

ABSTRACT

This study examines the stock price reactions around private placements in India. A sample of 20 firms from Information technology sector and 16 firms from Infrastructure sector during March 2006 to October 2010 has been chosen for the study. Standard event study methodology has been used to examine the stock price reactions around private placement announcement. The results indicate that, on an average, the stocks of information technology firms starts showing positive abnormal returns ten to eleven days before the announcement date. This may be due to the information leakage. On the announcement day, both Information technology and Infrastructure firms experienced a negative abnormal return and it is not significant. The results provide stronger evidence of semi-strong market efficiency of the Indian stock market. Overall, the study supports signaling hypothesis consistent with the findings in the United States, Sweden, Canada, and New Zealand.