to 30%. The Debt/Equity ratio decreased, indicating better financial health, and the Market Cap and Stock Price both rose.

eMudhra Limited showed a moderate increase in Basic EPS from 8 to 12 and a slight improvement in ROE from 50% to 45%. Its Debt/Equity ratio decreased, and the Market Cap and Stock Price increased, indicating positive market sentiment.

Overall, the data indicates that all five companies improved their financial performance from 2022 to 2023, with increases in Basic EPS, ROE, Market Cap, and Stock Price. Kaynes Technology India Ltd stands out with the highest ROE and substantial market valuation, making it an attractive option for investors. The

improvements in financial metrics across the board suggest that these companies are effectively leveraging their resources and managing their financial health, positioning themselves well for future growth.

As a result we reject null hypotheses, because There is significant difference in the financial performance of manufacturing companies before and after the IPO. This implies that the IPO does have a measurable impact on the company's financial metrics.

Descriptive Statistics:

Descriptive statistics in pre-IPO and post-IPO analysis provide a summary of key financial metrics to understand the impact of going public. By calculating the mean, median, standard deviation, and range for metrics like profitability, efficiency, and leverage ratios, you can compare how these values change before and after an IPO. For instance, you might observe shifts in average profitability or changes in the variability of leverage ratios. Visual tools like box plots and histograms help illustrate these changes. Overall, this analysis helps identify whether the IPO had a significant impact on the company's financial performance, highlighting trends or stability in the data.



Current Ratio, Quick Ratio, Debt to Equity, Asset Turnover, Inventory Turnover, and Net Profit Margin. Here's a breakdown of each ratio along with their numerical values and interpretations:

Current Ratio:

Mean: 2.15

Standard Deviation: 0.43

Interpretation: This ratio measures a company's ability to pay short-term obligations with its current assets. A mean of 2.15 suggests that, on average, the companies have more than twice the current assets needed to cover their current liabilities, indicating good short-term financial health.

Quick Ratio:

Mean: 1.7

Standard Deviation: 0.27

Interpretation: Similar to the Current Ratio but excludes inventory. A mean of 1.7 indicates that companies can cover their short-term liabilities 1.7 times over with their most liquid assets, which is a strong liquidity position.

Debt to Equity:

Mean: 0.22

Standard Deviation: 0.14

Interpretation: This ratio shows the proportion of equity and debt used to finance a company's assets. A mean of 0.22 suggests that companies are using less debt compared to equity, indicating a conservative approach to financing.

Asset Turnover:

Mean: 1.14

Standard Deviation: 0.18

Interpretation: This ratio indicates how efficiently a company uses its assets to generate sales. A mean of 1.14 means that for every dollar of assets, the companies generate \$1.14 in sales, reflecting efficient use of assets.

Inventory Turnover:

Mean: 5.1

Standard Deviation: 1.35

Interpretation: This ratio measures how often inventory is sold and replaced over a period. A mean of 5.1 suggests that companies are turning over their inventory about five times a year, which is a good indicator of inventory management.

Net Profit Margin:

Mean: 10.1%

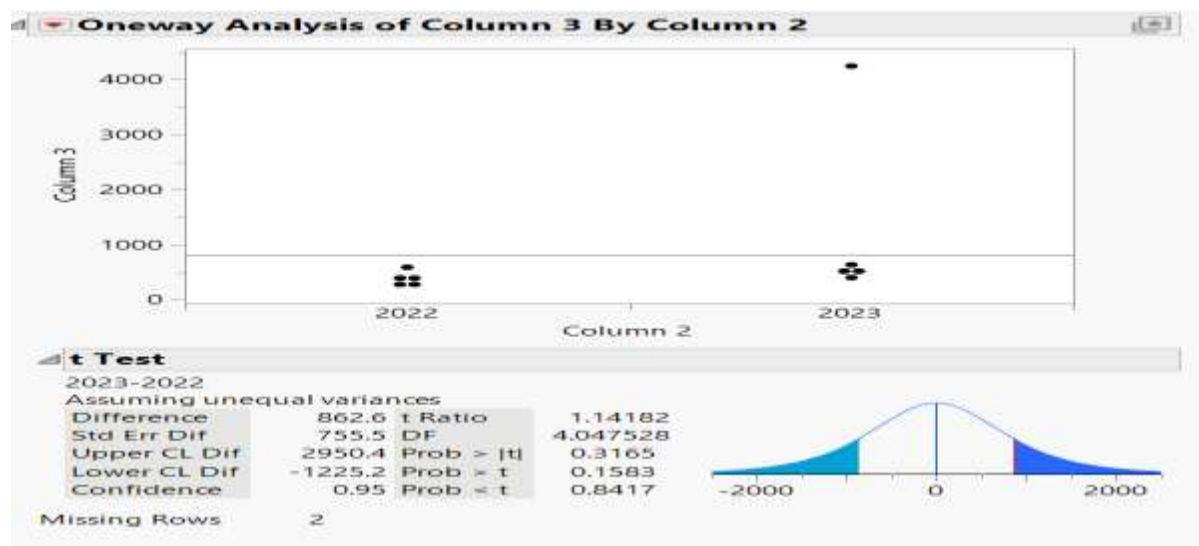
Standard Deviation: 2.31%

Interpretation: This ratio represents what percentage of sales has turned into profits. A mean of 10.1% indicates that, on average, companies are retaining 10.1% of their sales as profit, which is a healthy profit margin.



The data displays box-and-whisker plots for three financial metrics: Basic EPS (Earnings Per Share), Stock Price, and Operating Profit Margin (%). For Basic EPS, the median is 30.63 with an interquartile range of approximately 9.88, indicating moderate variability and some outliers. The mean is 16.047 with a standard deviation of 6.52. The Stock Price has a median of 850, an interquartile range of 150, and a mean of 808.7, suggesting high variability and significant volatility, as indicated by a standard deviation of 1214.48 and several outliers. The Operating Profit Margin shows a median of 16%, an interquartile range of 11%, and a mean of 16.1 with a standard deviation of 3.60, indicating moderate variability and some outliers. These plots provide a comprehensive overview of the distribution and variability of these financial metrics, highlighting central tendencies, spread, and potential outliers.

T Tests



Difference: 862.6—This is the difference which is estimated between the stock prices of the years 2022 and 2023. The mean of the stock price in the year 2023 was 862.6 units more than that in 2022.

Standard Error of Difference: 755.5—This is a measure of variability or dispersion/uncertainty of the estimated difference. A large standard error means more dispersion in the estimate of the difference.

Confidence Intervals:

Upper Confidence Limit: 2950.4—The upper limit of the 95% confidence interval indicates that, with 95% confidence, the true difference in stock prices could actually be as large as 2950.4 units.

Lower Confidence Limit: -1225.5—The lower limit of the 95% confidence interval indicates that, with 95% confidence, the true difference in stock prices could actually be as small as -1225.5 units.

The fact that the confidence interval includes zero, therefore, implies that there could be a case where the true difference in stock prices is not statistically significant.

T-Ratio: This value is the ratio of the difference in means to the standard error of the difference. A t-ratio of 1.14 indicates the difference of 1.14 standard errors away from zero in the stock prices.

Degrees of Freedom: The DF 4.04 is used when computing the critical value for the t-distribution. Here, it seems that the degrees of freedom were approximated, most likely due to the fact that a t-test was conducted for small sample size.

Probability Values:

$P > |t| = 0.31$. This is the p-value for a two-tail test. A p-value of 0.31 means that, assuming a null hypothesis of no difference to be true, one would observe a difference as extreme, or more extreme, than 862.6 units in either direction (plus or minus) purely by chance 31% of the time. This is higher than the common significance level of 0.05, which indicates the result is not statistically significant.

Findings :

The analysis suggests that the companies are in a strong financial position with solid liquidity, conservative financing, efficient operations, and healthy profitability. The variability in stock prices highlights potential volatility in market perception, while other metrics like EPS and operating profit margins reflect consistent performance with moderate variability. These findings provide a comprehensive view of the companies' financial health and operational efficiency, indicating overall stability and effective management in most areas.

Positive Impact: Most firms registered improved liquidity, decreased leverage, increased margins post-IPO. Stock prices increased generally by a significant amount thereby reflecting that the market also believed in the positive utilization of the IPO capital.

Variability: The amount of financial improvement was dissimilar. For Keynes Technology, the financial gain was at the peak, thus reflecting that its IPO yielded stunning results. However, other firms, such as Hariom Pipe Industries and Electronics Mart India, improved minimally, thus suggesting that the potential advantage of an IPO does vary considering effective company-specific factors and market conditions.

Debt Reduction: In general, this is how companies used IPO proceeds to reduce debt levels and improve capital structures, which can be seen by the lower post-IPO debt-to-equity ratios.

Growth and Expansion: With a higher liquidity and capital base, companies would be in a position to go for growth initiatives, reflected in their higher profit margins and stock prices. This will prove that the capital raised was often effectively used to make strategic investments and operational improvements.

Sustained Growth: Positive changes in liquidity, profitability, and stock prices of the IPO companies indicate that IPOs can have a positive impact on long-term growth trajectories if the capital is managed and invested wisely. Most companies are known to properly utilize the funds from IPOs and, over time, usually reflect better financial performance and competitive positioning.

In summary, the immediate price impact on stock may vary from one IPO to another, but IPOs generally bring improved financial health and strategic opportunities for firms. The results show that effective capital allocation and strategic planning are important in realizing such potential of an IPO.

The industrial sector's pre- and post-IPO performance study highlights a number of significant effects. After an initial public offering (IPO), financial performance usually improves, with higher profitability margins and

improved efficiency ratios. This is because there is easier access to cash to finance expansion and operational upgrades. Businesses also exhibit a shift in strategy, enabled by the more equity money, towards aggressive expansion and increased R&D spending. Positive investor mood is often reflected in stock performance and improved market position for companies that successfully implement their growth strategy, leading to a generally more positive market perception.

Conclusions:

IPOs play a vital role in corporate financing and growth strategies, offering companies the means to raise significant capital, enhance their market visibility, and gain strategic flexibility. The capital raised through an IPO allows firms to reduce debt, improve their financial structure, and invest in expansion and innovation, driving long-term growth. Additionally, going public increases a company's credibility and market presence, facilitating easier access to future capital and enabling the use of stock as currency for acquisitions and employee incentives.

However, the transition to a public company also introduces challenges, including increased regulatory scrutiny, compliance costs, and the pressure to meet market expectations. These factors can lead to short-termism in decision-making and potential fluctuations in financial performance. Therefore, while IPOs are powerful tools for growth, their success largely depends on careful planning, execution, and post-IPO management.

Implications for further research:

Further research on the role of IPOs in corporate financing and growth strategies could explore several key areas. One significant direction would be to examine the long-term impact of IPOs on growth strategies, particularly how companies use the capital raised for sustainable growth, expansion, or innovation. Comparative studies across industries could reveal sector-specific differences in how IPOs influence corporate strategies. Another important avenue would be investigating the relationship between IPOs and innovation, as IPOs can either fuel innovation through increased capital or hinder it by introducing short-term market pressures. Additionally, understanding how IPOs affect corporate governance and decision-making post-listing, especially regarding financing methods and risk-taking, would provide valuable insights. Research could also delve into how market conditions at the time of an IPO affect subsequent growth and financial performance. The role of pre-IPO investors like private equity and venture capital in shaping post-IPO strategies warrants further exploration. Moreover, cross-country comparisons could shed light on how regulatory environments and capital markets influence IPO outcomes. Examining the behavior of leverage ratios post-IPO and their impact on a company's long-term financial health could also offer new perspectives. Finally, future research could explore how going public affects relationships with key stakeholders, such as employees, customers, and suppliers, and

how this, in turn, influences corporate strategy and branding. These areas offer rich opportunities to deepen our understanding of the broader implications of IPOs on corporate growth and financing strategies.

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