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Article

"Listing Performance of IPOs: A Comparative Study of Mainboard and SME Board Listings on BSE"

Article History

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Abstract:

The study examines the listing performance of Small and Medium Enterprises (SME) and Mainboard Initial Public Offerings (IPOs) listed on the Bombay Stock Exchange (BSE) during the year 2022. The study aims to identify underpriced and overpriced IPOs and compare the listing gains of SME and Mainboard IPOs. The research is based on secondary data obtained from BSE and Chittorgarh websites, covering a total of 90 IPOs, including 52 SME IPOs and 38 Mainboard IPOs. Descriptive statistics and independent sample t-test were used for analysis. The findings reveal that SME IPOs generated higher mean listing gains (21.54 per cent) compared to Mainboard IPOs (9.74 per cent), indicating higher short-term returns. However, SME IPOs also exhibited higher volatility and risk, whereas Mainboard IPOs showed relatively stable performance. The hypothesis testing results confirmed a statistically significant difference in listing gains between SME and Mainboard IPOs.

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Introduction:

Business expansion, diversification, and business strength require a huge amount of capital in the corporate environment. Companies will have to rely on the primary market to fund such needs; they accomplish this by selling equity shares to the public through an IPO. When a company sells its securities for the first time to the public to raise capital, it is called an IPO. It helps companies raise capital from investors for long-term use and helps in business expansion and development.

Companies offer shares in an IPO, and then they get listed on a recognised stock exchange like the National Stock Exchange of India (NSE) or Bombay Stock Exchange (BSE). Investors get involved in IPOs to gain returns on the listing-day, short-term and long-term. The share listing return is the amount of difference between the issue price and the listing price. If the listing price is above the issue price, it is considered underpricing; if the listing price is below the issue price, it is considered overpricing. IPO underpricing offers attractive gains to investors on the listing -day, and it is seen that listing-day gains have a significant effect on investment decisions in the primary market (Jain, N., & Padmavathi, C. (2012).

BSE provides two major platforms to raise funds from the public (Mainboard and SME Board). The Mainboard is offered to large-sized and established businesses with high capital needs, while the SME Board is available for small and medium businesses with relatively relaxed norms to encourage SME listings. SME Board provides small and medium sized enterprises access to public money and improves their business growth opportunities. Both platforms play an important role in the capital formation and development of the Indian capital market (SEBI, 2023; BSE, 2024).

Speculative investors are more willing to participate in SME Board IPOs and leading to greater underpricing, higher listing gains and short-term returns in the SME board IPOs (Dhamija, S., & Arora, R. K, 2017). SME IPOs in India lead to high probability of delivering listing-day return; SME IPOs also perform competitively compared to the Mainboard in terms of underpricing, but have lower subscription levels (Wazal, M. S. & Sharma, S. K. 2020). Mainboard IPOs in India had an average listing-day excess

return; many performed poorly over the long-term, suggesting that strong listing-day performance does not necessarily leads to strong post-listing returns. The issue characteristics like issue size, promoter holding, lead manager prestige, and type of the issuer greatly affect the long-term performance of Mainboard IPOs (Dhamija, S., & Arora, R. K, 2017).

Review of Literature:

The performance of the IPOs in the Indian capital market has been analysed by studies, focusing on the emerging SME segment. Singh, A. K., & Anand, A. (2020) and Gupta and Anand (2020) found large underpricing for the 176 SME IPOs that were listed on the BSE SME platform during 2012-2017, with average listing-day returns of 8.66 percent. The results of the study suggested that the subscription levels, size of the issue, delay in listing, and age of the firm and market sentiment have a significant impact on IPO performance. Angle et al. (2019) analysed the 183 Mainboard and 78 SME IPOs listed on BSE during 2010 to 2017, and they fund the mean listing returns of SME IPOs were higher than those of Mainboard IPOs, but there were no significant differences in mean listing returns or variance of initial returns between the two segments. The IPOs by SMEs and Mainboard during the COVID-19 era were analysed by Vijaya and Vijaykarthigeyan (2023) and Roopa and Shankar (2023); both papers found that the IPOs were generally underpriced, but the listing returns were higher during the IPO post listing period for Mainboard IPOs as compared to SME IPOs. These studies also confirmed that the subscription level is the most significant factor affecting IPO underpricing. Shetty (2021) SME IPOs provided higher short-term returns with high volatility compared to Mainboard IPOs. The results indicate that an SME IPO could be profitable in the short-run, although the returns vary between SMEs. Recent studies indicate changing dynamics of the SME IPO market. The study done by Khanted and Rana (2026) on SME IPOs listed on BSE SME and NSE Emerge shows that 69 percent of the firms listed on BSE SME and NSE Emerge during the study period have traded below their issue price, thereby giving a negative average return and highlighting the risk with SME IPO investment. In a similar study, Bose and Pal (2026) found that IPOs have been underpriced consistently for a large sample of 537 Mainboard and 1,130 SME

IPOs, with a rise in investor participation and market growth highlighted by SME listings.

Research Gap:

Existing literature on IPO performance mainly focuses on IPO underpricing, listing gains, and long-run market performance in the Indian capital market. Several studies have separately examined SME IPOs and Mainboard IPOs. However, limited research has comparatively analysed their listing performance. Moreover, the increasing number of SME IPOs (The number of SME IPOs increased from 27 in 2021 to 52 in 2022) in 2022 has received limited empirical attention despite their increasing role in capital formation. Previous studies also provide limited evidence regarding the comparative risk and volatility associated with SME and Mainboard IPOs. Therefore, the present study attempts to bridge this gap by comparing the pricing efficiency and listing performance of SME and Mainboard IPOs listed on BSE during 2022.

Statement of the Problem

The primary market plays a vital role in capital formation, with IPOs enabling companies to raise funds and investors to maximize their returns. IPO pricing often results in underpricing or overpricing, leading to abnormal listing gains or losses. In India, IPOs are listed on platforms such as the BSE under SME and Mainboard segments, which differ in size and risk profile. In the year 2022, there was a notable (The number of SME IPOs increased from 27 in 2021 to 52 in 2022) increase in SME IPOs, which urges the need to examine their performance and how SME IPOs perform compare with Mainboard IPOs in terms of pricing efficiency and listing gains.

Objectives:

1. 1. To identify the Pricing status of select IPOs
2. To compare the listing gains of SME and Mainboard IPOs

Hypothesis.

H0: There is no significant difference in the mean listing gains of SME IPOs and Mainboard IPOs.

H1: There is a significant difference in the mean listing gains of SME IPOs and Mainboard IPOs.

Research Methodology

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The study adopts a Descriptive and Analytical research design to analyse and compare the listing performance of SME and Mainboard IPOs listed on the BSE during 2022. It is based on secondary data (issue price, listing price, and closing price of IPOs) obtained from the website of the BSE and the Chittorgarh financial portal. The research covers all IPOs listed on the BSE during 2022, following a census method with a total of 90 IPOs, containing 52 SME IPOs and 38 Mainboard IPOs. The study uses key variables such as issue price, listing price, listing gain, and pricing status (underpriced, overpriced, fairly priced) along with IPO category classification. Listing gain is used as the primary performance indicator to assess short-term IPO returns. The analysis employs descriptive statistical tools and comparative techniques to evaluate differences between SME and Mainboard IPO performance.

Analysis and Discussion

Descriptive statistical tools such as mean, median, maximum, minimum, and standard deviation were used to analyse the performance of IPOs. Listing-day performance was measured using the listing-day return; it is the difference between the IPO issue price and the listing-day closing price. The listing-day return is computed using the following formula.

Listing-day Return (%) = [(Listing-day Closing Price – Issue Price) ÷ Issue Price)] × 100

Table 1 Pricing Status of IPOs

Status	SME IPOs		Mainboard IPOs	
	No of IPOs	%	No of IPOs	%
Underpriced	37	71.15	24	63.16
Overpriced	9	17.31	12	31.58
Fairly Priced	6	11.54	2	5.26

Source: Computed on the basis of issue price and IPOs listing Price

SME IPOs exhibit a higher proportion of underpricing (71.15 per cent) compared to Mainboard IPOs (63.16 per cent), suggesting stronger listing returns in the SME segment. Mainboard IPOs show a relatively higher share of overpriced issues (31.58 per cent), indicating more instances of listing below issue price. Overall, SME IPOs appear more growth-driven and volatile, while Mainboard

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IPOs reflect comparatively balanced pricing behavior.

Table 2 Listing Gain of SME IPOs

Measure	Value (%)
Mean Listing Gain	21.54
Median Listing Gain	3.58
Maximum Listing Gain	108.93
Minimum Listing Gain	-50
Standard Deviation	36.63

Source: Computed on the basis of issue price and IPOs closing Price

Table 2 reveals that the mean listing gain of 21.54 per cent indicates that SME IPOs yield positive average returns. However, the median value of 3.58 per cent suggests that the majority of IPOs generate relatively modest gains. The substantial gap between the mean and median is attributable to a few IPOs with exceptionally high returns, as reflected in the maximum gain of 108.93 per cent**.** Simultaneously, the minimum return of -50 per cent indicates the presence of significant negative outcomes. The standard deviation of 36.63 per cent**,** which exceeds the mean, further highlights the wide variability in returns. Thus, the listing performance of SME IPOs is characterized by considerable dispersion across observations. In comparison with the Mainboard IPOs shown in Table 3, SME IPOs provide higher mean listing gain but with considerably more variability in returns.

Table 3 Listing gain of Main board IPOs

Measure	Value (%)
Mean Listing Gain	9.74
Median Listing Gain	3.72
Maximum Listing Gain	54.91
Minimum Listing Gain	-8.62
Standard Deviation	16.14

Source: Computed on the basis of issue price and IPOs closing Price

The mean listing gain of 9.74 per cent indicates that Mainboard IPOs generate moderate positive returns on average (Table 3). The median value of 3.72 per cent suggests that most IPOs yield relatively lower gains, reflecting typical investor experience. The proximity between mean and median indicates a relatively balanced distribution of returns.The maximum gain of 54.91 per cent and minimum of -8.62 per cent show that extreme fluctuations are minimal.

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Further, the standard deviation of 16.14 per cent indicates lower variability compared to SME IPOs. Thus, Mainboard IPOs exhibit relatively stable and less volatile listing performance. A comparative overview between the listing performance of Mainboard and SME IPOs is presented in Table 4.

Table 4 Comparative Performance of SME and Mainboard IPOs

Measure	**SME IPOs (%)**	**Mainboard IPOs** (%)
Mean Listing Gain	21.54	| 9.74
Median Listing Gain	3.58	3.72
Maximum Listing Gain	108.93	54.91
Minimum Listing Gain	-50	-8.62
Standard Deviation	36.63	16.14

Source: Computed on the basis of issue price and IPOs closing Price

Table 4 shows comparative results that indicate that SME IPOs generate significantly higher average listing gains (21.54 per cent) compared to Mainboard IPOs (9.74 per cent), suggesting stronger listing return potential in the SME segment. However, the higher standard deviation (36.63 per cent) in SME IPOs reflects greater volatility and risk in returns compared to Mainboard IPOs (16.14 per cent). The median values are relatively close (3.58 per cent vs 3.72 per cent), indicating that typical IPO performance is modest in both segments despite higher mean returns in SMEs. The wider range between maximum returns also confirms that SME IPOs are driven by extreme performance cases. Overall, SME IPOs offer higher returns with higher risk, while Mainboard IPOs provide more stable performance. While Table 4 highlights the comparative performance of SME and Mainboard IPOs, Table 5 provides statistical evidence to determine whether the observed differences are significant.

Table 5 Hypothesis testing results

Particulars	**Value**
Mean listing gain (SME)	21.54 %
Mean listing gain (Mainboard)	9.74 %
Difference in means	11.80 %
t- value	2.02

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p-value	0.046
Level of significance	5% (0.05)
Decision	Reject Ho (Null Hypothesis)

The hypothesis testing results indicate a statistically significant difference in mean listing gains between SME and Mainboard IPOs (Table 5). The t-value of 2.02 with a p-value of 0.046, leads to rejection of the null hypothesis at the five percent level of significance. This confirms that SME IPOs (21.54 per cent) and Mainboard IPOs (9.74 per cent) differ significantly in their listing performance. The positive difference in means (11.80 per cent) suggests that SME IPOs outperform Mainboard IPOs in terms of listing returns.

Findings

The analysis of IPO classification reveals that underpricing is dominant in both SME and Mainboard IPO segments listed on the BSE during 2022. Among the 52 SME IPOs, 71.15 per cent were underpriced, while 17.31 per cent were overpriced. Similarly, 63.16 per cent of Mainboard IPOs were underpriced, and 31.58 per cent were overpriced. The higher proportion of underpriced SME IPOs indicates stronger listing-day gains and greater speculative investor participation in the SME segment.

The listing performance of SME IPOs shows significantly high listing returns along with substantial volatility. SME IPOs recorded a mean listing gain of 21.54 per cent, indicating attractive returns for investors. However, the median listing gain was only 3.58 per cent, suggesting that the higher average return was influenced by a few exceptionally performing IPOs. The maximum listing gain reached 108.93 per cent, whereas the minimum return declined to 50 per cent. Further, the standard deviation of 36.63 per cent indicates wide fluctuations and high risk associated with SME IPO investments.

The analysis of Mainboard IPOs indicates comparatively stable and balanced listing performance. Mainboard IPOs generated a mean listing gain of 9.74 per cent, which is lower than SME IPOs. The median listing gain of 3.72 per cent reflects moderate and consistent returns across most IPOs. The maximum gain was 54.91 per cent, while the minimum return was 8.62 per cent, showing lower downside risk compared to SME IPOs. In addition, the standard deviation of 16.14 per cent confirms that Mainboard IPOs are

relatively less volatile and more stable in terms of pricing behaviour.

The comparative analysis highlights significant differences between SME and Mainboard IPO performance. SME IPOs generated higher average listing gains, with a mean difference of 11.80 per cent over Mainboard IPOs. However, the SME segment also exhibited substantially higher volatility and pricing uncertainty. The hypothesis testing results further confirmed a statistically significant difference between the listing gains of the two IPO categories, as the p-value of 0.046 was lower than the five percent significance level. Therefore, SME IPOs can be characterized as high-risk and high-return investments, whereas Mainboard IPOs provide relatively stable and lower-risk investment opportunities.

Suggestions

The findings indicate that SME IPOs generate higher returns but also involve greater volatility and investment risk. Therefore, investors should evaluate the risk-return trade-off carefully before investing in SME IPOs. Retail investors should not rely solely on high listing gains and must consider company fundamentals, financial performance, and business prospects. Regulatory authorities may strengthen disclosure requirements and pricing mechanisms in SME IPOs to reduce excessive underpricing and market uncertainty. Merchant bankers and issuing companies should adopt more efficient pricing strategies to minimize large deviations between issue price and listing price. Investors seeking stable and low-risk returns may prefer Mainboard IPOs due to their relatively balanced performance and lower volatility. Further, investor awareness programs may be conducted to educate investors regarding the risks and opportunities associated with SME and Mainboard IPO investments.

Conclusion

The study concludes that IPO performance in the Indian primary market differs significantly between SME and Mainboard segments. SME IPOs listed on the BSE during 2022 generated higher average listing gains compared to Mainboard IPOs, indicating better listing return potential. However, SME IPOs also exhibited substantially higher volatility and risk due to greater fluctuations in returns. In contrast, Mainboard IPOs demonstrated relatively stable and balanced pricing behaviour with

lower variability. Overall, the study highlights that SME IPOs are high-risk and high-return investments, whereas Mainboard IPOs are comparatively safer and more stable investment options.

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The authors declare no conflict of interest with respect to the research, authorship, or publication of this article.

3. Ethics Approval:

Ethics approval was not required for this study as it did not involve human/animal subjects.

4. Informed Consent:

Yes, informed written consent was obtained from all participants.

5. Data Availability Statement:

The data that support the findings of this study are available upon reasonable request from the corresponding author.

6. Author Contributions (Credit Statement):

Author 1: Conceptualisation, Methodology, Writing – Original Draft

Author 2: Data Curation, Formal Analysis, Writing – Review; Editing

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