

Title of the thesis:

Four Essays on Initial Public Offerings: Evidence from India

Name of the research scholar: Sahil Narang

Roll number: 19BM91F01

Abstract

This study focuses on four major aspects of initial public offerings. First, we examine the impact of pre-IPO earnings management on the participation of anchor (cornerstone) investors. We find that anchor investor participation is positively impacted by pre-IPO earnings management. However, reputed anchor investors are less likely to invest in IPOs with high earnings management. Second, we examine important determinants of IPO underpricing using machine learning (ML) techniques and a multiple linear regression model. We underline important variables in the prediction of IPO underpricing and compare the prediction accuracy across techniques. Our results reveal that IPO demand and market activity before IPO are the strongest determinants of IPO underpricing. A few machine learning techniques can produce better prediction accuracy. Third, we study the impact of IPO's lead manager centrality on the various IPO outcomes including underpricing, aftermarket returns, and investor demand. We find that more connected lead managers result in improved short-run returns. They also attract higher investor subscriptions and compensate for information revelation by IPO investors in terms of greater underpricing. Fourth, we examine the impact of Covid-19 induced uncertainty on IPO underpricing, aftermarket volatility, and short- and long-run IPO performance. We find that Covid-19 induced uncertainty has increased investment risks in the markets, resulting in a higher demand for the risk premium by IPO investors, which is delivered in terms of a higher level of underpricing. Further, the nexus between Covid-19 and IPO underpricing is more evident in firms with low information environments, those with low IPO certification, and poor financial conditions. The study has important implications for various stakeholders in the IPO market including the investors, issuer firms, lead managers, and policy makers.

Keywords: Initial public offerings, earnings management, lead manager networks, underpricing, Covid-19, India.