

# **THE EFFECT OF 2008 STOCK MARKET CRASH ON UNDERPRICING OF BOOK-BUILT IPOs: A STUDY OF INDIAN CAPITAL MARKET**

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## **Abstract**

Historically, IPOs have been observed to be underpriced. There are cycles in both the volume and the average underpricing of IPOs which may be attributable to the prevailing economic conditions. A large number of IPOs are made when there is a stock market boom. In contrast there is generally a decline in the IPO activity when the stock market conditions become adverse. The stock market crash may cause a short term behavioural change amongst investors or a structural change in the market which may affect IPO underpricing. The present paper investigates the impact of Indian stock market crash in the year 2008 on the underpricing of book-built IPOs. A significant difference is found in the level of IPO underpricing in the post stock market crash period as compared to pre stock market crash period.

**Keywords:** Underpricing, IPO, 2008 stock market crash, economic crisis.

**JEL classification:** G010, G120.