IMPACT OF OFFER DOCUMENT DISCLOSURES AND INDEX RETURN ON IPOs’ INITIAL RETURN

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ABSTRACT

The present study attempts to examine the impact of financial variables disclosed in the offer documents of the issuer companies and index return on IPOs’ initial return. Based on a sample of 167 premium IPOs floated by the corporate bodies in India during a period of 12 years from 1992-93 to 2003-04 and after applying Linear Multiple Regression Analysis, the study finds that the offer document disclosures regarding turnover, total assets, net worth, Earning Per Share (EPS), Book Value (BV), percentage of dividend paid, age of the issuer company, promoters’ stake in post-issue capital and issue size failed to explain the variation in initial return obtained by the investors on first trading day of the issues at Bombay Stock Exchange. But the results of Simple Linear Regression Analysis, carried to measure the impact of index return on initial return, revealed that the initial return obtained by the investors has been significantly affected by the index return during the period under study.

KEYWORDS: