

**"Under pricing of IPO's, A study of Companies  
listed on the Karachi Stock Exchange"**



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## **Abstract**

When companies go public, the equity they sell in an initial public offering tends to be under priced, resulting in a substantial price jump on the first day of trading. The under pricing discount in the United States averaged more than 20% during the 1990s, implying that firms left considerable amounts of money on the table. This paper investigates the under pricing phenomena of Initial Public Offerings (IPOs), using a unique sample consisting of 50 Pakistani companies, which became publicly listed during the period 2000-2007. We find that these IPO's had large positive initial returns at an average 33.24%, an evidence of under pricing.

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