

# Analysis of IPOs in India 2017-18

## *A Comparative Analysis of Five Major IPOs*

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**Abstract:** This study has been undertaken to analyze the five major IPOs that took place in India in 2017-18 and present an overall picture for IPO markets in India. The IPOs selected are Avenue Supermarts, Cochin Shipyards, Matrimony.com, Dixon Technologies, Prataap Snacks.

**Index Terms -** Indian Markets, IPOs, 2017-18, Avenue Supermarts IPO, Cochin Shipyards IPO, Matrimony.com IPO, Dixon Technologies IPO, Prataap Snacks IPO, IPO Returns.

### **I. Research Methodology**

#### **Objectives of the Study**

1. To understand and analyse the listing of IPO stocks.
2. To study the trends in price movements of a stock using various tools of Technical analysis across a quarter after listing.
3. To test market efficiency about IPO stocks upon listing.
4. To analyse trading volume of IPO stocks across a quarter of listing.
5. To relate to the sentiment of the market with regards to an IPO stock across a quarter of listing.

#### **Limitations of the Study**

1. Certain data like key ratios are not readily and accurately available.
2. It is not easy to analyse trade volumes of stock.
3. Irrational price movements of IPO stocks upon listing.

#### **Research Design**

For this research, five IPO stocks have been selected. The scripts selected are as follows –

1. Avenue Supermarts
2. Cochin Shipyard
3. Dixon Technologies
4. Matrimony.com
5. Prataap Snacks

#### **Data Type**

The data type used for this research is secondary data.

#### **Data Sources**

The data has been collected through various financial websites for this research.

#### **Important terms surrounding an IPO**

1. Price band – The price range within which the company will be willing to accept bids for its shares.
2. IPO Size – The total amount of money a company is looking to raise through an IPO.
3. Lot size – The minimum number of shares an investor must place an order for. An investor can only opt for purchasing the shares in lots and not in individual share units.
4. Book Running Lead Manager – The merchant bankers who play an essential part in the entire IPO process.
5. Issue price – The price at which the investor receives a share of the company.

6. Listing price – The price at which the shares of a company debut on a stock exchange.
7. Volume – The number of shares traded per unit of time.

## II. IPOs

### Avenue Supermarts IPO

Incorporated in 2002, Avenue Supermarts Limited is Mumbai based supermarket chain DMart. Company is among the largest and the most profitable F&G retailer in India. Company offer a wide range of products with a focus on the Foods, Non-Foods (FMCG) and General Merchandise & Apparel product categories.

Company has 112 stores located across 41 cities in India. Company operate and manage all its stores. Company also operate distribution centres and packing centres which form the backbone of the supply chain to support its retail store network. Company has 21 distribution centres and six packing centres in Maharashtra, Gujarat, Telangana and Karnataka.

Table 1 - Avenue Supermarts Listing Day

	BSE	NSE
<b>Issue Price:</b>	Rs 299.00	Rs 299.00
<b>Open:</b>	Rs 604.40	Rs 600.00
<b>Low:</b>	Rs 558.75	Rs 558.30
<b>High:</b>	Rs 650.00	Rs 648.90
<b>Last Trade:</b>	Rs 640.75	Rs 641.60
<b>Volume:</b>	1,45,66,653	8,57,28,445

Table 2 - Avenue Supermarts Monthly Price Movements

	Opening Price	Highest	Lowest	Closing Price
March, 2017	□ 600.00	□ 657.45	□ 558.30	□ 637.85
April, 2017	□ 638.00	□ 806.90	□ 628.30	□ 736.50
May, 2017	□ 737.25	□ 824.50	□ 691.55	□ 745.15

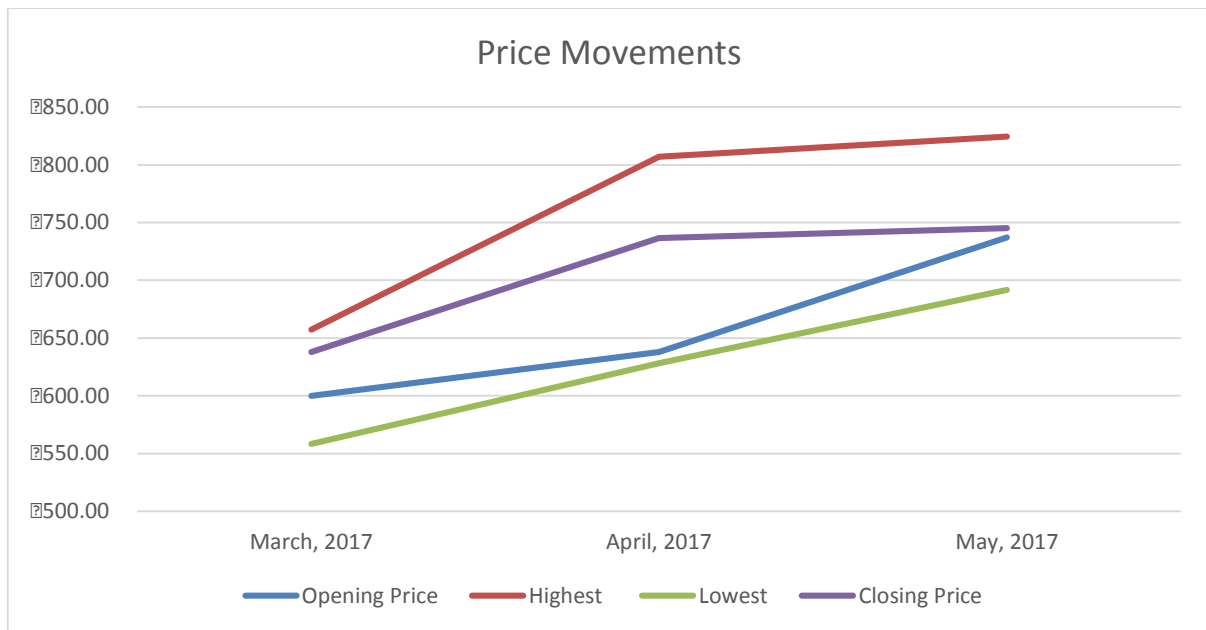


Figure 1 - Avenue Supermarts Monthly Price Movements

Table 3 - Avenue Supermarts Monthly Trade Volume

	March, 2017	April, 2017	May, 2017
Volume (in millions)	123.049	71.126	26.149

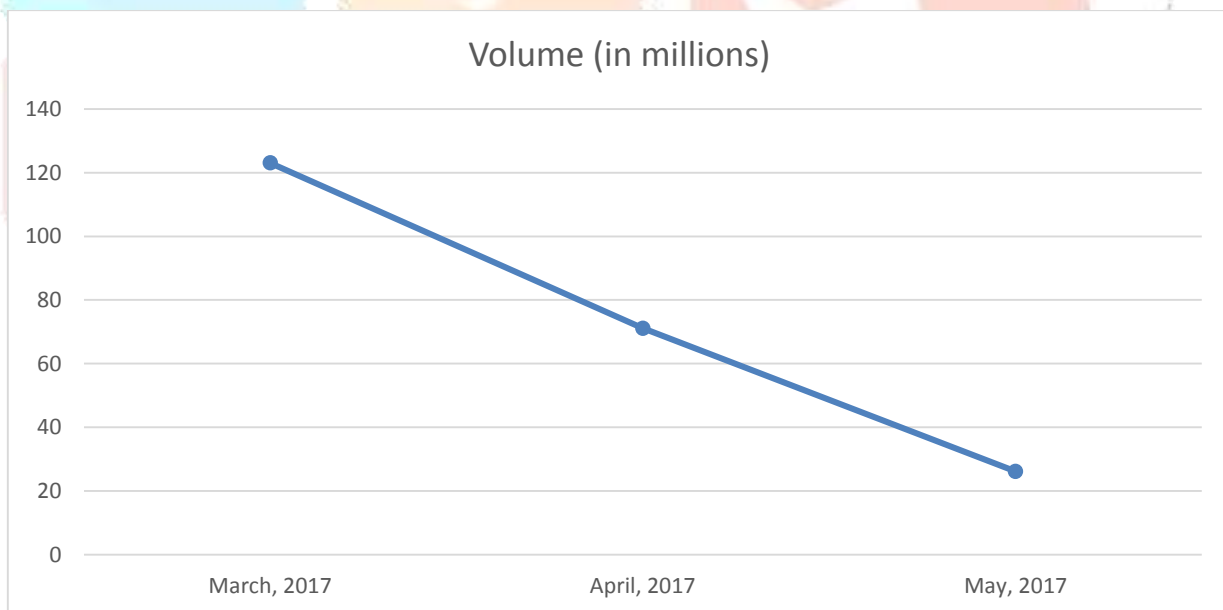


Figure 2 - Avenue Supermarts Monthly Trade Volume

Table 4 - Avenue Supermarts Returns

Issue Price	299
Listing Gain (21/03/2017)	117%
Return after a Quarter (01/05/2017)	149%
Till Date (02/05/2018)	400.28%

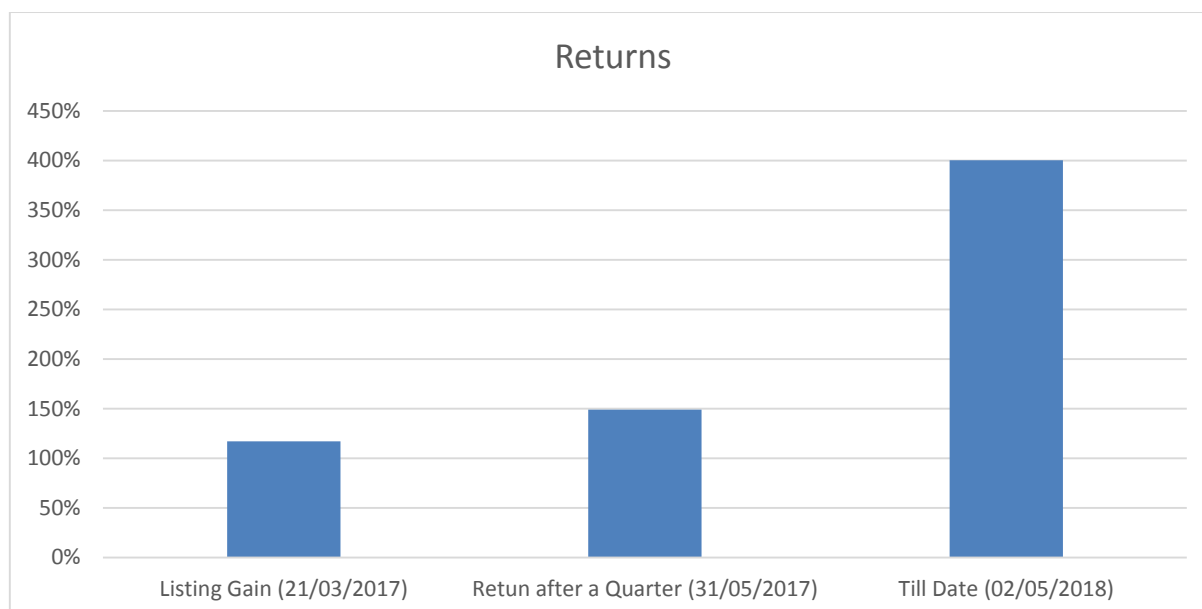


Figure 3 - Avenue Supermarts Returns

### Cochin Shipyard IPO

Incorporated in 1969, Cochin Shipyard Limited is one of the largest public-sector shipyards in India in terms of dock capacity. They operate a shipyard that provides shipbuilding and ships/offshore structures repair services.

Cochin Shipyard's shipbuilding activities include the construction of vessels for clients operating in the defence and in the commercial sector shipping industry. In addition to shipbuilding and ship repair, they also offer marine engineering training programs as well as offer additional courses, including six months practical training for marine engineering students from colleges affiliated to universities, fire prevention and firefighting, and elementary first aid training through its marine engineering training institute; and chemical, mechanical, and non-destructive testing services of metals, welds, and alloys.

Table 5 - Cochin Shipyard Listing Day

	BSE	NSE
<b>Issue Price:</b>	Rs 432.00	Rs 432.00
<b>Open:</b>	Rs 435.00	Rs 440.15
<b>Low:</b>	Rs 435.00	Rs 435.00
<b>High:</b>	Rs 522.00	Rs 528.15
<b>Last Trade:</b>	Rs 522.00	Rs 528.15
<b>Volume:</b>	32,45,290	2,76,17,037

Table 6 - Cochin Shipyard Monthly Price Movement

	August, 2017	September, 2017	October, 2017
Opening Price	440.15	515	526
Highest	575	579.8	597.8
Lowest	435	511	515
Closing Price	513.45	520	579.7

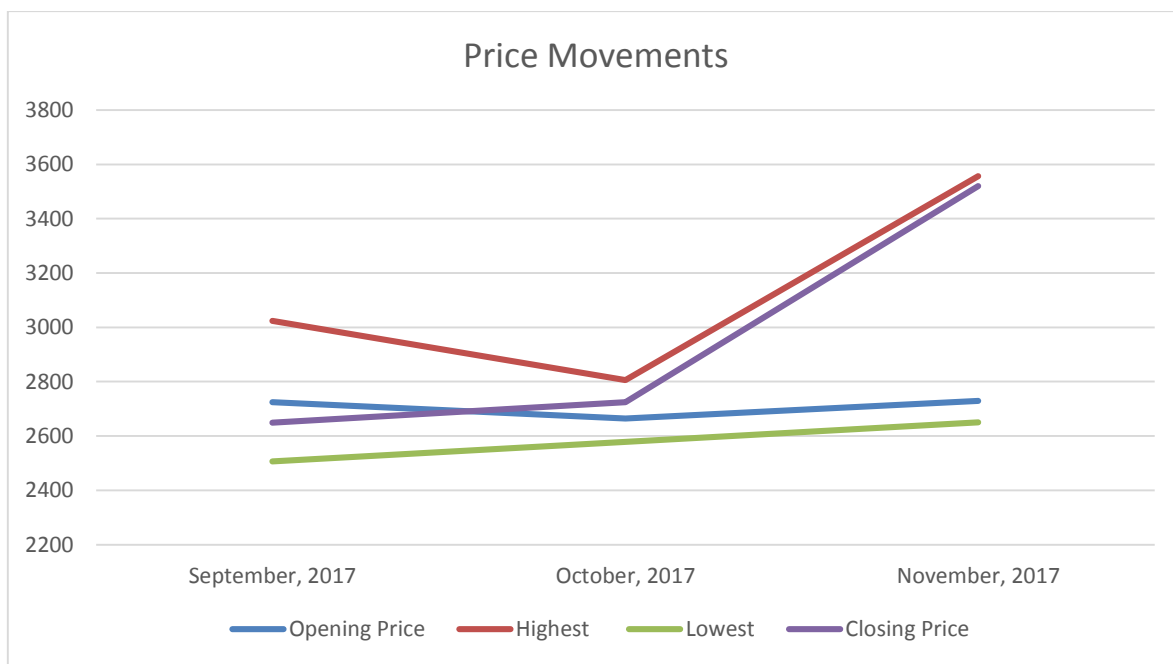


Figure 4 - Cochin Shipyard Monthly Price Movement

Table 7 - Cochin Shipyard Monthly Trade Volume

	August, 2017	September, 2017	October, 2017
Volume (in millions)	52.574	18.655	21.078

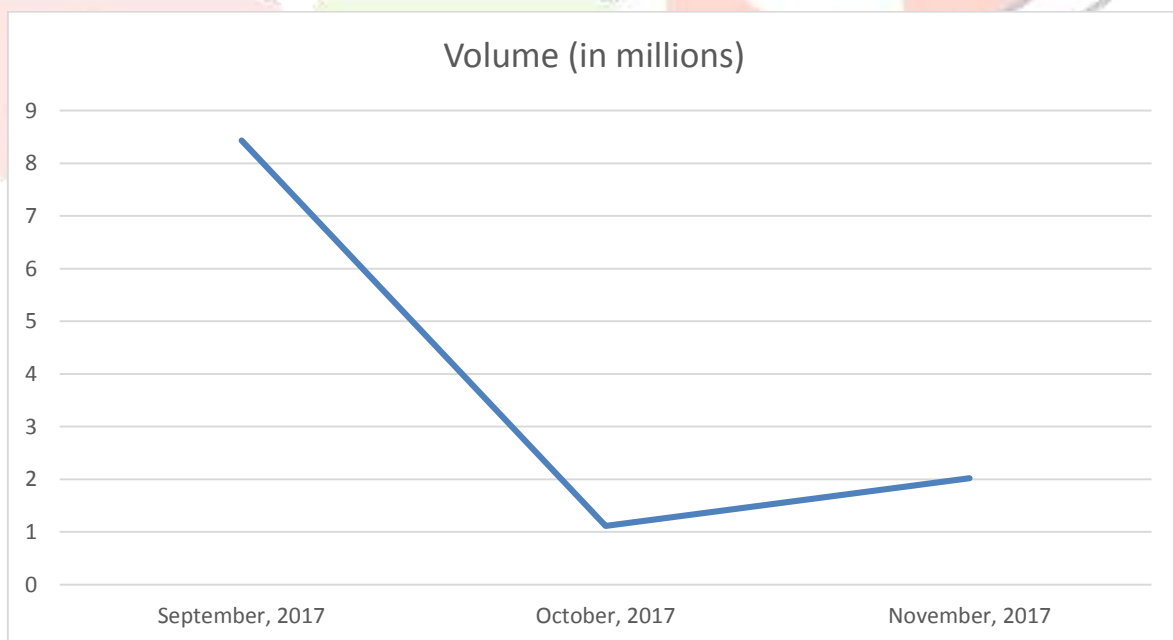


Figure 5 - Cochin Shipyard Monthly Trade Volume

Table 8 - Cochin Shipyard Returns

Issue Price	432
Listing Gain (11/08/2017)	22.26%
Return after a Quarter (30/11/2017)	34.19%
Return till Date (01/05/2018)	22.62%

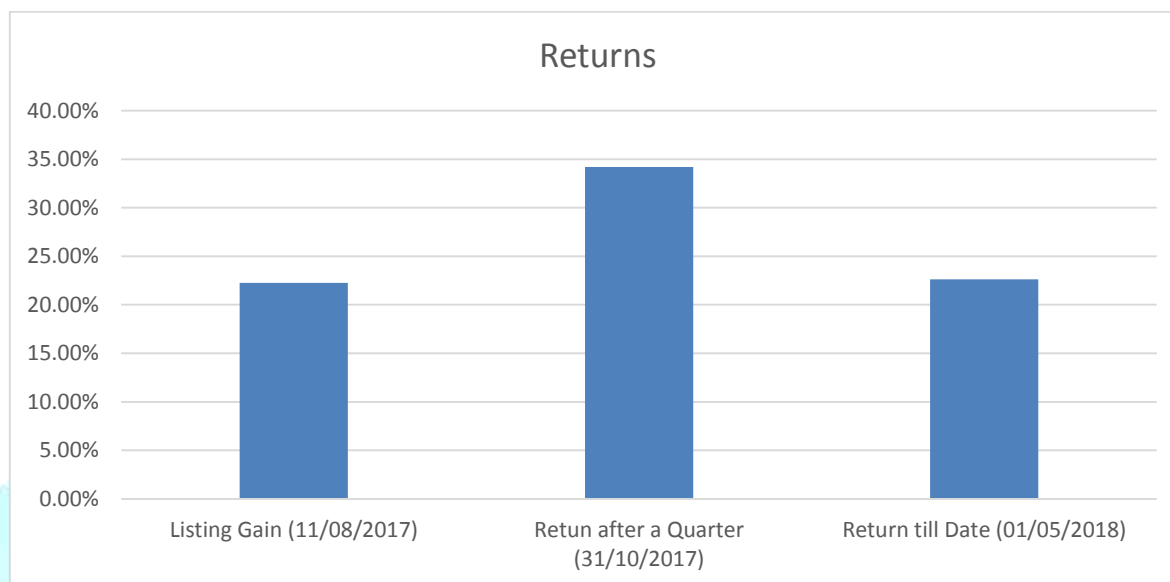


Figure 6 - Cochin Shipyard Returns

### Dixon Technologies IPO

Incorporated in 1993, Dixon Technologies is engaged in manufacturing products in the consumer durables, lighting and mobile phones markets. The product portfolio of Dixon includes:

1. Consumer electronics like LED TVs
2. Home appliances like washing machines
3. Lighting products like LED bulb, tube lights, CFL bulbs etc.
4. Mobile phones

Company also provide repair and refurbishment services of set top boxes, mobile phones and LED TV panels.

Dixon is leading manufacturer of lighting products of CFL, LED bulbs, LED TVs and semi-automatic washing machines in India. Dixon manufacture products for popular retail brands including Panasonic, Philips, Haier, Gionee, Surya Roshni, Reliance Retail, Intex Technologies, Mitashi and Dish.

Dixon is also a leading Original Design Manufacturer (ODM) in India. Company develop and design products in-house at its R&D facility. The ODM business contribute over 25% of its revenue.

Company have six manufacturing facilities located in the states of Uttar Pradesh and Uttarakhand. Company has over 629 permanent employees and 4,030 contractors.

Table 9 – Dixon Technologies Listing Day

	BSE	NSE
<b>Issue Price:</b>	Rs 1,766.00	Rs 1,766.00
<b>Open:</b>	Rs 2,725.00	Rs 2,725.00
<b>Low:</b>	Rs 2,725.00	Rs 2,725.00
<b>High:</b>	Rs 3,020.25	Rs 3,024.00
<b>Last Trade:</b>	Rs 2,892.80	Rs 2,891.55
<b>Volume:</b>	9,70,793	60,19,374

Table 10 – Dixon Technologies Monthly Price Movement

	September, 2017	October, 2017	November, 2017
Opening Price	2725	2665	2729
Highest	3024	2805.7	3555.9
Lowest	2506.35	2578.8	2650
Closing Price	2648.75	2724.3	3519.65

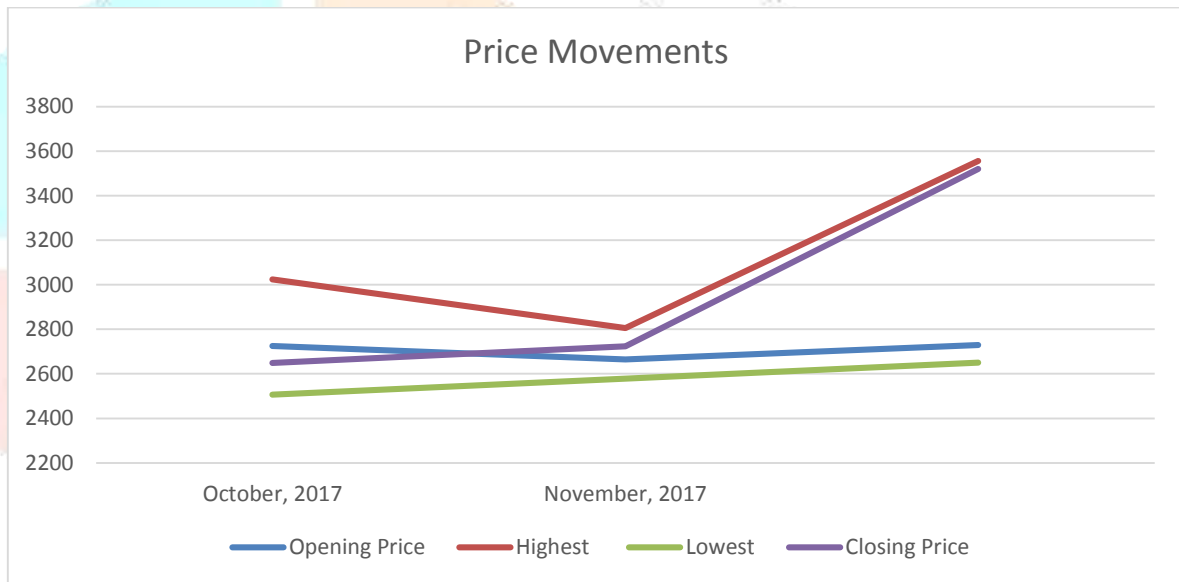


Figure 7 – Dixon Technologies Price Movement

Table 11 – Dixon Technologies Monthly Trade Volume

	September, 2017	October, 2017	November, 2017
Volume (in millions)	8.433	1.114	2.021

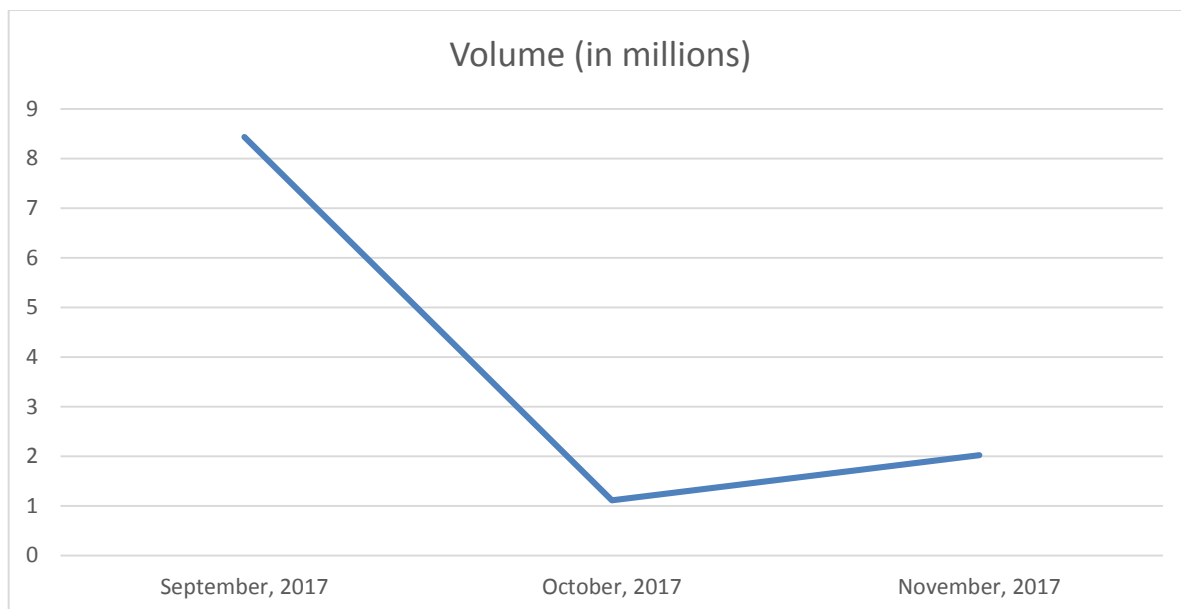


Figure 8 – Dixon Technologies Monthly Trade Volume

Table 12 – Dixon Technologies Returns

Issue Price	1766
Listing Gain (18/09/2017)	71.23%
Return after a Quarter (30/11/2017)	99.30%
Till Date (02/05/2018)	93.90%



Figure 9 – Dixon Technologies Returns

### Matrimony.com IPO

Incorporated in 2001, Matrimony.com is engaged in providing online matchmaking and marriage services. They offer their services through Internet and mobile platforms in India and internationally.

They are one of the first companies to provide online matchmaking services in India, having database comprising 3.08 million active profiles (being profiles that have been published or logged in at least once during the prior 180-day period). They offer a



range of targeted and customized products and services that are tailored to meet the specific requirements of customers based on their religious or caste preferences or other criteria such as marital status and age bracket.

Table 13 – Matrimony.com Listing Day

	BSE	NSE
<b>Issue Price:</b>	Rs 985.00	Rs 985.00
<b>Open:</b>	Rs 985.00	Rs 985.00
<b>Low:</b>	Rs 893.20	Rs 896.25
<b>High:</b>	Rs 1,025.00	Rs 1,024.00
<b>Last Trade:</b>	Rs 901.20	Rs 904.65
<b>Volume:</b>	7,23,538	33,38,604

Table 14 – Matrimony.com Price Movements

	September, 2017	October, 2017	November, 2017
Opening Price	985	800	875
Highest	1024	885	892
Lowest	775.55	794	850
Closing Price	795	882.65	887.65

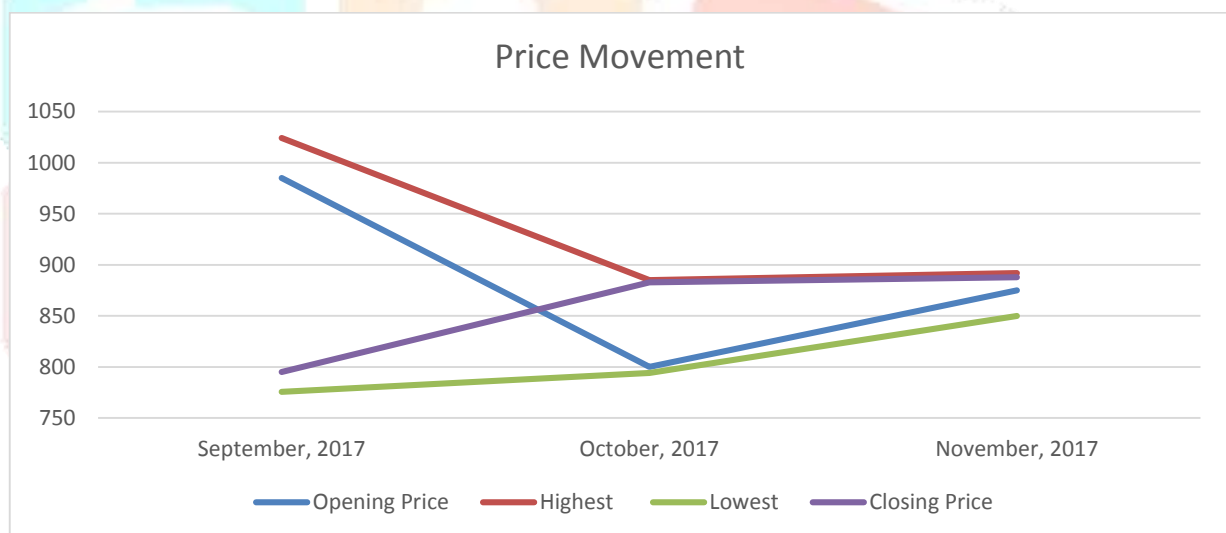


Figure 10 – Matrimony.com Price Movement

Table 15 – Matrimony.com Trade Volume

	September, 2017	October, 2017	November, 2017
Volume (in millions)	5.162	0.407	0.127

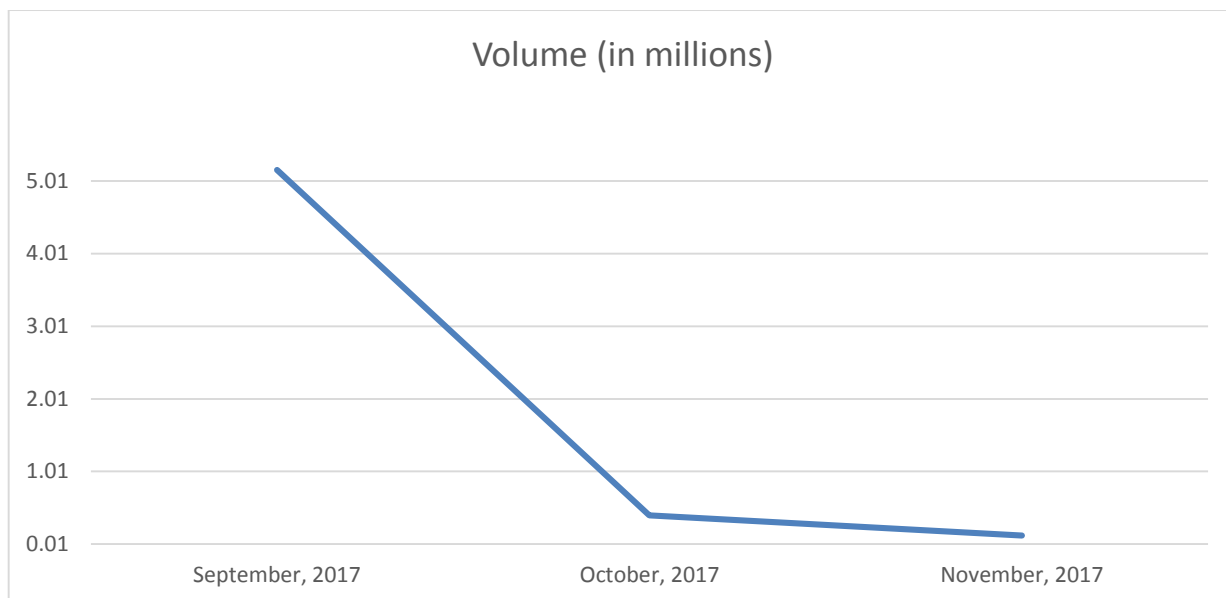


Figure 11 – Matrimony.com Trade Volume

Table 16 – Matrimony.com Returns

Issue Price	985
Listing Gain (18/09/2017)	3.96%
Return after a Quarter (30/10/2017)	-9.88%
Till Date (02/05/2018)	-11.10%



Figure 12 – Matrimony.com Returns

### Prataap Snacks IPO

Incorporated in 2009, Prataap Snacks is Indore, MP based Indian Snack Food Company. Prataap Snacks sell products under the brand name "Yellow Diamond". Company is among the top 6 Indian organized snack markets.

Prataap Snacks has a diversified product portfolio including traditional and western snacks. Company manufacture and sell its snacks under three major savoury snack food categories:

1. Extruded Snacks: Processed, reconstituted and shaped potato or cereal based snacks. This includes Puffs, Rings, Pellets and Chulbule products.
2. Chips: Fried, sliced chips or crisps made from potatoes, hummus, lentils.
3. Namkeen: Traditional savoury Indian snack which includes products such as moong dal, masala or fried nuts, sev and bhujia.

In Fiscal 2017, revenue from Extruded Snacks, Chips and Namkeen represented 62.99%, 23.85%, and 12.23%, respectively.

Company has pan-India distribution network supported by strategically located manufacturing facilities. Company's distribution network included 205 super stockists and over 3,400 distributors.

Table 17 - Prataap Snacks Listing Day

Issue Price:	BSE	NSE
Open:	Rs 938.00	Rs 938.00
Low:	Rs 1,250.00	Rs 1,270.00
High:	Rs 1,137.00	Rs 1,133.70
Last Trade:	Rs 1,317.05	Rs 1,318.80
Volume:	Rs 1,178.30	Rs 1,180.65

Table 18 - Prataap Snacks Price Movements

	October, 2017	November, 2017	December, 2017
Opening Price	1270	1177	1280
Highest	1318	1355	1415
Lowest	1133.7	1135	1201.5
Closing Price	1172.3	1256.8	1249.8

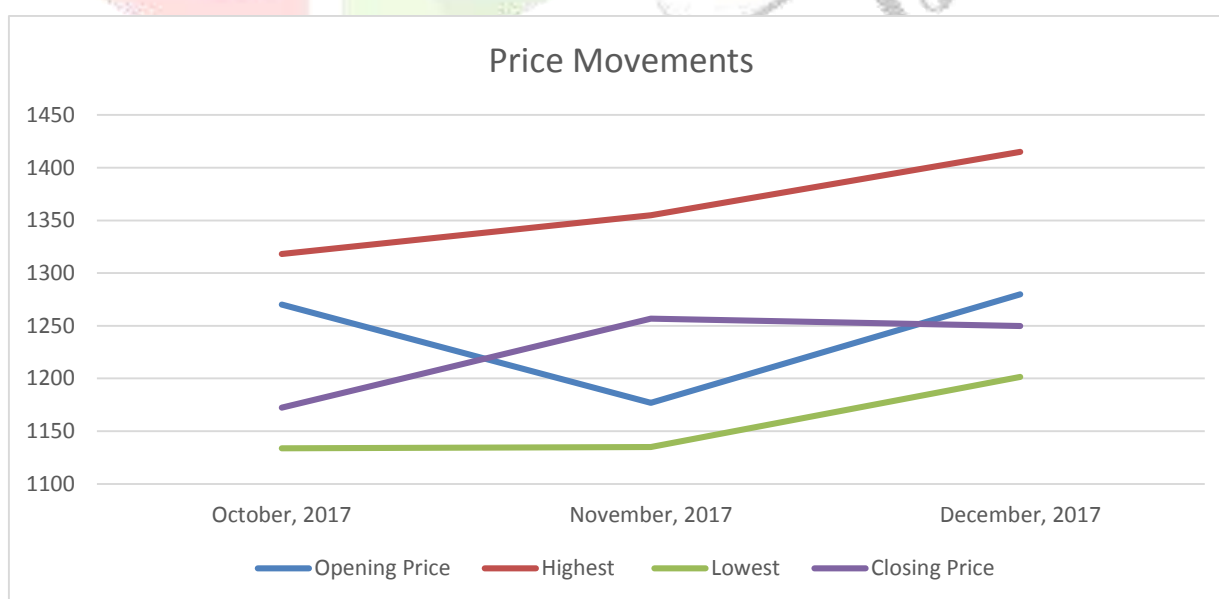


Figure 13 - Prataap Snacks Price Movements

Table 19 - Prataap Snacks Monthly Trade Volume

	October, 2017	November, 2017	December, 2017
Volume (in millions)	13.931	0.264	0.584

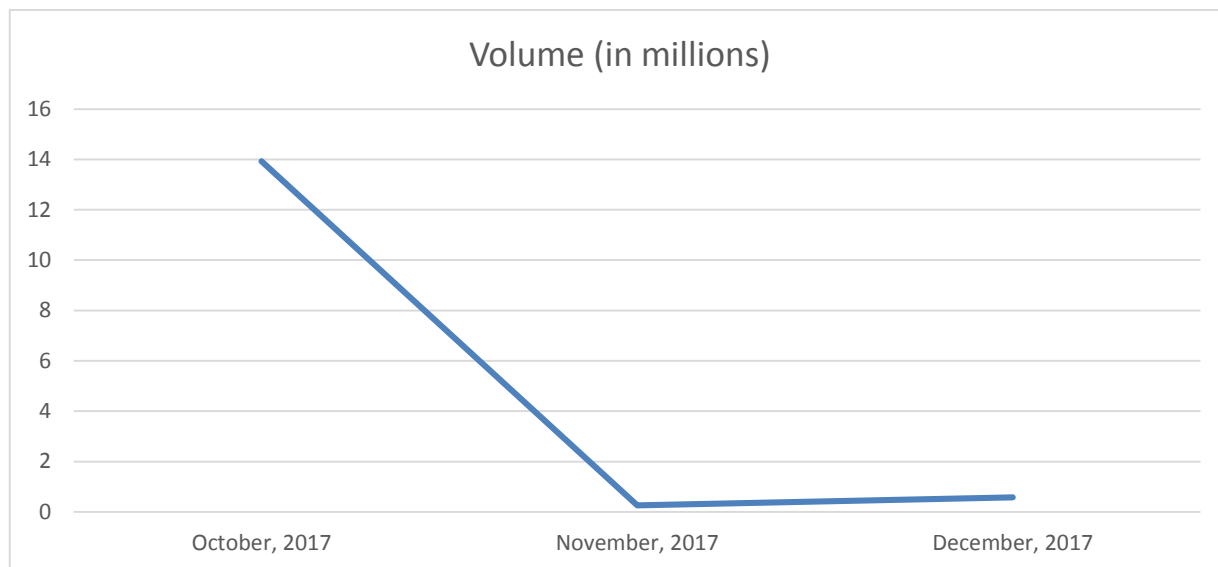


Figure 14 - Prataap Snacks Monthly Trade Volume

Table 20 - Prataap Snacks Returns

Issue Price	938
Listing Gain (18/09/2017)	40.51%
Return after a Quarter (30/10/2017)	33.24%
Till Date (02/05/2018)	46.96%

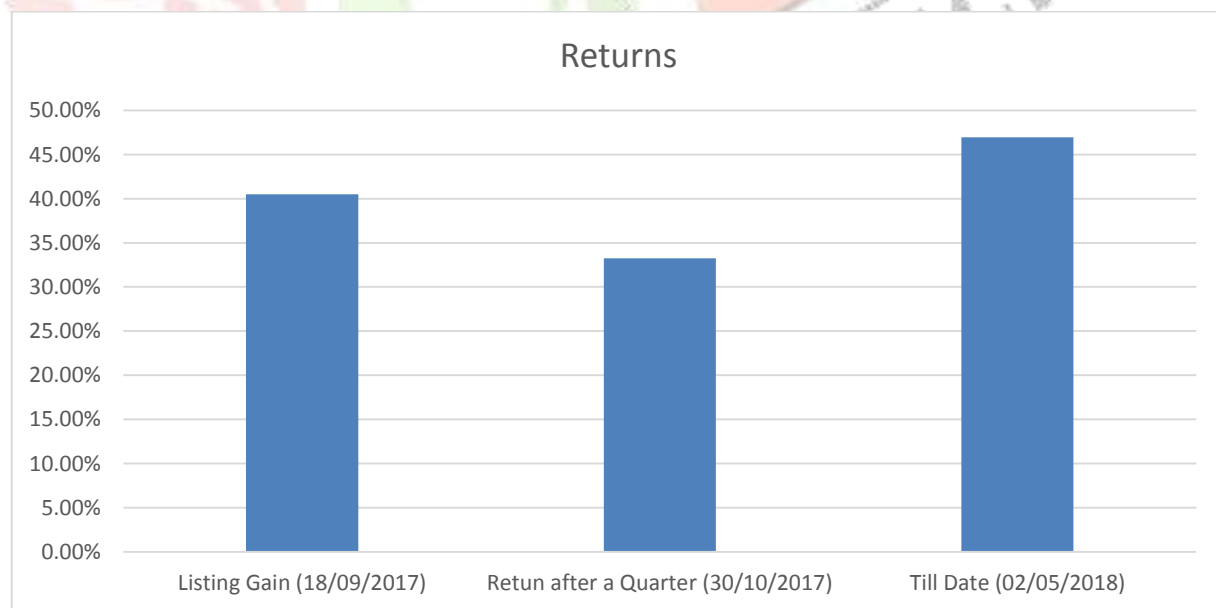


Figure 15 - Prataap Snacks Returns

### III. Observations

- i. Trade Volumes reduced by an average of 77% in the second month and 82% in the third month.
- ii. Avenue Supermarts turned out to be the most profitable IPO, giving returns of almost 150% after a quarter of listing.
- iii. Matrimony.com gave the least returns of -10% after a quarter of listing.
- iv. There is a correlation of -0.36 between fall in trade volume and returns of IPO stocks. Thus, signifying that with fall in trade volumes, returns have increased.
- v. There have been significant listing gains and fall in the subsequent period.

Table 21 - Fall in trade volume of the IPOs

IPO	2nd Month	3rd Month
Avenue Supermarts	42%	79%
Cochin Shipyard	65%	60%
Dixon Technologies	87%	76%
Matrimony.com	92%	98%
Prataap Snacks	98%	96%

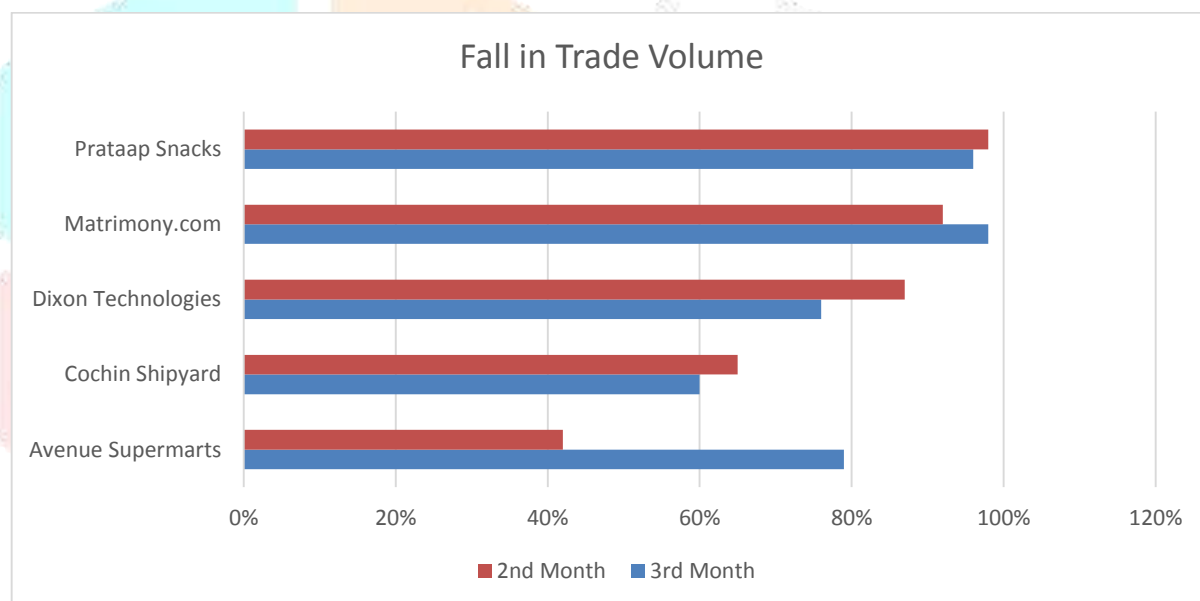


Figure 16 - Fall in trade volume of the IPOs

Table 22 - Returns after a quarter of the IPOs

Avenue Supermarts	149%
Cochin Shipyard	34%
Dixon Technologies	99%
Matrimony.com	-10%
Prataap Snacks	33%

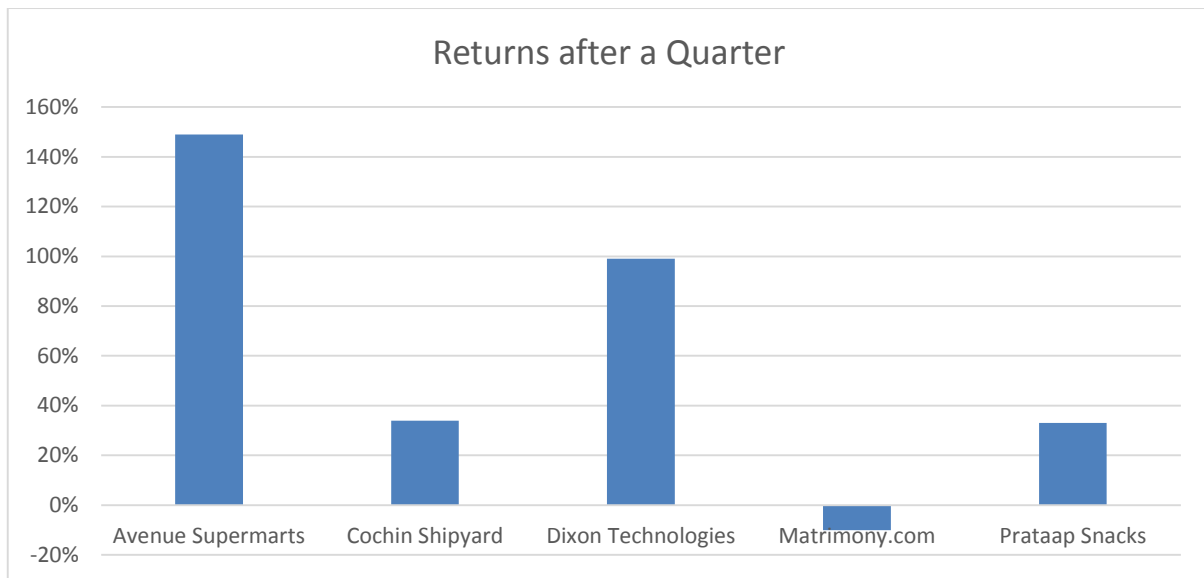


Figure 17 - Returns after a quarter of the IPOs

#### IV. Conclusion

Back in 2008, Reliance Power was oversubscribed 73 times. However, the company's prices slipped upon listing. On the same day, Sensex lost 834 points.

Given the hype surrounding IPOs in the present time and the bullish run the Indian markets are currently enjoying, we might experience another such mishap. To combat any such mishap, SEBI should put in place a few strategies which would protect the investors and ensure that an IPO bubble is not created.

1. Introducing IPO derivatives – Derivatives allow for the swift price movement of a security. It ensures that securities are not under or over valued at any point of time. Derivatives can be introduced on companies a month after they have been listed.
2. Limiting Margin funding – At present, there are no limits set on the margin funding for investing in IPOs. HNIs easily avail funding from the NBFCs to apply for IPOs. They place bids for several lots at the cut off prices. This drives up the listing price.
4. Controlling Grey Market Operations – Grey Markets are a major force behind overvaluation of an IPO. SEBI must take necessary action to control the functioning of the Grey Market operations. IPO applications and allotted shares should be registered and should only be allowed to be transferred to a nominee in case of death.
4. Market Awareness – SEBI should spread investor awareness through various ways, informing the investors about sustainable investments. A monthly manual should be released by SEBI disseminating all the necessary information for the period.
5. Regulating IPO Book building process – SEBI should regulate the entire book building process wherein the IPOs are valued at a price they are worthy for. At present there are different ways to value a business. SEBI should make it compulsory for all investment banks to follow one process in the valuation of a business for IPOs.
6. Sticking to strict circuit breakers upon listing – The markets should incorporate strict circuit breakers on IPOs on their listing day. The maximum volatility in a script is seen on the day its listed. Putting a cap would prevent more and more people contributing to the bubble. The circuit breaker could be in between 20 – 30%.