

Abstracts of Research Article

1. Price Performance Of Initial Public Offerings In India.

Majumdar Utkarsh.

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The author studies both the initial and aftermarket price performance of IPOs in the Indian market at a time when the pricing norms were liberalized. The impact of price performance on various phases of the market, impact of oversubscription, impact of risk and the investment banker reputation are other points of focus in this study. It also highlights how differences in institutional set up inhibit comparison of results across countries.

Past studies of initial price, performance of IPOs indicates that money is being left on the table. The author attempts to study the phenomenon in the Indian market at a time when the pricing norms were liberalized.

The author analyses six fifty five issues listed on the BSE between October 1992 and July 1994. During the period under study, offer price was set before information acquisition. The allocation system was non-discretionary in the sense that there existed a scheme of reserving certain amounts from the total issue for large customers like NRIs, mutual funds, financial institutions etc. The allocation was by a draw of lots. Further, from December 1993 SEBI mandated an allocation mechanism (called "proportionate allotment") which allotted an investor in each application size category, shares on a proportionate basis. This method tended to favour the large investors.

The analysis indicate the following results:

- ◆ Issues at par and issues at premium earned similar returns and their cross sectional variances were similar.
- ◆ Issues made during hot markets earned returns similar to the issues made during cold markets.
- ◆ Positive excess returns were seen to be an overwhelming phenomenon. Excess returns were directly related to the oversubscription levels.
- ◆ No conclusive evidence emerged in measurement of ex-ante measures of riskiness of IPOs.
- ◆ Contrary to popular perception, IPOs traded frequently. In the aftermarket, excess returns rose sharply for the first four days of trading and then they tapered off to again rise at a slower pace.

Keywords: Initial Public Offering (IPO), Underpricing, Hot Market, Cold Markets.

2. Financial Infrastructure, Underwriter Reputation and Securities Fraud

Song Ling Wei

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The view that an underwriter cares about its public reputation (which in turn should reduce the incentive to misrepresent information) fails to explain the high incidence of securities fraud during the internet bubble period. This paper considers the reputation of underwriters in groups and shows