

Abstract of Doctoral Dissertation

An Analysis of Determinants of IPO Pricing : Empirical Evidence from Indian Capital Market¹

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I. Introduction

UNDERPRICING OF NEW equity issues is an international phenomenon. The underpricing has been reported across countries during different time periods. The U.S. has been the largest IPO market in terms of volume, and China has had the most extreme underpricing. The equally weighted average first day return in U.S. during 1960-2010 is 18%, where as it is 137.4% in China during 1990-2010 and 92.7% in India during 1990-2007. In India the problem of underpricing is less severe than it is in China but more than the U.S. and many other developed and developing countries.

In primary capital market research the underpricing of IPOs is the most researched but still unresolved issue. Therefore the present study is an attempt to analyze the overall performance of book-built equity IPOs in Indian capital market. The main objectives of the study are to find out the determinants of initial returns, short term returns, and the long term returns of IPOs in India. It also aims at examining the existence of theories of IPO underpricing such as Signaling, Informational Asymmetry, and Social Comparison.

The scope of the present study is to find out how far the publicly available information is being used by the IPO firms and IPO investors. The models designed in the study all are based on publicly available information. The study period is from the year 2004 to 2013. It is based on a sample of 200 IPOs issued during the said period.

The present study has overcome many limitations of previous studies in the literature such as small sample size, analysis without a theory base etc. It has also improved the predictability power of the models of

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Submitted May 2016; Accepted June 2016