An Analysis of Grading Certification with Underpricing in Indian Book Built IPOs

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Abstract

This paper focused to analyze the impact of grading certification on Underpricing. For this purpose a sample of 335 Book built IPOs (for the period January 2006 – December 2015) is taken out of which 203 graded IPOs and 132 non graded IPOs. This study is aimed to test the efficacy of grading on listing day’s return. The analysis is done with the help of descriptive statistics, Regression analysis, Independent Sample T test and Annova test. Regression result indicates grading has negative relation with market adjusted underpricing. Hence, null hypothesis is rejected and expected hypothesis is accepted. This ensures that higher the IPO grades lower the Underpricng. Hence $\beta$ coefficient value (-.062) is significant at 10% confidence level. Moreover, Independent sample T test and one way Anova do not produce significant result. Hence null hypothesis can not be rejected which signify that there is no significant difference and variance in mean return of graded and Non graded IPOs. The findings of this study are useful for the investors and companies in terms of avoid the risk of speculation and Money left on table respectively.

Key words: Initial Public Offerings (IPO); IPO-Grades; Underpricing; Capital Market Efficiency

Paper Classification: Research Paper